General Report Board of Directors 2021

The political and economic situation witnessed a sharp deterioration since end of 2019 as a result of the protests that have taken place since 17 October 2019, delays in government reforms, the Covid19 pandemic and last by not least the destruction of the Beirut port and part of the city from the 4th of August blast.

The bottom line exhibited negative results due mainly to the government withholding coupons on Eurobonds, the loss on sale of Eurobonds, the loss on discounted CDs and placements with the BDL that were used in order to close the LBP overnight balances and the FX position, in addition to the booking of regulatory ECLs on sovereign exposure. The cost cuts partially compensated for this loss, but the end game was a negative result during the last two years.

BLC Bank 2021 net losses reached USD -127 million, resulting mainly from additional $172 million ECLs on sovereign exposure in FCs in accordance with BDL circular 567 issued on 26 August 2020.

On the balance sheet side, and following the persistent politico-economic crisis, our total assets dropped by 11.1% in 2021 to reach USD 3.5 billion, mainly following a drop in Customers' Deposits.

In fact, BLC Bank customers' deposits reached USD 2.8 billion by end of December 2021, decreasing by 8.88% compared to 2020. As a matter of fact, decreasing our deposits base, namely, thus shrinking our liabilities and balance sheet size can be looked at positively on the short term as it will most likely help us survive the crisis.

In parallel, total net loans to customers dropped by 28.4%, due to the ongoing mentioned crisis and large payoffs. Yet, this decrease positively affected the ECL requirements on our loan portfolio.

On the other hand, and following the staff cost reduction plan initiated in October 2019, our total staff expenses dropped by 13% during 2020.

Staff headcount reached 531 by end of May 2022, decreasing by 319 (-37.5%) since September 2019, of which 100 employees who submitted their resignation during 2021 and 2022 willingly in quest for better opportunities. Within the same context, the number of branches dropped by 18 from a total of 43.

Besides, our cost of fund dropped significantly as per BDL circulars #536 and #544 dictating cuts in interest rates, which compensated for the drop in interest income following the withholding of coupons on Eurobonds and the discounts on CDs and placements in LBP.

As far as the foreign liquidity is concerned, BLC holds $28 million liquidity in foreign banks and $610 M with BDL. After including $18 million, which is the net value of $150m Eurobonds reclassified at FVTPL at 12%, our foreign liquidity ratio would reach 2.06% (and 2.39% excluding circular #158 withdrawals).

BLC has already started increasing its regulatory foreign liquidity abroad through the sale of its real estate portfolio in Cyprus and applying haircuts on loans settlements from fresh funds. Yet, circular #158 is still depleting our foreign liquidity and all of our foreign, even local suppliers, are asking to be paid in cash. Additionally, BLC will keep on bringing fresh money accounts to improve its foreign liquidity and will work on increasing fresh commission income on all the activities that can bring fresh income such as transfers and trade finance.

BLC foreign liquidity ratio is expected to reach 1.9% by end of 2022.

BLC Bank's Capital Adequacy Ratio reached 16.3% by end of 2021; Total CAR ratio is expected to reach 17.3% by end of 2022.

In an unsteady financial landscape, with consumer behaviors and expectations challenging the banking sector, BLC Bank tried at its best to preserve its customer centric strategy, offering support and service to customer's financial and non-financial services.

BLC strives to leverage state-of-the-art technology in order to automate processes where needed, hence, making them efficient, fast, and streamlined in order to provide customers of the bank with quality services.

On the non-financial services level, the Bank's historical strategy was always to invest in the economy. Its corporate image was well associated with SME banking, which was considered as a key axis in the Bank. Worth noting, that before the crisis, BLC Bank was a leading bank in SME Banking and namely Kafalat, where its market share was above 10% compared to a size of 2.2% for BLC in the market.

In addition to the above, the bank was a leader in promoting the women in Business as well as the retail banking, namely, the personal loans.

During the last two years, and due to the aforementioned politico-economic situations, the strategy was largely affected.

Amid this harsh environment, BLC will stay in a wait and see mode expecting some economic and political breakthrough. Only by then BLC will seek specific growth targeting particular segments namely SME, personal and housing loans, to help boost the economy and the construction segment.

Also, assuming political breakthrough and economic reforms, BLC will re-start building stable and sustainable relations, by acquiring small to medium depositors with cross selling potential.

Chairman General Manager

Nadim Kassar