

ANN UAL

REPORT 2019

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BLOM BANK's performance in year 2019 came largely better than expected but was surely affected by the impact of the financial and economic crisis that has struck Lebanon since October 2019. Net profits came to USD 115.411 million, lower by 77.44% from year 2018. As to balance sheet items, assets stood at USD 33.296 billion, lower by 9.38%; deposits were USD 26.462 billion, lower by 2.78%; loans decreased to USD 5.814 billion, less by 18.85%; and shareholders' equity declined to USD 3.156 billion, less by 3.44%. In terms of profitability and efficiency ratios, return on average common equity was 3.48% and return on average assets was 0.33%; while the cost to income ratio stood at 56.12% (excluding depreciation) and the ratio of gross non-performing loans at 7.1%.

ASSETS
USD 33.30 billion

DEPOSITS
USD 26.46 billion

LOANS
USD 5.81 billion

Net profits emanated mostly from our units outside Lebanon, especially from our unit operating in Egypt which constituted 43% of consolidated profits. As to our branches operating in Lebanon, they did not generate any profits in 2019, as a result of the provisions that the Bank took in accordance with Banque Du Liban's (BDL) circulars, so as to cover for the credit risks arising from the conditions prevailing in Lebanese financial markets. In this respect, it is interesting to note that BLOM was the only Bank among the four largest listed banks to record positive net profits in 2019, largely as a result of the lower relative provisions that it booked and which totaled USD 327.0 million. And besides recording the best returns on average equity and assets, the Bank also had the highest Tier 1 CAR at 9.88%.

Moreover, and as is well known, BLOM BANK is required to comply by all BDL circulars as stipulated in the Code of Money and Credit, especially article 208. As a result, the Bank has complied by these circulars when calculating expected credit losses in accordance to the specified ratios listed in Appendix 6 of BDL circular number 44, and as amended by the intermediate circular number 543 issued by BDL on February 3rd, 2020 for the year 2019 accounts. In this context, the Board of Directors has noted and approved the adverse opinion of the external auditors concerning the financial statements of our Bank in Lebanon for year 2019. And the Board has unanimously decided, for the sake of transparency, to publicize this adverse opinion of the external auditors, and this decision has been approved by the General Assembly. It is worth pointing out, though, that after the Lebanese government's default on its foreign debt in March 2020, there is not yet a clear enough picture on the extent of the losses that banks will assume. It is hoped that this uncertainty will be cleared with the formation of a new government and the implementation of a credible economic and financial reform program.

Equally important, BLOM BANK would like to take this opportunity to express its regret for all the restrictions that it was obliged to impose – like the rest of the banking sector and in coordination with BDL – and that were applied without favoritism towards any of its clients, shareholders, or employees.

On a different note, the crisis in 2019 has not deterred BLOM BANK's innovative streak, for it continued to add new products and services to its wide spectrum of products; in addition to crucial initiatives in CSR. These mainly were:

i) BLOMPay: a first of its kind service in Lebanon and the region (only Emirates NBD had introduced a similar service) that allows the cardholder of any BLOM Visa or Mastercard card, whether debit or credit, to make payments via an android mobile phone integrated within our internet/mobile banking platform eBLOM quickly, safely and easily. BLOMPay uses the latest technologies from Visa (VTS) and MasterCard (MDES).

ii) BLOM Visa Infinite Privilege: BLOM BANK is the first bank in Lebanon to launch the Visa Infinite Privilege card. Few banks in the region were selected to do the same. This card is exclusive and addressed to the UHNWI, the highest category with Visa.

iii) Zero Liability: a guarantee to cardholders that they won't be held responsible for unauthorized charges made with their account or account information. This provides protection for them if their Visa card is lost stolen or fraudulently used, online or offline. It got global recognition from Visa as a case study and received Excellence in Risk Management award by Visa CEMEA.

iv) START Savings Account: in terms of CSR initiatives, BLOM BANK became in September 2019 the first commercial bank to collaborate with the USAID on a new endeavor that aims to embark unbanked clients in rural Lebanese areas, as part of the Bank's financial inclusion strategy. BLOM BANK has introduced START Savings Program - a one of a kind savings account without any minimum balance, offering a preferential interest rate on amounts as low as LBP 40,000 (approximately USD 27 at the official rate) to encourage low income individuals to save money for a better future.

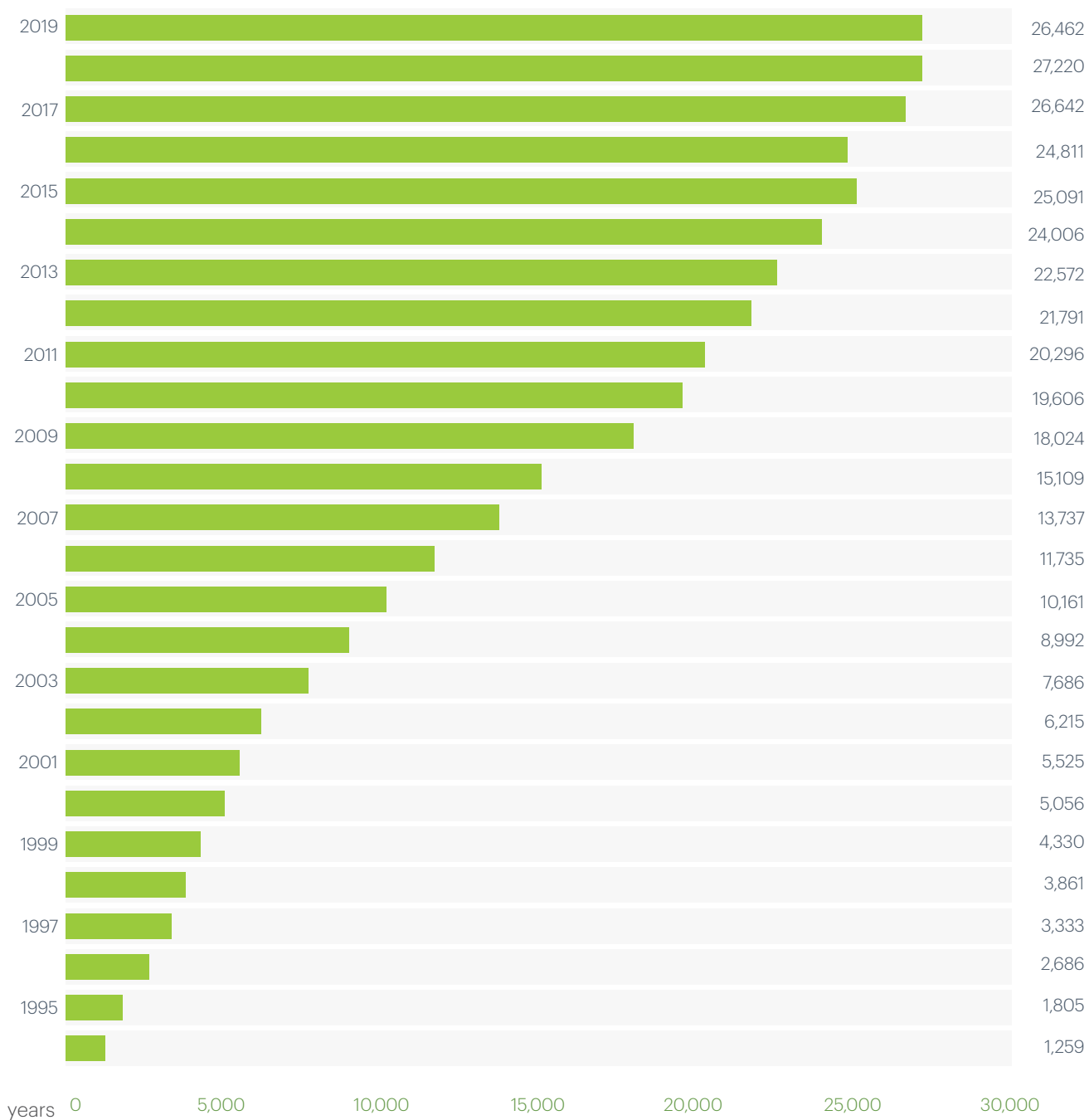
Of course, the year 2020 brought additional shocks to Lebanon - the Covid-19 pandemic, the port of Beirut explosion, and the prolonged absence of a functioning government - that has left the Lebanese economy struggling for more than a year and so has its banking sector. And in this difficult financial and low-volume environment, BLOM BANK' strategy going forward will be to minimize possible damages to its stakeholders by continuing to provide best services to its clients; by maintaining its capital adequacy and shareholders' value; and by protecting the employment of its employees and staff.



Mr. Saad AZHARI
Chairman and General Manager

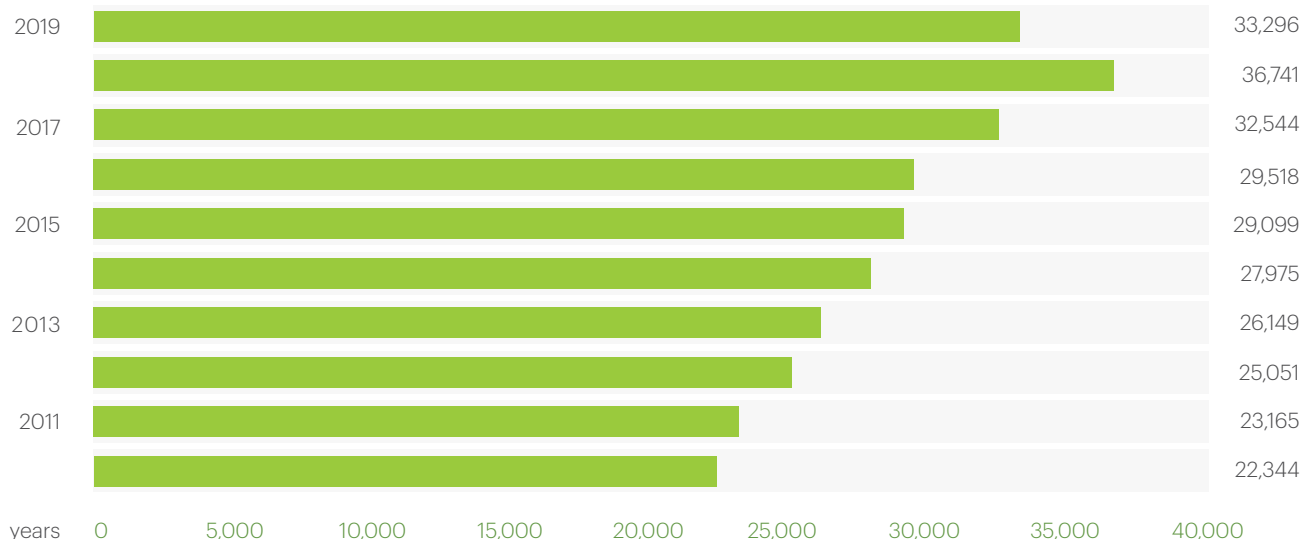
BLOM BANK would like to take this opportunity to express its regret for all the restrictions that it was obliged to impose - like the rest of the banking sector and in coordination with BDL - and that were applied without favoritism towards any of its clients, shareholders, or employees.

Consolidated Customers' Deposits Evolution (In USD Million)

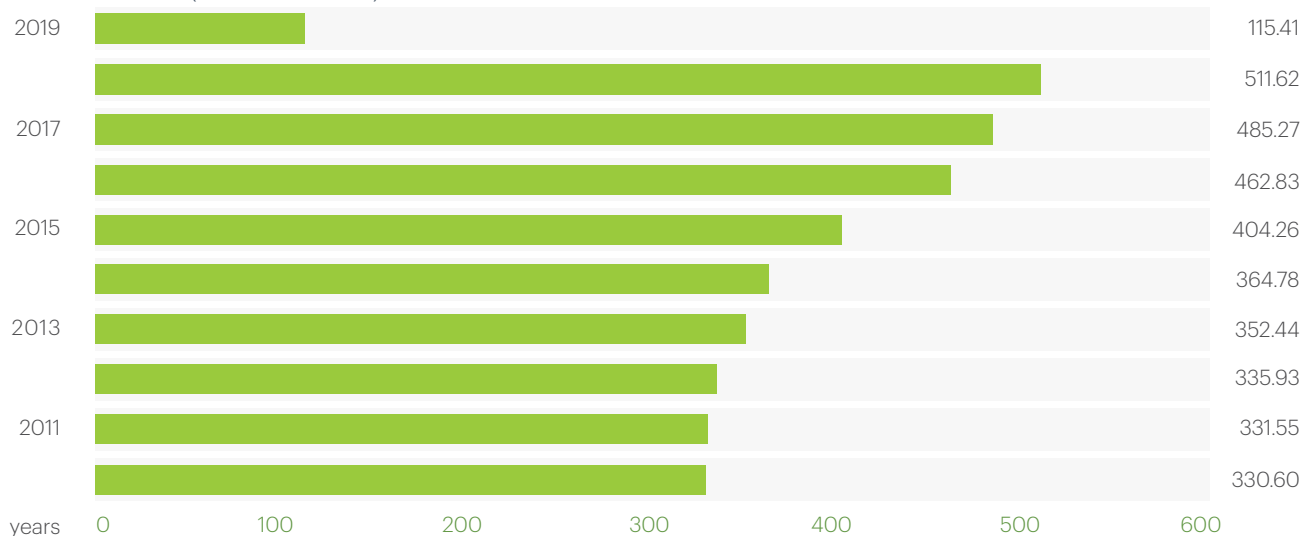


Strong and Continuous Growth

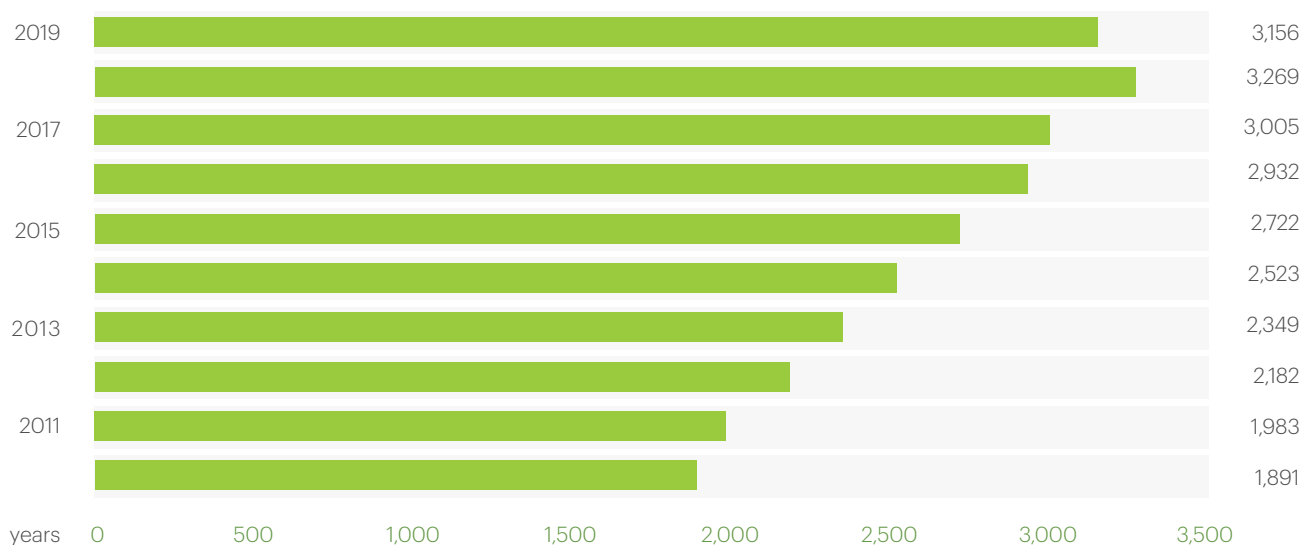
TOTAL ASSETS (IN USD MILLION)



NET PROFITS (IN USD MILLION)



TOTAL CAPITAL FUNDS (IN USD MILLION)



Evolution of Main Indicators

Evolution of Main Indicators 2019 /2018

USD Million	2019	2018	Change 19/18
Assets	33,296	36,741	-9.4%
Net Loans and Advances to Customers	5,814	7,165	-18.9%
Customers' Deposits	26,462	27,220	-2.8%
Tier 1 Equity	3,140	3,259	-3.7%
Capital Funds	3,156	3,269	-3.4%
Net Liquid Assets	24,128	21,981	8.2%
Net Profits	115.41	511.62	-77.4%

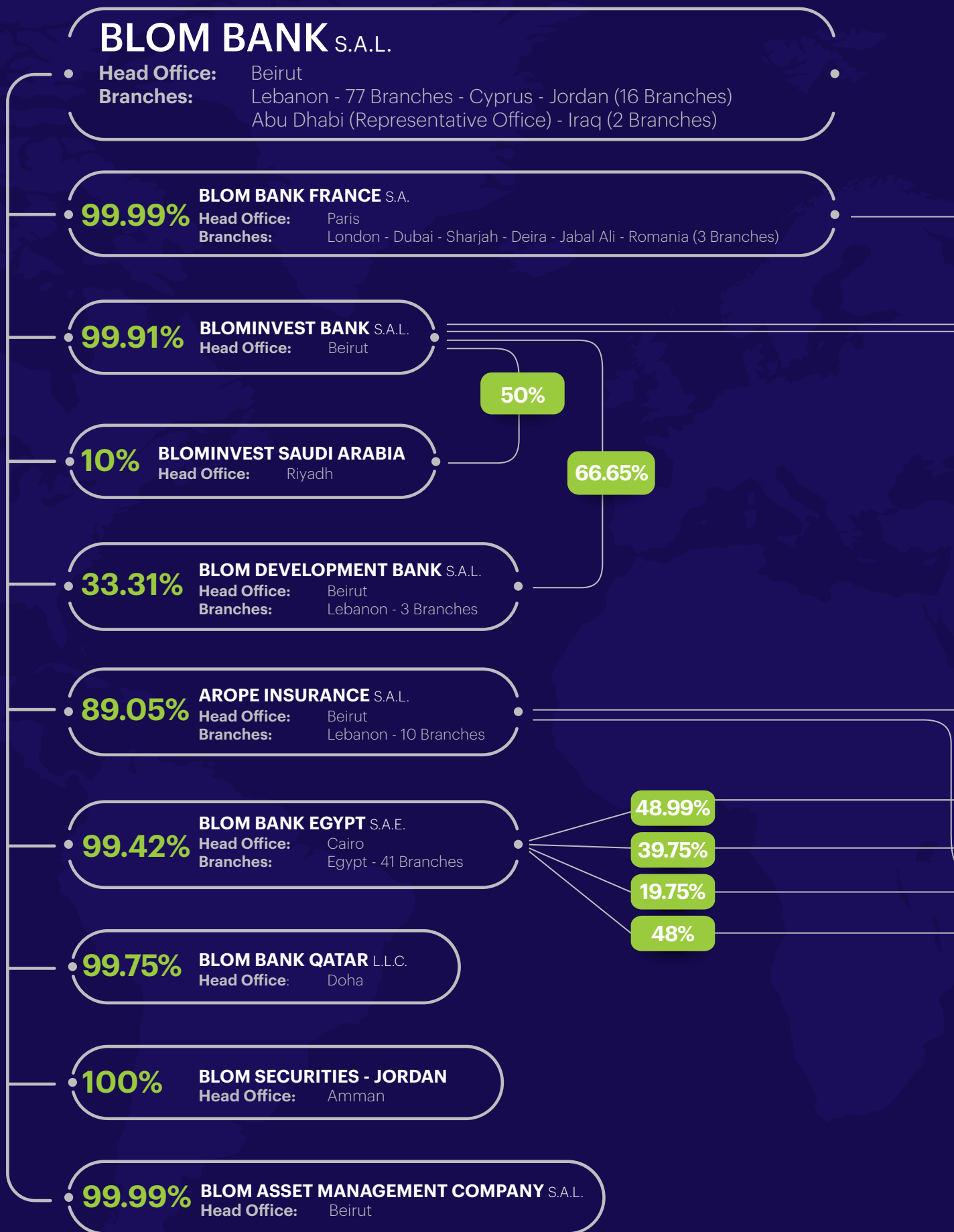
Consolidated Financial Ratios

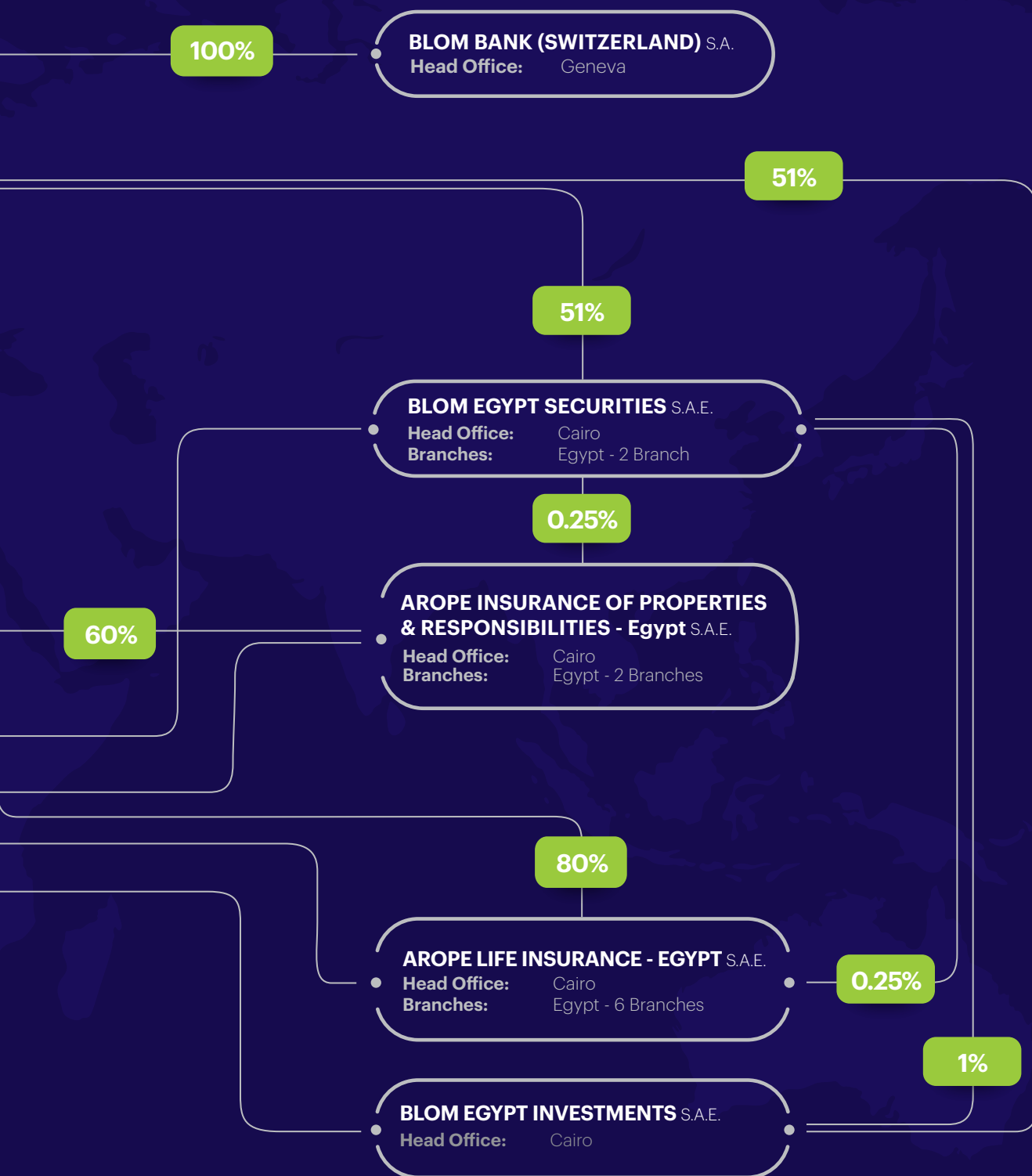
	2019	2018
Liquidity Ratios		
Net liquidity in LL	180.60%	116.39%
Net immediate liquidity in foreign currency	76.56%	74.15%
Liquid assets over total assets	69.83%	56.31%
Liquidity in Total Currency	92.89%	83.49%
Loans to Deposits Ratios		
LL	32.29%	27.70%
F/C	20.09%	25.95%
Total	21.97%	26.32%
Asset Quality Ratios		
Net Credit impaired Loans / Net Loans	2.72%	1.08%
Gross Credit impaired Loans / Gross Loans	7.08%	4.48%
Loan loss provisions / Credit impaired loans (Including allowance for ECL stage 1 & 2)	64.51%	76.91%
Capital Adequacy Ratios		
After dividend distribution (Basel III)	11.05%	20.07%
Required ratio	10.50%	15.00%
Profitability Ratios		
Return on average equity	3.61%	16.36%
Return on average equity (Common)	3.48%	16.52%
Return on average assets	0.33%	1.48%
Cost-to-income ratio	56.12%	35.38%
Earnings per share USD	USD 0.51	USD 2.37
Book value per common share USD	USD 14.39	USD 14.97
Dividend per common share USD	USD 0.000	USD 1.128
Dividend payout ratio	0.00%	47.55%
Retention Ratio	100.00%	52.45%
Dividend Yield (Prices as at payment date)	0.00%	13.28%
Loan loss provisions / Credit impaired loans (Including allowance for ECL stage 1 & 2)	105.66%	95.07%

Organizational Chart

External Auditors	Shareholders	Solicitors
Ernst & Young p.c.c. BDO, Semaan, Gholam & Co.	Board of Directors	Me. Sami NAHAS Me. Samir BOU ZAMEL Me. Jihad ZEIN
Board Committees		
Board Audit Committee Board Risk Management Committee Board Consulting, Strategy & Corporate Governance Committee Board Nomination & Remuneration Committee Board Compliance Committee Board Digital Committee		
Divisions/Depts./Units	Committees	
Administration	Asset Liability Committee	
Branch Operations Assessment & Support	Bidding Specification & Evaluation Committee	
Branch Relations	Branch Monitoring Committee	
Business Development for Commercial Clients	Branches Branding Committee	
Central Funds Transfer	Branches Evaluation & Monitoring Committee	
Central Operations & Group Strategic Planning	Credit Committee 1	
Communications & Sustainability	Credit Committee 2	
Corporate Credit & Relationship	Executive Committee	
Corporate Secretary	Exceptional Credit Committee	
Credit & Facilities	Follow-up Credit Risk Committee	
Digital & Special Projects	Foreign Branches & Subsidiaries Committee	
External Legal Affairs	Human Resources Committee	
Finance	Information Systems Security Committee	
Financial Institutions	Information Systems Committee	
Financial Markets	Investment & Treasury Committee	
Group Compliance	Jordan Branches Advisory Committee	
Group Customer Advocacy	Legal Committee	
Group Internal Audit	Marketing Committee	
Group Risk Management	Operations & Internal Procedures and Policies Committee	
Human Resources	PE and VC investment Committee	
Information Systems	Provisions Committee	
Internal Legal Affairs	Purchasing & Maintenance Committee	
Liability Product Management	Retail Credit Committee	
Marketing Overseas	Security & Safety Committee	
Marketing Overseas - Gulf Region	Sustainability Committee	
Properties & Facilities Management	Succession Planning Committee (Jordan Branches)	
Recovery	Succession Planning Committee	
Relationship	Recovery Plan Committee	
Retail Banking		
Risk Management - Lebanon		
SMEs Relationship		
Trade Finance		
Treasury		
Branch Managers		
77 in Lebanon 1 in Cyprus 16 in Jordan 1 Representative office in Abu Dhabi 2 in Iraq		

Group Chart





1. Code of Corporate Governance

The Code of Corporate Governance was approved in 2007 by the Board of Directors at BLOM BANK and most recently updated in December 2018. It sets out the structure that identifies the rights and responsibilities of each of the Board members, General Management, employees and external stakeholders. The Code complies with all local laws and regulations to which the Bank is subject, as well as the Basel Committee's principles on Corporate Governance and outlines the expected conduct of all parties in order to achieve the objectives set for the Bank. The Code also comprises the Board Committees' Charters and the Disclosure Policy as appendices to the Code.

The Bank recognizes the paramount importance of Corporate Governance for its proper functioning and for the creation of an optimal operational environment. The Board of Directors is the body ultimately responsible for ensuring the best practices of Corporate Governance at BLOM BANK and exercises some of its duties and authorities through six specialized Board Committees (the Audit Committee, the Risk Management Committee, the Consulting Strategy and Corporate Governance Committee, the Nomination and Remuneration Committee, the Compliance Committee and the Digital Committee).

Awareness sessions on Corporate Governance are organized for new employees in order to introduce the Code and related principles, while more advanced presentations are provided to all employees at least every two years.

As part of its commitment to transparency, accountability, integrity, and protection of shareholders' rights, the Bank

discloses on its Website, the Corporate Governance Code, the Board Committees' Charters, its Fraud Policy and Code of Conduct, its Remuneration Policy and other information about the Board of Directors and Senior Management.

The Bank's Board of Directors view the ongoing development of Corporate Governance as a matter of great importance and necessity in enhancing its competitive position by continuing to further raise its standards vis-à-vis internal organization and services to clients, especially that BLOM BANK was the first Bank in Lebanon to become Signatory of the Investors for Governance and Integrity (IGI) Declaration and publicly committed to corporate governance and to protect shareholders' rights and mitigate risks by making sound investment decisions.

The Bank is keen on developing its engagement and commitment to social responsibility initiatives and spread this culture within the Bank. A detailed plan has been elaborated for the coming five years, along with a complete budget for 2019 to be spent on environmental, social, economic and governance driven initiatives. In addition, the Board of Directors approved a new policy: the "Sustainability Policy". The Sustainability Policy sets the guiding principles for how BLOM BANK ensures long-term sustainability of its operations and by doing so increases the value it creates for customers, shareholders, employees, society and the environment. BLOM BANK's long term success is based on trust and confidence. Sustainable business is a prerequisite to uphold this trust and to attain the "Peace of Mind" slogan the Bank promotes. The policy aims to support BLOM BANK and its employees in performing their work and decision-making.

2. BLOM BANK S.A.L. Major Common Shareholders

NAME	Address	Common Shares in Capital *
BANK OF NEWYORK**	USA	34.37%
Banorabe S.A SPF***	Luxembourg	18.73%
Chaker Family	Lebanon	4.82%
Azhari Family	Lebanon	7.53%
Jaroudi Family	Lebanon	2.17%
Saade Family	Lebanon	2.55%
Khoury Family	Lebanon	1.80%
Actionnaires Unis	Lebanon	1.83%
Rest of Shareholders		26.20%
Total		100.00%

* As at 31st August 2020.

** Starting 1998, and after the issuance of Global Depositary Receipts (GDR) by BLOM BANK Shareholders, the Bank of New York as Depositary, became shareholder on the Bank's register.

*** The major shareholders of Banorabe S.A. SPF (formerly Banorabe Holding S.A.) are the same as in BLOM BANK (except Bank of New York).

3. Honorary and Advisory

Dr. Naaman W. AZHARI - Honorary Chairman

Sheikh Salim B. EL-KHOURY - Honorary Board Member

Mr. Samer N. AZHARI - Senior Advisor to the Board of Directors

H.E. Me Youssef S. TAKLA - Advisor to the Board of Directors

4. Board of Directors

4.1 List of Board Members

NAME	Position	Background / Competencies	Number of directorship years with the Bank
Mr. Saad N. AZHARI	Chairman - General Manager	Master in Computer Engineering & MBA	Director since 1996 General Manager since 2001 Chairman since 2008
Mr. Nicolas N. SAADE	Director	MBA in Banking & Financial Management & B.A. in Economics	Director since 1990
Dr. Fadi T. OSSEIRAN	Director	Ph.D. in Economics	Director since 2008
Mr. Marwan T. JAROUDI	Director	MA in Economics	Director since 2008
Mr. Ahmad G. SHAKER	Director	Master in Finance	Director since April 2017
Mr. Emile E. KHARRAT	Director	MBA in Finance	Director since April 2017
Mr. Fahim M. MO'DAD	Director	BBA	Director since July 2020
Dr. Fadi S. KHALAF	Director	Ph.D. in Economics (International Finance)	Director since July 2020
Me. Nassib J. CHEDID	Director	Degree in Law	Director since July 2020
Mr. Mohamad A. MASRI SIDANI	Corporate Secretary - Secretary of the Board		

5. Information about Board of Directors



Mr. Saad N. AZHARI



Mr. Nicolas N. SAADE



Dr. Fadi T. OSSEIRAN



Mr. Marwan T. JAROUDI



Mr. Ahmad G. SHAKER



Mr. Emile E. KHARRAT



Dr. Fadi S. KHALAF



Me. Nassib J. CHEDID



Mr. Fahim M. MO'DAD

Mr. Saad N. AZHARI

Chairman of the Board and General Manager of BLOM BANK S.A.L.

- **Chairman - General Manager of BLOMINVEST BANK S.A.L.**
- **Chairman - General Manager of BLOM DEVELOPMENT BANK S.A.L.**
- **Chairman and Executive Member of BLOM BANK QATAR L.L.C.**
- **Chairman of BLOM BANK SWITZERLAND S.A.**
- **Chairman of BLOM BANK EGYPT S.A.E.**
- **Board Member of BLOMINVEST SAUDI ARABIA**
- **Board Member of BLOM ASSET MANAGEMENT S.A.L as a representative of BLOM BANK S.A.L.**
- **Member of the Board Risk Management Committee of BLOM BANK S.A.L.**
- **Member of the Board Compliance Committee of BLOM BANK S.A.L.**
- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., acting also for BLOMINVEST BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Saad AZHARI, born in 1961, is the Chairman of BLOM BANK S.A.L. since 2008, and prior to that, between 2001 and 2007, he was the Vice-Chairman and General Manager of BLOM BANK S.A.L. Mr. Saad AZHARI also assumes several functions on the Board of Directors of BLOM BANK Group's entities.

He joined BLOM BANK SWITZERLAND S.A. in 1991, was appointed its General Manager in 1997 and its Chairman in 2001.

He worked from 1986 to 1991 at PBZ (Privatbank), an affiliate of UBS Group, in Zurich-Switzerland where he was promoted to run, from Zurich, the Bank's operations in the Middle East and in its Hong Kong office.

Mr. Saad AZHARI holds a Master Degree in Computer Engineering, and a Master Degree in Business Administration (MBA), from the University of Michigan-Ann Arbor in the United States of America.

Mr. Nicolas N. SAADE

Independent Director of BLOM BANK S.A.L.

- **Board Member of BLOM DEVELOPMENT BANK S.A.L.**
- **Board Member of BLOM BANK QATAR L.L.C.**
- **Board Member of BLOMINVEST BANK S.A.L.**
- **Head of the Board Audit Committee at BLOM BANK S.A.L.**
- **Head of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., acting also for BLOMINVEST BANK S.A.L.**
- **Member of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Nicolas SAADE, born in 1950, has been a Board Director of BLOM BANK S.A.L. since 1990.

From April 1985 to July 1987, he was Regional Manager of BLOM BANK S.A.L. in Dubai, UAE.

Between 1980 and 1985, Mr. Nicolas SAADE was Deputy General Manager of Union de Banques en Côte d'Ivoire (BANAFRIQUE).

In 1975, he joined the Toronto Dominion Bank in which he stayed until July 1980, occupying various managerial positions.

Mr. Nicolas SAADE is the Owner and Managing Director of the Nicolas SAADE Est. in Dubai, which is a banking, investment and financial consulting firm. He is also the Managing Director of Elite Consultants International, Inc. in Delaware, USA, an SEC registered investment advisory firm, and Owner of Pioneer Auditing in Dubai. Previously, he was Fund Manager at Royal Life International and Friends Provident International Elite Fund in the Isle of Man.

Mr. Nicolas SAADE is holder of an Honors BA in Economics from McMaster University in Canada and has an MBA in Banking and Financial Management from Wharton School, University of Pennsylvania, USA.

Dr. Fadi T. OSSEIRAN

Executive Director of BLOM BANK S.A.L.

- **Chairman - General Manager of BLOM ASSET MANAGEMENT Co. S.A.L.**
- **Chairman of BLOM EGYPT INVESTMENTS S.A.E.**
- **Chief Executive Officer of BLOMINVEST BANK S.A.L.**
- **Board Member of BLOMINVEST SAUDI ARABIA**
- **Board Member of BLOM EGYPT SECURITIES S.A.E.**
- **Board Member of Société de Services d'Assurance et de Marketing S.A.L.**
- **BLOMINVEST BANK S.A.L representative on the Board of BLOM DEVELOPMENT BANK S.A.L.**
- **Member of the Board Compliance Committee of BLOM BANK S.A.L.**
- **Member of the Board Digital Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Dr. Fadi OSSEIRAN, born in 1956, started his banking career at BLOM BANK S.A.L. as Assistant Dealer from 1981 to 1982.

Since 1994, Mr. Fadi OSSEIRAN has been General Manager of BLOMINVEST BANK S.A.L. and Advisor to the Chairman – General Manager of BLOM BANK S.A.L. Dr. OSSEIRAN became a Member of the Board of Directors of BLOM BANK S.A.L. in 2008. He has been a Director of BLOMINVEST BANK SAUDI ARABIA since 2008.

From 1990 until 1993, he was Manager of Corporate Planning and Human Resources Development at Méditerranée Group Services.

From 1985 to 1987, he moved to teach in the Economics Department at the American University of Beirut and became Assistant Professor at the Institute of Money and Banking of AUB from 1988 to 1993.

Dr. OSSEIRAN sits on several boards of funds that invest in startups in the knowledge economy.

Dr. OSSEIRAN has held the position of President of the Association of Stock Brokers in Beirut from 2004 to 2016, and has been a Member of the Lebanese Economic Association since 2004. He was also Member of the Research Committee (1992-2006) and Member of the Training Committee (1994-1996) of the Association of Banks in Lebanon. He was Board Member of the Lebanese Management Association from 1992 to 1996 and he was reelected in 2014. He has many publications in the Banking and Economics Fields.

Dr. OSSEIRAN is holder of a Ph.D. in Economics from New York University (NYU) in the United States.

Mr. Marwan T. JAROUDI

Independent Director of BLOM BANK S.A.L.

- **Vice Chairman of BLOM BANK QATAR L.L.C.**
- **Board Member of Banorabe S.A., SPF**
- **Board Member of Actionnaires Unis S.A.L.**
- **Board Member of BLOM BANK FRANCE S.A.**
- **Board Member of BLOMINVEST BANK S.A.L.**
- **Board Member of BLOM DEVELOPMENT BANK S.A.L.**
- **Board Member of BLOMINVEST SAUDI ARABIA**
- **Board Member of AROPE INSURANCE S.A.L.**
- **Head of the Board Risk Management Committee of BLOM BANK S.A.L.**
- **Head of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.**
- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., acting also for BLOMINVEST BANK S.A.L.**
- **Member of the Board Audit Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Marwan JAROUDI, born in 1959, is Co-Founder, Director of Industry Intelligence Inc., Los Angeles – California, since 2007.

From 1996 until 1999, he was Co-Founder and Managing Director of Pulptrade - Choueifat, Lebanon.

From 1985 until 1995, Mr. JAROUDI occupied a number of managerial positions at Saudi Hollandi Bank in Jeddah.

From 1989 until 1991, he was Co-Founder and Finance Director at Gulf Medical Co Ltd.

Mr. JAROUDI is holder of a Master of Arts degree in Economics from Syracuse University in New York and has a BA in Economics from the American University of Beirut.

Mr. Ahmad G. SHAKER

Independent Director of BLOM BANK S.A.L.

- **Board Member of BLOMINVEST BANK S.A.L.**
- **Board Member of BLOM DEVELOPMENT BANK S.A.L.**
- **Board Member of Actionnaires Unis S.A.L.**
- **Board Member of BLOM BANK SWITZERLAND S.A.**
- **Head of the Board Digital committee of BLOM BANK S.A.L.**
- **Member of the Board Audit Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Ahmad SHAKER, born in 1964, is a multicultural, long-time entrepreneur with extensive exposure to Europe, Latin America, Middle-East and Russia and brings many years' experience in the banking, financial, legal, international trade, real-estate, agro-industrial, and technology fields.

Mr. SHAKER has a direct active involvement in finance, food industries, IT, and real-estate developments and actively contributes to several government, educational, and financial institutions' IT and media strategies in Lebanon and the Gulf.

He is also an active member of various businessmen and social associations. Mr. SHAKER holds a Master in Finance from Geneva University and Postgraduate degrees in Digital Transformation, Board Directorship, Family Office and Business Administration from IMD, Switzerland.

Mr. Emile E. KHARRAT

Independent Director of BLOM BANK S.A.L.

- **Board Member of BLOMINVEST BANK S.A.L.**
- **Board Member of BLOM DEVELOPMENT BANK S.A.L.**
- **Lead Director of the Board's Independent Directors of BLOM BANK S.A.L. between September 2019 and September 2020**
- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., also acting for BLOMINVEST BANK S.A.L.**
- **Member of the Board Risk Management Committee of BLOM BANK S.A.L.**
- **Member of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Emile KHARRAT, born in 1971, currently runs Beauvau Capital, a real estate asset management company based in Paris and regulated by the AMF (French Financial Regulator).

In 2009, he founded a Parisian parking company as a privately owned real estate company that buys and manages parking spaces in Paris.

In 2004, Mr. KHARRAT joined Goldman Sachs in London where he covered Fra-Be-Lux institutional investors addressing their ALM needs. He closed funding trades as well as hedging strategies. At Goldman Sachs he set up the coverage of retail banking networks in Fra-be-Lux.

Mr. Emile KHARRAT started his career in global financial markets in 1997 at BNP Paribas in Paris. He was responsible for covering the Private Banks in Fra-Be-Lux as well as retail banking networks.

Mr. KHARRAT holds an MBA in Finance from HEC, Paris.

Dr. Fadi S. KHALAF

Independent Director of BLOM BANK S.A.L.

- **Board Member of BLOMINVEST BANK S.A.L.**
- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., acting also for BLOMINVEST BANK S.A.L.**
- **Member of the Board Risk Management Committee of BLOM BANK S.A.L.**
- **Member of the Board Digital Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Dr. Fadi KHALAF, born in 1962, was elected as Secretary General of the Arab Federation of Exchanges for 10 years (2009-2019). He was also appointed as a Membership Inspector by the World Federation of Exchanges.

Dr. Fadi KHALAF was nominated by the Lebanese Government as Chairman of the Beirut Stock Exchange for 10 years (1999-2009), and worked closely with the Lebanese Ministry of Finance on the Capital Market Law.

He was a lecturer at the Institut Supérieur d'Etudes Bancaires – USJ.

In France, Dr. KHALAF worked as a Financial Consultant and General Manager of two industrial and trading companies of the FADOUL Group (1994-1999).

He was a Member of the French Association of Technical Analysts (AFATE) in France since 1991.

He worked at the Credit Department of Bank of Beirut (1984-1988).

Dr. KHALAF is an Economist and a Financial and Banking Consultant, a member of the MENA-OECD Working Group on Corporate Governance, and he performs to his credit various research, publications and international conferences in the field of the financial markets.

Dr. Fadi KHALAF holds a PhD in Economics from the University of Paris I – Sorbonne – France. The subject of his PHD thesis is "The Efficiency of Central Banks Interventions on the Foreign Exchange Markets". He is also a writer of a book on the Lebanese pound: "L'effondrement de la Livre Libanaise 1982 -1992. Une histoire qui nous hante".

Dr. KHALAF holds as well a Diploma of Technical Analyst from the "Ecole de l'Analyse Technique" – France, a DEA in Business Administration from the Holy Spirit University of Kaslik – Lebanon and a Master's Degree in Business Administration from the Saint Joseph University – Lebanon.

Me. Nassib J. CHEDID

Independent Director of BLOM BANK S.A.L.

- **Board Member of BLOMINVEST BANK S.A.L.**
- **Head of the Board Compliance Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Me. Nassib CHEDID, born in 1956, is a lawyer and Member of the Beirut Bar Association since 1980. He is partner in the law firms Abouhamad, Merheb, Chamoun, Chedid, and Farah since 1985.

He is member of the Board of Trustees of NDU University.

Mr. Chedid is holder of a degree in Law from Saint Joseph University in Beirut. He performed an internship in the New York based law firm Rogers and Wells in 1980-1981.

Mr. Fahim M. MO'DAD

Executive Director of BLOM BANK S.A.L.

Advisor to the Chairman – General Manager of BLOM BANK S.A.L.

- **Board Member of BLOM BANK QATAR L.L.C.**
- **Member of the Board Risk Management Committee of BLOM BANK S.A.L.**
- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Fahim MO'DAD, born in 1945, has been the Vice Governor for the Central Bank of Lebanon from August 1993 to August 2003.

Mr. MO'DAD was a Member in the Higher Banking Commission, at the Central Bank of Lebanon, a Board Member in the Arab Monetary Fund Executive Director as well as a Member in the Council of School of Business at Arab University of Beirut.

In July 2020, he was appointed as a Board Member of BLOM BANK S.A.L.

Mr. Fahim MO'DAD is holder of B.A. in Business Administration from Arab University of Beirut, Lebanon.

5.1 Board Meetings Held in 2019

The Following BLOM BANK S.A.L board meetings were held during 2019:

22/03/2019 16/04/2019 12/07/2019 27/09/2019 12/11/2019 13/12/2019

6. Biographies of Key Members of BLOM BANK S.A.L. Management



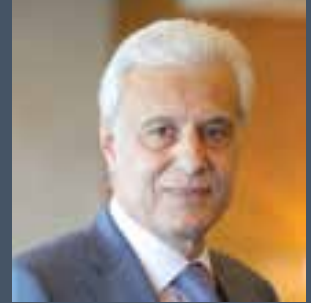
Dr. Amine A. AWAD



Mr. Talal A. BABA



Mrs. Jocelyne Y. CHAHWAN



Dr. Pierre G. ABOU-EZZE



Mr. Antoine N. LAWANDOS



Mr. Talal M. IBRAHIM



Mr. Mounir M. TOUKAN



Mr. Charles A. HADDAD



Mr. Gerard G. RIZK



Mr. Malek E. COSTA

Dr. Amine A. AWAD

Chief Executive Officer of BLOM BANK S.A.L.

- **Chief Executive Officer of Société Foncière du Liban et d'Outre-Mer S.A.L.**
- **Board Member of BLOMINVEST BANK S.A.L as a representative of BLOM BANK S.A.L.**
- **Board Member of BLOM DEVELOPMENT BANK S.A.L as a representative of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Dr. Amine AWAD, born in 1951, started his banking career at BLOM BANK S.A.L. from 1982 to 1984, after being the Dean of the "University Institute of Technology - Business Administration" at Saint Joseph University from 1979 to 1982.

From 1985 until 1992, he served as Senior Manager of the International and Financial Institutions Department, as well as Private Banking Department at Banque Saradar S.A.L.

In 1993, Dr. AWAD joined BLOM BANK FRANCE S.A. as General Manager, until February 2000, when he was appointed by the Lebanese Government as Executive Board Member of the Banking Control Commission, Member of the Higher Banking Council at the Central Bank of Lebanon and Representative of the Association of Banks in Lebanon.

Dr. AWAD was, among other tasks, leading the working group on "Basel Accord and International Accounting Standards implementation in the banking sector"; he remained in this position for three consecutive terms until March 2015.

In June 2015, he joined BLOM BANK S.A.L. as Chairman's Advisor and was appointed in 2017 as the Bank's General Manager.

Dr. Amine AWAD holds a Ph.D. in Economics from Saint Joseph University and an Executive MBA from Manchester Business School.

Mr. Talal A. BABA

Deputy Chief Executive Officer of BLOM BANK S.A.L.

Chief Financial Officer at BLOM BANK S.A.L.

- **Chief Executive Officer of Société de Services d'Assurance et de Marketing S.A.L.**
- **Board Member of AROPE INSURANCE S.A.L.**
- **Board Member of AROPE PROPERTIES and LIABILITIES INSURANCE - EGYPT S.A.E.**
- **Board Member of AROPE LIFE INSURANCE - EGYPT S.A.E.**
- **Board Member of Société Foncière du Liban et d'Outre-Mer S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Talal BABA, born in 1967, is the Chief Financial Officer at BLOM BANK S.A.L. He was appointed as Assistant General Manager in July 2008 and promoted to Deputy General Manager in 2017.

He joined BLOM BANK S.A.L. in 1991 where he started to excel and climb his career ladder.

Mr. BABA is committed to maintaining the high level of integrity and transparency that BLOM BANK S.A.L. is known for.

He has now over 28 years of banking experience acquired with major banking players on the Lebanese market. He also attended various training programs and workshops in Lebanon and abroad.

Mr. BABA holds a Bachelor's degree in Accounting and a Master in Business Administration from the Lebanese American University – Beirut.

Mrs. Jocelyne Y. CHAHWAN

Deputy Chief Executive Officer of BLOM BANK S.A.L.
Head of Retail Banking at BLOM BANK S.A.L.

- **Board Member of AROPE INSURANCE S.A.L.**
- **Member of the Board Digital Committee of BLOM BANK S.A.L.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mrs. Jocelyne CHAHWAN, born in 1965, started her banking career in 1990 at the Bank of Montreal in Montreal where she was promoted several times until she reached the title of Manager/Investment Services.

In March 1996, Mrs. CHEHWAN joined BLOM BANK S.A.L. in Beirut and became the Head of the Training and Development Department. In 1999, she moved to Retail Banking as Head of the Marketing Division.

In 2009, she was promoted to the position of Deputy Head of Retail Banking.

In October 2011, Mrs. Jocelyne CHAHWAN became the first Lebanese banker on VISA's advisory council for the Levant, and is now Member of the VISA CEMEA Business Council.

In December 2011, she was promoted to Assistant General Manager and in July 2013, she was appointed as Head of Retail Banking.

In June 2018, she was promoted to Deputy General Manager and in April 2019 she became a Board Member of AROPE INSURANCE S.A.L. In August 2020, she was assigned the role of Deputy CEO.

Mrs. CHEHWAN was awarded the Retail Financial Services Person of the year in the Middle East and Africa - 2018 by The Asian Banker in recognition of her dynamic leadership in presiding over one of the fastest growing and strongest retail banks in the region.

Mrs. CHAHWAN is a member of the VISA CEMEA Business Council and the Visa CEMEA Security Summit and Risk Council. She is also a board member of the LAU Business Council and a board member of Lebanon Seed Fund.

Mrs. Jocelyne CHAHWAN holds a Master in Business Administration from Ecole Supérieure des Affaires (ESA).

Dr. Pierre G. ABOU-EZZE

Assistant Chief Executive Officer of BLOM BANK S.A.L.
Head of Human Resources Division at BLOM BANK S.A.L.

- **Member of several Board Committees in BLOM BANK Group Entities**

Dr. Pierre ABOU-EZZE, born in 1955, Assistant Chief Executive Officer of BLOM BANK S.A.L., has over 20 years of hands-on experience in Human Resources. He has been the Head of HR at BLOM BANK S.A.L. since 1998, and he served as Advisor to the Chairman on training issues from 1995 to 1998.

Prior to joining BLOM BANK S.A.L., Dr. ABOU-EZZE was in academia. He served as the Director of the Graduate School of Business and Management at the American University of Beirut (AUB) from 1993 to 1996, and he was Assistant Professor at the same school from 1991 to 1997.

Before moving back to Lebanon, Dr. ABOU-EZZE started his career as an Assistant Professor of Economics at the University of Ottawa, Canada, and at the University of Kuwait.

Dr. ABOU-EZZE continues to lecture at various universities in Lebanon, and to lead seminars and workshops in the field of human resources. He served as the Chairman of the Human Resources and Social Affairs Committee at the Association of Banks in Lebanon for two consecutive terms from 2005 to 2009.

Dr. Pierre ABOU-EZZE holds a Ph.D. in Economics from McMaster University, Hamilton, Canada.

Mr. Antoine N. LAWANDOS

Assistant Chief Executive Officer of BLOM BANK S.A.L.
Chief Information Officer of BLOM BANK S.A.L.

- **Member of the Board Digital Committee of BLOM BANK S.A.L.**
- **Representative of BLOM BANK S.A.L. on the board of Interbank Payment Network (IPN)**
- **Representative of BLOM BANK S.A.L. at the ABL Committee for Organization, Standardization and Information Technology**
- **Representative of BLOM BANK S.A.L. and BLOMINVEST BANK S.A.L. on the board of BERYTECH FUND II**

Mr. LAWANDOS, born in 1963, started his career in 1986 by joining Istisharat, a leading software house, where he was quickly promoted to Head of Banking Software Production Unit and where he acquired an extensive experience in implementing mission-critical universal banking systems. Also, he contributed in building and exporting a well-known locally-developed core banking system (ICBS) to renowned banks in Europe and KSA.

Afterwards, Mr. LAWANDOS held the position of Systems Engineering Department Manager at IBM's representative bureau in Lebanon and that of a Project Manager at MDSL for the implementation of a then renowned Irish core banking application (BankMaster).

In 1993, Mr. LAWANDOS joined BLOM BANK as the Project Director for leading the bank's core banking application change and became the Senior Manager of the Information Technology and Systems Development Department in 1995.

In 2006, Mr. LAWANDOS became BLOM BANK's Chief Information Officer and in 2008, he was appointed Assistant General Manager and continued to accompany the digitization of BLOM BANK's products and services.

Mr. LAWANDOS is an expert in various financial technology services applied to core banking, retail banking, payments, user experience, and digital transformation, and he has an extensive experience in leading mission-critical systems transformation and implementations as well as technology-driven mergers and acquisitions. As a systems and solutions architect, Mr. LAWANDOS has a multinational exposure to diverse banking markets and practices and has a proven expertise in aligning IT strategies with business goals as well as in devising technology-driven innovative products and services.

Mr. LAWANDOS holds a Master of Electrical and Electronics Engineering, with a concentration in Information Systems, from USJ School of Engineering – ESIB.

Mr. Talal M. IBRAHIM

Assistant Chief Executive Officer of BLOM BANK S.A.L.

Chief Operating Officer and Head of Group Strategic Planning Division at BLOM BANK S.A.L.

- **Member of the Board Digital Committee of BLOM BANK S.A.L.**

Mr. Talal IBRAHIM, born in 1976, started his career with BLOM BANK S.A.L. in 1998. He has acquired over 20 years of diverse experience within the Banking Sector across the MENA region.

In 1998, Mr. IBRAHIM joined the Bank as Assistant Planning and Organization Manager, based in Lebanon, and later moved to Damascus, Syria where he was promoted to Administrative Manager of Bank of Syria and Overseas in 2004.

In 2006, he moved to BLOM BANK EGYPT S.A.E. and in 2008 was promoted to Assistant Managing Director for Planning.

During his tenure in Egypt, Mr. IBRAHIM managed the Central Operations, Information Technology and Strategic Planning Groups as well as the Administration Department, overseeing branches expansion and restructuring.

In 2014, Mr. IBRAHIM rejoined BLOM BANK Lebanon S.A.L., as the Head of Central Operations and Group Strategic Planning, where he leads numerous transformation projects by leveraging his regional exposure and operational expertise to achieve efficient operating models.

Mr. IBRAHIM was promoted to Assistant General Manager of BLOM BANK S.A.L. in 2018.

Mr. Talal IBRAHIM holds a B.S. Degree in Computer Science from the Lebanese American University and a Master Degree in Banking and Finance from the American University of Beirut.

Mr. Mounir M. TOUKAN

Assistant Chief Executive Officer of BLOM BANK S.A.L.
Head of Commercial Credit and Facilities Division at BLOM BANK S.A.L.

- **Board Member of BLOM BANK EGYPT S.A.E.**
- **Representative of BLOM BANK S.A.L. at the Association of Banks in Lebanon Committee for Credit.**
- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Mounir TOUKAN, born in 1962, Assistant Chief Executive Officer of BLOM BANK S.A.L. has over 35 years of experience in banking and financial institutions.

Mr. TOUKAN started his professional career in early 1984 at Intra Investment Company as Head of Back Office for the Placement and Financial Investment Division. Then in 1986, he shifted to work in banking as Head of Internal Audit for Bank Al- Mashrek, and then Arab Bank which he joined in 1987. In 1992 he was promoted to Head of Corporate Department at Arab Bank until 2000.

Later on, Mr. TOUKAN worked for a short period of time in Islamic banking as Senior Head of Credit at Bank Al Baraka until he joined BLOM BANK S.A.L. late September 2000.

Since then, he worked extensively on restructuring and developing the credit analysis process by introducing newly updated concepts and techniques to meet BASEL requirements. In 2009, he was promoted to Head of Commercial Credit and Facilities Division at BLOM BANK S.A.L.

Since 2017, Mr. TOUKAN became a Board Member of BLOM BANK EGYPT S.A.E., a subsidiary to BLOM BANK S.A.L.

Along with his professional career, Mr. TOUKAN is the instructor of Cost Accounting, Banking Operations and Auditing at the AUB-CEC program and ISEB-USJ for more than two decades. In addition, he presented several lectures on credit issues in coordination with the Association of Banks in Lebanon and is the coauthor of a book entitled "General Principles of EDP Security at Banks" published by the Association of Banks in Lebanon, in October 1993.

Mr. Toukan holds a Bachelor of Business Administration from AUB since 1983 and an MBA since 1987.

Mr. Charles A. HADDAD

Assistant Chief Executive Officer of BLOM BANK S.A.L.

Mr. Charles HADDAD, born in 1973, is an Assistant CEO of BLOM BANK, Lebanon and serves on its board of directors. Before being assigned Assistant CEO in August 2020, Mr. Haddad was the Head of the SME's Relationship Department where he managed this newly established department and worked on developing the bank's portfolio in terms of facilities given to small and medium enterprises.

With his extensive experience and wide expertise, Mr. Haddad also headed the Recovery Unit and played a key role in negotiating, recommending and monitoring workout and recovery strategies including legal actions, debt settlements and asset disposals.

In addition to his role as an Assistant CEO, Mr. Haddad is heading the Legal Affairs Department, the SMEs Relationship Department and the Recovery Department.

With over 25 years of experience in the banking sector, Mr. Haddad had a leading role in setting up the launching and restructuring of BLOM bank Egypt, Syria and Jordan.

Mr. Haddad earned an MBA from the Lebanese American University and a Bachelor of Science degree in Marketing from Beirut University College.

Mr. Gerard G. RIZK

Assistant Chief Executive Officer of BLOM BANK S.A.L.
Group Chief Risk Officer at BLOM BANK S.A.L.

- **Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L., acting also for BLOMINVEST BANK S.A.L.**

Mr. Gerard RIZK, born in 1967, is the Group Chief Risk Officer of BLOM BANK S.A.L. appointed by the Board of Directors to oversee the management of all major risk types in its banking and financial markets activities across the Group.

Mr. Rizk first started working in BLOM Bank Group, in 1994, in its investment banking arm BLOMINVEST BANK S.A.L. and later went on to establish BLOM BANK's Group Risk Management Division in 2004 also representing the Bank on the Risk Committee of the Association of Banks in Lebanon. He represents BLOM BANK S.A.L. in the MENA CRO Forum of the Institute of International Finance and has given numerous presentations on risk management topics at various forums and conferences in Lebanon and internationally.

Mr. Rizk's career spans over 30 years in the financial sector having worked not only in Lebanon but also in the UK and Qatar on European and Middle Eastern markets for institutions such as Nomura International and The Commercial Bank in Qatar.

In July 2020, Mr. Gerard RIZK was appointed by the Board of Directors as Assistant Chief Executive Officer of BLOM BANK S.A.L.

Mr. Rizk has also been an instructor at the École Supérieure des Affaires Business School in Beirut (ESA) and the Romanian Banking Institute in Bucharest for the Risk in Financial Services qualification of the Chartered Institute for Securities and Investment in the UK.

Mr. Rizk holds a Bachelor of Science degree from the University of Salford in the United Kingdom.

Mr. Malek E. COSTA

Assistant Chief Executive Officer of BLOM BANK S.A.L.
Head of Group Compliance Division at BLOM BANK S.A.L.

- **Member of several Board Committees in BLOM BANK Group Entities**

Mr. Malek COSTA, born in 1971, Assistant General Manager at BLOM BANK S.A.L. has around 20 years of experience in the banking sector. Moreover, he spent 7 years at Arthur Andersen where he gained his experience in external auditing and business advisory.

Mr. COSTA joined BLOM BANK in 2001 as Assistant Manager at the Internal Audit Department where he was performing the yearly audit plan as approved by the Board of Directors of the Bank and providing an independent and objective assessment about the effectiveness of the internal control structure.

In 2007, Mr. Costa was assigned as Head of Compliance, where he was responsible for the effectiveness of the controls in preventing money laundering and terrorist financing in addition to the implementation of legal compliance laws and regulations.

Mr. Malek COSTA became the Head of Compliance for BLOM BANK Group in 2012 and was appointed by the Board of Directors as Assistant Chief Executive Officer in July 2020.

Mr. Costa is President of Group Certificate Compliance Officers (GCCO) at World Arab Bankers (WUAB), Member in the Compliance and AML/CFT Committee - Association of Banks in Lebanon (ABL), Member of the Private Sector Experts of the FATF - GAFI.

Member in the Institute of Internal Auditors – USA, He has held the position of President of the institute (IIA-Lebanon) 2014-2016;

Moreover, he served as a speaker in many local and international conferences and seminars.

Mr. COSTA holds a CPA Certificate from California Board of Accountancy-USA and a B.S. Degree in Business Accounting from the Lebanese American University.

7. BLOM Bank S.A.L. Commercial Arrangements

Any commercial arrangement between the Bank and any of its affiliates is pre-approved by the General Assembly of Shareholders of the Bank and of the concerned affiliate according to art. 158 of the Lebanese commerce law, when applicable.

8. General Management of BLOM BANK S.A.L.

Chairman - General Manager

Mr. Saad AZHARI

Chief Executive Officer

Dr. Amine AWAD

Deputy Chief Executive Officer

Mr. Talal BABA

Finance & Treasury

Mrs. Jocelyne CHAHWAN

Retail Banking

Assistant Chief Executive Officer

Dr. Pierre ABOU EZZE

Human Resources

Mr. Antoine LAWANDOS

Information Systems

Mr. Talal IBRAHIM

Central Operations & Group Strategic Planning

Mr. Mounir TOUKAN

Credit & Facilities

Mr. Charles HADDAD **

SMEs Relationship & Internal & External Legal Affairs - Recovery

Mr. Malek COSTA **

Group Compliance

Mr. Gerard RIZK **

Group Risk Management

Advisors

Mr. Habib RAHAL***

Chairman Advisor

Mr. Fahim MO'DAD

Chairman Advisor

Mr. Michel AZZAM

Advisor to the General Management

Mr. Samir KASSIS

Advisor to the General Management

Mr. Georges SAYEGH

Advisor to the General Management

Me. Aimée SAYEGH

Advisor to the General Management

Corporate Secretary

Mr. Mohamad MASRI SIDANI

Chief Economist

Dr. Ali BOLBOL

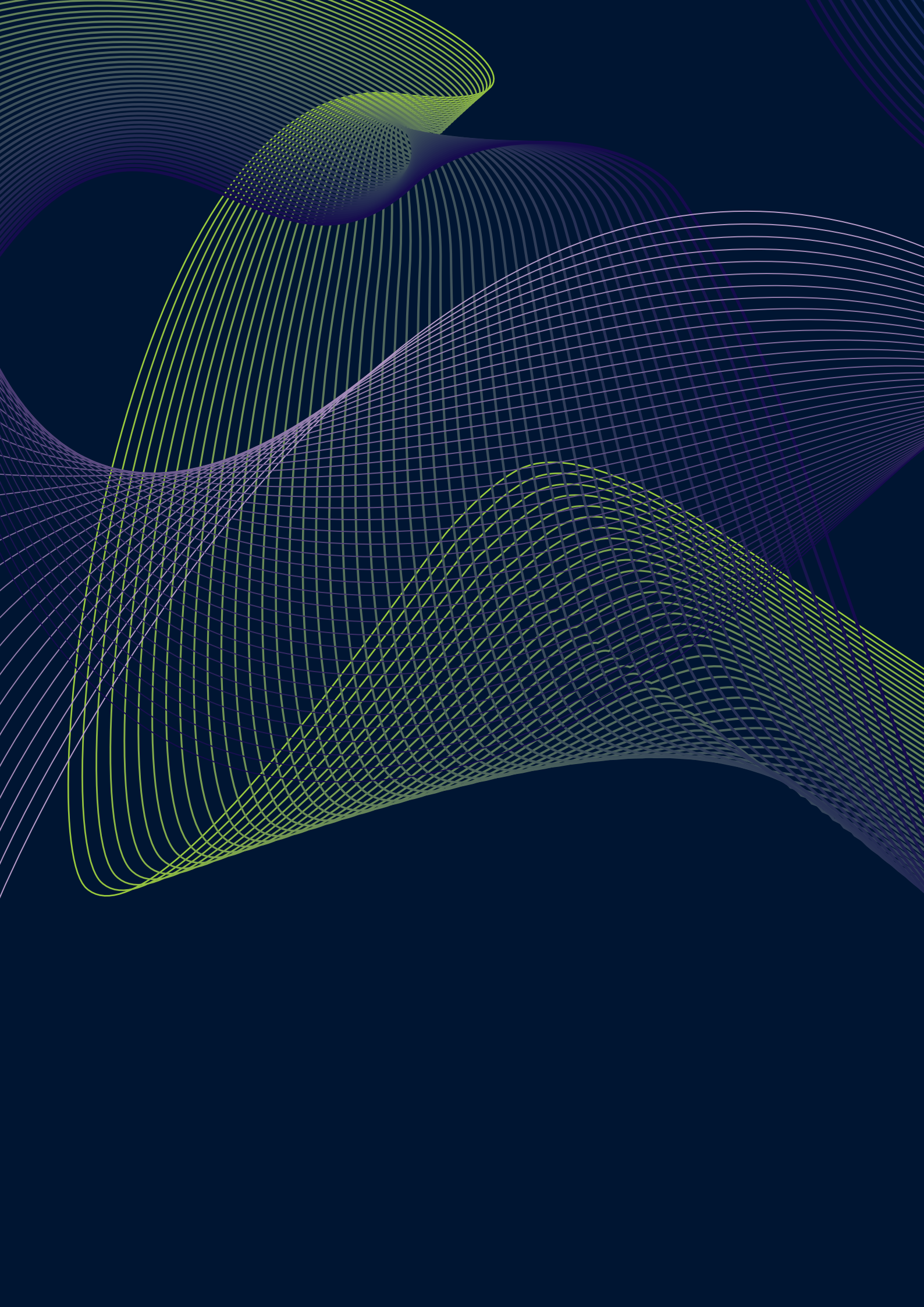
(**) Appointed on 15 July 2020

(***) retired on 31 March 2020

DIVISIONS, DEPARTMENTS & UNITS

Administration	Mr. Mohamed Yehia KHALED
Branch Relations	Mrs. Nathalie GHARIOS
Central Funds Transfer	Mrs. Rima HAJJAR (EL)
Central Operations	Mr. Naim KAIDBEY
Central Operations & Group Strategic Planning	Mr. Talal IBRAHIM
Client Relationship	Mr. Boutros KHOURY
Communications & Sustainability	Mrs. Isabelle MANSOUR
Corporate Credit & Relationship	Mr. Jihad ACHKAR
Corporate Secretary	Mr. Mohamad MASRI SIDANI
Credit & Facilities	Mr. Mounir TOUKAN
Digital & Special Projects	Ms. Tracy DRAKEBLY
External Legal Affairs	Me. Grace ASMAR
Finance	Mr. Talal BABA
Financial Institutions	Mrs. Rana BEYDOUN
Financial Markets & Treasury	Mr. Marwan ABOU KHALIL
Group Compliance	Mr. Malek COSTA
Group Customer Advocacy	Mrs. Ayla DAME
Group Internal Audit	Mrs. Rania KAISSI*
Group Risk Management	Mr. Gerard RIZK
Human Resources	Dr. Pierre ABOU EZZE
Information Systems	Mr. Antoine LAWANDOS
Internal Legal Affairs	Me. Romy CORTBAOUI ABOU SALIBI
Liability Product Management	Mr. Mohamad Mokhtar KASSEM
Marketing Overseas	Mr. Abbas KALOT
Marketing Overseas - Gulf Region	Mr. Marcel ABOU JAOUDE
Properties & Facilities Management	Mr. Habib GHAZIRI
Recovery	Ms. Hiba CHERIF
Retail Banking	Mrs. Jocelyne CHAHWAN
Risk Management - Lebanon	Mr. Roy RUBEIZ
SMEs Relationship	Mrs. Ghada Fadel LABBAN
Trade Finance	Dr. Massoud KANTAR

(*) Resigned on 31 January 2021





MANAGEMENT
DISCUSSION
& ANALYSIS 2019

Management Discussion & Analysis 2019

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1. The Operating Environment in Lebanon and the MENA Region

2019 was a difficult year for Lebanon politically and economically, but less so for the MENA region, as the table below for key economic indicators shows. In what comes next, an overview of the operating environment in selected MENA countries where BLOM BANK Group has major footprints will be presented (Egypt, KSA, UAE, Qatar, Jordan, and Iraq), followed by an overview of the Lebanese economy and financial markets, then by a focus on the Lebanese banking system.

The analysis will be confined to 2019 given the difficulty of venturing into future forecasts, mainly because of the uncertainty created by the spread of the corona virus since the first quarter of 2020 and beyond, more so for Lebanon because of its additional severe economic and financial crises currently underway.

KEY ECONOMIC INDICATORS FOR SELECTED MENA COUNTRIES: 2019

%	GDP Growth	Inflation	Budget Balance/GDP	Current Account/GDP	Public Debt/GDP
Lebanon	-6.9	7.0	-11.4	-22.5	178.4
Egypt	5.5	11.4	-7.6	-3.1	84.9
KSA	0.2	-1.1	-6.0	4.4	23.2
UAE	1.6	-1.5	-1.6	9.0	20.1
Qatar	2.0	-0.4	7.0	6.0	53.2
Jordan	2.2	2.0	-3.4	-7.0	94.6
Iraq	3.4	-0.3	-2.4	-2.7	51.1
MENA (average)	0.1	8.1	-4.4	0.1	44.5

Source: BLOMINVEST Economic Research Development, IMF 2019

1.1 Outlook on The MENA Region

Despite its abundant human and natural resources and its varied economies, the Middle East and North Africa (MENA) region is hardly insulated, since global developments continue to impact its countries. Specifically, MENA still faces rising geopolitical tension, including those related to Iran, oil price and output volatility, in addition to the ongoing conflicts in the region (Libya, Yemen). Given this environment, regional governments' policy objectives should, in the near term, stabilize macroeconomic conditions and build resilience by addressing unsustainable fiscal policies while protecting the most vulnerable, and in the medium term, promote inclusion and raise growth by tackling impediments to jobs and investment. More accommodative policies should be considered if there is further slowdown in countries where growth is already too low and when there is policy space.

In Saudi Arabia, the continued focus on economic diversification, creating more jobs, and developing non-oil revenues have set an optimistic target for the country's economic growth. The Vision Realization Programs (VRPs) that underpin Vision 2030 are moving from design to implementation. Moreover, widening the tax net is likely to help the country diversify its revenue stream. This, coupled with the government's effort to improve the efficiency of expenditures, should also help the country achieve fiscal balance by 2023. However, Saudi Arabia is vulnerable to escalating geopolitical tensions given its prominent foreign policy stance, including its close alignment with US policy on Iran and its continued involvement in the Yemen war. In September 2019, drone and missile attacks on Saudi Arabia's oil infrastructure resulted in the temporary suspension of more than half of the country's oil production. Although oil production was restored fully by end-September, the risk of further attacks on Saudi Arabia remains, which could result in economic damage.

On the market side, Saudi Arabia's stock exchange, the Tadawul, has officially completed its full inclusion on the MSCI emerging markets index in August 2019. Saudi Arabia's stock market — the largest in the region, worth approximately USD 549 billion — will have a weight of 2.8% on the MSCI index. Moreover, in December 2019, Saudi Aramco went public with the world's largest-ever IPO, with shares surging more than 15% in two days of trading and giving the state oil giant a valuation of USD 2 trillion. The company listed 1.5% of its shares on the local stock exchange and priced its IPO at USD 8.53 per share, raising a total of USD 25.6 billion.

Qatar's economy has successfully adjusted to the dual shocks of lower oil prices and diplomatic rift. Prudent fiscal policy, an appropriate monetary anchor, and sound financial regulation and supervision frameworks continue to underpin strong macroeconomic performance. Lower-than-envisaged hydrocarbon prices constitute the main risk to the macro financial outlook. Nonetheless, Qatar is in a position to weather such a shock, given significant buffers and prudent policies.

Management Discussion & Analysis 2019

Qatar's banking sector remains healthy, reflecting high asset quality and strong capitalization. Liquidity conditions have improved, and the growth of private-sector credit has increased. Qatar Central Bank's (QCB) monetary policy has broadly followed the U.S. Federal Reserve rate, which is appropriate given the pegged exchange rate regime to the U.S. dollar and the robust non-oil GDP growth. Recovery in non-resident deposits and foreign bank funding has helped banks increase private sector credit. Banks have been able to diversify the geographical composition of non-resident deposits and lengthened their maturity structure. However, it is important to monitor closely the banking sector's assets, given the softening of real estate.

Iraq's economy is gradually rebounding, after the contraction in the last two years. GDP grew at 4.8% year on year (y-o-y) in the first half of 2019, reversing the contraction of 2017-2018. Growth can be mainly attributed to a rise in crude oil production (up by 6.3%) and a rebound in non-oil economic activity (up 5.6% in the first half of 2019, y-o-y). Non-oil growth is expected to remain positive on the back of developed security conditions, higher investment to rebuild the country's damaged infrastructure and improvement in electricity production. However, in a context of highly volatile oil prices, the major risk to the outlook remains a fall in oil prices which would lower exports and budgetary revenues, leading to an even sharper decline in reserves or higher public debt. That is in addition to geopolitical tensions, and the potential for social unrest in a context of weak public services and lack of progress in combatting corruption, which all pose further risks to growth and stability.

In Egypt, the macroeconomic situation has improved markedly since 2016, supported by the authorities' strong ownership of their reform program and decisive upfront policy actions. Critical macroeconomic reforms have been successful in correcting large external and domestic imbalances and a recovery in growth and employment. Monetary policy remains anchored by the medium-term objective of bringing inflation to single digits. Core inflation appears to be well contained. Exchange rate flexibility remains essential to improve resilience to shocks and preserve competitiveness. The 2018/2019 primary surplus target of 2% of GDP was met, helping to anchor a further decline in the public-debt-to-GDP ratio. It will be important to maintain primary surpluses at this level over the medium term to keep public debt on a downward trajectory. The elimination of most fuel subsidies, which are regressive, will encourage energy efficiency, help protect the budget from unexpected changes in oil prices, and free up fiscal space for social spending. The authorities have launched important reforms of competition policy, public procurement, industrial land allocation, and state-owned enterprises, and sustained implementation will be essential to ensure that statutory changes achieve meaningful results in the business climate.

Jordan has made progress in reforming its economy, but pressing challenges remain. The impact of regional conflicts and the hosting of Syrian refugees weigh on social conditions, public finances, investment, and the external accounts. Despite that, macroeconomic stability has been preserved, external imbalances have improved markedly, reserve buffers have remained adequate, and the financial system remains sound. However, growth has remained weak (about 2%) and unemployment high (at 19% of the labor force), especially for youth and women. Fiscal consolidation also proved difficult to maintain and public debt remained elevated.

To tackle these challenges, a new reform program with the IMF will aim at achieving stronger and more inclusive growth and create jobs, with implementation centered on growth-enhancing structural reforms and gradual reduction in the budget deficit. Key efforts include: (i) reducing high electricity costs faced by businesses to enhance competitiveness, while directing electricity subsidies only to those who need them most; (ii) a temporary reduction in social security contributions to promote greater employment opportunities, particularly for women and young people; and (iii) the swift implementation of the authorities' five-year matrix, launched in the 2019 London Initiative, to improve the business climate and attract foreign investment. These efforts are supported by governance reforms to strengthen public-sector transparency and accountability.

Lastly, the UAE saw growth in 2019 muted by OPEC+ oil production cuts that have been extended until March 2020. The Abu Dhabi and federal budgets were expansionary in 2019, but less so in Dubai as most of the Expo-2020 infrastructure projects are complete. Overall, the fiscal balance was in deficit in 2019, with Abu Dhabi selling USD 10 billion in bonds to finance the deficit, its first international offering since 2017. The current account surplus was supported by higher export volume from Abu Dhabi's oil capacity improvement and growth in the services account from tourism related to mega-projects, mitigated by rising imports from higher consumption. The UAE continues to implement significant structural reforms that began in 2014 to maintain its status as a regional economic hub. In 2019, the UAE opened up 122 economic activities to 100 percent foreign ownership outside free zones, excluding oil, gas and banking. Bank guarantees for labor were replaced with low-cost insurance policy and the new Permanent Residency Scheme aims to boost investment by allowing longer visas for skilled expats.

Compared to its GCC neighbors, the UAE economy is relatively diversified but still hinges on regional oil-driven liquidity and intermediation. Volatility in oil prices will dampen growth in the real estate sector which continues to face headwinds. Key fiscal challenges include raising spending efficiency and improving management of fiscal risks. Further economic diversification will require deepening labor-market and education reforms to enhance productivity.

1.2 Country in Focus

Lebanon was in a state of “economic recession” in 2019. GDP growth dipped into negative territory in the consecutive first and second quarters of 2019. During the period, a political deadlock prolonged parliamentary negotiations which extended over 8 months, before the formation, a new cabinet was announced on January 31st 2019 (following the elections of May 2018). Nonetheless, progress on reforms for the pledged CEDRE funds was delayed. By October 17th 2019, civic protests erupted across Lebanon, catalyzing a full-fledged financial and economic crisis. Notably, the fourth quarter recorded a substantial slump in GDP such that the annual growth stood at about -6.9% in 2019. It followed that the average monthly inflation rate more than quadrupled between October and December 2019, as it climbed from 1.33% to 7% in December. The steep inflation uptrend was fueled by the imposition of capital controls for the first time in Lebanon in November. The restrictions led to the emergence of a parallel market with the USD/LBP surpassing the 2,000 mark while the official rate remained at 1,507.5. As a result, essential raw materials and end products became very expensive vis-a-vis citizens and businesses, eroding purchasing power.

National protests and sovereign downgrades in Q4 unveiled recessionary facets in the Lebanese economy.

The civic protest’s economic repercussions fully materialized in November when the PMI slumped to an all-time low of 37 points before reverting to 45.1 points in December. Companies began laying-off employees, fueling unemployment. In turn, Moody’s credit agency downgraded Lebanon’s issuer credit ratings to “Caa2” from “Caa1”, while S&P lowered long-term credit ratings on Audi Bank, BLOM BANK, and Bank Med from “B-” to “CCC”. Nevertheless, Banque du Liban’s (BDL) issued December 4th Circular - instructing banks to pay the interest on foreign deposits 50% in Lebanese pounds and 50% in U.S. dollars- which triggered further downgrades by 3 rating agencies. By end of 2019, Moody’s yet again downgraded the Standalone Baseline Credit of Bank Audi, BLOM BANK and Byblos bank from “Caa2” to “Ca”. In addition, S&P lowered Lebanon’s foreign and local-currency Issuer Credit ratings to “Selective Default” on 3 Lebanese Banks (Audi Bank, BLOM BANK and Bank Med), while Fitch downgraded Lebanon’s long-term foreign currency Issuer Default Rating (IDR) from “CCC” to “CC”.

Lebanon’s fiscal deficit narrowed, yet gross public debt continued growing on an unsustainable trajectory.

The (cash-basis) fiscal deficit decreased from USD 6.25 billion in 2018 to USD 5.84 billion in 2019. The breakdown provided by the Ministry of Finance (inclusive of treasuries) revealed a 5% y-o-y down tick in total government spending, which outweighed the 4.2% annual downtick in public revenues, totaling USD 16.9 billion and USD 11.1 billion, respectively. On the counterpart, Lebanon’s gross public debt hit USD 91.64 billion in 2019, as it recorded a large annual increase of 7.6% and debt servicing costs stood at USD 4.24 billion. In details, Lebanon’s total debt in “Eurobonds” amounted USD 31.31 billion in 2019, with BDL holding USD 5.7 billion of Eurobonds, while total outstanding Lebanese Treasury Bills totaled USD 56.85 billion in 2019.

Moreover, the car market slumped remarkably while real estate activity picked up as capital controls remained in place end-2019. By December 2019, total new cars registered fell by 34% y-o-y to 23,289. AIA attributed the dramatic drop to imposed capital controls, suspended car loans and documentary credits for imports, high interest rates, and dollar illiquidity. On the counter part, the real estate sector presented “safe” investments for big depositors seeking risk-diversification post-October 17th amid talks of debt restructuring and a potential sovereign default. As such, the number of real estate transactions in December stand alone stood at 6,189 transactions, almost twice November’s. Yet, the cumulative number and value of transactions contracted by 17.07% and 15.92% y-o-y, to 50,352 transactions worth USD 6.8 billion in 2019. Demand on new projects remained subdued with total number of construction permits and construction area authorized slumping by 19.8% and 32.7% y-o-y respectively, to 11,074 permits covering 6.1 million square meters in 2019.

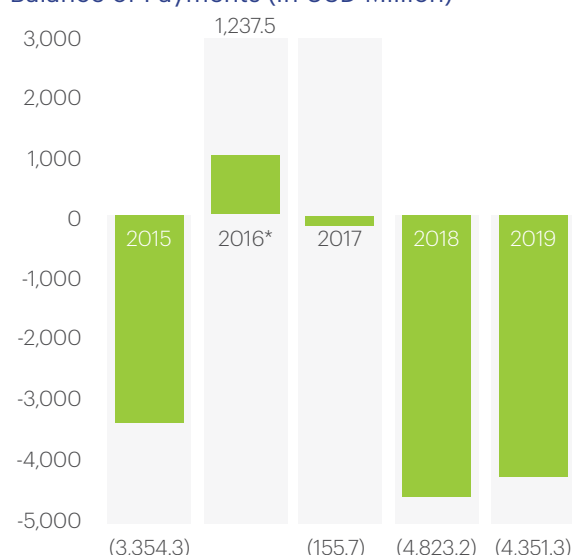
Tourism in H1 was a bright spot in the economy, but Q4 developments hampered the sector’s activity.

In H1 2019, Lebanon welcomed 923,820 tourists, similar to 2010 levels, and the KSA lifted its 2017 travel ban. Nonetheless, the number of airport passengers declined by 1.72% y-o-y, totaling 8.69 million passengers by end of 2019, and thereby marking its first slump in 8 years. The cumulative number of tourists followed suit, falling by 1.4% y-o-y to 1.94 million tourists over the same period.

On the external front, foreign currency outflows significantly exceeded inflows.

Lebanon’s trade deficit narrowed by 8.9% y-o-y to USD 15.50 billion as the value of imports decreased by 3.7% y-o-y to USD 19.2 billion, while exports’ value added 26.6% to USD 3.7 billion in 2019. Starting December 2019, BDL committed to cover imports of essential goods (medicines, fuel, wheat) due to the shortage in dollars. More prominently, the balance of payments (BoP) recorded a deficit of USD 4.35 billion in 2019, down from 2018’s USD 4.82 billion deficit. BDL’s Net Foreign Assets (NFA) dropped by USD 2.4 billion (partly related to importing essential goods) while NFAs of commercial banks fell by USD 1.95 billion in 2019 (related to the outflow of deposits).

Balance of Payments (In USD Million)



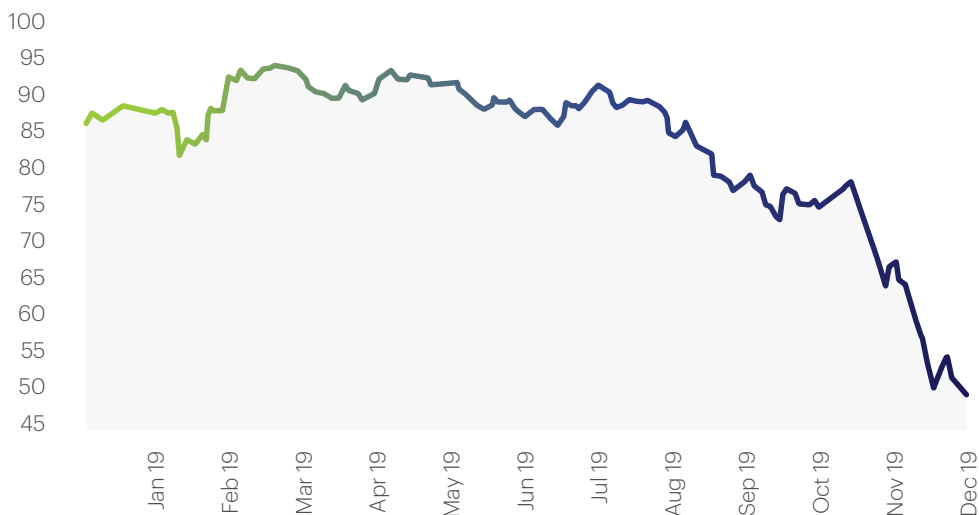
* Surplus on the back of BDL’s June 2016 financial engineering
Source: BLOMINVEST BANK; BDL

In fact, money supply M1 grew substantially while M3 shrank. With capital controls in, M1 inclusive of currency in circulation and demand deposits in LBP grew exponentially by an annual 42.8% to USD 16.6 billion by December 2019 compared to a 12% uptick last year. This is mainly attributed to people’s preferences shifting to cash, given the limits on bank cards and the loss of confidence in the banking sector amid the heightened uncertainty. By the same token, M3 fell by 4.5% y-o-y to USD 202.5 billion end-2019 driven by drops in USD deposits and more so in LBP deposits as a result of the flight to safety and transfers abroad.

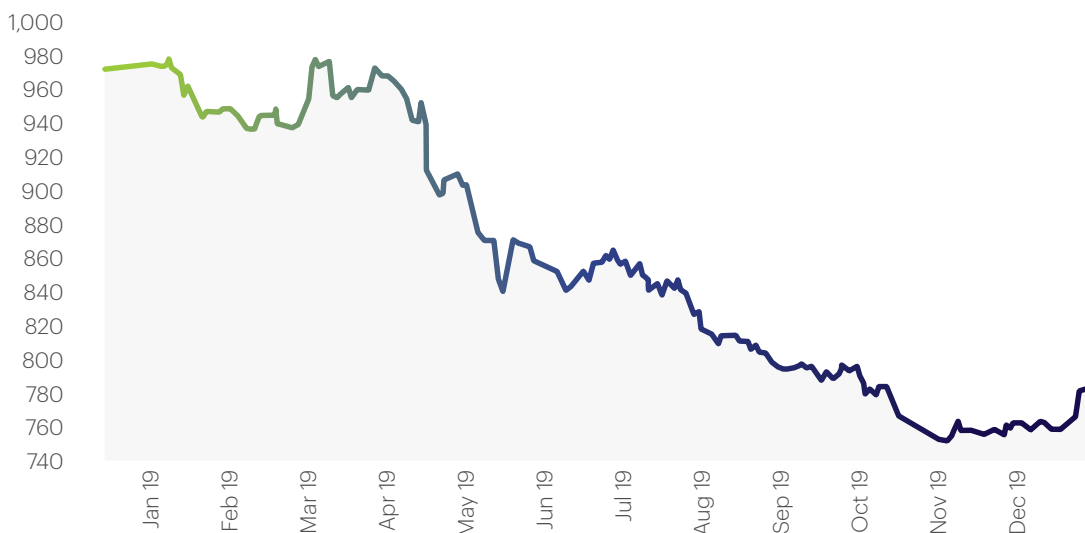
In turn, the Beirut Reference Rate (BRR) rose. The BRR stood at 8.2% on USD and 11.5% on LBP in December 2018 and climbed to 10.39% on USD and 13.49% on LBP in December 2019.

Confidence in the Lebanese government was eroded. The economic recession was evident as the performance of Lebanese Eurobonds and the stock market collapsed. Social rioting and political bickering during parliament sessions following the resignation of Prime Minister Hariri’s government end of October 2019 sent the BLOM Bond Index (BBI) to an unprecedented historical low of 48.59 points by December 3rd, hand-in-hand with an all-time high 5 years Lebanon Certificates of Deposit at 2,637 basis points (bps) as per Markit. The BBI closed the year at 50.5 points with 5 years Certificates of Deposit at 2,417 bps in 2019, noting that BDL had settled USD 1.5 billion in maturing Eurobonds on November 28th. Also, the yields on 5 years and 10 years Eurobonds surged to unprecedented highs of 39.2% and 21.6%, respectively, on December 4th. By end-2019, they stood at 37.5% and 21.9%, compared to last year’s 10.8% and 10.7%, respectively. In its turn, the BLOM Stock Index, which measures the activity on the Beirut Stock Exchange, fell by an annual 19.6% to end of 2019 at 785.56 points, after hitting an all-time low of 751.3 points beginning November when banks opened their doors after 15 days of shutdown following the protests.

BLOM bond index



BLOM Stock index



Source: BLOMINVEST BANK

1.3 The Lebanese Banking Sector

As a result of October's uprising, several banking and financial measures had to be taken. First, due to the severity of the shock (material Clause), major listed banks have opted with the approval of BDL to postpone publishing financial results post the first half of 2019. Second, to protect their liquidity especially in USD, banks had to resort to putting limits on withdrawals and international transfers. Third, to shore up bank capital, BDL issued a directive to banks not to distribute profits in 2019 and to increase their capital by 20% by June 2020. Fourth, to reduce financing costs for banks, BDL also directed banks in December to set limits on interest rates on deposits at a maximum of 8.5% for deposits in LBP and at 5% for deposits in USD.

As to commercial banks, their balance sheet witnessed a decline in assets by 13.1% in relation to 2018 to reach USD 216.8 billion by end of 2019. However, starting December 2019 (and according to the offsetting criteria in IAS 32 "Financial Instruments: Presentation"), banks have offset their loans taken from BDL in LBP with their corresponding placements at BDL in LBP carrying the same maturities, which led to the erasing of assets close to 37.5 billion in equivalent USD.

In terms of loans to the private sector, those declined to USD 49.8 billion, falling by a notable 16.2%. Part of this decline in loans, though, was due mostly to real estate developers paying back their loans from the brisk sales of properties to people preferring to exchange their frozen deposits to fixed assets. In addition, it is ascertained that NPLs for the sector must have doubled to more than 10% at end of 2019 because of the economic crisis, but that figure needs to take into account the reduction in loans that tends to inflate the Non-Performing Loans (NPLs) ratio.

In relation to private customers' deposits, they fell by 8.8% to settle at USD 158.9 billion. The highest monthly drop in total private deposits was recorded during November (3.43%) where the USD and LBP deposits decreased by 1.78% and 7.98% to reach USD 121.44 billion and USD 41.16 billion, respectively. Resident customers' deposits (78.70% of total private deposits) reached USD 112.51 billion in December 2019, decreasing by 7.7%. In details, the major drop was recorded in LBP deposits by 25.82% to reach USD 34.47 billion while USD deposits witnessed an uptick of 1.77% reaching USD 90.55 billion. Non-resident customer deposits (20.43% of total private deposits) reached USD 32.45 billion at end of 2019, declining yearly by 13.98%. In this category, both deposits in LBP and foreign currency retreated by 27.19% and 12.27% to reach USD 3.14 and 29.31 billion, respectively. And, as expected, the dollarization rate for total private deposits increased from about 70% to 75.6% at end of 2019.

As to shareholders' equity, it increased slightly from USD 20.1 billion to USD 20.7 billion, perhaps an early indication that the sector had hardly made any profits in 2019, especially in light of BDL's directive not to distribute the profits of that year.

Lastly, banks held in 2018 USD 17.4 billion of debt in LBP and USD 16.1 billion in USD, which constituted respectively 33.6% of total debt in LBP and 47.9% of total debt in USD. Whereas in 2019 their exposure to sovereign debt was reduced, as banks' holdings of LBP debt fell to USD 14.6 billion and of USD debt decreased to USD 13.8 billion, constituting 25.2% and 40.9% of the total. In terms of aggregate figures, banks held 39.1% of the aggregate debt of USD 85.2 billion in 2018, but only 31% of the aggregate of USD 91.7 billion in 2019.

As to BDL, the other main component of the banking system, the assets side of its balance sheet reveals that assets increased by 0.6% to USD 141.4 billion at end 2019, noting that starting March 15th 2019 (and according to the offsetting criteria in IAS 32 "Financial Instruments: Presentation") BDL has offset loans with their corresponding deposits in LBP originated simultaneously with banks and carrying the same maturities in the amount of USD 21.4 billion. Of these assets, Gold valuation increased by 22% to USD 13.9 billion due to higher gold prices; securities portfolio rose by 20.2% to USD 45.7 billion (of which USD 5.7 billion in Lebanese Eurobonds) and driven by holdings of more LBP treasury bills (TBs); and foreign currencies dropped by 9.1% to USD 29.6 billion as a result of financing for essential imports. Of course, because of the crisis, BDL has relinquished supporting the exchange rate peg in October 2019 except for transactions in the banking sector and for essential commodities.

Regarding the liabilities side of the balance sheet, currency in circulation witnessed an increase by 80.2% to USD 7 billion at end 2019, driven by people's preference for the safety of cash starting in late October onwards; banks' deposits fell by 8% to USD 107.6 billion, affected nominally by the offsetting adjustment mentioned above; and public deposits increased by 7.9% to USD 5.4 billion, perhaps due to lower discretionary spending in late 2019 because of the uprising and because of more treasury bills (TBs) financing by BDL.

2. Overview

After legitimate delay approved by Banque Du Liban's (BDL), BLOM BANK published in July 2020 its audited financial results for year 2019. The results obtained were largely as expected, and affected by the impact of the financial and economic crisis that has struck Lebanon since October 2019. Net profits came to USD 115.41 million, lower by 77.4% from year 2018. In terms of balance sheet items, assets stood at USD 33.30 billion, lower by 9.4%; deposits were USD 26.46 billion, lower by 2.8%; loans decreased to USD 5.81 billion, less by 18.9%; and shareholders' equity declined to USD 3.16 billion, less by 3.4%.

Net profits emanated mostly from our units outside Lebanon, especially from our unit operating in Egypt which constituted 42.6% of consolidated profits. As to our branches operating in Lebanon, they did not generate any profits in 2019, as a result of the provisions that the Bank took in accordance with Banque Du Liban's (BDL) circulars, so as to cover for the credit risks arising from the current conditions prevailing in Lebanese financial markets.

Moreover, BLOM BANK is required to comply by all BDL circulars as stipulated in the Code of Money and Credit, especially article 208. As a result, the Bank has complied by these circulars when calculating expected credit losses in accordance to the specified ratios listed in Appendix 6 of BDL circular number 44, and as amended by the intermediate circular number 543 issued by BDL on February 3rd 2020 for the year 2019 accounts.

Equally important, the Board of Directors has noted and approved the adverse opinion of the external auditors concerning the financial statements of our bank in Lebanon for year 2019. The Board has unanimously decided, for the sake of transparency, to publicize this adverse opinion of the external auditors, and this decision has been approved by the General Assembly.

And as is well known, the political uprising on 17 October 2019 has paralyzed the economy and put tremendous pressure on the banking system. As a result, several banking and financial measures has to be taken. First, due to the severity of the shock (Material Clause), major listed banks have opted with the approval of the Central Bank of Lebanon (BDL) to postpone publishing financial results post H1 2019. Second, to protect their liquidity especially in USD, banks had to resort to putting limits on withdrawals and international transfers. Third, to shore up bank capital, BDL issued a directive to banks not to distribute profits in 2019 and to increase their capital by 20% by June 2020. Fourth, to reduce financing costs for banks, BDL also directed them in February 2020 to set limits on interest rates on deposits at a maximum of 7.5% for deposits in LBP and at 4% for deposits in USD.

In this respect, BLOM BANK would like to take this opportunity to express its regret for all the restrictions that it was obliged to impose - like the rest of the banking sector and in coordination with BDL - and that were applied without favoritism towards any of its clients, shareholders, or employees.

Lastly, BLOM BANK's durable position as the leading banking group in Lebanon was reflected by the rewards that it received from reputed international and regional financial institutions:

The Banker

- Bank of the year in Lebanon for 2019
- Islamic Bank of the Year in Lebanon for 2019 (BLOM Development Bank)

Global Finance

- Best Bank in Lebanon for 2020
- Best Trade Finance Provider for 2020
- Best Investment Bank in Lebanon for 2019 (BLOMINVEST BANK)
- Best Consumer Mobile Bank in the Middle East for 2019
- Best Consumer Digital Bank in Lebanon for 2019
- Best Mobile Banking in Lebanon for 2019

Banker Middle East

- Best CSR Program for 2019
- Best Retail Banking Services in Lebanon for 2019
- Best Banking Services in Lebanon for 2019

The Asian Banker

- Best Retail Bank in Lebanon for 2020
- Best Managed Bank in Lebanon for 2019

EMEA Finance

- Best Bank in Lebanon for 2019
- Best Asset Manager in Lebanon for 2019 (BLOMINVEST BANK)
- Best Investment Bank in Lebanon for 2019 (BLOMINVEST BANK)

Global Investor

- Lebanon Asset Manager of the Year 2019 (BLOMINVEST BANK)

The European

- Bank of the Year – Lebanon for 2020
- Bank of the Year – MENA for 2020
- Strongest Performing Bank – Lebanon for 2020

Asian Banking and Finance

- Domestic Retail Bank of the Year 2019 - Lebanon

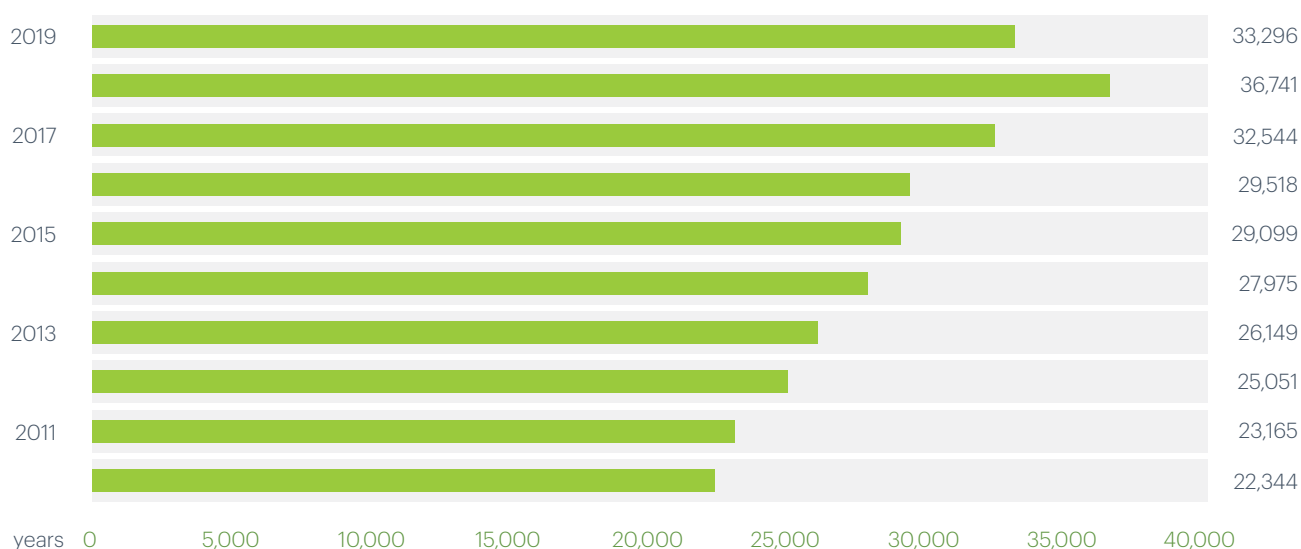
3. Evolution of Total Assets

Total assets of BLOM BANK Group reached USD 33.30 billion at year-end 2019.

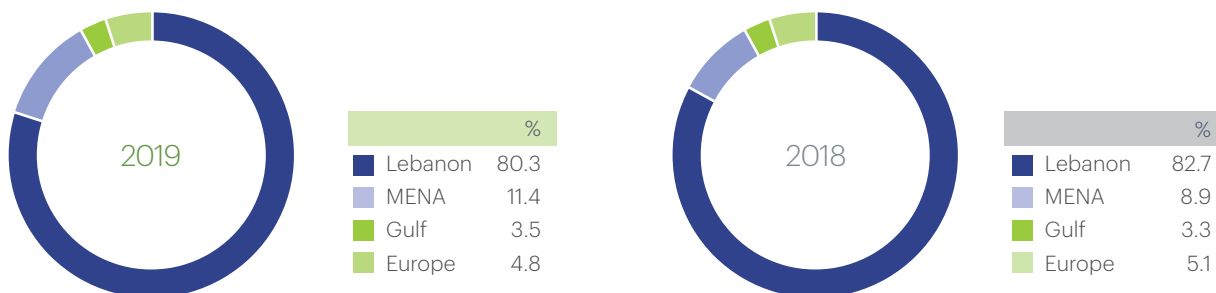
BLOM BANK S.A.L. and the Central Bank of Lebanon, signed during 2019 a netting agreement covering only leverage arrangements that were invested in blocked term placements with the Central Bank of Lebanon in Lebanese Lira. Therefore, the related assets and liabilities are netted in the consolidated statement of financial position by USD 4.90 billion as at end of December 2019.

Applying the same effect of netting arrangements to year 2018 (for comparison purposes only) would decrease the total assets to USD 34.04 billion. Comparing the netted total assets of years 2019 and 2018 would result in a decrease of 2.19% corresponding to USD 745 million.

Evolution of Total Assets (in USD Million)



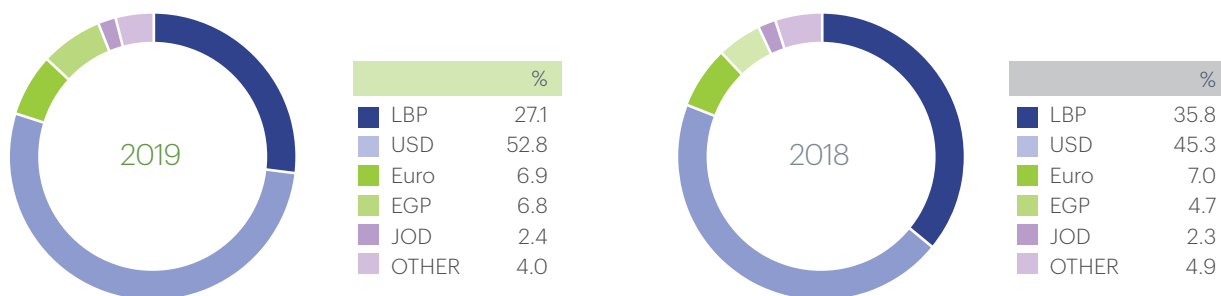
Total Assets by Region



In terms of geographical allocation, BLOM BANK’s overseas operations constitute 19.7% of consolidated assets with BLOM BANK Egypt comprising the largest international market share of the Bank’s assets.

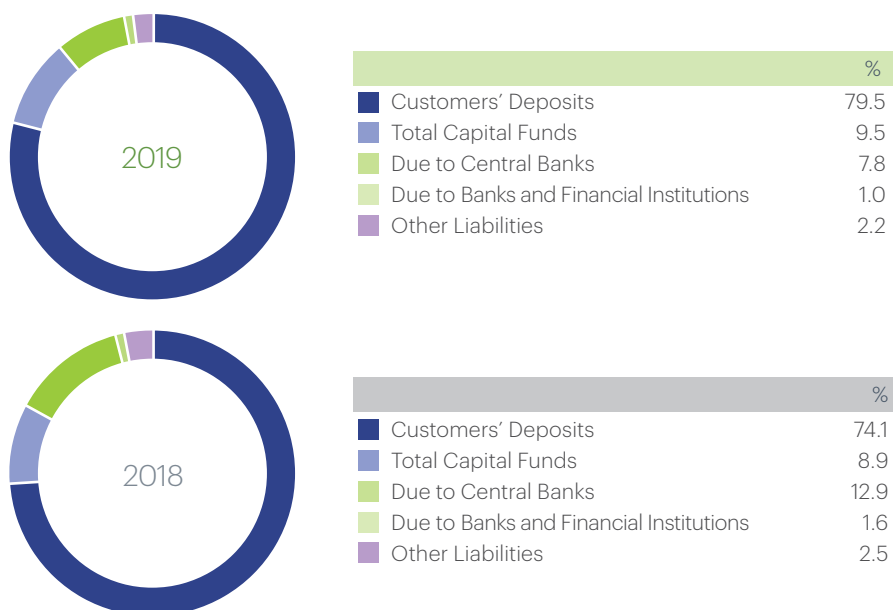
MENA includes Egypt, Jordan and Iraq. Gulf includes UAE, Qatar and KSA. Europe includes France, United Kingdom, Romania, Switzerland and Cyprus.

Total Assets by Currency



Total assets by currency reveals that 52.8% are denominated in US Dollars followed by Lebanese Pounds at 27.1%. The overall share of assets denominated in foreign currencies stood at 72.9% as compared to 64.2% a year earlier.

4. Sources of Funds

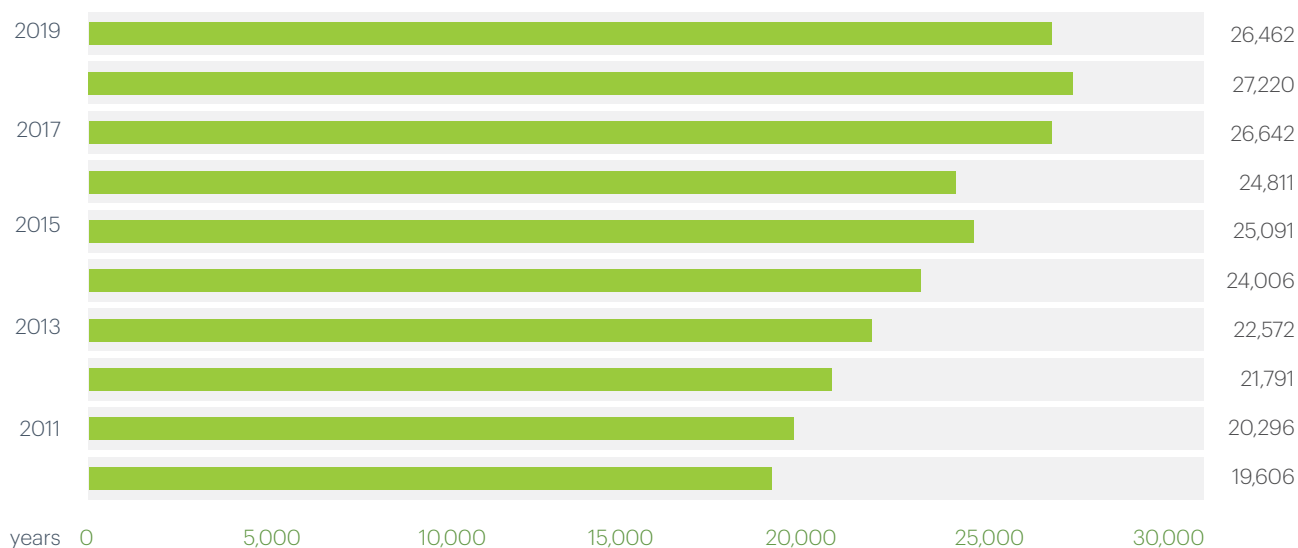


BLOM BANK’s main sources of funding include customers’ deposits and total capital funds. Customers’ deposits funded 79.5% of the Bank’s total assets in 2019, while total capital 2019 funds constituted 9.5% of the total funds during the same period.

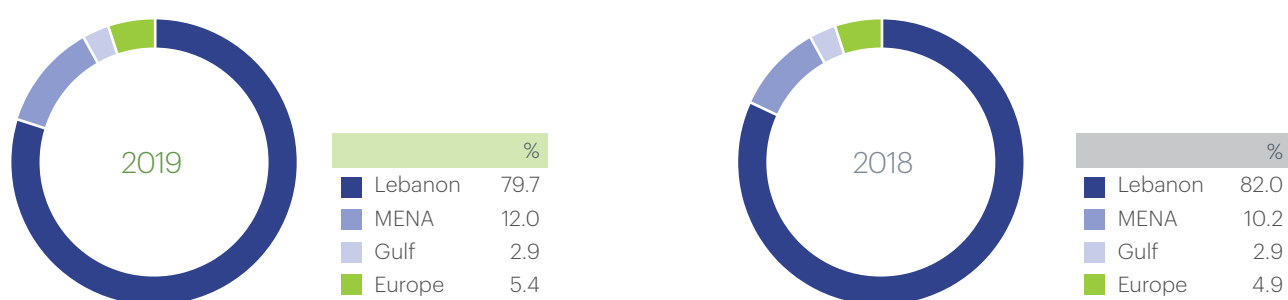
4.1 Customers' Deposits

Total customers' deposits decreased by 2.8% reaching USD 26.46 billion. The decrease was mainly driven by Lebanese entities that witnessed a decrease of 5.47% as compared to year-end 2018. Non-Lebanese BLOM Group entities recorded a growth of 9.45% in year-end 2019.

Evolution of Customers' Deposits (in USD Million)

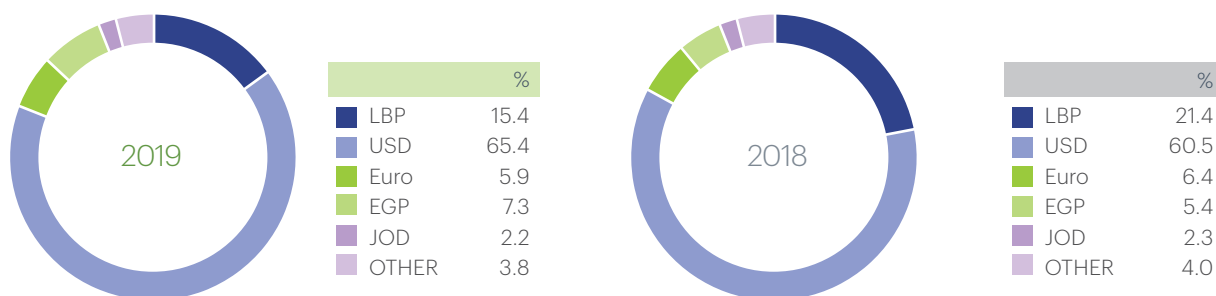


Total Customers' Deposits by Region



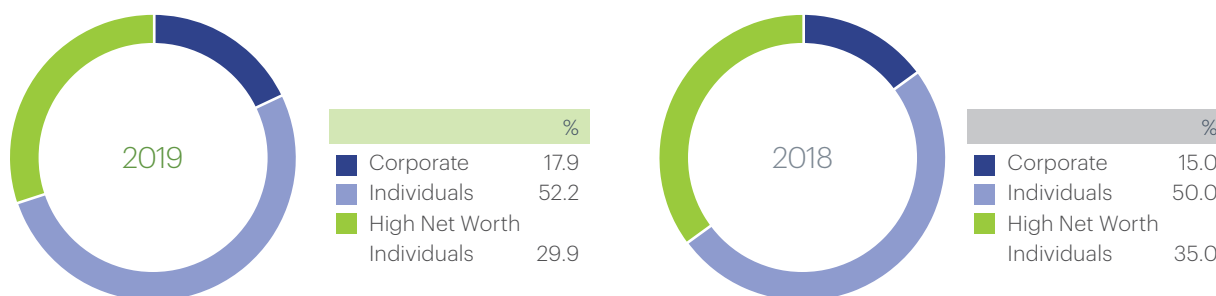
A concentration analysis of consolidated deposits by region reveals that Lebanon maintained the lead share with 79.7%, whereas regional and European countries' share was 20.3%.

Total Customers' Deposits by Currency



With regards to foreign currencies' share of total deposit, they increased by 6.0% in 2019 to settle at 84.6%. Over the same period, the dollarization rate accounted for 65.4% of total customers' deposits.

Customers' Deposits by Type of Client



A concentration analysis of consolidated deposits by type of client reveals that Individuals and High Net Worth Individuals deposits' share decreased by 2.9% in 2019 to settle at 82.1% and "corporate" deposits' share increased by 2.9% to reach 17.9%.

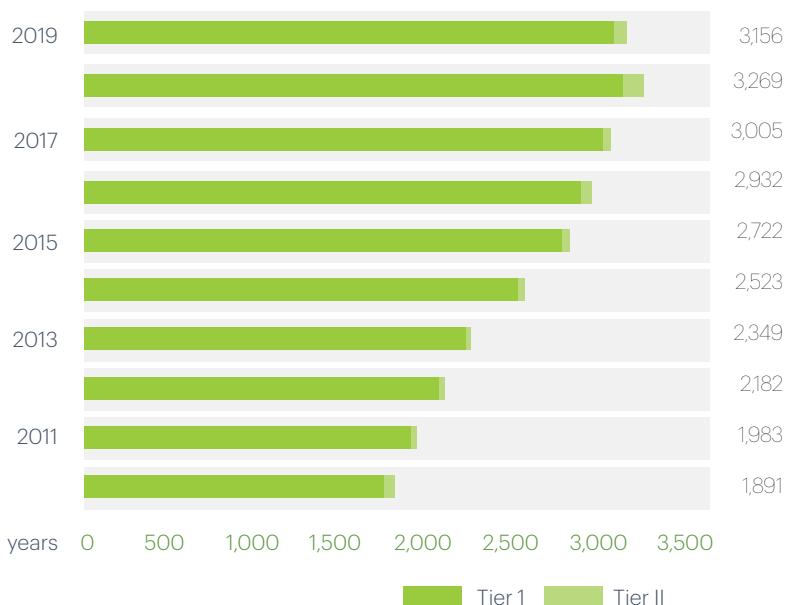
4.2 Capitalization (Tier I & Tier II Capital)

Total capital funds decreased by 3.4% at year-end 2019 compared to an increase of 8.8% at year-end 2018.

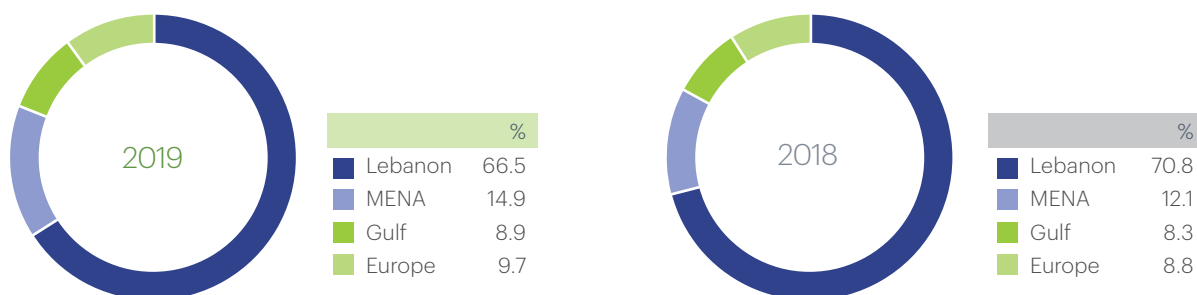
The decrease in capital funds at year-end 2019 is due to the fact that all profits generated from the Banks' branches operating in Lebanon were booked as provisions in accordance with the Central Bank of Lebanon circulars, so as to cover for the credit risks arising from the current conditions prevailing in Lebanese financial markets.

A detailed analysis of the Bank's regulatory capital is presented in the risk management section of the MD&A.

Tier I & Tier II Capital (in USD Million)



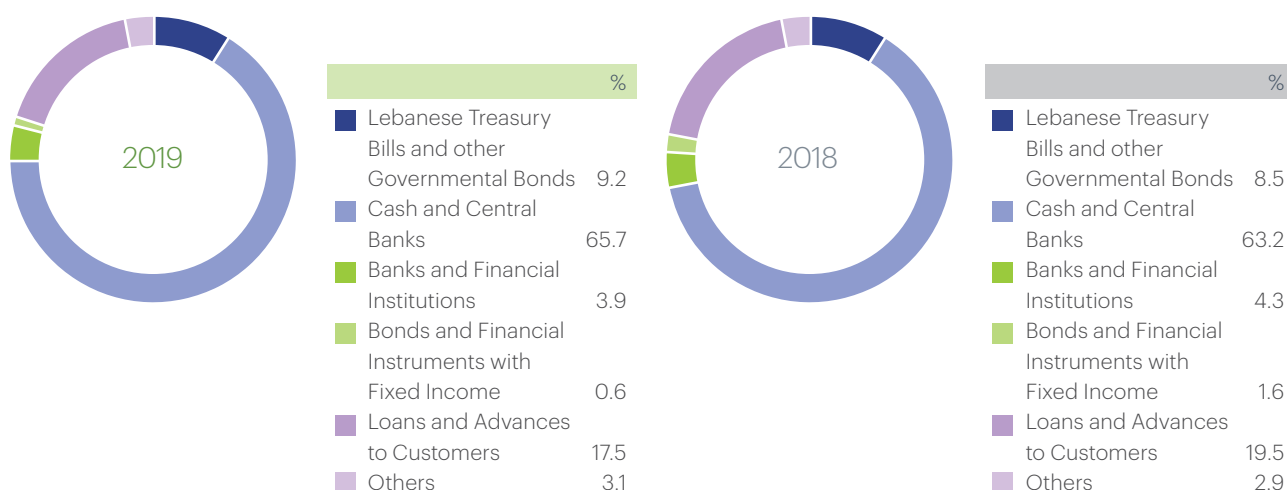
Total Capital Funds by Region



A concentration analysis of total capital funds by geographical distribution shows that Lebanon accounted for 66.5% at the end of 2019 (70.8% in 2018) and the remaining 33.5% were spread among countries in MENA, Gulf and Europe.

5. Uses of Funds

Within the overall uses of funds, the share of Lebanese Treasury Bills as well as other governmental debt securities to total assets increased to 9.2% in 2019, up from 8.5% in 2018. Also, the share of cash and deposits at the Central Banks to total assets increased to 65.7% in 2019 from 63.2% in 2018. Placements with banks and financial institutions decreased to 3.9% of total assets in 2019 compared to 4.3% in 2018. On the other hand, the share of loans and advances to customers decreased to 17.5% in 2019, from 19.5% in 2018.



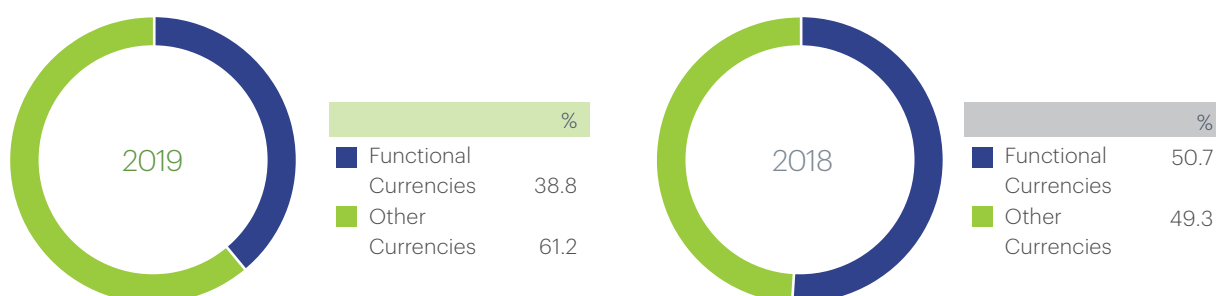
5.1 Investment Portfolio

BLOM BANK's investment portfolio decreased by USD 1,703 million, or 6.3%, during 2019 and is predominantly made up of Central Banks' exposure (86.3% of total portfolio), governmental debt securities (12.1% of total portfolio), bonds and financial instruments with fixed income (0.85% of total portfolio), funds and equity instruments (0.76% of total portfolio).

If the netting effect is to be applied on 2018 figures (for comparative purposes only), the investment portfolio would show an increase of USD 997 million, specifically in sovereign exposure which would increase from USD 23.47 billion in 2018 to USD 24.85 billion in 2019, or 5.9%.

USD Million	2019	2018	% from Total 2019
Sovereign Exposure	24,848	26,174	98.39%
Placements with Central Banks	20,597	21,792	81.56%
Lebanese Treasury Bills and other governmental bonds	3,058	3,138	12.11%
Central Banks' Certificates of Deposits	1,193	1,244	4.72%
Corporate Securities	406	783	1.61%
Bonds and Financial Instruments with fixed Income	192	575	0.76%
Equity and Funds	214	208	0.85%
Investment Portfolio	25,254	26,957	100.00%

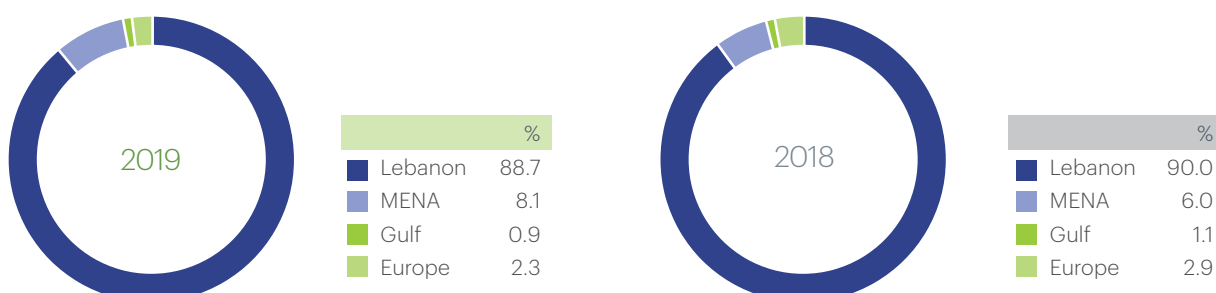
Sovereign Exposure by Currency



A currency analysis of the sovereign exposure (government debt securities and Central Banks balances) reveals that 38.8% of total sovereign assets in year 2019 were denominated in the functional currencies of the countries that BLOM BANK Group is present in, and 61.2% of sovereign assets in year 2019 were denominated in other currencies.

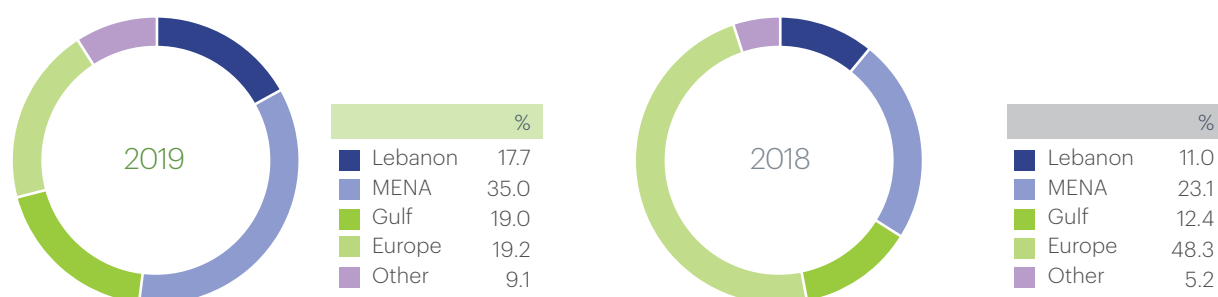
The major functional currency remains the LBP that constitute 75.5% out of the functional currencies for year 2019 followed by 15.0% for EGP and 3.1% for Euro.

Total Sovereign Exposure by Issuing Country



A concentration analysis of total sovereign exposure by issuing country reveals that 88.7% of the total sovereign assets at end of 2019 are concentrated in Lebanon followed by MENA at 8.1%, Europe at 2.3%, and Gulf at 0.9%.

Total Corporate Securities Exposure by Issuing Country

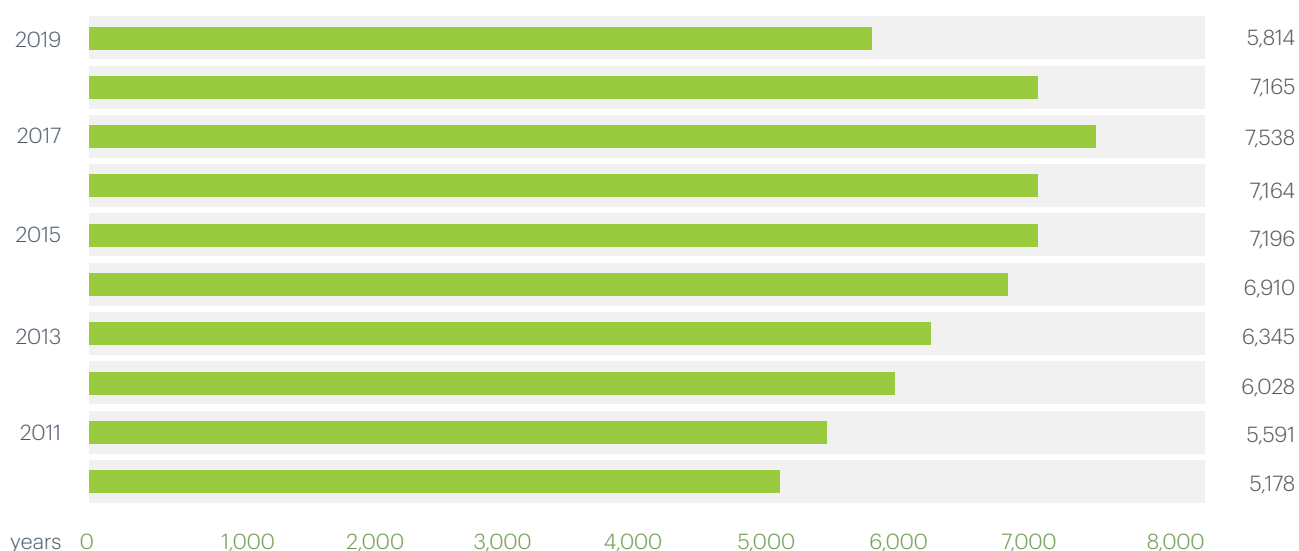


A concentration analysis of corporate securities by issuing country reveals that 35.0% of BLOM BANK's corporate securities are issued by MENA countries followed by European countries at 19.2%, Gulf countries at 19.0%, Lebanon at 17.7%, and other countries at 9.1%.

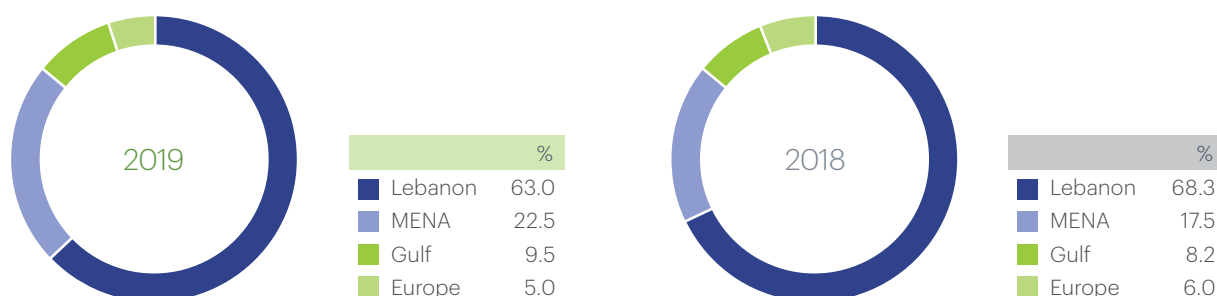
5.2 Loans and Advances to Customers

Due to the challenging economic conditions in Lebanon and the region during 2019, BLOM BANK's loan portfolio dropped by USD 1,351 million, or 18.9%, to reach USD 5,814 million at year-end 2019.

Evolution of Loans and Advances to Customers (in USD Million)



Total Loans to Customers by Region



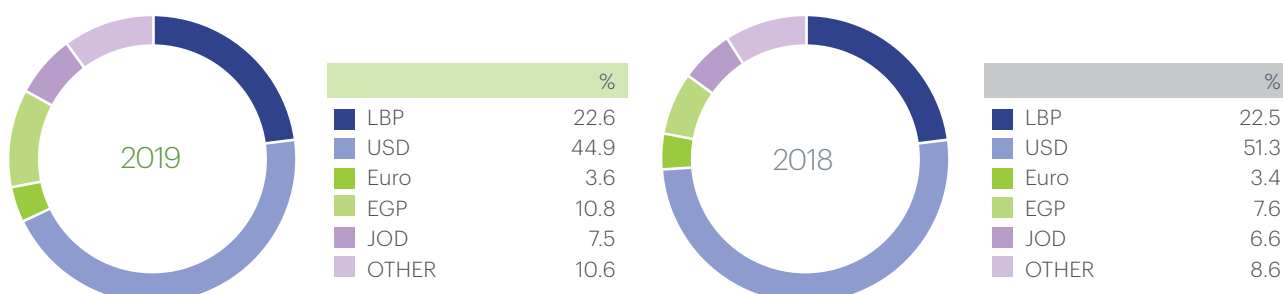
A concentration analysis of the loan portfolio by region reveals that Lebanon maintained the lead share with 63.0% at the end of 2019 (68.3% in 2018), while the remaining loan portfolio was spread among the group entities mainly in the MENA region which accounted for 22.5% at the end of 2019 up from 17.5% in 2018. Gulf region accounted for 9.5% (8.2% in 2018) and Europe held 5.0% (6.0% in 2018) of the loan portfolio.

BLOM BANK's commercial loan portfolio accounted for 55.0% of the total loan portfolio at the end of 2019 (58.0% in 2018) broken down into 35.4% corporate loans and 19.6% SME loans. Retail loans comprised the remaining 45.0% of total loan portfolio at the end of 2019 (42.0% in 2018).

Loans to Customers by Type

USD Million	2019		2018	
	Balance	% from Total	Balance	% from Total
Corporate Loans	2,060	35.4%	2,643	36.9%
SME Loans	1,137	19.6%	1,511	21.1%
Retail Loans	2,617	45.0%	3,011	42.0%
Total Loans to Customers	5,814	100.0%	7,165	100.0%

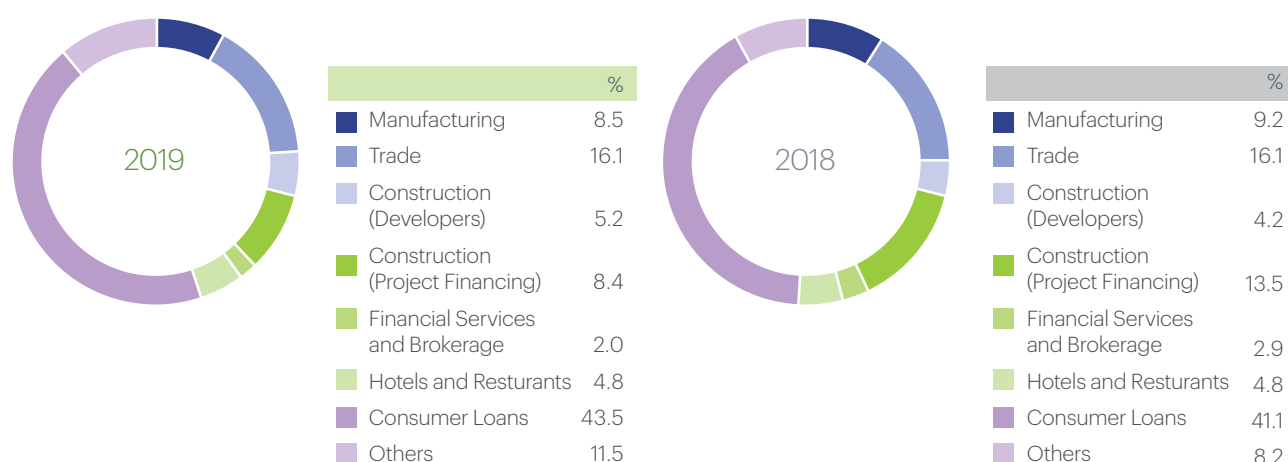
Loans to Customers by Currency



Currency analysis of the loan portfolio at year-end 2019 reveals that US Dollars is the dominant currency with 44.9% share of total loans followed by Lebanese Pound at 22.6%.

The remaining currencies, mainly Egyptian Pound and Jordanian Dinar, both constitute 18.3% of total loan portfolio.

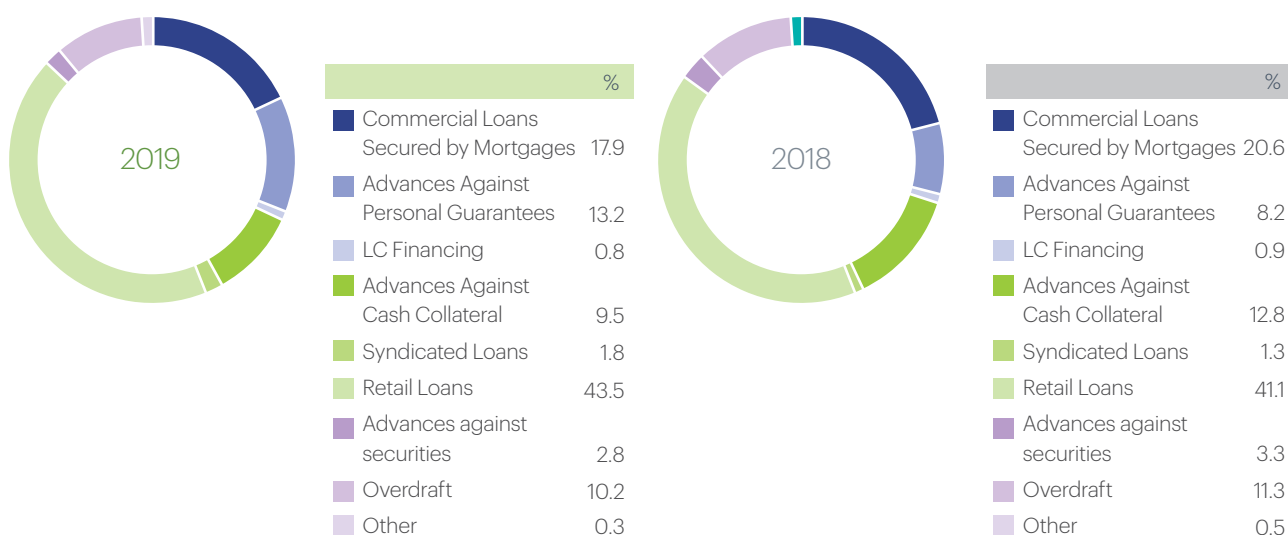
Gross Loans by Economic Sector



BLOM BANK seeks diversification in its loan portfolio through lending to different economic sectors.

The highest economic sector share is for Consumer Activities (43.5%), followed by Construction (13.6%), Trade (16.1%), and Manufacturing (8.5%).

Gross Loans by Type of Collateral



BLOM BANK's loan portfolio remains highly backed by multiple forms of collateral, where secured corporate lending accounted for 46.1% of the total loan portfolio at the end of 2019 and secured retail loans against mortgage (mainly housing and car loans) represented 34.3% of total loan portfolio, whereas overdraft and other unsecured corporate loans accounted for 10.5%.

5.3 Asset Quality by Region

	Lebanon	MENA	Gulf	Europe	Consolidated
USD Million	2019				
Allowances for ECL- Stage 1&2	163	19	1	0	183
Allowances for ECL- Stage 3	211	48	5	23	287
Gross NPL/Gross Loans	8.57%	4.59%	1.25%	9.23%	7.08%
Coverage Ratio	60.96%	76.37%	74.66%	78.66%	64.51%

	Lebanon	MENA	Gulf	Europe	Consolidated
USD Million	2018				
Allowances for ECL- Stage 1&2	52	7	2	0	61
Allowances for ECL- Stage 3	187	34	6	31	258
Gross NPL/Gross Loans	4.89%	3.34%	1.05%	7.57%	4.48%
Coverage Ratio	76.91%	77.78%	100.00%	88.85%	76.91%

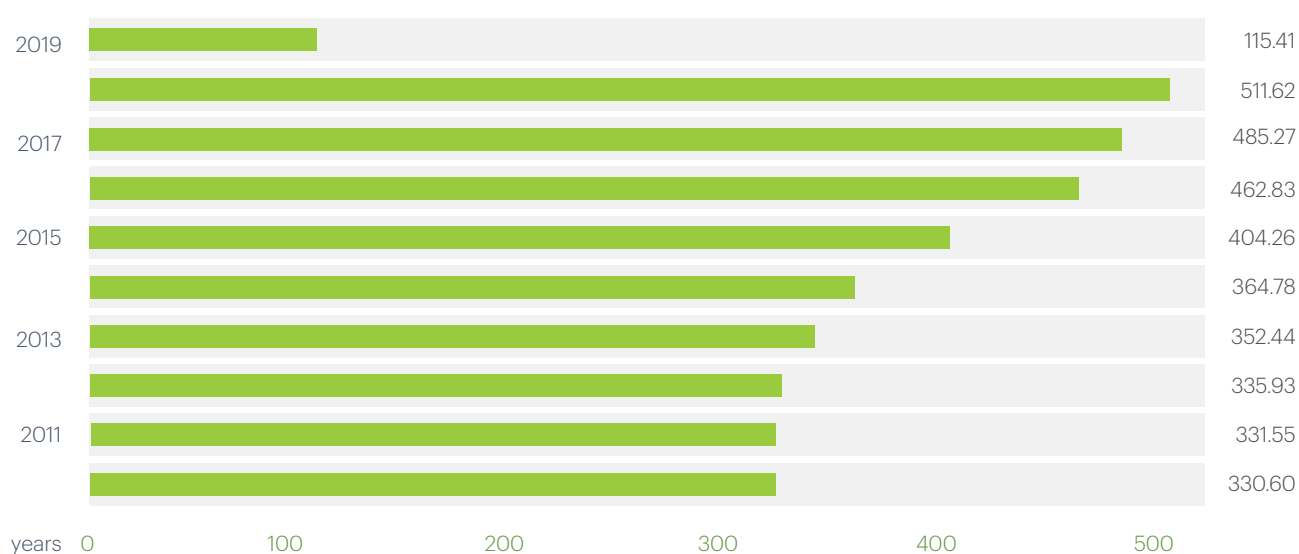
Gross non-performing loans to gross loans ratio for BLOM BANK Group for the year 2019 increased to 7.1% as compared to 4.5% a year earlier. The coverage ratio of non-performing loans reached 64.5% in 2019 as compared to 76.9% in 2018.

6. Performance

BLOM BANK Group's net income for year 2019 amounted to USD 115.4 million generated mainly from non-Lebanese subsidiaries that recorded a net income of USD 93.7 million.

Due to the conditions prevailing in the Lebanese financial markets, BLOM BANK – Lebanon has allocated the total of USD 266 million as provision charges to cover for the credit risk on financial assets and USD 114 million of fair value losses allocated to Lebanese sovereign Eurobonds.

Evolution of Net Income (in USD Million)



Summary Income Statement

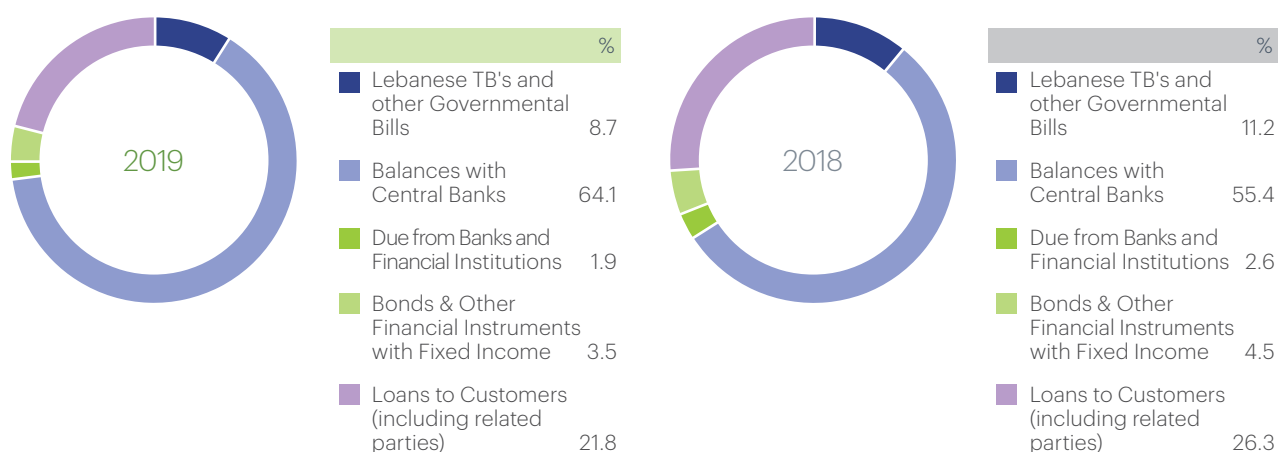
USD Million	2019	2018	Balance change	% Change
Net interest income	746.0	840.5	(94.5)	-11.2%
Non-interest income	145.2	186.1	(40.9)	-22.0%
Total operating income	891.2	1,026.6	(135.4)	-13.2%
Net Impairment loss on Financial Assets	(327.0)	(11.2)	(315.8)	2819.6%
New and Increased impairment allowances	(401.7)	(95.1)	(306.6)	322.4%
Recoveries	74.7	83.9	(9.2)	-10.9%
Net operating income	564.2	1,015.4	(451.2)	-44.4%
Operating expenses	(343.5)	(385.0)	41.5	-10.8%
Profit Before Tax	220.7	630.4	(409.7)	-65.0%
Income tax expense	(105.3)	(118.8)	13.5	-11.4%
Profit for the year	115.4	511.6	(396.20)	-77.4%

6.1 Net Interest Income

Net interest income registered a decrease of USD 94.5 million, or 11.2%, to reach USD 746 million in 2019. The drop came as a result of an increase in interest and similar expense by USD 514.3 million, or 37.0%, to reach USD 1,906.2 million in 2019.

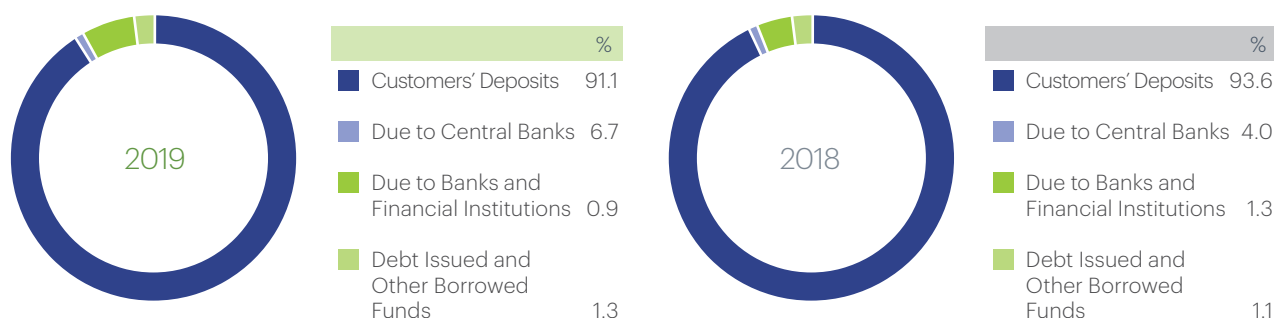
6.1.1 Interest and Similar Income

Interest and similar income is broken down into placements with the Central Banks, loans and advances to customers and fixed income securities. Placements with Central Banks' share of interest income remains the highest at 64.1% (55.4% at year-end 2018) followed by Loans and Advances to Customers at 21.8% (26.3% at year-end 2018).



Management Discussion & Analysis 2019

6.1.2 Interest and Similar Charges



Interest and similar charges increased by USD 514.3 million, or 37.0%, to reach USD 1,906.2 million in 2019 as compared to USD 1,391.9 million in 2018.

6.1.3 Average Balance Sheet and Interest Rates

An analysis of average interest earning assets shows that governmental debt securities accounted for 9.0% of total average interest earning assets in 2019 decreasing from 10.3% in 2018, and balances with Central Banks increased to 64.0% in 2019 as compared to 55.4% in 2018. The average deposits with banks decreased to 2.8% in 2019 as compared to 4.3% in 2018.

The share of bonds and other financial instruments with fixed income accounted for 4.9% compared to 6.0% a year earlier, and the average loans and advances to customers contributed to 19.3% of total average interest earning asset in 2019 compared to 24.1% in 2018.

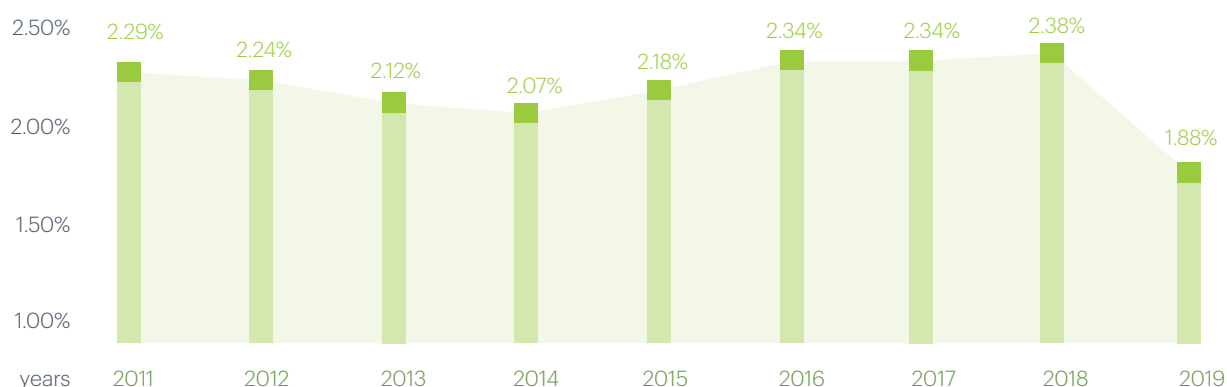
On the other hand, the average interest bearing liabilities went up by USD 3,850 million, or 13.0% to reach USD 33,492 million compared to USD 29,642 million a year earlier.

Deposits from customers including related parties accounted for the largest share of the average interest bearing liabilities at 80.5% in 2019 followed by due to Central Banks at 17.8%.

USD Million	2019			2018		
	Average Balance	Interest Earned - (Paid)	Average Rate	Average Balance	Interest Earned - (Paid)	Average Rate
Governmental Debt securities	3,120	237.9	7.63%	3,176	250.8	7.90%
Balances with Central Banks	22,175	1,700.7	7.67%	17,004	1,237.5	7.28%
Due from Banks and Financial Institutions	979	51.6	5.27%	1,306	58.4	4.47%
Bonds and other Financial Assets with Fixed Income	1,696	94.4	5.57%	1,845	101.2	5.49%
Loans and Advances to Customers	6,684	574.5	8.60%	7,389	587.7	7.95%
Total Average Interest Earning Assets	34,654	2,659.1	7.67%	30,720	2,235.6	7.28%
Customers' Deposits	26,959	(1,737.2)	6.44%	26,190	(1,302.0)	4.97%
Due to Central Banks	5,952	(127.4)	2.14%	2,972	(56.3)	1.89%
Due to Banks and Financial Institutions	275	(16.8)	6.11%	268	(17.6)	6.57%
Debt Issued and Other Borrowed Funds	306	(24.8)	8.10%	212	(16.0)	7.55%
Total Average Interest Bearing Liabilities	33,492	(1,906.2)	5.69%	29,642	(1,391.9)	4.70%
Interest Spread			1.98%			2.58%
Interest Margin			1.88%			2.38%

* Including net interest income from financial assets and liabilities at FVTPL of USD 6.9 million and USD 3.2 million respectively for years 2019 and 2018.

Net Interest Margin

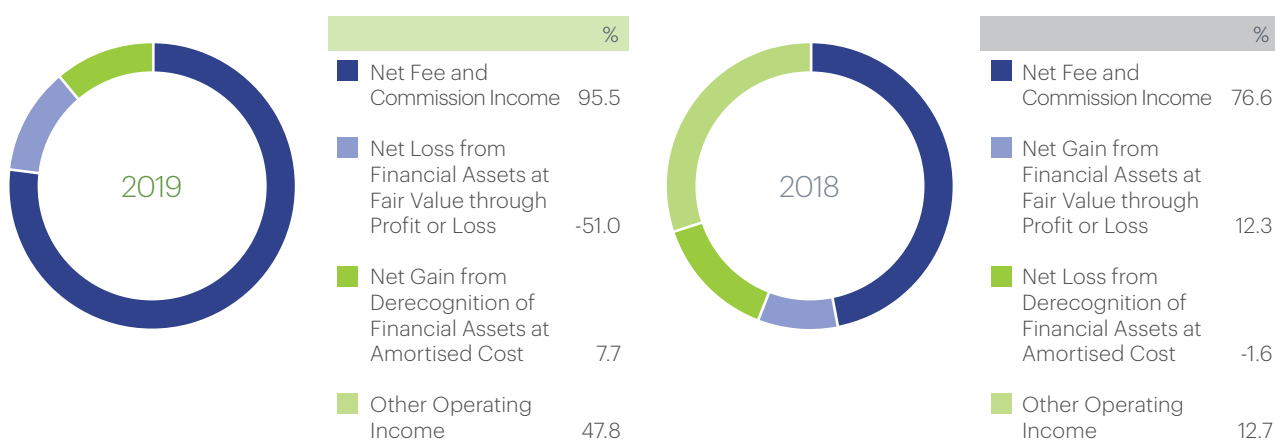


Net interest margin decreased from 2.38% in 2018 to 1.88% in 2019.

6.2 Constituents of Non-Interest Income

Non-interest income amounted to USD 145.2 million in 2019, comprised of USD 138.7 million in net fee and commission income, USD 62.9 million in net loss from financial assets at FVTPL and derecognition of financial assets at amortised cost and a USD 69.4 million in other operating income.

Constituents of Non-Interest Income



6.3 Total Operating Expenses

Operating expenses decreased to USD 343.5 million in 2019, compared to USD 385.0 million in 2018. Staff expenses (salaries and related charges) decreased by USD 39.9 million, or 17.3%, to reach USD 191.1 million in 2019 while other operating expenses decreased by USD 2.0 million or, 1.6%, to reach USD 125.7 million.

USD Million	2019	2018
Staff Expenses	191.1	231.0
Other Operating Expenses	125.7	127.7
Depreciation and Amortization	26.7	26.3
Total	343.5	385.0

	2019	2018
Number of Employees	4,853	5,078
Staff Expenses per Employee (USD)	39,378	45,490
Operating Expenses per Employee (USD)	25,902	25,148

7. Dividend Distribution

Due to the conditions prevailing in the Lebanese financial markets and in accordance with the Central Bank of Lebanon intermediary circular 532, BLOM BANK paid no dividends for year 2019.

8. Risk Management and Basel Preparations

8.1 Risk Management Process

BLOM BANK is exposed to different risks stemming from normal business activities. Policies and procedures covering all types of risks have been implemented and updated regularly to ensure they take full account of the Bank’s risk appetite and cover regulatory and internal guidelines while recognizing best practice methods. Appropriate limits are set within the different policies and monitored by the corresponding business lines.

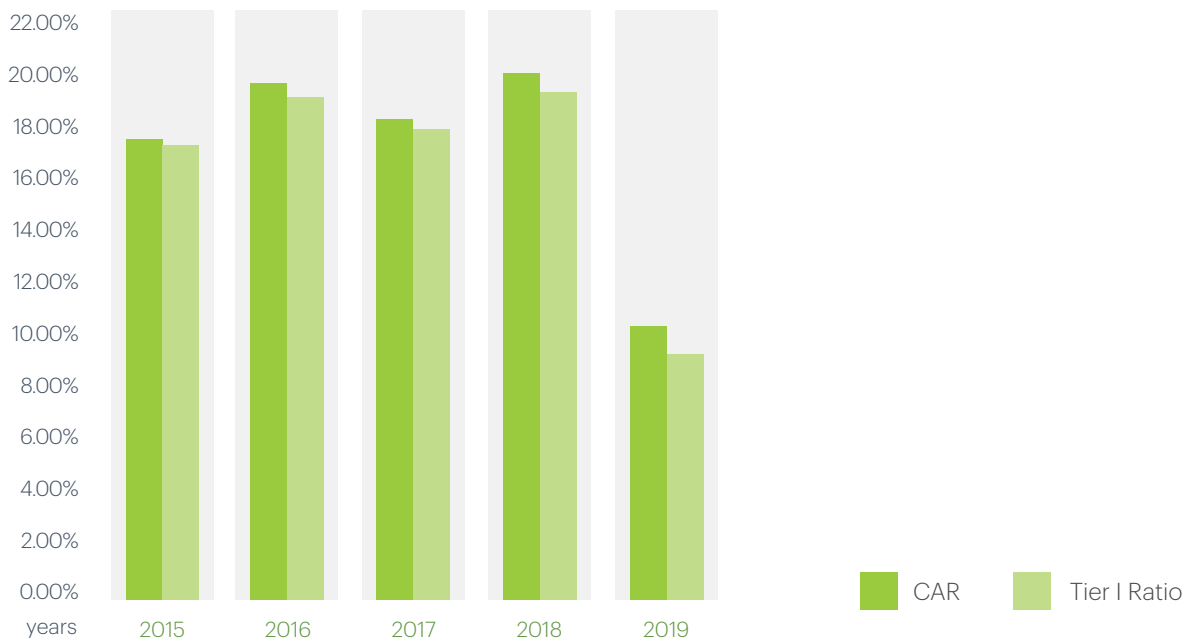
The major risks the Bank is exposed to are credit (and more particularly sovereign risk), market, liquidity and operational risks. Sovereign risk is primarily related to Lebanese Central Bank exposure in the form of mostly placements but also CDs.

The Bank recognizes that events witnessed in Lebanon towards the end of 2019 entail an extraordinary situation in its domestic market posing risks that have severely hampered the Bank’s operations and could do so for a prolonged period of time. The Bank has always placed great emphasis on maintaining as high a level of solvency as possible as a cushion for the possible realization of risks that started to occur in late 2019. Given the level of economic and financial crisis that has started to unfold in Lebanon, the Bank’s solvency cushion will be severely tested going forward over the coming year and to what extent will largely depend on measures implemented by the government and regulators.

8.2 Capital Adequacy Ratio

The consolidated Basel III Capital Adequacy ratio of the Group reached 11.05% by the end of 2019 against 20.07% in 2018; Moreover, Common Equity Tier 2 ratio (CET1) reached 9.88% in 2019, as compared to 19.12% in 2018, which is above the regulatory requirement ratio of 7%. The principal reason for this decline is the increased risk weighting related to the Bank’s foreign currency holdings with the Central Bank of Lebanon as the country’s sovereign credit rating saw downgrades by major credit rating agencies.

BLOM BANK Group Capital Adequacy Ratio/Tier I Ratio



Lebanese banks are required to abide by the minimum set limits for the following three capital adequacy ratios by end of 2019:

Ratio	BLOM Ratio (as at end of 2019)	BCCL Minimum Limit (by end of 2019)	Basel III Minimum Limit (including capital conservation buffer of 2.5%) (by end of 2019)
Net Common Equity Tier 1 / Total Risk Weighted Assets	9.88%	7%	7%
Tier 1 / Total Risk Weighted Assets	9.88%	8.5%	8.5%
Total Capital Funds / Total Risk Weighted Assets	11.05%	10.5%	10.5%

BLOM consolidated CAR ratios are clearly above the regulatory requirements.

Those ratios are calculated in accordance with the Standardized Approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardized Approach for Market Risk and taking into consideration related memos issued by the Banking Control Commission of Lebanon (BCCL).

The Capital Adequacy Ratio evolution over the past 3 years is as follows:

BLOM Ratio	2019	2018	2017
Net Common Equity Tier 1 / Total Risk Weighted Assets	9.88%	19.12%	17.72%
Tier 1 / Total Risk Weighted Assets	9.88%	19.13%	17.73%
Total Capital Funds / Total Risk Weighted Assets	11.05%	20.07%	18.14%

As at December 2019, BLOM BANK's risk weighted assets are broken down as follows:

Risk Type LL Million	Risk Weighted Assets	% of Total Risk Weighted Assets
Credit Risk	42,310,511	90.13%
Market Risk	2,100,942	4.48%
Operational Risk	2,529,730	5.39%
Total	46,941,183	100.00%

BLOM BANK's capital funds at the end of December 2019 as per Basel III are broken down as follows:

LL Million	2019	2018
Common Equity Tier I Capital	4,694,815	4,513,993
Common Equity Tier I Capital Deductions	(56,812)	(42,679)
Net Common Equity Tier I Capital	4,638,003	4,471,314
Additional Tier I Capital	1,498	2,888
Tier I Capital	4,639,501	4,474,202
Tier II Capital	549,166	220,549
Total Capital Funds	5,188,667	4,694,751

For regulatory as well as internal purposes, the Bank calculates the Basel Capital Adequacy Ratio on a group consolidated basis and by individual legal entity, allowing for close monitoring of the capital position of each banking subsidiary. In the latter case, every single entity achieved a Basel III Capital Adequacy Ratio above the minimum 8% international requirement (excluding capital conservation buffer).

8.3 Credit Risk Management

The major component of Credit Risk Weighted Assets is Central Bank placements and Certificates of Deposits which represents 78.91% of total Credit RWAs. Corporate and SME represent 8.48% of total Credit RWAs while commercial real estate share is 1.74%. The Retail portfolio including housing loans reached 4.46% of Credit RWAs.

The Bank holds government paper in its Lebanese, Egyptian, Iraqi and Jordanian operations. Government paper comprises 0.71% of total Credit RWAs.

The Bank is producing internal ratings through Moody's RA for its entire commercial loan portfolio.

Moreover, for the retail loan portfolio, Retail Application Scorecards are in place to adequately score each application and consequently decide on the approval of such application. Retail Behavioral scorecards are under implementation. However, given the deteriorating economic situation witnessed in Lebanon in 2019 and expected to run into 2020 and beyond, the Bank pursued a shrinkage of its loan portfolio in order to limit as much as possible the negative impact on asset quality of such situation with NPL ratios expected to rise markedly in 2020.

Clients' exposures are continuously monitored for early detection of any sign of deterioration in credit quality. Moreover, the Bank loan portfolio is periodically monitored through statistical analysis and reports showing exposures versus limits as well as the concentration by economic sector, group of borrower, countries of operation and other parameters.

The non-performing loans of the Bank are managed closely with Gross NPL Ratio of 7.08% and Net NPL Ratio of 2.72% as at end of year 2019. The total loan portfolio ECL allowances for all stages for end of year 2019 is USD 470.3 million, of which USD 287.2 million are ECL allowances for stage 3 and USD 183.1 million are ECL allowances for stages 1 and 2.

Provisioning requirements for BLOM Bank's Lebanese operations are in line with Banque du Liban circulars whereby ceilings on Expected Credit Loss for sovereign exposure are mandated while provisions for the corporate, SME and retail portfolios follow IFRS9 methodologies. The evolution of the Bank's capital adequacy ratio going forward will be guided to a large extent by any changes to ECL parameters on sovereign exposure in Lebanon.

In 2019, the increase of 114.20% in Credit RWAs is mainly due to the increase of the risk weight of Lebanese sovereign exposure in foreign currencies (maturity more than 1 year) from 50% to 150%, practically Lebanese Central Bank. BLOM BANK EGYPT constitutes the Bank's largest entity after Lebanon. BLOM BANK EGYPT saw its shares of total loans reach 13.98% in 2019 compared to 9.99% in 2018.

Evolution of Credit Risk Weighted Assets over the past 3 years:

LL Million	2019	2018	2017
Credit RWAs	42,310,511	19,753,164	19,059,611
Total RWAs	46,941,183	23,387,932	22,637,834
Percentage (%)	90.13%	84.46%	84.19%

8.4 Market Risk

8.4.1 Market Capital Charge

BLOM BANK calculates the market risk weighted assets based on the Standardized Approach. The risks to which the Bank is exposed to under market risk are interest rate risk, equity risk and foreign exchange risk.

- The Interest rate risk measures the risk of holding interest rate related instruments in the trading book. The capital charge for the specific risk should cover the risk of a change in the price of a security that is due to factors specific to the issuer of the security, while the capital charge for general market risk should cover the risk of loss arising from changes in market interest rates.
- The Equity risk covers the risk of holding equity positions in the trading book. The minimum capital charge for equity positions bears a specific charge for holding a position in a specific equity, and a general charge for holding a position in the market as a whole.
- Foreign exchange risk defines the minimum capital charge that covers the risk of holding positions in foreign currencies.

The market risk charge for BLOM BANK is quite modest as the Bank has a relatively limited trading book, which is a deliberate policy on the part of the Bank.

The regulatory capital requirements for market risk as at end of December 2019 are broken down as follows:

Market Risk Type LL Million	Risk Weighted Assets	Capital Requirements
Interest Rate Risk	353,364	28,269
Equity Risk	604,672	48,374
Foreign Exchange Risk	1,142,906	91,432
Total	2,100,942	168,075

Evolution of Market Risk Weighted Assets as a percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	2019	2018	2017
Market RWAs	2,100,942	994,245	1,102,302
Total RWAs	46,941,183	23,387,932	22,637,834
Percentage (%)	4.48%	4.25%	4.87%

8.4.2 Market Risk Management

The Market Risk Department monitors limits set within market risk policies that are approved by the Board of Directors in line with the Bank's risk appetite. The Market Risk Department has the responsibility of identifying, measuring and reporting market risks to the management. The Sungard Focus ALM system with its analytics as well as scenario generating capabilities enables the Bank to closely monitor liquidity and interest rate risks by generating detailed Interest Rate Sensitivity Gaps, Earnings at Risk, Cash-flow balance sheets, Interest Rate Shocks and Foreign Exchange fluctuation scenarios.

The Market Risk Department closely monitors the Bank's funding and liquidity position and performs various stress tests to take into account changes in the operating environment in Lebanon and the region (see 9.8 Stress Testing).

2019 was a challenging year as switching of Lebanese pounds to U.S. dollars and increased volumes of transfers and cash withdrawals by customers were witnessed as the year passed until mid-October 2019 prompted by concerns over the state of Lebanon's economy.

8.5 Operational Risk

The Operational Risk Department of Group Risk Management ensures that all activities are covered by clear policies and procedures taking into account all relevant risk aspects which are highlighted through risk and control self-assessments of all business and operational activities. The Bank maintains detailed Loss Incidents Database reflecting Basel requirements whereby business lines and loss event types are clearly highlighted. The Operational Risk Department employs the Wolters Kluwer OneSumX for operational risk in the conduct of its work. Moreover, the Operational Risk Department prepared a new more comprehensive Business Continuity Plan that covers potential emergency scenarios and ensures that Business Continuity policies are in conformity with the best practices.

Capital funds specific to cover operational risks in the calculation of capital adequacy ratio are determined according to the Basic Indicator Approach. Under the Basic Indicator Approach, the Bank holds capital for operational risk equal to the average over the previous three years of a fixed percentage (15%) of a positive annual gross income.

Gross Income is calculated by taking the average of the positive annual gross income over the past three years. Figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator when calculating the average.

Gross income is defined in accordance with Basel standards as net interest income plus net non-interest income. Further, this measure should:

- Be gross of any provisions (e.g. for unpaid interest)
- Be gross of operating expenses, including fees paid to outsourcing service providers
- Exclude realized profits/losses from the sale of securities in the banking book and
- Exclude extraordinary or irregular items as well as income derived from insurance

Evolution of Operational Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	2019	2018	2017
Operational RWAs	2,529,730	2,640,523	2,475,921
Total RWAs	46,941,183	23,387,932	22,637,834
Percentage (%)	5.39%	11.29%	10.94%

8.6 Liquidity Risk

Liquidity refers to the condition where the Bank has the ability to fund on an on-going basis, any decreases in its liabilities or increases in its assets by either obtaining new liabilities or selling or leveraging on existing assets. Liquidity management in the Bank aims to enable the Bank to adequately fund its business activities both in normal and stressed market conditions.

However, the Bank's domestic market of Lebanon witnessed a severe liquidity stress in the last few months of 2019 as the economic and political situation deteriorated rapidly. This placed undue stress on Banks' liquidity, prompting extraordinary measures to be applied to control outflows, particularly of foreign currency. The drain on the Bank's foreign currency liquidity obliged it to seek foreign currency borrowing from the Central Bank to meet such needs.

8.7 Interest Rate Risk in the Banking Book

Interest rate risk is the risk where changes in market interest rates might adversely affect the Bank's financial conditions through its impact on Net Interest Income (NII) in the short term and its impact on the economic value of the Bank's assets, liabilities and off-balance sheet positions in the long term.

The impact of a 2% sudden interest rate shock across all currencies for the group would result in a reduction of 29.97% of 2019 Net Interest Income. BLOM BANK Lebanon constitutes the biggest portion of the Group's balance sheet. In Lebanon, a structural gap is inevitable due to short term contractual maturity of deposits even though empirically their behavioral maturities have been much longer.

8.8 Stress Testing

Stress tests applied cover the different types of risks the Bank is or might be exposed to. To name a few, for credit risk, for example, one of the stress tests is a deterioration in the credit portfolio asset quality; for market risk, decline in equity market; for operational risk, occurrence of a major loss event; for liquidity risk, withdrawal of a percentage of funding; for interest rate risk, shift in yield curve; for currency risk, a devaluation of the Lebanese Pound; for strategic risk, poor performance of a certain number of branches.

The situation in Lebanon is fast changing and towards the end of 2019 there was an accelerated deterioration in the economic situation that had been witnessed in the previous months following political events in the last quarter of the year. In such circumstances, the level of uncertainty increases significantly and stress tests can only be used to provide guidance as to potential impacts arising from possible developments of events. Given the

dynamic nature of events, such stress tests can be no more than an indicative and temporary expectation of potential outcomes based on highly variable assumptions.

The Bank endeavors to update such stress tests as much as possible, however due to the highly dynamic environment to which they are applied their limitations must also be recognized.

9. Corporate Governance

BLOM BANK's Corporate Governance Code was approved at the end of 2007 by the Board of Directors and most recently updated in December 2019. The Corporate Governance Code, its appendices, as well as the related policies were updated, approved by the Board of Directors and published on the Bank's Website.

Despite the continuing economic and political uncertainties in Lebanon and the Region, BLOM BANK continued in 2019 to promote good corporate governance practices, knowing that BLOM BANK was the first bank in Lebanon to sign the Investors for Governance and Integrity (IGI) Declaration and to commit to implement the Governance and Integrity Rating (GIR) guidelines and recommendations into its own ownership policies and practices, and work to further the advancement of good corporate governance practices

The Board of Directors exercises its oversight function to a large degree through six dedicated Board Committees: the Board Audit Committee, the Board Risk Management Committee, the Board Consulting Strategy and Corporate Governance Committee, the Board Nomination and Remuneration Committee, the Board Compliance Committee and the Board Digital Committee. The Charters of the six Board Committees are published on the Bank's Website. Other details related to the Board Committees' meetings are also available on the Bank's Website. The Board Committees are fully functional and meet in accordance with their stipulated frequency.

The Bank firmly believes in the basic principles of accountability, reporting and transparency throughout the organizational structure. Senior Management exercises the authority delegated to it by the Board through clear and segregated reporting channels, including Management Committees covering all areas of operations. Senior Management also ensures that internal risk and control procedures and structures are overseen by the Group Internal Audit Division, the Group Risk Management Division and the Group Compliance Division.

The Sustainability Policy sets the guiding principles for how BLOM BANK ensures long-term sustainability of its operations and by doing so increases the value it creates for customers, shareholders, employees, the society and the environment.

To strengthen the Board's oversight function of management, the independent and non-executive Board members meet at least once a year independently from management and other executive Board members and outside the framework of Board Committees to discuss the various operations and the overall situation of the Bank.

In September 2019, the independent Board members held a meeting and elected among themselves a director to serve as "Lead Director" for one year. The Lead Director was appointed by the Board of Directors as a member of the Board Consulting, Strategy and Corporate Governance Committee. The Lead Director is annually elected by independent Directors and is responsible for leading the Board's independent Directors to engagement and consensus, ensuring that independent consensus is heard and implemented. The Lead Director coordinates the activities of the other independent directors, and performs such other duties and responsibilities as the independent directors may determine. He also assists the Board in discharging its duties, responsibilities and obligations independently of Management.

The Corporate Secretary, appointed by the Board of Directors, is responsible for updating the Bank's Code of Corporate Governance and its appendices: the Board Committees' Charters and the Disclosure Policy in compliance with regulations and updates and the international best practices requirements, and ensuring that these changes are approved by the Chairman – General Manager and then approved and signed off by the Board Consulting, Strategy and Corporate Governance Committee and then by the Bank's Board of Directors as well as ensuring the proper implementation of the Code at all levels and the compliance of the Bank with its Code.

The Corporate Secretary is also responsible to perform several others tasks stated in the Corporate Secretary Charter and the Corporate Governance Code. The Corporate Secretary acts as the Secretary of the Board of Directors and as Secretary for the Board Consulting Strategy and Corporate Governance Committee as well as for the Board Nomination and Remuneration Committee.

The Remuneration Policy covers all categories of remunerations and their granting conditions in order to contribute to the enhancement of the Bank's general long-term performance from both a financial and non-financial standpoint and to achieve the purpose for which those remunerations were granted.

The remuneration of all employees should be based on their performance evaluation.

BLOM BANK has established a Succession Plan to provide continuity in leadership and to avoid extended and costly vacancies in key positions. The Succession Planning Policy

aims to help the Bank prepare for planned or unplanned, temporary or permanent change in leadership. This will be done by clarifying authority and decision-making thereby maintaining accountability and sustaining stability. The Policy relates to the members of the Board of Directors, the members of Committees, the Senior Executives and the Line Managers, and defines the maximum number of directorship years for independent directors.

The Bank makes sure that all employees act professionally, ethically and with the utmost integrity in accordance with an established Fraud Policy and Code of Conduct. The Fraud Policy and Code of Conduct was recently updated and published on the Bank's Website. Additionally, the Bank recognizes the value of its Human Resources as a prime stakeholder in the institution, endeavoring to treat all employees in the most equitable manner.

The Human Resources Division has drawn-up a procedure for compliance with the Code of Conduct including the organization of training on annual basis. Presentations are given to employees to facilitate their understanding as well as raise their awareness of good corporate governance. These presentations are conducted at entry level and at least every two years to representatives of all branches and business units.

10. Universal Banking Services

In line with its aim of maximizing customer satisfaction and increasing shareholders' value, BLOM BANK has adopted the policy of diversification of its products and services. BLOM BANK provides the following universal banking services that suit all customers' needs:

- BLOMINVEST BANK Services
- Commercial and Corporate Banking
- Retail Banking
- Islamic Banking
- Insurance Products and Services
- Asset Management Services

10.1 BLOMINVEST BANK Services

BLOM BANK through its investment banking arm, BLOMINVEST BANK, is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Trading and Brokerage, as well as Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment Bank.

Private Banking and Wealth Management

A dedicated team of private bankers optimize the wealth management and financial advisory experience for clients by offering them tailor made investment instruments that are in line with their risk profile and across an open architecture platform of diverse asset classes.

Advisory and Structured Products

A team of structured products advisors innovates bespoke investment solutions that offer superior yielding propositions to clients.

Investment Banking and Real Estate Services

A team of investment banking experts offer equity and debt capital markets advisory services to the private and public sector in terms of capital raising, mergers and acquisitions advisory solutions, and the initiation of carefully selected real estate projects.

BLOMINVEST BANK Real Estate team has extensive experience in sponsoring structuring and carefully managing selected real estate projects spanning across retail, commercial and residential markets in Lebanon and wherever BLOM BANK is present.

Capital Markets and Brokerage

A team of skilled traders extend competitive and around the clock execution on global capital markets from fixed income instruments to equities to derivatives to currencies and precious metals with active market making capabilities.

Economic and Equity Research

A team of economists and analysts provide value added research and equity coverage across the MENA region by systematically publishing economic and financial information including indices as well as conducting equity analysis on leading regional institutions.

Custody

Backed by a strong technology infrastructure and powered by highly qualified staff, BLOMINVEST BANK offers full custody services to individuals and corporates in addition to leading financial institutions regionally and internationally.

10.2 Commercial and Corporate Banking

No doubt that year 2019 was a challenging year that brought forward an unprecedented economic and financial crisis that hit not only the banking sector but the entire Lebanese economy. This crisis was accentuated in 2020 with the spread of the pandemic COVID-19 that severely impacted the worldwide economy and left deep and long-lasting scars.

Amid this financial turmoil, the Lebanese economy witnessed its worst crisis in decades, with businesses shutting, currency collapsing, major projects suspended and a dramatic increase in unemployment rate.

In light of these factors BLOM BANK adopted tight practices to mitigate as much as possible the increase in credit risk by closely monitoring its portfolio and taking preventive measures to minimize the default cases and delinquencies while still serving the needs of its loyal customers.

BLOM BANK was able to reduce the credit portfolio in line with the slowdown of economic activities without incurring significant losses. This was due to the liquidation of assets mainly in real estate that customers were able to sell in order to reduce their debts amid the stagnation that hit the economy and the retreat of their business

activities. In this context, BLOM BANK has played a major role in assisting his clients to sell their assets by providing consultancy and support, taking advantage of the Bank's wide geographic presence and branch networks.

On the other hand, BLOM BANK was keen on respecting all its commitments towards financial institutions and correspondent banks by settling all the dues on time even when clients refrained from paying, thus preserving the excellent relationship with its correspondents.

Despite the unprecedented difficult economic situation that Lebanon is facing, and as a part of its social responsibilities, BLOM BANK was ardent to facilitate the implementation of different BDL schemes regarding the import of crucial necessities such as Oil and Gas, Pharmaceutical products, Wheat and basic food products at the USD official exchange rate to maintain the smooth flow of these products to Lebanon.

In order to compensate for the drawback in lending in the Lebanese market, BLOM Group expanded its network abroad by opening new branches mainly in Egypt to benefit from opportunities that aroused in these growing markets.

In conclusion, BLOM Group was able to successfully confront the new challenges that hit the banking sector in Lebanon in 2019 and to mitigate as much as possible the socio-economic impact of COVID -19, and will continue to act professionally and closely with its valuable clients to overcome these difficult times together, in order to maintain this long solid relationship.

10.3 Retail Banking

Highlights of the Year:

BLOM has been recognized globally for its outstanding achievements throughout 2019, revolving around many aspects, some of which are:

- Bank of the Year - Lebanon 2019 from The Banker
- Best Bank in Lebanon for 2019 from Global Finance
- Best Retail Bank in Lebanon for 2019 from The Asian Banker
- Best Bank in Lebanon for 2019 from EMEA Finance
- Domestic Retail Bank of the Year 2019 - Lebanon from Asian Banking and Finance
- Advertising Campaign of the Year 2019 - Lebanon from Asian Banking and Finance
- Credit Card Initiative of the Year 2019 - Lebanon from Asian Banking and Finance
- Excellence in Risk Management award from VISA
- Best CSR Program for 2019 from Banker Middle East
- Best Retail Banking Services in Lebanon for 2019 from Banker Middle East
- Best Co-Branded Credit Card for 2019 from Banker Middle East
- Best Consumer Digital Bank for 2019 from Global Finance
- Best in Mobile Banking for 2019 from Global Finance
- Best Mobile Banking App for 2019 from Global Finance

In 2019, BLOM BANK became the first commercial bank to collaborate with the USAID on a new initiative that aims to embark unbanked clients, especially women, in rural Lebanese areas, as part of the Bank's financial inclusion and literacy strategy. BLOM BANK has introduced **the START Savings Program** - a one of a kind savings account without any minimum balance, offering a preferential interest rate on amounts as low as LBP 40,000 (approximately USD 27) to encourage low income individuals to save money for a brighter future. A free prepaid card is offered for the monthly deposit on the ATMs in addition to the possibility to deposit via an OMT outlet. Dedicated visits to rural regions in Lebanon were done through a branded truck and the program attracted thousands of accounts during the first month.

On another pillar, BLOM BANK was the first bank in Lebanon to launch the **Visa Infinite Privilege Card**. Few banks in the region were selected to do the same. This card is exclusive and addressed to the UHNWI, the highest category with Visa (Ultra High Net Worth Individuals).

In addition, due to the several fires that occurred in Lebanon on October 13th, 2019 that led to the loss of multiple forests, BLOM BANK and VISA International, the leading payment scheme, partnered with LRI, a Lebanese NGO that is funded by the United States Agency for International Development (USAID), to introduce an initiative on The Lebanese Independence Day- November 22nd, 2019. Through this initiative, 10,000 native trees were planted and will be maintained over the course of 3 years to restore forest lands. Even though Lebanon was facing ongoing protests and economic instability that began on October 17th, 2019, this initiative continued and was widely spread through a TV commercial that was broadcasted on key stations in prime time.

eBLOM Arabic

Moreover, after the huge success of eBLOM, BLOM BANK was proud to announce that it is the first and only bank in Lebanon that has translated the existing eBLOM (desktop and mobile) to an Arabic version. This has been implemented based on the Bank's customers' requests and for an improved customer journey. BLOM clients can view/perform any of the digital banking services in Arabic and can easily switch between English and Arabic version in a seamless experience.

As part of BLOM BANK 2019 strategy, the Bank also revisited its wide scheme of cards portfolio to evaluate ways to enhance the value proposition for its customers. For that reason, it has simplified its product offerings based on international trends and offered its customers dedicated cards to fit their dynamic lifestyles.

Following the success of BLOM BANK's digital banking expert avatar "Tante Wadad", additional TV commercials were generated in 2019 showcasing BLOM BANK's digital banking services that are available on eBLOM. This campaign has won the Advertising Campaign of the Year 2019 - Lebanon from Asian Banking.

10.3.1 Payment Cards

BLOM BANK offers a wide range of payment cards that target different customers, provide different methods of payments and meet different purposes. These cards vary in type and in currency. The segmentation of cards takes into consideration the various types of customers and their card needs; debit, charge, credit and prepaid. As such, BLOM cards range from Basic, Classic, Gold, Platinum, Signature, World, Infinite, Infinite Privilege and Corporate cards, in addition to the BLOM Shabeb card offered to the youth. BLOM BANK is also in partnership with American Express Middle East to allow BLOM BANK customers to apply for The American Express® Gold Card and The Platinum Card®, and the exclusive American Express Centurion Card® that will be available by invitation only.

In line with the regulations of the Central Bank and the card schemes regulations published by Visa and Mastercard, by the end of April 2019, all the payment cards issued by BLOM were equipped with the EMV chip for a higher level of security and contactless technology for faster and convenient payments.

In 2019, BLOM BANK successfully integrated Mastercard cards into BLOMPay, allowing any BLOM Visa/Mastercard cardholder, whether debit or credit to make payments via an android mobile phone with the eBLOM app quickly, safely, and easily. BLOMPay stands out since it is the only service in Lebanon and the region until today (only Emirates NBD has introduced a similar service) as it is the only payment app that is fully integrated within our eBLOM mobile banking application, offering a seamless customer experience.

Picture Card

BLOM BANK offers the "Personalize your card" service whereby cardholders can add on the front of their card a personal image of their choice or an image from BLOM BANK's Image Library.

Cobranded Cards

Throughout the years BLOM BANK has collaborated with several strategic partners to introduce Cobranded cards amongst the market. Some of which are:

The BLOM Giving Cards

BLOM BANK takes pride in the BLOM Mastercard Giving cards, launched in 2010, one of Lebanon's most innovative affinity cards, a first of its kind program in the world. In collaboration with the Lebanese Mine Action Center, a unit in the Lebanese Army, the BLOM Giving cards assists in the removal of mines and cluster bombs from the Lebanese territories. In 2019, the program witnessed another enhancement, with an automatic upgrade from the Gold and Titanium cards to Platinum at no additional cost. As a result, cardholders benefited from many additional features such as an improved travel insurance, purchase protection and extended warranty, and complimentary access to a wider range of VIP lounges in Europe and the Middle East.

As an extension to this program, BLOMBANK has supported "The Regional School for Humanitarian Demining in Lebanon". This year's slogan was "Strengthening Safety and Development". This initiative took place on the International Day for Mine Awareness and Assistance and has contributed in expanding the spread of Peace of Mind not only in Lebanon but also across the Middle East region. The Regional School conducts a range of training courses for civilians and military members on removing mines in Arabic, English and French languages.

The Alfa BLOM Cards and Touch Visa Cards

In addition to the various cards launched in the previous years, BLOM BANK is proud of the partnerships it has developed along the years with the two telecommunications operators in Lebanon Alfa and touch, granting users free instant talk time on their mobile lines: the touch Visa cards (touch Visa Platinum for post-paid touch line users and the touch Visa Gold card for pre-paid touch line users) and the Alfa BLOM (Alfa BLOM Platinum for post-paid Alfa Line users and Alfa BLOM Classic card for pre-paid Alfa lines).

The BTA Card

Launched in 2013 in partnership with the Beirut Traders Association, The BTA card is a groundbreaking program granting its users unsurpassed exclusive discounts from over 1,000 merchants in Beirut and surrounding areas, making it the largest network of deals in Lebanon. With LeMall joining the program in 2014, cardholders can benefit from 3 points with every USD 1 spent at any of the merchants available at LeMall Dbayeh, Sin El Fil; in addition to 1 point with every USD 1 spent anywhere else in the world. Cardholders can also browse through the largest network of deals in Lebanon with hundreds of offers that they can choose from. Once clients download the application they will receive notifications whenever they are near a participating merchant, and they can also get details and directions to a certain retailer.

UberBLOM Prepaid Card

Among the significant innovative cards that BLOM BANK has launched, we cannot but mention the world's first of its kind UberBLOM Visa prepaid card which was launched in collaboration with Uber in 2015. UberBLOM Visa card was developed exclusively for Uber riders, and can be used for Uber rides in Beirut or any of the 330+ cities Uber is currently present in. All first-time Uber riders who purchase the UberBLOM card will be entitled to enjoy the first 2 rides for free up to USD 10 each.

AROPE SIGNATURE Credit Card

BLOM BANK and AROPE INSURANCE previously developed the all-new and unique in its category for the Insurance sector, AROPE SIGNATURE Credit Card from VISA. AROPE Signature cardholders benefit from exclusive offers associated with the card, in addition to a special double rewards program where cardholders get 4 Golden Points or 2 Golden Miles for every USD 1 spent at AROPE Insurance, and 2 Golden Miles or 1 Golden Point for every USD 1 spent elsewhere.

Partnership Card

In 2019, BLOM BANK developed a new product "The Partnership Card" whereby all its partners such as Beirut Circle, Fitness Zone, Khoury Home and many more can take advantage of a credit card. For example, BLOM offers the Beirut Circle Visa Platinum Card where cardholders receive various "buy 2 for the price of 1" offers when paying with their card, in addition to the Fitness Zone Visa card. This card is the first-of-its kind in CEMEA as it is at the same time the membership card for Fitness Zone through the use of Mifare technology and can be used for purchases around the world. Moreover, BLOM BANK offers the Khoury Home Visa card combining the benefits of holding a Visa credit card and the rewards for enrolling in Khoury Home loyalty program. The card also offers a repayment method allowing cardholders to settle their purchased items in equal monthly installments.

10.3.2 Retail Loans

BLOM BANK's customers can take advantage of a number of loans to satisfy their various needs. Loans vary from student loans in cooperation with the American University of Beirut and other institutions; consumer loans in association with a number of leading retailers in Lebanon; solar loans in association with numerous local companies that offer solar system installations. Clients can also apply for a personal loan with Kardi, a car loan with Sayarati, or a housing loan with Darati.

10.3.3 Mobile Applications

eBLOM

eBLOM online banking is the key to a wide range of online banking services to help clients control their accounts, loans and cards from anywhere in the world. Just by getting connected, eBLOM users will be granted real-time access to their accounts, cards and transactions, along with other unique features that are constantly updated.

New Features:

In 2019, BLOM BANK successfully translated the existing eBLOM (desktop and mobile) to an Arabic version for an improved customer journey. BLOM BANK is the only bank in Lebanon to offer its clients the banking services in Arabic allowing them to also switch between English and Arabic version in a seamless experience.

To facilitate the customer's experience, eBLOM users are now granted access to download an official statement of their account via eBLOM instead of requesting it from the branch. Furthermore, the Saudi Riyal (SAR) Currency and the United Arab Emirates Dirham (AED) Currency were both added to the existing list of currencies on eBLOM, allowing users to transfer between multiple currencies.

Additionally, eBLOM users can now view the list of Airport lounges worldwide that they are granted access to based on their card type. This has also allowed users to enjoy unwinding at the finest lounges worldwide.

Due to the huge success of the "Bill Payment" section on eBLOM, users are now entitled to settle their AROPE Insurance payments automatically via eBLOM. Within a few simple steps users can directly settle the amount from the account of their choice at no additional cost.

Existing Features:

Access to Accounts

- Check statement of accounts, cards and loans
- Transfer money from/to own accounts at BLOM BANK
- Check account's IBAN and BLOM BANK's BIC code
- Send cash money via the eCASH service to anyone without the need for a card
- Activating/deactivating the SMS Alerts service and setting thresholds
- Setting nicknames for easier management of the accounts

BLOM's Loyalty Program

- Check BLOM Golden Points/Miles balance and the items which can be bought with the redeemed points
- Settle online purchases with the accumulated Golden Points/Miles- eRewards

Additional tailor-made services

- BLOMPay: Fully integrated into eBLOM; allows both debit and credit Visa cardholders to make payments via their Android mobile phones
- Pay institutional and tuition bills
- Request a checkbook
- Monitor the status of checks deposited for collection
- Recharge any Alfa/touch prepaid line
- Pay any Alfa/touch postpaid monthly bill
- Deposit Wedding Account list gift
- Pay Port of Beirut fees
- Find the nearest BLOM BANK branch, ATM and smart ATM
- Get instant assistance with the Video/Live Chat Support Service

NEXT by BLOM BANK

The NEXT mobile application combines distinctive options allowing NEXT users to benefit from various features that meet their lifestyle. The application is available for iOS and android devices and allows users to:

- Easily send money to other NEXT cardholders via the application at no cost
- Make payments via their Android mobile phones through NEXTPay
- Transfer money to anyone in Lebanon using the BLOM eCash service
- Recharge any Alfa/touch prepaid line through their mobile phones at no extra cost
- Chat live with one of our Customer Service Center agents and get instant answers for all inquiries 24/7

Golden Points/Miles

The BLOM Golden Points mobile application helps cardholders choose their gifts in an easy and simple way depending on the number of points and miles that they have; the result can be filtered by category, keyword, and merchant.

10.3.4 Reward Programs

BLOM Golden Points and Miles Program

The BLOM Golden Points Loyalty program enables customers to accumulate points and miles with every USD 1 spent using their card. Cardholders may redeem their points for valuable gifts such as free stays at the finest hotels, fragrances, electronics, and much more. Miles are redeemable for airline tickets to the destination of their choice, and on the carrier they desire.

eRewards

In its continuous effort to strengthen customer loyalty, BLOM BANK introduced another new and innovative feature to its rewards program: the Golden Points and Miles eRewards. Through the eRewards feature, customers who accumulate points and miles are able to pay for their online transactions made from any website using their accumulated points and miles: whether they are booking a ticket, or making an online hotel reservation, or buying any item from any other website. Furthermore, in 2016 BLOM BANK has been awarded by the Banker Middle East for having the 'Best Customer Loyalty Program'.

Instant Redemption of BTA Points

Beirut Traders Shopping cardholders accumulate BTA points every time they use their card and now they can instantly redeem them at any participating merchant for any item of their choice, without the need for a voucher. Accumulated points can be exchanged instantly for a gift of their choice from over 1,000 merchants in Lebanon.

10.3.5 Bancassurance Services

AROPE Insurance, BLOM BANK's subsidiary, offers all kinds of insurance services from personal accident, to health, to fire, to car insurance and so on. BLOM BANK also offers investment programs coupled with a life insurance policy in collaboration with Arope Insurance. A successful line of savings/insurance plans is also on offer; DAMANATI Plus, a retirement plan coupled with life insurance and WALADI Plus, a child's education program, coupled with life insurance.

10.3.6 Investment Products

BLOM BANK offers a collection of investment products to help manage one's finances in a better, safer and more profitable way. Accordingly, BLOM BANK, in collaboration with BLOMINVEST BANK, offers a collection of Mutual Funds.

10.3.7 Special Accounts

Oumnyati Account

The 'Oumnyati' savings account is another extension of BLOM BANK's peace of mind designed to provide clients with interest on small amounts of money. 'Oumnyati' is a time deposit account that allows saving for a brighter future from as low as USD 50 or LBP 75,000 per month.

Salary Domiciliation Account

BLOM BANK's Salary Domiciliation Account is the ideal solution for both employers and employees to make the most out of their salary. Clients opening a salary domiciliation account receive many banking facilities including credit cards, personal loans and many more.

Account Plus

Three types of bundled accounts that offer the client current accounts with various services for a monthly fee: Account Plus Classic, Account Plus Gold and Account Plus Platinum.

Wedding Account

Clients opening a Wedding Account benefit from personalized debit cards, a preapproved credit card, along with exclusive offers that are related to that Special Day, and created to save up on all wedding expenses.

10.3.8 Customer Service

Customer Service Center

BLOM BANK customers can enjoy the convenience of a 24-hour Customer Service Center, ready to cater for all their needs and inquiries. The Customer Service Center's monitoring system has been upgraded for a better examination and control: Fraud Monitor System, ATM Monitor System. The retail department also has a telemarketing team to make outbound informative calls to existing clients.

Extended Advisory Service through eBLOM

BLOM BANK launched a service that allows its eBLOM users to video chat with the Customer Service Center agents via the eBLOM mobile app from their mobile phones from anywhere in the world. In 2016, BLOM BANK added this new feature to its extended advisory service. Previously clients were able to text chat with an agent via eBLOM.

Support on Social Media

Social media has become the most preferred channel that customers use to get in touch with the bank. For this reason, a dedicated team of digital agents are available 24/7 to actively engage and respond to customers in a timely manner, regardless of the channel that the inquiry is posted on. For example, on Facebook, customers can post a comment on BLOM BANK's page, send a private message or even post a question on their profile while tagging BLOM and the dedicated team will ensure that their questions are answered.

SMS Alerts Service

The Bank provides a convenient SMS alert service, enabling customers to receive alerts whenever the balance of accounts changes or whenever a transaction is being performed.

Workflow

BLOM BANK internally developed a workflow system to process most retail loans electronically, thus benefiting from electronic archiving, as well as speed in approval and response cycles (e.g. 1 hour for car loans).

10.3.9 Digital Presence

Public Website

BLOM BANK has revamped its corporate and retail websites, which expose a new interactive interface. BLOM retail products and services enjoy an independent, user-friendly website where users can make use of simulators and of online applications through: www.blomretail.com. It is worth mentioning that the new Bank's websites are responsive and compatible with all smartphones in the market.

Social Media Platforms

BLOM BANK's pages on Facebook feature constant updates about the latest promotions and the various products and services launched by the Bank. The pages currently have more than 359,000 fans and are considered one of the most successful pages on Facebook-Lebanon. BLOM Retail has established its presence on twitter in 2013 handling on-the-spot inquiries and customer feedback. BLOM BANK currently has 7,340 followers on twitter. BLOM BANK & BLOM Retail both have Youtube channels with 1,849 subscribers and 2,340,962 video views that feature TVC's and TV releases.

10.3.10 POS Machines

BLOM BANK machines accept payment cards issued by any bank under the brands of VISA, MasterCard, JCB, Maestro and American Express. All BLOM machines are NFC-Enabled and equipped with the latest EMV technology, allowing the acceptance of contactless cards "PayPass/Paywave", mobiles payments and chip cards which will provide ultimate security to both the merchant and the cardholder.

In 2019, BLOM BANK became the first bank in Lebanon to support Diners and Discover cards on the POS terminals. Additionally, BLOM BANK machines now support more than 15 schemes which are part of the worldwide Discover network.

BLOM BANK's POS machines also offer the choice for international cardholders to pay in their home currency through the Dynamic Currency Conversion feature whereby any international cardholder can choose whether to pay using their card's currency or the local currency after knowing the exact amount of their purchase in their home currency.

BLOM BANK provides merchants with a next day settlement of the transaction amount, with a one day value date as of the settlement of the amounts. BLOM BANK also dedicates an account manager to handle all inquiries and suggestions concerning POS issues.

BLOM BANK's POS machines have been upgraded to accept instant redemption for Golden Points and Golden Miles (this service is applicable only to selected merchants that are part of BLOM Golden Points program).

BLOM BANK machines operate through different type of connections:

Dial-up/Ethernet/Internet Machines

These machines are easy to install and use, offer faster connections and eliminate the use of another phone line just for doing point-of-sale transactions. This provides significant savings for multi-terminal operations, such as those used by bigger retail stores.

Wireless Machines

The Wireless machines are wireless and do not require cables connection. The machines operate with a SIM card that is provided by BLOM BANK. BLOM BANK's Wireless machines are portable, allowing merchants to move them anywhere they desire.

Additionally, BLOM BANK partnered with The Directorate of The General Security to introduce a new service whereby all the General Security centers throughout Lebanon have been equipped with Point of Sale machines. This initiative, the first of its kind in Lebanon was only made possible after overcoming major challenges. This service which is an integral part of the plan to automate the General Security centers, promote administrative development, and improve the workflow as it aims at facilitating the payment procedure for citizens and residents who can now use their Bank cards. All General Security centers throughout Lebanon have been equipped with Point of Sale machines (POS), thus allowing citizens to pay with any Visa or MasterCard issued by BLOM BANK or any other bank in Lebanon or abroad.

10.3.11 e-Commerce Solution

BLOM BANK offers a secure online payment gateway (e-commerce solution) with the latest and most advanced technology that ensures ultimate security and peace of mind. With this top notch electronic payment solution, merchants get an end-to-end e-commerce website that processes online payments. The gateway is hosted by CyberSource, the world's first payment management company (VISA Inc.)

The main benefits and advantages are:

- Cross-Channel acceptance
- Reports facility
- Payment tokenization
- Fraud prevention
- Checkout customization
- Language support

10.4 Islamic Banking

Since the last quarter of 2019, Lebanon has faced an unprecedented economic and financial crisis. This has been heavily reflected in a customers' rush to withdraw their deposits, thereby urging banks to apply some sort of control to safeguard the interest of their depositors as well as its financial stability.

In light of such tough working conditions, BLOM DEVELOPMENT BANK (BDB), gave its top priority to cater for the urgent needs of its clients while maintaining some measures in light of BDL's (BANQUE Du LIBAN) and ABL's (Association of Banks in Lebanon) directives.

On the other hand, and despite the financial crisis, BDB was able to sustain its desired capital and liquidity ratios; and its general assembly, during January 2020, took the decision to increase its shareholders' equity in line with the recent BDL's requirements.

10.5 Insurance Products and Services

Founded in 1974, AROPE INSURANCE is today one of the major players in Lebanon's insurance sector maintaining a steady profitability, a continuous growth and a sustained development. With a diversified balanced portfolio, a solvency ratio exceeding 7 times the minimum required by the Insurance Control Commission, and backed by SCOR 's advanced technical expertise, AROPE commits to provide the finest insurance solutions to Individuals, SMEs and Large Corporations, in various business lines:

Life and Personal Accident Insurance

Healthcare Insurance

Motor Insurance

Marine Insurance

Property Insurance

Liabilities Insurance

Cyber Insurance

Money Insurance

Life Micro-Insurance

Takaful Insurance

For the year 2019, AROPE INSURANCE Lebanon scored USD 87.19 million of Gross Premiums, a Net Profit after Tax reaching USD 21.67 million and a Shareholders' Equity of USD 161.60 million.

Moreover, AROPE Lebanon was shortlisted for the "Digital Initiative of the Year" Award by the Middle East Insurance Industry Awards 2019 thanks to TEMA, AROPE's 828 Mobile Application dedicated to Traffic Experts and operating based on the "Uberisation" model, making car accidents inspection and reporting faster, easier and more efficient.

10.6 Asset Management Services

BLOM BANK's presence in the asset management industry dates back to 2007. Through BLOM ASSET MANAGEMENT Company, the Bank strives to be a prominent regional asset manager that caters to retail, high net worth, and institutional clients. BLOM ASSET MANAGEMENT Company administers and manages several funds in Lebanon and Saudi Arabia, and closely coordinates with its growing asset management sister entity in Egypt (BLOM EGYPT INVESTMENTS).

11. Information Systems and Technology

Enormous transformative forces such as demographics, economics, regulatory requirements and the empowerment of the millennials and the digital natives are reshaping the way banks do business as technology continues to heavily influence the banking industry, especially with the emergence of new trends such as Big Data, Blockchain, Fintechs, Artificial Intelligence, API Banking, Open Banking and mobile and cloud computing.

BLOM BANK's vision amidst these changing landscapes is to avoid being disrupted by technology and rather to adapt and adopt these new technologies and to make the Bank evolve from the "as-is" organization to the "to-be" organization in a smooth manner while keeping in mind that the "to-be" organization will remain a moving target given the speed of change in technology.

BLOM BANK's experience portrays the fact that by having the right technology mix, the Bank is able to run its business in a conventional way while continuing to support the traditional branch delivery channel and at the same time to make it evolve and to progressively embrace the new technology trends and fulfill customer demands and expectations across generations and different markets in the region while optimizing costs and growing revenues. Moreover, the Bank's strategy revolves around its agility and ability to quickly adapt to changing market conditions which can be drastic at times like the circumstances that affected Lebanon and the Lebanese banking industry during the last quarter of 2019.

Hence, the underlying principle that defines the outlook of the Information Systems Division for the future is to provide the Bank's clients with a portfolio of products and services built around the "Easy Technology" and the "Technology that Matters" paradigms. This strategic direction has been embraced at the corporate level and is being endorsed by the bank's top management with the goal of staying ready for the future and providing BLOM BANK's clients with rich and innovative digital experiences.

11.1 Enable the Digital Transformation of BLOM BANK

In order to enable the Digital Transformation of BLOM BANK in a smooth manner while focusing on customer centricity, the Bank's strategy is to focus primarily on its agility to adopt the digital trends and to foster a climate of innovation within the Bank.

Along these lines, BLOM BANK has embraced the omnichannel banking trend which includes tighter integration between core and channel systems than is typically seen in multichannel banking in order to extend the reach to customers not only within a channel but across channels in order to allow simultaneous access to all channels immediately and in real time. To be noted that BLOM BANK has, by design, the most integrated systems which centralize customer data and interactions in real-time thus driving efficiency, productivity and speed to market.

By using this strategy, BLOM BANK is being able to offer the most complete portfolio of technology-enabled products and services which was always aimed to be a superset of those offered by Banks at the local and regional levels.

BLOM BANK's continuous commitment to innovation has allowed the Bank to win many awards and recognitions:

- In 2019, BLOM BANK won the "Best Consumer Mobile Bank in the Middle East" from Global Finance along with the "Best Consumer Digital Bank", "Best in Mobile Banking" and "Best Mobile Banking App" awards for demonstrating continuous excellence in developing innovative and impactful digital products and services for corporate and retail clients.
- The eBLOM App is the number one financial app among Lebanese banking apps in terms of downloads.
- The eBLOM App has consistently maintained one of the highest ratings among Lebanese banking apps and maintains a rating of 4.5 on Android PlayStore, higher than many other peer banking apps in the region.
- The eBLOM App is the only app offering an integrated payment with digital Visa and MasterCard debit and credit cards as well as video and text chat on the Lebanese market.

In addition and as part of the Bank's digital transformation, the Bank succeeded in digitizing tens of business processes or workflows processing more than 7 million tasks. The Bank has also continued enriching its data warehouse with new data elements which are put in the hand of authorized power users and business analysts, inside a central data warehouse, for several purposes including risk modeling, financial analytics and behavioral or marketing analytics.

11.2 Provide a Platform for Innovation

Technology-based innovative products and services are becoming increasingly essential to achieve product differentiation and institutional growth in an ever-changing competitive environment. Along these lines, the Information Systems Division team works closely with all business-centric divisions at the Bank and enters into strategic partnerships with telecom operators, retailers as well as with national and international payment systems and networks, in order to offer innovative technology-driven products and services.

Examples of innovative and pioneering products and services that BLOM BANK offers to its customers include:

eBLOM Arabic

The eBLOM service is now available in both English and Arabic thus allowing customers to choose their preferred language while accessing their eBLOM account and performing transactions via eBLOM.

SWIFT GPI

BLOM BANK was the first bank in Lebanon and among few banks in the region to introduce the new SWIFT Global Payments Innovation service (SWIFT gpi) to its clients.

BLOM BANK is now well equipped to provide its retail and corporate clients with the best-in-class quality of service for cross-border payments which are now faster, more transparent and more traceable.

Instant eLoan

The Instant eLoan service allows customers to benefit from a loan in just few minutes. Upon confirming the loan details, the loan amount will be instantly credited to the customers' accounts and will be available for immediate spending.

AI-Based Features

BLOM BANK has implemented an advanced name matching functionality and an automated signature verification function using intelligent algorithms based on Artificial Intelligence and Machine Learning algorithms thus enabling robotic automation for many processes that used to be labor-intensive.

BLOMPay

eBLOM users can select any one of their issued VISA/MasterCard debit/credit cards through the BLOMPay service and enable it for tokenization and payment via contactless interface as if they were using the physical contactless VISA/MasterCard physical card and the payment is executed through their Android device supporting NFC payments. To be noted that the eBLOM App is the one of few apps offering an integrated payment with VISA/MasterCard debit and credit cards from within the same banking app.

Instant Card Personalization and Issuance

The instant card issuance solution is now available at all branches and allows customers to instantly replace a lost card or to issue a card on the spot for a new account.

Bill Payment Service in Jordan

MadfoatCom is a real-time electronic bill presentment and payment solution that enables BLOM BANK's customers in Jordan to make payments seamlessly and securely via the eBLOM Jordan Mobile Banking App. Alternatively, customers can also make their bill payments via the MadfoatCom portal in Jordan via APIs integration.

PSD2 Compliance

BLOM BANK has exposed its own banking APIs in order to achieve PSD2 compliance in Cyprus.

In addition, the Bank's innovative efforts will also encompass the introduction of innovative Visa and MasterCard payment cards, cards digitization, and the introduction of new features on BLOM BANK's POS machines at merchants across Lebanon.

Moreover, the Bank has ensured its systems readiness in compliance with the ISO decision to extend BINs from the standard 6 digits to 8 digits to cope with the expected shortage of available BIN supply. The challenge was to have our systems ready early enough (3 years ahead) to avoid the hassle of re-carding or paying additional fees

for temporarily maintaining a larger set of BINs on the mandated date of migration (April 2022).

Also, the Bank has partnered with start-ups providing white-label technologies in order to adopt innovative solutions including Open PSD2, Open Banking and the API banking technologies.

It is worth noting that as part of the Bank's strategy to introduce a series of products via the eBLOM App allowing to enable the App to become a sales channel in addition to being a transactional channel, several projects have been completed such as the instant account opening via eBLOM, the eKYC (know-your-customer) online renewal, person-to-person payments at the national level, the online credit cards top-up, etc. Nevertheless, these projects have been temporarily put on hold due to the country's circumstances that occurred towards the last quarter of 2019.

To be noted that during the crisis phase, the Bank's information systems were promptly customized to enforce special rules that have been requested by the bank's management - such as limits on transfers, withdrawals, forex, card spending including international and internet spending, controls, suspension of services, cheques processing tweaks, etc.- to cope with the crisis and post-crisis phases.

11.3 Expand Digital Banking Services in the EMEA Region while Optimizing Costs

At the core of the Information Systems and Technology strategy is the support of BLOM BANK Group strategy which is based on measured regional expansion to markets with strong potential and on the continuous modernization and diversification of its universal banking services. As such, BLOM BANK's IT teams are maintaining their readiness to support BLOM BANK, from an IT perspective, in mergers and acquisitions opportunities that might arise in the future thus capitalizing on the experience gained during the HSBC acquisition performed in 2017.

Moreover, the continued investments that the Bank makes in digital technologies are a key contributor towards higher efficiency, driving costs savings and contributing towards achieving a cost-to-income ratio (CI ratio) among the lowest when compared to peer players in the banking and financial services industry.

11.4 Maintain a Resilient, Agile and Secure Information Systems Infrastructure

Since BLOM BANK is committed to achieving a modular information systems architecture linking business processes with IT capabilities in a way that dramatically increases agility and reliability, an optimized, robust and stable information systems backbone has been designed to support the Bank's mission-critical applications.

In addition, the Bank's information systems infrastructure

supporting private cloud services will allow it to scale up its services way quicker, and to provision IT resources with exceptional speed and flexibility. Along these lines and as an illustration of the above, the Bank has supported BLOM BANK Jordan in achieving COBIT 5.0 compliance. Moreover, the infrastructure at BLOM BANK Jordan has become ready to provision ATM and cards services similar to those offered at BLOM BANK Lebanon subject to a business case assessment on a case-by-case basis.

Also, BLOM BANK shall keep on improving its IT Infrastructure reliability and high availability through servers' virtualization and consolidation, enterprise storage consolidation and desktop virtualization while following the Green IT trend.

To be noted that by operating state-of-the-art data centers, disaster recovery sites and data protection technologies, BLOM BANK will continue to provide a comprehensive, resilient and modernized technical infrastructure with "right-sized" data center and business continuity capabilities. As such, BLOM BANK has implemented a three-site data center replication setup, which links the Bank's primary, high availability and remote disaster recovery data centers, and this implementation has been supported by IBM Lab Services. As a result of this achievement and since this set-up was the first of its kind in Lebanon, IBM has enlisted BLOM BANK as an IBM reference.

Moreover, BLOM BANK has successfully tested IT continuity drill scenarios covering the most critical and vital operations at BLOM BANK and will be continuously fine-tuning its IT Disaster Recovery Plan which is an integral and essential part of the Business Continuity Plan of BLOM BANK.

11.5 Address Security, Regulatory and Compliance Challenges

Since BLOM BANK is operating in a highly regulated industry, the Bank will continue to address security and regulatory requirements which are introduced in an unprecedented period of increasing regulation.

As such, BLOM BANK shall continue to address compliance and regulatory requirements through the usage of state-of-the-art systems based on data warehousing and specialized data marts and analytics software aimed at fulfilling regulatory and compliance requirements including MIS, financial and risk analytics at the level of BLOM BANK and BLOM BANK Group. BLOM BANK will also continue to put in place the information systems and related controls to allow for the compliance with the U.S. FATCA, the CRS, the Payment Card Industry Data Security Standard (PCI DSS), Open PSD2 across

BLOM BANK Group as well as the GDPR law. Also, the Bank will be taking the necessary measures in order to benefit from the new e-transaction law in order to enrich its digital offerings.

Furthermore, BLOM BANK will keep on improving its fraud monitoring system relying on "big data" related to debit/credit cards transactions and to behavioral Internet activity.

Also, and while the always-on, anywhere-anytime availability of mobile devices offers exciting opportunities, mobility also exposes the need for enhanced security to safeguard the customer privacy online and the integrity of their data while taking into consideration the ever growing threats of cyber-attacks. Along these lines and in order to address the growing landscape of cyber threats and also in compliance with the Cyber Security regulations such as those put in place by the Central Banks of Lebanon and Jordan and other regulatory bodies, the Bank has established a Cyber Security framework in order to deal with these growing cyber threats. Moreover, the Bank performs regular assessments of its systems in order to prevent, detect early and mitigate cyber security threats.

12. People Development

12.1 General Overview

BLOM BANK strongly believes that the successful delivery of its local and international strategies can only be the result of its people's exceptional expertise and competence. It is due to their proven determination and resilience that BLOM BANK remains confident in facing the challenges that lie ahead.

BLOM BANK people's proficiency is reflected in the impressive rate of employees with high levels of education. In the end of 2019, 82.53% of employees held a university degree, professional certification, or higher education degree. Also, with an average age of 36.18 years, the Bank's workforce proves its dynamism, agility, and vitality.

Performing at competitive levels necessitates the implementation of effective and efficient policies and procedures, many of which are considered best practices in the industry.

As the responsible employer BLOM BANK has proven to be, the Bank's management strives to provide a healthy and inclusive work environment that promotes fairness, ethics, and transparency. In return, employees have demonstrated their adherence to the highest standards of ethical behavior in terms of confidentiality, professionalism, and integrity.

Distribution of BLOM BANK employees across BLOM BANK Group as at end of December 2019

		Banks and Financial Subsidiaries				Insurance		Grand Total
		Lebanon	MENA	Gulf	Europe	Lebanon	MENA	
Gender	Male	1,329	1,120	100	91	104	96	2,840
	Female	1,189	438	60	85	156	85	2,013
Age	< 25	128	191	21	4	25	24	393
	26-35	1,311	687	43	36	115	102	2,294
	36-45	550	441	45	39	70	37	1,182
	46-55	301	184	28	57	37	14	621
	56-64	228	55	23	40	13	4	363
	Average Age	37.09	33.33	40.46	47.40	36.60	33.23	36.18
Level of education	Graduate Degrees	807	41	35	44	39	-	966
	Professional Certificates	39	11	4	1	-	-	55
	Bachelor Degrees	1,205	1,338	72	85	142	142	2,984
	Technical Certificates	54	84	12	27	30	33	240
	Others	413	84	37	19	49	6	608
Functions	Managers and Deputies	321	297	35	40	27	18	738
	Assistants & Supervisors	332	363	7	32	58	29	821
	Employees	1,865	898	118	104	175	134	3,294
Total number of employees		2,518	1,558	160	176	260	181	4,853
Number of branches		82	63	7	7	10	8	177
Training hours		37,775	56,802	489	957	1,992	5,725	103,740
Number of hired employees		29	182	21	16	23	53	324
Departed employees		144	180	19	14	20	166	543

12.2 Recruitment

In 2019, the various units of BLOM BANK Group recruited a total of 324 employees to support the expansion of the Bank across the region, to upkeep its increasing business needs, and to replace departing and retiring employees. The majority of new recruits were in the MENA Region (72.53%), immediately followed by Lebanon (16.05%), the Gulf region (6.48%), and finally Europe (4.94%).

New recruits and turnover rates of BLOM BANK Group units operating in various geographic regions in year 2019

	New Recruits				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	29	182	21	16	248
Insurance Subsidiaries	23	53	-	-	76
Total	52	235	21	16	324

	Turnover Rate				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	5.59	11.5	12.03	8	7.84
Insurance Subsidiaries	7.74	69.89	-	-	37.5
Total	5.78	19.25	12.03	8	10.94

12.3 Training

In 2019 BLOM BANK invested in In-house and external trainings, locally and abroad, which focused on topics such as: Banking Operations, Finance, Islamic Finance, Credit Analysis, Investment Banking, Compliance and AML, Risk Management, Marketing, Leadership, Information Technology, Languages, etc.

The fact that internal trainings are delivered by our own field experts has helped in making those sessions highly technical and informative, and most importantly they have encouraged the creation of a knowledge sharing culture. As for our In-house trainings, they are delivered on our premises after being crafted by top notch training firms to best suit our people. Finally, external trainings offer our people a fresh and wide perspective of how business practices are being implemented outside the bank.

The Training Needs Assessment is performed by the Human Resources Division in collaboration with the line managers during the last quarter of every year.

BLOM BANK Group delivered 103,740 training hours in 2019, amounting to an average of 21.38 training hours per employee

	Training Hours				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	37,775	56,802	489	957	96,023
Insurance Subsidiaries	1,992	5,725	-	-	7,717
Total	39,767	62,527	489	957	103,740

12.4 Policies in Action

The Human Resources Division regularly reviews all policies related to hiring, advancement, compensation, training, and other aspects of employment. In alignment with BLOM BANK's culture of full transparency, all policies are made easily accessible to continuously remind all employees of their rights and duties and guide them through the existing processes.

To start with, BLOM BANK prohibits discrimination of any type, and offers equal opportunities to all employees without regard to sex, religion, ethnical background, age, or disability.

As part of the "Fraud and Code of Conduct" policy, BLOM has established the "tone at the top" strategy for ethical behavior, meaning all employees including chairmen, directors, and officers are expected to adhere fully to BLOM BANK's culture of transparency, honesty, and integrity. With the "Zero Tolerance" approach put in place, it is made clear to all employees that any manipulative or dishonest behavior will be deemed intolerable. A thorough procedure was designed and communicated by the Human Resources Division to ensure employees' compliance with the Code of Conduct and raise their awareness about successful corporate governance. As such, respective training sessions are conducted at entry level and at least every two years to representatives of all branches and business units.

In order to ensure a supportive workplace and a platform for employees to voice their complaints, the Employee Grievance Policy is set to guide employees throughout the process.

In order to reduce, eliminate, or control workplace hazard and injuries, the workplace health and safety policy is set to ensure a healthy, safe and risk free environment. Furthermore, through the application of this policy, employees are educated about maintaining their safety at all times, and especially in times of emergencies.

12.5 Career Development and Promotion

BLOM BANK follows a clearly defined grading system that links job functions to the employees taking on the roles. Promotions are processed based on the job's evolution and higher competency requirements as well as on the employee's individual performance within the job. The annual performance appraisal is a prerequisite to employee promotions, bonuses, salary increases, development, etc.

In addition to the individual development programs that are personalized for high potential employees, the Management Training Program (MTP) is designed to provide the bank with the needed talent for future managerial roles. The program gives the officers chosen the opportunity to work in cross-functional teams and complete several short-term assignments, giving them the opportunity to gain in-depth knowledge of the banking sector as a whole. The selection of candidates for this program follows a very rigorous and transparent process where the line managers and the Human Resources Division are involved to ensure that the best performers with the highest potential are selected from the pool of aspiring, productive, and motivated employees.

BLOM BANK also recognizes the importance of higher education and the employees' aspirations in pursuing higher education degrees and certifications. To this end, the bank sponsors employees' tuitions up to 100%. In 2019, a total of 97 employees benefitted from higher education sponsorships.

Furthermore, BLOM BANK runs its own Assessment Center, a tool used for developmental purposes like recruitment, selection, promotion, or succession planning. It provides equal opportunities for candidates and ensures that the selection is based on merit and performance. Certified assessors from the HR Division are in charge of managing the assessment center in order to ensure a thorough assessment of employees' profiles along with the accurate identification of their relevant developmental needs.

BLOM BANK realizes that employees will not be with the organization indefinitely, and many positions within the Bank are critical and should only be filled by the most qualified people. In this regard, the Human Resources Division works on a yearly succession plan that addresses changes in case of any key staff's departure. The methods used to develop the plans are based on extensive research and the latest succession plan trends.

12.6 Employee Benefits and Activities

In addition to investing in its people’s training and education, BLOM BANK ensures employees’ access to a variety of benefits and facilities such as special interest rates, medical coverage, guaranteed eligibility for preferred medical coverage upon retirement, profit sharing, special allowances, etc.

BLOM BANK’s management highly cherishes the value of its human capital and fully believes that employees’ engagement and satisfaction is key to the overall success of the organization.

13. Bank’s Operational Efficiency

In 2019, BLOM BANK Group’s operational efficiency remained at a high level. Net profit per branch, decreased by 70.8%, and average asset per branch increased by 17.2%.

BLOM BANK Group’s Operational Efficiency Indicators

	2019	2018
Number of Branches	177	229
Average Assets per Branch (USD)	188,110,618	160,439,543
Net Profit per Branch (USD)	652,041	2,234,155

14. Corporate Social Responsibility

Over the years, BLOM BANK has developed its Corporate Social Responsibility framework around solid internal foundations which has led this framework to develop organically and create an impact on the environment. Year after year, BLOM BANK has strengthened its commitment to behave in a sustainable manner by contributing to the economic development of Lebanon, while improving the quality of life and wellbeing to thousands of people in the local communities, and the society as a whole.

In 2019, and after redefining its sustainability policy and setting the guiding principles for how it manages the environmental, social, and governance factors in the conduct of our operations, BLOM BANK has consolidated an action plan that outlines its strategy according to its newly defined four pillars:

Pillar One: Education: Serving our Youth

Pillar Two: Environment: Serving our Earth

Pillar Three: Economic Development: Serving our Country

Pillar Four: Betterment of Society: Serving Humanity

14.1 Education

Cognizant that an educated youth represents the Bank’s future growth and prosperity, BLOM BANK supports educational initiatives from grass-roots kindergarten level to University graduation. Because BLOM BANK considers education as one of the foundations of its sustainability strategy, it strives to provide educational opportunities that can make a difference in the lives of millions of people, pulling them out of the poverty and developing students to reach their full potential. Working hand in hand with NGOs and educational institutions, BLOM’s philosophy permeates classrooms throughout Lebanon, focusing on helping disadvantaged youth access the resources they need across primary, secondary and higher education.

14.1.1 BLOM Shabeb

To ensure that children walk down their academic and professional paths in the right direction, BLOM BANK created the BLOM Shabeb program in 2010. This program is a Corporate Social Responsibility (CSR) initiative that empowers Lebanese children and youth, between the ages of 10 and 25, by equipping them with proper guidance, helpful tips, and right tools needed to trek through their endeavor of becoming society’s future leaders.

Up until January 2020, more than 419,565 beneficiaries were impacted by BLOM Shabeb’s activities and services. These activities include but are not limited to: The A List competition, career fairs, workshops, job fairs and campus events, website and social media platforms, etc.

Management Discussion & Analysis 2019

In addition, BLOM BANK allocates a considerable annual budget to support deserving students by funding their undergraduate university degree. The program has provided full academic scholarships to 50 students in different universities across Lebanon. BLOM Shabeb's university scholarships have given students the opportunity to pursue their major of choice at their university of choice. In 2019, "The A List" competition gave five students university scholarships worth a combined USD 150,000.

BLOM BANK's serious commitment to SDG4, Quality Education, led to the launching of the "START with BLOM" program under BLOM Shabeb in 2019. "START with BLOM" is a financial literacy program that has awakened the financial consciousness of more than 700 students between the ages of 10 & 14.

14.1.2 Protect Ed Program

Protect Ed is a Canadian program supported by BLOM BANK since its launch in Lebanon in 2013. It is adapted to meet Lebanon's specific cultural and safety needs, and offers kids preventative, proactive and innovative safety education on bullying, child abuse, predation, racism, discrimination and negative social media influence in order to build confidence, reduce risk and protect the future of the children. Up until 2019, Protect Ed has been rolled out in 206 schools across Lebanon, reaching out to 110,196 school students per year, and more than 20,058 parents through the seminars provided to them by ProtectEd free of charge.

19 new schools have enrolled in the protect Ed Program for the academic year 2019-2020.

However, the program's success was not limited to Lebanon, but was so humongous that it exceeded the national boundaries to expand to neighboring countries. 37,966 students were reached throughout this program in the Arab world, in countries that include Jordan, Egypt, Tunisia, Qatar, Oman and many others.

14.1.3 The Virtual Stock Exchange Competition from University Level to National

The Virtual Stock Exchange Competition has been developed by the BLOMINVEST BANK to provide a framework of hands-on education for young adults, matching knowledge with experience and theory with practice. More specifically, it allows the Bank to contribute towards the promotion of application-based experience in taught finance curriculums, and to strengthen their capabilities for future jobs and professional work. Throughout its various editions this year, the competition reached out to more than 15,000 students. Also in 2019, the winners from 10 universities from all around Lebanon participated in the 3rd national edition of the VSE competition. As a result, 5 finalists won grand prizes.

14.1.4 Teach for Lebanon Summer School

For the second year in a row, BLOM BANK supported Teach For Lebanon with their Summer School, where 20 newly on-boarded Fellow teachers, Cohort11, educated 270 street-children over a period of 2 weeks. Together with Cohort 10 (BLOM BANK's 1st cohort), Cohorts 10 & 11 will reach more than 6,000 underprivileged students in 15 schools in rural / poor neighborhoods in 2019-2020.

14.2 Environment

BLOM BANK strongly believes that embracing the principles of environmental sustainability stretches across the board. From supporting various initiatives that protect the precious and unique environment of Lebanon, to partnering with actors who use innovation to reduce environmental impact and carbon footprints, BLOM believes that green practices can be implemented in every aspect of its business, ensuring it preserves the Bank's goal of protecting and saving the natural resources for all citizens and future generations.

14.2.1 Paper Recycling and Reduction

In 2019, BLOM BANK delivered 51.22 tons of paper to a leading national paper recycling facility, and the proceeds were donated to associations that provide assistance to challenged children.

Moreover, 32.5 tons of shredded papers were handed out to "Association l'Ecoute" in order to support their main mission of supplying earpieces to needy hearing-impaired individuals.

Moreover, the various paper reduction initiatives adopted in 2018 had a considerable impact on decreasing paper consumption during the year 2019, noting that the below results could not have been achieved without the bank's employees' involvement in this endeavor:

- 40.7% decrease in envelope consumption after the introduction of the multi-use envelopes in August 2018

- 30% paper savings in BLOM BANK's advices resulted from reducing the form's number of carbon copies from three to two copies
- 7% decrease in A4 paper consumption after the reduction of the number of printers per floor at Head Office buildings to its minimum, thus inciting employees to print necessary documents only

14.2.2 Water Usage Reduction Initiative

In 2019, water strainers were installed on the taps of the headquarters' buildings in Verdun, thus reducing water consumption by more than 50%. In parallel, internal communication explaining water scarcity challenges and providing water saving tips to be applied at home were shared with all employees, with the objective of carrying these sound practices to each one's environment, hence increasing the impact of the activity beyond the bank's environment.

14.2.3 Carbon Footprint Calculation and Assessment

For the third year, BLOM BANK appointed V 4 Advisors to conduct a Greenhouse Gas (GHG) audit measured in tCO₂e for the Head Offices, branches and warehouses in Lebanon based on the Business-as-Usual (BaU) scenario.

The total GHG emitted by BLOM BANK, employing 2,437 employees in a total area of 112,588 m² was 15,790.6 tCO₂e in year 2018. Compared to the 2016 baseline year figure i.e. 15,267.2 tCO₂e, total GHG emissions registered an increase of 3.4%. This is due to the increase of the bank's total area by 28.6% in 2018 compared to 2016 (acquisition of HSBC Bank Middle East in Lebanon, new Head Office building in Mazraa, opening of three branches: Halba, Batroun and Mar Takla).

It is worth mentioning that the total GHG emissions per employee and per m² decreased in 2018 compared to 2016. Below is a table summarizing carbon footprint results for the years 2016, 2017 and 2018:

Year	Total Area (in M2)	Total Number of Employees	Total GHG Emissions (in tCO ₂)	% Change Compared to Base Year (2016)	Total GHG Emissions Per M2 (in KG CO ₂)	% Change Compared to Base Year (2016)	Total GHG Emissions Per Employee (in tCO ₂)	% Change Compared to Base Year (2016)
2018	112,588	2,437	15,790.6	3.4%	140.3	-19.6%	6.48	-6.8%
2017	96,085	2,445	14,919.6	-2.3%	155.3	-11.0%	6.10	-12.2%
2016	87,545	2,195	15,267.2	-	174.4	-	6.95	-

14.2.4 Improving Workplace Environment

A number of key projects that improved the physical workplace environment and the occupational health and safety of employees in the Head Office buildings were implemented.

As a matter of fact, some departments have been relocated to the new Head Office building in Mazraa, which has a new look and feel, more greenery areas and high tech systems from health and safety perspective, e.g. ventilation and air-conditioning, firefighting and alarm systems, lighting, CO₂ monitor in the parking areas etc.

Moreover, the layouts of some floors at the Headquarters in Verdun were improved, with the purpose of providing more comfortable space to several departments. This also has resulted in space optimization especially after the removal of unnecessary partitions and the adoption of the open space design.

14.2.5 Miscellaneous Environment Initiatives

BLOM BANK has committed to several initiatives that aim to safeguard and appreciate the natural environment. For this purpose, several activities were organised throughout the year, with the sole purpose of preserving this environment and engaging employees while doing so.

One example of these activities included a reforestation day on 22 November (Independence Day), where more than 80 members of staff planted 10,000 trees of Cedrus Libani, fir trees and wild apple trees in an area of around 20 hectares in the Sannine mountain.

Another initiative was a "Bike to Work" day, where employees were encouraged to come to work taking their bicycle. 56 staff members participated in this initiative that was very much appreciated by the BLOM community.

14.3 Economic Development

BLOM BANK believes that the economic development and prosperity of its society comes from the development of its human capital, the reason why it is focusing on job creation and advancement of financial skills in its local communities. BLOM projects under this pillar focus on increasing employment opportunities in deprived areas of Lebanon through strong partnerships with local stakeholders and synergies with local communities. BLOM BANK's long term vision is to build a model of a self-sustainable organic local development approach for each community.

14.3.1 Demining

In collaboration with the Lebanon Mine Action Center, a unit in the Lebanese Army, the BLOM "Giving Card" assists in the removal of mines and cluster bombs from the Lebanese territories. Donations are made whenever BLOM MasterCard Giving cardholders pay the card's annual fee and whenever they use their cards for purchases or for cash withdrawals without bearing any extra cost. Since 2010 and up until today, more than USD 1.64 million has been donated to the Lebanese Mine Action Center from the Giving program alone and more than 327,364 mines have been removed from 233,832m². Other than removing a large number of mines, the program planted more than 1,000 trees in the demined lands.

Additionally, on the International Day for Mine Awareness and Assistance, BLOM BANK supported "The Regional School for Humanitarian Demining in Lebanon" under the slogan "Strengthening Safety and Development". The Regional School conducts a range of training courses for civilians and military members on removing mines in Arabic, English and French languages.

The Giving program has also been recognized several times internationally and has won multiple awards some of which are:

- Best CSR Program for 2019 from Banker Middle East
- Credit Card Initiative of the Year 2019 - Lebanon from Asian Banking and Finance
- Best Co-Branded Credit Card for 2019 from Banker Middle East
- The Best Corporate Social Responsibility Card in the Levant for 2018 by Mastercard
- Corporate Leadership Award by Hult Prize Global Selection Committee in 2018
- Special Recognition from Lebanese Army Commander General Jean Kahwaji and Mr. Michael Williams, UN Representative in Lebanon
- First initiative chosen by MasterCard to be part of the Purchase with Purpose program 2014
- Winner of the "Best Cause" at the MENA Cristal Awards for 2010

14.3.2 Youthful Social Enterprises

2018-2019 marked the second year of the partnership between BLOM BANK, Hult Prize Foundation and BANQUE DU LIBAN to bring Hult Prize to Lebanon and give an opportunity for the youth to develop their entrepreneurial skills, while at the same time help solving some of the world's most challenging problems.

In its second year, the competition grew from 24 campuses to reach 70 campuses across Lebanon, with 500,000 students reach nationwide through trainings, social media and info sessions. More than 3,000 students participated in the competition through on campus presentations and idea pitching.

BLOM BANK's engagement included involvement as judges in the panels ranging from on campus events to finals, sharing of expertise through info sessions at the 6-week accelerator program, and hosting the students for a day for their Pitch Fridays.

So far, two startups, Heatechs (2018) and Beepers (2019) have been awarded with seed-funding of USD 250,000 each as winners of the competition in Lebanon to launch their companies.

Each year, students from across universities in Lebanon are invited to participate in the global challenge, and are required to work in teams to present their start up ideas. They compete at different levels, starting with on campus competitions within their university, where the top runners will participate in a semifinals competition. At the semifinals, the teams are shortlisted to 6, who will in turn attend an intensive 6-week accelerator program where they are coached and mentored by global professionals, professors and specialists to improve their pitches. At the Finals competition, one of the 6 teams will be provided with a USD 250,000 prize in seed funding to set up their startup company. In addition to the national competition, Lebanese teams have the opportunity to participate in regional competitions where they can – if they make it to the top of the list – participate in the global accelerator in London and get a chance to make it to the Hult Prize finals in New York for a startup prize of USD 1,000,000.

14.4 Betterment of Society

BLOM BANK works with intent to give back to its society, and believes that it has a unique opportunity to carry out plans that in some way will help its communities advance and the society prosper. BLOM aspires to help create a more harmonious society - more cooperative, more united, and more empathetic - that can be a true model for better living.

14.4.1 BLOM BANK Beirut Marathon, 17th Edition

The partnership between BLOM BANK and the Beirut Marathon Association (BMA) is a long-standing one, dating back to 2005. BLOM BANK's support of BMA has allowed them to build BLOM BANK Beirut Marathon, a platform for NGOs to raise funds, and for runners to promote athleticism and champion their causes.

Despite all the preparation and anticipation for the BLOM BANK Beirut Marathon 17th edition that was due to happen on Sunday 10 November 2019, and due to the unrest and the tiring times that the country has been going through since 17 October 2019, BLOM BANK - along with the organizers - had to cancel it.

14.4.2 Clothing Collection Bins Initiative

A new initiative that has been planned and prepared to launch in 2020 is a partnership with FabricAID - a Lebanese social enterprise whose mission is to enable deprived people to get decent clothing at affordable prices. BLOM BANK will be placing a collection bin in each of its Head Office buildings (five bins in total), with the purpose of encouraging employees to donate their unwanted clothes to underprivileged families.

The clothes collected from the bins will be sorted by FabricAID and later on sold in pop up markets located in underprivileged areas across Lebanon at prices ranging from LBP 500 to LBP 3000 maximum per item. As for the clothes that are not suitable for sale, they will be shredded into pieces and used for insulation, furniture production or they will be upcycled, i.e. redesigned by local fashion schools and tailored by a group of unemployed needy women, thus insuring minimum fabric waste.

14.4.3 Partnering with 3QA

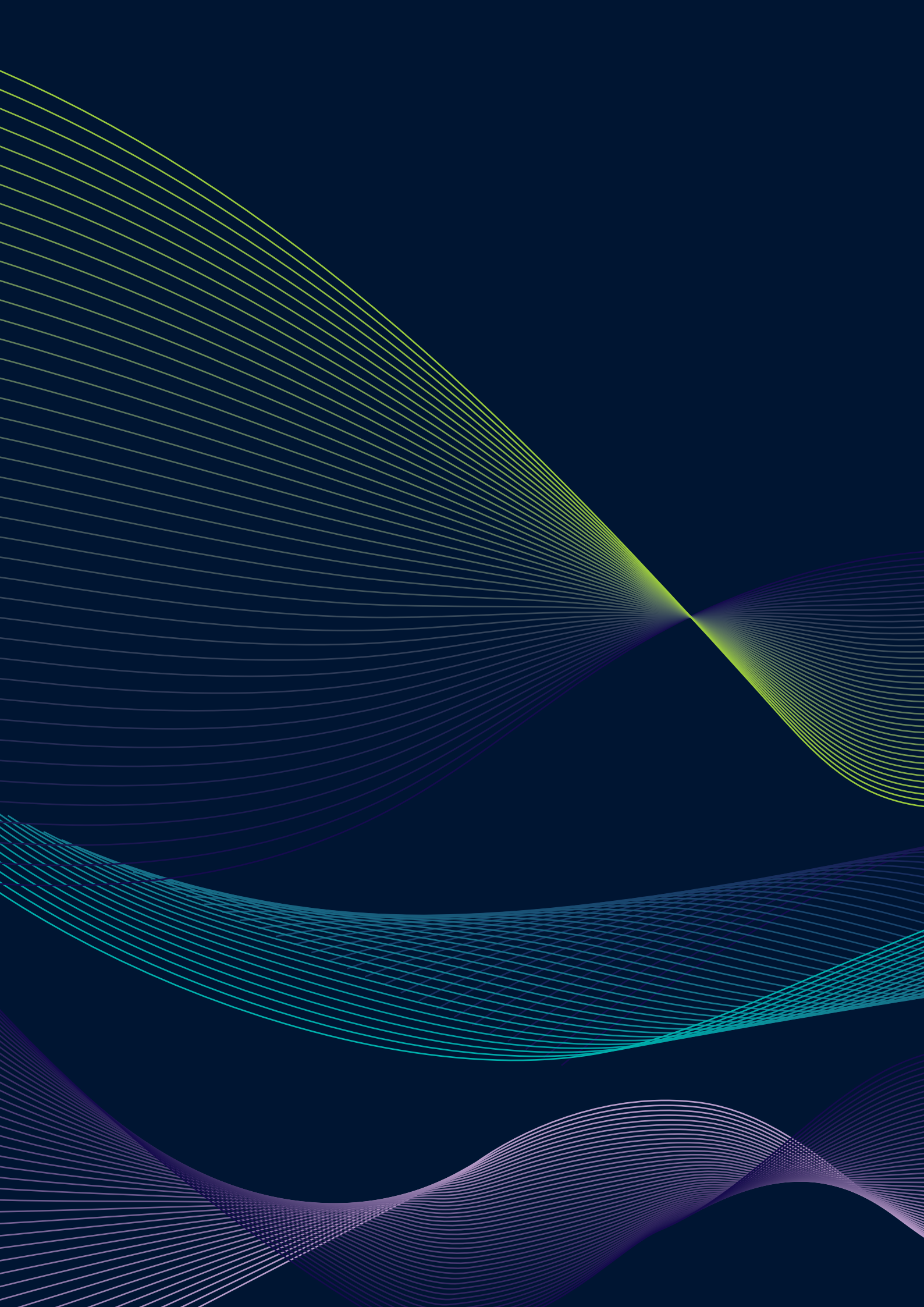
In order to strengthen the governance of the third party sector and to signal to potential donors the soundness of the organization and their impact on the society, BLOM BANK has partnered with 3QA, a regional Lebanon-based social enterprise that uses an accreditation tool from the UK that sets contextualized standards of performance and good governance, to organize workshops for the NGOs and invite them to consider the accreditation process and appreciate its benefits.

More than 15 NGOs attended the workshop, where they had the chance to explore the organizational systems and procedures that would make their governance more credible, efficient and effective.

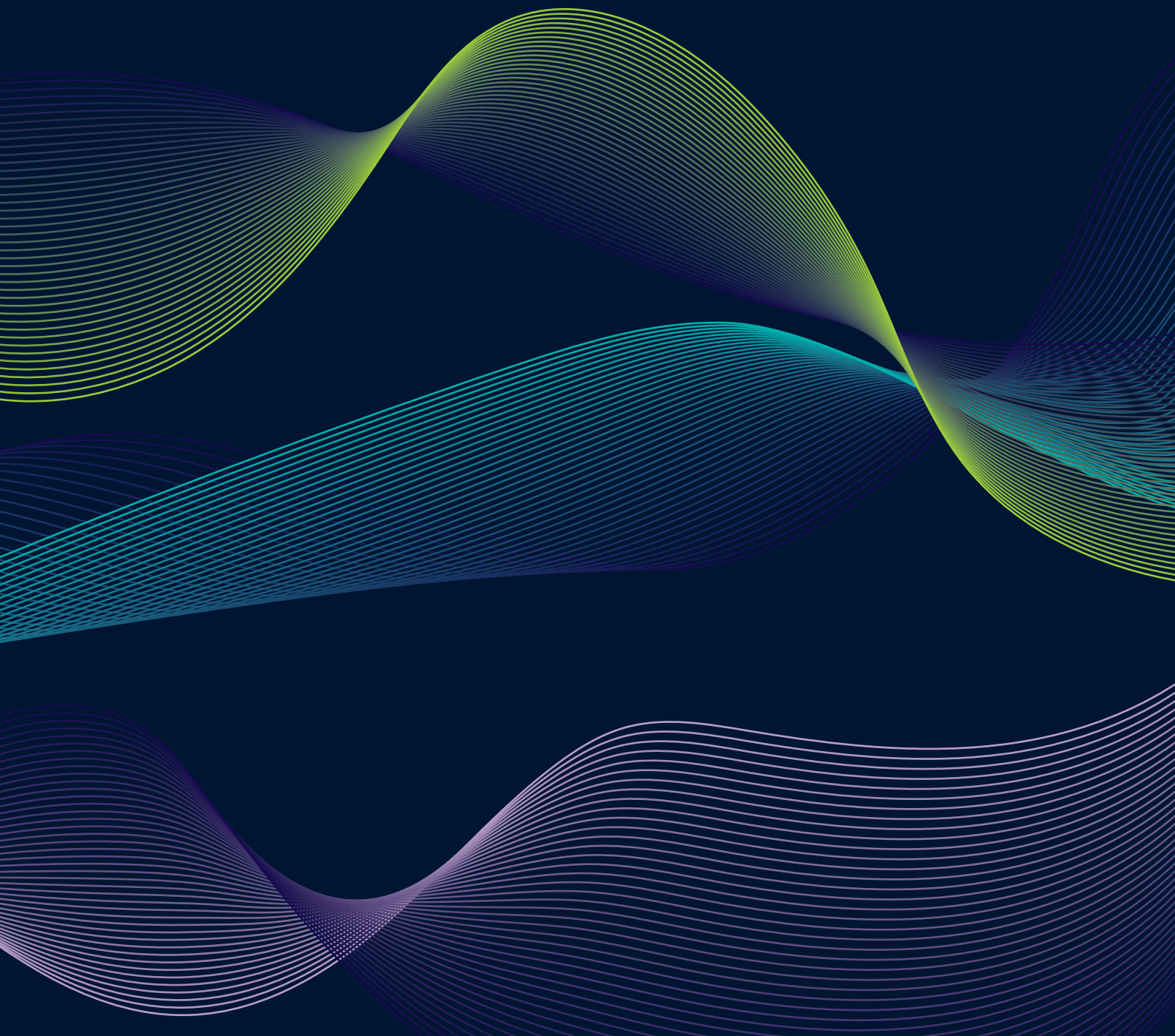
BLOM BANK has also adopted part of the accreditation fees for one of the NGOs that showed interest in signing up for the accreditation process to bring up their corporate governance to international standards. This accreditation is due to be completed throughout 2020.

14.4.4 Donner Sang Compter

Year after year, BLOM BANK employees prove to be dedicated blood donors. Stemming from the belief that simple actions of generosity and kindness go a long way, BLOM BANK teamed up with Donner Sang Compter to hold a blood drive for its employees, and it ended up having 42 blood donors amongst staff members who saved 106 lives in 2019.



CONSOLIDATED
FINANCIAL STATEMENTS
31 DECEMBER 2019



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

Adverse opinion

We have audited the consolidated financial statements of Blom Bank SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the "Basis for adverse opinion" section of our report; the accompanying consolidated financial statements do not present fairly, the consolidated financial position of the Group as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for adverse opinion

1. As disclosed in note 47.3 to the consolidated financial statements, the Group holds assets with the Central Bank of Lebanon, a portfolio of Lebanese government debt securities, a portfolio of loans to the private sector and other assets concentrated in Lebanon. As disclosed in note 1, the accompanying consolidated financial statements do not include IFRS 9 adjustments to the carrying amount of these assets and related disclosures that would result from the resolution of the uncertainties disclosed therein and the future effects of the economic crisis and the restructuring plan. In addition, as disclosed in note 42, they do not include IFRS 13 fair value disclosures for these financial assets and other financial instruments concentrated in Lebanon. Had such adjustments and disclosures been made, many elements and related disclosures in the accompanying consolidated financial statements would have been materially affected. The effects on these consolidated financial statements have not been determined.
2. The events and conditions described in note 1 and the matters described in paragraph 1 above, affect the liquidity, solvency and profitability of the Group and represent events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern and the accompanying consolidated financial statements do not include an adequate disclosure of management's plan to deal with events and conditions giving rise to the material uncertainty.
3. As disclosed in note 35 to the consolidated financial statements, due to regulatory requirements enacted since 2016, the Group carried excess provisions of LL 160,945 million (the "excess provisions") as at 31 December 2018. This caused us to qualify our opinion on the consolidated financial statements relating to previous years affected by these regulatory requirements, as these transactions constitute a departure from International Financial Reporting Standards (IFRS). During 2019, the Group wrote-back an amount of LL 76,380 million under "other operating income" and transferred the remaining balance of LL 84,565 million towards additional IFRS 9 allowances for the year.

Accordingly, profit for the year ended 31 December 2019 was overstated by LL 160,945 million and opening retained earnings as at 1 January 2019 was understated by the same amount (2018: profit for the year was overstated by LL 49,934 million and "provisions for risks and charges" was overstated and total equity was understated by LL 160,945 million as at 31 December 2018).

Basis for adverse opinion (continued)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. Except for the matters described in the "Basis for adverse opinion" section, we have determined that there are no other key audit matters to communicate in our report.

Other information included in the Group's 2019 annual report

Other information consists of the information included in the Group's 2019 annual report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2019 annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

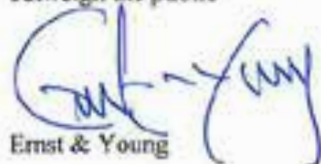
As part of an audit in accordance with ISAs, we exercise professional judgements and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young

19 June 2020
Beirut, Lebanon



BDO, Semaan, Ghblaw & Co.
BDO, Semaan, Ghblaw & Co.

**Consolidated Income Statement
For the year ended 31 December 2019**

LL Million	Notes	2019	2018
Interest and similar income	6	3,998,162	3,365,382
Interest and similar expense	7	(2,873,580)	(2,098,265)
Net interest income		1,124,582	1,267,117
Fee and commission income		275,921	277,989
Fee and commission expense		(66,795)	(63,133)
Net fee and commission income	8	209,126	214,856
Net (loss) gain from financial assets at fair value through profit or loss	9	(111,784)	34,771
Net gain (loss) from derecognition of financial assets at amortized cost	10	15,823	(5,498)
Non-interest revenues from financial assets at fair value through other comprehensive income		1,115	917
Other operating income	11	104,046	36,721
Total operating income		1,342,908	1,548,884
Net impairment loss on financial assets	12	(492,957)	(16,814)
Net operating income		849,951	1,532,070
Personnel expenses	13	(288,095)	(348,295)
Other operating expenses	14	(189,505)	(192,506)
Depreciation of property, equipment and right-of-use assets	25	(38,054)	(37,670)
Amortization of intangible assets	26	(2,166)	(1,890)
Total operating expenses		(517,820)	(580,361)
Operating profit		332,131	951,709
Net gain (loss) on disposal of property and equipment		634	(1,255)
Profit before tax		332,765	950,454
Income tax expense	15	(158,783)	(179,184)
Profit for the year		173,982	771,270
Attributable to:			
Equity holders of the parent		165,178	765,757
Non-controlling interests		8,804	5,513
		173,982	771,270
Basic earnings per share attributable to equity holders of the parent for the year	16	LL 771	LL 3,573

The accompanying notes 1 to 54 form part of these consolidated financial statements.

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019**

LL Million	2019	2018
Profit for the year	173,982	771,270
Other comprehensive income that will be reclassified to the consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	32,926	(853)
Net gain on hedge of net investment	4,083	8,833
Total other comprehensive income that will be reclassified to the consolidated income statement in subsequent periods	37,009	7,980
Other comprehensive income that will not be reclassified to the consolidated income statement in subsequent periods:		
Net unrealized gain from financial assets at fair value through other comprehensive income	11,380	1,051
Total other comprehensive income that will not be reclassified to the consolidated income statement in subsequent periods	11,380	1,051
Other comprehensive income for the year, net of tax	48,389	9,031
Total comprehensive income for the year, net of tax	222,371	780,301
Attributable to:		
Equity holders of the parent	212,621	774,388
Non-controlling interests	9,750	5,913
	222,371	780,301

The accompanying notes 1 to 54 form part of these consolidated financial statements.

**Consolidated Statement of Financial Position
At 31 December 2019**

LL Million	Notes	2019	2018
Assets			
Cash and balances with central banks	17	31,202,426	33,135,407
Due from banks and financial institutions	18	1,921,172	2,366,769
Loans to banks and financial institutions	19	46,570	37,864
Derivative financial instruments	20	27,986	18,752
Financial assets at fair value through profit or loss	21	482,154	361,301
Net loans and advances to customers at amortized cost	22	8,746,544	10,776,820
Net loans and advances to related parties at amortized cost	45	18,255	24,443
Debtors by acceptances		142,961	191,492
Financial assets at amortized cost	23	5,876,677	7,410,461
Financial assets at fair value through other comprehensive income	24	661,976	14,605
Property, equipment and right-of-use assets	25	819,289	803,825
Intangible assets	26	4,439	4,991
Non-current assets held for sale	27	60,123	58,276
Other assets	28	180,508	179,548
Goodwill	29	2,004	1,984
Total assets		50,193,084	55,386,538
Liabilities and Equity			
Liabilities			
Due to central banks	30	3,898,754	7,116,222
Repurchase agreements	30	-	25,826
Due to banks and financial institutions	31	520,696	866,061
Derivative financial instruments	20	30,550	22,621
Customers' deposits at amortized cost	32	39,321,893	40,413,404
Deposits from related parties at amortized cost	45	113,309	164,218
Debt issued and other borrowed funds	33	456,545	456,288
Engagements by acceptances		144,827	192,751
Other liabilities	34	794,161	849,795
Provisions for risks and charges	35	154,731	352,061
Total liabilities		45,435,466	50,459,247
Equity			
Share capital – common shares	36	322,500	322,500
Share premium on common shares	36	374,059	374,059
Non-distributable reserves	37	1,612,192	1,533,677
Distributable reserves		682,894	642,697
Treasury shares	38	(13,531)	(13,567)
Retained earnings		1,870,434	1,611,312
Revaluation reserve of real estate		14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	39	9,928	(957)
Foreign currency translation reserve		(365,409)	(402,131)
Result of the year		165,178	765,757
Equity attributable to equity holders of the parent		4,672,972	4,848,074
Non-controlling interests		84,646	79,217
Total equity		4,757,618	4,927,291
Total liabilities and equity		50,193,084	55,386,538

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 19 June 2020:



Saad Azhari
Chairman and General Manager



Talal Baba
Chief Financial Officer

The accompanying notes 1 to 54 form part of these consolidated financial statements.

**Consolidated Statement of Changes in Equity
For the year ended 31 December 2019**

	Attributable to equity holders of the parent				
	Share capital-common shares	Share premium on common shares	Non distributable reserves	Distributable reserves	Treasury shares
LL Million					
Balance at 1 January 2019	322,500	374,059	1,533,677	642,697	(13,567)
Impact of IFRS 16 at 1 January 2019 (note 2)	-	-	-	-	-
Restated balance at 1 January 2019	322,500	374,059	1,533,677	642,697	(13,567)
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Transfer from retained earnings to non-distributable reserves	-	-	1,810	-	-
Transfer from non-distributable reserves to retained earnings	-	-	(233)	-	-
Dividends distributions (note 41)	-	-	-	-	-
Dividends distributions from subsidiaries	-	-	-	-	-
Appropriation of 2018 profits	-	-	76,945	40,197	-
Sale of treasury shares (note 38)	-	-	-	-	36
Net loss on sale of treasury shares (note 38)	-	-	(7)	-	-
Other	-	-	-	-	-
Balance at 31 December 2019	322,500	374,059	1,612,192	682,894	(13,531)

	Attributable to equity holders of the parent				
	Share capital-common shares	Share premium on common shares	Non distributable reserves	Distributable reserves	Treasury shares
LL Million					
Balance at 1 January 2018	322,500	374,059	1,312,778	601,207	(8,473)
Impact of IFRS 9 at 1 January 2018	-	-	(732)	(4,766)	-
Restated balance at 1 January 2018	322,500	374,059	1,312,046	596,441	(8,473)
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Transfer from retained earnings to non-distributable reserves	-	-	111,393	-	-
Dividends distributions (note 41)	-	-	-	-	-
Appropriation of 2017 profits	-	-	110,170	45,091	-
Change in non-controlling interest	-	-	-	12	-
Purchase of treasury shares (note 38)	-	-	-	-	(5,766)
Sale of treasury shares (note 38)	-	-	-	-	672
Net gain on sale of treasury shares (note 38)	-	-	68	-	-
Other	-	-	-	1,153	-
Balance at 31 December 2018	322,500	374,059	1,533,677	642,697	(13,567)

The accompanying notes 1 to 54 form part of these consolidated financial statements.

Consolidated Financial Statements 31 December 2019

2019						Non-controlling interests	Total equity
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total		
1,611,312	14,727	(957)	(402,131)	765,757	4,848,074	79,217	4,927,291
(698)	-	-	-	-	(698)	-	(698)
1,610,614	14,727	(957)	(402,131)	765,757	4,847,376	79,217	4,926,593
-	-	-	-	165,178	165,178	8,804	173,982
-	-	10,721	36,722	-	47,443	946	48,389
-	-	10,721	36,722	165,178	212,621	9,750	222,371
(1,810)	-	-	-	-	-	-	-
233	-	-	-	-	-	-	-
-	-	-	-	(364,148)	(364,148)	-	(364,148)
(1,481)	-	-	-	-	(1,481)	(3,612)	(5,093)
284,467	-	-	-	(401,609)	-	-	-
-	-	-	-	-	36	-	36
-	-	-	-	-	(7)	-	(7)
(21,589)	-	164	-	-	(21,425)	(709)	(22,134)
1,870,434	14,727	9,928	(365,409)	165,178	4,672,972	84,646	4,757,618

2018						Non-controlling interests	Total equity
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total		
1,520,460	14,727	614	(410,141)	726,701	4,454,432	76,189	4,530,621
(2,124)	-	(2,192)	-	-	(9,814)	(351)	(10,165)
1,518,336	14,727	(1,578)	(410,141)	726,701	4,444,618	75,838	4,520,456
-	-	-	-	765,757	765,757	5,513	771,270
-	-	621	8,010	-	8,631	400	9,031
-	-	621	8,010	765,757	774,388	5,913	780,301
(111,393)	-	-	-	-	-	-	-
-	-	-	-	(364,338)	(364,338)	(1,530)	(365,868)
207,104	-	-	-	(362,365)	-	-	-
(10)	-	-	-	2	4	(16)	(12)
-	-	-	-	-	(5,766)	-	(5,766)
-	-	-	-	-	672	-	672
-	-	-	-	-	68	-	68
(2,725)	-	-	-	-	(1,572)	(988)	(2,560)
1,611,312	14,727	(957)	(402,131)	765,757	4,848,074	79,217	4,927,291

Consolidated Financial Statements 31 December 2019

Consolidated Statement of Cash Flows At 31 December 2019

LL Million	Notes	2019	2018
Operating Activities			
Profit for the year before income tax		332,765	950,454
Adjustments for non-cash items:			
Depreciation of property, equipment and right-of-use assets	25	38,054	37,670
Amortization of intangible assets	26	2,166	1,890
(Gain) loss on disposal of property and equipment		(634)	1,255
Interest on lease liabilities		344	-
Net provision for risks and charges		1,763	4,227
Release of provisions for risks and charges	35	(76,380)	-
Net impairment loss on financial assets	12	492,957	16,814
Provision for impairment of non-current assets held for sale	27	2,133	2,324
Write-back of provision on non-current assets held for sale	27	(245)	(352)
Loss on disposal of non-current assets held for sale		408	-
Net (gain) loss from derecognition of financial assets at amortized cost	10	(15,823)	5,498
Unrealized loss from revaluation of financial assets at fair value through profit or loss	9	196,765	10,676
		974,273	1,030,456
Changes in operating assets and liabilities:			
Balances with central banks		(3,221,105)	(2,604,686)
Repurchase agreements		(4,750)	4,750
Due from banks and financial institutions		177,460	455,666
Loans to banks and financial institutions		(8,706)	6,649
Derivative financial instruments – debit		(9,234)	1,649
Financial assets at fair value through profit or loss		(4,829)	(8,262)
Net loans and advances to customers at amortized cost		1,822,625	527,583
Net loans and advances to related parties at amortized cost		6,191	3,702
Debtors by acceptances		785	-
Other assets		(2,781)	19,949
Due to banks and financial institutions		(126,003)	114,344
Derivative financial instruments – credit		7,929	(11,766)
Customers' deposits at amortized cost		(1,091,511)	436,385
Deposits from related parties at amortized cost		(50,909)	(21,353)
Other liabilities		(31,022)	19,462
Provisions for risks and charges		(119,188)	(181,592)
Cash used in operations		(1,680,775)	(207,064)
Taxes paid		(163,910)	(142,563)
Provisions for risks and charges paid		(6,228)	(5,943)
Net cash used in operating activities		(1,850,913)	(355,570)
Investing Activities			
Financial assets at amortized cost		1,231,224	445,933
Financial assets at fair value through other comprehensive income		(656,176)	(10,381)
Non-current assets held for sale		(3,454)	369
Purchase of property and equipment	25	(53,068)	(52,836)
Purchase of intangible assets	26	(1,343)	(4,200)
Transfer of property and equipment and intangible assets		1,510	(113)
Cash proceeds from the sale of property and equipment and intangible assets		7,336	6,035
Net cash from investing activities		526,029	384,807
Financing activities			
Sale (purchase) of treasury shares – net		36	(5,094)
Net (loss) gain on sale of treasury shares		(7)	68
Dividends paid	41	(364,148)	(364,338)
Dividends paid to non-controlling interests in a subsidiary company		(5,093)	(1,245)
Debt issued and other borrowed funds		257	456,288
Lease liability payments		(249)	-
Net cash (used in) from financing activities		(369,204)	85,679
Net foreign exchange difference in respect of cash and cash equivalents		7,246	(6,023)
(Decrease) Increase in cash and cash equivalents		(1,686,842)	108,893
Cash and cash equivalents at 1 January		4,959,581	4,850,688
Cash and cash equivalents at 31 december	40	3,272,739	4,959,581
Operational cash flows from interest and dividends			
Interest paid		(2,833,887)	(2,092,748)
Interest received		3,907,386	3,172,759
Dividends received		13,494	9,960

The accompanying notes 1 to 54 form part of these consolidated financial statements.

1. Corporate Information

BLOM Bank SAL (the "Bank"), a Lebanese joint stock company, was incorporated in 1951 and registered under No 2464 at the commercial registry of Beirut and under No 14 on the banks' list published by the Central Bank of Lebanon. The Bank's head office is located in Verdun, Rashid Karameh Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and Luxembourg Stock Exchange.

The Bank, together with its affiliated banks and subsidiaries (collectively the "Group"), provides a wide range of retail, commercial, investment and private banking activities, insurance and brokerage services through its headquarter as well as its branches in Lebanon and its presence in Europe, the Middle East and North Africa. Further information on the Group's structure is provided in note 3.

The consolidated financial statements were authorized for issue in accordance with the Board of Directors' resolution on 19 June 2020.

1.1 Macroeconomic environment

More than 80% of the Group's operations during 2019 were in Lebanon that has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crises as well as a deep recession that have reached unprecedented levels.

Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese Government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to companies and withdrawal of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt and unemployment and poverty are rising fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies lead to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of 1,507.5 USD/LL. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese pound, impacting intensely the purchasing power of the Lebanese citizens, driving high inflation and rise in the consumer price index.

The economy has been contracting at an accelerating pace since the last quarter of 2019 and the coronavirus affecting Lebanon and the whole world is contributing to further deterioration of the economic environment, disruption of businesses, rise of unemployment, and rise in poverty lines.

On 30 April 2020, the council of ministers approved the Lebanese Government's Financial Recovery Plan (the Plan). The Plan relies on nine central and interrelated pillars, namely reviewing the peg policy; a comprehensive government debt restructuring; a comprehensive restructuring of the financial system addressing accumulated FX mismatches, embedded

losses and resizing the banking sector (see below); a strong phased fiscal adjustment, focused on improving tax compliance, streamlining expenditure and reforming the public sector; growth-enhancing reforms promoting a productive economy and enhancing the competitiveness of the Lebanese economy; a social sector reform; ambitious anti-corruption strategy; environmental reform; and international financial assistance to close the large external financing gap and finance the development of the infrastructures that are necessary to support the growth of the economy.

On 1 May 2020 the Lebanese Prime Minister and the Lebanese Finance Minister signed a request for aid from the International Monetary Fund. The Government believes the Plan conveys good faith for negotiations with the International Monetary Fund. Lebanon began detailed discussions with the IMF on 1 May 2020.

Multilateral intervention is expected to catalyze additional external support and unlock USD 11 billion in pledges from international donors made in 2018 in the *Conference Economique pour le Développement par les Reformes et avec les Entreprises (CEDRE)* as well as other external financial support to cover the net external financial needs for a gradual economic recovery and successful restructuring of the Government foreign currency debt.

Restructuring of the banking sector:

As per the plan, the preliminary global estimation of losses will result from the restructuring of the Central Bank of Lebanon and impairment of assets held at the Central Bank of Lebanon; the impact of the economic crisis and the impairment of the banks' loans portfolio; and the government debt restructuring and impairment of the government securities portfolio.

An Asset Quality Review will be conducted by an international institution to assess the impairment losses on the private loans portfolio of the banking sector. The impact of losses and the recapitalization needs will be determined on a bank by bank basis when a more granular plan is drawn, and further measures related to bank deposits will be determined. On a bank by bank basis, the Plan stipulates that large depositors could be offered voluntarily (for part of their deposits):

- Conversion into their bank's capital. New legal provisions will be needed
- Conversion into tradable equity stakes in a newly established special Recovery Fund that will receive the proceeds of the ill-gotten assets tracking and recovery program
- Conversion into long dated, subordinated bank obligation with no or limited interest

Banks will be asked to propose to the authorities and relevant supervisory bodies business plans and restructuring / recapitalization plans including mergers with or acquisitions by other domestic and foreign banks to address their structural funding issues and generate synergies. The new capital base will be rebuilt via capital raising in the market and a conversion of some deposits into shares. Fresh liquidity will be provided to the reorganized banking sector.

Conducting a full restructuring of the banking sector will require new legal powers for the government and the relevant supervisory bodies.

1.2 Regulatory environment

Throughout this period and up to the date of the authorization of these consolidated financial statements, the Central Bank of Lebanon has issued several circulars to address the situations, mainly:

- Intermediary Circular 532 issued on 4 November 2019 requiring Lebanese banks not to distribute dividends from the profits of the financial year 2019,

and increase the regulatory capital by 20% of the Common Equity Tier 1 capital as at 31 December 2018 through cash contributions in US Dollars, in two phases: 10% by 31 December 2019 and another 10% by 30 June 2020.

- Intermediary Circular 534 issued on 19 November 2019 extending the deadline for reaching the 25% ratio of "net loans granted in LL / net deposits in LL" from 31 December 2019 to 31 December 2020. Banks that expect to be unable to reach said ratio within the set time limit may refer to the Central Bank of Lebanon Central Council before 31 December 2020.
- Intermediary Circular 536 issued on 4 December 2019 stating that the Central Bank of Lebanon will settle the interest on the banks' term deposits and certificates of deposits in US Dollars 50% in US Dollars and 50% in LL. As for the deposits received or renewed after 4 December 2019, banks have to comply with the following interest rates:
 - 5% for deposits in foreign currencies; and
 - 8.5% for deposits in LL
 As for the deposits received before the mentioned date, which conditions are maintained, banks have to pay interests divided as follows: 50% in the account's currency and 50% in LL. This decision is applicable until 4 June 2020 (6 months from the circular's issuing date).
- Intermediary Circular 542 issued on 3 February 2020 requiring that the ratios of expected credit losses for the years 2019 and 2020 on LL and foreign currency-denominated investment portfolio at the Central Bank of Lebanon, including certificates of deposits and investments in Lebanese treasury bills denominated in LL and foreign currency, not to exceed the regulatory expected credit losses ratios calculated as per the Central Bank of Lebanon Basic Circular no. 44 related to the "Capital Adequacy Ratio".
- Intermediary Circular 543 issued on 3 February 2020, increasing the regulatory expected credit losses on foreign currency exposures to Lebanese Sovereign and Central Bank of Lebanon and exposures to resident corporates, retail and SMEs. The circular increased risk weights to be applied on exposures to the Central Bank of Lebanon in foreign currencies and lowered the minimum required capital adequacy ratios. The circular also imposed maximum expected credit losses on exposures to Lebanese Sovereign and Central Bank of Lebanon to be recorded in the banks' financial statements as per the table below:

Type of financial instrument	Maximum loss rate
Exposures to Central Bank of Lebanon in foreign currencies	Up to 1.89%
Exposures to Central Bank of Lebanon in Lebanese Lira	0%
Lebanese Government securities in foreign currencies	Up to 9.45%
Lebanese Government securities in Lebanese Lira	0%

- Intermediary Circular 544 issued on 13 February 2020 requiring banks to abide with the maximum ceilings of interest rates on new or renewed deposits, as follows:
 - deposits in foreign currencies: 2% for 1-month deposits, 3% for 6 months deposits and 4% on deposits for a year and above
 - deposits in LL: 5.5% on deposits for one month, 6.5% for 6 months and 7.5% on deposits for one year and above.

Banks are required to calculate the BRR based on the above creditor interest rates. This decision is applicable until 13 August 2020 (6 months from the circular's issuing date).

- Basic Circular 148 issued on 3 April 2020 requesting banks to allow clients with small accounts to withdraw cash paid in LL by first calculating the equivalent of the account balance in US Dollars at the official exchange rate, then paying an amount of cash in LL equal to the counter value of the

calculated amount as per the market exchange rate. US Dollars amounts resulting of these operations should be sold to the Central Bank of Lebanon as per the market exchange rate.

- Basic Circular 149 issued on 3 April 2020 announcing the creation of a special unit at the Central Bank of Lebanon to conduct FOREX operations as per the market rate. Money dealers (of "type A") may adhere to this unit, upon the Central Bank of Lebanon's discretion. An electronic platform will be created encompassing the Central Bank of Lebanon, banks and money dealers for FOREX operations. Abrogating the article 18 which was introduced by Intermediary Circular no. 546 to basic circular no. 3 related to Money Dealers.
- Basic Circular 151 issued on 21 April 2020 concerning the clients that are not tackled in Basic Circular 148 who wish to withdraw amounts of cash from their foreign currencies accounts, banks should settle, with the client's consent, the equivalent of those amounts in LL as per the market exchange rate. The resulting foreign currencies should be sold to the Central Bank of Lebanon. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollars. Banks should disclose daily their adopted market exchange rate.
- Intermediary Circular 552 issued on 22 April 2020 requesting banks to grant loans against the settlement of facilities and instalments due during the months of March, April, May and June for the clients who are not able to pay their dues, due to the current economic situation as assessed by the Bank. The new loans are to be granted up to 5 years starting 30 June 2020 and on condition, among others, that these are granted to repay the above months settlements or, if the client is an establishment or corporation, to pay the staff or the production and operational fees, with no commissions or fees and zero interest rate. The Central Bank of Lebanon will grant the banks loans with zero interest rate against the said loans.

1.3 Particular situation of the Group

As indicated in note 2.5, assets and liabilities in foreign currency as of 31 December 2019 were valued at the official exchange rate of 1,507.5 USD / LL. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official exchange rate: parallel exchange markets with high volatility, recently issued Central Bank of Lebanon circulars, estimation exchange rates detailed in the Plan, in addition to a wide range of exchange rates adopted for commercial transactions currently undertaken in the Lebanese territory. These consolidated financial statements do not include adjustments from any future change in the official exchange rate. The impact of the valuation of the assets and liabilities in foreign currencies at a different rate is expected to be significant and will be recognized in these consolidated financial statements once the revamping of the peg is implemented by the Lebanese Government. FX currency mismatch is detailed in note 48A to the consolidated financial statements.

Loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortized cost are recorded in these consolidated financial statements based on the guidelines issued on 4 February 2020 by the Central Bank of Lebanon in its intermediary circular 543 (refer to the above). Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit losses model. The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the Government and all uncertainties and constraints are resolved and the mechanism for allocating losses by asset class and currency is clear and

conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognized loss allowances, as well as their staging are detailed in note 47 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter 2019. The management is undergoing massive deleveraging by reducing these assets' size and has set up a centralized and specialized remedial function to proactively review and manage the quality of these assets. Loss allowances on the Group's portfolio of private loans have been estimated and recorded based on the best available information at the reporting date, about past events, current conditions and forecasts of economic conditions combined with expert judgements. The exercise being carried out by the management is expected to reveal additional embedded losses in its private loans portfolios. The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the results of the exercise undertaken by the management are measurable and determinable. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognized loss allowances, as well as their staging are detailed in note 47 of these consolidated financial statements.

Management has significant concerns about the effects that the above matters will have on the equity of the Group and the recapitalization needs that will arise once the necessary adjustments are determined and recorded.

In line with the comments issued by the Association of Banks in Lebanon on 1 May 2020, management has determined the following uncertainties in relation to the assumptions of the Plan which might have an impact on the figures and estimations provided therein:

- Ability to successfully secure sufficient external financing (from the IMF, from CEDRE and from other international donors unspecified in the Plan)
- Ability to revamp the peg at the detailed estimated rates
- Parameters of the restructuring of the Central Bank of Lebanon and restructuring of the government debt in foreign currencies
- Ability of issuing new laws with the constraints in the legal framework and the Lebanese constitution
- Finalization of the Asset Quality Review and determination of losses and recapitalization needs of the banks
- Ability to claw back sums which have unlawfully escaped the country
- Ability to claw back dividend and /or interest distributed over the last years

Besides, on 20 May 2020, the Association of Banks in Lebanon submitted an alternative approach in response to the present economic crisis that Lebanon, and particularly the banking sector, is experiencing. It rests on addressing the external financing needs, while avoiding an internal debt default; and the launch of long-overdue structural reforms to promote sustainable and inclusive growth as the result of economic diversification.

Until the above uncertainties are resolved and a plan is implemented, the Group will continue its operations as performed since 17 October 2019 and in accordance with the applicable laws and regulations. Unofficial capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. Meanwhile, the Group is exerting extended efforts to review the quality of its private loans portfolio and deleveraging it as appropriate, to reduce its commitments and contingencies to correspondent banks outside Lebanon and to secure its liquidity needs through mainly borrowing from the Central Bank of Lebanon at the available rates and by selling foreign assets.

Once the above uncertainties are resolved, a pro-forma balance sheet of the Group will be prepared which will include the effects of the revaluation of the assets and liabilities in foreign currencies, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon, and the effects on its private loan portfolio.

As disclosed in note 53 of these consolidated financial statements, the Group's capital adequacy ratio as at 31 December 2019 was calculated based on the recorded figures and does not take into consideration the adjustments that will result from the resolution of the uncertainties reflected above. The Group did not comply with Central Bank of Lebanon intermediary circular 532 towards increasing its regulatory capital by 10% by 31 December 2019; however, the process of increasing regulatory capital was initiated subsequently and put on hold during COVID-19 crisis. The management is currently assessing and developing restructuring and recapitalization plans based on the various available scenarios. However, a reasonable and credible plan can only be achieved once the above uncertainties are resolved and the amount of recapitalization needs is accurately determinable.

2. Accounting Policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of law No 282 dated 30 December 1993, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The consolidated financial statements are presented in Lebanese Lira (LL) and all values are rounded to the nearest LL million, except when otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission ("BCC").

Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the consolidated statement of financial position date (current) and more than 1 year after the statement of financial position date (non-current) is presented in the notes.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Group and/or its counterparties. Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group. The effect of netting arrangements is disclosed in note 30.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of BLOM BANK SAL and its subsidiaries as at 31 December 2019. Details of the principal subsidiaries are given in note 3.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee;
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities;
- Contractual arrangements such as call rights, put rights and liquidation rights; and
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognized in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognized in other comprehensive income are transferred to consolidated income statement.

Non-controlling interests

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interest in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new amendment is described below:

IFRS 16 Leases

Effective from 1 January 2019, the Group adopted *IFRS 16 Leases*, which supersedes *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases-Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has lease contracts for various branches, motor vehicles and other assets. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 2.5 for the accounting policy prior to 1 January 2019.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Refer to note 2.5 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As at 1 January 2019, the effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

LL Million	31 December 2018	Impact of IFRS 16	1 January 2019
Right-of-use assets	-	4,277	4,277
Prepaid expenses	191	(191)	-
Lease liabilities	-	(4,784)	(4,784)
Effect on net assets and liabilities		(698)	
Net impact on equity		(698)	

Based on the above, as at 1 January 2019, the adoption of IFRS 16 resulted in LL 4,086 million increase in total assets and LL 4,784 million increase in total liabilities. Accordingly, the impact on the Group's equity from the adoption of the IFRS 16 requirements amounted to LL 698 million.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

LL Million	
Total undiscounted operating lease commitments as at 31 December 2018	
Effect of discounting using incremental borrowing rates as at 1 January 2019 (1.51 - 25%)	5,846
Discounted operating lease commitments at 1 January 2019	
Less:	
Commitments relating to short-term leases and leases of low-value assets	(3,026)
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	1,964
Lease liabilities as at 1 January 2019	4,784

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments do not have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The IASB issued amendments to the guidance in IAS 19, Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. These amendments do not have any significant impact on the Group's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. This interpretation does not have any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle

Effective 1 January 2019, the Group adopted Annual Improvements to IFRS Standards 2015–2017 Cycle, which resulted in amendments to IFRS 3, Business Combinations, IFRS 11, Joint Arrangements, IAS 12, Income Taxes, and IAS 23, Borrowing Costs. These improvements do not have any impact on the Group's consolidated financial statements.

2.4 Standards issued but not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements. The most significant of these new standards, amendments and interpretations are as follows:

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

On 26 September 2019 the International Accounting Standards Board (IASB or the Board) published 'Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7' (the "amendments"). This concludes phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. These amendments do not have any significant impact on the Group's consolidated financial statements.

2.5 Summary of significant accounting policies

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group makes an acquisition meeting the definition of a business under IFRS 3, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill

acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "Operating segments".

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Foreign currencies

The consolidated financial statements are presented in Lebanese Lira (LL) which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "Net (loss) gain from financial assets at fair value through profit or loss" in the consolidated income statement, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss are recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

(ii) Group companies

On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are recognized in OCI. On disposal of a foreign entity, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the exchange rate on the reporting date.

The table below presents the exchange rates of the currencies used to translate assets, liabilities and statement of income items of foreign branches and subsidiaries:

	2019		2018	
	Year-end rate LL	Average rate LL	Year-end rate LL	Average rate LL
US Dollar	1,507.50	1,507.50	1,507.50	1,507.50
Euro	1,686.89	1,687.84	1,724.73	1,781.37
Swiss Franc	1,554.16	1,516.97	1,530.50	1,542.36
Jordanian Dinar	2,124.74	2,124.74	2,123.84	2,123.84
Egyptian Pound	93.93	89.68	84.26	84.61
Saudi Riyal	401.86	401.94	401.86	401.94
Qatari Riyal	414.03	414.03	414.03	414.03
Iraqi Dinar	1.27	1.27	1.27	1.27

Financial instruments – Initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognized on the settlement date. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument measured at fair value, with the change in fair value being recognized in profit or loss, the transaction costs are recognized as revenue or expense when the instrument is initially recognized.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 profit or loss

When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss) in the consolidated income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

Financial assets – Classification and measurement

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of two criteria:

- (i) The business model within which financial assets are measured; and
- (ii) Their contractual cash flow characteristics (whether the cash flows represent “solely payments of principal and interest” (SPPI)).

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

On initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group is required to disclose such financial assets separately from those mandatorily measured at fair value.

Business model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account.

The Group’s business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Group needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Group’s business model for managing those financial assets changes, the Group is required to reclassify financial assets.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

Financial assets at amortized cost

Balances with central banks, Due from banks and financial institutions, Loans to banks and financial institutions, Net loans and advances to customers and related parties at amortized cost and Financial assets at amortized cost

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortized cost using the EIR, less expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net impairment loss on financial assets". Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain (loss) from derecognition of financial assets at amortized cost" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Equity instruments at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Dividends on these investments are recognised under "Revenue from financial assets at fair value through other comprehensive income" in the consolidated income statement when the Group's right to receive payment of dividend is established in accordance with IFRS 15: "Revenue from contracts with customers", unless the dividends clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial assets at fair value through profit or loss

Included in this category are those debt instruments that do not meet the conditions in “*financial assets at amortized cost*” and “*financial assets at fair value through other comprehensive income*” above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss. Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognizing gains and losses on them on a different basis.

Debt instruments at fair value through profit or loss

These financial assets are recorded in the consolidated statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognized as revenue or expense when the instrument is initially recognized. Changes in fair value and interest income are recorded under “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the consolidated statement of financial position at fair value.

Changes in fair value and dividend income are recorded under “Net gain on financial assets at fair value through profit or loss” in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement.

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and measurement

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except for:

- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; and
- Contingent consideration recognized in a business combination in accordance with IFRS 3.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- Doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities

is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's Key Management Personnel; or

- A group of financial liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivatives is prohibited.

Financial liabilities at fair value through profit and loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at fair value through profit and loss due to changes in the Group's own credit risk. Such changes in fair value are recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement.

Changes in fair value attributable to changes in credit risk do not get recycled to the consolidated income statement.

Interest incurred on financial liabilities designated at fair value through profit and loss is accrued in interest expense using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Debt issued and other borrowed funds

Financial instruments issued by the Group, which are not designated at fair value through profit or loss, are classified under "Debt issued and other borrowed funds" where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Due to central banks, Banks and financial institutions, Repurchase agreements and Customers' and related parties' deposits

After initial measurement, due to central banks, banks and financial institutions, and customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customer deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the “underlying”).
- b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, forward foreign exchange contracts, equity swaps and options and currency options.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognized in “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement, unless hedge accounting is applied, which is discussed in under “hedge accounting policy” below.

Embedded Derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a consolidated financial instrument.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:

- (a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9;
- (b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- (c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (d) The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement, and an ECL provision. The premium received is recognized in the income statement in “Net fees and commission income” on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the notes.

Reclassification of financial assets

The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent and are determined by the Group's Senior Management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

(i) Derecognition due to substantial modification of terms and conditions

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below).

If the modification of a financial asset measured at amortized cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

(ii) Derecognition other than for substantial modification

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement, as “other operating income” or “other operating expenses”.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding consideration received (cash collateral provided) is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “Repurchase agreements”, reflecting the transaction’s economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to “Financial assets at fair value through profit or loss pledged as collateral” as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid (cash collateral provided), including accrued interest is recorded in the statement of financial position, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in “Net interest income” and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within “Financial liabilities at fair value through profit or loss” and measured at fair value with any gains or losses included in “Net (loss) gain from financial assets at fair value through profit or loss” in the consolidated income statement.

Impairment of financial assets

(i) Overview of the ECL principles

The Group records allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which cases, the

allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Measurement of ECLs

The Group measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

The key inputs into the measurements of ECL are:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from statistical models and other historical data. Forward looking information is incorporated in ECL measurements.

The Group measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

(iii) Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The

Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- At least a 12-month probation period has passed,
- Three consecutive payments under the new repayment schedule have been made,
- The borrower has no past dues under any obligation to the Group,
- All the terms and conditions agreed to as part of the restructuring have been met.

If modifications are substantial, the loan is derecognized, as explained above.

(iv) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

(v) Write offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "Net impairment loss on financial assets".

(vi) Debt instruments at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as

an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

(vii) Collateral repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserve appropriated for increase of share capital" in the following financial year.

Fair value measurement

The Group measures financial instruments, such as, derivatives, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers

have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Hedge accounting

In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria. The Group makes use of derivative instruments to manage exposures to foreign currency risk and interest rate fluctuations. The process starts with identifying the hedging instrument and hedged item and preparing hedge documentation detailing the risk management strategy and objective.

Setting the risk management strategy and objectives

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

The risk management strategy is established at the level of Board risk management committee and identifies the risks to which the Group is exposed and whether and how the risk management activities should address those risks. The strategy is typically maintained for a relatively long period of time. However, it may include some flexibility to react to changes in circumstances. The risk management strategy is set out in general documentation and is cascaded down through policies containing more specific guidelines.

The Group sets risk management objectives at the level of individual hedging relationships and defines how a particular hedging instrument is designated to hedge a particular hedged item. As such, a risk management strategy would usually be supported by many risk management objectives.

Qualifying hedging relationships

The Group applies hedge accounting for qualifying hedging relationships. A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the hedge effectiveness requirements.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter on an ongoing basis.

A hedge is expected to be highly effective if:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Hedge ineffectiveness is recognised in the consolidated income statement in “net gain on financial assets at fair value through profit or loss”.

When a Group separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of the option, it shall account for the time value of the option as follows:

- (a) An entity shall distinguish the time value of options by the type of hedged item that the option hedges:
 - (i) A transaction related hedged item; or
 - (ii) A time-period related hedged item.
- (b) The change in fair value of the time value shall be recognised in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity. The cumulative change in fair value shall be accounted for as follows:
 - (i) If the hedged item subsequently results in the recognition of a non-financial asset or a non-financial liability, or a firm commitment for a non-financial asset or a non-financial liability for which fair value hedge accounting is applied, the entity shall remove the amount from the separate component of equity and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence does not affect other comprehensive income;
 - (ii) For hedging relationships other than those covered by (i), the amount shall be reclassified from the separate component of equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;
 - (iii) However, if all or a portion of that amount is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered shall be immediately reclassified into profit or loss as a reclassification adjustment.
- (c) The change in fair value of the time value of an option that hedges a time-period related hedged item shall be amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income). However, if hedge accounting is discontinued for the hedging relationship that includes the change in intrinsic value of the option as the hedging instrument, the net amount (i.e. including cumulative amortisation) that has been accumulated in the separate component of equity shall be immediately reclassified into profit or loss as a reclassification adjustment (see IAS 1).

When a Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract, or when an entity

separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument, the entity may account for the forward element of the forward contract or for the foreign currency basis spread in the same manner as for the time value of an option.

(i) Fair value hedges

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognized in the consolidated income statement under "Net (loss) gain from financial assets at fair value through profit or loss". Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in the consolidated income statement also under "Net (loss) gain from financial assets at fair value through profit or loss".

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated.

If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at fair value through other comprehensive income, changes in fair value that were recorded in the consolidated income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the consolidated statement of financial position, the fair value hedge adjustments are transferred from the consolidated income statement to other comprehensive income.

(ii) Cash flow hedges

For qualifying cash flow hedges, a consolidated component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- a) The cumulative gain or loss on the hedging instrument from inception of the hedge; and
- b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognized in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognized in the consolidated income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

- a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.
- b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a

reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

(iii) Hedge of net investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in the foreign currency translation reserve is transferred to the consolidated income statement as a reclassification adjustment.

Leases (Policy applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within "Property, equipment and right-of-use assets" on the consolidated financial statements and are subject to impairment in line with the Group's policy as described under Impairment of non-financial assets.

Depreciation charge for right-of-use assets presented within "Depreciation of property, equipment and right-of-use assets" on the consolidated financial statements.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under

residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included under "other liabilities". Moreover, the interest charge on lease liabilities is presented within "interest and similar expenses" from financial instruments measured at amortized cost in consolidated financial statements.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Other rental expenses (including non-lease components paid to landlords) are presented within other operating expenses.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (Policy applicable before 1 January 2019)

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

The effective interest rate

Interest income and expense are recognized in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss and interest bearing financial assets measured at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and interest expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortized cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss. In those cases, the fees are recognized as revenue or expense when the instrument is initially recognized.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortized cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortized cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income on financial assets at amortized cost calculated using the effective interest method is presented in the consolidated income statement under "Interest and similar income". Interest expense on financial assets at amortized cost is presented in the consolidated income statement under "Interest and similar expense".

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under "Net gain (loss) from financial assets at fair value through profit or loss" in the consolidated income statement.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized as revenues on expiry.

Fee income from providing transaction services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognized when the right to receive the payment is established.

(iv) Net gain from financial instruments at fair value through profit or loss

Net income from financial instruments at fair value through profit or loss comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss and, also non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

(v) Insurance revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorata temporize method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage. If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums, a premium deficiency reserve is created.

Cash and cash equivalents

"Cash and cash equivalents" as referred to in the cash flow statement comprises balances with original maturities of a period of three months or less including cash and balances with the central banks, deposits with banks and financial institutions, due to central banks, repurchase agreements and due to banks and financial institutions.

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment

in value. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, office installations and computer equipment	(2 – 16.67) years
Vehicles	6.67 years

Any item of property and equipment and any significant part initially recognized are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The asset's residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

The Group does not have intangible assets with indefinite economic life.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- | | |
|------------------------|----------------------------------|
| • Key money | lower of lease period or 5 years |
| • Software development | 2.5 years |

Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

Provisions for risks and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its consolidated financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Employees' retirement benefits obligation

For the Group and its subsidiaries operating in Lebanon, retirement benefits obligation subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final retirement benefits obligation due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Group is liable to pay to the NSSF the difference between the subscriptions paid and the final retirement benefits obligation due to employees. The Group provides for retirement benefits obligation on that basis.

Retirement benefits obligation for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Assets held in custody and under administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration, are not treated as assets of the Group and accordingly are recorded as off-balance sheet items.

Customers' acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the consolidated statement of financial position for the same amount.

Segment reporting

The Group's segmental reporting is based on the following operating segments: retail banking, corporate banking, treasury, money and capital markets and asset management and private banking.

2.6 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Business model

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focuses on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual cash flows of financial assets

The Group exercises judgement in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Going concern

Notwithstanding the events and conditions disclosed in note 1, these consolidated financial statements have been prepared based on the going concern assumption. The Board of Directors believes that they are taking all the measures available to maintain the viability of the Group and continue its operations in the current business and economic environment.

Impairment of goodwill

Management judgement is required in estimating the future cash flows of the CGUs. These values are sensitive to cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects.

Hedge accounting

The Group's hedge accounting policies include an element of judgement and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Details of the Group's hedge accounting policies and the sensitivities most relevant to risks are disclosed in notes.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of head office and branches due to the significance of these assets to its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, estimation is required to establish fair values. The judgements and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment loss on financial instruments

The measurement of impairment loss across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment loss and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model;
- The Group's criteria for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs and their impact on ECL calculation; and
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

During 2019, the key areas that involved a higher degree of judgment and where significant assumptions were made in the estimation of expected credit losses are described in note 1.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are highly sensitive to changes in these assumptions.

3. Group Information

The consolidated financial statements of the Group comprise the financial statements of BLOM BANK S.A.L. and the following subsidiaries:

Name	Country of incorporation	Activities	Functional currency	% effective equity interest	
				31 December 2019 %	31 December 2018 %
BLOM BANK FRANCE SA	France	Banking activities	EUR	99.998	99.998
BLOM BANK (SWITZERLAND) SA	Switzerland	Banking activities	CHF	99.998	99.998
BLOMINVEST BANK SAL	Lebanon	Banking activities	LL	99.920	99.920
BLOM DEVELOPMENT BANK SAL	Lebanon	Islamic banking activities	LL	99.912	99.912
AROPE INSURANCE SAL	Lebanon	Insurance activities	LL	89.048	89.048
BLOM BANK EGYPT SAE	Egypt	Banking activities	EGP	99.419	99.419
BLOM EGYPT SECURITIES SAE	Egypt	Brokerage activities	EGP	99.665	99.665
BLOMINVEST – SAUDI ARABIA	Saudi Arabia	Financial institution	SAR	59.960	59.960
BLOM BANK QATAR LLC	Qatar	Banking activities	QAR	99.750	99.750
AROPE LIFE INSURANCE EGYPT SAE	Egypt	Insurance activities	EGP	91.123	91.123
AROPE INSURANCE OF PROPERTIES AND RESPONSIBILITIES EGYPT SAE	Egypt	Insurance activities	EGP	93.197	93.197
BLOM SECURITIES	Jordan	Financial institution	JOD	100.000	100.000
BLOM ASSET MANAGEMENT COMPANY SAL	Lebanon	Investment activities	LL	99.997	99.997
BLOM ASSET MANAGEMENT COMPANY SAE	Egypt	Investment activities	EGP	99.677	99.677
BLOM SPV LTD	Cayman Island	Investment activities	USD	100.000	-

4. Material Partly - Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests:

(%)	2019	2018
BLOMINVEST – Saudi Arabia	40.04	40.04
AROPE INSURANCE SAL	10.952	10.952

Profit allocated to material non-controlling interests:

LL Million	2019	2018
BLOMINVEST – Saudi Arabia	4,578	1,738
AROPE INSURANCE SAL	3,578	3,283

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

Summarized statement of comprehensive income

	BLOMINVEST – Saudi Arabia		AROPE INSURANCE SAL	
	2019	2018	2019	2018
LL Million				
Net interest income	397	358	40,292	27,659
Net fee and commission income	13,722	9,513	29,960	31,985
Net gain from financial instruments at fair value through profit or loss	6,365	689	73	56
Revenue from financial assets at fair value through other comprehensive income	569	429	-	-
Other operating income	-	1,136	776	863
Total operating income	21,053	12,125	71,101	60,563
Net impairment (recovery of impairment) loss on financial assets	5	-	(1,627)	1,324
Total operating expenses	(8,626)	(7,424)	(34,478)	(29,434)
Net gain (loss) on disposal of other assets	117	(19)	-	-
Profit before tax	12,549	4,682	34,996	32,453
Income tax expense	(1,115)	(342)	(2,328)	(2,476)
Profit for the year	11,434	4,340	32,668	29,977
Attributable to non-controlling interests	4,578	1,738	3,578	3,283

Summarized statement of financial position

LL Million	BLOMINVEST – Saudi Arabia		AROPE INSURANCE SAL	
	2019	2018	2019	2018
Assets				
Cash and balances with banks	1	1	141	51
Due from banks and financial institutions	1,995	3,106	32,082	96,087
Due from head office and sister banks	4,175	393	440,633	346,147
Financial assets at fair value through profit or loss	65,035	53,391	4,260	4,185
Net loans and advances at amortized cost	-	-	25,687	31,280
Financial assets at amortized cost	5,319	9,215	15,594	15,574
Financial assets at fair value through other comprehensive income	13,971	11,825	-	-
Investments in subsidiaries and associates	-	-	36,542	36,542
Property and equipment	15,269	18,325	22,966	23,573
Intangible assets	132	182	515	655
Other assets	48,076	49,986	56,672	58,069
Total assets	153,973	146,424	635,092	612,163
Liabilities				
Other liabilities	16,731	15,875	323,172	334,726
Provisions for risks and charges	1,024	904	68,302	51,512
Total liabilities	17,755	16,779	391,474	386,238
Total shareholders' equity	136,218	129,645	243,618	225,925
<i>Attributable to non-controlling interests</i>	54,502	51,870	26,680	24,742
Total liabilities and shareholders' equity	153,973	146,424	635,092	612,163

Summarized cash flow information

LL Million	BLOMINVEST – Saudi Arabia		AROPE INSURANCE SAL	
	2019	2018	2019	2018
Type of activities				
Operating	13,591	(9,598)	8,978	21,265
Investing	(5,642)	(59,378)	270,153	(28,320)
Financing	(5,305)	-	(14,712)	(13,777)
	2,644	(68,976)	264,419	(20,832)

5. Segment Reporting

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on information relating to net operating income and financial position. Income taxes and operating expenses are managed on a group basis and are not allocated to operating segments.

Interest income is reported net, since Management monitors net interest income as a performance measure and not the gross income and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The assets and liabilities that are reported in the segments are net from inter-segments' assets and liabilities since they constitute the basis of Management's measures of the segments' assets and liabilities and the basis of the allocation of resources between segments.

A) Business segments

The Group operates in four major business segments: treasury; corporate banking; retail banking and asset management and private banking.

Treasury is mostly responsible for the liquidity management and market risk of the Group as well as managing the Group's own portfolio of stocks, bonds and other financial instruments. In addition, this segment provides treasury and investments products and services to investors and other institutional customers.

Corporate banking provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

Retail banking provides a diversified range of products and services to meet the personal banking and consumer financial needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, fund transfers, foreign exchange and other branch related services.

Asset management and private banking provides investment products and services to institutional investors and intermediaries.

Notes to the Consolidated Financial Statements 31 December 2019

The following tables present net operating income, total assets and total liabilities information in respect of the Group's reportable segments.

(i) Net operating income information

	2019					Total
	Treasury	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	
LL Million						
Net interest income	779,615	199,993	141,665	-	3,309	1,124,582
Net fee and commission income	45,166	48,510	65,072	18,211	32,167	209,126
Net (loss) gain from financial instruments at fair value through profit or loss	(149,411)	-	37,627	-	-	(111,784)
Net gain from derecognition of financial assets at amortized cost	15,823	-	-	-	-	15,823
Revenue from financial assets at fair value through other comprehensive income	1,115	-	-	-	-	1,115
Other operating income	92,024	-	12,022	-	-	104,046
Net impairment loss on financial assets	(282,112)	(117,612)	(93,233)	-	-	(492,957)
Net operating income	502,220	130,891	163,153	18,211	35,476	849,951

	2018					Total
	Treasury	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	
LL Million						
Net interest income	805,689	240,236	215,753	5,439	-	1,267,117
Net fee and commission income	44,981	47,536	67,373	20,521	34,445	214,856
Net gain from financial instruments at fair value through profit or loss	2,786	-	31,985	-	-	34,771
Net loss from derecognition of financial assets at amortized cost	(5,498)	-	-	-	-	(5,498)
Revenue from financial assets at fair value through other comprehensive income	917	-	-	-	-	917
Other operating income	6,493	1,798	28,430	-	-	36,721
Net impairment loss on financial assets	2,415	4,822	(24,051)	-	-	(16,814)
Net operating income	857,783	294,392	319,490	25,960	34,445	1,532,070

(*) "Unallocated" include insurance premiums' commissions from insurance subsidiaries.

(ii) Financial position information

LL Million	2019					
	Treasury	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	40,218,962	4,926,799	3,944,633	36,368	1,066,322	50,193,084
Total liabilities	36,420,145	4,461,446	3,572,049	41,256	940,570	45,435,466

LL Million	2018					
	Treasury	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	43,345,159	6,388,913	4,539,527	64,375	1,048,564	55,386,538
Total liabilities	39,292,401	5,791,552	4,115,082	74,785	1,185,427	50,459,247

(**) Other includes activities related to property, equipment and right-of-use assets, intangible assets, non-current assets held for sale, other assets and goodwill.

B) Geographical segments

The Group operates in two geographic markets based on the location of its markets and customers. The domestic market represents the Lebanese market, and the international market represents markets outside Lebanon. The following table shows the distribution of the Group's external net operating income and non-current assets.

LL Million	2019		
	Domestic	International	Total
Total operating income	1,220,093	122,815	1,342,908
Net impairment (loss) gain on financial assets	(501,496)	8,539	(492,957)
Net operating income¹	718,597	131,354	849,951
Non-current assets²	607,214	278,641	885,855

LL Million	2018		
	Domestic	International	Total
Total operating income	1,393,054	155,830	1,548,884
Net impairment (loss) gain on financial assets	(19,396)	2,582	(16,814)
Net operating income¹	1,373,658	158,412	1,532,070
Non-current assets²	599,716	269,360	869,076

¹ Net operating income is attributed to the geographical segment based on the location where the income is generated.

² Non-current assets consist of property, equipment and right-of-use assets, intangible assets, non-current assets held for sale and goodwill.

Notes to the Consolidated Financial Statements 31 December 2019

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LL 2,991,282 million (2018: LL 2,277,638 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group. The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

LL Million	2019	2018
Interest and similar income		
Central Bank of Lebanon	2,756,547	2,052,977
Lebanese sovereign	234,735	224,661
	2,991,282	2,277,638

6. Interest and Similar Income

LL Million	2019	2018
Balances with central banks (a)	2,783,472	2,000,666
Due from banks and financial institutions	81,563	86,519
Reverse repurchase agreements	115	2,006
Loans and advances to customers at amortized cost	864,773	884,699
Loans and advances to related parties at amortized cost	1,243	1,220
Financial assets at amortized cost (b)	450,385	548,564
Financial assets at fair value through OCI	67,662	-
Less: tax on interest income (c)	(251,051)	(158,292)
	3,998,162	3,365,382

(a) Included under interest and similar income from balances with central banks, an amount of LL 2,635,614 million (2018: LL 1,932,221 million) from balances with the Central Bank of Lebanon.

(b) Included under interest and similar income from financial assets at amortized cost, an amount of LL 345,944 million (2018: LL 341,560 million) from Lebanese government securities.

(c) Tax on interest income for the year ended 31 December 2019 and 2018 are as follows:

LL Million	2019	2018
Balances with central banks	219,619	135,178
Due from banks and financial institutions	3,932	389
Reverse repurchase agreements	8	140
Loans and advances to customers at amortized cost	3	3
Financial assets at amortized cost	27,489	22,582
	251,051	158,292

7. Interest and Similar Expense

LL Million	2019	2018
Due to central banks	192,004	84,843
Due to banks and financial institutions	25,392	26,495
Customers' deposits at amortized cost	2,610,404	1,954,511
Deposits from related parties at amortized cost	8,459	8,291
Debt issued and other borrowed funds	36,977	24,125
Lease liabilities	344	-
	2,873,580	2,098,265

8. Net Fee and Commission Income

LL Million	2019	2018
Fee and commission income		
General banking income	50,292	48,255
Credit-related fees and commissions	32,474	37,491
Insurance brokerage income	35,300	40,197
Trade finance	29,087	30,324
Brokerage and custody income	15,777	17,661
Electronic banking	76,367	68,763
Asset management and private banking	17,928	18,130
Trust and fiduciary activities	4,208	3,358
Other fees and commissions	14,488	13,810
	275,921	277,989
Fee and commission expense		
General banking Expenses	(9,335)	(6,633)
Credit-related fees and commissions	(121)	(1,921)
Insurance brokerage fees	(17,089)	(19,677)
Brokerage and custody fees	(1,912)	(2,348)
Electronic banking	(35,220)	(27,899)
Other fees and commissions	(3,118)	(4,655)
	(66,795)	(63,133)
	209,126	214,856

9. Net (Loss) Gain from Financial Instruments at Fair Value through Profit or Loss

LL Million	2019	2018
Interest and similar income from debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds	9,724	3,857
Corporate debt securities	81	373
Funds	522	508
	10,327	4,738
Net gain (loss) from sale of debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds	7	(247)
Corporate debt securities	225	(3)
Funds	6,938	(134)
Options	(4)	(42)
Equity instruments	17,446	11
	24,612	(415)
Net unrealized loss from revaluation of debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds (*)	(192,826)	(7,907)
Corporate debt securities	-	(317)
Funds	(1,707)	(1,664)
Equity instruments	(3,565)	(788)
Other	1,333	-
	(196,765)	(10,676)
Dividend income		
Equity instruments	12,096	8,884
Funds	316	204
	12,412	9,088
Foreign exchange income	37,630	32,036
	(111,784)	34,771

Foreign exchange income includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading and structural positions.

(*) Included under unrealized loss from government debt securities is the unrealized loss of LL 107,717 million arising from the reclassification of the Bank's Eurobonds portfolio from financial assets at amortized cost to financial assets at fair value through profit or loss (note 21).

10. Net Gain (Loss) from derecognition of Financial Assets at Amortized Cost

The Group derecognises some debt instruments classified at amortized cost due to the following reasons:

- Deterioration of the credit rating below the ceiling allowed in the Group's investment policy;
- Liquidity gap and yield management;
- Exchange of financial assets by the Central Bank of Lebanon;
- Currency risk management as a result of change in the currency base of deposits; or
- Liquidity for capital expenditures.

The schedule below details the gains and losses arising from derecognition of these financial assets:

LL Million	2019		
	Gains	Losses	Total
Lebanese sovereign and Central Bank of Lebanon			
Placements with the Central Bank of Lebanon	-	(43)	(43)
Certificates of deposit	-	(1,061)	(1,061)
Treasury bills and bonds	1	-	1
	1	(1,104)	(1,103)
Other sovereign			
Treasury bills and bonds	2,022	-	2,022
Private sector and other securities			
Corporate debt securities	14,905	(1)	14,904
	16,928	(1,105)	15,823

LL Million	2018		
	Gains	Losses	Total
Lebanese sovereign and Central Bank of Lebanon			
Placements with the Central Bank of Lebanon	-	(5,200)	(5,200)
Treasury bills and bonds	67	(1,052)	(985)
	67	(6,252)	(6,185)
Other sovereign			
Treasury bills and bonds	715	-	715
Private sector and other securities			
Corporate debt securities	371	(399)	(28)
	1,153	(6,651)	(5,498)

11. Other Operating Income

LL Million	2019	2018
Release of provisions for risks and charges (note 35 (i))	92,024	-
Write back of provisions for non-current assets held for sale (note 27)	245	352
Write back of provisions for risks and charges (note 35)	-	16,971
Other income	11,777	19,398
	104,046	36,721

12. Net Impairment Loss On Financial Assets

LL Million	2019	2018
New and increased impairment allowances		
Balances with Central Banks	277,700	-
Banks and financial institutions	2	-
Loans and advances to customers at amortized cost- Commercial loans	204,244	84,934
Loans and advances to customers at amortized cost- Consumer loans	108,346	58,357
Debtors by acceptances	166	11
Financial assets at amortized cost	6,789	4
Financial assets at fair value through other comprehensive income	676	-
Financial guarantees and commitments	5,870	44
	603,793	143,350
Provision of sundry debtors (note 28)	1,821	-
	605,614	143,350
Recoveries		
Banks and financial institutions	(227)	(2,397)
Loans and advances to customers at amortized cost- Commercial loans	(78,957)	(77,414)
Loans and advances to customers at amortized cost- Consumer loans	(15,112)	(34,305)
Loans and advances to related parties at amortized cost	(3)	-
Financial assets at amortized cost	(1,195)	(23)
Financial assets at fair value through other comprehensive income	(1,634)	-
Debtors by acceptances	(344)	-
Financial guarantees and commitments	(4,313)	(198)
	(101,785)	(114,337)
Recoveries of debts previously written off	(10,872)	(11,349)
Recoveries of sundry debtors (note 28)	-	(850)
	492,957	16,814

13. Personnel Expenses

LL Million	2019	2018
Salaries and related charges	167,267	166,090
Social security contributions	31,244	32,520
Retirement benefits obligation (note 35)	(12,878)	10,507
Additional allowances	49,164	50,577
Bonuses	53,298	88,601
	288,095	348,295

14. Other Operating Expenses

LL Million	2019	2018
Professional fees	19,766	25,213
Maintenance and repairs	16,930	15,841
Marketing and advertising	16,542	19,203
Fee for guarantee of deposits	15,159	16,114
Provision for risks and charges (note 35)	14,654	10,785
Gifts and donations	12,031	12,322
Postage and telecommunications	10,103	10,374
Rent and related charges	8,138	9,244
Taxes and fees	7,126	8,394
Fiscal stamps	6,616	6,587
Electricity and fuel	6,496	6,703
Information technology	6,030	7,852
Subscriptions	5,900	5,659
Guarding and transportation expenses	5,899	5,281
Stationary and printings	5,719	4,677
Card expenses	4,642	4,666
Travel expenses	2,854	3,120
Board of directors' attendance fees	2,504	2,423
Impairment of non-current assets held for sale (note 27)	2,133	2,324
Insurance	1,542	1,868
Entertainment expenses	617	1,691
Others	18,104	12,165
	189,505	192,506

15. Income Tax Expense

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based on the current understanding of the existing tax laws and regulations and tax practices.

Income tax expense for the years ended 31 December 2019 and 2018 was as follows:

LL Million	2019	2018
Current tax		
Income tax expense – gains released from provisions for risk and charges	15,644	-
Income tax expense – other operating results	143,139	179,184
Income tax expense	158,783	179,184

Reconciliation of total tax charge

The relationship between taxable profit and accounting profit is as follow:

LL Million	2019	2018
Profit before income tax	332,765	950,454
Less: Results of the subsidiary insurance company located in Lebanon	(34,996)	(32,454)
Accounting profit before income tax	297,769	918,000
Add:		
Non-tax deductible provisions	459,499	7,196
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	203,990	11,149
Other non-tax deductible charges	50,417	50,417
	1,011,675	986,762
Less:		
Dividends received and previously subject to income tax	(12,126)	(11,365)
Remunerations already taxed	(31,215)	(24,369)
4% of a subsidiary's capital eligible to be tax deductible	(400)	(400)
Release of provisions previously subject to income tax	(178,270)	(80,000)
Net gain on disposal of fixed assets	(218)	(499)
Other non-taxable income	(12,349)	(3,060)
Taxable profit	777,097	867,069
Income tax expense in the consolidated income statement	158,783	179,184

16. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares outstanding during the year. The Bank does not have arrangements that might result in dilutive shares.

The following table shows the income and share data used to calculate earnings per share:

LL Million	2019	2018
Net profit for the year	173,982	771,270
Less: Non-controlling interests	(8,804)	(5,513)
Net profit attributable to ordinary equity holders of the parent	165,178	765,757
Weighted average number of ordinary shares for basic earnings per share	214,206,137	214,292,618
Basic earnings per share LL	771	3,573

There were no transactions involving common shares or potential common shares between the reporting date and the date of the completion of these consolidated financial statements which would require the restatement of earnings per share.

17. Cash and Balances with Central Banks

LL Million	2019	2018
Cash on hand	152,687	283,800
Central Bank of Lebanon		
Current accounts	224,110	388,069
Time deposits (a)	27,802,024	29,289,553
Accrued interest	610,474	496,628
	28,636,608	30,174,250
Other central banks		
Current accounts	1,510,322	1,880,021
Time deposits	1,266,863	866,201
Accrued interest	18,975	11,662
	2,796,160	2,757,884
	31,585,455	33,215,934
Less: Allowance for expected credit losses	(383,029)	(80,527)
	31,202,426	33,135,407

The table for the movement in allowances for expected credit losses of balances with the Central Bank of Lebanon under IFRS 9 is presented in the Credit Risk section (note 47).

Obligatory Reserves:

- In accordance with the regulations of the Central Bank of Lebanon, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Lira. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Lira. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon interest-bearing placements representing 15% of total deposits in foreign currencies regardless of nature.

- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking regulations of the countries in which they operate.

Notes to the Consolidated Financial Statements 31 December 2019

The following table summarizes the Group's placements in central banks available against the obligatory reserves as of 31 December:

LL Million	2019		
	Lebanese Lira	Foreign currency	Total
Obligatory reserve			
Central Bank of Lebanon	17,708	3,900,359	3,918,067
Other central banks	-	518,329	518,329
	17,708	4,418,688	4,436,396

LL Million	2018		
	Lebanese Lira	Foreign currency	Total
Obligatory reserve			
Central Bank of Lebanon	284,207	3,715,883	4,000,090
Other central banks	-	480,034	480,034
	284,207	4,195,917	4,480,124

(a) At 31 December 2019, time deposits with the Central Bank of Lebanon amounting to LL 7,379,241 million and maturing in 2028 and 2029 were blocked against term borrowings granted by the Central bank of Lebanon with the same value and maturing in 2028 and 2029 (2018: LL 4,197,910 maturing in 2028) (note 30). During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 31 December 2019, time deposits with the Central Bank of Lebanon amounting to LL 7,379,241 million (2018: nil) and term borrowings from the Central Bank of Lebanon (note 30) are reported on a net basis on the statement of financial position.

18. Due from Banks and Financial Institutions

LL Million	2019	2018
Current accounts	945,065	1,142,900
Time deposits	977,808	1,227,785
	1,922,873	2,370,685
Less: Allowance for expected credit losses	(1,701)	(3,916)
	1,921,172	2,366,769

19. Loans to Banks and Financial Institutions

LL Million	2019	2018
Loans to banks and financial institutions	46,489	37,984
Accrued interest	345	163
	46,834	38,147
Less: Allowance for expected credit losses	(264)	(283)
	46,570	37,864

20. Derivative Financial Instruments

The Group enters into derivatives for trading and for risk management purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of neither the market risk nor the credit risk.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate, commodity index or equity index.

Interest rate swaps relate to contracts taken out by the Group with other counterparties (customers and financial institutions) in which the Group either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Notes to the Consolidated Financial Statements 31 December 2019

The Group has positions in the following types of derivatives:

LL Million	2019			2018		
	Assets	Liabilities	Total notional amount	Assets	Liabilities	Total notional amount
Derivatives held-for-trading						
Currency options	814	814	-	-	-	-
Forward foreign exchange contracts	25,696	303	4,022,635	14,637	17,272	3,375,777
Equity swaps and options	1,131	1,131	2,477,134	3,146	3,146	1,196,013
Currency swaps	345	26,492	712,395	262	2,203	872,492
Interest rate swaps	-	-	36,180	-	-	36,180
	27,986	28,740	7,248,344	18,045	22,621	5,480,462
Hedge of net investment in foreign operations						
Forward foreign exchange contracts	-	1,810	182,023	707	-	186,105
	27,986	30,550	7,430,367	18,752	22,621	5,666,567

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Derivative financial instruments held-for-trading purposes

Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IFRS 9 hedge accounting criteria.

Derivative financial instruments held for hedging purposes

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks. The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks.

Hedge of net investment in foreign operations

During 2019, the Group renewed its forward foreign exchange contracts designated to hedge its investment in its subsidiary in France. The notional amount of these contracts amounted to Euro 107,904 thousand (LL 182,023 million) as at 31 December 2019 (2018: LL 186,105 million). The forward foreign exchange contracts were revalued as of 31 December 2019 and resulted in unrealized loss of LL 1,810 million (2018: unrealized gain of LL 707 million). The contracts mature on 21 January 2020 at the latest.

No ineffectiveness from the fair value hedge was recognized in profit or loss during the year.

21. Financial Assets at Fair Value through Profit or Loss

LL Million	2019	2018
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds (a)	176,745	52,752
Private sector and other securities		
Corporate debt instruments	3,073	8,993
Equity instruments	175,904	190,593
Funds	126,432	108,963
	305,409	308,549
	482,154	361,301

(a) According to the resolution of the Investment Committee meeting held on 26 September 2019, the Group reclassified the Eurobonds portfolio amounting to LL 315,884 out of the amortized cost measurement category and into the fair value through profit or loss measurement category. At the reclassification effective date, 1 October 2019, the Bank's Eurobonds portfolio was measured at fair value through profit or loss. Unrealized loss of LL 107,717 million arising from the difference between the previous amortized cost carrying amount and the fair value of the Eurobonds portfolio was recognized in the consolidated income statement (note 9).

22. Net Loans and Advances to Customers at Amortized Cost

LL Million	2019	2018
Commercial loans	5,335,323	6,627,538
Consumer loans	4,120,239	4,629,742
	9,455,562	11,257,280
Less: Allowance for expected credit losses (note 47)	(709,018)	(480,460)
	8,746,544	10,776,820

The table for the movement in allowances for expected credit losses of loans and advances to customers at amortized cost under IFRS 9 is presented in the Credit Risk section (note 47).

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LL 915,128 million as of 31 December 2019 (2018: LL 747,312 million).

The fair value of collateral that the Group holds relating to loans and advances to commercial customers individually determined to be impaired amounts to LL 302,598 million as of 31 December 2019 (2018: LL 116,543 million). The collateral consists of cash, securities, letters of guarantee and properties.

23. Financial Assets at Amortized Cost

LL Million	2019	2018
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds (a) and (b)	2,988,732	3,466,158
Certificates of deposits	1,815,168	1,884,435
	4,803,900	5,350,593
Other sovereign and central banks		
Treasury bills and bonds (c)	808,115	1,221,660
Certificates of deposits	16,353	-
	824,468	1,221,660
Private sector and other securities		
Corporate debt instruments	290,951	855,777
Certificates of deposits	-	4,319
	290,951	860,096
Less: Allowance for expected credit losses	(42,642)	(21,888)
	5,876,677	7,410,461

The table for the movement in allowances for expected credit losses of Lebanese sovereign and Central Bank of Lebanon financial instruments under IFRS 9 is presented in the Credit Risk section (note 47).

(a) As at 31 December 2019, Lebanese treasury bills amounting to LL 2,321,271 million with maturities ranging between 2022 and 2033 were pledged against term borrowing granted from the Central Bank of Lebanon with the same value (2018: LL 2,321,271 million maturing between 2022 and 2033) (note 30).

(b) According to the resolution of the Investment Committee meeting held on 26 September 2019, the Group reclassified the Bank's Eurobonds portfolio amounting to LL 315,884 out of the amortized cost measurement category and into the fair value through profit or loss measurement category. At the reclassification effective date, 1 October 2019, the Eurobonds portfolio was measured at fair value through profit or loss. Unrealized loss of LL 107,717 million arising from the difference between the previous amortized cost carrying amount and the fair value of the Eurobonds portfolio was recognized in the consolidated income statement (note 9).

LL Million	2019
Eurobonds portfolio at fair value through profit or loss	312,789
Eurobond portfolio at amortized cost	(315,884)
Allowance for excepted credit loss (note 47)	3,095
Unrealized loss from revaluation	107,717
Revaluation of Eurobonds at fair value through profit or loss	(107,717)

(c) During 2019, financial assets held at amortized cost with a carrying value of LL 409,018 million and a fair value of LL 409,693 million were reclassified to financial assets at fair value through other comprehensive income (note 24).

24. Financial Assets at Fair Value through other Comprehensive Income

LL Million	2019	2018
Other sovereign		
Treasury bills and bonds (a)	642,749	-
Private sector and other securities		
Equity instruments (b)	18,022	14,605
Funds	1,791	-
	19,813	14,605
	662,562	14,605
Less: Allowance for expected credit losses	(586)	-
	661,976	14,605

(a) During 2019, financial assets held at amortized cost with a carrying value of LL 409,018 million and a fair value of LL 409,693 million were reclassified to financial assets at fair value through other comprehensive income (note 23).

(b) During the year ended 31 December 2019, dividend income from equity instruments amounted to LL 1,105 million (2018: LL 871 million).

Profit from sale of financial assets at fair value through other comprehensive income amounted to LL 33 million for the year ended 31 December 2019 (2018: LL 46 million).

25. Property, Equipment and Right-of-use Assets

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Right-of-use	Total
Cost						
At 1 January 2019	645,951	8,183	352,835	123,968	-	1,130,937
Impact of adopting IFRS16 at 1 January	-	-	-	-	4,277	4,277
Restated balance at January 1	645,951	8,183	352,835	123,968	4,277	1,135,214
Additions	15,803	1,381	13,308	22,576	-	53,068
Disposals	(3,837)	(682)	(2,191)	(1,962)	-	(8,672)
Transfers	29,844	8	10,036	(41,646)	-	(1,758)
Write-off	-	-	(2,567)	(439)	-	(3,006)
Translation difference	3,789	148	4,650	844	(366)	9,065
At 31 December 2019	691,550	9,038	376,071	103,341	3,911	1,183,911
Depreciation						
At 1 January 2019	93,189	4,546	229,377	-	-	327,112
Charge for the year	11,849	1,619	24,103	-	483	38,054
Relating to disposals	-	(646)	(2,147)	-	-	(2,793)
Relating to write-off	-	-	(2,549)	-	-	(2,549)
Translation difference	1,428	82	3,288	-	-	4,798
At 31 December 2019	106,466	5,601	252,072	-	483	364,622
Net carrying value At 31 December 2019	585,084	3,437	123,999	103,341	3,428	819,289

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Total
Cost					
At 1 January 2018	630,467	7,728	340,020	116,016	1,094,231
Additions	6,776	2,049	12,378	31,633	52,836
Disposals	(4,913)	(1,567)	(1,783)	-	(8,263)
Transfers	16,868	-	3,563	(23,640)	(3,209)
Write-off	-	-	(571)	-	(571)
Translation difference	(3,247)	(27)	(772)	(41)	(4,087)
At 31 December 2018	645,951	8,183	352,835	123,968	1,130,937
Depreciation					
At 1 January 2018	81,942	4,597	209,817	-	296,356
Charge for the year	11,697	1,516	24,457	-	37,670
Relating to disposals	-	(1,551)	(1,201)	-	(2,752)
Transfers	-	-	(2,668)	-	(2,668)
Relating to write-off	-	-	(539)	-	(539)
Translation difference	(450)	(16)	(489)	-	(955)
At 31 December 2018	93,189	4,546	229,377	-	327,112
Net carrying value At 31 December 2018	552,762	3,637	123,458	123,968	803,825

Certain freehold land and buildings purchased prior to 1 January 1999 were restated in previous years for the changes in the general purchasing power of the Lebanese Lira giving rise to a net surplus amounting to LL 14,727 million, which was credited to equity under "revaluation reserve of real estate".

26. Intangible Assets

LL Million	Computer Software	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2019	30,483	3,532	14	34,029
Additions	1,323	-	20	1,343
Disposals	(804)	-	-	(804)
Transfers	262	-	(14)	248
Translation difference	7	(39)	-	(32)
At 31 December 2019	31,271	3,493	20	34,784
Amortization				
At 1 January 2019	25,506	3,532	-	29,038
Charge for the year	2,166	-	-	2,166
Relating to disposals	(804)	-	-	(804)
Translation difference	(16)	(39)	-	(55)
At 31 December 2019	26,852	3,493	-	30,345
Net carrying value At 31 December 2019	4,419	-	20	4,439

Notes to the Consolidated Financial Statements 31 December 2019

	Computer Software	Key money	Advances on acquisition of intangible assets	Total
LL Million				
Cost				
At 1 January 2018	23,331	3,617	-	26,948
Additions	4,186	-	14	4,200
Disposals	(18)	-	-	(18)
Transfers	3,140	-	-	3,140
Translation difference	(156)	(85)	-	(241)
At 31 December 2018	30,483	3,532	14	34,029
Amortization				
At 1 January 2018	21,211	3,564	-	24,775
Charge for the year	1,837	53	-	1,890
Relating to disposals	(18)	-	-	(18)
Transfers	2,629	-	-	2,629
Translation difference	(153)	(85)	-	(238)
At 31 December 2018	25,506	3,532	-	29,038
Net carrying value At 31 December 2018	4,977	-	14	4,991

27. Non-Current Assets Held for Sale

LL Million	2019	2018
Cost		
At 1 January	64,934	65,315
Additions	15,967	1,813
Disposals	(12,513)	(2,182)
Translation difference	265	(12)
At 31 December	68,653	64,934
Impairment		
At 1 January	(6,658)	(4,635)
Charge for the year (note 14)	(2,133)	(2,324)
Write-back (note 11)	245	352
Translation difference	16	(51)
At 31 December	(8,530)	(6,658)
Net carrying value At 31 December	60,123	58,276

28. Other Assets

LL Million	2019	2018
Reinsurer's share of technical reserves	27,505	30,338
Prepaid expenses	24,292	27,205
Sundry debtors (i)	27,378	19,354
Insurer deferred acquisition cost	13,806	17,732
Compulsory deposits (ii)	6,171	6,177
Other revenues to be collected	5,282	5,815
Customers' transactions between head office and branches	2,314	2,935
Precious metals and stamps	1,085	1,166
Other assets	72,675	68,826
	180,508	179,548

(i) Sundry debtors

LL Million	2019	2018
Sundry debtors	29,759	19,914
Less: Provision against sundry debtors	(2,381)	(560)
	27,378	19,354

The movement of provision against sundry debtors is summarized as follows:

LL Million	2019	2018
Balance at 1 January	560	1,410
Provisions (recoveries) (note 12)	1,821	(850)
Balance at 31 December	2,381	560

(ii) Compulsory deposits represent amounts deposited with local authorities based on local regulations of the countries in which the subsidiaries are located, and are detailed as follows:

LL Million	2019	2018
BLOMINVEST BANK S.A.L.	1,500	1,500
BLOM DEVELOPMENT BANK S.A.L.	4,500	4,500
BLOM BANK FRANCE S.A	118	124
BLOM SECURITIES	53	53
	6,171	6,177

29. Goodwill

LL Million	2019	2018
Cost		
At 1 January	111,119	111,131
Translation difference	20	(12)
At 31 December	111,139	111,119
Impairment		
At 1 January / 31 December	(109,135)	(109,135)
Net book value		
At 31 December	2,004	1,984

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to group of cash-generating units, which are also reportable segments, for impairment testing as follows:

LL Million	2019	2018
Asset management and private banking - Switzerland	1,234	1,214
Asset management and private banking - Egypt	770	770
	2,004	1,984

30. Due to Central Banks and Repurchase Agreements

LL Million	2019	2018
Central Bank of Lebanon (a)	496,827	541,446
Central Bank of Lebanon (b)	946,707	-
Central Bank of Egypt	31,647	-
Term borrowings under leverage arrangements (c)	2,321,271	6,519,181
Central Bank of Jordan	43,748	21,231
Accrued interest payable	58,554	34,364
	3,898,754	7,116,222
Central Bank of Egypt - repurchase agreements	-	25,826
	3,898,754	7,142,048

(a) Following the Central Bank of Lebanon issued Intermediary Circulars, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of LL 1,500 billion to be granted to customers and with a time limit ending on 15 October 2017. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2018.

(b) Short term borrowings in foreign currencies from the Central Bank of Lebanon amounted to LL 946,707 million as at 31 December 2019.

(c) Term borrowings under leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in Lebanese Lira, bearing an interest rate of 2% per annum and having maturities ranging between 2022 and 2033, fully invested in pledged Lebanese treasury bills and blocked term placements with the Central Bank of Lebanon in Lebanese Lira earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously the Group has further deposited with the Central Bank of Lebanon term placements in foreign currencies at 6.5% per annum and in Lebanese Lira at 10.5% per annum carrying the same maturities. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placement with the Central Bank of Lebanon in Lebanese Lira. This agreement qualifies for netting under the requirements of IAS 32.

Notes to the Consolidated Financial Statements 31 December 2019

The below tables summarise the leverage arrangements and related financial assets subject to offsetting, and enforceable similar agreements, and whether offset is achieved in the balance sheet. The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32 described in the accounting policies:

LL Million	2019	2018
Leverage arrangements		
Gross amounts	9,700,512	6,519,181
Amounts offset against ⁽¹⁾		
Placements with the Central Bank of Lebanon (note 17)	(7,379,241)	-
Net amounts reported on the balance sheet	2,321,271	6,519,181
Financial collateral		
Lebanese treasury bills (note 23)	2,321,271	2,321,271
Placements with the Central Bank of Lebanon (note 17)	-	4,197,910
	2,321,271	6,519,181

⁽¹⁾ Represents amounts that can be offset under IAS 32. Placements with the Central Bank of Lebanon have also been reported on the balance sheet net of the amounts above.

31. Due to Banks and Financial Institutions

LL Million	2019	2018
Current accounts	295,935	292,986
Time deposits	179,391	379,322
Loans	45,370	193,753
	520,696	866,061

32. Customers' Deposits at Amortized Cost

LL Million	2019	2018
Sight deposits	7,244,806	5,128,575
Time deposits	20,770,647	21,549,056
Saving accounts	10,564,722	12,255,627
Credit accounts and deposits against debit accounts	691,178	1,417,410
Margins on letters of credit	50,540	62,736
	39,321,893	40,413,404

Customers' deposits include coded deposit accounts in BLOM BANK SAL and BLOMINVEST BANK SAL amounting to LL 60,642 million as of 31 December 2019 (2018: LL 24,518 million).

33. Debt Issued And Other Borrowed Funds

LL Million	2019	2018
Certificates of deposits issued by the Group	452,250	452,250
Issuance cost of certificates of deposits	(1,002)	(1,259)
Accrued interest	5,297	5,297
	456,545	456,288

On 7 March 2018, the Group has obtained the approval of the Capital Markets Authority for the issuance of certificates of deposits at par up to a ceiling of USD 300 million (equivalent to LL 452,250 million) subject to a fixed interest rate of 7.5% per annum and a maturity of 4 May 2023.

34. Other Liabilities

LL Million	2019	2018
Unearned premiums and liability related to insurance contracts	313,433	324,333
Current tax liabilities	153,560	181,716
Sundry creditors	72,786	102,933
Other taxes due	101,581	77,904
Accrued expenses	95,455	75,157
Regularization accounts	18,426	55,696
Lease liabilities	4,191	-
Dividends payable	590	435
Other liabilities	34,139	31,621
	794,161	849,795

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December 2019:

LL Million	2019
Balance at 1 January	4,784
Interest expense	344
Paid during the year	(937)
	4,191

35. Provisions for Risks and Charges

LL Million	2019	2018
Deferred revenues (i)	-	160,945
Provision for risks and charges (ii)	30,756	57,210
Retirement benefits obligation (iii)	56,970	74,426
Provision for outstanding claims and IBNR reserves related to subsidiary-insurance companies	49,249	43,338
Provision on commitment by signature	25	2,231
Provisions for ECL on financial guarantees and commitments	12,419	2,131
Other provisions (iv)	5,312	11,780
	154,731	352,061

(i) During 2016, the Central Bank of Lebanon issued Intermediary Circular number 446 dated 30 December 2016 relating to the gain realized by banks from certain financial transactions with the Central Bank of Lebanon, consisting of the sale of financial instruments denominated in Lebanese Lira and the purchase of financial instruments denominated in US Dollars. In accordance with the provisions of this circular, banks should recognize in the income statement, only part of the gain net of tax, capped to the extent of the losses recorded to comply with recent regulatory provisioning requirements, the impairment loss on subsidiaries and goodwill recorded in accordance with IAS 36 and IFRS 3 respectively and the shortage needed to comply with the capital adequacy requirements. Lebanese banks may further recognize up to 70% of the remaining balance of the gain realized net of tax in the income statement as non-distributable profits to be appropriated to reserves for capital increase, qualifying for inclusion within regulatory Common Equity Tier One.

Besides, during 2017, the Group released an amount of LL 89,720 million (net of tax) from "Deferred revenues" whereby LL 105,552 million gross of tax were recognized in the consolidated income statement for the year ended 31 December 2017 under "Other operating income" and LL 15,832 million under "Income tax expense". As at 31 December 2017, allowance for expected credit losses include provisions constituted to comply with regulatory requirements amounting to LL 337,177 million in excess of the provisioning requirements.

During 2018, the Group used part of the "Deferred revenues" to provide for LL 126,298 million; resulting from applying IFRS 9 Expected Credit Losses (ECL) model on 1 January 2018. In addition, during 2018 the Group used an amount of LL 49,934 million from the "Deferred revenues" for the Expected Credit Loss allowance when calculating the ECL as of 31 December 2018. The remaining balance of this excess amounted to LL 160,945 million.

Notes to the Consolidated Financial Statements 31 December 2019

During 2019, the Group released an amount of LL 76,380 million (net of tax) from "Deferred revenues" whereby LL 92,024 million gross of tax were recognized in the consolidated income statement for the year ended 31 December 2019 under "Other operating income" (note 11) and LL 15,644 million under "Income tax expense". In addition, the Group used the amount of LL 84,565 million from the "Deferred revenues" for expected credit loss allowance when calculating the ECL as of 31 December 2019.

The movement in the deferred revenues (excess provisions) is as follows:

LL Million	2019	2018
Balance at 1 January	160,945	337,177
Impact of IFRS 9 adoption	-	(126,298)
Net transfer to expected credit losses on financial assets	(84,565)	(49,934)
Write back during the year	(76,380)	-
Balance at 31 December	-	160,945

(ii) Provisions for risks and charges

LL Million	2019	2018
Balance at 1 January	57,210	49,646
Impact of IFRS 9 adoption	-	(1,543)
Charge for the year (note 14)	14,654	10,785
Provisions paid during the year	(907)	(6)
Provisions written-back during the year (note 11)	-	(16,971)
Net transfer to expected credit losses on financial assets	(40,593)	(9,270)
Transfer from commitment by signature	-	1,721
Transfer from provisions on stage 1 commercial loans (note 47.2)	-	22,990
Provisions written-off during the year	(13)	(94)
Exchange difference	405	(48)
Balance at 31 December	30,756	57,210

(iii) Retirement benefits obligation

LL Million	2019	2018
Balance at 1 January	74,426	69,882
Charge for the year (note 13)	-	10,507
Write back during the year (note 13)	(12,878)	-
Benefits paid	(5,321)	(5,937)
Exchange difference	743	(26)
Balance at 31 December	56,970	74,426

(iv) During the year ended 31 December 2019, the Group transferred LL 5,923 million from other provisions to allowance for expected credit losses on loans and advances to customers.

36. Share Capital and Premium

LL Million	2019		2018	
	Share capital	Share premium	Share capital	Share premium
Common shares – Authorized, issued and fully paid				
215,000,000 shares at LL 1,500 per share as of 31 December 2019 (31 December 2018: the same)	322,500	374,059	322,500	374,059

All of the Bank's common shares are listed in the Beirut Stock Exchange starting 20 June 2008. Out of the total common shares, 73,896,010 shares are listed as Global Depository Receipts (GDRs) in the Luxembourg Stock Exchange (2018: the same).

37. Non-distributable Reserves

LL Million	Non-distributable general reserves	Reserve for general banking risks	Legal reserve	Reserve appropriated for capital increase	Other reserves	Total
At 1 January 2018	-	476,878	602,729	155,995	77,176	1,312,778
Impact of IFRS 9 at 1 January	(732)	-	-	-	-	(732)
Restated balance at 1 January 2018	(732)	476,878	602,729	155,995	77,176	1,312,046
Appropriation of 2017 profits	536	35,740	67,149	6,745	-	110,170
Transfer to non-distributable general reserves	577,998	(500,822)	-	-	(77,176)	-
Transfer from (to) retained earnings	128,748	-	2,060	(19,415)	-	111,393
Net gain on sale of treasury shares	-	-	-	68	-	68
At 1 January 2019	706,550	11,796	671,938	143,393	-	1,533,677
Appropriation of 2018 profits	51	-	72,148	4,746	-	76,945
Transfer to non-distributable general reserves	1,810	-	-	-	-	1,810
Transfer to retained earnings	(233)	-	-	-	-	(233)
Net loss on sale of treasury shares	-	-	-	(7)	-	(7)
At 31 December 2019	708,178	11,796	744,086	148,132	-	1,612,192

Non-distributable general reserves

According to the Central Bank of Lebanon Main Circular 143, Banks in Lebanon are required to transfer to "Non-distributable general reserves", the balance of "Reserve for general banking risks" and "Reserve for retail loans" previously appropriated in line with the requirements of decision 7129 and decision 7776 respectively. This reserve is part of the Group's equity and is not available for distribution.

Legal reserve

According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends.

During 2019, the Group appropriated LL 72,148 million from 2018 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolution (2018: LL 67,149 million).

Reserve appropriated for capital increase

During 2019, the Group appropriated LL 4,746 million from 2018 profits to the reserve appropriated for capital increase in accordance with the General Assembly of Shareholders' resolution (2018: LL 6,745 million).

Details of the reserve for increase of share capital are as follows:

LL Million	2019	2018
Recoveries of provisions for doubtful debts and reserves for assets taken in recovery of debts	111,365	106,619
Gain on sale of treasury shares	35,996	36,003
Revaluation reserves for fixed assets sold	668	668
Transfer from other reserves	102	102
Other adjustments	1	1
	148,132	143,393

38. Treasury Shares

Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	2019	
	Number of shares	Cost LL Million
Balance at 1 January	8,853,351	13,567
Purchase of Treasury shares	-	-
Sale of treasury shares	(2,303)	(36)
Balance at 31 December	8,851,048	13,531

	2018	
	Number of shares	Cost LL Million
Balance at 1 January	8,567,050	8,473
Purchase of treasury shares	326,751	5,766
Sale of treasury shares	(40,450)	(672)
Balance at 31 December	8,853,351	13,567

The treasury shares represent 1,078,185 Global Depository Receipts (GDR) and 7,772,863 ordinary shares owned by the Group as at 31 December 2019 (2018: 1,078,185 Global Depository Receipts (GDR) and 7,775,166 ordinary shares). The market value of one GDR and one ordinary share were USD 6.07 and USD 7.07 respectively as of 31 December 2019 (2018: USD 9.31 and USD 9.25 respectively).

The Group realized a loss of LL 7 million from the sale of treasury shares during the year 2019 (2018: gain of LL 68 million). Gains and losses are reflected in the "Non-distributable reserves".

39. Change in Fair Value of Financial Assets at Fair Value through other Comprehensive Income

Movement of the change in fair value of financial assets at fair value through other comprehensive income during the year was as follows:

LL Million	2019	2018
At 1 January	(957)	614
Impact of IFRS 9 at 1 January	-	(2,192)
Restated balance at 1 January	(957)	(1,578)
Net changes in fair values during the year	10,885	621
Balance at 31 December	9,928	(957)

40. Cash and Cash Equivalents

LL Million	2019	2018
Cash and balances with central banks	2,869,035	3,542,181
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	1,846,016	2,114,378
	4,715,051	5,656,559
Less:		
Due to central banks	(1,028,405)	(42,633)
Repurchase agreements	-	(21,076)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(413,907)	(633,269)
	3,272,739	4,959,581

41. Dividends Declared and Paid

In accordance with the Central Bank of Lebanon intermediary circular 532, the Board of Directors does not propose the payment of dividends for 2019.

According to the resolution of the General Assembly meeting held on 16 April 2019, the following dividends were declared and paid, from the 2018 profits.

	2019		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on common shares	214,204,717	1,700	364,148

The dividends on common shares, declared on 16 April 2019 were paid net of the treasury shares as of that date.

According to the resolution of the General Assembly meeting held on 11 April 2018, the following dividends were declared and paid, from the 2017 profits.

	2018		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on common shares	214,316,591	1,700	364,338

The dividends on common shares, declared on 11 April 2018 were paid net of the treasury shares as of that date.

42. Fair Value of the Financial Instruments

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below:

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets, and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value:

	2019			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
LL Million				
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	25,696	-	25,696
Equity swaps and options	-	1,131	-	1,131
Currency swaps	-	345	-	345
Currency options	-	814	-	814
Forward foreign exchange contracts used for hedging purposes	-	-	-	-
Financial assets at fair value through profit or loss				
Treasury Bills and bonds	176,088	657	-	176,745
Corporate debt instruments	-	3,073	-	3,073
Equity instruments	154,940	20,964	-	175,904
Funds	51,566	-	74,866	126,432
Financial assets at fair value through other comprehensive income				
Treasury bills and bonds	198,597	443,566	-	642,163
Equity instruments	14,304	3,718	-	18,022
Debt instruments	1,791	-	-	1,791
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	2,113	-	2,113
Equity swaps and options	-	1,131	-	1,131
Currency swaps	-	26,492	-	26,492

	2018			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
LL Million				
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	14,637	-	14,637
Equity swaps and options	-	3,146	-	3,146
Currency swaps	-	262	-	262
Forward foreign exchange contracts used for hedging purposes	-	707	-	707
Financial assets at fair value through profit or loss				
Treasury Bills and bonds	51,882	870	-	52,752
Corporate debt instruments	7,298	1,695	-	8,993
Equity instruments	172,031	18,562	-	190,593
Funds	38,693	-	70,270	108,963
Financial assets at fair value through other comprehensive income				
Equity instruments	-	12,981	1,624	14,605
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	17,272	-	17,272
Equity swaps and options	-	3,146	-	3,146
Currency swaps	-	2,203	-	2,203

There were no transfers between levels during 2019 (2018: the same).

Valuation techniques used for material classes of financial assets and liabilities categorized within Level 2 and Level 3:

Derivatives

Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Funds and Equity Shares of Non-listed Entities

Units held in funds are measured based on their net asset value (NAV), taking into account redemption and/or other restrictions. Classification between Level 2 and Level 3 is dependent on whether the NAV is observable or unobservable (i.e. recent and published by the fund administrator or not).

Equity shares of non-listed entities are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Bank determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between Level 2 and Level 3 is based on whether the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Bank in accordance with IFRS 13.93 (d).

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial assets and liabilities concentrated in Lebanon

These assets and liabilities consist of balances with the Central Bank of Lebanon and Lebanese Banks, Lebanese government securities, loans and advances to customers and related parties, due to the Central Bank of Lebanon and Lebanese Banks, customers and related parties deposits, and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, management is unable to produce faithful estimation of the fair value of these financial assets and liabilities.

Financial assets and liabilities not concentrated in Lebanon

The fair values of financial assets and liabilities not concentrated in Lebanon that are not held at fair value are as follows:

	2019				Total
	Fair Value				
	Carrying Value	Level 1	Level 2	Level 3	
LL Million					
Financial Assets					
Cash and balances with central banks	2,882,765	87,455	2,795,701	-	2,883,156
Due from banks and financial institutions	1,734,332	-	1,734,332	-	1,734,332
Loans to banks and financial institutions	43,525	-	43,001	-	43,001
Net loans and advances to customers at amortized cost	3,235,967	-	-	3,297,010	3,297,010
Net loans and advances to related parties at amortized cost	6,152	-	-	6,168	6,168
Debtors by acceptances	31,330	-	-	31,330	31,330
Financial assets at amortized cost	1,071,575	367,620	716,340	-	1,083,960
<i>Treasury bills and bonds</i>	802,599	145,650	664,928	-	810,578
<i>Certificates of deposit - Central Banks</i>	16,353	-	16,353	-	16,353
<i>Corporate debt securities</i>	252,623	221,970	35,059	-	257,029
Financial Liabilities					
Due to central banks	75,605	-	75,605	-	75,605
Due to banks and financial institutions	503,903	-	503,905	-	503,905
Customers' deposits at amortized cost	8,070,107	-	8,107,132	-	8,107,132
Deposits from related parties at amortized cost	17,782	-	17,792	-	17,792
Engagements by acceptances	31,330	-	-	31,330	31,330

LL Million	2018				
	Fair Value				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and balances with central banks	2,842,685	85,580	2,757,151	-	2,842,731
Due from banks and financial institutions	2,074,639	-	2,074,409	-	2,074,409
Loans to banks and financial institutions	26,912	-	25,619	-	25,619
Net loans and advances to customers at amortized cost	3,417,291	-	-	3,423,662	3,423,662
Net loans and advances to related parties at amortized cost	10,436	-	-	10,451	10,451
Debtors by acceptances	25,420	-	-	25,420	25,420
Financial assets at amortized cost	2,035,240	1,438,778	590,166	-	2,028,944
<i>Treasury bills and bonds</i>	1,214,774	662,172	551,711	-	1,213,883
<i>Corporate debt securities</i>	816,233	776,606	34,222	-	810,828
<i>Certificates of deposit - Commercial banks and financial institutions</i>	4,233	-	4,233	-	4,233
Financial Liabilities					
Due to central banks	47,274	-	47,274	-	47,274
Due to banks and financial institutions	707,585	-	707,608	-	707,608
Customers' deposits at amortized cost	7,346,189	-	7,358,865	-	7,358,865
Deposits from related parties at amortized cost	46,341	-	46,349	-	46,349
Engagements by acceptances	25,420	-	-	25,420	25,420

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), the Group assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

Deposits with banks and loans and advances to banks

For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposit and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers

For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during the year with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

43. Contingent Liabilities, Commitments and Leasing Arrangements

Credit – related commitments and contingent liabilities

To meet the financial needs of customers, the Group enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

LL Million	2019		
	Banks	Customers	Total
Guarantees issued	112,365	952,947	1,065,312
Commitments			
Documentary credits	158,039	-	158,039
Loan commitments	-	1,082,043	1,082,043
<i>Of which revocable</i>	-	457,242	457,242
<i>Of which irrevocable</i>	-	624,801	624,801
Securities pledged with the Central Bank of Lebanon	2,342,765	-	2,342,765
Other commitments	1,227	40,736	41,963
	2,563,621	2,126,501	4,690,122

LL Million	2018		
	Banks	Customers	Total
Guarantees issued	50,217	1,085,948	1,136,165
Commitments			
Documentary credits	240,698	-	240,698
Loan commitments	-	1,790,521	1,790,521
<i>Of which revocable</i>	-	1,420,072	1,420,072
<i>Of which irrevocable</i>	-	370,449	370,449
Securities pledged with the Central Bank of Lebanon	2,342,765	-	2,342,765
Other commitments	1,567	52,222	53,789
	2,635,247	2,928,691	5,563,938

Guarantees issued

Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These include mainly performance and tender guarantees.

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Documentary credits

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Loan commitments

Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be cancelled at any time (without giving a reason) subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Group had several unresolved legal claims including those relating to the restrictive measures and capital controls in place. Based on advice from legal counsel, and despite the novelty of the certain claims and the uncertainties inherent in their unique situation, management believes that legal claims will not result in any significant financial loss to the Group, except as provided for in note 51.

Operating lease and capital expenditure commitments

Capital expenditures and lease payments that were not provided for as of the consolidated statement of financial position date are as follows:

LL Million	2019	2018
Capital commitments		
Property and equipment	6,800	14,950

Other commitments and contingencies

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities.

The books of the Head Office and Lebanese branches of the Bank were reviewed by the tax authorities for the years 2012 to 2014 (inclusive). The tax authorities issued a final report on 27 February 2018 resulting in additional taxes of LL 1,486 million which were settled by the Bank during the year 2018.

In addition, the Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under the review of the tax authorities. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 and 2019.

The books of the Head Office and Lebanese branches of the Bank were reviewed by the National Social Security Fund (NSSF) and were subject to a discharge for the period from 1 March 1998 until 31 October 2014. The Bank's books in Lebanon remain subject to the review by the NSSF for the period from 1 November 2014 to 31 December 2019.

In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate.

Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

44. Assets Held in Custody and Under Administration

Assets held in custody and under administration include client assets managed or deposited with the Group. For the most part, the clients decide how these assets are to be invested.

LL Million	2019	2018
Assets held in custody and under administration	9,973,201	10,655,081

The Group provides safekeeping and servicing activities on behalf of clients, in addition to various support functions including the valuation of portfolios of securities and other financial assets, which complements the custody business.

45. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

A list of the Group's principal subsidiaries is shown in note 3. Transactions between the Bank and its subsidiaries meet the definition of related party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's consolidated financial statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Related party balances included in the Group's Statement of Financial Position are as follows as of 31 December:

	2019			
	Key management personnel	Other related parties	Expected credit loss	Total
	Outstanding balance	Outstanding balance	Outstanding balance	Outstanding balance
LL Million				
Deposits	34,514	78,795	-	113,309
Net loans and advances	8,973	9,286	(4)	18,255
Guarantees given	13	1,814	-	1,827

	2018			
	Key management personnel	Other related parties	Expected credit loss	Total
	Outstanding balance	Outstanding balance	Outstanding balance	Outstanding balance
LL Million				
Deposits	74,464	89,754	-	164,218
Net loans and advances	13,744	10,720	(21)	24,443
Guarantees given	3,914	1,814	-	5,728

Related party transactions included in the Group's Income Statement are as follows for the year ended 31 December:

	2019		
	Key management personnel	Other related parties	Total
LL Million			
Interest paid on deposits	2,420	6,038	8,458
Interest received from net loans and advances	483	761	1,244
Rent expense	-	296	296

	2018		
	Key management personnel	Other related parties	Total
LL Million			
Interest paid on deposits	2,520	5,771	8,291
Interest received from net loans and advances	458	762	1,220
Rent expense	-	296	296

Key Management Personnel

Total remuneration awarded to key management personnel represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest pay round decisions. Figures are provided for the period that individuals met the definition of key management personnel.

LL Million	2019	2018
Short-term benefits	40,581	61,712
Post-employment benefits (written-back) charged for the year, net	(12,306)	2,928

Short-term benefits comprise of salaries, bonuses, profit-sharing, attendance fees and other benefits.

46. Risk Management

The Group is exposed to various types of risks, some of which are:

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, legal risk, political risk and business/strategic risk.

The Group manages its business activities within risk management guidelines as set by the Group's "Risk Management Policy" approved by the Board of Directors. The Group recognizes the role of the Board of Directors and executive management in the risk management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group's risk appetite and tolerance levels. The Board of Directors delegates through its Risk Management Committee the day-to-day responsibility for establishment and monitoring of risk management process across the Group to the Group Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM BANK SAL.

The Board's Risk Management Committee has the mission to periodically (1) review and assess the risk management function of the Group, (2) review the adequacy of the Group's capital and its allocation within the Group, and (3) review risk limits and reports and make recommendations to the Board.

The Group Chief Risk Officer undertakes his responsibilities through the "Group Risk Management Division" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Group Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM BANK's Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group's overall risk. The Division mainly ensures that:

- Risk practices are fit for purpose and aligned with best practices as far as practicable.
- Risk policies and methodologies are consistent with the Group's risk appetite.
- Limits and risk across banking activities are monitored and managed throughout the Group.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Group's "Risk Management Policies". Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

In addition to the Group's Risk Management in Lebanon, risk managers and / or risk officers were assigned within the Group's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

- Standardization of risk management functions and systems developed across the Group.
- Regional consistency of conducted business in line with the board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel frameworks as well as all related regulatory requirements within the Group. The Group has documented a Board approved Disclosure Policy.

47. Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including interbank, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

47.1 Credit Risk Management

Credit risk appetite and limits are set at the Group level by the Board and are cascaded to the entities, which in turn formulate their own limits in line with the Group's risk appetite. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Group's Credit Risk Department, which is responsible for assisting the Group in establishing a credit risk management culture that promotes good analysis, judgement, flexibility and balance between risk and reward.

The Group has established various credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties, including regular revisions of credit files, including ratings and collateral quality. The credit quality review process allows the Group early detections of changes in assets quality, estimate the potential loss and take early corrective actions.

As part of its credit risk governance structure, the Group has established credit committees for the approval and renewal of credit facilities. Credit committees are responsible for the approval of facilities up to the limit assigned to them, which depends on the size of the exposure and the obligor's creditworthiness as measured by his internal rating. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

During 2019, the economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types. In order to address the challenging operating conditions, the Group has implemented a series of remedial actions that included: i) risk deleveraging by reducing its assets size, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting-up an independent, centralised and specialised remedial function to proactively manage borrowers showing weak or deteriorating credit profiles and not yet classified Stage 3.

47.2 Expected credit losses (ECL)

47.2.1 Governance and oversight of expected credit losses

The Group's IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the ECL estimation framework by: i) approving the IFRS 9 impairment policy; ii) reviewing key assumptions and estimations that are part of the ECL calculations; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures and v) reviewing ECL results.

Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards and evolving business models. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgement and data-driven methodologies.

ECL is estimated using a model that takes into account borrowers' exposure, internal risk rating, facility characteristic macroeconomy, and collateral information among others. Models are, by their nature, relying on minimal required historical data as well as incorporating expert opinion are subject to biased output thus, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are statistically validated by a qualified independent party to the model development unit, before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:

- Monitoring the performance of the model, which includes comparing estimated ECL versus actual ECL; and
- Proposing post-model development calibration to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process.

Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with finance data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios, which are set using mathematical models and expert judgement. Economic scenarios are prepared on a frequent basis, at a minimum annually, to align with the Group's medium-term planning exercise, but also in the event of significant change in the prevailing economic conditions. The scenario probability weights are also updated when the scenarios are updated.

47.2.2 Definition of default and cure

The Group considers a financial instrument defaulted for ECL calculations when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- The borrower is more than 90 days past due on any material credit obligation to the Group.
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

As a part of a qualitative assessment of whether a customer is in default, the Group carefully considers whether the events listed above should result in classifying the exposures in Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time and after obtaining the approval of the Credit Committee. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to initial recognition and is examined on a case by case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed, ii) three consecutive payments under the new repayment schedule have been made, iii) the borrower has no past dues under any obligation to the Group, and iv) all the terms and conditions agreed to as part of the restructuring have been met.

47.2.3 The Group's internal rating and PD estimation process

Treasury, trading and interbank relationships

For non-loan exposures, external credit ratings are used and mapped to the corresponding PDs reported by credit rating agencies. During 2019, sovereign exposures including central bank balances which follow guidelines set out in the Central Bank of Lebanon Intermediary Circular 543. These are continuously monitored and updated.

Non-consumer loans

The Credit Risk function, which is independent from business lines, is responsible for the development of internal rating models, and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal rating scale comprised of 10 performing grades and 3 non-performing grades. The grades generated by internal rating models are mapped to PDs using historical default observations. The mapping of rating to PD, which is done initially on a through-the-cycle basis is then adjusted to a point-in-time basis in line with IFRS 9 requirements.

These internal rating models for the Group's key lending portfolios including Corporate and SME obligors incorporate both qualitative and quantitative criteria such as:

- Historical and projected financial information including debt service coverage, operations, liquidity and capital structure;
- Account behavior, repayment history and outside and other non-financial information such as management quality, company standing and industry risk;
- Moody's Rating Agency publicly available information related to the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports and other market disclosures; and
- Any other objectively supportable information on the obligor's willingness and capacity of repayment.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and Credit Risk function, which are independent from business lines. Credit Review and Credit Risk functions are responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Consumer loans

Consumer lending comprises mainly of personal loans, credit cards, car loans and housing loans. These products are rated by an automated scorecard tool primarily driven by days past due.

The Group also relies on account behavior to predict the probability of default within a specific timeframe. This is primarily based on the repayment history of consumer borrowers.

For the estimation of expected losses for consumer products, the Group uses currently the loss rate approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation incorporates by a forward-looking component in line with the IFRS9 standard.

47.2.4 Exposure at default

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

47.2.5 Loss given default

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties. It is estimated using information on the counterparty and collateral type including recovery costs. For portfolios in respect of which the Group has limited historical data, credit expert opinion benchmarked against related regulators is used to supplement the internally available data.

47.2.6 Significant increase in credit risk

The Group continuously monitors all its credit risk exposures. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information. The Group's assessment of significant increase in credit risk is being performed at least quarterly based on the following:

Non-Consumer loans

Migration of obligor risk rating by a certain number of notches from origination to reporting date as a key indicator of the change in the risk of default at origination with the risk of default at reporting date.

Consumer loans

Thresholds have been based on historical default rates and historical payment behavior to determine significant increase in credit risk.

Qualitative criteria

For non-Consumer loans, the Group also considers in its assessment of significant increase in credit risk, various qualitative factors including significant adverse changes in the business condition, restructuring due to credit quality weakness during the past 12-months, classification of an exposure under the "Follow-up and arrange" supervisory classification. For Consumer loans, the Group considers specific events that might be indicative of a significant increase in credit risk such as the event of restructuring.

A financial instrument considered to have experienced a significant increase in credit risk if the instrument is more than 90 days past due on its contractual payments. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired at the reporting date.

47.2.7 Expected life

With the exception of credit cards and other revolving facilities the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to credit cards and other revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

47.2.8 Forward looking information

The Group incorporates forward-looking information at the level of Probability of Default.

On the PD level, the Group formulates three economic scenarios: a base case, which is the median scenario assigned with a certain probability of occurring, and two other scenarios, one upside and one downside, each assigned a specific chance of occurring, then, a weighted average PD is generated and used for the calculation of the ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, organizations such as World Bank and the International Monetary Fund, IIF and selected private-sector and academic forecasters. A team of specialists within the Group's Credit Risk Department verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios of the PD.

The Group seeks the highest correlation between macro-economic variables and historical PDs for each portfolio to identify the key drivers for Point in Time Probability of default which is translated into the ECL. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes to forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios. The environment is subject to rapid change due to the effects of the economic crisis and uncertainties disclosed in note 1. Forecasts and scenarios are based on the best available information at the date of the approval of these consolidated financial statements, combined with expert judgment. It is not practical at this time to determine and provide sensitivity analysis that is reasonably possible.

47.2.9 Modified and forbore loans

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in the *Summary of significant accounting policies* above.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forbore during the period, with the related modification loss suffered by the Group.

LL Million	2019	2018
Amortized costs of financial assets modified during the period	43,742	155,164

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47.2.10 Financial assets and ECLs by stage

The tables below present an analysis of financial assets at amortized cost by gross exposure and impairment allowance by stage allocation as at 31 December 2019 and 2018. The Group does not hold any material purchased or originated credit-impaired assets as at year-end.

	Gross exposure			
	Stage 1	Stage 2	Stage 3	Total
LL Million				
31 December 2019				
Cash and balances with central banks	31,585,455	-	-	31,585,455
Due from banks and financial institutions	1,921,641	-	1,232	1,922,873
Loans to banks and financial institutions	46,834	-	-	46,834
Loans and advances to customers at amortized cost	7,912,156	872,347	671,059	9,455,562
<i>Commercial loans</i>	4,199,503	660,859	474,961	5,335,323
<i>Consumer loans</i>	3,712,653	211,488	196,098	4,120,239
Loans and advances to related parties at amortized cost	18,259	-	-	18,259
Debtors by acceptances	142,611	2,216	-	144,827
Financial assets at amortized cost	5,853,041	60,964	5,314	5,919,319
Financial guarantees and other commitments	2,271,840	33,260	294	2,305,394
Total	49,751,837	968,787	677,899	51,398,523

	Gross exposure			
	Stage 1	Stage 2	Stage 3	Total
LL Million				
31 December 2018				
Cash and balances with central banks	33,215,934	-	-	33,215,934
Due from banks and financial institutions	2,369,453	-	1,232	2,370,685
Loans to banks and financial institutions	38,147	-	-	38,147
Loans and advances to customers at amortized cost	9,978,084	773,819	505,377	11,257,280
<i>Commercial loans</i>	5,519,067	722,153	386,318	6,627,538
<i>Consumer loans</i>	4,459,017	51,666	119,059	4,629,742
Loans and advances to related parties at amortized cost	24,463	-	-	24,463
Debtors by acceptances	191,856	895	-	192,751
Financial assets at amortized cost	7,426,916	-	5,433	7,432,349
Financial guarantees and other commitments	3,113,823	53,478	83	3,167,384
Total	56,358,676	828,192	512,125	57,698,993

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Impairment allowance				
Stage 1	Stage 2	Stage 3	Total	Net exposure
(383,029)	-	-	(383,029)	31,202,426
(469)	-	(1,232)	(1,701)	1,921,172
(264)	-	-	(264)	46,570
(103,590)	(172,513)	(432,915)	(709,018)	8,746,544
(51,702)	(158,710)	(318,412)	(528,824)	4,806,499
(51,888)	(13,803)	(114,503)	(180,194)	3,940,045
(4)	-	-	(4)	18,255
(1,857)	(9)	-	(1,866)	142,961
(36,987)	(392)	(5,263)	(42,642)	5,876,677
(11,810)	(466)	(143)	(12,419)	2,292,975
(538,010)	(173,380)	(439,553)	(1,150,943)	50,247,580

Impairment allowance				
Stage 1	Stage 2	Stage 3	Total	Net exposure
(80,527)	-	-	(80,527)	33,135,407
(2,684)	-	(1,232)	(3,916)	2,366,769
(283)	-	-	(283)	37,864
(23,691)	(68,088)	(388,681)	(480,460)	10,776,820
(18,626)	(62,839)	(304,512)	(385,977)	6,241,561
(5,065)	(5,249)	(84,169)	(94,483)	4,535,259
(20)	-	-	(20)	24,443
(1,251)	(8)	-	(1,259)	191,492
(16,507)	-	(5,381)	(21,888)	7,410,461
(2,014)	(86)	(31)	(2,131)	3,165,253
(126,977)	(68,182)	(395,325)	(590,484)	57,108,509

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The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortized cost:

LL Million	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	23,691	68,088	388,681	480,460
Impairment loss for the year (note 12)	74,650	80,340	157,600	312,590
Recoveries (note 12)	(11,959)	(2,649)	(79,461)	(94,069)
Charge for the year (transfer from (to) excess provisions under "Provisions for risks and charges") due to business activity and exposure changes	8,407	20,344	56,071	84,822
Net transfers between stages	(9,498)	7,660	1,838	-
Unrealized interest for the year	-	-	30,628	30,628
Transfer to off-financial position	-	-	(111,648)	(111,648)
Direct write-offs	-	-	(2,222)	(2,222)
Economic uncertainty adjustments	18,040	(1,425)	494	17,109
Foreign exchange difference	259	155	(9,066)	(8,652)
At 31 December 2019	103,590	172,513	432,915	709,018

LL Million	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	102,887	-	340,875	443,762
Effect of IFRS 9 adoption	(67,008)	77,626	36,282	46,900
Amended balance as of 1 January	35,879	77,626	377,157	490,662
Impairment loss for the year (note 12)	7,740	1,981	133,570	143,291
Recoveries (note 12)	(22,754)	(1,004)	(87,961)	(111,719)
Charge for the year (transfer from (to) excess provisions under "Provisions for risks and charges")	34,343	(10,782)	18,587	42,148
Transfer to provisions for risks and charges (note 35)	(22,990)	-	-	(22,990)
Net transfers between stages	(8,467)	270	8,197	-
Unrealized interest for the year	-	-	25,341	25,341
Transfer to off-financial position	-	-	(72,114)	(72,114)
Direct write-offs	-	-	(3,817)	(3,817)
Foreign exchange difference	(60)	(3)	(10,279)	(10,342)
At 31 December 2018	23,691	68,088	388,681	480,460

Net re-measurements and reallocations include re-measurements as a result of changes in the size of portfolios, reclassifications between stages and reallocations of provisions.

Notes to the Consolidated Financial Statements 31 December 2019

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with the Central Bank of Lebanon:

LL Million	2019	2018
Balance as of 1 January	79,748	-
Effect of IFRS 9 adoption as at 1 January 2018	-	62,296
Impairment loss for the year	277,641	-
Charge for the year (transfer from (to) excess provisions under "Provisions for risks and charges") due to business activity and exposure changes	24,792	17,452
At 31 December	382,181	79,748

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of Lebanese sovereign treasury bills and bonds and Certificates of Deposits issued by the Central Bank of Lebanon:

LL Million	2019	2018
Balance as of 1 January	12,627	-
Effect of IFRS 9 adoption as at 1 January 2018	-	13,331
Impairment loss for the year	5,428	-
Charge for the year (transfer from (to) excess provisions under "Provisions for risks and charges") due to business activity and exposure changes	19,037	(704)
Transfer arising from the Eurobonds reclassification (note 23)	(3,095)	-
At 31 December	33,997	12,627

47.3 Analysis of risk concentration

Geographical Location Analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 31 December is as follows:

LL Million	2019		
	Lebanon	Others	Total
Financial assets			
Cash and balances with central banks	28,254,429	2,947,997	31,202,426
Due from banks and financial institutions	186,840	1,734,332	1,921,172
Loans to banks and financial institutions	3,045	43,525	46,570
Derivative financial instruments	1,911	26,075	27,986
Financial assets at fair value through profit or loss	176,745	3,073	179,818
<i>Treasury bills and bonds</i>	176,745	-	176,745
<i>Corporate debt securities</i>	-	3,073	3,073
Net loans and advances to customers at amortized cost	5,097,625	3,648,919	8,746,544
<i>Commercial loans</i>	2,220,435	2,586,064	4,806,499
<i>Consumer loans</i>	2,877,190	1,062,855	3,940,045
Net loans and advances to related parties at amortized cost	11,965	6,290	18,255
Debtors by acceptances	111,631	31,330	142,961
Financial assets at amortized cost	4,804,849	1,071,828	5,876,677
<i>Treasury bills and bonds</i>	2,988,042	802,853	3,790,895
<i>Certificates of deposit – Central Bank of Lebanon</i>	1,781,861	16,353	1,798,214
<i>Corporate debt securities</i>	34,946	252,622	287,568
Financial assets at fair value through other comprehensive income	-	661,976	661,976
	38,649,040	10,175,345	48,824,385

LL Million	2018		
	Lebanon	Others	Total
Financial assets			
Cash and balances with central banks	30,094,503	3,040,904	33,135,407
Due from banks and financial institutions	292,130	2,074,639	2,366,769
Loans to banks and financial institutions	10,952	26,912	37,864
Derivative financial instruments	2,896	15,856	18,752
Financial assets at fair value through profit or loss	52,752	8,993	61,745
<i>Treasury bills and bonds</i>	52,752	-	52,752
<i>Corporate debt securities</i>	-	8,993	8,993
Net loans and advances to customers at amortized cost	6,819,717	3,957,103	10,776,820
<i>Commercial loans</i>	3,376,454	2,865,107	6,241,561
<i>Consumer loans</i>	3,443,263	1,091,996	4,535,259
Net loans and advances to related parties at amortized cost	13,790	10,653	24,443
Debtors by acceptances	166,072	25,420	191,492
Financial assets at amortized cost	5,375,017	2,035,444	7,410,461
<i>Treasury bills and bonds</i>	3,462,204	1,214,978	4,677,182
<i>Certificates of deposit – Central Bank of Lebanon</i>	1,875,763	-	1,875,763
<i>Corporate debt securities</i>	37,050	816,233	853,283
<i>Certificates of deposit – private sector</i>	-	4,233	4,233
Financial assets at fair value through other comprehensive income	-	14,605	14,605
	42,827,829	11,210,529	54,038,358

47.4 Credit Quality

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:

- (i) External ratings from approved credit rating agencies for financial institutions and financial assets.
- (ii) Internal rating models that take into account both financial as well as non-financial information such as management quality, operating environment and company standing.
- (iii) Internally developed scorecards to assess the creditworthiness of retail borrowers in an objective manner and streamline the decision-making process.
- (iv) Supervisory ratings, comprising six main categories:
 - (a) *Regular* includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These loans demonstrate regular and timely payment of dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required.
 - (b) *Follow-up* represents a lack of documentation related to a borrower's activity, an inconsistency between facilities' type and related conditions.
 - (c) *Follow-up and arrange* includes credit worthy borrowers requiring close monitoring without being impaired. These loans might be showing weaknesses; insufficient or inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; loan rescheduling more than once since initiation; or excess utilization above limit.
 - (d) *Substandard* loans include borrowers with incapacity to repay from identified cash flows. Also included under this category are those with recurrent late payments and financial difficulties.
 - (e) *Doubtful* loans where full repayment is questioned even after liquidation of collateral. It also includes loans stagnating for over 6 months and debtors who are unable to repay restructured loans. Finally, (f) *Bad* loans with no or little expected inflows from business or assets. This category also includes borrowers with significant delays and deemed insolvent.

Sovereign

The Group applies two different PDs based on rating agencies' external studies.

A forward-looking adjustment is performed on both PDs via beta regression by considering the relevant macro-economic factors as published by International data sources. The resulting PiT and forward-looking PDs are then used in the ECL calculation under the base case. The Group then projects these factors under a lower and upper scenario. This year and in compliance with the Central Bank of Lebanon Intermediary Circular 543, the Group applied the regulatory ECL's ceiling for sovereign exposures (i.e. ECL of 1.89% for Central Bank of Lebanon exposures in foreign currencies and ECL of 0% for sovereign and Central Bank of Lebanon exposures in local currency).

Banks and financial institutions

The Group considers that the credit spread above a given LIBOR rate is a reflective rate for expected credit loss. The cost of risk is considered as a proxy for PD and LGD.

Debt securities

The Group assigns the second lowest rating amongst the three rating agencies (Moody's, Standard & Poor's and Fitch) for each instrument. The Group also segregates the country of issuance of these debt securities between Emerging and Advanced Economies based on the International data sources studies. The Group then conducts a correlation analysis per rating grade for each of the considered group of Advanced Economies and Emerging Economies. The resulting PDs are PiT and forward looking. The Group then generated scenarios at the PD level.

Commercial loans

In accordance to the Group's policy, default is defined when the borrower is 90 days' past due, along with other qualitative indicators on a case-by-case basis. The default definition is reflected in the collection of the default rates on a yearly basis, to be used in the calibration stage of the PD calculation.

Consumer loans

For the purpose of the loss rate calculation, the Group segregates its Consumer loans portfolio by product and displays the portfolio breakdown by DPD bucket. The Group adopts this approach for its Consumer facilities that fall within Stage 1. The Group then analyzes monthly net flow rates whereby the loss rate for each delinquency bucket is computed by considering the flow into the designated loss bucket at which write-off is assumed to occur. Forward looking loss rate is then projected through analysis of correlation with macro-economic factors and regressed under lower, base and upper scenarios.

Notes to the Consolidated Financial Statements 31 December 2019

The table below shows the credit quality of the Group's financial assets and Contingent liabilities based on internal credit ratings and stage classification. The amounts presented are gross of impairment allowances.

LL Million	2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and balances with central banks	31,585,455	-	-	31,585,455
Due from banks and financial institutions	1,921,641	-	1,232	1,922,873
Loans to banks and financial institutions	46,834	-	-	46,834
Loans and advances to customers at amortized cost	7,912,156	872,347	671,059	9,455,562
<i>Commercial loans</i>	4,199,503	660,859	474,961	5,335,323
<i>Consumer loans</i>	3,712,653	211,488	196,098	4,120,239
Loans and advances to related parties at amortized cost	18,259	-	-	18,259
Debtors by acceptances	142,611	2,216	-	144,827
Financial assets at amortized cost	5,853,041	60,964	5,314	5,919,319
<i>Treasury bills and bonds</i>	3,730,569	60,964	5,314	3,796,847
<i>Certificates of deposit – central banks</i>	1,831,521	-	-	1,831,521
<i>Corporate debt securities</i>	290,951	-	-	290,951
	47,479,997	935,527	677,605	49,093,129
Contingent liabilities				
Financial guarantees	1,053,810	11,208	294	1,065,312
Documentary credits	157,994	45	-	158,039
Loan commitments	1,060,036	22,007	-	1,082,043
Total	2,271,840	33,260	294	2,305,394

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LL Million	2018			
	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and balances with central banks	33,215,934	-	-	33,215,934
Due from banks and financial institutions	2,369,453	-	1,232	2,370,685
Loans to banks and financial institutions	38,147	-	-	38,147
Loans and advances to customers at amortized cost	9,978,084	773,819	505,377	11,257,280
<i>Commercial loans</i>	5,519,067	722,153	386,318	6,627,538
<i>Consumer loans</i>	4,459,017	51,666	119,059	4,629,742
Loans and advances to related parties at amortized cost	24,463	-	-	24,463
Debtors by acceptances	191,856	895	-	192,751
Financial assets at amortized cost	7,426,916	-	5,433	7,432,349
<i>Treasury bills and bonds</i>	4,682,385	-	5,433	4,687,818
<i>Certificates of deposit – central banks</i>	1,884,435	-	-	1,884,435
<i>Corporate debt securities</i>	855,777	-	-	855,777
<i>Certificates of deposit – Private sector</i>	4,319	-	-	4,319
	53,244,853	774,714	512,042	54,531,609
Contingent liabilities				
Financial guarantees	1,119,369	16,713	83	1,136,165
Documentary credits	240,280	418	-	240,698
Loan commitments	1,754,174	36,347	-	1,790,521
Total	3,113,823	53,478	83	3,167,384

Notes to the Consolidated Financial Statements 31 December 2019

47.5 Maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

LL Million	2019							Net credit exposure	Associated ECL
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other			
Balances with central banks	31,202,426	-	2,342,765	-	-	-	28,859,661	383,029	
Due from banks and financial institutions	1,921,172	-	-	-	-	-	1,921,172	1,701	
Loans to banks and financial institutions	46,570	-	-	-	-	-	46,570	264	
Derivative financial instruments	27,986	-	-	-	-	-	27,986	-	
Financial assets at fair value through profit or loss	482,154	-	-	-	-	-	482,154	-	
Net loans and advances to customers at amortized cost:	8,746,544	895,378	129,368	77,460	4,123,352	2,315,697	1,205,289	709,018	
Commercial loans	4,806,499	831,927	129,368	77,460	1,541,524	1,199,525	1,026,695	528,824	
Consumer loans	3,940,045	63,451	-	-	2,581,828	1,116,172	178,594	180,194	
Net loans and advances to related parties at amortized cost	18,255	8,235	106	-	4,723	23	5,168	4	
Debtors by acceptances	142,961	-	-	-	-	-	142,961	1,866	
Financial assets at fair value through other comprehensive income	661,976	-	-	-	-	-	661,976	586	
Financial assets at amortized cost	5,876,677	-	-	-	-	-	5,876,677	42,641	
	49,126,721	903,613	2,472,239	77,460	4,128,075	2,315,720	39,229,614	1,139,109	
Guarantees received									
Utilized collateral		903,613	2,472,239	77,460	4,128,075	2,315,720	9,897,107		
Surplus of collateral before undrawn credit lines		200,313	7,675	174,789	4,838,670	6,211,912	11,433,359		
		1,103,926	2,479,914	252,249	8,966,745	8,527,632	21,330,466		

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LL Million	2018							Net credit exposure	Associated ECL
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other			
Balances with central banks	32,851,607	-	2,342,765	-	-	-	30,508,842	(80,527)	
Due from banks and financial institutions	2,366,769	-	4,241	-	-	-	2,362,528	(3,916)	
Loans to banks and financial institutions	37,864	-	-	-	-	-	37,864	(283)	
Derivative financial instruments	18,752	-	-	-	-	-	18,752	-	
Financial assets at fair value through profit or loss	61,745	-	-	-	-	-	61,745	-	
Net loans and advances to customers at amortized cost:	10,776,820	1,481,643	124,227	101,537	4,991,343	2,426,735	1,651,335	(480,460)	
<i>Commercial loans</i>	6,241,561	1,424,484	124,227	101,537	2,117,197	1,059,933	1,414,183	(385,977)	
<i>Consumer loans</i>	4,535,259	57,159	-	-	2,874,146	1,366,802	237,152	(94,483)	
Net loans and advances to related parties at amortized cost	24,443	9,904	113	1,948	5,922	173	6,383	(20)	
Debtors by acceptances	191,492	-	-	-	-	-	191,492	(1,259)	
Financial assets at fair value through other comprehensive income	14,605	-	-	-	-	-	14,605	-	
Financial assets at amortized cost	7,410,461	-	-	-	-	-	7,410,461	(21,888)	
	53,754,558	1,491,547	2,471,346	103,485	4,997,265	2,426,908	42,264,007	(588,353)	
Guarantees received									
Utilized collateral		1,491,547	2,471,346	103,485	4,997,265	2,426,908	11,490,551		
Surplus of collateral before undrawn credit lines		488,664	433,174	55,061	4,211,041	6,422,771	11,610,711		
		1,980,211	2,904,520	158,546	9,208,306	8,849,679	23,101,262		

The schedules shown above exclude the undrawn commitments to lend of LL 1,082,043 million for the year ended 31 December 2019 (2018: LL 1,790,521 million).

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- Securities: the balances shown represent the fair value of the securities.
- Letters of credit / guarantees: The Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.
- Real estate (commercial and residential): The Group holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

In addition, the Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals and assignments of insurance proceeds and revenues, which are not reflected in the above table.

48. Market Risk

Market risk is defined as the potential loss in both on balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

Bank Risk Management is responsible for generating internal reports quantifying the Group's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Group's trading portfolio of fixed income securities to changes in market prices and / or market parameters. The Group's Asset and Liability Management (ALM) policy assigns authority for its formulation, revision and administration to the Asset / Liability Committee (ALCO) of BLOM BANK SAL. Bank Risk Management is responsible for monitoring compliance with all limits set in the ALM Policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits. The Group has an Asset and Liability Management system "Focus ALM" that automates the risk measurement of the Group's assets and liabilities including stress testing and extensive scenario analysis.

A. Currency Risk

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The following tables present the breakdown of assets and liabilities by currency as of 31 December:

LL Million	2019					Total
	Foreign currencies in Lebanese Lira				Total foreign currencies	
	Lebanese Lira	US Dollars	Euro	Other foreign currencies		
Assets						
Cash and balances with central banks	8,003,822	18,493,631	2,685,999	2,018,974	23,198,604	31,202,426
Due from banks and financial institutions	88,834	919,417	364,471	548,450	1,832,338	1,921,172
Loans to banks and financial institutions	3,045	43,525	-	-	43,525	46,570
Derivative financial instruments	1,911	25,346	661	68	26,075	27,986
Financial assets at fair value through profit or loss	17,485	386,230	269	78,170	464,669	482,154
Net loans and advances to customers at amortized cost	1,981,424	3,926,062	309,875	2,529,183	6,765,120	8,746,544
Net loans and advances to related parties at amortized cost	3,518	7,918	2,833	3,986	14,737	18,255
Debtors by acceptances	(10)	119,813	16,216	6,942	142,971	142,961
Financial assets at amortized cost	3,009,759	2,125,595	51	741,272	2,866,918	5,876,677
Financial assets at fair value through other comprehensive income	-	137,326	26,822	497,828	661,976	661,976
Property, equipment and right-of-use assets	560,951	98	45,670	212,570	258,338	819,289
Intangible assets	1,308	122	122	2,887	3,131	4,439
Non-current assets held for sale	(19)	44,957	-	15,185	60,142	60,123
Other assets	53,196	50,848	8,966	67,498	127,312	180,508
Goodwill	(88,655)	88,655	-	2,004	90,659	2,004
Total assets	13,636,569	26,369,543	3,461,955	6,725,017	36,556,515	50,193,084
Liabilities						
Due to central banks	2,819,299	932,626	71,224	75,605	1,079,455	3,898,754
Due to banks and financial institutions	1,569	257,728	71,446	189,953	519,127	520,696
Derivative financial instruments	2,624	608	10,441	16,877	27,926	30,550
Customers' deposits at amortized cost	6,125,743	25,542,905	2,350,330	5,302,915	33,196,150	39,321,893
Deposits from related parties at amortized cost	21,136	81,826	5,900	4,447	92,173	113,309
Debt issued and other borrowed funds	-	456,545	-	-	456,545	456,545
Engagements by acceptances	-	121,661	16,216	6,950	144,827	144,827
Other liabilities	375,484	271,656	38,601	108,420	418,677	794,161
Provisions for risks and charges	116,008	7,337	386	31,000	38,723	154,731
Total liabilities	9,461,863	27,672,892	2,564,544	5,736,167	35,973,603	45,435,466
Net exposure	4,174,706	(1,303,349)	897,411	988,850	582,912	4,757,618

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2018					Total
	Foreign currencies in Lebanese Lira					
	Lebanese Lira	US Dollars	Euro	Other foreign currencies	Total foreign currencies	
Assets						
Cash and balances with central banks	13,560,757	14,832,215	2,922,948	1,819,487	19,574,650	33,135,407
Due from banks and financial institutions	80,537	983,492	472,733	830,007	2,286,232	2,366,769
Loans to banks and financial institutions	10,952	26,912	-	-	26,912	37,864
Derivative financial instruments	2,896	264	1,753	13,839	15,856	18,752
Financial assets at fair value through profit or loss	16,603	281,029	316	63,353	344,698	361,301
Net loans and advances to customers at amortized cost	2,427,641	5,530,852	359,292	2,459,035	8,349,179	10,776,820
Net loans and advances to related parties at amortized cost	4,040	11,304	2,585	6,514	20,403	24,443
Debtors by acceptances	-	156,119	23,352	12,021	191,492	191,492
Financial assets at amortized cost	3,242,025	3,093,837	24,694	1,049,905	4,168,436	7,410,461
Financial assets at fair value through other comprehensive income	-	649	26	13,930	14,605	14,605
Property, equipment and right-of-use assets	558,745	162	36,991	207,927	245,080	803,825
Intangible assets	1,539	19	88	3,345	3,452	4,991
Non-current assets held for sale	(501)	39,918	-	18,859	58,777	58,276
Other assets	49,799	38,643	9,915	81,191	129,749	179,548
Goodwill	(88,655)	88,655	-	1,984	90,639	1,984
Total assets	19,866,378	25,084,070	3,854,693	6,581,397	35,520,160	55,386,538
Liabilities						
Due to central banks	7,047,708	47,066	-	21,448	68,514	7,116,222
Repurchase agreements	-	-	-	25,826	25,826	25,826
Due to banks and financial institutions	148,142	477,243	87,074	153,602	717,919	866,061
Derivative financial instruments	4,973	14,137	629	2,882	17,648	22,621
Customers' deposits at amortized cost	8,728,686	24,315,061	2,594,169	4,775,488	31,684,718	40,413,404
Deposits from related parties at amortized cost	49,121	70,450	16,113	28,534	115,097	164,218
Debt issued and other borrowed funds	-	456,288	-	-	456,288	456,288
Engagements by acceptances	-	157,389	23,344	12,018	192,751	192,751
Other liabilities	407,702	302,245	32,574	107,274	442,093	849,795
Provisions for risks and charges	281,444	47,894	-	22,723	70,617	352,061
Total liabilities	16,667,776	25,887,773	2,753,903	5,149,795	33,791,471	50,459,247
Net exposure	3,198,602	(803,703)	1,100,790	1,431,602	1,728,689	4,927,291

The Group's exposure to currency risk

The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros. As disclosed in note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate, and due to the high volatility and the significant variance in exchange rates between the multiple markets, management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognized in the consolidated financial statements once the change in the official exchange rate is implemented by the Lebanese Government.

B. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of the financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities that mature or are re-priced in a given period. The Group manages the risk by matching the re-pricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management.

Interest rate sensitivity

The table below shows the sensitivity of interest income to basis points changes in interest rates, all other variables held constant. Given the novel and prolonged nature of current economic crisis and the high levels of uncertainties, the Group expects lower interest rates during 2020. The Central Bank of Lebanon has already decreased interest rates through issuance of Intermediary Circulars 536 and 544 (refer to note 1). The Group is unable to determine what would be a reasonable possible change in interest rates; however, the Group has a sensitivity analysis based on a decrease in 100 basis points.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rate financial assets and liabilities at the assumed rates. The change in interest income is calculated over a 1-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates and are not passed through in full, reflecting sticky interest rate behaviour. The pass-through rate and lag in response time are estimated based on historical statistical analysis and are reflected in the outcome.

The sensitivity of equity was calculated for an decrease in basis points whereby a similar decrease has an equal and offsetting effect on net interest income.

LL Million	Decrease in Basis Points	Sensitivity of Net Interest Income	
		2019	2018
Currency			
Lebanese Lira	(100)	18,524	34,020
United States Dollar	(100)	38,800	44,366
Euro	(100)	9,356	10,232

Interest sensitivity gap

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customer demand deposits.

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2019							Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years	Non interest sensitive	
Assets								
Cash and balances with central banks	2,448,843	2,689,311	97,234	6,030	4,098,615	19,731,147	2,131,246	31,202,426
Due from banks and financial institutions	841,086	108,122	17,903	-	-	169	953,892	1,921,172
Loans to banks and financial institutions	-	24,901	21,588	-	-	-	81	46,570
Derivative financial instruments	-	-	-	-	-	-	27,986	27,986
Financial assets at fair value through profit or loss	-	3,886	1,117	6,824	3,660	159,569	307,098	482,154
Net loans and advances to customers at amortized cost	3,778,802	1,674,840	1,996,648	579,569	446,224	151,723	118,738	8,746,544
Net loans and advances to related parties at amortized cost	13,411	28	146	84	116	4,474	(4)	18,255
Debtors by acceptances	-	-	-	-	-	-	142,961	142,961
Financial assets at amortized cost	82,863	71,163	327,878	356,462	3,550,249	1,431,663	56,399	5,876,677
Financial assets at fair value through other comprehensive income	89,179	79,447	291,263	45,197	62,294	58,866	35,730	661,976
Total assets	7,254,184	4,651,698	2,753,777	994,166	8,161,158	21,537,611	3,774,127	49,126,721
Liabilities								
Due to central banks	968,307	51,579	35,810	47,560	1,850,750	846,576	98,172	3,898,754
Due to banks and financial institutions	130,813	84,764	7,615	-	-	-	297,504	520,696
Derivative financial instruments	-	-	-	-	-	-	30,550	30,550
Customers' deposits at amortized cost	23,258,154	4,277,367	3,345,370	149,249	153,781	244	8,137,728	39,321,893
Deposits from related parties at amortized cost	110,761	1,721	822	-	-	-	5	113,309
Debt issued and other borrowed funds	-	-	-	-	451,248	-	5,297	456,545
Engagements by acceptances	-	-	-	-	-	-	144,827	144,827
Total liabilities	24,468,035	4,415,431	3,389,617	196,809	2,455,779	846,820	8,714,083	44,486,574
Total interest rate sensitivity gap	(17,213,851)	236,267	(635,840)	797,357	5,705,379	20,690,791	(4,939,956)	4,640,147

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2018							Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years	Non interest sensitive	
Assets								
Cash and balances with central banks	1,985,872	1,940,997	421,242	379,136	1,748,283	23,697,291	2,962,586	33,135,407
Due from banks and financial institutions	1,000,146	98,191	99,442	33,490	-	-	1,135,500	2,366,769
Loans to banks and financial institutions	-	2,800	20,090	-	14,974	-	-	37,864
Derivative financial instruments	-	-	-	-	-	-	18,752	18,752
Financial assets at fair value through profit or loss	-	-	265	3,575	19,879	37,027	300,555	361,301
Net loans and advances to customers at amortized cost	4,511,800	1,982,411	2,498,260	784,194	633,090	153,744	213,321	10,776,820
Net loans and advances to related parties at amortized cost	16,575	3,664	-	63	138	4,003	-	24,443
Debtors by acceptances	-	-	-	-	-	-	191,492	191,492
Financial assets at amortized cost	193,324	142,076	355,156	518,088	3,057,064	3,050,964	93,789	7,410,461
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	14,605	14,605
Total assets	7,707,717	4,170,139	3,394,455	1,718,546	5,473,428	26,943,029	4,930,600	54,337,914
Liabilities								
Due to central banks	27,319	19,732	37,727	43,594	1,297,060	5,648,613	42,177	7,116,222
Repurchase agreements	-	-	-	-	-	-	25,826	25,826
Due to banks and financial institutions	337,268	124,218	108,344	-	-	-	296,231	866,061
Derivative financial instruments	-	-	-	-	-	-	22,621	22,621
Customers' deposits at amortized cost	26,781,349	3,615,248	4,781,695	140,409	50,057	928	5,043,718	40,413,404
Deposits from related parties at amortized cost	111,897	6,459	395	-	-	-	45,467	164,218
Debt issued and other borrowed funds	-	-	-	-	450,991	-	5,297	456,288
Engagements by acceptances	-	-	-	-	-	-	192,751	192,751
Total liabilities	27,257,833	3,765,657	4,928,161	184,003	1,798,108	5,649,541	5,674,088	49,257,391
Total interest rate sensitivity gap	(19,550,116)	404,482	(1,533,706)	1,534,543	3,675,320	21,293,488	(743,488)	5,080,523

C. Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as the result of a change in stock prices. Equity price risk exposure arises from equity securities classified at fair value through profit or loss. A 5 percent increase in the value of the Group's equities at 31 December 2019 would have increased net income by LL 8,795 million (2018: LL 9,530 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

D. Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as housing loans when interest rates fall.

Market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

49. Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Monitoring process

Daily

Due to the economic crisis, it is more important to monitor cash flows and highly liquid assets rather than the supervisory liquidity ratios, because those will ensure the uninterrupted operation of the Group's activities. On a daily basis, a report of highly liquid assets is prepared showing the change in the position compared to the previous day, and submits it to the members of the ALCO. Also, Group Treasury monitors daily the inflows and outflows in the main currencies used by the Group.

Weekly

A weekly report is prepared showing the expected outflows for the current and next quarter as well as of highly liquid assets held during the reported periods. This report is submitted to the Central Bank of Lebanon.

Monthly

The Group Market Risk Management prepares tables indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the ALCO.

Quarterly

The Board of Directors is informed of compliance with internal and regulatory liquidity ratios for each banking unit and for the Group on at least a quarterly basis.

Periodic

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crisis. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments, to provide a complete picture of potential cash outflows.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group funding crisis contingency plan, which sets out a response in the event of liquidity difficulties. The plan details the steps to be taken, in the event that liquidity problems arise, which escalate to a meeting of the Funding Crisis Committee.

The plan sets out the members of this Committee and a series of possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, are reviewed by ALCO. The latter submits the updated policy with its recommendations to the Board Risk Committee for approval.

As per applicable regulations, the Group must retain obligatory reserves with the central banks where the Group entities operate.

Liquidity ratios

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The ratio of FC liquid assets to FC total deposits and other liabilities falling due in the next month is prepared monthly by GMRM and monitored by ALCO. FC liquid assets are defined as FC bonds and placements with banks maturing within thirty days.

The Group is not in breach with the regulatory Liquidity Coverage Ratio (LCR) which is calculated in accordance with Basel III liquidity standards as implemented by the Central Bank of each jurisdiction where the Group operates. It aims at ensuring that each entity has sufficient unencumbered high-quality-liquid assets (HQLA) to meet its liquidity needs in a 30 calendar day liquidity stress scenario during which the entity is assumed to experience outflows at a severe stress level. However, due to the economic crises facing Lebanon, as discussed above, management believes it is more important to monitor daily the inflows and outflows in the main currencies used by the Group rather than the supervisory liquidity ratios.

Sources of funding

Customer deposits were the main funding source of the Group as at 31 December 2019 and 2018. The distribution of sources and the maturity of deposits are actively monitored in order to avoid concentration of funding maturing at any point in time or from a large number of depositors. The Group monitors the percentage of time deposits that are renewed every quarter and aims to ensure that this percentage is maintained at high levels.

The Group stresses the importance of customers' deposits as sources of funds to finance its lending activities. This is monitored by using the advances to deposit ratio, which compares loans and advances to customers as a percentage of clients' deposits.

%	2019	2018
Loans to deposits ratio		
Year-end	21.97	26.32
Average	23.43	27.28
Maximum	24.84	28.34
Minimum	21.97	26.32

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial assets and liabilities as at 31 December based on their contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to each maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were being given immediately. Concerning deposits, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The table does not reflect the expected cash flows indicated by the Group's deposit retention history.

LL Million	2019					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central banks	3,187,889	1,105,901	1,576,467	14,890,174	29,984,619	50,745,050
Due from banks and financial institutions	1,795,735	108,487	17,449	-	169	1,921,840
Loans to banks and financial institutions	198	10,246	14,944	8,604	15,084	49,076
Derivative financial instruments	27,980	6	-	-	-	27,986
Financial assets at fair value through profit or loss	2,164	7,996	87,223	110,208	527,524	735,115
Net loans and advances to customers at amortized cost	2,702,110	974,754	2,424,020	2,932,224	806,628	9,839,736
Net loans and advances to related parties at amortized cost	13,512	86	405	1,502	4,788	20,293
Debtors by acceptances	40,064	67,696	35,201	-	-	142,961
Financial assets classified at amortized cost	112,325	125,128	598,784	5,124,402	1,695,437	7,656,076
Financial assets at fair value through other comprehensive income	-	-	-	13,971	5,842	19,813
Total undiscounted financial assets	7,881,977	2,400,300	4,754,493	23,081,085	33,040,091	71,157,946
Financial liabilities						
Due to central banks	1,048,867	44,543	84,883	2,031,731	927,077	4,137,101
Due to banks and financial institutions	427,895	45,472	8,490	45,125	-	526,982
Derivative financial instruments	30,543	6	-	-	-	30,549
Customers' deposits at amortized cost	20,686,165	10,752,465	6,677,825	1,850,486	2,175	39,969,116
Deposits from related parties at amortized cost	112,529	1,815	1,011	-	-	115,355
Debt issued and other borrowed funds	2,814	5,629	25,329	537,222	-	570,994
Engagements by acceptances	39,955	67,615	37,258	-	-	144,828
Total undiscounted financial liabilities	22,348,768	10,917,545	6,834,796	4,464,564	929,252	45,494,925
Net undiscounted financial assets / (liabilities)	(14,466,791)	(8,517,245)	(2,080,303)	18,616,521	32,110,839	25,663,021

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2018					Total
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial assets						
Cash and balances with central banks	3,497,338	808,266	2,231,279	14,015,771	36,967,853	57,520,507
Due from banks and financial institutions	2,279,341	98,952	110,806	33,465	172	2,522,736
Loans to banks and financial institutions	196	1,096	16,721	22,572	-	40,585
Derivative financial instruments	18,315	437	-	-	-	18,752
Financial assets at fair value through profit or loss	389	1,264	4,159	94,917	291,462	392,191
Net loans and advances to customers at amortized cost	2,975,575	1,733,425	4,125,351	4,235,334	1,333,631	14,403,316
Net loans and advances to related parties at amortized cost	16,637	255	793	2,079	7,901	27,665
Debtors by acceptances	65,981	125,198	313	-	-	191,492
Financial assets classified at amortized cost	237,530	261,090	702,553	4,980,869	3,803,344	9,985,386
Financial assets at fair value through other comprehensive income	-	-	-	11,825	2,781	14,606
Total undiscounted financial assets	9,091,302	3,029,983	7,191,975	23,396,832	42,407,144	85,117,236
Financial liabilities						
Due to central banks	30,774	56,279	151,782	1,849,752	6,112,167	8,200,754
Repurchase agreements	26,024	-	-	-	-	26,024
Due to banks and financial institutions	661,704	118,915	107,559	34,862	-	923,040
Derivative financial instruments	22,170	451	-	-	-	22,621
Customers' deposits at amortized cost	29,049,548	7,759,394	3,635,324	361,694	1,014	40,806,974
Deposits from related parties at amortized cost	158,363	6,749	473	-	-	165,585
Debt issued and other borrowed funds	2,813	5,625	25,314	571,141	-	604,893
Engagements by acceptances	66,399	126,004	348	-	-	192,751
Total undiscounted financial liabilities	30,017,795	8,073,417	3,920,800	2,817,449	6,113,181	50,942,642
Net undiscounted financial assets / (liabilities)	(20,926,493)	(5,043,434)	3,271,175	20,579,383	36,293,963	34,174,594

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

LL Million	2019					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial guarantees	957,323	-	-	-	-	957,323
Documentary credits	-	158,039	-	-	-	158,039
Loan commitments	-	1,082,043	-	-	-	1,082,043
Other commitments	-	149,952	-	1,750,453	592,312	2,492,717
Total	957,323	1,390,034	-	1,750,453	592,312	4,690,122

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2018					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
Financial guarantees	1,136,165	-	-	-	-	1,136,165
Documentary credits	-	240,698	-	-	-	240,698
Loan commitments	-	1,790,521	-	-	-	1,790,521
Other commitments	-	53,789	-	1,184,992	1,157,773	2,396,554
Total	1,136,165	2,085,008	-	1,184,992	1,157,773	5,563,938

Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Group's assets and liabilities as at 31 December is as follows:

LL Million	2019		Total
	Less than one year	More than one year	
Assets			
Cash and balances with central banks	3,878,280	27,324,146	31,202,426
Due from banks and financial institutions	1,921,003	169	1,921,172
Loans to banks and financial institutions	23,922	22,648	46,570
Derivative financial instruments	27,986	-	27,986
Financial assets at fair value through profit or loss	71,788	410,366	482,154
Net loans and advances to customers at amortized cost	5,759,858	2,986,686	8,746,544
Net loans and advances to related parties at amortized cost	13,581	4,674	18,255
Debtors by acceptances	142,961	-	142,961
Financial assets at amortized cost	455,247	5,421,430	5,876,677
Financial assets at fair value through other comprehensive income	459,448	202,528	661,976
Property, equipment and right-of-use assets	353	818,936	819,289
Intangible assets	-	4,439	4,439
Non-current assets held for sale	-	60,123	60,123
Other assets	164,792	15,716	180,508
Goodwill	-	2,004	2,004
Total Assets	12,919,219	37,273,865	50,193,084
Liabilities			
Due to central banks	1,124,513	2,774,241	3,898,754
Due to banks and financial institutions	477,493	43,203	520,696
Derivative financial instruments	30,550	-	30,550
Customers' deposits at amortized cost	37,641,649	1,680,244	39,321,893
Deposits from related parties at amortized cost	113,309	-	113,309
Debt issued and other borrowed funds	-	456,545	456,545
Engagements by acceptances	144,827	-	144,827
Other liabilities	708,046	86,115	794,161
Provisions for risks and charges	74,113	80,618	154,731
Total Liabilities	40,314,500	5,120,966	45,435,466
Net	(27,395,281)	32,152,899	4,757,618

Notes to the Consolidated Financial Statements 31 December 2019

LL Million	2018		
	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	4,241,406	28,894,001	33,135,407
Due from banks and financial institutions	2,333,141	33,628	2,366,769
Loans to banks and financial institutions	16,751	21,113	37,864
Derivative financial instruments	18,752	-	18,752
Financial assets at fair value through profit or loss	1,264	360,037	361,301
Net loans and advances to customers at amortized cost	6,988,193	3,788,627	10,776,820
Net loans and advances to related parties at amortized cost	16,604	7,839	24,443
Debtors by acceptances	191,492	-	191,492
Financial assets at amortized cost	740,247	6,670,214	7,410,461
Financial assets at fair value through other comprehensive income	-	14,605	14,605
Property and equipment	-	803,825	803,825
Intangible assets	-	4,991	4,991
Non-current assets held for sale	-	58,276	58,276
Other assets	164,011	15,537	179,548
Goodwill	-	1,984	1,984
Total Assets	14,711,861	40,674,677	55,386,538
Liabilities			
Due to central banks	105,851	7,010,371	7,116,222
Repurchase agreements	25,826	-	25,826
Due to banks and financial institutions	833,629	32,432	866,061
Derivative financial instruments	22,621	-	22,621
Customers' deposits at amortized cost	40,095,663	317,741	40,413,404
Deposits from related parties at amortized cost	164,218	-	164,218
Debt issued and other borrowed funds	-	456,288	456,288
Engagements by acceptances	192,751	-	192,751
Other liabilities	746,475	103,320	849,795
Provisions for risks and charges	56,102	295,959	352,061
Total Liabilities	42,243,136	8,216,111	50,459,247
Net	(27,531,275)	32,458,566	4,927,291

50. Operational Risk

Operational risk is defined as the risk of loss or damage resulting from inadequate or failed internal processes, people, systems or external events. The Basel definition of operational risk includes legal risk, and excludes reputational and strategic risks. Still, the failure of operational risk controls may result in reputational damage, business disruptions, business loss, or non-compliance with laws and regulations that can lead to significant financial losses. Therefore, reputational and strategic risks are indirectly mitigated once the operational risks acting as their key drivers are well managed.

The operational risk management framework is implemented by an independent Operational Risk Management department that operates in coordination with other support functions. The Internal Audit provides an independent assurance on the adequacy and effectiveness of this framework through periodic reviews.

Operational risks are managed across the Group based on a set of principles and standards detailed in the Board-approved operational risk management framework. These principles and standards include at a minimum: segregation of duties, four-eye principle, and independency of employees performing controls, reconciliations, and awareness. Controls are also embedded within systems and formalized in policies and procedures.

Incidents are captured and analyzed to identify their root causes. Corrective and preventive measures are recommended to prevent future reoccurrences. Risk and Control Assessments (RCAs) are conducted on an ongoing basis to identify risks and control vulnerabilities associated to existing or new operations, products, processes, activities and systems. Key Risk Indicators are also developed continuously to detect alarming trends. Recommendations to improve the control environment are communicated to concerned parties and escalated to Management as deemed necessary.

Major incidents, RCA findings and operational losses are reported to the Board of Directors and Board Risk Committees periodically as per the governance framework set in the Group Operational Risk policy.

Insurance coverage is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume and nature.

51. Litigation Risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Group (note 43) and in the event that legal issues are not properly dealt with by the Group. Since 17 October 2019, the Group has been subject to an increased litigation risk level as a result of the restrictive measures adopted by Lebanese banks. Management has carefully considered the impact of existing litigation and claims against the Group in relation to these restrictive measures. While there are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices, Management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Group.

52. Political Risk

External factors which are beyond the control of the Group, such as political developments and government actions in Lebanon (note 1) and other countries may adversely affect the operations of the Group, its strategy and prospects. Other important political risk factors include government intervention on the Group's activities and social developments in the countries in which the Group operates, political developments in Lebanon, and the political and social unrest and political instability or military conflict in neighbouring countries and/or other overseas areas. Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which will result in significant impact on Group's activities, operating results and position.

53. Capital Management

The Group maintains an actively managed capital base to cover risks resulting from potential stressed situations, retain sufficient financial strength and flexibility to meet changes in capital requirements, and comply with national and international minimum regulatory capital adequacy ratios levels at all times. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the Central Bank of Lebanon, which is the lead supervisor of the Group.

The Group recognizes that the adequacy of its capital levels may come under increasing pressure should the deteriorated operating environment be prolonged and depending also on any measures taken by the government and regulating authorities.

On 3 February 2020, the Central Bank of Lebanon issued Intermediary Circular 543 in which it decreased the minimum regulatory capital adequacy ratios levels as reflected in the table below. Under the same circular, the regulator has increased the risk weight on foreign currency exposures to the Central Bank of Lebanon from 50% to 150%, excluding deposits with original maturities less than one year, which are still subject to a 50% risk weight. The Central Bank of Lebanon also requires minimum levels of 7%, 10% and 12% for CET1, Tier 1 and Total CAR respectively for dividends' distribution eligibility.

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
Year ended 31 December 2019	7.00%	8.50%	10.50%
Year ended 31 December 2018	10.00%	13.00%	15.00%

LL Million	2019	2018
Risk weighted assets		
Credit risk	42,310,511	19,753,134
Market risk	2,100,942	994,245
Operational risk	2,529,730	2,640,523
Total risk weighted assets	46,941,183	23,387,902

The regulatory capital including net income for the year as of 31 December is as follows:

LL Million	2019	2018
Tier 1 capital	4,639,501	4,474,202
<i>Of which: common Tier 1</i>	<i>4,638,003</i>	<i>4,471,314</i>
Tier 2 capital	549,166	220,549
Total Capital	5,188,667	4,694,751

The capital adequacy ratio including net income for the year as of 31 December is as follows:

	2019	2018
Capital adequacy – Common Tier 1	9.88%	19.12%
Capital adequacy – Tier 1	9.88%	19.13%
Capital adequacy – Total capital	11.05%	20.07%

On 4 November 2019 the Central Bank of Lebanon issued Intermediary Circular 532 requiring Lebanese banks not to distribute dividends from the profits of the financial year 2019, and to increase the regulatory capital by 20% of the common equity tier 1 capital as at 31 December 2018 through cash contributions in US Dollars, in two phases: 10% by 31 December 2019 and another 10% by 30 June 2020. The Group did not comply with Central Bank of Lebanon intermediary circular 532 towards increasing its regulatory capital by 10% by 31 December 2019; however, the process of increasing regulatory capital was initiated subsequently and put on hold during COVID-19 crisis.

The capital adequacy ratios as at 31 December 2019 were calculated based on the recorded figures and do not take into consideration the adjustments that will result from the resolution of the uncertainties reflected in note 1. The Group is currently assessing the impact of the future effects of the economic crisis and the restructuring plan on its capital adequacy ratios, based on the various available scenarios. However, until all uncertainties are resolved the amount of the recapitalization needs that will be required cannot be determined presently.

54. Subsequent Events

Outbreak of COVID-19

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. It has caused disruption to businesses and economic activities and increased the level of uncertainty in domestic and international markets. Regulators and governments across the globe have introduced schemes to provide financial support to parts of the economy most impacted by the COVID-19 pandemic.

In the case of the Group, similar to many entities for which the operating environment is mostly in Lebanon, the impact of COVID-19 cannot be isolated and assessed independently from the economic crisis that the country is witnessing, which is described in note 1. COVID-19 will add up to the severity of the economic downturn from a commercial, regulatory and risk perspective. Future impairment charges, already subject to high uncertainty and volatility due to the severe crisis in Lebanon described in note 1, may be subject to further uncertainty and volatility as a result of the COVID-19 pandemic and related containment measures. More adverse economic scenarios and macro-economic variables, with higher probabilities than as at 31 December 2019 will be considered for Expected Credit Losses financial impact in the first half of 2020.

It remains unclear how this will evolve through 2020 and thereafter, and the Group continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Group's business, financial condition, results of operations, prospects, liquidity, capital position which is disclosed in note 1.



UK

Switzerland

France

Romania

Iraq

Cyprus

Lebanon

Headquarters (Beirut)

Jordan

Egypt

KSA

UAE

Qatar



BLOM BANK
GROUP
DIRECTORY

Country	Correspondent Bank
Bahrain , Manama	National Bank of Bahrain BSC
Canada , Toronto	Bank of Montreal
China , Beijing	Bank of China Limited
Denmark , Copenhagen	Danske Bank A/S
France , Paris	Société Générale
Germany , Frankfurt am Main	Commerzbank AG
Germany , Frankfurt am Main	Deutsche Bank AG
Italy , Milan	Intesa Sanpaolo SpA
Italy , Milan	UniCredit SpA
Japan , Tokyo	JPMorgan Chase Bank National Association
Japan , Tokyo	MUFG Bank LTD
Japan , Tokyo	Sumitomo Mitsui Banking Corporation
KSA , Jeddah	The National Commercial Bank
KSA , Riyadh	Riyad Bank
Kuwait , Kuwait City	Gulf Bank KSCP
Norway , Oslo	DNB Bank ASA
Qatar , Doha	Commercial Bank PSQC
Spain , Barcelona	Banco de Sabadell SA
Spain , Madrid	Banco Bilbao Vizcaya Argentaria SA
Sweden , Stockholm	Skandinaviska Enskilda Banken AB
Switzerland , Zurich	Credit Suisse AG
Switzerland , Zurich	UBS Switzerland AG
Turkey , Istanbul	Yapi ve Kredi Bankasi AS
U.A.E. , Abu Dhabi	First Abu Dhabi Bank PJSC
U.K. , London	Barclays Bank Plc
U.K. , London	JPMorgan Chase Bank National Association
U.K. , London	Standard Chartered Bank
U.S.A. , New York	Citibank NA
U.S.A. , New York	Deutsche Bank Trust Company Americas
U.S.A. , New York	JPMorgan Chase Bank National Association
U.S.A. , New York	Standard Chartered Bank
U.S.A. , New York	The Bank of New York Mellon

Banks & Financial Subsidiaries



Insurance Subsidiaries



Banks & Financial Subsidiaries



Management

Refer to page 17 to 31 of this report for management.

Branch Network

HEADQUARTERS (BEIRUT)

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BEIRUT

Main Branch

Verdun, Rachid Karami St., BLOM BANK Bldg.
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Principal Branch Manager: Mr. Samer DAYYA

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Ain El-Mreisseh, Ibn Sina St., Mashkhas Bldg.
Phone: (961-1) 372780 – 370830
Fax: (961-1) 370237
Branch Manager: Mrs. Hiba Salloum NATAFJI

Ashrafieh

Ashrafieh, Sassine Square, Michel Sassine Bldg.
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Senior Branch Manager: Mrs. Denise Abi Raad JALKH

Ashrafieh - Embassy

Ashrafieh, Iskandar St., Embassy II Bldg.
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Branch Manager: Mr. Nadim CHACHATI

Bab Idriss

Downtown Beirut, Bab Idriss, Weygand St., Semiramis Bldg.
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Fax: (961-1) 991670
Senior Branch Manager: Mrs. Souraya BCHOUDY

Badaro

Badaro, Main St., Khoury Bldg.
Phone: (961-1) 615818/19/20/21
Fax: (961-1) 615825/951
Branch Manager: Mr. Ramzi EL KHOURY

Barbir

Corniche El Mazraa, Barbir Square, Majdalani Bldg.
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Senior Branch Manager: Mr. Omar HALABI (EL)

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Branch Manager: Mr. Haitham AL LABBAN

Bliss

Ras Beirut, Bliss St., Al Rayess Bldg.
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Burj Abi Haidar

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Fax: (961-1) 310679
Branch Manager: Mrs. Nadine Hatab GHANTOUS

Concord

Verdun, Rachid Karami St., BLOM BANK Bldg.
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Senior Branch Manager: Mr. Marwan NASSER

Hamra

Hamra, Abdel Aziz St., Monte Carlo Bldg., GF
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Principal Branch Manager: Mr. Sami FARHAT

Istiklal

Karakol Druze, Istiklal St., Salhab Bldg.
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Branch Manager: Mr. Khaled OMAR

Jnah

Bir Hassan, United Nations St., Jaber Bldg.
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Koraytem

Koraytem, Ras Beirut / Snoubra, Takieddine Solh St., Ghalayini Bldg.
Phone: (961-1) 788412/3 – 800081
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Senior Branch Manager: Mr. Wael KADI (AL)

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Senior Branch Manager: Mr. Amer KAMAL

Mar Elias

Corniche El Mazraa, Main St., Zantout Bldg.
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Branch Manager: Mr. Mazen ALIEH

Mina El Hosn

Mina El Hosn, Adnan El Hakim St., Beirut Tower Bldg.
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Principal Branch Manager: Mr. Samer BOHSALI

Noueiri

Noueiri, Al Noueiri Station, Hamada Bldg.
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Branch Manager: Mr. Weam DARWICH

Raouche

Raouche Blvd., Al Rayess & Bou Dagher Bldg.
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Principal Branch Manager: Mr. Mohamad MARRACHE

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Branch Manager: Mrs. Salma Rbeiz ACHKOUTY

Saifi

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Branch Manager: Mr. Eddy EID

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Sanayeh, Spears St., Chamber of Commerce & Industry Bldg.
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Branch Manager: Mr. Marwan PHARAON

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Branch Manager: Mr. Johnny MAALOUF

Tabaris

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Principal Branch Manager: Ms. Claire ABOU MRAD

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Branch Manager: Mr. Khodor MNEIMNEH

Zaitunay

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BLOM BANK Bldg.
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Fax: (961-1) 361505
Branch Manager: Ms. Hana KAMBRIS

MOUNT LEBANON

Ain El Remaneh

Ain El-Remaneh, Lamaa Lamaa St., Bou Chedid Bldg., GF
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Fax: (961-1) 386753
Branch Manager: Mr. Bassam MOUSSALLEM

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Ghobeyri, Airport Road – Facing Zaarour Center
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Principal Branch Manager: Mr. Ezzat MELHEM

Aley

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Senior Branch Manager: Mrs. May BOU ALWAN

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Principal Branch Manager: Mr. Farid ZOGHBI

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Principal Branch Manager: Mrs. Nawal Merhi ABOU DIAB

Baabda

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Branch Manager: Mr. Joe GHAZAL

Bekfaya

Sakiyat El Misk, Main Road, After the Statue of Sheikh Pierre Gemayel, Kaii Center
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Fax: (961-4) 985209
Branch Manager: Mr. Michel HAYECK (AL)

Broumana

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Branch Manager: Dr. Gladys Younes KREIKER

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Burj Al-Barajneh, Ain El Sekka St., Rahal Bldg.
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Senior Branch Manager: Mr. Rabih CHEDID

Burj Hammoud

Burj Hammoud, Armenia St., Harboyan Center
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Fax: (961-1) 259061 – 266339
Branch Manager: Mr. Youssef HOMSI

BLOM BANK Group Management & Network

Chehim

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Branch Manager: Mr. Khaled DAHBOUL

Chiyah

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Principal Branch Manager: Mr. Abbas TLAIS

Choueifat

Al Omaraa, Main Road, Mouhtar & Haidar Bldg.
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Dekwaneh

Dekwaneh, Main St., Mohanna Center
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Dora

Dora, Dora Highway, Ghantous Bldg., Ground Flr.
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Principal Branch Manager: Mr. Bassem MERHEJ

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Senior Branch Manager: Mr. Laurent CHEBLI

Furn El Chebbak

Furn El Chebbak, Main St., Bou Chedid Center
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Fax: (961-1) 293816
Senior Branch Manager: Mr. Ronald FARAH

Ghobeiry

Ghobeiry, Chiyah Blvd., Tohme & Jaber & Kalot Bldg.
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Fax: (961-5) 461815
Branch Manager: Mr. Wassim FAHS

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Senior Branch Manager: Dr. Hassan JABAK

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Principal Branch Manager: Mr. Ziad KAREH

Jbeil

El Berbara, Voie 13, Byblos Canari Bldg.
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Branch Manager: Mr. Yves KHOURY (EL)

Jdeideh

Jdeideh, New Jdeideh St., Etoile Center
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Branch Manager: Mr. Elie SALAMEH

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Branch Manager: Mrs. Ghada Fadous MOUAWAD

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Kfarhabab

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Fax: (961-9) 856820
Branch Manager: Mr. Zakhia SARKIS

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Mansourieh, New Main Highway, Dar El Ain Plaza Bldg.
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Fax: (961-4) 532854
Branch Manager: Mr. Ziad SROUGI

Mar Takla - Hazmieh

Mar Takla, Hazmieh, Main Road, Street Nb. 19, Urb 1 Center
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Fax: (961-5) 451598
Branch Manager: Mrs. Dania Salha ABDEL MALAK

Sin El Fil

Sin El Fil, Fouad Chehab Avenue, Far Vision Center
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Fax: (961-1) 485273
Principal Branch Manager: Mr. Fadi MIR (EL)

Sin El Fil – Horsh Tabet

Horsh Tabet, Charles De Gaulle St., Tayar Center
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Fax: (961-1) 489739
Branch Manager: Mr. Gerard GHOSN

Zalka

Zalka, Interior Road, BLOM BANK Bldg.
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Fax: (961-4) 713077
Principal Branch Manager: Mr. Walid LABBAN

Zouk Mosbeh

Zouk Mosbeh, Main Road, Le Paradis Centre
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Fax: (961-9) 226990
Senior Branch Manager: Mrs. Marlène Mezraany ABOU NAJM

NORTH LEBANON

Amioun

Amioun, Main Road, Nassif Bldg.
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Fax: (961-6) 951813
Branch Manager: Mrs. Ralda Rouss AZAR

Batroun

Batroun Main Road, Street 7, Zone B, Bldg. #27
Phone: (961-6) 740804/5 - 740906/10
Fax: (961-6) 740727
Branch Manager: Mrs. Marie Thérèse Al Hayek AL SOURY

Halba

Halba Main Road, Centre Rahal
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Fax: (961-6) 692970
Branch Manager: Mr. Zaher HAMEDY

Tripoli - Abi Samra

Tripoli Abi Samra, Al-Dinnawi Square, Khaled Darwiche Bldg.
Phone: (961-6) 423565/6/7/8
Fax: (961-6) 423569
Branch Manager: Mrs. Salwa Ajaj MERHI

Tripoli - Azmi

Tripoli, Azmi St., Fattal Bldg.
Phone: (961-6) 433064 - 443550/1/2
Fax: (961-6) 435947
Branch Manager: Mr. Fouad HAJJ

Tripoli - Al Tell

Tripoli Al Tell, Abdel Hamid Karameh Square, Ghandour Bldg.
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Fax: (961-6) 431624
Senior Branch Manager: Mr. Wassim BAGHDADI

Tripoli - Boulevard

Boulevard St., Near Banque du Liban, 1st Flr.
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Fax: (961-6) 412953
Branch Manager: Mr. Karim HAMZE

Tripoli - Zahrieh

Tripoli Zahrieh, Al Tell St., Alam Al Din & Bissar Bldg.
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BEKAA

Chtaura

Chtaura, Main St., Najim El Din Bldg.
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Jib Jinnine, Main Road, Chibli Al Hajj Bldg.
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Fax: (961-8) 661092
Branch Manager: Mr. Kamel ABDOUNI

Zahleh

Zahleh, Manara Center, Fakhoury & Kfoury Bldg.
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Fax: (961-8) 807680
Senior Branch Manager: Mrs. Sabine Rbeiz KASSIS

SOUTH LEBANON

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Nabatiyeh, Hassan Kamel Al Sabbah St., Office 2000 Bldg.
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Fax: (961-7) 767857
Senior Branch Manager: Mr. Hussein CHAMOUN

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Saida, Riad Solh St., Al Zaatari & Dandashly Bldg.
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Fax: (961-7) 722801
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Saida - Boulevard

Saida, Boulevard Square, Al Saoudi Bldg.
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Senior Branch Manager: Mrs. Maysaa Arab RAHAL

Tyr - Abbassieh

Tyr Al Abbassieh, Jal El Baher St., BLOM BANK Bldg.
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Fax: (961-7) 350865
Branch Manager: Mr. Fadi AARAJ (AL)

Tyr - Athar

Tyr Al Athar, Al Istiraha St., Commercial Center, Tajjudin Bldg.
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Fax: (961-7) 348948
Senior Branch Manager: Mr. Marwan CHAB (AL)



Jordan

Management

General Management

Dr. Adnan AL ARAJ	Regional Manager
Mr. Moder KURDI	Deputy Regional Manager
Mr. Muhannad AL BALBISSI	Assistant Regional Manager/ Finance
Mr. Omar ABDULLAH	Assistant Regional Manager / Retail
Mr. Ashraf Al QUDAH	Treasury & Investments Manager
Mr. Hani DIRANI	Legal & Collection Manager
Mr. Said OBEIDALLAH	Internal Audit Manager
Mr. Muhannad ABYAD	IT Operations Manager
Mr. Nabil OBALI	Risk Manager
Mr. Maan ZOABI	Compliance Unit Manager
Mr. Nart LAMBAZ	Central Operations Manager

Network

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Al Abdali St., Jouba Bldg.
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 Fax: (962-6) 5693955
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Irbid King Abdallah the Second St., Al-Qubba Circle, Bldg. #4
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 Fax: (962-2) 7240057
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 Branch Manager: Mr. Ahmad DABAAN

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Mecca St., Al Hussein Complex, Bldg. #152
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 Branch Manager: Mr. Marwan SALAH

Shmeisani

Al Sharif Abdel Hamid Sharaf St., Bldg. #18
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 Fax: (962-6) 5605652
 Email: shmeisani@blom.com.jo
 Branch Manager: Mr. Raed JOUDEH

Taj

Abdoun, Taj Mall Center
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 Fax: (962-6) 5922052
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 Branch Manager: Mr. Ahmad BUSTAMI

Al Wihdat

Al Amir Hassan St., Oum Heiran, Bldg. #453
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 Fax: (962-6) 4750055
 Email: wihdat@blom.com.jo
 Branch Manager: Mr. Imad AL ZOGHBI

Tareq

Ebn Sahnoon St.,
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 Branch Manager: Mr. Alaa AHMAD

Sweifieh

Abed Al Rahim Al Hajj Mohammad St., Bldg. #67
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 Branch Manager: Mr. Jamal AL MOMANI

Wadi Saqra

Wadi Saqra St., Al Reem Complex, Bldg. #244
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Zarqa

Free Zone Gate 1
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 Branch Manager: Mr. Suhaib ABDEL SALAM

Khalda

Wasef Al Tal St., Opposite to Sedeen Hotel, Bldg. #25
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 Branch Manager: Mrs. Nisreen ABOU GHOSH

Mecca Mall

Mecca St., Mecca Mall Center
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 Email: meccamall@blom.com.jo
 Branch Manager: Mr. Hamada IBRAHIM

Aqaba Office

Aqaba - Jordan
 Phone: (962-3) 2058869
 Fax: (962-3) 2058875
 Email: aqaba-office@blom.com.jo
 Branch Manager: Mr. Shady Adel AL FAKHOURY

Marj Al Hamam

Oum - Abhara St, Bldg. #19
 Phone: (962-6) 5712615
 Fax: (962-6) 5712970
 Email: marj-alhamam@blom.com.jo
 Branch Manager: Mr. Eyad GHAITH



Cyprus

Management

Management

Mr. Ziad EL MORR

Country Manager

Network

205Z Makarios Avenue, Victory House Bldg., 3030 Limassol - Cyprus
P.O.Box: 53243, 3301 Limassol
Phone: (357-25) 376433/4/5
Fax: (357-25) 376292
Email: blom@blom.com.cy
Website: www.blombank.com



Abu Dhabi

Management

Management

Mr. Ramzi AKKARI

Chief Representative

Network

Representative Office

Etihad Towers, Tower 3, Flr. 20, Corniche, Abu Dhabi - UAE
P.O.Box: 63040
Phone: (971-2) 6676100
Fax: (971-2) 6676200
Email: blombank@blombankad.ae
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Iraq

Management

Management

Mr. Ali CHREIF

Assistant Regional Manager

Mr. Marwan NAJI

Risk Manager

Network

Baghdad

Karada Kharej, Zone 905, #9 St., Bldg. #1
Phone: (964) 7809288690/1/2/3
Branch Manager: Mr. Hussein OBEID
Website: www.blombank.com

Erbil

Erbil, 60 Meter St., Near Iskan Intersection, BLOM BANK Bldg.
Phone: (964) 7510161500/1/2/3
Senior Branch Manager: Mr. Georges CHEDID
Website: www.blombank.com



Management

Board of Directors

Mr. Saad AZHARI	Chairman General Manager
Messrs. BLOM BANK S.A.L.	Executive Member
Mr. Marwan JAROUDI	Independent Member
Mr. Emile KHARRAT	Independent Member
Mr. Fadi KHALAF	Independent Member
Mr. Nicolas SAADE	Independent Member
Me. Nassib CHEDID	Independent Member
Mr. Ahmad SHAKER	Independent Member

General Management

Mr. Saad AZHARI	Chairman - General Manager
Dr. Fadi OSSEIRAN	Chief Executive Officer
Ms. Maya Abou Alwan EL KADI	Deputy Chief Executive Officer, Head of Investment Banking
Mr. Marwan ABOU KHALIL	Head of Capital Markets
Me. Sandra BOUSTANY	Head of Legal Unit
Mr. Joseph MATTA	Head of Internal Audit
Mr. Rami SAYEGH	Head of Private Banking
Ms. Mirna HAJJ	Head of Strategic Planning and Organization
Ms. Rima YASSINE	Head of Operations & Administration
Mr. Rafi MAWLA	Head of Compliance Unit
Mrs. Roula FAOUR	Head of Customer Advocacy Unit
Dr. Ali BOLBOL	Head of Economic Research
Mr. Mohamad SIDANI	Head of Investor Relations

Network

HEADQUARTERS (BEIRUT)

Wygand St., Semiramis Bldg.

P.O.Box: 11-1540, Riad El Solh, Beirut - Lebanon

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Fax: (961-1) 749148

Email: blominvest@blominvestbank.com

Website: www.blominvestbank.com



Management

Board of Directors

Mr. Saad AZHARI	Chairman - General Manager
Mr. Marwan JAROUDI	Independent Member
Mr. Ahmad CHAKER	Independent Member
Mr. Nicolas SAADE	Independent Member
Mr. Emile KHARRAT	Independent Member
Messrs. BLOM BANK S.A.L.	Member
Messrs. BLOMINVEST BANK S.A.L.	Member

General Management

Mr. Saad AZHARI	Chairman - General Manager
Mr. Moataz NATAFJI	Chief Executive Officer
Mr. Hisham MASALKHI	Head of Sharia Internal Audit
Mr. Habib EL HAJJAR	Head of Credit Department
Mr. Ibrahim EL KHALIL	Head of Organizational Management Department
Mrs. Nora Yassine DAROUB	Finance Manager
Mrs. Yara EL HELOU	Head of Internal Audit
Mr. Nader GHANNAM	Head of Compliance Unit
Mr. Ibrahim KOBEISSI	Treasury Manager
Mr. Ahmad SHAHBAZ	Head of Risk Management
Ms. Marwa HABHAB	Customer Advocacy Unit Manager

Network

HEADQUARTERS (BEIRUT)

Corniche El Mazraa, Boulevard Saeb Salam, BLOM BANK Bldg.
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 Website: www.blomdevelopment.com

Main Branch

Corniche El Mazraa, Boulevard Saeb Salam, BLOM BANK Bldg.
 Phone: (961-1) 751090/1/2/3
 Fax: (961-1) 751094
 Email: mainbranch@blomdevelopmentbank.com
 Branch Manager: Mr. Tarek HOUSSAMI

Saida

Riad El Solh St., Al Zaatari Bldg., 4th Flr.
 Phone: (961-7) 727698 – 729326
 Fax: (961-7) 731256
 Email: saida@blomdevelopmentbank.com
 Branch Manager: Mr. Issam HIJAZI

Tripoli

Al Mina Road, Al Ahli Bldg.
 Phone: (961-6) 429101/2/3
 Fax: (961-6) 429104
 Email: bdb.tripoli@blomdevelopmentbank.com
 Branch Manager: Mr. Ahmad KASSEM AGHA



Management

Board of Directors

Mr. Samer AZHARI	Chairman & General Manager
Dr. Naaman AZHARI	Honorary Chairman
Messrs. BLOM BANK S.A.L.	Independent Member
Mr. Christian DE LONGEVIALLE	Independent Member
Mr. Jean-Paul DESSERTINE	Independent Member
Mr. Marwan JAROUDI	Independent Member

General Management

Mr. Samer AZHARI	Chairman & General Manager
Mr. Michel ADWAN	Deputy Chief Executive Officer
Mr. Jean-Pierre BAAKLINI	Country Manager – Paris
Mr. Amr EL TURK	Country Manager – London
Mr. Dani SAWAYA	Chief Financial Officer / Acting Manager – UAE
Mr. Mohamad SALEH	Country Manager – Romania
Mr. Xavier ELLUIN	Risk Manager
Mr. Marc ABOU-KHALIL	Head of Internal Audit
Mr. Jean HABER	Chief Information Officer

Network

HEADQUARTERS (PARIS)

21 Avenue George V, 75008 Paris - France
 Phone: (33-1) 44 95 06 06
 Fax: (33-1) 44 95 06 00
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 Website: www.blomfrance.com
 Country Manager: Mr. Jean-Pierre BAAKLINI

UNITED ARAB EMIRATES

Dubai

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 P.O.Box: 4370, Dubai
 Phone: (971-4) 2307230
 Fax: (971-4) 2236260
 Email: info@blomfrance.ae
 Branch Manager: Mr. Eddy BECHARA

Jebel Ali (Electronic Branch)

The Galleries, Jebel Ali, Bldg. 4, Dubai
 Phone: (971-4) 8849311
 Fax: (971-4) 8849388
 Email: info.ja@blomfrance.ae

Deira (Electronic Branch)

Maktoum St., Dalmouk Series Bldg., Deira, Dubai
 Phone: (971-4) 2281954 – (971-4) 2281982
 Fax: (971-4) 2281949
 Email: info.deira@blomfrance.ae

Sharjah

Khaled Lagoon, Corniche Al Buhairah, Sheikh Nasser Bin Hamad Al Thani Bldg.
 P.O.Box: 5803, Sharjah - UAE
 Phone: (971-6) 5736700 – 5736100
 Fax: (971-6) 5736080
 Email: info.shj@blomfrance.ae
 Branch Manager: Mr. Fouad ATTAR

UNITED KINGDOM

London

193-195 Brompton Road, London SW3 1LZ
 Phone: (44-20) 75907777
 Fax: (44-20) 78237356
 Email: blom@blombanklondon.co.uk
 Country Manager: Mr. Amr TURK

ROMANIA

HEADQUARTERS (BUCHAREST)

66 Unirii Blvd., Bloc K3, S+P+M, Sector 3
 P.O.Box: 1-850, 030835 Bucharest
 Phone: (40-21) 3027201
 Fax: (40-21) 3185214
 Email: office@blomfrance.ro
 Country Manager: Mrs. Veronica PETRESCU

Branches in Romania

Unirii (Customer Desk)

66 Unirii Blvd., Bloc K3, Mezzanin, Sector 3
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 Phone: (40-21) 3027201
 Fax: (40-21) 3185214
 Email: unirii@blomfrance.ro
 Head of Operations: Mrs. Florentina DELA

Victoria

72 Buzesti St., Sector 1, Bucharest
 Phone: (40-21) 3154205/6
 Fax: (40-21) 3154208/9
 Email: victoria@blomfrance.ro
 Branch Manager: Mr. Marius VOICULET

Constanta

25 Bis Mamaia Blvd., CP 2-89, Constanta
 Phone: (40-241) 510950
 Fax: (40-241) 510951
 Email: constanta@blomfrance.ro
 Branch Manager: Mr. Mihai BUTCARU



Management

Board of Directors

Dr. Naaman AZHARI	Honorary Chairman
Mr. Saad AZHARI	Chairman
Me. Peter de la GANDARA	Vice Chairman Member
Mr. Jean Paul DESSERTINE	Non-Executive Member
Dr. Werner FREY	Independent Member
Mr. Ahmad SHAKER	Non-Executive Member

General Management

Mr. Michel CHIKHANI*	Chief Executive Officer & Head of Private Banking
Mr. Jean-Marc REBOH	Chief Financial & Operating Officer
Mr. Salim DIAB	Head of Trading Room Division

**Appointed with effect from 17 August 2020*

Network

HEADQUARTERS (GENEVA)

1, Rue Rodolphe-Toepffer
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 Fax: (41-22) 8177190
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 Website: www.blombank.ch



Management

Board of Directors

Dr. Fadi OSSEIRAN	Chairman & General Manager
Messrs. BLOM BANK S.A.L.	Non-Executive Member
Mr. Michel CHIKHANI	Executive Member

General Management

Dr. Fadi OSSEIRAN	Chairman & General Manager
Mr. Michel CHIKHANI*	General Manager
Mr. Bechara BARDAWIL**	Assistant General Manager, Head of Portfolio Management
Mr. Ghassan CHAKER	Head of Business Development & Control

**Resigned with Effect from 17 August 2020*

*** Appointed as an AGM with effect from 17 August 2020*

Network

HEADQUARTERS (BEIRUT)

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 Website: www.blomassetmanagement.com



Management

Board of Directors

Mr. Saad AZHARI	Chairman of the Board
Mr. Mohamed OZALP	Managing Director
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Board Member
Mr. Mohamed KAFABI	Non-Executive Member
Mr. Mounir TOUKAN	Non-Executive Member
Ms. Yasmine MOUAFI	Independent Member
Dr. Khaled Ezz Eldin ISMAIL	Independent Member
Mr. Tawfic Jamil TAWFIC	Independent Member

General Management

Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Board Member
Mr. Mostafa EZZAT*	Assistant Managing Director & Chief Financial Officer
Mr. Hazem MOKBEL	Assistant Managing Director & Risk Management Division
Mr. Ahmed KHATTAB	Assistant Managing Director & Corporate Banking Division
Mr. Ihab KHALIL	Assistant Managing Director & Retail Banking Division
Mr. Emad ELGUINDY	Assistant Managing Director & Central Operations Division
Mr. Mohamed RASHWAN	Assistant Managing Director & Internal Audit Division
Mr. Belal FAROUK	Assistant Managing Director &- Board Affairs Division
Mr. Sameh MOUSTAFA**	Head of Compliance Division & AML Division
Ms. Rasha ABDEL RASOUL	Head of Financial Institution & Correspondent Banking Division
Mr. Mohamed SHAWKY	Head of Information Technology Division
Mr. Mohamed ABD EL MOHSEN	Head of Legal Affairs Division
Mr. Mansour MANSOUR	Head of Human Resources Division
Mr. Ali ASHRAF	Head of General Administration Division
Mr. El Sayed Azzab EL SAYED	Head of Security & Public Institutional Relations Division
Mr. Wael MOUAWAD	Head of Treasury & Capital Market
Mr. Sherif MOHASSEB	Head of Branches

*Resigned with effect from 15 August 2020

**Resigned with effect from 27 August 2020

Network

HEADQUARTERS (CAIRO)

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First Sector - Lot No. 61 BLOM BANK Bldg.
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Khames
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Fax: (202) 37494508 – 37494168
Website: www.blombankeygypt.com

GREATER CAIRO

Abbasia

Abbasia St., Bldg. #109
Phone: (202) 24864180/4/5
Branch Manager: Mr. Yasser FEKRY

Dokki

Mohie Eldin Aboul Ezz St., Bldg. #64
Phone: (202) 37494643/754
Fax: (202) 37494652/79
Senior Branch Manager: Mrs. Hanaa FOUAD

El Obour

Lot 1 to 12 Avenue Mall, Obour City
Phone: (202) 44890020/33
Fax: (202) 44890050
Acting Branch Manager: Mr. Wael SALAH

EL-Shams Club

Abdul Hameed Badawy St., Nadi El Shams,
Heliopolis, Bldg. #139
Phone: (202) 26229871/2/3/5
Acting Branch Manager: Mr. Ahmed
MARDISHY

El Sherouq

New City Plaza Mall, El Sherouq City from
Suez, Cairo Road
Phone: (202) 01028577886/2/4
Acting Branch Manager: Mrs. Amal
MOUSTAFA

El Yasmin

El Yasmin, Tagamoaa El Khames
Phone: (202)8125600
Branch Manager: Mr. Mamdouh GHONIEM

Haram

Haram St., Nasr El Din, Giza, Bldg. #410
Phone: (202) 35681223/332
Branch Manager: Mr. Yousry TAWFIK

Heliopolis

El Hegaz St., El Merryland, Bldg. #31
Phone: (202) 22583120
Senior Branch Manager: Mrs. Naja EL
SENOUSI

Khalifa El Maamoun

Heliopolis, El Khalifa El Maamoun St.,
Manshiet El Bakry, Bldg. #20
Phone: (202) 22575625/47
Fax: (202) 22575651
Senior Branch Manager: Mrs. Nayera LABIB

Maadi

New Maadi, Road 269 from Nasr St., Bldg. #4
Phone: (202) 25198244-25197232
Branch Manager: Mr. Nezar ASHOUR

Manial

Manial St., El Rodah, Bldg. #13
 Phone: (202) 23640604/44
 Fax: (202) 23640611
 Branch Manager: Mrs. Ghada SHAHIN

Masaken Sheraton

Abdel Hamid Badawy St., area 7, Masaken Sheraton, 17 Misr Lel Taameer Bldg.
 Phone: (202) 22661230
 Branch Manager: Mrs. Engy EDWARD

Mesadek

30 Mesadek St., Dokki, Giza
 Phone: (202) 33375214 - 33375269
 Deputy Branch Manager: Mr. Yasser LABIB

Mohandessen

Lebanon St., Bldg. #54
 Phone: (202) 33006514/42/29 - 33039803
 Senior Branch Manager: Mr. Mohamed EL KHATEEB

Moustafa El Nahas

Moustafa ElNahas St., Nasr City – Bldg. #49
 Phone: (202) 22715626
 Branch Manager: Mr. Alaa METWALLY

Nasr City

El Nasr Road, El Akkad Mall
 Phone: (202) 26906801/7/9
 Fax: (202) 26906805
 Branch Manager: Mr. Ahmed HAKIM

New Cairo

61, 90 St., Tagamoa El Khames
 Phone: (202) 29281192/200
 Branch Manager: Mr. Mahmoud ALI

New Maadi

El Nasr St., El Laselky, Bldg. #17/5
 Phone: (202) 25175546/7/8 - 25173014
 Fax: (202) 25173014 - 25173024
 Branch Manager: Mr. Sameh EL GHARIB

New October

Glory Mall, Commercial Center, Area 45/B, Central Axis, 6th October City
 Phone: (202) 38330677/678/683/685
 Senior Branch Manager: Mr. Tarek TALAAT

Opera

Gomhoreya St., Abdeen, Bldg. #17
 Phone: (202) 23923197 – 23927885 - 23900212
 Fax: (202) 22392265
 Branch Manager: Mr. Hussein EL SWEEFY

Orouba

Heliopolis, Cleopatra St., El Korba, Bldg. #1
 Phone: (202) 24144769/59
 Fax: (202) 24144793
 Acting Branch Manager: Mr. Tarek YEHIA

October

Area No.4, Central Axis, 1st District, Al Madiena Commercial Center, Giza, 6th October St.
 Phone: (202) 38321024 - 38320537
 Fax: (202) 38339279

Branch Manager: Mr. Mohamed SAMIR

Sheikh Zayed

Hayat Clinic Mall, Southern Central Axis - El Sheikh Zayed, 6 October
 Phone: (202) 38513891/3
 Fax: (202) 38513892
 Branch Manager: Mrs. Amany NAFEA

Shoubra

El Khalafawy Square, Shoubra St., El Sahel Section, Bldg. #232
 Phone: (202) 24311364/409/732
 Fax: (202) 24311364 - 24312678
 Acting Branch Manager: Mr. Mohamed MAGDY

Zamalek

Abu El Feda St., Bldg. #15
 Phone: (202) 27355246 - 27353292 - 27350434
 Fax: (202) 27358613
 Senior Branch Manager: Mr. Mohamed MAHER

ALEXANDRIA

El Shatby

El Shatby, Port Said St., Bldg. #17
 Phone: (203) 5934057/9 - 5918754
 Senior Branch Manager: Mr. Ashraf TAHIO

Manshia

Orabi Square, Bldg. #9
 Phone: (203) 4856052/74/88
 Fax: (203) 4856120
 Branch Manager: Mr. Mohamed ABOU SHOUSHA

Montaza

Gamal Abd El Naser, Mecca Tower, Bldg. #414
 Phone: (203) 5488550/98 - 5401470
 Branch Manager: Mrs. Radwa EL FIKY

Semouha

Fawzy Moaaz St., Semouha, Semouha Heights Bldg. #56
 Phone: (203) 4210481
 Branch Manager: Mr. Emad BADAWY

Sporting

El Horia St., Bldg. #273
 Phone: (203) 4258900 - 4282050 - 4200094
 Fax: (203) 4271702
 Branch Manager: Mrs. Rasha MOSTAFA

Stadium

Seliman Yosry St., Loumomba, Bldg. #1
 Phone: (203) 4951627/41/42/45
 Fax: (203) 4951639
 Senior Branch Manager: Mr. Ayman TALAAT

GOVERNATES

Damietta

Corniche El Nile St., Borg El Shorta, Bldg. #1
 Phone: (2057) 2363470/13
 Fax: (2057) 2363453
 Acting Branch Manager: Mr. Saeed ELKASSAR

El Minya

Sultan Land-Taha Hussein St., Bldg. #225-226
 Phone: (2086) 2318084/98 - 2317171
 Fax: (2086) 2317171
 Senior Branch Manager: Mr. Ihab FARAHAT

El Suez

El Geish St. (Khoderi Tower), Bldg #354
 Phone: (2062) 3348053/4 - 3425948
 Fax: (2062) 3348052/5
 Branch Manager: Mr. Ahmed ASHRAF

Ismailia

El Ismailia Canal, 144 St., Bldg. #15
 Phone: (2064) 3921756/58/59/61/79
 Fax: (2064) 3921767
 Branch Manager: Mr. Mohamed ABD ELKADER

Mansoura

Torail, Saad Zaghloul St., Bldg. #35
 Phone: (2050) 2309120/3/6/8
 Fax: (2050) 2309122/5
 Branch Manager: Mrs. Ghada HASSAN

Mit Ghamr

Gawharet El Nil Tower, El Horreya St., Mit Ghamr,
 Phone: (2050) 4921639
 Acting Deputy Branch Manager: Mr. Ahmed EL GARAWANY

Port Said

Al Gomhoureya St., Bldg. #37
 Phone: (2066) 3201057 - 3201062/4
 Fax: (2066) 3201063
 Branch Manager: Mr. Mohamed ELNAGGAR

Tanta

El Geish St., Bldg. #44
 Phone: (2040) 3356231 - 3356397
 Fax: (2040) 3356449
 Branch Manager: Mr. Ashraf EL GENDY

RED SEA

Al Hurghada

Sakallah Square, Elmina St., Bldg. #7
 Phone: (2065) 3447835 - 3448515
 Fax: (2065) 3447834
 Deputy Branch Manager: Mr. Mohamed BESHEER

Sharm El Sheikh

Salam St., Viva Mall
 Phone: (2069) 3664314/26/27
 Fax: (2069) 3664325
 Acting Deputy Branch Manager: Mr. Ahmed OSMAN



Management

Board of Directors

Dr. Fadi OSSEIRAN	Chairman
Mr. Michel CHIKHANI	Non- Executive Member
Mr. Nadim KABBARA	Executive Member
Mr. Mohamed OZALP	Non- Executive Member
Mr. Omar EL DERINI	Independent Member
Mr. Ehab Nabil SALEH	Independent Member
Mr. Ali Ezzat KHAFAGY	Independent Member

General Management

Mr. Nadim KABBARA	Managing Director & Chief Executive Officer
Mr. Sameh ALI HMAIDANY	Compliance Manager
Mr. Amr NASSAR	Operations Manager
Mr. Ahmed EL SEBAIE	Information Technology Manager

NETWORK

Giza, Dokki, Mossadek St., Arope Bldg. #30
 Phone: (202) 33360948
 Fax: (202) 33360949



Management

Board of Directors

Mr. Rabih HALABI	Chairman
Ms. Maya Abou Alwan EL KADI	Vice Chairman
Dr. Fadi OSSEIRAN	Non-Executive Member
Mr. Mohamed RACHWAN	Non-Executive Member
Mr. Hassan SOLEIMAN	Independent Member
Mr Hamdy RASHAD	Independent Member
Mr. Khaled HAMAD	Independent Member
Mr. Mohamed Fathallah EL SAYED	Executive Member

General Management

Mr. Mohamed Fathallah EL SAYED	Managing Director
Mr. Ziad FARAH	Managing Director for Business Development
Mr. Ahmed TAHA	Head of Finance
Mr. Mohamed MAHMOUD	Head of Operations
Mr. Mohamed ABDEL DAYEM	Head of Compliance
Mr. Nashaat GAD	Head of Internal Audit
Mr. Shereif ASHOUR	Head of Trading
Mr. Mohamed TAHA	Head of Information Technology

Network

HEADQUARTERS (CAIRO)

Giza, Mohandessin, Gezerat El Arab St., Bldg. #8
 Phone: (202) 37617682/3/7
 Fax: (202) 37617680
 Email: info@blomsecurities.com
 Website: www.blomegyptsecurities.com

Heliopolis Branch

Al Orouba, Cleopatra St., Bldg. #1
 Phone: (202) 24144801/47
 Fax: (202) 24144829

Online Trading

Giza, Mohandessin, Gezerat El Arab St., Bldg. #8
 Phone: (202) 37621712/29
 Fax: (202) 37617680
 Email: etrade@blomsecurities.com



Management

Board of Directors

Mr. Abdullah Abdullatif AL-FOZAN	Chairman
Mr. Saad AZHARI	Executive Member
Dr. Fadi OSSEIRAN	Non-Executive Member
Mr. Marwan JAROUDI	Non-Executive Member
Mr. Adel MURHEB	Non-Executive Member
Mr. Walid Abdul Aziz AL SAGHYIR	Executive Member
Mr. Hiytham AL FURAIH	Independent Member
Mr. Fahd AL-MOJEL	Independent Member
Mr. Hazem AL-SHEIKH MUBARAK	Independent Member

General Management

Mr. Abdullah Saud AL-RASHOUD	Chief Executive Officer
Ms. Samia AL NABULSI	Acting Head of Asset Management
Mr. Tarios ATALLAH	Acting Chief Financial Officer
Mr. Tony BOU FAYSSAL	Head of Risk Management
Mr. Fady AL KHALAF	Head of Real Estate Funds
Mr. Mohammad DAQQA	Operations Manager
Mr. Marc HAJJ	Head of Private Wealth Management

Network

HEADQUARTERS (RIYADH)

Riyadh, King Fahd Road, Al Oula Bldg., 3rd Flr.
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 Fax: (966-11) 4949551
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 Website: www.blom.sa



Jordan

Management

Board of Directors

Dr. Adnan AL ARAJ	Chief of Directors Committee
Mr. Modar KURDI	Deputy Chief of Directors Committee
Mr. Ashraf ALQUDAH	Director

General Management

Mr. Anwar AL SAQQA	General Manager
Mr. Khalid ZURUB	Deputy General Manager
Mr. Shadi BARHAM	Brokerage Manager
Mrs. Balqees KHASAWNEH	Financial Manager
Mrs. Randa NAZZAL	Support Manager
Mrs. Muna DRANINI	Customer Service Manager
Ms. Ruba SAWAGED	Compliance Manager

Network

HEADQUARTERS (AMMAN)

Shmeisani, Abdul Hamid Sharaf St., BLOM BANK Bldg.
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 Fax: (962-6) 5663905
 Email: info@efs.jo



Management

Board of Directors

Mr. Saad AZHARI	Chairman & Executive Member
Mr. Izzat NUSEIBEH	Executive Member
Mr. Marwan JAROUDI	Vice Chairman
Mr. Fahim MO'DAD	Non-Executive Member
Mr. Nicolas SAADE	Independent Member

General Management

Mr. Saad AZHARI	Chairman
Mr. Izzat NUSEIBEH	Chief Executive Officer
Mr. Abbas BOU DIAB	Head of Compliance & Anti-Money Laundering
Mr. Dany ABOU JAOUDE	Head of Corporate Banking
Mr. Roger ABOU ZEID	Head of Operations & Treasury
Mr. Mazen AL DANAF	Head of International Banking Services
Mrs. Rima EL ETER	Risk Manager
Mr. Mohamad MASSALKHY	Finance Manager
Mr. Zaher GHOUSSAINI	Human Resources Manager

Network

HEADQUARTERS (DOHA)

West Bay Area, Al Qassar Region 61, Al Wahda St., NBK (Amwal) Tower, 11th Flr., Suite 1110

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Fax: (974) 44992990

Email: blommail@blombankqatar.com

Insurance Subsidiaries



Management

Board of Directors

Mr. Fateh BEKDACHE	Chairman & General Manager
Mr. Samer AZHARI	Non-Executive Member
SCOR SE	Independent Member
Mr. Serge OSOUF	Independent Member
Mr. Patrick LOISY	Independent Member
Mr. Rami HOURIEH	Independent Member
Mr. Marwan JAROUDI	Independent Member
Mr. Talal BABA	Non-Executive Member
Mrs. Jocelyne CHAHWANE	Non-Executive Member
Ms. Faten DOUGLAS	Executive Member

General Management

Mr. Fateh BEKDACHE	Chairman & General Manager
Ms. Faten DOUGLAS	Deputy General Manager
Mr. Ghassan LABBAN	Assistant General Manager - Finance & Accounting
Mr. Patrick GERGES	Assistant General Manager - Planning & Investment

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AROPE Insurance for Properties and Liabilities S.A.E.

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Talal BABA	Independent Member
Mr. Rabih EL HALABI	Non-Executive Member
Ms. Maya Abou Alwan EL KADI	Non-Executive Member
Mr. Ahmad KHATTAB	Non-Executive Member
Mr. Ihab KHALIL	Non-Executive Member
Ms. Faten DOUGLAS	Non-Executive Member
Mr. Mohammad Abd AlRahman EL-SAYED	Executive Member
General Management	
Mr. Medhat SABER	Managing Director
Mr. Amir BADIE	Chief Financial Officer
Mr. Moataz ABDEL MAJID	Chief Medical Officer
Mr. Mohamed MAHMOUD	Chief Marketing, Production & Branches Officer
Mr. Yasser HAMMAD	Chief Information Officer

AROPE Life Insurance S.A.E.

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Talal BABA	Independent Member
Mr. Rabih EL HALABI	Non-Executive Member
Ms. Maya Abou Alwan EL KADI	Non-Executive Member
Mr. Ahmad KHATTAB	Non-Executive Member
Mr. Ihab KHALIL	Non-Executive Member
Mr. Ali EL SISI	Executive Member
General Management	
Mr. Ali EL SISI	Managing Director
Mr. Wael CHUCRI	Assistant General Manager
Mr. Amir BADIE	Chief Financial Officer

Network

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