



General Report Board of Directors 2024

For nearly six years now, Lebanon has been stuck in a prolonged economic and financial crisis represented by an unprecedented sovereign debt default of the Lebanese Eurobonds, liquidity shortage, capital controls, declining confidence, and dramatic depreciation of the local currency. Furthermore, the war with Israel caused Lebanon's economy to contract even more in 2024.

The bottom line exhibited negative results from 2020 to 2022 mainly due to the government withholding coupons on Eurobonds, the 75% withholding of interest on FC BDL placements and CDs, and the enormous booking of regulatory ECLs on sovereign exposure. The cost cuts partially compensated for this loss; however, the net was a negative result. In 2023 & 2024, total recurrent income still registered a gain; however, after booking Expected Credit Losses (ECL's) on sovereign exposure in foreign currency, which were mainly compensated by the gain on forex position due to the increase in the official US\$ rate to 15,000 LBP in 2023 and then to 89,500 LBP in 2024, we were able to almost breakeven in both years with a net loss reaching -\$0.29 million in 2024.

On the balance sheet side, our total assets dropped by 7.59% in 2024 to reach \$1.81 billion. Also, BLC Bank customer deposits reached \$1.75 billion by end of December 2024 decreasing by 6.4% compared to 2023 figures, following a drop in Lollar deposits. In parallel, total net loans to customers dropped by 48% to reach \$63 million due to the ongoing large payoffs.

Furthermore, and following the staff cost reduction plans initiated at the beginning of the crisis, and at a later stage, staff resignations in search of better job opportunities resulting from the recent economic downturn, our staff headcount dropped by 473 staff or -56% since September 2019, to reach 377 by end of March 2025, coming from 850.

As far as the foreign liquidity is concerned, by end of March 2025, total Available Fresh Funds in FC reached \$64.6m and constituted 101% (min 100%) of total Fresh Commitments amounting to \$63.9 million. BLC Net Fresh proprietary liquidity balance in FC reached \$0.7 million. After adding \$34 million representing the market value of the Eurobonds classified at Fair value, to the available fresh funds, our gross FC Liquidity Ratio would reach \$95.7 million or 5.48%, compared to the 3% regulatory liquidity Ratio as per BDL circ. # 154.

BLC Bank will strive to maintain its liquidity at acceptable levels by increasing its fresh income at various levels, pursuing efforts in order to bring fresh liquidity against full settlement of loans,



shifting USD Fresh expenses to LBP whenever possible, working closely on the recovery of major NPL files for fresh collection, and selling real estate properties, Eurobonds at Fair Value & Solidere shares when needed only.

Moreover, after the increase in the official US\$/LBP exchange rate in 2023 & 2024, and as a result of the application of IAS 21, BLC Bank Capital Adequacy Ratio dropped to 1.19% by end of December 2024 vs 8% required by the regulator; If we include 75% of gain on revaluation of Real Estate under article 153 & 154, the ratio would increase to 5.42% (i.e. -\$48.6m shortage).

To compete effectively, our bank must restore confidence, and leverage its existing strengths while adapting to new realities. Accordingly, BLC Bank will continue on expanding its fresh business operations, focusing on attracting fresh depositors with cross selling opportunities while resuming the disbursement of secured commercial and retail loans. Also, leveraging synergies with Fransabank is essential for ensuring efficiency and better decision-making, while focusing on achieving best Quality of service and minimizing customer complaints.

And to re-affirm our strategic orientation, we are in the final stages of launching our digital banking solution which will position the bank in the Digital Banking field.

In the near future, BLC Bank profitability is expected to be further affected by the regulatory credit losses on sovereign instruments under BDL circular #649. Nevertheless, the bank is keen to reach a positive fresh P&L bottom line by enhancing its revenues streams, and by applying more cost cutting measures. In fact cost control measures during the past 6 months led to a saving of more than \$0.5 m in fresh usd operational expenses.

Finally, the sustainability of the bank depends on its ability to adapt to the financial crisis, by seeking growth in specific areas and embracing digital transformation, while reaching 75% Regulatory ECLs on the Eurobonds portfolio.

Chairman General Manager

Nadim Kassab

