



Report to the Board of Directors Meeting

March 16, 2018



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Section 1

Stock Performance of Top Three Lebanese Banks

The following shows the return for a USD 1M investment for the last five years, three years and 1 year in BLOM GDR, Audi GDR and Byblos Common shares based on two scenarios, collecting the dividends or reinvesting the dividends

Top Three Lebanese Banks Relative Performance

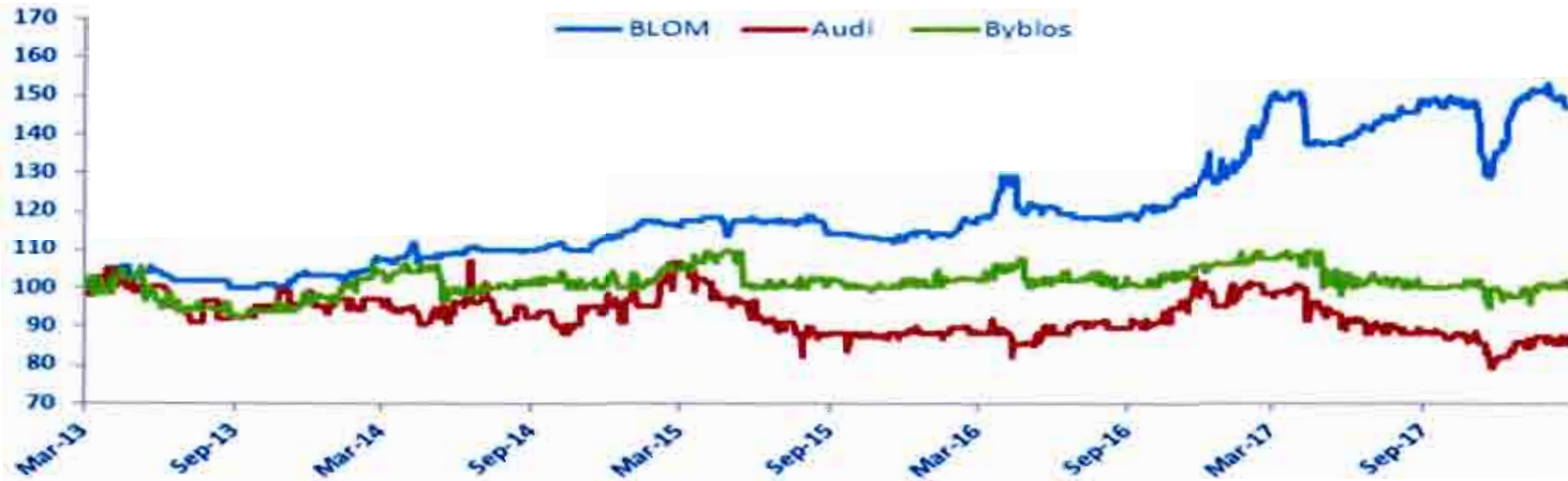
Without Dividend Reinvestment	1 Year	3 Years	5 Years
BLOM Bank (GDR)	5.41%	50.58%	85.14%
Audi Bank (GDR)	-6.40%	-3.10%	12.77%
Byblos Bank (Common)	-0.06%	17.40%	33.26%

With Dividend Reinvestment	1 Year	3 Years	5 Years
BLOM Bank (GDR)	5.88%	56.66%	100.07%
Audi Bank (GDR)	-7.21%	-3.49%	13.43%
Byblos Bank (Common)	-0.38%	18.44%	39.35%

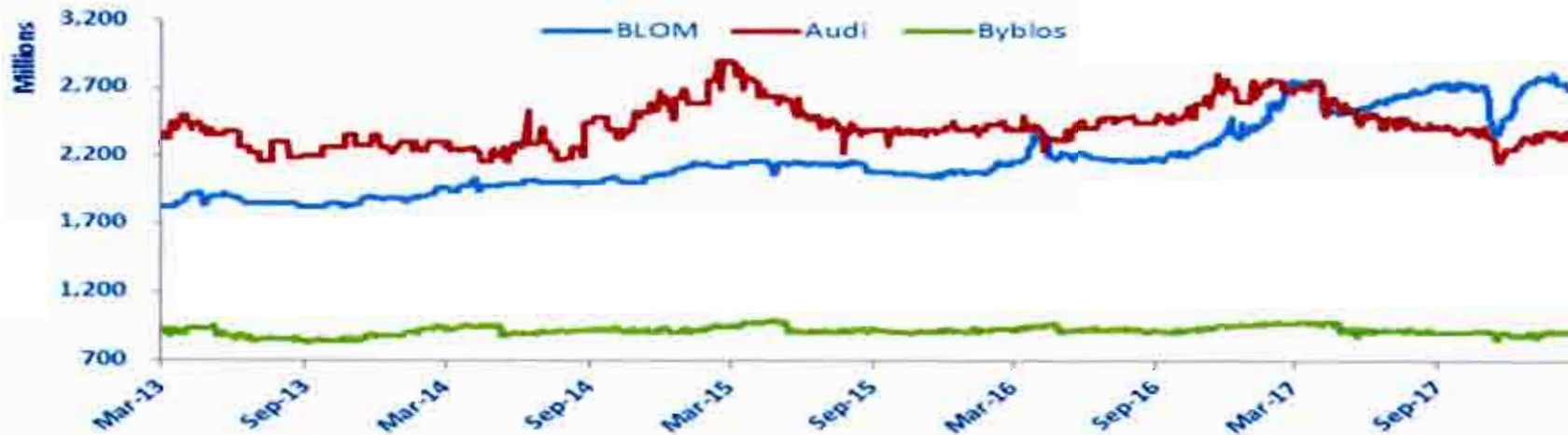
Net Dividend Distribution (per share) trend in USD for the Top Three Lebanese Banks



➤ Share price performance of the Top three Lebanese Banks for the last 5 Years excluding dividends paid



➤ The Market Capitalization of the Top three Lebanese Banks for the last 5 Years



Section 2

Executive Summary

Executive Summary

- Net income in Lebanon surged to USD 383M at year end 2017 up from USD 340M at year end 2016, mainly driven by the new BDL-subsidized financial product in USD introduced in 2017.
- Consolidated results recorded a net income of USD 485M at year end 2017 up from USD 463M at year end 2016. BLOM Egypt was the second most profitable entity in year 2017 after BLOM Lebanon with a net profit of USD 34M followed by BLOM Jordan USD 12.5M and UAE at USD 10M. Arope Lebanon was the most profitable non-banking subsidiary with a net income of USD 18.5M.
- Return on average common equity reached 17.19% at year end 2017 compared to 17.09% at year end 2016. Return on average assets reached 1.56% at year end 2017 compared to 1.58% at year end 2016.
- Consolidated asset quality improved where gross NPL to gross loans decreased from 4.19% at year end 2016 to 3.12% at year end 2017.
- Despite the redemption of the USD 200M year 2011 preferred shares, total shareholders' equity recorded a growth of 2.49%; reaching USD 3.01B at year end 2017 compared to USD 2.93B at year end 2016.
- Capital Adequacy Ratio continued to record high levels; reaching 18.27% at year end 2017.

Section 3

Year 2017 – Performance

Overview of the Sources of Funds

December 31, 2017	BLOM - Group	% from Total	BLOM & FB (a)	% from Total
USD'000				
Due to Central Bank	1,500,635	4.61%	1,494,447	5.39%
Due to Banks	383,876	1.18%	348,926	1.26%
Customer Deposits	26,641,850	81.86%	22,739,517	81.99%
Other Liabilities	1,012,364	3.12%	716,004	2.58%
Shareholders Equity	3,005,381	9.23%	2,435,580	8.78%
Total Sources of Funds	32,544,106		27,734,474	

- "Customer Deposits" is the major source of funds in both BLOM Group and BLOM & FB representing 81.86% and 81.99% respectively from total sources of funds at year end 2017 compared to 84.05% and 84.44% respectively at year end 2016.
- "Shareholders Equity" represents in both BLOM Group and BLOM & FB around 9% from total sources of funds.
- "Due to Central Bank" at BLOM & FB represents due balances from the Central Bank of Lebanon against subsidies for both retail housing loans and financial transactions that were introduced in 2017.

(a) "BLOM & FB" represents BLOM and its foreign branches that includes BLOM Lebanon, BLOM Jordan, BLOM Cyprus and BLOM Iraq.

Customer Deposits



December 31, 2017	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	1,500,635	1,494,447
Due to Banks	383,876	348,926
Customer Deposits	26,641,850	22,739,517
Other Liabilities	1,012,364	716,004
Shareholders Equity	3,005,381	2,435,580
Total Sources of Funds	32,544,106	27,734,474

- Consolidated Deposits increased by 7.4% from year 2016 due to the organic growth of the business, mainly in Lebanon and Egypt, as well as the acquisition of HSBC Lebanon Branches in June 2017 that accounted for 2.1% of the increase.
- Lebanon saw deposits rise 6.5% while Jordan deposits dropped by 3.7%. Total BLOM & FB deposits recorded a growth of 6.1% in year 2017 compared to 3.5% in year 2016.
- Liquidity from a loans-to-deposit perspective appeared high with the ratio at 28.3% on a consolidated level at the end of 2017 vs. 28.9% in 2016.

Shareholders Equity



December 31, 2017	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	1,500,635	1,494,447
Due to Banks	383,876	348,926
Customer Deposits	26,641,850	22,739,517
Other Liabilities	1,012,364	716,004
Shareholders Equity	3,005,381	2,435,580
Total Sources of Funds	32,544,106	27,734,474

- Consolidated Shareholders' Equity recorded a growth of 2.49% at year end 2017 compared to 7.75% at year end 2016. The decrease in growth from year to year is mainly due to the redemption of year 2011 preferred shares that amounted to USD 200M.
- BLOM & FB Shareholders Equity recorded a decline of 1.08% at year end 2017 compared to a growth of 10.44% at year end 2016. The major reason for the decline was the redemption of year 2011 preferred shares that amounted to USD 200M.
- Consolidated total Capital adequacy ratio reached 18.27% at end of 2017.
- Consolidated Common Equity Tier 1 capital adequacy ratio recorded 16.37% at end of 2017.

Overview of the Uses of Funds

December 31, 2017	BLOM - Group	% from Total	BLOM & FB	% from Total
USD'000				
Balances with Banks	2,393,210	7.35%	1,203,344	4.34%
Sovereign Exposure	20,829,312	64.00%	18,707,492	67.45%
Corporate Securities	582,781	1.79%	417,646	1.51%
Commercial Loans	4,337,491	13.33%	2,888,116	10.41%
Retail Loans	3,200,623	9.83%	3,058,559	11.03%
Other Assets	1,200,689	3.70%	1,459,316	5.26%
Total Assets	32,544,106		27,734,474	

- "Sovereign Exposure" remains in both BLOM Group and BLOM & FB the major uses of funds representing 64% and 67.45% respectively from total assets at year end 2017 compared to 60.96% and 63.89% respectively at year end 2016.
- "Total Loans and Advances" represent in both BLOM Group and BLOM & FB 23.16% and 21.44% respectively from total assets at year end 2017 compared to 24.27% and 22.78% respectively at year end 2016.
- "Balances with Banks" share from total BLOM Group reached 7.35% at year end 2017 compared to 7.28% at year end 2016.
- In Lebanon "Core Liquidity in FC to customer deposits in FC" recorded 9.95% at year end 2017 compared to 12.05% at year end 2016.

Sovereign Exposure

BLOM - Group

- Governmental Bills
- Central Bank Placements
- Central Bank CDs



BLOM & FB

- Governmental Bills
- Central Bank Placements
- Central Bank CDs



December 31, 2017	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	2,393,210	1,203,344
Sovereign Exposure	20,829,312	18,707,492
Corporate Securities	582,781	417,646
Commercial Loans	4,337,491	2,888,116
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Other Assets	1,200,689	1,459,316
Total Assets	32,544,106	27,734,474

- BLOM & FB, the "sovereign exposure" has recorded a growth of 15.33% at year end 2017 compared to 12.32% at year end 2016. The concentration of investments in sovereign exposure is mainly with the Central Bank of Lebanon comprising around 80% from total sovereign exposure at year end 2017.
- BLOM Group, the "sovereign exposure" has recorded a growth of 15.76% at year end 2017 compared to 7.65% at year end 2016.

Lending Portfolio

BLOM – Group (Economic Sector)



BLOM & FB (Economic Sector)

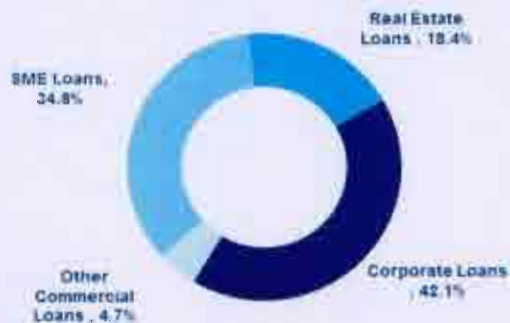


December 31, 2017	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	2,393,210	1,203,344
Sovereign Exposure	20,829,312	18,707,492
Corporate Securities	582,781	417,646
Commercial Loans	4,337,491	2,888,116
Retail Loans	3,200,623	3,058,559
Other Assets	1,200,689	1,459,316
Total Assets	32,544,106	27,734,474

- Consolidated "Loans Portfolio" grew by 5.22% at year end 2017 compared to a decrease of 0.44% in year 2016. The increase in Year 2017 was mainly due to the acquisition of HSBC Lebanon Branches in June 2017.
- Consolidated "Gross NPL" dropped from 4.19% at year end 2016 to 3.12% at year end 2017. The coverage ratio (excluding collective provisions) reached 83.90% at year end 2017 compared to 89.94% at year end 2016.
- BLOM & FB "Loans Portfolio" recorded a growth of 2.83% at year end 2017 compared to a growth of 2.18% in year 2016.
- BLOM & FB "Gross NPL" recorded 2.94% at year end 2017 compared to 4.19% at year end 2016.

Commercial Loans

BLOM – Group (By Type)



BLOM & FB (By Type)

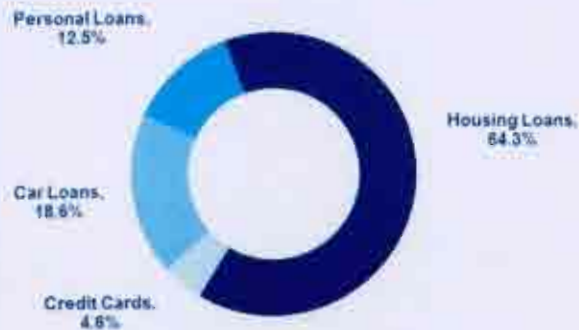


- Consolidated "Commercial Loans" increased by 1.81% from year 2016 mainly due to the growth in the loan portfolio of BLOM Bank Egypt by 44.80%.
- Consolidated "Gross Commercial NPL" decreased to 3.99% in year 2017 from 5.73% in year 2016. The coverage ratio of these loans by specific provisions has reached 92.06% in year 2017 as compared to 94.36% at year end 2016.

- BLOM & FB "Commercial Loans" decrease by 3.68% at year end 2017 compared to a growth of 0.99% at year end 2016.
- BLOM & FB "Gross Commercial NPL" decreased from 6.26% at year end 2016 to 3.94% at year end 2017. The coverage ratio of these loans by specific provisions has reached 94.55% at year end 2017 as compared to 97.37% at year end 2016.

Retail Loans

BLOM – Group (By Product)



BLOM & FB (By Product)



- Consolidated "Retail Loans" increased by 10.22% at year end 2017 compared to a 0.36% growth in year 2016. The 2017 increase is attributable to the BLOM Lebanon and Egypt that recorded a growth of 11% and 18% respectively.
- Consolidated "Gross Retail NPL" recorded 1.91% in year 2017 compared to 1.82% at year end 2016. The coverage ratio of these loans by specific provisions reached 68.40% at year end 2016 compared to 59.89% in year 2017.

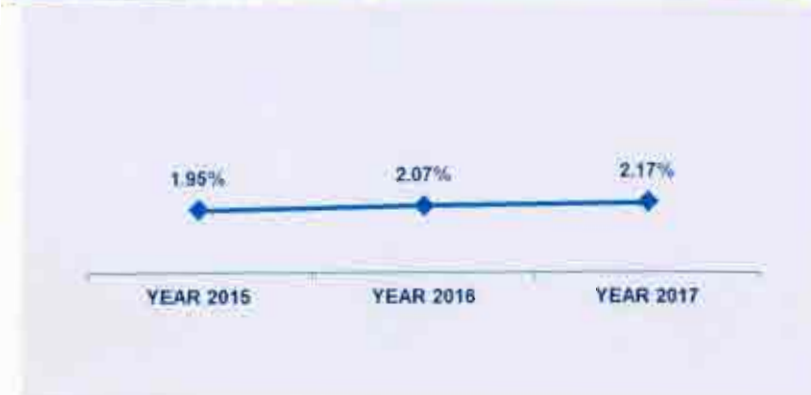
- BLOM & FB "Retail Loans" recorded a growth of 9.83% at year end 2017 compared to 3.48% at year end 2016.
- BLOM & FB "Gross Retail NPL" recorded 1.96% at year end 2017 compared to 1.82% at year end 2016. The coverage ratio of these loans by specific provisions reached 59.11 at year end 2017 compared to 67.23% at year end 2017.

Section 4

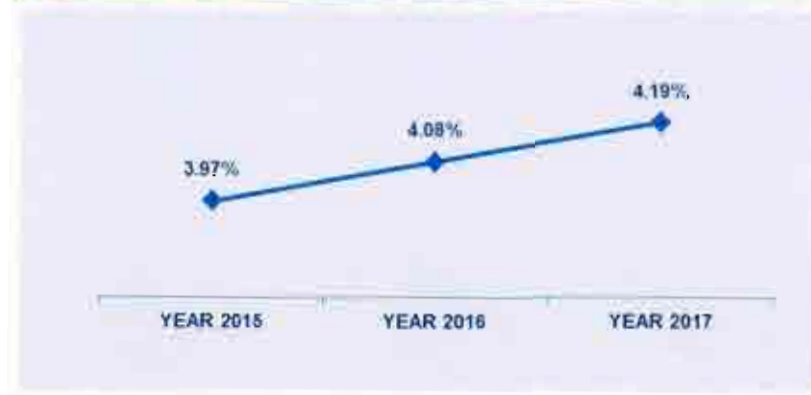
BLOM Lebanon – Interest Margins

BLOM – Lebanon year 2017 Interest Margin (all currencies) increased to 2.17% as compared to 2.07% in year 2016, the major reason is the increase in the yields of sovereign investments to 6.45% in year 2017 up from 6.35% in year 2016.

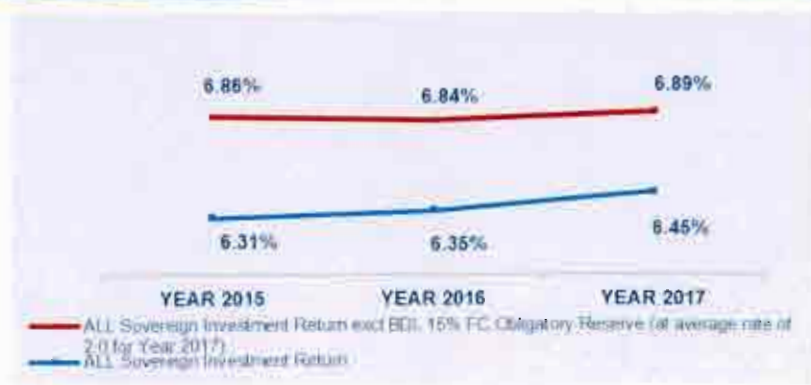
Interest Margin (all currencies)



Cost of Deposits (all currencies)



Sovereign Investments Return (all currencies)



Total Lending Return (all currencies)



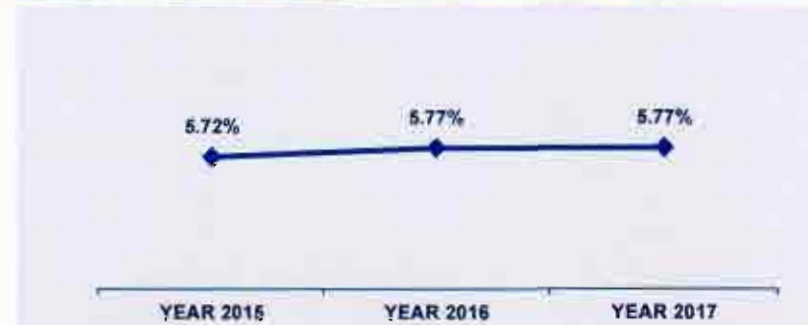
BLOM – Lebanon year 2017 **LBP** Interest Margin recorded 2.33% as compared to 2.11% in year 2016.

LBP Interest Margin



(a) Without Central Bank of Lebanon subsidy in LBP related to USD

LBP Cost of Deposits



LBP Sovereign Investments Return



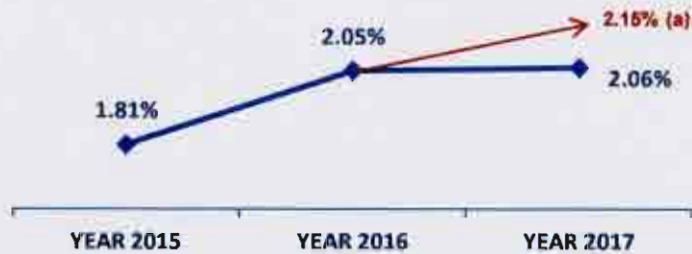
(b) Total LBP Lending Return



(b) Without taking into account the subsidy effect

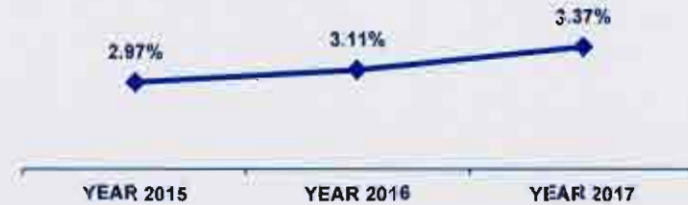
BLOM – Lebanon year 2017 FC Interest Margin recorded 2.06% as compared to 2.05% in year 2016, the sovereign investments in year 2017 recorded 5.47% up from 5.20% in year 2016.

FC Interest Margin



(a) With Central Bank of Lebanon subsidy in LBP related to USD

FC Cost of Deposits



FC Sovereign Investments Return



Total FC Lending Return



(b) Without taking into account the subsidy effect

Section 5

BLOM Lebanon – Income by business line

The following shows the net profit by major business lines at BLOM – Lebanon for the year ending 2017.

USD '000	Retail	Corporate & Trade Finance	Treasury & Deposits Business	Other (a)	Total P&L
Net interest income (b)	115,468	35,533	405,782		556,783
Non - Interest Income	39,662	25,831	74,336	70,018	209,847
Net Credit Loss Expense	(12,734)	6,218			(6,516)
Goodwill Impairment				(72,395)	(72,395)
Direct Cost of Business Line	(20,770)	(7,149)	(5,210)		(33,129)
In-Direct Cost (Branches and HO Departments)	(61,645)	(31,831)	(96,138)		(189,614)
Total COST	(82,415)	(38,980)	(101,348)		(222,743)
Net Operating Profit	59,981	28,602	378,770	(2,377)	464,976
Income Tax (c)	(8,997)	(4,290)	(58,203)	(10,503)	(81,993)
Net Income By Business Line	50,984	24,312	320,567	(12,880)	382,983
% from Total	13.31%	6.35%	83.70%	-3.36%	

(a) "Other" represents the impairment of HSBC goodwill that was offset by releasing deferred gains from 2016 BDL Swap operations. In addition to the impairment of BLOM Egypt goodwill that is eliminated at the group level.

(b) Maturity mismatch was not taken into consideration and therefore the fund transfer pricing (FTP) methodology was not applied. The cost of funding used was the marginal rate. Net interest income includes the 7% interest tax effect.

(c) Income tax rate applied : 15% up to 26 October 2017 THEN 17% afterwards.

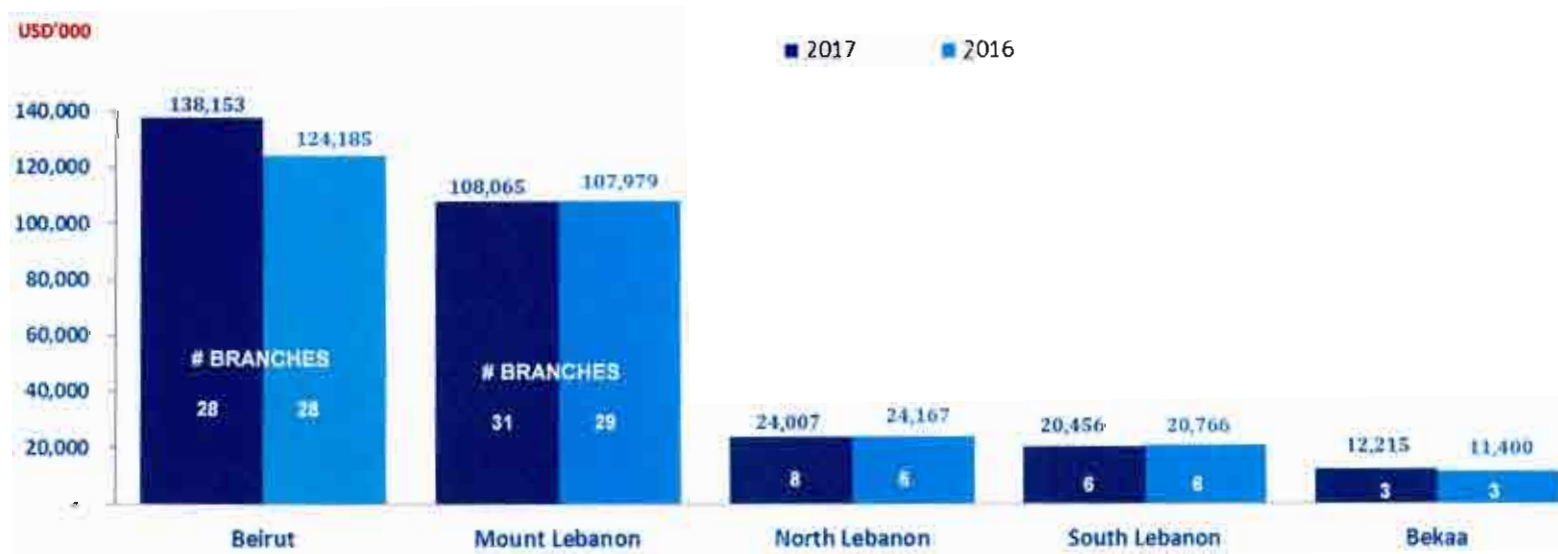
Section 6

BLOM Lebanon – Income by Branch

Total number of Branches in Lebanon amounted to 76 in year 2017 compared to 74 in year 2016

- Total net income recorded by BLOM – Lebanon branches amounted to USD 303M in year 2017 compared to USD 288M for year 2016.
- Beirut region branches remain the most profitable with 46% from total branches net income followed by Mount Lebanon branches at 36%.

The following shows the net income by region for BLOM – Lebanon Branches:



The following shows by branch the top and the least performers for Year 2017 by net income broken down by region. Net income was adjusted for loans subsidy effect.

TOP Performers (USD M)			
Region	Branch	Net Income YEAR	
		2017	2016
BEIRUT	MAIN BRANCH	21.0	20.8
	HAMRA	18.0	9.8
	BADARO	8.6	7.6
	GHOBEIRY	8.2	8.1
	JNAH	7.5	8.0
MOUNT LEBANON	DORA	11.8	8.5
	KASLIK	10.4	10.9
	ANTELIAS	7.9	8.2
	SIN EL FIL	7.5	7.8
	ARAMOUN	7.5	7.1
NORTH	TRIPOLI-TELL	9.7	10.1
	AZMI	7.2	6.9
	ABI SAMRA	5.1	4.9
SOUTH	TYR	7.8	8.3
	SAIDA	6.9	7.2
	NABATIEH	5.8	5.9
BEKAA	ZAHLEH	6.6	5.9

LEAST Performers (USD M)			
Region	Branch	Net Income YEAR	
		2017	2016
BEIRUT	AIN EL MRAISSEH	2.8	2.7
	SODECO	2.1	1.8
	BAB IDRIS	0.9	0.8
	EMBASSY	0.3	(0.1)
	BECHARA AL KHOURY	0.1	(0.4)
MOUNT LEBANON	BROUMANA	1.6	1.5
	JDEIDEH	1.6	1.3
	DBAYE	(0.1)	(0.5)
	CHEHIM	(0.4)	(0.04)
	BEKFAYA	(0.4)	(0.04)
NORTH	TRIPOLI - BOULEVARD	1.2	0.8
	HALBA	(0.05)	N/A
	BATROUN	(0.1)	N/A
SOUTH	TYR-ATHAR	1.9	1.2
	SAIDA BOULEVARD	1.2	1.0
	TYR - ABBASSIEH	0.7	0.6
BEKAA	JEB JENNINE	1.5	1.3

Section 7

Year 2018 – BLOM Lebanon Budget

Budgeted Balance Sheet & Income Statement

BLOM – Lebanon Year 2018 budgeted Balance Sheet

USD'000

	Budget Year 2018			Dec-17	Growth
	LBP accounts	FC accounts	Total	Total	
Sovereign Exposure	9,110,000	10,816,000	19,936,000	18,254,803	9.15%
Placements with Banks	51,000	1,470,000	1,521,000	1,420,893	7.05%
Fixed Income Securities	0	267,000	267,000	307,112	
Loans to Customers – Commercial	177,000	2,604,000	2,781,000	2,725,683	2.03%
Loans to Customers – Retail	1,352,000	1,010,000	2,362,000	2,661,259	-11.25%
Other Assets	503,000	984,000	1,487,000	1,311,586	
Total Assets	11,193,000	17,151,000	28,344,000	26,681,336	6.23%
Due to BDL	2,057,000	37,000	2,094,000	1,479,174	41.57%
Due to Banks	43,000	498,000	541,000	491,696	
Customer Deposits	7,000,000	15,505,000	22,505,000	21,684,350	3.78%
Other Liabilities	401,000	202,000	603,000	601,248	
Shareholders Equity	2,157,000	444,000	2,601,000	2,424,868	7.26%
Total Liabilities & Equity	11,658,000	16,686,000	28,344,000	26,681,336	6.23%

BLOM – Lebanon Year 2018 Budgeted Income Statement

USD'000	Budget Year 2018	Actual Dec 2017	Budgeted Growth %
Interest Income	1,824,000	1,464,987	24.64%
Sovereign Exposure	1,435,000	1,049,875	
Placements with Banks	11,000	15,704	
Fixed Income Securities	11,000	31,471	
Loans to Customers	367,000	367,937	
Interest Expense	(1,117,000)	(908,204)	22.99%
Due to BDL	(29,000)	(8,628)	
Due to Banks	(18,000)	(16,620)	
Customer Deposits	(1,070,000)	(882,956)	
Net Interest Income	707,000	556,783	27.34%
Net commission income	76,000	74,965	1.38%
Credit loss expense	(12,500)	(6,516)	
Capital Gains	0	0	
Net Mark to Market Gains	0	0	
Profit from foreign exchange	12,000	11,505	
Other Income	11,000	11,141	
Net operating income	793,500	647,878	22.79%
Staff expenses	(145,000)	(135,012)	7.40%
General Operating Expenses	(78,000)	(74,233)	5.07%
Depreciation	(16,000)	(13,497)	
Total operating expenses	(239,000)	(222,743)	7.30%
Net operating profit	554,500	425,135	30.90%
Income tax	(95,000)	(81,994)	
Net profit	460,000	343,000	34.69%
7% interest Tax - BDL PLC (Net of Tax)	(70,000)		
Net profit After 7% Tax on BDL Plc	390,000	343,000	13.70%

USD'000	Budget Year 2018	Actual Dec 2017	Budgeted Growth %
Net profit	390,000	343,000	
Non-Recurring Items:			
Capital Gains		109,528	
Arope Lebanon Dividends		7,297	
Net Mark to Market Gains		(4,447)	
Provision for Goodwill Impairment		(72,395)	
Net profit	390,000	382,983	1.83%

- Net operating profits are budgeted to reach USD 555M with a growth of 30.90% compared to year 2017.
- Net Income is budgeted to reach USD 390M with a growth of %1.83 as compared to year 2017.
- The 7% interest Tax on BDL placements is expected to have an impact of USD 70M – net of income tax on year 2018 profits.

Section 7.1

Year 2018 – BLOM Lebanon

Major Assumptions

BLOM – Lebanon : Retail Lending Assumptions Budget Year 2018

USD'000	Budget Year 2018	Budgeted % Growth	Year 2017	Year 2016	Actual % Growth
Balance Sheet Accounts					
LBP Retail Loans	1,352,000	-12.00%	1,535,165	1,436,164	6.27%
Interest Rates Annual	6.44%		6.19%	6.40%	
FC Retail Loans	1,010,000	-10.31%	1,126,094	955,148	19.48%
Interest Rates Annual	9.64%		9.77%	9.72%	
Total Retail Loans	2,360,000	-11.25%	2,661,259	2,391,312	11.55%
Interest Rates Annual	7.81%		7.68%	7.77%	
Profit & Loss Accounts					
Interest Income	196,000		193,488	184,560	
Net Commission Income	33,500		33,672	35,472	
Provisions Specific (P&L)	(12,000)		(12,450)	(13,673)	
Provisions Collective (P&L)	(0.00)		(539)	(3,517)	

➤ The **budgeted growth rate** for the retail portfolio is set based on the **prevailing economic conditions** in Lebanon.

The "Retail Portfolio" **repayments** during Year 2018 are expected to reach USD 626M, while the expected **grants** are budgeted at USD 326M.

Therefore the "Retail Portfolio" is budgeted at a **negative growth rate of 11.25%**.

➤ **Commission income** related to retail business is budgeted to **maintain the same levels** as year 2017.

➤ **Specific Provision Charges (P&L)** related to retail business is budgeted at **USD 12M**, being the same trend as year 2017.

➤ **Collective Provision** booked in previous years are estimated to cover the needs for year 2018. Therefore there is **no need** for additional collective provisions for year 2018.

➤ **Gross NPL** reached **1.70% at December 2017**, compared to 1.39% at year-end 2016. The year 2018 NPL is **budgeted to witness an increase** due to the decrease in the total retail portfolio.

BLOM – Lebanon : Commercial Lending Assumptions Budget Year 2018

USD'000	Budget Year 2018	Budgeted % Growth	Year 2017	Year 2016	Actual % Growth
<u>Balance Sheet Accounts</u>					
LBP Commercial Loans	177,000	0.00%	176,730	130,797	38.26%
Interest Rates Annual	9.74%		6.85%	6.49%	
FC Commercial Loans	2,604,000	2.00%	2,548,953	2,707,732	0.53%
Interest Rates Annual	6.50%		6.06%	5.82%	
Total Commercial Loans	2,781,000	2.00%	2,725,683	2,838,529	2.27%
Interest Rates Annual	6.71%		6.11%	5.86%	
<u>Profit & Loss Accounts</u>					
Interest Income	171,000		174,449	164,205	
Net Commission Income	7,000		6,858	5,752	
Provisions Specific (P&L)	(6,000)		(2,029)	(65,503)	
Provisions Collective (P&L)	(0.00)		(14)	(3,910)	

- The **budgeted growth rate** for the commercial portfolio is set based on two factors:
 - ✓ To **capitalize on the HSBC** commercial portfolio.
 - ✓ Receiving **funds** at low rates from various "Foreign Bank Correspondents" **guaranteed by IFC**, and lend the funds to commercial customers.

The commercial portfolio is budgeted a **growth rate of 2.00%** for year 2018.

- **Commission income** related to commercial loans is budgeted a **2% growth rate**, reflecting the budgeted growth on the lending side.

- **USD 6M of Specific Provision Charges (P&L)** is budgeted for year 2018. No collective provisions are budgeted for year 2018.

To be noted that the **gross NPL reached 3.99% at December 2017** compared to 5.73% at year-end 2016 (the decrease was mainly due to transferring loans to Off-Balance Sheet).

No major classifications of loans are budgeted to occur **during year 2018**.

BLOM – Lebanon : Customer Deposits Assumptions Budget Year 2018

USD'000	Budget Year 2018	Budgeted % Growth	Year 2017	Year 2016	Actual % Growth
<u>Balance Sheet Accounts</u>					
LBP Customer Deposits	7,000,000	4.80%	6,679,628	7,455,845	-10.41%
Interest Rates Annual	7.11%		5.77%	5.77%	
FC Customer Deposits	15,505,000	3.33%	15,004,722	12,903,681	16.28%
Interest Rates Annual	3.80%		3.37%	3.11%	
Total Customer Deposits	22,505,000	3.78%	21,684,350	20,359,526	6.51%
Interest Rates Annual	4.83%		4.19%	4.08%	
<u>Profit & Loss Accounts</u>					
Interest Expense	(1,070,000)		(882,956)	(795,781)	
Net Commission Income	24,500		23,621	21,349	

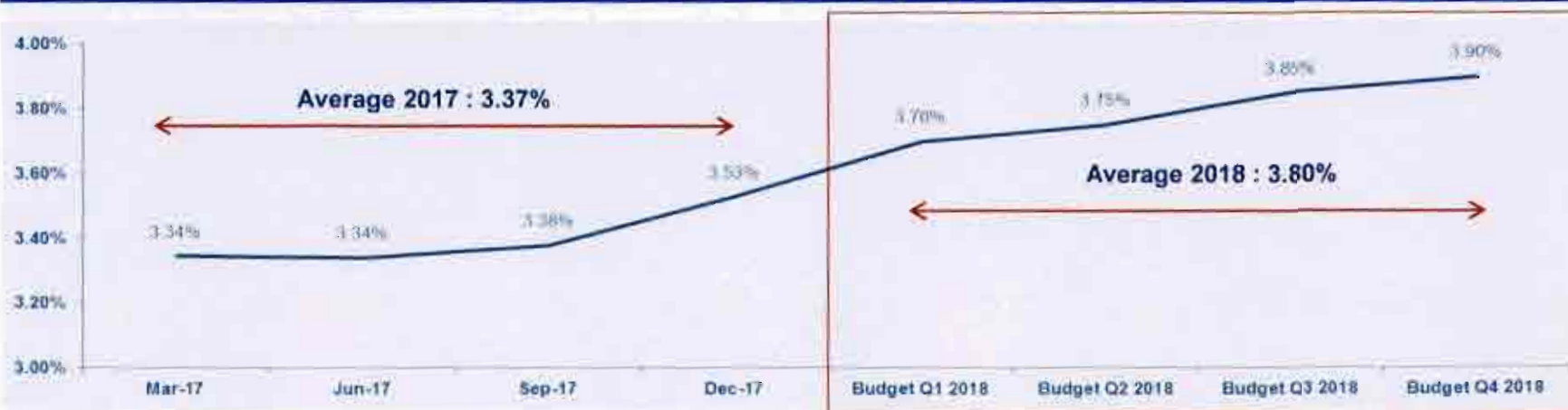
- The budgeted growth rate for the customer deposits is set based on the current events prevailing in the market.
- The TOTAL customer deposits growth is budgeted at 3.78% at an average cost of fund at 4.83%.
- Commission income related to customer deposits is budgeted a growth rate of 3.7%.

BLOM – Lebanon : Average Cost of Deposits Budget 2018

Cost of Deposits In LBP (Quarterly non-cumulative)



Cost of Deposits In FC (Quarterly non-cumulative)



- **The LBP sources of funds** are mainly the customer deposits.

After allocating the **uses of funds** as discussed in previous slides, the remaining is budgeted to be **100% invested in "Sovereign Investments"** at an average rate of 10.00%.

- **The FC sources of funds** are mainly the customer deposits.

After allocating the **uses of funds** as discussed in previous slides, the **remaining are invested as follows:**

- ✓ It is budgeted to **increase the FC Sovereign exposure from 62% of total assets to around 63%**, at an average rate of 7.00%.
- ✓ Allocate the necessary **15% compulsory BDL reserve at a rate of 2.50%**
- ✓ No budgeted cash to be invested in **Fixed Income securities**. All **maturing** fixed income securities will be **placed with Banks**.
- ✓ Any **remaining balance** will be kept in the **liquidity of the bank**.

BLOM – Lebanon : Staff Expenses Assumptions Budget Year 2018

- “Salaries and Wages” within staff expenses are budgeted to **increase** by **11.60%** due to the following:
 - ✓ HSBC staff salaries full year impact in 2018 as compared to half year impact in 2017.
 - ✓ Budgeted annual increase of 4%.
- Total “Staff Expenses” is budgeted a growth rate of **8.82%**.

BLOM – Lebanon : General Operating Expenses Assumptions Budget Year 2018

- The general operating expenses are budgeted to **increase** by **4.50%**.

Section 7.2

Year 2018 – BLOM Lebanon

Major Ratios

Budget Year 2018 Highlights

	Budget Year 2018	Actual Year 2017	Actual Year 2016
Balance Sheet Composition (% from total Assets)			
LBP accounts			
Sovereign Exposure	81.39%	79.29%	79.62%
Loans to Customers - Commercial	1.58%	1.75%	1.35%
Loans to Customers - Retail	12.08%	15.20%	14.84%
Customer Deposits	60.04%	63.24%	73.39%
FC accounts			
Sovereign Exposure	63.06%	61.80%	54.90%
Loans to Customers - Commercial	15.18%	15.37%	18.53%
Loans to Customers - Retail	5.89%	6.79%	6.54%
Customer Deposits	92.92%	93.09%	91.33%
Performance Ratios (%)			
ROaA	1.42%	1.50%	1.45%
ROaCE	15.56%	16.49%	15.51%
Cost-to-income	28.03%	30.37%	37.50%
Liquidity in FC (min 10%)	10.50%	9.95%	12.05%

Budget Year 2018 Interest Rates

	Budget Year 2018	Actual Year 2017	Actual Year 2016
Interest Rates (%)			
LBP accounts			
Net Interest Margin	3.37%	2.33%	2.11%
Net Interest Margin Without Subsidy in LBP related to USD	3.08%	2.19%	2.11%
Cost of Deposits	7.11%	5.77%	5.77%
Retail Interest Rate	6.44%	6.10%	6.40%
Commercial Interest Rate	9.74%	6.85%	6.49%
Sovereign Interest Rate	9.41%	7.67%	7.66%
FC accounts			
Net Interest Margin	2.16%	2.06%	2.05%
Net Interest Margin With Subsidy in LBP related to USD	2.35%	2.15%	2.05%
Cost of Deposits	3.80%	3.37%	3.11%
Retail Interest Rate	9.64%	9.48%	9.72%
Commercial Interest Rate	6.50%	6.06%	5.82%
Sovereign Interest Rate	6.97%	5.47%	5.20%
TOTAL accounts			
Net Interest Margin	2.63%	2.17%	2.07%
Net Interest Margin with 7% Int. Tax Effect	2.27%	2.17%	2.07%
Cost of Deposits	4.83%	4.19%	4.08%
Retail Interest Rate	7.81%	7.52%	7.77%
Commercial Interest Rate	6.71%	6.11%	5.86%
Sovereign Interest Rate	8.08%	6.45%	6.35%

Section 8

Year 2018 – BLOM Group Budget

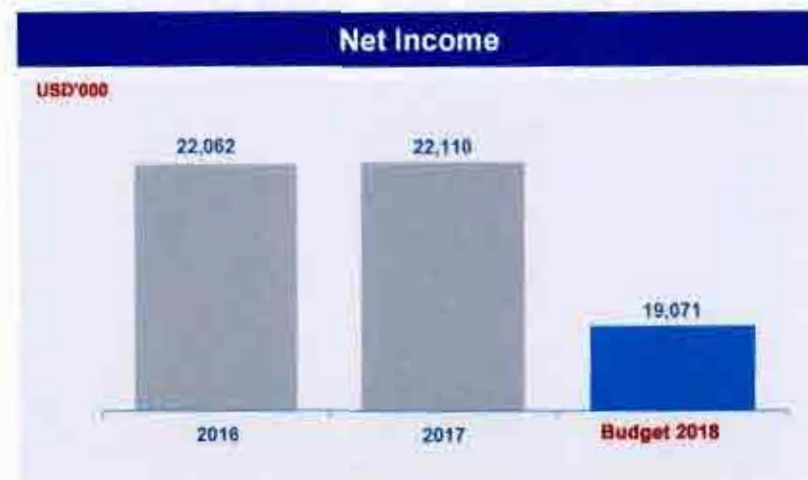
Year 2018 Budget BLOM FRANCE GROUP (With Swiss)

BLOM France Group is the **Second largest entity** after Lebanon representing 9.46% of total consolidated assets, 7.44% of total consolidated customer deposits and 10.67% of total consolidated loans to customers.

In terms of profitability **BLOM France Group is the third profitable** banking entity in the Group representing 4.89% of total consolidated income.

The Following are the **Year 2018 major budget assumptions** compared to December 2017:

- **Loans and Advances** to customers' growth rate is budgeted at 8.83% reaching USD 876M up from USD 804M in Dec 2017.
- Customers' Deposits are budgeted at a negative rate of **-17.15%** reaching USD 1,641M compared to USD 1,981M in Dec 2017.
- **Loans to deposits** ratio is expected to reach 53.39% at the end of year 2018 compared to 40.61% in year 2017.



Year 2018 Budget BLOM EGYPT

BLOM Egypt is the **third largest entity in the Group** representing 4.62% of total consolidated assets, 6.43% of total consolidated customer deposits and 8.50% of total consolidated loans to customers.

In terms of profitability **BLOM Egypt is the most profitable** entity after Lebanon representing 7.58% of total consolidated income.

The Following are the Year 2018 major budget assumptions compared to December 2017:

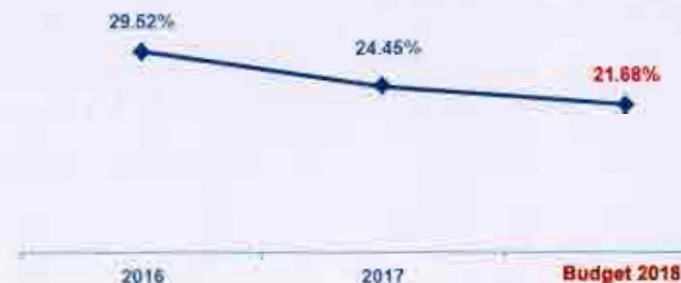
- **Loans and Advances** to customers' growth rate is budgeted at 20.48% reaching USD 770M up from USD 641M in Dec 2017.
- The budgeted growth rate for **Customers' Deposits** is 9.25% reaching USD 1,872M up from USD 1,713M in Dec 2017.
- **Loans to deposits** ratio is expected to reach 41.11% at the end of year 2018 compared to 37.40% in year 2017.

Net Income

USD'000



ROE



Year 2018 Budget BLOM JORDAN

BLOM Jordan is the **fourth largest entity in the Group** representing 3.28% of total consolidated assets, 3.17% of total consolidated customer deposits and 6.93% of total consolidated loans to customers.

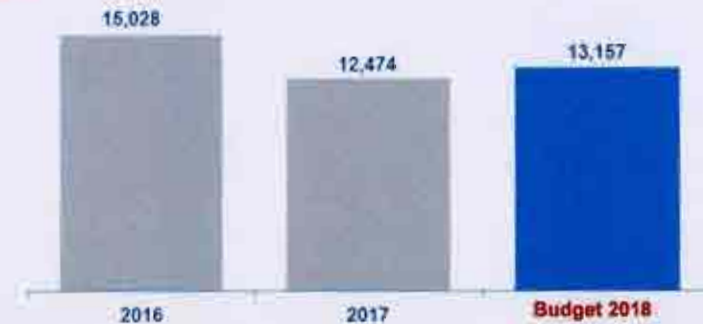
In terms of profitability BLOM Jordan is **the fourth profitable** banking entity in the Group representing 2.76% of total consolidated income.

The Following are the **Year 2018 major budget assumptions** compared to December 2017:

- **Loans and Advances** to customers' growth rate is budgeted at 4.80% reaching USD 548M up from USD 523M in Dec 2017.
- The budgeted growth rate **for Customers' Deposits** is 4.59% reaching USD 883M up from USD 844M in Dec 2017.
- **Loans to deposits** ratio is expected to reach 62.02% at the end of year 2018 compared to 61.90% for year 2017.

Net Income

USD'000



ROE



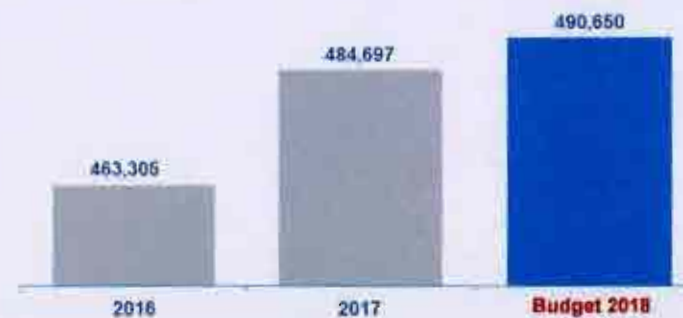
Year 2018 Budget **BLOM GROUP**

The Following are the **Year 2018 major budget assumptions** compared to December 2017

- **Loans and Advances** to customers is budgeted to maintain the same level as Year 2017 amounting 7,538 USD M.
- The budgeted growth rate for **Customers' Deposits** is 2.96% reaching USD 27,430M up from USD 26,642M.
- **Loans to deposits** ratio is expected to reach 27.48% at the end of year 2018 compared to 28.29% for year 2017.

BLOM GROUP - Net Income

USD'000



BLOM GROUP - ROE

