



Report to General Assembly Meeting

July 15, 2020



Handwritten signature

Table of Contents

Section	
---------	--

- | | |
|---|---------------------------------|
| 1 | Executive Summary |
| 2 | Year 2019 – Performance |
| 3 | BLOM – Lebanon Credit Risk |
| 4 | BLOM – Lebanon Interest Margins |

Section 1

Executive Summary

12

Executive Summary

- Income from entities abroad amounted to USD 92M for year 2019.

- Insurance entities recorded a net income of USD 24M for year 2019, of which USD 22M were recorded by Arope Lebanon.

- During 2019, BLOM Lebanon recorded:
 - Provisions for IFRS9 amounting to USD 266M
 - Fair value losses amounting to USD 114M (for Lebanese Eurobond portfolio)
 - Granted discounts against settlement of commercial loans. Total settlements as at year-end 2019 amounted to USD 88.5M against a total discount of USD 12M

- BLOM- Lebanon, during Q4-2019 has borrowed from the Central Bank of Lebanon funds in USD and EURO amounted to USD 581M and EURO 42M at year-end 2019 at an interest rate of 20%.

1A

Section 2

Year 2019 – Performance

1A

Overview of the Sources of Funds

BLOM - Group	31-Dec-19	% from Total	31-Dec-18	% from Total	% Change
USD'000					
Due to Central Bank	2,566,238	7.77%	4,737,877	12.88%	-45.41%
Due to Banks & Sister Co.	345,403	1.04%	574,501	1.58%	-39.88%
Customer Deposits	26,462,187	79.48%	27,219,841	74.09%	-2.78%
Other Liabilities	745,785	2.23%	939,222	2.56%	-20.80%
Shareholders Equity	3,155,966	9.48%	3,289,399	8.90%	-3.47%
Total Sources of Funds	33,295,679		36,740,640		-9.38%

BLOM & FB (a)	31-Dec-19	% from Total	31-Dec-18	% from Total	% Change
USD'000					
Due to Central Bank	2,563,585	9.22%	4,719,034	14.85%	-45.66%
Due to Banks & Sister Co.	429,871	1.55%	581,489	1.83%	-26.07%
Customer Deposits	22,074,247	79.40%	23,310,132	73.36%	-5.30%
Other Liabilities	330,328	1.22%	543,821	1.72%	-37.61%
Shareholders Equity	2,394,852	8.61%	2,619,064	8.24%	-8.57%
Total Sources of Funds	27,801,683		31,773,640		-12.50%

➤ "Customer Deposits" is the major source of funds in both BLOM Group and BLOM & FB representing 79.48% and 79.40% respectively from total sources of funds at year end 2019 compared to 74.09% and 73.36% respectively at year end 2018.

➤ "Shareholders Equity" represents around 9% in BLOM Group and BLOM & FB.

➤ "Due to Central Bank" in BLOM & FB includes borrowings from the Central Bank of Lebanon at year end 2019 amounting to USD 581M and EURO 42M at 20% interest rate.

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

CA

Customer Deposits



December 31, 2019	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	2,586,238	2,563,585
Due to Banks & Sister Co.	345,403	429,871
Customer Deposits	26,462,187	22,074,247
Other Liabilities	745,755	339,328
Shareholders Equity	3,155,956	2,394,652
Total Sources of Funds	33,295,579	27,801,683

- Consolidated Deposits decreased by 2.8% from year 2018, mainly in Lebanon, Jordan and UAE; deposits in Egypt increased by 25.1% from year 2018.
- Lebanon saw deposits drop by 5.5% while Jordan deposits dropped by 12.2%. Total BLOM & FB deposits recorded a decline of 5.3% in year 2019 compared to a growth of 2.5% in year 2018.

Shareholders Equity



December 31, 2019	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	2,586,238	2,663,585
Due to Banks & Sister Co.	345,403	429,871
Customer Deposits	28,462,187	22,074,247
Other Liabilities	745,785	339,328
Shareholders Equity	3,155,966	2,394,652
Total Sources of Funds	33,295,579	27,801,683

- Consolidated Shareholders' Equity recorded a decline of 3.47% at year end 2019 compared to a growth of 8.76% at year end 2018.
- BLOM & FB Shareholders Equity recorded a decline of 8.57% at year end 2019 compared to a growth of 7.53% at year end 2018.
- Consolidated total Capital adequacy ratio reached 11.05% at end of 2019.
- Consolidated Common Equity Tier 1 capital adequacy ratio recorded 9.88% at end of 2019.

Overview of the Uses of Funds

BLOM - Group	31-Dec-19	% from Total	31-Dec-18	% from Total	% Change
USD'000					
Balances with Banks	1,305,302	3.92%	1,595,113	4.34%	-18.17%
Sovereign Exposure	24,847,599	74.63%	26,174,000	71.24%	-5.07%
Corporate Securities	192,797	0.58%	574,798	1.58%	-66.46%
Commercial Loans	3,187,457	8.00%	4,153,802	11.31%	-23.02%
Retail Loans	2,616,672	7.88%	3,011,215	8.20%	-13.10%
Other Assets	1,135,752	3.41%	1,231,712	3.35%	-7.79%
Total Uses of Funds	33,295,679		36,740,640		-9.38%

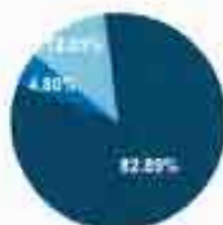
BLOM & FB	31-Dec-19	% from Total	31-Dec-18	% from Total	% Change
USD'000					
Balances with Banks	403,611	1.45%	1,025,702	3.23%	-60.65%
Sovereign Exposure	22,167,820	79.74%	23,686,891	74.55%	-6.41%
Corporate Securities	43,144	0.16%	411,953	1.30%	-89.53%
Commercial Loans	1,889,437	8.08%	2,552,310	8.03%	-33.81%
Retail Loans	2,432,645	8.75%	2,852,518	8.98%	-14.72%
Other Assets	1,055,026	3.82%	1,244,268	3.91%	-14.41%
Total Uses of Funds	27,801,683		31,773,640		-12.60%

- "Sovereign Exposure" (including Central Banks) remains in both BLOM Group and BLOM & FB the major uses of funds representing 74.63% and 79.74% respectively from total assets at year end 2019 compared to 71.24% and 74.55% respectively at year end 2018.
- "Total Loans and Advances" represent in both BLOM Group and BLOM & FB 17.46% and 14.83% respectively from total assets at year end 2019 compared to 19.51% and 17.01% respectively at year end 2018.

Sovereign Exposure

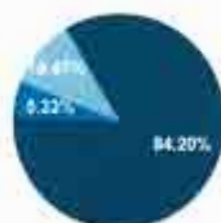
BLOM - Group

- Governmental Bills
- Central Bank Placements
- Central Bank CDs



BLOM & FB

- Governmental Bills
- Central Bank Placements
- Central Bank CDs



December 31, 2019	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	1,305,302	403,611
Sovereign Exposure	24,847,599	22,167,820
Corporate Securities	192,797	43,144
Commercial Loans	3,197,457	1,689,437
Retail Loans	2,615,672	2,432,645
Other Assets	1,135,752	1,065,028
Total Assets	33,295,579	27,801,683

- The concentration of investments in sovereign exposure at BLOM & FB is mainly with the Central Bank of Lebanon comprising around 89% from total sovereign exposure at year end 2019.

Lending Portfolio

BLOM – Group (Economic Sector)



BLOM & FB (Economic Sector)

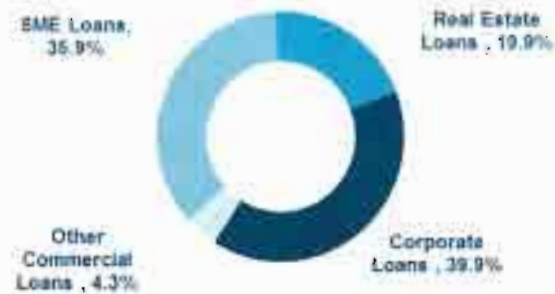


December 31, 2019	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	1,305,302	403,611
Sovereign Exposure	24,847,509	22,167,820
Corporate Securities	192,797	43,144
Commercial Loans	3,197,457	1,689,437
Retail Loans	2,616,672	2,432,645
Other Assets	1,135,752	1,065,026
Total Assets	33,295,579	27,801,683

- Consolidated "Loans Portfolio" decreased by 18.85% at year end 2019 compared to a decrease of 4.95% in year 2018.
- Consolidated "Gross NPL" recorded 7.08% at year end 2019 as compared to 4.48% at year end 2018. The coverage ratio reached 64.51% at year end 2019 as compared to 76.91% at year end 2018.
- BLOM & FB "Loans Portfolio" decreased by 23.73% at year end 2019 as compared to a decrease of 9.11% in year 2018.
- BLOM & FB "Gross NPL" recorded 8.33% at year end 2019 as compared to 4.83% at year end 2018.

Commercial Loans

BLOM – Group (By Type)



- Consolidated "Corporate Lending" represented 39.9% from the total commercial loans followed by "SME Lending" at 35.9%.
- Consolidated "Gross Commercial NPL" recorded 8.88% in year 2019 as compared to 5.81% in year 2018. The coverage ratio of these loans has reached 67.04% at year end 2019.

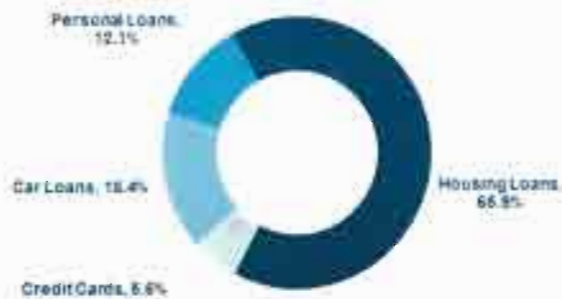
BLOM & FB (By Type)



- BLOM & FB "SME Lending" represented 40.1% from the total commercial loans followed by "Corporate Lending" at 35.3%.
- BLOM & FB "Gross Commercial NPL" recorded 12.60% at year end 2019 as compared to 7.13% at year end 2018. The coverage ratio of these loans has reached 63.10% at year end 2019.

Retail Loans

BLOM – Group (By Product)



BLOM & FB (By Product)



- Consolidated "Housing Loans" still constitute the lion's share with 65.9% of total retail lending at year end 2019.
- Consolidated "Gross Retail NPL" recorded 4.75% in year 2019 compared to 2.57% at year end 2018. The coverage ratio of these loans reached 58.39% at year end 2019.

- BLOM & FB "Housing Loans" constituted the lion's share with 69.4% of total retail lending at year end 2019.
- BLOM & FB "Gross Retail NPL" recorded 5.01% at year end 2019 compare to 2.66% at year end 2018. The coverage ratio of these loans reached 57.89% at year end 2019.

Section 3

BLOM Lebanon – Credit Risk

12

Credit Risk – BLOM Lebanon

Financial Assets December 31, 2019	Balance	Provisions	% Coverage
USD'000			
FC Placements with BDL	13,301,139	(251,323)	1.89%
FC BDL Certificates of Deposits	1,169,000	(22,094)	1.89%
Commercial Loans - Stage 1&2	1,579,565	(126,358)	8.00%
Commercial Loans - Stage 3	239,360	(150,731)	62.97%
Retail Loans - Stage 1&2	2,079,468	(36,390)	1.75%
Retail Loans - Stage 3	94,208	(51,553)	54.72%
Other Financial Assets	105,371	(7,101)	6.74%
Total	18,568,112	(645,550)	3.48%

➤ Provisions taken for Central Bank of Lebanon exposure are in accordance with the BDL guidelines.

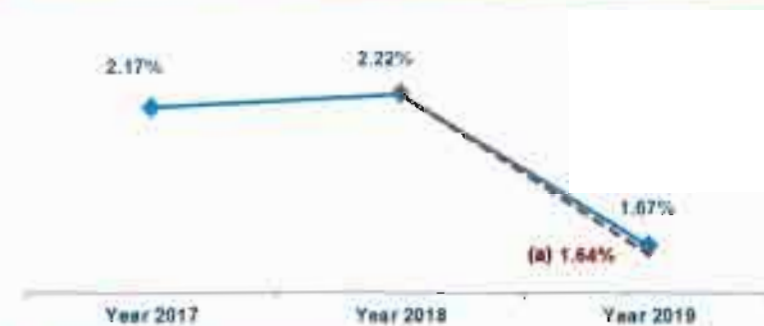
Section 4

BLOM Lebanon – Interest Margins

12

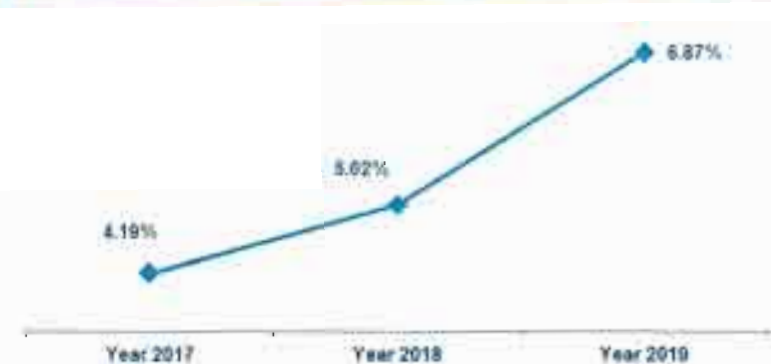
BLOM – Lebanon year 2019 Interest Margin (all currencies) decreased to 1.67% as compared to 2.22% in year 2018, the major reason is the increase in the cost of deposits.

Interest Margin (all currencies)

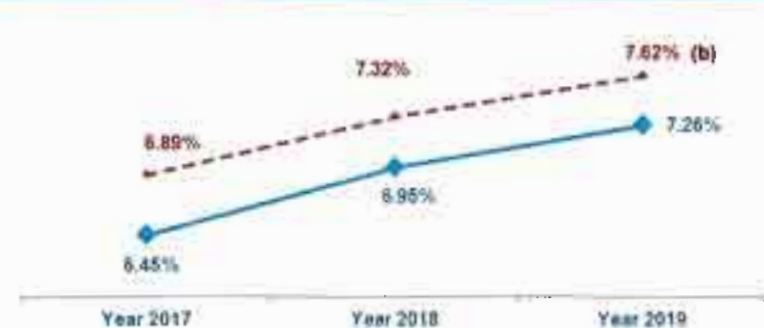


(a) Including discount on commercial loans

Cost of Deposits (all currencies)



Sovereign Investments Return (all currencies)



(b) Without FC Obligatory Reserve (at average rate 2.7% for year 2018)

Lending Return (all currencies)



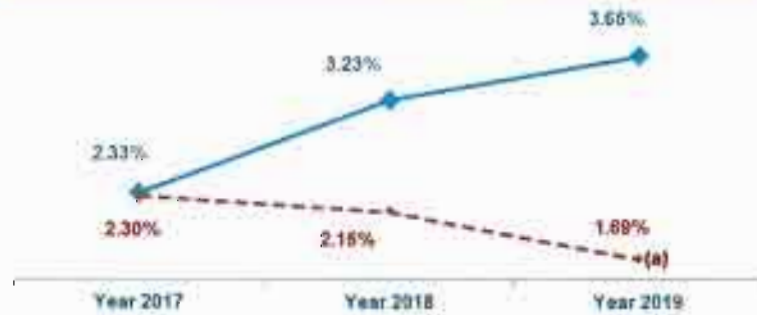
(c) Without taking into account the subsidy effect

(d) Including discount on commercial loans

1A

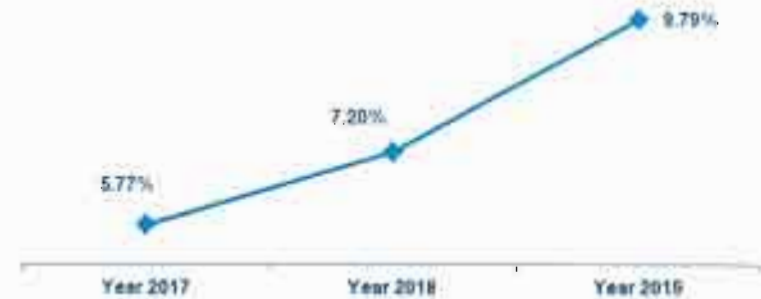
BLOM – Lebanon year 2019 LBP Interest Margin increased to 3.65% as compared to 3.23% in year 2018.

LBP Interest Margin

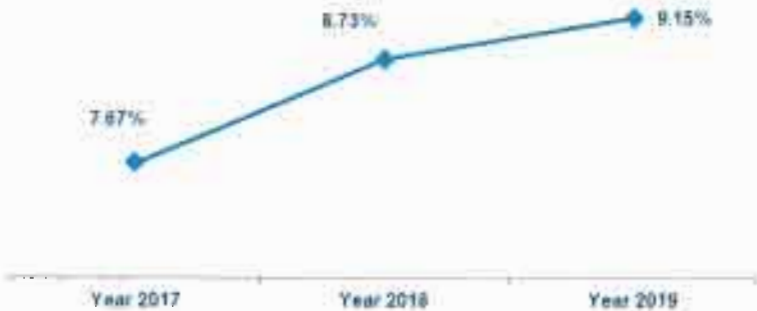


(a) Without Central Bank of Lebanon incentive in LBP related to USD

LBP Cost of Deposits

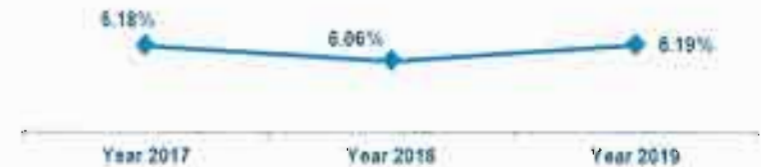


LBP Sovereign Investments Return



LBP Lending Return

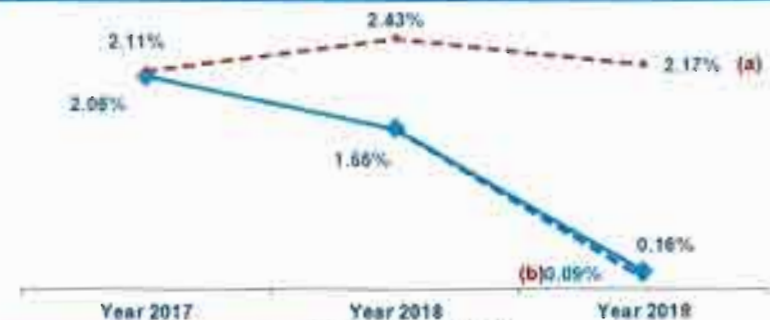
	Year 2017	Year 2018	Year 2019	Year 2018 With Subsidy
Retail	8.10%	6.88%	6.88%	10.47%
Commercial	6.85%	7.71%	9.20%	12.81%



(b) Without taking into account the subsidy effect

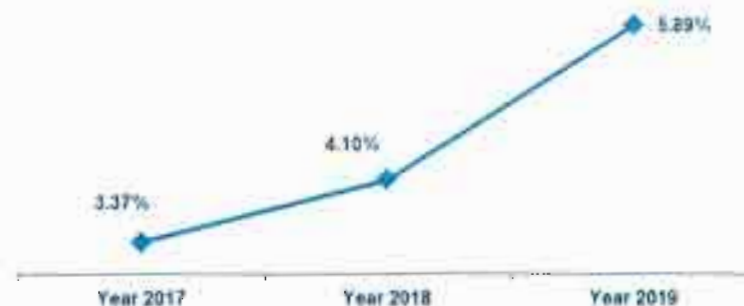
BLOM – Lebanon year 2019 FC Interest Margin recorded 0.16% as compared to 1.55% in year 2018.

FC Interest Margin

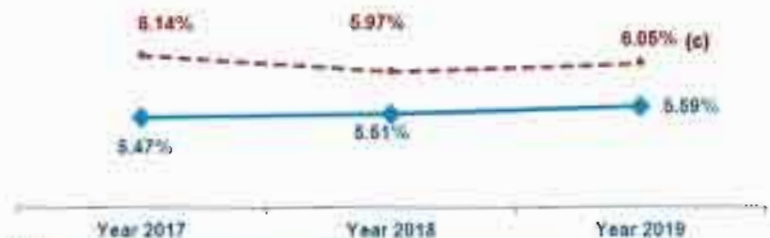


(a) With Central Bank of Lebanon incentive in LBP related to USD
(b) Including discount on commercial loans

FC Cost of Deposits

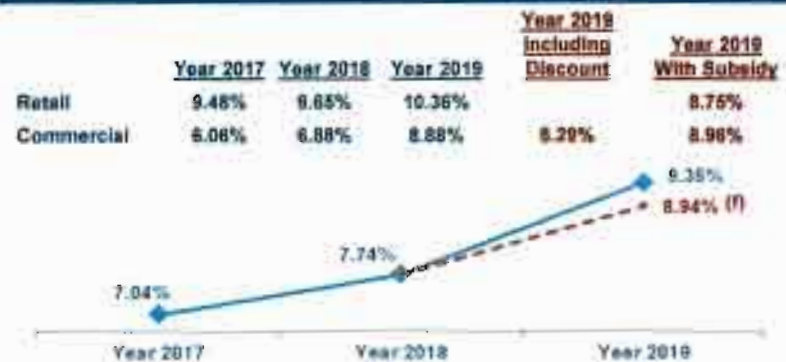


FC Sovereign Investments Return



(c) Without FC Obligatory Reserve (at average rate 2.7% for year 2018)
(d) Years 2019 & 2018 return includes the impact of Tax on interest

FC Lending Return



(e) Without taking into account the subsidy effect
(f) Including discount on commercial loans

CA