



Report to the Board of Directors Meeting

March 17, 2017



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Section 1

Economic Conditions in Lebanon & Egypt

التطورات الاقتصادية في لبنان

شهد عام 2016، وخصوصاً في نهايته، انفراجات سياسية وأمنية تمثّلت بانتخاب رئيس جديد للجمهورية وتأييف حكومة جامعة أعادت العمل السياسي إلى البلد وثبتت الاستقرار. من تداعيات هذه الانفراجات التحسّن الذي شهده ميزان المدفوعات حيث ارتفع من عجز بلغ 3.35 مليار دولار في عام 2015 إلى فائض بلغ 1.24 مليار دولار في عام 2016، وعزّز الموجودات الأجنبية لمصرف لبنان إلى ما يفوق الـ 40 مليار دولار. جاءت هذه الزيادة في التدفّقات الرأسمالية نتيجة الهندسات الماليّة التي قام بها مصرف لبنان إضافةً إلى الزيادة التلقائيّة في التدفّقات نتيجة انخفاض منسوب المخاطر بعد الانفراجات السياسيّة.

على صعيد التطوّرات في القطاع الحقيقي يُتوقع أن يفوق النمو الاقتصادي لعام 2016 الـ 1 % ، بعد أن بلغ معدّل التضخّم 3.1% وساهم بالتالي في خفض أسعار الفائدة الحقيقيّة. أما بالنسبة للتطوّرات النقدية والمالية، فقد حافظت أسعار الفائدة في الأغلب على معدّلاتها السابقة، وشهدت بورصة بيروت ارتفاعاً في مؤشر بلوم بلغ 3.6%، بينما انخفضت "مقايضة العجز عن سداد الإئتمان" (Credit Default Swap) إلى 445 نقطة أساس بعد أن فاقت الـ 500 نقطة أساس في بداية العام. وحدها السياسة الماليّة بقيت في تدهور مستمر حيث بلغ العجز في الميزانية لغاية شهر آب 2016 ما يُقارب الـ 2.52 مليار دولار بزيادة 27.1% عن الفترة نفسها من عام 2015. يُتوقع أن يشهد عام 2017 مزيداً من التحسّن الاقتصادي وفي وضعيّة القطاع الخارجي، حيث يُتوقع أن يتراوح النمو بين 2-3.3% مدعوماً بالزيادة في الاستثمار والصادرات من السلع والخدمات، وأن تعزّز التدفّقات الرأسمالية من خلال البدء بعملية التنقيب عن النفط والغاز في المياه اللبنانية في المستقبل القريب.

على صعيد القطاع المصرفي، فقد حافظ القطاع على دوره الرئيسي في الاقتصاد حيث بلغت ودانعه في نهاية عام 2016 ما يعادل 162.5 مليار دولار بزيادة 7.2% عن عام 2015 ، كما بلغت قروضه للقطاع الخاص 56.9 مليار دولار بزيادة 5.5%، وبلغت تسليفاته للقطاع العام حوالي 35 مليار دولار أي 47% من الدين العام. كذلك يتمتّع القطاع بمركز مالي قوي تمثّل بنسبة كفاية رأس مال بلغت 15.1% ونسبة للقروض المتعثّرة وصلت إلى 3.6% ونسبة للسيولة الأولية فاقت الـ 60% ، وينسحب الأمر على معدّلات الربحيّة للقطاع، حيث بلغ المردود على متوسط رأس المال حوالي الـ 12% والمردود على متوسط الموجودات الـ 1.1%. ويُتوقع أن يوازي النمو في القطاع النمو في الاقتصاد في عام 2017، وأن يفوق معدّل النمو الـ 7% إذا أدت الانفراجات السياسيّة المُستدامة إلى المزيد من التطوّرات الإيجابية على الساحة الاقتصاديّة والماليّة.

التطورات الاقتصادية في مصر

على غرار الوضع في لبنان، شهد الإقتصاد المصري في نهاية عام 2016 تطورات سياسية واقتصادية مهمة. فقد أدى التحول السياسي إلى المزيد من الاستقرار السياسي والأمني، وقامت الحكومة في نهاية العام بتعويم الجنيه المصري وإتباع سياسة سعر متحرك، إضافة إلى إبرام برنامج إصلاحي مع صندوق النقد الدولي يتضمن قروضاً ميسرة بمقدار 12 مليار دولار. ويهدف البرنامج إلى تعويم وتوحيد أسعار الصرف وإتباع سياسة نقدية متشددة لمواجهة التضخم، كما يهدف إلى إصلاحات جذرية في شبكة الضمان الاجتماعي ومناخ الأعمال والقطاع العام والميزانية العامة تؤدي إلى وضعية مستدامة في الحساب الجاري والمالية العامة والإحتياطيات الأجنبية. وعليه، يُتوقع أن يصل النمو في عام 2017 إلى 4% وأن يبلغ عجز الميزانية 10% من الناتج وعجز الحساب الجاري 5.2% من الناتج وأن يصل معدل التضخم إلى 16.6%. في الحقيقة، أدت هذه التطورات إلى إنفراجات في الأسواق المالية وسوق القطع حيث يتداول الدولار حالياً على مستوى يُقارب الـ 16 جنيهاً، والأهم من ذلك وصلت الإحتياطيات الأجنبية إلى 26.4 مليار دولار.

بالنسبة للقطاع المصرفي، فإن وضعه في حالة جيدة إذ يتمتع بمرونة فعالة وبمؤشرات مالية سليمة حيث تصل نسبة كفاية رأس المال إلى 13.7% ونسبة التغطية للقروض المتعثرة إلى 100% ونسبة القروض المتعثرة إلى 6.8%، كما أن يتعرض القطاع لمخاطر إئتمان عالية نتيجة الإنخفاض في سعر الصرف وذلك بسبب الدولار المحدودة لميزانيات الشركات والأفراد. إضافة، يتمتع القطاع بربحية لافتة حيث بلغ المردود على متوسط رأس المال 18.9% والمردود على متوسط الموجودات 1.3%. كما يُتوقع أن يتأثر القطاع على نمو جيد في ودائعه وأن يتبع إجراءات فضلى على صعيد الرقابة والشفافية، وأن يُشارك البنك المركزي في مبادراته لتشجيع القروض للشركات الصغيرة والمتوسطة الحجم والقروض السكنية.

Section 2

Stock Performance of Top Three Lebanese Banks

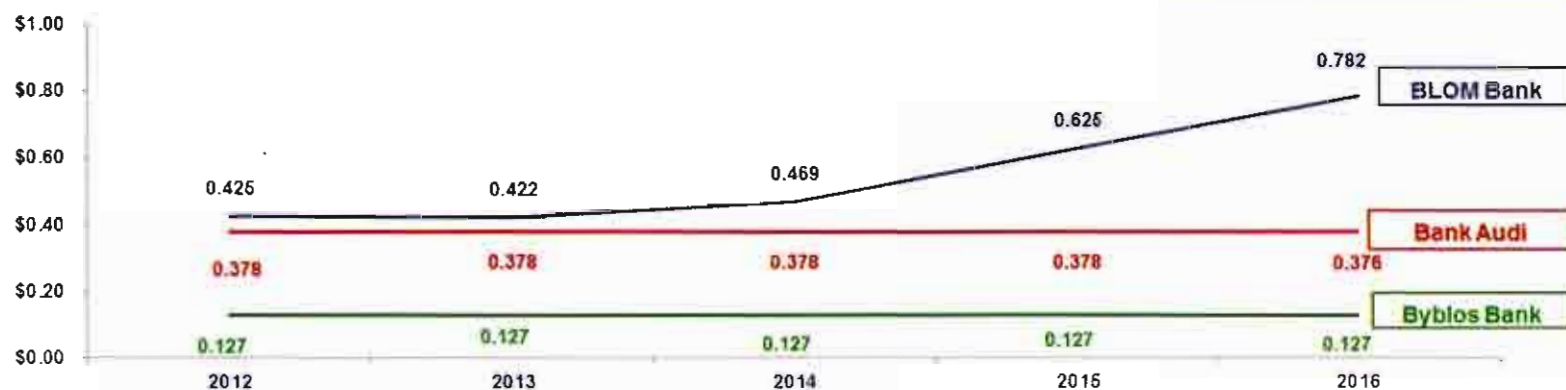
The following shows the return for a USD 1M investment for the last five years, three years and 1 year in BLOM GDR, Audi GDR and Byblos Common shares based on two scenarios, collecting the dividends or reinvesting the dividends

Top Three Lebanese Banks Relative Performance

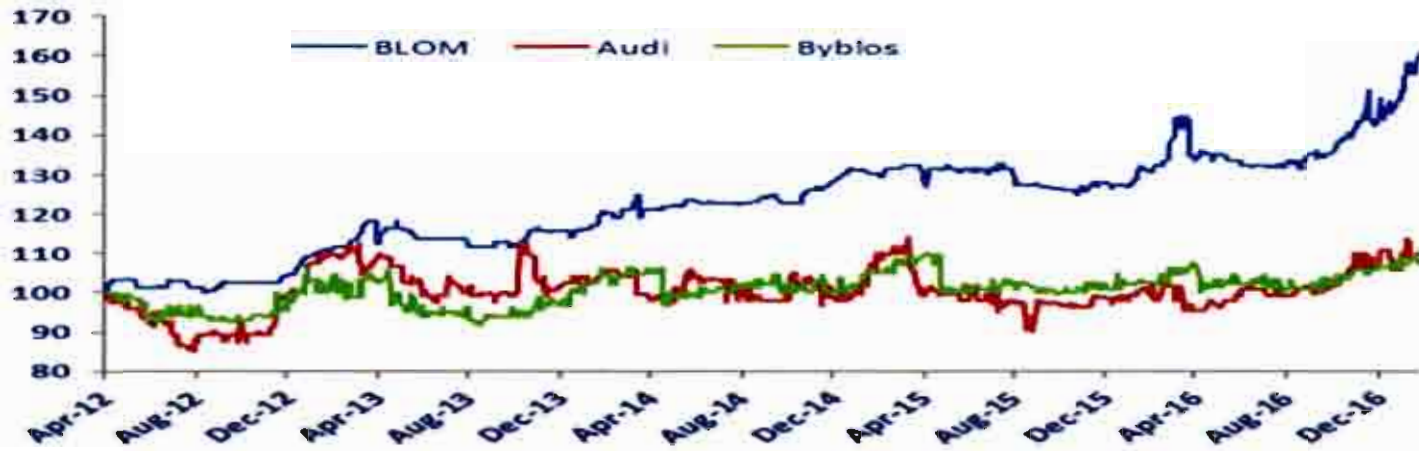
Without Dividend Reinvestment	1 Year	3 Years	5 Years
BLOM Bank (GDR)	33.52%	56.50%	96.29%
Audi Bank (GDR)	17.35%	18.67%	33.15%
Byblos Bank (Common)	12.60%	24.99%	42.61%

With Dividend Reinvestment	1 Year	3 Years	5 Years
BLOM Bank (GDR)	35.22%	63.62%	114.01%
Audi Bank (GDR)	18.28%	21.24%	38.61%
Byblos Bank (Common)	12.97%	28.61%	52.78%

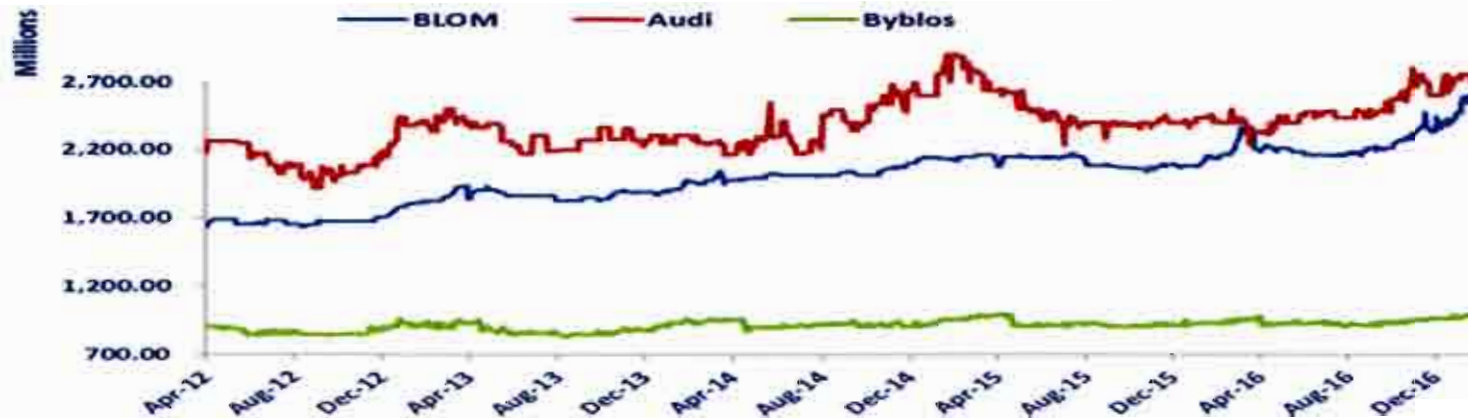
Net Dividend Distribution (per share) trend in USD for the Top Three Lebanese Banks



➤ 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 3

Executive Summary

Executive Summary

- Robust earnings performance beating expectations, boosted by exceptional gains from BdL swap operation but as a result core liquidity in Lebanon declined at the same time while sovereign exposure increased.
- Exceptional gains allocated predominantly to provisioning related to expected IFRS 9 impact with remainder going towards writing-off of investment in Syria.
- Consolidated results impacted by Egyptian pound devaluation. Deposits and loans growth would all have been higher if not for this while main hit on earnings will come through in 2017.
- Strong results helped boost capital position of the Bank with capital adequacy ratio exceeding 19% for the first time.
- Asset quality improved while provisioning coverage increased.
- Egypt performed strongly in local currency terms while Jordan slipped back amid difficult market conditions. BLOM France Group displayed positive growth on the back of UAE while other BLOM entities performance indicators showed either **relative** stability/limited increase/ or retrenchment. Overall, on a consolidated level, Lebanon concentration was more pronounced.

Executive Summary (continued)

- Due to the current situation in Syria including the civil war, international sanctions, limited access to foreign currencies in addition to the restrictions imposed by the Central Bank of Syria, all have significantly impacted the Bank's ability to effectively manage the operations in Syria. As a result, the control criteria as per IFRS 10 is no longer met and therefore all Syrian subsidiaries have been deconsolidated effective 31-12-16.

Effective 31-12-16 BLOM Bank has no income or exposure to the Syrian market.

- In compliance with BdL intermediary circular # 446 covering the usage of the deferred surplus from the swap operations, BLOM has allocated a net of tax USD 173M provision for IFRS 9 requirements for year 2018, USD 85M for the deconsolidation of all Syrian operations and the remaining balance of USD 110M is still in the deferred surplus.

Section 4

Year 2016 – Performance

Overview of the Sources of Funds

December 31, 2016	BLOM - Group	% from Total	BLOM & FB	% from Total
USD'000				
Due to Central Bank	346,236	1.17%	344,292	1.36%
Due to Banks	391,910	1.33%	472,753	1.86%
Customer Deposits	24,810,820	84.02%	21,437,409	84.44%
Other Liabilities	1,034,829	3.50%	671,049	2.67%
Shareholders Equity	2,946,200	9.98%	2,462,174	9.70%
Total Sources of Funds	29,529,995		25,387,677	

“Customer Deposits” remain the major source of funds in both BLOM Group and BLOM Bank sal representing 84.02% and 84.44% respectively from total sources of funds at year end 2016 compared to 86.23% and 86.08% respectively at year end 2015. Followed by “Shareholders Equity” that represent in both around 10% from total sources of funds.

Customer Deposits



December 31, 2016	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	346,236	344,292
Due to Banks	391,910	472,753
Customer Deposits	24,810,820	21,437,409
Other Liabilities	1,034,829	671,049
Shareholders Equity	2,946,200	2,462,174
Total Sources of Funds	29,529,995	25,387,677

- Consolidated Deposits retreated 1.1% from year 2015 due to the devaluation impact in Egypt, where deposits fell 38.6% when converted into USD but jumped 45% when stated in local currency. As a result, the deviation from expected was marked.
- Lebanon saw deposits rise 4% in contrast while Jordan deposits dropped 5%. Therefore BLOM & FB deposits recorded a growth of 3.52% in year 2016 compared to 4.08% in year 2015.
- Liquidity from a loans-to-deposit perspective appeared high with the ratio stable at 28.9% on a consolidated level at the end of 2016 vs. 28.7% in 2015. However, core foreign currency liquidity was lower in Lebanon following the BdL swap operation.

Shareholders Equity



December 31, 2016	BLOM - Group	BLOM & FB
USD'000		
Due to Central Bank	346,236	344,292
Due to Banks	391,910	472,753
Customer Deposits	24,810,820	21,437,409
Other Liabilities	1,034,829	671,049
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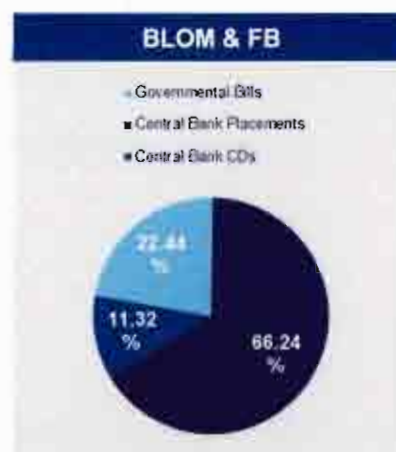
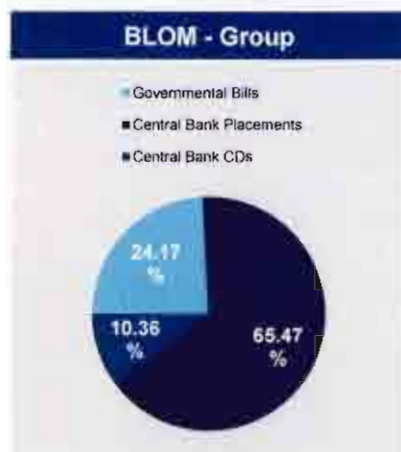
- Consolidated Shareholders Equity recorded a growth of 8.25% at year end 2016 compared to 7.88% at year end 2015.
- BLOM & FB Shareholders Equity recorded a growth of 10.44% at year end 2016 compared to 5.96% at year end 2015. The major reason for the increase in growth goes back to the increase in profits and decrease in treasury shares from USD 50M to USD 11M.
- Capital adequacy has increased markedly by more than 2 percentage points to 20.16% at end of 2016.
- Common Equity Tier 1 ratio stands at an estimated 19.3% at end of 2016, also a significant increase on 2015.
- The strong increase in profits combined with lower risk weighted assets, partly as a result of BdL swap operation, and added to lower RWAs on Egypt and deconsolidation of Syria has helped boost capital position.

Overview of the Uses of Funds

December 31, 2016	BLOM - Group	% from Total	BLOM & FB	% from Total
USD'000				
Balances with Banks	2,150,269	7.28%	1,310,154	5.16%
Sovereign Exposure	17,993,485	60.93%	16,220,238	63.89%
Corporate Securities	1,180,243	4.00%	970,665	3.82%
Commercial Loans	4,259,055	14.42%	2,998,537	11.81%
Retail Loans	2,904,029	9.83%	2,784,758	10.97%
Other Assets	1,042,914	3.53%	1,103,325	4.35%
Total Assets	29,529,995		25,387,677	

- “Sovereign Exposure” remains in both BLOM Group and BLOM & FB the major uses of funds representing 60.93% and 63.89% respectively from total assets at year end 2016 compared to 57.44% and 60.03% respectively at year end 2015.
- “Total Loans and Advances” represent in both BLOM Group and BLOM & FB 24.25% and 22.78% respectively from total assets at year end 2016 compared to 24.73% and 23.52% respectively at year end 2015.
- “Balances with Banks” share from total BLOM Group assets has contracted from 9.75% at year end 2015 to 7.28% at year end 2016 following the BdL swap operation.
- Core Liquidity in Lebanon declined in year 2016 to record 12.05% down from 16.64% in year 2015. The reason behind the decrease is the Bdl swap operation during year 2016.

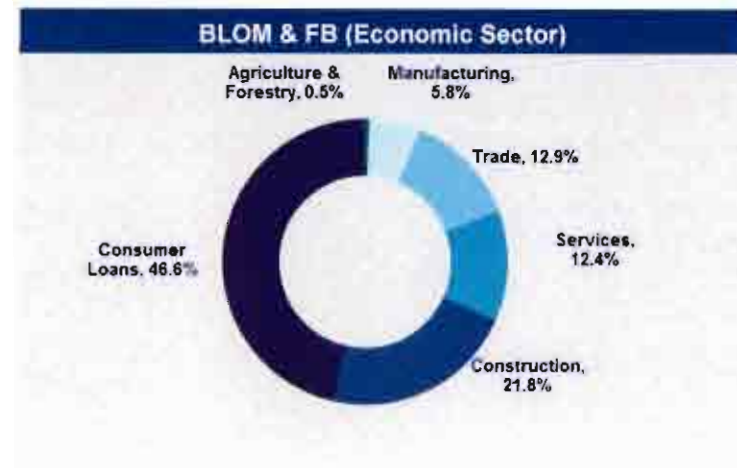
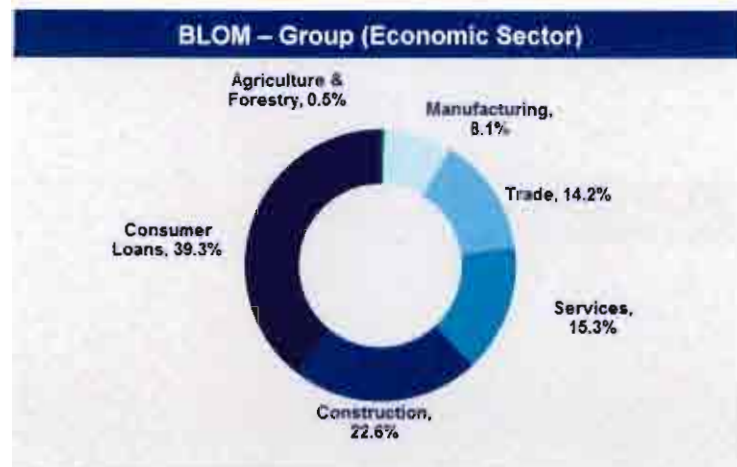
Sovereign Exposure



December 31, 2016	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	2,150,269	1,310,154
Sovereign Exposure	17,993,485	16,220,238
Corporate Securities	1,180,243	870,665
Commercial Loans	4,259,055	2,998,537
Retail Loans	2,904,029	2,784,758
Other Assets	1,042,914	1,103,325
Total Assets	29,529,995	25,387,677

- At BLOM & FB and following the BdL swap operation during the second half of year 2016, the “sovereign exposure” has recorded a growth of 12.32% at year end 2016 compared to only 6.13% at year end 2015.
- As for the BLOM Group, the “sovereign exposure” has recorded a growth of 7.65% at year end 2016 compared to 7.05% at year end 2015. The main reason for maintaining almost the same % of growth and not affected by the growth of BLOM & FB is the devaluation of the Egyptian pound whereby the “sovereign exposure” at BLOM Egypt has decreased USD 614M due to translation difference.

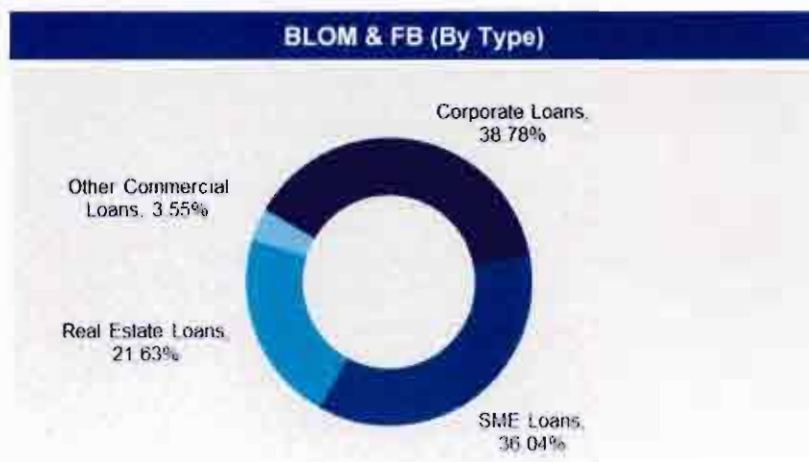
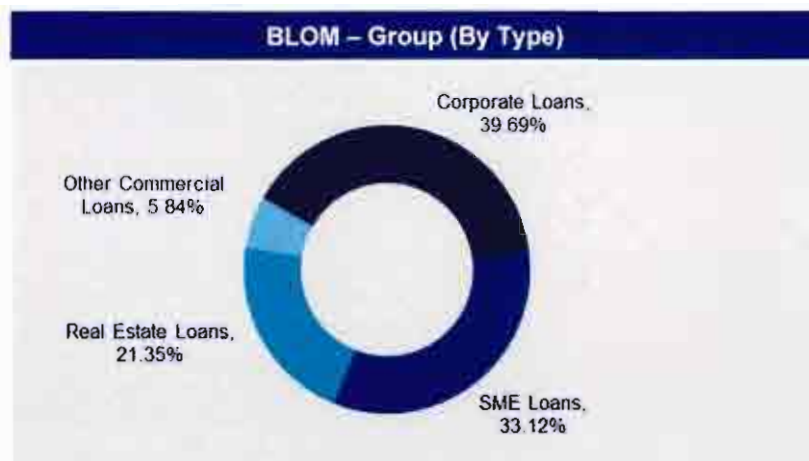
Lending Portfolio



December 31, 2016	BLOM - Group	BLOM & FB
USD'000		
Balances with Banks	2,150,269	1,310,154
Sovereign Exposure	17,993,485	16,220,238
Corporate Securities	1,180,243	970,665
Commercial Loans	4,259,055	2,998,537
Retail Loans	2,904,029	2,784,758
Other Assets	1,042,914	1,103,325
Total Assets	29,529,995	25,387,877

- Consolidated "Loans Portfolio" edged back 0.46% at year end 2016 compared to a growth of 4.14% in year 2015. Mainly due to the devaluation of the Egyptian pound.
- Consolidated "Gross NPL" dropped from 4.40% at year end 2015 to 4.18% at year end 2016. The coverage ratio (excluding collective provisions) has increased from 64.81% at year end 2015 to 90.24% at year end 2016 mainly after allocating 100% specific provisions amounting to USD 60M to the doubtful loan - LandMark.
- BLOM & FB "Loans Portfolio" recorded a growth of 2.18% at year end 2016 compared to a growth of 3.22% in year 2015.
- BLOM& FB "Gross NPL" recorded 4.19% at year end 2016 compared to 3.94% at year end 2015.

Commercial Loans

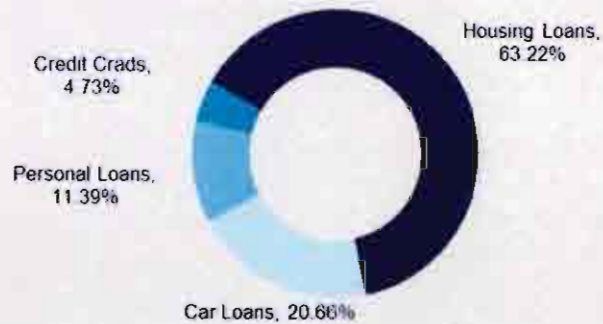


- Consolidated "Commercial Loans" contracted by 1.01% from year 2015 mainly due to the devaluation of the Egyptian pound, where commercial loans fell 30.81% when converted into USD.
- Consolidated "Gross Commercial NPL" decreased to 5.70% in year 2016 from 6.11% in year 2015. The coverage ratio of these loans by specific provisions has significantly increased from 63.99% at year end 2015 to 94.75% in year 2016.

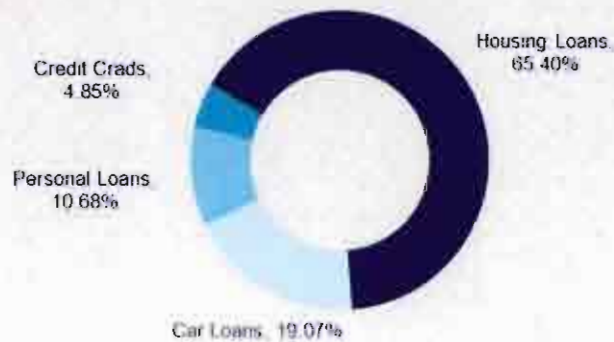
- BLOM & FB "Commercial Loans" recorded 0.99% growth at year end 2016 compared to 0.85% growth at year end 2015.
- BLOM & FB "Gross Commercial NPL" increased from 5.96% at year end 2015 to 6.26% at year end 2016. The coverage ratio of these loans by specific provisions has increased from 62.80% at year end 2015 to 97.37% at year end 2016.

Retail Loans

BLOM – Group (By Product)



BLOM & FB (By Product)



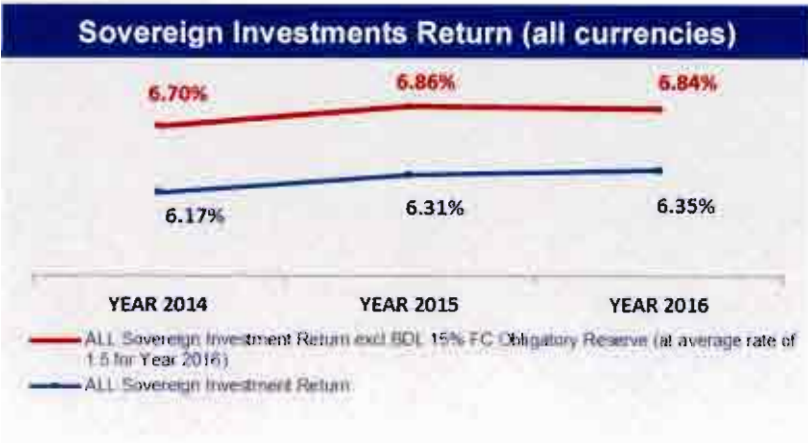
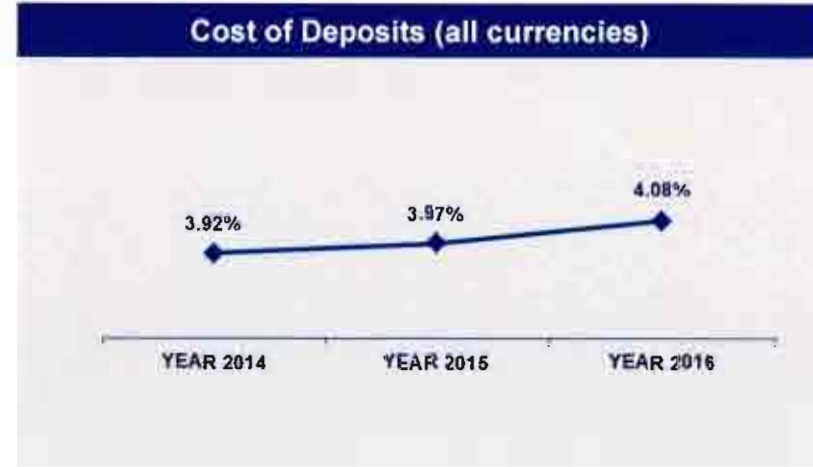
- Consolidated "Retail Loans" edged up 0.36% at year end 2016 compared to a 7.84% growth in year 2015 mainly due to the devaluation impact in Egypt, where retail loans fell 44.88% when converted into USD.
- Consolidated "Gross Retail NPL" increased to 1.82% in year 2016 compared to 1.75% at year end 2015. The coverage ratio of these loans by specific provisions reached 69.22% at year end 2015 compared to 68.40% in year 2016.

- BLOM & FB "Retail Loans" recorded a 3.48% growth at year end 2016 compared to 5.96% at year end 2015.
- BLOM & FB "Gross Retail NPL" increased from 1.63% at year end 2015 up to 1.82% at year end 2016. The coverage ratio of these loans by specific provisions reached 68.61% at year end 2015 compared to 67.23% at year end 2016.

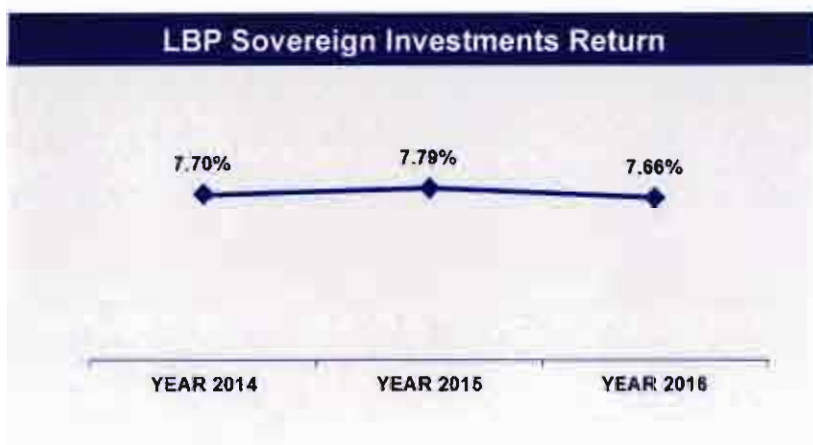
Section 5

BLOM Lebanon – Interest Margins

BLOM – Lebanon year 2016 Interest Margin (all currencies) increased to 2.07% as compared to 1.95% in year 2015, the major reason is the increase in the yields of sovereign investments to 6.35% in year 2016 up from 6.31% in year 2015.

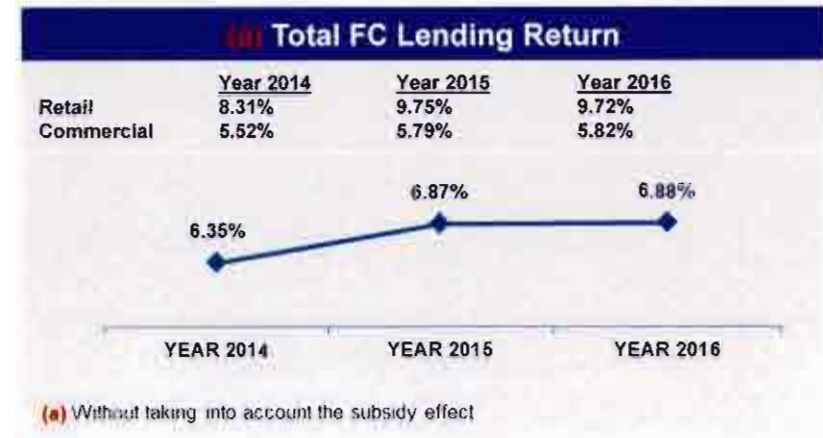
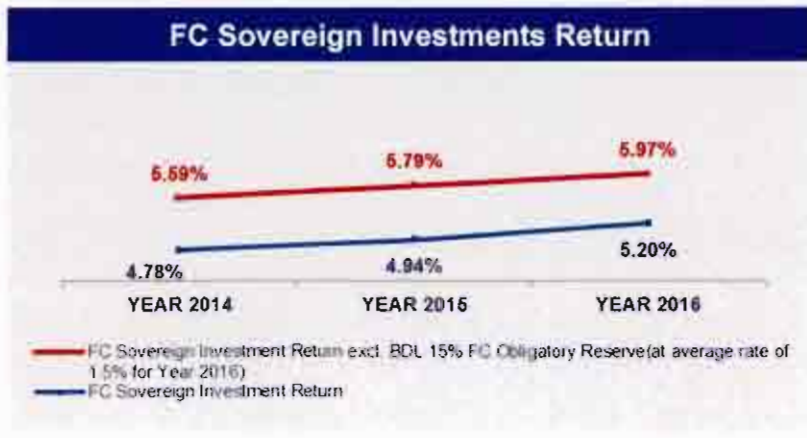
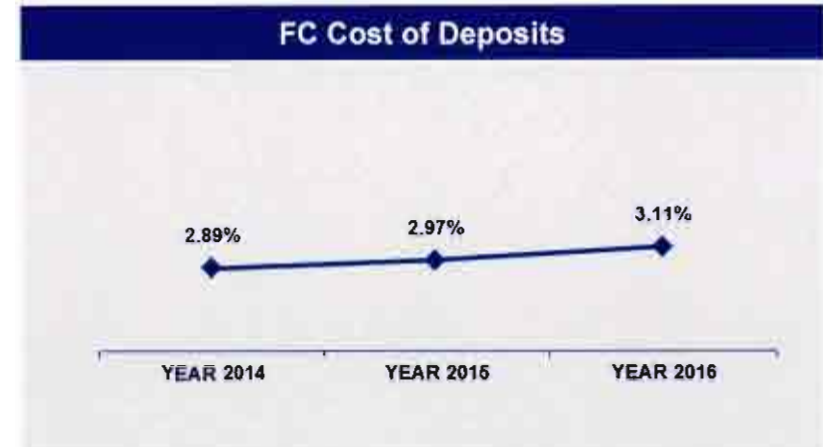


BLOM – Lebanon year 2016 **LBP** Interest Margin recorded 2.11% as compared to 2.15% in year 2015, the sovereign investments in year 2016 recorded 7.66% down from 7.79% in year 2015.



(a) Without taking into account the subsidy effect

BLOM – Lebanon year 2016 **FC** Interest Margin surged to 2.05% as compared to 1.81% in year 2015, the major reason is the increase in the yields of sovereign investments to 5.20% in year 2016 up from 4.94% in year 2015.



Section 6

BLOM Lebanon – Income by business line

The following shows the net profit by major business lines at BLOM – Lebanon for the year ending 2016.

USD '000	Retail	Corporate & Trade Finance	Treasury	Other Banking Activities	Total P&L
Net interest income (a)	119,092	63,905	303,580		486,578
Net Commission income	31,814	25,277		14,357	71,448
Net Financial Operations			114,056		114,056
Net Credit Loss Expense (b)	(17,193)	(3,286)			(20,479)
Direct Cost of Business Line (c)	(17,201)	(10,365)	(8,428)		(35,995)
Net Operating Profit	116,512	75,531	409,208	14,357	615,608
Income Tax @ 15%	(17,477)	(11,330)	(61,381)	(2,153)	(92,341)
Net Operating Profit By Business Line	99,035	64,202	347,827	12,203	523,267
% from Total	18.92%	12.27%	66.47%	2.34%	

(a) Maturity mismatch was not taken into consideration and therefore the fund transfer pricing (FTP) methodology was not applied.

(b) The one time specific provision for "LandMark" amounting to USD 60M was not taken into account in the "Corporate & Trade Finance" profit calculation

(c) To be noted that the indirect cost was not taken into account.

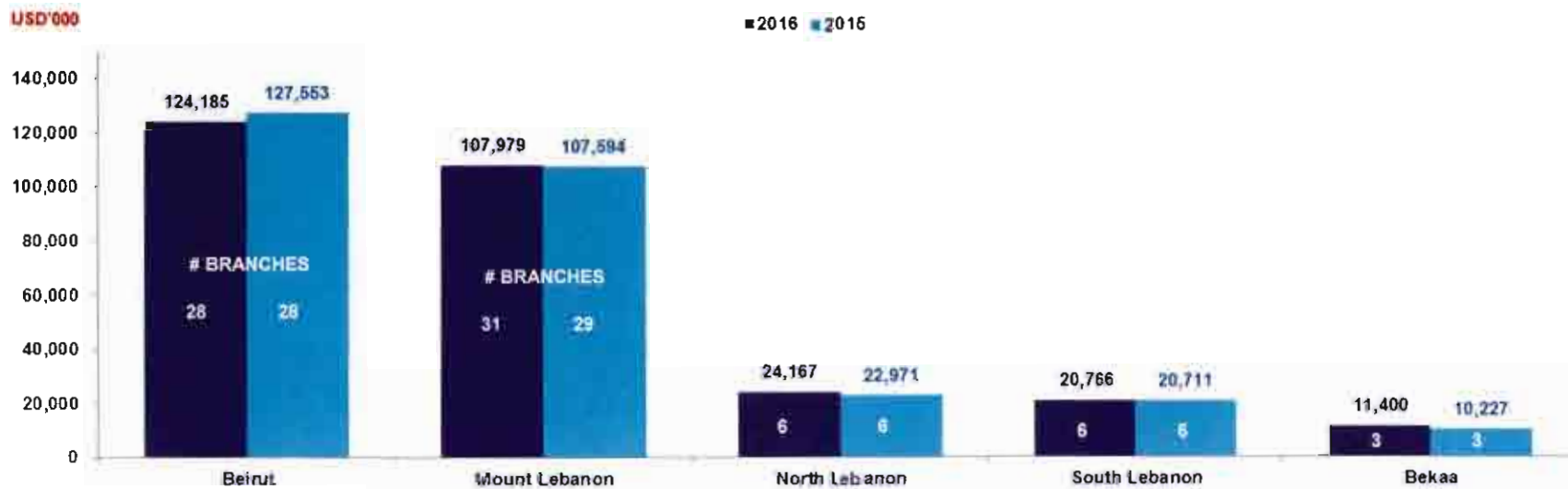
Section 7

BLOM Lebanon – Income by Branch

Total number of Branches in Lebanon amounted to 74 in year 2016 compared to 72 in year 2015

- Total net income recorded by BLOM – Lebanon branches amounted to USD 288M in year 2016 compared to USD 289M for year 2015.
- Beirut region branches remain the most profitable with 43% from total branches net income followed by Mount Lebanon branches at 37%.

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 2016 by net income broken down by region.

Top performers		
Region	Branch	Net income USD M
BEIRUT	MAIN BRANCH	18.9
	JNAH	7.1
	HAMRA	6.8
	GHOBEIRY	6.5
	BADARO	6.3
MOUNT LEBANON	KASLIK	9.4
	DORA	7.6
	ANTELIAS	7.4
	SIN EL FIL	6.7
	ZALKA	6.1
North	TRIPOLI-TELL	8.0
	AZMI	6.3
	ABI SAMRA	4.4
South	TYR	7.9
	SAIDA	6.0
	NABATIEH	4.6
Bekaa	ZAHLEH	5.2

Least performers		
Region	Branch	Net income USD M
BEIRUT	MINET EL HOSN	2.0
	SODECO	1.3
	EMBASSY	(0.1)
	BECHARA EL KHOURY	(0.4)
	ABDELAZIZ (a)	(0.8)
MOUNT LEBANON	HORCH TABET	1.3
	BROUMANA	1.3
	AIRPORT ROAD	1.1
	JDEIDEH	1.0
	DBAYE	(0.5)
North	ZAHRIEH	3.3
	AMIOUN	1.6
	TRIPOLI - BOULEVARD	0.7
South	TYR - ATHAR	1.1
	SAIDA BOULEVARD	0.8
	TYR - ABBASSIEH	0.4
Bekaa	JEB JENNINE	1.2

(a) To be noted that ABDELAZIZ branch was merged with Hamra Branch in year 2017

Section 8

Year 2017 – Budget

BLOM – Lebanon ACTUAL "Balance Sheet" composition as at 31-12-16.

USD'000

	LBP accounts	% from total	FC accounts	% from total	TOTAL	% from total
Sovereign Exposure	7,705,789	79.62%	8,020,857	54.90%	15,726,646	64.75%
Placements with Banks	44,786	0.46%	1,263,848	8.65%	1,308,634	5.39%
Fixed Income Securities	0	0.00%	850,808	5.82%	850,808	3.50%
Loans to Customers - Commercial	130,797	1.35%	2,707,732	18.53%	2,838,529	11.69%
Loans to Customers - Retail	1,436,164	14.84%	955,148	6.54%	2,391,312	9.85%
Fixed Assets	295,983	3.06%	0	0.00%	295,983	1.22%
Other Assets	64,460	0.67%	812,470	5.56%	876,930	3.61%
Total Assets	9,677,979		14,610,863		24,288,842	
Due to BDL	330,648	3.25%	0	0.00%	330,648	1.36%
Due to Banks	67,499	0.66%	428,214	3.03%	495,713	2.04%
Customer Deposits	7,455,845	73.39%	12,903,681	91.33%	20,359,526	83.82%
Other Liabilities	484,647	4.77%	175,047	1.24%	659,694	2.72%
Shareholders Equity	1,820,934	17.92%	622,327	4.40%	2,443,261	10.06%
Total Liabilities & Equity	10,159,573		14,129,269		24,288,842	

BLOM – Lebanon ACTUAL "P&L" composition for Year 2016.

USD'000

Interest Income	1,297,550	
Sovereign Exposure	898,177	69.22%
Placements with Banks	11,717	0.90%
Fixed Income Securities	38,891	3.00%
Loans to Customers	348,765	26.88%
Interest Expense	(810,972)	
Due to BDL	(3,160)	0.39%
Due to Banks	(12,030)	1.48%
Customer Deposits	(795,782)	98.13%
Net Interest Income	486,578	
Net commission income	71,448	
Credit loss expense	(80,479)	
Capital Gains	86,306	
Net Mark to Market Gains	11,809	
Profit from foreign exchange	9,576	
Other Income	6,365	
Net operating income	591,603	
Staff expenses	(123,990)	
General Operating Expenses	(71,448)	
Depreciation	(13,693)	
Total operating expenses	(209,131)	
Net operating profit	382,472	
Income tax	(57,371)	
Net profit	325,101	

% from Interest Income

% from Interest Expense

Net Profit

Non-Recurring Items:

Capital Gains	303,315
Dividends from Arope	6,898
Provision for Irbil Central Bank	(6,449)
Provisions for Syrian Investments	(58,763)
Provisions IFRS 9 & BDL circular	(173,000)
Income Tax (Capital Gain)	(56,618)

Net Profit Year 2016

325,101

340,484

At BLOM - Group Level the following were Eliminated:

Dividends from Arope	(6,898)
Capital Gains (Against Syria income)	(26,055)

BLOM – Lebanon : Retail Lending Assumptions Budget Year 2017

USD'000	Budget Year 2017	Budgeted % Growth	Year 2016	Year 2015	Actual % Growth
Balance Sheet accounts					
LBP Retail Loans (a)	1,527,073	6.33%	1,436,164	1,343,164	6.92%
Interest Rates	6.26%		6.40%	6.22%	
FC Retail Loans	959,924	0.50%	955,148	959,719	-0.48%
Interest Rates	9.69%		9.72%	9.02%	
Total Retail Loans	2,486,997	4.00%	2,391,312	2,302,883	3.84%
Interest Rates	7.58%		7.77%	7.43%	
Profit and Loss accounts					
Interest Income	185,855		184,560	181,177	
Net Commission Income	38,132	7.50%	35,472	33,001	7.49%
Provisions Specific (P&L)	(14,000)		(13,673)	(13,092)	
Provisions Collective (P&L)	0		(3,517)	(1,370)	

- The **budgeted growth rate** for the retail portfolio is set based on the **historical growth trend**.
- The portfolio has witnessed declining growth rates over the past three years leading to only a **budget of 4% growth rate for year 2017**.
- **Commission income** related to retail business is budgeted a **growth rate of 7.5%**, estimated mainly from the increase in volume and not in fees.
- **Specific Provision Charges (P&L)** related to retail business is budgeted at **USD 14M**, being the same trend as year 2016.
- **Collective Provision** booked in year 2016 is estimated to cover the needs for year 2017. Therefore there is **no need** for additional collective provisions for year 2017.
- To be noted that the **gross NPL recorded 1.39% at year - end 2016** compared to 1.35% at year-end 2015. The year 2017 NPL is budgeted less than 1.50% after write-Offs.

(a) The budgeted growth rate of 6.33% is mainly for "Housing Loans". Year 2016 witnessed a growth rate of 8.63% for "Housing Loans" and a negative rate of (0.11%) for the "Personal Loans".

BLOM – Lebanon : Commercial Lending Assumptions Budget Year 2017

USD'000	Budget Year 2017	Budgeted % Growth	Year 2016	Year 2015	Actual % Growth
Balance Sheet accounts					
LBP Commercial Loans	133,413	2.00%	130,797	159,820	-18.16%
Interest Rates	6.35%		6.49%	6.43%	
FC Commercial Loans	2,761,887	2.00%	2,707,732	2,645,833	2.34%
Interest Rates	5.80%		5.82%	5.79%	
Total Commercial Loans	2,895,300	2.00%	2,838,529	2,805,653	1.17%
Interest Rates	5.83%		5.86%	5.83%	
Profit & Loss accounts					
Interest Income	167,003		164,205	161,060	
Net Commission Income	5,752	0.00%	5,752	6,035	-4.70%

- The **budgeted growth rate** for the commercial portfolio is set based on the **historical growth trend**.

The portfolio has witnessed almost no growth for the past 2 years leading to a **moderate budget of only 2% growth rate for year 2017**.
- **Commission income** related to commercial loans is budgeted a **0% growth rate**.
To be noted that the decrease in commissions related to commercial loans in year 2016 is mainly attributable to classifying 2 major loans as substandard.
- **No Provisions Charges (P&L)** is budgeted for year 2017 since adequate provisions were taken in previous years. To be noted that the **gross NPL recorded 6.39% at year-end 2016** compared to 6.15% at year-end 2015, **no major classifications** of loans are budgeted to occur **during year 2017**.

BLOM – Lebanon : Customer Deposits Assumptions Budget Year 2017

USD'000	Budget Year 2017	Budgeted % Growth	Year 2016	Year 2015	Actual % Growth
Balance Sheet accounts					
LBP Customer Deposits	7,567,683	1.50%	7,455,845	6,988,310	6.69%
Interest Rates	5.79%		5.77%	5.72%	
FC Customer Deposits	13,510,154	4.70%	12,903,681	12,584,803	2.53%
Interest Rates	3.40%		3.11%	2.97%	
Total Customer Deposits	21,077,837	3.50%	20,359,526	19,573,113	4.02%
Interest Rates	4.26%		4.08%	3.97%	
Profit & Loss accounts					
Interest Expense	(885,216)		(795,781)	(752,978)	
Net Commission Income	22,630	6.00%	21,349	19,346	10.36%

- The **budgeted growth rate** for the customer deposits is set based on the **historical growth trend**.
- The **TOTAL customer deposits growth** is budgeted at **3.5%** and the **average cost of fund** at **4.26%**.
- **Commission income** related to customer deposits is budgeted a growth rate of **6%** compared to an actual growth of **10.36%** in year 2016.

BLOM – Lebanon : Treasury Operations Assumptions Budget Year 2017

- 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 7.00%.

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

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

- ✓ It is budgeted to increase the FC Sovereign exposure from 54.9% of total assets to 56.4%, at an average rate of 6.55%.
- ✓ Allocate the necessary 15% compulsory BDL reserve. To be noted that the compulsory reserve placement rate at BDL has increased from an average of 1.56% in 2016 to a budgeted 1.90% for 2017.
- ✓ A minimum of USD 25M are budgeted to be invested in Fixed Income securities at an average rate of 3.75% and average tenor of 5 years. All maturing fixed income securities will be reinvested in the same financial asset terms.
- ✓ Any remaining balance will be kept in the liquidity of the bank.

BLOM – Lebanon : Staff Expenses Assumptions Budget Year 2017

- The staff expenses are budgeted to **increase** by **5.25%**.
- The above budget is mainly based on an **average increase in staff salaries** by **4.25%** and an additional **1% for newly recruits**.

BLOM – Lebanon : General Operating Expenses Assumptions Budget Year 2017

- The general operating expenses are budgeted to **increase** by **2.4%**.

BLOM – Lebanon Year 2017 Budgeted Balance Sheet

USD '000	Budget Year 2017	Actual Year 2016	Budgeted % growth
Sovereign Exposure	16,357,000	15,726,646	4.01%
Placements with Banks	1,315,000	1,308,634	0.50%
Fixed Income Securities	876,000	850,808	2.96%
Loans to Customers - Commercial	2,895,000	2,838,529	2.00%
Loans to Customers - Retail	2,487,000	2,391,312	4.00%
Other Assets	1,290,000	1,172,913	9.98%
Total Assets	25,220,000	24,288,842	3.83%
Due to BDL	352,000	330,648	6.46%
Due to Banks	496,000	495,713	0.00%
Customer Deposits	21,078,000	20,359,526	3.53%
Other Liabilities	660,000	659,694	0.00%
Shareholders Equity	2,634,000	2,443,261	7.77%
Total Liabilities & Equity	25,220,000	24,288,842	3.83%

BLOM – Lebanon Year 2017 Budgeted Net Income

USD'000	Budget Year 2017	Actual Year 2016	Budgeted % growth
Interest Income	1,435,994	1,297,550	10.67%
Sovereign Exposure	1,030,686	898,177	
Placements with Banks	15,013	11,717	
Fixed Income Securities	35,437	38,891	
Loans to Customers	352,858	348,765	
Interest Expense	(899,901)	(810,972)	10.97%
Due to BDL	(3,457)	(3,160)	
Due to Banks	(11,228)	(12,030)	
Customer Deposits	(885,216)	(795,782)	
Net Interest Income	536,093	486,578	10.18%
Net commission income	75,351	71,448	
Credit loss expense	(14,000)	(80,479)	
Capital Gains	10,000	86,306	
Net Mark to Market Gains	12,000	11,809	
Profit from foreign exchange	10,000	9,576	
Other Income	7,500	6,365	
Net operating income	636,944	591,603	7.66%
Staff expenses	(130,495)	(123,990)	
General Operating Expenses	(72,800)	(71,448)	
Depreciation	(11,500)	(13,693)	
Total operating expenses	(214,795)	(209,131)	2.71%
Net operating profit	422,149	382,472	
Income tax	(63,149)	(57,371)	
Net profit	359,000	325,101	5.39%

Net profit

Non-Recurring Items:

Capital Gains
 Dividends from Arope Lebanon
 Provisions for Irbil Central Bank
 Provisions for Syrian Investments
 Provisions IFRS 9 & BDL circular
 Income Tax

Net profit

	359,000	325,101
		303,315
		6,898
		(6,449)
		(58,763)
		(173,000)
		(56,618)
Net profit	359,000	340,484

BLOM – Lebanon Assumptions not taken into account in year 2017 Budget.

- Budgeted P&L does not account for any **amendments of taxes as per the suggested Lebanese Government Budget**:
 - ✓ The increase in **income tax from 15% to 17%** is estimated to have an impact of additional taxes for USD 8M (full Year).
 - ✓ The **waiver of deducting the 5% interest tax** from the income tax is estimated to have an impact of USD 11M (half year impact).
- Budgeted P&L does not account for the purchase of **HSBC**, which is expected to have a minor impact on 2017 results.
- Budgeted P&L does not account for the impact of the **"Preferred Shares" call** if any.

Should the call occur and if around 75% of the USD 200M are transferred to customer deposits at 4.25%, then the impact would be additional interest expense of around USD 3.2M (half year) and off course an increase in customer deposits.

BLOM GROUP Year 2017 Budget

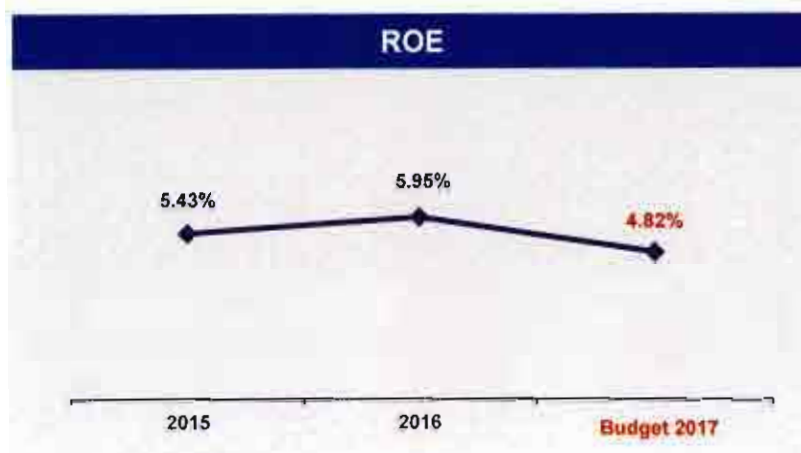
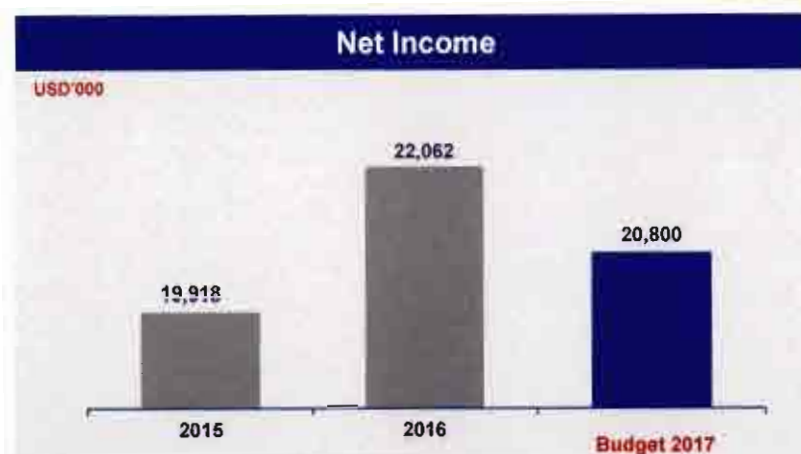
BLOM France Group (with Swiss):

BLOM France Group is the Second largest entity after Lebanon representing 9.95% of total consolidated assets, 7.28% of total consolidated customer deposits and 10.86% of total consolidated loans to customers.

In terms of profitability BLOM France Group is the third profitable entity in the Group representing 4.75% of total consolidated income.

The Following are the year 2017 major budget assumptions

- Loans and Advances to customers' growth rate is budgeted at 6.77% reaching USD 830M up from USD 777M.
- The budgeted growth rate for Customers' Deposits is 3.92% reaching USD 1,877M up from USD 1,806M.
- Loans to deposits ratio is expected to reach 44.24% at the end of year 2017 compared to 43.06% in year 2016.



BLOM GROUP Year 2017 Budget.

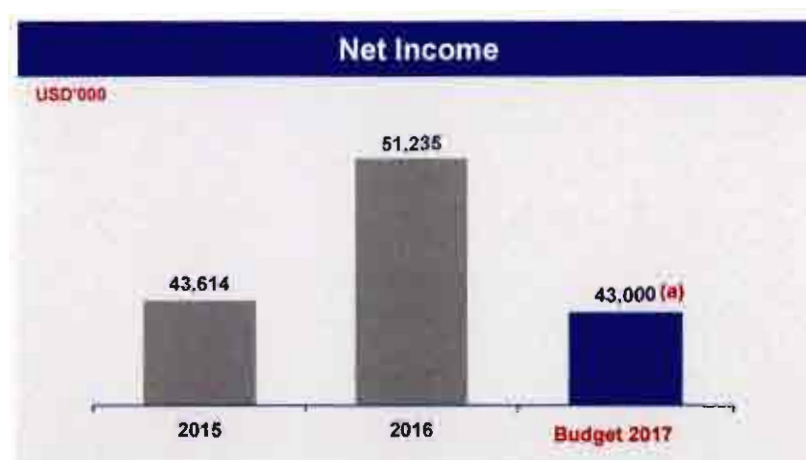
BLOM – EGYPT:

BLOM Egypt is the third largest entity in the Group representing 5.09% of total consolidated assets, 5.35% of total consolidated customer deposits and 6.47% of total consolidated loans to customers.

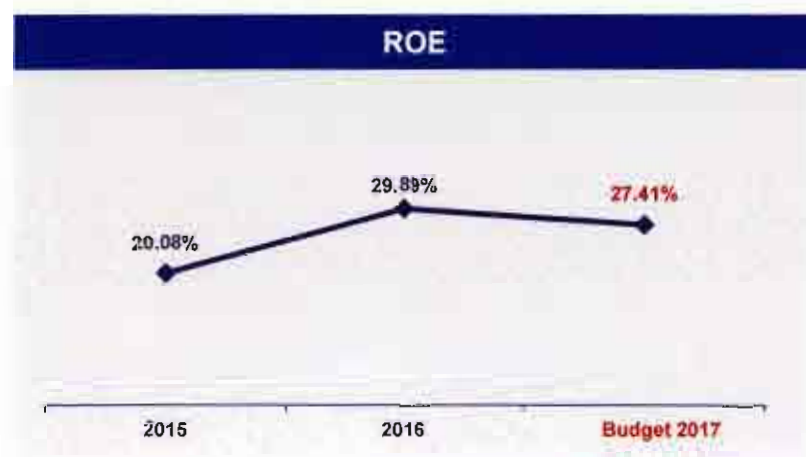
In terms of profitability BLOM Egypt is the most profitable entity after Lebanon representing 11.06% of total consolidated income.

The Following are the year 2017 major budget assumptions

- Loans and Advances to customers' growth rate is budgeted at 22.48% reaching USD 567M up from USD 464M.
- The budgeted growth rate for Customers' Deposits is 13.44% reaching USD 1,505M up from USD 1,327M.
- Loans to deposits ratio is expected to reach 37.71% at the end of year 2017 compared to 34.94% in year 2016.



(a) It varies depending on the FX rate of EGP vs USD



BLOM GROUP Year 2017 Budget.

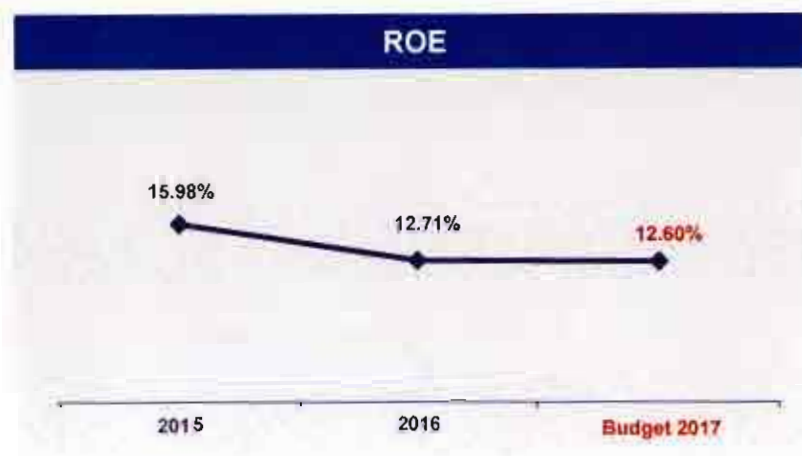
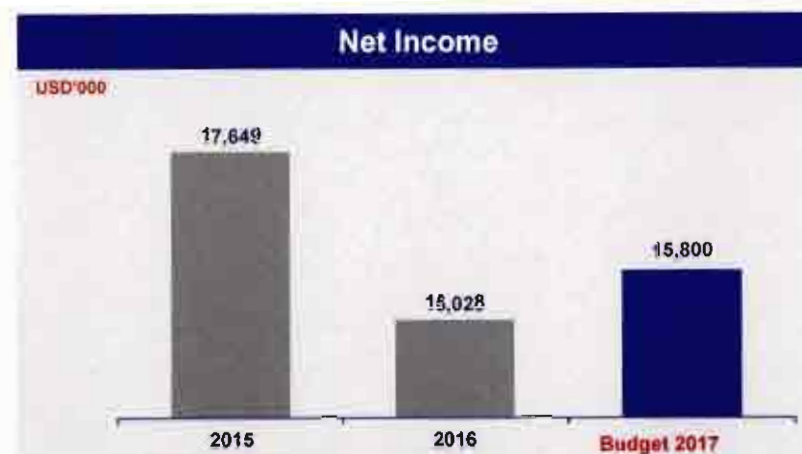
BLOM – JORDAN:

BLOM Jordan is the fourth largest entity in the Group representing 3.75% of total consolidated assets, 3.54% of total consolidated customer deposits and 7.14% of total consolidated loans to customers.

In terms of profitability BLOM Jordan is the fourth profitable entity in the Group representing 3.24% of total consolidated income.

The Following are the year 2017 major budget assumptions

- Loans and Advances to customers' growth rate is budgeted at 6.63% reaching USD 545M up from USD 512M.
- The budgeted growth rate for Customers' Deposits is 6.27% reaching USD 932M up from USD 877M.
- Loans to deposits ratio is expected to reach 58.52% at the end of year 2017 compared to 58.32% for year 2016.



BLOM GROUP Year 2017 Budget.

BLOM GROUP:

The Following are the year 2017 major budget assumptions

- Loans and Advances to customers' growth rate is budgeted at 4.84% reaching USD 7,510M up from USD 7,163M.
- The budgeted growth rate for Customers' Deposits is 4.17% reaching USD 25,846M up from USD 24,811M.
- Loans to deposits ratio is expected to reach 29.06% at the end of year 2017 compared to 28.87% for year 2016.

