General Report Board of Directors 2022

The political and economic situation witnessed a sharp deterioration since the end of 2019 as a result of the protests that have taken place since 17 October 2019, the delays in government reforms, the Covid19 pandemic and last but not least the destruction of the Beirut port and part of the city as a consequence of the 4th of August blast.

The bottom line exhibited negative results over the last three years mainly due to the government withholding coupons on Eurobonds, the 50% 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. BLC Bank net losses reached USD -64.7 million in 2022 resulting mainly from an additional $98.5 million Expected Credit Losses (ECL's) reflecting the revaluation on sovereign exposure in foreign currency in accordance with BDL circular 649.

On the balance sheet side and due to the persistent politico-economic crisis, our total assets slightly dropped by 2.5% in 2022 to reach USD 3.5 billion.

On the other hand, BLC Bank customer deposits reached USD 2.8 billion by the end of December 2022 almost similar to 2021 figures.

In parallel, total net loans to customers dropped by 43% to reach USD 375 million due to the ongoing large payoffs motivated by an extremely high multiple of cash dollar to local dollar. Nevertheless, this decrease positively affected the ECL requirements on our loan portfolio.

Furthermore, and following the staff cost reduction plan initiated in October 2019, our staff expenses dropped by 13% during 2020. In fact, Staff headcount dropped by 383 or 45.1% since September 2019 reaching 467 by end of May 2023, coming from 850.

Starting 2021, the drop in staff headcount was mainly due to resignation in search of better job opportunities and employees immigrations resulting from the recent economic crisis. Worth noting that during 2022 staff expenses started increasing again mainly at the level of transportation, high cost of living expenses and end of service provisions.

Also, a new administrative cost cutting plan was initiated in December 2020, subsequently reducing the number of branches by 27 down from 43 to reach currently 16 branches.

Besides, further cut in interest rates and the increase in commissions on operations, and in new fresh business, as well as some exceptional revenues items, compensated the drop in interest income following the withholding of coupons on Eurobonds, the 50% interest on FC BDL placements and CDs, as well as the decrease in interest income on the shrinking loan portfolio.

As far as the foreign liquidity is concerned, BLC holds $28 million liquidity in foreign banks by end of May 2023. Factoring in $9.6 million, which is the net value of $150m Eurobonds reclassified at FVTPL at 6.4%, our foreign

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liquidity ratio would reach 2.0% (and 2.8% if we exclude the effects of cash withdrawals made under circular 158).

Additionally, BLC is working hard to reach back the 3% level by end of 2023 or mid of 2024, this will be achieved by acquiring fresh money accounts, increasing fresh commission income on different activities and applying exceptional measures mentioned in the letter sent to BDL in November 2022, such as sale of real estate and cash collection in fresh USD.

BLC Bank's Capital Adequacy Ratio reached 15.6% by end of 2022; Total CAR ratio is expected to reach 6.8% by end of 2023 (after the increase in the official USD/LBP exchange rate beginning 2023 from 1,507.5 LBP to 15,000 LBP), the ratio will increase back to 14.1% after including 50% of the 153 Real Estate revaluation at the current sayrafa rate.

In an unsteady financial landscape with consumer behavior and expectations challenging the banking sector, BLC Bank tried at its best to preserve its customer centric strategy offering services and support to customer needs as much as possible.

Despite this challenging operating environment, BLC strives to leverage state-of-the-art technology in order to automate processes where needed, hence, making them efficient, fast, and streamlined in order to provide customers of the bank with quality services.

Also, the Bank's historical strategy was always to invest in the economy. Its corporate image was well associated with SME banking, which was considered as a key axis in the Bank. Worth noting that, before the crisis, BLC was a leading bank in SME and namely Kafalat, where its market share was more than 10% compared to a balance sheet size of 2% .In addition, the bank was a leader in promoting the women in Business as well as the retail banking, namely, the personal loans.

However, during the last three years, and due to the aforementioned politico-economic situations, this strategy was largely affected.

Amid this harsh environment, BLC will stay in a wait and see mode expecting some economic and political breakthrough. Only by then, BLC will seek specific growth targeting particular segments with cross selling potential, namely SME, secured Retail loans, to help boost the economy

Chairman General Manager

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