

CORPORATE GOVERNANCE REPORT - 2015

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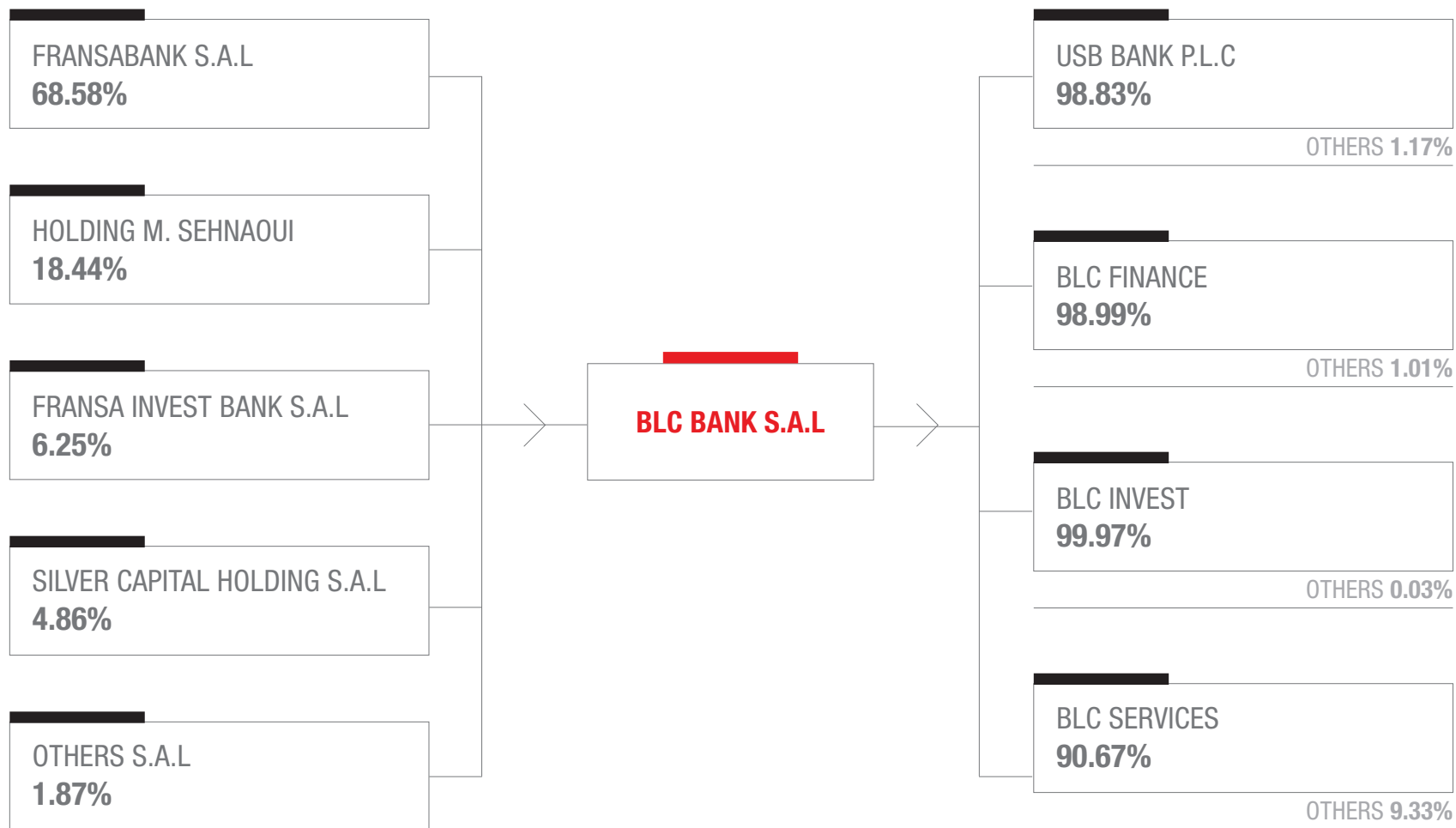
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SHAREHOLDERS STRUCTURE



BOARD OF DIRECTORS

CHAIRMAN GENERAL MANAGER

Mr. Maurice SEHNAOUI

DEPUTY CHAIRMAN AND GENERAL MANAGER

Mr. Nadim KASSAR

MEMBERS

Mr. Adnan KASSAR
Mr. Adel KASSAR
Mr. Nabil KASSAR
Me. Walid DAOUK
Mr. Nazem EL KHOURY
Me. Ziyad BAROUD
Me. Walid ZIADE
Ms. Youmna ZIADE
Mr. Mansour BTEISH
Mr. Henri DE COURTIVRON

SECRETARY TO THE BOARD

Me. Michel TUENI

EXTERNAL AUDITORS

Deloitte & Touche
FMO Fiduciaire du Moyen Orient

1. ROLE OF THE BOARD OF DIRECTORS

The Board of the Directors shall be composed of a mix of Executive and Independent directors in order to obtain the optimal mix of skills and experience.

The basic responsibility of the Board of Directors is to oversee the Bank's affairs, and to exercise reasonable business judgment on behalf of the Bank. Further, the Board members are responsible for the execution of the mission assigned to them, according to provisions of article 166 and the related articles of the Code of Commerce.

Directors shall have full and free access to senior management and other employees of the Bank for any information they wish to obtain.

2. MEETINGS OF THE BOARD OF DIRECTORS

During the year 2015, the Board met eight times.

The Board of Directors of BLC Bank confirms that during 2015 it has complied with the relative provisions of the Corporate Governance Code, with the only deviation being the composition of the Risk Management Committee, reference of which is made in the section relating to the Risk Management Committee of the present Report.

The Board of Directors recognizes the importance of implementing sound corporate governance policies and has taken the necessary actions to comply with the new requirements of the Central Bank.

During 2016, The Board has approved the establishment of an independent unit, in charge of implementing the policy relating to the principles of carrying out banking and financial operations with customers in compliance with BDL Circular # 134, reporting directly to the General Manager, and took all necessary decisions to procure all necessary human and technical resources for this unit to perform its tasks efficiently.

The Board has also approved the Remuneration Policy of the Bank in compliance with BDL Circular # 133 and the Policy for Credits to Related Parties in compliance with BDL circular # 132.

Composition of the Board of Directors during 2015 until today

Executive Members: four

Non-Executive and Independent Members: two

Non-Executive Members: six

NOTA: The four Executive Members include his Excellency Mr. Nazem El Khoury who is the Chairman General Manager of BLC Services SAL which is a subsidiary of BLC Bank SAL; however he does not have any Executive role in BLC Bank SAL.

3. BIOGRAPHIES

MR. MAURICE SEHNAOUI

CHAIRMAN GENERAL MANAGER



With over 30 years of visionary leadership, Maurice Sehnaoui, is a pioneer in the Lebanese Banking Sector and a major contributor to the Lebanese economy with his commitment to support the pillars that lay the foundation for socio-economic development such as SMEs, women and corporate social responsibility. He was a former Minister of Energy and Water from 2004 to 2005. He is on the Board in a number of companies and owns a large real estate portfolio including select buildings in the Beirut City Center. Mr. Sehnaoui is the Chairman of the board of directors and General Manager of BLC Bank SAL since 2008, his bold and dynamic strategic direction led the Bank to become an Alpha Bank in less than 5 years. Born in 1943, he holds a degree in Economics from the Saint Joseph University of Beirut. He is Chevalier of the French “Legion d’Honneur” and Officer of the French “Ordre National du Mérite”.

MR. NADIM KASSAR

DEPUTY CHAIRMAN AND GENERAL MANAGER



Mr. Nadim Kassar is the Deputy Chairman and General Manager of BLC Bank SAL. He holds currently the following positions: Deputy Chairman and General Manager of BLC Invest SAL, General Manager of Fransabank SAL, Founder and Board Member of Fransa Invest Bank SAL (FIB), Founder and Chairman of Fransabank Al Djazaïr SPA, Board Member of the Association of Banks in Lebanon since 2001, Vice Chairman and Board Member of USB Bank PLC, Board Member of Lebanese International Finance Executives (LIFE), Co-Manager of A.A. Kassar (France) SARL and General Manager of A.A. Kassar SAL. Mr. Kassar also is a Board Member of the following institutions: MasterCard Incorporated Asia, Pacific, Middle East & Africa, SAMEA Regional Board of Directors since 2005, NetCommerce, Interbank Payment Network, IPN SAL, Credit Card Management, Founder and Board Member of the American Lebanese Chamber of Commerce. He holds as well the position of Deputy Chairman of Société Financière du Liban. His social activities include the Makassed Philanthropic Islamic Association in Beirut as a Member of the Board of Trustees, a Member of the Lebanese-Chinese inter-parliamentary friendship committee, a Member of the Lebanese-Tunisian friendship committee and Treasurer of the Comité des Propriétaires- Ouyoun As Simane. Mr. Kassar is born in 1964 and holds a Bachelor’s degree in Business Administration from the American University of Beirut.

MR. ADNAN KASSAR

CHAIRMAN AND CEO OF FRANSABANK GROUP



Mr. Adnan Kassar is the Chairman and CEO of Fransabank Group . In 1980, he and his brother Adel acquired Fransabank and have lead the Bank ever since. He is also a member of the Board of Directors of BLC Bank SAL, Fransabank (France) SA, and Fransabank Syria SA. He is also the Chairman of the Supervisory Board of Fransabank OJSC in Belarus . Mr. Kassar also served as Minister of Economy and Trade in Lebanon from 2004 to 2005 and Minister of State in Lebanon from 2009 to 2011. He was the first Arab businessman elected Chairman of the International Chamber of Commerce and headed the World Business Organization from 1999 to 2000. He is also former President of the Lebanese Federation of Chambers of commerce, Industry and Agriculture in Lebanon and headed this federation for over thirty years (1972 to 2002). He is the President of the Lebanese Economic Organizations and is the Honorary Chairman of the General Union of Chambers of Commerce, Industry, and Agriculture of the Arab Countries which groups millions of companies and associations from the 22 member Arab countries. Born in 1930, Mr. Kassar holds a Bachelor's degree in Law from Université Saint Joseph , Beirut and an Honorary Doctorate from the Lebanese American University. Mr. Kassar has received global awards and high distinguished decorations from many Heads of States and International Organizations, including the Oslo Business for Peace Award in 2014, and the "China Arab Outstanding contribution" award from China's President Xi in 2016.

MR. ADEL KASSAR

DEPUTY CHAIRMAN AND CEO OF FRANSABANK GROUP



Mr. Adel Kassar's career spans over more than six decades. He currently leads as the Deputy Chairman and Chief Executive Officer of Fransabank Group and the Chairman of the Board of Directors of Fransabank (France) SA and Fransabank Syria SA. He is also Chairman of the Board of Directors and General Manager of Bancassurance SAL and Lebanese Leasing Company SAL. He is a member of the Supervisory Board of Fransabank OJSC in Belarus and member of the Board of Directors of BLC Bank SAL. He is a former Chairman of the Banks Association in Lebanon and the Honorary Consul General of the Republic of Hungary in Lebanon. Born in 1932, Mr. Kassar holds a degree in Lebanese and French Law from Université Saint Joseph.

MR. NABIL KASSAR

BOARD MEMBER



Mr. Nabil Kassar holds a Bachelor's degree in Law from Université Saint Joseph. He is the General Manager of Fransabank SAL and the Chairman of the Board of Directors of Fransa Invest Bank SAL, the investment arm of Fransabank and Fransa Land SAL. Mr. Kassar is also a member of the Board of Directors of Fransabank France SA, Fransabank El Djazair, Fransabank Syria SA, BLC Invest SAL, Bancassurance SAL and United Real Estate Investment Co. SAL. Mr. Kassar is born in 1970.

ME. WALID DAOUK

BOARD MEMBER



Me. Walid Daouk is an accomplished lawyer in Lebanon specializing in commercial, civil, and property laws. In 1981, he started his practice as associate in Takla & Trad law firm thereafter became a partner and Vice Chairman of the International Affairs Commission at the Beirut Bar Association, in 2005, followed by becoming a member of its Arbitration Commission, in 2008. In 2011, he was appointed Minister of Information and per interim Minister of Justice until 2014. Today, Me. Daouk is a member of the Board of numerous local and international banking, real estate trading, and insurance corporations, including Fransabank SAL (Lebanon), Fransabank (France) SA, Fransabank El Djazair SPA (Algeria), BLC Bank SAL (Lebanon), USB Bank PLC (Cyprus), Tourism and Hotel Development Company SAL, Beirut Waterfront Development SAL, among many others. In 1994, he was appointed the Commissioner of the Lebanese Government at the Beirut Stock Exchange. Twenty years ago, Me. Daouk was one of the founders of Ajjalouna and has been a member of its Board of Trustees ever since, followed by joining the board of Dar Al Aytam in 2005. He is also a member of the board of Trustees of three major education institutions in Lebanon: College Louise Wegman since 2005, International College since 2009, and Université Saint Joseph since 2012. He was appointed member of the board of Directors of the Council for Development and Reconstruction of Lebanon (CDR 2001-2004). Born in 1958, Me. Daouk holds a Bachelor's degree in Lebanese Law and a Master's degree in French Law from Université Saint Joseph and a degree in Business Management from Beirut University College.

MR. NAZEM EL KHOURY

BOARD MEMBER



Mr. Nazem El Khoury served as a Parliament Member from 2000 till 2005. Three years later, he was appointed Political Advisor to the President of the Republic of Lebanon, and in 2011, he was assigned Minister of Environment. Mr. El Khoury was also the Coordinator of the Steering Committee for the National Dialogue. Currently, he is the Founder of Harbour Insurance Company and Chairman of the Tourism and Hotel Development Company SAL and BLC Services SAL. He is also a Board Member of BLC Bank SAL and Stow Capital Partners. Mr. El Khoury was Former Chairman of Lebanon-German Insurance Company and BLC Finance and former Board Member of Al Ahli International Bank. Parallel to his business and political work, Mr. El Khoury was heavily engaged in social and academic activities. He was on the Board of Trustees of several educational institutions, such as the Lebanese American University, YMCA, Notre Dame University, and the American University of Science and Technology. Mr. El Khoury also served as former Vice President of the Lebanese Cooperative for Development and former member of the board of directors of the Lebanese Red Cross and Caritas. Born in 1946, Mr. El Khoury holds a Bachelor's degree in Political Sciences and Public Administration from the American University of Beirut, as well as an Insurance Diploma from the Chartered Insurance Institute in London.

ME. ZIYAD BAROUD

BOARD MEMBER



Me. Ziyad Baroud is the former Minister of Interior and Municipalities (MoIM) of the Republic of Lebanon from 2008 till 2011. Under his leadership, the MoIM was awarded the 2010 United Nations Public Service Award First Prize. Prior to his appointment as Minister, Me. Baroud held a number of leading positions. He was elected in 2004 Secretary General of the Lebanese Association for Democratic Elections. In 2005, he was a Member of the Lebanese National Commission on Electoral Law. He has served as a Board Member of the Lebanese Chapter of Transparency International since 2006. He is also on the Board of the Lebanese Center for Policy Studies and Notre Dame University. Me. Baroud has received several awards, including the "Grand Officier de L'Ordre National du Cèdre", "Grand Officier de L'Ordre National du Mérite de la République Française", the International Foundation for Electoral Systems (IFES) 2010 Manatt Democracy Award for his commitment to freedom and democracy, the "Officier de la Légion d'Honneur" by the French President Nicolas Sarkozy, and the "Commandeur de Numéro de l'Ordre Civil du Mérite" by the King of Spain Juan Carlos I. A court lawyer by practice, Managing Partner at HBD-T Law Firm and arbitrator, Me. Baroud held a number of academic posts as lecturer at Université Saint Joseph and has a number of publications on subjects related to local governance, decentralization, human rights, and other political and legal issues. He also worked as a Senior Advisor with Booz and Co. and is the consultant to various UN Agencies in Lebanon. Born in 1970, Me. Baroud has a law degree from Université Saint Joseph and pursued his doctoral studies in Paris.

ME. WALID ZIADE

BOARD MEMBER



Me. Walid Ziadé is a renowned lawyer in corporate and commercial law with first-hand experience in banking, financial investment, and real estate. He runs Boutros, Ziadé & Associates Law Firm as Managing Partner. He is also a member of the Beirut Bar Association and a board member of several companies, namely BLC Bank SAL, BLC Invest SAL, and BLC Finance SAL. Born in 1971, Me. Ziadé holds a degree in Law from Université Saint Joseph and a degree in Business Administration and Management from Ecole Supérieure de Commerce de Paris (ESCP).

MS. YOUNNA ZIADE

BOARD MEMBER



Mrs. Youmna Ziadé Karam joined BLC Bank in 2008 and has held various management positions. She is currently head of the CSR Committee and member of the Board of Directors of BLC Bank. Mrs. Karam started her career at Société Générale de Banque au Liban in 2003 where she occupied several positions within the corporate banking group. Born in 1980, Mrs. Karam Holds a Masters degree in Law from Saint-Joseph University (2001) and a Diplôme de Sciences-Po from the Institut d'Études Politiques de Paris (2003).

MR. MANSOUR BTEISH

BOARD MEMBER



Mr. Mansour Bteish joined Fransabank SAL in 1974. Over the course of four decades, Mr. Bteish held various management positions and headed major Central Departments until he was appointed General Manager of Fransabank SAL in 2005. Mr. Bteish is currently a member of the Board of Directors of several subsidiaries in Lebanon and abroad, including Fransa Invest Bank, BLC Bank SAL, BLC Invest, Lebanese Leasing Company, Fransabank (France), Fransabank El Djazaïr SPA (Algeria), USB Bank PLC (Cyprus), and United Capital Bank (Sudan). Born in 1954, Mr. Bteish holds a Bachelor's degree in Business Administration and a Master's degree in Money and Banking from Université Saint Joseph.

MR. HENRI DE COURTIVRON

BOARD MEMBER



Mr. Henri de Courtivron has over 40 years of experience in business and finance. He joined Indosuez Bank in 1977 and was appointed at various management positions within the international network of the Bank in Singapore and in London and seconded to its affiliate Bank in Saudi Arabia, Banque Saudi Fransi, before returning to the Head Office in Paris. In 2007, he became General Manager of Fransabank (France) SA and held this role for over six years. Currently, he serves as a member of the Bank's Board, the Chairman of the Audit Committee and a member of the Corporate Governance Committee. In 2015, he was elected as a Consular Judge at the Paris Commercial Court. Born in 1950, Mr. Courtivron graduated from Ecole Supérieure de Commerce de Paris and holds a degree in Economic Sciences from PARIS X University.

ME. MICHEL TUENI

SECRETARY TO THE BOARD

DELOITTE & TOUCHE

EXTERNAL AUDITOR

FMO FIDUCIAIRE DU MOYEN ORIENT

EXTERNAL AUDITOR

4. CHANGES IN THE COMPOSITION DURING 2015

Mr. Raoul Nehme, an Executive Board Member, resigned in July 2015 and the Board decided on the invitation of the General Assembly to submit the proposal of the Board for electing Mrs. Youmna Ziade as new Non-Executive Board Member.

5. CLASSIFICATION CRITERIA FOR DETERMINING NON-EXECUTIVE DIRECTORS

A non-executive Board member is the one who:

- a. has no executive function at the Bank;
- b. is not assigned with any executive tasks in the Bank or at any of its subsidiaries in Lebanon or abroad;
- c. does not currently perform any consultative work to the “Executive Senior Management” or has not carried out any assignment during the past two (2) years preceding his/her nomination as a board member.

NOTA : Under the terms of BDL circular 118, a Board Member, who is nominated at any of the Bank’s foreign subsidiaries, will not be considered “Executive” in case the laws in the foreign country where this subsidiary operates, does not consider him as an executive member.

6. CLASSIFICATION CRITERIA FOR DETERMINING INDEPENDENT DIRECTORS

An independent Board member is the one who meets all of the following characteristics:

- a. Is a Non-Executive Board Member
- b. Is not one of the major shareholders who own, directly or indirectly, more than 5% of the Bank’s total shares or voting rights related to these shares; whichever is greater.
- c. Is independent of any person from the Bank’s “Executive Senior Management” and of its major shareholders in the sense that there is no work relationship with anyone of them currently or during the past two years preceding his/her nomination as a Board member
- d. Has no family-relationship with any of the major shareholders until the fourth degree.
- e. Is not any of the Bank’s debtors.

7. RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD

The Chairman shall:

- Promote a constructive relationship between the Board of Directors and the Bank’s Executive Management and between the Executive directors and the Non-Executive directors.
 - Ensure that both Directors and Shareholders receive adequate and timely information.
 - Ensure high standards of Corporate Governance by the bank
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SUBSIDIARIES' BOARDS

USB BANK PLC

Members:

Mr. Maurice SEHNAOUI (Chairman)
Mr. Nadim KASSAR (Vice Chairman)
Fransa Invest Bank SAL represented by Mr. Mansour BTEISH
Me. Ziyad BAROUD
Mr. Henri PIERRE JEAN GUILLEMIN
Mr. Agis TARAMIDES
Mr. George GALATARIOTIS
Mr. George STYLIANOU
Mr. Philippos PHILIS
Mr. Andreas THEODORIDES
Mr. Despo POLYCARPOU

Secretary to the board:

Ms. Panayiota CHARITONOS

Independent Auditors

Deloitte Limited
Certified Public Accountants and Registered Auditors

BLC SERVICES

Members:

Mr. Nazem EL KHOURY (Chairman)
BLC BANK SAL
HOLDING M.SEHNAOUI SAL
Me. Walid DAOUK
Me. Walid ZIADE
Mr. Khaled SALMAN

Secretary to the board:

Me. Michel TUENI

Independent Auditors

Deloitte & Touche
Mr. Elie Husni Bali

BLC FINANCE

Members:

Mr. Mansour BTEISH (Chairman)
FRANSABANK SAL
HOLDING M.SEHNAOUI SAL

Secretary to the board:

Me. Michel TUENI

Independent Auditors

Deloitte & Touche

BLC INVEST

Members:

Mr. Maurice SEHNAOUI (Chairman and General Manager)
Mr. Nadim KASSAR (Deputy Chairman and General Manager)
Me. Walid DAOUK
Mr. Nabil KASSAR
Me. Walid ZIADE
Mr. Mansour BTEISH
Mr. Youssef SARROUH

Secretary to the board:

Me. Rami KANAAN

Independent Auditors

Deloitte & Touche
Fiduciare du Moyen Orient

COMMITTEES

In the context of sound corporate governance principles as stipulated by the central bank basic circular 106 and the Organization for Economic Co-Operation and Development guidelines, the bank has established two levels of committees:

A - BOARD COMMITTEES

The Board of Directors has established the following committees in order to assist the board in discharging its responsibilities:

Executive Committee

Composition and service of the members of the Committee during 2015 until today:

1 Chairman & General Manager (Chairperson - Voting)	Maurice Sehnaoui	Member since 2008
2 Deputy Chairman & General Manager (Voting)	Nadim Kassar	Member since 2008
3 Executive Board Member (Voting)	Mansour Bteish	Member since 2008

Purpose of the Committee:

The Executive Committee is the highest executive body in the bank assigned by the BOD. It ensures that all directives of the board are duly executed, that the board is well informed on the activities of the bank, and that the board is duly asked to authorize all sorts of decisions falling within its mandate.

Meetings during 2015:

During the year 2015, the Executive Committee met five times.

Audit Committee

Composition and service of the members of the Committee during 2015 until today:

1 Independent Board Member (Chairperson – Voting)	Henri de Courtivron	Member since 2014
2 Non-Executive Board Member (Voting)	Walid Daouk	Member since 2008
3 Non-Executive Board Member (Voting)	Nabil Kassar	Member since 2008
4 Non-Executive Board Member (Voting)	Walid Ziade	Member since 2008
5 Head of Internal Audit (Non-voting)	Alexander Zgheib	

Purpose of the Committee:

The Audit Committee assists the board of directors in fulfilling its duties towards shareholders especially in making sure that the bank is adequately run as per the policies and procedures endorsed by the board and in full compliance with existing rules and regulations especially those stipulated by the central bank (BDL) and the bank control commission (BCC).

Meetings during 2015:

The Audit Committee met three times during the year 2015.

Risk Management Committee

Composition and service of the members of the Committee during 2015 until today:

1 Executive Board Member (Chairperson – Voting)	Nazem El-Khoury	Member since 2013
2 Deputy Chairman & General Manager (Voting)	Nadim Kassar	Member since 2015
3 Executive Board Member (Voting)	Mansour Bteish	Member since 2013
4 Non-Executive Board Member (Voting)	Walid Daouk	Member since 2008
5 Group Chief Risk Officer – Fransabank (Non-voting)	Mona Khoury	
6 Head of Risk Group (or) Deputy Head of Risk Group (Non-voting)	Georges Baz (OR) Carlos Lebbos	

NOTA : According to the Central Bank directives, and BLC bank SAL corporate governance code, an independent board member should chair the risk management committee; BLC bank SAL is requesting a waiver from the Central Bank until the end of 2016 to have an independent board member to chair the committee.

Purpose of the Committee:

The Risk Management Committee assists the board of directors in maintaining an adequate risk management framework and in monitoring the risk profile of the organization making sure that it is commensurate with the risk tolerance set forth by the board of directors.

Meetings during 2015:

The Risk Management Committee met four times during the year 2015.

Corporate Governance Committee

Composition and service of the members of the Committee during 2015 until today:

1 Independent board member (Chairperson- Voting)	Ziyad Baroud	Member since 2014
2 Independent board member (Voting)	Henri de Courtivron	Member since 2014
3 Non-Executive board member (Voting)	Walid Daouk	Member since 2014
4 Non-Executive board member (Voting)	Walid Ziade	Member since 2014

Purpose of the Committee:

The Corporate Governance Committee promotes the fair and transparent relationship between the Bank, its Management, its Board of Directors, its Shareholders, customers, employees and any other Stakeholder.

Meetings during 2015:

The Corporate Governance Committee met one time during the year 2015.

Board Credit Committee

Composition and service of the members of the Committee during 2015 until today:

1 Chairman & General Manager (Chairperson- Voting)	Maurice Sehnaoui	Member since 2013
2 Executive Board Member, (DCGM Fransabank) (Voting)	Adel Kassar	Member since 2013
3 Deputy Chairman & General Manager (Voting)	Nadim Kassar	Member since 2013
4 Executive Board Member (Voting)	Mansour Bteish	Member since 2013
5 Head of Corporate Group (Non-voting)	Joe Baddour	

Purpose of the Committee:

The Board Credit Committee and by virtue of a delegation from the BOD is entitled to approve, upgrade, downgrade, transfer to recovery, or transferring to the legal desk all credit lines having a weighted risk exceeding 5.0 million USD in compliance with the General Credit Policy of the Bank.

Meetings during 2015:

The Board Credit Committee meets according to the business needs.

Remuneration Committee

Composition and service of the members of the Committee during 2015 until today:

1 Independent board member (Chairperson – Voting)	Ziyad Baroud	Member since 28/11/2014
2 Independent board member (Voting)	Henri de Courtivron	Member since 28/11/2014
3 Non-Executive board member (Voting)	Walid Daouk	Member since 28/11/2014
4 Non-Executive board member (Voting)	Walid Ziade	Member since 28/11/2014

Purpose of the Committee:

The Remuneration Committee assists the Board of Directors with respect to matters related to remuneration policies and procedures with a special focus on the remuneration policy of Senior Executive Management and incentive programs.

Meetings during 2015:

The Remuneration Committee met two times during the year 2015.

B - MANAGEMENT COMMITTEES

The Management committees are executive in nature aiming mainly at insuring a balanced approach to running the institution avoiding excessive concentration of power in individuals or functions.

The current Management Committees in BLC Bank comprise the following:

1. Management Committee
 2. Central Credit Committee
 3. Junior Credit Committee
 4. Watch List Committee
 5. Recovery Committee
 6. Junior Recovery Committee
 7. Real Estate Committee
 8. Asset & Liabilities Committee
 9. Working Assets & Liabilities Committee
 10. Affiliate Affairs Committee
 11. Operational Risk Management Committee
 12. Credit and Financial Risk Committee
 13. IT Security Committee
 14. Compliance Committee
 15. IT Coordination Committee
 16. Information Technology Committee
 17. Products Committee
 18. Human Resources Committee
 19. Confirmation Committee
 20. Disciplinary Committee
 21. Purchasing Committee
 22. Innovation Committee
 23. Corporate Social Responsibility Committee
 24. Marketing Committee
-

1. Management Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson
2- Advisor to the Deputy Chairman & General Manager	Bassam Hassan	
3- Head of Retail Banking Group	Youssef Eid	
4- Head of Corporate Banking Group	Joe Baddour	
5- Head of Risk Group	Georges Baz	
6- Head of Marketing & Support Groups	Tania Moussallem	
7- Head of Internal Audit	Alexander Zgheib	
8- Head of Marketing Group	Maya Margie	
9- Head of Customer Care & Quality Assurance Group	Elie Azar	
10- Head of Human Resources Group	Souheil Younes	
11- Head of Financial Management & Accounting Group (CFO)	Hani Denawi	
12- Head of Treasury & Financial Markets Group	Naji Echo	
13- Head of Special Assignments	Youmna Ziade	Secretary

2. Central Credit Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Executive Board Member (General Manager - Fransabank)	Mansour Bteish	Voting Member
3- Head of Marketing & Support Groups	Tania Moussallem	Voting Member
4- Head of Corporate Banking Group (OR)	Joe Baddour (OR)	Voting member
Head of Retail Banking Group (OR)	Youssef Eid (OR)	
Head of Treasury & Financial Markets Group	Naji Echo	
6- Consultant / Corporate Group	Antoine Asmar	Voting member
7- Head of Risk Group	Georges Baz	Voting member
8- Deputy Head of Risk Group	Carlos Lebbos	Non-Voting Member-Secretary

3. Asset & Liabilities Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Executive Board member (General Manager - Fransabank)	Mansour Bteish	Voting Member
3- Head of Financial Management & Accounting Group (CFO)	Hani Denawi	Voting Member
4- Head of Financial Control & Accounting Department-Fransabank	Nabih Saddy	Voting Member
5- Head of Treasury Department – Fransabank	Nabil Tannous	Voting Member
6- Group Chief Risk Officer – Fransabank	Mona Houry	Non-Voting Member
7- Deputy Head of Risk Group	Carlos Lebbos	Non-Voting Member
8- Head of Treasury & Financial Markets Group	Naji Echo	Voting Member-Secretary
9- Deputy Head of Treasury	Jean Wakim	Non-Voting Member

4. Affiliate Affairs Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Executive Board Member (General Manager - Fransabank)	Mansour Bteish	Voting Member
3- Head of Marketing & Support Groups	Tania Moussallem	Voting Member
4- Head of Financial Management & Accounting Group (CFO)	Hani Denawi	Voting Member
5- Head of Financial Control & Accounting Department	Nabih Saddy	Voting Member
6- Head of International – Fransabank	Georges Andraos	Non-Voting Member
7- Deputy Head of Risk Group	Carlos Lebbos	Non-Voting Member-secretary
8- Head of Internal Audit	Alexander Zgheib	Non-Voting Member

5. Compliance Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Head of Marketing & Support Groups	Tania Moussallem	Voting Member
3- Head of Risk Group	Georges Baz	Voting Member
4- Deputy Head of Risk Group	Carlos Lebbos	Non-Voting Member
5- Head of Internal Audit	Alexander Zgheib	Non-Voting Member
6- Head of Treasury & Financial Markets Group	Naji Echo	Voting Member
7- Head of Retail Banking Group	Youssef Eid	Voting Member
8- Head of Corporate Banking Group	Joe Baddour	Voting Member
9- Head of Operations	Georges Nammour	Voting Member
10- Head of Compliance Department	Fouad Khalife	Voting Member-Secretary

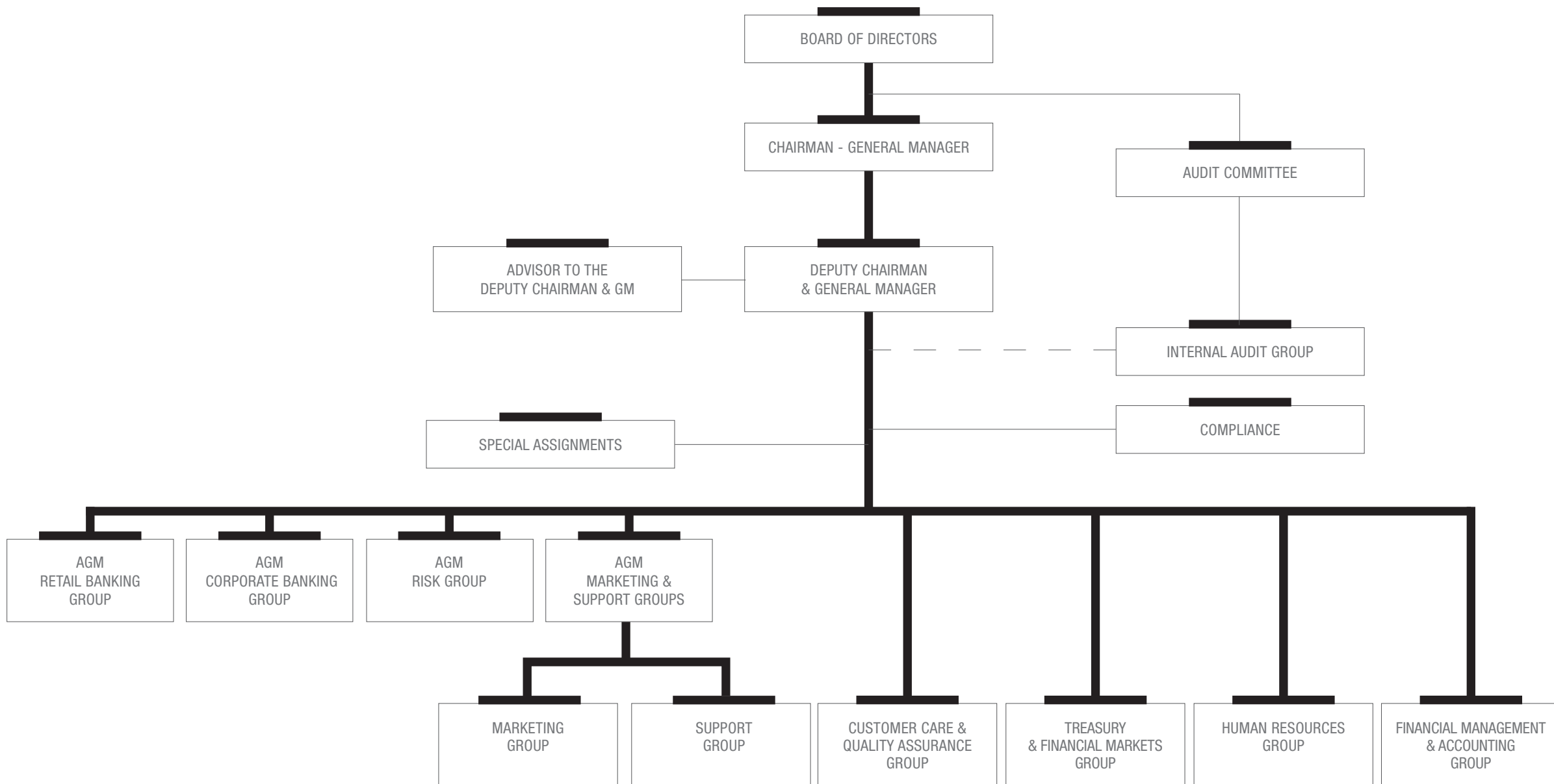
6. Information Technology Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Head of Marketing & Support Groups	Tania Moussallem	Voting Member
3- Advisor to the Deputy Chairman & General Manager	Bassam Hassan	Voting Member
4- Head of Organization	Maya Wakim	Voting Member
5- Chief Information Officer	Pierrot Atallah	Voting Member-Secretary
6- Head of IT security	Eve-Marie Saba	Non-Voting Member

7. IT Security Committee

1- Deputy Chairman & General Manager	Nadim Kassar	Chairperson & Voting Member
2- Head of Risk Group	George Baz	Voting Member
3- Head of Marketing & Support Groups	Tania Moussallem	Voting Member
4- Deputy Head of Risk Group	Carlos Lebbos	Voting Member
5- Head of IT Security	Eve – Marie Saba	Voting Member – Secretary
6- Chief Information Officer	Pierrot Atallah	Voting Member
7- Head of Security Department & Business Continuity – Fransabank	Adel Moubarak	Voting Member
8- Senior IT Auditor	Said Ramadan	Non – Voting Member

ORGANIZATION CHART



Note: The following organization chart was subject to a few changes in 2016.

LOANS TO RELATED PARTIES

BLC Bank has adopted a Policy on Credits to Related Parties to comply with Article # 152 of the Code of Money and Credit, BDL Circular # 132 and the Corporate Governance Code; this policy is approved by the Corporate Governance Committee and the Board of Directors.

For the purposes of this policy related parties are defined as:

- 1.** The Shareholders or Connected Group of Shareholders owning, directly or indirectly, at least 5% of shares or voting rights in BLC Bank or less than 5% in case they have an influence due to the size of other shareholdings.
- 2.** The Board Members in BLC Bank, in Subsidiaries in Lebanon and abroad, or in entities owning at least 20% of shares or voting rights in BLC Bank or less than 20% in case they have an influence due to the size of other shareholdings.
- 3.** The General Managers, Deputy General Managers, Assistant General Managers, Principle Managers (such as Managers of Financial Control, Credits, Treasury...), Risk Manager, Compliance Manager and Internal Audit Manager as in point 2 above. For this category, the first housing loan for acquiring a principal residence, the car loan for one time every 5 years and the Charge cards are not considered as credits to related parties.
- 4.** The family members of all above (parents, children, brothers and sisters) if they are depending from them.

5. The Companies owned directly or indirectly by the above starting a shareholding or voting rights from 20%, or less if they have a significant influence.

6. The individuals or companies guaranteed by any of the above.

7. The subsidiaries and associates in Lebanon or abroad excluding banks and financial institutions.

By delegation from the Board of Directors, the Board Credit Committee approves Credits to Related Parties up to an aggregate amount of 1% of consolidated Tier 1 of BLC bank Group in Lebanon after deduction of participations in Abroad Banks and Financial Institutions.

The Board of Directors shall approve the Credits to Related Parties in excess of the above 1% threshold and up to an aggregate amount of 2% of consolidated Tier 1 of BLC Bank Group in Lebanon after deduction of participations in Abroad Banks and Financial Institutions. These credits in excess of the above 1% threshold are subject to a preapproval from the shareholders assembly and should be covered with tangible guarantees or bank guarantee or a guarantee from a financial institution in Lebanon.

Where a member of the Board Credit Committee or the Board of Directors is a related party to a transaction submitted for review, he/she should declare his/her interest and should be excused from participating in the review and approval process.

In determining whether to approve, ratify, or reject a Credit to Related Party, the Board Credit Committee or the Board of Directors, as appropriate, shall take into account, among other factors whether the Credit is entered into on terms no less favorable to the Bank than the terms generally available to a non-related party under the same or similar circumstances.

The total credit exposure to related parties is within the regulatory limits as at 31.12.2015.

INTERNAL CONTROL

21. RISK MANAGEMENT

22. INTERNAL AUDIT

23. COMPLIANCE

RISK MANAGEMENT

The main functions of the Risk Management team at the Bank are divided amongst the “Credit and Financial Risks”, the “Operational Risks” and the “Information Security”.

Credit Risk

The Credit Risk function is responsible for monitoring and reviewing the Bank’s credit portfolio to ensure its compliance with the Bank’s credit policy and regulatory requirements. This function performs risk assessments, financial analysis and risk weighting to credit exposures in line with Basel directives and local regulations, before allocating an appropriate internal rating for each exposure.

The Credit Risk function is also responsible for preparing periodic reports to cater for concentration risk embedded in the credit portfolio, follow-up reports on clients’ arrears, and monitoring margin trading for securities and derivatives transactions conducted on behalf of clients.

Financial Risk

The Financial Risk function maintains a framework for managing financial risks in accordance with Basel requirements and local regulations. This function manages various risks that the Bank is exposed to such as liquidity, interest rate risks, and foreign currency risk.

The function is also assessing contingency plans for stressful conditions affecting liquidity, earnings and capital and it assists in monitoring the capital adequacy ratio of the Bank and makes recommendations in respect thereof.

Operational Risk

The Operational Risks function has the responsibility of progressively integrating the Bank’s business lines into the Bank’s Operational Risk Management framework. The function has procedures for loss data collection and reporting of current incidents. It analyses the data and incidents and follows up on the implementation of actions. It ensures as well that reported issues include sufficient information to assist Management in the decision making process. Worth noting that critical matters are escalated immediately to Management; this ensures quick and proper decisions and corrective actions accordingly. The Operational Risks function has set a primary goal to continuously train the Bank’s employees to apply the standard procedures of the incidents reporting system as its effectiveness depends on the collaboration of the various business units of the Bank. In addition, the ORM developed a risk and control self-assessment framework to identify, assess, and analyse in coordination with the business lines, inherent risks in the Bank’s processes taking into consideration the controls in place. Moreover, the Operational risk developed business continuity plans for critical business processes during an adverse event, and the resumption of normal business activities with the least possible impact on the bank’s operations and reputation.

Information Security

The Information Security function is responsible for protecting the integrity, confidentiality and availability of information, its supporting processes, systems and networks from various external and internal threats. The function works on achieving its objectives by promoting an information security culture across the Bank through an information security awareness program, setting security policies and procedures and overseeing their proper implementation, putting in place manual and automated controls to mitigate IT risks, and investigating incidents making sure that measures are taken to prevent their reoccurrence. The Information Security function also covers the disaster recovery aspect of the business continuity plans.

INTERNAL AUDIT

OVERVIEW

The Internal Audit team at the Bank is an independent appraisal function. This team was established within the Bank to examine and evaluate the activities of the Bank and to ensure that the latter's operations are conducted in accordance with International Standards and best practices.

The Internal Audit team has adopted a risk-based approach and has developed an Internal Audit Methodology that governs the procedures followed by the internal auditors in performing the internal audit work. The methodology ensures a high level standard of internal audit work that helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

COMPLIANCE

OVERVIEW

Effective compliance risk management aims at stimulating, monitoring and controlling the observation of laws, regulations, internal rules - including the compliance principles outlined in BLC Bank's Code of Conduct - and established good business standards that are relevant to the integrity and, hence, to the reputation of BLC Bank. Integrity is the focus in managing compliance risk and therefore the driving force behind everything BLC Bank does. Controlling integrity risk is accordingly placed within the scope of the Compliance Function.

The Compliance Function of BLC Bank supports the entity and its management in managing the compliance risks and embedding and improving the compliance arrangements in all levels and structures of the entity. The compliance function therefore has the following objectives:

- To identify, assess, control, monitor, test and report on the compliance risks faced by BLC Bank.
- To assist, support and advise the Board of Directors, top and senior management of BLC Bank, in fulfilling their responsibilities to manage compliance risks.
- Foster a compliance culture among staff and enhancing compliance awareness throughout the organization.
- Implement the Compliance Program in a fashion that is in line with regulatory environment and expectations.
- Enforce Compliance Policies and Procedures which implement applicable laws and regulations and adopt industry standards and best practices.

- Advise any staff member of BLC Bank SAL with respect to their personal responsibility to manage compliance risks.

The Group Compliance team is headed by the Group Chief Compliance Officer who coordinates "overall compliance" within BLC Bank Group. He is the internal supervisor and responsible for ensuring that BLC Bank Group operates within the defined compliance framework. The Group Chief Compliance Officer is supported by a number of designated officers and controlling bodies within BLC Bank's Group organization structures.

The scope of Compliance depends on the nature, the size and the location of business activities. It generally includes:

- Legal/Regulatory Compliance including: Compliance with Rules & Regulations, FATCA Law, and Local and International Sanctions and Restrictive Measures (UN, US, EU sanctions).
- Anti-Money laundering and Combating the Financing of Terrorism including: Customer Acceptance – Know Your Customer / Customer Due Diligence, Transaction Monitoring, Investigation and Reporting.
- Capital Markets Compliance including Treatment of Confidential Information, Management of Conflicts of Interest, Prevention of Insider Trading and Market Manipulation, New Product Approval, and Fair Treatment of Customers.

GOVERNING PRINCIPLES

Anti-Money Laundering/ Combatting the Financing of Terrorism

BLC Bank Group's AML/CFT (Anti-Money Laundering/ Combatting the Financing of Terrorism) Policy primarily aims at setting, within the Group, the essential standards for fighting money laundering operations and terrorism financing. Should the applicable AML/CFT laws and regulations of any country or jurisdiction require higher standards, BLC Bank Group's overseas subsidiaries and associate banks must conform to those standards. However, in case the relevant subsidiary or associate bank comes across any applicable law that is inconsistent with the Group's policy, it must first refer to the Group's Compliance Department to resolve the conflict.

The AML/CFT Policy also encompasses the following objectives:

- Promoting a Know Your Customer (KYC) standard as a cornerstone principle for BLC Bank Group business ethics and practices:
 - Prior to any transaction of any type, BLC Bank Group's entities gather and document the relevant customer identification data, along with the background information, the purpose and the intended nature of the business.
 - BLC Bank Group's entities retain and document any additional customer information relevant to the assessment of the money laundering risk, by adopting a risk-based approach which triggers the proper Enhanced Due Diligence for the relevant customers.

- Enforcing the following additional due diligence measures while establishing and maintaining correspondent relations:
 - Gathering sufficient documentary evidence on a respondent institution, to avoid any relationships with "shell banks";
 - Enquiring about the good reputation of a respondent institution from public sources of information, including whether it has been subject to a Money Laundering or Terrorist Financing investigation or other regulatory action;
 - Verifying, on a periodic basis, that the respondent institution is implementing sufficient and effective procedures to fight Money Laundering and Terrorist Financing.
- Monitoring and Reporting Suspicious Transactions/ Activity:
 - BLC Bank Group's entities apply due diligence measures whenever they detect any unusual or suspicious transaction or activity, taking into account the legal framework of the concerned institution.
 - All suspicious transactions or activities complying with the laws and regulations of the corresponding jurisdiction are reported.
 - The Group's Compliance Department is notified of all suspicious transactions or activities when doubts arise.

- Developing an effective internal control structure where no activity with a customer is carried out without obtaining in advance all the required information relating to the customer.

- Consolidating, within the Group, the AML/CFT efforts deployed by BLC Bank entities.

- Conducting self-evaluation processes on the Compliance with the AML/CFT Policy and measures.

Consequently, the adoption of the AML/CFT Policy is crucial to ascertain that all BLC Bank Group's entities, whatever their geographic location, fully comply with the enacted AML legislation. Thus, the Group is committed to overseeing its AML/CFT strategies, objectives and guidelines on an ongoing basis, and supporting an effective AML/CFT Policy within the Group's business.

Compliance

BLC Bank Group's Compliance governing principles are as follows:

- Integrity and reputation are vital assets to maintain the healthy growth of business.
- Management is the owner of Compliance to foster the adequate enterprise-wide culture.
- The Compliance Function is independent from business lines, yet is a shared responsibility of all employees.
- A transparent and constructive relationship between BLC Bank's Group and its regulators is maintained.
- Effective monitoring of compliance risks is implemented.
- Timely, accurate and systematic Compliance reporting is provided.
- The Compliance Function will continue to improve itself by improving its governance, its measurement methods, its policies and procedures, and adopting the industry's best practice in line with local and global developments.



We deliver what matters