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INDEPENDENT AUDITORS' REPORT

To the Shareholders
BLC Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of BLC BANK S.A.L. (the "Bank") and its Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

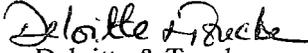
Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

As further discussed in Notes 15 and 40 to the accompanying financial statements, the Group has foreign operations in Cyprus with an investment in equity of LBP138billion (Euro69.4million), including a goodwill component on initial acquisition of Euro20.8million (LBP41.2billion). Total assets of the subsidiary included in the accompanying financial position amounted to the equivalent of LBP1,488billion as of December 31, 2012. Subsequent to the balance sheet date, Cyprus has been exposed to a severe restructuring of its banking system led by the Troika as a condition precedent to provide the state of Cyprus a financial bailout to support servicing its foreign debts. In light of the above, there could be adverse economic consequences that may arise from the prevailing situation and that may result in an adverse impact on the financial position and results of operations of the Bank's subsidiary in Cyprus, a matter of uncertainty that cannot be determined and quantified at present.

Beirut, Lebanon
April 29, 2013


DFK Fiduciaire du Moyen Orient


Deloitte & Touche

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <u>ASSETS</u> | <u>Notes</u> | <u>December 31,</u> | |
|--|--------------|-----------------------------|-----------------------------|
| | | <u>2012</u> | <u>2011</u> |
| | | <u>LBP'000</u> | <u>LBP'000</u> |
| Cash and Central Banks | 5 | 1,123,394,054 | 593,196,508 |
| Deposits with banks and financial institutions | 6 | 378,195,699 | 194,948,707 |
| Loan to a bank | 7 | 7,057,567 | 7,058,077 |
| Loans and advances to customers | 8 | 2,677,239,926 | 2,310,489,697 |
| Investment securities | 9 | 3,162,284,877 | 3,228,724,937 |
| Customers' liability under acceptances | 10 | 19,137,232 | 43,462,735 |
| Assets acquired in satisfaction of loans | 11 | 88,840,827 | 91,292,344 |
| Investment properties | 11, 32 | 53,423,844 | 17,595,768 |
| Property and equipment | 12 | 80,740,716 | 76,301,029 |
| Intangible assets | 13 | 3,818,152 | 2,547,142 |
| Deferred charges on business acquisition | 14 | 22,387,239 | 32,172,956 |
| Goodwill | 15 | 41,280,604 | 40,683,630 |
| Other assets | 16 | <u>22,010,602</u> | <u>18,390,529</u> |
| Total Assets | | <u>7,679,811,339</u> | <u>6,656,864,059</u> |
| FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS: | 36 | | |
| Letters of guarantee and standby letters of credit | | 202,235,388 | 199,956,457 |
| Letters of credit | | 55,538,500 | 44,227,565 |
| Forward exchange contracts | | 105,344,033 | 69,121,081 |
| FIDUCIARY ACCOUNTS | 37 | 18,415,658 | 19,297,995 |
| ASSETS IN SAFEKEEPING AND UNDER MANAGEMENT | 38 | 40,858,673 | 31,668,344 |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

| <u>LIABILITIES</u> | <u>Notes</u> | <u>December 31,</u> | |
|--|--------------|--------------------------|--------------------------|
| | | <u>2012</u> | <u>2011</u> |
| | | <u>LBP'000</u> | <u>LBP'000</u> |
| Deposits from banks | 17 | 11,812,803 | 8,011,923 |
| Customers' accounts at amortized cost | 18 | 6,470,301,990 | 5,460,664,094 |
| Liability under acceptances | 10 | 19,137,232 | 43,462,735 |
| Other borrowings | 19 | 515,841,712 | 482,489,854 |
| Subordinated bonds | 20 | 19,684,277 | 19,296,044 |
| Other liabilities | 21 | 64,127,360 | 62,733,792 |
| Provisions | 22 | <u>15,153,541</u> | <u>36,099,355</u> |
| Total liabilities | | <u>7,116,058,915</u> | <u>6,112,757,797</u> |
| <u>EQUITY</u> | | | |
| Capital | 23 | 152,700,000 | 152,700,000 |
| Preferred shares | 24 | 950,000 | 950,000 |
| Premium on preferred shares | 24 | 142,262,501 | 142,262,501 |
| Reserves | 25 | 116,626,890 | 88,402,460 |
| Regulatory reserve for assets acquired in satisfaction of loans | 25 | 19,890,400 | 14,028,871 |
| Retained earnings | | 74,843,063 | 66,932,294 |
| Cumulative change in fair value of investment securities | 9 | 3,493,669 | 3,085,014 |
| Cumulative currency translation adjustments | | 106,757 | 51,383 |
| Profit for the year | | <u>50,221,660</u> | <u>72,498,756</u> |
| Total equity attributable to equity holders of the Bank | | <u>561,094,940</u> | <u>540,911,279</u> |
| Non-controlling interests | | <u>2,657,484</u> | <u>3,194,983</u> |
| Total equity | | <u>563,752,424</u> | <u>544,106,262</u> |
| Total Liabilities and Equity | | <u>7,679,811,339</u> | <u>6,656,864,059</u> |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

| | <u>Notes</u> | <u>Year Ended</u> <u>December 31,</u> | |
|--|--------------|--|--------------------|
| | | <u>2012</u> | <u>2011</u> |
| | | <u>LBP'000</u> | <u>LBP'000</u> |
| Interest income | 27 | 420,890,919 | 351,837,580 |
| Interest expense | 28 | (264,058,148) | (225,468,783) |
| Net interest income | | <u>156,832,771</u> | <u>126,368,797</u> |
| Fee and commission income | 29 | 33,036,480 | 32,244,791 |
| Fee and commission expense | 30 | (5,428,054) | (6,703,661) |
| Net fee and commission income | | <u>27,608,426</u> | <u>25,541,130</u> |
| Net interest and other gain/(loss) on investment securities at fair value through profit or loss | 31 | 7,210,888 | 20,380,828 |
| Loss on investments at amortized cost | 9 | (3,981,392) | - |
| Other operating income | 32 | <u>8,796,177</u> | <u>5,467,492</u> |
| Net financial revenues | | 196,466,870 | 177,758,247 |
| Allowance for impairment of loans and advances | 8 | (31,035,085) | (22,018,265) |
| Write-back of impairment loss on loans and advances | 8 | 9,520,549 | 15,830,872 |
| (Write-off)/recovery of loans (net) | | (34,248) | 8,216 |
| Write-back of discount on purchased loan portfolio | 8 | <u>245,626</u> | <u>613,046</u> |
| Net financial revenues after net impairment loss/write-back | | 175,163,712 | 172,192,116 |
| Net gain on disposal of property and equipment and properties acquired in satisfaction of loans | 11, 12 | 1,790,389 | 20,212,262 |
| Other non-operating income | | - | 1,246,825 |
| Write-back provision no longer required | 22 | 3,935,421 | 522,770 |
| Provision (net of write-back) | 22 | 2,081,886 | (180,900) |
| Staff costs | 33 | (76,839,303) | (67,703,384) |
| General and administrative expenses | 34 | (40,749,911) | (36,037,496) |
| Depreciation and amortization | 12, 13 | (5,142,522) | (4,687,491) |
| Profit before income tax | | 60,239,672 | 85,564,702 |
| Income tax expense | 21 | (10,072,033) | (13,070,223) |
| Profit for the year | | <u>50,167,639</u> | <u>72,494,479</u> |
| Attributable to: | | | |
| Equity holders of the Bank | | 50,221,660 | 72,498,756 |
| Non-controlling interests | | (54,021) | (4,277) |
| | | <u>50,167,639</u> | <u>72,494,479</u> |
| Earnings per share: | | | |
| Basic and diluted earnings per share (in LBP) | 35 | <u>328.5</u> | <u>474.7</u> |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | <u>Notes</u> | <u>Year Ended</u> <u>December 31,</u> | |
|---|--------------|--|-------------------|
| | | <u>2012</u> | <u>2011</u> |
| | | <u>LBP'000</u> | <u>LBP'000</u> |
| Profit for the year | | <u>50,167,639</u> | <u>72,494,479</u> |
| Other comprehensive income: | | | |
| Net change in fair value of investments at fair value through other comprehensive income | 9 | 480,771 | 720,820 |
| Currency translation adjustment | | 54,033 | 53,742 |
| Deferred tax liability | | (72,116) | (544,414) |
| | | <u>462,688</u> | <u>230,148</u> |
| Total comprehensive income | | <u>50,630,327</u> | <u>72,724,627</u> |
| Attributable to: | | | |
| Equity holders of the Bank | | 50,685,689 | 72,726,545 |
| Non-controlling interests | | (55,362) | (1,918) |
| | | <u>50,630,327</u> | <u>72,724,627</u> |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED
 FINANCIAL STATEMENTS

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Bank | | | | | | | | | | | | |
|---|--|--|-----------------------------|-----------------------------|---|--|--|---|---------------------------------|-----------------------------------|--------------------|---|----------------------------|
| | Capital LBP'000 | Preferred Shares and Premiums LBP'000 | Legal Reserve LBP'000 | Free Reserves LBP'000 | Reserve for General Banking Risks LBP'000 | Regulatory Reserve for Assets Acquired in Satisfaction of Loans LBP'000 | Cumulative Currency Translation Adjustment LBP'000 | Cumulative Change in Fair Value of Investment Securities LBP'000 | Retained Earnings LBP'000 | Profit for the Year LBP'000 | Total LBP'000 | Non-Controlling Interests LBP'000 | Total Equity LBP'000 |
| Balance January 1, 2011 | 152,700,000 | - | 12,887,560 | 35,756,693 | 15,012,667 | 13,078,756 | - | 2,908,608 | 51,031,130 | 68,270,880 | 351,646,294 | 137,205 | 351,783,499 |
| Allocation of 2010 profit | - | - | 6,955,868 | 10,767,661 | 5,356,040 | 2,616,086 | - | - | 42,575,225 | (68,270,880) | - | - | - |
| Dividends paid (Note 26) | - | - | - | - | - | - | - | - | (26,746,854) | - | (26,746,854) | (26,079) | (26,772,933) |
| Transfer to free reserves | - | - | - | 1,665,971 | - | (1,665,971) | - | - | - | - | - | - | - |
| Issuance of preferred shares | - | 143,212,501 | - | - | - | - | - | - | - | - | 143,212,501 | - | 143,212,501 |
| Difference of exchange | - | - | - | - | - | - | - | 9,958 | - | - | 9,958 | - | 9,958 |
| Non-controlling interests of the acquired subsidiary | - | - | - | - | - | - | - | - | - | - | - | 3,085,775 | 3,085,775 |
| Deferred tax on future dividend distribution of subsidiaries | - | - | - | - | - | - | - | 62,835 | - | - | 62,835 | - | 62,835 |
| Total comprehensive income for the year 2011 | - | - | - | - | - | - | 51,383 | 176,406 | - | 72,498,756 | 72,726,545 | (1,918) | 72,724,627 |
| Balance December 31, 2011 | 152,700,000 | 143,212,501 | 19,843,428 | 48,190,325 | 20,368,707 | 14,028,871 | 51,383 | 3,085,014 | 66,932,294 | 72,498,756 | 540,911,279 | 3,194,983 | 544,106,262 |
| Allocation of 2011 profit | - | - | 7,322,680 | 16,422,369 | 7,151,725 | 3,190,121 | - | - | 38,411,861 | (72,498,756) | - | - | - |
| Dividends paid (Note 26) | - | - | - | - | - | - | - | - | (26,722,500) | - | (26,722,500) | (16,257) | (26,738,757) |
| Dividends paid to Preferred shares "A"(Note 26) | - | - | - | - | - | - | - | - | (3,989,711) | - | (3,989,711) | - | (3,989,711) |
| Transfer between legal and regulatory reserve | - | - | - | (2,671,408) | - | 2,671,408 | - | - | - | - | - | - | - |
| Prior year adjustments | - | - | (936) | - | - | - | - | - | 610,269 | - | 609,333 | (808,872) | (199,539) |
| Difference of exchange | - | - | - | - | - | - | - | - | (12,102) | - | (12,102) | - | (12,102) |
| Non-controlling interest shares of the established subsidiary | - | - | - | - | - | - | - | - | - | - | - | 9,999 | 9,999 |
| Dilution in non-controlling interest shares | - | - | - | - | - | - | - | - | (332,993) | - | (332,993) | 332,993 | - |
| Deferred tax on future dividend distribution of subsidiaries | - | - | - | - | - | - | - | - | (54,055) | - | (54,055) | - | (54,055) |
| Total comprehensive income for the year 2012 | - | - | - | - | - | - | 55,374 | 408,655 | - | 50,221,660 | 50,685,689 | (55,362) | 50,630,327 |
| Balance - December 31, 2012 | 152,700,000 | 143,212,501 | 27,165,127 | 64,941,286 | 27,520,432 | 19,890,400 | 106,757 | 3,493,669 | 74,843,063 | 50,221,660 | 561,094,940 | 2,657,484 | 563,752,424 |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENT

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Year Ended December 31, | |
|--|--------|-------------------------|-----------------------|
| | | 2012 | 2011 |
| | | LBP'000 | LBP'000 |
| Cash flows from operating activities: | | | |
| Net profit for the year | | 50,167,639 | 72,494,479 |
| Adjustments for: | | | |
| Provision/(write back) for bad debts (net) and write-back of discount on loan portfolio | 8 | 21,268,910 | 5,574,347 |
| Write off of loans and advances to customers | | - | (8,216) |
| Depreciation and amortization | 12, 13 | 5,464,273 | 4,687,491 |
| Write-back provision no longer required | | - | (1,246,825) |
| Loss on investments at amortized cost | 9 | 3,981,392 | - |
| Change in fair value for investment properties | | - | (190,805) |
| (Write back)/provisions, (net) | 22 | (2,081,886) | 180,900 |
| Provision for end-of-service indemnities (net) | 22 | 569,310 | 3,824,197 |
| (Write Back)/provision for loss on foreign currency position | 22 | (126,940) | 103,557 |
| Unrealized loss on investment securities at fair value through profit or loss | 9 | 3,023,524 | 6,719,508 |
| Income tax expense | | 10,072,033 | 13,070,223 |
| Gain on sale of property and equipment | | (162,573) | (1,887,545) |
| Gain on disposal of property acquired in satisfaction of loans | | (1,627,816) | (18,324,718) |
| Dividend income | | (641,340) | (1,718,822) |
| Interest expense | | 264,058,148 | 225,468,783 |
| Interest income (including interest on investment securities at fair value through profit or loss) | | (432,753,322) | (363,520,951) |
| Net increase in loans and advances to customers | 39 | (420,499,091) | (641,229,260) |
| Net increase in margins with banks | | (1,271,953) | - |
| Net increase in investments at fair value through other comprehensive income | 9 | (5,977,975) | - |
| Net increase in investments at fair value through profit or loss | 39 | (4,114,433) | 230,919,592 |
| Net decrease/(increase) in investments at amortized cost | 39 | 79,284,861 | (676,701,012) |
| Net increase in customers' deposits | 39 | 992,280,905 | 640,475,539 |
| Net decrease in compulsory deposits with Central Banks | 39 | 31,511,639 | 33,512,421 |
| Net increase in term and blocked deposits with Banks | | (646,199,332) | - |
| Net increase/(decrease) in deposits from banks | | 3,789,745 | (38,919,591) |
| Net increase in other assets | | (3,620,073) | (3,387,033) |
| Net increase/(decrease) in other liabilities | | 4,948,282 | (1,227,985) |
| Proceeds from disposal of property acquired in satisfaction of loans | | 5,843,603 | 28,595,807 |
| Settlements made from provisions | 22, 39 | (1,520,020) | (849,043) |
| Income tax paid | | (13,752,918) | (13,580,696) |
| Dividends received | 31 | 641,340 | 1,718,822 |
| Interest paid | | (259,237,028) | (222,538,577) |
| Interest received | | 418,486,857 | 363,665,953 |
| Net cash used in operating activities | | <u>101,805,761</u> | <u>(354,319,460)</u> |
| Cash flows from investing activities: | | | |
| Amounts paid in business acquisition | | - | (85,568,684) |
| Amounts and costs paid in business acquisition | | - | (2,166,520) |
| Proceeds from disposal of property and equipment | | 197,650 | 2,143,103 |
| Acquisition of property and equipment | 39 | (8,490,382) | (11,337,317) |
| Acquisition of intangible assets | 39 | (2,451,020) | (831,427) |
| Net cash used in investing activities | | <u>(10,743,752)</u> | <u>(97,760,845)</u> |
| Cash flows from financing activities: | | | |
| Dividends paid | 26 | (30,728,468) | (26,772,933) |
| Issuance of preferred shares | 24 | - | 82,912,501 |
| Effect of foreign currency fluctuation and other | | (1,044,501) | 63,700 |
| Subscription of capital by the non-controlling interest | | 9,999 | - |
| Net change in subordinated bond | | - | (542,766) |
| Net increase in other borrowings | 39 | <u>32,239,642</u> | <u>237,576,672</u> |
| Net cash generated from financing activities | | <u>476,672</u> | <u>293,237,174</u> |
| Net increase/(decrease) in cash and cash equivalents | | 91,538,681 | (158,843,131) |
| Cash and cash equivalent beginning of year | 39 | 700,387,668 | 760,195,701 |
| Cash and cash equivalents acquired from USB Bank PLC | | - | 99,035,098 |
| Cash and cash equivalents end of year | 39 | <u>791,926,349</u> | <u>700,387,668</u> |

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED
FINANCIAL STATEMENTS