

BT 30714/DTT

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. and the Subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 limitations imposed by the existing banking laws in Lebanon. 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.

Audit, Tax, Consulting, Financial Advisory.

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, 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
February 20, 2008

Deloitte & Touche
Deloitte & Touche 22

BLC BANK S.A.L.
CONSOLIDATED BALANCE SHEET

<u>ASSETS</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2007</u>	<u>2006</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash, compulsory reserves and deposits at Central Bank	5	339,061,072	267,393,885
Deposits with banks and financial institutions	6	235,337,035	188,605,847
Trading securities	7	17,756,365	12,295,610
Assets classified as held-for-sale	8	-	746,767,468
Loans and advances to customers	9	287,854,070	286,080,867
Available-for-sale investment securities	10	1,097,566,144	1,078,275,532
Held-to-maturity investment securities	10	498,515,236	593,739,239
Customers' liability under acceptances	11	16,340,966	24,340,452
Assets acquired in satisfaction of loans	12	77,730,765	78,986,387
Property and equipment	13	20,256,318	21,630,586
Intangible assets	14	4,285,494	4,175,537
Other assets	15	<u>17,154,850</u>	<u>15,624,306</u>
Total Assets		<u>2,611,858,315</u>	<u>3,317,915,716</u>

**FINANCIAL INSTRUMENTS WITH OFF-BALANCE
SHEET RISKS:**

Letters of guarantee and stand by letters of credit	32	62,401,042	110,593,213
Letters of credit		42,367,888	30,616,575
Forward exchange contracts		33,917,818	71,990,350

BLC BANK S.A.L.
CONSOLIDATED BALANCE SHEET

<u>LIABILITIES</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2007</u>	<u>2006</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Deposits and borrowings from banks	16	23,695,600	46,906,561
Liabilities directly associated with assets classified as held for sale	8	-	673,126,697
Customers' accounts at amortized cost	17	2,230,415,715	2,207,066,971
Liability under acceptances	11	16,340,966	24,340,452
Other borrowings	18	112,426,267	209,571,304
Other liabilities	19	16,564,691	18,557,922
Provisions	20	<u>18,863,768</u>	<u>22,427,746</u>
Total liabilities		<u>2,418,307,007</u>	<u>3,201,997,653</u>
 <u>EQUITY</u> 			
Capital	21	152,700,000	101,235,000
Reserves	22	6,218,878	2,290,758
Reserve for assets acquired in satisfaction of loans	22	8,402,630	7,950,381
Cumulative translation adjustment		-	(592,955)
Retained Earnings		15,676,122	2,293,285
Cumulative change in fair value of available-for-sale securities	23	(12,106,603)	(15,751,478)
Change in fair value of available-for-sale securities on assets held for sale		-	2,792
Net profit for the year		<u>22,424,270</u>	<u>18,344,375</u>
Total attributable to the equity holders of the parent		<u>193,315,297</u>	<u>115,772,158</u>
Minority interest		<u>236,011</u>	<u>145,905</u>
Total equity		<u>193,551,308</u>	<u>115,918,063</u>
Total Liabilities and Equity		<u>2,611,858,315</u>	<u>3,317,915,716</u>

BLC BANK S.A.L.
CONSOLIDATED INCOME STATEMENT

	Notes	Year Ended	
		December 31,	
		2007	2006
		LBP'000	LBP'000
Continuing operations:			
Interest income	24	191,356,818	185,113,080
Interest expense	25	(142,768,831)	(137,742,931)
Net interest income		<u>48,587,987</u>	<u>47,370,149</u>
Fee and commission income	26	8,971,665	8,549,004
Fee and commission expense	27	(1,399,168)	(897,796)
Net fee and commission income		<u>7,572,497</u>	<u>7,651,208</u>
Net interest and other gain/(loss) on trading portfolio	28	1,235,946	1,927,838
Other operating income	29	5,022,819	7,836,202
Net financial revenues		<u>62,419,249</u>	<u>64,785,397</u>
Allowance for impairment of loans and advances	9	(5,088,932)	(14,126,398)
Write-back of impairment loss on loans and advances	9	11,859,390	17,956,932
Write-off of loans		(1,113)	(49,314)
Write-back of discount on loan portfolio purchased	9	832,300	527,598
Net financial revenues after impairment charge for credit losses		<u>70,020,894</u>	<u>69,094,215</u>
Allowance for impairment of property and equipment	13	-	(376,875)
Gain on sale of property and equipment and properties acquired in satisfaction of debts		634,076	404,491
Write-back provisions (net)	20	4,181,250	(625,673)
Write-back provision for non-recurring bonuses		-	4,649,206
Staff costs	30	(24,073,624)	(23,298,508)
Administrative expenses		(18,990,247)	(18,041,167)
Depreciation and amortization	13,14,15	(10,309,085)	(10,737,740)
Profit before income tax		21,463,264	21,067,949
Income tax expense		(4,856,142)	(5,026,877)
Net profit for the year from continuing operations		<u>16,607,122</u>	<u>16,041,072</u>
Discontinuing operations:			
Net profit for the period/year from discontinuing operations	8	2,384,940	2,343,892
Gain on disposal of subsidiary		3,913,682	-
Income tax expense		(391,368)	-
		<u>5,907,254</u>	<u>2,343,892</u>
Net profit for the year		<u>22,514,376</u>	<u>18,384,964</u>
Attributable to:			
Equity holders of the parent		22,424,270	18,344,375
Minority interest		90,106	40,589
		<u>22,514,376</u>	<u>18,384,964</u>
Earnings per share:			
From continuing and discounting operations:			
Basic earnings per share for the year	31	LBP170.8	LBP273
From continuing operations:			
Basic earnings per share for the year	31	LBP126	LBP238.2

BLC BANK S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2007

	Attributable to Equity Holders of the Parent												
	Capital LBP'000	Legal Reserve LBP'000	Other Reserves LBP'000	General Banking Risk Reserve LBP'000	Special Reserve LBP'000	Cumulative Translation Adjustments LBP'000	Change in Fair Value of Available-for-Sale Securities in Assets Held for Sale LBP'000	Change in Fair Values of Available-for-Sale Securities LBP'000	Retained Earnings/ (Accumulated Losses) LBP'000	Net Profit for the Year LBP'000	Total LBP'000	Minority Interest LBP'000	Total Equity LBP'000
Balance - December 31, 2005	40,320,000	3,310,046	7,852,432	1,189,272	4,115,119	(316,315)	-	9,614,395	(52,765,988)	14,633,373	27,965,334	95,742	28,061,076
Allocation of 2005 profit	-	1,053,863	159,843	-	3,834,262	-	-	9,584,405	(14,633,373)	-	-	-	-
Increase of capital - Note 21	100,000,000	-	-	-	-	-	-	-	-	-	100,000,000	-	100,000,000
Transfer of legal reserves and other reserves to accumulated losses	-	(3,310,046)	(7,865,432)	-	-	-	-	-	11,175,478	-	-	-	-
Decrease in capital - transferred to accumulated losses	(39,083,000)	-	-	-	-	-	-	-	39,085,000	-	-	-	-
Restatement of exchange difference on BLC France equity	-	-	-	-	-	-	-	-	(4,785,610)	-	(4,785,610)	-	(4,785,610)
Exchange difference	-	(112,220)	-	-	-	(276,640)	-	-	-	-	(388,860)	-	(388,860)
Changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	9,574	9,574
Change in fair value of available-for-sale securities	-	-	-	-	-	-	2,792	(25,364,873)	-	(25,363,081)	-	-	(25,363,081)
Net profit for the year 2005	-	-	-	-	-	-	-	-	-	18,344,375	18,344,375	40,582	18,384,964
Comprehensive income for the year 2005	-	-	-	-	-	-	2,792	(25,365,373)	-	18,344,375	(7,018,709)	40,582	(6,978,117)
Balance - December 31, 2006	101,235,000	941,643	159,843	1,189,272	7,950,381	(592,955)	2,792	(15,751,478)	2,293,285	18,344,375	115,772,158	145,905	115,918,063
Allocation of 2006 profit	-	1,600,046	-	3,165,372	452,249	-	-	-	13,126,708	(18,344,375)	-	-	-
Increase of capital - Note 21	51,465,000	-	-	-	-	-	-	-	-	-	51,465,000	-	51,465,000
Restatement due to liquidation of subsidiary	-	(837,298)	-	-	-	592,955	(2,792)	-	256,129	-	8,994	-	8,994
Change in fair value of available-for-sale securities	-	-	-	-	-	-	-	3,644,875	-	-	3,644,875	-	3,644,875
Net profit for the year 2007	-	-	-	-	-	-	-	-	-	22,424,270	22,424,270	90,106	22,514,376
Comprehensive income for the year 2007	-	-	-	-	-	-	-	-	-	22,424,270	26,069,144	90,106	26,159,251
Balance - December 31, 2007	152,700,000	1,704,391	159,843	4,354,644	8,402,630	-	-	(12,106,603)	15,626,122	22,424,270	193,315,297	236,011	193,551,308

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

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2007</u>	<u>2006</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash flows from operating activities:			
Net profit for the year		22,514,376	18,384,964
Adjustments to reconcile net loss to cash used in operating activities:			
Write back allowance for impairment for credit losses (net)		(7,601,645)	(4,308,818)
Depreciation and amortization		10,309,088	10,737,740
Provision for losses and contingencies(net of write back)		(4,181,250)	625,673
Unrealized gain/(loss) on trading securities		156,811	(455,448)
Write-back provision for non-recurring bonuses		-	(4,662,514)
Provision for real estate impairment		-	376,875
Provision for End of service indemnity/ (Write-Back)		1,613,871	(27,107)
Gain on sale of BLC France (subsidiary)		(3,913,682)	-
Income form discontinued operations		(2,384,940)	(2,343,892)
Accretion for treasury bills		-	(3,555,301)
Gain on sale of properties acquired in satisfaction of debts		(631,591)	(403,387)
Accrued bonuses		1,809,000	-
Provision revaluation of fixed position		176,873	143,503
Net increase in intangible assets		(1,750,545)	(1,227,272)
Net (increase)/decrease in other assets		(7,165,786)	482,458
Net (decrease)/increase in other borrowings		(45,680,037)	3,166,230
Net decrease in other liabilities		(4,036,496)	(20,719,490)
Increase/(decrease) in provision for losses and contingencies		292,916	(2,804,095)
Other adjustments		-	(23,812)
Net cash used in operating activities		<u>(40,473,037)</u>	<u>(6,613,693)</u>
Cash flows from investing activities:			
Loans and advances to customers		(292,185)	9,289,382
Trading securities		(5,617,566)	19,738,370
Available-for-sale investment securities		(15,527,397)	(233,228,346)
Held-to-maturity investment securities		95,224,003	53,718,314
Difference on exchange on BLC France investment		(1,758,112)	(6,940,059)
Proceeds from disposal of business		81,706,500	-
Property and equipment		(394,037)	(875,731)
Properties acquired in satisfaction of loans-proceeds		<u>5,445,090</u>	<u>8,704,877</u>
Net cash provided by/(used in) investing activities		<u>158,786,296</u>	<u>(149,593,193)</u>
Cash flows from financing activities:			
Customers' accounts at amortized cost		23,348,744	3,568,085
Deposits and borrowings from banks		(23,210,961)	(6,085,694)
Capital increase		-	100,000,000
Subordinated loan		-	<u>47,106,100</u>
Net cash provided by financing activities		<u>137,783</u>	<u>144,588,491</u>
Net decrease in cash and cash equivalent		118,451,042	(11,618,395)
Cash and cash equivalent - Beginning of year		<u>454,701,277</u>	<u>466,319,672</u>
Cash and cash equivalent - End of year	33	<u>573,152,319</u>	<u>454,701,277</u>