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 the subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow 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.

Auditors' 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, 2008, 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 March 18, 2009

Deloitte & Touche



Consolidated Balance Sheet

December 31		2008	2007		
		(LB	(LBP'000)		
ASSETS	Notes				
Cash and Central Bank	5	466,947,333	339,061,072		
Deposits with banks and financial institutions	6	166,969,533	235,337,035		
Trading securities	7	17,142,330	17,756,365		
Loans and advances to customers	8	415,346,781	287,854,070		
Available-for-sale investment securities	9	1,368,050,383	1,097,566,144		
Held-to-maturity investment securities	9	391,958,405	498,515,236		
Customers' liability under acceptances	10	21,677,733	16,340,966		
Assets acquired in satisfaction of loans	11	76,881,667	77,730,765		
Property and equipment	12	35,547,668	20,256,318		
Intangible assets	13	3,992,847	4,285,494		
Other assets	14	7,531,059	17,154,850		
Total Assets		2,972,045,739	2,611,858,315		

FINANCIAL INSTRUMENTS WITH OFF-BALAN	NCE SHEET RISKS		
Letters of guarantee and stand-by letters of credit _	32	52,360,336	62,401,042
Letters of credit		43,297,992	42,367,888
Forward exchange contracts		24,047,429	33,917,818

Consolidated Balance Sheet (contd.)

December 31		2008	2007	
		(LBP'000)		
LIABILITIES	Notes			
Deposits and borrowings from banks	15	36,140,772	23,695,600	
Customers' accounts at amortized cost	16	2,610,509,127	2,230,415,715	
Customers' accounts designated at fair value through profit or loss	16	2,255,708	-	
Liability under acceptances	10	21,677,733	16,340,966	
Other borrowings	17	11,845,723	112,426,267	
Other liabilities	18	26,478,051	16,612,235	
Provisions	19	26,329,209	18,863,768	
Total Liabilities		2,735,236,323	2,418,354,551	

EQUITY			
Capital	20	152,700,000	152,700,000
Reserves	21	32,044,215	6,218,878
Reserve for assets acquired in satisfaction of loans	21	8,574,485	8,402,630
Retained Earnings		12,120,415	15,628,578
Cumulative change in fair value of available-for-sale securities	22	(3,630,413)	(12,106,603)
Net profit for the year (attributable to equity holders of the Bank)		34,501,144	22,424,270
Total equity attributable to the equity holders of the Bank		236,309,846	193,267,753
Minority interest		499,570	236,011
Total equity		236,809,416	193,503,764



Consolidated Income Statement

Year Ended December 31		2008	2007
CONTINUING OPERATIONS		(LBP [,]	(000)
CONTINUING OPERATIONS	Notes		
Interest income	23	196,406,716	191,356,818
Interest expense	24	(130,599,938)	(142,768,831)
Net interest income		65,806,778	48,587,987
Fee and commission income	25	12,071,089	9,722,242
Fee and commission expense	26	(2,295,643)	(1,392,993)
Net fee and commission income		9,775,446	8,329,249
Net interest and other gain/(loss) on trading portfolio	27	(486,381)	1,235,946
Other operating income	28	4,608,461	4,263,052
Net financial revenues			62,416,234
Allowance for impairment of loans and advances			(5,088,932)
Write-back of impairment loss on loans and advances	8	8,886,760	11,859,390
Write-off of loans		(30,384)	(1,113)
Write-back of discount on loan portfolio purchased	d8	6,248,077	832,300
Net financial revenues after impairment charge for credit losses		92,842,538	70,017,879
Gain on disposal of property and equipment and properties acquired in satisfaction of loans		859,566	634,076
Write-back provisions (net)	19	60,300	4,181,250
Staff costs	29	(31,117,227)	(25,882,624)
Administrative expenses		(16,631,383)	(17,304,566)
Depreciation and amortization			(10,309,085)
Profit before income tax			
Income tax expense		(6,562,567)	(4,729,808)
Net profit for the year from continuing operations		34,721,791	16,607,122
not provide for the year from continuing operation.			10,007,122

Consolidated Income Statement (contd.)

Year Ended December 31		2008	2007
	Notes	(L	BP'000)
DISCONTINUING OPERATIONS	30		
Net profit for the period from discontinuing operations		-	2,384,940
Gain on disposal of subsidiary			3,913,682
Income tax expense			(391,368)
		-	5,907,254
Net profit for the year		34,721,791	22,514,376
ATTRIBUTABLE TO:			
Equity holders of the Bank		34,501,144	22,424,270
Minority interest			90,106
		34,721,791	22,514,376
EARNINGS PER SHARE			
From Continuing and Discontinuing operatio	ons:		
Basic earnings per share for the year	31	LBP227	LBP170
From Continuing Operations:			
Basic earnings per share for the year	31	LBP227	LBP126

Consolidated Financial Statements



Consolidated Statement of Changes in Equity

Attributable to Equity Holders of the Bank

	Capital	Legal Reserve	Other Reserves	General Reserve for General Banking Risks	Regulatory Reserve	Cumulative Translation Adjustments	Cumulative Change in Fair Value of Available- for-Sale Securities	Retained Eamings	Net Profit for the Year	Total	Minority Interest	Total Equity
						(LBP'000)						
Balance - January 1, 2007	101,235,00	941,643	159,843	1,189,272	7,950,381	(592,955)	(15,748,686)	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	51,465,000									51,465,000		51,465,000
Transfer of legal reserves and other reserves to accumulated losses	,							,				,
Cumulative translation adjustments							•					
Restatement due to liquidation of subsidiary		(837,298)				592,955	(2,792)	256,129		8,994		8,994
Exchange difference	,					ı						,
Deferred tax on future dividend distribution								(47,544)		(47,544)		(47,544)
Change in fair value of available-for-sale securities (net of deferred tax)	,						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							3,644,875		22,424,270	26,069,145	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)	15,628,578	22,424,270	193,267,753	236,011	193,503,764
Allocation of 2007 profit		2,632,078	19,940,767	3,252,492	141,992			(3,543,059)	(22,424,270)			
Transfer from regulatory reserve to retained earning				,	(167,382)			167,382	,	,		
Other movement					197,245			(30,311)		166,934	42,912	209,846
Deferred tax on future dividend distribution								(102,175)	,	(102,175)		(102,175)
Change in fair value of available- for-sale securities (net of deferred tax)	tax) -						8,476,190			8,476,190		8,476,190
Net profit for the year 2008									34,501,144	34,501,144	220,647	34,721,791
Comprehensive income for the year 2008						,	8,476,190		34,501,144	42,977,334	220,647	43,197,981
Balance - December 31, 2008 152,700,000	152,700,000	4,336,469	20,100,610	7,607,136	8,574,485		(3,630,413)	12,120,415	34,501,144	236,309,846	499,570	236,809,416

Consolidated Statement of Cash Flows

Year Ended December 31		2008	2007
	Notes		(LBP'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		34,721,791	22,514,376
Adjustments for:			
Write back provision for bad debts (net)	8	(13,168,618)	(7,602,758)
Write-off of loans and advances to customers	8	30,384	1,113
Depreciation and amortization	12,13,14	4,729,436	10,309,085
Provisions for charges/(write back)	19	2,076,897	(2,566,741)
Unrealized loss/(gain) on trading portfolio	27	1,789,104	(156,811)
Income tax expense		6,562,567	5,121,176
Profit on discontinued operations	30	-	(6,298,622)
Difference on exchange on BLC France Investment		-	(1,758,112)
Gain on disposal of property acquired in satisfaction of loans		(855,389)	(631,591)
Interest expense		130,599,938	142,768,83
Interest income (including interest on trading portfolio)		(197,296,493)	(192,141,979)
· 5		(30,810,383)	(30,442,033)
Net increase in trading portfolio		(1,146,318)	(5,303,944)
Net increase in loans and advances to customers		(109,848,432)	(99,428)
Net increase in customers' deposits		381,130,889	24,455,920
Net increase in compulsory reserve with Central Bank	5	(30,080,344)	(94,853,724)
Net increase in pledged deposits	6	(203,359)	(3,021,213)
Net decrease/(increase) in other assets		8,089,082	(7,165,786)
Net increase/(decrease) in other liabilities		8,705,576	(2,491,794)
Settlements made from provisions		(1,071,832)	(2,286,752)
'		224,764,879	(121,208,754)
Income tax paid		(5,265,776)	(4,680,005)
Interest paid		(129,680,304)	(142,768,831)
Interest received		195,903,863	190,842,046
Net cash generated/(used in) in operating activities		285,722,662	(77,815,544)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in available-for-sale investing securities		(255,194,693)	(15,527,397)
Net decrease in held-to-maturity investing securities		102,902,190	95,224,003
Proceeds from disposal of business	30	-	81,706,500
Acquisition of property and equipment	12	(18,171,075)	(394,037)
Acquisition of intangible assets	13	(1,557,064)	(1,750,545)
Proceeds from disposal of assets in satisfaction of loans		4,213,036	5,445,090
Net cash generated from/(used in) investing activities		(167,807,606)	164,703,614
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in deposits			
and borrowings from banks	15	12,744,205	(23,210,961)
Net decrease in other borrowings	17	(100,580,980)	(45,680,037)
Net cash used in financing activities		(87,836,775)	(68,890,998)
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Net increase in cash and cash equivalents		30,078,281	17,997,072
Cash and cash equivalent beginning of year	20	457,456,118	439,459,046
Cash and cash equivalent end of year	33	487,534,399	457,456,118