

BT 30714/DTT

INDEPENDENT AUDITOR'S 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, 2009, and 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 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.

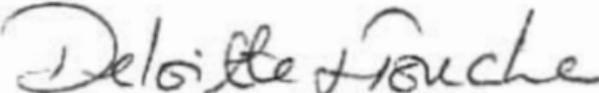
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, within the framework of local banking laws. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial 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 BLC Bank Group as of December 31, 2009, 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 17, 2010


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>2009</u>	<u>2008</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash and Central Bank	5	572,929,659	466,947,333
Deposits with banks and financial institutions	6	367,263,638	166,969,533
Trading securities	7	19,338,113	17,142,330
Loans and advances to customers	8	716,886,972	415,346,781
Available-for-sale investment securities	9	1,726,076,696	1,368,050,383
Held-to-maturity investment securities	9	317,839,007	391,958,405
Customers' liability under acceptances	10	15,343,568	21,677,733
Assets acquired in satisfaction of loans	11	75,978,353	76,881,667
Property and equipment	12	54,805,262	35,547,668
Deferred receivables	13	30,588,391	-
Intangible assets	14	2,890,324	3,992,847
Other assets	15	8,318,851	7,531,059
Total Assets		<u>3,908,258,834</u>	<u>2,972,045,739</u>

FINANCIAL INSTRUMENTS WITH OFF-BALANCE

SHEET RISKS:

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Letters of guarantee and standby letters of credit	97,391,479	52,360,336
Letters of credit	44,751,172	43,297,992
Forward exchange contracts	22,729,454	24,047,429

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

(Continued)

<u>LIABILITIES</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2009</u>	<u>2008</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Deposits from banks	16	33,940,191	36,140,772
Customers' accounts at amortized cost	17	3,426,220,878	2,610,509,127
Customers' accounts designated at fair value through profit or loss	17	2,256,269	2,255,708
Liability under acceptances	10	15,343,568	21,677,733
Other borrowings	18	11,457,975	11,845,723
Other liabilities	19	50,272,028	26,478,051
Provisions	20	24,372,906	26,329,209
Total liabilities		<u>3,563,863,815</u>	<u>2,735,236,323</u>
<u>EQUITY</u>			
Capital	21	152,700,000	152,700,000
Reserves	22	43,745,608	32,044,215
Reserve for assets acquired in satisfaction of loans	22	10,858,632	8,574,485
Retained Earnings		19,610,911	12,120,415
Cumulative change in fair value of available-for-sale securities	25	65,750,077	(3,630,413)
Profit for the year (attributable to the owners of the parent)		<u>51,500,286</u>	<u>34,501,144</u>
Total equity attributable to the owners of the Parent		<u>344,165,514</u>	<u>236,309,846</u>
Non-controlling interest		<u>229,505</u>	<u>499,570</u>
Total equity		<u>344,395,019</u>	<u>236,809,416</u>
Total Liabilities and Equity		<u>3,908,258,834</u>	<u>2,972,045,739</u>

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

	<u>Notes</u>	Year Ended	
		December 31,	
		<u>2009</u>	<u>2008</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Interest income	26	228,886,845	196,406,716
Interest expense	27	(148,804,182)	(130,599,938)
Net interest income		<u>80,082,663</u>	<u>65,806,778</u>
Fee and commission income	28	17,569,431	12,071,089
Fee and commission expense	29	(2,726,986)	(2,295,643)
Net fee and commission income		<u>14,842,445</u>	<u>9,775,446</u>
Net interest and other gain/(loss) on trading portfolio	30	3,953,193	(486,381)
Other operating income	31	<u>5,770,296</u>	<u>4,608,461</u>
Net financial revenues		104,648,597	79,704,304
Allowance for impairment of loans and advances	8	(1,757,065)	(1,966,219)
Write-back of impairment loss on loans and advances	8	6,943,012	8,886,760
Write-off /recovery of loans (net)		5,598	(30,384)
Write-back of discount on loan portfolio purchased	8	<u>751,765</u>	<u>6,248,077</u>
Net financial revenues after net impairment loss/write-back		110,591,907	92,842,538
Gain on disposal of property and equipment and properties acquired in satisfaction of loans		6,177,144	859,566
Write-back of provisions (net)	20	1,865,605	60,300
Staff costs	32	(36,581,272)	(31,117,227)
Administrative expenses		(17,587,399)	(16,631,383)
Depreciation and amortization	12,14	(3,974,451)	(4,729,436)
Profit before income tax		60,491,534	41,284,358
Income tax expense		(8,875,167)	(6,562,567)
Profit for the year		<u>51,616,367</u>	<u>34,721,791</u>
Attributable to:			
Owners of the Parent		51,500,286	34,501,144
Non-controlling interest		<u>116,081</u>	<u>220,647</u>
		<u>51,616,367</u>	<u>34,721,791</u>
Earnings per share:			
Basic earnings per share for the year	33	<u>LBP338</u>	<u>LBP227</u>

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

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2009</u>	<u>2008</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Profit for the year		<u>51,616,367</u>	<u>34,721,791</u>
Other comprehensive income:			
Net change in fair value of available-for-sale investment securities		83,655,096	10,773,939
Net change in available-for-sale recycled to profit and loss	31	(2,082,278)	(763,040)
Deferred Tax		<u>(12,192,328)</u>	<u>(1,534,709)</u>
		<u>69,380,490</u>	<u>8,476,190</u>
Total comprehensive income		<u>120,996,857</u>	<u>43,197,981</u>
Attributable to:			
Owners of the Parent		120,880,776	42,977,334
Non-controlling interest		<u>116,081</u>	<u>220,647</u>
		<u>120,996,857</u>	<u>43,197,981</u>

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

	Attributable to Owners of the Parent											
	Capital LBP'000	Legal Reserve LBP'000	Free Reserves LBP'000	Reserve for General Banking Risk LBP'000	Regulatory Reserve LBP'000	Special Reserves LBP'000	Cumulative Change in Fair Value of Available-for-Sale Securities LBP'000	Retained Earnings LBP'000	Profit for the Year LBP'000	Total LBP'000	Non-Controlling Interest LBP'000	Total Equity LBP'000
Balance - January 1, 2008	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	216,011	193,503,764
Allocation of 2007 profit	-	1,672,078	19,940,767	3,252,492	141,992	-	-	(3,543,039)	(22,424,270)	-	-	-
Transfer from regulatory reserve to retained earnings	-	-	-	-	(167,382)	-	-	167,382	-	-	-	-
Other movement	-	-	-	-	191,245	-	-	(30,311)	-	166,934	42,912	209,846
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	(102,175)	-	(102,175)	-	(102,175)
Total comprehensive income for the year 2008	-	-	-	-	-	-	8,476,190	-	34,591,144	42,977,134	220,642	43,197,981
Balance - December 31, 2008	152,700,000	4,336,469	20,100,610	7,607,136	8,574,483	-	(3,630,413)	12,120,413	34,501,144	236,309,846	499,570	236,809,416
Allocation of 2008 profit	-	3,238,553	6,890,146	1,375,000	2,447,864	1,570,000	-	18,959,581	(34,501,144)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(13,132,200)	-	(13,132,200)	(378,477)	(13,510,677)
Transfer from legal reserve to free reserves	-	(10,651)	10,651	-	-	-	-	-	-	-	-	-
Transfer from regulatory reserve to free reserves	-	-	163,717	-	(163,717)	-	-	-	-	-	-	-
Other movement	-	1,290	12,681	-	-	-	-	(7,308)	-	6,669	(2,669)	(1,000)
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	100,423	-	100,423	-	100,423
Special reserves reversal (Note 23)	-	-	-	-	-	(1,570,000)	-	1,570,000	-	-	-	-
Total comprehensive income for the year 2009	-	-	-	-	-	-	69,380,490	-	51,500,786	120,880,776	116,981	120,996,857
Balance - December 31, 2009	152,700,000	7,585,667	27,177,805	8,982,136	10,858,632	-	65,780,077	19,610,211	51,900,286	344,165,514	228,205	344,395,012

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

	Notes	Year Ended December 31,	
		2009	2008
		LBP'000	LBP'000
Cash Flows from operating activities:			
Net profit for the year		51,616,367	34,721,791
Adjustments for:			
Write back provision for bad debts (net)	8	(5,937,712)	(13,168,618)
Write off of loans and advances to customers	8	(5,598)	30,384
Depreciation and amortization	12,13	3,974,451	4,729,436
Write back provisions for charges (net)	20	(1,941,727)	(39,595)
Provision for end-of-service indemnities		1,112,919	1,116,492
Unrealized (gain)/loss on trading portfolio	30	(2,573,533)	1,789,104
Income tax expense		8,875,167	6,562,567
Loss/(gain) on sale of property and equipment		71,174	(4,177)
Gain on disposal of property acquired in satisfaction of loans		(6,248,318)	(855,389)
Dividend income		(1,597,427)	(1,361,660)
Interest expense		148,804,182	130,599,938
Interest income (including interest on trading portfolio)		(229,860,722)	(197,296,493)
		(33,710,784)	(32,176,220)
Net decrease/(increase) in trading portfolio		310,624	(1,146,318)
Net increase in loans and advances to customers	35	(291,723,823)	(109,848,432)
Net increase in customers' deposits		726,258,662	381,130,889
Net increase in compulsory reserve with Central Bank	5	(20,858,480)	(30,080,344)
Net increase in term deposits with Central Bank		(26,758,125)	-
Net decrease/(increase) in pledged deposits	6	4,045,837	(203,359)
Net (increase)/decrease in other assets		(1,771,515)	8,089,082
Increase in deferred receivable	13	(30,588,391)	-
Net increase in other liabilities	35	10,540,648	8,705,576
Proceeds from disposal of assets in satisfaction of loans		11,439,329	4,213,036
Settlements made from provisions		(1,317,977)	(1,071,832)
		345,866,005	227,512,078
Income tax paid		(7,135,868)	(5,265,776)
Dividends received		1,597,427	1,361,660
Interest paid		(144,398,000)	(129,680,304)
Interest received		228,070,415	195,903,863
Net cash generated from operating activities		423,999,979	289,931,521
Cash flows from investing activities:			
Net increase in available-for-sale investing securities	9, 35	(270,420,836)	(255,194,693)
Net decrease in held-to-maturity investing securities	9	117,154,275	102,902,190
Proceeds from disposal of property and equipment		58,544	38,404
Acquisition of property and equipment	12	(17,014,596)	(18,205,302)
Acquisition of intangible assets	14	(433,927)	(1,557,064)
Net cash used in investing activities		(170,656,540)	(172,016,465)
Cash flows from financing activities:			
Dividends paid	24	(13,132,200)	-
Dividends paid to non-controlling interests		(378,477)	-
Decrease in non-controlling interests		(1,000)	-
Net decrease in other borrowings	18	(387,807)	(100,580,980)
Net cash used in financing activities		(13,899,484)	(100,580,980)
Net increase in cash and cash equivalents		239,443,955	17,334,076
Cash and cash equivalent beginning of year		451,441,543	434,107,467
Net cash received from acquiring Lati Bank S.A.L.	13	25,384,231	-
Cash and cash equivalent end of year	35	716,269,729	451,441,543