



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, 2011, 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 BLC Bank as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
February 27, 2012

DFK Fiduciaire du Moyen Orient Deloitte & Touche

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	December 31,	
		2011	2010
ASSETS		LBP'000	
Cash and Central Banks	6	593,196,508	558,876,097
Deposits with banks and financial institutions	7	194,948,707	308,816,741
Trading assets	8	-	16,263,637
Loan to a bank	9	7,058,077	7,058,586
Loans and advances to customers	10	2,310,489,697	1,036,366,717
Investment securities	11	3,228,724,937	2,522,077,807
Investment properties	13, 35	17,595,768	-
Customers' liability under acceptances	12	43,462,735	20,006,573
Assets acquired in satisfaction of loans	13	91,292,344	96,237,803
Property and equipment	14	76,301,029	56,663,057
Intangible assets	15	2,547,142	2,813,616
Deferred charges on business acquisition	16	32,172,956	37,648,050
Goodwill	17	40,683,630	-
Other assets	18	18,390,529	11,961,950
Total Assets		6,656,864,059	4,674,790,634

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	39		
Letters of guarantee and standby letters of credit		199,956,457	121,449,795
Letters of credit		44,227,565	70,565,887
Forward exchange contracts		69,121,081	41,658,360
Fiduciary Accounts	40	19,297,995	15,862,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

	NOTES	December 31,	
		2011	2010
LIABILITIES		LBP'000	
Deposits from banks	19	8,011,923	46,977,291
Customers' accounts designated at fair value through profit or loss	20	-	2,388,932
Customers' accounts at amortized cost	20	5,449,981,971	3,922,525,311
Liability under acceptances	12	43,462,735	20,006,573
Other borrowings	21	493,171,977	196,580,561
Subordinated bonds	22	19,296,044	-
Other liabilities	23	62,733,792	65,838,785
Provisions	24	36,099,355	24,194,858
Total liabilities		6,112,757,797	4,278,512,311

	NOTES	December 31,	
		2011	2010
EQUITY		LBP'000	
Capital	25	152,700,000	152,700,000
Preferred shares	26	143,212,501	-
Reserves	27	88,402,460	63,656,920
Regulatory reserve for assets acquired in satisfaction of loans	27	14,028,871	13,078,756
Retained earnings		66,932,294	26,082,782
Cumulative change in fair value of investment securities	11	3,085,014	72,351,780
Cumulative currency translation adjustments		51,383	-
Profit for the year		72,498,756	68,270,880
Total equity attributable to equity holders of the Bank		540,911,279	396,141,118
Non-controlling interest		3,194,983	137,205
Total equity		544,106,262	396,278,323
Total Liabilities and Equity		6,656,864,059	4,674,790,634

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED INCOME STATEMENT

	NOTES	December 31,	
		2011	2010
		LBP'000	
Interest income	29	351,837,580	260,230,499
Interest expense	30	(225,468,783)	(164,046,026)
Net interest income		126,368,797	96,184,473
Fee and commission income	31	32,244,791	20,755,141
Fee and commission expense	32	(6,703,661)	(3,475,114)
Net fee and commission income		25,541,130	17,280,027
Net interest and other gain/(loss) on trading portfolio	33	-	(15,456)
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	34	20,380,828	-
Other operating income	35	5,467,492	11,287,889
Net financial revenues		177,758,247	124,736,933
Allowance for impairment of loans and advances	10	(22,018,265)	(1,929,964)
Write-back of impairment loss on loans and advances	10	15,830,872	11,905,148
Recovery of loans (net)		8,216	2,162
Write-back of discount on purchased loan portfolio	10	613,046	1,692,748
Net financial revenues after net impairment loss/write-back		172,192,116	136,407,027
Realized income on business acquisition	16	-	7,728,744
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	13, 14	20,212,262	3,956,410
Other non-operating income		1,769,595	-
Provision (net of write-back)	24	(180,900)	67,838
Staff costs	36	(67,703,384)	(41,965,014)
General and administrative expenses	37	(36,037,496)	(22,459,161)
Depreciation and amortization	14,15	(4,687,491)	(3,155,205)
Profit before income tax		85,564,702	80,580,639
Income tax expense	23	(13,070,223)	(12,293,482)
Profit for the year		72,494,479	68,287,157
Attributable to:			
Equity holders of the Bank		72,498,756	68,270,880
Non-controlling interests		(4,277)	16,277
		72,494,479	68,287,157
Earnings per share:			
Basic and diluted earnings per share (in LBP)	38	LBP 474.7	LBP 447.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	December 31,	
		2011	2010
		LBP'000	
PROFIT FOR THE YEAR		72,494,479	68,287,157
Other comprehensive income:			
Net change in fair value of available-for-sale investment securities		-	14,917,563
Net change in fair value of investments at fair value through other comprehensive income	35	720,820	-
Fair value of available-for-sale securities recycled to profit and loss		-	(7,122,945)
Currency translation adjustment		53,742	-
Deferred tax liability	23	(544,414)	(1,192,915)
		230,148	6,601,703
Total comprehensive income		72,724,627	74,888,860
Attributable to:			
Equity holders of the Bank		72,726,545	74,872,583
Non-controlling interests		(1,918)	16,277
		72,724,627	74,888,860

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Bank											Non-Controlling Interest	Total Equity
	Capital	Preferred Shares	Legal Reserve	Free Reserve	Reserve for General Banking Risks	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Cumulative Currency Translation Adjustment	Cumulative Change in Fair Value of Investment Securities	Retained Earnings	Profit for the Year	Total		
	LBP'000												
Balance - January 1, 2010	152,700,000	-	7,585,667	27,177,805	8,982,136	10,858,632	-	65,750,077	19,610,911	51,500,286	344,165,514	229,505	344,395,019
Allocation of 2009 profit	-	-	5,254,545	8,150,073	6,030,531	2,648,939	-	-	29,416,198	(51,500,286)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(22,853,691)	-	(22,853,691)	(108,577)	(22,962,268)
Transfer to legal reserve	-	-	47,348	-	-	-	-	-	(47,348)	-	-	-	-
Transfer to free reserves	-	-	-	428,815	-	(428,815)	-	-	-	-	-	-	-
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	-	(43,288)	-	(43,288)	-	(43,288)
Total comprehensive income for the year 2010	-	-	-	-	-	-	-	6,601,703	-	68,270,880	74,872,583	16,277	74,888,860
Balance - December 31, 2010	152,700,000	-	12,887,560	35,756,693	15,012,667	13,078,756	-	72,351,780	26,082,782	68,270,880	396,141,118	137,205	396,278,323
Effect of IFRS9 adoption (Note 5)	-	-	-	-	-	-	-	(69,443,172)	24,948,348	-	(44,494,824)	-	(44,494,824)
Balance January 1, 2011 (Restated)	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 28)	-	-	-	-	-	-	-	-	(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 interest of the acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,085,775	3,085,775
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	-	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

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31,	
		2011	2010
		LBP'000	
Cash flows from operating activities:			
Net profit for the year		72,494,479	68,287,157
Adjustments for:			
Provision/(write back) for bad debts (net) and write-back of discount on loan portfolio	10	5,574,347	(11,667,932)
Recovery of loans written-off		(8,216)	(2,162)
Depreciation and amortization	14,15	4,687,491	3,155,206
Amortization of deferred charges on business acquisition	16	8,333,131	4,459,364
Realized income on business acquisition	16	-	(7,728,744)
Impairment of property and equipment	14	-	65,308
Write-back provision no longer required		(1,246,825)	-
Change in fair value for investment properties		(190,805)	-
Provisions/(write back), (net)	24	180,900	(16,569)
Provision for end-of-service indemnities (net)	24	3,824,197	965,292
Provision/(write-back) for loss on foreign currency position		103,557	(20,754)
Unrealized loss on investment securities at fair value through profit or loss	34	6,719,508	1,299,696
Income tax expense		13,070,223	12,293,482
Gain on sale of property and equipment		(1,887,545)	(507,818)
Gain on disposal of property acquired in satisfaction of loans		(18,324,718)	(3,448,592)
Dividend income		(1,718,822)	(1,465,433)
Interest expense		225,468,783	164,046,026
Interest income (including interest on investment securities at FVTPL)		(371,854,082)	(261,095,694)
		(54,774,397)	(31,382,167)
Net decrease in trading portfolio		-	1,747,042
Net increase in loans and advances to customers	41	(634,931,260)	(331,313,763)
Net decrease in available-for-sale investing securities	41	-	(288,719,745)
Net decrease in held-to-maturity investing securities	41	-	(177,384,170)
Investments at fair value through profit or loss	41	230,919,592	-
Investments at amortized cost	41	(676,701,012)	-
Net increase in customers' deposits		640,475,539	490,837,465
Net decrease in compulsory deposits with Central Bank	6	33,512,421	57,091,134
Net decrease in term deposits with Central Bank		-	25,250,625
Net (decrease)/increase in deposits from banks		(38,919,591)	13,030,314
Net increase in other assets	41	(3,387,033)	(3,575,261)
Net (decrease)/increase in other liabilities	41	(1,227,985)	11,324,180
Proceeds from disposal of property acquired in satisfaction of loans	41	28,595,807	8,433,627
Settlements made from provisions	24	(849,043)	(1,173,855)
		(477,286,962)	(225,834,574)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31,	
		2011	2010
		LBP'000	
Income tax paid		(13,580,696)	(9,462,998)
Dividends received		1,718,822	1,465,433
Interest paid		(222,538,577)	(157,756,614)
Interest received		363,665,953	255,245,089
Net cash used in operating activities:		(348,021,460)	(136,343,664)
Cash flows from investing activities:			
Amounts paid in business acquisition	17	(85,568,684)	-
Increase in investment properties		(6,298,000)	-
Amounts and costs paid in business acquisition	16	(2,166,520)	(6,065,313)
Proceeds from disposal of property and equipment		2,143,103	807,395
Acquisition of property and equipment	14, 41	(11,337,317)	(1,784,854)
Acquisition of intangible assets		(831,427)	(1,065,400)
Net cash used in investing activities:		(104,058,845)	(8,108,172)
Cash flows from financing activities:			
Dividends paid	28	(26,746,854)	(22,853,691)
Dividends paid to non-controlling interests		(26,079)	(108,577)
Issuance of preferred shares		82,912,501	-
Other		63,700	-
Increase in loan to a bank		-	(7,000,000)
Net change in subordinated bonds		(542,766)	-
Net increase in other borrowings	21	237,576,672	184,439,591
Net cash generated from financing activities:		293,237,174	154,477,323
Net (decrease)/increase in cash and cash equivalents		(158,843,131)	10,025,487
Cash and cash equivalent beginning of year		760,195,701	750,170,214
Cash and cash equivalents acquired from USB Bank PLC		99,035,098	-
Cash and cash equivalents end of year	41	700,387,668	760,195,701

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements