

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

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, 2013, and the consolidated statements of profit or loss and other comprehensive income, 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 is 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 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.

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, 2013, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 14, 2014


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>2013</u> LBP'000	<u>2012</u> LBP'000
Cash and Central Banks	5	856,464,504	1,123,394,054
Deposits with banks and financial institutions	6	257,930,277	378,195,699
Loan to a bank	7	6,350,873	7,057,567
Investment securities at fair value through profit or loss	9	144,981,838	176,835,476
Loans and advances to customers	8	2,828,497,672	2,677,239,926
Investment securities at amortized cost	9	3,243,374,740	2,973,057,770
Investment securities at fair value through other comprehensive income	9	14,494,569	12,391,631
Customers' liability under acceptances	10	23,202,175	19,137,232
Assets acquired in satisfaction of loans	11	88,799,677	88,840,827
Investment properties	11	57,989,822	53,423,844
Property and equipment	12	80,759,630	80,740,716
Intangible assets	13	4,412,372	3,818,152
Deferred charges	14	96,296,646	22,387,239
Goodwill	15	7,637,618	41,280,604
Other assets	16	<u>28,297,333</u>	<u>22,010,602</u>
Total Assets		<u>7,739,489,746</u>	<u>7,679,811,339</u>
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:			
	36		
Letters of guarantee and standby letters of credit		222,771,207	202,235,388
Letters of credit		59,889,813	55,538,500
Forward exchange contracts		72,111,100	105,344,033
FIDUCIARY ACCOUNTS	37	16,290,083	18,415,658
ASSETS IN SAFEKEEPING AND UNDER MANAGEMENT	38	38,382,925	40,052,251

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

(Continued)

<u>LIABILITIES</u>	<u>Notes</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Deposits from banks	17	2,153,046	11,812,803
Customers' accounts	18	6,481,583,888	6,470,301,990
Liability under acceptances	10	23,202,175	19,137,232
Other borrowings	19	467,940,933	515,841,712
Subordinated bonds	20	20,545,551	19,684,277
Other liabilities	21	70,922,088	64,127,360
Provisions	22	8,101,779	15,153,541
Total liabilities		<u>7,074,449,460</u>	<u>7,116,058,915</u>
 <u>EQUITY</u> 			
Capital	23	152,700,000	152,700,000
Preferred shares	24	1,300,000	950,000
Premium on preferred shares	24	194,675,001	142,262,501
Reserves	25	130,084,515	116,626,890
Regulatory reserve for assets acquired in satisfaction of loans	25	23,019,272	19,890,400
Brought forward retained earnings		91,591,204	74,843,063
Cumulative change in fair value of investments at fair value through other comprehensive income	9	5,493,669	3,493,669
Cumulative currency translation adjustments		(17,058)	106,757
Net profit for the year		<u>64,568,577</u>	<u>50,221,660</u>
Equity attributable to equity holders of the Bank		<u>663,415,180</u>	<u>561,094,940</u>
Non-controlling interests		<u>1,625,106</u>	<u>2,657,484</u>
Total equity		<u>665,040,286</u>	<u>563,752,424</u>
Total Liabilities and Equity		<u>7,739,489,746</u>	<u>7,679,811,339</u>

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended	
		December 31,	
		2013	2012
		LBP'000	LBP'000
Interest income	27	452,913,444	420,890,919
Interest expense	28	(275,887,228)	(264,058,148)
Net interest income		<u>177,026,216</u>	<u>156,832,771</u>
Fee and commission income	29	33,111,157	33,036,480
Fee and commission expense	30	(5,244,757)	(5,428,054)
Net fee and commission income		<u>27,866,400</u>	<u>27,608,426</u>
Net interest and other gain/(loss) on investments at fair value through profit or loss	31	10,699,486	7,210,888
Impairment of investments at amortized cost	9	-	(3,981,392)
Other operating income	32	<u>5,048,442</u>	<u>8,796,177</u>
Net financial revenues		220,640,544	196,466,870
Allowance for impairment of loans and advances (net)	8	(60,663,962)	(21,514,536)
Loans' direct write-off (net)		(38,221)	(34,248)
Impairment of goodwill	15	(34,268,905)	-
Write-back of discount on purchased loan portfolio	8	<u>148,028</u>	<u>245,626</u>
Net financial revenues after net impairment loss/write-back		125,817,484	175,163,712
Income originated from contractual future cash flows	14(b)	77,159,472	-
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	11, 12	1,342,359	1,790,389
Change in fair value of investment properties	11	(4,428,962)	-
Write-back provision no longer required	22	1,414,214	3,935,421
(Allowance) / write-back for contingencies	22	(277,200)	2,081,886
Staff costs	33	(76,747,077)	(76,839,303)
General and administrative expenses	34	(42,585,760)	(40,749,911)
Depreciation and amortization	12, 13	<u>(7,078,542)</u>	<u>(5,142,522)</u>
Profit before income tax		74,615,988	60,239,672
Income tax expense	21	<u>(11,129,111)</u>	<u>(10,072,033)</u>
Net profit for the year		<u>63,486,877</u>	<u>50,167,639</u>
Attributable to:			
Equity holders of the Bank		64,568,577	50,221,660
Non-controlling interests		<u>(1,081,700)</u>	<u>(54,021)</u>
		<u>63,486,877</u>	<u>50,167,639</u>

BLC BANK S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2013</u> <u>LBP'000</u>	<u>2012</u> <u>LBP'000</u>
Net profit for the year		<u>63,486,877</u>	<u>50,167,639</u>
<u>Other comprehensive income:</u>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net change in fair value of investments at fair value through other comprehensive income	9	2,000,000	480,771
Deferred tax liability		<u>-</u>	<u>(72,116)</u>
		<u>2,000,000</u>	<u>408,655</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation adjustment		<u>(26,261)</u>	<u>54,033</u>
Total other comprehensive income		<u>(26,261)</u>	<u>462,688</u>
Total comprehensive income for the year		<u>65,460,616</u>	<u>50,630,327</u>
<u>Attributable to:</u>			
Equity holders of the Bank		66,444,762	50,685,689
Non-controlling interests		<u>(984,146)</u>	<u>(55,362)</u>
		<u>65,460,616</u>	<u>50,630,327</u>

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 Reserves 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 Interest LBP'000	Total Equity LBP'000
Balance January 1, 2012	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	3,394,980	544,106,262
Allocation of 2011 profit	-	-	7,322,680	16,422,369	7,151,725	3,190,121	-	-	38,411,861	(72,498,736)	-	-	-
Dividends paid (Note 26)	-	-	-	-	-	-	-	-	(26,722,500)	-	(26,722,500)	(16,257)	(26,738,757)
Dividends paid to Preferred shares "A" & "B" (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	-	-	-	-	-	-	53,374	408,655	-	30,221,660	50,685,682	(55,362)	50,610,327
Balance - December 31, 2012	152,700,000	143,212,501	27,166,172	61,941,286	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
Allocation of 2012 profit	-	-	5,575,346	-	7,811,834	3,196,931	-	-	33,637,349	(50,221,660)	-	-	-
Dividends paid (Note 26)	-	-	-	-	-	-	-	-	(9,923,500)	-	(9,923,500)	(15,123)	(9,940,623)
Dividends paid to Preferred shares "A" & "B" (Note 26)	-	-	-	-	-	-	-	-	(10,024,875)	-	(10,024,875)	-	(10,024,875)
Transfer between legal and regulatory reserve	-	-	-	68,059	-	(68,059)	-	-	-	-	-	-	-
Issuance of preferred shares "C"	-	52,762,500	-	-	-	-	-	-	-	-	52,762,500	-	52,762,500
Dilution in non-controlling interest shares	-	-	1,596	790	-	-	-	-	30,610	-	32,996	(32,996)	-
Deferred tax on future dividend distribution of subsidiaries	-	-	-	-	-	-	-	-	(60,324)	-	(60,324)	-	(60,324)
Earnings originated from contractual future cash flows (Note 14)	-	-	-	-	-	-	-	-	3,164,248	-	3,164,248	-	3,164,248
Difference of exchange	-	-	-	-	-	-	-	-	(37,291)	-	(37,291)	-	(37,291)
Other adjustments	-	-	-	-	-	-	-	-	(36,276)	-	(36,276)	(113)	(36,389)
Total comprehensive income for the year 2013	-	-	-	-	-	-	(123,815)	2,000,000	-	64,358,577	66,444,767	(984,146)	65,460,621
Balance - December 31, 2013	152,700,000	195,975,001	32,741,518	62,910,133	33,332,266	21,019,277	(17,058)	5,493,669	91,491,704	64,358,577	661,915,180	1,625,106	663,040,286

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

	Notes	Year Ended December 31,	
		2013	2012
		LBP'000	LBP'000
Cash flows from operating activities:			
Net profit for the year		63,486,877	50,167,639
Adjustments for:			
Impairment of loans and advances to customers	8	60,515,934	21,268,910
Depreciation and amortization	12, 13	7,078,542	5,464,273
Impairment of goodwill	15	34,268,905	-
Income generated from contractual future cash flows	14	(77,159,472)	-
Impairment of investments at amortized cost	9	-	3,981,392
Change in fair value of investment properties	11	4,428,962	-
(Write back)/provisions, (net)	22	277,200	(2,081,886)
(Write back)/provision for end-of-service indemnities (net)	22	(1,332,780)	569,310
Provision/(write back) for loss on foreign currency position	22	18,162	(126,940)
Unrealized loss on investments at fair value through profit or loss	9	759,652	3,023,524
Income tax expense		11,129,111	10,072,033
Gain on disposal of property and equipment		(605,696)	(162,573)
Gain on disposal of property acquired in satisfaction of loans		(736,662)	(1,627,816)
Dividend income		(448,831)	(641,340)
Interest expense	28	275,887,228	264,058,148
Interest income	27, 31	(461,482,361)	(432,753,322)
		(83,915,229)	(78,788,648)
Net increase in loans and advances to customers	39	(216,272,435)	(420,499,091)
Net decrease/(increase) in margins with banks		557,775	(1,271,953)
Net increase in investments at fair value through other comprehensive income	9	(102,510)	(5,977,975)
Net decrease/(increase) in investments at fair value through profit or loss		30,749,354	(4,114,433)
Net (increase)/decrease in investments at amortized cost		(263,779,300)	79,284,861
Net increase in customers' deposits	39	14,650,066	992,280,905
Net (increase)/decrease in compulsory deposits with Central Banks	39	(11,989,645)	31,511,639
Net increase in term and blocked deposits with banks		(753,846)	(646,199,332)
Net decrease in term and blocked deposits with Central Banks		976,232	-
Net increase in term deposits with a related bank		(10,373,850)	-
Net (decrease)/increase in deposits from banks		(9,647,907)	3,789,745
Net increase in other assets		(6,286,731)	(3,620,073)
Net increase in other liabilities		5,635,998	4,948,282
Proceeds from disposal of property acquired in satisfaction of loans		1,082,385	5,843,603
Proceeds from disposal of investment properties		228,120	-
Settlements made from provisions	22, 39	(7,240,977)	(1,520,020)
		(556,482,500)	(44,332,490)
Income tax paid		(9,970,381)	(13,752,918)
Dividends received	31	448,831	641,340
Interest paid		(280,040,002)	(259,237,028)
Interest received		463,020,457	418,486,857
Net cash (used in)/generated from operating activities		(383,023,595)	101,805,761
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		1,005,956	197,650
Acquisition of property and equipment	39	(5,965,603)	(8,490,382)
Acquisition of intangible assets	39	(1,573,919)	(2,451,020)
Net cash used in investing activities		(6,533,566)	(10,743,752)
Cash flows from financing activities:			
Dividends paid	26	(19,965,498)	(30,728,468)
Issuance of preferred shares	24	52,762,500	-
Subscription of capital by the non-controlling interest		-	9,999
Net decrease in loan to a bank		700,000	-
Net (decrease)/increase in other borrowings	39	(47,127,905)	32,239,642
Net cash (used in)/generated from financing activities		(13,630,903)	1,521,173
Net (decrease)/increase in cash and cash equivalents		(403,188,064)	92,583,182
Effect of foreign currency fluctuation		(5,557,075)	(1,044,501)
Cash and cash equivalent beginning of year	39	791,926,349	700,387,668
Cash and cash equivalents end of year	39	383,181,210	791,926,349