

BT 30714/DTT

**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, 2014, 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.

***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 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, 2014, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon  
April 18, 2015

  
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>2014</u>	<u>2013</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Cash and central banks	5	988,206,488	856,464,504
Deposits with banks and financial institutions	6	357,950,403	257,930,277
Loan to a bank	7	5,645,220	6,350,873
Investment securities at fair value through profit or loss	9	108,085,576	144,981,838
Loans and advances to customers	8	2,924,024,928	2,828,497,672
Investment securities at amortized cost	9	3,317,240,809	3,243,374,740
Investment securities at fair value through other comprehensive income	9	15,754,751	14,494,569
Customers' liability under acceptances	10	30,903,191	23,202,175
Assets acquired in satisfaction of loans	11	88,887,519	88,799,677
Investment properties	11	56,402,506	57,989,822
Property and equipment	12	79,225,525	80,759,630
Intangible assets	13	3,646,950	4,412,372
Deferred assets	14	87,584,283	96,296,646
Goodwill	15	6,750,818	7,637,618
Other assets	16	<u>34,350,828</u>	<u>28,297,333</u>
<b>Total Assets</b>		<u><b>8,104,659,795</b></u>	<u><b>7,739,489,746</b></u>
<b>FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:</b>	<b>37</b>		
Letters of guarantee and standby letters of credit		214,486,644	222,771,207
Letters of credit		33,955,484	59,889,813
Forward exchange contracts		96,198,982	72,111,100
<b>FIDUCIARY ACCOUNTS</b>	<b>38</b>	12,052,500	16,290,083
<b>ASSETS UNDER MANAGEMENT</b>	<b>16</b>	17,004,996	-

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS

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

**(Continued)**

<b><u>LIABILITIES</u></b>	<b><u>Notes</u></b>	<b><u>December 31,</u></b>	
		<b><u>2014</u></b>	<b><u>2013</u></b>
		<b><u>LBP'000</u></b>	<b><u>LBP'000</u></b>
Deposits from banks	17	51,410,251	2,153,046
Customers' accounts	18	6,466,234,609	6,481,583,888
Liability under acceptances	10	30,903,191	23,202,175
Other borrowings	19	719,222,190	467,940,933
Subordinated bonds	20	18,160,021	20,545,551
Other liabilities	21	89,850,989	70,922,088
Provisions	22	<u>8,628,303</u>	<u>8,101,779</u>
Total liabilities		<u>7,384,409,554</u>	<u>7,074,449,460</u>
 <b><u>EQUITY</u></b>  			
Capital	23	152,700,000	152,700,000
Preferred shares	24	1,300,000	1,300,000
Premium on preferred shares	24	194,675,001	194,675,001
Reserves	25	148,899,380	130,084,515
Regulatory reserve for assets acquired in satisfaction of loans	25	29,750,043	23,019,272
Brought forward retained earnings		118,803,357	91,591,204
Cumulative change in fair value of investments at fair value through other comprehensive income	9	6,265,831	5,493,669
Cumulative currency translation adjustments		( 52,301)	( 17,058)
Net profit for the year		<u>66,773,035</u>	<u>64,568,577</u>
Equity attributable to equity holders of the Bank		<u>719,114,346</u>	<u>663,415,180</u>
Non-controlling interests		<u>1,135,895</u>	<u>1,625,106</u>
Total equity		<u>720,250,241</u>	<u>665,040,286</u>
Total Liabilities and Equity		<u>8,104,659,795</u>	<u>7,739,489,746</u>

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Notes</u>	<u>Year Ended</u> <u>December 31,</u>	
		<u>2014</u> <u>LBP'000</u>	<u>2013</u> <u>LBP'000</u>
Interest income	27	475,388,509	452,913,444
Interest expense	28	(277,828,398)	(275,887,228)
Net interest income		<u>197,560,111</u>	<u>177,026,216</u>
Fee and commission income	29	33,892,554	33,111,157
Fee and commission expense	30	( 5,172,305)	( 5,244,757)
Net fee and commission income		<u>28,720,249</u>	<u>27,866,400</u>
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	31	5,498,619	10,603,285
Other operating income	32	<u>5,497,848</u>	<u>5,144,643</u>
Net financial revenues		237,276,827	220,640,544
Allowance for impairment of loans and advances (net)	8	( 56,344,384)	( 60,663,962)
Loans' recovery/(direct write-off), net		318,805	( 38,221)
Impairment of goodwill	15	-	( 34,268,905)
Write-back of discount on purchased loan portfolio	8	<u>270,600</u>	<u>148,028</u>
Net financial revenues after net impairment loss/write-back		181,521,848	125,817,484
Income originated from contractual future cash flows	14(b)	26,163,596	77,159,472
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	11, 12	3,332,815	1,342,359
Other non-operating income	33	3,316,500	-
Change in fair value of investment properties	11	( 3,135,314)	( 4,428,962)
Write-back of provision no longer required	22	-	1,397,846
Allowance for contingencies	22	( 307,350)	( 277,200)
Staff costs	34	( 78,590,243)	( 76,730,709)
General and administrative expenses	35	( 43,232,273)	( 42,585,760)
Depreciation and amortization	12, 13	<u>( 7,704,570)</u>	<u>( 7,078,542)</u>
Profit before income tax		81,365,009	74,615,988
Income tax expense	21	<u>( 14,973,176)</u>	<u>( 11,129,111)</u>
Profit for the year		<u>66,391,833</u>	<u>63,486,877</u>
<b>Attributable to:</b>			
Equity holders of the Bank		66,773,035	64,568,577
Non-controlling interests		<u>( 381,202)</u>	<u>( 1,081,700)</u>
		<u>66,391,833</u>	<u>63,486,877</u>

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS

**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>2014</u> <u>LBP'000</u>	<u>2013</u> <u>LBP'000</u>
Profit for the year		<u>66,391,833</u>	<u>63,486,877</u>
Other comprehensive income:			
<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	1,261,367	2,000,000
Deferred tax liability	21	<u>( 489,205)</u>	<u>-</u>
		<u>772,162</u>	<u>2,000,000</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation adjustments		<u>( 1,803)</u>	<u>( 26,261)</u>
Total other comprehensive income		<u>770,359</u>	<u>1,973,739</u>
Total comprehensive income for the year		<u>67,162,192</u>	<u>65,460,616</u>
Attributable to:			
Equity holders of the Bank		67,509,954	66,444,762
Non-controlling interests		<u>( 347,762)</u>	<u>( 984,146)</u>
		<u>67,162,192</u>	<u>65,460,616</u>

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>Attributable to Equity Holders of the Bank</u>													
	<u>Capital</u>	<u>Preferred Shares and Premiums</u>	<u>Legal Reserve</u>	<u>Free Reserves</u>	<u>Reserve for General Banking Risks</u>	<u>Special Reserve for Loans and advances</u>	<u>Regulatory Reserve for Assets Acquired in Satisfaction of Loans</u>	<u>Cumulative Currency Translation Adjustments</u>	<u>Cumulative Change in Fair Value of Investment Securities</u>	<u>Retained Earnings</u>	<u>Profit for the Year</u>	<u>Total</u>	<u>Non-Controlling Interests</u>	<u>Total Equity</u>
	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>	<u>LBP'000</u>
Balance - January 1, 2013	152,700,000	143,212,501	27,165,172	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	-	-	33,637,549	( 50,221,660)	-	-	-
Dividends paid (Note 26)	-	-	-	-	-	-	-	-	-	( 9,925,500)	-	( 9,925,500)	( 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 dividends 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	-	64,568,577	66,444,762	( 984,146)	65,460,616
Balance - December 31, 2013	152,700,000	195,975,001	32,742,114	62,010,135	35,332,266	-	23,019,272	( 17,058)	5,493,669	91,591,204	64,568,577	663,415,180	1,625,106	665,040,286
Allocation of 2013 profit	-	-	6,177,377	-	10,444,908	1,778,478	7,144,076	-	-	39,023,738	( 64,568,577)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	( 33,053)	( 33,053)
Dividends paid to Preferred shares "A", "B" & "C" (Note 26)	-	-	-	-	-	-	-	-	-	( 11,459,221)	-	( 11,459,221)	-	(11,459,221)
Transfer to free reserves	-	-	-	413,305	-	-	( 413,305)	-	-	-	-	-	-	-
Net dilution in non-controlling interests and other adjustments	-	-	116	681	-	-	-	-	-	( 235,913)	-	( 235,116)	( 107,618)	( 342,734)
Deferred tax on future dividends distribution of subsidiaries	-	-	-	-	-	-	-	-	-	( 68,890)	-	( 68,890)	-	( 68,890)
Other movement	-	-	-	-	-	-	-	-	-	( 47,561)	-	( 47,561)	( 778)	( 48,339)
Total comprehensive income for the year 2014	-	-	-	-	-	-	-	( 35,243)	772,162	-	66,773,035	67,509,954	( 347,762)	67,162,192
Balance - December 31, 2014	<u>152,700,000</u>	<u>195,975,001</u>	<u>38,919,607</u>	<u>62,424,121</u>	<u>45,777,174</u>	<u>1,778,478</u>	<u>29,750,043</u>	<u>( 52,301)</u>	<u>6,265,831</u>	<u>118,803,357</u>	<u>66,773,035</u>	<u>719,114,346</u>	<u>1,135,895</u>	<u>720,250,241</u>

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	Year Ended December 31,	
		2014	2013
		LBP'000	LBP'000
Cash flows from operating activities:			
Net profit for the year		66,391,833	63,486,877
Adjustments for:			
Impairment of loans and advances to customers	8	56,073,784	60,515,934
Depreciation and amortization	12, 13	7,704,570	7,078,542
Impairment of goodwill	15	-	34,268,905
Income originated from contractual future cash flows	14 (b)	( 26,163,596)	( 77,159,472)
Change in fair value of investment properties	11	3,135,314	4,428,962
Allowance for contingencies	22	307,350	277,200
Provision/(write back) for end-of-service indemnities (net)	22	446,171	( 1,332,780)
Provision for loss on foreign currency position	22	61,981	18,162
Unrealized loss on investments at fair value through profit or loss	9	116,053	759,652
Income tax expense		14,973,176	11,129,111
Gain on disposal of property and equipment		( 4,443)	( 605,696)
Gain on disposal of property acquired in satisfaction of loans		( 3,328,372)	( 736,662)
Dividend income		( 590,826)	( 448,831)
Interest expense	28	277,828,398	275,887,228
Interest income	27, 31	( 480,746,913)	( 461,482,361)
		( 83,795,520)	( 83,915,229)
Net increase in loans and advances to customers	39	( 171,154,372)	( 216,272,435)
Net (increase)/decrease in margins with banks		( 3,346,650)	557,775
Net increase in investments at fair value through other comprehensive income	9	-	( 102,510)
Net decrease in investments at fair value through profit or loss		36,074,824	30,749,354
Net increase in investments at amortized cost		( 74,571,899)	( 263,779,300)
Net (decrease)/increase in customers' deposits		( 14,380,042)	14,650,066
Net increase in compulsory deposits with central banks	39	( 35,831,825)	( 11,989,645)
Net increase in term deposits with banks		( 7,462,418)	( 753,846)
Net decrease in term deposits with central banks		35,861,850	976,232
Net increase in term deposits with a related bank		( 17,134,201)	( 10,373,850)
Net increase/(decrease) in deposits from banks		49,233,205	( 9,647,907)
Net increase in other assets		( 6,053,495)	( 6,286,731)
Net increase in other liabilities		13,701,462	5,635,998
Proceeds from disposal of property acquired in satisfaction of loans		4,512,098	1,082,385
Proceeds from disposal of investment properties		-	228,120
Settlements made from provisions	22	( 146,554)	( 7,240,977)
		( 274,493,537)	( 556,482,500)
Income tax paid		( 10,303,832)	( 9,970,381)
Dividends received from investments at fair value through profit or loss	31	176,870	352,630
Dividends received from investments at fair value through other comprehensive income	32	413,956	96,201
Interest paid		( 276,013,527)	( 280,040,002)
Interest received		515,907,787	463,020,457
Net cash used in operating activities		( 44,312,283)	( 383,023,595)
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		53,606	1,005,956
Acquisition of property and equipment	12	( 6,019,205)	( 5,965,603)
Acquisition of intangible assets	13	( 949,600)	( 1,573,919)
Net cash used in investing activities		( 6,915,199)	( 6,533,566)
Cash flows from financing activities:			
Dividends paid	26	( 11,459,221)	( 19,965,498)
Issuance of preferred shares	24	-	52,762,500
Dividends paid to non-controlling interests		( 33,053)	-
Net decrease in loan to a bank		700,000	700,000
Net increase/(decrease) in other borrowings		248,520,677	( 47,127,905)
Net cash generated from/(used in) financing activities		237,728,403	( 13,630,903)
Net increase/(decrease) in cash and cash equivalents		186,500,921	( 403,188,064)
Effect of foreign currency fluctuation		17,284,166	( 5,557,075)
Cash and cash equivalents beginning of year	39	383,181,210	791,926,349
Cash and cash equivalents end of year	39	586,966,297	383,181,210

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS