

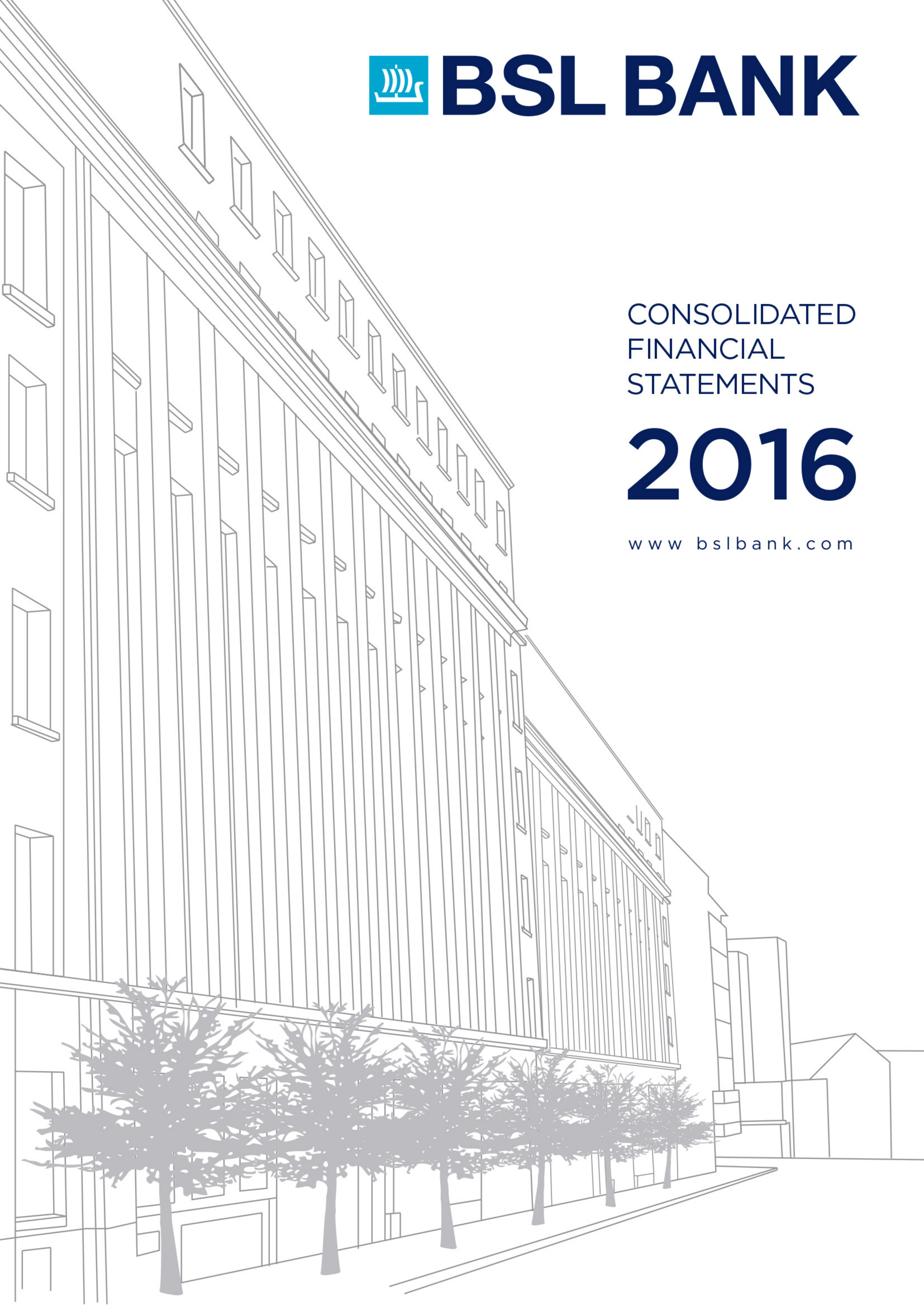


BSL BANK

CONSOLIDATED
FINANCIAL
STATEMENTS

2016

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INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

| | Notes | 2016 LL million | 2015 LL million |
|--|--------|--------------------|--------------------|
| ASSETS | | | |
| Cash and balances with the Central Bank | 9 | 331,747 | 243,616 |
| Loans under reverse repurchase agreements | 10 | - | 35,225 |
| Due from banks and financial institutions | 11 | 112,707 | 137,454 |
| Loans and advances to customers at amortized cost | 12 | 292,488 | 313,570 |
| Loans and advances to related parties at amortized cost | 12, 36 | 1,397 | 1,418 |
| Investment securities at fair value through profit or loss | 13 | 23,727 | 49,053 |
| Investment securities at amortized cost | 14 | 899,247 | 830,072 |
| Investment securities at fair value through other comprehensive income | 15 | 2,089 | 2,039 |
| Debtors by acceptances | | 403 | 1,983 |
| Investment properties | 16 | 19,776 | 20,196 |
| Property and equipment | 17 | 38,363 | 37,030 |
| Intangible assets | | 20 | 35 |
| Non-current assets classified as held for sale | 18 | 2,128 | 4,132 |
| Other assets | 19 | 8,992 | 5,085 |
| TOTAL ASSETS | | 1,733,084 | 1,680,908 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Due to banks and financial institutions | 20 | 88,433 | 41,445 |
| Deposits from customers at amortized cost | 21 | 1,393,719 | 1,406,752 |
| Deposits from related parties at amortized cost | 36 | 55,135 | 68,217 |
| Engagement by acceptances | | 403 | 1,983 |
| Current tax liabilities | 33 | 1,659 | 1,491 |
| Other liabilities | 22 | 27,210 | 3,526 |
| Employee benefit obligations | 23 | 4,124 | 3,948 |
| Total liabilities | | 1,570,683 | 1,527,362 |
| Equity | | | |
| Share capital | 24 | 54,165 | 54,165 |
| Non distributable reserves | 25 | 65,560 | 60,702 |
| Distributable reserves | 25 | 26,009 | 24,066 |
| Cumulative change in fair value of securities at fair value through other comprehensive income | | 568 | 437 |
| Retained earnings | | 3,235 | 1,570 |
| Profit for the year | | 8,927 | 8,706 |
| Total equity attributable to equity holders of the Parent | | 158,464 | 149,646 |
| Non-controlling interests | | 3,937 | 3,900 |
| Total equity | | 162,401 | 153,546 |
| TOTAL LIABILITIES AND EQUITY | | 1,733,084 | 1,680,908 |

These consolidated financial statements were authorized for issuance by the Chairman of the Board of Directors on 8 June 2017.

The attached notes 1 to 38 form part of these consolidated financial statements

Ramsay El Khoury
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 | 2015 |
|--|---------|--------------|--------------|
| | | LL million | LL million |
| Interest and similar income | 26 | 90,300 | 85,508 |
| Interest and similar expense | 26 | (62,008) | (61,170) |
| Net interest and similar income | | 28,292 | 24,338 |
| Fee and commission income | 27 | 4,334 | 4,383 |
| Fee and commission expense | | (360) | (344) |
| Net fee and commission income | | 3,974 | 4,039 |
| Net gain from investment securities at fair value through profit or loss | 28 | 7,418 | 4,030 |
| Revenues from investment securities at fair value through other comprehensive income and net gain from investment securities at amortized cost | 14 & 15 | 1,461 | 2,815 |
| Net release of impairment on loans and advances to customers | | 334 | 348 |
| Other operating income | 29 | 2,957 | 2,599 |
| Net operating income | | 44,436 | 38,169 |
| Personnel expenses | 30 | (16,410) | (14,577) |
| Depreciation and amortization charges | 31 | (2,893) | (2,840) |
| Other operating expenses | 32 | (11,163) | (9,693) |
| Provisions for risks and charges | 22 | (2,635) | - |
| Total operating expenses | | (33,101) | (27,110) |
| Profit before tax | | 11,335 | 11,059 |
| Income tax expense | 33 | (2,371) | (2,314) |
| PROFIT FOR THE YEAR | | 8,964 | 8,745 |
| Other comprehensive income | | | |
| Items not to be reclassified to profit or loss in subsequent periods: | | | |
| Net unrealized gain (loss) on investment securities at fair value through other comprehensive income | 15 | 131 | (153) |
| Total other comprehensive income (loss) for the year | | 131 | (153) |
| Total comprehensive income for the year | | 9,095 | 8,592 |
| Profit attributable to: | | | |
| Equity holders of the Bank | | 8,927 | 8,706 |
| Non-controlling interests | | 37 | 39 |
| | | 8,964 | 8,745 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | |
| Equity holders of the Bank | | 9,058 | 8,553 |
| Non-controlling interests | | 37 | 39 |
| | | 9,095 | 8,592 |

The attached notes 1 to 38 form part of these consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | Share capital | Non distributable reserves | Distributable reserves |
|---|-------|---------------|----------------------------|------------------------|
| | | LL million | LL million | LL million |
| Balance at 1 January 2016 | | 54,165 | 60,702 | 24,066 |
| Profit for the year | | - | - | - |
| Net unrealized gain on investment securities at fair value through other comprehensive income | | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | - | - | - |
| Transfer to retained earnings | | - | - | - |
| Liquidation of a subsidiary | 38 | - | - | - |
| Transfer from retained earnings | | - | 6,605 | 1,943 |
| Release of reserve for non-current assets classified as held for sale | 18 | - | (1,747) | - |
| | | - | 4,858 | 1,943 |
| BALANCE AT 31 DECEMBER 2016 | | 54,165 | 65,560 | 26,009 |

| | Notes | Share capital | Non distributable reserves | Distributable reserves |
|---|-------|---------------|----------------------------|------------------------|
| | | LL million | LL million | LL million |
| Balance at 1 January 2015 | | 54,165 | 56,805 | 19,156 |
| Profit for the year | | - | - | - |
| Net unrealized loss on investment securities at fair value through other comprehensive income | | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | - | - | - |
| Transfer to retained earnings | | - | - | - |
| Transfer from retained earnings | | - | 4,100 | 4,910 |
| Release of reserve for non-current assets classified as held for sale | 18 | - | (203) | - |
| | | - | 3,897 | 4,910 |
| BALANCE AT 31 DECEMBER 2015 | | 54,165 | 60,702 | 24,066 |

The attached notes 1 to 38 form part of these consolidated financial statements

| Cumulative change in fair value of securities at fair value through other comprehensive income | Retained earnings | Profit for the year | Total equity | Non-controlling interests | TOTAL |
|---|----------------------|------------------------|--------------|------------------------------|------------|
| LL million | LL million | LL million | LL million | LL million | LL million |
| 437 | 1,570 | 8,706 | 149,646 | 3,900 | 153,546 |
| - | - | 8,927 | 8,927 | 37 | 8,964 |
| 131 | - | - | 131 | - | 131 |
| 131 | - | 8,927 | 9,058 | 37 | 9,095 |
| - | 8,706 | (8,706) | - | - | - |
| - | (240) | - | (240) | - | (240) |
| - | (8,548) | - | - | - | - |
| - | 1,747 | - | - | - | - |
| - | 1,665 | (8,706) | (240) | - | (240) |
| 568 | 3,235 | 8,927 | 158,464 | 3,937 | 162,401 |

| Cumulative change in fair value of securities at fair value through other comprehensive income | Retained earnings | Profit for the year | Total equity | Non-controlling interests | TOTAL |
|---|----------------------|------------------------|--------------|------------------------------|------------|
| LL million | LL million | LL million | LL million | LL million | LL million |
| 590 | 1,542 | 8,835 | 141,093 | 3,861 | 144,954 |
| - | - | 8,706 | 8,706 | 39 | 8,745 |
| (153) | - | - | (153) | - | (153) |
| (153) | - | 8,706 | 8,553 | 39 | 8,592 |
| - | 8,835 | (8,835) | - | - | - |
| - | (9,010) | - | - | - | - |
| - | 203 | - | - | - | - |
| - | 28 | (8,835) | - | - | - |
| 437 | 1,570 | 8,706 | 149,646 | 3,900 | 153,546 |

The attached notes 1 to 38 form part of these consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 LL million | 2015 LL million |
|--|--------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the year | | 8,964 | 8,745 |
| Adjustment for: | | | |
| Depreciation and amortization charges | 31 | 2,893 | 2,840 |
| Net credit gain | | (334) | (348) |
| Net gain on sale / exchange of investment securities at amortized cost | 14 | (1,066) | (2,715) |
| Net gain on sale of investment securities at fair value through profit or loss | 28 | (4,110) | (1,165) |
| Net gain on sale investment securities at FVTOCI | 15 | (485) | (100) |
| Net gain on sale of property and equipment | | (7) | (6) |
| Net gain on sale of non-current assets classified as held for sale | 29 | (1,716) | (1,086) |
| Provision for risks and charges | 22 | 2,635 | - |
| Provision for employees benefit obligations, net | 23 | 325 | (32) |
| Net interest and similar income | 26, 28 | (31,304) | (27,281) |
| Impairment provision on receivables from NSSF | | 106 | 416 |
| Income tax expense | 33 | 2,371 | 2,314 |
| | | (21,728) | (18,418) |
| Change in: | | | |
| Balances with the Central Bank | | (56,857) | (19,274) |
| Due from banks and financial institutions | | (25,215) | 1,700 |
| Loans and advances to customers and related parties | | 20,959 | 8,360 |
| Investment securities | | (39,423) | (37,625) |
| Other assets | | (3,907) | (2,341) |
| Due to banks and financial institutions | | (13,886) | 22,949 |
| Deposits from customers and related parties | | (26,610) | 22,139 |
| Other liabilities | | 23,444 | (2,134) |
| | | (143,223) | (24,644) |
| Interest received | | 92,100 | 88,507 |
| Interest paid | | (61,735) | (61,514) |
| Employee benefits obligations paid | 23 | (149) | (135) |
| Income tax paid | 33 | (2,203) | (2,672) |
| NET CASH USED IN OPERATING ACTIVITIES | | (115,210) | (458) |
| INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | 17 | (3,792) | (3,443) |
| Proceeds from sale of property and equipment | | 8 | 16 |
| Proceeds from sale of non-current assets classified as held for sale | | 3,720 | 1,289 |
| Loans under reverse repurchase agreements | | - | 15,188 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | | (64) | 13,050 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (115,274) | 12,592 |
| Cash and cash equivalents at 1 January | | 163,102 | 150,510 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | 34 | 47,828 | 163,102 |

The attached notes 1 to 38 form part of these consolidated financial statements