



# **CONSOLIDATED FINANCIAL STATEMENTS**



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cutting through complexity

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of BSL BANK S.A.L.

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of BSL BANK S.A.L. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Lebanese Banking Laws and Regulations, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the consolidated 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 Bank'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 consolidated 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 give a true and fair view of the consolidated financial position of the Bank as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Lebanese Banking Laws and Regulations.

KPMG  
15 April 2013  
Beirut, Lebanon

PricewaterhouseCoopers



Consolidated statement of financial position  
As at 31 December

In millions of Lebanese Pound	2012	2011
<b>ASSETS</b>		
Cash and balances with the Central Bank	193,805	184,027
Due from banks and financial institutions	140,260	136,847
Loans and advances to customers	226,542	152,792
Loans and advances to related parties	1,013	868
Debtors by acceptances	2,159	1,245
Investment securities:		
At fair value through profit or loss	29,040	7,254
At fair value through other comprehensive income	2,361	2,467
At amortised cost	709,553	715,340
Investment properties	22,334	22,779
Property and equipment	32,448	32,039
Intangible assets	79	95
Assets classified as held for sale	3,585	4,354
Other assets	4,365	3,807
<b>Total assets</b>	<b>1,367,544</b>	<b>1,263,914</b>
<b>LIABILITIES</b>		
Deposits from banks and financial institutions	38,729	4,104
Deposits from customers	1,143,582	1,083,179
Deposits from related parties	48,574	47,429
Engagement by acceptances	2,159	1,245
Current income tax liabilities	941	847
Other liabilities	3,360	4,651
Employee benefit obligations	4,060	4,205
<b>Total liabilities</b>	<b>1,241,405</b>	<b>1,145,660</b>
<b>EQUITY</b>		
Share capital	54,165	46,920
Reserves	58,583	58,506
Retained earnings	1,486	1,486
Profit for the year	8,130	7,598
<b>Total equity attributable to equity holders of the Bank</b>	<b>122,364</b>	<b>114,510</b>
<b>Non-controlling interests</b>	<b>3,775</b>	<b>3,744</b>
<b>Total equity</b>	<b>126,139</b>	<b>118,254</b>
<b>Total liabilities and equity</b>	<b>1,367,544</b>	<b>1,263,914</b>

The consolidated financial statements were authorized for issue by the Chairman of the Board of Directors on 15 April 2013:

Mr. Ramsay El Khoury  
Chairman

Consolidated statement of comprehensive income  
For the year ended 31 December

In millions of Lebanese Pound	2012	2011
Interest and similar income	71,516	68,774
Interest and similar expense	(48,416)	(47,806)
<b>Net interest and similar income</b>	<b>23,100</b>	<b>20,968</b>
Net (charge) release of impairment on loans and advances to customers	(301)	1,751
<b>Net interest and similar income after (charge) release of impairment on loans and advances to customers</b>	<b>22,799</b>	<b>22,719</b>
Fee and commission income	4,142	3,855
Fee and commission expense	(260)	(221)
<b>Net fee and commission income</b>	<b>3,882</b>	<b>3,634</b>
Net gain on financial assets at fair value through profit or loss	1,002	659
Net gain on financial assets at amortised cost	408	1,282
Other operating income	1,724	1,603
Net gain on foreign exchange	501	480
Personnel expenses	(10,737)	(10,255)
Depreciation and amortisation charges	(2,287)	(2,239)
Other operating expenses	(7,258)	(8,329)
<b>Profit before income tax</b>	<b>10,034</b>	<b>9,554</b>
Income tax expense	(1,873)	(1,903)
<b>Profit for the year</b>	<b>8,161</b>	<b>7,651</b>
<b>Other comprehensive income</b>		
Net unrealised (loss) gain on financial assets at fair value through OCI	(135)	30
Total other comprehensive (loss) income for the year	(135)	30
<b>Total comprehensive income for the year</b>	<b>8,026</b>	<b>7,681</b>
<b>Profit attributable to:</b>		
Equity holders of the Bank	8,130	7,598
Non-controlling interests	31	53
<b>Profit for the year</b>	<b>8,161</b>	<b>7,651</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	7,995	7,628
Non-controlling interests	31	53
<b>Total comprehensive income for the year</b>	<b>8,026</b>	<b>7,681</b>



Consolidated statement of changes in equity  
For the year ended 31 December 2011

In millions of Lebanese Pound	Share capital	Capital reserves	Revaluation reserve - Part of Tier II Capital
<b>At 1 January 2011</b>	<b>46,920</b>	<b>20,682</b>	<b>8,070</b>
Effect of IFRS 9 early adoption	–	–	–
Profit for the year	–	–	–
Unrealised gain on financial assets at fair value through OCI	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>
Transfer to retained earnings	–	–	–
Transfer from retained earnings	–	6,564	–
Reserve for assets classified as held for sale	–	–	–
Release of reserve for real estate revaluation	–	–	–
<b>Transactions with owners, recorded directly in equity</b>	<b>–</b>	<b>6,564</b>	<b>–</b>
<b>At 31 December 2011</b>	<b>46,920</b>	<b>27,246</b>	<b>8,070</b>

Consolidated statement of changes in equity  
For the year ended 31 December 2012

In millions of Lebanese Pound as of December 31 <sup>st</sup>	Share capital	Capital reserves	Revaluation reserve - Part of Tier II Capital
<b>At 1 January 2012</b>	<b>46,920</b>	<b>27,246</b>	<b>8,070</b>
Profit for the year	–	–	–
Unrealised gain on financial assets at fair value through OCI	–	–	–
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>
Transfer from reserves to capital	7,245	(7,245)	–
Transfer to retained earnings	–	–	–
Transfer from retained earnings	–	7,453	–
Release of reserve for sale of assets classified as held for sale	–	–	–
Transfer of revaluation reserve	–	–	7,097
<b>Transactions with owners, recorded directly in equity</b>	<b>7,245</b>	<b>208</b>	<b>7,097</b>
<b>At 31 December 2012</b>	<b>54,165</b>	<b>27,454</b>	<b>15,167</b>

Revaluation reserve of real estate	Fair value reserve of investment securities	Reserve for assets classified as held for sale	Retained earnings	Profit for the year	Total	Non-controlling interests	Total equity
20,648	13,628	1,648	–	6,774	118,370	3,691	122,061
–	(12,738)	–	1,486	–	(11,252)	–	(11,252)
–	–	–	–	7,598	7,598	53	7,651
–	30	–	–	–	30	–	30
–	30	–	–	7,598	7,628	53	7,681
–	–	–	6,744	(6,744)	–	–	–
–	–	210	(6,744)	–	–	–	–
–	–	(198)	–	–	(198)	–	(198)
(38)	–	–	–	–	(38)	–	(38)
(38)	–	12	–	(6,744)	(236)	–	(236)
20,610	920	1,660	1,486	7,598	114,510	3,744	118,254

Revaluation reserve of real estate	Fair value reserve of investment securities	Reserve for assets classified as held for sale	Retained earnings	Profit for the year	Total	Non-controlling interests	Total Equity
20,610	920	1,660	1,486	7,598	114,510	3,744	118,254
–	–	–	–	8,130	8,130	31	8,161
–	(135)	–	–	–	(135)	–	(135)
–	(135)	–	–	8,130	7,995	31	8,026
–	–	–	–	–	–	–	–
–	–	–	7,598	(7,598)	–	–	–
–	–	145	(7,598)	–	–	–	–
–	–	(141)	–	–	(141)	–	(141)
(7,097)	–	–	–	–	–	–	–
(7,097)	–	4	–	(7,598)	(141)	–	(141)
13,513	785	1,664	1,486	8,130	122,364	3,775	126,139



Consolidated statement of cash flows  
For the year ended 31 December

In millions of Lebanese Pound	2012	2011
<b>Cash flows from operating activities</b>		
Profit before income tax	10,034	9,554
Adjustments for non-cash items:		
Depreciation and amortization charges	2,287	2,239
Net charge (release) of impairment on loans and advances to customers	301	(1,751)
Net gain on sale of investment securities	(232)	(1,104)
Net loss (gain) on sale of property and equipment	2	(86)
Net gain on sale of assets classified as held for sale	(422)	(802)
Net charge of the year on employee benefit obligations	(57)	365
Net interest income	(24,311)	(20,968)
Changes in operating assets and liabilities:		
Change in balances with the Central Bank	(9,300)	(256)
Change in due from banks and financial institutions	1,000	18,534
Change in net loans and advances to customers and related parties	(74,175)	(20,404)
Change in investment securities	(15,543)	(95,274)
Change in other assets	(534)	351
Change in deposits from banks and financial institutions	34,600	(3,065)
Change in deposits from customers and related parties	61,344	52,824
Change in other liabilities	(1,291)	877
Cash used in operating activities	(16,297)	(58,966)
Interest received	72,081	68,834
Interest paid	(48,184)	(47,808)
Employee benefit obligations paid	(88)	(48)
Income tax paid	(1,776)	(2,482)
<b>Net cash generated from (used in) operating activities</b>	<b>5,736</b>	<b>(40,470)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(2,264)	(977)
Transfers from revaluation reserve of properties	–	(151)
Proceeds from sale of property and equipment	–	95
Proceeds from sale of assets classified as held for sale	1,047	2,918
<b>Net cash (used in) generated from investing activities</b>	<b>(1,217)</b>	<b>1,885</b>
Net increase (decrease) in cash and cash equivalents	4,519	(38,585)
Cash and cash equivalents at beginning of year	143,815	182,400
<b>Cash and cash equivalents at the end of the year</b>	<b>148,334</b>	<b>143,815</b>



## OFF BALANCE SHEET ITEM

In millions of Lebanese Pound	2012	2011
<b>Financing Commitments</b>		
Financing commitments given to customers	70,062	59,062
<b>Guarantees</b>		
Guarantees given to banks and financial institutions	2,999	3,730
Guarantees received from banks and financial institutions	4,173	2,636
Guarantees given to customers	10,964	8,929
Guarantees received from customers	523,704	393,418
<b>Operations in foreign currencies</b>		
Foreign currencies to receive	393	841
Foreign currencies to deliver	398	828
<b>Contingencies on legal disputes</b>	<b>6,621</b>	<b>8,501</b>
<b>Fiduciary deposits</b>	<b>302</b>	<b>151</b>
<b>Bad loans fully provided for</b>	<b>72,946</b>	<b>64,469</b>