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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

We have audited the accompanying consolidated financial statements of BLOM Bank SAL (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 about 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 the auditors' 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, the auditors consider internal control relevant to the entity'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 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 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Ernst & Young

21 March 2013
Beirut, Lebanon



Semaan, Gholam & Co.

BLOM Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>LL million</i>	<i>2011</i> <i>LL million</i>
Interest and similar income	4	1,946,653	1,850,916
Interest and similar expense	5	(1,158,894)	(1,073,397)
Net interest income		787,759	777,519
Fee and commission income		196,587	200,443
Fee and commission expense		(26,909)	(24,451)
Net fee and commission income	6	169,678	175,992
Net gain from financial instruments at fair value through profit or loss	7	194,378	7,984
Net gain from derecognition of financial assets at amortized cost	8	32,501	119,538
Revenue from financial assets at fair value through other comprehensive income	22	257	217
Other operating income	9	12,916	14,807
Total operating income		1,197,489	1,096,057
Net credit losses	10	(158,382)	(60,869)
Net operating income		1,039,107	1,035,188
Personnel expenses	11	(247,498)	(237,460)
Other operating expenses	12	(149,101)	(143,191)
Depreciation of property and equipment	23	(30,957)	(33,100)
Amortization of intangible assets	24	(1,898)	(2,620)
Total operating expenses		(429,454)	(416,371)
Operating profit		609,653	618,817
Net gain (loss) on disposal of other assets		1,863	(208)
Profit before tax		611,516	618,609
Income tax expense	13	(105,104)	(118,799)
Profit for the year		506,412	499,810
Attributable to:			
Equity holders of the parent		501,210	487,878
Non-controlling interests		5,202	11,932
		506,412	499,810
Basic/diluted earnings per share attributable to equity holders of the parent for the year	14	2,304	2,233

The accompanying notes 1 to 51 form part of these consolidated financial statements.

BLOM Bank SAL**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2012

	<i>2012</i> <i>LL million</i>	<i>2011</i> <i>LL million</i>
Profit for the year	506,412	499,810
Other comprehensive loss:		
Net gain on sale of financial assets at fair value through other comprehensive income	180	145
Net unrealized gain (loss) from financial assets at fair value through other comprehensive income	544	(953)
Exchange differences on translation of foreign operations	(50,754)	(55,528)
Other comprehensive loss for the year	(50,030)	(56,336)
Total comprehensive income for the year	456,382	443,474
Attributable to:		
Equity holders of the parent	478,471	451,960
Non-controlling interests	(22,089)	(8,486)
	456,382	443,474

The accompanying notes 1 to 51 form part of these consolidated financial statements.

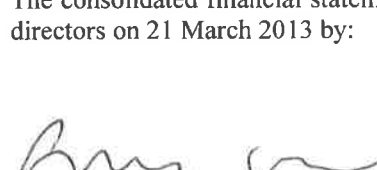
BLOM Bank SAL

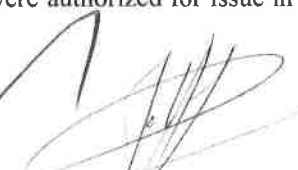
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

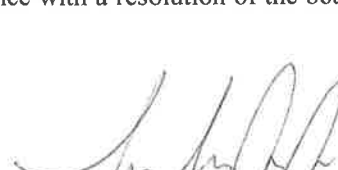
At 31 December 2012

	Notes	2012 L.L. million	2011 L.L. million
Assets			
Cash and balances with central banks	15	7,458,577	6,062,381
Due from banks and financial institutions	16	5,070,495	4,845,533
Loans to banks and financial institutions	17	114,610	116,781
Derivative financial instruments	18	37,082	25,548
Financial assets at fair value through profit or loss	19	847,367	857,466
Net loans and advances to customers at amortized cost	20	9,070,287	8,409,450
Net loans and advances to related parties at amortized cost	43	16,197	18,270
Debtors by acceptances		104,191	240,277
Financial assets at amortized cost	21	14,308,536	13,648,659
Financial assets at fair value through other comprehensive income	22	5,958	6,645
Property and equipment	23	492,092	443,831
Intangible assets	24	3,865	4,278
Assets obtained in settlement of debt	25	27,467	27,966
Other assets	26	147,690	152,988
Goodwill	27	60,208	61,879
Total assets		37,764,622	34,921,952
Liabilities and equity			
Liabilities			
Due to Central banks under repurchase agreements	28	140,499	-
Due to banks and financial institutions	29	618,780	337,388
Derivative financial instruments	18	52,494	13,751
Financial liabilities at fair value through profit or loss	30	22,053	41,054
Customers' deposits at amortized cost	31	32,649,831	30,366,543
Deposits from related parties at amortized cost	43	177,376	188,721
Engagements by acceptances		104,191	240,277
Other liabilities	32	590,982	635,326
Provisions for risks and charges	33	119,408	109,509
Total liabilities		34,475,614	31,932,569
Equity			
Share capital - common shares	34	258,000	258,000
Share capital - preferred shares	34	24,000	24,000
Share premium on common shares	34	374,059	374,059
Share premium on preferred shares	34	277,500	277,500
Non distributable reserves	35	709,310	612,470
Distributable reserves	36	395,042	363,961
Treasury shares	37	(67,302)	(83,162)
Retained earnings	38	745,955	557,835
Revaluation reserve of real estate	39	14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	40	(406)	(950)
Foreign currency translation reserve		(36,597)	(13,134)
Profit for the year		501,210	487,878
Equity attributable to equity holders of parent		3,195,498	2,873,184
Non-controlling interests		93,510	116,199
Total equity		3,289,008	2,989,383
Total liabilities and equity		37,764,622	34,921,952

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 21 March 2013 by:


 Saad Azhari
 Chairman and General Manager


 Habib Rahal
 General Manager


 Talal Baba
 Chief Financial Officer

The accompanying notes 1 to 51 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	2012															
	Attributable to equity holders of the parent															
	Share capital-common shares LL million	Share capital-preferred shares LL million	Share premium on common shares LL million	Share premium on preferred shares LL million	Non distributable reserves LL million	Distributable reserves LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Available-for-sale reserve LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million	Foreign currency translation reserve LL million	Profit for the year LL million	Total LL million	Non-controlling interests LL million	Total equity LL million
Balance at 1 January 2012	258,000	24,000	374,059	277,500	612,470	363,961	(83,162)	557,835	14,727	-	(950)	(13,134)	487,878	2,873,184	116,199	2,989,383
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	501,210	501,210	5,202	506,412
Profit from sale of shares at fair value through other comprehensive income	-	-	-	-	-	-	-	180	-	-	-	-	-	180	-	180
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	544	(23,463)	-	(22,919)	(27,291)	(50,210)
Total comprehensive income	-	-	-	-	-	-	-	180	-	-	544	(23,463)	501,210	478,471	(22,089)	456,382
Appropriation of 2011 profits	-	-	-	-	100,384	31,081	-	194,238	-	-	-	-	(325,703)	-	-	-
Dividends distributions (note 42)	-	-	-	-	-	-	-	-	-	-	-	-	(162,175)	(162,175)	-	(162,175)
Adjustments related to change in ownership in subsidiaries	-	-	-	-	-	-	-	(54)	-	-	-	-	-	(54)	51	(3)
Purchase of treasury shares (note 37)	-	-	-	-	-	-	(85,028)	-	-	-	-	-	-	(85,028)	(32)	(85,060)
Sale of treasury shares (note 37)	-	-	-	-	-	-	100,888	-	-	-	-	-	-	100,888	32	100,920
Net loss on sale of treasury shares	-	-	-	-	(3,544)	-	-	-	-	-	-	-	-	(3,544)	(37)	(3,581)
Non-controlling interest from dividends distributions in a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(670)	(670)
Non-controlling interest share in capital increase of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	56
Other adjustment related to a subsidiary	-	-	-	-	-	-	-	(6,244)	-	-	-	-	-	(6,244)	-	(6,244)
Balance at 31 December 2012	258,000	24,000	374,059	277,500	709,310	395,042	(67,302)	745,955	14,727	-	(406)	(36,597)	501,210	3,195,498	93,510	3,289,008

	2011															
	Attributable to equity holders of the parent															
	Share capital-common shares LL million	Share capital-preferred shares LL million	Share premium on common shares LL million	Share premium on preferred shares LL million	Non distributable reserves LL million	Distributable reserves LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Available-for-sale reserve LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million	Foreign currency translation reserve LL million	Profit for the year LL million	Total LL million	Non-controlling interests LL million	Total equity LL million
Balance at 1 January 2011	223,600	18,200	374,059	246,310	516,936	360,385	(75,793)	444,115	14,727	96,221	-	21,976	483,376	2,724,112	126,470	2,850,582
Effect of IFRS 9 early adoption (note 50)	-	-	-	-	-	-	-	(72,534)	-	(96,221)	-	-	-	(168,755)	(818)	(169,573)
Adjusted balance at 1 January 2011	223,600	18,200	374,059	246,310	516,936	360,385	(75,793)	371,581	14,727	-	-	21,976	483,376	2,555,357	125,652	2,681,009
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	487,878	487,878	11,932	499,810
Profit from sale of shares at fair value through other comprehensive income	-	-	-	-	-	-	-	145	-	-	-	-	-	145	-	145
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	(953)	(35,110)	-	(36,063)	(20,418)	(56,481)
Total comprehensive income	-	-	-	-	-	-	-	145	-	-	(953)	(35,110)	487,878	451,960	(8,486)	443,474
Capital increase	34,400	24,000	-	277,500	(76)	(34,400)	-	(1,160)	-	-	-	-	-	300,264	(24)	300,240
Redemption of preferred shares	-	(18,200)	-	(246,310)	-	700	-	-	-	-	-	-	-	(263,810)	-	(263,810)
Appropriation of 2010 profits	-	-	-	-	93,707	37,270	-	187,275	-	-	-	-	(318,252)	-	-	-
Dividends distributions (note 42)	-	-	-	-	-	-	-	-	-	-	-	-	(165,124)	(165,124)	-	(165,124)
Adjustments related to change in ownership in subsidiaries	-	-	-	-	13	6	-	(6)	-	-	3	-	-	16	(13)	3
Purchase of treasury shares (note 37)	-	-	-	-	-	-	(27,639)	-	-	-	-	-	-	(27,639)	(11)	(27,650)
Sale of treasury shares (note 37)	-	-	-	-	-	-	20,270	-	-	-	-	-	-	20,270	11	20,281
Net gain on sale of treasury shares	-	-	-	-	1,890	-	-	-	-	-	-	-	-	1,890	-	1,890
Non-controlling interest from dividends distributions in a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(930)	(930)
Balance at 31 December 2011	258,000	24,000	374,059	277,500	612,470	363,961	(83,162)	557,835	14,727	-	(950)	(13,134)	487,878	2,873,184	116,199	2,989,383

The accompanying notes 1 to 51 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2012

	Notes	2012 LL million	2011 LL million
OPERATING ACTIVITIES			
Profit for the year before income tax		611,516	618,609
Adjustments for:			
Depreciation of property and equipment	23	30,957	33,100
Amortization of intangible assets	24	1,898	2,620
(Gain) loss on disposal of property and equipment		(1,863)	208
Provision for loans and advances to customers, net	10	158,377	59,622
Provision for impairment of other financial assets	10	-	937
Provision for placements with other banks	16	703	2,689
Net provision for risks and charges		73,367	39,692
Gain on disposal of assets obtained in settlement of debt		(421)	(343)
Gain from sale of financial assets at amortized cost	8	(32,501)	(119,538)
Unrealized fair value (gains) losses on financial assets at fair value through profit or loss	7	(94,371)	65,036
Adjustment related to a subsidiary company		(6,244)	-
		<u>741,418</u>	<u>702,632</u>
Changes in operating assets and liabilities:			
Term deposits with central banks		(891,745)	(2,451,974)
Due from banks and financial institutions		(290,811)	678,980
Loans to banks and financial institutions		2,171	(13,761)
Derivative financial instruments – debit		(11,534)	21,144
Financial assets at fair value through profit or loss		104,470	178,740
Net loans and advances to customers at amortized cost		(819,214)	(671,936)
Net loans and advances to related parties at amortized cost		2,073	(8,872)
Other assets		5,298	(24,710)
Due to banks and financial institutions		37,347	(4,184)
Derivative financial instruments – credit		38,743	(22,714)
Financial liabilities at fair value through profit or loss		(19,001)	(7,873)
Customers' deposits at amortized cost		2,283,288	1,052,293
Deposits from related parties at amortized cost		(11,345)	(3,996)
Other liabilities		(17,944)	100,410
Cash from (used in) operations		<u>1,153,214</u>	<u>(475,821)</u>
Taxes paid		(128,283)	(113,821)
Provisions for risks and charges paid		(59,111)	(43,379)
Net cash from (used in) operating activities		<u>965,820</u>	<u>(633,021)</u>
INVESTING ACTIVITIES			
Financial assets at amortized cost		(627,376)	(104,058)
Financial assets at fair value through other comprehensive income		1,411	291
Assets obtained in settlement of debt		356	(417)
Purchase of property and equipment	23	(104,357)	(77,973)
Purchase of intangible assets	24	(1,162)	(1,688)
Cash proceeds from the sale of property and equipment and intangible assets		7,489	435
Acquisition of a subsidiary		-	(5,821)
Net cash used in investing activities		<u>(723,639)</u>	<u>(189,231)</u>
FINANCING ACTIVITIES			
Redemption of preferred shares		-	(263,810)
Issuance of preferred shares		-	301,500
Sale (purchase) of treasury shares, net		15,860	(7,369)
Net (loss) gain on sale of treasury shares		(3,544)	1,890
Non-controlling interests		(27,945)	(22,203)
Dividends paid	42	(162,175)	(165,124)
Net cash used in financing activities		<u>(177,804)</u>	<u>(155,116)</u>
Effect of exchange rate changes		<u>(9,616)</u>	<u>(27,943)</u>
Increase (decrease) in cash and cash equivalents		<u>54,761</u>	<u>(1,005,311)</u>
Cash and cash equivalents at 1 January		5,065,263	6,070,574
Cash and cash equivalents at 31 December	41	<u>5,120,024</u>	<u>5,065,263</u>
Operational cash flows from interest and dividends			
Interest paid		1,148,480	1,080,911
Interest received		1,933,400	1,920,182
Dividends received		1,458	1,465

The accompanying notes 1 to 51 form part of these consolidated financial statements.