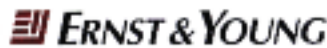




**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BLOM BANK SAL  
CONSOLIDATED INCOME STATEMENT Year ended 31 December 2007**



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
BLOM BANK SAL**

We have audited the accompanying financial statements of BLOM Bank SAL (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these 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. The procedures selected depend on the auditors' 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 for 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 financial position of the Group as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Ernst & Young

18 March 2008  
Beirut, Lebanon

  
Semaan, Gholam & Co

**CONSOLIDATED INCOME STATEMENT Year ended 31 December 2007**

	NOTES	2007 LL million	Restated 2006 LL million
<b>Interest and similar income</b>		<b>1,490,749</b>	<b>1,264,824</b>
Lebanese and other governmental treasury bills and bonds – available for sale		341,600	319,473
Lebanese and other governmental treasury bills and bonds – trading		5,738	3,271
Deposits and similar accounts with banks and financial institutions		488,825	375,578
Bonds and other financial assets with fixed income – non trading		347,724	323,649
Bonds and other financial assets with fixed income – trading		303	1,049
Bonds and other financial assets with fixed income – fair value through profit or loss		245	-
Loans and advances to customers		305,553	241,703
Loans and advances to related parties		761	101
<b>Interest and similar charges</b>		<b>(1,034,637)</b>	<b>(857,569)</b>
Deposits and similar accounts from banks and financial institutions		(19,112)	(13,342)
Deposits from customers and other credit balances		(1,010,636)	(838,657)
Deposits from related parties		(4,889)	(5,570)
<b>Net interest received</b>		<b>456,112</b>	<b>407,255</b>
<b>Net provisions less recoveries on loans and advances</b>	4	<b>11,435</b>	<b>(808)</b>
Provisions for loans and advances		(20,026)	(19,660)
Recovery of provisions for loans and advances		31,461	18,852
<b>Revenues from shares and financial assets with variable income</b>		<b>969</b>	<b>1,123</b>
<b>Net commissions</b>	5	<b>89,380</b>	<b>76,989</b>
Commissions received		96,007	81,804
Commissions paid		(6,627)	(4,815)
<b>Profit from financial operations</b>		<b>49,376</b>	<b>45,505</b>
Profit from trading investments	6	3,843	10,381
Profit from non-trading investments	7	18,469	10,037
Profit from foreign exchange operations		27,064	25,087
<b>Loss on financial operations</b>		<b>(9,708)</b>	<b>(18,706)</b>
Loss on trading investments	6	(1,820)	(3,796)
Loss on non-trading investments	7	-	(514)
Loss on foreign exchange operations		(7,888)	(14,396)
<b>Net profit from financial operations</b>		<b>39,668</b>	<b>26,799</b>
<b>Other operating income</b>	8	<b>24,618</b>	<b>22,394</b>
<b>Other operating expenses</b>	9	<b>(14,446)</b>	<b>(11,675)</b>
<b>General and administrative expenses</b>		<b>(210,450)</b>	<b>(183,238)</b>
Salaries and related benefits	10	(129,133)	(112,399)
General operating expenses	11	(81,317)	(70,839)
<b>Depreciation and amortization of tangible and intangible assets</b>	12	<b>(18,350)</b>	<b>(16,143)</b>
<b>Net provisions less recoveries on financial fixed assets</b>		<b>-</b>	<b>395</b>
<b>Provision for contingent liabilities</b>	13	<b>(13,350)</b>	<b>(1,458)</b>
<b>Profit before tax</b>		<b>365,586</b>	<b>321,633</b>
<b>Income tax</b>		<b>(57,000)</b>	<b>(49,829)</b>
<b>Profit for the year</b>		<b>308,586</b>	<b>271,804</b>
<b>Basic/ diluted earnings per share attributable to equity holders of the parent for the year (in LL)</b>	14	<b>12,395</b>	<b>10,969</b>
Attributable to:			
Equity holders of the parent		303,472	269,604
Minority interest		5,114	2,200
		308,586	271,804

The accompanying notes 1 to 56 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET At 31 December 2007

	NOTES	2007 LL million	Restated 2006 LL million
<b>ASSETS</b>			
<b>Cash and balances with the Central Banks</b>	15	<b>6,330,031</b>	<b>6,246,406</b>
<b>Lebanese and other governmental treasury bills and bonds</b>	16	<b>5,080,323</b>	<b>3,474,920</b>
<b>Bonds and financial assets with fixed income</b>	17	<b>1,165,140</b>	<b>386,100</b>
<b>Shares, securities and financial assets with variable income</b>	18	<b>11,725</b>	<b>8,403</b>
<b>Banks and financial institutions</b>	19	<b>7,536,533</b>	<b>7,754,284</b>
-Current accounts		327,558	300,789
-Time deposits		7,208,975	7,453,495
<b>Loans and advances to customers (*) (**)</b>	20	<b>4,179,307</b>	<b>2,996,698</b>
-Commercial loans		3,228,892	2,388,501
-Other loans to customers		848,043	521,241
-Overdraft accounts		11,932	8,190
-Net debtor accounts against creditor and cash collateral accounts		14,308	10,826
-Advances to related parties		5,940	7,400
-Doubtful debts (net)		70,192	60,540
<b>Bank acceptances</b>	21	<b>245,357</b>	<b>173,260</b>
<b>Investments and loans to related parties</b>	22	<b>27,208</b>	<b>3,220</b>
<b>Tangible fixed assets</b>	23	<b>272,642</b>	<b>219,372</b>
<b>Intangible fixed assets</b>	24	<b>4,459</b>	<b>2,845</b>
<b>Other assets</b>	25	<b>34,216</b>	<b>33,715</b>
<b>Regularization accounts and other debit accounts</b>	26	<b>119,487</b>	<b>61,408</b>
<b>Goodwill</b>	27	<b>60,586</b>	<b>63,980</b>
<b>TOTAL ASSETS</b>		<b>25,067,014</b>	<b>21,424,611</b>
<b>* Of which substandard loans</b>	20	<b>36,285</b>	<b>34,456</b>
<b>** After deduction of:</b>			
<b>Provision for doubtful debts and provision for commercial and consumer loans not classified at the balance sheet date</b>	20	<b>259,209</b>	<b>264,156</b>
<b>Unrealized interest on:</b>	20	<b>82,968</b>	<b>87,593</b>
-Substandard loans		14,238	13,899
-Doubtful debts		68,730	73,694
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Financial assets sold with an option to repurchase</b>		<b>143,647</b>	<b>-</b>
<b>Engagements received</b>	42	<b>7,088,518</b>	<b>5,467,773</b>
<b>Bad loans fully provided for</b>	20	<b>28,312</b>	<b>43,905</b>
<b>Foreign currencies to deliver against foreign currencies to receive</b>	43	<b>2,939,186</b>	<b>2,144,617</b>
		<b>10,199,663</b>	<b>7,656,295</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 18 March 2008.

## CONSOLIDATED BALANCE SHEET At 31 December 2007

	NOTES	2007 LL million	Restated 2006 LL million
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Banks and financial institutions</b>	28	<b>1,555,914</b>	<b>1,308,844</b>
-Current accounts		186,913	159,362
-Time deposits		1,369,001	1,149,482
<b>Customers' deposits</b>	29	<b>20,708,516</b>	<b>17,690,381</b>
-Sight deposits		2,341,594	1,897,765
-Time deposits		9,589,749	7,874,196
-Saving accounts		7,862,422	7,180,465
-Credit accounts and cash margins against debit accounts		812,788	662,696
-Related parties' accounts		101,963	75,259
<b>Engagements by acceptances</b>	21	<b>245,357</b>	<b>173,260</b>
<b>Other liabilities</b>	30	<b>194,460</b>	<b>141,067</b>
<b>Regularization accounts and other credit accounts</b>	31	<b>189,792</b>	<b>129,869</b>
<b>Provisions for risks and charges</b>	32	<b>80,566</b>	<b>64,646</b>
<b>TOTAL LIABILITIES</b>		<b>22,974,605</b>	<b>19,508,067</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>			
Share capital	33	240,000	240,000
Revaluation reserves	23	14,727	14,727
Reserve for general banking risks	34	69,503	59,324
Reserves and premiums	35	1,221,804	1,162,790
Cumulative changes in fair values	36	14,497	21,430
Treasury shares	37	(36,122)	(52,108)
Retained earnings		176,454	121,606
Profit for the year		303,472	269,604
		<b>2,004,335</b>	<b>1,837,373</b>
<b>MINORITY INTEREST</b>		<b>88,074</b>	<b>79,171</b>
<b>TOTAL EQUITY</b>		<b>2,092,409</b>	<b>1,916,544</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>25,067,014</b>	<b>21,424,611</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Financing commitments given to:</b>	44	<b>359,374</b>	<b>307,186</b>
-Financial intermediaries		21,043	13,051
-Customers		338,331	294,135
<b>Bank guarantees given to:</b>	44	<b>786,996</b>	<b>689,528</b>
-Financial intermediaries		196,378	96,098
-Customers		590,618	593,430
<b>Commitments on term financial instruments</b>	43	<b>34,142</b>	<b>17,659</b>
<b>Financial assets bought with an option to resell</b>		<b>143,647</b>	<b>-</b>
<b>Fiduciary deposits, assets under management and custody accounts</b>	46	<b>3,959,136</b>	<b>2,774,360</b>
<b>Foreign currencies to receive against foreign currencies to deliver</b>	43	<b>2,942,549</b>	<b>2,146,755</b>
		<b>8,225,844</b>	<b>5,935,488</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 18 March 2008.

The accompanying notes 1 to 56 form part of these consolidated financial statements.



**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2007

**CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 December 2007**

	NOTES	2007 LL million	Restated 2006 LL million
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>365,586</b>	<b>321,633</b>
<b>Adjustments for:</b>			
Depreciation and amortization of tangible and intangible fixed assets	12	18,350	13,725
Provision for impairment of assets taken in recovery of debts	23	-	2,418
Write-back of provision for impairment of assets taken in recovery of debts	23	(1,044)	(3,121)
Provision for end of service indemnity, net	32	2,491	5,498
Provision for complementary taxes and contingent liabilities related to a subsidiary bank, net	32	13,142	1,370
(Write-back of provision) provision for risk and charges, net	32	(240)	434
Provision for outstanding claims and IBNR reserves, net	32	2,507	169
(Write-back of various provisions) provisions for risks and charges, net		(607)	1,322
(Write-back of provision) provision for doubtful loans and advances, net	4	(11,435)	808
Provision for impairment of investment in a non consolidated subsidiary		44	5
Unrealized loss on shares, securities and financial assets with variable income held for trading	6	129	3,010
Profit from sale of shares, securities and financial assets with variable income not held for trading	7	(3,034)	(472)
Unrealized profit on investments related to unit-linked contracts	25	(2,910)	(902)
Profit from sale of certificates of deposit – Central Banks	7	(14,558)	(9,265)
Profit from sale of Lebanese and other governmental treasury bills and bonds not held for trading		(201)	(484)
Unrealized profit from Lebanese and other governmental treasury bills and bonds held for trading	6	(2,152)	(9,595)
(Profit) loss on disposal of tangible and intangible fixed assets		(37)	80
Provision for doubtful sundry debtors	26	189	-
Other equity transactions		300	-
Foreign currency translation reserve realized upon sale of branches in Romania	2	(7,169)	-
		359,351	326,633
<b>Changes in operating assets and liabilities:</b>			
Lebanese and other governmental treasury bills and bonds held for trading		(24,249)	(23,401)
Shares, securities and financial assets with variable income held for trading		(1,693)	7,138
Bonds and other financial assets with fixed income held for trading		(66,714)	-
Loans and advances to customers		(1,171,174)	(479,524)
Banks and financial institutions-debit		(409,095)	339,099
Other assets		2,409	(9,027)
Regularization accounts and other debit accounts		(58,281)	(8,881)
Banks and financial institutions-credit		91,021	(4,224)
Customers' deposits		3,018,135	2,372,892
Other liabilities		48,930	(12,097)
Regularization accounts and other credit accounts		59,923	34,998
<b>Cash from operations</b>		<b>1,848,563</b>	<b>1,865,408</b>
Taxes paid	30	(53,953)	(45,515)
End of service indemnities paid	32	(2,694)	(703)
Provision for risks and charges paid	32	(54)	(464)
<b>Net cash from operating activities</b>		<b>1,791,862</b>	<b>1,818,726</b>

	NOTES	2007 LL million	Restated 2006 LL million
<b>INVESTING ACTIVITIES</b>			
Lebanese and other governmental treasury bills and bonds not held for trading (1)		(457,574)	(815,611)
Balances with the Central Banks (term accounts and certificates of deposit) (1)		(484,133)	423,178
Investments and loans to related parties		(24,032)	(144)
Purchase of tangible and intangible fixed assets		(84,136)	(49,576)
Shares, securities and financial assets with variable income not held for trading		1,694	3,478
Bonds and other financial assets with fixed income not held for trading		(714,664)	37,981
Cash proceeds from the disposal of tangible and intangible fixed assets		15,367	16,293
Purchase of an additional equity interest in a subsidiary	3	-	(4,031)
<b>Net cash used in investing activities</b>		<b>(1,747,478)</b>	<b>(388,432)</b>
<b>FINANCING ACTIVITIES</b>			
Issuance of common shares	33	-	30,000
Sale (purchase) of treasury shares, net		12,818	(52,044)
Premium from issuance of common shares		-	374,059
Dividends paid	37&38	(147,245)	(117,002)
Minority interest, net		(773)	15,267
Share in a subsidiary's equity before consolidation		-	219
<b>Net cash (used in) from financing activities</b>		<b>(135,200)</b>	<b>250,499</b>
<b>Effect of exchange rate changes</b>		<b>19,432</b>	<b>22,570</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(71,384)</b>	<b>1,703,363</b>
Cash and cash equivalents as of 1 January		8,924,912	7,221,549
<b>Cash and cash equivalents as of 31 December</b>	39	<b>8,853,528</b>	<b>8,924,912</b>

(1) Non cash transactions in the investing activities include a decrease in certificates of deposit-Central Banks in the amount of LL 1,109,280 million (2006: increase in the amount of LL 800,784 million) against an increase in Lebanese and other governmental treasury bills and bonds not held for trading for the same amount (2006: decrease in the amount of LL 800,784 million) during 2007.

The accompanying notes 1 to 56 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2007

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2007**

**Attributable to equity holders of the parent**

	Share capital LL million	Revaluation reserves LL million	Reserve for general banking risks LL million	Reserves and premiums (Note 35) LL million
<b>At 31 December 2005 (as previously reported)</b>	<b>210,000</b>	<b>14,727</b>	<b>50,719</b>	<b>725,783</b>
Correction of an error (note 40)	-	-	-	-
<b>At 31 December 2005 (as restated)</b>	<b>210,000</b>	<b>14,727</b>	<b>50,719</b>	<b>725,783</b>
Net movement in cumulative changes in fair values (note 36)	-	-	-	-
Currency translation difference	-	-	255	19,641
Profit for the year- 2006 (restated)	-	-	-	-
<b>Total income and expenses for the year</b>	<b>-</b>	<b>-</b>	<b>255</b>	<b>19,641</b>
Dividends' distributions (note 38)	-	-	-	-
Appropriation of 2005 profits	-	-	8,350	42,636
Issuance of common shares net of issuance costs (note 33)	30,000	-	-	374,059
Purchase of treasury shares, net	-	-	-	-
Gain on sale of treasury shares	-	-	-	64
Decrease in minority interest due to acquisition by the bank	-	-	-	-
Other	-	-	-	607
Minority interest in share capital increase of subsidiaries	-	-	-	-
Dividends on treasury shares	-	-	-	-
<b>At 31 December 2006</b>	<b>240,000</b>	<b>14,727</b>	<b>59,324</b>	<b>1,162,790</b>
Net movement in cumulative changes in fair values (note 36)	-	-	-	-
Currency translation difference	-	-	305	10,962
Profit for the year- 2007	-	-	-	-
Total income and expenses for the year	-	-	305	10,962
Dividends' distributions (note 38)	-	-	-	-
Appropriation of 2006 profits	-	-	9,874	58,020
Sale of treasury shares, net	-	-	-	-
Net loss on sale of treasury shares	-	-	-	(3,168)
Increase in minority due to decrease in majority share	-	-	-	-
Minority interest in dividends distribution in a subsidiary	-	-	-	-
Dividends on treasury shares	-	-	-	-
Foreign currency translation reserve realized upon sale of branches in Romania (note 2)	-	-	-	(7,169)
Other	-	-	-	369
<b>At 31 December 2007</b>	<b>240,000</b>	<b>14,727</b>	<b>69,503</b>	<b>1,221,804</b>

Cumulative changes in fair value LL million	Treasury shares LL million	Retained earnings LL million	Profit for the year LL million	Total LL million	Minority interest	Total equity
					LL million	LL million
<b>81,067</b>	-	<b>99,238</b>	<b>202,188</b>	<b>1,383,722</b>	<b>60,163</b>	<b>1,443,885</b>
-	-	(11,844)	-	(11,844)	-	(11,844)
<b>81,067</b>	-	<b>87,394</b>	<b>202,188</b>	<b>1,371,878</b>	<b>60,163</b>	<b>1,432,041</b>
(59,637)	-	-	-	(59,637)	(19)	(59,656)
-	-	398	-	20,294	3,885	24,179
-	-	-	269,604	269,604	2,200	271,804
<b>(59,637)</b>	-	<b>398</b>	<b>269,604</b>	<b>230,261</b>	<b>6,066</b>	<b>236,327</b>
-	-	-	(118,223)	(118,223)	-	(118,223)
-	-	32,979	(83,965)	-	-	-
-	-	-	-	404,059	-	404,059
-	(52,108)	-	-	(52,108)	-	(52,108)
-	-	-	-	64	-	64
-	-	-	-	-	(2,334)	(2,334)
-	-	(386)	-	221	(2)	219
-	-	-	-	-	15,278	15,278
-	-	1,221	-	1,221	-	1,221
<b>21,430</b>	<b>(52,108)</b>	<b>121,606</b>	<b>269,604</b>	<b>1,837,373</b>	<b>79,171</b>	<b>1,916,544</b>
(7,006)	-	-	-	(7,006)	(264)	(7,270)
73	-	452	-	11,792	4,826	16,618
-	-	-	303,472	303,472	5,114	308,586
(6,933)	-	452	303,472	308,258	9,676	317,934
-	-	-	(148,391)	(148,391)	-	(148,391)
-	-	53,319	(121,213)	-	-	-
-	15,986	-	-	15,986	-	15,986
-	-	-	-	(3,168)	-	(3,168)
-	-	-	-	-	2,141	2,141
-	-	-	-	-	(2,871)	(2,871)
-	-	1,146	-	1,146	-	1,146
-	-	-	-	(7,169)	(45)	(7,214)
-	-	(69)	-	300	2	302
<b>14,497</b>	<b>(36,122)</b>	<b>176,454</b>	<b>303,472</b>	<b>2,004,335</b>	<b>88,074</b>	<b>2,092,409</b>

The accompanying notes 1 to 56 form part of these consolidated financial statements.