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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 statement of financial position as at 31 December 2009 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 notes.

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. 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 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 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 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

16 March 2010
Beirut, Lebanon

Semaan, Gholam & Co.

CONSOLIDATED INCOME STATEMENT Year ended 31 December 2009

	NOTES	2009 LL million	2008 LL million
Interest and similar income	4	1,712,928	1,631,367
Interest and similar expense	5	(1,081,395)	(1,013,138)
Net interest income		631,533	618,229
Fees and commission income		144,735	138,208
Fees and commission expense		(22,957)	(15,976)
Net fees and commission income	6	121,778	122,232
Net trading income	7	36,081	41,305
Net gain (loss) on financial assets designated at fair value through profit or loss		7,507	(4,523)
Net profit on financial investments	8	38,558	9,809
Other operating income		18,836	7,433
Total operating income		854,293	794,485
Credit loss (expense) income	9	5,215	(13,040)
Impairment losses on financial investments	22	15,721	(15,723)
Net operating income		875,229	765,722
Personnel expenses	10	(192,083)	(174,191)
Depreciation of property and equipment	23	(33,118)	(25,462)
Amortization of intangible assets	24	(1,770)	(947)
Other operating expenses	11	(120,676)	(112,420)
Total operating expenses		(347,647)	(313,020)
Net operating profits		527,582	452,702
Net profit from sale or disposal of other assets		129	5,024
Profit before tax	12	527,711	457,726
Income tax expense		(85,982)	(78,472)
Profit for the year		441,729	379,254
Attributable to:			
Equity holders of the parent		429,558	365,271
Minority interest		12,171	13,983
		441,729	379,254
Basic/diluted earnings per share attributable to equity holders of the parent for the year (in LL)	13	19,421	16,116

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2009

	2009 LL million	2008 LL million
Profit for the year	441,729	379,254
Net gain (loss) on available-for-sale financial assets	104,864	(11,966)
Exchange differences on translation of foreign operations	(9,882)	5,229
Other comprehensive income (loss) for the year	94,982	(6,737)
Total comprehensive income for the year	536,711	372,517
Attributable to:		
Equity holders of the parent	522,441	356,838
Minority interests	14,270	15,679
	536,711	372,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 December 2009

	NOTES	2009 LL million	2008 LL million
ASSETS			
Cash and balances with central banks	14	4,693,974	3,580,467
Due from banks and financial institutions	15	5,787,117	5,817,382
Derivative financial instruments	16	33,544	39,867
Financial assets held-for-trading	17	24,763	14,264
Financial assets designated at fair value through profit or loss	18	139,402	81,955
Loans and advances to customers	19	6,046,601	5,230,447
Loans and advances to related parties	39	11,522	6,926
Bank acceptances	20	197,637	202,211
Non-current assets held for sale	21	29,846	27,561
Financial investments – available-for-sale	22	4,694,221	4,691,986
Financial assets classified as loans and receivables	22	8,200,247	6,094,232
Financial investments – held-to-maturity	22	774,997	634,306
Investment properties		618	581
Property and equipment	23	374,850	324,576
Intangible assets	24	6,727	5,307
Other assets	25	129,510	165,600
Goodwill	26	63,268	63,145
Total assets		31,208,844	26,980,813
Liabilities and equity			
Liabilities			
Due to banks and financial institutions	27	705,438	1,196,746
Derivative financial instruments	16	23,526	56,779
Customers' deposits	28	26,859,051	22,636,095
Related parties' deposits	39	230,554	140,278
Engagements by acceptances	20	197,637	202,211
Current tax liabilities	29	48,588	53,159
Other liabilities	30	491,522	430,211
Provisions for risks and charges	31	38,421	31,481
Retirement benefits obligation	32	38,558	34,534
Total liabilities		28,633,295	24,781,494
Equity attributable to equity holders of parent			
Share capital - common shares	33	223,600	223,600
Share capital - preferred shares	33	18,200	18,200
Share premium on common shares	33	374,059	374,059
Share premium on preferred shares	33	246,310	246,310
Capital reserves	34	714,051	595,391
Treasury shares	35	(58,723)	(39,877)
Reserves for revaluation variance - real estate	23	14,727	14,727
Available-for-sale reserve	36	106,184	3,905
Foreign currency translation reserve		37,169	46,565
Other reserves		331	106
Results of the financial period – profit		429,558	365,271
Retained earnings		341,061	229,863
		2,446,527	2,078,120
Minority interest		129,022	121,199
Total equity		2,575,549	2,199,319
Total liabilities and equity		31,208,844	26,980,813

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 16 March 2010 by:


Saad Azhari
Chairman and General Manager


Habib Rahal
General Manager


Talal Baba
Assistant General Manager

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 December 2009 (CONTINUED)

	NOTES	2009 LL million	2008 LL million
OFF FINANCIAL POSITION			
Financing commitments			
- Commitments issued to financial institutions	40	17,805	35,517
- Commitments received from financial institutions		33,089	31,071
- Commitments issued to customers	40	330,711	449,489
Guarantees commitments			
- Guarantees issued to financial institutions	40	209,040	260,675
- Guarantees received from financial institutions		45,050	58,886
- Guarantees issued to customers	40	505,602	525,271
- Guarantees received from customers	45-1 (A)	9,561,921	8,625,099
Foreign currency operations			
- Foreign currencies to receive	16	3,699,067	2,072,651
- Foreign currencies to deliver		3,708,139	2,056,942
Commitments on term financial instruments	16	1,110,062	77,325
Other commitments		173,810	159,144
Fiduciary deposits	41	951,344	1,225,649
Financial assets under management	41	5,312,368	4,082,514
Impaired loans fully provided for and transferred to off financial position	19	82,695	83,928

CONSOLIDATED STATEMENT OF CASH FLOW for the Year ended 31 December 2009

	NOTES	2009 LL million	2008 LL million
OPERATING ACTIVITIES			
Profit for the financial period before income tax		527,711	457,726
Adjustments for:			
Prior year adjustment by subsidiary company		-	(8,773)
Depreciation of property and equipment	23	33,118	25,462
Amortization of intangible assets	24	1,770	947
Profit from sale of property and equipment		(129)	(5,024)
Write-back of provision for loans and advances, net		(5,215)	(1,160)
Provision for impairment of financial assets	22	(15,721)	15,723
Impairment allowance for placements with other banks	15	-	3,765
Unrealized loss (profit) for investment properties		(37)	21
Provision for doubtful sundry debtors	25	-	1,275
Provision for retirement obligation benefits	32	6,484	10,526
Net provision for risks and charges	31	1,575	574
Provision for fiduciary customers' commitments	31	-	9,160
Net provision for outstanding claims and IBNR reserves	31	7,056	7,226
Profit from sale of non-current assets held for sale		(2,474)	(1,184)
Profit from sale of financial assets classified as loans and receivables	8	(23,398)	(101)
Profit from sale of available-for-sale financial investments	8	(14,265)	(9,232)
Unrealized loss on financial assets designated at fair value through profit or loss		(7,507)	4,523
		508,968	511,454
Changes in operating assets and liabilities:			
Financial assets held-for-trading (2)		(10,499)	26,866
Financial assets designated at fair value through profit or loss		(49,940)	(23,408)
Banks and financial institutions – debit		(142,618)	(229,354)
Derivative financial instruments – debit		6,323	(20,837)
Loans and advances to customers		(810,939)	(1,055,920)
Loans and advances to related parties		(4,596)	(986)
Non-current assets held for sale		252	(13,460)
Other assets		45,677	(34,144)
Derivative financial instruments – credit		(33,253)	32,696
Banks and financial instruments – credit		(125,650)	104,308
Customers' deposits		4,222,956	2,029,542
Related parties' deposits		90,276	38,315
Other liabilities		61,311	47,903
Cash from operations		3,758,268	1,412,975
Taxes paid		(91,055)	(56,838)
Settlement of provisions for risks and charges		(1,915)	(1,591)
Retirement obligation benefits paid	32	(2,551)	(2,194)
Net cash from operating activities		3,662,747	1,352,352

	NOTES	2009 LL million	2008 LL million
INVESTING ACTIVITIES			
Term deposits with central banks		142,291	(199,704)
Financial investments – available for sale (1) (3)		101,717	(1,588,100)
Financial assets classified as loans and receivables (1) (2) (3)		(2,067,550)	(180,179)
Financial assets – held to maturity		(140,041)	(634,956)
Purchase of intangible assets	24	(3,451)	(1,760)
Purchase of property and equipment	23	(115,848)	(98,760)
Cash proceeds from the sale of property and equipment		23,406	11,034
Net cash used in investing activities		(2,059,476)	(2,692,425)
FINANCING ACTIVITIES			
Redemption of preferred shares		-	(113,093)
Purchase of treasury shares, net		(17,128)	(3,635)
Minority interests		(6,447)	17,446
Dividends paid	38,35	(136,906)	(157,552)
Net cash used in financing activities		(160,481)	(256,834)
Effect of exchange rate changes		(8,908)	4,879
Increase (Decrease) in cash and cash equivalents		1,433,882	(1,592,028)
Cash and cash equivalents as of 1 January		7,261,500	8,853,528
Cash and cash equivalents as of 31 December	37	8,695,382	7,261,500
Operational cash flows from interest and dividends			
Interest paid		1,053,850	1,019,578
Interest received		1,693,483	1,593,881
Dividend received		1,500	8,255

(1) Non cash transactions in the investing activities include an increase in financial assets classified as loans and receivables in the amount of LL 2,775,362 million, against a decrease in financial investments – available-for-sale in the investing activities in the same amount during 2008.

(2) Non cash transactions in the investing activities include an increase in financial assets classified as loans and receivables in the amount of LL 63,424 million, against a decrease in financial assets held for trading in the operating activities in the same amount during 2008.

(3) Non cash transactions in the investing activities include an increase in financial assets classified as loans and receivables in the amount of LL 921,530 million against a decrease in financial investments – available-for-sale for the same amount during 2009.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2009

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	Capital reserves LL million	Treasury shares LL million
Balance at 1 January 2009	223,600	18,200	374,059	246,310	595,391	(39,877)
Results of the financial period— profit for the year 2009	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Minority interests share in capital increase of a subsidiary company (note 33)	-	-	-	-	-	-
Dividends distributions (note 38)	-	-	-	-	-	-
Appropriation of 2008 profits (note 34)	-	-	-	-	116,942	-
Purchase of treasury shares (note 35)	-	-	-	-	-	(78,373)
Sales of treasury shares (note 35)	-	-	-	-	1,718	59,527
Minority interests share from dividends distribution in subsidiary companies	-	-	-	-	-	-
Dividends on treasury shares (note 35)	-	-	-	-	-	-
Balance at 31 December 2009	223,600	18,200	374,059	246,310	714,051	(58,723)
Balance at 1 January 2008	215,000	25,000	374,059	351,903	528,961	(36,122)
Results of the financial period— profit for the year 2008	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-
Capital increase (note 33, 34)	8,600	700	-	-	(9,300)	-
Redemption of preferred shares 2002 (note 33)	-	(7,500)	-	(105,593)	-	-
Dividends distributions (note 38)	-	-	-	-	-	-
Appropriation of 2007 profits (note 34)	-	-	-	-	83,936	-
Purchase of treasury shares	-	-	-	-	-	(14,900)
Sale of treasury shares (note 35)	-	-	-	-	120	11,145
Minority interests share in capital of newly established subsidiary companies	-	-	-	-	-	-
Minority interests share from dividends distribution in subsidiary companies	-	-	-	-	-	-
Reallocation of tax related to dividends distribution booked in 2007	-	-	-	-	(8,326)	-
Dividends on treasury shares (note 35)	-	-	-	-	-	-
Other adjustment related to a subsidiary	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-
Balance at 31 December 2008	223,600	18,200	374,059	246,310	595,391	(39,877)

Reserve for revaluation variance Real Estate LL million	Available-for-sales reserve	Foreign currency translation reserve LL million	Other reserve LL million	Retained earnings LL million	Results of the financial period -profit LL million	Total LL million	Minority interest LL million	Total Equity LL million
14,727	3,905	46,565	106	229,863	365,271	2,078,120	121,199	2,199,319
-	-	-	-	-	429,558	429,558	12,171	441,729
-	102,279	(9,396)	-	-	-	92,883	2,099	94,982
-	102,279	(9,396)	-	-	429,558	522,441	14,270	536,711
-	-	-	-	-	-	-	75	75
-	-	-	-	-	(142,181)	(142,181)	-	(142,181)
-	-	-	225	105,923	(223,090)	-	-	-
-	-	-	-	-	-	(78,373)	(13)	(78,386)
-	-	-	-	-	-	61,245	13	61,258
-	-	-	-	-	-	-	(6,522)	(6,522)
-	-	-	-	5,275	-	5,275	-	5,275
14,727	106,184	37,169	331	341,061	429,558	2,446,527	129,022	2,575,549
14,727	13,995	37,737	-	175,603	303,472	2,004,335	88,074	2,092,409
-	-	-	-	-	365,271	365,271	13,983	379,254
-	(10,090)	1,657	-	-	-	(8,433)	1,696	(6,737)
-	(10,090)	1,657	-	-	365,271	356,838	15,679	372,517
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(113,093)	-	(113,093)
-	-	-	-	-	(159,141)	(159,141)	-	(159,141)
-	-	-	106	60,289	(144,331)	-	-	-
-	-	-	-	-	-	(14,900)	-	(14,900)
-	-	-	-	-	-	11,265	-	11,265
-	-	-	-	-	-	-	21,227	21,227
-	-	-	-	-	-	-	(3,730)	(3,730)
-	-	-	-	8,326	-	-	-	-
-	-	-	-	1,589	-	1,589	-	1,589
-	-	-	-	(8,773)	-	(8,773)	(51)	(8,824)
-	-	7,171	-	(7,171)	-	-	-	-
14,727	3,905	46,565	106	229,863	365,271	2,078,120	121,199	2,199,319