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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 (the Group), which comprise the consolidated statement of financial position as at 31 December 2010 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

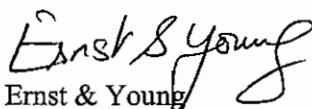
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Ernst & Young

24 March 2011
Beirut, Lebanon


Semaan, Gholam & Co.

BLOM Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 LL million	2009 LL million
Interest and similar income	5	1,813,668	1,712,928
Interest and similar expense	6	(1,067,129)	(1,081,395)
Net interest income		746,539	631,533
Fee and commission income		176,675	144,735
Fee and commission expense		(31,333)	(22,957)
Net fee and commission income	7	145,342	121,778
Net trading income	8	38,862	36,081
Net gain on financial assets designated at fair value through profit or loss		657	7,507
Net gain on financial investments	9	76,321	38,558
Other operating income		14,373	18,836
Total operating income		1,022,094	854,293
Credit loss (expense) income	10	(24,892)	5,215
Write back of provision on financial investments	23	-	15,721
Net operating income		997,202	875,229
Personnel expenses	11	(220,503)	(192,083)
Depreciation of property and equipment	24	(34,690)	(33,118)
Amortization of intangible assets	25	(2,493)	(1,770)
Other operating expenses	12	(134,497)	(120,676)
Total operating expenses		(392,183)	(347,647)
Net operating profits		605,019	527,582
Net profit from sale or disposal of other assets		107	129
Profit before tax		605,126	527,711
Income tax expense	13	(106,745)	(85,982)
Profit for the year		498,381	441,729
Attributable to:			
Equity holders of the parent		483,376	429,558
Non-controlling interests		15,005	12,171
		498,381	441,729
Basic/diluted earnings per share attributable to equity holders of the parent for the year	14	2,197	1,942

The accompanying notes 1 to 50 form part of these consolidated financial statements.

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

For the year ended 31 December 2010

	<i>2010</i> <i>LL million</i>	<i>2009</i> <i>LL million</i>
Profit for the year	498,381	441,729
Other comprehensive (loss) income		
Net (loss) gain on available-for-sale financial assets	(9,963)	104,864
Exchange differences on translation of foreign operations	(15,951)	(9,882)
Other comprehensive (loss) income for the year	(25,914)	94,982
Total comprehensive income for the year	472,467	536,711
Attributable to:		
Equity holders of the parent	458,220	522,441
Non-controlling interests	14,247	14,270
	472,467	536,711

The accompanying notes 1 to 50 form part of these consolidated financial statements.

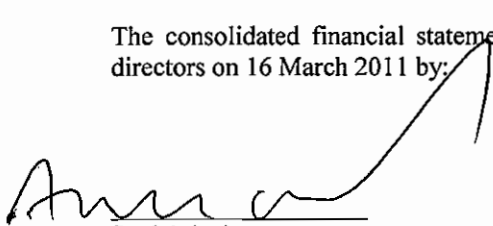
BLOM Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

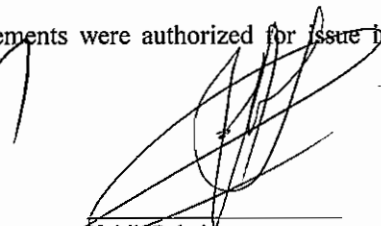
At 31 December 2010

	Notes	2010 LL million	2009 LL million
Assets			
Cash and balances with central banks	15	4,248,229	4,693,974
Due from banks and financial institutions	16	5,931,237	5,787,117
Derivative financial instruments	17	46,692	33,544
Financial assets held-for-trading	18	54,816	24,763
Financial assets designated at fair value through profit or loss	19	164,525	139,402
Loans and advances to customers	20	7,797,136	6,046,601
Loans and advances to related parties	40	9,398	11,522
Bank acceptances	21	205,546	197,637
Non-current assets held for sale	22	28,062	29,846
Financial investments – available-for-sale	23	4,116,261	4,694,221
Other financial assets classified as loans and receivables	23	9,559,006	8,200,247
Financial investments – held-to-maturity	23	912,295	774,997
Investment properties		571	618
Property and equipment	24	412,374	374,850
Intangible assets	25	6,281	6,727
Other assets	26	128,278	129,510
Goodwill	27	63,145	63,268
Total assets		33,683,852	31,208,844
Liabilities and equity			
Liabilities			
Due to banks and financial institutions	28	378,118	705,438
Derivative financial instruments	17	36,465	23,526
Customers' deposits	29	29,363,177	26,940,185
Related parties' deposits	40	192,717	230,554
Engagements by acceptances	21	205,546	197,637
Current tax liabilities	30	70,924	48,588
Other liabilities	31	462,420	410,388
Provisions for risks and charges	32	78,828	38,421
Retirement benefits obligation	33	45,075	38,558
Total liabilities		30,833,270	28,633,295
Equity attributable to equity holders of parent			
Share capital - common shares	34	223,600	223,600
Share capital - preferred shares	34	18,200	18,200
Share premium on common shares	34	374,059	374,059
Share premium on preferred shares	34	246,310	246,310
Capital reserves	35	877,086	714,051
Treasury shares	36	(75,793)	(58,723)
Reserves for revaluation variance - real estate	24	14,727	14,727
Available-for-sale reserve	37	96,221	106,184
Foreign currency translation reserve		21,976	37,169
Other reserves		235	331
Results of the financial period – profit		483,376	429,558
Retained earnings		444,115	341,061
Total equity		2,724,112	2,446,527
Total liabilities and equity		33,683,852	31,208,844

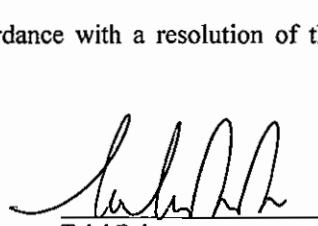
The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 16 March 2011 by:



Saad Azhari
Chairman and General Manager



Habib Rahal
General Manager



Talal Baba
Assistant General Manager

The accompanying notes 1 to 50 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2010

	<i>Notes</i>	<i>2010 LL million</i>	<i>2009 LL million</i>
Off financial position			
Financing commitments			
- Commitments issued to financial institutions	41	2,778	17,805
- Commitments received from financial institutions		74,460	33,089
- Commitments issued to customers	41	423,004	330,711
Guarantees commitments			
- Guarantees issued to financial institutions	41	233,972	209,040
- Guarantees received from financial institutions		45,026	45,050
- Guarantees issued to customers	41	655,112	505,602
- Guarantees received from customers	46-1 (A)	12,635,982	9,561,921
Foreign currency operations			
- Foreign currencies to receive	17	1,708,020	3,699,075
- Foreign currencies to deliver		1,715,062	3,708,139
Commitments on term financial instruments	17	378,262	1,110,062
Other commitments		181,307	173,810
Fiduciary assets	42	744,041	951,344
Financial assets under management	42	8,264,163	5,312,368
Impaired loans fully provided for and transferred to off financial position	20	84,935	82,695

The accompanying notes 1 to 50 form part of these consolidated financial statements.

BLOM Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Notes	2010 LL million	2009 LL million
OPERATING ACTIVITIES			
Profit for the financial period before income tax		605,126	527,711
Adjustments for:			
Other adjustment related to a subsidiary company		(7,056)	-
Depreciation of property and equipment	24	34,690	33,118
Amortization of intangible assets	25	2,493	1,770
Profit from sale of property and equipment		(107)	(129)
Provision (write-back of provision) for loans and advances to customers	10	17,885	(5,215)
Write back of provision for impairment of financial assets	23	-	(15,721)
Provision for placements with other banks	16	4,601	58
Unrealized profit from investment properties		-	(37)
Provision for retirement benefits obligation	33	8,204	6,484
Net provision for risks and charges	32	10,912	1,575
Net provision for outstanding claims and IBNR reserves	32	24,474	7,056
Profit from sale of non-current assets held for sale		(1,341)	(2,474)
Gain from sale of other financial assets classified as loans and receivables	9	(60,888)	(23,398)
Gain from sale of available-for-sale financial investments	9	(14,641)	(14,265)
Unrealized gain on financial assets designated at fair value through profit or loss		(657)	(7,507)
Unrealized gain on financial assets held-for-trading		(1,934)	(7,336)
		621,761	501,690
Changes in operating assets and liabilities:			
Financial assets held-for-trading		(28,119)	(3,163)
Financial assets designated at fair value through profit or loss		(24,466)	(49,940)
Banks and financial institutions – debit	48	(616,889)	(142,676)
Derivative financial instruments – debit		(13,148)	6,323
Loans and advances to customers		(1,768,420)	(810,939)
Loans and advances to related parties		2,124	(4,596)
Non-current assets held for sale		1,713	252
Other assets		1,241	36,090
Derivative financial instruments – credit		12,939	(33,253)
Banks and financial institutions – credit		(8,611)	(125,650)
Customers' deposits		2,422,992	4,242,740
Related parties' deposits		(37,837)	90,276
Other liabilities	48	66,375	41,527
Cash from operations		631,655	3,748,681
Taxes paid		(84,867)	(91,055)
Settlement of provisions for risks and charges		-	(1,915)
Retirement benefits obligation paid	33	(1,141)	(2,551)
Net cash from operating activities		545,647	3,653,160
INVESTING ACTIVITIES			
Term deposits with central banks		(179,825)	70,238
Financial investments – available-for-sale		581,409	101,717
Other financial assets classified as loans and receivables	48	(1,297,871)	(2,067,550)
Financial assets – held-to-maturity		(137,298)	(140,041)
Purchase of intangible assets	25	(1,872)	(3,451)
Purchase of property and equipment	24	(80,285)	(106,261)
Cash proceeds from the sale of property and equipment		1,460	23,406
Net cash used in investing activities		(1,114,282)	(2,121,942)
FINANCING ACTIVITIES			
Purchase of treasury shares, net		(17,070)	(18,846)
Net gain of sale of treasury shares		15,184	1,718
Acquisition of non-controlling interests	3	(38,366)	-
Non-controlling interests		(668)	(6,447)
Dividends paid	39,36	(149,458)	(136,906)
Net cash used in financing activities		(190,378)	(160,481)
Effect of exchange rate changes		(8,085)	(8,908)
(Decrease) increase in cash and cash equivalents		(767,098)	1,361,829
Cash and cash equivalents at 1 January		6,837,672	5,475,843
Cash and cash equivalents at 31 December	38	6,070,574	6,837,672
Operational cash flows from interest and dividends			
Interest paid		1,066,306	1,053,850
Interest received		1,787,470	1,693,483
Dividend received		1,455	1,500

The accompanying notes 1 to 50 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

LL million	Attributable to equity holders of the parent						
	Share capital - common shares	Share capital - preferred shares	Share premium on common shares	Share premium on preferred shares	Capital reserves	Treasury shares	Reserves for revaluation variance - Real estate
Balance at 1 January 2010	223,600	18,200	374,059	246,310	714,051	(58,723)	14,727
Results of the financial period - profit for the year 2010	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Non-controlling interests share in capital increase of subsidiary company	-	-	-	-	-	-	-
Dividends distribution (note 39)	-	-	-	-	-	-	-
Appropriation of 2009 profit (note 35)	-	-	-	-	147,621	-	-
Transfer to reserve for increase of share capital	-	-	-	-	230	-	-
Purchase of treasury shares (note 36)	-	-	-	-	-	(159,092)	-
Sales of treasury shares (note 36)	-	-	-	-	15,184	142,022	-
Non-controlling interests share from dividends distribution in subsidiary companies	-	-	-	-	-	-	-
Other adjustment related to a subsidiary	-	-	-	-	-	-	-
Acquisition of non-controlling interests (note 3)	-	-	-	-	-	-	-
Balance at 31 December 2010	223,600	18,200	374,059	246,310	877,086	(75,793)	14,727

Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained Earnings	Results of the financial period - profit	Total	Non-controlling interests	Total equity
106,184	37,169	331	341,061	429,558	2,446,527	129,022	2,575,549
-	-	-	-	483,376	483,376	15,005	498,381
(9,963)	(15,193)	-	-	-	(25,156)	(758)	(25,914)
(9,963)	(15,193)	-	-	483,376	458,220	14,247	472,467
-	-	-	-	-	-	77	77
-	-	-	-	(149,458)	(149,458)	-	(149,458)
-	-	134	132,345	(280,100)	-	-	-
-	-	(230)	-	-	-	-	-
-	-	-	-	-	(159,092)	(90)	(159,182)
-	-	-	-	-	157,206	90	157,296
-	-	-	-	-	-	(745)	(745)
-	-	-	(7,056)	-	(7,056)	-	(7,056)
-	-	-	(22,235)	-	(22,235)	(16,131)	(38,366)
96,221	21,976	235	444,115	483,376	2,724,112	126,470	2,850,582

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

LL million	Attributable to equity holders of the parent						
	Share capital- common shares	Share capital- preferred shares	Share premium on common shares	Share premium on preferred shares	Capital reserves	Treasury shares	Reserves for revaluation variance-Real estate
Balance at 1 January 2009	223,600	18,200	374,059	246,310	595,391	(39,877)	14,727
Results of the financial period- profit for the year 2009	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Non-controlling interests share in capital increase of subsidiary company	-	-	-	-	-	-	-
Dividends distribution (note 39)	-	-	-	-	-	-	-
Appropriation of 2008 profits (note 35)	-	-	-	-	116,942	-	-
Purchase of treasury shares (note 36)	-	-	-	-	-	(78,373)	-
Sales of treasury shares (note 36)	-	-	-	-	1,718	59,527	-
Non-controlling interests share from dividends distribution in subsidiary companies	-	-	-	-	-	-	-
Dividends on treasury shares (note 36)	-	-	-	-	-	-	-
Balance at 31 December 2009	223,600	18,200	374,059	246,310	714,051	(58,723)	14,727

Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained Earnings	Results of the financial period - profit	Total	Non-controlling interests	Total equity
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
106,184	37,169	331	341,061	429,558	2,446,527	129,022	2,575,549