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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 2011 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

20 March 2012  
Beirut, Lebanon

Semaan, Gholam & Co.

# BLOM Bank SAL

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>LL million</i>	<i>2010</i> <i>LL million</i>
Interest and similar income	5	<b>1,850,916</b>	1,809,234
Interest and similar expense	6	<b>(1,073,397)</b>	(1,065,938)
<b>Net interest income</b>		<b>777,519</b>	743,296
Fee and commission income		<b>200,443</b>	176,675
Fee and commission expense		<b>(24,451)</b>	(31,333)
<b>Net fee and commission income</b>	7	<b>175,992</b>	145,342
Net trading income	8	-	38,862
Net gain on financial assets and liabilities designated at fair value through profit or loss	9	<b>7,984</b>	3,900
Net gain on financial investments	10	<b>337</b>	76,321
Net gain on derecognition of debt instruments at amortized cost	11	<b>119,538</b>	-
Other operating income		<b>14,687</b>	14,373
<b>Total operating income</b>		<b>1,096,057</b>	1,022,094
Credit loss expense	12	<b>(59,932)</b>	(24,892)
Impairment loss on other financial assets	13	<b>(937)</b>	-
<b>Net operating income</b>		<b>1,035,188</b>	997,202
Personnel expenses	14	<b>(237,460)</b>	(220,503)
General and other operating expenses	15	<b>(143,191)</b>	(134,497)
Depreciation of property and equipment	26	<b>(33,100)</b>	(34,690)
Amortization of intangible assets	27	<b>(2,620)</b>	(2,493)
<b>Total operating expenses</b>		<b>(416,371)</b>	(392,183)
<b>Net operating profit</b>		<b>618,817</b>	605,019
Net (loss) profit from sale or disposal of other assets		<b>(208)</b>	107
<b>Profit before tax</b>		<b>618,609</b>	605,126
Income tax expense	16	<b>(118,799)</b>	(106,745)
<b>Profit for the year</b>		<b>499,810</b>	498,381
<b>Attributable to:</b>			
<b>Equity holders of the parent</b>		<b>487,878</b>	483,376
<b>Non-controlling interests</b>		<b>11,932</b>	15,005
		<b>499,810</b>	498,381
		<i>LL</i>	<i>LL</i>
<b>Basic/diluted earnings per share attributable to equity holders of the parent for the year</b>	17	<b>2,233</b>	2,197

The accompanying notes 1 to 48 form part of these consolidated financial statements.

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

For the year ended 31 December 2011

	<i>2011</i> <i>LL million</i>	<i>2010</i> <i>LL million</i>
<b>Profit for the year</b>	<b>499,810</b>	498,381
Net gain on sale of financial assets at fair value through other comprehensive income	<b>145</b>	-
Net unrealized loss from financial assets at fair value through other comprehensive income	<b>(953)</b>	-
Net loss on financial investments – available-for-sale	-	(9,963)
Exchange differences on translation of foreign operations	<b>(55,528)</b>	(15,951)
<b>Other comprehensive loss for the year</b>	<b>(56,336)</b>	(25,914)
<b>Total comprehensive income for the year</b>	<b>443,474</b>	472,467
<b>Attributable to:</b>		
Equity holders of the parent	<b>451,960</b>	458,220
Non-controlling interests	<b>(8,486)</b>	14,247
	<b>443,474</b>	472,467

The accompanying notes 1 to 48 form part of these consolidated financial statements.

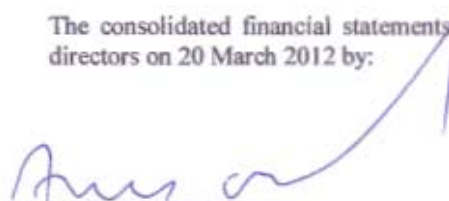
# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

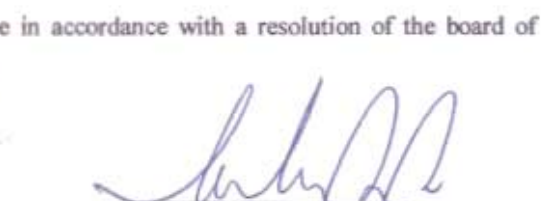
At 31 December 2011

	Notes	2011 LL million	2010 LL million
<b>Assets</b>			
Cash and balances with central banks	18	6,062,381	4,248,229
Due from banks and financial institutions	19	4,845,533	5,931,237
Granted loans to banks and financial institutions		116,781	103,020
Derivative financial instruments	20	25,548	46,692
Equity instruments at fair value through profit or loss	21	28,530	-
Debt instruments at fair value through profit or loss	21	828,936	164,525
Financial assets held-for-trading	21	-	54,816
Loans and advances to customers at amortized cost	23	8,388,684	7,797,136
Loans and advances to related parties at amortized cost		39,036	9,398
Bank acceptances	24	240,277	205,546
Debt instruments at amortized cost	22	13,648,659	-
Financial assets at fair value through other comprehensive income	22	6,645	-
Financial investments – available-for-sale	22	-	4,116,261
Other financial assets classified as loans and receivables	22	-	9,455,986
Financial investments – held-to-maturity	22	-	912,295
Fixed assets taken in recovery of bad debts	25	27,966	28,062
Property and equipment	26	443,831	412,945
Intangible assets	27	4,278	6,281
Other assets	28	152,988	128,278
Goodwill	29	61,879	63,145
<b>Total assets</b>		<b>34,921,952</b>	<b>33,683,852</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and financial institutions	30	337,388	378,118
Derivative financial instruments	20	13,751	36,465
Financial liabilities at fair value through profit and loss	31	41,054	48,927
Customers' deposits at amortized cost	32	30,341,813	29,314,250
Related parties' deposits at amortized cost		213,451	192,717
Engagements by acceptances	24	240,277	205,546
Other liabilities	33	635,326	560,677
Provisions for risks and charges	34	109,509	96,570
<b>Total liabilities</b>		<b>31,932,569</b>	<b>30,833,270</b>
<b>Equity</b>			
Share capital - common shares	35	258,000	223,600
Share capital - preferred shares	35	24,000	18,200
Share premium on common shares	35	374,059	374,059
Share premium on preferred shares	35	277,500	246,310
Non distributable reserves (legal and obligatory)	36	612,470	516,936
Distributable free reserves	36	363,961	360,385
Treasury shares	37	(83,162)	(75,793)
Retained earnings		557,835	444,115
Reserves for revaluation variance - real estate		14,727	14,727
Fair value for financial assets at fair value through other comprehensive income		(950)	-
Available-for-sale reserve	38	-	96,221
Foreign currency translation reserve		(13,134)	21,976
Profit for the year		487,878	483,376
<b>Equity attributable to equity holders of parent</b>		<b>2,873,184</b>	<b>2,724,112</b>
Non-controlling interests		116,199	126,470
<b>Total equity</b>		<b>2,989,383</b>	<b>2,850,582</b>
<b>Total liabilities and equity</b>		<b>34,921,952</b>	<b>33,683,852</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 20 March 2012 by:

  
Saad Azhari  
Chairman and General Manager

  
Habib Rahal  
General Manager

  
Talal Baba  
Chief Financial Officer

The accompanying notes 1 to 48 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2011

	<i>Notes</i>	<i>2011 LL million</i>	<i>2010 LL million</i>
<b>Off financial position</b>			
<b>Financing commitments</b>			
- Commitments issued to financial institutions	42	<b>18,181</b>	2,778
- Commitments received from financial institutions		<b>84,803</b>	74,460
- Commitments issued to customers	42	<b>213,107</b>	423,004
<b>Guarantees commitments</b>			
- Guarantees issued to financial institutions	42	<b>249,864</b>	233,972
- Guarantees received from financial institutions		<b>140,865</b>	45,026
- Guarantees issued to customers	42	<b>664,553</b>	655,112
- Guarantees received from customers	46-1 (B)	<b>14,714,271</b>	12,635,982
<b>Foreign currency operations</b>			
- Foreign currencies to receive	20	<b>2,252,215</b>	1,708,020
- Foreign currencies to deliver		<b>2,243,038</b>	1,715,062
<b>Commitments on term financial instruments</b>	20	<b>612,580</b>	378,262
<b>Other commitments</b>		<b>170,913</b>	181,307
<b>Fiduciary assets</b>	43	<b>916,549</b>	744,041
<b>Financial assets under management</b>	43	<b>7,475,946</b>	8,264,163
<b>Impaired loans fully provided for and transferred to off financial position</b>	23	<b>91,554</b>	84,935

# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 LL million	2010 LL million
<b>OPERATING ACTIVITIES</b>			
Profit for the year before income tax		618,609	605,126
Adjustments for:			
Adjustment related to a subsidiary company		-	(7,056)
Depreciation of property and equipment	26	33,100	34,690
Amortization of intangible assets	27	2,620	2,493
Loss (gain) on disposal of property and equipment		208	(107)
Provision for loans and advances to customers	12	59,622	17,885
Provision for impairment of other financial assets	13	937	-
Provision for placements with other banks	19	2,689	4,601
Net provision for risks and charges		39,692	16,257
Profit from sale of fixed assets taken in recovery of bad debts		(343)	(1,341)
Gain from sale of financial investments – available-for-sale		-	(14,641)
Gain from sale of other financial assets classified as loans and receivables		-	(60,888)
Gain from derecognition of debt instruments at amortized cost	11	(119,538)	-
Unrealized loss (gain) on equity and debt instruments at fair value through profit or loss	9	65,036	(657)
Unrealized gain on financial assets held-for-trading		-	(1,934)
		<u>702,632</u>	<u>594,428</u>
Changes in operating assets and liabilities:			
Term deposits with central banks		(2,451,974)	(179,825)
Due from banks and financial institutions		678,980	(616,889)
Granted loans to banks and financial institutions		(13,761)	(469)
Derivative financial instruments – debit		21,144	(13,148)
Equity instruments at fair value through profit or loss		(6,677)	-
Debt instruments at fair value through profit or loss		185,417	(24,466)
Financial assets held-for-trading		-	(28,119)
Loans and advances to customers at amortized cost		(651,170)	(1,768,420)
Loans and advances to related parties at amortized cost		(29,638)	2,124
Other assets		(24,710)	1,241
Due to banks and financial institutions		(4,184)	(8,611)
Derivative financial instruments – credit		(22,714)	12,939
Financial liabilities at fair value through profit or loss		(7,873)	42,770
Customers' deposits at amortized cost		1,027,563	2,380,222
Related parties' deposits at amortized cost		20,734	(37,837)
Other liabilities		100,410	93,708
Cash (used in) from operations		<u>(475,821)</u>	<u>449,648</u>
Taxes paid		(113,821)	(84,867)
Provisions for risks and charges paid		(43,379)	(1,141)
<b>Net cash (used in) from operating activities</b>		<u>(633,021)</u>	<u>363,640</u>
<b>INVESTING ACTIVITIES</b>			
Debt instruments at amortized cost		(104,058)	-
Financial assets at fair value through other comprehensive income		291	-
Financial investments – available-for-sale		-	581,409
Other financial assets classified as loans and receivables		-	(1,297,402)
Financial assets – held-to-maturity		-	(137,298)
Fixed assets taken in recovery of bad debts		(417)	1,713
Purchase of property and equipment		(77,973)	(80,285)
Purchase of intangible assets		(1,688)	(1,872)
Cash proceeds from the sale of property and equipment and intangible assets		435	1,460
Acquisition of a subsidiary		(5,821)	-
<b>Net cash used in investing activities</b>		<u>(189,231)</u>	<u>(932,275)</u>
<b>FINANCING ACTIVITIES</b>			
Redemption of preferred shares	35	(263,810)	-
Issuance of preferred shares	35	301,500	-
Purchase of treasury shares, net		(7,369)	(17,070)
Net gain on sale of treasury shares		1,890	15,184
Acquisition of non-controlling interests	3	-	(38,366)
Non-controlling interests		(22,203)	(668)
Dividends paid	40	(165,124)	(149,458)
<b>Net cash used in financing activities</b>		<u>(155,116)</u>	<u>(190,378)</u>
<b>Effect of exchange rate changes</b>		<u>(27,943)</u>	<u>(8,085)</u>
<b>Decrease in cash and cash equivalents</b>		<u>(1,005,311)</u>	<u>(767,098)</u>
Cash and cash equivalents at 1 January		6,070,574	6,837,672
<b>Cash and cash equivalents at 31 December</b>	39	<u>5,065,263</u>	<u>6,070,574</u>
<b>Operational cash flows from interest and dividends</b>			
Interest paid		1,080,911	1,066,306
Interest received		1,920,182	1,787,470
Dividends received		1,465	1,455

The accompanying notes 1 to 48 form part of these consolidated financial statements.

# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

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 (legal and obligatory) LL million	Distributable free reserves LL million	Treasury shares LL million	Retained earnings LL million	Reserves for revaluation variance-Real estate LL million	Available-for-sale reserve LL million	Fair value of financial assets at fair value through other comprehensive income LL million	Foreign currency translation reserve LL million	Results of the financial period 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 2)	-	-	-	-	-	-	-	(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 (note 35)	34,400	24,000	-	277,500	(76)	(34,400)	-	(1,160)	-	-	-	-	-	300,264	(24)	390,240
Redemption of preferred shares (note 35)	-	(18,200)	-	(246,310)	-	700	-	-	-	-	-	-	-	(263,810)	-	(263,810)
Appropriation of 2010 profits (note 36)	-	-	-	-	93,707	37,270	-	187,275	-	-	-	-	(318,252)	-	-	-
Dividends distributions (note 40)	-	-	-	-	-	-	-	-	-	-	-	-	(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	30,281
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

# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2011

	2010														
	<i>Attributable to equity holders of the parent</i>														
	<i>Share capital- common shares</i>	<i>Share capital- preferred shares</i>	<i>Share premium on common shares</i>	<i>Share premium on preferred shares</i>	<i>Non distributable reserves (legal and obligatory)</i>	<i>Distributable free reserve</i>	<i>Treasury shares</i>	<i>Reserves for revaluation variance-Real estate</i>	<i>Available-for- sale reserve</i>	<i>Foreign currency translation reserve</i>	<i>Retained earnings</i>	<i>Results of the financial period -profit</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>	<i>LL million</i>
Balance at 1 January 2010	223,600	18,200	374,059	246,310	391,391	322,991	(58,723)	14,727	106,184	37,169	341,061	429,558	2,446,527	129,022	2,575,549
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	483,376	483,376	15,005	498,381
Other comprehensive income	-	-	-	-	-	-	-	-	(9,963)	(15,193)	-	-	(25,156)	(758)	(25,914)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,963)</b>	<b>(15,193)</b>	<b>-</b>	<b>483,376</b>	<b>458,220</b>	<b>14,247</b>	<b>472,467</b>
Non-controlling interests share in capital increase of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	77	77
Dividends distribution (note 40)	-	-	-	-	-	-	-	-	-	-	-	(149,458)	(149,458)	-	(149,458)
Appropriation of 2009 profit (note 36)	-	-	-	-	110,361	37,394	-	-	-	-	132,345	(280,100)	-	-	-
Purchase of treasury shares (note 37)	-	-	-	-	-	-	(159,092)	-	-	-	-	-	(159,092)	(90)	(159,182)
Sales of treasury shares (note 37)	-	-	-	-	-	-	142,022	-	-	-	-	-	142,022	90	142,112
Net gain on sale of treasury shares	-	-	-	-	15,184	-	-	-	-	-	-	-	15,184	-	15,184
Non-controlling interests share from dividends distribution in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	-	(745)	(745)
Other adjustment related to a subsidiary	-	-	-	-	-	-	-	-	-	-	(7,056)	-	(7,056)	-	(7,056)
Acquisition of non-controlling interests (note 3)	-	-	-	-	-	-	-	-	-	-	(22,235)	-	(22,235)	(16,131)	(38,366)
<b>Balance at 31 December 2010</b>	<b>223,600</b>	<b>18,200</b>	<b>374,059</b>	<b>246,310</b>	<b>516,936</b>	<b>360,385</b>	<b>(75,793)</b>	<b>14,727</b>	<b>96,221</b>	<b>21,976</b>	<b>444,115</b>	<b>483,376</b>	<b>2,724,112</b>	<b>126,470</b>	<b>2,850,582</b>