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working world**

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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 2014 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**

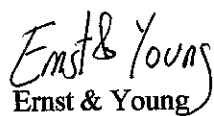
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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' judgement, 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.

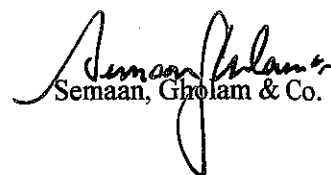
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Ernst & Young

20 March 2015  
Beirut, Lebanon

  
Semaan, Gholam & Co.

# BLOM Bank SAL

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>LL million</i>	<i>2013</i> <i>LL million</i>
Interest and similar income	7	2,165,229	2,015,256
Interest and similar expense	8	(1,313,692)	(1,218,898)
<b>Net interest income</b>		<b>851,537</b>	<b>796,358</b>
Fee and commission income		259,624	222,905
Fee and commission expense		(42,422)	(38,618)
<b>Net fee and commission income</b>	9	<b>217,202</b>	<b>184,287</b>
Net gain from financial instruments at fair value through profit or loss	10	101,157	136,946
Net gain from derecognition of financial assets at amortized cost	11	40,441	70,277
Revenue from financial assets at fair value through other comprehensive income	25	1,460	290
Other operating income	12	18,770	18,215
<b>Total operating income</b>		<b>1,230,567</b>	<b>1,206,373</b>
Net credit losses	13	(62,207)	(106,541)
Write-back of provision on other financial assets		-	1,317
<b>Net operating income</b>		<b>1,168,360</b>	<b>1,101,149</b>
Personnel expenses	14	(288,284)	(264,108)
Other operating expenses	15	(169,273)	(151,044)
Depreciation of property and equipment	26	(31,057)	(30,227)
Amortization of intangible assets	27	(1,609)	(1,681)
<b>Total operating expenses</b>		<b>(490,223)</b>	<b>(447,060)</b>
<b>Operating profit</b>		<b>678,137</b>	<b>654,089</b>
Net gain on disposal of fixed assets		558	256
<b>Profit before tax</b>		<b>678,695</b>	<b>654,345</b>
Income tax expense	16	(128,796)	(123,045)
<b>Profit for the year</b>		<b>549,899</b>	<b>531,300</b>
<b>Attributable to:</b>			
Equity holders of the parent		532,859	520,763
Non-controlling interests		17,040	10,537
		<b>549,899</b>	<b>531,300</b>
<b>Basic/diluted earnings per share attributable to equity holders of the parent for the year</b>	17	<b>2,416</b>	<b>2,377</b>

The accompanying notes 1 to 52 form part of these consolidated financial statements.

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

For the year ended 31 December 2014

	<i>2014</i> <i>LL million</i>	<i>2013</i> <i>LL million</i>
<b>Profit for the year</b>	<b>549,899</b>	<b>531,300</b>
<b>Other comprehensive loss to be reclassified to consolidated income statement in subsequent periods:</b>		
Exchange differences on translation of foreign operations	(51,376)	(94,751)
<b>Other comprehensive gain not to be reclassified to consolidated income statement in subsequent periods:</b>		
Net unrealized gain from financial assets at fair value through other comprehensive income	498	406
<b>Other comprehensive loss for the year</b>	<b>(50,878)</b>	<b>(94,345)</b>
<b>Total comprehensive income for the year</b>	<b>499,021</b>	<b>436,955</b>
<b>Attributable to:</b>		
Equity holders of the parent	494,232	458,671
Non-controlling interests	4,789	(21,716)
	<b>499,021</b>	<b>436,955</b>

The accompanying notes 1 to 52 form part of these consolidated financial statements.

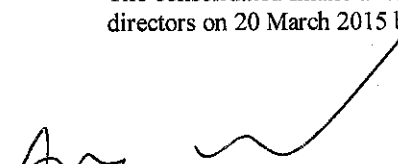
# BLOM Bank SAL


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

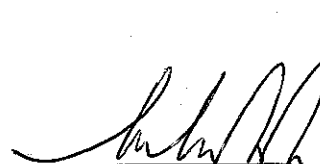
At 31 December 2014

	Notes	2014 LL million	2013 LL million
<b>Assets</b>			
Cash and balances with central banks	18	13,150,549	9,847,077
Due from banks and financial institutions	19	4,574,988	4,423,450
Loans to banks and financial institutions	20	95,288	103,758
Derivative financial instruments	21	109,234	62,611
Financial assets at fair value through profit or loss	22	792,580	944,261
Net loans and advances to customers at amortized cost	23	10,383,611	9,536,401
Net loans and advances to related parties at amortized cost	46	32,679	28,422
Debtors by acceptances		141,170	88,202
Financial assets at amortized cost	24	12,035,929	13,613,542
Financial assets at fair value through other comprehensive income	25	7,305	6,450
Property and equipment	26	619,625	536,036
Intangible assets	27	2,490	2,941
Assets obtained in settlement of debt	28	19,889	23,514
Other assets	29	154,227	148,596
Goodwill	30	52,214	53,833
<b>Total assets</b>		<b>42,171,778</b>	<b>39,419,094</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to central banks	31	384,895	108,590
Repurchase agreements	31	-	36,396
Due to banks and financial institutions	32	641,301	786,036
Derivative financial instruments	21	92,621	71,340
Financial liabilities at fair value through profit or loss	33	-	3,032
Customers' deposits at amortized cost	34	35,998,926	33,873,830
Deposits from related parties at amortized cost	46	189,913	151,042
Engagements by acceptances		141,170	88,202
Other liabilities	35	772,496	618,869
Provisions for risks and charges	36	147,378	140,911
<b>Total liabilities</b>		<b>38,368,700</b>	<b>35,878,248</b>
<b>Equity</b>			
Share capital - common shares	37	258,000	258,000
Share capital - preferred shares	37	24,000	24,000
Share premium on common shares	37	374,059	374,059
Share premium on preferred shares	37	277,500	277,500
Non distributable reserves	38	922,217	812,269
Distributable reserves	39	488,109	449,463
Treasury shares	40	(165,020)	(87,199)
Retained earnings	41	1,115,464	917,522
Revaluation reserve of real estate	42	14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	43	498	-
Foreign currency translation reserve		(138,560)	(99,095)
Profit for the year		532,859	520,763
<b>Equity attributable to equity holders of parent</b>		<b>3,703,853</b>	<b>3,462,009</b>
Non-controlling interests		99,225	78,837
<b>Total equity</b>		<b>3,803,078</b>	<b>3,540,846</b>
<b>Total liabilities and equity</b>		<b>42,171,778</b>	<b>39,419,094</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 20 March 2015 by:

  
Saad Azhari  
Chairman and General Manager

  
Habib Rahal  
General Manager

  
Talal Baba  
Chief Financial Officer

The accompanying notes 1 to 52 form part of these consolidated financial statements.

# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

2014  
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	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 2014	258,000	24,000	374,059	277,500	812,269	449,463	(87,199)	917,522	14,727	498	(99,095)	520,763	3,462,009	78,837	3,540,846
Profit for the year	-	-	-	-	-	-	-	-	-	498	(39,125)	532,859	532,859	17,040	549,899
Other comprehensive loss	-	-	-	-	-	-	-	-	-	498	(39,125)	-	(36,627)	(12,251)	(50,878)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-	-	498	(39,125)	532,859	494,232	4,789	499,021
Appropriation of 2013 profits	-	-	-	-	104,976	38,642	-	198,517	-	-	-	(342,135)	-	-	-
Dividends distributions (note 45)	-	-	-	-	-	-	-	-	-	-	-	(178,620)	(178,620)	-	(178,620)
Adjustments related to change in ownership in subsidiaries	-	-	-	-	1	4	(130,757)	(3)	-	-	-	2	4	(9)	(5)
Purchase of treasury shares (note 40)	-	-	-	-	-	-	52,936	-	-	-	-	-	(130,757)	-	(130,757)
Sale of treasury shares (note 40)	-	-	-	-	4,971	-	-	-	-	-	-	-	52,936	-	52,936
Net gain on sale of treasury shares (note 40)	-	-	-	-	-	-	-	-	-	-	-	-	4,971	-	4,971
Net gain on sale of interest shares in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase of a subsidiary company Non-controlling interest share in capital distributions in a subsidiary company	-	-	-	-	-	-	-	-	-	-	(340)	-	-	16,076	16,076
Other adjustments	-	-	-	-	-	-	-	(572)	-	-	-	-	(912)	(87)	(87)
<b>Balance at 31 December 2014</b>	<b>258,000</b>	<b>24,000</b>	<b>374,059</b>	<b>277,500</b>	<b>922,217</b>	<b>468,109</b>	<b>(165,020)</b>	<b>1,115,464</b>	<b>14,727</b>	<b>498</b>	<b>(138,560)</b>	<b>532,859</b>	<b>3,703,853</b>	<b>99,225</b>	<b>3,803,078</b>

2013  
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	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 2013	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
Profit for the year	-	-	-	-	-	-	-	-	-	406	(62,198)	520,763	520,763	17,037	537,800
Other comprehensive loss	-	-	-	-	-	-	-	-	-	406	(62,198)	-	(62,092)	(32,253)	(94,345)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-	-	406	(62,198)	520,763	458,671	(21,716)	436,955
Appropriation of 2012 profits	-	-	-	-	101,781	54,404	-	181,676	-	-	-	(337,861)	-	-	-
Dividends distributions (note 45)	-	-	-	-	-	-	-	-	-	-	-	(163,357)	(163,357)	-	(163,357)
Adjustments related to change in ownership in subsidiaries	-	-	-	-	2	17	(41,152)	(27)	-	-	-	8	8	(32)	(32)
Purchase of treasury shares (note 40)	-	-	-	-	-	-	21,255	-	-	-	-	-	(41,152)	-	(41,152)
Sale of treasury shares (note 40)	-	-	-	-	1,176	-	-	-	-	-	-	-	21,255	-	21,255
Net gain on sale of treasury shares (note 40)	-	-	-	-	-	-	-	-	-	-	-	-	1,176	-	1,176
Net gain on sale of interest shares in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase of a subsidiary company Non-controlling interest share in capital distributions in a subsidiary company	-	-	-	-	-	-	-	(10,082)	-	-	-	-	(10,082)	7,235	7,235
Adjustment relating to prior years	-	-	-	-	-	-	-	-	-	-	(99,095)	-	-	(160)	(160)
<b>Balance at 31 December 2013</b>	<b>258,000</b>	<b>24,000</b>	<b>374,059</b>	<b>277,500</b>	<b>812,269</b>	<b>449,463</b>	<b>(87,199)</b>	<b>917,522</b>	<b>14,727</b>	<b>498</b>	<b>(99,095)</b>	<b>520,763</b>	<b>3,462,009</b>	<b>78,837</b>	<b>3,540,846</b>

The accompanying notes 1 to 52 form part of these consolidated financial statements.

# BLOM Bank SAL

## CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2014

	Notes	2014 LL million	2013 LL million
<b>OPERATING ACTIVITIES</b>			
Profit for the year before income tax		678,695	654,345
Adjustments for:			
Depreciation of property and equipment	26	31,057	30,227
Amortization of intangible assets	27	1,609	1,681
Gain on disposal of property and equipment		(558)	(256)
Provision for loans and advances to customers, net	13	62,207	106,541
Provision for impairment of assets obtained in settlement of debt	28	1,749	331
Write-back of provision on other financial assets	24&29	-	(1,317)
Provision (write back) for placements with other banks	19	537	(4,466)
Net provision for risks and charges		55,731	65,874
Loss on disposal of assets obtained in settlement of debt		149	149
Net gain from sale of financial assets at amortized cost	11	(40,441)	(70,277)
Unrealized fair value gains on financial assets at fair value through profit or loss	10	(21,890)	(45,190)
Adjustment relating to prior years		(912)	(10,082)
		<u>767,933</u>	<u>727,560</u>
Changes in operating assets and liabilities:			
Balances with central banks		(2,726,106)	(2,028,865)
Due from banks and financial institutions		(357,807)	928,199
Loans to banks and financial institutions		8,470	10,852
Derivative financial instruments – debit		(46,623)	(25,529)
Financial assets at fair value through profit or loss		173,571	(51,704)
Net loans and advances to customers at amortized cost		(909,417)	(572,655)
Net loans and advances to related parties at amortized cost		(4,257)	(12,225)
Other assets		(5,631)	82
Due to banks and financial institutions		27,194	(16,663)
Derivative financial instruments – credit		21,281	18,846
Financial liabilities at fair value through profit or loss		(3,032)	(19,021)
Customers' deposits at amortized cost		2,125,096	1,223,999
Deposits from related parties at amortized cost		38,871	(26,334)
Other liabilities		153,171	(1,215)
		<u>(737,286)</u>	<u>155,327</u>
Cash (used in) from operations		(737,286)	155,327
Taxes paid		(124,852)	(95,191)
Provisions for risks and charges paid		(45,594)	(32,228)
		<u>(907,732)</u>	<u>27,908</u>
<b>INVESTING ACTIVITIES</b>			
Financial assets at amortized cost		1,618,054	765,600
Financial assets at fair value through other comprehensive income		(357)	(86)
Assets obtained in settlement of debt		1,074	1,237
Purchase of property and equipment	26	(146,175)	(119,860)
Purchase of intangible assets	27	(1,218)	(1,041)
Transfer of property and equipment and intangible assets	26&27	16,758	-
Cash proceeds from the sale of property and equipment and intangible assets		3,315	14,533
Acquisition of a subsidiary		(5)	(986)
		<u>1,491,446</u>	<u>659,397</u>
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares, net		(77,821)	(19,897)
Net gain on sale of treasury shares		4,971	1,176
Non-controlling interests		15,608	7,075
Dividends paid	45	(178,630)	(163,357)
		<u>(235,872)</u>	<u>(175,003)</u>
<b>Effect of exchange rate changes</b>			
		(44,188)	(64,385)
<b>Increase in cash and cash equivalents</b>			
		303,654	447,917
Cash and cash equivalents at 1 January		5,567,941	5,120,024
Cash and cash equivalents at 31 December	44	<u>5,871,595</u>	<u>5,567,941</u>
<b>Operational cash flows from interest and dividends</b>			
Interest paid		(1,310,943)	(1,202,426)
Interest received		2,186,724	2,030,380
Dividends received		5,888	1,717

The accompanying notes 1 to 52 form part of these consolidated financial statements.