

ANNUAL REPORT 2010



BSL

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CHAIRMAN'S LETTER



Dear esteemed shareholders and customers,

2010 was an outstanding year for BSL despite the shadow of the international and regional financial difficulties. Once again our team delivered strong results in a challenging environment. We made significant advances in our line-up of major investments projects. We also exceeded our production capacity goals, successfully restructured our downstream business to enhance competitive performance and furthered our long-term relationship with customers.

Lebanon has demonstrated strong resilience against the turmoil of the global financial crisis and we are an example of this resilience. Our bank has continued its track record of excellent performance, standing out amongst Lebanese banks. And BSL is as committed as ever to expanding within Lebanon by continuously searching for growth opportunities and the potential development of new financial products and services.

BSL adopts and implements conservative yet prudent policies. These are the catalysts that further develop our management practices, consolidate our financial strength and maintain high asset quality. The policies include strict compliance to local and international regulatory requirements; advanced risk management and corporate governance norms and standards; and international measures that fight money laundering.

Thanks to our policies, vision and team, we have accelerated growth while attracting, retaining and deepening customer relationships. We launched a number of initiatives that create value by bringing together our capabilities and taking them to all corners of the country. At BSL, we believe several paths can lead to growth. This is why we pursue multiple strategies and adapt as market conditions change and opportunities arise. We look for financial services and products that can strengthen our position, analyze different market considerations and invest in talent. We adopt services, approaches and technology that will enhance our value to customers and shareholders.

The future is bright. And yet it could be even brighter with the right approach to education since knowledge is power and progress. We must revisit the school and university systems to ensure our future work-force have the tools they need to succeed. This is why BSL sponsors culture and supports gifted youths in a bid to enrich tomorrow.

I would like to thank BSL's team for its professionalism and hard work. They are at the core of 2010's positive results. Our team remains committed to our mission, vision and plan to offer clients the most effective and efficient services strengthened by trust, support and dedication.

Ramsay El Khoury
Chairman - General Manager

MANAGEMENT AND DIRECTORS

BOARD OF DIRECTORS

Mr. Ramsay El Khoury - Chairman and Managing Director
Mrs. Mia El-Khoury Ayoub
Mr. Roland Pringuey
Me. Michel Tueini
Mr. Georges Hatem
Mr. Henri Nashawati
Mr. Riad Mansour

GENERAL MANAGER

Mr. Selim Stephan

LEGAL COUNSELOR

Me. Joseph Naim

AUDITORS

Messrs KPMG
Messrs PricewaterhouseCoopers

INTERNAL AUDIT

Mr. Allam Sleiman

COMPLIANCE AND CONTROL UNIT

Mr. Jean Kassab

MANAGERS

Mrs. Rita Zein - Administrative Manager

Mr. Camille Choueiry - Commercial Banking Manager

Mr. Antoine Menhem - Operations Manager

Mr. Fady Abou Diwan - Credit / Risk Manager

Mr. Antoine Daoud - Financial Manager

Mrs. Maya Azzi - Capital Markets and Treasury Manager

EXECUTIVE MANAGERS

Mr. Mansour Saouma - IT Manager

Mrs. Hugnette Rayess - Commercial Banking Manager

Mr. Kamal Abi Fadel - Commercial Banking Manager





CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS



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To the shareholders of
Societe Nouvelle de la Banque de Syrie et du Liban S.A.L.

We have audited the accompanying consolidated financial statements of Societe Nouvelle de la Banque de Syrie et du Liban S.A.L. (the "Bank or the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Lebanese Banking Laws and Regulations, and for such internal control as management determines is necessary to enable the preparation of 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 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the 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 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 give a true and fair view of the consolidated financial position of the Bank as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Lebanese Banking Laws and Regulations.

21 June 2011
Beirut, Lebanon

In millions of LBP as of December 31 st	NOTE	2010	2009
ASSETS			
Cash and balances with central bank	7	181,413	160,856
Banks and financial institutions	8	196,395	143,988
Financial assets held for trading	9	1,776	3,296
Net loans and advances to customers *	10	130,645	120,598
Net loans and advances to related parties	32	856	1,144
Debtors by acceptances		3,061	814
Financial assets classified as available for sale	11	218,481	177,331
Financial assets classified as loans and receivables	12	178,097	169,659
Financial assets classified as held to maturity	13	241,546	274,541
Investment property	14	18,442	26,348
Property and equipment	15	30,382	18,487
Intangible fixed assets		110	125
Property acquired in settlement of debts	16	6,668	6,951
Revaluation reserve of other properties	17	7,135	10,604
Other assets	18	4,158	4,236
Total assets		1,219,165	1,118,978
LIABILITIES			
Due to banks and financial institutions	19	7,169	11,076
Customers' deposits	20	1,027,428	939,862
Related parties' deposits	32	50,356	44,637
Engagement by acceptances		3,061	814
Current tax liabilities		1,441	811
Other liabilities	21	3,759	5,415
Employee benefit obligations	23	3,890	3,951
Total liabilities		1,097,104	1,006,566
EQUITY			
Share capital	24	46,920	46,920
Capital reserves	25	20,682	14,902
Revaluation reserve accepted as supplementary capital		8,070	4,601
Revaluation reserve of real estate		20,648	24,117
Cumulative changes in fair value	26	13,628	10,988
Other reserves		1,648	1,378
Result of the financial year		6,774	5,827
Total equity		118,370	108,733
Non-controlling interests		3,691	3,679
Total liabilities and equity		1,219,165	1,118,978
* After deducting:			
Interest on substandard, doubtful and bad loans		27,857	32,294
Specific provisions for doubtful and bad loans		7,613	8,844
Provision based on collective assessment		998	489

See accompanying notes to financial statements

In millions of LBP as of December 31 st	NOTE	2010	2009
Interest income	27	63,183	62,893
Interest expense	27	(45,425)	(46,034)
Net interest income		17,758	16,859
Fees and commissions income		3,586	3,414
Fees and commissions expense		(180)	(184)
Net fee and commission income		3,406	3,230
Net gain on trading activities	28	206	674
Net gain on financial investments		3,095	2,429
Net gain on foreign exchange		377	357
Other operating income		537	1,076
Total operating income		25,379	24,625
Net recoveries on loans and advances to customers		2,775	1,003
Net operating income		28,154	25,628
Personnel charges	29	(9,233)	(9,038)
Depreciation of property and equipment		(2,088)	(1,882)
Amortisation of intangible assets		(15)	(15)
Administrative expenses		(6,963)	(6,562)
Other operating expenses		(1,273)	(597)
Profit before income tax		8,582	7,534
Income tax expense	30	(1,796)	(1,682)
Profit for the year		6,786	5,852
Other comprehensive income			
Fair value reserve of available for sale financial assets			
Net change in fair value		2,640	14,421
Total other comprehensive income for the year		2,640	14,421
Total comprehensive income for the year		9,426	20,273
Profit attributable to:			
Equity holders of the Bank		6,774	5,827
Non-controlling interests		12	25
Profit for the year		6,786	5,852
Total comprehensive income attributable to:			
Equity holders of the Bank		2,640	14,421
Total comprehensive income for the year		2,640	14,421

See accompanying notes to financial statements

Consolidated Financial Statements | Consolidated Statement of Changes in Equity

In millions of LBP as of December 31 st	Share capital	Capital reserves	Revaluation reserve accepted as supplementary capital
Balances at 1 January 2009	36,225	21,094	4,601
Total comprehensive income for the year			
Profit for the year	–	–	–
Other comprehensive income			
Fair value reserve of available for sale financial assets			
Net change in fair value	–	–	–
Total other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with owners, recorded directly in equity			
Increase of capital	10,695	(10,695)	–
Transfer to other reserves	–	–	–
Transfers to capital reserves	–	4,503	–
Transactions with owners, recorded directly in equity	10,695	(6,192)	–
Balances at 31 December 2009	46,920	14,902	4,601
Balances at 1 January 2010	46,920	14,902	4,601
Total comprehensive income for the year			
Profit for the year	–	–	–
Other comprehensive income			
Fair value reserve of available for sale financial assets			
Net change in fair value	–	–	–
Total other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with owners, recorded directly in equity			
Increase of revaluation reserve accepted as supplementary capital	–	–	3,469
Transfer from retained earnings	–	5,538	–
Release of reserve for sale of non-current assets held for sale	–	19	–
Reserve for capital increase	–	223	–
Transactions with owners, recorded directly in equity	–	5,780	3,469
Balances at 31 December 2010	46,920	20,682	8,070

See accompanying notes to financial statements

Revaluation reserve of real estate	Cumulative changes in fair value	Other reserves	Result of the financial year	Total	Non-controlling interests	Total equity
24,167	(3,433)	1,194	4,637	88,485	3,654	92,139
–	–	–	5,827	5,827	25	5,852
–	14,421	–	–	14,421	–	14,421
–	14,421	–	–	14,421	–	14,421
–	14,421	–	5,827	20,248	25	20,273
–	–	–	–	–	–	–
–	–	184	(184)	–	–	–
(50)	–	–	(4,453)	–	–	–
(50)	–	184	(4,637)	–	–	–
24,117	10,988	1,378	5,827	108,733	3,679	112,412
24,117	10,988	1,378	5,827	108,733	3,679	112,412
–	–	–	6,774	6,774	12	6,786
–	2,640	–	–	2,640	–	2,640
–	2,640	–	–	2,640	–	2,640
–	2,640	–	6,774	9,414	12	9,426
(3,469)	–	–	–	–	–	–
–	–	289	(5,827)	–	–	–
–	–	(19)	–	–	–	–
–	–	–	–	223	–	223
(3,469)	–	270	(5,827)	223	–	223
20,648	13,628	1,648	6,774	118,370	3,691	122,061

See accompanying notes to financial statements

In millions of LBP as of December 31 st	NOTE	2010	2009
Cash flows from operating activities			
Profit for the year		6,786	5,852
Adjustments for:			
Depreciation and amortisation		2,103	1,897
Recoveries on loans and advances to customers		(9,573)	(1,741)
Impairment losses on loans and advances to customers		2,209	854
Write-back of provision for risks and charges		–	(19)
Gain on sale of investment securities		(3,062)	(2,373)
Gain on sale of property acquired in settlement of debts		(223)	(12)
Net interest income		(17,758)	(16,859)
Income tax expense		1,796	1,682
		(17,722)	(10,719)
Change in balances with Central Bank		(13,908)	(12,131)
Change in banks and financial institutions		(33,524)	–
Change in financial assets held for trading		1,779	1,871
Change in net loans and advances to customers		(2,683)	(23,577)
Change in net loans and advances to related parties		288	(23)
Change in other assets		78	(181)
Change in due to banks and financial institutions		(3,908)	1,798
Change in customers' and related parties' deposits		93,058	79,916
Change in other liabilities		(1,656)	2,358
Change in employee benefit obligations		(61)	(80)
		21,741	39,232
Interest received		63,195	62,585
Interest paid		(45,197)	(46,065)
Income tax paid		(1,166)	(1,721)
Net cash from operating activities		38,573	54,031
Cash flows from investing activities			
Purchase of investment securities		(11,010)	(50,365)
Purchase of investment properties		(168)	(937)
Purchase of property and equipment		(2,440)	(1,985)
Proceeds from sale of property acquired in settlement of debt		506	53
Net cash used in investing activities		(13,112)	(53,234)
Net increase in cash and cash equivalents	31	25,461	797
Cash and cash equivalents at 1 January		148,152	147,355
Cash and cash equivalents at 31 December	31	173,613	148,152

See accompanying notes to financial statements

In millions of LBP as of December 31 st	2010	2009
Financing Commitments		
Financing commitments given to customers	44,324	39,849
Guarantees		
Guarantees given to banks and financial institutions	1,564	6,466
Guarantees received from banks and financial institutions	1,354	1,230
Guarantees given to customers	11,189	12,986
Guarantees received from customers	328,394	298,365
Operations in foreign currencies		
Foreign currencies to receive	40	2,820
Foreign currencies to deliver	40	2,751
Contingencies on legal disputes	17,064	25,027
Fiduciary deposits	151	151
Bad loans fully provided for	57,948	51,408

See accompanying notes to financial statements

NETWORK AND ADDRESSES

Network and Addresses

HEAD OFFICE

Location: Riad Solh – Beirut BSL Bldg, Banks Street
P.O.Box: 11-957
Tel: 01-980080
Fax: 01-980991
Swift: SONBLBBE
Email: info@bsl.com.lb
Website: www.bsl.com.lb

BRANCHES - BEIRUT AND SUBURBS

ACHRAFIEH

Location: Achrafieh – Beirut Khayat Bldg, Sioufi Street
Tel: 01-200121 | 01-320211 | 01-337340
Fax: 01-337340

BURJ HAMMOUD

Location: Burj Hammoud – Jamgotchian Bldg, Arminia Street
Tel: 01-266992 | 01-262527
Fax: 01-262527

DBAYEH

Location: Dbayeh – Naccache, BSL Bldg, Dbayeh Highway
Tel: 04-402420 /2 | 04-417509
Fax: 04-415985

DORA

Location: Dora – United Court Bldg, Dora Highway
Tel: 01-262090 | 01-264785 | 01-268037
Fax: 01-264785 | 01-264656

HAMRA

Location: Hamra – Abu El Hessen Bldg, Makdessi Street
Tel: 01-342750 | 01-353084 | 01-349711
Fax: 01-353084

HAZMIEH

Location: Hazmieh – Baabda Mallat Center, Damascus Road
Tel: 05-457640 /1 | 05-454686
Fax: 05-457641

MAR ELIAS

Location: Mar Elias – Chehadeh Bldg, Mar Elias Street
Tel: 01-818122 /3
Fax: 01-818122

RIAD SOLH

Location: Riad Solh – Beirut BSL Bldg, Banks Street
Tel: 01-980071 /6
Fax: 01-980073

SAINT NICOLAS

Location: Saint Nicolas – Zen Bldg, Charles Malek Avenue
Tel: 01-200340 /1 | 01-218751
Fax: 01-218751

SAMI SOLH

Location: Sami Solh – Joseph Chahine Bldg, Sami Solh Avenue
Tel: 01-389398 | 01-387795
Fax: 01-389398

KESRWAN

JOUNIEH

Location: Jounieh – Haret Sakher, Athénée Center
Tel: 09-913880 /5 | 09-915517
Fax: 09-913885

NORTH

TRIPOLI

Location: Tripoli – BSL Bldg, Tell Square
Tel: 06-430042 /3/4/5/6
Fax: 06-430044

ZGHORTA

Location: Zghorta – BSL Bldg, Sleiman Frangieh Boulevard
Tel: 06-662667 /8
Fax: 06-430044

SOUTH

SAIDA

Location: Saida – BSL Bldg, Riad Solh Street
Tel: 07-720402 /2/4
Fax: 07-720401

TYR

Location: Tyr – Assawira Bldg, Principal Street
Tel: 07-740056 | 07-740294
Fax: 07-740056

BEKAA

BAALBECK

Location: Baalbeck – BSL Bldg, Square Khalil Moutran
Tel: 08-370333 | 08-370447 | 08-371876
Fax: 08-371876

ZAHLEH

Location: Zahleh – BSL Bldg, Zahleh Boulevard
Tel: 08-823033/7 | 08-823287
Fax: 08-823033

CORRESPONDENT BANKS

Correspondent Banks

U.A.E

Sharjah

Bank of Sharjah

CYPRUS

Nicosia

Marfin Popular Bank Public Co. Ltd

NORTH AFRICA

Egypt – Cairo

National Bank of Egypt

Alexandria

Banque Misr Alexandrie – Attarine

FAR EAST

Japan – Tokyo

The Bank of New York

AUSTRALIA

Sydney

Westpac Banking Corporation

NORTH AMERICA

USA – New York

American Express Bank Ltd

The Bank of New York

Canada – Toronto

Royal Bank of Canada

EUROPE

Austria – Vienna

Bank Austria Creditanstalt A.G.

Denmark – Copenhagen

Danske Bank

France – Paris

Bank Audi Saradar France

BLOM Bank France SA

Germany – Frankfurt

Commerzbank AG

Italy – Milano

Intesa San Paolo SPA

Netherlands – Amsterdam

G.E. Artesia Bank

Norway – Oslo

DNB NOR Bank ASA Oslo NO

Spain – Madrid

Banco Bilbao Vizcaya Argentaria SA

Sweden – Stockholm

Skandinaviska Enskilda Banken

United Kingdom – London

Standard Chartered Bank

Switzerland – Geneva

BLOM Bank (Switzerland) SA

