

SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Consolidated Financial Statements

31 December 2010

(With Independent Auditors' Report Thereon)

SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Condoliated statement of financial position

As at 31 December

In millions of Lebanese Pound

| | 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 |

The notes on pages 8 to 48 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issue by the Chairman of the Board of Directors on 21 June 2011.

Ramsay El Khoury
Chairman

SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Consolidated statement of comprehensive income

For the year ended 31 December

| <i>In millions of Lebanese Pound</i> | 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 |

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SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Consolidated statement of changes in equity

For the year ended 31 December 2009

In millions of Lebanese Pound

| | Share capital | Capital reserves | Revaluation reserve accepted as supplementary capital | Revaluation reserve of real estate | Cumulative changes in fair value | Other reserves | Result of the financial year | Total | Non-controlling interests | Total equity |
|--|---------------|------------------|---|------------------------------------|----------------------------------|----------------|------------------------------|---------|---------------------------|--------------|
| Balances at 1 January 2009 | 36,225 | 21,094 | 4,601 | 24,167 | (3,433) | 1,194 | 4,637 | 88,485 | 3,654 | 92,139 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 5,827 | 5,827 | 25 | 5,852 |
| Other comprehensive income | | | | | | | | | | |
| Fair value reserve of available for sale financial assets | | | | | | | | | | |
| Net change in fair value | - | - | - | - | 14,421 | - | - | 14,421 | - | 14,421 |
| Total other comprehensive income | - | - | - | - | 14,421 | - | - | 14,421 | - | 14,421 |
| Total comprehensive income for the year | - | - | - | - | 14,421 | - | 5,827 | 20,248 | 25 | 20,273 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Increase of capital | 10,695 | (10,695) | - | - | - | - | - | - | - | - |
| Transfer to other reserves | - | - | - | - | - | 184 | (184) | - | - | - |
| Transfers to capital reserves | - | 4,503 | - | (50) | - | - | (4,453) | - | - | - |
| Transactions with owners, recorded directly in equity | 10,695 | (6,192) | - | (50) | - | 184 | (4,637) | - | - | - |
| Balances at 31 December 2009 | 46,920 | 14,902 | 4,601 | 24,117 | 10,988 | 1,378 | 5,827 | 108,733 | 3,679 | 112,412 |

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SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Consolidated statement of changes in equity

For the year ended 31 December 2010

| <i>In millions of Lebanese Pound</i> | Share capital | Capital reserves | Revaluation reserve accepted as supplementary capital | Revaluation reserve of real estate | Cumulative changes in fair value | Other reserves | Result of the financial year | Total equity | Non-controlling interests | Total equity |
|---|---------------|------------------|---|------------------------------------|----------------------------------|----------------|------------------------------|----------------|---------------------------|----------------|
| Balances at 1 January 2010 | 46,920 | 14,902 | 4,601 | 24,117 | 10,988 | 1,378 | 5,827 | 108,733 | 3,679 | 112,412 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | 6,774 | 6,774 | 12 | 6,786 |
| Other comprehensive income | | | | | | | | | | |
| Fair value reserve of available for sale financial assets | | | | | | | | | | |
| Net change in fair value | – | – | – | – | 2,640 | – | – | 2,640 | – | 2,640 |
| Total other comprehensive income | – | – | – | – | 2,640 | – | – | 2,640 | – | 2,640 |
| Total comprehensive income for the year | – | – | – | – | 2,640 | – | 6,774 | 9,414 | 12 | 9,426 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Increase of revaluation reserve accepted as supplementary capital | – | – | 3,469 | (3,469) | – | – | – | – | – | – |
| Transfer from retained earnings | – | 5,538 | – | – | – | 289 | (5,827) | – | – | – |
| Release of reserve for sale of non-current assets held for sale | – | 19 | – | – | – | (19) | – | – | – | – |
| Reserve for capital increase | – | 223 | – | – | – | – | – | 223 | – | 223 |
| Transactions with owners, recorded directly in equity | – | 5,780 | 3,469 | (3,469) | – | 270 | (5,827) | 223 | – | 223 |
| Balances at 31 December 2010 | <u>46,920</u> | <u>20,682</u> | <u>8,070</u> | <u>20,648</u> | <u>13,628</u> | <u>1,648</u> | <u>6,774</u> | <u>118,370</u> | <u>3,691</u> | <u>122,061</u> |

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SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Consolidated statement of cash flows

For the year ended 31 December

| | Note | 2010 | 2009 |
|---|------|-----------------|-----------------|
| <i>In millions of Lebanese Pound</i> | | | |
| 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 |

SOCIETE NOUVELLE DE LA BANQUE DE SYRIE ET DU LIBAN S.A.L.

Off Balance sheet

As at 31 December

In millions of Lebanese Pound

| | 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 |