

ANNUAL REPORT 2009



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TABLE OF CONTENTS

Chairman's Letter	3
Management & Directors	7
Independent Auditors' Report	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Comprehensive Income	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	18
Off Balance Sheet	19
Notes to the Consolidated Financial Statements	20
Network & Addresses	55
Correspondent Banks	59



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CHAIRMAN'S LETTER

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CHAIRMAN'S LETTER



Dear esteemed shareholders and customers,

2009 saw BSL demonstrate, yet again, its resilience in the face of the difficult economic climate and challenging business environment. We succeeded in continuing the solid growth in our balance sheet and profits while maintaining client satisfaction.

The financial services industry faced daunting hurdles during the year, coupled with the general world economy struggling to recover from the pressing consequences of the extremely serious recession. The western economies paid dearly the consequences of perilous credit strategies adopted by large international banks and camouflaged in the name of financial engineering: we witnessed the fall of the Too big to fail theory, the burst of artificial regional bubbles, and the return of the conservative credit approaches to lending, to which BSL remains loyal.

In light of the general turmoil, the world political and financial leaders are called upon to return to the strict application of sound banking practices: they should acknowledge that such practices can only be implemented in the presence of human capital of the highest quality, in line with the values that have been long upheld by institutions over the years. To respect these values is to give credit to the experiences of consecutive generations of financiers and bankers: such experiences transcend the financial tools that are continuously evolving in the banking industry.

True to these values and principles, BSL has shown its ability to sustain its expansion, remaining in line with responsible banking practices, and inspiring trust in shareholders, customers, counterparts and the country at large. The financial achievements contained in this annual report reflect the continued strengths and successes of BSL. We were able to expand our customer base and even ventured into a more active lending activity while upholding a prudent risk management strategy, which translated into a 25% growth in the lending portfolio.

CHAIRMAN'S LETTER

The great results don't stop here. Shareholders' consolidated equity and net profit grew respectively by 23%, and 27%. BSL continues to provide a sound capital base for its operations and enjoys some of the best financial indicators in the industry in terms of capital adequacy and liquidity ratios.

2009 witnessed a continual expansion in all our operations, with a key emphasis on retail banking. This empowers BSL to further diversify its risks and to offer its esteemed clientele an ever-evolving selection of banking products and services that optimally address tomorrow's needs today.

BSL is here for you and your best interests. With us, you can bank on trust and efficiency as we cater to all your banking needs and demonstrate the utmost commitment to a culture of risk management and compliance.

We are set for a promising 2010. I would like to take this opportunity to thank the BSL team for its professionalism and hard work. It is the diligence and contributions of each member of the BSL family that allow us to develop, move forward and get results. I would also like to thank the shareholders and investors for their unwavering support and faith in this prominent bank. Together the future is prosperous.

Ramsay El Khoury
Chairman - General Manager



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MANAGEMENT AND DIRECTORS

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

COMPLIANCE UNIT

Mr. Jean Kassab

MANAGEMENT AND DIRECTORS

EXECUTIVE MANAGERS

Mr. Antoine Menhem

Network Manager

Mr. Fady Abou Diwan

Credit / Risk Manager

Mrs. Rita Zein

Administrative Manager

Mr. Antoine Daoud

Accountant Manager

Mr. Mansour Saouma

IT Manager

Mrs. Maya Azzi

Capital Markets and Treasury Manager

Mr. Kamal Abi Fadel

Commercial Banking Manager

Mrs. Huguette Rayess

Commercial Banking Manager

Mr. Camille Choueiry

Commercial Banking Manager



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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT



Lazarieh Building - Block A 3
P.O. Box: 11-8270
Beirut, Lebanon
Telephone : + 961 (01) 985501 - 985502
Fax : + 961 (01) 985503

To the Shareholders
Societe Nouvelle de la Banque de Syrie et du Liban SAL

We have audited the accompanying consolidated financial statements of Societe Nouvelle de la Banque de Syrie et du Liban SAL (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, 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 consolidated financial statements in accordance with Lebanese Banking Laws and Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Lebanese Banking Laws and Regulations.

13 April 2010
Beirut, Lebanon

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

in millions of LBP as of December 31st	NOTES	2009	2008
Cash and balances with central bank	7	160,856	149,352
Banks and financial institutions	8	143,988	142,844
Financial assets held for trading	9	3,296	5,095
Net loans and advances to customers *	10	120,598	96,134
Net loans and advances to related parties	31	1,144	1,121
Debtors by acceptances		814	2,962
Financial assets classified as available for sale	11	176,466	159,644
Financial assets classified as loans and receivables	12	169,659	90,477
Financial assets classified as held to maturity	13	274,541	302,870
Investment in associates and subsidiaries		865	865
Investment property	14	26,348	26,033
Tangible fixed assets	15	18,487	17,762
Intangible fixed assets		125	140
Property acquired in settlement of debts	16	6,951	6,992
Revaluation reserve of other properties	17	10,604	10,604
Other assets	18	4,236	4,055
Total assets		1,118,978	1,016,950

LIABILITIES

Due to banks and financial institutions	19	11,076	9,279
Customers' deposits	20	984,499	904,613
Engagement by acceptances		814	2,962
Current tax liabilities		811	850
Other liabilities	21	5,370	3,012
Provisions for risks and charges	22	45	64
Employee benefit obligations	23	3,951	4,031
Total liabilities		1,006,566	924,811

EQUITY

Share capital	24	46,920	36,225
Capital reserves	25	14,902	21,094
Revaluation reserve accepted as supplementary capital		4,601	4,601
Revaluation reserve of other properties		24,117	24,167
Cumulative changes in fair value		10,988	(3,433)
Other reserves		1,378	1,194
Result of the financial year		5,827	4,637
Total equity		108,733	88,485
Non-controlling interest		3,679	3,654
Total liabilities and equity		1,118,978	1,016,950

* After deducting:

Interest on substandard, doubtful and bad loans		32,294	32,377
Specific provisions for doubtful and bad loans		8,844	8,402
Provision based on collective assessment		489	372

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of LBP as of December 31st	NOTES	2009	2008
Interest income	26	62,893	59,859
Interest expense	26	(46,034)	(42,801)
Net interest income		16,859	17,058
Fee and commission income		2,086	1,867
Fee and commission expense		(184)	(191)
Net fee and commission income		1,902	1,676
Net gain on trading activities	27	674	641
Net gain on financial investment		2,429	118
Net gain on foreign exchange		357	375
Other operating income		2,404	2,470
Total operating income		24,625	22,338
Net recoveries on loans and advances to customers		1,003	918
Net operating income		25,628	23,256
Personnel charges	28	(9,038)	(8,540)
Depreciation of tangible fixed assets		(1,882)	(1,758)
Amortization of intangible fixed assets		(15)	(11)
Administrative expenses		(6,562)	(5,464)
Other operating expenses		(597)	(698)
Profit before income tax		7,534	6,785
Income tax expense	29	(1,682)	(2,174)
Profit for the year		5,852	4,611
Other comprehensive income			
Fair value reserve of available-for-sale financial assets			
Net change in fair value		14,421	(96)
Total other comprehensive income for the year		14,421	(96)
Total comprehensive income for the year		20,273	4,515
Profit attributable to:			
Equity holders of the Bank		5,827	4,637
Non-controlling interest		25	(26)
Profit for the year		5,852	4,611
Total comprehensive income attributable to:			
Equity holders of the Bank		14,421	(96)
Total comprehensive income for the year		14,421	(96)

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserves	Revaluation reserve accepted as supplementary capital
<i>in millions of LBP as of December 31st</i>			
Balance at 1 January 2008	36,225	18,435	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			
Transfers to reserves	–	2,658	–
Balance at 31 December 2008	36,225	21,094	4,601
Balance 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)	–
Balance at 31 December 2009	46,920	14,902	4,601

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Revaluation reserve of real estate	Cumulative changes in fair value	Other reserves	Result of the financial year	Total	Non controlling interest	Total equity
24,230	(3,337)	1,194	2,595	83,944	3,680	87,624
–	–	–	4,637	4,637	(26)	4,611
–	(96)	–	–	(96)	–	(96)
–	(96)	–	–	(96)	–	(96)
–	(96)	–	4,637	4,541	(26)	4,515
(63)	–	–	(2,595)	–	–	–
24,167	(3,433)	1,194	4,637	88,485	3,654	92,139
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

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

in millions of LBP as of December 31st	NOTES	2009	2008
Cash flows from operating activities			
Profit for the year		5,852	4,611
Adjustments for:			
Depreciation and amortization		1,897	1,769
Recoveries on loans and advances to customers		(1,741)	(1,022)
Impairment losses on loans and advances to customers		854	104
(Write-back) Provisions for risks and charges		(19)	331
Gain on sale of investment securities		(2,373)	(118)
Gain from sales of fixed assets		–	(1)
Gain on sale on real estate in settlement of debts		(12)	(12)
Write back on liquidate property acquired in settlement of debt		–	(737)
Net interest income		(16,859)	(17,058)
Income tax expense		1,682	2,174
		(10,719)	(9,959)
Change in balances with Central Bank		(12,131)	(11,672)
Change in banks and financial institutions		–	(10,000)
Change in financial assets held for trading		1,871	(690)
Change in net loans and advances to customers		(23,577)	(22,172)
Change in net loans and advances to related parties		(23)	(53)
Change in other assets		(181)	(2,781)
Change in due to banks and financial institutions		1,798	5,615
Change in customers' deposits		79,916	139,013
Change in other liabilities		2,358	1,327
Change in employee benefit obligations		(80)	–
		39,232	88,628
Interest received		62,585	56,739
Interest paid		(46,065)	(42,579)
Income tax paid		(1,721)	(2,902)
Net cash from operating activities		54,031	99,886
Cash flows from investing activities			
Purchase (proceeds) of investment securities		(50,365)	(74,272)
Purchase of tangible fixed assets		(2,922)	(1,460)
Purchase of intangible assets		–	(153)
Acquisition of property acquired in settlement of debt		–	(54)
Proceeds from sale of property acquired in settlement of debt		53	2,195
Proceeds from sale of fixed assets		–	35
Net cash used in investing activities		(53,234)	(73,709)
Net increase in cash and cash equivalents	30	797	26,177
Cash and cash equivalents at 1 January		147,355	121,178
Cash and cash equivalents at 31 December	30	148,152	147,355

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS

OFF BALANCE SHEET

in millions of LBP as of December 31st	2009	2008
Financing Commitments		
Financing commitments given to customers	39,849	40,507
Guarantees		
Guarantees given to banks and financial institutions	6,466	4,032
Guarantees received from banks and financial institutions	1,230	1,390
Guarantees given to customers	12,985	12,439
Guarantees received from customers	298,365	271,454
Operations in foreign currencies		
Foreign currencies to receive	2,820	1,393
Foreign currencies to deliver	2,751	1,320
Contingencies on legal disputes	25,027	25,027
Fiduciary deposits	151	151
Bad loans fully provided for	51,408	47,173

See accompanying notes to financial statements



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NETWORK AND ADDRESSES

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LOCAL

Head Office

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

Ashrafie

Ashrafie – Beirut Khayat Bldg,
Sioufi Street
Tel : 01-200121 | 01-320211
Fax : 01-200121

Burj Hammoud

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

Dbaye

Dbaye – Naccache, BSL Bldg,
Dbaye Highway
Tel : 04-402420 /1/2 | 04-417509
Fax : 04-415985

Dora

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

Hamra

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

Hazmie

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

NETWORK AND ADDRESSES

Jounie

Jounie – Haret Sakher,
Athénée Center
Tel : 09-913885 /1 | 09-915517
Fax : 09-913885 /1 | 09-915517

Mar Elias

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

Riad Solh

Riad Solh – Beirut BSL Bldg,
Bank's Street
Tel : 01-980071
Fax : 01-980073

Saint Nicolas

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

Sami Solh

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

Tripoli

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

Zghorta

Zghorta – BSL Bldg,
Sleiman Frangieh Boulevard
Tel : 06-662667 /8
Fax : 06-660856

Saida

Saida – BSL Bldg,
Riad Solh Street
Tel : 07-720402 | 07-740294
Fax : 07-720401

Tyr

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

Baalbeck

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

Zahlé

Zahlé – BSL Bldg,
Zahlé Boulevard
Tel : 08-823287 | 08-823033
Fax : 08-823033



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CORRESPONDENT BANKS

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CORRESPONDENT BANKS

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Sharjah
Bank of Sharjah

CYPRUS

Nicosia
Marfin Popular Bank Public Co. Ltd

NORTH AFRICA

Egypt – Cairo
National Bank of Egypt

Alexandria – Attarine
Banque Misr Alexandrie

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

CORRESPONDENT BANKS

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



Société Nouvelle de la
Banque de Syrie et du Liban sal