

# Consolidated Financial Statements

31 December 2009



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK AUDI SAL – AUDI SARADAR GROUP

We have audited the accompanying consolidated financial statements of Bank Audi SAL – Audi Saradar Group and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 December 2009, the consolidated income statement and 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 notes.

### Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 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 the auditors' 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, the auditor considers 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 present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

23 March 2010  
Beirut, Lebanon

Semaan, Gholam & Co

## Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 LBP (000)	2008 LBP (000)
Interest and similar income	5	1,880,992,436	1,729,336,931
Interest and similar expense	6	(1,241,820,422)	(1,091,656,429)
<b>NET INTEREST INCOME</b>		<b>639,172,014</b>	<b>637,680,502</b>
Fee and commission income	7	265,499,438	253,608,931
Fee and commission expense	7	(43,638,184)	(40,865,080)
<b>NET FEE AND COMMISSION INCOME</b>		<b>221,861,254</b>	<b>212,743,851</b>
Net trading income	8	111,489,088	67,406,174
Net gain (loss) on financial assets designated at fair value through profit or loss	9	958,639	(34,709,164)
Net gain on financial investments	10	77,183,045	46,870,475
Other operating income		56,329,294	66,532,429
<b>TOTAL OPERATING INCOME</b>		<b>1,106,993,334</b>	<b>996,524,267</b>
Net credit losses	11	(35,013,746)	(7,546,809)
Impairment loss on financial instruments	12	(11,746,470)	(13,147,677)
<b>NET OPERATING INCOME</b>		<b>1,060,233,118</b>	<b>975,829,781</b>
Personnel expenses	13	(303,028,267)	(299,390,549)
Depreciation of property and equipment	27	(35,354,571)	(31,736,871)
Amortisation of intangibles assets	28	(7,388,688)	(6,208,415)
Impairment of goodwill	31	-	(1,267,841)
Other operating expenses	14	(192,192,187)	(209,049,715)
<b>TOTAL OPERATING EXPENSES</b>		<b>(537,963,713)</b>	<b>(547,653,391)</b>
<b>OPERATING PROFIT</b>		<b>522,269,405</b>	<b>428,176,390</b>
Share of profit of associates under equity method	26	1,657,893	3,710,843
Net gain (loss) on disposal of assets		2,536,513	(2,910,374)
<b>PROFIT BEFORE TAX</b>		<b>526,463,811</b>	<b>428,976,859</b>
Income tax	15	(90,871,253)	(70,084,691)
<b>Profit after tax from operating activities</b>		<b>435,592,558</b>	<b>358,892,168</b>
<b>PROFIT FOR THE YEAR</b>		<b>435,592,558</b>	<b>358,892,168</b>
<b>Attributable to:</b>			
Equity holders of the parent		419,453,155	351,547,718
Minority interest		16,139,403	7,344,450
Basic earnings per share	16	12.063	9.764
Diluted earnings per share	16	11.752	9.288

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 LBP (000)	2008 LBP (000)
<b>PROFIT FOR THE YEAR</b>		<b>435,592,558</b>	<b>358,892,168</b>
Exchange differences on translation of foreign operations	46	15,510,096	(27,585,009)
Net (loss) gain on cash flow hedges	46	(1,257,709)	1,257,709
Net gain (loss) on available for sale financial assets*		165,396,105	(9,448,372)
Income tax		(20,378,691)	(1,037,983)
	46	145,017,414	(10,486,355)
Other comprehensive income (loss), net of tax		159,269,801	(36,813,655)
<b>Total comprehensive income for the period, net of tax</b>		<b>594,862,359</b>	<b>322,078,513</b>
<b>Attributable to:</b>			
Equity holders of the parent		578,722,956	314,734,063
Minority interest		16,139,403	7,344,450
		594,862,359	322,078,513
* Available for sale financial assets:			
Gains (losses) arising during the period		152,132,389	(19,910,078)
Fair value gains transferred to income statement on disposal	10	26,616,046	23,609,383
Amounts transferred to the income statement in respect of impairment losses	12	(13,352,330)	(13,147,677)
		165,396,105	(9,448,372)

## Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 LBP (000)	2008 LBP (000)
<b>ASSETS</b>			
Cash and balances with central banks	17	6,206,156,293	4,440,912,539
Due from banks and financial institutions	18	7,737,364,110	5,460,552,948
Derivative financial instruments	19	38,436,439	48,442,051
Financial assets held for trading	20	835,042,479	21,142,253
Financial assets designated at fair value through profit or loss		-	324,104,505
Loans and advances to customers	21	9,930,856,223	8,982,760,985
Loans and advances to related parties	22	239,824,175	256,876,352
Debtors by acceptances	50	284,422,998	234,396,245
Available for sale financial instruments	23	6,003,316,357	3,809,668,101
Financial assets classified as loans and receivables	24	7,298,526,697	5,910,767,280
Financial instruments held to maturity	25	367,378,773	259,918,374
Investments in associates	26	31,697,269	33,123,593
Property and equipment	27	503,489,670	433,407,201
Intangible fixed assets	28	25,905,687	18,547,241
Non-current assets held for sale	29	29,261,024	38,533,656
Deferred taxes assets	15	2,416,603	10,852,427
Other assets	30	174,832,706	236,740,885
Goodwill	31	218,746,364	209,674,694
<b>TOTAL ASSETS</b>		<b>39,927,673,867</b>	<b>30,730,421,330</b>
<b>LIABILITIES</b>			
Due to central banks	32	133,359,003	-
Due to banks and financial institutions	33	775,059,042	699,149,736
Derivative financial instruments	19	28,630,659	46,588,397
Customers' deposits	34	34,382,301,284	25,898,206,481
Deposits from related parties	35	267,874,328	237,029,650
Debt issued and other borrowed funds	36	153,147,545	153,147,545
Engagements by acceptances	50	284,422,998	234,396,245
Current tax liabilities	15	45,721,390	33,610,126
Deferred tax liabilities	15	21,262,611	2,479,346
Other liabilities	37	467,547,680	408,933,037
Provisions for risks and charges	38	24,127,222	22,426,040
End of service benefits	39	38,460,659	30,644,100
<b>TOTAL LIABILITIES</b>		<b>36,621,914,421</b>	<b>27,766,610,703</b>
<b>SHAREHOLDERS' EQUITY – GROUP SHARE</b>			
Share capital – Common shares	40	421,632,029	376,083,279
Share capital – Preferred shares	40	15,312,500	57,750,000
Issue premium – Common shares	41	843,902,284	1,017,928,321
Issue premium – Preferred shares	41	173,125,000	281,437,500
Merger premiums	41	36,006,451	36,006,451
Cash contribution to capital	42	72,586,125	72,586,125
Capital reserves	43	782,672,286	518,887,254
Treasury shares	45	(74,390,330)	(58,091,049)
Retained earnings		124,367,704	50,515,985
Other components of equity	46	288,658,018	128,020,326
Result of the year		419,453,155	351,547,718
		3,103,325,222	2,832,671,910
<b>MINORITY INTEREST</b>	47	202,434,224	131,138,717
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,305,759,446</b>	<b>2,963,810,627</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>39,927,673,867</b>	<b>30,730,421,330</b>

## Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 LBP (000)	2008 LBP (000)
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>Financing commitments</b>			
Financing commitments given	50	778,181,327	565,196,156
Engagements to customers	50	487,833,725	589,426,852
<b>Bank guarantees</b>			
Guarantees given to banks and financial institutions	50	294,932,444	253,330,700
Guarantees received from banks and financial institutions	53	697,489,840	299,274,499
Guarantees given to customers	50	2,453,685,630	1,453,659,083
Guarantees received from customers	53	8,033,875,678	5,665,618,381
<b>Foreign currency forwards</b>			
Foreign currencies to receive		1,275,714,082	1,222,074,353
Foreign currencies to deliver		1,269,291,802	1,237,529,137
<b>Commitments on term financial instruments</b>			
Fiduciary assets		1,493,914,683	2,743,542,230
Asset under management		9,006,902,657	7,061,327,295
Mutual funds		137,622,941	-
Bad debts fully provided for		359,735,133	313,125,264

## Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 LBP (000)	2008 LBP (000)
<b>OPERATING ACTIVITIES</b>			
Profit before tax		526,463,811	428,976,859
Adjustments to reconcile profit before tax to net cash flows:			
<b>Non-cash:</b>			
Depreciation and amortisation	27&28	42,743,259	37,945,286
Impairment of assets acquired in settlement of debt		-	136,536
Impairment of goodwill	31	-	1,267,841
Net gain on financial instruments	10	(55,932,254)	(29,188,652)
Provision for balances with banks and financial institutions	11	-	734,616
Provisions for loans and advances	11	59,973,811	37,721,645
Recoveries of provision for loans and advances	11	(24,991,202)	(30,924,390)
Share of net profit of associates	26	(1,657,893)	(3,710,843)
Net (gain) loss on disposal of property and equipment, intangibles and assets acquired in settlement of debt	14	632,840	540,727
Net (gain) loss on sale or disposal of assets		(2,563,513)	2,910,374
Provision for risks and charges	38	3,607,670	1,464,692
Write back of provisions for risks and charges	38	(3,437,350)	(2,851,380)
Provision for impairment of financial instruments	12	11,746,470	13,147,677
Provision for end of services benefits	39	10,321,224	10,328,865
Employees' share-based payments expense	44	4,584,259	9,637,374
		571,491,132	478,137,227
<b>Working capital adjustments:</b>			
Deposits with the central banks, banks and financial institutions maturing in more than 3 months		(3,245,709,631)	15,374,544
Change in derivatives and financial assets held for trading		(821,852,352)	738,331,018
Change in financial assets designated at fair value through profit or loss		324,104,505	123,839,628
Change in loans and advances to customers and related parties		(968,370,645)	(2,154,103,854)
Change in other assets		50,309,615	(37,734,539)
Change in current and deferred tax accounts		3,155,995	30,194,939
Change in deposits from customers and related parties		8,514,939,481	4,416,313,233
Change in other liabilities		59,709,862	178,748,343
Proceeds from sale of assets acquired in settlement of debts		8,952,222	6,962,369
Change in minority interest		71,295,507	9,077,767
<b>Cash from operations</b>		<b>4,568,025,691</b>	<b>3,805,140,675</b>
Provisions for contingencies and charges paid	38	(475,465)	(2,731,337)
End of service benefits paid	39	(2,969,572)	(4,887,115)
Taxation paid	15	(72,857,903)	(95,047,592)
<b>Net cash flows from operating activities</b>		<b>4,491,722,751</b>	<b>3,702,474,631</b>
<b>INVESTING ACTIVITIES</b>			
Increase in financial instruments – other than trading		(3,477,070,158)	(2,301,355,084)
Purchase of property and equipment and intangibles		(106,725,016)	(70,432,123)
Investments and related loans equity method		868,192	(8,997,993)
Cash collected from sale of property and equipment and intangibles		7,934,894	5,640,282
Cost of business combination	3	(16,017,188)	(3,649,296)
<b>Net cash flows used in investing activities</b>		<b>(3,591,009,276)</b>	<b>(2,378,794,214)</b>
<b>FINANCING ACTIVITIES</b>			
Redemption of preferred share series "C"		(150,750,000)	-
Increase in share capital and issue premium from stock options exercise		9,581,503	53,816,631
Distribution of dividends	40	(144,038,454)	(126,994,993)
Treasury GDR transactions		(13,838,852)	(57,592,345)
<b>Net cash flows used in financing activities</b>		<b>(299,045,803)</b>	<b>(130,770,707)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>601,667,672</b>	<b>1,192,909,710</b>
Net foreign exchange difference		(14,590,696)	(7,531,134)
Cash and cash equivalents at 1 January		7,158,290,413	5,972,911,837
<b>CASH AND CASH EQUIVALENTS</b>	48	<b>7,745,367,389</b>	<b>7,158,290,413</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital - Common Shares LBP (000)	Share Capital - Preferred Shares LBP (000)	Issue Premium - Common Shares LBP (000)	Issue Premium - Preferred Shares LBP (000)	Merger Premiums LBP (000)	Cash and Cash Contribution to Capital LBP (000)	Capital Reserves LBP (000)	Treasury Shares LBP (000)	Retained Earnings LBP (000)	Other Components of Equity LBP (000)	Result of the Year LBP (000)	Total LBP (000)	Minority Interest LBP (000)	Total Equity LBP (000)
Balance at 1 January 2009	376,083,279	57,750,000	1,017,928,321	281,437,500	36,006,451	72,586,125	518,887,254	(58,091,049)	50,515,985	128,020,326	351,547,718	2,832,671,910	131,138,717	2,963,810,627
Net profits for the year	-	-	-	-	-	-	-	-	-	-	419,453,155	419,453,155	16,139,403	435,592,558
Other comprehensive income	-	-	-	-	-	-	-	-	-	159,269,801	-	159,269,801	-	159,269,801
Total comprehensive income	-	-	-	-	-	-	-	-	-	159,269,801	419,453,155	578,722,956	16,139,403	594,862,359
Appropriation of 2008 profits	-	-	-	-	-	-	117,398,657	-	87,589,967	2,520,640	(207,509,264)	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	(116,243,923)	(116,243,923)	-	(116,243,923)
Distribution of dividends on preferred shares	-	-	-	-	-	-	-	-	-	-	(27,794,531)	(27,794,531)	-	(27,794,531)
Employees' share-based payments (Note 44)	2,812,013	-	10,390,846	-	-	-	514,164	-	448,739	-	-	14,165,762	-	14,165,762
Entities under equity method	-	-	-	-	-	-	(670,566)	-	-	-	-	(670,566)	-	(670,566)
Redemption of preferred shares	-	(44,000,000)	-	(106,750,000)	-	-	-	-	-	-	-	(150,750,000)	-	(150,750,000)
Capital increase (Note 40)	42,736,737	1,562,500	(34,437,500)	(1,562,500)	-	-	(8,299,237)	-	-	-	-	-	-	-
Absorption of subsidiaries' income	-	-	-	-	-	-	-	-	-	-	-	-	(7,344,450)	(7,344,450)
Minority share of capital relating to consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	60,389,597	60,389,597
Minority share of reserves	-	-	-	-	-	-	(1,457,430)	-	(653,527)	-	-	(2,110,957)	2,110,957	-
Treasury shares transactions	-	-	-	-	-	-	2,460,429	(16,299,281)	-	-	-	(13,838,852)	-	(13,838,852)
Transfer related to foreclosed assets disposal	-	-	-	-	-	-	1,152,749	-	-	(1,152,749)	-	-	-	-
Transfer from issue premium to general reserve	-	-	(150,000,000)	-	-	-	150,000,000	-	-	-	-	-	-	-
Other movements	-	-	20,617	-	-	-	738,029	-	(1,066,506)	-	-	(307,860)	-	(307,860)
Difference of exchange	-	-	-	-	-	-	1,948,237	-	(12,466,954)	-	-	(10,518,717)	-	(10,518,717)
<b>Balance at 31 December 2009</b>	<b>421,632,029</b>	<b>15,312,500</b>	<b>843,902,284</b>	<b>173,125,000</b>	<b>36,006,451</b>	<b>72,586,125</b>	<b>782,672,286</b>	<b>(74,390,330)</b>	<b>124,367,704</b>	<b>288,658,018</b>	<b>419,453,155</b>	<b>3,103,325,222</b>	<b>202,434,224</b>	<b>3,305,759,446</b>
Balance at 1 January 2008	361,925,399	57,750,000	957,937,538	281,437,500	36,006,451	72,586,125	361,112,335	(1,530,549)	56,304,781	154,886,541	289,684,156	2,628,100,277	121,157,096	2,749,257,373
Net profits for the year	-	-	-	-	-	-	-	-	-	-	351,547,718	351,547,718	7,344,450	358,892,168
Other comprehensive income	-	-	-	-	-	-	-	-	-	(36,813,655)	-	(36,813,655)	-	(36,813,655)
Total comprehensive income	-	-	-	-	-	-	-	-	-	(36,813,655)	351,547,718	314,734,063	7,344,450	322,078,513
Appropriation of 2007 profits	-	-	-	-	-	-	123,706,777	-	35,989,275	2,993,111	(162,689,163)	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	(99,200,462)	(99,200,462)	-	(99,200,462)
Distribution of dividends on preferred shares	-	-	-	-	-	-	-	-	-	-	(27,794,531)	(27,794,531)	-	(27,794,531)
Employees' share-based payments (Note 44)	14,157,880	-	60,011,401	-	-	-	(11,425,292)	-	710,016	-	-	63,454,005	-	63,454,005
Entities under equity method	-	-	-	-	-	-	(470,155)	-	-	-	-	(470,155)	-	(470,155)
Absorption of subsidiaries' income	-	-	-	-	-	-	-	-	-	-	-	-	(12,225,250)	(12,225,250)
Minority share of capital relating to consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	13,958,567	13,958,567
Minority share of reserves	-	-	-	-	-	-	(3,822,384)	-	2,918,530	-	-	(903,854)	903,854	-
Treasury shares transactions	-	-	-	-	-	-	(1,031,846)	(56,560,500)	-	-	-	(57,592,346)	-	(57,592,346)
Transfer related to foreclosed assets disposal	-	-	-	-	-	-	716,111	-	-	(716,111)	-	-	-	-
Prior year adjustment	-	-	-	-	-	-	2,303,871	-	(763,217)	-	-	1,540,654	-	1,540,654
Entities acquired during the year	-	-	-	-	-	-	44,771	-	109,885	-	-	154,656	-	154,656
Entities deconsolidated during the year	-	-	-	-	-	-	(77,368)	-	135,291	-	-	57,923	-	57,923
Transfer from general reserve to translation reserve	-	-	-	-	-	-	(7,670,440)	-	-	7,670,440	-	-	-	-
Transfer from general reserve to retained earnings	-	-	-	-	-	-	58,137,221	-	(58,137,221)	-	-	-	-	-
Difference of exchange	-	-	(20,618)	-	-	-	(2,636,347)	-	13,248,645	-	-	10,591,680	-	10,591,680
<b>Balance at 31 December 2008</b>	<b>376,083,279</b>	<b>57,750,000</b>	<b>1,017,928,321</b>	<b>281,437,500</b>	<b>36,006,451</b>	<b>72,586,125</b>	<b>518,887,254</b>	<b>(58,091,049)</b>	<b>50,515,985</b>	<b>128,020,326</b>	<b>351,547,718</b>	<b>2,832,671,910</b>	<b>131,138,717</b>	<b>2,963,810,627</b>