

Annual Report
2006

The logo of the Bank of Syria and Overseas is a stylized, abstract shape composed of several overlapping squares in shades of blue and grey. The main body of the logo is a solid blue rectangle. The text "BANK OF SYRIA AND OVERSEAS" is written in white, uppercase letters across the middle of this blue rectangle.

BANK OF SYRIA AND OVERSEAS

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Head Office & AL HAREEQA Branch - Damascus

Bank of Syria and Overseas (BSO) is one of the first private banks in Syria that started operations in January 2004 after an absence of the private banks in the Syrian Market for over 40 years.

BSO belongs to BLOM Bank group that allows access to a large international network in Lebanon, Jordan, Egypt, United Arab Emirates, Cyprus, France, United Kingdom, Switzerland and Romania.

The Bank is one of the major founding shareholders (5%) in Syria International Insurance (Arope Syria) that started operations in June 2006.

Bank of Syria and Overseas main objective is to contribute actively and effectively in the success of Syria's economic expansion and growth. It provides a set of commercial banking activities in compliance with the outstanding rules and regulations.

Main Services:

- Opening of Accounts/Deposits, in Syrian Pounds and in Foreign currencies.
- All Banking transactions related to Domestic & International commerce including Discounting Bills, Handling of Collections and International Transfers within the local regulations.
- Loans and credit facilities to commercial and industrial enterprises.
- Finance of Import-Export trade.
- Letters of Guaranty and Letters of Credit.



Qassa'a Branch - Damascus

It is my pleasure to present the board's report for the year 2006 including a brief about the major activities and achievements of Bank of Syria and Overseas as well as the management plans for the year 2007.

Investment environment in Syria has lately witnessed important developments due to the issuance of new regulations that encourage local and foreign investments. Thus, the role of private banks as financial intermediaries between different economic sectors has been consolidated, enabling the channeling of a larger portion of savings to finance productive projects established particularly by the private sector.

However, the year 2006 was characterized by important developments in Bank of Syria and Overseas's performance and a remarkable growth in financial results, due to the improvements in quality and quantity of services provided by the bank for a larger client base as well as the procedures taken by the financial authorities to develop the banking sector regulations.

The Bank's activities were expanded in 2006 achieving high growth rates for major indicators, total assets increased by 92% to reach SYP 49.743.095.127 and clients' deposits grew by 109% to reach SYP 43.996.600.368, while net realized profit after tax amounted to SYP 236.907.726 achieving a 46% increase.

According to our conservative approach and in order to ensure the proper use of clients' deposits funds, we have always searched for the best investment opportunities to allocate these funds effectively, taking into consideration the accepted level of related risk in order to maintain a high quality of assets.

The Bank's achievements were mainly driven by the effective management of the bank, the continuous development of services provided as well as the geographic expansion of branches network which has given access to a larger number of population and different categories in the society.

Our strategy for the year 2007 will continue to focus mainly on the consolidation of the bank's position and performance through the development of existing services, the introduction of new products in compliance with the market's needs, the expansion of branches network to cover major Syrian cities, the application of latest technologies and innovative banking solutions as well as the human resources extensive training and development.

Moreover, and since an increase in the foreign and local investments is expected, we intend to expand our financing activities in order to benefit from the available investment opportunities.

Finally, on behalf of the board's members, I would like to express my gratitude for all the employees of Bank of Syria and Overseas who have made a great effort and participated effectively in the achievements and success of our Bank, I would like to appreciate as well the great trust provided by shareholders and assure them that maximizing shares value and customer satisfaction remain the main pillars of our future strategy, we promise them to do our best to reach excellence and provide always accurate and transparent information.

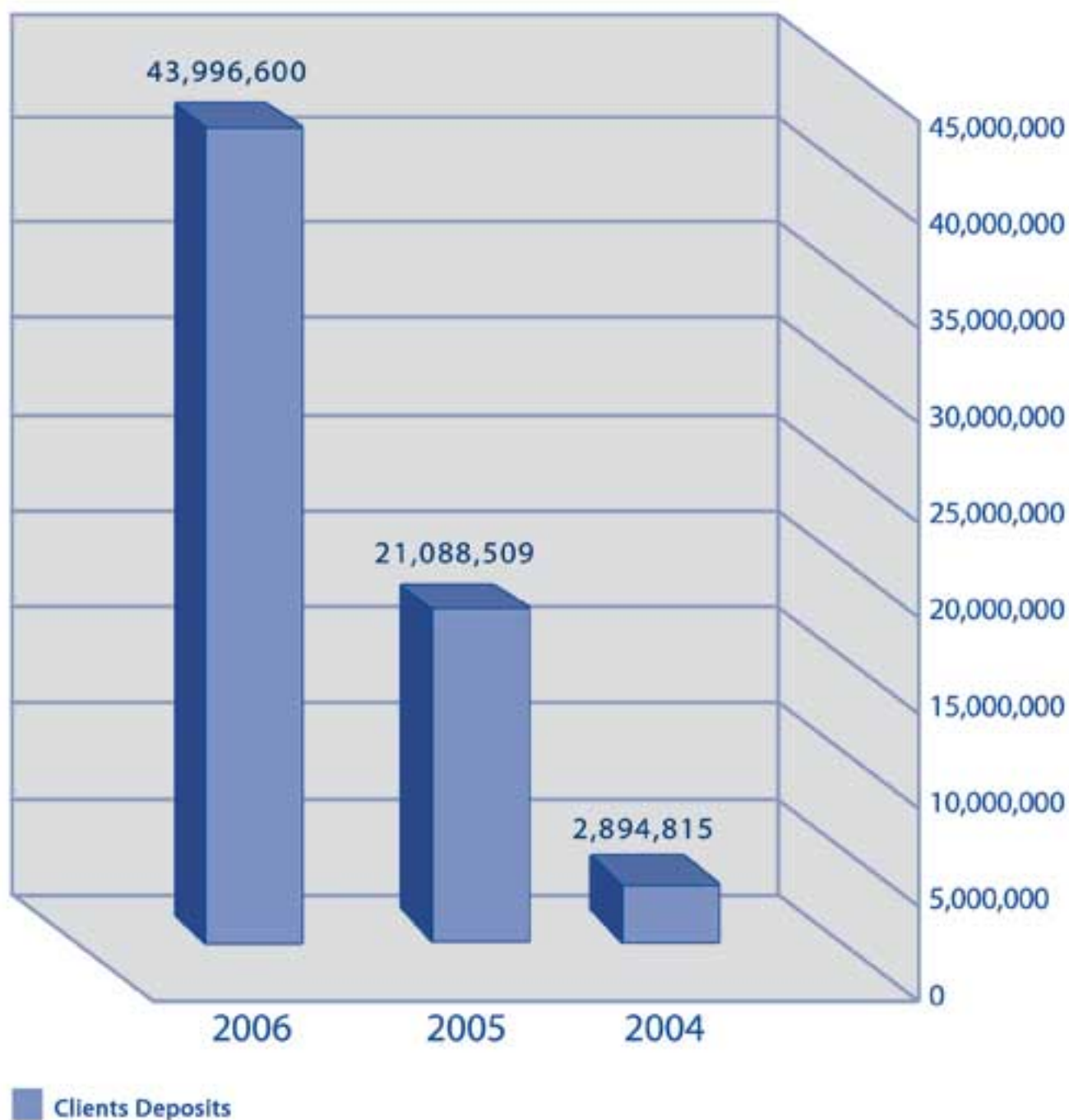
Dr. Rateb SHALLAH

Chairman - Bank of Syria and Overseas

Clients' Deposits Evolution

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Strong & Continuous Growth
(In thousands of SYP)

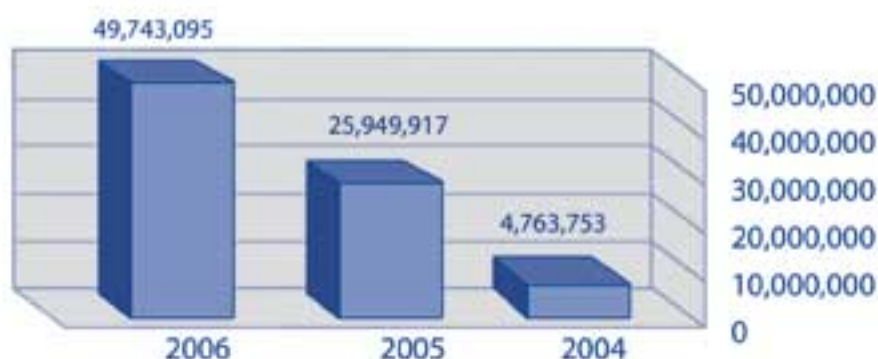


Evolution of Main Indicators

Annual Report
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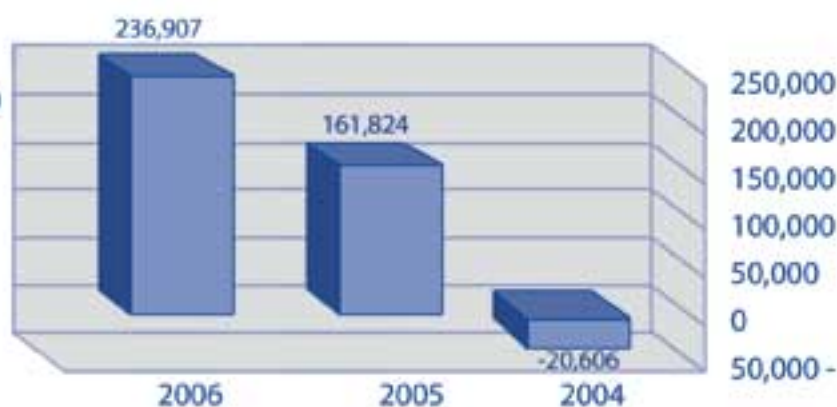
1. Total Assets

■ Total Assets
(in thousands of SYP)



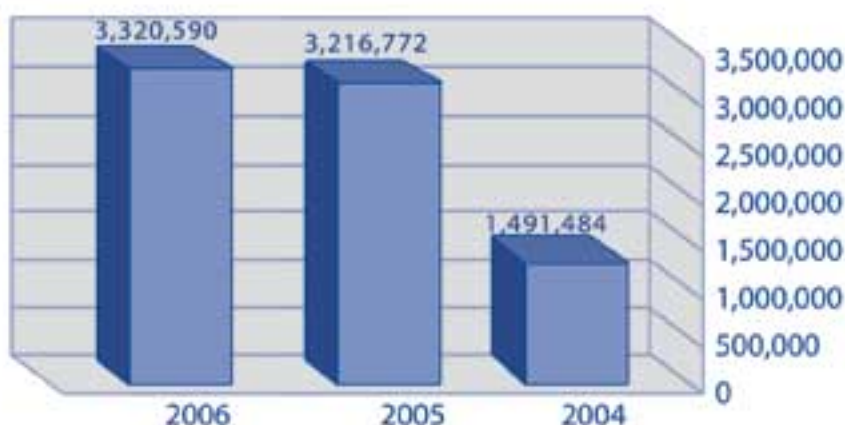
2. Net realized Profit (including compulsory reserves)

■ Net realized Profit
(including compulsory reserves)
(in thousands of SYP)



3. Shareholders Equity

■ Shareholders Equity
(in thousands of SYP)



2006 Major Highlights

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Main Indicators

(In thousands of SYP)

	31/12/2006	31/12/2005	Growth
Assets	49,743,095	25,949,917	92 %
Clients' Deposits	43,996,600	21,088,509	109 %
Shareholders' Equity	3,320,590	3,216,772	3 %
Realized Profits	236,907	161,825	46 %
Placements with Correspondents	24,756,430	12,587,279	97 %
Direct Credit Facilities	6,425,530	4,638,840	39 %

Financial Ratios

Liquidity

	2006	2005
Liquidity Ratio (all currencies)	93 %	93 %
Liquidity Ratio (SYP)	77 %	57 %
Liquidity Ratio (foreign currencies)	103 %	114 %

Profitability

	2006	2005
ROA	0.65 %	0.82 %
ROE	9.81 %	6.59 %
Yield on Earning Assets	4.72 %	2.92 %
Spread	2.16 %	1.44 %
Net Income / Revenues	65 %	52 %
Cost / Income ratio	82 %	70 %

Uses of Funds

	2006	2005
Earning Assets to Total Assets	66 %	69 %
Earning Assets to Deposits	75 %	85 %
Net Loans to Assets	13 %	18 %
Net Loans to Deposits	15 %	22 %

Major Shareholders

Name	% of Total Capital (after increase)
BLOM BANK S.A.L	39 %
International Finance Corporation (IFC)	10 %
Dr. Ihsan BAALBAKI	5 %
Mr. Ibrahim SHEIKH DIB	2.50 %
Dr. Rateb SHALLAH	1.25 %
Mr. Mohamad Ramzi CHABANI	2 %
Mr. Mohamad Adib JOUD	0.60 %

Board of Directors

Name		% of Total Capital (after increase)
Dr. Rateb SHALLAH	Chairman	1.25 %
Mr. Amr AZHARI	Vice Chairman	1.66 %
Dr. Ihsan BAALBAKI	Board Member	5 %
Mr. Ibrahim SHEIKH DIB	Board Member	2.50 %
Mr. Mohamad Ramzi CHABANI	Board Member	2 %
Mr. Saad AZHARI	Board Member	1.66 %
Mr. Samer AZHARI	Board Member	1.66 %
Mr. Habib BETTNJANEH	Board Member	0.56 %
Mr. Mehran KHWANDA	Board Member	0.52 %

Mr. Mohamad Adib JOUD	Board Advisor
Mr. Georges SAYEGH	Board Secretary

External Auditors:

DELOITTE & TOUCHE (Middle East)



Nejmeh Branch - Damascus

General Management

Dr. Rateb SHALLAH
Chairman

Mr. George SAYEGH
General Manager

Mr. Amr AZHARI
Vice Chairman

Central Departments (Head Office) and Main Branch

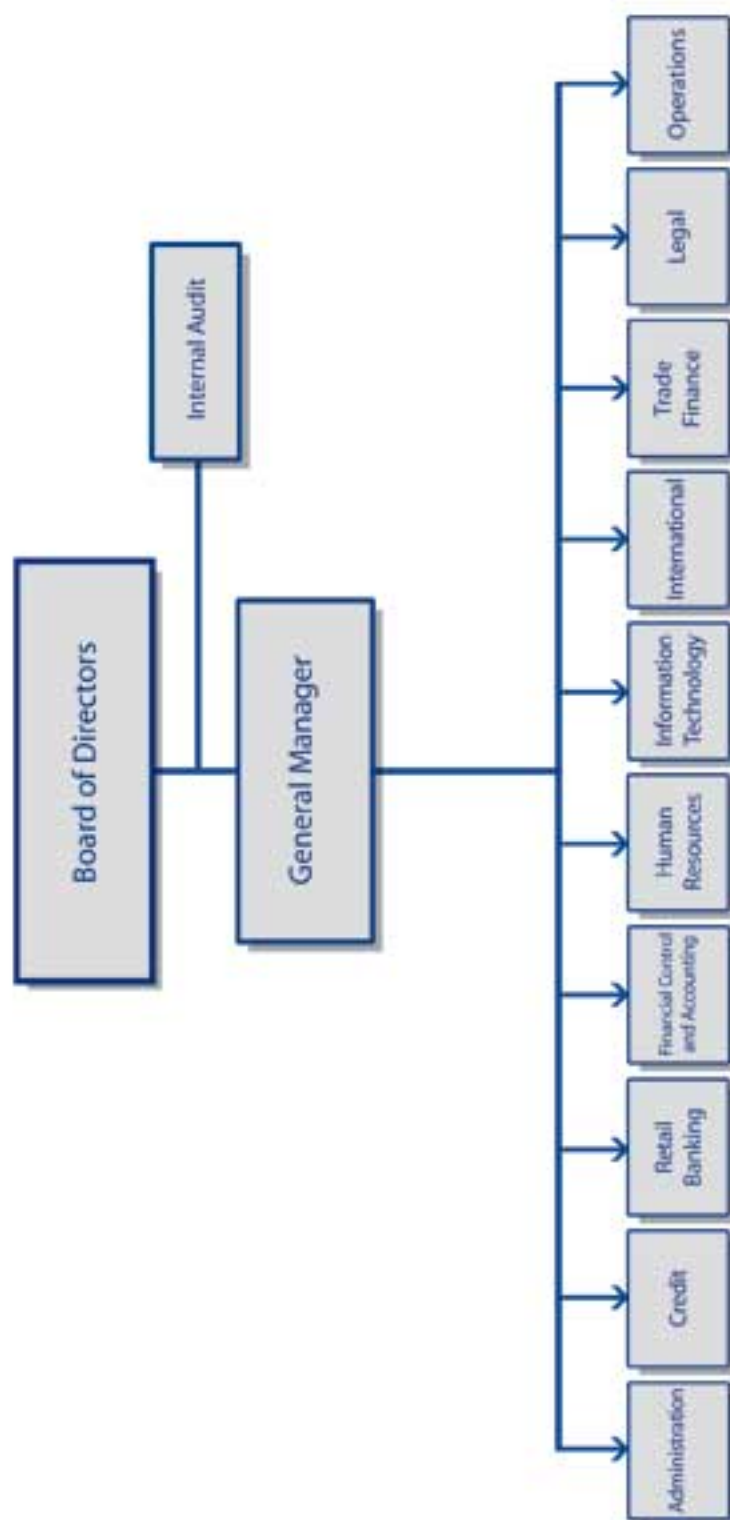
Departments	Managers	
Credit	Bashir YAKZAN	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
Internal Audit	Georges HADDAD	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
Administration	Samir ASMAR	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
International	Inaya SOUBRA	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
Human Resources	Rima JAWAD ZEIN	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy

Retail Banking	Mohamad Y KHALED	Tel: 963 11 2460560 Fax: 963 11 2460560 retaildept@bso.com.sy
Information Technology	Salem MAHMOUD	Tel: 963 11 2460560 Fax: 963 11 2460560 itdept@bso.com.sy
Operations	Michel MANNEH	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
Accounting	Shady DIAR BAKERLY	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy
Main Branch	Sameer BASSOUS	Tel: 963 11 2460560 Fax: 963 11 2460560 bsomail@bso.com.sy

Organization Chart

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2006

BSO Organization Chart



In 2006, the Human Resources Division exerted considerable efforts to meet the Bank's corporate and strategic objectives which were viewed as the most critical and challenging needs.

In this context and along with the Bank's expansion plan and the opening of new branches in various Syrian Regions, the total number of the Bank's staff has increased, throughout 2006, by 49% to reach 185 employees mostly holders of university degrees and with relevant work experience.

In its attempt to develop the skills and abilities of its Human Capital, the Management of the Bank encouraged its staff members to participate in several internal and external training programs that enable them to master various Banking Techniques and Procedures. The training subjects were numerous and covered a wide variety of topics aligned with the Bank's interests.

In this respect, several training programs were conducted internally to familiarize the staff with the Bank's Products in order to improve efficiency in delivering and marketing the Bank products and services.

In addition to the in-house training programs, several employees participated in more than 24 seminars and conferences offered by local and international training institutions among which 6 overseas programs attended by 11 employees took place in Lebanon, Jordan, Germany and Austria. Those programs concentrated mainly on the following subjects: Letters of Credit, Corporate Loans and International Relations.

Besides, the Bank continued to support the participation of its employees in English and Computer courses delivered by local training centers.

In the meanwhile, 60 staff members hired in 2006 were enrolled in Integration and On the Job training programs in various Branches and Departments to acquire the essential banking knowledge that will enable them to perform their potential jobs in an effective way.

In its attempt to provide university students with a cultural and educational support, the Bank hosted during summer 2006, 35 student interns from different universities to follow an Internship Program in the Bank's premises. This program intends to familiarize students with the various banking operations related to their fields of study.



Operating Environment

The latest period witnessed important developments in the economic and investment environment in Syria. A set of new laws and regulations were issued to attract the Arab and foreign sources of funds and encourage private sector investments, especially after the decrease in oil production which urged the seeking for new alternatives in the economic infrastructure.

The legislations 8 & 9 concerning investment procedures and requirements were issued in the first month of the year 2007 in order to develop a new legal framework that reflects the progress in the investment environment as well as the development in legal infrastructure of the Syrian economy. However, they aimed to develop investment conditions, and, in parallel, to simplify investment procedures in compliance with the economic reforms adopted by the government.

The year 2006 was characterized by positive indicators in different economic sectors that resulted in a growth of 5.5% in GDP.⁽¹⁾

According to the publications issued by the Central Bank of Syria, inflation rate increased to 10.3% in 2006 compared to 7.4% in the year 2005,⁽²⁾ however, a special monetary policy is adopted by the authorities to ensure the stability of exchange rate and control the inflation rate through different policies such as interest rate pricing and the development of financial instruments.

The value of exports excluding oil rose up to reach USD 10.8 Billion which indicates the remarkable growth in productive industries targeting new international markets.⁽³⁾

The growth in exports helped to decrease the deficit in the balance of trade to SYP 24 Billion compared to SYP 78 Billion in 2005.⁽³⁾

Development of Financial and Banking Sector

Several developments in Financial and Banking Sector occurred in 2006, such as the introduction of Insurance Companies and Islamic Banks, the establishment of Syrian Commission of Financial

(1) AL Thawra No. 13285 15/04/2007 p 11

(2) AL Thawra No. 13295 26/04/2007 p 3

(3) AL Thawra No. 13285 15/04/2007 p 3

Markets & Securities, the regulations providing higher flexibility in foreign currencies transactions, as well as the reduction of tax rates on investment projects and public companies.

However, the activities of Private Banking Sector expanded tremendously in a highly competitive and growing market, total assets in private banks reached approximately SYP 140 Billion in December 2006 achieving an increase of 91% compared to the year 2005.

The private banks branches accounted for 13% of total branches number in Syria, they have been increased to 43 branches at the end of 2006 compared to 21 branches in 2005.⁽⁴⁾

According to the financial statistics issued in September 2006, the private banks deposits represented 17% of total deposits in the banking sector, compared to 9% in the previous year 2005, which indicates the impressive growth of private banks' market share in Syria.

Private banks' total assets increased as well to account for 11.4% of the total assets in banking sector, compared to 7% at the end of 2005, which was mainly due to the expansion in private banks activities and the increased importance of their role as financial intermediaries between different economic sectors.

(4) Banking & Insurance Syria 2007 p 15

Financial Analysis

1- Clients Deposits:

Clients deposits are the most important source of funds for the bank, the deposits to total assets ratio increased during 2006 to 88,45% compared to 81,27% in 2005.

Furthermore, they increased to reach approximately SYP 44 billion in 2006 compared to SYP 21 billion in 2005.

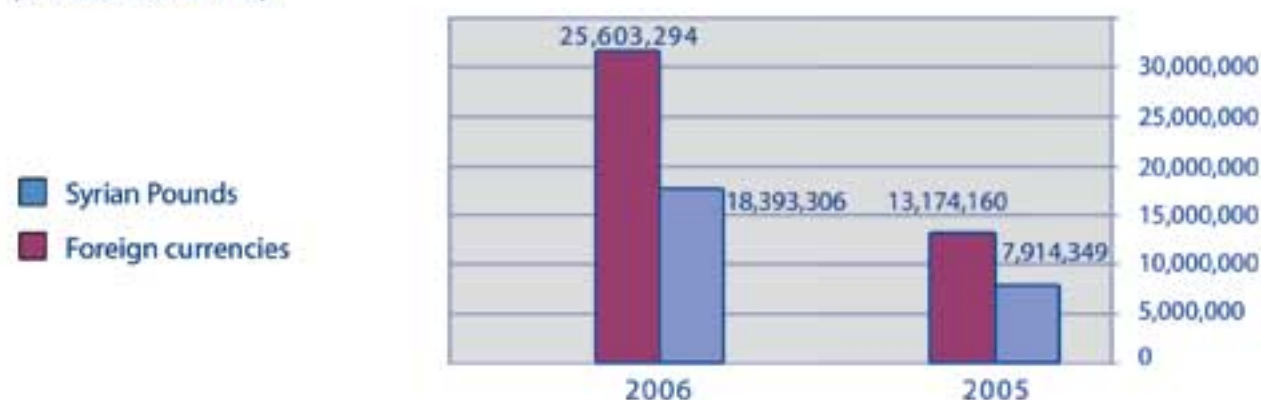
1-1 Clients Deposits Currencies:

Clients Deposits	2005	2006
SYP	38 %	42 %
Foreign currencies	62 %	58 %

Clients deposits in Syrian pounds increased to present 42% of total deposits compared to 38% in 2005 which is due to the increase of Clients confidence in local currency, especially after stabilizing the exchange rate by the Central Bank.

Clients Deposits by Currency

(in thousands of SYP)



The growth of deposits in Syrian Pounds exceeded the growth of deposits in foreign currencies.

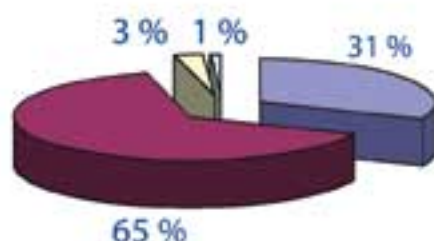
Clients deposits (thousands SYP)	2006	2005	Growth
SYP	18,393,306	7,914,349	132%
Foreign currencies (in SYP)	25,603,294	13,174,160	94%
Total	43,996,600	21,088,509	109%

1-2 Deposits Structure:

In 2006 term deposits witnessed a remarkable growth to represent 65% of total deposits compared to 55% in 2005, while demand deposits declined to 31% (38% in 2005) and saving accounts decreased as well to 3% (6% in 2005), which reflects the increase of client's confidence in the banking sector and helps, at the same time, in creating more stable structure for medium term lending. However, on the cost side, the increase in term deposits led to an increase in the volume of interest expense due to the higher rates of interest paid.

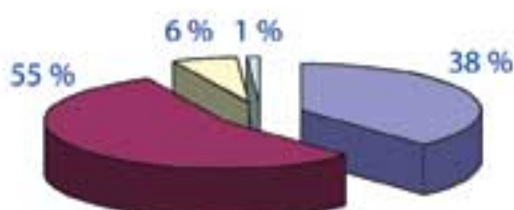
Types of Deposits

- Demand
- Term
- Saving
- Related parites



2006

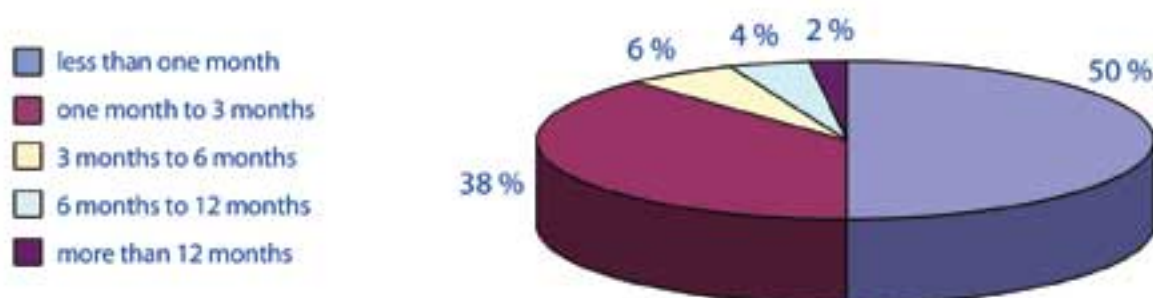
- Demand
- Term
- Saving
- Related parites



2005

1-2 Deposits Structure:

The majority of clients' deposits are short term deposits, 88% of deposits did not exceed three months maturity. This, however, requires developing more flexible interest rate pricing-policy by the Monetary Authorities in order to encourage medium and long term deposits that are important source of funds for medium and long term lending activities and, simultaneously, minimize the effect of any potential liquidity gap which may arise due to deviation between assets and liabilities maturities.



2- Funds' Distribution

The bank's policy aims to search for new opportunities to invest the bank's increasing funds taking into consideration acceptable level of risk and high quality of assets.

The bank's funds are distributed as follows:

- Placements with correspondent banks in foreign currencies.
- Loans to commercial and industrial enterprises in Syrian Pounds and foreign currencies (trade finance) as well as retail loans to individuals (car loans and personal loans).
- Certificates of deposit with different maturities in Syrian Pounds.

2-1 Deposits with the Central Bank and Correspondents:

The bank's deposits with the Central Bank and correspondents are broken down as following:

- Compulsory deposits with the Central Bank of Syria (according to the related regulations).
- Demand deposits in Syrian Pounds and foreign currencies with the Central Bank and domestic correspondents.
- Demand deposits in foreign currencies with foreign correspondents.
- Term deposits (placements) with correspondents in foreign currencies.

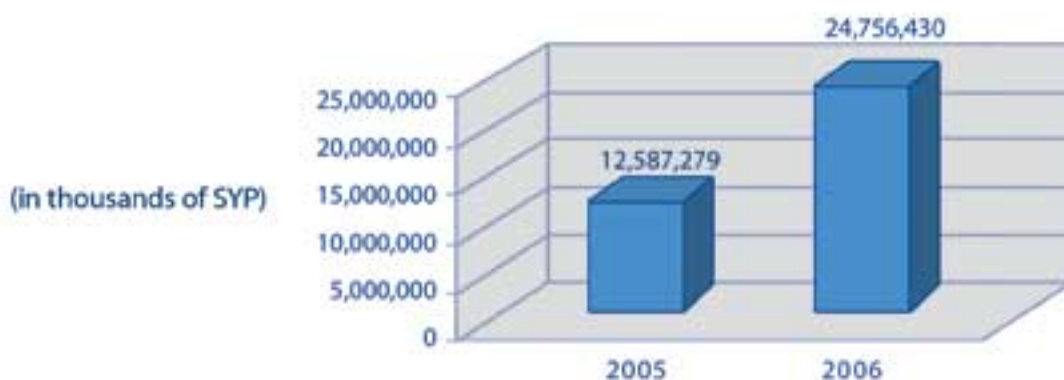
Demand deposits with the Central Bank of Syria earn 1% interest starting November 2006.

Demand deposits with foreign correspondents are intended to meet the Clients trade finance requirements, nevertheless, they are considered to be major interest earning assets.

Banks placements with correspondents increased sharply during 2006 as a result of Clients deposits increase; consequently, the bank expanded its correspondents network taking into consideration three major requirements:

- Rating of the correspondent.
- Best offered interest rate, with respect to maturity, ensuring the bank's capability to liquidate the placement and meet any sudden withdrawal that might occur.
- Diversity of correspondents' network (risk diversification policy).

Term deposits with correspondents

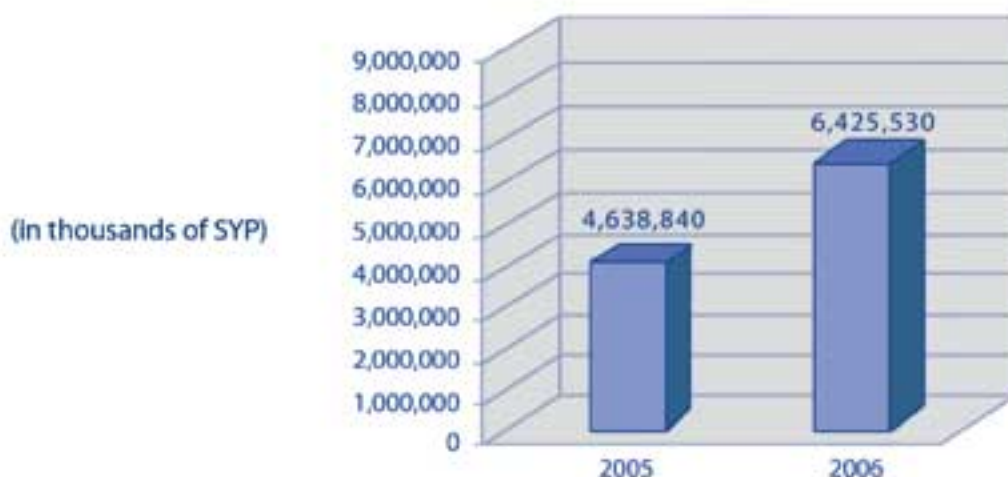


2-2 Loans and Advances:

In 2006 the bank continued its credit policy in targeting certain type of clients in different economic sectors with emphasizing on the relevant collaterals needed in order to keep high assets' quality and minimize the credit risk as much as possible.

In parallel, the bank expanded its products toward new market segment (retail banking activities) in order to meet the local increasing needs and maintain its market share with the entrance of new rivals.

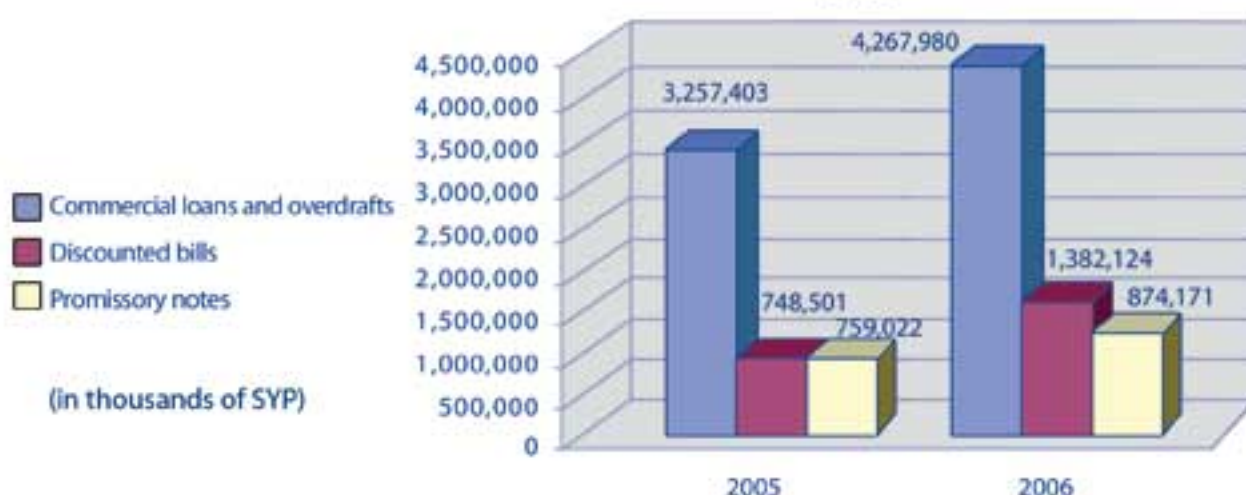
Loans and Advances



2-2-1 Types of Loans and Advances:

Commercial loans and overdrafts are still the major component of the bank's loans and advances portfolio (66%), they increased in 2006 by 31% while the discounted bills increased by 84% and the promissory notes by 15%.

Loans and Advances by type



3- Profitability:

The bank's management policy has been always based on balancing between revenues and expenses which increase along with the increase in bank's activities and geographic expansion, in 2006 the bank achieved net realized profit of SYP 236,907 K compared to SYP 161,824 K in 2005 (before compulsory reserves and after tax).

Amounts in thousands SYP	2005	2006	Growth
Revenues	713,489	1,778,582	150%
Pre-tax expenses	501,437	1,452,790	190%
Net realized income pre-tax and reserves	212,051	325,792	54%
Net realized income post-tax and pre-reserves	161,825	236,907	46%

According to the Credit and Monetary Council's decision No. 249, issued in 2006, valuation differences of structural position (related to capital funded in USD) were included in the Income Statement as follows:

	Year ended 31st December	
	SYP	SYP
	2006	2005
Result of the year	236,907,726	161,824,974
Unrealized (loss) / profit	(133,088,681)	63,462,197
Net result including Unrealized (loss) / profit	103,819,045	225,287,171



3-1 Revenues:

During 2006 the bank witnessed a remarkable growth in its revenues. The increase of clients' deposits caused an increase in funds placed with correspondents which in turn resulted in a sharp increase in interest income, in addition to the increase in interest income generated from loans and advances.

3-1-1 Interest Income (Loans and Advances + Deposits with Banks):

In 2006 revenues from interest income reached SYP 1,547,971 K compared to SYP 520,417 K in 2005. The contribution of interest income from term deposits with banks (including CDs) raised up to 66% from total revenues in 2006 (53% in 2005) while interest income from loans and advances contributed in 34% (47% in 2005).

Interest income from term deposits with banks increased to SYP 975,443 K compared to SYP 273,852 K in 2005 due, firstly, to the increase in volume of the term deposits which resulted from the increase of Clients deposits and the expansion in trade finance operations, and, secondly, to the increase in global interest rates during 2006.

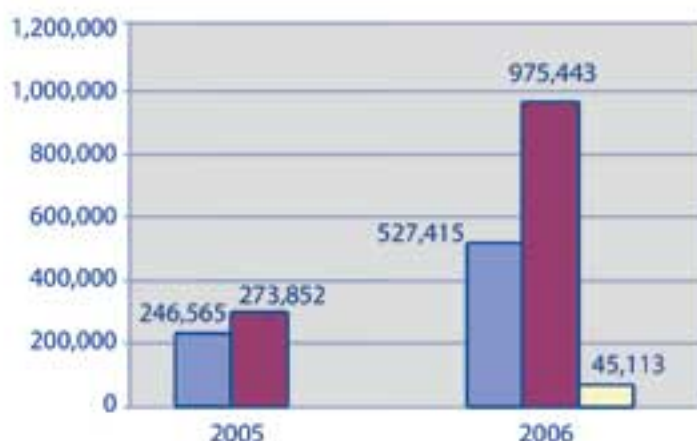
Moreover, interest income from CDs amounted to SYP 45,113 K.

Similarly, interest income from loans and advances increased in 2006 to SYP 527,415 K compared to SYP 246,565 K in 2005.

Interest Income

(in thousands of SYP)

- Interest from loans and advances
- Interest from term deposits with banks
- Interest from CDs



3-1-1 Non-Interest Income: (Commissions Received + Other Revenues):

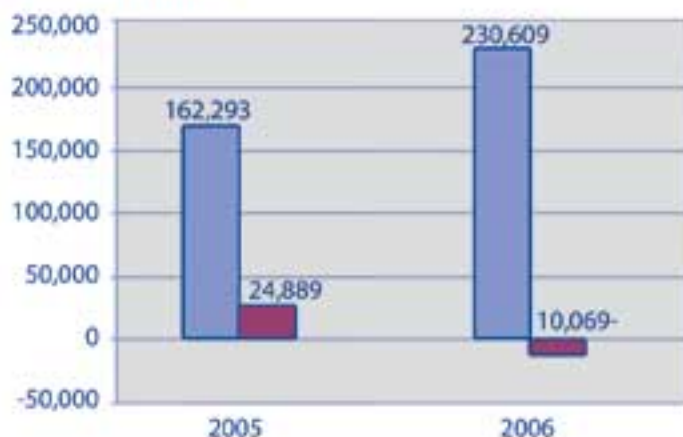
Non-interest income accounted for 13% of total revenues. The increase of trade finance activities (LCs, LGs, Documentary collection...) as well as the increase of discounted bills volume caused an increase of 43% in non-interest revenues to reach SYP 230,609 K compared to SYP 162,293 K in 2005.

At the same time, during 2006, Central Bank of Syria interfered in FX Market in order to stabilize and control the raise of US Dollar exchange rate causing a negative valuation differences in FX position held by the bank.

Non-Interest Income

(in thousands of SYP)

- Non-interest income
- Profit / (loss) of FX position



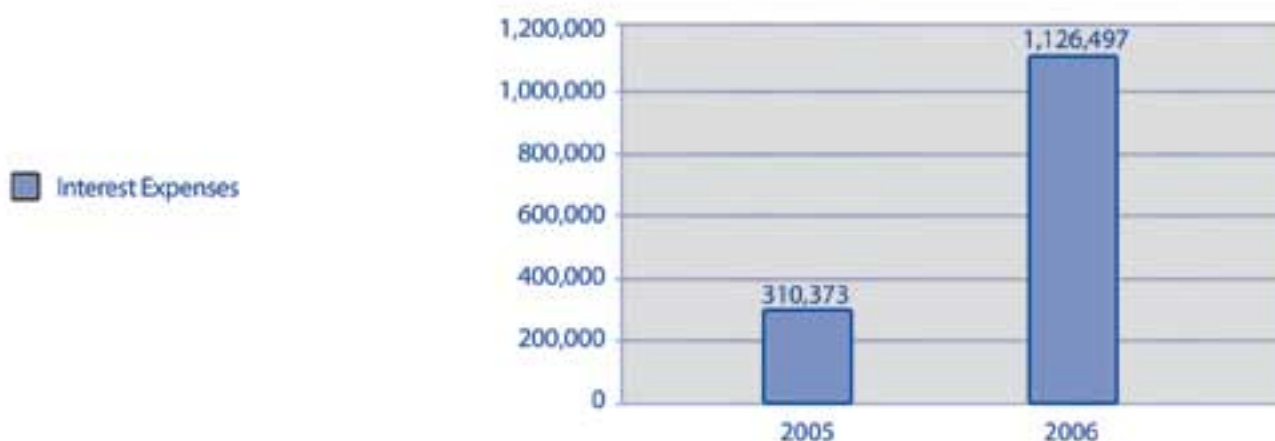
3-2 Expenses:

The increase of bank's activities as well as the geographic expansion that took place in 2006 led, naturally, to an increase in the bank's expenses volume to reach SYP 1,452,790 K (excluding tax) compared to SYP 501,437 K in 2005. Nevertheless, the bank's management is still balancing effectively between the bank's revenues and expenses.

3-2-1 Interest Expenses:

Interest expenses increased from SYP 310,373 K in 2005 to SYP 1,126,497 K in 2006 as a natural result of the increase in clients term deposits.

Interest Expenses



3-2-2 General and Administrative Expenses:

The geographic expansion during 2006 led to an increase in general and administrative expenses due to the escorted increase in depreciation and amortization of the newly acquired fixed assets, as well as the increase of wages' volume resulted from the recruitment's expansion.

General and Administrative Expenses



3-2-3 Provisions:

According to the Central Bank decision No. 249, the bank booked a provision for exchange rates variation amounted to SYP 2,483 K (10% of operational position) in addition to provision for doubtful debts of SYP 9,989 K due to reclassification of a client debt.

The year 2006 witnessed important achievements and remarkable improvements in the bank's performance which was mainly due to the development in the quality and quantity of services provided as well as the geographic expansion that helped to enlarge and diversify our client base and expand the Bank's activities.

Major Developments in Banking Services in 2006:

- The opening of 3 new branches in Tartous, Mazzeh-Damascus, and Homs (officially inaugurated in 2007). The latest technology systems are implemented in all branches to provide high quality services and satisfy the clients' requirements.
- Mobile bills domiciliation (Syriatel- Areeba)
- Payroll domiciliation and banking services provided with special conditions to the employees of large firms.
- A set of retail products were introduced in the market, such as:
 - Local ATM card which has been lately linked to a wide local network , providing accessibility to more than 150 ATMs in Syrian Cities.
 - International Visa Card (Classic- Gold).
 - Retail loans (Car Loan and Personal Loan) .

The Management plans for the year 2007 concentrate on maintaining a high level of performance through:

- Implementing Strategic development plans in order to maintain the Bank's Market Share in the highly competitive and growing local market.
- Proceed with the Bank's expansion plan that tends to cover major Syrian cities and provide services to a larger client base.
- Implementation of highly specialized and innovative IT systems for banking solutions.
- Improve the skills and abilities of human capital by providing specialized training programs to master various banking techniques and procedures.
- Development of new banking products and services based on the local market requirements.
- Effective management of revenues and expenses, in order to achieve the highest possible added value to shareholders.



Hama Branch

BANK OF SYRIA AND OVERSEAS S.A.
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Bank of Syria and Overseas
Damascus, Syria

We have audited the accompanying financial statements of Bank of Syria and Overseas S.A., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and Syrian banking regulations related to policy 3.D. 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.

Auditor's 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, within the limitations imposed by the existing banking laws in Syria. The procedures selected depend on the auditor's 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 financial statements present fairly, in all material respects, the financial position of Bank of Syria and Overseas S.A. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and Syrian banking regulation related to policy 3.D.

Damascus, Syria
March 7, 2007

Deloitte & Touche

Balance Sheet

Annual Report
2006

BANK OF SYRIA AND OVERSEAS S.A. BALANCE SHEET

As of December 31,			
Assets	Notes	2006 SYP	2005 (Restated) SYP
Cash & due from banks	5	13,721,055,317	6,274,289,387
Interest earning term Deposits with banks	5	24,756,430,813	12,587,279,138
Cash compulsory reserve	6	1,927,463,707	914,912,903
Financial assets:			
Available for sale	7	50,000,000	-
Held to maturity	8	1,000,000,000	-
Loans and advances	9	6,425,530,625	4,638,839,629
Customers' acceptance	10	612,624,323	651,533,694
Other assets	11	164,950,937	32,666,899
Property and equipment (net)	12	698,950,072	414,486,841
Intangible assets	13	91,819,493	128,352,783
Regulatory blocked fund	14	294,269,840	307,555,330
Total Assets		49,743,095,127	25,949,916,604
Liabilities			
Due to banks	15	323,658,947	175,000,149
Customers' deposits & other credit balances	16	43,996,600,368	21,088,508,961
Accounts payable & miscellaneous creditors	17	1,231,011,099	713,035,609
Outstanding acceptances	10	612,624,323	651,533,694
Other liabilities	18	258,609,578	105,066,424
Total liabilities		46,422,504,315	22,733,144,837
Equity			
Capital	19	3,000,000,000	3,000,000,000
Legal reserve	20	39,873,270	16,182,497
Special reserve	20	39,873,270	16,182,497
Exchange revaluation on capital Paid in U.S. Dollars	19	(57,535,419)	75,553,262
Retained earnings		298,379,691	108,853,511
Total equity		3,320,590,812	3,216,771,767
Total liabilities and equity		49,743,095,127	25,949,916,604
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	27		
Letters of Guarantee		6,964,959,850	6,227,995,057
Documentary and commercial letters of credit		1,765,987,985	790,082,160

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



بنك سورية والمهجر
BANK OF SYRIA AND OVERSEAS

Income Statement

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BANK OF SYRIA AND OVERSEAS S.A. INCOME STATEMENT

Year ended December 31,			
	Notes	2006 SYP	2005 (Restated) SYP
Interest Income:			
Loans and advances	21	527,415,089	246,564,534
Financial assets held to maturity	8	45,113,890	-
Deposits with banks	22	975,443,488	273,852,396
		1,547,972,467	520,416,930
Interest Expense:			
Deposits and other credit balances	23	(1,125,223,688)	(303,641,279)
Deposits from banks		(1,273,329)	(6,731,311)
		(1,126,497,017)	(310,372,590)
Net interest income		421,475,450	210,044,340
Commissions, fees and other revenues (net)	24	230,609,131	162,293,191
Net realized exchange (loss)/gain		(10,069,411)	24,888,586
Provision for exchange rates variation		(2,483,000)	-
Net unrealized exchange (loss)/ gain		(133,088,681)	63,462,197
Net financial revenues		506,443,489	460,688,314
Other expenses:			
General operating expenses	25	(236,948,017)	(153,012,289)
Provision for doubtful debts	9	(9,989,188)	-
Depreciation and amortization		(66,361,969)	(38,052,604)
Other (expenses)/income	26	(440,270)	5,890,750
Total other expenses		(313,739,444)	(185,174,143)
Income/(loss) inclusive of unrealized (loss) / gain on difference in exchange and before income tax		192,704,045	275,514,171
Income tax	17	(88,885,000)	(50,227,000)
Net income for the year	28	103,819,045	225,287,171

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Cash Flow Statement

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BANK OF SYRIA AND OVERSEAS S.A. CASH FLOW STATEMENT

Year ended December 31,			
	Notes	2006 SYR	2005 (Restated) SYR
Cash flows from operating activities:			
Income/(Loss) for the year/period before income tax		192,704,045	275,514,171
Adjustments to reconcile losses to net cash provided by operating activities:			
Depreciation and amortization		66,361,969	38,052,604
Provision for exchange rates variation		2,483,000	-
Provision for doubtful debts		9,989,188	-
Currency adjustment on capital funded in US Dollars		13,285,490	(6,346,218)
Net increase in other assets		(132,284,038)	(24,373,891)
Tax settlement		(50,227,000)	-
Net increase in accounts payable & miscellaneous creditors		479,317,490	446,122,063
Net increase in other liabilities		151,060,154	96,496,913
Net cash provided by operating activities		732,690,298	825,465,642
Cash flows from investing activities:			
Term deposits with banks		(12,169,151,675)	(11,021,279,138)
Loans and advances		(1,796,680,184)	(3,692,442,694)
Investments in financial assets		(1,050,000,000)	-
Property and equipment	31	(279,508,160)	(269,453,216)
Intangible assets	31	(34,783,750)	(40,956,384)
Regulatory blocked fund		-	(150,000,000)
Net cash used in investing activities		(15,330,123,769)	(15,174,131,432)
Cash flows from financing activities:			
Customers' deposits and other credit balances		22,908,091,407	18,193,694,993
Cash compulsory reserve		(1,012,550,804)	(914,912,903)
Due to banks		148,658,798	164,885,139
Paid up capital		-	1,500,000,000
Net cash provided by financing activities		22,044,199,401	18,943,667,229
Net increase in cash and due from banks		7,446,765,930	4,595,001,439
Cash and due from banks - Beginning of year		6,274,289,387	1,679,287,948
Cash and due from banks - End of year		13,721,055,317	6,274,289,387

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Annual Report

Statement of Changes in Shareholder`s Equity

2006

BANK OF SYRIA AND OVERSEAS S.A. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Capital SYR	Legal reserve SYP	Special reserve SYP	
Balance, December 31, 2004		1,500,000,000	-	-	
Capital increase		1,500,000,000	-	-	
Net income for 2005		-	-	-	
Change in currency adjustment on capital funded in US Dollars	19	-	-	-	
Allocation of 2005 net income		-	16,182,497	16,182,497	
Balance - December 31, 2005 (Restated)		3,000,000,000	16,182,497	16,182,497	
Net income for 2006		-	-	-	
Change in currency adjustment on capital funded in US Dollars	19	-	-	-	
Allocation of 2006 net income		-	23,690,773	23,690,773	
Balance - December 31, 2006		3,000,000,000	39,873,270	39,873,270	

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Annual Report

Statement of Changes in Shareholder`s Equity

2006

	Currency adjustment on capital funded SYR	Retained Earnings / (Accumulated Losses) SYR	Income for the year SYR	Total SYR
	12,091,065	(20,606,469)	-	1,491,484,596
	-	-	-	1,500,000,000
	-	-	225,287,171	225,287,171
	63,462,197	-	(63,462,197)	-
	-	129,459,980	(161,824,974)	-
	75,553,262	108,853,511	-	3,216,771,767
	-	-	103,819,045	103,819,045
	(133,088,681)	-	133,088,681	-
	-	189,526,180	(236,907,726)	-
	(57,535,419)	298,379,691	-	3,320,590,812

1. Objective and Formation of the Bank

Bank of Syria and Overseas S.A. is a Syrian joint stock company, incorporated on November 19, 2003 and registered under No. 13900 on December 29, 2003 at the commercial register of Damascus and under No. 9 on the banks list published by the Central Bank of Syria. The headquarters of the Bank are located in Harika, Bab Barid, Lawyers Syndicate Building, Damascus, Syria.

As of December 31, 2006, the Bank had nine branches: one in Aleppo, one in Lattakia, one in Hama, one in Homs, one in Tartous and four in Damascus.

2. The Implementation of New and Modified International Financial Reporting Standards:

In the current year, the Bank has adopted the new and revised standards and interpretations, issued by the International Accounting Standards Board (IASB), and the International Financial Reporting Interpretation Committee (IFRIC), that are relevant to the Bank's operations and applicable for accounting periods beginning on January 1, 2006. The adoption of the new and revised standards and interpretations has resulted in changes to the Bank presentations and disclosures in the financial statements with respect to financial guarantee contracts in line with the IASB amendments of IAS 39: Recognition and Measurement. The impact of these changes is discussed in detail later in this note.

IAS 1: IAS 1 (Amendment) Capital Disclosure (Effective from January 1, 2007)

IAS 1 (Amendment) requires the disclosure of financial information that enables the users of the financial statements to assess the entity's objectives, policies and processes for managing capital.

IFRS 7: Financial Instruments: Disclosures (Effective from January 1, 2007)

IFRS 7 supersedes IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions), and some of the disclosures required by IAS 32 (Financial Instruments: Disclosure and Presentation).

IFRS 8 : Operating segments (Effective from January 1, 2009)

IFRS 8 supersedes IAS 14 (Segment Reporting). It extends the scope of segment reporting to include entities that hold assets in a fiduciary capacity for a broad group of outsiders as well as entities whose equity or debt securities are publicly traded and entities that are in the process of issuing equity or debt securities in public securities markets.

The Bank's management anticipates that the adoption of these standards and interpretations (where applicable) in the future periods will not have a material impact on the Bank's financial statements, except in case of IFRS 7 which when adopted will impact disclosures substantially.



Accounting for financial guarantee contracts:

The IASB has also amended IAS 39 Financial Instruments: Recognition and Measurement to require certain financial guarantee contracts issued by the Bank to be accounted for in accordance with that Standard. Financial guarantee contracts that are accounted for in accordance with IAS 39 are measured initially at their fair values, and subsequently measured at the higher of:

- * The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- * The Amount Initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set in note 3 below.

3. Summary of Significant Accounting Policies

A. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and the existing banking laws in Syria; assets and liabilities are grouped according to their nature and are listed in an approximate order that reflect their relative liquidity.

B. Basis of preparation

The financial statements have been prepared on the historical cost basis with the exception of the measurement at fair value of certain non-current assets and financial instruments.

The financial statements are presented in Syrian Pounds, the reporting currency.

C. Investments in associates

Effective January 1, 2005 and in compliance with the amendments of IAS 27 "Consolidated and separate financial statements", the investments in associates are measured at cost. An associate is an entity over which the Bank has significant influence in the financial and operating policy decisions without having control.

D. Foreign currencies

Transactions effected during the year in foreign currencies including revenues and expenses, are translated to Syrian Pounds using rates of exchange prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Syrian Pounds at the exchange rates as published by the Central Bank of Syria on December 31, 2006 (SYP 51.05 for 1 US Dollar and SYP 67.06 for 1 Euro). Translation gains and losses are included in the determination of net income.

Cash flows in foreign currencies provided by and used in various activities as included in the statement of cash flows, are converted into Syrian Pounds at the exchange rates prevailing at the balance sheet date, except for cash and due from banks at the beginning of year which are converted at prior year closing exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

The Council of Money and Credit Issued decision number 249, which stipulated that the currency adjustments on structural position (related to the capital funded in US Dollars) is considered as unrealized profit or loss and is not taxable and not available for distribution.

E. Property and Equipment

Property and equipment are recorded at historical cost in Syrian Pounds, less any subsequent accumulated depreciation and impairment losses, if any.

Depreciation of property and equipment is provided for on the straight-line method over the estimated useful life of the assets on the basis of the following annual rates:

Buildings	5%
Furniture and office equipment	10-15%
Computer equipment	20%
Vehicles	20%
Leasehold improvements	20%

F. Intangible Assets

Key Money:

Key money is recorded at cost and amortized over a period of 20 years starting the first year of operations.

Software:

Software is recorded at cost and amortized over a period of 5 years starting the first year of operations.

G. Contributions to Social Security

The Bank is registered in the Syrian Social Security Establishment and makes contributions on account of its employees. These contributions include the Bank's engagement towards its employees concerning end-of-service indemnities that will be allocated to them by the Social Security Establishment. The Bank has no other liability towards its employees' end-of-service-indemnity.

H. Revenue and Expenses Recognition

Interest income and expense are recognized on a time proportionate basis by reference to the principal outstanding and to the applicable interest rate, except for interest on loans and advances carried on cash basis for which related interest is only recognized upon realization. Other commissions and fees are recognized when contractually earned.

I. Loans and Advances

Loans and advances are disclosed net of unearned interest and after provision for bad debts. Doubtful and litigious loans are carried on a cash basis because of doubt and the probability of non-collection of principal and/or interest.

The provisions for bad debts are set up against specific accounts to offset the losses that may result there from, determined based on an assessment of credit risks which is updated regularly. This credit loss assessment is made based on objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is estimated based on the difference between the asset carrying value and the present value of future anticipated cash flows, taking into consideration the liquidating value of the guarantee in hand.

J. Income tax

The Bank is computing its income tax in accordance with law number 28 dated April 16, 2001 which sets the income tax rate at 25% of the net taxable income.

Taxable profit differs from net profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

K. Impairment of assets

At each balance sheet date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required. Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is defined as the higher of:

Fair value that reflects market conditions at the balance sheet date less cost to sell, if any. To determine the fair value of properties, the Bank adopts the policy of market comparability approach as indicated later in this note.

Value in use which is the present value of estimated future cash flows expected to arise from the continuing use of the asset, in addition to, the proceeds of its disposal at the end of its useful life. This is only applicable to assets with cash generating units.

If the asset recoverable amount is less than its book value, then the book value is reduced to the asset's recoverable amount. Impairment losses are charged to income unless the said asset is stated at its revalued amount; in this case, the impairment loss will be debited to the revaluation reserves that have resulted from the revaluation of the same asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The fair value of the properties acquired by the Bank in satisfaction of debts is the estimated market value, as determined by real estate appraisers on the basis of market comparability, by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale.

The impairment loss is recognized in the income statement.

L. Financial assets

Investment are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories: 'held-to-maturity', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Held to maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment. The amortization of any discount or premium on acquisition is aggregated with other investment income receivable over the term of the underlying instruments.

- Available for sale

After initial recognition, available for sale investments are measured at fair value determined in the manner described in note 3.M. Gains and losses arising from changes in fair value are recognised directly in equity, after deduction of deferred costs, until disposed off or determined to be impaired, where the cumulative gain or loss previously recognised in the equity is included in profit or loss for the period. Foreign exchange gains and losses are recognised directly in profit or loss.

Dividends on available for sale equity instruments are recognised in profit or loss when the Bank's right to receive payments is established.

The fair value of available for sale assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available for sale investments with no quoted market price and the value could not be determined reliably, is measured at cost.

- Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

Non-performing loans and advances are stated net of unrealized interest income and provision for credit losses.

- Exchange of debt securities

Debt securities exchanged against securities with longer maturities, with similar risks, and issued by the same issuer, are not derecognized from financial assets because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on time proportionate basis, over the period of the extended maturities.

M. Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices
- The fair value of other financial assets and liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

N. Derecognition of financial assets

A financial asset (a part of a financial assets or a part of a group of similar financial assets) is derecognized when the contractual rights to the cash flows from the financial asset expire.

In the cases where the Bank transfers the financial asset, the latter is derecognized if the Bank transfers all the risks and rewards of ownership of the financial asset. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized only if the Bank has not retained control. The Bank recognises separately as assets or liabilities any rights and obligations created or retained in the operation.

The Bank derecognizes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Bank's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

(i) Classification of held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a regular basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors of the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

Management uses judgment and estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5. Cash, Central Bank and Deposits with Banks

This caption includes the following:

A. Cash and Due from Banks:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Residents:			
Cash	442,033,021	409,498,329	851,531,350
Current accounts with Central Bank of Syria	11,088,035,889	10,799,656	11,098,835,545
Current accounts with correspondent banks	181,612,251	502,890,163	684,502,414
	11,711,681,161	923,188,148	12,634,869,309
Non-Residents:			
Current accounts with correspondent banks	-	177,803,631	177,803,631
Current accounts with related banks ³	-	908,382,377	908,382,377
	-	1,086,186,008	1,086,186,008
	11,711,681,161	2,009,374,156	13,721,055,317

Notes to the Financial Statements

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December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Residents:			
Cash	391,192,115	293,835,557	685,027,672
Current accounts with Central Bank of Syria	3,559,749,134	10,763,234	3,570,512,368
Current accounts with correspondent banks	178,407,061	150,712,777	329,119,838
	4,129,348,310	455,311,568	4,584,659,878
Non-Residents:			
Current accounts with correspondent banks	-	885,223,468	885,223,468
Current accounts with related banks	-	804,406,041	804,406,041
	-	1,689,629,509	1,689,629,509
	4,129,348,310	2,144,941,077	6,274,289,387

Current accounts with Central Bank of Syria are distributed as follows:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Damascus	3,848,037,098	10,799,656	3,858,836,754
Aleppo	3,735,924,455	-	3,735,924,455
Lattakia	2,532,301,258	-	2,532,301,258
Hama	793,919,499	-	793,919,499
Tartous	63,268,969	-	63,268,969
Homs	114,584,610	-	114,584,610
	11,088,035,889	10,799,656	11,098,835,545

December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Damascus	1,332,409,443	10,763,234	1,343,172,677
Aleppo	1,539,456,189	-	1,539,456,189
Lattakia	687,883,502	-	687,883,502
	3,559,749,134	10,763,234	3,570,512,368

B. Term Deposits with Banks:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Residents:			
Deposit with correspondent banks	400,000,000	-	400,000,000
	400,000,000	-	400,000,000
Non-Residents:			
Deposit with related banks	-	604,907,000	604,907,000
Deposit with correspondent banks	-	23,751,523,813	23,751,523,813
	-	24,356,430,813	24,356,430,813
	400,000,000	24,356,430,813	24,756,430,813

December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Non-Residents:			
Deposit with related banks	-	795,657,067	795,657,067
Deposit with correspondent banks	-	11,791,622,071	11,791,622,071
	-	12,587,279,138	12,587,279,138

Term deposits are mostly denominated in US Dollars, and have maturity in the first quarter of 2007. These deposits earned an average interest of 5% for the year ended December 31, 2006 (3.59 % for 2005).

Total interest earned on banks accounts for the year ended December 31, 2006 amounted to SYP 975,443,488 (SYP 273,852,396 for 2005).

Term deposits with non-resident correspondent banks as of December 31, 2006 included the counter value of USD 1,600,000 pledged by a correspondent bank to cover two letters of credit for USD 800,000 each maturing in September 2007.

Term deposits with related banks as of December 31, 2006 included the counter value of USD 1,000,000 pledged by a related bank to cover the Issuance of Visa Cards by Bank of Syria and Overseas.

6. Cash Compulsory Reserve

Banking laws and regulations require banks to maintain cash compulsory reserve with the Central Bank of Syria in the form of non-interest earning deposits. This reserve equals 5% of total deposits (current and term) excluding housing deposit accounts as per decree (No. 72/MN/84) dated December 9, 2004 issued by the Council of Money and Credit. In this connection, cash compulsory reserve in the approximate amount of SYP 1,927 million was maintained in the current account with the Central Bank of Syria at December 31, 2006.

7. Available for Sale Investments

This caption comprises the cost of 100,000 shares, out of 2 million shares (representing 5% of ownership) acquired at the issue price of SYP 500 in a related insurance company, that due to unavailability of quoted market prices.

8. Held to Maturity Investments

This caption comprises 20 Certificates of Deposits for a value of SYP 50 million each, issued by the Real Estate Bank in Syria and acquired by Bank of Syria and Overseas during 2006.

These certificates of deposits have the following maturities:

Maturity Date	Number	Unit Value SYP	Total Value SYP	Nominal Interest Rate %
April 2, 2007	10	50,000,000	500,000,000	% 9,0
June 25, 2008	2	50,000,000	100,000,000	% 9,5
November 8, 2008	4	50,000,000	200,000,000	% 9,5
November 8, 2009	4	50,000,000	200,000,000	% 10,0
	20		1,000,000,000	

Total interest on these Certificates of Deposits related to 2006 amounted to SYP 45,113,890 and is classified under accrued interest receivable in the other assets caption.

9. Loans and Advances

This caption comprises the following :

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Loans and advances to customers	3,845,388,564	419,452,518	4,264,841,082
Discounted bills	1,362,450,029	19,673,615	1,382,123,644
Promissory notes	852,950,013	21,221,230	874,171,243
Advances on salaries	3,139,330	-	3,139,330
Non-performing loans	85,655,663	1,541,389	87,197,052
	6,149,583,599	461,888,752	6,611,472,351
Provision for doubtful debts	(9,989,188)	-	(9,989,188)
Unearned interest revenue	(175,274,060)	(678,478)	(175,952,538)
	5,964,320,351	461,210,274	6,425,530,625

December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Loans and advances to customers	2,779,720,479	367,136,020	3,146,856,499
Discounted bills	748,500,766	-	748,500,766
Promissory notes	759,021,588	-	759,021,588
Advances to banks	109,634,767	-	109,634,767
Advances on salaries	912,665	-	912,665
	4,397,790,265	367,136,020	4,764,926,285
Unearned interest revenue	(126,086,656)	-	(126,086,656)
	4,271,703,609	367,136,020	4,638,839,629

Total interest earned on loans and advances for the year ended December 31, 2005 amounted to SYP 527,415,089 (SYP 246,564,534 for 2005).

Loans and advances to customers as of December 31, 2006 include the amount of SYP 204 million representing facilities granted to a related insurance company.

Advances to banks in 2005, comprised mainly an overdraft extended to a resident bank in Syrian Pounds. During 2006, the overdraft was settled by the borrowing bank.

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Loans and advances are distributed over the following brackets as of December 31, 2006 and December 31, 2005 as follows:

December 31, 2006				
	Number of Customers	No. of customers to Total Customers %	Amount SYP'000	Weight to Total %
Less than SYP 500,000	233	42	20,490	0,30
Between SYP 500,001 and SYP 1,000,000	49	9	36,377	0,55
Between SYP 1,000,001 and SYP 10,000,000	155	28	605,157	9,15
Greater than 10,000,000	119	21	5,949,448	90,00
	556	100	6,611,472	100,00
December 31, 2005				
	Number of Customers	No. of customers to Total Customers %	Amount SYP'000	Weight to Total %
Less than SYP 500,000	167	44	10,054	0,21
Between SYP 500,001 and SYP 1,000,000	18	5	12,358	0,26
Between SYP 1,000,001 and SYP 10,000,000	99	26	444,191	9,32
Greater than 10,000,000	95	25	4,298,323	90,21
	379	100	4,764,926	100,00

Loans and advances are mainly granted to customers in the commercial and industrial sectors. The loans concentration as of December 31, 2006 was 91% for the commercial sector and 7% for the industrial sector (compared to 78% and 17% respectively as of December 31, 2005).

Non-performing loans comprise doubtful and disputable loans that have been classified as non-performing because of the existence of a doubt or a probability of non-collection of these debts and/or revenues from these debts. During 2006, a provision for doubtful debts was taken in the amount of SYP 9,989,188.

Non-performing loans as of December 31, 2006 comprise the following:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Outstanding balances	88,410,891	1,592,162	90,003,053
Unearned interest revenue	(2,755,228)	(50,773)	(2,806,001)
	85,655,663	1,541,389	87,197,052

10. Customers' Acceptance Liability / Outstanding Acceptances

This caption represents the liability to the Bank of its customers on outstanding drafts and bills of exchange which have been accepted by the Bank and / or other banks for its account. These balances relate to negotiated deferred payment import and export letters of credit and bills of lading.

The commitments resulting from these acceptances are stated as a liability in the balance sheet for the same amount.

11. Other Assets

This caption comprises the following:

	December 31	
	2006 SYP	2005 SYP
Prepaid rent	500,836	747,094
Other prepaid expenses	306,189	1,647,171
Stationery	3,505,500	2,607,107
Deferred charges	986,465	1,427,534
Branches pre-opening expenses	3,421,206	2,061,305
Accrued interest receivable – banks	109,427,128	19,757,173
Accrued interest receivable – held to maturity investments	45,113,890	-
Stamps	440,842	218,030
Other	1,248,881	4,201,485
	164,950,937	32,666,899

Deferred charges represent the cost of SWIFT which is amortized over a period of 5 years. Amortization expenses amounted to SYP 440,270 for the year ended December 31, 2006 and 2005 and are included in the statement of income.

Branches pre-opening expenses include the amount of SYP 1,160,586 and SYP 1,060,620 being payments incurred as start up costs for new branches in Homs and Aleppo (second branch) respectively. In addition, it includes the amount of SYP 1,200,000 representing costs incurred for the development of additional floors rented in the Head Office at Harika.

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12. Property and Equipment (Net)

This caption comprises the following:

	Land and Buildings	Furniture and Office Equipment	Computer Equipment	Vehicles	Leasehold Improvements	Advance on Capital Expenditures	Total
	SYP	SYP	SYP	SYP	SYP	SYP	SYP
Historical Cost:							
Balance – December 31, 2004	105,300,018	11,096,558	8,681,070	6,347,600	46,691,375	4,736,895	182,853,516
Additions	127,467,410	17,521,423	10,641,195	-	86,784,582	27,038,606	269,453,216
Reclassification	90,000	2,099,645	930,200	-	1,919,995	(5,039,840)	-
Balance – December 31, 2005	232,857,428	30,717,626	20,252,465	6,347,600	135,395,952	26,735,661	452,306,732
Additions	83,825,905	25,990,390	12,007,758	-	94,490,769	63,082,901	279,397,723
Transfers from key money	71,000,000	-	-	-	-	-	71,000,000
Transfers	51,554,180	586,800	807,132	-	-	(52,948,112)	-
Balance – December 31, 2006	439,237,513	57,294,816	33,067,355	6,347,600	229,886,721	36,870,450	802,704,455
Accumulated Depreciation:							
Balance – December 31, 2004	(230,417)	(790,467)	(1,047,366)	(952,117)	(5,330,871)	-	(8,351,238)
Additions	(4,643,376)	(3,272,158)	(3,162,981)	(1,269,518)	(17,120,620)	-	(29,468,653)
Balance – December 31, 2005	(4,873,793)	(4,062,625)	(4,210,347)	(2,221,635)	(22,451,491)	-	(37,819,891)
Additions	(11,222,063)	(6,513,104)	(5,422,867)	(1,269,520)	(34,813,212)	-	(59,240,766)
Adjustments	-	110,437	-	-	-	-	110,437
Transfers from key money	(6,804,163)	-	-	-	-	-	(6,804,163)
Balance – December 31, 2006	(22,900,019)	(10,465,292)	(9,633,214)	(3,491,155)	(57,264,703)	-	(103,754,383)
Net Book Value:							
Balance – December 31, 2006	416,337,494	46,829,524	23,434,141	2,856,445	172,622,018	36,870,450	698,950,072
Balance – December 31, 2005	227,983,635	26,655,001	16,042,118	4,125,965	112,944,461	26,735,661	414,486,841

Advance on capital expenditures include the amount of SYP 20 million representing the price of a real estate acquired in Homs district for a potential branch opening. Up to the date of these financial statements, this property is still classified as a residential property which cannot be operated as a commercial property by the bank.

Land and buildings include the amount of SYP 3,916,000 representing the cost of a plot of land acquired during 2006 in the region of Aadra for the purpose of opening a new branch.

During 2006, the Bank acquired the real estate rented for the branch in Damascus, Nijmeh Square and the key money paid was considered as a payment from the total cost of the real estate. The historical cost and accumulated amortization amounting to SYP 71,000,000 and SYP 6,804,163 respectively were reclassified under the Buildings caption (See Note 13).

13. Intangible Assets

	Key Money SYP	Software SYP	Total SYP
Historical Cost:			
Balance – December 31, 2005	132,000,000	6,658,842	138,658,842
Additions	30,000,000	4,783,750	34,783,750
Transfer to buildings	(71,000,000)	-	(71,000,000)
Balance – December 31, 2006	91,000,000	11,442,592	102,442,592
Accumulated Amortization:			
Balance – December 31, 2005	(8,591,662)	(1,714,397)	(10,306,059)
Additions	(5,245,833)	(1,875,370)	(7,121,203)
Transfer to buildings	6,804,163	-	6,804,163
Balance – December 31, 2006	(7,033,332)	(3,589,767)	(10,623,099)
Net Book Value:			
Balance – December 31, 2006	83,966,668	7,852,825	91,819,493
Balance – December 31, 2005	123,408,338	4,944,445	128,352,783

14. Regulatory Blocked Fund

According to section B of Article 12 of Law No. 28 / 2001, private sector banks are required to maintain 10% of their capital as Regulatory Blocked Funds at the Central Bank of Syria as an interest-free blocked deposit.

This section is detailed as follows:

December 31,		
	2006 SYP	2005 SYP
Blocked funds in Syrian Pounds	115,789,800	115,789,800
Blocked funds in US Dollars	178,480,040	191,765,530
	294,269,840	307,555,330

The allocation of the blocked funds is as follows:

Currency	Subscribed Shares	Nominal Value SYP	Value SYP	Blocked Capital %	Blocked Capital SYP
Syrian Pounds	2,315,796	500	1,157,898,000	10	115,789,800
US Dollars	3,684,204	500	1,842,102,000	10	184,210,200
Negative difference in exchange	-	-	-	-	(5,730,160)
	6,000,000		3,000,000,000		294,269,840

The negative difference in exchange is derived as follows:

Shares subscribed in USD at	Number of shares	Blocked capital in USD USD	Historical rate	Historical Value SYP	Value as at December 31 2006 SYP	Negative difference in exchange SYP
Original issuance	1,779,294	1,727,295	51,50	88,955,700	88,178,410	(777,290)
Capital increase	1,904,910	1,768,886	53,85	95,254,500	90,301,630	(4,952,870)
	3,684,204	3,496,181		184,210,200	178,480,040	5,730,160

15. Due to Banks

This caption comprises the following:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Demand deposits - correspondent banks	35,541,941	220,099,046	255,640,987
Demand deposits - related banks	-	12,844,940	12,844,940
Clearing checks	55,173,020	-	55,173,020
	90,714,961	232,943,986	323,658,947

December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Demand deposits	20,585,627	114,267,834	134,853,461
Time deposits	23,533,064	-	23,533,064
Clearing checks	16,613,624	-	16,613,624
	60,732,315	114,267,834	175,000,149

16. Customers' Deposits and Other Credit Balances

This caption comprises the following:

December 31, 2006			
	SYP	F/Cy in SYP	Total in SYP
Demand deposits	6,521,671,709	7,256,900,905	13,778,572,614
Time deposits	10,430,516,719	17,875,789,656	28,306,306,375
Saving accounts	1,110,921,377	267,655,998	1,378,577,375
Related party deposits	330,196,354	202,947,650	533,144,004
	18,393,306,159	25,603,294,209	43,996,600,368

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December 31, 2005			
	SYP	F/Cy in SYP	Total in SYP
Demand deposits	3,387,810,661	4,529,752,921	7,917,563,582
Time deposits	3,229,485,510	8,366,087,448	11,595,572,958
Saving accounts	1,199,459,549	121,273,872	1,320,733,421
Related party deposits	97,593,000	157,046,000	254,639,000
	7,914,348,720	13,174,160,241	21,088,508,961

Customers' deposits and other credit balances are distributed over the following brackets as of December 31, 2006 and December 31, 2005 as follows:

December 31, 2006				
	Number of Customers	Number of Customers to total customers %	Amount SYP'000	Weight to Total %
Less than SYP 50,000	11,667	44	121,524	0,3
Between SYP 50,001 and SYP 150,000	2,886	11	253,785	0,6
Between SYP 150,001 and SYP 500,000	3,437	13	994,712	2,3
Between SYP 500,001 and SYP 1,000,000	2,296	9	1,602,424	3,6
Between SYP 1,000,001 and SYP 10,000,000	5,181	20	15,848,470	36,0
Greater than 10,000,000	781	3	25,175,685	57,2
	26,248	100	43,996,600	100,0

December 31, 2005				
	Number of Customers	Number of Customers to total customers %	Amount SYP'000	Weight to Total %
Less than SYP 50,000	5,572	39	65,333	0,3
Between SYP 50,001 and SYP 150,000	1,789	13	162,860	0,8
Between SYP 150,001 and SYP 500,000	2,352	17	696,910	3,3
Between SYP 500,001 and SYP 1,000,000	1,401	10	1,002,017	4,7
Between SYP 1,000,001 and SYP 10,000,000	2,726	19	8,355,042	39,6
Greater than 10,000,000	322	2	10,806,347	51,3
	14,162	100	21,088,509	100,0

17. Accounts Payable and Miscellaneous Creditors

This section consists of the following:

December 31,		
	2006 SYP	2005 SYP
Margins on letters of credit	331,790,819	231,027,516
Margins on customers' acceptance	81,976,876	-
Margins on letters of guarantee	269,219,443	200,169,804
Other margins	47,003,013	9,941,835
Provision for income tax	88,885,000	50,227,000
Withheld taxes on interest paid to clients	26,232,925	8,107,542
Withheld taxes on employees salaries	7,594,681	3,641,612
Other withheld taxes	6,144,230	3,025,460
Social security	5,884,287	2,632,308
Checks to be paid	355,946,918	185,991,317
Inter-branch accounts	61,908	1,645,449
Fixed assets suppliers	3,053,847	201,800
Refundable amounts to shareholders	1,816,485	14,071,825
Sundry creditors	5,400,667	2,352,141
	1,231,011,099	713,035,609

Refundable amounts to shareholders represent the amounts paid in excess by the shareholders for the new capital issued during 2005.

The movement of the provision for income tax during 2006 was as follows:

	SYP
Balance as of December 31, 2005	50,227,000
Payment on advance for tax authorities	(50,227,000)
Income tax charge for 2006	88,885,000
Balance as of December 31, 2006	88,885,000

Provision for income tax as of December 31, 2006 is derived as follows:

	SYP
Net income for the year 2006	192,704,045
Add:	
Unrealized differences in exchange	133,088,681
Non-tax deductible provisions and expenses	13,161,594
Buildings' depreciation	11,222,063
Key money amortization	5,245,833
Taxable income	355,422,216
Income tax for 2006 at 25% (rounded)	88,885,000

18. Other Liabilities

This caption includes the following:

	December 31	
	2006 SYP	2005 SYP
Accrued interest payable	206,075,984	72,786,105
Accrued bonuses and incentives	15,000,000	14,277,526
Provision for electricity and telephone bills	4,499,959	2,857,300
Provision for exchange rates variation	2,483,000	-
Accrued professional fees	1,282,964	1,811,350
Other accruals	29,267,671	13,334,143
	258,609,578	105,066,424

In accordance to decision No. 249 issued by the Money and Credit Council, banks in Syria are required to provide for the variation in the exchange rates. The provision is equal to 10 % of the Banks "operational position".

Other accruals include the amount of SYP 17 million representing amount to be paid to the ATM service provider.

19. Capital

The Bank's capital as at December 31, 2004 consisted of 3,000,000 nominative shares of SYP 500 par value each, authorized and fully paid.

On May 25, 2004 the extraordinary General Assembly of shareholders decided to increase the Bank's capital from SYP 1.5 billion to SYP 3 billion, by issuing 3,000,000 additional shares of SYP 500 each. The subscription in the new shares took place during the period from September 18, 2005 to October 10, 2005. The allocation of the new shares was approved by the Extraordinary General Assembly held on November 23, 2005.

As of December 31, 2006, the bank's capital consists of 6,000,000 nominative shares of SYP 500 par value each, authorized and fully paid and is broken down by currency as follows:

	No. of Shares	F/Cy USD	Historical Counter Value SYP	Currency adjustment on Capital funded in U.S. Dollars SYP
Original issuance:				
Capital funded in Syrian Pound	1,220,886	-	610,443,000	-
Capital funded in U.S. Dollars and reflected in SYP	1,779,114	17,272,950	889,557,000	(7,772,903)
	3,000,000		1,500,000,000	(7,772,903)
Capital increase:				
Capital funded in Syrian Pound	1,094,910	-	547,455,000	-
Capital funded in U.S. Dollars and reflected in SYP	1,905,090	17,688,860	952,545,000	(49,762,516)
	3,000,000		1,500,000,000	(49,762,516)
Total Capital:				
Capital funded in Syrian Pound	2,315,796	-	1,157,898,000	-
Capital funded in U.S. Dollars and reflected in SYP	3,684,204	34,961,810	1,842,102,000	(57,535,419)
	6,000,000		3,000,000,000	(57,535,419)

The Council of Money and Credit issued the decision number 249, which stipulated that the currency adjustments on structural position (related to the capital funded in US Dollars) are considered as unrealized profit or loss and are not taxable and not subject to distribution.

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The capital paid in US Dollars and reflected in Syrian Pounds comprises the following:

Shares Subscribed in USD at	Number of Shares	Capital Funded in USD USD	Historical Rate	Historical Value SYP	Value as at December 31 2006 SYP	Currency adjustment on capital funded in USD SYP
Original issuance	1,779,114	17,272,950	51,50	889,557,000	881,784,097	(7,772,903)
Capital increase	1,905,090	17,688,860	53,85	952,545,000	902,782,484	(49,762,516)
	3,684,204	34,961,810		1,842,102,000	1,784,566,581	(57,535,419)

The shares are divided into two categories:

Category A:

Comprises 3,060,000 shares that can only be acquired by Syrian real or moral persons. The value of these shares should be settled in Syrian Pounds, except for non-resident Syrians who should settle their subscription in foreign currency on the basis of the exchange rate published by the Commercial Bank of Syria.

Category B:

Comprises 2,940,000 shares that can be acquired by real or moral persons of non-Syrian persons, according to the decision of the Council of Ministers. The value of these shares is settled in foreign currency on the basis of the exchange rate published by the Commercial Bank of Syria.

20. Reserves

Legal reserve is set up at 10% of annual net income up to 50% of capital in accordance with the Code of Commerce, clause number 246. This reserve is not subject for distribution.

Special reserve is set up at 10% of annual net income up to 100% of capital in accordance with the Money and Credit Law, clause number 97. This reserve is not subject for distribution.

21. Interest Income on Loans and Advances

This caption consists of the following:

Year ended December 31		
	2006 SYP	2005 SYP
Interest income from:		
Loans and overdrafts	358,502,110	178,467,873
Discounted bills and promissory notes	168,912,979	68,096,661
	527,415,089	246,564,534

22. Interest Income on Deposits with Banks

This caption consists of the following:

Year ended December 31		
	2006 SYP	2005 SYP
Interest income from:		
Resident banks	23,887,268	1,675,501
Non-resident related banks	74,585,648	29,993,416
Non-resident correspondent banks	876,970,572	242,183,479
	975,443,488	273,852,396

23. Interest Expenses on Customers' Deposits and other credit Balances

This caption consists of the following:

Year ended December 31		
	2006 SYP	2005 SYP
Interest expense on:		
Time deposits	1,009,033,679	226,845,462
Saving account	42,388,416	43,982,676
Current accounts	73,801,593	32,813,141
	1,125,223,688	303,641,279

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24. Commissions, Fees and Other Revenues (NET)

This caption consists of the following:

Year ended December 31		
	2006 SYP	2005 SYP
Commission on:		
Banking operations	72,547,481	42,550,203
Discounted bills and promissory notes	16,818,744	12,302,353
Letters of credit and clients' acceptances	41,399,588	24,867,785
Letters of guarantee	38,371,945	37,447,281
Collections	46,566,850	36,330,421
Other operations	14,904,523	8,795,148
	230,609,131	162,293,191

25. General Operating Expenses

This caption consists of the following:

Year ended December 31		
	2006 SYP	2005 SYP
Salaries and related charges	151,852,983	90,594,623
Travel	9,200,975	5,368,927
Entertainment	751,031	1,310,059
Subscriptions	1,663,848	3,609,780
Seminars and training	1,155,425	614,286
Registration fees	2,493,224	5,194,902
Advertising	12,447,068	8,626,515
Professional fees	12,451,346	3,270,587
Maintenance and repairs	3,268,464	1,396,011
Energy and water	3,384,673	2,369,677
Telecommunication	10,350,056	7,528,087
Printing and stationary	6,670,608	5,321,751
Postage and freight	810,304	376,742
Rent	1,685,000	1,551,665
Insurance	3,743,952	3,921,254
Other	15,019,060	11,957,423
	236,948,017	153,012,289



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The salaries and related charges caption comprises the following:

Year ended December 31,		
	2006 SYP	2005 SYP
Salaries	90,992,898	48,524,354
Bonuses and incentives	43,775,315	25,663,957
End of services indemnity	-	468,872
Representation allowances	4,500,498	3,506,635
Transportation	-	5,769,878
Social security	11,556,123	6,368,402
Other	1,028,149	292,525
	151,852,983	90,594,623

Bonuses and incentives include the amount of SYP 28,775,315 paid during 2006, and SYP 15,000,000 that were accrued for and will be settled during 2007.

26. Other (Expenses) / Income - NET

This caption consists of the following:

Year ended December 31,		
	2006 SYP	2005 SYP
Expenses charged to subscribers of new capital	-	6,319,770
Deferred charges - SWIFT	(440,270)	(440,270)
Other	-	11,250
	(440,270)	5,890,750

Expenses charged to the subscribers of new capital in 2005, represents the net between the amounts charged to the customers for the issue of the new shares (SYP 5 per share) and the expenses incurred on the capital increase process. The expenses include an amount of SYP 7,500,000 being stamps fee paid to the Ministry of Finance.

27. Financial Instruments with Off-Balance Sheet Risks

The letters of guarantees and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The letters of guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans on the balance sheet.

However, documentary and commercial Letters of credit, which represent written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and, therefore, have significantly less risks.

28. Net Income for the Year

This caption includes the currency adjustments on structural position related to the capital funded in US Dollars, in compliance with the decision 249 issued by the Council of Money and Credit as follows:

Year ended December 31,		
	2006 SYP	2005 SYP
Income of the year	236,907,726	161,824,974
Unrealized (loss)/gain	(133,088,681)	63,462,197
Net Income inclusive of unrealized (loss)/gain	103,819,045	225,287,171

29. Related Party Transactions

Cash and due from banks as at December 31, 2006 include the amount of SYP 908,382,377 representing the aggregate balances of accounts held with related banks. Most of these accounts is denominated in US Dollars which amounted to the aggregate of SYP 777,798,080 (Counter value of approximately USD 15 million), representing 85.6%.

Term deposits with banks as at December 31, 2006 include amounts with related banks as follows:

Related Bank Name	Balance Original Currency	C/V in SYP
BLOM Bank – Beirut	USD 1,000,000	51,050,000
BLOM Bank – Beirut	EUR 4,700,000	315,182,000
BLOM Bank France – Geneva	USD 3,500,000	178,675,000
BLOM Bank France - London	GBP 600,000	60,000,000
		604,907,000

Due to banks as at December 31, 2006, include amounts with related banks as follows:

Related Bank Name	Balance Original Currency	C/V in SYP
BLOM Bank – Free Zone	USD 251,615	12,844,940
		12,844,940

Loans and advances as of December 31, 2006, included the amount of SYP 204 million representing an overdraft account for a related party.

Total interest revenue received from related banks amounted to SYP 74,585,648 during 2006 (SYP 29,993,416 in 2005)

Total interest expense paid to related banks amounted to SYP 606,330 during 2006 (SYP 324,470 for 2005)

The General Manager's remuneration and representation allowance including benefits for the year ended December 31, 2006 amounted to SYP 5,220,511 and SYP 1,259,655 respectively (SYP 5,215,996 and SYP 1,033,000 for 2005).

The outstanding letters of guarantee and documentary letters of credit as of December 31, 2006 included the approximate amounts of SYP 741 millions and SYP 108 million respectively to the benefit of related parties

30. Financial Instruments

(a) Fair values of financial assets and liabilities:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank is managing credit risks through diversifying and spreading its credit activities to ensure that there is no unjustified concentration with people or a group of them in specific areas or economic sectors, and also getting enough tangible collateral.

(c) Market risk

The market risk includes, among other things, the currency risk, the exchange risk and interest rate risk:

Currency risk:

The Bank carries and exchange risk associated with the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Bank takes preventive measures against this risk by setting up limits on the level of exposure by currency and in total for both overnight and intra-day positions in line with limits authorized by the regulatory authorities.

Currency risk is detailed here below under "Allocation of Assets and Liabilities among major currencies".

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Distribution of Assets and Liabilities by Major Currencies

December 31, 2006					
ASSETS	Syrian Pounds SYP'000	US Dollars C / V SYP SYP'000	Euro C / V SYP SYP'000	Other Currencies C / V SYP SYP'000	Total SYP'000
Cash and due from banks	11,711,680	1,580,581	344,064	84,730	13,721,055
Term deposits with banks	400,000	21,982,483	2,313,948	60,000	24,756,431
Cash compulsory reserve	1,920,411	669	6,384	-	1,927,464
Financial assets:					
Available for sale	50,000	-	-	-	50,000
Held to maturity	1,000,000	-	-	-	1,000,000
Loans and advances	5,964,320	426,145	35,000	65	6,425,530
Customers' acceptance liability	92,886	393,669	65,000	61,070	612,625
Other assets	64,680	94,345	5,767	159	164,951
Property & equipment (net)	698,950	-	-	-	698,950
Intangible assets	91,819	-	-	-	91,819
Regulatory blocked fund	115,790	178,480	-	-	294,270
	22,110,536	24,656,372	2,770,163	206,024	49,743,095
LIABILITIES					
Due to Banks	90,715	218,807	14,137	-	323,659
Customers' deposits and other credit balances	18,393,306	22,661,516	2,815,195	126,583	43,996,600
Accounts payable and miscellaneous creditors	851,463	342,677	29,454	7,417	1,231,011
Outstanding acceptances	92,886	393,669	65,000	61,070	612,625
Other liabilities	164,053	91,511	2,960	85	258,609
	19,592,423	23,708,180	2,926,746	195,155	46,422,504
Net Assets	2,518,113	948,192	(156,583)	10,869	3,320,591



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2006

December 31, 2005					
ASSETS	Syrian Pounds SYP'000	US Dollars C / V SYP SYP'000	Euro C / V SYP SYP'000	Other Currencies C / V SYP SYP'000	Total SYP'000
Cash and due from banks	4,129,348	1,836,302	251,404	57,235	6,274,289
Term deposits with banks	-	11,288,576	1,242,081	56,622	12,587,279
Cash compulsory reserve	353,800	484,797	71,555	4,761	914,913
Loans and advances	4,271,704	329,110	38,015	11	4,638,840
Customers' acceptance liability	99,983	464,518	56,993	30,040	651,534
Other assets	12,905	18,412	1,266	84	32,667
Property & equipment (net)	414,487	-	-	-	414,487
Intangible assets	128,353	-	-	-	128,353
Regulatory blocked fund	115,790	191,765	-	-	307,555
	9,526,370	14,613,480	1,661,314	148,753	25,949,917
LIABILITIES					
Due to Banks	60,732	102,412	610	11,246	175,000
Customers' deposits and other credit balances	7,914,349	11,503,604	1,566,958	103,598	21,088,509
Accounts payable and miscellaneous creditors	439,523	240,174	31,798	1,541	713,036
Outstanding acceptances	99,983	464,518	56,993	30,040	651,534
Other liabilities	68,482	34,647	878	1,059	105,066
	8,583,069	12,345,355	1,657,237	147,484	22,733,145
Net Assets	943,301	2,268,125	4,077	1,269	3,216,772

Exchange Risk:

The Bank covers the exchange risk that might effect its financial position, its profitability and its cash flows. The Bank sets limits in the level of exposure by currency and in total for both overnight and intra-day positions in line with the limits authorized by the regulatory authorities.

Interest Rate Risk:

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The bank is managing these risks through following the matches of re-pricing the assets and liabilities that earns interest through the policy of risk management which is revised periodically by risk management committee in the bank.

(d) Liquidity Risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity approach, maintaining a healthy balance of cash, and cash equivalents. Management monitors the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained, as detailed here below under "Distribution of assets and liabilities by maturity".

Notes to the Financial Statements

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Distribution of Assets and Liabilities by Maturity

December 31, 2006			
ASSETS	1 month SYP'000	2 to 3 months SYP'000	4 to 6 months SYP'000
Cash and due from banks	13,721,055	-	-
Term deposits with banks	19,854,058	3,887,828	932,865
Cash compulsory reserve	-	-	-
Financial assets:			
Available for sale	-	-	-
Held to maturity	-	-	500,000
Loans and Advances	243,213	460,414	447,121
Customers' acceptance liability	-	-	-
Other assets	73,431	11,537	57,443
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Regulatory blocked funds	-	-	-
	33,891,757	4,359,779	1,937,429
LIABILITIES			
Due to banks	323,659	-	-
Customers' deposits and other credit balances	33,626,400	5,145,759	3,509,687
Accounts payable and miscellaneous creditors	13,907	390,634	96,480
Outstanding acceptances	-	-	-
Other liabilities	190,536	43,603	16,439
	34,154,502	5,579,996	3,622,606
Net assets	(262,745)	(1,220,217)	(1,685,177)

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December 31, 2006			
7 to 12 months SYP'000	January 1, 2008 to December 31, 2008 SYP'000	Beyond December 31, 2008 SYP'000	Total SYP'000
-	-	-	13,721,055
81,680	-	-	24,756,431
-	-	1,927,464	1,927,464
-	-	50,000	50,000
-	300,000	200,000	1,000,000
4,661,884	442,609	170,289	6,425,530
612,625	-	-	612,625
10,690	7,864	3,986	164,951
-	-	698,950	698,950
-	-	91,819	91,819
-	-	294,270	294,270
5,366,879	750,473	3,436,778	49,743,095
-	-	-	323,659
1,709,311	5,443	-	43,996,600
729,990	-	-	1,231,011
612,625	-	-	612,625
8,006	25	-	258,609
3,095,932	5,468	-	46,422,504
2,306,947	745,005	3,436,778	3,320,591

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ASSETS	1 month SYP'000	2 to 3 months SYP'000	4 to 6 months SYP'000
Cash and due from banks	6,274,289	-	-
Term deposits with banks	10,975,886	868,472	742,921
Cash compulsory reserve	-	-	-
Loans and Advances	152,322	202,183	276,019
Customers' acceptance liability	-	-	-
Other assets	13,083	2,340	4,334
Property and equipment	-	-	-
Intangible fixed assets	-	-	-
Regulatory blocked funds	-	-	-
	17,415,580	1,072,995	1,023,274
LIABILITIES			
Due to banks	175,000	-	-
Customers' deposits and other credit balances	16,690,942	2,199,823	1,450,009
Accounts payable and miscellaneous creditors	21,375	196,653	53,869
Outstanding acceptances	-	-	-
Other liabilities	72,009	25,055	5,220
	16,959,416	2,421,531	1,509,098
Net assets	456,164	(1,348,536)	(485,824)

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2006

December 31, 2005			
7 to 12 months SYP'000	January 1, 2008 to December 31, 2007 SYP'000	Beyond December 31, 2007 SYP'000	Total SYP'000
-	-	-	6,274,289
-	-	-	12,587,279
-	-	914,913	914,913
3,522,662	250,830	234,824	4,638,840
651,534	-	-	651,534
12,910	-	-	32,667
-	-	414,487	414,487
-	-	128,353	128,353
-	-	307,555	307,555
4,187,106	250,830	2,000,132	25,949,917
-	-	-	175,000
710,839	33,540	3,356	21,088,509
441,139	-	-	713,036
651,534	-	-	651,534
2,559	133	-	105,066
1,806,071	33,673	3,356	22,733,145
2,381,035	217,157	1,996,776	3,216,772

(e) Operational Risk

Operational risk is the risk that might cause losses to the Bank resulting from deficiency of computer processing, from deficiencies and lack of procedures, and inappropriate behavior of employees. The Bank manages this risk through regular training and seminars to employees and through putting in place procedures for proper internal control and segregation of duties.

31. Cash Flow Statement

The following non-cash transactions were eliminated from the cash flow statement:

- The amount of SYP 71,000,000 was reclassified from intangible assets to tangible assets. This amount represents the historical cost of the key money paid for the rent one of the Bank's branches. During 2006, this branch was acquired and the key money paid was considered as a payment from the real estate cost

32. Comparative Financial Statements

In compliance with the directives of the regulatory bodies of the banking sector in Syria, the comparative financial statements of 2005 were restated to show the net income of the year inclusive of unrealized differences in exchange. These differences were presented separately in the statement of changes in equity under the caption "Currency adjustments on capital funded in US Dollars".

33. Approval of Financial Statements

The financial statements for the year ended December 31, 2006 were approved by the Board of Directors in its meeting held on March 6, 2007.



Homs Branch

US Dollar

- Commerzbank A.G - Frankfurt, Germany
- Dresdner Bank A. G - Frankfurt, Germany
- BLOM Bank France S.A - Paris
- BLOM Bank Swizerland S.A - Geneva
- Bank of Austria Creditanstalt AG - Wien, Austria
- BLOM Bank France S.A - Dubai - UAE
- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank S.A.L - Amman, Jordan
- BLOM Bank - Egypt
- Riyadh Bank
- Mashreqbank PSC

Euro

- Commerzbank A.G - Frankfurt, Germany
- Dresdner Bank A. G - Frankfurt, Germany
- Banca Intesa SPA - Milano, Italy
- BLOM Bank France S.A - Paris
- Natexis Banques Populaires - Paris, France
- Bank of Austria Creditanstalt AG - Wien
- BLOM Bank France S.A - Dubai - UAE
- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank - Egypt
- BLOM Bank S.A.L - Amman, Jordan

Sterling Pound

- BLOM Bank France S.A - London U.K.
- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank S.A.L - Amman, Jordan
- BLOM Bank France S.A - Paris

Swiss Franc

- BLOM Bank Swizerland S.A - Geneva
- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank France S.A - Paris



Japanese Yen

- Bank of Tokyo Mitsubishi - Tokyo, Japan
- Commerzbank A.G - Frankfurt, Germany
- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank France / Paris

Jordanian Dinar

- BLOM Bank S.A.L - Amman, Jordan
- BLOM Bank S.A.L - Beirut, Lebanon

Arab Emirates Dirham

- BLOM Bank France S.A - Dubai, UAE
- BLOM Bank S.A.L - Beirut, Lebanon

Saudi Riyal

- BLOM Bank S.A.L - Beirut, Lebanon

Australian Dollar

- BLOM Bank S.A.L - Beirut, Lebanon

Canadian Dollar

- BLOM Bank S.A.L - Beirut, Lebanon
- BLOM Bank France S.A - Paris
- BLOM Bank S.A.L - Amman, Jordan

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