

**PERFORMANCE REVIEW OF
ADONIS INSURANCE AND
REINSURANCE CO. S.A.L. (ADIR)**



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REVIEW OF OPERATIONS

ENSURING BETTER TOMORROWS

Adonis Insurance and Reinsurance Company S.A.L. (ADIR) turned in another successful year in 2012, overcoming the regional turmoil, tense political atmosphere and economic uncertainty that loomed over Lebanon to maintain its position among the country's top 10 insurers – and its most profitable ones. The Company registered a 17.6% increase in Life Premiums, posting the second-best performance among the top 10 life insurers overall and the best performance among those majority-owned by banks. ADIR also recorded a modest improvement in its share of wallet and maintained its return on equity at a very satisfactory level.

The continuing project to reinforce Bancassurance culture throughout the Group included a series of regional workshops bringing together key elements from Byblos Bank's Lebanon branch network and their colleagues from ADIR. Several contests were conducted, with the results indicating deeper and increasingly fruitful involvement of all parties in the Bancassurance phenomenon. The most productive branch managers during these contests were invited to France, where they were exposed to the European Bancassurance expertise of ADIR's French partners, Natixis Assurances, as well as the opportunity to exchange information during visits with their counterparts at branches of Banque Populaire Rives de Paris.

On the communication level, 2012 saw ADIR team up with Byblos Bank for a campaign stressing families, emphasis on which will continue in the coming year as part of defining the needs of clients during the sales process. Seeking to build on employee productivity gains, ADIR also continued with the enhancement of its organizational structure and the provision of valuable training to its personnel. And thanks to unceasing efforts to improve customer satisfaction and retention, the Company's call center received new equipment and was able to reactivate a considerable number of lapsed contracts during 2012.

In 2013, ADIR Insurance will strive to post a return on equity greater than 18%. This will be pursued by increasing sales of insurance products through Byblos Bank's branch network, developing the performance of ADIR sales representatives, introducing new products and extending special offers for existing ones, and maximizing production at profitable insurance branches. Moreover, a new Business Development Function will be created as of January 2013 in order to develop ADIR's portfolio with select brokers and direct clients, and to directly promote special policies. Despite expectations of a tough and challenging year, focus will remain on increasing the share of wallet above 1.9%. Improved cross-selling and up-selling activities will be vital to achieving this goal, along with enhanced client retention operations.

In addition to the goals mentioned in the foregoing, ADIR plans to improve its collection process and reduce its cancellation ratio. Also, another animation project will aim to boost Bancassurance production, spread Bancassurance culture to all Byblos Bank Group employees, and reward the most efficient salespersons.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. RENÉ A. KLAT

Lebanese, born in 1942. Holds a Bachelor's Degree in Economics from the American University of Beirut and specialized afterward in insurance and reinsurance in Germany and the UK. Has been working in the insurance sector since 1965. Has launched insurance companies in Lebanon, the UAE and Saudi Arabia. Has been Managing Director, CEO and a Member of the Board of ADIR since 2001. Also serves as Chairman of Adonis Insurance Company Syria.

MRS. NATHALIE BROUTÈLE

French, born in 1963. Graduated from Rouen Business School in 1986. Has been working in the insurance sector since 1986, and has been CEO of Natixis Assurances since 2006. Serves as Chairperson of the Boards of Directors of Assurances Banque Populaire Vie, Assurances Banque Populaire Prévoyance, and Natixis Assurances Partenaires, as a Member of the Executive Board of Directors of Assurances Banque Populaire IARD, as Vice-Chairperson of the French Bancassurance Companies Association (G11) and of the French Institute of Training for the Insurance Industry (IFPASS), and as a member of the Executive Committee of the Mutual Insurance Companies Association in France (GEMA). Has been a Member of the Board of Directors of ADIR since 2008.

MR. JEAN H. HLEISS

Lebanese-French, born in 1956. Holder of a DEA in Business Administration from USEK in collaboration with Paris-Dauphine and has received extensive professional training in the UK and Germany. Has been working in the insurance sector since 1977 and currently holds the position of Assistant General Manager of ADIR. Has been a Member of ADIR's Board of Directors since 2001.

MRS. PASCALE J. ASMAR

French, born in 1965. Graduated from Rouen Business School in 1987. Started working in the banking sector in 1987, and has assumed several positions in various sectors, including capital markets, asset management, engineering, and merchant banking. Is currently International Business Manager at Natixis Assurances. Has been a Member of the Board of Directors, and of the Management Committee, of ADIR since 2001.

MR. CHRISTOPHE LE PAPE

French, born in 1970. Holds an actuary diploma from IFSA and an executive MBA from HEC in Paris. Started working in the insurance sector in 1995, assuming several positions before joining Natixis Assurances in 2005. Currently serves as Natixis Assurances' Strategy, Investment, Risk and International Development Manager, and as a Member of its Executive Committee. Has been a Member of the Board of Directors of ADIR since 2012.

MANAGEMENT

MANAGEMENT COMMITTEES

President	Mr. Sami F. Haddad	Chairman and General Manager
Vice President	Mr. René Klat	Managing Director and CEO
Members	Mr. Semaan Bassil	Vice-Chairman and General Manager
	Mrs. Joumana Chelala	AGM, Head of Consumer Banking Division
	Mr. Gilbert Zoueïn	AGM, Head of Group Products, Segments and Marketing
	Mrs. Pascale Asmar	Natixis Assurances Representative, International Affairs
	Mr. Jean Hleiss	Director and Assistant General Manager
	Mrs. Carla Abdo	AGM, Head of Life Division
General Secretary	Mr. Roger Noujaim	Finance and Administration Manager

MANAGEMENT

	Mr. Sami F. Haddad	Chairman and General Manager
	Mr. René Klat	Managing Director and CEO
	Mr. Jean Hleiss	Director and Assistant General Manager
	Mrs. Carla Abdo	AGM, Head of Life Division
	Mr. Roger Noujaim	Finance and Administration Manager

REINSURERS

	Munich Re
	Hannover Re
	Gen Re
	Caisse Centrale de Réassurance (CCR)
	Mapfre
	Arab Re
	Scor re
	Allianz SE

SUBSIDIARIES

ADONIS INSURANCE AND REINSURANCE SYRIA S.A. (ADIR Syria)

BOARD OF DIRECTORS

Chairman	Mr. René A. Klat
Directors	Byblos Invest Bank S.A.L. represented by H.E. Mr. Sami F. Haddad
	Mrs. Pascale J. Asmar
	Mr. André G. Abu Hamad
	Byblos Bank Syria represented by Mr. Georges B. Sfeir
	Mr. Assem S. Suleiman
	Mrs. Khoulood S. Halabi

MANAGEMENT AND INVESTMENT COMMITTEE

President	Mr. Sami F. Haddad	Chairman
Vice President	Mr. Abdel Aziz Al-Soukhni	Member
Members	Mr. Georges Sfeir	Member
	Mr. Basel Sakr	Member

ADONIS BROKERAGE HOUSE S.A.L.

BOARD OF DIRECTORS

Chairman	Mr. Nicholas Saliby
Directors	Byblos Bank S.A.L. represented by H.E. Mr. Sami F. Haddad
	Mr. Elias Howayek

STATEMENT OF FINANCIAL POSITION

31 December 2012

ASSETS	2012	2011	LBP Thousand
Intangible assets	55,484	34,853	
Investments			
Investment in subsidiaries and associates	5,828,111	9,774,509	
Fixed-income investments	24,960,321	14,883,730	
Variable-income investments	151,043	140,283	
Cash and demand deposits	5,947,959	6,731,968	
Blocked bank deposits with maturities of more than three months	67,847,721	59,371,157	
Bank deposits blocked in favor of Ministry of Economy and Trade guarantees	8,939,395	8,939,395	
Bank deposits blocked in favor of other parties	885,635	684,679	
	114,560,185	100,525,721	
Unit-linked contracts investments			
Fixed-income securities and similar investments	52,347,619	32,536,588	
Equity and similar investments	15,123,458	12,293,522	
Cash and similar investments	40,267,068	41,397,371	
	107,738,145	86,227,481	
Reinsurance share in technical reserve – life			
Reinsurance share in premium reserves	8,845,945	7,261,098	
Reinsurance share in mathematical reserve	9,973,877	7,995,854	
Reinsurance share in claims reserves	1,087,295	974,186	
	19,907,117	16,231,138	
Reinsurance share in technical reserve – non-life			
Reinsurance share in premium reserves	2,065,026	1,987,038	
Reinsurance share in claims reserves	754,492	648,224	
	2,819,518	2,635,262	
Receivable under insurance business	2,277,321	2,651,830	
Receivable under reinsurance contracts	65,957	63,918	
Other assets			
Non-investment properties	1,709,031	1,938,891	
Operating fixed assets	807,367	843,909	
	2,516,398	2,782,800	
Other receivables	36,215	34,402	
Deferred acquisition cost	6,944,943	6,407,000	
Total assets	256,921,283	217,594,405	

STATEMENT OF FINANCIAL POSITION

31 December 2012

LBP Thousand	2012	2011
Shareholders' equity		
Authorized and paid-up capital	25,000,000	25,000,000
Legal reserve	3,028,824	2,291,991
General reserve	5,575,000	2,695,000
Balance carried forward	9,687	8,188
Profit for the year	10,017,018	7,368,332
	43,630,529	37,363,511
Life technical reserves		
Mathematical reserve	13,140,261	10,068,196
Unearned premium reserve	15,688,760	13,242,772
Outstanding claims reserve	1,282,316	1,142,135
Incurred but not reported reserve (IBNR)	210,074	223,424
Loss adjustment expenses reserve	44,772	40,967
Policyholders' dividend reserve	9,793,022	7,642,640
	40,159,205	32,360,134
Unit-linked technical reserves		
Mathematical reserve – unit-linked	93,636,981	75,745,137
Non-life technical reserves		
Unearned premium reserve	36,991,222	36,623,865
Outstanding claims reserve	4,118,421	4,042,324
Incurred but not reported reserve (IBNR)	875,351	265,064
Loss adjustment expenses reserve	149,813	129,222
Premium deficiency reserve	3,970,707	3,970,707
	46,105,514	45,031,182
Provision for risks and charges	1,190,000	625,000
Debt for funds held under reinsurance treaties	19,873,512	16,187,707
Liabilities under insurance business		
Liabilities under direct business	672,918	980,683
Liabilities under indirect business	40,937	55,504
	713,855	1,036,187
Liabilities under reinsurance contracts	1,466,547	1,585,443
Unearned reinsurance commission	2,985,127	2,500,550
Other liabilities		
Due to personnel	45,600	45,600
Tax due	4,762,741	3,530,696
Amounts due to related parties	518,932	600,641
Other creditors	1,398,594	751,730
	6,725,867	4,928,667
Adjustment items		
Accrued expenses	434,146	230,887
Total liabilities and shareholders' equity	256,921,283	217,594,405
Off-financial position		
Letters of guarantee	22,531	22,531

INCOME STATEMENT

Year Ended 31 December 2012

	2012	2011	LBP Thousand
Net premiums			
Premiums issued and accepted			
Life contracts	18,000,614	14,803,965	
Other contracts	29,299,617	27,959,008	
Mathematical reserve variation	(3,072,065)	(2,188,778)	
Unearned premium reserve	(2,813,345)	(3,914,007)	
	41,414,821	36,660,188	
Ceded premiums			
Life contracts	(12,432,022)	(9,855,408)	
Other contracts	(7,245,579)	(6,681,498)	
Mathematical reserve variation	1,978,023	1,572,385	
Unearned premium reserve	1,662,834	1,652,109	
	(16,036,744)	(13,312,412)	
Net premiums	25,378,077	23,347,776	
Other revenue			
Fee and commission income	8,251,802	6,135,824	
Investment income	12,586,872	8,427,350	
Other revenues	431,415	302,809	
Other revenue	21,270,089	14,865,983	
Total revenue	46,648,166	38,213,759	
Net benefits and claims			
Gross benefits and claims paid	(15,699,038)	(13,866,692)	
Claims ceded to reinsurers	4,238,598	1,954,959	
Gross change in contract liabilities	(837,611)	(1,437,465)	
Change in fair value of investment contracts liabilities where the financial risk is borne by policyholders	(1,845,697)	12,686	
Change in contract liabilities ceded to reinsurers	219,378	581,192	
Net benefits and claims	(13,924,370)	(12,755,320)	
Provision for impairment of investments	(2,250,000)	(750,000)	
Other expenses			
Other operating and administrative expenses	(9,832,429)	(8,039,066)	
Commission paid to intermediaries	(5,028,634)	(4,578,438)	
Finance costs	(3,807,360)	(3,153,821)	
Other expenses	(18,668,423)	(15,771,325)	
	(34,842,793)	(29,276,645)	
Profit before tax	11,805,373	8,937,114	
Income tax expense	(1,788,355)	(1,568,782)	
Profit for the year	10,017,018	7,368,332	

STATEMENT OF CASH FLOWS

Year Ended 31 December 2012

LBP Thousand

	2012	2011
OPERATING ACTIVITIES		
Profit before taxation	11,805,373	8,937,114
Adjustments for:		
Depreciation and amortization	731,798	751,864
Provisions for employees' end-of-service indemnities	600,100	136,633
Provision for impairment	2,250,000	750,000
Provision for doubtful debts	650,000	150,000
Gain on sale of property and equipment	(19,036)	0
Change in technical reserves - net	2,244,553	2,878,292
Fair value(gains)losses on investment for trading	(467,464)	515,027
Gain on sale of investments at amortized cost	(263,153)	(97,163)
Deferred policy acquisition costs amortized	5,028,634	4,578,438
	22,560,805	18,600,205
Investments held to cover investment contract liabilities where the financial risk is borne by policyholders	(984,239)	(956,603)
Investments held to cover other investment contract liabilities	(18,475,237)	(15,918,053)
Reinsurers' balances	(120,935)	662,656
Premiums receivable	(275,491)	354,898
Deferred policy acquisition costs	(5,577,923)	(4,811,751)
Changes in insurance contract liabilities	618,233	856,273
Investment contract liabilities where the financial risk is borne by policyholders	981,555	955,305
Other investment contract liabilities	17,214,973	15,216,908
Other liabilities	1,440,978	968,839
Other assets	9,533	5,170
Margin for guarantees	(977)	(11,581)
Cash from operations	17,391,275	15,922,266
Income tax paid	(1,066,628)	(617,238)
Employees' end-of-service benefits paid	(35,100)	(11,633)
Net cash from operating activities	16,289,547	15,293,395
INVESTING ACTIVITIES		
Purchase of property and equipment	(416,805)	(256,954)
Purchase of intangible assets	(70,947)	(10,272)
Proceeds from sale of property and equipment	20,761	0
Investments in associates	1,884,375	(13,500)
Loans to associates	(187,977)	(1,613,013)
Investments at amortized cost	(9,616,186)	(19,228)
Term deposits with maturities over three months	(11,637,968)	(13,471,879)
Net cash used in investing activities	(20,024,747)	(15,384,846)
FINANCING ACTIVITIES		
Dividends paid	(3,750,000)	(3,000,000)
Reinsurers' deposits in coverage of technical reserves	3,685,805	3,260,435
Net cash (used in) from financing activities	(64,195)	260,435
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,799,395)	168,984
Cash and cash equivalents at 1 January	9,969,347	9,800,363
CASH and CASH Equivalent AT 31 DECEMBER	6,169,952	9,969,347

GROSS WRITTEN PREMIUM

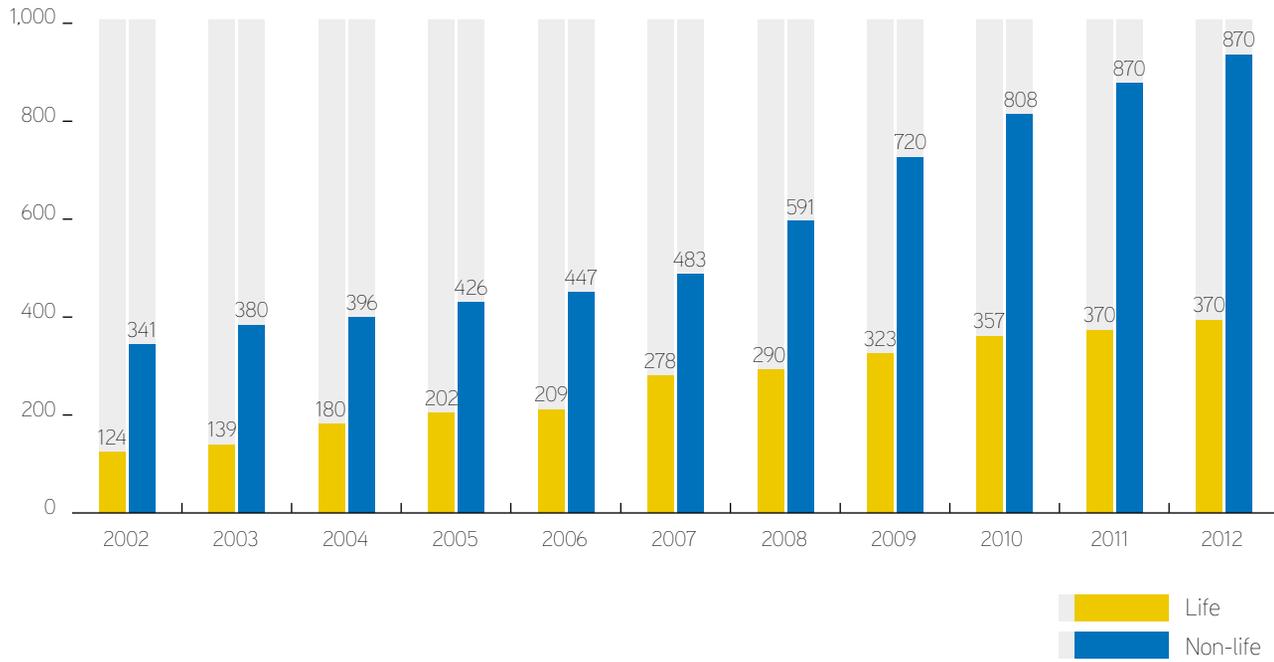
	2012	2011	USD
Life business			
Retirement and education	19,324,097	16,759,475	
Other life business	11,436,392	9,395,203	
Total life business	30,760,489	26,154,678	
Non-life business			
Fire	3,366,448	2,823,445	
Marine	683,391	643,824	
General accident	1,604,612	1,448,955	
Motor	11,499,273	11,504,427	
Medical	1,166,294	1,026,205	
Other	1,115,880	1,099,750	
Total non-life business	19,435,898	18,546,606	
Gross written premiums	50,196,387	44,701,284	
Growth	12.29%	10.09%	
Number of contracts issued	56,620	52,552	

KEY FIGURES

	2012
Capital	LBP 25,000,000,000
Shareholders' equity	USD 28,942,000
Total assets	USD 170,427,000
Invested assets	USD 75,993,000
Number of clients	97,991
Number of policies in force	177,506
Net profit	USD 6,644,788
Solvency ratio	43.00%

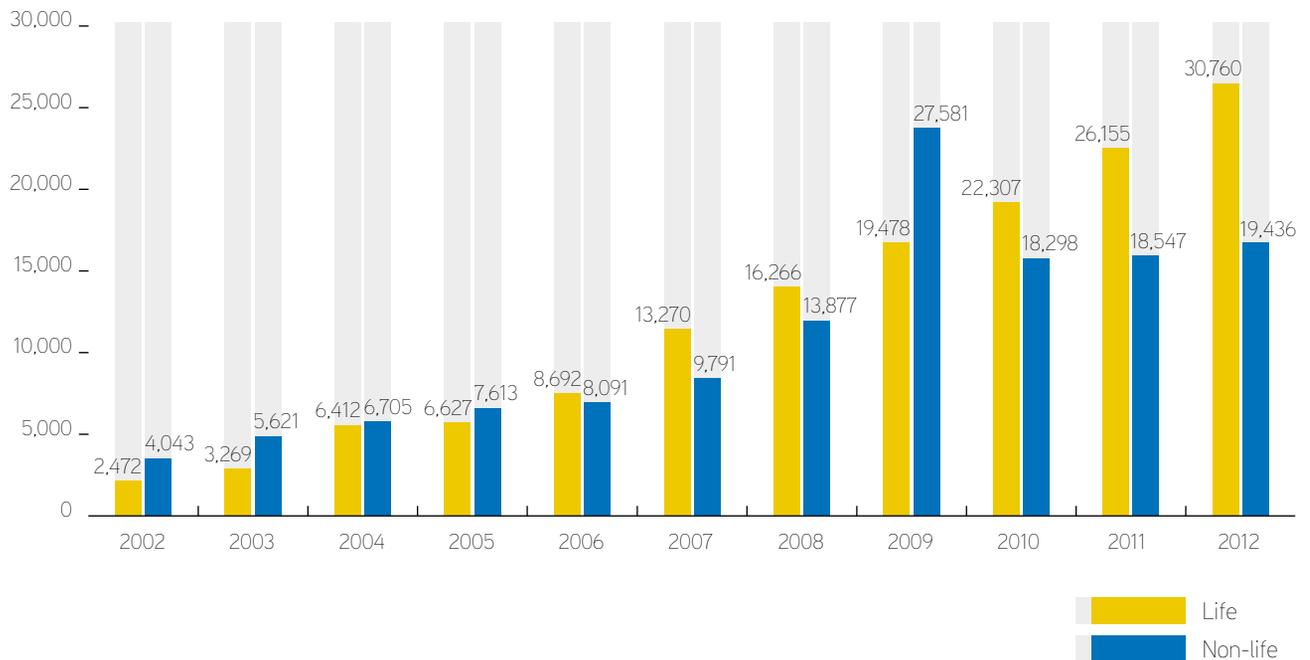
INSURANCE MARKET GROWTH IN LEBANON

USD Million



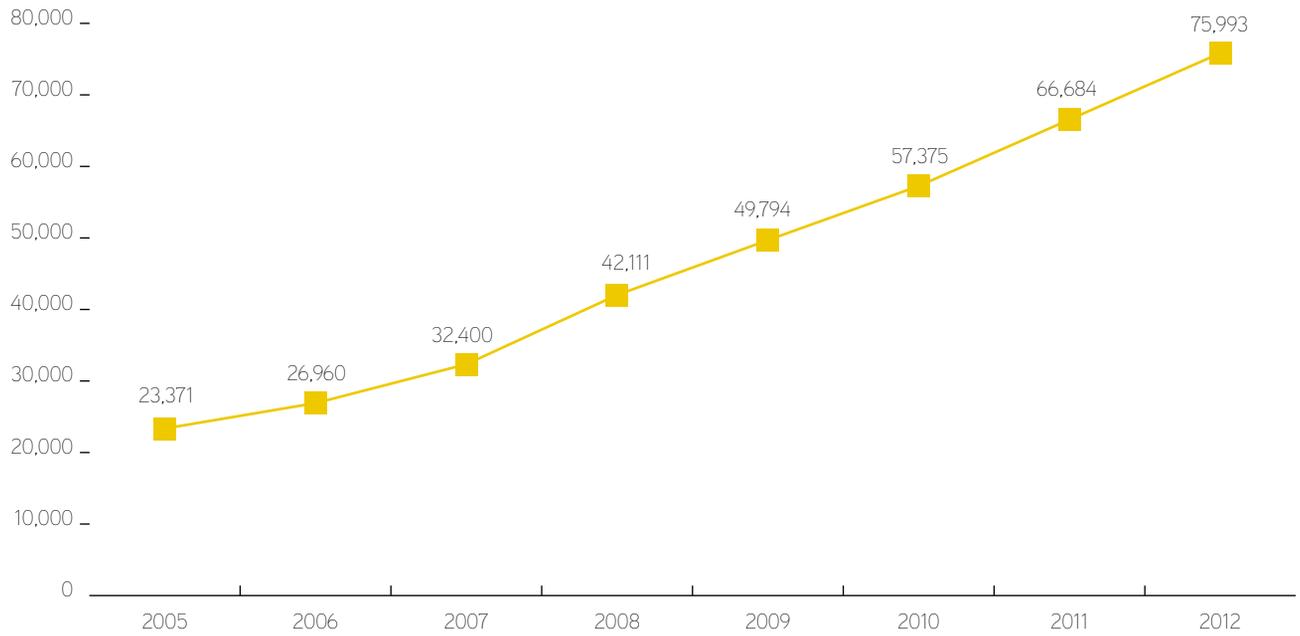
ADIR PREMIUM GROWTH

USD Thousand



EVOLUTION OF INVESTED ASSETS

USD Thousand

**EVOLUTION OF TOTAL ASSETS**

USD Thousand

