

**PERFORMANCE REVIEW OF
BYBLOS BANK EUROPE S.A.**



REVIEW OF OPERATIONS

ACHIEVEMENT IN THE FACE OF ADVERSITY

Europe's banking sector faced major challenges in 2012, including both a broad-based economic slowdown and a liquidity squeeze. Despite this delicate environment, Byblos Bank Europe (BBE) once again confirmed its role as a leading trade finance bank for Lebanese and other Arab entrepreneurs operating in Africa and the Middle East. The confidence of BBE customers was clearly demonstrated by remarkable growth in the volume of our letters of credit. This and other achievements allowed the Bank to overcome challenging conditions by posting EUR 6 million in profits – an increase of some 22 percent over the previous year – even while prudently setting aside an additional EUR 3 million in provisions to cover potential counterparty risks.

Moreover, BBE was successful in further developing its expertise in correspondent banking with institutions from across the Middle East and Africa, as well as in building relationships with European exporters. The London and Paris branches performed well in their respective markets, while Brussels initiated a drive to explore new opportunities in Africa.

In 2013, BBE will focus on its many strengths to further expand its trade finance business by adapting to troubled and/or restricted environments, and gaining the trust of new counterparties. We will continue, therefore, to develop our ability to provide timely service for importing customers, to expand on our in-depth knowledge of targeted markets in Africa and the Middle East, to build and maintain relationships with reliable and trustworthy correspondents, and to exploit more synergies with the Byblos Bank Group.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. BASSAM A. NASSAR

Lebanese, born in 1965. Pursued his higher studies at both the London School of Economics in the UK and Harvard Business School in the US. Is an entrepreneur with major holdings in a number of private companies in Nigeria. Has been a Member of the Board of Byblos Bank Europe since 1990 and Chairman since 2006. Also sits on the Boards of Byblos Invest Holding Luxembourg and Byblos Bank S.A.L., and serves as President and Member, respectively, of the Audit Committee and the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee, both of which are affiliated to the latter Board.

DR. FRANÇOIS S. BASSIL

Lebanese, born in 1934. Holder of a Doctorate in Law from Louvain University in Belgium. Has been working in the banking sector since 1962. Contributed to establishing Byblos Bank S.A.L., where he currently holds the positions of Chairman of the Board of Directors and General Manager. Has been a Member of the Board of Directors of Byblos Bank Europe since 1976. Is also Chairman of the Board of Directors of Byblos Bank Africa, and sits on the Boards of Byblos Bank Syria and Byblos Bank Armenia. In addition, serves as Chairman of the Board of Directors and General Manager of Byblos Invest Holding Luxembourg. Has served three terms as Chairman of the Board of Directors of the Association of Banks in Lebanon and remains a Member of the Board.

BARON GUY L. QUADEN

Belgian, born in 1945. Holder of a PhD in Economics from Liège University in Belgium. Also served as dean of the Faculty of Economy, Management and Social Sciences at Liège University. Joined the Board of the National Bank of Belgium in 1988 and was Governor thereof from 1999 to 2011. Has produced numerous economic publications and articles, and holds, in addition to the title of Baron, several Belgian and French medals. Has been a Member of the Board of Directors of Byblos Bank Europe since May 2012. Also sits on the Board of Byblos Bank S.A.L.

MR. SEMAAN F. BASSIL

Lebanese, born in 1965. Holder of a BA from Boston University in the US and an MBA from Cambridge University in the UK. Has been working in the banking sector since 1990 and currently serves as Vice-Chairman of the Board and General Manager of Byblos Bank S.A.L. Has been a Member of the Board of Directors of Byblos Bank Europe since 1990. Also serves as Chairman of the Board of Byblos Bank Syria and is a Member of the Board of Byblos Bank Africa.

MR. FAISAL M. ALI EL TABSH

Lebanese, born in 1948. Holder of a Business Degree from the American University of Beirut. Is an entrepreneur and owner of M.A. Tabsh Company in Saudi Arabia. Has been a Member of the Board of Byblos Bank Europe since 1980 and Vice-Chairman since 2000. Also serves as a Member of the Board of Directors of Byblos Bank S.A.L. and as a Member of the Board of Byblos Invest Holding Luxembourg.

MR. FOUAD N. TRAD

Lebanese, born in 1965. Holder of a BS in Finance from Northeastern University in the US. Joined Byblos Bank Europe in 2008 after 21 years at Banque Indosuez/Crédit Agricole in Paris, Beirut and Manama. Has held senior positions in Capital Markets, Investment, Private Banking and Commercial Banking. Since 2010, has served as Managing Director and President of the Management Committee of Byblos Bank Europe. Has been a Member of the Board of Directors of Byblos Bank Europe since 2009.

MR. ELIE A. BASSIL

Lebanese-Belgian, born in 1957. Holder of a Bachelor's Degree in Economics from the University of Massachusetts in the US. Joined Byblos Bank Europe in 1983 and has been a Member of its Board of Directors since 1995. Also serves as Chief Information Officer for Byblos Bank S.A.L.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. NAJAH L. SALEM

Lebanese, born in 1944. Pursued his Law studies at the University of St. Joseph in Beirut. Began working in the banking sector in 1966. Assumed several positions at Byblos Bank S.A.L. between 1966 and 1975. As of March 1976, started at Byblos Bank Europe as Senior Manager in charge of Correspondent Banking and Commercial Activities, covering most of Byblos Bank Europe's markets until his retirement at the end of 2009. Served as Managing Director and President of the Management Committee from 1998 until December 2009. Has served on the Board of Directors of Byblos Bank Europe since 1976. Also serves as President of the Audit Committee affiliated to the Board.

MR. DANIEL L. RIBANT

Belgian, born in 1953. Holder of a diploma in Commercial and Financial Sciences from the Catholic Institute of Business Studies in Brussels and a diploma from the Political Studies Institute in Paris. Has more than 30 years of experience with Byblos Bank Europe, currently serving as its General Manager and as a Member of its Management Committee. Has been a Member of Byblos Bank Europe's Board of Directors since 1995. Also serves as Chairman of the Board of Directors of Byblos Bank RDC.

MR. ALAIN J.H. VANDER STICHELEN

Belgian, born in 1967. Holder of a diploma in Commercial and Financial Sciences from the Catholic Institute of Business Studies in Brussels, as well as a diploma in Fiscal Sciences from l'Ecole Supérieure des Sciences Fiscales, also in Brussels. Served as expert before the Brussels Court of First Instance (1998-1999). Has 10 years of experience in external audit and tax consultancy. Joined Byblos Bank Europe in 1999 as an internal auditor and became Head of Operations in 2005, currently serving on its Management Committee. Has been a Member of Byblos Bank Europe's Board of Directors since 2009.

MR. JACQUES J. DE RAEYMAEKER

Belgian, born in 1946. Holder of a Master's Degree in Economics from Louvain University in Belgium. Began his career with Van Hool N.V., a Belgian bus and car manufacturer. In 1981 joined Kredietbank Belgium, which later became KBC Bank, where he remained until his retirement in 2008. In addition to assignments abroad, principally in Spain, he served as a General Manager of various departments of the bank, mainly in the corporate banking segment and international banking relations. Has been a Member of the Board of Directors of Byblos Bank Europe since 2009, and also serves as a Member of the Audit Committee affiliated to the Board. Remains active as a consultant and advisor to various development projects, including in the field of microfinance.

LUDO SWOLFS BVBA, REPRESENTED BY MR. LUDO J. SWOLFS

Established in 1996, Ludo Swolfs Bvba is a limited liability company for exercising the professional activities of its shareholder and director, Mr. Ludo J. Swolfs. The company has held a seat on the Board of Byblos Bank Europe since 2009, represented by Mr. Swolfs, a Belgian born in 1948 and holder of a Master's Degree in Applied Economics from the University of Antwerp in Belgium. He has been active in the accounting and auditing profession since 1973 and was a partner of Ernst & Young Belgium until 2006. Mr. Swolfs was president of the Institute of Registered Auditors of Belgium from 2001 to 2004 and remains Honorary President. He also holds a number of appointments as a member of board and audit committees for financial and other companies.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman		Mr. Najah L. Salem
Member		Mr. Jacques J. De Raeymaeker
Secretary		Mr. Ludo J. Swolfs

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

President	Mr. Fouad N. Trad	Managing Director and CEO
Members	Mr. Daniel L. Ribant	Director, Deputy General Manager
	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager

CREDIT COMMITTEE

President	Mr. Fouad N. Trad	Managing Director and CEO
Members	Mr. Daniel L. Ribant	Director, Deputy General Manager
	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager

COMPLIANCE COMMITTEE

President	Mr. Fouad N. Trad	Managing Director and CEO
Members	Mr. Daniel L. Ribant	Director, Deputy General Manager
	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager
	Mr. Selim Haddad	Manager, Commercial and Correspondent Banking
	Mr. Dirk Vermeiren	Finance Manager
	Mr. Frederik Sladden	Credit Manager
	Mr. Tanguy Legier	Treasury Dealer

HUMAN RESOURCES COMMITTEE

President	Mr. Fouad N. Trad	Managing Director and CEO
Members	Mr. Daniel L. Ribant	Director, Deputy General Manager
	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager

ASSETS AND LIABILITIES COMMITTEE

President	Mr. Fouad N. Trad	Managing Director and CEO
Vice President	Mr. Daniel L. Ribant	Director, Deputy General Manager
Members	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager
	Mr. Damien Vanhaunderarde	Compliance Officer
	Mr. Dirk Vermeiren	Finance Manager
	Mr. Frederik Sladden	Credit Manager

BALANCE SHEET AFTER APPROPRIATION

EUR Thousand	ASSETS	2012	2011
	I. Cash in hand, balances with central banks and post office banks	51,207	9,458
	II. Treasury bills eligible for refinancing with central banks	0	0
	III. Loans and advances to credit institutions	405,307	419,725
	A. Repayable on demand	96,846	44,768
	B. Other loans and advances (with agreed maturity dates or periods of notice)	308,461	374,957
	IV. Loans and advances to customers	119,370	152,844
	V. Debt securities and other fixed-income securities	18,122	20,955
	A. Issued by public bodies	10,152	14,474
	B. Issued by other borrowers	7,970	6,481
	VI. Shares and other variable-yield securities	0	0
	VII. Financial fixed assets	0	0
	A. Participating interests in affiliated enterprises	0	0
	B. Participating interests in other enterprises linked by participating interests	0	0
	C. Other shares held as financial fixed assets	0	0
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	0	0
	VIII. Formation expenses and intangible fixed assets	15	24
	IX. Tangible fixed assets	259	309
	X. Own shares	0	0
	XI. Other assets	955	239
	XII. Deferred charges and accrued income	1,905	1,921
	TOTAL ASSETS	597,140	605,475

31 December 2012

LIABILITIES	2012	2011	EUR Thousand
THIRD PARTIES	535,208	549,493	
I. Amounts owed to credit institutions	292,168	296,588	
A. Repayable on demand	48,477	60,334	
B. Amounts owed as a result of the rediscounting of trade bills	0	0	
C. Other debts with agreed maturity dates or periods of notice	243,691	236,254	
II. Amounts owed to customers	207,545	215,075	
A. Savings deposits			
B. Other debts	207,545	215,075	
1. repayable on demand	52,440	32,826	
2. with agreed maturity dates or periods of notice	155,105	182,249	
3. as a result of the rediscounting of trade bills			
III. Debts evidenced by certificates	0	0	
A. Debt securities and other fixed-income securities in circulation	0	0	
B. Other	0	0	
IV. Other liabilities	4,223	6,514	
V. Accrued charges and deferred income	1,272	1,316	
VI. Provisions and deferred taxes			
A. Provisions for liabilities and charges	0	0	
1. Pensions and similar obligations	0	0	
2. Taxation	0	0	
3. Other liabilities and charges	0	0	
B. Deferred taxes	0	0	
VII. Fund for general banking risks	0	0	
VIII. Subordinated liabilities	30,000	30,000	
CAPITAL AND RESERVES	61,932	55,982	
IX. CAPITAL	20,000	20,000	
A. Subscribed capital	20,000	20,000	
B. Uncalled capital (-)			
X. Share premium surpluses	0	0	
XI. Revaluation surpluses	0	0	
XII. Reserves	41,932	35,982	
A. Legal reserve	2,086	2,086	
B. Reserves not available for distribution	66	66	
1. in respect of own shares held			
2. other	66	66	
C. Untaxed reserves			
D. Reserves available for distribution	39,780	33,830	
XIII. Profits [losses (-)] brought forward	0	0	
TOTAL LIABILITIES	597,140	605,475	

OFF-BALANCE SHEET ITEMS

31 December 2012

EUR Thousand	2012	2011
I. Contingent liabilities	263,076	248,939
A. Non-negotiated acceptances	30,201	55,056
B. Guarantees serving as direct credit substitutes	3,572	2,356
C. Other guarantees	27,036	35,599
D. Documentary credits	202,267	155,928
E. Assets charged as collateral security on behalf of third parties		
II. Commitments which could give rise to a risk	0	275,299
A. Firm credit commitments	0	0
B. Commitments as a result of spot purchases of transferable or other securities	0	0
C. Undrawn margin on confirmed credit lines	0	275,299
D. Underwriting and placing commitments	0	0
E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III. Assets lodged with the credit institution	212,152	201,115
A. Assets held by the credit institution for fiduciary purposes	0	0
B. Safe custody and equivalent items	212,152	201,115
IV. Uncalled amounts of share capital	0	0

INCOME STATEMENT

Year Ended 31 December 2012

CHARGES	2012	2011	EUR Thousand
II. Interest payable and similar charges	4,028	4,593	
V. Commissions payable	565	402	
VI. Losses on financial transactions	4,124	0	
A. On trading of securities and other financial instruments			
B. On disposal of investment securities	4,124	0	
VII. General administrative expenses	9,944	8,892	
A. Remuneration, social security costs and pensions	6,794	5,995	
B. Other administrative expenses	3,150	2,897	
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	206	207	
IX. Increase in write-downs on receivables and in provisions for off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	2,958	236	
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	2,913	
XII. Provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0	
XIII. Transfer to the fund for general banking risks	0	0	
XV. Other operating charges	1,739	1,490	
XVIII. Extraordinary charges	124	28	
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses, intangible and tangible fixed assets			
B. Write-downs on financial fixed assets			
C. Provisions for extraordinary liabilities and charges			
D. Loss on disposal of fixed assets			
E. Other extraordinary charges	124	28	
XIXbis.A. Transfer to deferred taxes	0	0	
XX.A. Income taxes	610	2,987	
XXI. Profits for the period	5,950	4,870	
XXII. Transfer to untaxed reserves	0	0	
XXIII. Profits for the period available for appropriation	5,950	4,870	

INCOME STATEMENT

Year Ended 31 December 2012

EUR Thousand

INCOME	2012	2011
I. Interest receivable and similar income	11,896	13,396
A. of which: from fixed-yield securities	1,040	1,723
III. Income from variable-yield securities	0	0
A. From shares and other variable-yield securities		
B. From participating interests in affiliated enterprises		
C. From participating interests in other enterprises linked by participating interests		
D. From other shares held as financial fixed assets		
IV. Commissions receivable	11,512	11,411
A. Commissions and brokerage	9,970	9,730
B. Remuneration for management services and safekeeping	12	12
C. Other commission received	1,530	1,669
VI. Profit on financial transactions	624	493
A. On trading of securities and other financial instruments	624	493
B. On disposal of investment securities	0	0
IX. Decrease in write-downs on receivables and in provisions for off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	5,031	0
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off-balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0
XIII. Transfer from the fund for general banking risks	0	0
XIV. Other operating income	1,005	896
XVII. Extraordinary income	128	218
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets		
B. Adjustments to write-downs on financial fixed assets		
C. Adjustments to provisions for extraordinary liabilities and charges		
D. Gain on disposal of fixed assets		
E. Other extraordinary income	128	218
XIXbis. B. Transfer from deferred taxes	0	0
XX. B. Adjustment of income taxes and write-back of tax provisions	52	204
XXI. Losses for the period	0	0
XXII. Transfer from untaxed reserves	0	0
XXIII. Losses for the period available for appropriation	0	0

APPROPRIATION ACCOUNT

	2012	2011	EUR Thousand
A. Profits [Losses (-)] to be appropriated	5,950	4,880	
1. Profits [Losses (-)] for the period available for appropriation	5,950	4,870	
2. Profits [Losses (-)] brought forward	0	10	
B. Transfers from capital and reserves	0	0	
1. From capital and share premium account			
2. From reserves			
C. Appropriations to capital and reserves (-)	(5,950)	(4,880)	
1. To capital and share premium account			
2. To legal reserve	0	0	
3. To other reserves	(5,950)	(4,880)	
D. Result to be carried forward	0	0	
1. Profits to be carried forward (-)			
2. Losses to be carried forward	0	0	
E. Shareholders' contribution in respect of losses	0	0	
F. Distribution of profits (-)	0	0	
1. Dividends (a)			
2. Directors' entitlements (a)			
3. Other allocations (a)			

(a) Only applicable to Belgian limited liability companies.