

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



REVIEW OF OPERATIONS

Going Strong in the Face of Adversity

Byblos Bank Europe (BBE) overcame a fourth consecutive year of adverse conditions in 2013, including a liquidity squeeze, low interest rates, sovereign debt crises, and an overall recessionary environment in Europe. In addition, the side-effects of the “Arab Spring” and related troubles in Libya, Syria, and (to a lesser extent) Egypt also had an effect on our banking activities. BBE’s experience and knowhow in trade finance enabled it to sidestep these obstacles, particularly by shifting into new markets to diversify its growing commission income.

Thanks to robust commissions, resilient interest income and successful containment of expenses, BBE managed to generate a stable EUR 6 million (USD 8.33 million) in net profits for 2013.

Faced with a low-interest environment, BBE increased loan production by 9% while cautiously setting aside EUR 3 million in provisions for country risks. Testifying to the confidence of its clients, BBE also boosted customers’ deposits by 24%, further lowering its loan-to-deposit ratio to 53%.

Banks’ deposits were also on the rise, increasing by 17% and reflecting the trust and partnerships developed with many institutions across the Europe, Africa and Middle East (EMEA) region.

Amid a more regulated and depressed European environment, assets rose 17%, while BBE’s solvency ratio ended the year at a healthy 20%, opening the door to promising developments going forward.

As a bridge between European exporters and Arab importers since 1975, the Bank’s widely acknowledged expertise in letters of credits and other facilities should allow us to broaden our coverage of markets and provide specialized banking services to Lebanese entrepreneurs, Arab businesspeople and some EMEA banks. In addition, the Bank’s in-depth knowledge and experience of emerging markets should permit even faster trade finance services and optimized synergies with the Byblos Bank Group. In 2014, BBE will continue to rely on these and other advantages to reaffirm its leading role among trade finance banks covering the African and Middle Eastern markets out of Europe.

BOARD OF DIRECTORS MEMBER PROFILES

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 Chairman 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. Is now serving a fourth term as Chairman of the Board of the Association of Banks in Lebanon.

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 Head of the Group Banking Technology Division at Byblos Bank S.A.L.

BOARD OF DIRECTORS MEMBER PROFILES

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 Chairman 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 for Higher 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 Deputy 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 Master's Degree in Commercial and Financial Sciences from the Catholic Institute for Higher Business Studies in Brussels, as well as a diploma in Fiscal Sciences from the Higher School for Fiscal Sciences, also in Brussels. Served as expert before the Brussels Court of First Instance (1998-1999). Is a former CPA and 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
Vice President	Mr. Daniel L. Ribant	Director, Deputy General Manager
Members	Mr. Alain J. H. Vander Stichelen	Director, Operations Manager
	Mr. Dirk Vermeiren	Finance Manager
	Mr. Frederik Sladden	Credit Manager
	Mr. Damien Vanhaunderarde	Compliance Officer

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
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

BALANCE SHEET AFTER APPROPRIATION

EUR Thousand	ASSETS	2013	2012
	I. Cash in hand, balances with central banks and post office banks	4,554	51,207
	II. Treasury bills eligible for refinancing with central banks	0	0
	III. Loans and advances to credit institutions	540,119	405,307
	A. Repayable on demand	81,416	96,846
	B. Other loans and advances (with agreed maturity dates or periods of notice)	458,703	308,461
	IV. Loans and advances to customers	132,165	119,370
	V. Debt securities and other fixed-income securities	21,670	18,122
	A. Issued by public bodies	15,368	10,152
	B. Issued by other borrowers	6,302	7,970
	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	133	15
	IX. Tangible fixed assets	385	259
	X. Own shares	0	0
	XI. Other assets	1,457	955
	XII. Deferred charges and accrued income	1,470	1,905
	TOTAL ASSETS	701,953	597,140

31 December 2013

LIABILITIES	2013	2012	EUR Thousand
THIRD PARTIES	634,002	535,208	
I. Amounts owed to credit institutions	341,023	292,168	
A. Repayable on demand	49,772	48,477	
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	291,251	243,691	
II. Amounts owed to customers	257,037	207,545	
A. Savings deposits			
B. Other debts	257,037	207,545	
1. repayable on demand	75,636	52,440	
2. with agreed maturity dates or periods of notice	181,401	155,105	
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	4,596	4,223	
V. Accrued charges and deferred income	1,346	1,272	
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	67,951	61,932	
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	47,950	41,932	
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	45,798	39,780	
XIII. Profits (losses (-)) brought forward	1	0	
TOTAL LIABILITIES	701,953	597,140	

OFF BALANCE SHEET ITEMS

31 December 2013

EUR Thousand	2013	2012
I. Contingent liabilities	222,950	263,076
A. Non-negotiated acceptances	42,717	30,201
B. Guarantees serving as direct credit substitutes	3,325	3,572
C. Other guarantees	29,603	27,036
D. Documentary credits	147,305	202,267
E. Assets charged as collateral security on behalf of third parties	0	0
II. Commitments which could give rise to a risk	57	0
A. Firm credit commitments	57	0
B. Commitments as a result of spot purchases of transferable or other securities	0	0
C. Undrawn margin on confirmed credit lines	0	0
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	177,750	212,152
A. Assets held by the credit institution for fiduciary purposes	0	0
B. Safe custody and equivalent items	177,750	212,152
IV. Uncalled amounts of share capital	0	0

INCOME STATEMENT

Year Ended 31 December 2013

CHARGES	2013	2012	EUR Thousand
II. Interest payable and similar charges	3,244	4,028	
V. Commissions payable	758	565	
VI. Losses on financial transactions	0	4,124	
A. On trading of securities and other financial instruments			
B. On disposal of investment securities	0	4,124	
VII. General administrative expenses	10,037	9,944	
A. Remuneration, social security costs and pensions	6,868	6,794	
B. Other administrative expenses	3,169	3,150	
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	279	206	
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"	3,769	2,958	
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	0	
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	1,959	1,739	
XVIII. Extraordinary charges	85	124	
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	85	124	
XIXbis.A. Transfer to deferred taxes	0	0	
XX.A. Income taxes	1,517	610	
XXI. Profits for the period	6,018	5,950	
XXII. Transfer to untaxed reserves	0	0	
XXIII. Profits for the period available for appropriation	6,018	5,950	

INCOME STATEMENT

Year Ended 31 December 2013

EUR Thousand

INCOME	2013	2012
I. Interest receivable and similar income	10,814	11,896
A. of which: from fixed-yield securities	876	1,040
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	11,858	11,512
A. Commissions and brokerage	10,427	9,970
B. Remuneration for management services and safekeeping	1	12
C. Other commission received	1,430	1,530
VI. Profit on financial transactions	537	624
A. On trading of securities and other financial instruments	537	624
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"	2,016	0
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	5,031
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	1,040	1,005
XVII. Extraordinary income	728	128
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	2	
C. Adjustments to provisions for extraordinary liabilities and charges		
D. Gain on disposal of fixed assets		
E. Other extraordinary income	726	128
XIXbis. B. Transfer from deferred taxes	0	0
XX. B. Adjustment of income taxes and write-back of tax provisions	673	52
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

	2013	2012	EUR Thousand
A. Profits (losses (-)) to be appropriated	6,019	5,950	
1. Profits (losses (-)) for the period available for appropriation	6,018	5,950	
2. Profits (losses (-)) brought forward	1	0	
B. Transfers from capital and reserves	0	0	
1. From capital and share premium account			
2. From reserves			
C. Appropriations to capital and reserves (-)	(6,018)	(5,950)	
1. To capital and share premium account			
2. To legal reserve	0	0	
3. To other reserves	(6,018)	(5,950)	
D. Result to be carried forward	1	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.