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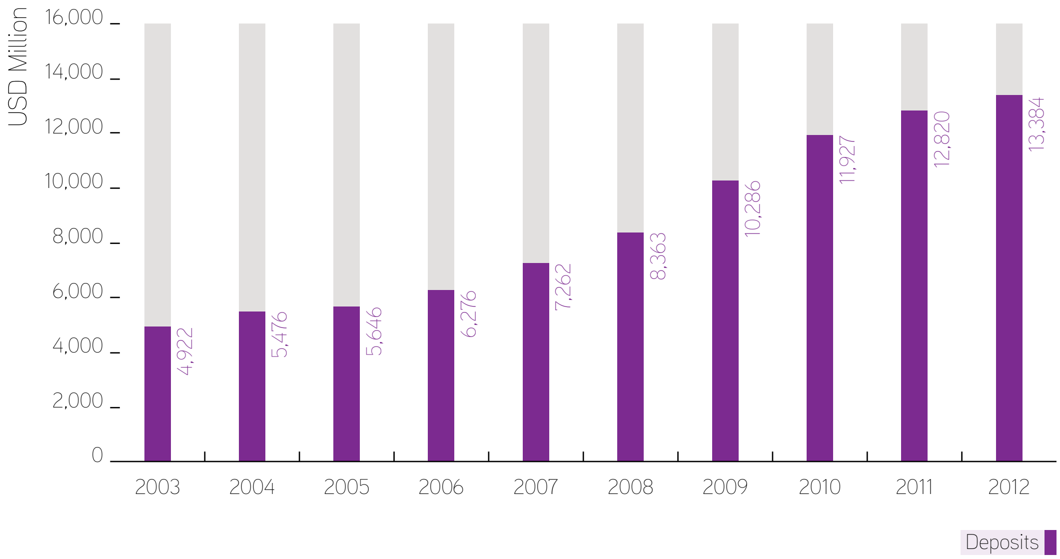
THE YEAR IN BROAD STROKES

FINANCIAL HIGHLIGHTS

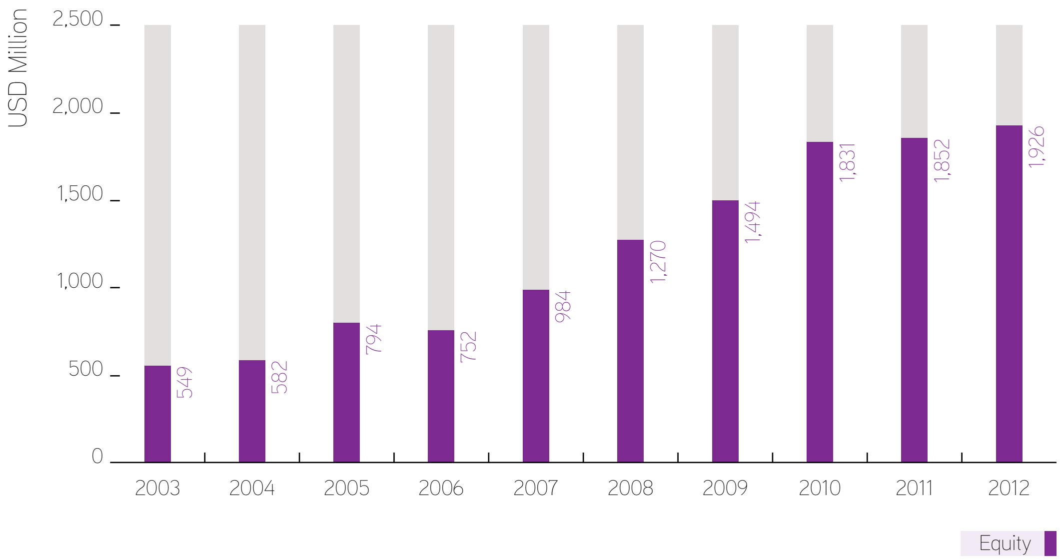
CUSTOMERS' DEPOSITS
Evolution of Customers' Deposits

CAGR 11.76%
for the last ten years

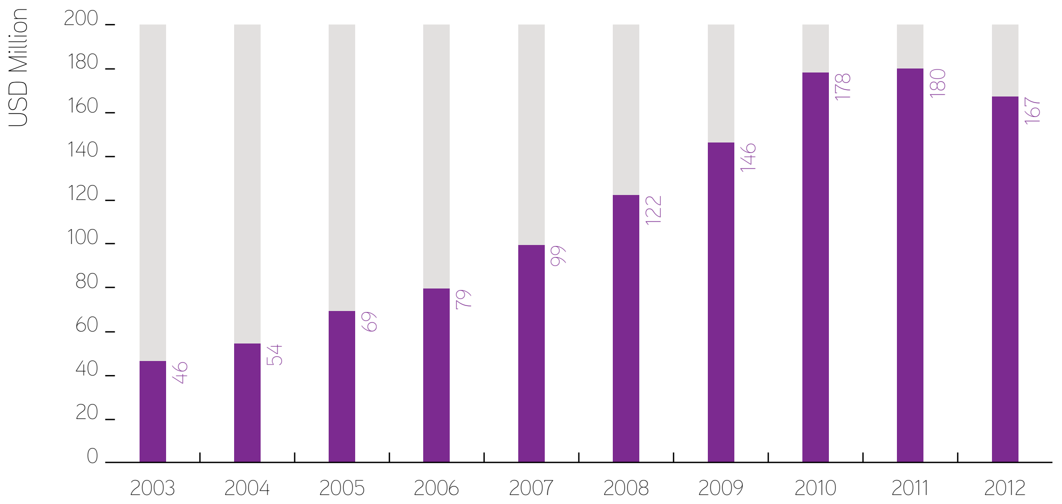


TOTAL EQUITY
Evolution of Total Equity

CAGR 14.97%
for the last ten years

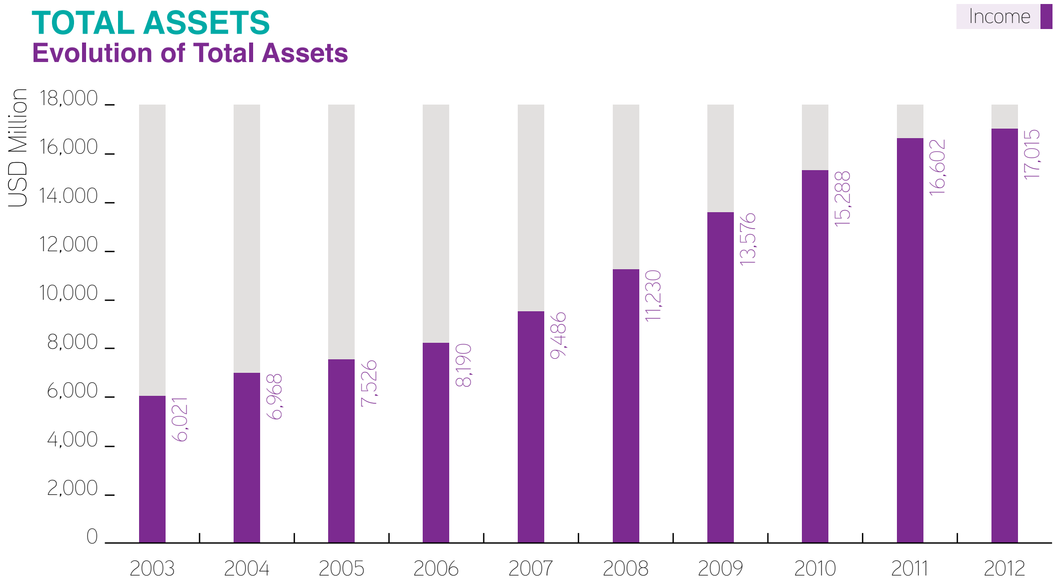


NET INCOME
Evolution of Net Income



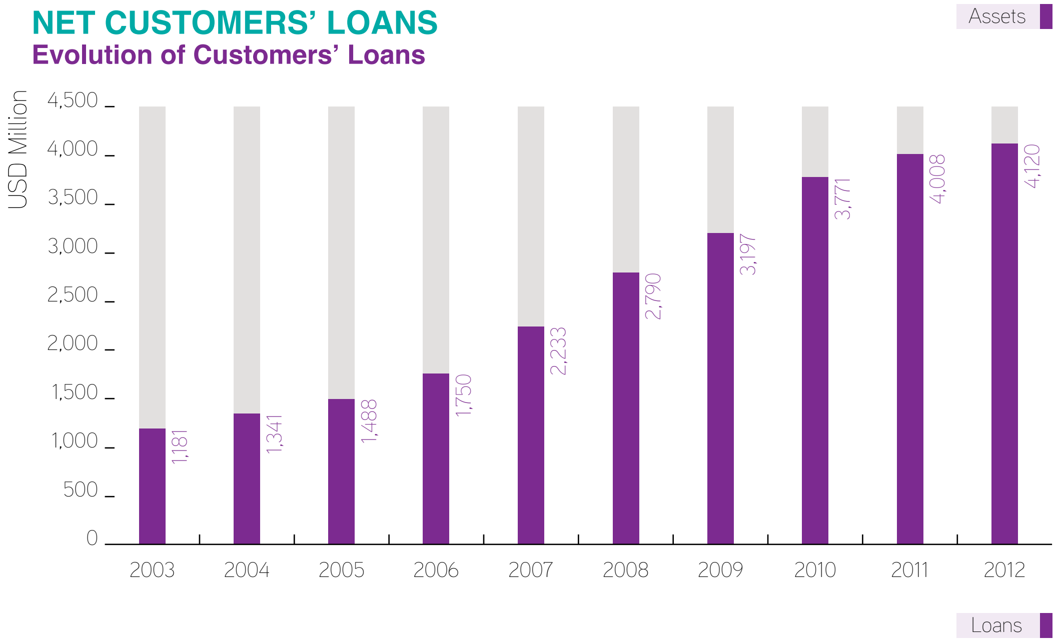
15.33%
CAGR
for the last ten years

TOTAL ASSETS
Evolution of Total Assets



12.23%
CAGR
for the last ten years

NET CUSTOMERS' LOANS
Evolution of Customers' Loans



14.89%
CAGR
for the last ten years

A MESSAGE FROM THE CHAIRMAN

"Success is not final, failure is not fatal: it is the courage to continue that counts."

– Winston Churchill

"I do not think that there is any other quality so essential to success of any kind as the quality of perseverance. It overcomes almost everything, even nature."

– John D. Rockefeller

DISTINGUISHED STAKEHOLDERS,

Like many other countries in the Middle East and North Africa (MENA) region, Lebanon has been impacted by both the global economic slowdown and the regional sociopolitical unrest. As a result, its economy has lost momentum after years of strong GDP growth.

The political transitions taking place in a number of MENA countries, coupled with the dramatic situation unfolding in Syria, the prospect of the hostilities' continuing to escalate and the heightened risk of spillovers into Lebanon, have affected our political and economic climates and wrought increased uncertainty that weighs on investment, consumption, tourism, remittances and overall economic activity.

Yes, 2012 was indisputably a challenging year, and the Byblos Bank Group was not immune to these global and regional developments.

In face of this adverse environment and in anticipation of what is to come, the Group realigned its strategy and priorities and adopted an even more prudent, risk-averse growth approach. This new approach favors stricter risk management and lending, higher asset quality, higher liquidity and higher capitalization while maintaining acceptable profitability.

Despite the challenges mentioned above, the Byblos Bank Group's total assets grew by 2.5% to reach USD 17 billion in 2012, while the net loan portfolio grew by 2.8% to reach USD 4.1 billion, and our loan/deposit ratio held firm at 31%.

The Byblos Bank Group's net operating income before provisions and taxes grew by 7.4% to reach USD 267 million, as compared to USD 249 million in 2011, while net income dropped by 6.9% to reach USD 167.3 million as compared to USD 179.7 million the previous year.

At the same time, the Byblos Bank Group's conservative provisioning policy and a drive to clean up our balance sheet have led us to allocate additional provisions, net of recoveries, of USD 70.5 million in 2012. Total collective provisions reached USD 75 million, equal to 1.8% of the consolidated net loan portfolio, while loan loss provisions stood at USD 157 million. Total provisions to non-performing loans reached 100% in 2012, excluding the value of collaterals.

On the other hand, the Byblos Bank Group's total deposits grew by 4.4 % to reach USD 13.4 billion in 2012, a figure made possible by a large base of loyal depositors. In addition, equity grew by 4% to reach USD 1.9 billion as a result of the successful closing of a convertible bond issue during the year. The deposit and equity increases reflect the confidence of our customer and investor bases, and align with our strategy to boost our liquidity and solvency positions. As a matter of fact, the Byblos Bank Group's primary liquidity reached USD 8.9 billion in 2012, the equivalent of 66.6% of total deposits. And the strength of its capital base is shown in its capital adequacy ratio of 15.03%, far exceeding the requirements of Basel III and the Central Bank of Lebanon's standard of 12% by December 2015.

The foregoing results were more than satisfactory given the circumstances, but the really important story is what the numbers represent in terms of how we work. Our business model is informed by an overwhelming attachment to the notion that a bank can and should conduct itself as a loyal, committed and fully engaged citizen. This means that we define our interests in such a way that they mesh with those of the communities we serve, constantly expanding the areas in which our activities have positive impacts far beyond our own balance sheet. In this way, as time passes, it becomes increasingly true that what is good for the Byblos Bank Group is also good for society at large – and vice versa.

The direct offshoots of this approach include the provision of financing for the kinds of healthy ventures that generate good jobs and contribute to overall economic growth, but also for young people to gain the education they need to compete for those jobs. In addition, the Group takes very seriously its role as a stakeholder in society, above all when it comes to issues that imperil the socioeconomic wellbeing of its customers, its employees, and its neighbors. Accordingly, the Byblos Bank Group has long used its high profile to promote policies and practices that tend to generate both public and private benefits: over the years, we have taken up the banner of environmental awareness, extended support for efforts to preserve vital elements of national culture and heritage, and counseled the Lebanese state to help revive the economy by introducing structural reforms and embracing public-private partnerships. At all times we work toward a better Lebanon that more accurately reflects the energy, creativity and overall potential of its people.

In the coming year and those that follow, the Group will continue to act as an economic engine for communities large and small. No one is better at identifying and partnering with the small- and medium-sized enterprises that are the most effective at creating new jobs – or at offering the kinds of products and services that SMEs need to compete in their respective fields. From manufacturing and import/export to agriculture and construction, we will stand by our customers as they ride out the rough spots, providing advice based on long experience and helping them make preparations for the return of more promising conditions. We will assist them, too, in identifying and seizing new opportunities by, for instance, entering under-served markets, tapping the enormous potential of the environmental sector, and/or exploiting the pace of technological change.

These plans will not unfold in a vacuum. Like our customers, we at the Byblos Bank Group will have to make adjustments in the face of difficult circumstances. While we contemplate entry into new markets, therefore, we also have had to temporarily scale back our operations in war-torn Syria. It is my fondest hope that peace will soon return to that country so that its people can begin the processes of reconciliation and reconstruction. When that day comes, the Byblos Bank Group plans to be there to do what it does best: helping families and businesses to build better tomorrows.

Prospects for growth in our home market of Lebanon also face significant obstacles, not least the side-effects of the conflict in Syria. These have included considerable domestic political discord and repeated blows to consumer and investor confidence, not to mention a sharp decline in the number of tourists arriving from the countries of the Gulf Cooperation Council and much needed capital and investment inflows. Much of the Byblos Bank Group's reputation, though, has been earned by helping its clients to overcome all manner of adversity, and our employees have all the expertise, experience and equipment they need to get the job done, so I have every confidence that this will continue to be the case.

As always, it is my honor to praise these employees, these outstanding men and women whose abilities and dedication are the driving force behind the Byblos Bank Group, for having made 2012 a successful year despite considerable impediments. To all of you who do so many things that justify the confidence placed in us by our clients and shareholders, thank you very, very much.

I would also like to express our gratitude to the Central Bank of Lebanon for all of the measures it has taken in recent years to preserve the strength and resilience of the Lebanese banking sector.

Whatever worries persist, we can feel confident because our organization remains a perennial source of both stability and dynamism. Now more than ever, Byblos Bank really is "Your Bank For Life".

Sincerely,

François S. Bassil
Chairman and General Manager

THE ECONOMY IN 2012

ECONOMIC ACTIVITY

The Lebanese economy continued to be affected in 2012 by the same factors that led to its drastic slowdown in 2011: domestic political uncertainties, rising political polarization, worsening public finance vulnerabilities, the lack of any credible attempt at implementing reforms, the weak rule of law, and the Syrian crisis, in addition to severe deterioration in security conditions across the country. The economy grew by 0.6% in real terms in 2012, compared to real GDP growth of 1.8% in 2011. Lebanon's real GDP grew at an annual rate of 2.6% in the first quarter of 2012, contracted by 0.8% and by 1.3% in the second and third quarters of the year, respectively, and expanded by 1.8% in the fourth quarter.

The slowdown in 2012 was broad-based, with consumption, trade, tourism, capital flows and investment indicators all pointing to anemic economic activity. In particular, domestic political volatility, repeated security breaches, the wave of kidnappings, the resumption of political assassinations, increasing concerns about spillovers from the escalating Syrian crisis, and the dispute over the public-sector salary adjustment dealt severe blows to the economy during the year. As a result, both consumer confidence and investor sentiment remained at low levels throughout the year.

REAL SECTORS

The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, averaged 256.6 in 2012 compared to 255.7 in 2011, increasing marginally by 0.4% year-on-year, which reflects economic stagnation in real terms.

The Byblos Bank/AUB Consumer Confidence Index averaged 32.5 in 2012 compared to 51.7 in 2011, 72.8 in 2010 and 96.7 in 2009. The worsening local political climate and deteriorating security conditions negatively affected consumer sentiment and reflected growing consumers' concerns about future economic conditions and political stability in the country.

Consumer confidence in Lebanon was severely tested in 2012, as 10 out of the 12 monthly readings of the Byblos Bank/AUB Consumer Confidence Index posted their lowest levels since calculations began in July 2007. Security- and safety-related issues dominated consumers' concerns during the year. But other powerful issues such as rising political rhetoric and uncertainties, the inability of authorities to satisfy citizens' basic needs, the rising cost of living, decaying public services, the weak rule of law, and economic stagnation also resonated strongly among consumers. Consequently, the results of the Byblos Bank/AUB Consumer Confidence Index clearly reflected citizens' declining confidence in the seriousness of the government, of public authorities and of political parties about achieving real change, meeting their basic needs, improving their living standards, and providing the framework for economic opportunities. Therefore, consumer confidence now requires a positive political shock equivalent to the one generated by the Doha Accord in order to return to the high levels of 2008 and 2009.

EXTERNAL SECTOR

Lebanon is a predominantly importing country characterized by large trade deficits; however, these deficits are mostly offset by capital account inflows, in addition to inflows from remittances, foreign income earnings, tourism and other services. The trade deficit reached USD 16.8 billion in 2012, up 5.7% year-on-year, as the value of imports increased by 5.6% to USD 21.3 billion, while the value of exports rose by 5.1% to USD 4.5 billion. Also, the volume of imports reached 15.6 million tons in 2012, constituting a rise of 3.8% from 2011, while exports posted a 4.2% drop to 2.6 million tons in the covered period, leading to a trade deficit of 13 million tons, up 5.6% year-on-year. Imports of oil and mineral fuels increased by 31.8% year-on-year to USD 5.9 billion, while non-hydrocarbon imports fell by 1.9% to USD 15.4 billion. Also, the volume of imports of oil and mineral fuels surged by 18.6%

year-on-year to 6.6 million tons, while that of non-hydrocarbon imports dropped by 4.8% to 9 million tons. The trade balance posted the widest deficit in five years in both value and volume terms, and was prompted by a rise of USD 1.1 billion in imports and an increase of just USD 218 million in the value of exports. The coverage ratio reached 21.1% in 2012 compared to 21.2% in 2011.

In parallel, foreign direct investment (FDI) in Lebanon totaled USD 1.1 billion in 2012, constituting a decline of 68% from USD 3.5 billion in 2011 and compared to inflows of USD 4.3 billion in 2010 and USD 4.8 billion in 2009. FDI in Lebanon was equivalent to 2.7% of the country's GDP in 2012, down from 8.8% of GDP in 2011, 11.5% of GDP in 2010 and 14% of GDP in 2009. Also, the balance of payments posted a deficit of USD 1.5 billion in 2012 compared to a deficit of USD 2 billion in 2011 and surpluses of USD 3.3 billion in 2010, USD 7.9 billion in 2009 and USD 3.5 billion in 2008. The persistent deficit in the balance of payments reflects slowing capital inflows and increasing external financing needs. This trend is unlikely to be reversed without a clear improvement in investor sentiment, which can only happen with a major geopolitical breakthrough centered on Syria.

TOURISM SECTOR

The tourism sector, a main driver of economic activity in the country, suffered from deteriorating domestic security conditions, political uncertainties and regional turmoil, as well as the lack of any comprehensive strategy to place Lebanon on the regional or global tourism maps. As a result, the number of incoming tourists to Lebanon totaled 1.37 million in 2012, constituting a decrease of 17.5% from about 1.66 million tourists in 2011 and a decline of 37% from 2.17 million tourists in 2010. Arab tourists accounted for 33.5% of total visitors in 2012, followed by visitors from Europe with 32.6%, the Americas with 16.2%, Asia with 9.3%, Africa with 4.5%, and Oceania with 3.8%. The number of African tourists was almost unchanged in the covered period, while the number of tourists from Asia declined by 48.1% annually, Arab tourists dropped by 21.2%, those from Europe dropped by 8.4%, visitors from Oceania fell by 8% and tourists from the Americas decreased by 0.7%. On a country basis, tourists from Iraq accounted for 15.7% of visitors during 2012, followed by France with 14.9%, the United States with 13.7%, Jordan with 11%, Canada with 9.4%, and Saudi Arabia with 9%. Further, the number of tourists from the United Arab Emirates declined by 44.7% during the year, and visitors from Saudi Arabia and Kuwait regressed by 35% each, while those from Jordan dropped by 31.3% and from Turkey by 19.1%."

Also, the average occupancy rate at hotels in Beirut was 54% in 2012, decreasing from 58% in the preceding year. The occupancy rate at hotels in Lebanon fell by four percentage points, constituting the steepest decrease among 19 markets in the Middle East and North Africa region, and relative to an average increase of 3.7 percentage points in the region. The occupancy rate was the fourth lowest in the region, while it was the seventh lowest in 2011. The average rate per room at Beirut hotels was USD 193 in 2012, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 13.3% year-on-year, the second steepest decrease among all markets in the region. Further, revenues per available room (RevPAR) were USD 106 in Beirut in 2012, down from USD 131 in 2011, ranking it in 11th place in the region. Beirut's RevPAR fell by 19.1% year-on-year, posting the steepest decrease in the region.

THE ECONOMY IN 2012

FISCAL SITUATION

The country's public finance imbalances deteriorated in 2012 due to the increase in government expenditures, the stagnation of public revenues, and the absence of structural and fiscal reforms. In nominal terms, the fiscal deficit widened by 68% during the year to USD 3.94 billion due to a 14.1% increase in spending and almost flat overall revenues. The deficit was equivalent to 29.5% of total budget and Treasury expenditures compared to 20.1% of overall spending in 2011. On the spending side, current expenditures grew from the equivalent of 26.9% of GDP in 2011 to 28.2% of GDP in 2012, Treasury spending rose from 1.5% of GDP in 2011 to 2.1% of GDP in the covered year; and capital outlays were nearly unchanged at 1.2% of GDP. On the revenue side, tax receipts regressed from the equivalent of 16.8% of GDP in 2011 to 16.2% of GDP in 2012, while non-tax revenues declined from 5.9% of GDP to 5.2% of GDP in 2012. Also, Treasury receipts fell from 1.2% of GDP in 2011 to 1.1% of GDP in 2012. As a result, the fiscal deficit widened from 6% of GDP in 2011 to 9.4% of GDP in 2012, and the primary budget balance shifted to a deficit of 0.26% of GDP in 2012 from a surplus of 4.26% of GDP in 2011, constituting the first primary deficit since 2006.

The increase in public expenditures mainly reflects a rise equivalent to 1.9% of GDP in personnel cost and a growth of 1.2% of GDP in transfers to Electricité du Liban (EDL), which constitute two out of the three largest expenditure items in the budget. The rise in personnel cost was caused by the implementation of the cost-of-living adjustment to public-sector salaries as well as by the rise in retirement and end-of-service disbursements; while the increase in transfers to EDL was due to a significant increase in average international oil prices. EDL continued to be a burden on taxpayers and a main cause for the deficit, as Treasury transfers to the state-owned and money-losing utility rose by 30% to USD 2.3 billion, and from 4.5% of GDP in 2011 to 5.4% of GDP in 2012. In addition, salaries and wages increased by 15.5% to USD 2.9 billion, or 7% of GDP, while retirement and end-of-service compensation grew by 35% to USD 1.3 billion, equivalent to 3% of GDP. In parallel, debt servicing decreased by 3.5% year-on-year to USD 3.6 billion, or 8.3% of GDP, and accounted for 27.2% of total expenditures and for 35.7% of budgetary spending. It absorbed 38.5% of overall revenues and 40.5% of budgetary receipts.

The deterioration in the fiscal balance reversed the public debt dynamics, as the debt level increased from 137.4% of GDP in 2011 to 138.1% of GDP in 2012, constituting the first such rise since 2006. Lebanon's gross public debt reached USD 57.7 billion at the end of 2012, constituting an increase of 7.5% from end-2011. Domestic debt increased by 1.7% to USD 33 billion, while external debt rose by 16.5% to USD 24.4 billion in 2012. The rise in the external debt was caused in part by a swap operation in June when the Finance Ministry issued three new Eurobonds totaling USD 2 billion that were used for early redemption and cancellation of Lebanese pound-denominated Treasury bills held by the Central Bank of Lebanon.

Local currency debt accounted for 57.7% of gross public debt at end-2012 compared to 61% a year earlier, while foreign currency-denominated debt represented 42.3% of the total at the end of 2012 relative to 39% at the end of 2011. Commercial banks held for 54.3% of the local public debt at the end of 2012 compared to 51% a year earlier. They were followed by the Central Bank with 30%, down from 33.2% at end-2011, while public agencies, financial institutions and the general public accounted for 15.7% of local debt compared to 15.8% a year earlier. The net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased by 6% to stand at USD 49.1 billion at the end of 2012. Also, gross market debt accounted for about 64% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, and bilateral and multilateral loans, as well as Paris II- and Paris III-related debt.

CAPITAL MARKETS

Equities

The Beirut stock market continued to suffer from low liquidity and a lack of interest from privately held firms in listing their shares. It underperformed its regional peers in 2012, as it was the second worst performer in the region, with the stock market index declining by 12.9% in 2012 compared to a 4.2% rise for Arab markets. Further, its market capitalization was equivalent to 25% of GDP, fourth lowest in the region, and accounted for about 1.2% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 55 million shares in 2012, constituting a decrease of 29% from 2011, while aggregate turnover amounted to USD 408.5 million, down 20.7% from a turnover of USD 515.4 million in the previous year. Market capitalization increased by 1.3% from end-2011 to USD 10.4 billion, of which 75.6% was in banking stocks and 20.5% in real estate stocks. The market liquidity ratio was 3.9% compared to 5% in 2011.

Bank stocks accounted for 64.4% of aggregate trading volume in 2012, followed by real estate stocks with 32.6%. In terms of the value of shares traded, banking stocks accounted for 73.7% of aggregate value, followed by real estate stocks with 18.3%. The average daily traded volume for 2012 was 225,549 shares for an average daily value of USD 1.7 million. The figures reflect decreases of 29.6% in volume and 21.4% in value year-on-year.

Fixed Income

Lebanon's external debt posted returns of 5.1% in 2012, constituting the second lowest return among 32 markets in the Eastern Europe, the Middle East and Africa (EMEA) region as well as the fifth lowest return among the 57 emerging markets. Lebanon underperformed the EMEA region's returns of 20.2%, as well as the overall emerging markets returns of 18.2% in 2012. Also, Lebanon's external debt underperformed the 22.3% returns posted by similarly-rated sovereigns. It posted the second lowest returns among 17 countries in the Middle East and Africa region in 2012. Further, Lebanon's external debt posted returns of 5.04% in US dollar terms, constituting the second lowest in the EMEA region and the fifth lowest among emerging markets.

The Lebanese Republic executed four transactions in 2012 to refinance maturing debt in 2012 and 2013. Throughout the year, the Ministry of Finance continued to follow a policy of voluntary debt exchange instead of trying to retire maturing Eurobonds, which would have sent a positive signal to markets and investors.

RISK METRICS

Spreads on five-year credit default swaps (CDSs) for Lebanon ended 2012 at 441 basis points, tightening by 8bps from 449bps at the end of the third quarter, by 37bps from 478bps at the end of the second quarter, and by 5.3bps from 446.3bps at the end of the first quarter of 2012. Lebanon's 5-year CDS spreads were the ninth widest among 69 developed and emerging countries during the fourth quarter. Further, Lebanon ended the fourth quarter of 2012 with a five-year cumulative probability of default (CPD) of 27.5%, decreasing from 27.9% at the end of the third quarter and from 29.4% at the end of the second quarter, but similar to the CPD at the end of the first quarter of 2012. Lebanon's CPD at end-December indicates that Lebanese debt was the ninth riskiest globally.

In May 2012, Standard & Poor's revised the outlook on Lebanon's long-term sovereign credit rating to 'negative' from 'stable'. It simultaneously affirmed its 'B/B' long- and short-term foreign and local currency sovereign credit ratings, and maintained the country's transfer and convertibility assessment at 'BB-' and the recovery rating at '4'. It attributed the outlook revision to concerns that increased tensions from the ongoing turmoil in Syria have raised domestic and geopolitical risks for Lebanon, which could put further pressure on the economy and aggravate Lebanon's fiscal and external vulnerabilities.

THE ECONOMY IN 2012

MONETARY SITUATION

The Central Bank's gross foreign currency reserves reached USD 30 billion at the end of 2012, constituting a decrease of 2.7% from USD 30.8 billion a year earlier, and were equivalent to about 69% of money supply (M2). Also, foreign reserves were equivalent to 10.8 months' worth of imports, well above the four-month reference and a high level by emerging market standards. However, the ability of the Central Bank to meet foreign currency demand is best reflected by the amount of net foreign currency reserves, which it does not publish. The value of the Central Bank's gold reserves reached USD 15.3 billion at the end of 2012, constituting an increase of 6.3% for the year. The Central Bank's combined assets in gold and foreign currencies at the end of the year were equivalent to about 108.5% of GDP.

INFLATION

Inflation averaged 6.6% in 2012 compared to 5% in 2011. Inflation has been under control during the previous 10 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports has been historically equivalent to about five times that of exports. As such, imported inflation accounts for about 50% of inflation in the country.

BANKING SECTOR

The banking sector's activity slowed down in 2012 due to several converging factors that included economic stagnation in Lebanon, deterioration in domestic security conditions, the escalating Syrian crisis, shrinking margins, higher provisioning, fewer lending opportunities domestically and abroad, historic-low global interest rates, and the still-elevated borrowing needs of the Lebanese government.

Commercial banks' assets reached USD 151.9 billion at the end of 2012, constituting an increase of 8% from end-2011. The sector's aggregate assets were equivalent to 364% of GDP, one of the highest such ratios in the world, which reflects the continuing ability of the banking sector to meet the borrowing needs of both the private and public sectors, and to maintain high levels of liquidity and capitalization. Deposits of the private non-financial sector totaled USD 125 billion, increasing by 8% from end-2011. Private sector deposits were equivalent to nearly 299% of GDP, one of the highest such ratios in the world. Deposits in Lebanese pounds reached USD 44 billion, up 11.5% from end-2011, while deposits in foreign currencies totaled USD 81 billion, rising by 6.2% from end-2011. Non-resident foreign currency deposits totaled USD 20.8 billion at end-2012, increasing by 11.8% from end-2011. In parallel, deposits of non-resident banks reached USD 5.9 billion, constituting an increase of 1.5% from end-2011. The dollarization rate of deposits reached 64.8% at end-2012, down from 65.9% a year earlier.

Broad money supply (M3) grew by 7% in 2012 compared to 5.5% in 2011. Loans to the private sector totaled USD 43.5 billion at the end of 2012, constituting an increase of 10.4% from end-2011. The dollarization rate in private sector lending reached 77.6% at end-2012, down from 78.4% a year earlier. The average lending rate in Lebanese pounds was 7.07% in December 2012 compared to 7.38% a year earlier, while the same average in US dollars was 6.87% compared to 7.02% in December 2011. Claims on the public sector stood at USD 31.1 billion, up 6.5% year-on-year, and accounted for 41.7% of the banking sector's total claims. Rating agencies continued to restrain banks' ratings to the sovereign ceiling, citing the banks' high direct exposure to the sovereign as their most important risk factor.

The banks' capital base stood at USD 12.6 billion, up by 17.9% from end-2011, with core capital rising by 16.8% to USD 11.9 billion. The ratio of private sector loans to deposits in foreign currencies stood at 41.6%, well below the Central Bank's limit of 70%, and compared to 40.5% a year earlier. In parallel, the same ratio in Lebanese pounds was 22.1%, up from 21.6% a year earlier. The ratio of total private sector loans to deposits was 34.8% compared to 34% a year earlier. In parallel, the aggregate net income of the top 13 banks operating in Lebanon increased by 7.8% year-on-year to USD 1.7 billion. Also, the top banks' return on average assets was 1.1% and their return on average equity reached 12.92% in 2012. Further, the top banks' cost-to-income ratio reached 47.8% in 2012 compared to 47.6% in 2011.

Unless there is a major breakthrough in the Syrian crisis, the domestic operating environment for Lebanese banks is likely to remain challenging over the short to medium term due to political instability, weak growth, and the slower performance of sectors that are important to the banks' asset quality. However, the sector will remain solid, highly liquid and able to meet the financing needs of the private and public sectors as long as deposits continue to increase.

GLOBAL AND REGIONAL ECONOMIES

Four years after the onset of the global financial crisis, the world economy continues to struggle. Developing economies are still the main driver of global growth, but their output has slowed compared with the pre-crisis period. Fiscal consolidation, high unemployment and very weak consumer and business confidence weighed on economic activity in advanced economies in 2012. The world economy slowed down during 2012, especially in developed countries, with global growth estimated at 3.2%, compared to an expansion of 4% in 2011. Economic growth in advanced economies was modest at 1.2%, while developing economies grew by an estimated 5.1% in 2012.

The economies of both the MENA region and Sub-Saharan Africa are of particular significance to Lebanon due to the economy's strong trade and financial links to Gulf Arab markets in particular, as well as to its dependence on the Diaspora and to the increasing activity of Lebanese banks in the two regions.

Economic growth was uneven in the MENA region last year. Real GDP growth of oil-importing Arab economies was modest at 1.9% in 2012 compared to 1.5% in 2011, excluding Syria. The weak performance of these countries is attributed to social unrest, political uncertainties, weak external demand and high global oil prices. Oil importers continue to face the challenges of weak growth, wide fiscal and current account deficits, and rising unemployment. In parallel, growth in the region's oil-exporting economies is estimated at 5.7% in 2012, and was driven mainly by the increase in the production of crude oil and the strong rebound in Libya's economy.

The Sub-Saharan Africa region grew by 4.6% in 2012 despite the slowdown in the global economy, while it grew by 5.1% when excluding South Africa. Also, about a third of countries in the region grew by at least 6% in 2012. The region's low-income countries grew by 4.6% last year, middle-income economies expanded by 3.6%, and oil exporters posted real GDP growth of 6.5% in 2012. The region's growth was mainly driven by robust domestic demand, steady remittance flows, high commodity prices, and increased export volumes.

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PROFILE OF THE GROUP

PROFILE OF THE GROUP

Our History

Established in Jbeil (Byblos), Lebanon, in 1950, the Byblos Bank Group is a leading financial institution focused on the domestic and selected overseas markets. After nearly six decades of consistent growth, Byblos Bank now has an extensive network of 77 branches spread evenly across Lebanon. The Group also has expanded to several other countries, including Armenia, Belgium, Cyprus, the Democratic Republic of the Congo, France, Iraq, Nigeria, Sudan, Syria, the United Arab Emirates, and the United Kingdom.

Our Strategic Goals

The focus of Byblos Bank's strategy is to build on our leading position in the Lebanese market while diversifying into foreign ones. To do this, we strive to be a full-service bank providing comprehensive solutions for our customers in consumer banking, commercial banking, capital markets, correspondent banking, and assorted advisory services.

Our Major Lines of Business

- Consumer Banking
- Commercial Banking
- Correspondent Banking
- Financial Markets

Our Values

- Integrity
- Customer Focus
- Teamwork
- Performance

Our Mission

"Byblos Bank Group is a universal institution that is focused on the domestic and regional markets while striving to offer world-class services to its customers, fulfillment to its employees, and economic benefit to the communities it serves."

KEY DATES

Our past gives us vision and strength and shows us the way to better seize all available future opportunities.

1950	Establishment of Société Commerciale et Agricole Byblos Bassil Frères & Co., engaged in natural silk and leather tanning and agricultural credit activities.
1961	Company's name changed to Société Bancaire Agricole Byblos Bassil Frères & Co.
1963	Company's name changed to Byblos Bank S.A.L. and registration with Central Bank of Lebanon.
1976	Establishment of Byblos Bank Europe in Brussels (branches in Paris and London).
1983	Establishment of Adonis Insurance and Reinsurance Co. S.A.L. (ADIR).
1997	Acquisition of Banque Beyrouth pour le Commerce (BBC). Listing of 30% of Byblos Bank's shares on the Beirut Stock Exchange.
1998	Full integration of the subsidiary in Europe as Byblos Bank Europe S.A.
1999	Acquisition of Bank of Nova Scotia's Lebanon branch.
2000	Acquisition of Wedge Bank Middle East's Lebanon branch. Acquisition of assets of ING Barings' Lebanon branch.
2002	Acquisition of assets and liabilities of ABN AMRO Bank N.V.'s Lebanon branch.
2003	Opening of Byblos Bank Africa in Khartoum, Sudan.

Our Subsidiaries

Adonis Insurance and Reinsurance Co. S.A.L. (ADIR) Partnership with Natixis Assurances – France

ADIR is a subsidiary of Byblos Bank established in 1983. The company combines financial stability with an ongoing quest for product innovation and an uncompromising commitment to its customers in terms of service, coverage, and proper handling of claims. ADIR provides a comprehensive range of standard and tailored insurance products to both individual and institutional clients, including life, fire, general accident and medical coverage, among others. In 2001, Natixis Assurances, the fifth largest bancassurance group in France and an affiliate of Natixis Banque Populaire, acquired a 34% stake in ADIR, with Byblos Bank retaining a controlling interest of 64%. The Group believes that the association with the French banking giant will continue to facilitate the offering of bancassurance services to Byblos Bank customers in Lebanon and other selected markets where ADIR seeks to forge local partnerships.

Byblos Bank Europe S.A.

Founded in 1976, Byblos Bank Europe S.A. is headquartered in Brussels and has branches in London and Paris. Byblos Bank S.A.L. holds more than 99% of the shares in Byblos Bank Europe, which specializes in short-term trade finance for selected exporting companies in Europe and offers correspondent banking services in the Middle East and Africa. In addition, the Paris branch provides banking services to customers in French-speaking African countries, while the London branch serves clients in English-speaking countries on the same continent.

Byblos Bank Africa

After three decades of prosperous business in Sudan via local banks and a selected customer base, the Group established Byblos Bank Africa in 2003. Operating under Islamic Sharia'a, Byblos Bank Africa's main lines of business are commercial banking and correspondent banking. Following a capital increase in 2012, Byblos Bank S.A.L. remains the largest shareholder in Byblos Bank Africa (56.9%), followed by the OPEC Fund for International Development (17.5%) and the Islamic Corporation for the Development of the Private Sector (8.75%).

Year	Event
2004	The Islamic Corporation for the Development of the Private Sector takes a 10% stake in Byblos Bank Africa, joining the OPEC Fund for International Development (20%) as a minority shareholder.
2005	Opening of a Representative Office in Abu Dhabi, UAE. Opening of Byblos Bank Syria S.A. with Byblos Bank S.A.L. holding 41.5% of shares, the OPEC Fund 7.5% and Syrian investors 51%.
2006	Commencement of Byblos Bank S.A.L. operations in Erbil, Iraq.
2007	Acquisition of 100% stake in Armenia's International Trade Bank, renamed Byblos Bank Armenia in 2008.
2008	Opening of 75th branch of Byblos Bank S.A.L. in Lebanon. Issuance of USD 200 million in Series 2008 Preferred Shares. Acquisition of Unicredit Banca Di Roma's Lebanon branch.
2009	Listing on the London Stock Exchange. Issuance of USD 200 million in Series 2009 Preferred Shares. Opening of a Representative Office in Lagos, Nigeria.
2010	Acquisition of 66.7% stake in Solidaire Banque Internationale, a bank incorporated in the Democratic Republic of the Congo, now renamed as Byblos Bank RDC S.A.R.L.
2011	Issuance of USD 300 million in Byblos Bank ten-year Eurobonds.
2012	Issuance of USD 300 million in 6.5% convertible fiduciary notes due in 2022.

PROFILE OF THE GROUP

Byblos Invest Bank S.A.L.

Byblos Invest Bank was established in 2003 as a means of increasing medium- and long-term investment options for the Group's customers. Under Lebanese law and the regulations of the Central Bank and the Banking Control Commission, Byblos Invest Bank is a specialized institution: its main objectives are to allow customers to benefit from attractive interest rates on term deposits for periods longer than six months, and to provide medium- and long-term loans to new and expanding companies.

Byblos Bank Syria S.A.

Founded in 2005, Byblos Bank Syria has developed a wide range of commercial, corporate and retail banking services to meet the needs of clients in the Syrian market. During 2011, Byblos Bank Syria successfully completed a capital increase to 6.12 billion Syrian Pounds, equivalent to 12,240,000 shares. Byblos Bank S.A.L. increased its share in Byblos Bank Syria from 41.5% to 52.37%, while the OPEC Fund for International Development share remained at 7.5% and that of Syrian investors stood at 40.13%. In May 2012, a 5:1 stock split was carried out, increasing the number of shares to 61,200,000 at 100 SYP per share.

Adonis Insurance Company Syria S.A. (ADIR Syria)

In 2007, the Byblos Bank Group established Adonis Insurance Company Syria S.A. (ADIR Syria), a Syrian insurer with paid-up capital of USD 25 million. The main shareholders are Byblos Invest Bank S.A.L., Byblos Bank Syria, and Adonis Insurance and Reinsurance Co. S.A.L. (ADIR), together with approximately 20 prominent Syrian businesspeople. The Company operates from its Head Office in Damascus, through offices in Aleppo and Homs, and through the branch network of Byblos Bank Syria. ADIR Syria provides a broad range of insurance products underwritten in a conservative and prudent way.

Byblos Bank Armenia C.J.S.C.

Following the 2007 acquisition of a 100% stake in International Trade Bank, the institution was renamed Byblos Bank Armenia and commenced operations in 2008 as the Group's fourth overseas subsidiary. Byblos Bank Armenia is currently expanding its lines of business to address local banking needs.

Byblos Bank RDC S.A.R.L.

On 27 March 2010, Byblos Bank S.A.L. participated in the capital increase of Solidaire Banque Internationale S.A.R.L., a bank incorporated in the Democratic Republic of the Congo. Byblos Bank S.A.L. became the major shareholder, with 66.67% of the shares, and acquired management control. Renamed Byblos Bank RDC S.A.R.L., the Bank operates as an independent subsidiary of the Byblos Bank Group, with its Head Office in Kinshasa and one branch in the capital's Gombe District. It provides mainly commercial lending, transfers and payments, letters of credit, letters of guarantee, and documentary collection services.

OPERATIONS AND GOVERNANCE

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Byblos Bank overcame a variety of challenging circumstances in 2012, demonstrating once again the resilience and adaptability of its business model. With stubborn problems continuing to slow the global economy and political uncertainty plaguing Lebanon and other parts of the Middle East and North Africa (MENA) region, the Bank stood by both its conservative strategy and its strong customer focus. As other banks struggled to survive the storm, Byblos Bank used its risk-averse approach, sensible credit policies, robust liquidity levels, and strong capital adequacy to preserve its solid financial position. This leaves it primed to take full advantage – and to help all its stakeholders do the same – when conditions improve.

CUSTOMERS

PUTTING THE CLIENT FIRST

Customer satisfaction is a function of several factors, with the overall priority being to ensure that each and every interaction with Byblos Bank is as pleasant and productive as possible. This requires constant attention on several fronts, from careful recruiting and specialized training to product design and technology upgrades. These and other steps are designed to provide an unparalleled customer experience that never stops improving – and keeps reminding our clients why they choose Byblos Bank.

The Bank expanded its leadership role in Lebanon's retail banking sector in 2012, introducing new products and services, adding attractive features to existing ones, and adopting innovative approaches to build and retain the loyalty of our customers. Branch restructuring (i.e., branch amalgamation or relocation) was carried out at several regions. Furthermore, Byblos Bank extended its E-Branch services to other branches in selected regions, thus allowing customers to use ATMs for cash and check deposits, 24 hours a day, seven days a week. The Bank also developed plans to increase the usage of its Online Banking services, which makes it easier for customers to control and monitor their accounts, and to carry out transfers between these accounts or to third-party accounts at the Bank. In addition, the Bank has begun preparations to enable its customers to transfer to accounts at other banks, and to develop Corporate Online Banking services, which will allow companies to make online transactions, and enable them to apply their company workflow approvals, in addition to innovative packages. All these innovations are aimed at putting the Bank at the forefront of banking technology but also at transforming our branches into advice and consultancy centers to better engage with our customers by providing even more personalized service.

Byblos Bank also introduced "ByblosPriority," a special high-end program catering to the needs of our VIP clients. Accordingly, we scaled up our competitiveness in this segment of the market by putting together an exclusive package of premium services, products and privileges. In addition, the Bank continued to offer the latest in deposit-structured products for retail investors, including five-year step-up deposits marketed through our branch network. And in April 2012, Byblos Bank entered into a partnership with American Express Middle East to start offering its wide variety of cards.

The past year was also a highly successful one for Byblos Bank's widely acclaimed Card Loyalty Program, which covers all of the Bank's market base credit, charge, and debit cards, allowing cardholders to accumulate points redeemable for free air travel, the latest electronic devices, support for reforestation efforts, and other rewards. These and other innovations are part of an all-day, every-day effort to maximize cardholder usage and satisfaction.

FOLLOWING UP ON PERFORMANCE

For more than a decade, Byblos Bank has been conducting or commissioning customer satisfaction surveys in order to ensure that its products and services are achieving the desired results in terms of meeting the needs and expectations of its clientele. In 2012, a study carried out for the Bank by the Pan Arab Research Center found an overall satisfaction rate of 98%, an increase of 3% on the previous year. At the same time, for the 10th consecutive year, the Bank carried out a mystery shopping program to gauge the performance of our staff and keep it at the highest level. Some 575 visits, covering every branch in Lebanon, took place as part of this effort, with each visit followed by a detailed report highlighting strengths and weaknesses in overall service and proposing corrective measures to improve the customer experience.

In addition, the Bank has created a dedicated Customer Care Unit tasked with monitoring customer service and tending to all satisfaction-related issues. Among the functions related to this mission are the sending of a Welcome Survey to each new account-holder to rate his or her overall satisfaction; the monitoring of all suggestions and other feedback from clients; contacting all customers who have voiced concerns with overall service; and following up on the resolution of any complaints or other problems.

SHARING OUR EXPERIENCE WITH BUSINESS

Byblos Bank continued to provide world-class commercial banking services in 2012, supplementing its outstanding products and services with expert advice for clients operating in numerous sectors and geographical areas during a time of economic uncertainty. Drawing on long experience that is both broad and deep, our approach features teams of experts specializing in all manner of solutions, from syndication and project finance to real estate and agriculture finance. Still, our main area of focus and expertise remains dedicated to the financing of Contracting, Manufacturing and Trade businesses, in which the Bank holds dominant positions.

Our commercial bankers include multi-skilled individuals with extensive experience in both lending and engineering, all of whom pride themselves on their ability to stay in touch with the Bank's market base.

With decades of experience in financing both large companies and small- and medium-sized enterprises in many parts of the economy, Byblos Bank offers more than the usual conventional banking services: it is also qualified to assist clients in taking strategic decisions, designing and carrying out restructurings, and building and monitoring cash-flow projections.

The slowdown experienced in 2012, including difficult conditions in several key markets, is expected to continue in the coming year. Nonetheless, the Commercial Banking Division expects to meet its 2013 growth objectives by sticking to what has always worked to surmount similar obstacles in the past: forward-looking strategies aimed at mitigating risks, diversifying revenue sources at home and abroad, and constantly improving customer relationships.

TAPPING THE MARKETS

Byblos Bank's Capital Markets team chalked up several milestones in 2012, adding to its already sterling reputation as a skilled operator capable of engineering effective solutions for both its own financing needs and those of the Lebanese state.

In March 2012, Lebanon's Finance Ministry mandated Byblos Bank and Bank of America Merrill Lynch to serve as co-Lead Managers for the issuance of Eurobonds in the amount of USD 700 million to refinance

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two earlier notes that had been scheduled to mature in March and April. Both tranches were heavily oversubscribed, so the Republic of Lebanon ended up issuing a USD 950 million dual-tranche Eurobond: a USD 600 million bond maturing in October 2017, and a USD 350 million bond maturing in 2026.

A similar but even larger transaction took place in November, with Byblos Bank serving as one of the Lead Managers. A total of USD 1.52 billion in Eurobonds had been scheduled to mature in 2013, including a USD 875 million in March and USD 650 million in June. The Lebanese Republic offered three new issues: a USD 525 million Eurobond maturing in November 2018; a USD 500 million Eurobond maturing in January 2023; and a second USD 500 million Eurobond maturing in November 2027. The 6% coupon rate on the January 2023 bond set a record as the lowest-ever interest rate for a Lebanese Eurobond with a maturity of 10 years or longer.

The following month, an Extraordinary Assembly of Byblos Bank S.A.L. approved the issuance of a 10-year convertible bond of up to USD 300 million that carries a coupon rate of 6.5% to be paid quarterly, maturing in 2022. Subscribers have the right to convert their holdings, in whole or in part, into common shares or into Global Depository Receipts (GDRs) during each year of the bond's life. Subscribers to the bond also have pre-emptive rights to subscribe to any future capital increase by Byblos Bank as well as to any new issue of convertible loans or convertible bonds by the Bank. The new bond was designed to provide funds for the Bank to maintain high solvency ratios in accordance with Basel III requirements, to obtain long-term funding at acceptable rates, to replace notes that had been set to mature in late 2012, and to finance its growth in domestic and foreign markets. As a result of the new issuance, the Bank's Tier 1 and Tier 2 capital rose to USD 1.855 billion.

GUIDANCE FOR THE BYBLOS BANK FAMILY ABROAD

As the body responsible for managing and developing the relationship between Byblos Bank S.A.L. and the Group's foreign entities, the International Network Division proved its worth on many levels in 2012. Among the Division's many contributions during the year were the development of new procedures, the carrying out of surveys to help improve service quality, onsite support, and closer day-to-day follow-up on sales targets and operations to help the foreign entities meet their budgets. These and other efforts culminated in a general meeting that brought together the heads of all foreign entities with Byblos Bank S.A.L. executives for a discussion and exchange of views on the challenges facing our overseas operations.

Although 2012 was even more difficult than 2011 in most of the countries where Byblos Bank has a presence, several bright spots emerged during the year. Our Iraqi operations, for example, were able to expand and started acting as a correspondent bank for prominent foreign banks to serve them in local currency. Also, new relationships were formed with multinational companies operating in Iraq. For their part, our Representative Offices in Nigeria and Abu Dhabi reinforced their teams in order to better serve their growing clienteles. The Nigerian office relocated to new premises on Victoria Island during 2012, while the Abu Dhabi one finalized plans to move into the luxurious Sky Tower, on Reem Island, by February 2013. Both new offices are prestigious addresses that better reflect Byblos Bank's status. Meanwhile, our newest subsidiary in the Democratic Republic of the Congo stabilized its operations by implementing Byblos Bank standards and was therefore able to achieve growth in several areas.

In the coming year, the Division looks forward to further developing existing Byblos Bank foreign entities – and to entering new markets.

EMPLOYEES

INVESTING IN OUR MOST PRECIOUS ASSETS

The Human Resources Division achieved a variety of milestones in 2012, using proven techniques to recruit, develop and retain happier, healthier and more productive members of the Byblos Bank team. From training and career planning to benefits and core values, we continued to supply our employees with the tools, knowledge and professional work environment they need to provide superior service.

Key steps taken in the past 12 months have included the successful implementation of e-performance throughout the Bank, the adoption of medical centers to better assist our employees with their healthcare needs, progress in reducing absenteeism, and the implementation of a new Group life insurance plan. Having defined Byblos Bank's core values as Customer Focus, Performance, Teamwork and Integrity, we integrated these values into the very first stages of the recruitment process. We also provided opportunities for employee learning and development, with emphasis on effective management and leadership, better productivity, and providing career opportunities to our high performers.

COMMUNITIES

HUMANIZING OUR CAPITAL

Byblos Bank's vision of Corporate Social Responsibility (CSR) revolves around the humanization of capital in order to increase the amount of social, economic and other opportunities open to individuals and their communities. Education, Culture and the Environment have long been among the pillars of this effort, but now our focus on them is stronger than ever as we strive to increase the impact of our CSR work. For the same reason, while Byblos Bank continues to endorse and sometimes support independent initiatives that are in keeping with our strategy, we increasingly design and implement more of our own activities in order to reach the goals in which we believe, for instance by providing greater access to education for Lebanese youth and ensuring more exposure for talented young photographers.

This approach reflects not only how Byblos Bank does business, but also how we see the world in general and Lebanon in particular. With so much gloom surrounding both the Lebanese situation and global economic problems, therefore, we felt the need to spread an opposite message, one of confidence and hope. The result was "Live with Optimism", a corporate advertising campaign launched in late 2012 that urges people to recall the positive side of things, especially the innate strength and kindness of the Lebanese. The message focuses on what makes this country a great place in which to live and work – and on the helpful, can-do spirit that will keep it that way.

PUTTING YOUNG PHOTOGRAPHERS IN FOCUS

A new tradition was born in July 2012 with the launch of the Byblos Bank Award for Photography in conjunction with the Beirut Art Fair, an international exhibition of modern and contemporary art. The award is the latest expression of the Bank's determination to ensure the survival and expansion of Lebanon's domestic art output. Regardless of the genre, Byblos Bank views art as a timeless and immutable expression of national culture, something made even more important by all that Lebanon has withstood in the past, all the challenges it faces in the present, and all the hopes its people share for the future.

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In particular, the award was established in hopes of furthering the discovery and development of new talent by rewarding excellence and innovation in the work of a Lebanese photographer aged 18 to 45. The prize is bestowed annually, following a rigorous selection process, to a worthy candidate whose abilities merit exposure and promotion in the public eye.

The honor of receiving the first Byblos Bank Award for Photography went to Dory Younes, a young amateur photographer whose work demonstrated both unusual talent and significant potential. The Bank puts its weight behind the winner by showcasing the artist's work in both his first catalog and an exhibition of his photographs at its Headquarters in Ashrafieh. The 2013 version of the prize will be awarded during this year's edition of the Beirut Art Fair, scheduled for September.

The award was just part of Byblos Bank's broader efforts to promote the abilities and artistry of Lebanese photographers, often by combining this focus with other worthy causes. In January, the Bank lent support to the Children's Cancer Center of Lebanon (or CCCL, affiliated with the famous St. Jude Children's Research Hospital in Memphis, Tennessee, USA) by sponsoring PREY, an impressive exhibition by photographer Michel Zoghzoghi. The show was the result of five years of expeditions around the world in order to depict predators in their natural habitats, and all proceeds from sales of photos went directly to the CCCL. We also supported the publication and marketing of "Prey", the book version of the exhibition. Proceeds from the volume went to the CCCL and Anta Akhi, a charitable organization that helps meet the needs of young adults affected by physical and mental disabilities.

In May, the Bank helped bring off another event, Night Collective, which showcased the work of promising amateur photographers from different backgrounds. The photos on display were selected from an extensive assembly of images by photographers who organized a series of outings to record nighttime images from areas across Lebanon.

In addition, the Bank teamed up with the French Cultural Institute to bring off exhibitions trumpeting the very different but equally creative works of two emerging talents: "One Week in Cairo," by Roy Samaha, and "Ether," by Rima Maroun. And to help develop further such stars in the future, we joined with the Ayadina Association for a program designed to introduce photography to underprivileged children who might not otherwise get a chance to discover and develop their abilities. The training, provided to youngsters aged 8-14, runs from October 2012 to June 2013, when it wraps up with an exhibition of the children's best photographs.

HONORING LOCAL PAINTERS

May 2012 saw Byblos Bank host both a book-signing ceremony and an exhibition by Hrair, widely regarded as being among the most talented Lebanese artists of modern times. Both the book, "Hrair," and the event, "Splendor in color," paid tribute to the long and productive career of a true original. In July, it was the turn of an emerging artist, Rawia Zantout, to have her show, "La beauté du printemps" ("The beauty of spring"), hosted by the Bank. Part of the proceeds of this exhibition went to Tamanna, a non-profit association that grants the wishes of children with critical illnesses.

During the summer, the Bank also sponsored the first major retrospective of the influential Lebanese artist Khalil Saleeby (1870 -1928) at AUB Art Gallery. One of the founders of modern art in Lebanon, Saleeby also studied, worked and exhibited in other countries, including the United States, France and the United Kingdom. The exhibition was drawn from a major private collection of Lebanese art that had been donated to AUB earlier in the year.

In November, we hosted yet another event, this time cooperating with the Hamazkayin Lucy Tutunjian Art Gallery for "Avec le temps" ("With time"), an exhibition by renowned artist Krikor Norikian, at Byblos Bank Headquarters.

CULTIVATING CULTURE

Byblos Bank extended vital support to a wide variety of cultural events and initiatives throughout 2012, increasing appreciation of many of the treasures – past and present – that make Lebanon what it is. In September, the Bank sponsored the Gibran Khalil Gibran National Committee Awards, which honored prominent figures who have made key contributions to Lebanon's cultural evolution.

In addition to the aforementioned "Prey", support was made available, too, for "Art from Lebanon" a book by Nour Abillama and Marie Tomb that fills an important gap by showcasing the beautiful work of Lebanon's pioneers in painting and sculpture, especially since the country does not yet have an art museum. Another beneficiary of the Bank's assistance was "Au Pays de l'Emir", a book by Dr. Hareth Boustany. The work is translation into French of a famous book completed in 1940 by Dr. Fouad Ephrem Al Boustani. It recounts revealing stories about Al Amir Bachir Ash Shéhabi, one of Lebanon's most important historical figures, and features old pictures and engravings related to the places and characters involved.

Byblos Bank also sponsored "Deir Al Kalaa," a group-authored tome about the home of a famous monastery located to the north of Beit Mery in Metn. The Antonine Fathers have maintained a permanent presence at the monastery since the 18th century and have recently finished a lengthy renovation process, one that was instrumental in shedding light on the cultural importance of the monastery and the ruins that surrounds it. The volume uses both text and pictures to share the storied past of a site that has been witness to significant historical events since the Phoenician era.

PRESERVING LEBANON'S HERITAGE FOR FUTURE GENERATIONS

Byblos Bank has long been a generous benefactor of campaigns to protect Lebanon's rich heritage, and this tradition continued in 2012, including a donation of some USD 2 million to the Municipality of Jbeil, the modern-day site of Byblos, one of the oldest communities in the world. The funds will be used to help restore the Byblos Souks and hence contribute to the preservation of this ancient site, with work expected to be completed in 2013.

Also in 2012, the Bank backed the efforts of Lebanon's Association for the Protection of National Sites and Old Buildings (known by its French-language acronym, APSAD) to raise awareness about the importance of historical structures with a high-profile event held at the Grand Serail in Beirut.

EDUCATION IS EVERYTHING

As a big believer in the irreplaceable benefits of learning, Byblos Bank continues to help ensure access to educational opportunities for students of all ages. Throughout the year, we maintained our partnerships with several schools and universities, with special focus on helping ensure access to education for qualified youth.

Byblos Bank also was proud to continue its three-year University Loans Program, a partnership launched in 2010 with the Agence Française de Développement, which has seen the Bank help further the studies of students from nine institutions of higher learning in Lebanon. The loans are denominated in Lebanese Pounds and are granted for durations of up to 18 years starting from

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the student's first year of study. The credit granted can cover up to 75% of a student's tuition fees, subject to a maximum loan amount of LBP 15 million per year. Approximately 73% of students receiving these loans were in their first year of study, and as at 30 December 2012, their primary areas of study were architecture and civil engineering (32%), medicine and pharmacology (27%), business (26%), and with others totaling 15%. As at the same date, the Bank had authorized more than LBP 29.3 billion (equivalent to EUR 15 million) in loans under the program.

For the third year in a row, the Bank also sponsored the annual mini-marathon organized by MySchoolPulse, which helps finance the education of children whose severe illnesses prevent them from attending regular classes. Keeping up the pace of learning during treatment and recovery is crucial for the children in order for them to resume normal lives.

And for the second year in a row, Byblos Bank also continued its support for "Your Entrepreneurship Project," which recognizes and rewards young business talent. Organized in conjunction with the Kafalat business loan program and the Antonine University's Faculty of Business Administration, the contest helps young students acquire the knowledge and attitudes they need to compete in the modern economy.

The Bank endorsed in 2012 Mobarat Al Ouloum, a science fair and national contest organized by the National Association for Science and Research in Lebanon among students across the country to unleash their innovation and creativity skills in science related inventions.

HERE AND THERE

As ever, Byblos Bank continued to lend a hand in variety of ways, including participation in fundraising events for a number of non-governmental organizations to help them carry out their various functions in the community. Once again, the Bank sponsored the Sourat Festival, an annual gathering that pays homage to the Batroun village's rich history and stately oaks. And for the 27th time, we took part in Child's Week, an annual event run by the Association for the Protection of Lebanese Children. The Bank also partnered with CHANCE, an association that funds the treatment of child cancer patients, for a fundraising event on Father's Day 2012.

ENVIRONMENT

In 2012, we continued to sponsor "Hayda Lebnen", a daily program on LBCI Television, and we focused on trees and flowers typical to Lebanon, as well as on the country's long-celebrated mountains. In addition, the Bank sponsored the Jabal Moussa Flower Guide, edited by the renowned Georges and Henriette Tohmé, and published by the Association for the Protection of Jabal Moussa.

After extensive planning and preparation, 2012 saw the launch of the "Bgreen" initiative aimed at measurably reducing the environmental impact of Byblos Bank Headquarters. This initiative included the designation of Bgreen champions among employees, as well as the following elements:

SAVING ENERGY

- Replacement of most conventional lamps at Headquarters with energy-saving ones;
- Pictogram displays to remind employees to switch off the lights on all floors when they leave in the evening, and in bathrooms when not in use;

- Installation of a new Building Management System to monitor air quality and electricity consumption;
- Installation of a new-generation HVAC system (VRF) to reduce energy use by providing cool air to remote floors operating late at night.
- Central control of the heating and air conditioning system, as well as door closing to maintain the temperature on individual floors;
- Implementation of an automatic power-saving mode for computer screens and printers.

RECYCLING PAPER AND PLASTIC

- Reducing the usage of paper and encouraging paper recycling. For this, special bins were placed next to each printing machine, with accumulated paper then collected by a recycling association;
- Recycling plastic bottles. The process starts with the collection of bottles on each floor in special bins before sending them for recycling in coordination with a specialized company.

CONSERVING WATER

- Dual flush converters were installed in all toilets, and employees were instructed on how to save water by using them correctly;
- Replacement of all flow restrictors in kitchen and bathroom faucets to reduce water usage.

ADVOCACY

A STRONG VOICE FOR BETTER BANKING, SANER GOVERNMENT

Good corporate citizenship is a key plank of Byblos Bank's CSR strategy, and as German novelist Gunter Grass famously put it, "the job of a citizen is to keep his mouth open."Accordingly, the Bank makes regular use of its high profile in order to protect and promote responsible behavior, not just in the financial services industry, but also in the management of public finances. With more than half-a-century of experience and three terms as head of the Association of Banks in Lebanon under his belt, it is only natural that the Bank's Chairman, Dr. François Bassil, has been the primary enactor of this crucial advocacy role. He continued to do so in 2012, using a variety of platforms to spread several useful messages, including the very common-sense notions that the Lebanese state must learn to live within its means – and to work with the private sector.

On several occasions in 2012, Dr. Bassil renewed his warnings about the size of Lebanon's public debt, adding that while the country's banks would continue to help by rolling over existing bonds, they would no longer extend new credit to the state. To get hold of the situation, he called for a series of structural and other reforms, including more transparency to help cut spending and waste, better tax collection to boost revenues and avoid far higher rates that scare off investors, and greater public/private partnerships in addressing one of the country's most stubborn problems, a chronic power shortfall.

He also urged his fellow bankers to be more stringent in observing both best practice and regulatory requirements. In an interview with Beirut's Daily Star newspaper, Dr. Bassil stated that "Lebanese banks should [be] more vigilant when it comes to dealing with suspicious persons who may be involved in illegal activities that could hurt the sector and the reputation of the country."

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GOVERNANCE

PRACTICING WHAT WE PREACH

It is not enough, of course, to merely advocate responsible behavior; one also must live up to one's own stated ideals by setting an example for others. Byblos Bank endeavors to follow the latter course by adhering to the highest possible standards of corporate governance, a strategy that serves the long-term interests of all our stakeholders.

Internally, the Bank constantly reviews and updates policies and procedures to ensure full compliance with regulators in all the markets where we have a presence, and to reap the rewards of best practice as defined by the most authoritative international guidelines. All members of our team receive instruction in these areas, including training in how to apply the relevant rules to a given situation.

On the external level, Byblos Bank strives to meet the same lofty performance standards, particularly in terms of the accuracy and transparency of the information we provide to our stakeholders. This policy helps maintain the confidence of customers, employees and investors that their interests are in good hands. It also communicates the right message to the broader public, namely that Byblos Bank is a trustworthy and reliable partner.

World-class governance is the best starting point for the conduct of risk management, one of the key ingredients in the Bank's ability to deliver the consistent and sustainable results that our stakeholders have come to expect. The overriding priority here is to protect the Group's financial strength, a mission we carry out each and every day by heeding sound principles. These include controlling risks at the individual and portfolio levels, as well as in aggregate, across all risk types and businesses; safeguarding the Group's reputation and our client information; aiming for maximum ethical behavior in all of our business dealings; providing objective, all-inclusive, and fully transparent risk disclosure to the Board of Directors, to senior management, regulators, rating agencies and other interested parties; and the maintenance of an independent risk control process through an independent risk management structure.

Going forward, Byblos Bank's objective is to retain its current strategy and areas of focus but to increase the impact of its activities, in part by updating the tools and methods it uses to reach its goals. The coming year will see the Bank continue to develop a more systematic approach to CSR by making more and better use of relevant performance indicators and the latest reporting procedures.

PROFILES OF BOARD OF DIRECTORS MEMBERS

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. Is also Chairman of the Board of Directors of Byblos Bank Africa. Also sits on the Boards of Byblos Bank Europe, 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*.

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. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since 1992, acting as Vice-Chairman of the Board and General Manager since 2000. Also serves as Chairman of the Board of Byblos Bank Syria and as a Member of the Board of Byblos Bank Europe and Vice-Chairman of the Board of Byblos Bank Africa.

H.E. MR. SAMI F. HADDAD

Lebanese, born in 1950. Holder of a Master's Degree in Economics from the American University of Beirut. Pursued higher studies at University of Wisconsin-Madison in the US. Former Lebanese Minister of Economy. Started working in the private banking sector in 1973 and as a consultant to the Governor of the Lebanese Central Bank in 1979. Then joined the International Finance Corporation (IFC), where he assumed several positions, the most recent one being Manager of the Middle East and North Africa region. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since 2009. Also serves as Chairman and General Manager of both Byblos Invest Bank S.A.L. and Adonis Insurance and Reinsurance Co. S.A.L. (ADIR), and as a Member of the Board of Byblos Bank RDC.

** Dr. François S. Bassil was elected as Chairman of the Board of Directors of the Association of Banks in Lebanon again on 5 July 2013.*

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PROFILES OF BOARD OF DIRECTORS MEMBERS

H.E. MR. ARTHUR G. NAZARIAN

Lebanese, born in 1951. Holder of a Degree in Textile Engineering from Philadelphia University in the US. Member of the Lebanese Parliament since 2009 and former Minister of Tourism and of Environment. Is an entrepreneur at the helm of several companies in Lebanon and the Gulf. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since 2006 and serves as a Member of the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee affiliated to the Board. Also serves as a Member of the Board of Directors of Byblos Bank Armenia.

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 on the Board of Directors of Byblos Bank S.A.L. since April 2012. Also sits on the Board of Byblos Bank Europe.

PROPARCO

A development financial institution whose mission is to encourage private investments in emerging and developing countries, PROPARCO is a shareholder in the capital of Byblos Bank S.A.L. The Agence Française de Développement (AFD), which is affiliated to the French government, owns 59% of PROPARCO's capital, which is estimated at EUR 420 million. PROPARCO has been represented on the Board of Directors of Byblos Bank S.A.L. by its Deputy Chief Executive Officer, Mrs. Marie-Hélène Loison, since April 2012.

MR. AHMAD T. TABBARA

Lebanese, born in 1940. Holder of a BA from the American University of Beirut. Worked as a consultant to former Prime Minister Salim el Hoss. Is an entrepreneur with shares in a number of family businesses and social initiatives, including the Toufic Tabbara Cultural Center. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since 1999 and also serves as a Member of the Audit Committee affiliated to the Board.

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 Directors of Byblos Bank S.A.L. since 1992, 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 Board. Also serves as Chairman of the Board of Byblos Bank Europe and as a Member of the Board of Byblos Invest Holding Luxembourg.

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 Directors of Byblos Bank S.A.L. since 2000. Is also a Member of the Boards of Byblos Invest Holding Luxembourg and Vice-Chairman of the Board of Byblos Bank Europe.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. ABDULHADI A. SHAYIF

Saudi Arabian, born in 1948. Pursued his studies in Economics at the American University of Beirut. Has been working in the banking sector since 1974, since which time he has assumed several top positions in the financial sectors of various Arab countries, most notably that of General Manager of National Commercial Bank – Jeddah. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since 2006. Also serves as Head of the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee and as a Member of the Audit Committee, both of which are affiliated to the Board.

MR. HENRY T. AZZAM

Lebanese, born in 1949. Holder of a PhD in Economics from the University of Southern California in the US. Has been working in the financial sector since 1981. Has assumed key positions with major financial companies in Lebanon and other parts of the Arab world, including Deutsche Bank Dubai. Is well-versed in the money and banking markets and has issued publications and articles revolving around the financial world. Has been on the Board of Directors of Byblos Bank S.A.L. since April 2012.

MR. ALAIN C. TOHMÉ

Lebanese, born in 1962. Holder of an MBA from Boston College in the US. Started working in the banking sector in 1985. Has assumed several positions at Byblos Bank S.A.L., the most recent having been Deputy General Manager, Head of Group Commercial Banking Division, until he resigned in 2011. Has been a Member of the Board of Directors of Byblos Bank S.A.L. since May 2011 and serves as a Member of the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee that is affiliated to the Board. Is also Chairman of the Board of Byblos Bank Armenia, Vice-Chairman of the Board of Byblos Bank Syria, and a Member of the Board of Byblos Bank RDC.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE*

Chairman	Mr. Bassam A. Nassar
Members	Mr. Abdulhadi A. Shayif
	Mr. Ahmad T. Tabbara

RISK, COMPLIANCE, ANTI-MONEY-LAUNDERING AND COMBATING THE FINANCING OF TERRORISM**

Chairman	Mr. Abdulhadi A. Shayif
Members	Mr. Alain C. Tohmé
	H.E. Mr. Arthur G. Nazarian

* *Following the Board of Directors' meeting held on 18 April 2013, the members of the Committee have become: Mr. Alain C. Tohmé (Chairman), Mr. Abdulhadi A. Shayif (Member), and Mr. Bassam A. Nassar (Member).*

** *Following the Board of Directors' meeting held on 18 April 2013, the members of the Committee have become: Mr. Abdulhadi A. Shayif (Chairman), H.E. Mr. Arthur G. Nazarian (Member), and Mr. Ahmad T. Tabbara (Member).*

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MANAGEMENT COMMITTEES

Executive Committee

President	François S. Bassil	Chairman and General Manager
Vice President	Semaan Bassil	Vice-Chairman and General Manager
Members	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Marwan Moharram	DGM, Head of Group Credit Risk Management Division

Central and International Credit Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
Members	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Layla Tohmé	Head of Group Financial Institutions Department

Internal Audit Management Committee

President	Fadi Abou Abdallah	Head of Group Internal Audit Division
Vice President	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division

Assets and Liabilities Committee

President	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
Vice President	Fadi Nassar	DGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division

Banking Technology Committee

President	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Vice President	Ziad El Zoghbi	Head of Group Finance and Administration Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Walid Kazan	AGM, Head of International Network Division
	Elie Bassil	Head of Group Banking Technology Division

Human Resources Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Fadi Hayek	Head of Group Human Resources Division
Members	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division

Risk Committee

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division

International Committee

President	Sami Haddad	General Manager, International Banking and Investment
Vice President	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Gilbert Zouein	AGM, Head of Group Products, Segments and Marketing Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
	Walid Kazan	AGM, Head of International Network Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division

Compliance and Anti-Money-Laundering Committee

President	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
Vice President	Joumana Chelala	DGM, Head of Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Sami Haddad	General Manager, International Banking and Investment
	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Walid Kazan	AGM, Head of International Network Division
	Fadi Abou Abdallah	Head of Group Internal Audit Division
	Paul Chammas	Head of Group Operations Division
	Sharif Hachem	Head of Group Anti-Money-Laundering and Regulatory Compliance Department

Loan Recovery Committee

President	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
Vice President	Fadi Nassar	DGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Samir Hélou	Head of Loan Recovery Department

Operational Risk and Information Security Committee

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Marwan Moharram	DGM, Head of Group Credit Risk Management Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
	Paul Chammas	Head of Group Operations Division

Purchasing Committee

President	Ziad El Zoghbi	Head of Group Finance and Administration Division
Vice President	Joumana Chelala	DGM, Head of Group Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division

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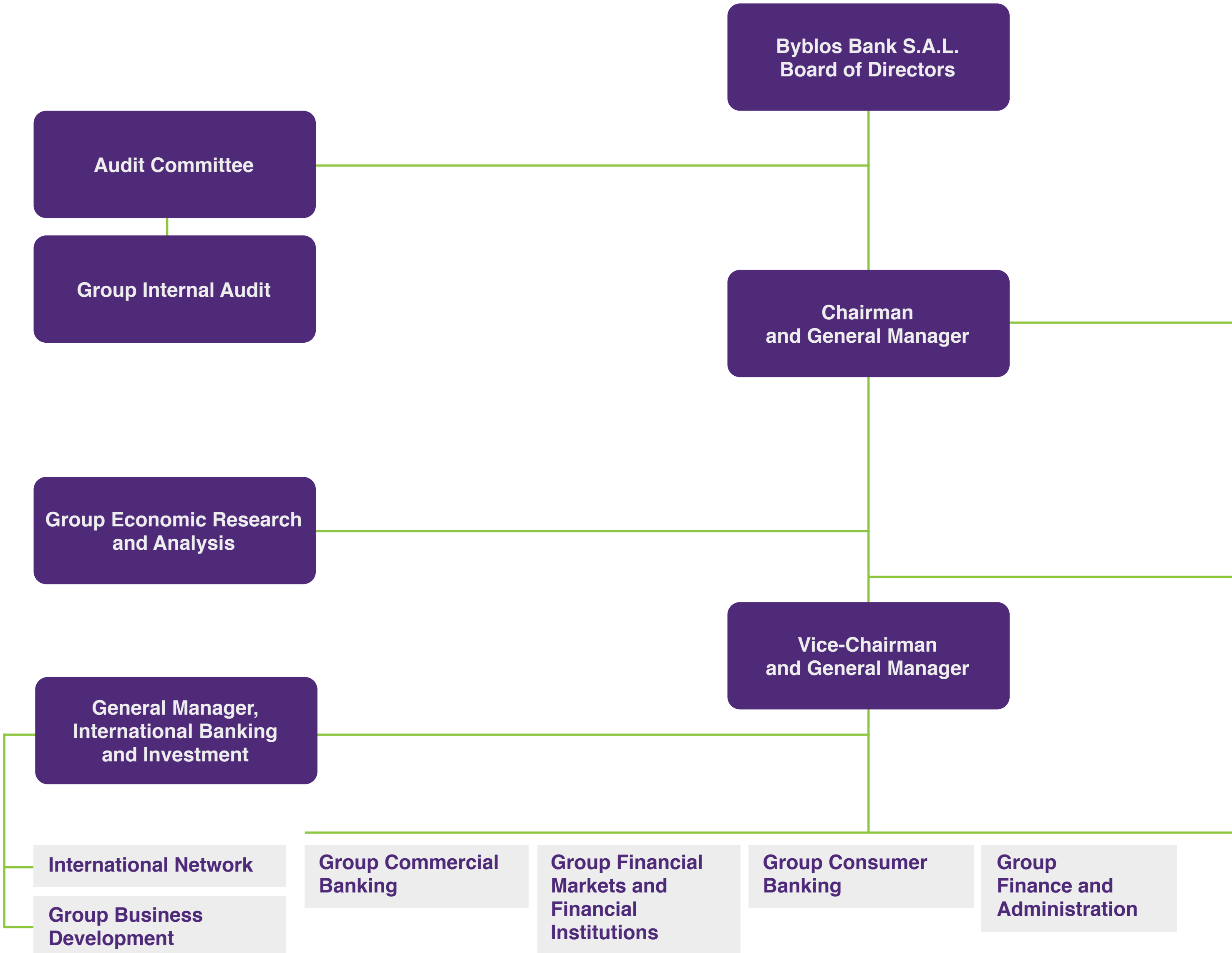
ORGANIZATIONAL CHART



Advisor to the Chairman and Secretary of the Board

Group Legal Support

Group Risk Management

Group Compliance

Group Credit Risk Management

Group Organization Development, Information Systems and Operational Support

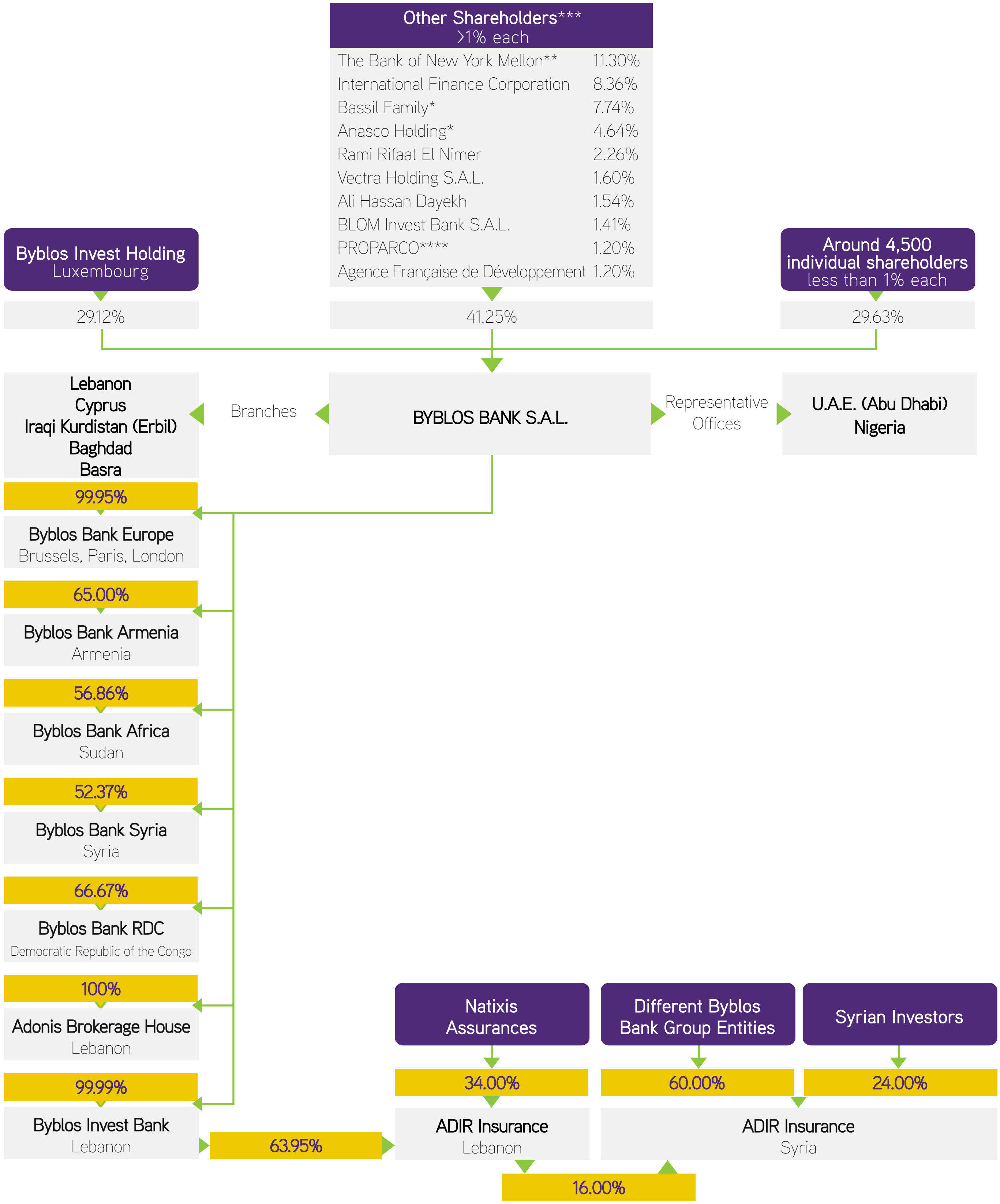
Group Banking Technology

Group Operations

Group Human Resources

Group Communication

GROUP CHART



Major shareholders in Byblos Invest Holding.
*** The Bank of New York Mellon is the depositary bank for the GDR program.*
**** Including preferred shares.*
***** Société de Promotion et de Participation pour la Coopération Economique.*

PERFORMANCE REVIEW OF BYBLOS BANK S.A.L.

KEY FINANCIAL DATA

	2003	2004
Total Assets	6,021	6,968
Customers' deposits	4,922	5,476
Net advances to customers	1,181	1,341
Cash and due from banks (1)	3,146	3,452
Total equity	549	582
Net book value (2)	444	479
Net income	46.4	53.7
Number of domestic branches	70	72
Number of foreign branches and subsidiary (3)	5	5
Number of ATMs	62	79
Number of employees	1,399	1,397
Market Shares (4)		
Market share in assets	9.18%	9.04%
Market share in customers' loans	7.11%	7.22%
Market share in customers' deposits	9.55%	9.39%
Share Data		
Book value per share (5)	1.68	1.85
Earnings per common share in USD (5)	0.17	0.20
Earnings per priority share in USD (5)		
Net dividend per common share in USD (6)	0.10	0.10
Net dividend per priority share in USD (6) (7)		
Dividend payout ratio	72.31%	62.47%
Profitability		
Return on average assets	0.82%	0.83%
Return on average common equity	10.33%	11.49%
Leverage multiplier	13.56	14.53
Interest on earning assets	7.65%	6.26%
Funding cost	5.79%	5.00%
Spread	1.86%	1.25%
Net interest margin	2.22%	1.60%
Cost-to-income	53.18%	56.49%
Capital Adequacy		
Capital to assets	9.11%	8.36%
Capital adequacy (8)	26.83%	19.86%
Liquidity		
Net advances/assets	19.62%	19.24%
Net advances/customers' deposits	24.00%	24.48%
Customers' deposits/total resources	81.75%	78.58%
Liquid assets	76.77%	76.16%
Assets Quality		
Loan loss provisions (9)/customer loans	13.25%	11.86%
Non-performing loans/customer loans	13.29%	12.19%
Loan loss provision (9)/non-performing loans	92.12%	89.74%
1 USD =	LBP 1,507.5	LBP 1,507.5

(1) Includes CDs issued by the Central Bank.
(2) Excludes subordinated loans.
(3) Includes branches of Byblos Bank Europe, Byblos Africa, Byblos Syria, Byblos Armenia, Byblos Iraq and Byblos Cyprus.
(4) Market Share is based on all commercial and investment banks operating in Lebanon.
(5) Based on the number of shares outstanding at the end of the period.

Year Ended 31 December (USD Million, except for per share data)

2005	2006	2007	2008	2009	2010	2011	2012
7,526	8,190	9,486	11,230	13,576	15,288	16,602	17,015
5,646	6,276	7,262	8,363	10,286	11,927	12,820	13,384
1,488	1,750	2,233	2,790	3,197	3,771	4,008	4,120
3,194	3,234	3,884	4,708	6,179	7,802	9,001	8,917
794	752	984	1,270	1,494	1,831	1,852	1,926
690	718	762	1,071	1,294	1,627	1,646	1,650
69.4	78.7	99.2	122.0	145.6	177.7	179.7	167.3
73	73	73	76	75	77	78	77
6	9	16	17	19	23	24	25
84	85	109	114	133	149	165	168
1,520	1,766	2,101	2,362	2,433	2,719	2,716	2,572
9.17%	9.30%	9.67%	9.88%	9.80%	9.99%	10.26%	10.01%
7.18%	8.35%	8.78%	8.71%	8.51%	8.13%	8.06%	8.22%
9.32%	9.42%	9.55%	9.48%	9.41%	9.69%	9.88%	9.86%
1.44	1.50	1.61	1.82	2.16	2.21	2.24	2.25
0.25	0.14	0.18	0.21	0.26	0.27	0.25	0.23
0.29	0.17	0.22	0.24	0.29	0.30		
0.10	0.10	0.10	0.10	0.13	0.13	0.13	0.13
0.01	0.13	0.13	0.13	0.16	0.16		
50.63%	78.32%	62.17%	57.10%	58.71%	63.80%	59.63%	64.04%
0.96%	1.00%	1.12%	1.18%	1.17%	1.23%	1.13%	1.00%
12.03%	11.37%	13.84%	14.56%	15.00%	14.03%	12.29%	11.28%
10.91	11.41	12.45	10.48	10.49	9.40	10.09	10.31
6.32%	7.16%	7.29%	6.97%	6.38%	5.84%	5.52%	5.25%
5.02%	5.66%	5.64%	4.99%	4.65%	4.21%	4.00%	3.98%
1.30%	1.49%	1.65%	1.98%	1.73%	1.63%	1.51%	1.27%
1.70%	2.00%	2.10%	2.39%	2.17%	2.04%	1.90%	1.64%
49.56%	53.41%	51.81%	47.38%	46.28%	45.54%	43.39%	45.89%
10.55%	9.18%	10.37%	11.31%	11.01%	11.97%	11.16%	11.32%
25.04%	20.17%	11.23%	12.61%	12.62%	14.75%	13.61%	15.03%
19.77%	21.36%	23.54%	24.85%	23.55%	24.67%	24.14%	24.21%
26.36%	27.88%	30.75%	33.37%	31.08%	31.62%	31.26%	30.78%
75.02%	76.63%	76.56%	74.47%	75.77%	78.01%	77.22%	78.66%
76.20%	74.00%	71.63%	70.69%	72.42%	71.85%	72.48%	72.57%
10.24%	8.73%	5.40%	4.19%	3.64%	3.45%	4.04%	5.31%
10.47%	8.14%	4.66%	3.36%	2.63%	2.38%	3.02%	5.29%
91.30%	100.88%	107.51%	115.64%	134.10%	144.46%	132.77%	99.62%
LBP 1,507.5	LBP 1,507.5	LBP 1,507.5	LBP 1,507.5	LBP 1,507.5	LBP 1,507.5	LBP 1,507.5	LBP 1,507.5

(6) Net of income tax (5%).
(7) Representing annual distribution for priority shares calculated at 4% of the nominal value in addition to dividend declared for common shares, noting that as of May 2011, priority shares were converted into common shares.
(8) Capital adequacy is calculated based on Basel II as of December 2007.
(9) Includes specific and collective provisions, as well as reserved interest.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE BANK

Byblos Bank is one of the leading banks in Lebanon, providing a full range of banking services through its extensive branch network. Through its overseas banking and other subsidiaries, the Bank also conducts a wide range of commercial banking and financial activities in Europe and the Middle East and North Africa (MENA) region. As at 31 December 2012, the Bank had 2,572 employees, 77 branches in Lebanon, one branch in Cyprus, and three in Iraq (Erbil, Baghdad, and Basra). As at the same date, Byblos Bank Europe S.A., the Bank's 99.95% owned subsidiary, had its main branch in Brussels, one branch in London and another in Paris; Byblos Bank Africa, the Bank's 56.86% owned subsidiary, had one branch in Khartoum and one branch in Bahri; Byblos Bank Syria S.A., the Bank's 52.37% owned subsidiary, had four branches in Damascus (Abou Roummaneh, Mazzeh, Hosh Blass, and Abbassiyeen), two branches in Aleppo and one branch in each of Homs, Lattakia, Tartous, Hama, and Swaidaa. Byblos Bank Armenia C.J.S.C., the Bank's 65% owned subsidiary, had three branches in Yerevan (Amiryan, Malatia and Komitas) and one branch in Vanadzor. Byblos Bank RDC, the bank's 66.67% owned subsidiary had one branch in Kinshasa-Gombe, Democratic Republic of the Congo. The Bank also has a representative office in Abu Dhabi, United Arab Emirates, and another in Lagos, Nigeria, both of which are aimed at better servicing of the Lebanese Diaspora abroad.

The Bank has developed a reputation as a pioneer in the development and marketing of new products designed principally to serve the rapidly growing consumer market in Lebanon. In recent years, the Bank has undertaken a number of steps to expand its business and improve its market share and profile by setting up subsidiaries in selected MENA countries, by striving to provide tailor-made banking services to its customers in terms of retail and commercial banking, and by launching new financial products.

Byblos Bank has been a major partner in the Lebanese Republic's financing strategy, including serving as co-Lead Manager for dual-tranche Eurobonds of USD 950 million and USD 2.6 billion, respectively, in March 2012 and November 2012.

In 2012, the Bank successfully issued a 10-year convertible bond of USD 300 million that carries a coupon rate of 6.5% to be paid quarterly, maturing in 2022. Subscribers have the right to convert their holdings, in whole or in part, into common shares or into Global Depository Receipts (GDRs) during each year of the bond's life. Investors exercising this option will have the right to exchange their notes for Byblos Bank shares at a price of USD 2.50 per share. Subscribers to the bond also have pre-emptive rights to subscribe to any future capital increase by Byblos Bank as well as to any new issue of convertible loans or convertible bonds by the Bank. The Bank used the funds to maintain high solvency ratios in accordance with Basel III requirements, to obtain long-term funding at acceptable rates, to replace notes that matured during the year, and to finance its growth in domestic and foreign markets. Following the issuance, the Bank's Tier 1 and Tier 2 capital (as per Basel II calculation) reached USD 1.696 billion, while the capital adequacy ratio stood at 15.03%.

The Union of Arab Banks' 2012 survey of the top 100 Arab banks ranked Byblos Bank as the 38th largest Arab bank in terms of assets. The survey ranked banks based on total assets at year-end 2011. Byblos Bank ranked ahead of Burgan Bank in Kuwait, Qatar Islamic Bank and Saudi Hollandi Bank in Saudi Arabia. Byblos Bank's assets stood at USD 16.6 billion at end-2011, constituting an increase of 8.6% from USD 15.3 billion at end-2010, and compared to growth of 7% for the top 100 Arab banks as a group. Byblos Bank's assets accounted for 12.7% of the aggregate assets of the 10 Lebanese banks in the survey and for 0.9% of the assets of the top 100 Arab banks.

The International Finance Corporation (IFC), the private sector arm of the World Bank, has extended a USD 10 million loan to Byblos Bank Armenia, which was partially disbursed in January 2013, to help it increase local access to housing finance and support the country's first energy-efficiency lending package. The partnership will help Byblos Bank Armenia to increase mortgage lending and provide loans to homeowners who want to make their residences more energy-efficient. This would help Armenians save power and reduce greenhouse gas emissions, and yield a significant impact on development, given that the country relies heavily on energy imports. Byblos Bank Armenia will design its energy-efficiency products with advisory support from the IFC's Armenia Sustainable Energy Finance Project. In addition, the European Fund for Southeast Europe (EFSE), a microfinance investment fund, has extended a USD 5.3 million loan to Byblos Bank Armenia. This loan is designed to support lending to low-income households and both small and micro-enterprises in Armenia. Established in 2005, the EFSE is supported by the European Commission and the German Federal Ministry for Economic Cooperation and Development.

Byblos Bank's financial results in 2012 were affected by the depreciation of the Syrian currency by 28.0% and the Sudanese currency by 51.8%, but also by the Bank's efforts to downsize its activities in Syria in order to preserve its capital base and asset quality amid the conditions currently prevailing in the country.

MANAGEMENT DISCUSSION AND ANALYSIS

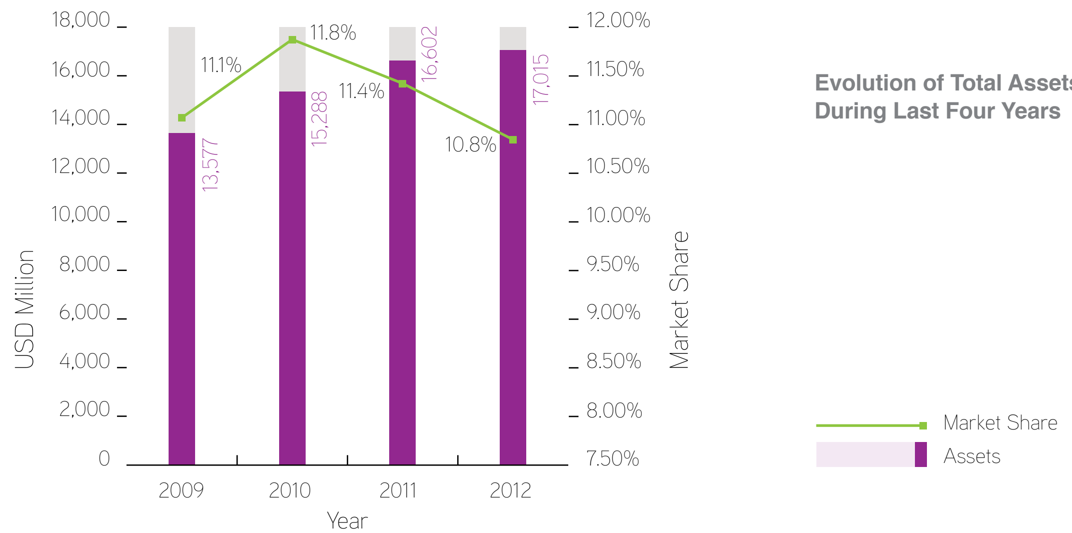
GROWTH

ASSETS

Total assets of the Bank recorded an increase of 2.5% during the year 2012 to reach LBP 25,650 billion (USD 17,015 million) at the end of December 2012 compared to an increase of 8.6% during the year 2011, and compared to an increase of 8.4% in the Alpha Group of top Lebanese banks. Consequently, the Bank's market share in the Alpha Group by total assets stood at 10.8% at the end of 31 December 2012 compared to 11.4% at the end of 31 December 2011.

During the period between 31 December 2009 and 31 December 2012, total assets of the Bank grew at an average annual compounded rate of 7.8% compared to growth of 8.8% in the Alpha Group, and which was reflected in the Bank's market share by total assets, which slightly decreased from 11.1% at the end of December 2009 to 10.8% at the end of December 2012.

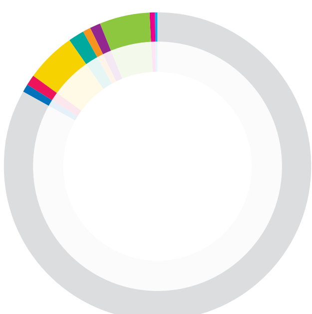
The graph below shows the evolution of total assets and market share during the last four years:



Evolution of Total Assets During Last Four Years

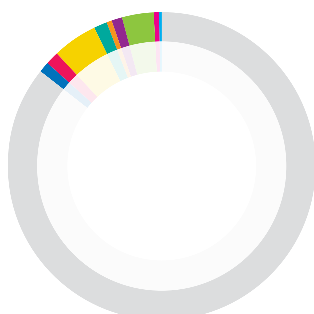
ASSET SPLIT IN THE GROUP

The following graphs show the breakdown of assets in the Byblos Bank Group as at 31 December 2011 and 31 December 2012:



Asset Split in the Group 2011

83.2%	Lebanon
0.8%	Cyprus
1.1%	Iraq
5.1%	Europe
1.7%	Africa
1.1%	Byblos Invest
1.1%	ADIR, ABH, & ADIR Syria
5.2%	Syria
0.6%	Armenia
0.1%	Congo



Asset Split in the Group 2012

85.7%	Lebanon
1.0%	Cyprus
1.4%	Iraq
4.9%	Europe
1.3%	Africa
0.5%	Byblos Invest
1.1%	ADIR, ABH, & ADIR Syria
3.3%	Syria
0.7%	Armenia
0.1%	Congo

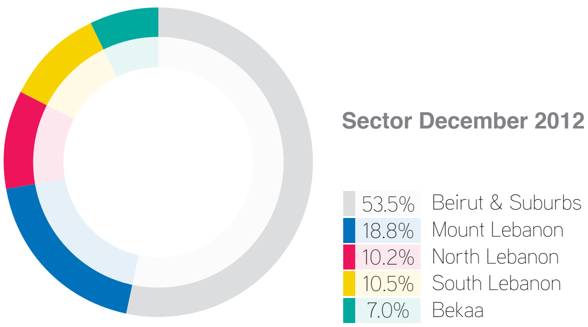
As illustrated above, total assets of international subsidiary banks and branches represented 12.7% of total assets as at 31 December 2012, down from 14.6% at the end of the previous year.

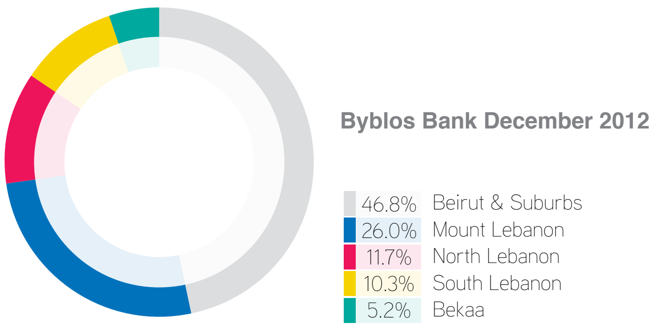
Geographical Distribution of Branches

Byblos Bank's branch network reached 77 branches inside Lebanon at the end of 2012, representing 8.1% of total branches in the Lebanese banking sector. Byblos Bank's branch presence is more concentrated in rural areas as compared to the distribution in the sector as a whole. Byblos Bank branches located in Mount Lebanon, numbering 20, represented 26.0% of total Byblos Bank branches at the end of December 2012 compared to just 18.8% in the Lebanese banking sector, and represented 11.2% of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, branches located in Beirut and its suburbs, 36 branches, represented 46.8% of total Byblos Bank branches at the end of December 2012 compared to 53.5% in the Lebanese banking sector, and represented 7.1% of total branches operating in Beirut and its suburbs.

The nine branches located in the North of Lebanon represented 11.7% of total Byblos Bank branches compared to 10.2% in the Lebanese banking sector, and represented 9.3% of total branches of the Lebanese banking sector operating in North Lebanon. In South Lebanon (eight branches) and the Bekaa Valley (four branches), Byblos Bank's presence was almost identical to the Lebanese banking sector, with Byblos Bank branches located in the South and the Bekaa representing 10.3% and 5.2% of total Byblos Bank branches respectively compared to 10.5% and 7.0% respectively in the Lebanese banking sector.

The graphs below show the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2012:

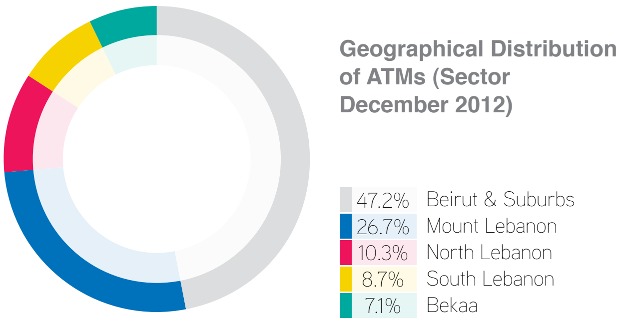


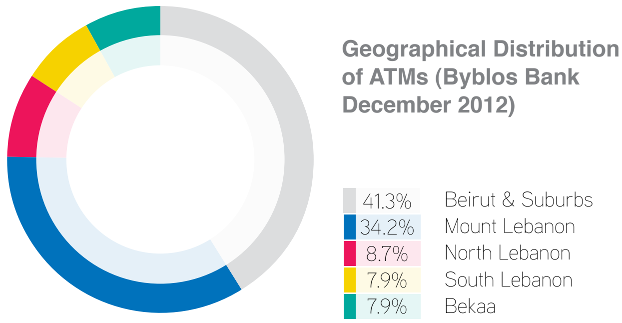


At the end of 2012, the Byblos Bank Group's presence abroad consisted of Cyprus; Erbil, Baghdad and Basra in Iraq (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum and Bahri through our subsidiary Byblos Bank Africa (Sudan); Abou Roummaneh, Aleppo (two branches), Homs, Lattakia, Mazzeh, Tartous, Hama, Abbassiyeen, Hosh Blass and Swaidaa through our subsidiary Byblos Bank Syria S.A.; Vanadzor, Malatia, Amiryan and Komitas through our subsidiary Byblos Bank Armenia; Kinshasa-Gombe through our subsidiary Byblos Bank RDC; and our two representative offices in Abu Dhabi, UAE, and Lagos, Nigeria.

MANAGEMENT DISCUSSION AND ANALYSIS

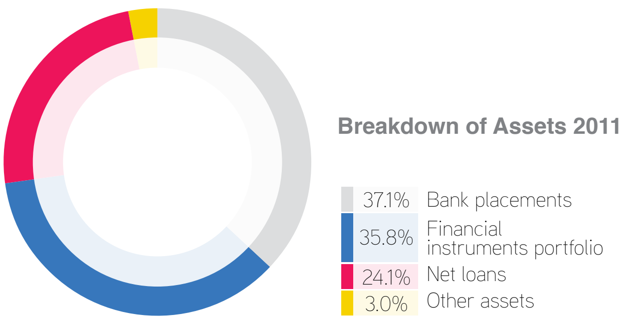
Geographical Distribution of Automated Teller Machines (ATMs)

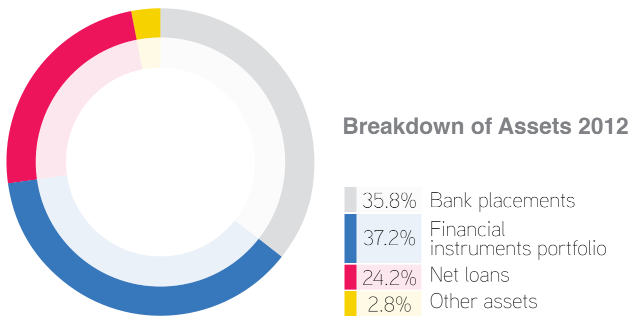




ASSET BREAKDOWN

The graphs below show the composition of the Bank's assets as at 31 December 2011 and 31 December 2012:





FINANCIAL INSTRUMENTS PORTFOLIO

The Bank's investment portfolio includes Lebanese Treasury Bills and other governmental bills, certificates of deposit issued by the Central Bank of Lebanon and commercial banks, bonds and financial instruments with fixed income, and marketable securities and financial instruments with variable income.

The following table sets forth the breakdown of the Bank's securities portfolio by type of instrument and currency as at 31 December 2010, 2011 and 2012:

As at 31 December	2010		2011		2012	
	LBP million	percent	LBP million	percent	LBP million	percent
Lebanese and other governmental treasury bills and bonds						
Lebanese Treasury Bills in LBP	2,668,930	28.6	1,963,162	21.9	2,182,705	22.9
Lebanese and other governmental bonds in foreign currency	1,588,567	16.9	1,690,243	18.9	2,031,047	21.3
Bonds and financial assets with fixed income						
Corporate bonds	557,490	5.9	705,314	7.9	797,650	8.4
Corporate certificates of deposit in foreign currency	22,669	0.2	240,084	2.7	143,134	1.5
Central Bank certificates of deposit in LBP and foreign currency	4,448,481	47.4	4,271,039	47.7	4,280,281	44.9
Shares, securities and financial assets with variable income in LBP and foreign currency	110,771	1.2	103,571	1.2	104,791	1.1
Collective Provisions	(16,680)	-0.2	(25,015)	-0.3	(5,487)	-0.1
Total	9,380,228	100	8,948,398	100	9,534,121	100

The Bank's portfolio of securities is classified as follows:

Investments by Classification

In compliance with Circular 265 of the Lebanese Banking Control Commission issued on 23 September 2010, the Group adopted, effective 1 January 2011, Phase I of IFRS 9, as issued in November 2009 and reissued in October 2010, and related consequential amendments to other International Financial Reporting Standards. The effective application date stipulated by the standard is annual periods beginning on or after 1 January 2015. The initial application date of this standard with respect to the Group is 1 January 2011, in accordance with the transitional provisions of the standard.

IFRS 9 introduced new classification and measurement requirements for financial assets and financial liabilities that are within the scope of IAS 39. It also cancelled all previous categories under IAS 39, namely financial assets held for trading, available-for-sale financial instruments, financial assets classified as loans and receivables, and financial instruments held to maturity.

The Group did not restate comparative information as permitted by the transitional provisions of IFRS 9 and has recognized the impact of early adoption of IFRS 9 as at 1 January 2011, in the opening retained earnings and other components of equity as of that date.

- DEBT INSTRUMENTS AT AMORTIZED COST

  Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

  1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

- **DEBT INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**
  Included in this category are those debt instruments that do not meet the conditions in "Debt instruments at amortized cost" above, and debt instruments designated at fair value through profit or loss upon initial recognition.

- **EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**
  Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

- **EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**
  Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

The following tables set forth a breakdown of the Bank's investment securities portfolio, by classification, as at 31 December 2010, 2011 and 2012:

As at 31 December 2010 LBP Million	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				4,366,501	81,981	4,448,482
Lebanese and other governmental treasury bills and bonds	142,007	385,789	1,433,865	2,203,391	92,444	4,257,496
Bonds and financial assets with fixed income	33,929	42,790	316,423	155,342	9,006	557,490
Shares, securities and financial instruments with variable income	26,447		84,324			110,771
Corporate certificates of deposit				22,613	56	22,669
Collective Provisions		(3,722)		(12,958)		(16,680)
Total by category	202,383	424,857	1,834,612	6,734,889	183,487	9,380,228

As at 31 December 2011

LBP Million	Equity Instrument at fair value through P or L	Debt Instrument at fair value through P or L	Debt Instrument at amortized cost	Equity Instrument at fair value through OCI	Accrued interest	Total
Central Bank certificates of deposit		10,916	4,187,123		83,916	4,281,955
Lebanese and other governmental treasury bills and bonds		195,146	3,392,929		65,330	3,653,405
Bonds and financial assets with fixed income		19,637	675,105		10,572	705,314
Shares, securities and financial instruments with variable income	26,604			76,967		103,571
Corporate certificates of deposit			228,568		600	229,168
Collective Provisions			(25,015)			(25,015)
Total by category	26,604	225,699	8,458,710	76,967	160,418	8,948,398

As at 31 December 2012

LBP Million	Equity Instrument at fair value through P or L	Debt Instrument at fair value through P or L	Debt Instrument at amortized cost	Equity Instrument at fair value through OCI	Accrued interest	Total
Central Bank certificates of deposit		10,537	4,186,553		83,192	4,280,282
Lebanese and other governmental treasury bills and bonds		253,890	3,899,640		60,221	4,213,751
Bonds and financial assets with fixed income		7,655	779,037		10,958	797,650
Shares, securities and financial instruments with variable income	26,127			78,664		104,791
Corporate certificates of deposit			143,049		85	143,134
Collective Provisions			(5,487)			(5,487)
Total by category	26,127	272,082	9,002,792	78,664	154,456	9,534,121

As per the table here above, 96.0% of the financial instruments are classified under debt instruments at amortized cost, as at the end of December 2012.

Lebanese and other governmental treasury bills and bonds (in both LBP and foreign currencies) increased, as a percentage of the Bank's total securities portfolio, to 44.2% as at 31 December 2012, higher than the 40.8% as at 31 December 2011 but slightly lower than 45.4% as at 31 December 2010. Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 44.9% of the Bank's portfolio as at 31 December 2012, as compared to 47.7% as at 31 December 2011 and 47.4% as at 31 December 2010.

Corporate bonds represented 8.4% of the total portfolio as at 31 December 2012 compared to 7.9% as at 31 December 2011 and 5.9% as at 31 December 2010.

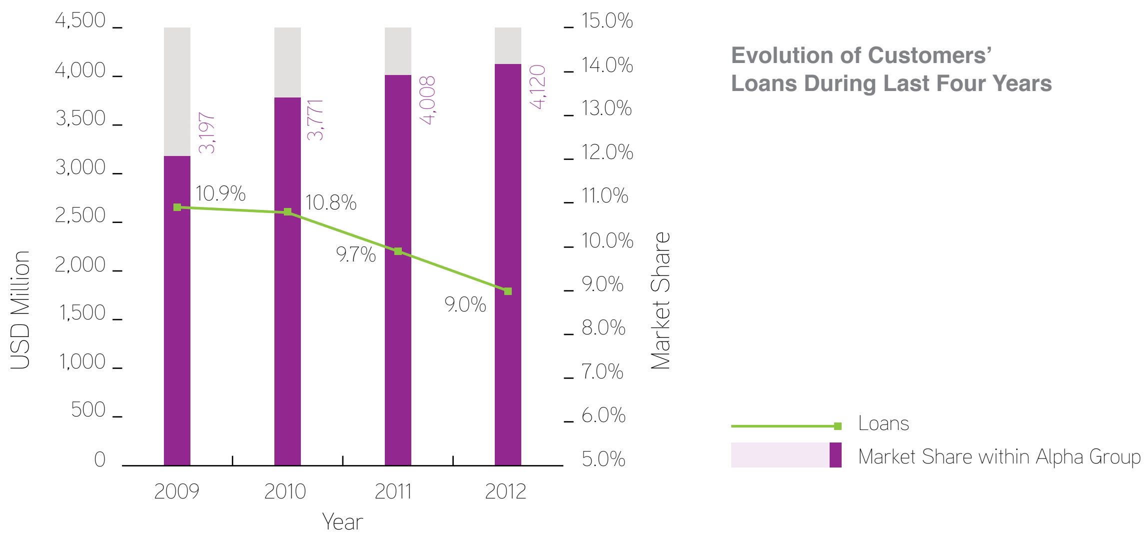
MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMERS' LOANS

Customers' loans net of provisions (specific and collective) on doubtful loans and reserved interest on substandard and doubtful loans grew by 2.8% during the year 2012 to reach LBP 6,211 billion (USD 4,120 million) at the end of 31 December 2012 compared to growth of 6.3% in 2011, and compared to growth of 10.6% in the Alpha Group of top Lebanese banks. The lower growth in the Bank's net customers' loans in comparison with the Alpha Group banks led to a decrease in the Bank's market share of net customers' loans to 9.0% at the end of 31 December 2012, down from 9.7% at the end of 31 December 2011.

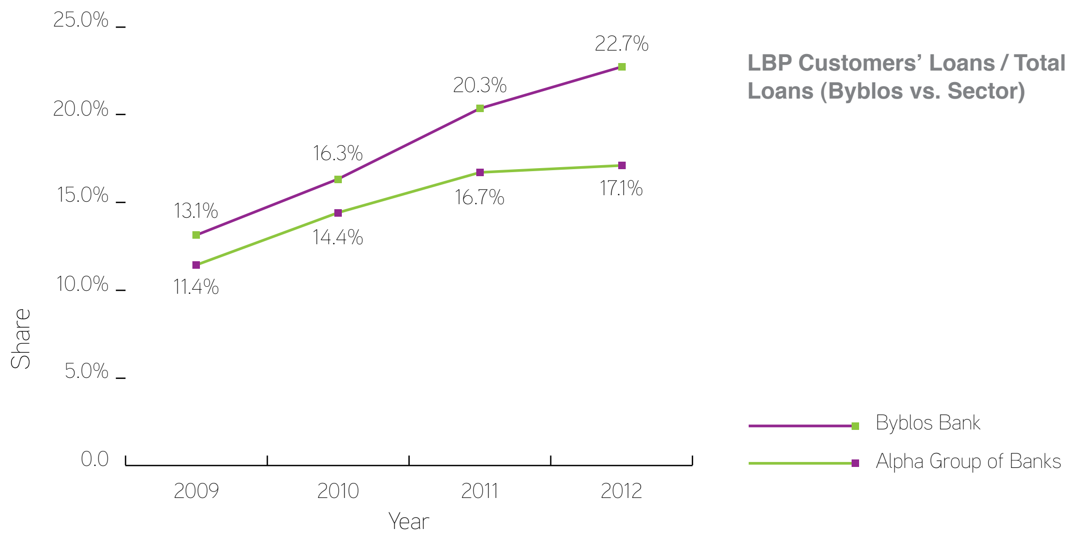
During the period between 31 December 2009 and 31 December 2012, net customers' loans increased at an average annual compounded rate of 8.8% compared to growth of 16.1% in the Alpha Group. Consequently, the Bank's market share of net customer advances dropped from 10.9% at the end of 31 December 2009 to reach 9.0% at the end of 31 December 2012, due mainly to the current situations in Syria and Africa.

The chart below shows the evolution of net customers' loans and their market shares over the last four years:



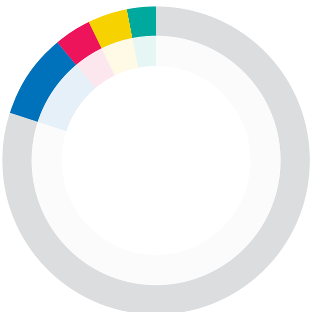
Customers' Loans Currency Structure

LBP Customers' Loans / Total Loans (Byblos vs. Sector)



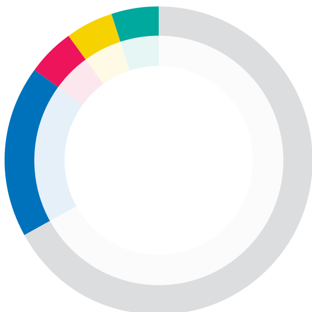
The increase in customers' loans denominated in LBP is the result of the increase in subsidized loans from the Central Bank of Lebanon in order to boost the economy.

Customers' Loans Geographical Distribution



Sector December 2012

80.0%	Beirut & Suburbs
9.0%	Mount Lebanon
4.0%	North Lebanon
4.0%	South Lebanon
3.0%	Bekaa

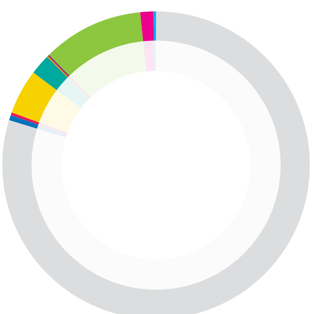


Byblos Bank December 2012

67.3%	Beirut & Suburbs
17.6%	Mount Lebanon
4.8%	North Lebanon
5.5%	South Lebanon
4.8%	Bekaa

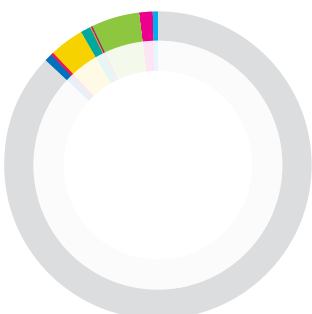
Customers' Loans Split in Byblos Bank Group

Loans Split in Group 2011



80.0%	Lebanon
0.4%	Cyprus
0.2%	Iraq
4.9%	Europe
2.2%	Africa
0.0%	Byblos Invest
0.0%	ADIR, ABH, & ADIR Syria
10.8%	Syria
1.3%	Armenia
0.2%	Congo

Loans Split in Group 2012



87.1%	Lebanon
0.7%	Cyprus
0.2%	Iraq
3.8%	Europe
1.2%	Africa
0.0%	Byblos Invest
0.0%	ADIR, ABH, & ADIR Syria
5.3%	Syria
1.4%	Armenia
0.3%	Congo

MANAGEMENT DISCUSSION AND ANALYSIS

Loan Breakdown by Nature of Borrower

	December 2010			December 2011			December 2012		
	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total
Corporate	2,267,135	1,503,904	37.9%	2,491,253	1,652,573	39.1%	2,685,886	1,781,683	40.4%
International	1,517,830	1,006,853	25.4%	1,425,607	945,676	22.4%	1,157,165	767,605	17.4%
Middle market	344,109	228,265	5.8%	370,046	245,470	5.8%	356,078	236,204	5.4%
Retail	1,533,561	1,017,287	25.7%	1,806,978	1,198,659	28.4%	2,142,094	1,420,957	32.2%
Syndication	83,571	55,436	1.4%	45,560	30,223	0.7%	72,470	48,073	1.1%
Others	230,391	152,830	3.8%	230,020	152,583	3.6%	229,932	152,526	3.5%
Total	5,976,597	3,964,575	100.0%	6,369,464	4,225,184	100.0%	6,643,625	4,407,048	100.0%

During 2012, Byblos Bank's gross loan portfolio increased by 4.3% (+LBP 274 billion) to reach LBP 6,644 billion (USD 4,407 million) at the end of 31 December 2012 compared to an increase of 6.6% in 2011.

Commercial Loan Portfolio

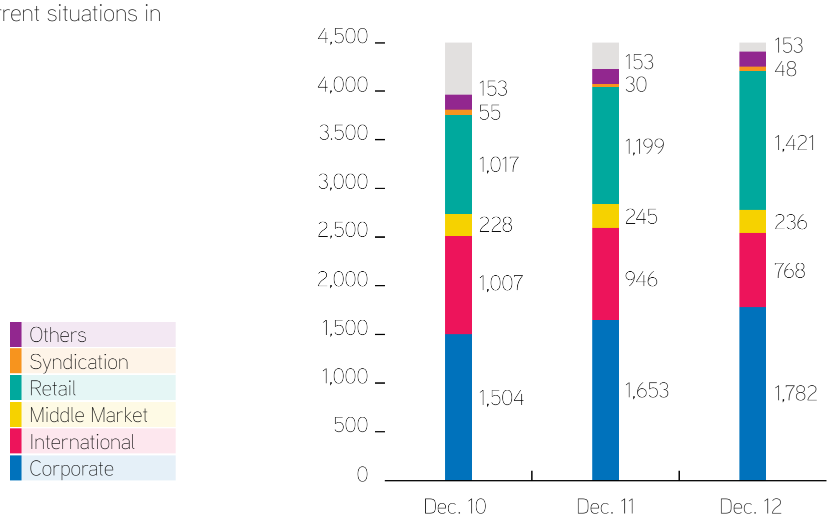
- The corporate loan portfolio increased by 7.8% (+LBP 195 billion or USD 129 million) during the year 2012 to reach LBP 2,686 billion (USD 1,782 million) at the end of 31 December 2012 compared to an increase of 9.9% (+LBP 224 billion or USD 149 million) in 2011. Corporate loans represented 40.4% of the gross loan portfolio at the end of December 2012, compared to 39.1% at the end of 31 December 2011.

- The international loan portfolio decreased by 18.8% (-LBP 268 billion or USD 178 million) during the year 2012 to reach LBP 1,157 billion (USD 768 million) at the end of 31 December 2012, due mainly to the current situations in Syria and Africa compared to a decrease of 6.1% (-LBP 92 billion or USD 61 million) in 2011. International loans represented 17.4% of the gross loan portfolio compared to 22.4% at the end of December 2011, due mainly to the current situations in Syria and Africa.

- The middle market loan portfolio decreased by 3.8% (-LBP 14 billion or USD 9 million) during the year 2012 to reach LBP 356 billion (USD 236 million) at the end of 31 December 2012, representing 5.4% of the gross loan portfolio.

- Total exposure to syndicated loans at the end of 2012 amounted to LBP 72 billion (USD 48 million) compared to LBP 46 billion (USD 30 million) at the end of December 2011, representing 1.1% of the gross loan portfolio compared to 0.7% at the end of December 2011.

The chart below shows the breakdown of the loan portfolio by nature of borrower for the years 2010, 2011 and 2012:

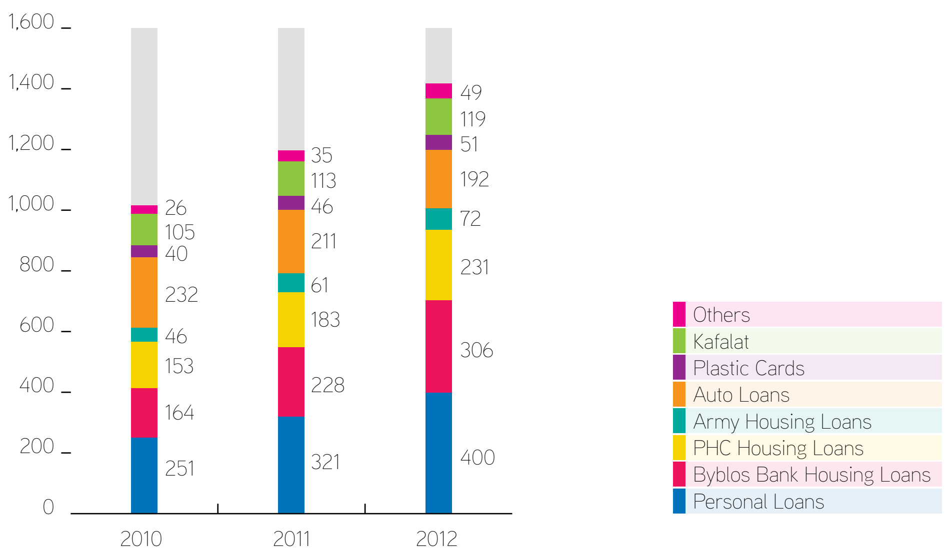


Retail Loan Portfolio

	December 2010			December 2011			December 2012		
	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total
Personal Loans	378,708	251,215	24.7%	483,695	320,859	26.9%	603,403	400,267	28.1%
Byblos Bank Housing Loans	246,729	163,668	16.1%	343,359	227,767	19.0%	461,588	306,194	21.5%
PHC Housing Loans	230,478	152,888	15.0%	275,982	183,073	15.3%	348,638	231,269	16.3%
Army Housing Loans	68,976	45,755	4.5%	92,675	61,476	5.1%	108,834	72,195	5.1%
Auto Loans	350,153	232,274	22.8%	318,495	211,273	17.6%	289,570	192,086	13.5%
Plastic Cards	60,257	39,971	3.9%	69,292	45,965	3.8%	76,826	50,963	3.6%
Kafalat	158,794	105,336	10.4%	170,282	112,957	9.4%	178,877	118,658	8.4%
Others	39,466	26,180	2.6%	53,199	35,289	2.9%	74,357	49,325	3.5%
Total Retail	1,533,561	1,017,287	100.0%	1,806,979	1,198,659	100.0%	2,142,093	1,420,957	100.0%

In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from LBP 1,807 billion (USD 1,199 million) as of 31 December 2011 to LBP 2,142 billion (USD 1,421 million) as of 31 December 2012, recording a growth of 18.5%. The main increase in retail loans was the result of the increase in personal loans and housing loans, whose outstanding portfolios increased between 2011 and 2012 from USD 321 million to USD 400 million, an increase of 24.7% for personal loans, and from USD 472 million to USD 610 million, an increase of 29.1%, for housing loans.

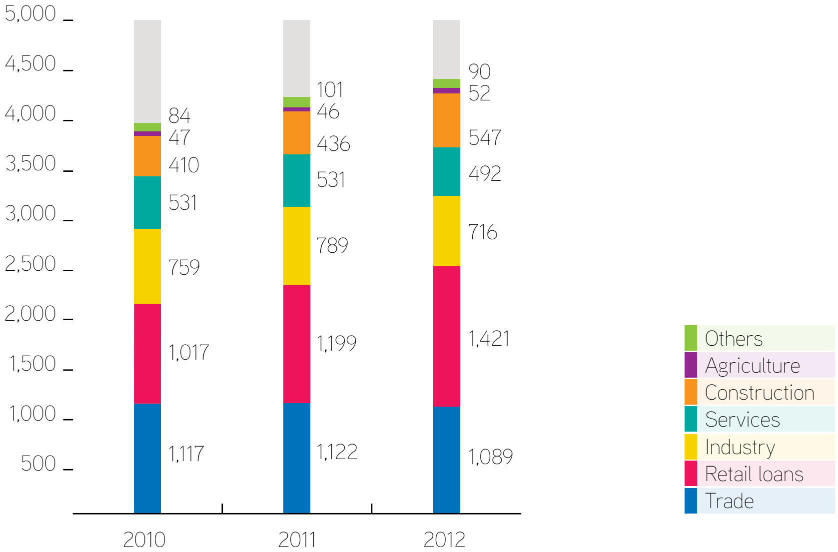
The chart below shows the evolution of retail loans throughout the last three years:



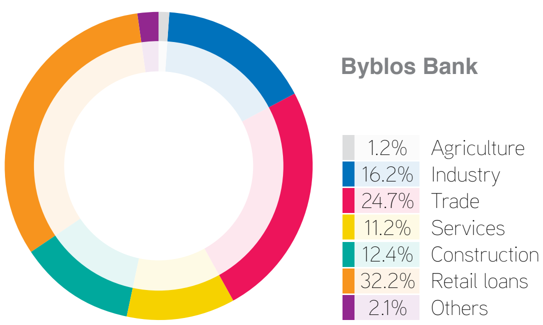
MANAGEMENT DISCUSSION AND ANALYSIS

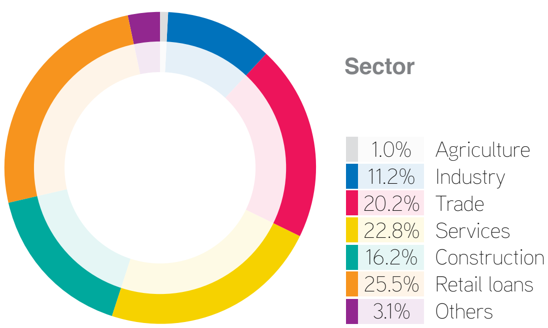
Loan Portfolio by Economic Sector

In recent years, the Bank has focused its lending activities, to the extent possible, on sectors considered by management to be least affected by economic slowdowns. Loans to the trade sector (both wholesale and retail), which used to represent the major part of outstanding loans, decreased to the second position and constituted 24.7% of outstanding loans as at 31 December 2012, as compared to 26.6% as at 31 December 2011 and 28.2% as at 31 December 2010. Loans to the manufacturing sector decreased to 16.2% as at 31 December 2012, as compared to 18.7% as at 31 December 2011 and 19.1% as at 31 December 2010. Loans to the construction sector increased to 12.4% as at 31 December 2012, as compared to 10.3% as at 31 December 2011 and 2010. Retail loans increased to 32.2% at the end of December 2012, up from 28.4% and 25.7% as at 31 December 2011 and 2010 respectively, and therefore represented the highest share of the loan portfolio.



The pie charts below illustrate the breakdown of the loan portfolio by economic sector as at 31 December 2012 in comparison with the Lebanese banking sector:

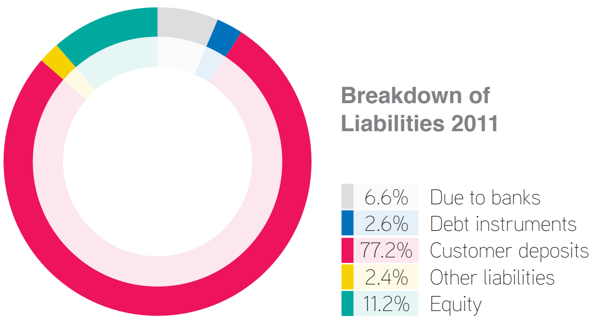


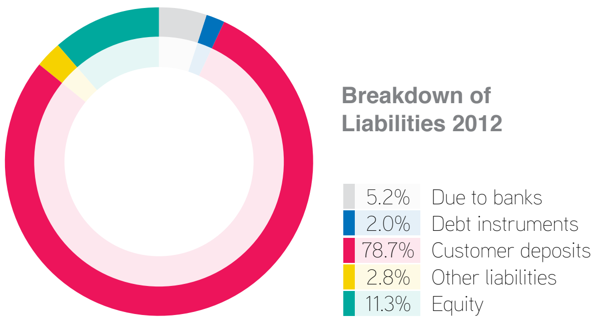


LIABILITIES

LIABILITIES BREAKDOWN

Customers' deposits represent the major source of funds with a share of 78.7% at the end of 2012 compared to a share of 77.2% at the end of 2011:



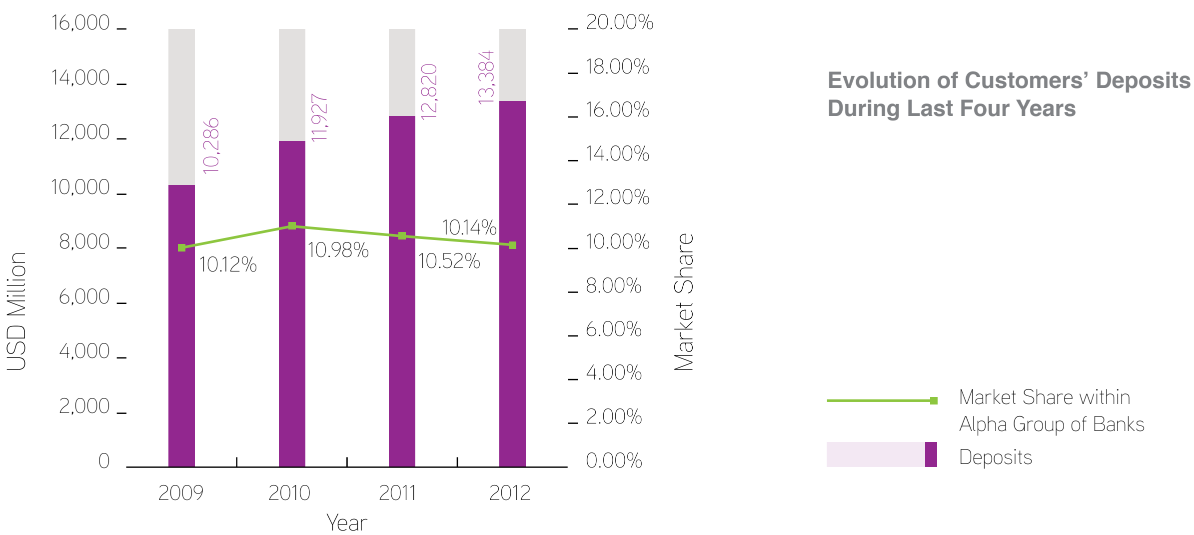


CUSTOMERS' DEPOSITS

Customers' deposits recorded an increase of 4.4% during 2012 to reach LBP 20,176 billion (USD 13,384 million) at the end of 31 December 2012 compared to an increase of 7.5% during 2011, and compared to an increase of 8.3% in the Lebanese Alpha Group. Consequently, the Bank's market share of total customers' deposits in the Alpha Group of banks stood at 10.1% at the end of 31 December 2012, slightly lower than 10.5% at the end of the previous year.

During the period between 31 December 2009 and 31 December 2012, the Bank's customers' deposits grew at an annual average compounded growth rate of 9.2% compared to growth of 9.1% for the Alpha Group. Consequently, the Bank's market share remained largely stable between 31 December 2009 and 31 December 2012 at 10.1%.

The graph below shows the evolution of customers' deposits over the last four years:



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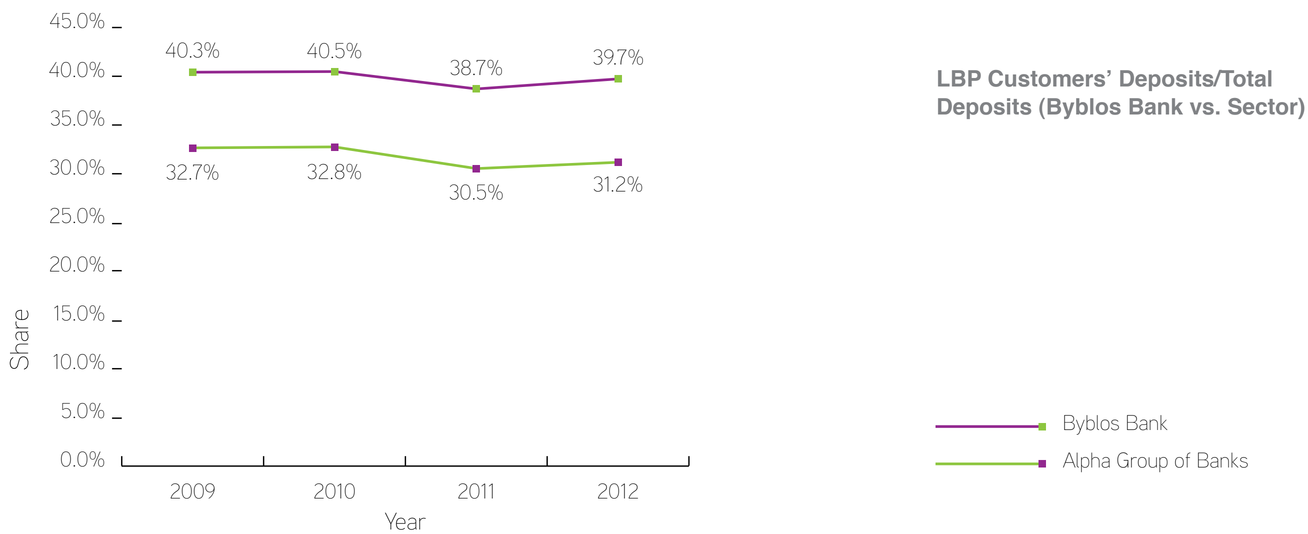
MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMERS' DEPOSITS CURRENCY STRUCTURE



The dollarization rate was not impacted by the economic and political tensions among different parties in Lebanon, the Arab uprisings and their consequences on the country, or the worldwide economic crisis. Therefore, customers' deposits denominated in LBP remained almost unchanged between 2009 and 2012, with a slight decrease from 40.3% in 2009 to 39.7% in 2012, and stayed in line with the trend in the sector. Compared to the Lebanese banking sector, Byblos Bank has a higher deposit base denominated in LBP as compared to 31.2% in the Alpha Group of Banks as at the end of December 2012.

Customers' Deposits by Type of Account

The following table shows the distribution of the Bank's customers' deposits by type of account as at 31 December 2010, 2011 and 2012:

As at 31 December	2010		2011		2012	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Current accounts	3,082,780	17.1	3,193,374	16.5	3,291,348	16.3
Term deposits	13,856,849	77.1	14,988,947	77.6	15,617,849	77.4
Blocked accounts	845,463	4.7	888,087	4.6	963,958	4.8
Related parties' accounts	111,595	0.6	167,102	0.9	208,040	1.0
Accrued interest	83,339	0.5	88,898	0.5	94,438	0.5
Total	17,980,026	100	19,326,408	100	20,175,633	100

The composition of customers' deposits stood almost stable throughout the last three years, during which time they were comprised mostly of term deposits, which consisted of 77.4% of total customers' deposits at the end of December 2012, as compared to 77.6% as at 31 December 2011, and to 77.1% as at 31 December 2010.

Maturity Profile of Customers' Deposits

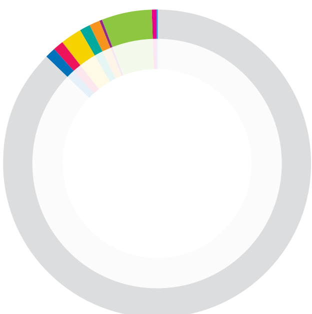
The following table shows the distribution of the Bank's customers' deposits by maturity profile as at 31 December 2010, 2011 and 2012:

As at 31 December	2010		2011		2012	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Less than 3 months	14,752,498	82.1	15,534,119	80.4	15,406,356	76.4
3 months to 1 year	2,642,482	14.7	2,984,527	15.4	3,725,139	18.5
1 year to 5 years	581,580	3.2	797,650	4.1	1,036,896	5.1
Over 5 years	3,466	0.0	10,111	0.1	7,242	0.0
Total	17,980,026	100	19,326,407	100	20,175,633	100

Almost all of the Bank's customers' deposits are short-term, with deposits having a remaining maturity of less than one year representing 94.8% and 95.8% of total customers' deposits as at 31 December 2012 and 31 December 2011, respectively.

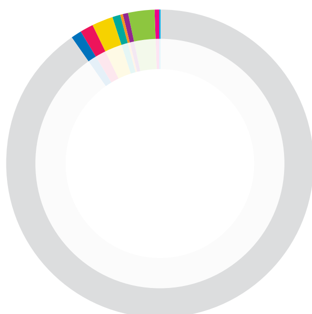
Customers' Deposits Split in the Byblos Bank Group

The pie charts below show the split of customers' deposits in the Byblos Bank Group:



Deposits by Group 2011

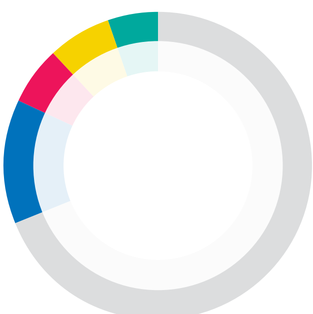
- 87.5% Lebanon
- 0.9% Cyprus
- 1.3% Iraq
- 2.2% Europe
- 1.0% Africa
- 1.0% Byblos Invest
- 0.5% ADIR, ABH, & ADIR Syria
- 5.3% Syria
- 0.3% Armenia
- 0.0% Congo



Deposits by Group 2012

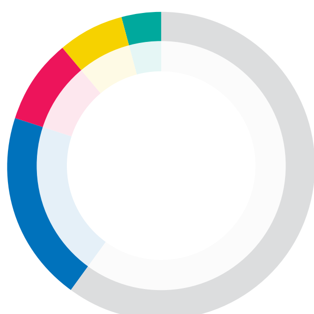
- 90.3% Lebanon
- 1.2% Cyprus
- 1.5% Iraq
- 2.0% Europe
- 0.9% Africa
- 0.3% Byblos Invest
- 0.6% ADIR, ABH, & ADIR Syria
- 2.7% Syria
- 0.5% Armenia
- 0.0% Congo

Geographical Distribution of Customers' Deposits in Lebanon



Sector December 2012

- 69.0% Beirut & Suburbs
- 13.2% Mount Lebanon
- 6.1% North Lebanon
- 6.6% South Lebanon
- 5.1% Bekaa



Byblos Bank December 2012

- 59.8% Beirut & Suburbs
- 19.8% Mount Lebanon
- 8.8% North Lebanon
- 7.3% South Lebanon
- 4.3% Bekaa

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical distribution of the Bank's customers' deposits is in line with the geographical distribution of its branches, with customers' deposits in branches located in Beirut and its suburbs (46.8% of total branches) representing 59.8% of total customers' deposits in the Bank compared to 69.0% in the Lebanese banking sector. On the other hand, customers' deposits in branches located in Mount Lebanon (26.0% of total branches) represented 19.8% of the Bank's customers' deposits compared to 13.2% in the Lebanese banking sector; customers' deposits in branches located in North Lebanon (11.7% of total branches) represented 8.8% of the Bank's customers' deposits, higher than 6.1% in the Lebanese banking sector. In the South (10.4% of total branches), Byblos Bank's customer deposit concentration was 7.3% compared to 6.6% in the Lebanese banking sector. In the Bekaa Valley, the Bank's customers' deposits are less concentrated than in the Lebanese banking sector, with 4.3% of the Bank's total customer deposit located in the Bekaa (5.2% of total branches) compared to 5.1% in the Lebanese banking sector.

LONG-TERM SOURCES OF FUNDS

As a part of its strategy to match its longer-term loan portfolio with longer-term funding sources, the Bank has tapped into several types of long-term funding resources. The following table shows the breakdown of the Bank's long-term sources of funding as at 31 December 2010, 2011 and 2012, respectively:

In USD 000's	December 2010	December 2011	December 2012
Central Bank of Lebanon	5,847	5,847	5,847
Arab Trade Finance Program	9,101	23,491	15,841
Certificates of deposit	141,600	141,600	40,450
PROPARCO	7,198	4,941	3,347
OPEC Fund for International Development	10,000	14,000	12,167
European Investment Bank	168,961	155,674	126,055
Govco Incorporated NY	70,357	64,714	59,071
Agence Française de Développement	37,614	41,203	36,787
European Bank for Reconstruction and Development		5,000	3,571
European Fund for Southeast Europe			5,168
Citibank	8,667	6,833	5,000
9% Subordinated Participating Notes	31,169	31,169	
Convertible subordinated loans	173,000	173,000	300,000
Byblos Eurobond		300,000	300,000
Total Long-Term Sources of Funds	663,514	967,472	913,304

PROFITABILITY

LBP Million	2010	2011	2012	Growth (Vol.)	Growth (%)
Net interest income	427,263	436,244	402,641	(33,603)	-7.7%
Net allocation to provisions	(29,272)	(38,423)	(106,286)	(67,864)	176.6%
Net commission income	125,659	133,774	132,667	(1,107)	-0.8%
Net profits on financial operations	123,123	113,740	146,455	32,715	28.8%
Impairment losses on financial investments	(8,863)	(23,575)	19,489	43,065	-182.7%
Other Operating Income	8,117	24,212	27,484	3,273	13.5%
Total operating income (before provisions and impairment)	684,162	707,970	709,247	1,277	0.2%
Total operating income (after provisions and impairment)	646,027	645,972	622,450	(23,521)	-3.6%
Operating expenses	(280,412)	(277,424)	(294,215)	(16,792)	6.1%
Depreciation and amortization	(31,126)	(31,624)	(31,281)	343	-1.1%
Taxes	(66,670)	(65,987)	(44,691)	21,296	-32.3%
Net income	267,819	270,937	252,262	(18,675)	-6.9%
Bank's share	255,770	259,894	246,451		
Dividend on preferred shares (series 2008)	(24,032)	(24,160)	(24,160)		
Dividend on preferred shares (series 2009)	(24,032)	(24,160)	(24,160)		
Priority distribution of 4% on priority shares	(9,972)				
Net income related to common and priority shares	197,734	211,574	198,131		
Weighted average number of common shares during the period	288,838,287	561,806,168	561,749,874		
Weighted average number of priority shares during the period	205,982,021				
Earnings per common share	399.61	376.60	352.70		
Earnings per priority share	448.01				

Net income for the year 2012 amounted to LBP 252,262 million (USD 167 million), recording a decrease of 6.9% (-LBP 18,675 million or -USD 12.4 million) compared to LBP 270,937 million (USD 180 million) for the year 2011.

Return on average assets (ROA) stood at 1.00% at the end of December 2012 compared to 1.13% at the end of December 2011. In addition, return on average common equity (ROCE) stood at 11.3% compared to 12.3% at the end of December 2011.

Earnings per common share based on the weighted average number of shares stood at LBP 352.7 (USD 0.234) in 2012 compared to LBP 376.6 (USD 0.250) in 2011.

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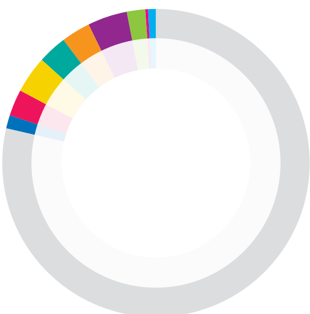
MANAGEMENT DISCUSSION AND ANALYSIS

The drop in the Bank's profitability between the years 2012 and 2011 can be explained as follows:

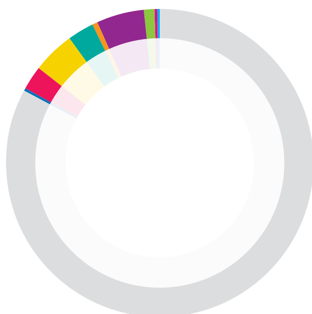
- Net interest income decreased by 7.7% (-LBP 33,603 million or USD 22.3 million) in light of decreasing returns locally and internationally.
- Following the situation prevailing in Syria beginning in 2011, and in light of the Bank's conservative and cautious strategy, as well as its compliance with regulatory requirements, the Bank allocated a net sum of LBP 106,286 million (USD 70.5 million) in 2012, higher by LBP 67,864 million (USD 45 million) than LBP 38,423 million (USD 25.5 million) in 2011.
- Net profits on financial operations increased by 28.7% (+LBP 32,690 million or USD 21.7 million).
- Following the improvements in the prices of its investment portfolio, the Bank was able to recover LBP 19,490 million (USD 12.9 million) out of collective provisions against investments portfolio previously allocated while it allocated LBP 23,575 million (USD 15.6 million) in 2011.
- Despite the Bank's efforts to reduce its cost base, operating expenses increased by 6.1% (+LBP 16,792 million or USD 11.1 million) due mainly to the Lebanese government decree increasing wages, which had a significant effect on staff and other administrative expenses.

The pie charts below show the contribution of the Bank's subsidiaries to consolidated income between the years 2011 and 2012:



2011

78.6%	Lebanon
1.5%	Cyprus
2.8%	Iraq
3.8%	Europe
3.2%	Africa
2.9%	Byblos Invest
4.2%	ADIR, ABH, & ADIR Syria
1.9%	Syria
0.4%	Armenia
0.7%	Congo



2012

86.0%	Lebanon
0.4%	Cyprus
2.6%	Iraq
4.6%	Europe
2.8%	Africa
-0.5%	Byblos Invest
5.2%	ADIR, ABH, & ADIR Syria
-1.3%	Syria
0.3%	Armenia
-0.1%	Congo

NET INTEREST INCOME

The net interest income before provisions for the year 2012 amounted to LBP 402,641 million (USD 267.1 million), recording a decrease of 7.7% (-LBP 33,578 million or USD 22.3 million) compared to LBP 436,219 million (USD 289.4 million) for the year 2011. Consequently, the net interest margin stood at 1.64% at the end of 2012 compared to 1.88% at the end of 2011.

	2011			2012		
	Average balance LBP million	Interest earned LBP million	Average rate %	Average balance LBP million	Interest earned LBP million	Average rate %
ASSETS						
Interest-bearing deposits in other banks	12,665,472	488,430	3.86%	13,505,892	536,783	3.97%
Securities	743,296	33,013	4.44%	945,453	35,712	3.78%
Loans	5,863,781	449,826	7.67%	6,126,620	469,010	7.66%
Treasury bills	3,942,752	305,348	7.74%	3,926,460	245,352	6.25%
Total interest-earning assets	23,215,301	1,276,617	5.50%	24,504,425	1,286,857	5.25%
Premises and equipment	328,456	0	0.00%	317,556	0	0.00%
Other non-interest-bearing assets	493,595	0	0.00%	516,780	0	0.00%
Total average assets	24,037,352	1,276,617	5.31%	25,338,761	1,286,857	5.08%
LIABILITIES						
Customers' deposits	18,653,216	743,086	3.98%	19,751,020	788,015	3.99%
Subordinated loans	305,294	27,942	9.15%	359,080	23,196	6.46%
Certificates of deposit	437,896	31,389	7.17%	585,501	38,968	6.66%
Interest-bearing deposits due to banks	1,591,714	37,956	2.38%	1,497,008	34,037	2.27%
Total interest-bearing liabilities	20,988,120	840,373	4.00%	22,192,609	884,216	3.98%
Other liabilities	578,634	0	0.00%	657,861	0	0.00%
Shareholders' equity	2,470,598	0	0.00%	2,488,291	0	0.00%
Total Average Liabilities and Equity	24,037,352	840,373	3.50%	25,338,761	884,216	3.49%
Spread (a)			1.49%			1.27%
Spread (b)			1.81%			1.59%
Interest-earning assets/ Interest-bearing liabilities			1.11			1.10

(a) Average return on interest-earning assets – average cost of interest-bearing liabilities
(b) Average return on assets – average cost of liabilities and equity

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MANAGEMENT DISCUSSION AND ANALYSIS

PROVISIONS ALLOCATED

Net provisions (specific and collective) allocated for doubtful loans increased by 176.6% (+LBP 67,863 million), reaching LBP 106,286 million (USD 70.5 million) for the year 2012, as compared to LBP 38,423 million (USD 25.5 million) for the year 2011. This increase was mainly due to the rise in provisions (specific and collective) on doubtful debts by LBP 62.8 billion (USD 41.7 million) in 2012, noting that the bulk of provisions allocated were for Syrian exposures amid the current Syrian circumstances and in compliance with the regulatory requirements.

Coverage of non-performing loans by specific and collective provisions and reserved interest stood at 99.6% as at 31 December 2012, as compared to 132.8% as at 31 December 2011. Additional details on coverage of non-performing loans will be discussed in the section on asset quality.

LBP Million	2010	2011	2012
Specific and collective provisions set up during the year			
Doubtful debts	40,275	56,843	119,681
Doubtful banks and financial institutions accounts	5,682		
Write-offs	269	145	66
Total provisions allocated	**46,226**	**56,988**	**119,747**
Specific and collective provision written back during the year			
Loans recovered or upgraded	(16,954)	(7,625)	(9,497)
Unrealized interest on loans and advances to customers		(4,347)	(3,022)
Doubtful banks and financial institutions accounts		(6,593)	(942)
Total provisions recoveries	**(16,954)**	**(18,565)**	**(13,461)**
Net provisions allocated	**29,272**	**38,423**	**106,286**

NON-INTEREST INCOME

LBP Million	2010	2011	2012	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	48,828	49,595	41,557	(8,039)	-16.21%
out of which in Lebanon*	22,402	20,707	15,820	(4,887)	-23.60%
out of which in Byblos Europe	16,055	20,701	19,164	(1,538)	-7.43%
out of which in Byblos Africa	7,797	3,601	5,143	1,541	42.80%
out of which in Byblos Syria	2,573	4,586	1,378	(3,207)	-69.95%
out of which in Byblos Congo	1	0	52	52	
Commissions on letters of guarantee	14,534	15,588	16,593	1,005	6.45%
out of which in Lebanon*	10,475	12,282	13,194	911	7.42%
out of which in Byblos Europe	1,025	641	829	189	29.46%
out of which in Byblos Africa	393	334	293	(42)	-12.48%
out of which in Byblos Syria	2,560	2,228	2,150	(77)	-3.46%
out of which in Byblos Armenia	70	63	4	(59)	-93.00%
out of which in Byblos Congo	11	40	123	83	208.66%
Securities income (realized and unrealized)	95,951	63,713	80,110	16,397	25.74%
Dividends received	4,987	5,214	5,042	(171)	-3.29%
Foreign exchange income	22,185	44,813	61,302	16,489	36.79%
Other commissions on banking services	62,297	68,591	74,517	(5,926)	8.64%
Total Non-Interest Income (Net)**	248,782	247,514	279,121	31,607	12.77%

** Lebanon includes Cyprus and Iraq.*
*** Net commissions, plus net trading income, plus net gain or loss on financial assets.*

Non-interest income for the year 2012 amounted to LBP 279,121 million (USD 185.2 million), recording an increase of 12.77% (+LBP 31,607 million) as compared to LBP 247,514 million (USD 164.2 million) for the same period of last year.

- Commissions on documentary credits and acceptances for the year 2012 amounted to LBP 41,557 million (USD 27.6 million), recording a decrease of 16.2% as compared to LBP 49,595 million (USD 32.9 million) in 2011. Trade finance activities in 2012 represented 14.9% of total non-interest income, compared to 19.2% in 2011.

- Commissions on letters of guarantee for the year 2012 amounted to LBP 16,593 (USD 11.0 million), recording an increase of 6.5% as compared to LBP 15,588 million (USD 10.3 million) in 2011.

- Realized and unrealized gains on the securities portfolio for the year 2012 amounted to LBP 80,110 million (USD 53.1 million), recording an increase of 25.7% as compared to a gain of LBP 63,713 million (USD 42.3 million) in 2011.

- Gains on foreign exchange trading for the year 2012 amounted to LBP 61,302 million (USD 40.7 million), as compared to LBP 44,813 million (USD 29.7 million) in 2011.

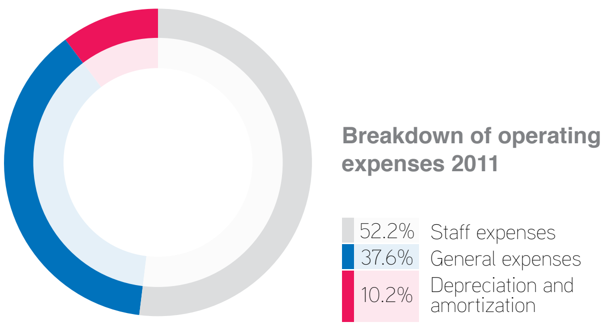
MANAGEMENT DISCUSSION AND ANALYSIS

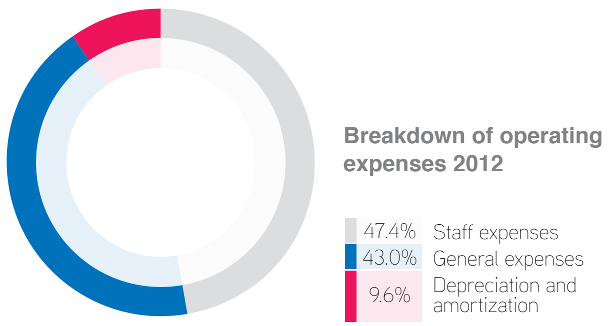
OPERATING EXPENSES

LBP Million	2010	2011	2012	Growth (Vol.)	Growth (%)
Staff expenses	145,552	161,287	154,321	(6,966)	-4.3%
General expenses	134,860	116,048	139,892	23,844	20.5%
Depreciation and amortization	31,126	31,624	31,281	(343)	-1.1%
Total operating expenses	**311,538**	**308,959**	**325,494**	**16,535**	**5.4%**

Operating expenses for the year 2012 amounted to LBP 325,494 million (USD 215.9 million), recording an increase of 5.4% (LBP 16,535 million) as compared to LBP 308,959 million (USD 204.9 million) in 2011. Consequently, the cost-to-income ratio increased to 45.9% in 2012 compared to 43.7% in 2011.

The graphs below show the breakdown of operating expenses for the last two years.





The graph below shows the evolution of operating expenses and the cost-to-income ratio over the last three years:

ASSET QUALITY

LOAN PORTFOLIO

Based on Circular 58 issued by Lebanon's Central Bank, the Banque du Liban (BDL), all banks and financial institutions operating in Lebanon have been required as of 2011 to classify loans according to six categories of risk: (i) regular accounts; (ii) follow-up accounts; (iii) follow-up and regularization accounts; (iv) substandard accounts; (v) doubtful accounts; and (vi) bad accounts.

Byblos Bank adopts the regulatory classification grading and also applies an internal rating system that incorporates and refines the requirements. The Bank believes that, as at 31 December 2012, it was in compliance with all related requirements. Reports to the Central Bank and the Banking Control Commission are made in accordance with the Central Bank classifications. The new classification was applied by the end of 2011 and therefore figures for 2010 are still reported under the former Decision No. 1759, in which we had five categories of risk ((i) good accounts; (ii) watch accounts; (iii) substandard accounts; (iv) doubtful accounts; and (v) bad accounts).

The frequency of the Bank's review of problem loans is quarterly or more frequently if warranted. The Bank assesses during each review whether an impairment loss should be recorded in the consolidated income statement.

The tables below show the breakdown of the Bank's loan portfolio (gross and net) over the last three years:

As at 31 December	2010		2011		2012	
GROSS BALANCES	LBP million	% of total	LBP million	% of total	LBP million	% of total
Regular (1)	5,629,691	94.4	5,117,552	80.5	5,303,374	80.0
Follow-up			689,921	10.9	616,041	9.3
Follow-up and regularization	190,380	3.2	346,205	5.4	344,463	5.2
Substandard loans	2,317	0.0	10,214	0.2	13,145	0.2
Doubtful loans	35,857	0.6	72,525	1.1	223,128	3.4
Bad loans	106,412	1.8	119,641	1.9	127,661	1.9
TOTAL	5,964,657	100.0	6,356,058	100.0	6,627,812	100.0

As at 31 December	2010		2011		2012	
NET BALANCES (2)	LBP million	% of total	LBP million	% of total	LBP million	% of total
Regular (1)	5,629,691	96.4	5,117,552	82.5	5,303,374	83.0
Follow-up			689,921	11.1	616,041	9.6
Follow-up and regularization	190,380	3.3	346,205	5.6	344,463	5.4
Substandard loans	1,640	0.0	8,814	0.1	10,754	0.2
Doubtful loans	16,260	0.3	40,761	0.7	114,054	1.8
Bad loans	0	0.0	0	0.0	0	0.0
TOTAL	5,837,971	100.0	6,203,253	100.0	6,388,686	100.0

(1) Regular loans for 2010 include regular and follow-up loans that used to be classified as good loans.
(2) Net of specific provisions and reserved interest.

MANAGEMENT DISCUSSION AND ANALYSIS

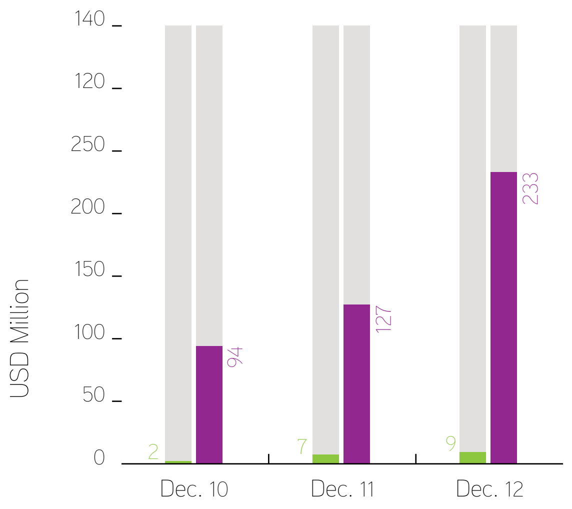
Provisioning and Coverage Ratios

LBP Million	December 2010	December 2011	December 2012
Substandard loans	2,317	10,214	13,145
Non-performing loans	142,268	192,165	350,790
Total classified loans	**144,585**	**202,379**	**363,935**
Specific provisions for loan losses	67,018	90,206	167,778
General provisions and collective provisions	79,516	103,728	112,732
out of which general and collective provisions for retail	21,925	28,155	31,540
Reserved interest (sub-standard loans)	677	1,400	2,391
Reserved interest (non-performing loans)	58,990	61,198	68,957
Total provisions and cash collateral	**206,202**	**256,532**	**351,859**
Substandard loans/total loans	0.04%	0.16%	0.20%
Non-performing loans/total loans	2.38%	3.02%	5.29%
Total classified/total loans	2.42%	3.18%	5.49%
Total provisions/total loans	3.45%	4.04%	5.31%
NPL provisions/non-performing loans*	144.46%	132.77%	99.62%
NPL provisions/non-performing loans**	129.05%	118.12%	90.63%
Total provisions/total classified loans*	142.62%	126.76%	96.68%
Specific provisions and reserved interest/NPL	88.57%	78.79%	67.49%

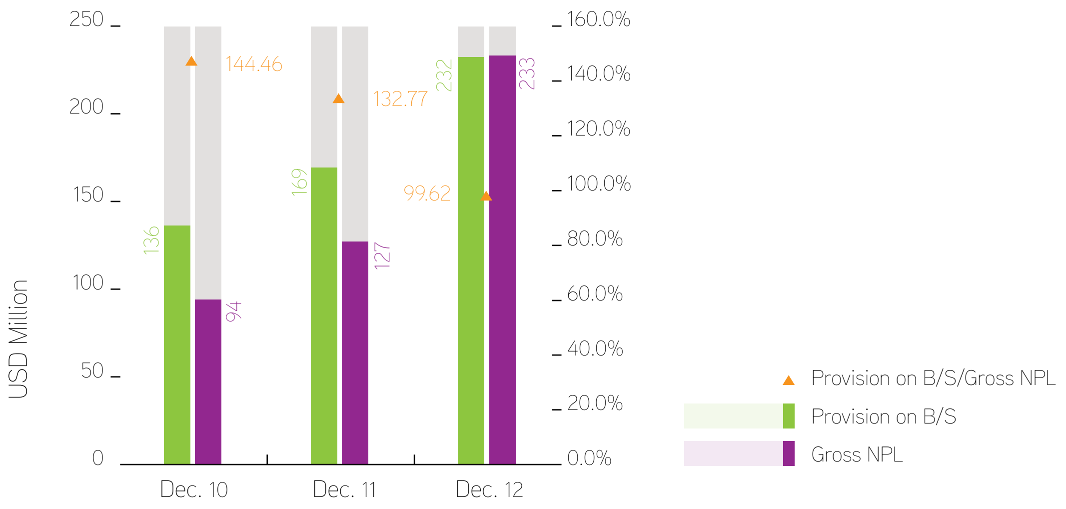
** Includes specific, general and collective provisions, reserved interest.*
*** Excluding general provisions for retail loans.*

Total classified loans (substandard, doubtful, and bad) amounted to LBP 363,935 million (USD 241.4 million) at the end of 31 December 2012, representing 5.5% of the total loan portfolio compared to LBP 202,379 million (USD 134.2 million) at the end of December 2011, representing 3.2% of the total loan portfolio. The increase in classified loans is largely attributable to the situation in Syria, where classification rules are very strict, e.g. they start considering as classified loans those due and unpaid for 60 days and above. Total non-performing loans (doubtful and bad) amounted to LBP 350,790 million (USD 232.7 million) as at 31 December 2012, representing 5.3% of the total loan portfolio, up from 3.0% at the end of 31 December 2011. Specific, general and collective provisions (excluding general provisions for the retail loan portfolio), as well as reserved interest on non-performing loans, amounted to LBP 317,927 million (USD 210.9 million), covering up to 90.6% of total non-performing loans as at 31 December 2012 compared to 118.1% at the end of 31 December 2011.

Substandard loans amounted to LBP 13,145 million (USD 8.7 million) at the end of 31 December 2012, representing 0.20% of the total loan portfolio compared to LBP 10,214 million (USD 6.8 million) and 0.16% respectively at the end of 31 December 2011. Substandard loans are covered up to 18.2% by reserved interest at the end of 31 December 2012 compared to 13.7% as at 31 December 2011.



Classified Loans



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

Liquid Assets to Total Assets	December 2010	December 2011	December 2012
Cash and Central Bank	31.28%	34.25%	38.08%
out of which certificates of deposit	19.30%	17.07%	16.69%
Lebanese and other governmental securities	18.42%	14.54%	16.43%
Bonds and fixed-income securities	2.39%	3.73%	3.73%
Banks and financial institutions	19.75%	19.97%	14.33%
Total Liquidity	71.85%	72.49%	72.56%

Liquid Assets to Customers' Deposits	December 2010	December 2011	December 2012
Cash and Central Bank	40.10%	44.35%	48.41%
out of which certificates of deposit	24.74%	22.10%	21.22%
Lebanese and other governmental securities	23.62%	18.83%	20.89%
Bonds and fixed-income securities	3.07%	4.84%	4.74%
Banks and financial institutions	25.32%	25.86%	18.22%
Total Liquidity	92.10%	93.88%	92.25%

As shown above, the Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2012, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese Government securities, placements with banks, and other fixed-income securities) represented 72.6% of total assets and 92.3% of customers' deposits compared to 72.5% and 93.9% respectively as at 31 December 2011.

CAPITAL

As of 31 December 2012, the Bank's share capital is LBP 689,113 million, consisting of (i) a single class of 565,515,040 Common Shares, with a par value LBP 1,210 per share, all of which are fully paid-up; (ii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 15 August 2008 at a price of, and may, subject to certain conditions, be redeemed by the Bank at, USD 100.00 per share, all of which are fully paid-up; (iii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 4 September 2009 at a price of USD 96.00 per share, and may, subject to certain conditions, be redeemed by the Bank at, USD 100.00 per share, all of which are fully paid-up.

On 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange representing 26 per cent of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank of the issue. The Bank aimed through the listing to increase liquidity through the listing of Global Depositary Shares and to promote further transparency for investors. According to the London Stock Exchange, Byblos Bank was also the first Lebanese company to list on the London Stock Exchange in the past 12 years and the first Bank to list on the LSE in 2009, showing resilience despite the ongoing global financial crisis.

CAPITAL ADEQUACY RATIO

Byblos Bank measures its capital adequacy ratio (CAR) based on the Standardized Approach rules of Basel II as set out in Banque du Liban (BDL) Circular 104 issued in April 2006. In December 2011, the BDL amended the rules relating to regulatory capital definition for CAR measurement in order to comply with Basel III requirements. In effect, the BDL has clarified the eligible capital items that would fall under Common Equity Tier 1 (CET 1), the Additional Tier 1 Capital, and Tier 2 Capital, and where Total Capital is formed of Tier 1 plus Tier 2. The BDL has also introduced new Basel III CAR minima that are higher than those imposed by the Basel Committee (BCBS) along a stricter timetable for compliance, with full implementation required to take place in December 2015 in Lebanon compared to January 2019 for the BCBS. The table below shows the BDL timetable for Basel III CAR ratios.

TIMETABLE TO COMPLY WITH BASEL III CAR RATIOS IN LEBANON COMPARED WITH BCBS' TARGET RATIOS AND DEADLINE

	Lebanon timetable				BCBS
Basel III minimum CAR ratios/Deadline	31 Dec. 2012	31 Dec. 2013	31 Dec. 2014	31 Dec. 2015*	1 Jan. 2019*
CET1 ratio	5%	6%	7%	8%	7%
Tier 1 ratio	8%	8.5%	9.5%	10%	8.5%
Total Capital ratio	**10%**	**10.5%**	**11.5%**	**12%**	**10.5%**

** Target ratios include a 2.5% capital conservation buffer but exclude any surcharge for systematically important financial institutions (SIFI) or other countercyclical buffer.*

The Byblos Bank consolidated solvency ratios as of 31 December 2012 meet Basel III minimum ratios with adequate cushion, as shown in the table below.

BYBLOS BANK CONSOLIDATED CAR RATIOS AS OF 31 DECEMBER 2012 COMPARED WITH REGULATORY MINIMA

	31 Dec. 2012	Lebanese Basel III ratios	BCBS Basel III ratios
CET1 ratio	8.82%	8%	7%
Tier 1 ratio	12.41%	10%	8.5%
Total Capital ratio	**15.03%**	**12%**	**10.5%**

Note: CET 1, T1 and Total Capital ratios based on audited figures read respectively 8.69%, 12.26% and 14.98%.

In addition to measuring the capital requirements under Pillar 1, Byblos Bank has undertaken to estimate the supplementary capital charge that would be needed to cover the liquidity risk, the interest rate risk in the banking book, and the credit concentration risk falling under Pillar 2. To perform these measurements the Bank used stress test scenarios and other classical tools to estimate risk concentrations. Moreover, the Bank has conducted stress scenarios to assess the impact on capital

MANAGEMENT DISCUSSION AND ANALYSIS

and liquidity of higher sovereign risks, increased portfolio defaults, and funding outflows, and found the capital buffer and liquidity buffer at satisfactory levels. Byblos Bank is monitoring very closely the situation in Syria and has measured the impact of increased conflict aggravation on its Syrian operations as well as on the Group's part, to make sure risks are well understood and that the Bank is adequately providing against incurred and foreseen losses.

The table below shows how Byblos Bank's CAR has evolved over the past three years:

LBP Million except ratios	31 December 2010	31 December 2011	31 December 2012
Basel II total capital adequacy ratio (Pillar 1 risks)	**14.75%**	**13.61%**	**15.03%**
Common equity ratio	9.66%	9.64%	8.82%
Tier 1 capital ratio	14.07%	13.29%	12.41%
Tier 2 capital ratio	0.68%	0.32%	2.61%
Common equity	**1,398,012**	**1,557,589**	**1,501,444**
Tier 1 capital*	2,035,254	2,146,287	2,112,746
Tier 2 capital*	97,869	52,345	444,567
Total capital base*	2,133,123	2,198,632	2,557,313
Total risk-weighted assets (RWA)	**14,464,964**	**16,151,534**	**17,019,679**
Credit risk RWA	13,221,731	14,793,897	15,328,605
Market risk RWA	258,573	339,551	457,898
Operational risk RWA	984,660	1,018,086	1,233,176

(*) After deducting:

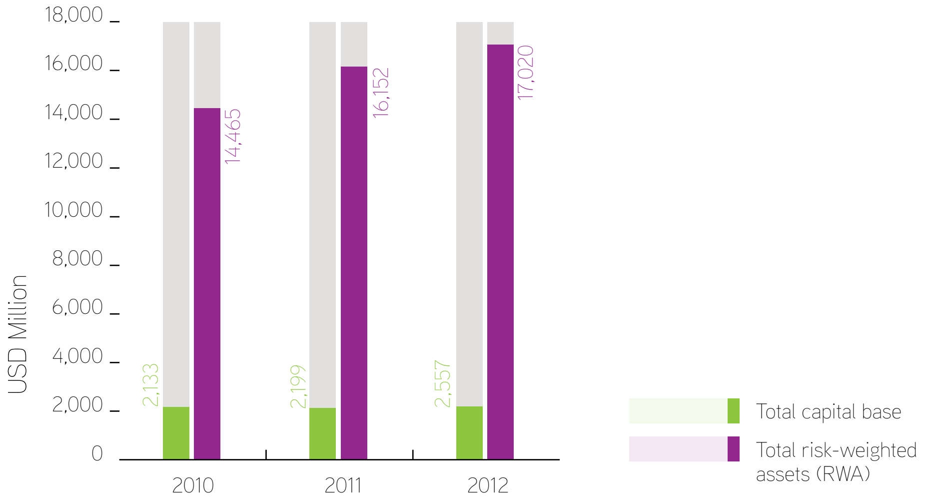
- Unrealized losses on available-for-sale portfolio;
- Investment in unconsolidated companies or banks where the Bank's share exceeds 10%;
- Investment in insurance companies.

Notes: (1) CET 1, T1 and total capital ratios based on audited figures for 2012 read respectively 8.69%, 12.26% and 14.98%.
(2) CET 1, T1 and total capital ratios based on audited figures for 2011 read respectively 9.01%, 12.82% and 13.30%.

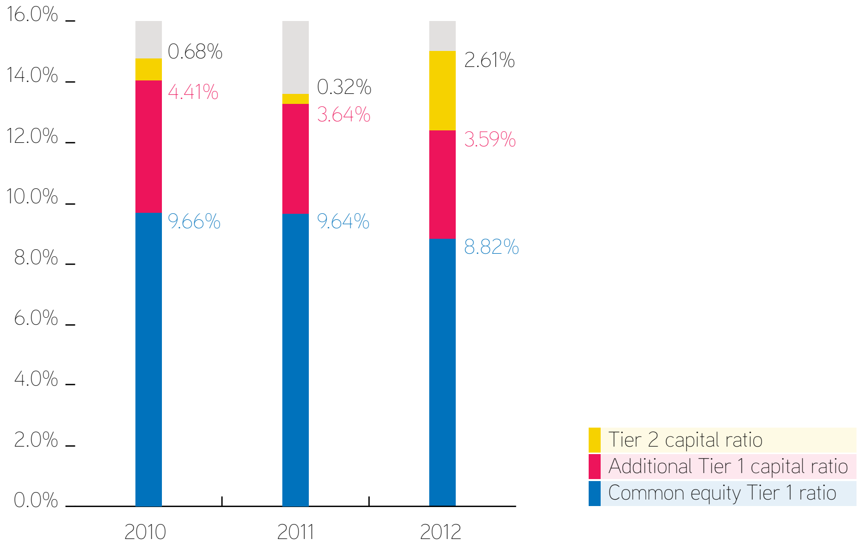
Next we look into how CAR evolved over the past two years from 31 December 2010 to 31 December 2012. The balance sheet has witnessed an increase by LBP 2,523 billion (USD 1.67 billion), the bulk of which (LBP 2,200 billion) was placed with the BDL (75% of which in foreign currency). The loans portfolio grew by LBP 544 billion thanks to an increase in SME and mortgage loans. Net NPLs (non-performing loans) increased by a factor of four during the period, from LBP 37 billion to LBP 157 billion, due mainly to Byblos Bank Syria's incurred losses.

The increase in assets has reflected an almost identical increase in RWA (above), which was accompanied by a capital boost of USD 300 million in the form of convertible debt issued in the second half 2012 reported in Tier 2 capital. The Group's total solvency ratio improved from 14.75% (2010) to 15.03% (2012) after having declined prior to the bond issue to 13.61% in 2011.

The chart below shows the evolution of total capital and risk-weighted assets under Basel II over the past three years:



The following chart shows the evolution of capital adequacy ratios under Basel II over the past three years:



MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND DISTRIBUTION

The following table sets forth the high and low sale prices of Byblos Bank Common Shares, as reported on the Beirut Stock Exchange, and the cash dividends paid by the Bank on Common Shares with respect to the periods indicated.

Period	High	Low	Common share Dividend[1]	
	USD	USD	LBP	USD
2000	2.3750	1.6250	250.00	0.1658
2001	1.7500	1.0625	250.00	0.1658
2002	1.7813	1.0625	236.84	0.1571
2003	2.0625	1.2500	157.89	0.1047
2004	1.8100	1.4500	157.89	0.1047
2005	2.7800	1.4500	157.89	0.1047
2006	4.0000	1.4500	157.89	0.1047
2007	2.6000	1.6500	157.89	0.1047
2008	3.2300	1.5800	157.89	0.1047
2009	2.1900	1.5800	200.00	0.1327
2010	2.3000	1.7000	200.00	0.1327
2011	2.0100	1.5500	200.00	0.1327
2012	1.7400	1.4700	200.00	0.1327

(1) Before taxes at a rate of 5%.

At its Annual General Assembly held on 11 May 11 2012, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended 31 December 2012 (before taxes of 5%) of LBP200 (USD 0.1327) per Common Share and USD 8 per Series 2008 and Series 2009 Preferred Share. Total dividends paid in respect of 2011 represented 64.0% of net income for that year.

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT

ERNST & YOUNG

Ernst & Young p.c.c.
P.O.Box: 11-1639, Riad Solh
Beirut - 1107 2090
Commerce & Finance Bldg., 1st fl.
Kantari, Beirut - Lebanon

Tel : (01) 760800 Fax: (01) 760822/3
beirut@lb.ey.com
C.R. 61

SEMAAN, GHOLAM & CO.

Semaan, Gholam & Co.
P.O.Box: 11-0558, Riad Solh
Beirut - 1107 2050
Gholam Building - Sioufi Street
Beirut - Lebanon

Tel: (01) 323676 Fax: (01) 204142
siman@inco.com.lb
C.R. 90

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BYBLOS BANK SAL

We have audited the accompanying consolidated financial statements of Byblos Bank SAL (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Semaan, Gholam & Co.

19 April 2013
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2012

LBP Million ASSETS	Notes	2012	2011
Interest and similar income	5	1,274,746	1,260,390
Interest and similar expense	6	(884,216)	(840,373)
NET INTEREST INCOME		390,530	420,017
Fee and commission income	7	146,786	147,163
Fee and commission expense	7	(14,120)	(13,389)
NET FEE AND COMMISSION INCOME		132,666	133,774
Net gain from financial instruments at fair value through profit or loss	8	88,078	61,601
Net gain from sale of financial assets at amortized cost	9	65,995	64,165
Revenue from financial assets at fair value through other comprehensive income	24	4,491	4,200
Other operating income	10	27,484	24,212
TOTAL OPERATING INCOME		709,244	707,969
Net credit losses	11	(86,797)	(61,998)
NET OPERATING INCOME		622,447	645,971
Personnel expenses	12	(154,321)	(161,286)
Depreciation of property and equipment	25	(31,123)	(31,466)
Amortization of intangible assets	26	(159)	(159)
Other operating expenses	13	(139,891)	(116,048)
TOTAL OPERATING EXPENSES		(325,494)	(308,959)
OPERATING PROFIT		296,953	337,012
Net loss on disposal of fixed assets		-	(88)
PROFIT BEFORE TAX		296,953	336,924
Income tax expense	14	(44,691)	(65,987)
PROFIT FOR THE YEAR		252,262	270,937
Attributable to:			
Equity holders of the parent		246,450	259,894
Non-controlling interest		5,812	11,043
		252,262	270,937
Earnings per share		LBP	LBP
Equity shareholders of the parent:			
Basic earnings per share	15	352.70	376.60
Diluted earnings per share	15	337.32	356.91

The attached notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2012

LBP Million

	Notes	2012	2011
PROFIT FOR THE YEAR		252,262	270,937
Other comprehensive loss:			
Net unrealized loss from financial assets at fair value through other comprehensive income	43	(3,605)	(3,863)
Exchange differences on translation of foreign operations		(109,946)	(37,348)
Income tax effect on components of other comprehensive loss	43	527	1,379
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(113,024)	(39,832)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		139,238	231,105
Attributable to:			
Equity holders of the parent		181,939	235,654
Non-controlling interest		(42,701)	(4,549)
		139,238	231,105

The attached notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LBP Million	Notes	2012	2011
ASSETS			
Cash and balances with central banks	16	5,507,572	4,282,468
Due from banks and financial institutions	17	3,216,533	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	18	458,707	667,488
Financial assets given as collateral	19	8,923	8,920
Derivative financial instruments	20	12,174	5,356
Financial assets at fair value through profit or loss	21	300,909	255,209
Net loans and advances to customers at amortized cost	22	6,195,104	6,025,682
Net loans and advances to related parties at amortized cost	45	15,815	16,638
Debtors by acceptances		316,232	331,821
Financial assets at amortized cost	23	9,145,626	8,607,301
Financial assets at fair value through other comprehensive income	24	78,663	76,967
Property and equipment	25	265,394	301,066
Intangible assets	26	970	1,129
Assets obtained in settlement of debt	27	33,202	35,452
Other assets	28	94,385	80,974
TOTAL ASSETS		25,650,209	25,027,313

The attached notes 1 to 54 form part of these consolidated financial statements.

As at 31 December 2012

LBP Million

	Notes	2012	2011
LIABILITIES AND EQUITY			
Liabilities			
Due to central banks	29	17,918	15,670
Due to banks and financial institutions	30	1,327,047	1,635,480
Derivative financial instruments	20	8,613	7,347
Customers' deposits at amortized cost	31	19,967,531	19,157,233
Deposits from related parties at amortized cost	45	208,102	169,175
Debt issued and other borrowed funds	32	508,711	662,290
Engagements by acceptances		316,232	331,821
Other liabilities	33	262,888	126,267
Provisions for risks and charges	34	130,465	129,989
Subordinated debt	35	410,896	307,263
TOTAL LIABILITIES		23,158,403	22,542,535
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	36	684,273	684,273
Share capital – preferred shares	36	4,840	4,840
Share premium – common shares	36	229,014	229,014
Share premium – preferred shares	36	586,259	583,858
Non-distributable reserves	37	568,145	469,072
Distributable reserves	38	99,659	79,127
Other equity instruments	39	14,979	14,979
Treasury shares	40	(25,302)	(25,476)
Retained earnings	41	74,024	65,214
Revaluation reserve of real estate	42	5,689	5,689
Change in fair value of financial assets at fair value through other comprehensive income	43	(23,634)	(20,556)
Net results of the financial period – profit		246,450	259,894
Foreign currency translation reserve		(92,762)	(31,329)
		2,371,634	2,318,599
NON-CONTROLLING INTEREST		120,172	166,179
TOTAL EQUITY		2,491,806	2,484,778
TOTAL LIABILITIES AND EQUITY		25,650,209	25,027,313

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 19 April 2013.

Dr. Francois S. Bassil
Chairman and General Manager

Ziad El Zoghbi
Head of Group Finance and Administration Division

The attached notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
LBP Million	Common shares	Priority shares	Preferred shares	Share premium – common shares	Share premium – preferred shares	Non-distributable reserves	Distributable reserves
Balance at 1 January 2012	684,273	-	4,840	229,014	583,858	469,072	79,127
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	2,412	85,518	2,492
Transfer to distributable reserves (note 37)	-	-	-	-	-	(18,040)	18,040
Equity component on convertible subordinated loan (note 35)	-	-	-	-	-	31,618	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-
Translation difference	-	-	-	-	(11)	-	-
Equity dividends paid (note 52)	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	(23)	-
Balance at 31 December 2012	684,273	-	4,840	229,014	586,259	568,145	99,659
Balance at 1 January 2011 before early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127
Effect of IFRS 9 early adoption (note 53)	-	-	-	-	-	-	-
Balance at 1 January 2011 after early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Transfer of priority shares	249,289	(249,289)	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	2,412	72,266	-
Non-controlling interest share in a capital increase of a subsidiary	-	-	-	-	-	-	-
Acquisition of non-controlling interest (note 3)	-	-	-	-	-	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-
Translation difference	-	-	-	-	(10)	-	-
Equity dividends paid (note 52)	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	280	-
Balance at 31 December 2011	684,273	-	4,840	229,014	583,858	469,072	79,127

The attached notes 1 to 54 form part of these consolidated financial statements.

Year Ended 31 December 2012

Other equity instruments	Treasury shares	Retained earnings	Revaluation reserve of real estate	Change in fair value of financial assets at fair value through other com-prehensive income	Net results of the financial period – profit	Foreign currency translation reserve	Total	Non-controlling interest	Total
14,979	(25,476)	65,214	5,689	(20,556)	259,894	(31,329)	2,318,599	166,179	2,484,778
-	-	-	-	-	246,450	-	246,450	5,812	252,262
-	-	-	-	(3,078)	-	(61,433)	(64,511)	(48,513)	(113,024)
-	-	-	-	(3,078)	246,450	(61,433)	181,939	(42,701)	139,238
-	-	259,894	-	-	(259,894)	-	-	-	-
-	-	(90,422)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	31,618	-	31,618
-	-	-	-	-	-	-	-	(3,306)	(3,306)
-	-	179	-	-	-	-	168	-	168
-	-	(160,841)	-	-	-	-	(160,841)	-	(160,841)
-	174	-	-	-	-	-	151	-	151
14,979	**(25,302)**	**74,024**	**5,689**	**(23,634)**	**246,450**	**(92,762)**	**2,371,634**	**120,172**	**2,491,806**
14,979	(16,189)	16,484	5,689	53,993	255,770	(9,573)	2,296,389	160,029	2,456,418
-	-	38,077	-	(72,065)	-	-	(33,988)	(307)	(34,295)
14,979	(16,189)	54,561	5,689	(18,072)	255,770	(9,573)	2,262,401	159,722	2,422,123
-	-	-	-	-	259,894	-	259,894	11,043	270,937
-	-	-	-	(2,484)	-	(21,756)	(24,240)	(15,592)	(39,832)
-	-	-	-	(2,484)	259,894	(21,756)	235,654	(4,549)	231,105
-	-	-	-	-	-	-	-	-	-
-	-	255,770	-	-	(255,770)	-	-	-	-
-	-	(74,678)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	23,473	23,473
-	-	-	-	-	-	-	-	(8,584)	(8,584)
-	-	-	-	-	-	-	-	(3,883)	(3,883)
-	-	-	-	-	-	-	(10)	-	(10)
-	-	(170,439)	-	-	-	-	(170,439)	-	(170,439)
-	(9,287)	-	-	-	-	-	(9,007)	-	(9,007)
14,979	**(25,476)**	**65,214**	**5,689**	**(20,556)**	**259,894**	**(31,329)**	**2,318,599**	**166,179**	**2,484,778**

The attached notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

LBP Million	Notes	2012	2011
OPERATING ACTIVITIES			
Profit before tax		296,953	336,924
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization	25 & 26	31,282	31,625
Provision for loans and advances and direct write-offs, net	11	107,229	45,016
Write-back of provision for other doubtful bank accounts, net	11	(942)	(6,593)
Provision for financial assets at amortized cost, net	11	(19,490)	23,575
Loss on disposal of fixed assets		-	88
Gain on disposal of assets obtained in settlement of debt	10	(4,613)	(3,877)
Provisions for risks and charges, net		2,468	14,300
Unrealized fair value (gains) losses on financial instruments at fair value through profit or loss		(4,361)	6,339
Realized gains from financial assets		(75,747)	(70,052)
Derivative financial instruments		(5,552)	(897)
Operating profit before working capital changes		**327,227**	**376,448**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Due from central banks		(1,957,792)	(499,978)
Due from banks and financial institutions		35,274	229,110
Financial assets given as collateral		(3)	(2)
Financial assets at fair value through profit or loss		(31,587)	(2,331)
Due to banks and financial institutions		(23,314)	(153,308)
Net loans and advances to customers and related parties		(275,828)	(402,096)
Assets obtained in settlement of debt	27	(286)	(829)
Proceeds from sale of assets obtained in settlement of debt		7,149	8,346
Other assets		(3,049)	9,633
Customers' and related parties' deposits		979,684	1,346,382
Other liabilities		1,433	(9,954)
Cash (used in) from operations		(941,092)	901,421
Provision for risks and charges paid		(1,445)	(4,216)
Taxation paid		(51,014)	(66,327)
Net cash (used in) from operating activities		**(993,551)**	**830,878**

The attached notes 1 to 54 form part of these consolidated financial statements.

Year Ended 31 December 2012

	Notes	2012	2011
			LBP Million
INVESTING ACTIVITIES			
Financial assets at amortized cost		(452,840)	427,407
Financial assets at fair value through other comprehensive income		(5,179)	(143)
Loans to banks and financial institutions and reserve purchase agreements		208,781	(37,491)
Purchase of property and equipment and intangible assets		(29,919)	(57,381)
Proceeds from sale of property and equipment		278	1,170
Acquisition of additional non-controlling interest	3	-	(8,584)
Net cash (used in) from investing activities		(278,879)	324,978
FINANCING ACTIVITIES			
Due to central banks		763	(1,265)
Debts issued and other borrowed funds		(153,579)	448,789
Subordinated debt		135,251	3,939
Treasury shares		151	(9,007)
Dividends paid to equity holders of the parent (net)		(160,841)	(170,439)
Dividends paid to non-controlling interest		(3,306)	(3,883)
Non-controlling interest share in a capital increase of a subsidiary		-	23,473
Net cash (used in) from financing activities		(181,561)	291,607
Net effect of foreign exchange		(75,040)	(32,713)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,529,031)	1,414,750
Cash and cash equivalents at 1 January		6,150,118	4,735,368
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	44	4,621,087	6,150,118
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest paid		(881,733)	(834,902)
Interest received		1,269,069	1,249,141
Dividend received		5,043	5,214

Operating activities include a non-cash item consisting of a decrease in customers' deposits by LBP 130,459 million against an increase in other liabilities by the same amount (2011: nil).

The attached notes 1 to 54 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Byblos Bank S.A.L. ("the Bank"), a Lebanese joint stock company, was incorporated in 1961 and registered under No. 14150 at the commercial registry of Beirut and under No. 39 on the list of banks published by the Central Bank of Lebanon. The Bank's head office is located on Elias Sarkis Street in Ashrafieh, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and the London SEAQ.

The Bank, together with its affiliated banks and subsidiaries (collectively "the Group"), provides a wide range of banking and insurance services through its headquarters and branches in Lebanon and eleven locations abroad (Belgium, France, United Kingdom, Cyprus, Sudan, Armenia, Syria, Iraq, United Arab Emirates, Nigeria, and the Democratic Republic of Congo).

2. ACCOUNTING POLICIES

2.1 – BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of Law No. 282 dated 30 December 1993, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements are presented in Lebanese Pounds (LBP) and all values are rounded to the nearest LBP million except when otherwise indicated.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission (BCC).

PRESENTATION OF FINANCIAL STATEMENTS

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in the notes.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Year Ended 31 December 2012

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. All intra-Group balances, transactions, unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Non-controlling interests are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements comprise the financial statements of Byblos Bank S.A.L. and the following subsidiaries:

Subsidiary	Percentage of ownership 2012 %	2011 %	Principal activity	Country of incorporation
Byblos Bank Europe S.A.	99.95	99.95	Banking activities through its head office in Brussels (Belgium) and two branches in London and Paris	Belgium
Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	64.00	64.00	Insurance	Lebanon
Adonis Brokerage House S.A.L.	100.00	100.00	Insurance brokerage	Lebanon
Byblos Invest Bank S.A.L.	99.99	99.99	Investment banking	Lebanon
Byblos Bank Africa	56.86	56.86	Commercial banking	Sudan
Byblos Bank Syria S.A.	52.37	52.37	Commercial banking	Syria
Byblos Bank Armenia C.J.S.C.	65.00	65.00	Commercial banking	Armenia
Adonis Insurance and Reinsurance Syria (ADIR Syria)	76.00	76.00	Insurance	Syria
Byblos Bank RDC S.A.R.L. (formerly Solidaire Banque Internationale S.B.I. S.A.R.L.)	66.67	66.67	Banking activities	Democratic Republic of the Congo

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 – Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2012:

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics, so there has been no effect on the presentation of its financial statements.

2.3 – Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example net gain on hedge of net investment, exchange differences on translation of foreign operations and net movement on cash flow hedges) would be presented separately from items that will never be reclassified (for example actuarial gains and losses on defined benefit plans, revaluation of land and buildings and net loss or gain on financial assets at fair value through OCI). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 *Employee Benefits (Revised)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact that this standard will have on its financial position and performance, but based on the preliminary analysis, no material impact is expected. These amendments become effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures (as Revised in 2011)*

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is not expected to impact the Group's financial position or performance and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and, therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact that this standard will have on its financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 is not expected to impact the Group's financial position or performance and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but have no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard will require the Group to review its fair value measurement policies across all asset and liabilities classes. The Group is currently assessing the impact that this standard will have on its financial position and performance, but based on preliminary analysis, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL IMPROVEMENTS MAY 2012

These improvements will not have an impact on the Group, but include:

IAS 1 *Presentation of Financial Statements*

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 32 *Financial Instruments, Presentation*

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 *Interim Financial Reporting*

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

2.4 – Summary of Significant Accounting Policies

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Lebanese Pounds, which is the Bank's presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency spot rate of exchange ruling at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

(ii) Group companies

On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification and measurement of financial instruments

a. Financial assets

The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or fair value.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. An entity is required to disclose such financial assets separately from those mandatorily measured at fair value.

Financial assets at amortized cost

Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these financial assets are measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in "Interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net credit losses".

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain (loss) from sale of financial assets at amortized cost" in the consolidated income statement.

Balances with central banks, due from banks and financial institutions, loans to banks and financial institutions and loans and advances to customers and related parties – at amortized cost

After initial measurement, "Balances with central banks", "Due from banks and financial institutions", "Loans to banks and financial institutions" and "Loans and advances to customers and related parties" are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net credit losses".

Financial assets at fair value through profit or loss

Included in this category are those debt instruments that do not meet the conditions in "at amortized cost" above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss.

(i) Debt instruments at fair value through profit or loss

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and interest income are recorded under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement showing, separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Gains and losses arising from the derecognition of debt instruments at fair value through profit or loss are also reflected under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement showing, separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

(ii) Equity instruments at fair value through profit or loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

Dividends on these investments are recognized under "Revenues from financial assets at fair value through other comprehensive income" in the consolidated income statement when the entity's right to receive payment of dividends is established in accordance with IAS 18: "Revenue", unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Financial liabilities

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for:

- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts and commitments to provide a loan at a below-market interest rate which after initial recognition are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

Fair value option

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- Doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The amount of changes in fair value of a financial liability designated at fair value through profit or loss at initial recognition that is attributable to changes in credit risk of that liability is recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement. Changes in fair value attributable to changes in credit risk are not reclassified to the consolidated income statement.

Debt issued and other borrowed funds and subordinated debt

Financial instruments issued by the Group which are not designated at fair value through profit or loss are classified as liabilities under "Debt issued and other borrowed funds", where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Due to central banks, due to banks and financial institutions, customers' deposits and related parties' deposits

After initial measurement, due to central banks, due to banks and financial institutions, customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

c. Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:

(a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9;
(b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
(c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and;
(d) The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

(iii) Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

(iv) Reclassification of financial assets

The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

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If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  - The Group has transferred substantially all the risks and rewards of the asset, or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Due to banks and financial institutions", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to "Financial assets at fair value through profit or loss pledged as collateral" as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position within "Due from

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

banks and financial institutions and reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "Net interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities at fair value through profit or loss" and measured at fair value with any gains or losses included in "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

DETERMINATION OF FAIR VALUE

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models, credit models and other relevant valuation models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization default or delinquency in interest or principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Net credit losses" in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iii) Collateral repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated income statement under "Other operating income" or "Other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserves for capital increase" in the following financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HEDGE ACCOUNTING

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter-end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated income statement in "Net gain (loss) from financial instruments at fair value through profit or loss". For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

(i) Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the consolidated income statement in "Net gain (loss) from financial instruments at fair value through profit or loss". Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the consolidated statement of financial position and is also recognized in "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated effective interest rate (EIR) method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated income statement.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the "Cash flow hedge" reserve. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the consolidated income statement.

When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the consolidated income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

(iii) Hedge of a net investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in other comprehensive statement is transferred to the consolidated income statement.

Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities.

Once the recorded value of a financial asset on a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Fee and commission income from providing insurance services

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

(iii) Dividend income

Dividend income is recognized when the right to receive the payment is established.

(iv) Net gain (loss) from financial instruments at fair value through profit or loss

Results arising from financial instruments at fair value through profit or loss include all gains and losses from changes in fair value and related income or expense and dividends for financial assets at fair value through profit or loss. This includes any ineffectiveness recorded in hedging transactions.

(vi) Insurance revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the pro rata temporis method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage.

If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums a premium deficiency reserve is created.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise balances with original maturities of a period of three months or less including: cash and balances with central banks, deposits with banks and financial institutions, and deposits due to banks and financial institutions.

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Office equipment and furniture	6.66-12.5 years
Computer equipment and software	3.33-5 years
General installations	5 years
Vehicles	4 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in "Net gain (loss) on disposal of fixed assets" in the year the asset is derecognized.

The assets' residual lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if applicable.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

Amortization is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Key money	10-15 years

Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

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market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

Financial guarantees
In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the consolidated income statement in "Net credit losses". The premium received is recognized in the consolidated income statement on a straight line basis over the life of the guarantee in "Net fee and commission income".

Provision for employees' end-of-service benefits
The Bank provides retirement benefit obligations to its employees under defined benefit plans. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit actuarial valuation method.

Past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

End of service benefits for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.4 – Summary of Significant Accounting Policies (continued)

Provisions for risks and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Assets held in custody and under administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration are not treated as assets of the Group and accordingly are recorded as off-financial position items.

Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Customers' acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

Segment reporting

The Group's segmental reporting is based on the following operating segments: consumer banking, corporate banking, and treasury and capital markets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.5 – Significant Accounting Judgments and Estimates

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements:

GOING CONCERN

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

BUSINESS MODEL

In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focuses on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan-to-collateral ratios, etc.), concentrations of risks and economic date (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

DEFERRED TAX ASSETS

Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

PENSION OBLIGATIONS

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

3. BUSINESS COMBINATIONS

ACQUISITION OF ADDITIONAL INTEREST IN BYBLOS BANK SYRIA S.A.

During the fourth quarter of 2011, the Group acquired an additional 10.87% interest in the voting shares of Byblos Bank Syria S.A., increasing its ownership interest to 52.37%. A cash consideration of LBP 8,584 million was paid to the non-controlling interest shareholders. The carrying value of the additional interest acquired was equal to the consideration paid.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into three operating segments based on products and services as follows:

RETAIL BANKING provides a diversified range of products and services to meet the personal banking and consumer finance needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, fund transfers, foreign exchange and other branch-related services.

CORPORATE BANKING provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

TREASURY AND CAPITAL MARKETS is mostly responsible for the liquidity management and market risk of the Group, as well as managing the Group's own portfolio of stocks, bonds and other financial instruments. In addition, this segment provides treasury and investment products and services to investors and other institutional customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense amounts.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table presents net operating income, profit and total assets and liabilities information in respect of the Group's operating segments:

PROFIT FOR THE YEAR INFORMATION

2012

LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Net interest income	226,134	143,873	17,466	3,057	390,530
Net fee and commission income	59,708	66,523	5,023	1,412	132,666
Net gain from financial instruments at fair value through profit or loss	-	-	88,078	-	88,078
Net gain from sale of financial assets at amortized cost	-	-	65,995	-	65,995
Revenue from financial assets at fair value through other comprehensive income	-	-	4,491	-	4,491
Other operating income	-	-	-	27,484	27,484
Net credit losses	(11,127)	(96,102)	20,432	-	(86,797)
Net operating income	**274,715**	**114,294**	**201,485**	**31,953**	**622,447**

2011

LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Net interest income	252,451	131,588	35,347	631	420,017
Net fee and commission income	53,533	71,542	4,093	4,606	133,774
Net gain from financial instruments at fair value through profit or loss	-	-	61,601	-	61,601
Net gain from sale of financial assets at amortized cost	-	-	64,165	-	64,165
Revenue from financial assets at fair value through other comprehensive income	-	-	4,200	-	4,200
Other operating income	-	-	-	24,212	24,212
Net credit losses	(6,909)	(38,107)	(16,982)	-	(61,998)
Net operating income	**299,075**	**165,023**	**152,424**	**29,449**	**645,971**

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FINANCIAL POSITION INFORMATION

2012 LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Total assets	1,991,822	4,535,330	18,730,617	392,440	25,650,209
Total liabilities	18,925,194	1,250,440	2,273,185	709,584	23,158,403

2011 LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Total assets	1,680,172	4,693,970	18,252,393	400,778	25,027,313
Total liabilities	17,989,539	1,336,869	2,620,704	595,423	22,542,535

GEOGRAPHIC INFORMATION

The Group operates in three geographical segments – Lebanon, Europe and other countries – and, as such, is subject to different risks and returns. The following table shows the distribution of the Group's net operating income and non-current assets.

2012 LBP Million	Lebanon	Europe	Other	Total
Total operating income	550,030	47,026	112,188	709,244
Net credit losses	(30,944)	2,155	(58,008)	(86,797)
Net operating income[2]	519,086	49,181	54,180	622,447
Non-current assets[3]	221,371	7,406	70,789	299,566

2011 LBP Million	Lebanon	Europe	Other	Total
Total operating income	534,289	63,016	110,664	707,969
Net credit losses	(32,651)	(6,710)	(22,637)	(61,998)
Net operating income[2]	501,638	56,306	88,027	645,971
Non-current assets[3]	222,468	7,875	107,304	337,647

(1) Other includes certain activities related to assets obtained in settlement of debt, as well as unallocated activities.

(2) Net operating income is attributed to the geographical segment on the basis of the location of the branch/ subsidiary responsible for reporting the results or advancing the funds.

(3) Non-current assets consist of property and equipment, intangible assets, and certain other assets (other than financial instruments and deferred taxes) expected to be recovered more than 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INTEREST AND SIMILAR INCOME

LBP Million	2012	2011
Balances with central banks	136,179	42,518
Due from banks and financial institutions	26,562	39,289
Loans to banks and financial institutions	18,088	18,625
Financial assets given as collateral	600	583
Loans and advances to customers at amortized cost	468,374	449,406
Loans and advances to related parties at amortized cost	636	540
Financial assets at amortized cost	624,307	709,429
	1,274,746	1,260,390

6. INTEREST AND SIMILAR EXPENSE

LBP Million	2012	2011
Due to central banks	597	325
Due to banks and financial institutions	33,440	37,631
Customers' deposits at amortized cost	778,239	735,319
Deposits from related parties at amortized cost	9,776	7,768
Debt issued and other borrowed funds	38,219	30,639
Subordinated debt	23,195	27,941
Other equity instruments	750	750
	884,216	840,373

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7. NET FEE AND COMMISSION INCOME

	2012	2011	LBP Million
Fee and commission income			
Loans and advances	22,275	21,652	
Letters of guarantee	16,593	15,588	
Acceptances	9,809	7,134	
Letters of credit	31,748	41,052	
Credit cards	10,765	7,484	
Domiciled bills	1,816	1,851	
Checks for collection	2,934	2,783	
Maintenance of accounts	10,939	8,964	
Transfers	10,723	9,198	
Safe rental	842	578	
Portfolio commission	3,315	3,578	
Trust and fiduciary activities	162	160	
Commission on insurance-related activities	5,412	7,342	
Refund of banking services	12,964	13,344	
Other commissions	6,489	6,455	
	146,786	147,163	
Fee and commission expense			
Commissions paid on financial instruments	(1,581)	(3,465)	
Other fees	(12,539)	(9,924)	
	(14,120)	(13,389)	
Net fee and commission income	132,666	133,774	

8. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011	LBP Million
Interest and similar income from debt instruments			
Lebanese government bonds	10,470	13,576	
Certificates of deposit issued by the Central Bank of Lebanon	1,039	1,876	
Other foreign government bonds	140	66	
Other debt securities	462	709	
	12,111	16,227	
Gain from sale of debt instruments			
Lebanese government bonds	8,112	2,566	
Certificates of deposit issued by the Central Bank of Lebanon	24	2,510	
Other foreign government bonds	519	119	
Other debt securities	1,424	1,093	
	10,079	6,288	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

LBP Million	2012	2011
Unrealized gain (loss) from revaluation of debt instruments		
Lebanese government bonds	20	178
Certificates of deposit issued by the Central Bank of Lebanon	(379)	(177)
Other debt securities	1,556	(1,548)
	1,197	(1,547)
Net gain from debt instruments	23,387	20,968
Equity instruments		
Loss from sale	(327)	(401)
Unrealized gain (loss) from revaluation	3,164	(4,792)
Dividend income	552	1,014
Net gain (loss) from equity instruments	3,389	(4,179)
Unrealized gain from revaluation of structural position of a subsidiary	28,983	18,743
Foreign exchange	32,319	26,069
	88,078	61,601

Foreign exchange income includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading position.

9. NET GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

Sales of financial assets at amortized cost were mainly made during the year due to liquidity gap and yield management.

The schedule below details the gains and losses arising from the derecognition of these financial assets:

LBP Million	2012	Gains	Losses	Net
	Lebanese government bonds	27,123	-	27,123
	Certificates of deposit issued by the Central Bank of Lebanon	49,751	-	49,751
	Other foreign government bonds	27	(9,379)	(9,352)
	Other debt securities	400	(1,927)	(1,527)
		77,301	(11,306)	65,995

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LBP Million

2011	Gains	Losses	Net
Lebanese government bonds	31,218	(6)	31,212
Certificates of deposit issued by the Central Bank of Lebanon	33,130	(488)	32,642
Other foreign government bonds	110	(68)	42
Other debt securities	1,715	(1,446)	269
	66,173	(2,008)	64,165

10. OTHER OPERATING INCOME

LBP Million

	2012	2011
Net gain from sale of assets obtained in settlement of debt	4,613	3,877
Rental income from assets obtained in settlement of debt	998	1,028
Write-back of provisions for risks and charges (note 34)	6,700	2,124
Other operating income from insurance-related activities	12,559	11,021
Others	2,614	6,162
	27,484	24,212

11. NET CREDIT LOSSES

LBP Million

	2012	2011
Charge for the year		
Loans and advances to customers at amortized cost (note 22)	119,682	56,843
Financial assets at amortized cost (note 23)	2,250	23,575
Bad debts written off	66	145
	121,998	80,563
Recoveries during the year		
Loans and advances to customers (note 22)	(9,497)	(7,625)
Unrealized interest on loans and advances to customers (note 22)	(3,022)	(4,347)
Financial assets at amortized cost (note 23)	(21,740)	-
Doubtful banks (note 17)	(942)	(6,593)
	(35,201)	(18,565)
	86,797	61,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PERSONNEL EXPENSES

LBP Million	2012	2011
Salaries and related charges	134,464	136,694
Social security contributions	16,713	17,015
Provision for end-of-service benefits (note 34)	3,144	7,577
	154,321	161,286

13. OTHER OPERATING EXPENSES

LBP Million	2012	2011
Taxes on interest	3,438	3,143
Taxes and duties	6,795	9,421
Contribution to deposit guarantee fund	9,618	8,531
Rent and related charges	8,106	7,722
Professional fees	7,491	6,611
Telecommunications and postage expenses	8,928	9,154
Board of Directors' attendance fees	970	983
Maintenance and repairs	12,683	11,746
Electricity and fuel	6,488	6,694
Travel and entertainment	3,928	4,256
Publicity and advertising	11,055	9,998
Subscriptions	4,127	3,159
Bonuses	20,572	6,260
Legal expenses	6,308	4,307
Insurance	1,699	1,632
Guarding fees	2,301	2,089
Printing and stationery	4,309	4,976
Provisions for risks and charges	3,504	6,187
Donations	8,017	2,522
Others	9,554	6,657
	139,891	116,048

14. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2012 and 2011 are as follows:

LBP Million	2012	2011
Current income tax expense	49,119	59,665
Deferred tax related to origination of temporary differences	(10,666)	-
Other taxes	6,238	6,322
	44,691	65,987

31 December 2012

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based on the current understanding of the existing tax laws and regulations and tax practices.

The relationship between taxable profit and accounting profit is as follows:

LBP Million

	2012		2011	
	Balance	Tax	Balance	Tax
Accounting profit before tax	296,953	44,543	336,924	50,539
Add				
Non-deductible expenses	12,422	1,863	11,926	1,789
Non-deductible provisions	-	-	28,119	4,218
Carried forward taxable losses of a subsidiary	39,203	5,880	-	-
	51,625	7,743	40,045	6,007
Less				
Revenues previously subject to tax	3,661	549	2,122	318
Provision recoveries previously subject to tax	9,804	1,471	10,156	1,523
Unrealized gain from revaluation of structural position of a subsidiary	28,983	4,347	18,743	2,811
	42,448	6,367	31,021	4,652
Income subject to tax	306,130	45,919	345,948	51,894
Impact of differently taxed profits		3,200		7,771
Tax due		49,119		59,665
Effective income tax rate		16.54%		17.71%

The movement of current tax liabilities during the year is as follows:

LBP Million

	2012	2011
Balance at 1 January	32,176	32,516
Charge for the year	55,357	65,987
	87,533	98,503
Less taxes paid		
Current year tax liability*	(25,338)	(35,230)
Prior years tax liabilities	(25,676)	(31,097)
	(51,014)	(66,327)
Balance at 31 December (note 33)	36,519	32,176

(*) Represents taxes paid on interest received from treasury bills and central banks' certificates of deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred taxes recorded in the consolidated statement of financial position result from the following items:

2012

LBP Million	Deferred tax assets	Deferred tax liabilities
Fair value of financial instruments	1,822	2,615
Carried forward taxable losses of a subsidiary	9,601	-
	11,423	2,615

2011

LBP Million	Deferred tax assets	Deferred tax liabilities
Fair value of financial instruments	1,061	2,229

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible instruments net of tax) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

The following table shows the income and share data used in the basic earnings per share calculation:

	2012	2011
Weighted average number of common shares outstanding during the year (*)	561,749,874	561,806,168

LBP Million	2012	2011
Net profit attributable to equity holders of the parent	246,450	259,894
(Less): Proposed dividends to preferred shares	(48,320)	(48,320)
Net profit attributable to equity holders of the parent	**198,130**	**211,574**
Basic earnings per share in LBP	**352.70**	**376.60**

(*) The weighted average number of ordinary shares adopted for the computation of basic earnings per share takes into account the weighted average number of treasury shares, excluding treasury shares held against other equity instruments (note 40).

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DILUTED EARNINGS PER SHARE

The following table shows the income and share data used in the diluted earnings per share calculation:

	2012	2011
Weighted average number of ordinary shares for basic earnings per share	561,749,874	561,806,168
Effect of dilution		
Convertible subordinated debt	75,209,503	80,652,681
Weighted average number of ordinary shares adjusted for the effect of dilution	636,959,377	642,458,849

LBP Million

	2012	2011
Net profit attributable to equity holders of the parent	198,130	211,574
Interest on convertible debt	19,683	20,852
Less: income tax	(2,952)	(3,128)
Net profit attributable to equity holders of the parent adjusted for the effect of convertible debt	214,861	229,298
Diluted earnings per share in LBP	337.32	356.91

There were no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these consolidated financial statements which would require the restatement of earnings per share.

16. CASH AND BALANCES WITH CENTRAL BANKS

LBP Million

	2012	2011
Cash on hand	233,884	211,526
Balances with the Central Bank of Lebanon		
Current accounts	602,297	742,586
Time deposits	3,871,157	2,866,983
	4,473,454	3,609,569
Balances with central banks in other countries		
Current accounts	718,971	423,362
Time deposits	31,273	12,110
	750,244	435,472
Accrued interest receivable	49,990	25,901
	5,507,572	4,282,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CASH AND BALANCES WITH CENTRAL BANKS (continued)

Obligatory reserves

- In accordance with the Central Bank of Lebanon's rules and regulations, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds. This is not applicable for investment banks, which are exempt from obligatory reserve requirements on commitments denominated in Lebanese Pounds. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon interest-bearing placements representing 15% of total deposits in foreign currencies regardless of nature. Obligatory reserve requirements for banks operating in Lebanon and the related covering time deposits and current accounts amounted to LBP 2,141,301 million and LBP 2,248,890 million respectively as at 31 December 2012 (2011: LBP 2,141,893 million and LBP 2,256,625 million respectively).

- Subsidiary banks and branches operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking rules and regulations of the countries in which they operate. As of 31 December 2012, obligatory reserve requirements for banks operating in foreign countries and the related covering time deposits, current accounts and cash on hand amounted to LBP 124,929 million (2011: LBP 134,708 million).

17. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LBP Million	2012	2011
Banks		
Current accounts	789,837	849,338
Time deposits	2,396,982	3,467,481
Accrued interest receivable	2,787	2,860
Doubtful bank accounts	3,193	4,097
Provision for doubtful bank accounts	(3,193)	(4,097)
	3,189,606	4,319,679
Financial institutions		
Current accounts	9,364	5,908
Cash margins	15,600	-
	24,964	5,908
Registered exchange companies		
Current accounts	444	3,254
Doubtful exchange companies accounts	2,259	2,259
Provision for doubtful exchange companies accounts	(2,259)	(2,259)
	444	3,254
Brokerage companies		
Current accounts	1,519	2,001
	3,216,533	4,330,842

Doubtful banks and registered exchange companies

Following is the movement in the provisions for doubtful banks and registered exchange companies during the year:

	2012			2011		
LBP Million	Banks	Registered exchange companies	Total	Banks	Registered exchange companies	Total
Balance at 1 January	4,097	2,259	6,356	10,727	2,259	12,986
Write-back (note 11)	(942)	-	(942)	(6,593)	-	(6,593)
Exchange difference	38	-	38	(37)	-	(37)
Balance at 31 December	3,193	2,259	5,452	4,097	2,259	6,356

18. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

LBP Million

	2012	2011
Loans to banks and financial institutions	377,535	496,528
Accrued interest receivable	1,709	2,825
	379,244	499,353
Discounted acceptances	80,838	169,558
Interest received in advance	(1,375)	(1,423)
	79,463	168,135
	458,707	667,488

19. FINANCIAL ASSETS GIVEN AS COLLATERAL

LBP Million

	2012	2011
Treasury bills mortgaged in favor of the Central Bank of Lebanon, at amortized cost	8,814	8,814
Accrued interest receivable	109	106
	8,923	8,920

The balance represents treasury bills pledged as collateral for loans obtained from the Central Bank of Lebanon during 2010 (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the values of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

	2012			2011		
LBP Million	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Held for trading						
Currency swaps	11,069	7,541	391,883	891	2,201	190,831
Forward foreign exchange contracts	1,105	1,072	143,954	4,465	5,146	313,357
	12,174	8,613	535,837	5,356	7,347	504,188

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

FORWARDS

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the–counter market.

SWAPS

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

DERIVATIVE FINANCIAL INSTRUMENTS HELD OR ISSUED FOR TRADING PURPOSES

Most of the Group's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. Also included under this classification are any derivatives entered into for risk management purposes that do not meet the IAS 39 hedge accounting criteria.

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

LBP Million

	2012	2011
Lebanese government bonds	256,373	197,584
Certificates of deposit issued by the Central Bank of Lebanon	10,704	11,078
Other debt securities	7,704	19,944
Quoted equity instruments	26,128	26,603
	300,909	255,209

22. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

LBP Million

	2012	2011
Commercial loans	4,491,803	4,555,085
Consumer loans	2,055,160	1,727,130
	6,546,963	6,282,215
Less		
Individual impairment allowances	(167,778)	(90,206)
Collective impairment allowances	(112,733)	(103,728)
Unrealized interest	(71,348)	(62,599)
	6,195,104	6,025,682

In accordance with Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off-financial position accounts. The gross balance of these loans amounted to LBP 76,514 million as of 31 December 2012 (2011: LBP 91,644 million).

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22. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

Movement of unrealized interest on substandard, doubtful, and bad loans during the year was as follows:

LBP Million	2012	Commercial loans	Consumer loans	Total
	Balance at 1 January	62,207	392	62,599
	Add (less)			
	Unrealized interest for the year	19,972	113	20,085
	Amounts transferred to off-financial position	(3,035)	-	(3,035)
	Recoveries (note 11)	(3,022)	-	(3,022)
	Amounts written off	(3,679)	-	(3,679)
	Difference of exchange	(1,480)	(120)	(1,600)
	Balance at 31 December	70,963	385	71,348

LBP Million	2011	Commercial loans	Consumer loans	Total
	Balance at 1 January	59,329	338	59,667
	Add (less)			
	Unrealized interest for the year	9,206	118	9,324
	Amounts transferred from off-financial position	1,523	-	1,523
	Recoveries (note 11)	(4,336)	(11)	(4,347)
	Amounts written off	(3,386)	-	(3,386)
	Difference of exchange	(129)	(53)	(182)
	Balance at 31 December	62,207	392	62,599

31 December 2012

Movement of the individual impairment allowances during the year was as follows:

2012	Commercial loans	Consumer loans	Total	LBP Million
Balance at 1 January	68,542	21,664	90,206	
Add (less)				
Charge for the year (note 11)	78,218	13,751	91,969	
Amounts written off	(1,964)	(207)	(2,171)	
Recoveries (note 11)	(6,484)	(3,013)	(9,497)	
Transfer (to) from off-financial position	(1,058)	384	(674)	
Transfer from/to collective impairment allowances	4,795	700	5,495	
Difference of exchange	(5,685)	(1,865)	(7,550)	
Balance at 31 December	136,364	31,414	167,778	
Gross amount of loans individually determined to be impaired	326,891	37,044	363,935	

2011	Commercial loans	Consumer loans	Total	LBP Million
Balance at 1 January	51,922	15,096	67,018	
Add (less)				
Charge for the year (note 11)	23,082	8,571	31,653	
Amounts written off	(990)	(295)	(1,285)	
Recoveries (note 11)	(5,517)	(2,108)	(7,625)	
Transfer from off-financial position	637	812	1,449	
Transfer from/to collective impairment allowances	(459)	(344)	(803)	
Difference of exchange	(133)	(68)	(201)	
Balance at 31 December	68,542	21,664	90,206	
Gross amount of loans individually determined to be impaired	174,568	27,812	202,380	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

Movement of the collective impairment allowances during the year was as follows:

LBP Million 2012	Commercial loans	Consumer loans	Total
Balance at 1 January	75,573	28,155	103,728
Add (less)			
Charge for the year (note 11)	25,520	2,193	27,713
Transfer from commercial to consumer	(2,038)	2,038	-
Transfer from/to individual impairment allowances	(4,795)	(700)	(5,495)
Difference of exchange	(13,069)	(144)	(13,213)
Balance at 31 December	**81,191**	**31,542**	**112,733**

LBP Million 2011	Commercial loans	Consumer loans	Total
Balance at 1 January	57,591	21,925	79,516
Add (less)			
Charge for the year (note 11)	24,744	446	25,190
Transfer from commercial to consumer	(5,547)	5,547	-
Transfer from/to individual impairment allowances	459	344	803
Difference of exchange	(1,674)	(107)	(1,781)
Balance at 31 December	**75,573**	**28,155**	**103,728**

31 December 2012

23. FINANCIAL ASSETS AT AMORTIZED COST

LBP Million

	2012	2011
Lebanese government bonds	3,821,495	3,262,542
Certificates of deposit issued by the Central Bank of Lebanon	4,248,589	4,259,961
Other foreign government bonds	126,960	201,380
Other debt securities	954,069	925,454
	9,151,113	8,649,337
Less		
collective impairment allowances	(5,487)	(25,015)
individual impairment allowances	-	(17,021)
	9,145,626	8,607,301

The movement in the collective impairment allowances during the year was as follows:

LBP Million

2012	Other foreign government bonds	Other debt securities	Total
Balance at 1 January	14,236	10,779	25,015
Write-back during the year (note 11)	(14,236)	(7,504)	(21,740)
Charge for the year (note 11)	-	2,250	2,250
Exchange difference	-	(38)	(38)
Balance at 31 December	-	5,487	5,487

LBP Million

2011	Other foreign government bonds	Other debt securities	Total
Balance at 1 January	-	-	-
Provision transferred upon early adoption of IFRS 9	10,977	5,704	16,681
Provision transferred to individual impairment allowances	(7,177)	-	(7,177)
Charge for the year (note 11)	11,132	5,409	16,541
Exchange difference	(696)	(334)	(1,030)
Balance at 31 December	14,236	10,779	25,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL ASSETS AT AMORTIZED COST (continued)

The movement in the individual impairment allowances during the year was as follows:

LBP Million	2012 Other foreign government bonds	2011 Other foreign government bonds
Balance at 1 January	17,021	-
Provision transferred upon early adoption of IFRS 9	-	3,013
Provision transferred from collective impairment allowances	-	7,177
Charge for the year (note 11)	-	7,034
Exchange difference	104	(203)
Provision written off against Hellenic Republic Bonds disposed of	(17,125)	-
Balance at 31 December	-	17,021
Gross amount of other foreign government bonds individually determined to be impaired	-	23,861

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

LBP Million	2012	2011
Quoted shares	41,669	39,927
Unquoted shares	36,994	37,040
	78,663	76,967

The table below details the financial assets at fair value through other comprehensive income as at 31 December:

LBP Million	2012 Carrying amount	2012 Cumulative fair value changes	2012 Dividend income	2011 Carrying amount	2011 Cumulative fair value changes	2011 Dividend income
Unquoted shares						
Banque de l'Habitat S.A.L.	20,641	15,452	454	18,979	13,790	454
Intra Investment Company S.A.L.	13,030	6	583	14,979	1,954	1,166
Interbank Payment Network (IPN) S.A.L.	1,289	287	106	1,206	203	104
Arab Trade Financing Program	1,492	-	-	1,492	-	-
Others	542	103	44	384	-	44
Quoted shares						
Jordan Ahli Bank	41,669	(38,745)	3,304	39,927	(35,361)	2,432
	78,663	(22,897)	4,491	76,967	(19,414)	4,200

Dividend income amounted to 4,491 million for the year ended 31 December 2012 (2011: LBP 4,200 million) and resulted from equity instruments held at year-end (2011: the same).

25. PROPERTY AND EQUIPMENT

2012 LBP Million	Buildings	Motor vehicles	Furniture and equipment	Deposits	Advance payments	Total
COST						
At 1 January 2012	252,516	3,591	198,442	668	27,123	482,340
Additions during the year	11,990	494	17,355	15	65	29,919
Transfers	8,262	-	11,618	-	(19,880)	-
Disposal of fixed assets	-	(293)	(2,258)	-	-	(2,551)
Foreign exchange difference	(26,385)	(280)	(15,490)	3	(3,773)	(45,925)
At 31 December 2012	246,383	3,512	209,667	686	3,535	463,783
DEPRECIATION						
At 1 January 2012	42,410	2,697	136,167	-	-	181,274
Depreciation during the year	5,619	451	25,053	-	-	31,123
Related to disposals of fixed assets	-	(293)	(1,980)	-	-	(2,273)
Foreign exchange difference	(2,300)	(172)	(9,263)	-	-	(11,735)
At 31 December 2012	45,729	2,683	149,977	-	-	198,389
NET CARRYING VALUE						
At 31 December 2012	200,654	829	59,690	686	3,535	265,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. PROPERTY AND EQUIPMENT (continued)

2011 LBP Million	Buildings	Motor vehicles	Furniture and equipment	Deposits	Advance payments	Total
COST						
At 1 January 2011	239,196	3,809	173,227	1,545	24,581	442,358
Additions during the year	17,868	388	21,917	58	16,901	57,132
Transfers	(2,074)	-	16,153	-	(14,079)	-
Disposal of fixed assets	(39)	(524)	(8,871)	(932)	(236)	(10,602)
Foreign exchange difference	(2,435)	(82)	(3,984)	(3)	(44)	(6,548)
At 31 December 2011	252,516	3,591	198,442	668	27,123	482,340
DEPRECIATION						
At 1 January 2011	40,517	2,469	118,069	-	-	161,055
Depreciation during the year	5,536	681	25,249	-	-	31,466
Transfers	(3,863)	-	3,863	-	-	-
Related to disposals of fixed assets	-	(402)	(8,942)	-	-	(9,344)
Foreign exchange difference	220	(51)	(2,072)	-	-	(1,903)
At 31 December 2011	42,410	2,697	136,167	-	-	181,274
NET CARRYING VALUE						
At 31 December 2011	210,106	894	62,275	668	27,123	301,066

The costs of buildings at 31 December 2012 and 2011 include the revaluation differences of properties valued during prior years in accordance with Law No. 282 dated 30 December 1993, and approved by the Central Committee of the Bank of Lebanon.

Revaluation differences on property and equipment reflected as revaluation reserve of real estate in equity amounted to LBP 5,689 million as at 31 December 2012 (2011: the same) (note 42).

26. INTANGIBLE ASSETS

LBP Million	2012	2011
COST		
At 1 January	2,303	2,054
Additions for the year	-	249
At 31 December	2,303	2,303
ACCUMULATED AMORTIZATION		
At 1 January	1,174	1,015
Amortization expense for the year	159	159
At 31 December	1,333	1,174
NET BOOK VALUE		
At 31 December	970	1,129

27. ASSETS OBTAINED IN SETTLEMENT OF DEBT

	2012	2011	LBP Million
COST			
At 1 January	40,611	44,251	
Additions during the year	286	829	
Disposal	(2,536)	(4,469)	
At 31 December	38,361	40,611	
IMPAIRMENT			
At 1 January	(5,159)	(5,159)	
At 31 December	(5,159)	(5,159)	
NET CARRYING VALUE			
At 31 December	33,202	35,452	

Advance payments received in connection with future sale transactions for the above assets amounted to LBP 1,357 million as of 31 December 2012 (2011: LBP 1,428 million) (note 33).

28. OTHER ASSETS

	2012	2011	LBP Million
Obligatory deposits (a)	18,610	20,091	
Other assets (b)	64,352	59,822	
Deferred tax assets	11,423	1,061	
Doubtful debtor accounts	37	37	
	94,422	81,011	
Less: Allowance for credit losses	(37)	(37)	
	94,385	80,974	

(a) Obligatory deposits consist of deposits at a percentage of the share capital of subsidiary banks that were blocked at incorporation as a guarantee with the authorities. These deposits shall be returned to the subsidiary banks without any interest upon liquidation of their activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. OTHER ASSETS (continued)

(b) Other assets consist of the following:

LBP Million	2012	2011
Prepaid rent	4,012	3,768
Printing and stationery	3,820	3,213
Credit card balances due from customers	11,216	11,248
Insurance premiums receivable	3,094	2,945
Reinsurers' share of technical reserve of subsidiary insurance companies	23,917	19,974
Receivables from NSSF	4,611	2,991
Advance payment on participating in capital increase of equity instruments at fair value through other comprehensive income	-	5,187
Other debit balances	13,682	10,496
	64,352	59,822

29. DUE TO CENTRAL BANKS

LBP Million	2012	2011
Current accounts	613	5,925
Time deposit	6,711	-
Loan due to the Central Bank of Lebanon	8,814	8,814
Loan due to the Central Bank of Armenia	1,692	887
Accrued interest payable	88	44
	17,918	15,670

During the year ended 31 December 2010, the Group obtained three loans from the Central Bank of Lebanon to finance customers affected by the July 2006 war as follows:

LBP Million	Amount	Interest rate	Maturity
First loan	1,899	2.425%	2 May 2013
Second loan	5,528	2.9%	23 April 2015
Third loan	1,387	2.9%	21 April 2016
	8,814		

The above loans are secured by the pledge of Lebanese treasury bills amounting to LBP 8,814 million included under financial assets given as collateral as of 31 December 2012 (2011: the same) (note 19).

31 December 2012

30. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2012	2011	LBP Million
Banks			
Current accounts	150,503	312,650	
Time deposits	541,930	574,196	
Term loans	204,934	246,291	
Cash margins	192,880	232,659	
Accrued interest payable	6,874	7,186	
	1,097,121	1,372,982	
Financial institutions			
Current accounts	3,189	1,999	
Term loans	189,439	221,245	
Time deposits	33,877	29,019	
Accrued interest payable	2,424	2,669	
	228,929	254,932	
Registered exchange companies			
Current accounts	186	160	
Time deposits	288	2,223	
	474	2,383	
Brokerage institutions			
Current accounts	523	3,875	
Time deposits	-	1,308	
	523	5,183	
	1,327,047	1,635,480	

31. CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2012	2011	LBP Million
Current accounts	3,291,348	3,193,374	
Term deposits	15,617,849	14,988,947	
Cash margins	963,958	888,087	
Accrued interest payable	94,376	86,825	
	19,967,531	19,157,233	

Customers' deposits include coded deposit accounts amounting to LBP 40,905 million as of 31 December 2012 (2011: LBP 52,216 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. DEBT ISSUED AND OTHER BORROWED FUNDS

	Nominal value USD (000)	Maturity	Interest rate %	2012 LBP Million	2011 LBP Million
Certificates of deposit					
Issue 2009 – First Series	101,150	31/03/2012	6.50	-	152,484
Issue 2009 – Second Series	40,450	31/03/2014	7.25	60,978	60,978
Accrued interest payable				12	39
				60,990	**213,501**
Bonds (*)					
Issue 2011	297,310	24/06/2021	7.00	447,106	448,174
Accrued interest payable				615	615
				447,721	**448,789**
				508,711	**662,290**
Interest and similar expense					
- Certificates of deposit				6,876	14,332
- Bonds				31,343	16,307
				38,219	**30,639**

(*) The Bank has undertaken not to use any of the proceeds of the issue in Sudan, Syria or the Democratic Republic of the Congo.

The Bank shall pay interest on the bonds without deduction or withholding for taxes.

The bonds are redeemable, in whole or in part, at the option of the Bank at any time after the first anniversary of the issue date, in the event of changes in the Lebanese tax law that will result in taxes on interest on the bonds in excess of the current applicable tax rate.

33. OTHER LIABILITIES

LBP Million	2012	2011
Accrued expenses	35,449	28,823
Fixed asset suppliers	6,089	10,211
Unearned commission and interest	1,257	2,010
Cash margins related to companies under establishment	3,876	10,104
Insurance premiums received in advance	2,445	2,178
Partial payments received from customers	4,518	4,512
Payables to the National Social Security Fund	1,668	1,692
Advance payments linked to assets obtained in settlement of debt (note 27)	1,357	1,428
Current tax liability (a)	49,207	47,669
Deferred tax liability (b)	2,615	2,229
Bankers' checks	130,459	-
Other creditors	23,948	15,411
	262,888	**126,267**

31 December 2012

(a) Current tax liability

	2012	2011	LBP Million
Income tax due (note 14)	36,519	32,176	
Withholding tax on salaries	1,987	2,237	
Withholding tax on interest earned by customers	6,446	7,322	
Value added tax	200	87	
Other taxes	4,055	5,847	
	49,207	47,669	

(b) Deferred tax liability

	2012	2011	LBP Million
At 1 January	2,229	11,445	
Effect of IFRS 9 early adoption (note 53)	-	(8,878)	
Deferred tax on financial instruments at fair value through other comprehensive income	386	(318)	
Translation differences	-	(20)	
At 31 December	2,615	2,229	

34. PROVISIONS FOR RISKS AND CHARGES

	2012	2011	LBP Million
Technical reserves of insurance subsidiaries	81,841	78,693	
Provision for employees' end-of-service benefits (a)	38,286	37,133	
Other provisions (b)	10,338	14,163	
	130,465	129,989	

(a) Movement in the provision for employees' end-of-service benefits during the year was as follows:

	2012	2011	LBP Million
Balance at 1 January	37,133	30,922	
Provision constituted during the year (note 12)	3,144	7,577	
End-of-service benefits paid during the year	(1,445)	(1,366)	
Foreign exchange	(546)	-	
Balance at 31 December	38,286	37,133	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. PROVISIONS FOR RISKS AND CHARGES (continued)

(b) Movement in other provisions during the year was as follows:

LBP Million	2012	2011
At 1 January	14,163	13,730
Charge for the year	3,504	6,187
Write-back during the year (note 10)	(6,700)	(2,124)
Payments during the year	-	(2,850)
Foreign exchange	(629)	(780)
At 31 December	10,338	14,163

35. SUBORDINATED DEBT

LBP Million	2012	2011
Convertible subordinated notes (maturity 30 November 2012)	-	258,875
Subordinated notes (maturity 30 June 2012)	-	48,388
Convertible subordinated loan (maturity 21 December 2022)	410,896	-
	410,896	307,263

During 2012, convertible subordinated notes (maturity 30 November 2012) and subordinated notes (maturity 30 June 2012) matured. As a result, an equity component amounting to LBP 18,040 million was transferred from non-distributable reserves (note 37) to distributable reserves (note 38).

On 21 December 2012, the Bank signed a USD 300 million subordinated loan agreement with an international financial institution, whereby the latter acted as an issuer of USD 300 million subordinated notes convertible into Byblos Bank S.A.L. shares or GDRs according to the following terms:

Number of notes:	30,000
Note's issue price:	USD 10,000
Note's nominal value:	USD 10,000
Date of issue:	21 December 2012
Maturity:	21 December 2022, subject to the earlier conversion of these notes, in whole or in part, into Byblos Bank S.A.L. shares or GDRs at a price of USD 2.5 per share or USD 125 per GDR
Interest rate:	Contractual interest rate of 6.5% payable semi-annually.
Rights of holders:	The noteholder has the right to convert all or a portion of the subordinated notes into Byblos Bank S.A.L. shares or GDRs at a conversion price of USD 2.5 per share or USD 125 per GDR.

The convertible subordinated notes (net of subordinated notes held by a consolidated subsidiary) were recorded at 31 December 2012 as follows:

	2012	2011	LBP Million
Nominal value of convertible bonds	441,697	294,000	
Equity component	(31,618)	(20,974)	
Liability component	410,079	273,026	
Accrued interest payable	817	542	
	410,896	273,568	

The equity component of the convertible subordinated loan is recorded in equity under "non-distributable reserves" (note 37).

36. SHARE CAPITAL

	2012			2011		
LBP Million	No. of shares	Share capital	Share premium	No. of shares	Share capital	Share premium
Common shares	565,515,040	684,273	229,014	565,515,040	684,273	229,014
	565,515,040	684,273	229,014	565,515,040	684,273	229,014
Preferred shares						
- Series 2008	2,000,000	2,420	295,154	2,000,000	2,420	295,154
- Series 2009	2,000,000	2,420	291,105	2,000,000	2,420	288,704
	4,000,000	4,840	586,259	4,000,000	4,840	583,858

The capital of the Bank is divided into 569,515,040 shares of LBP 1,210 each fully paid (2011: the same).

PREFERRED SHARES

i) Series 2008 Preferred Shares

On 15 August 2008, and based on the decision of the Extraordinary General Assembly held on 18 July 2008, the Bank issued Series 2008 Preferred Shares according to the following terms:

Number of shares:	2,000,000
Share's issue price:	USD 100
Share's nominal value:	LBP 1,200
Issue premium:	USD (000) 195,790 (equivalent to LBP 295,154 million) calculated in USD as the difference between the total issue of USD (000) 200,000 and the total par value of the issue amounting to LBP 2,400 million and after deducting issuance commission for the issue amounting to USD (000) 2,618.
Benefits:	Non-cumulative annual dividends of USD 8.00 per share, subject to the availability of non-consolidated distributable net profits.
Repurchase right:	Redeemable (at a date subsequent to the approval of 2013 accounts by the General Assembly) at the Bank's option at the issue price plus any declared but unpaid distributions for all the years preceding the year of the call, with the condition that at least 25% of the original number of the preferred shares are called each time.

In 2009, the par value of Series 2008 Preferred Shares was increased from LBP 1,200 to LBP 1,210.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SHARE CAPITAL (continued)

Preferred shares (continued)

ii) Series 2009 Preferred Shares

On 4 September 2009, and based on the decision of the Extraordinary General Assembly held on 1 August 2009, the Bank issued Series 2009 Preferred Shares according to the following terms:

Number of shares:	2,000,000
Share's issue price:	USD 96
Share's nominal value:	LBP 1,210
Issue premium:	USD (000) 188,313 (equivalent to LBP 283,881 million) calculated in USD as the difference between the total issue of USD (000) 192,000 and the total par value of the issue amounting to LBP 2,420 million and after deducting issuance commissions of USD (000) 2,082.
Benefits:	Non-cumulative annual dividends of USD 8.00 per share, subject to the availability of non-consolidated distributable net profits.
Repurchase right:	Redeemable (at a date subsequent to the approval of 2014 accounts by the General Assembly) at the Bank's option at USD 100 plus any declared but unpaid distributions for all the years preceding the year of the call, with the condition that at least 25% of the original number of the preferred shares are called each time.

During 2012, the Bank transferred LBP 2,412 million from retained earnings to the share premium on Series 2009 Preferred Shares (2011: LBP 2,412 million) for the difference between the redemption price and the issue price.

LISTING OF SHARES

As of 31 December the Bank's shares were listed as follows:

LBP Million	Stock exchange	2012 No. of shares	2011 No. of shares
Ordinary shares	Beirut	501,164,240	500,804,990
Global Depository Receipts(*)	London SEAQ and Beirut	1,287,016	1,294,201
Preferred shares	Beirut	4,000,000	4,000,000

(*) Global Depository Receipts (GDRs) can be issued at a ratio of 50 common shares per one GDR.

37. NON-DISTRIBUTABLE RESERVES

LBP Million	Legal reserve	Reserves for capital increase	Equity component of convertible subordinated debt	Reserve for general banking risks	Other reserves	Total
Balance at 1 January 2012	172,250	45,716	18,040	138,609	94,457	469,072
Appropriation from retained earnings	28,570	3,952	-	41,385	11,611	85,518
Transfer to distributable reserves (note 38)	-	-	(18,040)	-	-	(18,040)
Equity component on subordinated loan (note 35)	-	-	31,618	-	-	31,618
Net loss on sale of treasury shares	-	(23)	-	-	-	(23)
Balance at 31 December 2012	200,820	49,645	31,618	179,994	106,068	568,145
Balance at 1 January 2011	143,741	40,135	18,040	113,209	81,401	396,526
Appropriation from retained earnings	28,509	5,301	-	25,400	13,056	72,266
Net gain on sale of treasury shares	-	280	-	-	-	280
Balance at 31 December 2011	172,250	45,716	18,040	138,609	94,457	469,072

LEGAL RESERVE

According to the Lebanese Code of Commerce and to the Code of Money and Credit, the Bank is required to transfer 10% of its annual net profit to a legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends.

During 2012, the Group appropriated LBP 28,570 million from 2011 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolutions (2011: LBP 28,509 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NON-DISTRIBUTABLE RESERVES (continued)
Legal Reserve (continued)

RESERVES FOR CAPITAL INCREASE

This represents regulatory reserves constituted in accordance with circulars issued by the Banking Control Commission. These reserves cannot be distributed as dividends and comprise the following:

LBP Million	2012	2011
Reserve equivalent to realized profit on sale of assets acquired in settlement of debt, in accordance with BCC Circular No. 173	20,228	17,508
Reserve equivalent to provisions recovered, in accordance with BCC Circular No. 167	9,737	9,737
Reserve against assets obtained in settlement of debt in accordance with Central Bank of Lebanon Circular 78 and BCC Circular No. 267	9,577	8,346
Reserve against realized gain from liquidation of fixed position in accordance with BCC Circular No. 197	8,870	8,870
Others	1,233	1,255
	49,645	45,716

RESERVE FOR GENERAL BANKING RISKS

According to Central Bank of Lebanon regulations, banks are required to appropriate from their annual net profit a minimum of 0.2% and a maximum of 0.3% of total risk-weighted assets and off statement of financial position items based on rates specified by the Central Bank of Lebanon to cover general banking risks. The consolidated ratio should not be less than 1.25% of these risks at the end of year 10 (2017) and 2% at the end of year 20 (2027). This reserve cannot be distributed as dividends.

The appropriation in 2012 from the profits of the year 2011 amounted to LBP 41,385 million (2011: LBP 25,400 million).

OTHER RESERVES

Other reserves consist of non-distributable reserves of subsidiaries appropriated from retained earnings as required by the laws applicable in the countries in which they operate. During 2012, the Group transferred an amount of LBP 11,611 million from retained earnings to other reserves (2011: LBP 13,056 million).

As of 31 December 2012, "Other reserves" include reserves of LBP 67,247 million maintained by the subsidiary Byblos Bank Europe to meet several legal limits and requirements (31 December 2011: LBP 61,443 million).

31 December 2012

38. DISTRIBUTABLE RESERVES

	2012	2011
General reserves	94,237	73,705
Other capital reserves	5,422	5,422
	99,659	79,127

LBP Million

GENERAL RESERVES

The Group appropriates general reserves from its retained earnings to strengthen its equity. The movement in general reserves during the year was as follows:

	2012	2011
At 1 January	73,705	73,705
Appropriation from retained earnings	2,492	-
Transfer from non-distributable reserves (note 37)	18,040	-
At 31 December	94,237	73,705

LBP Million

OTHER CAPITAL RESERVES

	2012	2011
Premium on capital increase of Byblos Bank Armenia C.J.S.C.	1,026	1,026
Premium on capital increase of Byblos Bank Africa	4,396	4,396
	5,422	5,422

LBP Million

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. OTHER EQUITY INSTRUMENTS

On 12 July 2010, Byblos Bank S.A.L. issued three-year notes ("3 Years Byblos Bank Note") for a total amount of USD 9,936,000 (equivalent to LBP 14,979 million) according to the following terms:

Number of notes:	46
Principal of one note:	USD 216,000
Issuing price:	100%
Total issue:	USD 9,936,000 (equivalent to LBP 14,979 million).
Annual return :	3% per year payable on a monthly basis plus any dividend paid on Byblos Bank common shares during the period preceding the payments of the notes on the basis of 120,000 shares per note.
Maturity:	12 July 2013
Prepayment:	The Bank has the right to redeem the notes before maturity on an annual basis, but only within 30 days following the Annual Ordinary General Meeting of Shareholders. In such case, the Bank shall pay in addition to the principal amount of the Note and the return, a bonus of 6% on the principal of the notes.
Settlement:	At maturity, and at its discretion, the Bank shall either settle 120,000 Byblos Bank common shares per note (calculated on the basis of a strike price of USD 1.8 per share) or the principal amount of the note in addition to a bonus of 6%.

During 2012, the Group accounted for LBP 450 million representing the 3% annual return on the notes (2011: the same). In addition, the Group accounted for a liability relating to a 6% bonus on the principal of the notes in the amount of LBP 300 million for the year ended 31 December 2012 (2011: the same). Dividends paid to the holders of the notes amounted to LBP 1,049 million during 2012 (2011: the same).

40. TREASURY SHARES

Movement of treasury shares recognized in the statement of financial position for the years 2012 and 2011 was as follows:

Year ended 31 December 2012	Common shares		Global Depository Receipts	
	No. of shares	Amount USD (000)	No. of shares	Amount USD (000)
At 1 January 2012	8,707,829	15,813	12,541	1,086
Acquisitions of treasury shares	5,845	10	866	65
Sales of treasury shares	(104,453)	(190)	-	-
At 31 December 2012	**8,609,221**	**15,633**	**13,407**	**1,151**
Total treasury shares in LBP million				**25,302**

Year ended 31 December 2011	Common shares		Priority shares		Global Depository Receipts	
	No. of shares	Amount USD (000)	No. of shares	Amount USD (000)	No. of shares	Amount USD (000)
At 1 January 2011	5,662,635	10,279	113,401	200	2,903	260
Acquisitions of treasury shares	2,452,376	4,400	9,186,412	16,916	11,138	960
Sales of treasury shares	(753,124)	(1,343)	(7,953,871)	(14,639)	(1,500)	(134)
Conversion of priority shares into common shares	1,345,942	2,477	(1,345,942)	(2,477)	-	-
At 31 December 2011	8,707,829	15,813	-	-	12,541	1,086
Total treasury shares in LBP million						25,476

As of 31 December 2012, treasury shares include 5,520,000 (2011: 5,520,000) common shares held against other equity instruments (note 39).

41. RETAINED EARNINGS

As of 31 December, retained earnings include the following non-distributable amounts:

	2012	2011	LBP Million
Group's share of accumulated unrealized gain on revaluation of structural position of subsidiary bank	7,764	-	
Other	442	-	
	8,206	-	

In accordance with Decision 362 of the Council of Money and Credit of Syria, unrealized accumulated foreign exchange profits from the revaluation of the structural position in foreign currency maintained by the subsidiary bank in Syria are non-distributable. These are classified as non-distributable amounts in retained earnings after the closing of each financial year ending 31 December, upon transfer of the profit for the period to retained earnings.

Profit for the year attributable to equity holders of the parent include non-distributable amounts of LBP 15,291 million (2011: LBP 8,206 million).

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42. REVALUATION RESERVE OF REAL ESTATE

LBP Million	2012	2011
Revaluation reserve accepted in Tier II capital	1,978	1,978
Revaluation reserve not accepted in Tier II capital	3,711	3,711
	5,689	5,689

43. CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movement of the change in fair value of financial assets at fair value through other comprehensive income during the year was as follows:

LBP Million	2012	2011
At 1 January	(20,556)	53,993
Effect of IFRS 9 early adoption (note 53)	-	(72,065)
Net changes in fair values during the year	(3,483)	(3,718)
Net changes in deferred taxes	527	1,379
Difference on exchange	(122)	(145)
Balance at 31 December	(23,634)	(20,556)

44. CASH AND CASH EQUIVALENTS

LBP Million	2012	2011
Cash and balances with central banks	2,333,218	3,065,906
Due from banks and financial institutions	3,153,470	4,233,447
	5,486,688	7,299,353
Less: Due to banks and financial institutions	(858,186)	(1,143,305)
Less: Due to central banks	(7,415)	(5,930)
Cash and cash equivalents at 31 December	4,621,087	6,150,118

45. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

A list of the Group's principal subsidiaries is shown in note 2. Transactions between the Bank and its subsidiaries meet the definition of related party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's financial statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors of the Bank and the Officers of the Group.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Related party balances included in the Group's statement of financial position are as follows as of 31 December:

LBP Million

	2012	2011
Loans and advances	15,815	16,638
of which: granted to key management personnel	*13,017*	*14,028*
Deposits	208,102	169,175
Debt issued and other borrowed funds	1,984	3,513
Subordinated debt	18,241	24,860
Guarantees received	11,965	9,745
Guarantees given	9	9
Commitments (including acceptances)	12,989	4,957

Related party transactions included in the Group's income statement are as follows for the year ended 31 December:

LBP Million

	2012	2011
Interest income on loans	636	540
Interest expense on deposits	9,776	7,768
Interest expense on debt issued and other borrowed funds	138	394
Interest expense on subordinated debt	1,851	2,043
Rent expense	561	58

In addition to the above, during 2012, the Group acquired real estate properties from a related party at a cost of LBP 1,187 million (2011: nil).

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45. RELATED PARTY TRANSACTIONS (continued)

COMPENSATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

LBP Million	2012	2011
Short-term benefits[1]	15,376	13,313

(1) Short-term benefits consist of salaries, bonuses, profit-sharing, attendance fees and other short-term benefits to key management personnel.

46. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit-related commitments and contingent liabilities

To meet the financial needs of customers, the Group enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including financial and other guarantees and commitments to extend credit. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

LBP Million 2012	Banks	Customers	Total
Guarantees and contingent liabilities			
Financial guarantees	-	186,703	186,703
Other guarantees	418,220	972,462	1,390,682
	418,220	1,159,165	1,577,385
Commitments			
Documentary credits	378,108	480,514	858,622
Undrawn credit lines	-	2,248,925	2,248,925
	378,108	2,729,439	3,107,547

LBP Million 2011	Banks	Customers	Total
Guarantees and contingent liabilities			
Financial guarantees	-	199,815	199,815
Other guarantees	340,408	987,363	1,327,771
	340,408	1,187,178	1,527,586
Commitments			
Documentary credits	401,404	523,392	924,796
Undrawn credit lines	-	2,394,784	2,394,784
	401,404	2,918,176	3,319,580

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Guarantees
Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:
- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees provided include mainly performance guarantees, advance payment guarantees and tender guarantees.

Documentary credits
Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Undrawn credit lines
Undrawn credit lines and other commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

LEGAL CLAIMS
Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Group had several unresolved legal claims. Based on advice from legal counsel, management believes that these legal claims will not result in any financial loss to the Group.

LEASE ARRANGEMENTS
Operating leases – Group as lessee
The Group has entered into commercial leases on premises. These leases have an average life of between 5 and 10 years.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

LBP Million

	2012	2011
Within one year	3,647	3,773
After one year but not more than five years	11,264	11,394
More than five years	12,594	18,929
	27,505	34,096

OTHER CONTINGENCIES
The Bank's books and records have been reviewed by the Department of Income Tax for the years 2006 and 2007. On 20 February 2012, the Department of Income Tax issued its review report, whereby it charged the Bank with additional taxes and penalties amounting to LBP 1,200 million, which were fully paid during 2012. In addition, the Bank's books and records have not been reviewed by the Department of Income Tax and the National Social Security Fund for the years 2008 to 2012 and for the year 2012 respectively. The subsidiaries' books and records are also subject to review by the tax and social security authorities.

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CONTINGENT LIABILITIES

During 2011 and 2012, Syria, one of the significant credit markets of the Group, witnessed a period of political and civil unrest together with adverse events which can affect the economic environment of future periods. As part of its collective provisioning process, management performed a stress test on the loan portfolio exposed to the Syrian market risks and, as a result, the necessary provisions were booked. The Group's management continues to monitor its loan portfolio and evaluate the impact of these events during 2013.

47. ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

LBP Million	2012	2011
Assets held in custody and under administration	3,188,752	3,325,291

ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

Custody is the safekeeping and servicing of securities and other financial assets on behalf of clients. Administration includes the provision of various support functions activities, including the valuation of portfolios of securities and other financial assets on behalf of clients, which complements the custody business.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, and interest rate curves.

Financial assets at fair value through other comprehensive income

These assets are valued using models that use both observable and unobservable data. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss that are valued using a valuation technique consist of certain debt securities. The Group values the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable market data, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

2012
LBP Million

	Level 1	Level 2	Total
FINANCIAL ASSETS			
Derivative financial instruments:			
Currency swaps	-	11,069	11,069
Forward foreign exchange contracts	-	1,105	1,105
	-	12,174	12,174
Financial assets at fair value through profit or loss			
Lebanese government bonds	237,141	19,232	256,373
Certificates of deposit issued by the Central Bank of Lebanon	-	10,704	10,704
Other debt securities	7,704	-	7,704
Quoted equity instruments	26,128	-	26,128
Financial assets at fair value through other comprehensive income	41,669	36,994	78,663
	312,642	66,930	379,572
	312,642	79,104	391,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2012 LBP Million	Level 1	Level 2	Total
FINANCIAL LIABILITIES			
Derivative financial instruments			
Currency swaps	-	7,541	7,541
Forward foreign exchange contracts	-	1,072	1,072
	-	8,613	8,613

2011 LBP Million	Level 1	Level 2	Total
FINANCIAL ASSETS			
Derivative financial instruments			
Currency swaps	-	891	891
Forward foreign exchange contracts	-	4,465	4,465
	-	5,356	5,356
Financial assets at fair value through profit or loss			
Lebanese government bonds	141,874	55,710	197,584
Certificates of deposit issued by the Central Bank of Lebanon	-	11,078	11,078
Other debt securities	19,944	-	19,944
Quoted equity instruments	26,603	-	26,603
Financial assets at fair value through other comprehensive income	39,927	37,040	76,967
	228,348	103,828	332,176
	228,348	109,184	337,532
FINANCIAL LIABILITIES			
Derivative financial instruments			
Currency swaps	-	2,201	2,201
Forward foreign exchange contracts	-	5,146	5,146
	-	7,347	7,347

There were no transfers between levels during 2012 (2011: the same).

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

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LBP Million	2012 Fair value	2012 Carrying value	2011 Fair value	2011 Carrying value
FINANCIAL ASSETS				
Cash and balances with central banks	5,507,572	5,507,572	4,282,468	4,282,468
Due from banks and financial institutions	3,216,533	3,216,533	4,332,255	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	458,804	458,707	667,496	667,488
Financial assets given as collateral	9,016	8,923	9,100	8,920
Net loans and advances to customers at amortized cost	6,190,994	6,195,104	6,019,028	6,025,682
Net loans and advances to related parties at amortized cost	15,815	15,815	16,638	16,638
Debtors by acceptances	316,232	316,232	331,821	331,821
Financial assets at amortized cost				
Lebanese government bonds	3,907,795	3,821,495	3,408,096	3,262,542
Certificates of deposit issued by the Central Bank of Lebanon	4,347,402	4,248,589	4,522,782	4,259,961
Other foreign government bonds	133,215	126,960	154,443	170,123
Other debt securities	983,144	948,582	896,364	914,675
FINANCIAL LIABILITIES				
Due to central banks	17,918	17,918	15,670	15,670
Due to banks and financial institutions	1,327,985	1,327,047	1,636,083	1,635,480
Customers' deposits at amortized cost	20,012,886	19,967,531	19,223,387	19,157,233
Deposits from related parties at amortized cost	208,102	208,102	169,175	169,175
Debt issued and other borrowed funds	514,956	508,711	665,879	662,290
Engagements by acceptance	316,232	316,232	331,821	331,821
Subordinated debt	410,896	410,896	313,940	307,263

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair values in the financial statements:

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed-rate financial instruments

The fair value of fixed-rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed-interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable-rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

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49. RISK MANAGEMENT

49.1 – INTRODUCTION

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability, and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

The Group's risk management process involves identifying, measuring, monitoring and controlling risks to ensure that:

- The individuals who take or manage risks clearly understand it;
- The organization's risk exposure is within the limits established by the Board of Directors ("the Board");
- Risk-taking decisions are in line with the business strategy and objectives set by the Board of Directors;
- The expected payoffs compensate for the risks taken;
- Risk-taking decisions are explicit and clear; and
- Sufficient capital is available to act as a buffer for risks taken.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through the Bank's strategic planning process.

GROUP RISK MANAGEMENT STRUCTURE

The Board of Directors is primarily responsible for establishing/approving the Group's strategic direction and approving the nature and levels of risk the Group is willing to take. The Board has established two committees to assist in carrying out its responsibilities:

Risk, Anti-Money Laundering and Compliance Committee (BRC): provides oversight of senior management's activities in managing capital adequacy, credit, market, liquidity, operational, Anti-Money Laundering, compliance, reputational and other risks of the Group. The BRC also oversees ICAAP and approves risk policies.

Audit Committee: monitors the Group's accounting practices and external reporting, reviews the audit reports covering the Group's operations, and takes appropriate actions/decisions.

The above Board Committees are composed of mostly independent/non-executive members satisfying the applicable best practice requirements.

In addition, the Board delegates its day-to-day risk management activities to senior management, through the following diverse committees that have been established:

Executive Committee: acts under the supervision of the Chairman to ensure execution of all strategic directives stipulated by the Board and to propose new strategic projects and plans to the Board. Membership is assigned to the Chairman and Vice-Chairman, the Head of International Banking and Investment, the Head of the Group Consumer Banking Division, the Head of the Group Financial Markets Division and the Head of the Commercial Banking Division.

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Central Credit Committee (CCC): is the highest credit authority in the Group after the Board. Its mission is to review and approve high-value amount credit proposals. The internal lending limit is set at 10% of equity, which requires the joint approval of the Chairman and the CCC. Credit proposal amounts exceeding the internal lending limit are referred to the Board (or any delegated committee) for approval. The CCC delegates approval authority for lower-amount credit proposals to various sub-committees (Middle Market Committee, Loan Recovery Committee, etc.)

Assets and Liabilities Committee (ALCO): whose mission is to manage the statement of financial position in compliance with the main objectives of the Group, in terms of growth, liquidity and interest income. Its role encompasses the review and approval of policies and procedures to control and limit the risks regarding liquidity and interest rates, foreign exchange and trading activities through decisions on size and duration of mismatched positions and pricing.

Risk Committee: whose task is to formulate and enforce guidelines and standards with regard to risk policies. It also reviews reports and findings identified by Group Risk Management and issues related to the implementation of Basel II projects. The Committee acts as a forum for discussion and approval of risk policies and oversees the risk reports prepared on a quarterly basis before submission to the Board. Sub-committees have been established to discuss and approve specific risk-related topics:

- Operational Risk Committee and Information Security Committee;
- Compliance and Anti-Money Laundering Committee.

Internal Audit Committee: whose mission is to review the audit and credit-review reports issued by the Group Internal Audit Division, to ratify recommended action plans and to ensure that all recommendations have been implemented by audited parties.

Group Internal Audit Division

The Group Internal Audit Division (GIA) is responsible for providing an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined and risk-based approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Its role within the Group is to ensure that adequate internal controls are maintained and where weaknesses are identified, they are reported to senior management and the Audit Committee along with recommendations for improvement. The GIA assesses all new products and procedures and changes in systems and reports its recommendations accordingly

The GIA also ensures that the Group is in compliance with the rules and regulations in different jurisdictions where the Group is operating, with Central Bank and Banking Control Commission requirements, Board of Directors and management directives, and implemented policies and procedures.

RISK MANAGEMENT – BASEL PERSPECTIVE

The Group risk management is broadly following the guidelines of the Basel texts to measure and assess the risks identified under Pillars 1 and 2, i.e., the credit, operational, and market risks, as well as the interest rate risk in the banking book, the liquidity risk, and credit concentration.

With regard to Basel recommendations relating to best practices in risk management and its objective of capital measurement and capital adequacy, the Group adopts a phased approach to take a more sophisticated approach to credit risk and make use of internal ratings-based methodology – or "IRB Approach" – to calculate its capital requirement for credit risk. In addition to the market risk capital charge, an explicit capital charge for operational risk is being accounted for. Through addressing these three risks – credit, market, and operational – the Group addresses Pillar 1 risks.

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As for addressing the capital management issue in the context of Basel II, in 2011 the Group developed a comprehensive Internal Capital Adequacy Assessment Process (ICAAP), disclosing the risk appetite statement and covering all risks to which the Group is or may be exposed, as well as risk factors from the environment in which it operates. The considered key aspects of the ICAAP are qualitative (Board oversight, policies, identification of material risk, etc.) and quantitative (Capital Adequacy Ratio, Stress Testing, Economic Capital, etc.).

RISK GOVERNANCE

The overall responsibility for the monitoring and the analytical management of risk is effectively assigned to the Group Risk Management (GRM) Division, established in 2004. The GRM reports to the Chairman through the head of the GRM Division. Risk issues and reports are submitted to the Board regularly through the Board Risk, Anti-Money Laundering and Compliance Committee, which provides oversight of senior management's activities in managing capital adequacy, credit, market, liquidity, operational, Anti-Money Laundering, compliance, reputational and other risks of the Group, oversees ICAAP, approves risk policies.

The GRM is currently made up of 32 people, allocated to various departments/units:

Portfolio Management and Credit Risk Analytics (PMCRA): has the responsibility to develop and update the Group's credit policies and procedures and include frameworks for credit risk measurement and management. The department also designs, implements and validates credit ratings and scoring models and reports on capital composition and credit exposure in terms of size, concentrations and quality. It is also responsible for the implementation of Basel II credit programs, including CAR (capital adequacy ratio) calculation.

Operational Risk Management (ORM): sets the framework necessary for identification, measurement and management of operational risk across the Group, including clear definition of risks, developing ORM policies, developing ORM programs and tools, interacting internally with business lines and assisting them in the implementation of ORM programs.

Market Risk Unit (MRU): sets the framework necessary for identification, measurement and management of market risk across the Group, including developing market risk policies and procedures, developing risk measurement methodologies, reviewing limits on the Bank's liquidity, interest rate risk and equity risk positions, stress testing and reporting on excesses to senior management.

Risk Modeling Unit (RMU): is responsible for providing quantitative analytic support to the respective risk-related departments and coordinating with them in the development of respective credit and market portfolio models for Group Risk Management and models for stress testing and scenario analysis.

Information Security Department: provides the policies to initiate and control the implementation of information security within the Group, monitors security-related events, provides support to the Business on all incoming security requests, and develops and maintains the Business Continuity Plan for the Group.

The main role of the *Group Risk Support Department* at the Bank is to provide technical and business support to Group Risk Management to ensure the implementation of major Group risk projects, perform project management for Basel II compliance-related solutions, data gap analysis, requirements definition, etc. and maintain databases and reports required to support the Group Risk Management.

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RISK MANAGEMENT FRAMEWORK

The Risk Management Framework is based on a set of principles adopted by the Board through the Risk Charter. These principles are reviewed annually in order to be aligned with the changes related to the internal and external environment of the Group. The set of basic principles that governs the Risk Management Framework of the Group are developed based on the following:

Business Line Accountability: business lines are accountable for managing the risks associated with their activities and establishing tolerances for risk taking. The accountability exists notwithstanding the presence of any support functions dedicated to risk management activities.

Strategic Level Risk Management: encompasses the risk management functions performed by senior management and the Board. It includes defining the Group's risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that the Group's aggregate risk profile is within acceptable tolerance levels.

Analytical Level Risk Management: encompasses the risk management functions, within the authority delegated by the Strategic Level, to identify, measure, monitor and report the risks taken by the Group in a consistent manner across all business lines and operational units.

Tactical Level Risk Management: involves risk management activities performed by individuals who take risk on the Group's behalf, such as the front office and loan origination functions.

The Risk Charter is complemented by risk-specific policies and procedures enabling the unification of risk culture and practice. Risk management is applied through the implementation of these risk policies/limits, which are approved by the Board and put in place by the risk management functions in cooperation with the business lines. Monitoring of individual risks is handled upon the initiation and renewal of the risk through a clear decision-making process documented in written procedure.

RISK MANAGEMENT IN OVERSEAS BRANCHES AND SUBSIDIARIES

The management of the risks in the Group's overseas entities is done through GRM, which oversees risk governance, policies, write-ups, risk measurement, awareness and reporting, and Basel II CAR calculation. Each entity has a Country Risk Manager/Coordinator, appointed in consultation with the Head of GRM, with primary responsibility to measure and report the risks of that entity. The policies and procedures defined by GRM also apply to these entities in terms of basic rules and standards, while local modifications usually are made in order to comply with national discretions/requirements. Each Country Risk Manager reports to the entity's general manager and also carries out functional reporting to Group Risk Management.

RISK MEASUREMENT AND REPORTING SYSTEMS

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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Information compiled from all the business lines is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Board and senior management.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A briefing is given to the Board and all other relevant members of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

EXCESSIVE RISK CONCENTRATION

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical 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 indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

49.2 – CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

CREDIT INITIATION

Target markets and customers and products' strategy are identified in the yearly business plan deriving from the medium-term plan. These plans are submitted to and discussed with management and the Board by different business lines. The process of initiating and approving credit proposals is governed by the Group's Credit Policies and Procedures Manual (CPPM). The CPPM consolidates the principles for the credit origination and follow-up process based on Risk Acceptance Criteria (RACs) and equity warning signals, and includes the credit committee charters and related approval authorities, the roles and responsibilities of credit personnel, the credit administration function, and the credit application forms.

Commercial lending is handled by the Commercial Banking Division, which oversees the business origination related to corporate customers, middle market and international lending. The assessment of a credit request requires an evaluation of the borrower's creditworthiness through an in-depth analysis of a series of financial, management, business and market criteria translated into an overall credit risk rating. This assessment process is applicable to both new and existing clients.

The Financial Institution department is a separate business line that sets the strategy for the Bank's limits and manages relationships with banks. The function is determined by liquidity targets and by profit generation through a dynamic yet diversified trade finance business.

The Consumer Banking division is responsible for designing and implementing the strategy and documenting the program for consumer loans, housing loans, revolving credit cards, small business loans and Kafalat guaranteed loans.

CREDIT APPROVAL

The review of credit proposals is assigned to the Credit Risk Division (CRD), a function independent of the origination units. Every non-retail lending transaction is subject to a thorough risk assessment by the CRD prior to being submitted to the appropriate approving authority.

The credit risk analysis team is organized into four departments, each servicing a different business segment (corporate, international, middle market and financial institutions). In the case of retail lending, risk assessment occurs first at the level of the product design and is followed on with a post-approval review on a sampling basis. The latter is aimed at identifying and reporting weaknesses in credit assessment and deviation from pre-set criteria.

The primary function of the risk analysis team is to ensure that the extension of credit is consistent with the Bank's risk acceptance criteria and the CPPM.

Evaluation of a credit proposal includes an assessment of the borrower's:

a) Business model
b) Sector/Industry/Sovereign risk
c) Management capabilities and organizational structure
d) Financial standing
e) Past credit history
f) Legal aspect
g) Facility risk
h) Collateral and guarantees

LOAN FOLLOW-UP AND MONITORING

Each business line manager who originated the loan remains vested with the responsibility of monitoring the exposure and reviewing the file on an annual basis, or more frequently if needed. Annual reviews consist of a full update of the credit package and follow the same process as the initiation of the loan.

Outstanding loans also are subject to constant monitoring by the Credit Risk Division based on a series of reports. The aim of such monitoring is to ensure problem recognition, and to follow up on the prompt remedial of identified deteriorations in borrowers' financial positions, the value of their collateral, and the status of the related sector/industry. Early warning signals are derived from a set of system-generated reports.

IMPAIRMENT ASSESSMENT

For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty for the customer;
- A breach of contract such as a default of payment;
- Where the Group grants the customer a concession due to the customer's experiencing financial difficulty;
- It becomes probable that the customer will enter bankruptcy or other financial reorganization;
- Observable data suggesting a decrease in the estimated future cash flows related to the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In measuring credit risk at a counterparty level, the Group reflects three components – the "probability of default" (PD) by the client or counterparty on its contractual obligations; the Group's current exposure to the counterparty and its likely future development, from which the Group derives its "exposure at default" (EAD); and the likely recovery ratio on the defaulted obligations to give the "loss given default" (LGD). These components are also important parameters in determining portfolio risk, not only for internal credit risk measures but also for future regulatory capital calculations, since they are the basis of the Basel II Advanced Internal Rating Based approach, which the Group intends to adopt.

INDIVIDUALLY ASSESSED ALLOWANCES

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interest, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

COLLECTIVELY ASSESSED ALLOWANCES

Allowances are assessed collectively for losses on loans and advances and for debt instruments at amortized cost that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances and debt instruments at amortized cost that have been assessed individually and found not to be impaired.

The Group generally bases its analyses on historical experience. However, when there are significant market developments on the regional and/or global levels, the Group includes macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loan assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Credit-related commitments and financial guarantees are assessed and provisions are made in a similar manner as for loans.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position.

With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation but the counterparty fails to deliver the counter-value.

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Credit-related commitments and financial guarantee risks

The Group makes available to its customers guarantees which may require the Group to make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Such commitments expose the Group to risks similar to those attaching to loans and are mitigated by the same control processes and policies.

ANALYSIS OF MAXIMUM EXPOSURE TO CREDIT RISK AND COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

2012 LBP Million	Maximum exposure	Cash	Securities	Letters of credit/ guarantees	Real estate	Net credit exposure
Balances with central banks	5,273,688	-	-	-	-	5,273,688
Due from banks and financial institutions	3,216,533	55,782	-	-	-	3,160,751
Loans to banks and financial institutions and reverse repurchase agreements	458,707	16,321	-	-	-	442,386
Financial assets given as collateral	8,923	-	-	-	-	8,923
Derivative financial instruments	12,174	-	-	-	-	12,174
Financial assets at fair value through profit or loss	274,781	-	-	-	-	274,781
Net loans and advances to customers at amortized cost:						
Commercial loans	4,203,285	324,832	277,831	24,055	697,391	2,879,176
Consumer loans	1,991,819	185,786	1,155	-	369,271	1,435,607
	6,195,104	510,618	278,986	24,055	1,066,662	4,314,783
Net loans and advances to related parties at amortized cost	15,815	8,537	-	-	1,357	5,921
Financial assets at amortized cost	9,145,626	-	-	-	-	9,145,626
	24,601,351	591,258	278,986	24,055	1,068,019	22,639,033
Financial guarantees	186,703	19,859	-	-	-	166,844
Documentary credits (including acceptances)	1,174,854	117,825	-	-	-	1,057,029
	25,962,908	728,942	278,986	24,055	1,068,019	23,862,906
Utilized collateral		728,942	278,986	24,055	1,068,019	
Surplus of collateral before undrawn credit lines		143,984	102,346	80,516	2,097,836	
Guarantees received from banks, financial institutions and customers		872,926	381,332	104,571	3,165,855	

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,248,925 million as at 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.2 – CREDIT RISK (continued)

2011 LBP Million	Maximum exposure	Cash	Securities	Letters of credit/ guarantees	Real estate	Net credit exposure
Balances with central banks	4,070,942	-	-	-	-	4,070,942
Due from banks and financial institutions	4,330,842	84,867	-	-	-	4,245,975
Loans to banks and financial institutions and reverse repurchase agreements	667,488	30,237	-	-	-	637,251
Financial assets given as collateral	8,920	-	-	-	-	8,920
Derivative financial instruments	5,356	-	-	-	-	5,356
Financial assets at fair value through profit or loss	228,606	-	-	-	-	228,606
Net loans and advances to customers at amortized cost:						
Commercial loans	4,348,763	389,862	339,941	24,805	667,147	2,927,008
Consumer loans	1,676,919	27,943	115	-	96,541	1,552,320
	6,025,682	417,805	340,056	24,805	763,688	4,479,328
Net loans and advances to related parties at amortized cost	16,638	7,975	-	-	166	8,497
Financial assets at amortized cost	8,607,301	-	-	-	-	8,607,301
	23,961,775	540,884	340,056	24,805	763,854	22,292,176
Financial guarantees	199,815	28,166	-	-	-	171,649
Documentary credits (including acceptances)	1,256,617	104,038	-	-	-	1,152,579
	25,418,207	673,088	340,056	24,805	763,854	23,616,404
Utilized collateral		673,088	340,056	24,805	763,854	
Surplus of collateral before undrawn credit lines		344,999	68,417	48,528	1,718,936	
Guarantees received from banks, financial institutions and customers		**1,018,087**	**408,473**	**73,333**	**2,482,790**	

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,394,784 million as at 31 December 2011.

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place regarding the acceptability of types of collateral and valuation parameters.

Management requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The main types of collateral obtained are as follows:

Securities

The balances shown above represent the fair value of the securities.

Letters of credit/guarantees

The Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.

Real estate (commercial and residential)

The Group holds in some cases a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown above reflects the fair value of the property limited to the related mortgaged amount.

Other

In addition to the foregoing, the Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals, and assignments of insurance proceeds and revenues, which are not reflected in the above table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.2 – CREDIT RISK (continued)

CREDIT QUALITY PER CLASS OF FINANCIAL ASSET

The credit quality of financial assets is managed by the Group using internal and external credit ratings. The credit quality of loans and advances is managed using internal credit ratings as well as Supervisory ratings in accordance with Central Bank of Lebanon Main Circular No. 58.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

2012	Neither past due nor impaired				
LBP Million	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Balances with central banks	4,663,254	610,434	-	-	5,273,688
Due from banks and financial institutions	2,428,245	788,288	-	5,452	3,221,985
Loans to banks and financial institutions and reverse repurchase agreements	65,179	393,528	-	-	458,707
Financial assets given as collateral	8,923	-	-	-	8,923
Derivative financial instruments	12,174	-	-	-	12,174
Financial assets at fair value through profit or loss:					
Lebanese government bonds	256,373	-	-	-	256,373
Certificates of deposit issued by the Central Bank of Lebanon	10,704	-	-	-	10,704
Other debt securities	7,704	-	-	-	7,704
Net loans and advances to customers at amortized cost:					
Commercial loans	3,833,539	248,012	83,361	326,891	4,491,803
Consumer loans	1,837,020	28,410	152,686	37,044	2,055,160
Net loans and advances to related parties at amortized cost	15,815	-	-	-	15,815
Debtors by acceptances	285,766	30,466	-	-	316,232
Financial assets at amortized cost:					
Lebanese government bonds	3,821,495	-	-	-	3,821,495
Certificates of deposit issued by the Central Bank of Lebanon	4,248,589	-	-	-	4,248,589
Other foreign government bonds	76,980	49,980	-	-	126,960
Other debt securities	726,573	227,496	-	-	954,069
	22,298,333	2,376,614	236,047	369,387	25,280,381

2011 LBP Million	Neither past due nor impaired High grade	 Standard grade	 Past due but not impaired	 Individually impaired	 Total
Balances with central banks	3,686,752	384,190	-	-	4,070,942
Due from banks and financial institutions	3,813,373	517,469	-	6,356	4,337,198
Loans to banks and financial institutions and reverse repurchase agreements	69,721	597,767	-	-	667,488
Financial assets given as collateral	8,920	-	-	-	8,920
Derivative financial instruments	5,356	-	-	-	5,356
Financial assets at fair value through profit or loss:					
Lebanese government bonds	197,584	-	-	-	197,584
Certificates of deposit issued by the Central Bank of Lebanon	11,078	-	-	-	11,078
Other debt securities	9,138	10,806	-	-	19,944
Net loans and advances to customers at amortized cost:					
Commercial loans	4,016,595	263,824	100,098	174,568	4,555,085
Consumer loans	1,549,828	20,236	129,254	27,812	1,727,130
Net loans and advances to related parties at amortized cost	16,638	-	-	-	16,638
Debtors by acceptances	325,715	6,106	-	-	331,821
Financial assets at amortized cost:					
Lebanese government bonds	3,262,542	-	-	-	3,262,542
Certificates of deposit issued by the Central Bank of Lebanon	4,259,961	-	-	-	4,259,961
Other foreign government bonds	121,774	55,745	-	23,861	201,380
Other debt securities	824,408	101,046	-	-	925,454
	22,179,383	1,957,189	229,352	232,597	24,598,521

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)
49.2 – CREDIT RISK (continued)

Aging analysis of past due but not impaired loans per class of financial assets:

2012

LBP Million	Less than 90 days	91 to 180 days	More than 181 days	Total
Loans and advances to customers at amortized cost				
Commercial loans	37,270	30,038	16,053	83,361
Consumer loans	136,077	6,407	10,202	152,686
	173,347	36,445	26,255	236,047

2011

LBP Million	Less than 90 days	91 to 180 days	More than 181 days	Total
Loans and advances to customers at amortized cost				
Commercial loans	72,782	21,450	5,866	100,098
Consumer loans	113,973	4,096	11,185	129,254
	186,755	25,546	17,051	229,352

MAPPING TO EXTERNAL CREDIT RATING

	Financial assets	Loans and advances to customers	
	External credit rating	Supervisory rating	Characteristics
High grade	Lebanese Sovereign AAA to A-	Regular	Regular and timely payment of dues. Adequacy of cash flows. Timely financial statements. Sufficient collateral/guarantee (if required).
		Follow-up	Lack of documentation related to borrower's activity.
Standard grade	BBB+ and below unrated	Follow-up and regularization	Creditworthy borrower showing weaknesses; insufficient/inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; conflict between partners or other lawsuits; loan rescheduling since initiation; excess utilization above limit by more than 10%.
Individually impaired	Impaired	Substandard	Signs of incapacity to repay from identified cash flows; full repayment supposes the liquidation of assets/collateral; recurrent late payments; late interests; losses incurred for over three years.
		Doubtful	Full repayment is questioned even after asset liquidation; account stagnation and inability to repay restructured loans.
		Bad	No or little expected inflows from business or assets; borrower is unreachable; insolvency status.

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The classification of loans and advances to customers and related parties at amortized cost, as in accordance with the ratings of Central Bank of Lebanon Main Circular No. 58, are as follows:

2012
LBP Million

	Gross balance	Unrealized interest	Impairment allowances	Net balance
Regular	5,218,167	-	-	5,218,167
Follow-up	622,093	-	-	622,093
Follow-up and regularization	342,768	-	-	342,768
Substandard	13,146	(2,392)	-	10,754
Doubtful	223,128	(11,807)	(97,266)	114,055
Bad	127,661	(57,149)	(70,512)	-
	6,546,963	**(71,348)**	**(167,778)**	**6,307,837**
Collective impairment	(112,733)	-	-	(112,733)
	6,434,230	**(71,348)**	**(167,778)**	**6,195,104**

2011
LBP Million

	Gross balance	Unrealized interest	Impairment allowances	Net balance
Regular	5,038,465	-	-	5,038,465
Follow-up	696,856	-	-	696,856
Follow-up and regularization	344,514	-	-	344,514
Substandard	10,214	(1,400)	-	8,814
Doubtful	72,525	(2,169)	(29,595)	40,761
Bad	119,641	(59,030)	(60,611)	-
	6,282,215	**(62,599)**	**(90,206)**	**6,129,410**
Collective impairment	(103,728)	-	-	(103,728)
	6,178,487	**(62,599)**	**(90,206)**	**6,025,682**

RENEGOTIATED LOANS

Restructuring activities aim to manage customer relationships, maximize collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, deferring foreclosure, modification, loan rewrites, and/or deferral of payments pending a change in circumstances.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue. The application of these policies varies according to the nature of the market and the type of the facility.

LBP Million

	2012	2011
Commercial loans	23,609	2,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.2 – CREDIT RISK (continued)

ANALYSIS OF RISK CONCENTRATION

The Group's concentrations of risk are managed by client/counterparty, by geographical region, and by industry or sector. The maximum credit exposure to any client or counterparty as of 31 December 2012 was LBP 146,936 million (2011: LBP 197,603 million) before taking account of collateral or other credit enhancements and nil (2011: LBP 10,624 million) net of such protection.

The following tables show the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography of counterparty before the effect of mitigation through the use of netting and collateral agreements.

Geographic analysis

2012 LBP Million	Lebanon	Europe	Others	Total
Balances with central banks	4,523,437	124,496	625,755	5,273,688
Due from banks and financial institutions	187,831	1,926,865	1,101,837	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	20,599	264,197	173,911	458,707
Financial assets given as collateral	8,923	-	-	8,923
Derivative financial instruments	4,811	4,292	3,071	12,174
Financial assets at fair value through profit or loss:				
Lebanese government bonds	256,373	-	-	256,373
Certificates of deposit issued by the Central Bank of Lebanon	10,704	-	-	10,704
Other debt securities	-	1,746	5,958	7,704
Net loans and advances to customers at amortized cost:				
Commercial loans	3,159,531	236,369	807,385	4,203,285
Consumer loans	1,863,092	33,045	95,682	1,991,819
Net loans and advances to related parties at amortized cost	14,006	-	1,809	15,815
Debtors by acceptances	187,450	14,512	114,270	316,232
Financial assets at amortized cost:				
Lebanese government bonds	3,821,495	-	-	3,821,495
Certificates of deposit issued by the Central Bank of Lebanon	4,248,589	-	-	4,248,589
Other foreign government bonds	-	61,265	65,695	126,960
Other debt securities	146,737	383,682	418,163	948,582
	18,453,578	3,050,469	3,413,536	24,917,583

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2011

LBP Million	Lebanon	Europe	Others	Total
Balances with central banks	3,624,587	33,242	413,113	4,070,942
Due from banks and financial institutions	242,047	2,546,428	1,542,367	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	82,523	370,348	214,617	667,488
Financial assets given as collateral	8,920	-	-	8,920
Derivative financial instruments	2,521	2,336	499	5,356
Financial assets at fair value through profit or loss:				
Lebanese government bonds	197,584	-	-	197,584
Certificates of deposit issued by the Central Bank of Lebanon	11,078	-	-	11,078
Other debt securities	153	2,072	17,719	19,944
Net loans and advances to customers at amortized cost:				
Commercial loans	2,877,966	213,964	1,256,833	4,348,763
Consumer loans	1,535,550	25,689	115,680	1,676,919
Net loans and advances to related parties at amortized cost	13,185	-	3,453	16,638
Debtors by acceptances	179,815	29,904	122,102	331,821
Financial assets at amortized cost:				
Lebanese government bonds	3,262,542	-	-	3,262,542
Certificates of deposit issued by the Central Bank of Lebanon	4,259,961	-	-	4,259,961
Other foreign government bonds	-	57,969	112,154	170,123
Other debt securities	125,882	427,070	361,723	914,675
	16,424,314	3,709,022	4,160,260	24,293,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49.3 – LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains statutory deposits with central banks. As per Lebanese banking regulations, the Bank must retain obligatory reserves with the Central Bank of Lebanon calculated on the basis of 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds, in addition to interest-bearing placements equivalent to 15% of all deposits in foreign currencies regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration.

REGULATORY RATIOS AND LIMITS

In accordance with Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits in foreign currencies should not be less than 10%. Net liquid assets consist of cash and all balances with the Central Bank of Lebanon (excluding reserve requirements), certificates of deposit issued by the Central Bank of Lebanon irrespective of their maturities, and deposits due from other banks that mature within one year, less deposits due to the Central Bank of Lebanon and deposits due to banks that mature within one year. Deposits are composed of total customers' deposits (excluding blocked accounts) and due from financial institutions irrespective of their maturities and all certificates of deposit and acceptances and other debt instruments issued by the Group and loans from the public sector that mature within one year.

Apart from the regulatory requirements, the liquidity position is also monitored through internal limits, such as the loans-to-deposits ratio, the core funding ratio and the liquidity tolerance level of the Group, also referred to as the Liquidity Coverage Ratio.

	2012	2011
Loans to deposits		
Year-end	30.78%	31.26%
Maximum	30.97%	31.26%
Minimum	30.75%	30.84%
Average	30.84%	31.10%

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ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarizes the maturity profile of the Group's financial assets and liabilities at 31 December 2012 and 2011 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The table does not reflect the expected cash flows that are in line with the Group's deposit retention history.

2012 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with central banks	1,603,352	792,069	75,451	2,690,996	1,285,236	6,447,104
Due from banks and financial institutions	2,384,987	772,104	62,820	1,036	-	3,220,947
Loans to banks and financial institutions and reverse repurchase agreements	45,795	196,531	209,261	8,593	995	461,175
Financial assets given as collateral	-	-	2,218	7,718	-	9,936
Derivative financial instruments	11,459	625	90	-	-	12,174
Financial assets at fair value through profit or loss	18	2,321	39,200	91,808	352,083	485,430
Net loans and advances to customers at amortized cost	2,461,526	419,319	755,223	1,898,151	1,183,872	6,718,091
Net loans and advances to related parties at amortized cost	13,017	-	-	2,798	-	15,815
Debtors by acceptances	165,909	77,378	72,890	55	-	316,232
Financial assets at amortized cost	500,089	264,116	1,732,688	6,458,732	2,185,143	11,140,768
Financial assets at fair value through other comprehensive income	-	-	-	-	78,663	78,663
Total undiscounted financial assets	7,186,152	2,524,463	2,949,841	11,159,887	5,085,992	28,906,335
FINANCIAL LIABILITIES						
Due to central banks	7,391	24	2,418	8,648	1	18,482
Due to banks and financial institutions	737,969	144,292	95,659	140,917	266,706	1,385,543
Derivative financial instruments	8,121	352	140	-	-	8,613
Customers' deposits at amortized cost	12,492,539	2,860,961	3,797,211	1,094,591	12,519	20,257,821
Deposits from related parties at amortized cost	159,779	18,846	27,096	8,425	-	214,146
Debt issued and other borrowed funds	-	1,090	34,988	188,711	558,522	783,311
Engagements by acceptances	165,909	77,378	72,890	55	-	316,232
Subordinated debt	-	8,084	22,047	110,236	564,492	704,859
Total undiscounted financial liabilities	13,571,708	3,111,027	4,052,449	1,551,583	1,402,240	23,689,007
Net undiscounted financial assets/(liabilities)	(6,385,556)	(586,564)	(1,102,608)	9,608,304	3,683,752	5,217,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.3 – LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

2011 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with central banks	2,387,747	726,117	33,671	971,161	645,638	4,764,334
Due from banks and financial institutions	4,182,441	55,452	81,724	17,866	203	4,337,686
Loans to banks and financial institutions and reverse repurchase agreements	165,088	238,320	264,046	6,868	833	675,155
Financial assets given as collateral	-	-	704	9,766	-	10,470
Derivative financial instruments	2,758	2,158	440	-	-	5,356
Financial assets at fair value through profit or loss	14	3,755	33,342	119,909	191,139	348,159
Net loans and advances to customers at amortized cost	2,299,032	548,778	1,021,977	1,731,471	653,113	6,254,371
Net loans and advances to related parties at amortized cost	14,028	-	-	-	2,610	16,638
Debtors by acceptances	170,370	106,615	54,836	-	-	331,821
Financial assets at amortized cost	489,782	531,041	1,386,646	5,887,306	2,182,437	10,477,212
Financial assets at fair value through other comprehensive income	-	-	-	-	76,967	76,967
Total undiscounted financial assets	9,711,260	2,212,236	2,877,386	8,744,347	3,752,940	27,298,169
FINANCIAL LIABILITIES						
Due to central banks	5,943	1	669	9,881	-	16,494
Due to banks and financial institutions	1,042,837	106,718	128,955	293,621	145,595	1,717,726
Derivative financial instruments	4,333	2,624	390	-	-	7,347
Customers' deposits at amortized cost	13,201,532	2,213,127	3,103,278	856,822	17,295	19,392,054
Deposits from related parties at amortized cost	159,800	5,960	426	2,989	-	169,175
Debt issued and other borrowed funds	616	156,075	34,988	193,119	594,709	979,507
Engagements by acceptances	170,370	106,615	54,836	-	-	331,821
Subordinated debt	1,410	1,069	323,839	-	-	326,318
Total undiscounted financial liabilities	14,586,841	2,592,189	3,647,381	1,356,432	757,599	22,940,442
Net undiscounted financial assets/(liabilities)	(4,875,581)	(379,953)	(769,995)	7,387,915	2,995,341	4,357,727

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The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

2012 LBP Million	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial guarantees	2,257	4,621	106,086	72,630	1,109	186,703
Documentary credits	31,221	397,653	405,346	24,402	-	858,622
Undrawn credit lines	2,248,925	-	-	-	-	2,248,925
	2,282,403	402,274	511,432	97,032	1,109	3,294,250

2011 LBP Million	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial guarantees	2,297	3,765	132,121	61,632	-	199,815
Documentary credits	58,278	405,942	455,972	4,604	-	924,796
Undrawn credit lines	2,394,784	-	-	-	-	2,394,784
	2,455,359	409,707	588,093	66,236	-	3,519,395

The Group expects that not all of the contingent liabilities or commitments will be demanded before maturity.

49.4 – MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Bank's market risk governance has been defined in the Security Investment Policy, which defines the roles and responsibilities of the key stakeholders of market risk management, including the Board, the Assets and Liabilities Committee (ALCO) and the Market Risk Unit.

It is the responsibility of the ALCO to manage the Group's investment portfolio under the terms of the Security Investment Policy. While striving to maximize portfolio performance, the ALCO keeps the management of the portfolio within the bounds of good banking practices, satisfies the Group's liquidity needs, and ensures compliance with both regulatory and internally set limits and requirements.

The Market Risk Unit sets the framework necessary for identification, measurement and management of market risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)
49.4 – MARKET RISK (continued)

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities and off-financial position items that mature or are repriced in a given period. The Group manages the risk by matching the repricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

Interest rate sensitivity

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate financial assets and financial liabilities and to the reinvestment or refunding of fixed-rate financial assets and liabilities at the assumed rates, including the effect of hedging instruments.

LBP Million		2012	2011
Currency	Increase in basis points	Effect on net interest income	Effect on net interest income
LBP	50 basis point	(15,929)	(13,865)
USD	50 basis point	560	3,171
EUR	50 basis point	(236)	1,237

The Group's interest sensitivity position based on the contractual repricing date at 31 December was as follows:

2012 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing items	Total
ASSETS							
Cash and balances with central banks	416,248	738,675	-	2,144,856	980,000	1,227,793	5,507,572
Due from banks and financial institutions	2,382,244	770,261	61,746	1,036	-	1,246	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	105,036	171,314	179,742	1,282	995	338	458,707
Financial assets given as collateral	-	-	1,899	6,915	-	109	8,923
Derivative financial instruments	-	-	-	-	-	12,174	12,174
Financial assets at fair value through profit or loss	-	611	1,255	26,651	243,564	28,828	300,909
Net loans and advances to customers at amortized cost	3,262,724	311,658	483,713	1,280,917	801,933	54,159	6,195,104
Net loans and advances to related parties at amortized cost	13,017	-	-	2,260	-	538	15,815
Debtors by acceptances	-	-	-	-	-	316,232	316,232
Financial assets at amortized cost	396,992	121,880	1,266,292	5,356,235	1,855,538	148,689	9,145,626
Financial assets at fair value through other comprehensive income	-	-	-	-	-	78,663	78,663
Total	6,576,261	2,114,399	1,994,647	8,820,152	3,882,030	1,868,769	25,256,258

2012 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing items	Total
LIABILITIES							
Due to central banks	506	24	2,267	8,307	1	6,813	17,918
Due to banks and financial institutions	766,913	144,989	99,882	215,895	90,064	9,304	1,327,047
Derivative financial instruments	-	-	-	-	-	8,613	8,613
Customers' deposits at amortized cost	12,322,430	2,825,013	3,689,762	1,028,718	7,242	94,366	19,967,531
Deposits from related parties at amortized cost	157,634	17,674	23,621	6,587	1,507	1,079	208,102
Debt issued and other borrowed funds	-	-	-	60,990	447,721	-	508,711
Engagements by acceptances	-	-	-	-	-	316,232	316,232
Subordinated debt	-	-	-	-	410,079	817	410,896
Total	13,247,483	2,987,700	3,815,532	1,320,497	956,614	437,224	22,765,050
Total interest sensitivity gap	(6,671,222)	(873,301)	(1,820,885)	7,499,655	2,925,416	1,431,545	2,491,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)
49.4 – MARKET RISK (continued)

2011 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest-bearing items	Total
ASSETS							
Cash and balances with central banks	1,509,291	670,838	-	716,063	500,499	885,777	4,282,468
Due from banks and financial institutions	4,175,623	61,760	73,070	17,326	203	2,860	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	298,964	189,577	170,745	6,000	800	1,402	667,488
Financial assets given as collateral	-	-	-	8,814	-	106	8,920
Derivative financial instruments	-	-	-	-	-	5,356	5,356
Financial assets at fair value through profit or loss	-	-	19,713	76,496	129,490	29,510	255,209
Net loans and advances to customers at amortized cost	2,939,480	1,150,399	1,484,140	473,899	51,597	(73,833)	6,025,682
Net loans and advances to related parties at amortized cost	14,027	-	-	-	2,262	349	16,638
Debtors by acceptances	-	-	-	-	-	331,821	331,821
Financial assets at amortized cost	378,243	441,459	864,625	4,828,296	1,968,778	125,900	8,607,301
Financial assets at fair value through other comprehensive income	-	-	-	-	-	76,967	76,967
Total	9,315,628	2,514,033	2,612,293	6,126,894	2,653,629	1,386,215	24,608,692
LIABILITIES							
Due to central banks	5,333	-	379	9,318	-	640	15,670
Due to banks and financial institutions	964,870	263,387	169,429	175,133	53,157	9,504	1,635,480
Derivative financial instruments	1,953	2,624	390	-	-	2,380	7,347
Customers' deposits at amortized cost	13,063,596	2,173,890	3,029,187	793,671	10,044	86,845	19,157,233
Deposits from related parties at amortized cost	157,690	4,386	1,111	2,921	-	3,067	169,175
Debt issued and other borrowed funds	-	152,484	-	60,978	448,194	634	662,290
Engagements by acceptances	-	-	-	-	-	331,821	331,821
Subordinated debt	-	-	303,911	-	-	3,352	307,263
Total	14,193,442	2,596,771	3,504,407	1,042,021	511,395	438,243	22,286,279
Total interest sensitivity gap	(4,877,814)	(82,738)	(892,114)	5,084,873	2,142,234	947,972	2,322,413

Currency risk

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The Central Bank of Lebanon allows the Bank to maintain a net trading position, debit or credit, that does not exceed at any time 1% of net Tier 1 equity on condition that the global position does not exceed 40% of net Tier 1 equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required capital adequacy ratio.

In addition to regulatory limits, the Board has set limits on positions by currency. These positions are monitored constantly to ensure they are maintained within established limits.

Following is the consolidated statement of financial position as of 31 December 2012 detailed in Lebanese Pounds and foreign currencies, translated into LBP.

31 December 2012

2012 LBP Million	Local currency	Foreign currencies	Total
ASSETS			
Cash and balances with central banks	1,615,769	3,891,803	5,507,572
Due from banks and financial institutions	19,436	3,197,097	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	6,887	451,820	458,707
Financial assets given as collateral	8,923	-	8,923
Derivative financial instruments	4,958	7,216	12,174
Financial assets at fair value through profit or loss	29,936	270,973	300,909
Net loans and advances to customers at amortized cost	1,411,296	4,783,808	6,195,104
Net loans and advances to related parties at amortized cost	1,398	14,417	15,815
Debtors by acceptances	-	316,232	316,232
Financial assets at amortized cost	5,751,149	3,394,477	9,145,626
Financial assets at fair value through other comprehensive income	22,163	56,500	78,663
Property and equipment	187,199	78,195	265,394
Intangible assets	970	-	970
Assets obtained in settlement of debt	(8,474)	41,676	33,202
Other assets	29,748	64,637	94,385
OTHER ASSETS	9,081,358	16,568,851	25,650,209
LIABILITIES AND EQUITY			
Due to central banks	8,859	9,059	17,918
Due to banks and financial institutions	12,561	1,314,486	1,327,047
Derivative financial instruments	4,039	4,574	8,613
Customers' deposits at amortized cost	7,909,778	12,057,753	19,967,531
Deposits from related parties at amortized cost	105,289	102,813	208,102
Debt issued and other borrowed funds	-	508,711	508,711
Engagement by acceptances	-	316,232	316,232
Other liabilities	81,273	181,615	262,888
Provisions for risks and charges	111,926	18,539	130,465
Subordinated debt	-	410,896	410,896
TOTAL LIABILITIES	8,233,725	14,924,678	23,158,403
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	684,273	-	684,273
Share capital – preferred shares	4,840	-	4,840
Share premium – common shares	-	229,014	229,014
Share premium – preferred shares	-	586,259	586,259
Non-distributable reserves	402,933	165,212	568,145
Distributable reserves	71,907	27,752	99,659
Other equity instruments	-	14,979	14,979
Treasury shares	-	(25,302)	(25,302)
Retained earnings	45,625	28,399	74,024
Revaluation reserve of real estate	5,689	-	5,689
Change in fair value of financial assets at fair value through other comprehensive income	13,183	(36,817)	(23,634)
Net results of the financial period – profit	219,672	26,778	246,450
Foreign currency translation reserves	-	(92,762)	(92,762)
NON-CONTROLLING INTEREST	15,735	104,437	120,172
TOTAL EQUITY	1,463,857	1,027,949	2,491,806
TOTAL LIABILITIES AND EQUITY	9,697,582	15,952,627	25,650,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.4 – MARKET RISK (continued)

Following is the consolidated statement of financial position as of 31 December 2011 detailed in Lebanese Pounds and foreign currencies, translated into LBP.

2011 LBP Million	Local currency	Foreign currencies	Total
ASSETS			
Cash and balances with central banks	1,449,868	2,832,600	4,282,468
Due from banks and financial institutions	15,383	4,315,459	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	8,406	659,082	667,488
Financial assets given as collateral	8,920	-	8,920
Derivative financial instruments	3,549	1,807	5,356
Debt instruments and other financial assets at fair value through profit or loss	66,789	188,420	255,209
Net loans and advances to customers at amortized cost	1,226,086	4,799,596	6,025,682
Net loans and advances to related parties at amortized cost	1,946	14,692	16,638
Debtors by acceptances	-	331,821	331,821
Financial assets at amortized cost	5,514,183	3,093,118	8,607,301
Financial assets at fair value through other comprehensive income	20,417	56,550	76,967
Property and equipment	185,886	115,180	301,066
Intangible assets	1,129	-	1,129
Assets obtained in settlement of debt	(9,287)	44,739	35,452
Other assets	35,925	45,049	80,974
OTHER ASSETS	8,529,200	16,498,113	25,027,313
LIABILITIES AND EQUITY			
Due to central banks	8,857	6,813	15,670
Due to banks and financial institutions	14,429	1,621,051	1,635,480
Derivative financial instruments	4,967	2,380	7,347
Customers' deposits at amortized cost	7,372,419	11,784,814	19,157,233
Deposits from related parties at amortized cost	97,946	71,229	169,175
Debt issued and other borrowed funds	-	662,290	662,290
Engagement by acceptances	-	331,821	331,821
Other liabilities	64,112	62,155	126,267
Provisions for risks and charges	113,679	16,310	129,989
Subordinated debt	(20)	307,283	307,263
TOTAL LIABILITIES	7,676,389	14,866,146	22,542,535
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	684,273	-	684,273
Share capital – preferred shares	4,840	-	4,840
Share premium – common shares	-	229,014	229,014
Share premium – preferred shares	-	583,858	583,858
Non-distributable reserves	325,391	143,681	469,072
Distributable reserves	73,705	5,422	79,127
Other equity instruments	-	14,979	14,979
Treasury shares	-	(25,476)	(25,476)
Retained earnings	10,758	54,456	65,214
Revaluation reserve of real estate	5,689	-	5,689
Change in fair value of financial assets at fair value through other comprehensive income	11,810	(32,366)	(20,556)
Net results of the financial period – profit	220,657	39,237	259,894
Foreign currency translation reserves	-	(31,329)	(31,329)
NON-CONTROLLING INTEREST	13,475	152,704	166,179
TOTAL EQUITY	1,350,598	1,134,180	2,484,778
TOTAL LIABILITIES AND EQUITY	9,026,987	16,000,326	25,027,313

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Group's sensitivity to currency exchange rates

The table below shows the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Lebanese Pound, with all other variables held constant, on the income statement (due to the potential change in fair value of currency sensitive monetary assets and liabilities) and equity (due to the impact of currency translation gains/losses of consolidated subsidiaries). A negative amount reflects a potential net reduction in income, while a positive amount reflects a net potential increase.

LBP Million		2012		2011	
Currency	Change in currency rate %	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
USD	+1	(182)	-	102	-
EUR	+1	9	1,231	5	1,091
SYP	+1	-	1,515	-	2,142

EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. Equity price risk exposure arises from equity securities classified at fair value through profit or loss and at fair value through other comprehensive income. A 5 per cent increase in the value of the Group's equities at 31 December 2012 would have increased other comprehensive income by LBP 3,933 million and net income by LBP 1,306 million (2011: LBP 3,849 million and LBP 1,330 million respectively). An equivalent decrease would have resulted in an equivalent but opposite impact.

PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

Market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49.5 – OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events (including legal risks). When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

To raise the quality of Operational Risk Management (ORM) and reduce operational risk, the Bank has implemented policies, tools and communication means, and has standardized them for its subsidiaries.

The Group's operational risk policy was designed to ensure that operational risk has proper governance, and that it is maintained at an acceptable level. The operational risk publications and guidelines were placed on the Bank's intranet site for quick access and referrals. Critical operational risk issues were handled by a separate Operational Risk Committee, meetings of which are attended by business lines senior managers including the Chief Risk Officer and the General Manager.

The Group is undertaking a proactive approach to minimize operational risk loss. This is reflected in its operational risk approval for new products/activities/systems, protective information security and Business Continuity Planning, granular risk analysis for its operating/existing activities, and continuous awareness sessions.

The Group has built up a decentralized operational risk framework whereby each business line/support function is assigned a "Risk Champion" with a dotted line reporting to the Group ORM department (Core ORM Function) for managing and mitigating operational risks each in their areas of responsibility. This structure is set to confirm the effective implementation of the operational risk framework in the business lines and to ensure transparent assessment and reporting of operational risks. As to the Core ORM function, its main task is to develop ORM tools and programs and facilitate their implementation across business lines (through training), and continuously promote the ORM culture across the Group.

50. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table that follows shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

31 December 2012

2012	Less than 12 months				Over 12 months			
LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	Total	1 to 5 years	Over 5 years	Total	TOTAL
ASSETS								
Cash and balances with central banks	1,594,058	739,160	-	2,333,218	2,165,518	1,008,836	3,174,354	5,507,572
Due from banks and financial institutions	2,382,508	770,963	62,026	3,215,497	1,036	-	1,036	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	45,723	195,978	207,842	449,543	8,169	995	9,164	458,707
Financial assets given as collateral	-	-	1,919	1,919	7,004	-	7,004	8,923
Derivative financial instruments	11,459	625	90	12,174	-	-	-	12,174
Financial assets at fair value through profit or loss	9	1,210	3,315	4,534	26,651	269,724	296,375	300,909
Net loans and advances to customers at amortized cost	2,445,450	389,669	653,187	3,488,306	1,657,085	1,049,713	2,706,798	6,195,104
Net loans and advances to related parties at amortized cost	13,017	-	-	13,017	2,798	-	2,798	15,815
Debtors by acceptances	165,909	77,378	72,890	316,177	55	-	55	316,232
Financial assets at amortized cost	432,623	169,418	1,301,329	1,903,370	5,379,596	1,862,660	7,242,256	9,145,626
Financial assets at fair value through other comprehensive income	-	-	-	-	-	78,663	78,663	78,663
Property and equipment	-	-	-	-	-	265,394	265,394	265,394
Intangible assets	-	-	-	-	-	970	970	970
Assets obtained in settlement of debt	-	-	-	-	-	33,202	33,202	33,202
Other assets	1,143	568	25,185	26,896	-	67,489	67,489	94,385
TOTAL ASSETS	7,091,899	2,344,969	2,327,783	11,764,651	9,247,912	4,637,646	13,885,558	25,650,209
LIABILITIES								
Due to central banks	7,391	24	2,194	9,609	8,308	1	8,309	17,918
Due to banks and financial institutions	733,566	143,004	84,003	960,573	107,614	258,860	366,474	1,327,047
Derivative financial instruments	8,121	352	140	8,613	-	-	-	8,613
Customers' deposits at amortized cost	12,402,089	2,826,706	3,701,955	18,930,750	1,029,539	7,242	1,036,781	19,967,531
Deposits from related parties at amortized cost	159,452	18,110	23,184	200,746	7,356	-	7,356	208,102
Debt issued and other borrowed funds	-	-	-	-	60,990	447,721	508,711	508,711
Engagements by acceptances	165,909	77,378	72,890	316,177	55	-	55	316,232
Other liabilities	214,887	3,876	41,003	259,766	-	3,122	3,122	262,888
Provisions for risks and charges	-	-	-	-	-	130,465	130,465	130,465
Subordinated debt	-	-	-	-	-	410,896	410,896	410,896
TOTAL LIABILITIES	13,691,415	3,069,450	3,925,369	20,686,234	1,213,862	1,258,307	2,472,169	23,158,403
Net liquidity gap	(6,599,516)	(724,481)	(1,597,586)	(8,921,583)	8,034,050	3,379,339	11,413,389	2,491,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. RISK MANAGEMENT (continued)

49.5 – OPERATIONAL RISK (continued)

2011	Less than 12 months				Over 12 months			
LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	Total	1 to 5 years	Over 5 years	Total	TOTAL
ASSETS								
Cash and balances with central banks	2,370,988	694,918	-	3,065,906	716,063	500,499	1,216,562	4,282,468
Due from banks and financial institutions	4,178,748	54,699	79,866	4,313,313	17,326	203	17,529	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	164,017	236,180	260,385	660,582	6,106	800	6,906	667,488
Financial assets given as collateral	-	-	106	106	8,814	-	8,814	8,920
Derivative financial instruments	2,758	2,158	440	5,356	-	-	-	5,356
Financial assets at fair value through profit or loss	6	1,508	21,050	22,564	76,496	156,149	232,645	255,209
Net loans and advances to customers at amortized cost	2,302,095	527,596	956,255	3,785,946	1,605,688	634,048	2,239,736	6,025,682
Net loans and advances to related parties at amortized cost	14,028	-	-	14,028	-	2,610	2,610	16,638
Debtors by acceptances	170,370	106,615	54,836	331,821	-	-	-	331,821
Financial assets at amortized cost	425,109	452,617	937,451	1,815,177	4,832,423	1,959,701	6,792,124	8,607,301
Financial assets at fair value through other comprehensive income	-	-	-	-	-	76,967	76,967	76,967
Property and equipment	-	-	-	-	-	301,066	301,066	301,066
Intangible assets	-	-	-	-	-	1,129	1,129	1,129
Assets obtained in settlement of debt	-	-	-	-	-	35,452	35,452	35,452
Other assets	6,084	95	22,207	28,386	-	52,588	52,588	80,974
TOTAL ASSETS	**9,634,203**	**2,076,386**	**2,332,596**	**14,043,185**	**7,262,916**	**3,721,212**	**10,984,128**	**25,027,313**
LIABILITIES								
Due to central banks	5,929	-	423	6,352	9,318	-	9,318	15,670
Due to banks and financial institutions	1,038,122	105,183	115,392	1,258,697	247,661	129,122	376,783	1,635,480
Derivative financial instruments	4,333	2,624	390	7,347	-	-	-	7,347
Customers' deposits at amortized cost	13,176,377	2,190,847	2,984,520	18,351,744	795,378	10,111	805,489	19,157,233
Deposits from related parties at amortized cost	160,934	5,960	8	166,902	2,273	-	2,273	169,175
Debt issued and other borrowed funds	616	152,502	-	153,118	60,978	448,194	509,172	662,290
Engagements by acceptances	170,370	106,615	54,836	331,821	-	-	-	331,821
Other liabilities	47,093	10,104	66,752	123,949	-	2,318	2,318	126,267
Provisions for risks and charges	-	-	-	-	-	129,989	129,989	129,989
Subordinated debt	1,410	11	305,842	307,263	-	-	-	307,263
TOTAL LIABILITIES	**14,605,184**	**2,573,846**	**3,528,163**	**20,707,193**	**1,115,608**	**719,734**	**1,835,342**	**22,542,535**
Net liquidity gap	**(4,970,981)**	**(497,460)**	**(1,195,567)**	**(6,664,008)**	**6,147,308**	**3,001,478**	**9,148,786**	**2,484,778**

51. CAPITAL

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon and the Banking Control Commission.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

In accordance with Central Bank of Lebanon Main Circular No. 44, the Group should maintain the minimum required capital adequacy ratio for the years ending 31 December 2012 and thereafter are as follows:

	Tier 1 capital ratio	Total capital ratio	%
Year ended 31 December 2012	8.0	10.0	
Year ended 31 December 2013	8.5	10.5	
Year ended 31 December 2014	9.5	11.5	
Year ended 31 December 2015	10.0	12.0	

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made to the objectives, policies and processes from previous years; however, they are under the constant scrutiny of the Board.

REGULATORY CAPITAL

At 31 December 2012 and 2011, the capital consisted of the following:

	2012	2011	LBP Million
Tier 1 capital	2,112,746	2,146,287	
Tier 2 capital	444,567	52,345	
Total capital	2,557,313	2,198,632	
Risk-weighted assets	17,019,679	16,151,534	

The capital adequacy ratio as of 31 December (including profit for the year less proposed dividends) was as follows:

	2012	2011	%
Tier 1 capital ratio	12.41	13.29	
Total capital ratio	15.03	13.61	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tier 1 capital consists of share capital, share premium, reserves, and retained earnings including current-year profit less proposed dividends, foreign currency translation losses, gross unrealized losses from financial instruments at fair value through other comprehensive income and corresponding amounts of non-controlling interest. Tier 2 capital consists of revaluation variance recognized in the complementary equity, subordinated loans, preferred shares, a percentage of foreign currency translation gains, a percentage of gross unrealized gains from financial instruments at fair value through other comprehensive income and corresponding amounts of non-controlling interest. Certain adjustments are made to IFRS-based results, reserves, retained earnings, preferred shares, subordinated loans and non-controlling interests as prescribed by the Central Bank of Lebanon and the Banking Control Commission.

52. DIVIDENDS PAID AND PROPOSED

LBP Million	2012	2011
Dividends paid or recognized as a liability as at 31 December		
Equity dividends on ordinary and priority shares LBP 200 per share	113,103	113,103
Distributions to preferred shares – 2008 series: USD 8.00 per share	24,224	24,224
Distributions to preferred shares – 2009 series: USD 8.00 per share	24,224	24,224
Distributions to priority shares calculated at 4% of the share's nominal value	-	9,518
	161,551	171,069
Less: dividends on treasury shares	(710)	(630)
	160,841	170,439

LBP Million	2012	2011
Proposed for approval at Annual General Assembly (not recognized as a liability as at 31 December)		
Equity dividends on ordinary and priority shares: LBP 200 per share	113,103	113,103
Distributions to preferred shares – 2008 series: USD 8.00 per share	24,224	24,224
Distributions to preferred shares – 2009 series: USD 8.00 per share	24,224	24,224
	161,551	161,551

31 December 2012

53. EARLY ADOPTION OF IFRS 9

In compliance with Circular No. 265 of the Lebanese Banking Control Commission issued on 23 September 2010, the Group adopted, effective 1 January 2011, Phase I of IFRS 9 as issued in November 2009 and reissued in October 2010 and related consequential amendments to other International Financial Reporting Standards. The effective application date stipulated by the standard is annual periods beginning on or after 1 January 2015. The initial application date of this standard with respect to the Group is 1 January 2011 in accordance with the transitional provisions of the standard.

The Group did not restate comparative information as permitted by the transitional provisions of IFRS 9 and has recognized impact of early adoption of IFRS 9 as at 1 January 2011, in the opening retained earnings and other components of equity as of that date.

The schedule below summarizes the new classification and amendments to the Group financial instruments as at 1 January 2011 following the early adoption of IFRS 9, which resulted in adjustment to the opening retained earnings and cumulative changes in fair value of financial instruments designated at fair value through other comprehensive income as at 1 January 2011.

2012 LBP Million	Financial assets held for trading	Available-for-sale financial instruments	Other financial assets classified as loans and receivables	Held-to-maturity financial instruments	Total
Carrying value as at 31 December 2010 according to IAS 39	205,940	1,875,811	7,490,856	428,698	10,001,305
Reclassification following early adoption of IFRS 9					
Financial instruments reclassified to fair value through profit or loss:					
Debt instruments	150,639	-	72,608	-	223,247
Equity instruments	26,447	3,636	-	-	30,083
Debt instruments reclassified at amortized cost:					
Loans to banks and financial institutions	-	-	629,997	-	629,997
Debt instruments	28,270	1,728,447	6,808,703	428,698	8,994,118
Equity instruments reclassified to fair value through other comprehensive income	-	80,687	-	-	80,687
Carrying value as at 1 January 2011 after early adoption of IFRS 9	**205,356**	**1,812,770**	**7,511,308**	**428,698**	**9,958,132**
Effect on opening balance of change in fair value of financial instruments through other comprehensive income	-	(100,168)	18,918	-	(81,250)
out of which: effect of previous amendments to IAS 39	-	-	18,918	-	18,918
Less: deferred taxes	-	8,878	-	-	8,878
Effect on opening balance of change in fair value of financial instruments through other comprehensive income, net	**-**	**(91,290)**	**18,918**	**-**	**(72,372)**
Attributable to equity holders of the parent	-	(91,046)	18,981	-	(72,065)
Non-controlling interest	-	(244)	(63)	-	(307)
	-	**(91,290)**	**18,918**	**-**	**(72,372)**
Effect on opening balance of retained earnings	**(584)**	**37,127**	**1,534**	**-**	**38,077**
Attributable to equity holders of the parent	(584)	37,127	1,534	-	38,077
Non-controlling interest	-	-	-	-	-
	(584)	**37,127**	**1,534**	**-**	**38,077**

54. COMPARATIVE INFORMATION

- Loans and advances to senior management have been reclassified from "Net loans and advances to customers at amortized cost" to "Net loans and advances to related parties at amortized cost" in the consolidated statement of financial position. Comparative amounts totaling LBP 3,232 million have been reclassified accordingly.

- Certain deposits by senior management have been reclassified from "Customers' deposits at amortized cost" to "Deposits from related parties at amortized cost" in the consolidated statement of financial position. Comparative amounts totaling LBP 17,184 million have been reclassified accordingly.

- "Impairment losses on other financial assets" have been reclassified to "Net credit losses" in the consolidated income statement. Comparative amounts totaling LBP 23,575 million have been reclassified accordingly.

- Other operating income from insurance-related activities has been reclassified from "Fee and commission income" to "Other operating income" in the consolidated income statement. Comparative amounts totaling LBP 11,021 million have been reclassified accordingly.

- Recoveries of unrealized interest on loans and advances to customers have been reclassified from "Interest and similar income" to "Net credit losses" in the consolidated income statement. Comparative amounts totaling LBP 4,347 million have been reclassified accordingly.

RESOLUTIONS OF THE ANNUAL ORDINARY GENERAL ASSEMBLY Held on 11 May 2013

FIRST RESOLUTION

The General Assembly approves the reports of the Board of Directors and the Statutory Auditors and approves all the elements of the consolidated and stand-alone balance sheet and profit and loss account of the fiscal year 2012.

SECOND RESOLUTION

The General Assembly decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2012 as follows:

2012 Non-Consolidated Net Income	230,582
Legal Reserves	(23,307)
Reserves for General Banking Risk 2012	(30,754)
Reserves for Capital Increase	(3,743)
Reconstitution of Discounts for Series 2009 Preferred Shares	(2,412)
Net Reserves for Foreclosed Properties	(1,546)
Unrealized Gains on Portfolio Held at Fair Value through P&L	(112)
Profits Carried Forward from Previous Years	37,892
Net Income Available for Appropriation	206,600
Dividends – Series 2008 Preferred Shares	24,224
Dividends – Series 2009 Preferred Shares	24,224
Dividends – Common Shares	113,103
Special Reserves Covering the Interest on Subordinated Loan Issued on 21 Dec. 2012 for the Year 2013	31,077
Profit Carried Forward for the Year 2013	13,972

THIRD RESOLUTION

The General Assembly decides to grant discharge to the Chairman and Board members for their duties during the fiscal year 2012.

FOURTH RESOLUTION

The General Assembly decides on the following points, after reviewing the special reports of each of the Board of Directors and the Statutory Auditors:

- To approve the credits effectively used during the year 2012 by some Board members and/or main shareholders and/or senior officers at Byblos Bank S.A.L. and/or companies they belong to, as detailed in the reports of the Board of Directors and the Statutory Auditors.

- The Assembly also confirms the agreement between the Bank and the companies in which some members of the Board of Directors belong to as shown in the special reports of the Board of Directors and the Statutory Auditors.

- To grant the special authorization referred to in Article /152/ of the Code of Money and Credit and in Article /158/ of the Code of Commerce for the fiscal year 2013 to each Board member and/or main shareholders and/or senior officers at Byblos Bank S.A.L. and/or companies they belong to as shown in the Special Report of the Board of Directors considered as an integral part of these minutes.

- To grant the special authorization referred to in Article /159/ of the Code of Commerce to allow members of the Board of Directors to serve as chairmen or members of the Boards of other companies having similar business.

FIFTH RESOLUTION

The General Assembly approves to set annual lump-sum emoluments for the Members of the Board of Directors at 480 million Lebanese Pounds for the year 2013, to be distributed equally among the Members, each one of them being entitled to 10 million Lebanese Pounds as attendance fees for each meeting with a maximum of 40 million Lebanese Pounds per year.

SIXTH RESOLUTION

The General Assembly approves the determination of emoluments of each of the Chairman and General Manager Dr. François S. Bassil, the Vice-Chairman and General Manager Mr. Semaan F. Bassil and the Board Member and General Manager Mr. Sami F. Haddad, on such conditions as described in the Special Report and grants them the special authorization referred to in Article /152/ of the Code of Money and Credit and in Article /158/ of the Code of Commerce to continue assuming their duties in 2013 with the same terms specified in the Board of Directors Special Report.

The General Assembly approves the salaries and other benefits paid to the Senior Officers of the Bank for the year 2012 as mentioned in the Board of Directors Special Report and approves as well of paying them the amounts mentioned in the same report for 2013.

The General Assembly approves the fees paid to the Members and Chairmen of the Board Audit and Risk committees for 2012 and approves that said Members and Chairmen receive fees for the fiscal year 2013 as mentioned in the Board of Directors Special Report.

SEVENTH RESOLUTION

The General Assembly decides to approve the setting of the fees of the External Auditors, Messrs. Semaan Gholam & Co. and Messrs. Ernst & Young, as External Auditors at 1,250 million Lebanese Pounds for the fiscal year 2013 for auditing and reviewing the stand-alone and consolidated financial statements.

12

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 Vanhaudenarde	Compliance Officer
	Mr. Dirk Vermeiren	Finance Manager
	Mr. Frederik Sladden	Credit Manager

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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

EUR Thousand

CHARGES	2012	2011
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

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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.

Fouad N. Trad
Managing Director and CEO

Daniel L. Ribant
Director, Deputy General Manager

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PERFORMANCE REVIEW OF BYBLOS BANK AFRICA

REVIEW OF OPERATIONS

PREPARING FOR A TURNAROUND IN SUDAN

Byblos Bank Africa (BBA) continued to face difficult conditions in its home market of Sudan in 2012. The ongoing repercussions of the 2011 secession of South Sudan severely disrupted government revenues that had been expected from South Sudanese oil transiting across Sudan's territory, further aggravating the scarcity of foreign currencies and leading to very high rates of inflation. The government's strategy for remedying this situation centered on stringent austerity measures, including the removal of partial subsidies on petroleum products, the devaluation of the local currency by more than 80 percent, and the doubling of taxes on the banking sector.

In the face of these and other challenges, BBA's principal objectives for 2012 were to focus on strategic commodities identified by the Sudanese Central Bank as ones to which foreign currency would be allocated, to concentrate on export-related activities, and, overall, to maintain a trouble-free portfolio by targeting prime clients. Despite the challenging environment, the Bank was able to improve its results in 2012 relative to the previous year.

In the absence of any major changes in the economic situation, the Bank's goals for 2013 remain focused on managing risk at acceptable levels and building our capacity to respond to any positive development that might emerge as a result of the resumption of the pumping of oil from South Sudan and the normalization of relations between the two countries.

PROFILES OF BOARD OF DIRECTORS MEMBERS

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 served as Chairman of the Board of Directors of Byblos Bank Africa since 2003. Also sits on the Boards of Byblos Bank Europe, 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.

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 Africa since 2003. Also serves as Chairman of the Board of Byblos Bank Syria and is a Member of the Board of Byblos Bank Europe.

OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

OFID was conceived at the Conference of the Sovereigns and Heads of State of OPEC member countries held in Algiers, Algeria, in March 1975 and was established the following year as a development finance institution and collective aid channel to developing countries. OFID works in cooperation with developing country partners and the international donor community to stimulate economic growth and alleviate poverty in all disadvantaged regions of the world. In 1988, OFID established the Private Sector Facility in response to growing demand among partner countries for investment in private enterprises, which are widely accepted as the engine of economic growth. OFID's resources consist of voluntary contributions made by OPEC member countries and the accumulated reserves derived from its various operations. At the close of the year 2011, contributions pledged by the OPEC member countries totaled USD 3.435 billion, of which USD 2.463 billion were direct contributions to OFID. The Reserve Account stood at USD 3.390 billion. OFID has held a seat on the Board of Directors of Byblos Bank Africa since 2004 and is represented by Mr. Sleiman J. Al Harbach, a Saudi Arabian born in 1942. Mr. Harbach holds a Master's Degree in Economics from Trinity University in Texas, US, and has held several positions during work in the oil industry, including General Manager of many Saudi companies, in addition to the experience gained while working for OFID.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral organization affiliated with the Islamic Development Bank (IDB) Group. Its shareholders consist of the IDB, 51 member countries, and five public financial institutions. Headquartered in Jeddah, the ICD was established by the IDB Board of Governors at its 24th annual meeting, held in Jeddah in November 1999. The aim of the ICD is to support the economic development of its member countries by financing private sector projects geared to creating employment opportunities and boosting exports, in accordance with the principles of Sharia law. Furthermore, the ICD mobilizes resources for projects and encourages the development of Islamic financing and capital markets. It also attracts co-financiers for its projects and provides advice to governments and private sector groups on policies aimed at encouraging the establishment, expansion and modernization of private enterprises, the development of capital markets, best management practices and enhancing the role of market economies. The ICD has held a seat on the Board of Directors of Byblos Bank Africa since 2004, and is represented by Mr. Mohamed Kherouaa, a French citizen born in 1980. Mr. Kherouaa is the holder of a Master's Degree in Corporate Finance and Financial Engineering from Paris Dauphine University in France, and a Bachelor's Degree in Economics and Financial Accounting from Paris XII University. Currently holds the position of Senior Associate in the Financial Institution Development Department of ICD, Equity section.

MR. MAHMOUD S. OSMAN SALEH

Sudanese, born in 1939. Holder of a BA in Economics and Politics from Bristol University in the UK. Founder and Managing Director of trading companies S.O.G.E.C. Ltd. and MAO Services Ltd. in the UK from 1971. Has been on the Board of Directors of Byblos Bank Africa since 2009 and currently serves on its Audit Committee.

MR. ALAIN F. WANNA

Lebanese, born in 1969. Holder of an MA from the American University of Beirut. Joined Byblos Bank S.A.L. in 1993 and has assumed several positions, the most recent having been Deputy General Manager, Head of Group Financial Markets and Financial Institutions. Has been a Member of the Board of Directors of Byblos Bank Africa since 2008. Also sits on the Boards of Byblos Bank RDC and Byblos Bank Armenia, and on the Audit Committee affiliated to the latter Board.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Mohamed A. Kherouaa
Members	Mr. Alain F. Wanna
	Mr. Mahmoud S. Osman Saleh

RISK COMMITTEE

Chairman	Mr. Semaan F. Bassil
Members	Mr. Philippe A. Saleh
	Mr. Marwan C. Moharram

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

President	Mr. Gaby Ammar	General Manager
Vice President	Mr. Fouad Negga	DGM, Head of Business Functions
	Mr. Labib Sammour	AGM, Head of Support Functions
	Mr. Samer Assaf Bou Saba	Head of Corporate Banking
Secretary	Mr. Ahmed Mousa	Head of Compliance Unit

CREDIT COMMITTEE

President	Mr. Gaby Ammar	General Manager
Members	Mr. Fouad Negga	DGM, Head of Business Functions
	Mr. Samer Assaf Bou Saba	Head of Corporate Banking
	Mr. Ahmed Mousa	Head of Compliance Unit
Secretary	Mr. Abdulilah Ghali	Head of Credit Administration

ASSETS AND LIABILITIES COMMITTEE

President	Mr. Gaby Ammar	General Manager
Members	Mr. Fouad Negga	DGM, Head of Business Functions
	Mr. Labib Sammour	AGM, Head of Support Functions
Secretary	Ms. Tina El Rayah	Deputy Head of Treasury

PURCHASING COMMITTEE

President	Mr. Fouad Negga	DGM, Head of Business Functions
Member	Mr. Labib Sammour	AGM, Head of Support Functions
Secretary	Mr. Omer Abdelwahab	Administration Supervisor

INCOME STATEMENT

Year Ended 31 December 2012

	2012	2011	SDG
Deferred sales	44,728,342	35,933,137	
Investments	23,462,518	18,523,442	
	68,190,860	54,456,579	
Less			
Return on unrestricted investment accounts	(31,364,276)	(22,040,729)	
Bank's share income from investment (as a mudarib and fund owner)	36,826,584	32,415,850	
Revenue from banking services	19,134,047	13,215,763	
Other revenues	9,243,924	8,648,268	
Total Bank revenue	65,204,555	54,279,881	
Staff expenses	11,129,217	9,743,425	
Administrative and general expenses	8,521,193	6,783,289	
Depreciation	7,835,567	6,784,699	
Amortization	26,946	80,181	
Bank of Sudan penalty	7,000	250	
Provision for investment risks	6,000,000	6,000,000	
Management agreement fees	5,839,403	4,662,774	
Provision for contingent liability	1,389,215	959,049	
Total expenses	40,748,541	35,013,667	
Net income before zakat and tax	24,456,014	19,266,214	
Less			
Zakat	(317,000)	(500,000)	
Taxation	(4,832,598)	(2,196,839)	
Net income	19,306,416	16,569,375	
Earnings per share	1,29	1,24	

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

SDG	2012	2011
ASSETS		
Cash and cash equivalents	775,883,054	346,521,463
Sales receivables	286,860,642	234,516,987
Investments	157,249,698	117,683,778
Participations	93,750	93,750
Other assets	2,540,377	1,630,631
Establishment expenses	-	26,946
Fixed assets – net	84,528,871	90,967,485
TOTAL ASSETS	1,307,156,392	791,441,040
LIABILITIES		
Current accounts	333,046,070	289,134,290
Payables	40,568,188	12,410,105
Other liabilities	19,351,076	18,625,482
TOTAL LIABILITIES	392,965,334	320,169,877
Unrestricted investment accounts	721,529,835	288,578,356
OWNER'S EQUITY		
Paid-up capital	105,000,000	93,380,000
Share premium	10,621,200	10,621,200
Reserves	59,480,388	63,169,746
Retained earnings	17,559,635	15,521,861
TOTAL OWNERS' EQUITY	192,661,223	182,692,807
TOTAL LIABILITIES AND OWNERS' EQUITY	1,307,156,392	791,441,040
CONTRA ACCOUNTS	178,795,885	48,787,135

These accounts have been approved by the Board of Directors.

Gaby Ammar	Alain Wanna	Semaan F. Bassil
General Manager	Board of Directors	Board of Directors

PERFORMANCE REVIEW OF BYBLOS BANK SYRIA S.A.

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REVIEW OF OPERATIONS

STANDING BY OUR STAKEHOLDERS

Byblos Bank Syria (BBS) spent much of 2012 guarding the interests of both customers and shareholders as the country passed through another very difficult year. BBS focused on strong relationships with its clients, working with them for mutual benefit and thereby maintaining both its presence in the Syrian market and its image as a professional, customer service-oriented Bank. Thanks to these and other sound measures, the Bank was able to cope with a variety of challenges associated with the current situation in Syria, remaining in full conformity with local laws and regulations, as well as with international standards, by strengthening our compliance-related activities and due diligence.

BBS took a number of key steps in support of this strategy, including thorough follow-ups on unpaid commercial and retail loans, meeting with customers to identify solutions, and resolving to set aside provisions even greater than those required by law. The Bank also managed to overcome a liquidity squeeze, and reduced expenses by temporarily closing three branches and two offices. A downsizing process was initiated, but the situation caused many staff members to resign and leave the country of their own accord; overall, the Bank's staff shrank by 23 percent.

Looking ahead to 2013, so long as Syria remains in crisis, BBS will follow the survival policy that has allowed it to cope with the situation so far. This means attending to unpaid loans, maintaining the level and quality of services to which our clients are entitled, and maintaining our reputation for reliability in order to be well-situated when stability returns to the country.

PROFILES OF BOARD OF DIRECTORS MEMBERS

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 Chairman of the Board of Directors of Byblos Bank Syria since 2005. Also serves as a Member of the Boards of Byblos Bank Europe and Byblos Bank Africa.

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 Syria since 2005. Is also Chairman of the Board of Directors of Byblos Bank Africa, and sits on the Boards of Byblos Bank Europe 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.

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PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. ALAIN C. TOHMÉ

Lebanese, born in 1962. Holder of an MBA from Boston College in the US. Started working in the banking sector in 1985. Has assumed several positions at Byblos Bank S.A.L., the most recent having been Deputy General Manager, Head of the Group Commercial Banking Division, until he resigned in 2011. Has been Vice-Chairman of the Board of Byblos Bank Syria since 2005. Also serves as Chairman of the Board of Byblos Bank Armenia and as a Member of the Boards of Byblos Bank S.A.L. and Byblos Bank RDC.

MR. MOHAMED M. AL DANDASHI

Syrian, born in 1971. Holder of a Bachelor's Degree in Economic Sciences from Aleppo University. Has some 18 years of experience in management and financial analysis, along with investment in financial markets, and management of investment portfolios. Has been a Member of the Board of Directors of Byblos Bank Syria since 2005.

MR. ANDRÉ S. ABOU HAMAD

Syrian, born in 1961. Holder of a Bachelor's Degree in Business Administration from the University of California in the US. Professional experience extends over 27 years, during which time he has assumed several positions, including that of General Manager of a shipping company. Has been a Member of the Board of Directors of Byblos Bank Syria since 2006.

MR. NADER M. KALAI

Syrian, born in 1965. Holder of a Bachelor's Degree in Business Administration. Has some 24 years of experience, during which he has worked for several well-established companies in multiple fields, including electromechanical industries, communications, tourism, and education. Has been a Member of the Board of Directors of Byblos Bank Syria since 2005.

MR. MOHAMAD M. AL HAKIM

Syrian, born in 1952. Holder of a Master's Degree in Pharmacy from the American University of Beirut. Currently serves as General Manager of several Syrian and Lebanese companies operating in the medical and pharmaceutical fields. Is also Chairman of the Board of several Lebanese companies. Has been a Member of the Board of Directors of Byblos Bank Syria since 2012.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Mohamad M. Al Hakim
Members	Dr. François S. Bassil
	Mr. Nader M. Al Kalai

CORPORATE GOVERNANCE COMMITTEE

Chairman	Dr. Francois S. Bassil
Members	Mr. Alain C. Tohmé
	Mr. Mohamad M. Al Hakim

RISK COMMITTEE

Members	Mr. Alain C. Tohmé
	Mr. André S. Abou Hamad

NOMINATION AND COMPENSATION COMMITTEE

Chairman	Mr. André S. Abou Hamad
Members	Dr. François S. Bassil

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

President	Mr. Georges Sfeir	General Manager
Members	Mr. Jean Bassil	AGM, Head of Commercial Banking
	Mrs. Hanadi Naccache	AGM, Head of Support Functions
	Mr. Georges Bitar	Head of Finance and Administration
	Mr. Muhannad Haj Sharif	Chief Dealer

CREDIT COMMITTEE

President	Mr. Georges Sfeir	General Manager
Members	Mr. Jean Bassil	AGM, Head of Commercial Banking
	Mr. Karam Bechara	Deputy Head of Commercial Banking
	Mr. Ziad Hajjar	Acting Head of Credit Administration
	Mrs. Sareen Khajarian	Senior Credit Risk Officer

INCOME STATEMENT

Year Ended 31 December 2012

SYP	2012	2011
Interest income	2,704,504,808	2,327,220,255
Interest expense	(1,683,766,861)	(1,460,489,469)
Net interest income	1,020,737,947	866,730,786
Fee and commission income	252,545,401	238,434,057
Fee and commission expense	(51,352,200)	(3,891,030)
Net fee and commission income	201,193,201	234,543,027
Net interest, fee and commission income	1,221,931,148	1,101,273,813
Gain less losses arising from dealing in foreign currencies	187,259,728	47,048,938
Unrealized net foreign exchange difference on structural position	1,339,325,548	601,314,181
Net gains (losses) on available-for-sale financial investments	1,099,042	(40,011,946)
Other operating income	40,152,590	28,012,280
Total operating income	2,789,768,056	1,737,637,266
Personnel expenses	(411,956,866)	(357,594,124)
Depreciation of fixed assets	(129,934,558)	(135,066,316)
Amortization of intangible assets	(3,139,089)	(3,270,528)
Credit loss expense	(2,500,616,790)	(817,242,860)
Miscellaneous provisions	(164,630,643)	(326,669)
Other operating expenses	(250,565,504)	(208,301,764)
Total operating expenses	(3,460,843,450)	(1,521,802,261)
Net operating loss (income)	(671,075,394)	215,835,005
Dividends from sister companies	21,215,455	0
LOSS (PROFIT) BEFORE TAX	(649,859,939)	215,835,005
Income tax refund (expense)	492,547,969	(46,542,565)
LOSS (PROFIT) FOR THE YEAR	(157,311,970)	169,292,440
Basic earnings per share	(2.57)	2.76

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	2012	2011	SYP
ASSETS			
Cash and balances with central banks	15,398,082,985	6,046,280,891	
Balances due from banks	5,738,964,712	7,018,503,915	
Placements due from banks	0	900,658,874	
Loans and advances to customers	17,049,511,988	23,828,142,739	
Financial investments – loans and receivables	978,186,428	5,333,163,637	
Financial investments – available for sale	1,235,482,020	1,097,047,150	
Investments in sister companies	350,465,455	0	
Premises, equipment and projects under construction	1,091,980,913	1,209,855,162	
Intangible assets	6,995,410	5,866,884	
Other assets	346,575,799	355,006,870	
Deferred tax assets	492,547,969	0	
Statutory blocked funds	839,860,958	659,562,356	
TOTAL ASSETS	43,528,654,637	46,454,088,478	
LIABILITIES AND EQUITY			
Due to banks	2,295,997,256	1,510,678,482	
Due to customers	25,785,195,643	35,636,351,804	
Margin accounts	1,040,535,375	2,011,733,162	
Current tax liabilities	0	46,397,239	
Miscellaneous provisions	348,852,821	3,962,557	
Other liabilities	7,597,639,462	685,706,125	
TOTAL LIABILITIES	37,068,220,557	39,894,829,369	
EQUITY			
Share capital	6,120,000,000	6,120,000,000	
Statutory reserve	93,013,352	93,013,352	
Special reserve	3,013,352	3,013,352	
General reserves for financing risks	221,208,000	221,208,000	
Available-for-sale reserve	76,603,631	18,116,690	
Retained earnings	(1,796,282,026)	(371,715,848)	
Accumulated gains related to unrealized net foreign exchange gains on structural position	1,742,877,771	475,623,563	
TOTAL EQUITY	6,460,434,080	6,559,259,109	
TOTAL LIABILITIES AND EQUITY	43,528,654,637	46,454,088,478	

These accounts have been approved by the Board of Directors.

Semaan F. Bassil
Chairman

Georges Sfeir
General Manager

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PERFORMANCE REVIEW OF BYBLOS BANK ARMENIA C.J.S.C.

REVIEW OF OPERATIONS

MAKING ALL THE RIGHT MOVES

Byblos Bank Armenia (BBAM) focused in 2012 on expanding its market share and shoring up its overall position within the domestic banking sector. Commercial Banking supported this strategy by continuing to attract middle market companies in manufacturing, trade, food processing, transportation, infrastructure, telecommunications and services in order to reduce dependency on large corporate clients. Consumer Banking, meanwhile, grew its customer base thanks to both existing products, such as housing and personal loans, and new ones like home renovation loans; it also expanded its portfolio of small business loans. In addition, BBAM signed a USD 10 million loan framework agreement with the International Finance Corporation (IFC), the private sector arm of the World Bank, to help the Bank increase lending under an innovative energy-efficiency housing loan program.

The Bank was able to grow its deposit base faster than the market average, even as it trimmed its cost of funds. This was made possible primarily by improving brand recognition and an expanding branch network, with the Bank's new branch in Komitas – its third in the capital – quickly demonstrating a solid growth trend. Significant investments were made in the form of staff training for lending to small- and medium-sized enterprises (SMEs).

BBAM also obtained full membership in NASDAQ OMX in 2012, enabling it to further strengthen its position in terms of foreign exchange, money market and securities trading.

Corporate Social Responsibility has always been a central priority for the Bank, and this past year was no exception as sponsorship was extended to cultural, educational, and sports events, as well as local communities.

Many challenges combined to make 2012 a difficult year as regional and global instability exerted a negative influence on both consumer confidence and all sectors of the economy. Nonetheless, the Bank was able to achieve many of its goals by consistently delivering quality service and living up to the Group's core values.

The main goal for 2013 will be to improve BBAM's profitability through organic growth. To support an expansion of the lending portfolio, funding agreements for a total amount of USD 11 million will be finalized with the IFC and the European Bank for Reconstruction and Development. Received funds will be used to extend loans for SMEs, energy-efficient housing, and home renovation. Three major new products – Online Banking, Credit Cards and Long Term Savings Plans – will be introduced this year in order to increase the Bank's competitiveness and help attract new clients. Continuing efforts will also be made toward improving Byblos Bank Armenia's corporate image and brand recognition.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. ALAIN C. TOHMÉ

Lebanese, born in 1962. Holder of an MBA from Boston College in the US. Started working in the banking sector in 1985. Has assumed several positions at Byblos Bank S.A.L., the most recent having been Deputy General Manager, Head of the Group Commercial Banking Division, until he resigned in 2011. Has been a Member of the Board of Byblos Bank Armenia since 2009 and Chairman of the Board of Byblos Bank Armenia since July 2011. Also serves as Vice-Chairman of the Board of Byblos Bank Syria, and as a Member of the Boards of Byblos Bank S.A.L. and Byblos Bank RDC.

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. Is also Chairman of the Board of Directors of Byblos Bank Africa. Has been a Member of Byblos Bank Armenia's Board of Directors since 2007. Also sits on the Boards of Byblos Bank Europe and Byblos Bank Syria. 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.

H.E. MR. ARTHUR G. NAZARIAN

Lebanese, born in 1951. Holder of a Degree in Textile Engineering from Philadelphia University in the US. Member of the Lebanese Parliament since 2009 and former Minister of Tourism and of Environment. Is an entrepreneur at the helm of several companies in Lebanon and the Gulf. Has been a Member of Byblos Bank Armenia's Board of Directors since 2007. Also serves as a Member of the Board of Directors of Byblos Bank S.A.L. and as a Member of the Risk, Compliance, Anti-Money-Laundering and Combating the Financing of Terrorism Committee affiliated to the Board.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

Established in 1991, the EBRD has become the largest financial investor in the region of operations which stretches from Central Europe and the Western Balkans to Central Asia. Main objectives in Armenia include supporting enterprises, strengthening the financial sector and fostering the commercialization of public infrastructure and utilities. Has 107 projects in Armenia with a total project value of EUR 993.7 million. Became a shareholder of Byblos Bank Armenia on 25 March 2008, acquiring 25.002% of total shares. Has held a seat on the Board of Byblos Bank Armenia since July 2008, represented by Ms. Sabina Dziurman, a British citizen born in 1954 and holder of an MBA from London Business School in the UK. Ms. Dziurman has held several positions at the EBRD, the most recent being Senior Banker with Group for Small Business, and also serves as a Member of the Audit Committee affiliated to the Board of Byblos Bank Armenia.

MR. ALAIN F. WANNA

Lebanese, born in 1969. Holder of an MA from the American University of Beirut. Joined Byblos Bank S.A.L. in 1993 and has assumed several positions, the most recent having been Deputy General Manager, Head of Group Financial Markets and Financial Institutions. Has been a Member of the Board of Directors of Byblos Bank Armenia since 2007 and also serves as a Member of the Audit Committee affiliated to the Board. Also sits on the Boards of Byblos Bank Africa and Byblos Bank RDC.

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BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Alain C. Tohmé
Members	Mr. Alain F. Wanna
	Mrs. Sabina Dziurman (representing EBRD*)

** European Bank for Reconstruction and Development*

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

Chairman	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mr. Hayk Stepanyan	Head of Finance and Administration
Secretary	Mrs. Ani Hayrapetyan	Executive Secretary

ASSETS AND LIABILITIES COMMITTEE

Chairman	Mr. Hayk Stepanyan	Head of Finance and Administration
Vice-Chairman	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mrs. Viktoria Kocharian	Head of Risk Management
Member/Secretary	Mr. Armen Aleksanyan	Head of Treasury

INCOME STATEMENT

Year Ended 31 December 2012

	2012	2011	AMD Thousand
Interest income	3,854,701	2,918,435	
Interest expense	(2,250,214)	(1,643,606)	
Net interest income	**1,604,487**	**1,274,829**	
Fee and commission income	83,677	76,442	
Fee and commission expense	(45,656)	(44,476)	
Net fee and commission income	**38,021**	**31,966**	
Net Loss on financial instruments at fair value through profit or loss	-	(46,743)	
Net foreign exchange income	51,085	98,414	
Net gain on available-for-sale financial assets	3,094	1,414	
Other operating (expense)/income	(34,565)	21,093	
Operating income	**1,662,122**	**1,380,973**	
Impairment losses	(81,290)	(10,722)	
Personnel expenses	(704,742)	(622,589)	
Other general administrative expenses	(579,075)	(383,410)	
Profit / (loss) before income taxes	**297,015**	**364,252**	
Income tax expense	(104,864)	(97,860)	
Profit / (loss) for the year	**192,151**	**266,392**	
Other comprehensive income / (loss), net of income tax			
Revaluation reserve for available-for-sale financial assets:			
Net change in fair value	(1,988)	25,073	
Net change in fair value transferred to profit or loss	1,132	(14,607)	
Other comprehensive income for the year, net of income tax	**(856)**	**10,466**	
Total comprehensive income for the year	**191,295**	**276,858**	

STATEMENT OF FINANCIAL POSITION

31 December 2012

AMD Thousand	2012	2011
ASSETS		
Cash and cash equivalents	8,971,211	4,301,241
Available-for-sale financial assets		
Held by the Bank	2,198,292	2,048,323
Pledged under sale and repurchase agreements	573,912	-
Amounts receivable under reverse reupurchase agreements	-	804,415
Loans and advances to banks	12,291,540	9,303,338
Loans to customers	23,364,346	20,122,283
Property, equipment and intangible assets	1,120,249	1,144,989
Other assets	423,734	95,689
TOTAL ASSETS	48,943,284	37,820,278
LIABILITIES		
Deposits and balances from banks	8,062,970	7,451,441
Amount payable under repurchase agreements	561,648	-
Current accounts and deposits from customers	24,945,995	16,188,674
Other borrowed funds	5,897,232	5,052,992
Deferred tax liabilities	66,194	26,932
Other liabilities	273,882	156,171
TOTAL LIABILITIES	39,807,921	28,876,210
EQUITY		
Share capital	8,125,100	8,125,100
Share premium	257,149	257,149
Revaluation reserve for available-for-sale financial assets	48,227	49,083
Retained earnings	704,887	512,736
TOTAL EQUITY	9,135,363	8,944,068
TOTAL LIABILITIES AND EQUITY	48,943,284	37,820,278

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Ararat Ghukasyan
CEO

PERFORMANCE REVIEW OF BYBLOS BANK RDC S.A.R.L.

REVIEW OF OPERATIONS

POISED FOR SUSTAINED SUCCESS

Byblos Bank RDC recorded several major achievements in 2012, including an increase in deposits, an expanded loan portfolio (both direct and indirect), and substantial growth in foreign exchange dealings. In addition, the Bank began handling letters of credit and customs payments, and made significant strides in minimizing its operating costs.

These and other accomplishments were instrumental in allowing the Bank to limit its losses for 2012, demonstrating that it is definitely on the right track and has laid the groundwork for sustainable profitability. In fact, BBRDC expects to become profitable as of the first quarter of 2013, possibly as early as the month of January.

In support of these goals, during the coming year the Bank plans to make deeper inroads into the Indian expatriate community in the Democratic Republic of the Congo, which is just as important as the Lebanese one. Similarly, greater focus will be placed on winning new business with multinational corporations operating in the country.

PROFILES OF BOARD OF DIRECTORS MEMBERS

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 served as Chairman of the Board of Directors of Byblos Bank RDC since 2010. Has more than 30 years of experience with Byblos Bank Europe, currently serving as its General Manager, and as a Member of both its Board of Directors and its Management Committee.

MR. AKRAM R. MOURAD

Portuguese, born in 1961. Is a shareholder in a number of businesses in the Democratic Republic of the Congo, including: Congo Distribution and Development for BAT, Sol Media, Sol Tec, Meuble Royal, and Elicom. A former Chairman of the Board of Directors of Solidaire Banque Internationale S.A.R.L., he is also an investor in the real estate sector. Has served as the Vice-Chairman of the Board of Directors of Byblos Bank RDC since March 2010.

H.E. MR. SAMI F. HADDAD

Lebanese, born in 1950. Holder of a Master's Degree in Economics from the American University of Beirut. Pursued higher studies at University of Wisconsin-Madison in the US. Former Lebanese Minister of Economy. Started working in the private banking sector in 1973 and as a consultant to the Governor of the Lebanese Central Bank in 1979. Then joined the International Finance Corporation (IFC), where he assumed several positions, the most recent one being Manager of the Middle East and North Africa region. Has been a Member of the Board of Directors of Byblos Bank RDC since 2010. Also serves as Chairman and General Manager of both Byblos Invest Bank S.A.L. and Adonis Insurance and Reinsurance Co. S.A.L. (ADIR), and as a Member of the Board of Byblos Bank S.A.L.

MR. ALAIN F. WANNA

Lebanese, born in 1969. Holder of an MA from the American University of Beirut. Joined Byblos Bank S.A.L. in 1993 and has assumed several positions, the most recent having been Deputy General Manager, Head of Group Financial Markets and Financial Institutions. Has been a Member of the Board of Directors of Byblos Bank RDC since 2010. Also serves on the Boards of Byblos Bank Armenia and Byblos Bank Africa.

MR. ALAIN C. TOHMÉ

Lebanese, born in 1962. Holder of an MBA from Boston College in the US. Started working in the banking sector in 1985. Has assumed several positions at Byblos Bank S.A.L., the most recent having been Deputy General Manager, Head of the Group Commercial Banking Division, until he resigned in 2011. Has been a Member of the Board of Directors of Byblos Bank RDC since 2010. Is also Chairman of the Board of Byblos Bank Armenia, Vice-Chairman of the Board of Byblos Bank Syria, and a Member of the Board of Byblos Bank S.A.L.

MR. JEAN M. LENGO DIA NDINGA

Congolese, born in 1954. Director and owner of LEDYA Group of companies engaged in diversified and integrated activities, including: general trade of goods and building materials, shipping and road transportation, hotels, property management, mining of copper, cobalt and limestone, exploration and exploitation of oil products. Has been a Member of the Board of Directors of Byblos Bank RDC since 2010.

PROFILES OF BOARD OF DIRECTORS MEMBERS

MR. RIAD M. ROUMIEH

Belgian, born in 1965. Holder of a Bachelor's Degree in Accounting and Business Administration from Beirut Arab University. Is a shareholder in a number of businesses in the Democratic Republic of the Congo, including: Congo Distribution and Development for BAT, Sol Media, Sol Tec, Meuble Royal, and Elicom. Is also an investor in the real estate sector. Has been a Member of the Board of Directors of Byblos Bank RDC since 2010.

MR. MOHAMMAD A. CHEAIB

Lebanese, born in 1938. Holder of a PhD in Economics from the University of Aix-Marseille in France. Has been working in the banking sector since 1959 and currently occupies several positions, including: CEO of Intra Investment S.A.L., Director at Bank of Kuwait and the Arab World S.A.L., Director at Casino du Liban S.A.L., Director at Jammal Trust Bank S.A.L., and Member of the World Union of Arab Bankers. Director of several research studies at the Lebanese University, Holy Spirit University, the Islamic University of Lebanon and the University of Damascus. Has been a Member of the Board of Directors of Byblos Bank RDC since March 2010.

MR. WALID J. KAZAN

Lebanese-Canadian, born in 1971. Assistant General Manager and Head of the International Network Division at Byblos Bank S.A.L. Holder of an Executive MBA from the Ecole Supérieure des Affaires (ESA) in Beirut. Holder of a Graduate Diploma in Chartered Accountancy and a Bachelor of Commerce (Major in Accounting) from Concordia University in Montreal, Canada. Is a Chartered Accountant, Certified Internal Auditor, Certified Information System Auditor, and holder of Certification in Control Self-Assessment. Served as Head of Group Internal Audit Division at Byblos Bank S.A.L. between 2007 and 2010. Has been a Member of the Board of Directors of Byblos Bank RDC since March 2010.

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

President	Mr. Boutros Abi Aad	General Manager
Members	Mr. Hassan Obeid	Head of Finance and Administration
	Mr. Mohamad Wehbe	Head of Operations

INCOME STATEMENT

Year Ended 31 December 2012

	2012	2011	CDF
Interest income from treasury and interbank operations	4,947,525	26,599,279	
Interest income from customers	1,101,639,652	964,037,429	
Interest paid on treasury and interbank operations	(3,222,967)	(16,814,676)	
Interest paid to customers	(23,052,861)	(3,295,145)	
Net interest income	1,080,311,349	970,526,887	
Income from miscellaneous bank operations	1,088,748,145	895,513,287	
Expenses on miscellaneous bank operations	(15,681,100)	(1,387,430)	
Net income from banking operations	2,153,378,394	1,864,652,744	
Other income	30,592,907	18,756,730	
General operating expenses	(1,369,917,066)	(1,390,293,968)	
Personnel and other related charges	(712,621,625)	(820,253,971)	
Other taxes	(7,688,121)	(7,773,763)	
Gross operating income	93,744,489	(334,912,228)	
Depreciation and amortization	(336,886,676)	(285,039,127)	
Net operating income before taxes and extraordinary transactions	(243,142,187)	(619,951,355)	
Gain (Loss) from disposal of assets	(4,350,670)	(5,321,485)	
Provisions and net credit loss expenses	(167,778,665)	(598,624,830)	
Extraordinary expense	(69,711,769)	(100,468,554)	
Extraordinary revenue	269,870,767	2,414,951,756	
Net operating income before taxes	(215,112,524)	1,090,585,532	
Income tax expenses	(2,504,295)	(4,358,407)	
Net Income of the period	(217,616,819)	1,086,227,125	

STATEMENT OF FINANCIAL POSITION

31 December 2012

CDF	2012	2011
ASSETS		
Treasury and interbank operations		
Cash and balances with central bank	3,013,731,169	3,040,691,042
Correspondents' current accounts	961,550,991	3,017,684,363
Placements with banks		
	3,975,282,160	6,058,375,405
Customers' operations		
Loans and advances to customers	11,929,964,817	8,079,081,394
Regularization and other debit balances		
Regularization accounts	157,687,289	186,376,407
Other assets	243,051,576	303,129,525
	400,738,865	489,505,932
Fixed assets		
Tangible and intangible fixed assets	2,647,160,967	2,866,177,764
Other fixed assets	38,588,050	39,180,824
	2,685,749,017	2,905,358,588
TOTAL ASSETS	18,991,734,859	17,532,321,319
Off-Balance Sheet		
Commitments given	10,147,240,624	1,391,804,726
Commitments received	34,461,426,600	30,818,607,716
LIABILITIES		
Treasury and interbank operations		
Correspondents' current accounts	0	8,848,493
Customers' operations		
Customers' current accounts	4,621,266,464	3,970,556,202
Customers' time deposits	357,574,985	117,303,083
	4,978,841,449	4,087,859,285
Regularization and other credit balances		
Regularization accounts	184,702,626	229,383,428
Other liabilities	886,176,074	184,270,003
	1,070,878,700	413,653,431
General provisions	206,088,050	183,703,020
Provisions for risks and charges	31,101,511	85,434,631
	237,189,561	269,137,651
Equity		
Capital	12,030,000,000	11,940,000,000
Revaluation variance	964,675,165	903,414,571
Provision for reconstitution of capital	1,807,500,000	1,789,141,085
	14,802,175,165	14,632,555,656
Profit/Loss		
Brought forward results	(1,879,733,197)	(2,965,960,321)
Net result of the financial period – Loss	(217,616,819)	1,086,227,124
	(2,097,350,016)	(1,879,733,197)
TOTAL LIABILITIES AND EQUITY	18,991,734,859	17,532,321,319

These accounts have been approved by the Board of Directors.

Daniel Ribant
Chairman

Boutros Abi Aad
General Manager

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 Zouein	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. Khouloud 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
nvestments 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	981,555	955,305
financial risk is borne by policyholders		
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
NVESTING 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)
INANCING 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%

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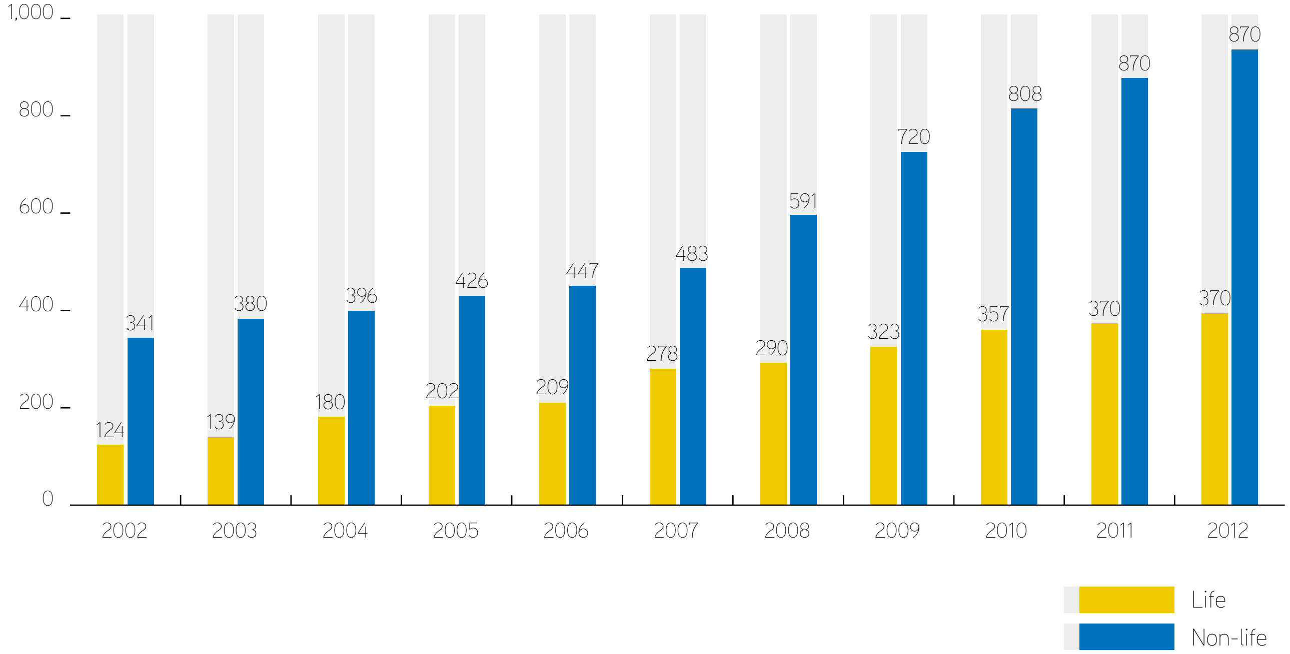
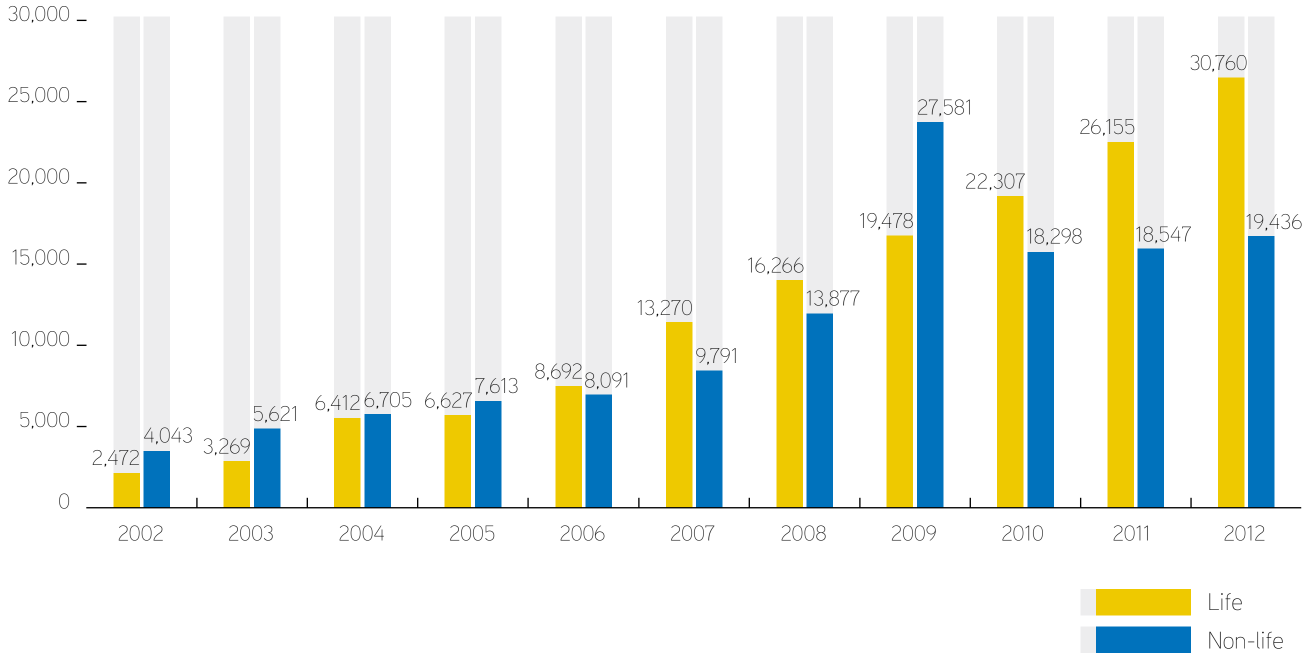
INSURANCE MARKET GROWTH IN LEBANON

USD Million



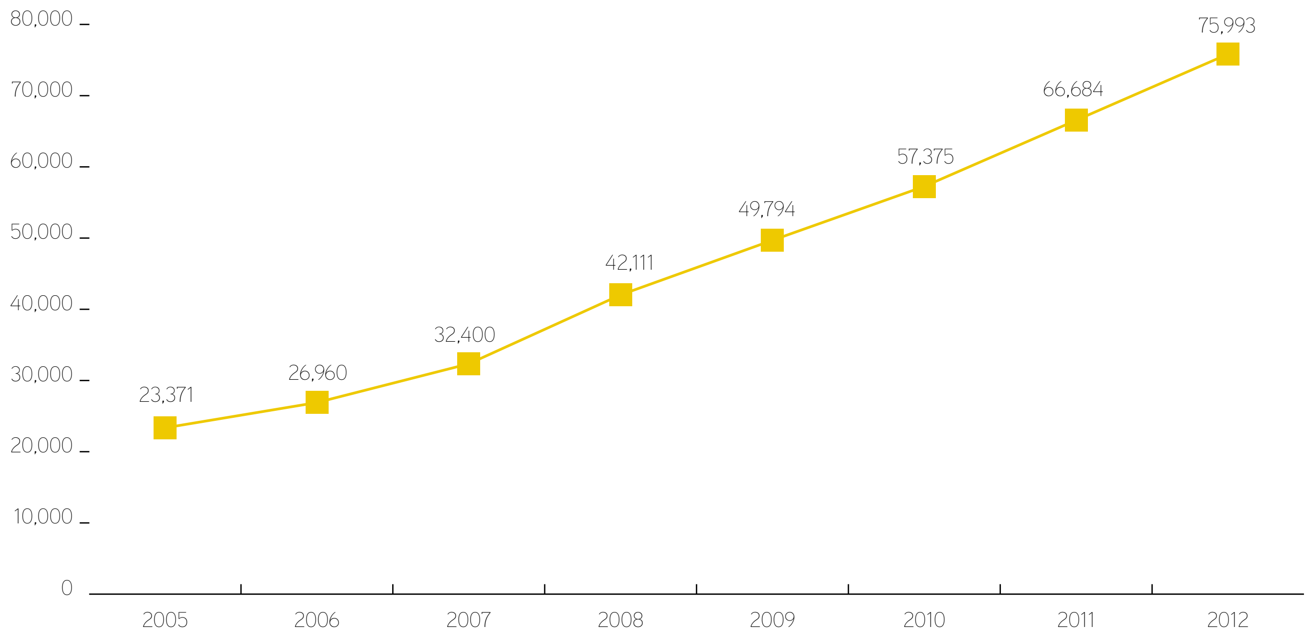
ADIR PREMIUM GROWTH

USD Thousand



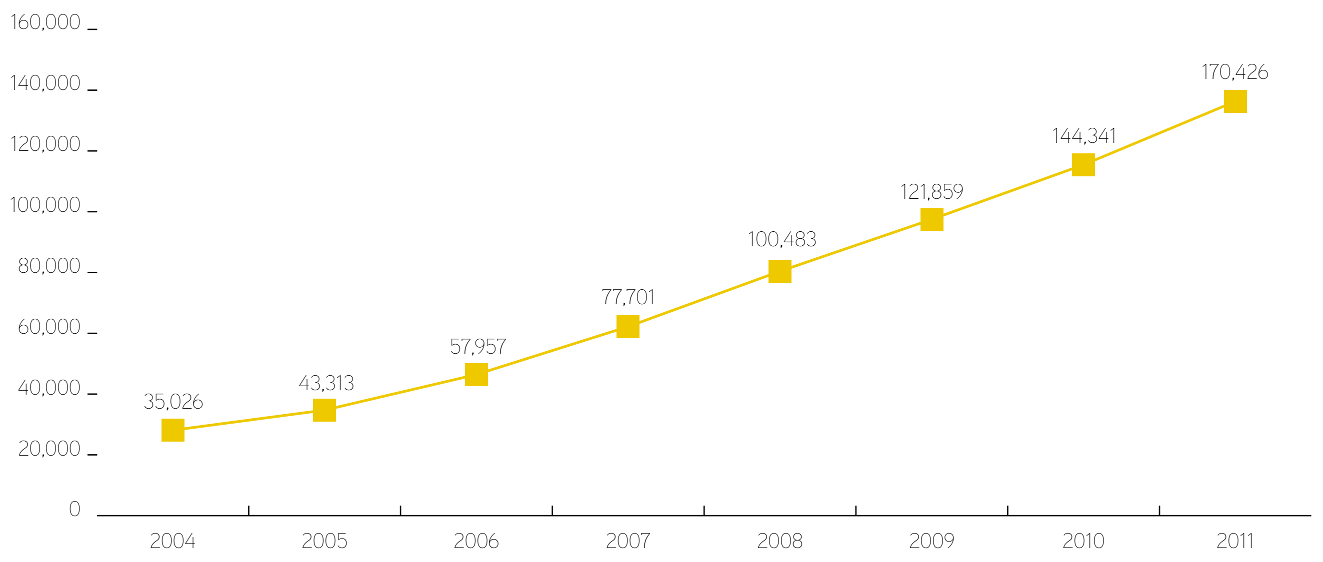
EVOLUTION OF INVESTED ASSETS

USD Thousand



EVOLUTION OF TOTAL ASSETS

USD Thousand



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DIRECTORY

CORRESPONDENT BANKS

COUNTRY	CITY	BANK NAME
Algeria	Algiers	Banque de l'Agriculture et du Développement Rural (BADR), Arab Banking Corporation Algeria, Banque Nationale d'Algérie (BNA), Banque de Développement Local SPA (BDL), Crédit Populaire d'Algérie
Australia	Sydney	Westpac Banking Corporation*
Austria	Vienna	UniCredit Bank Austria AG*
Armenia	Yerevan	Byblos Bank Armenia C.J.S.C.
Bahrain	Manama	Gulf International Bank BSC
Belgium	Brussels	Byblos Bank Europe S.A.*, KBC Bank NV*
Brazil	Sao Paolo	Banco ABC Brasil SA, Deutsche Bank AG
Canada	Toronto	Scotiabank*
China	Beijing	Bank of China, Industrial and Commercial Bank of China (ICBC), China Construction Bank
Cyprus	Limassol	Byblos Bank S.A.L. – Limassol Branch
Czech Republic	Prague	Commerzbank AG
Denmark	Copenhagen	Danske Bank A/S*
DR Congo	Kinshasa	Byblos Bank RDC S.A.R.L.
Egypt	Cairo	National Bank of Egypt*, Export Development Bank of Egypt (EDBE),
		Al Watany Bank of Egypt
Ethiopia	Addis Ababa	Commercial Bank of Ethiopia*
Finland	Helsinki	Pohjola Bank plc
France	Paris	Byblos Bank Europe S.A. – Paris Branch*, Natixis*
Germany	Frankfurt	Commerzbank AG*, Deutsche Bank AG*
Ghana	Accra	Ghana Commercial Bank
Hong Kong	Hong Kong	Sumitomo Mitsui Banking Corporation, Standard Chartered Bank
Hungary	Budapest	Commerzbank Zrt
India	New Delhi	State Bank of India, ICICI, Punjab National Bank, Axis Bank
Iraq	Baghdad	Byblos Bank S.A.L. – Baghdad Branch, Trade Bank of Iraq*
	Erbil	Byblos Bank S.A.L. – Erbil Branch
	Basra	Byblos Bank S.A.L. – Basra Branch
Ireland	Dublin	Citibank NA
Italy	Milan	UniCredit SpA*, Intesa Sanpaolo SpA*
Japan	Tokyo	Sumitomo Mitsui Banking Corporation*, The Bank of New York Mellon*
Jordan	Amman	Jordan Ahli Bank Plc*, Arab Bank Plc, Bank Al Etihad, The Housing Bank for Trade and Finance
KSA	Jeddah	The National Commercial Bank*
	Riyadh	Riyad Bank*, Saudi Hollandi Bank*, Arab National Bank, Banque Saudi Fransi
Kuwait	Kuwait	Gulf Bank KSC*, National Bank of Kuwait SAK*
Libya	Tripoli	National Commercial Bank S.A.L., Libyan Foreign Bank, Jumhouria Bank

COUNTRY	CITY	BANK NAME
Morocco	Casablanca	Attijariwafa Bank, Banque Centrale Populaire, Banque Marocaine du Commerce Extérieure S.A. (BMCE)
Netherlands	Amsterdam	ABN AMRO Bank NV*
Nigeria	Lagos	Guaranty Trust Bank Plc, Sterling Bank Plc, Diamond Bank Plc, First Bank of Nigeria Plc*, Zenith Bank Plc, United Bank for Africa
Norway	Oslo	DnB NOR BANK ASA*
Philippines	Manila	Bank of the Philippine Islands*
Poland	Warsaw	Deutsche Bank AG
Qatar	Doha	Qatar National Bank SAQ*, The Commercial Bank of Qatar (QSC), Al Khaliji Bank
Republic of Korea	Seoul	Sumitomo Mitsui Banking Corporation, Export Import Bank of Korea, Union de Banques Arabes et Françaises (UBAF),
Russian Federation	Moscow	ZAO Citibank, VTB Bank OJSC*
Singapore	Singapore	Sumitomo Mitsui Banking Corporation, Union de Banques Arabes et Françaises (UBAF)
Slovakia	Bratislava	Commerzbank AG
Spain	Madrid	Banco de Sabadell SA*, Banco Bilbao Vizcaya Argentaria SA (BBVA)*, Caixa Bank S.A.
Sri Lanka	Colombo	Bank of Ceylon*, People's Bank*
Sudan	Khartoum	Byblos Bank Africa*
Sultanate of Oman	Muscat	Bank Muscat SAOG
	Ruwi	Oman Arab Bank SAOC*
Sweden	Stockholm	Skandinaviska Enskilda Banken AB*, Svenska Handelsbanken AB
Switzerland	Geneva	BNP Paribas (Suisse) SA, Banque de Commerce et de Placements SA
	Lausanne	Banque Cantonale Vaudoise
	Zurich	Crédit Suisse*, UBS AG*
Syria	Damascus	Byblos Bank Syria S.A.*
Tunisia	Tunis	Banque Internationale Arabe de Tunisie SA (BIAT), Société Tunisienne de Banque SA, Banque de Tunisie
Turkey	Istanbul	Asya Katilim Bankasi AS, Türkiye iS Bankasi AS, Yapi Ve Kredi Bankasi AS, Turkye Garanti Bankasi AS, Akbank TAS, Türkiye Vakiflar Bankasi TAO, Türk Ekonomi Bankasi AS, Türkiye Halk Bankasi AS, Turkiye Cumhuriyet Ziraat Bankasi AS, Turkiye Finans Katilim Bankasi AS
UAE	Abu Dhabi	Abu Dhabi Commercial Bank PJSC*, National Bank of Abu Dhabi,
	Dubai	Commercial Bank of Dubai PSC, Emirates NBD PJSC*, MashreqBank PSC*
UK	London	Byblos Bank Europe S.A. – London Branch*, Barclays Bank PLC*, HSBC Bank plc*
USA	New York	The Bank of New York Mellon*, Citibank NA*, JP Morgan Chase Bank NA*, Standard Chartered Bank*, Wells Fargo Bank NA*
Yemen	Sana'a	International Bank of Yemen, Saba Islamic Bank, Tadhamon International Islamic Bank, Cooperative and Agricultural Credit Bank

** Byblos Bank S.A.L. maintains Nostro account(s) with this bank.*

GROUP ADDRESSES

HEAD OFFICE

BYBLOS BANK HEADQUARTERS
Elias Sarkis Ave.
Ashrafieh, Beirut
Lebanon

P.O. Box:	11-5605 Riad El Solh 1107 2811 Beirut – Lebanon
Phone:	(01) 335200
Fax:	(01) 334554
Telex:	BYBANK 41601 LE
Cable:	BYBLOBANK
SWIFT:	BYBALBBX
Forex:	(01) 335255
Web Site:	http://www.byblosbank.com
E-mail:	secretariat@byblosbank.com.lb

To contact any of our branches, please call our Customer Service at (01) 205050

BEIRUT 1

VERDUN MOUSSAITBEH
Walid Safi (Regional Manager)
Rachid Karameh Street, Byblos Bank Bldg., 2nd Floor, near F.S.I.

BRANCHES

BECHARA AL KHOURY
Mohamad Zaza
ATM indoor
Bechara Khoury Blvd., Adonis Bldg.

BLISS
Mohamad Jihad Kabbani
ATM outdoor
Bliss St., Mohamad F. Itani Bldg.

CHIYAH
Hussein Hayek
ATM indoor
Al Moucharrafieh, Al Ariss St., Saleh Bldg., facing Ministry of Labor

CHOUEIFAT
Ayoub Abou Hamdan
ATM indoor
Road to Khaldeh, Freeway Center, facing Glass Line

GHOBEIRY
Mahmoud Bachir
ATM indoor
Old Airport Road, Jawharat Al Kasser Bldg.

HAMRA
Mohamad Salam
ATM outdoor
Hamra St., Imad Salma Bldg.

HAMRA SADAT
Ziad Accari
ATM outdoor
Hussein Talhouk St., Nemr Bldg.

HARET HREIK
Iman Mehanna Tabaja
2 ATMs indoor
Hadi Nasrallah Blvd., Hazmieh Crossroads, Al Jinan Bldg.

ISTIKLAL
Mazen Abou Daher
ATM outdoor
Istiklal St., Tabsh Bldg.

JNAH
Fadi Al Atat
ATM outdoor
Khalil Moutran St., Hannawi Bldg.

MAR ELIAS
Nada Nouweihed Nachawati
ATM outdoor
Mar Elias St., Boubess Bldg.

MAZRAA
Bilal Yamout
ATM outdoor
Corniche Al Mazraa, Wakef Al Roum Center

VERDUN
Haifa Saleh Azar
ATM outdoor
Rashid Karameh St., Byblos Bank Bldg.

VERDUN MOUSSAITBEH
Inass Sleiman Haidar
ATM outdoor
Rashid Karameh St., Byblos Bank Bldg., near F.S.I.

BEIRUT 2

ASHRAFIEH ST. NICOLAS
Antoine Matta (Regional Manager)
Charles Malek Ave., The Netherlands Tower

BRANCHES

AIN EL REMMANEH
Roy Abi Habib
ATM outdoor
Wadih Neïm St., Mahdi Bldg.

ASHRAFIEH GEITAWI
Nicolas Laylo
ATM outdoor
St. Louis St., Bassil Bldg.

ASHRAFIEH GEMMAYZEH
Boulos Ghorayeb
ATM indoor
Pasteur St., West End 33 Bldg.

ASHRAFIEH SASSINE
Gabriel Fernaine
5 ATMs indoor (e-Branch)
Elias Sarkis Ave., Byblos Bank Headquarters

ASHRAFIEH ST. NICOLAS
Adeline Eldahdah
ATM outdoor
Charles Malek Ave., The Netherlands Tower

ASHRAFIEH TABARIS
Carine Chiniara
3 ATMs indoor (e-Branch)
Gebran Tueini Square, Tabaris Center 1063

BAABDA
Bernard Rahal
ATM indoor
Main Road, Helou Bldg.

BADARO
Soraya Yazbeck
ATM indoor
Sami El Solh Ave., Cemate Bldg.

FURN EL CHEBBAK
Jamale Chakhtoura
ATM indoor
Damascus Road, Bou Rislan Bldg.

GROUP ADDRESSES

HAZMIEH
Dina Younes
2 ATMs indoor
Mar Takla, Nabil Ibrahim Haddad Bldg.

PLACE DE L'ETOILE
May Khoury
ATM outdoor
Place de l'Etoile, Downtown Beirut
Maarad St., Byblos Bank Bldg.

METN

SIN EL FIL
Boutros Aoun (Regional Manager)
Hayek/Mkalles Road, Chalhoub and Chaoul Bldg., Lot 549

BRANCHES

ANTELIAS 1
Jean Tannous
ATM indoor
Armenian Patriarchate St., Pères Antonins Bldg.

ANTELIAS 2
Selim Tahchi
ATM outdoor
Main Road, Old Road to Tripoli, Antoun and Georges Saoud Bldg.

BAABDAT
Kamal Abou Khalil
ATM indoor
Baabdat Main Road, Charabati Bldg.

BOURJ HAMMOUD
Hagop Kharpoutlian
ATM outdoor
Armenia St., Mahrouk Bldg.

DEKWANEH
Samir Yammouny
2 ATMs indoor
Internal Main Road, El Khoury Center

DORA
Elie Hojeily
2 ATMs indoor
Dora Roundabout, Tabbara Bldg.

DORA AYA
Viviane Bou Mansour
2 ATMs indoor
Dora Highway, Aya Center

MAZRAAT YACHOUH, ELYSSAR
Armand Bassil
ATMs outdoor and indoor
Bikfaya Main Road, Byblos Bank Bldg.

JAL EL DIB

ATM indoor
Internal Main Road, Abou Jaoudeh Bldg.

JDEIDEH 1
Nazih Saadeh
ATM indoor
Justice Palace direction, Tanios El Beyrouthi Bldg.

JDEIDEH 2
Tony Khoury
ATM inside
New Jdeideh St., Khoury Bldg.

MANSOURIEH
Agnes Ghobril
2 ATMs indoor
Mansourieh Main Road, Mansourieh Gate Center

RABIEH
Salma Fares Khoury
2 ATMs indoor
Rabieh, Mtayleb, Biyyada St.
Facing Resurrection Church, Chalhoub Bldg.

SIN EL FIL
Fadi Skaff
2 ATMs outdoor
Hayek/Mkalles Road, Chalhoub and Chaoul Bldg., Lot 549

KESERWAN/JBEIL

JOUNIEH SQUARE
Marc Salameh (Regional Manager)
ATM outdoor
Khalifeh Center, near Amwaj Center

BRANCHES

ADMA
Rachid Asbahan
ATM outdoor
Main Road, facing Regency Palace Hotel, Plaza Center

AMCHIT
Paul Khalifeh
ATM indoor
Main Road, Michel Rouhana Bldg., Pyramid 6

HARET SAKHR
Mario Kamar
ATM indoor
Haret Sakhr/Harissa Highway, Property of the Wakef of Notre Dame Des Secours

JBEIL 1
George Mrad
ATM outdoor
Main Road, Zaarour Bldg.

JBEIL 2
Georges Khoury
2 ATMs indoor
Voie 13, Byblos Bank Bldg.

JOUNIEH SÉRAIL
Elie Salloum
ATM indoor
Sérail St., St. Nicolas Bldg.

KASLIK
Pierre Moubarak
ATM outdoor
Sarba Blvd., Moudabber Center

KFARHBAB
Rita Tayeh Youssef
ATM outdoor
Maameltein, Ghazir Road, George Al Zayek Bldg.

MASTITA, BLAT
Joseph Ghanem
ATM outdoor
Mastita Square, Georges Atmeh Bldg.

OKAYBEH
Elie Krim
ATM outdoor
Main Road, Chalfoun Center

REYFOUN
Sleiman Haddad
ATM indoor
Main Road, Napoli Center

ZOUK
Selim Breidy
2 ATMs indoor
Jeita Main Road, Semaan Sammour Bldg.

NORTH

TRIPOLI
Fadi Hachem (Regional Manager)
Jamila Center, Abou Samra Bridge Intersection, Tripoli Blvd.

GROUP ADDRESSES

BRANCHES

BATROUN
Elias Atieh
2 ATMs indoor
Main Road, Royal Center

BECHMEZZINE
Elias Khoury
ATM outdoor
Amioun, Bterram Cross Road

HALBA
Ammar Rachid
ATM outdoor
Main Road Al Abdeh, Naim Center

KOBAYAT
Milad Antoun
ATM indoor
Akkar, Zouk Kobayat, Demiane Bldg.

KOUSBA
Antoine Saba
ATM outdoor
Main Road, Byblos Bank Bldg.

TRIPOLI BOULEVARD
Jamil Alameddine
ATM outdoor
Jamila Center, Abou Samra Bridge Intersection

TRIPOLI MINA
Michel Kebbe
1 ATM indoor
Al Bawabe St., Jabadou Bldg.

TRIPOLI TALL
Rabih Merhabi
2 ATMs indoor
Al Massaref St., Miskawi Bldg.

ZGHORTA
Youssef El Khoury
1 ATM indoor, 1 ATM outdoor
Ardat Zghorta, Akbeh, El Mihanieh Roundabout

SOUTH

SAIDA
Imad Al Amine (Regional Manager)
Riad El Solh St., Al Zaatari & Dandashly Bldg., 1st Floor

BRANCHES

BINT JBEIL
Ali Assaad
ATM indoor
Main Road, Haydous Center

GHAZIEH
Amine Rammal
ATM outdoor
Main Road, Sidawi Bldg.

HLALIYEH
Yasser Samia
ATM outdoor
Saida Region, Nabil Al Zaatari Bldg.

JEZZINE
Youssef Nader
ATM indoor
Al Boulevard St., St. Antoine Center

MARJEYOUN

Karam Nehmtallah
ATM indoor
Jdeidet Marjeyoun, Main Road, Kalaa St. (Western Entrance)

NABATIEH

Souheir Nassar Daher
ATM indoor
Hasan Kamel Sabbah St., Majed Rihan Center

SAIDA

Carole Haber El Hajj
ATM outdoor
Riad El Solh St., Al Zaatari & Dandashly Bldg., 1st Floor

TYRE

Hassan Nesser
ATM outdoor
North Entrance
Chahine Commercial Center

BEKAA

JDITA

Khalil Touma (Regional Manager)
Main Road, Ghassan Nassar Bldg.

BRANCHES

ALEY

Rabab Jaber Chehayeb
ATM outdoor
Internal Main Road, St. No. 11-A
Fouad Abou Rafeh Bldg.

BAR ELIAS

Rim Kadri
ATM indoor
Beirut/Damascus International Road
Youssef and Rafic Anka Bldg.

DEIR EL KAMAR

Madeleine Mhanna
ATM indoor
Main Road, near Deir El Kamar Public School

JDITA

Arlette Dalloul
ATM indoor
Main Road, Park Hotel Bldg.

JEB JENNINE

Abdel Latif Mahmoud
ATM indoor
Abdel Nasser Ali Taha Bldg., Jeb Jennine Main Road,
next to Giant Stores

KABRCHMOUN

Imane Hamzeh
ATM indoor
El Chahar El Gharbi, Byblos Bank Bldg.

RAS EL METN

Oumayya Abou El Hesn
ATM outdoor
Main Road, El Maydan Quarter

ZAHLEH

Naji Chamoun
ATM outdoor
Al Boulevard, St. Mekhael and Ghassan Chedid Bldg.

GROUP ADDRESSES

BRANCHES ABROAD

BYBLOS BANK S.A.L.

LIMASSOL BRANCH – CYPRUS Henry Awad (Branch Manager)	1 Archbishop Kyprianou Street, St. Andrew Street, Loucaides Bldg. P.O. Box 50218 CY 3602, Limassol, Cyprus	Tel: (+357) 25 341433.4.5 Fax: (+357) 25 367139 SWIFT: BYBACY2I E-mail: byblosbankcyprus@byblosbank.com.lb

BYBLOS BANK S.A.L.

BAGHDAD BRANCH – IRAQ Jean Bassil (Iraq Country Manager) Mohammed Al-Aabedi (Branch Manager)	Al Karrada, Salman Faeq Street, Al Wahda District, No. 904/14, facing Al Shuruk Bldg. P.O. Box 3085 Baghdad – Badalat Al Olwiya	Tel: (+964) 780 9133031 (+964) 780 9133032 (+964) 1 7177493 (+964) 1 7177294 (+964) 1 7177120 SWIFT: BYBAIQBABAG Email: baghdadbranch@byblosbank.com

BYBLOS BANK S.A.L.

BASRA BRANCH – IRAQ Youssef Issa (Branch Manager)	Intersection of July 14 and Manawi Basha Streets, next to Qaser Al Sultan Hotel Al Basra, Iraq	Tel: (+964) 770 4931900/4931919 (+964) 780 9177088.9 SWIFT: BYBAIQBABAS Email: basrabranch@byblosbank.com

BYBLOS BANK S.A.L.

ERBIL BRANCH – IRAQ Michel El Amm (Branch Manager)	Street 60, near Sports Stadium, P.O. Box 34 – 0383 Erbil, Kurdistan Region, Iraq	Tel: (+964) 66 2560019.7/2233457.8.9 (+964) 750 7377454/7377464 SWIFT: BYBAIQBA Email: erbilbranch@byblosbank.com

REPRESENTATIVE OFFICES ABROAD

BYBLOS BANK S.A.L. – ABU DHABI

ABU DHABI Atie Al Mouallem (Representative Office Manager)	Reem Island, Sky Tower 22nd Floor, Office No. 6 P.O. Box 73893 – Abu Dhabi – UAE	Tel: (+971) 2 6336050/6336400 Fax: (+971) 2 6338400 E-mail: abudhabirepoffice@byblosbank.com.lb

BYBLOS BANK REPRESENTATIVE OFFICE NIGERIA Ltd.

LAGOS Khalil Hajjar (Representative Office Manager)	16C Rafu Taylor Close, off Idejo Street, Victoria Island, Lagos, Nigeria	Tel: (+234) 706 1125800 (+234) 808 83 99 122/ 808 83 99 115 Roaming: (+961) 3 948028 E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

INSURANCE COMPANY

ADONIS INSURANCE AND REINSURANCE CO. S.A.L. (ADIR)

(Registered in Lebanon in the register of insurance organisms (sub#194) and governed by provisions of Decree No. 9812 dated 4/5/68)

René Klat (Managing Director and CEO)	Aya Commercial Center, Dora Highway, P.O. Box 90 – 1446 Jdeidet El Metn, 1202 2119 Lebanon	Tel: (01) 256290 Fax: (01) 256293

SUBSIDIARY BANK IN LEBANON

BYBLOS INVEST BANK S.A.L.

	Ashrafieh, Beirut, Elias Sarkis Avenue, Byblos Bank Headquarters P.O. Box 11 – 5605 Riad El Solh, 1107 2811 Beirut, Lebanon	Tel: (01) 338380 Fax: (01) 335359

SUBSIDIARY BANKS ABROAD

BYBLOS BANK EUROPE S.A.

BRUSSELS HEAD OFFICE – BELGIUM

Fouad N. Trad (Managing Director and CEO)	Rue Montoyer 10, Bte. 3, 1000 Brussels	Tel: (+32) 2 551 00 20 Fax: (+32) 2 513 05 26 SWIFT: BYBBBEBB E-mail: byblos.europe@byblosbankeur.com

LONDON BRANCH – UNITED KINGDOM

Gaby Fadel (Branch Manager)	1st floor, Berkeley Square House, Suite 5, Berkeley Square, GB London W1J 6BS	Tel: (+44) 207 493 3537 Fax: (+44) 207 493 1233 SWIFT: BYBBGB2L E-mail: byblos.europe@byblosbankeur.com

PARIS BRANCH – FRANCE

Claude Jeanbart (Branch Manager)	15 Rue Lord Byron, F – 75008 Paris, France	Tel: (+33) 1 45 63 10 01 Fax: (+33) 1 45 61 15 77 SWIFT: BYBBFRPP E-mail: byblos.europe@byblosbankeur.com

GROUP ADDRESSES

BYBLOS BANK AFRICA

KHARTOUM HEAD OFFICE

Gaby Ammar
(General Manager)

Intersection of Mac Nimer
and Baladiyya Streets
P.O. Box 8121, Khartoum, Sudan

Tel: (+249) 1 56 552 222
Fax: (+249) 1 56 552 220
SWIFT: BYBASDKH
E-mail: byblosbankafrica@byblosbank.com

BAHRI BRANCH

Alina Angelo Sedaries
(Branch Manager)

Khartoum Bahri, Kafouri, Square No. 3

Tel: (+249) 1 56 554 444
Fax: (+249) 1 55 774 950.1
E-mail: bahribranch@byblosbank.com

KHARTOUM BRANCH

Nabil Kamal Michiel Ghali
(Branch Manager)

Intersection of Mac Nimer
and Baladiyya Streets

Tel: (+249) 1 56 552 222
Fax: (+249) 1 56 552 220
E-mail: alkhartoumbranch@byblosbank.com

BYBLOS BANK SYRIA S.A.

DAMASCUS HEAD OFFICE

Georges Sfeir
(General Manager)

Al Chaalan, Amine Loutfi Hafez Street,
P.O. Box 5424, Damascus, Syria

Tel: (+963) 11 9292/3348240.1.2.3.4
Fax: (+963) 11 3348205
SWIFT: BYBASYDA
E-mail: byblosbanksyria@byblosbank.com

ABBASSIYEEN BRANCH

Muhannad Sabri
(Branch Manager)

Eastern Side of Abbassiyeen Square,
near Fadi Abdel Nour Pharmacy, Damascus

Tel: (+963) 11 4647280.1.2
Fax: (+963) 11 4647285

ABOU ROUMMANEH BRANCH

Raed Al Hashemy
(Branch Manager)

Al Chaalan, Amine Loutfi Hafez Street

Tel: (+963) 11 9292/3348240.1.2
Fax: (+963) 11 3348205

ALEPPO BRANCH

Mohammad Safwat Raslan
(Branch Manager)

Al Aziziyeh, Tawheed Square,
near Al Tawheed Mosque

Tel: (+963) 21 9292/4664347
Fax: (+963) 21 4664399

ALEPPO – AL MALEK FAYSAL STREET BRANCH (Temporarily Closed)

Al Malek Faysal Street,
near French Consulate

Tel: (+963) 21 2218607
Fax: (+963) 21 2218413

HAMA BRANCH

Maher Rahmoun (Branch Manager)	Al Shariaa Street, near Central Bank	Tel: (+963) 33 213300/219334.5 Fax: (+963) 33 213090

HOMS BRANCH (Temporarily Closed)

Dima Abou Saab (Acting Branch Manager)	Al Arbaeen Street, Syndicate of Engineers Bldg.	Tel: (+963) 31 9292/2454130 Fax: (+963) 31 2454138

HOSH BLASS BRANCH (Temporarily Closed)

Ahmad Al Bitar (Branch Manager)	Hosh Blass, Daraa Highway (Back Road), across from Choueifat International School, Damascus	Tel: (+963) 11 6352550.3.4.6 Fax: (+963) 11 6352558

LATTAKIA BRANCH

Dawood Nahhas (Branch Manager)	Port Said Street, near Navigation Delegation Building (Old Building)	Tel: (+963) 41 9292/486151.2.3 Fax: (+963) 41 486097

MAZZEH BRANCH

Firas Alyou (Branch Manager)	Mazzeh Highway, near Syndicate of Engineers, Damascus	Tel: (+963) 11 6627194.6.7 Fax: (+963) 11 6627193

SWAIDAA BRANCH

Maan Fakih (Branch Manager)	Swaidaa, 16 Tishreen Street	Tel: (+963) 16 324212.3.4.5 Fax: (+963) 16 324216

SYRIAN INTERNATIONAL UNIVERSITY FOR SCIENCE AND TECHNOLOGY (SIUST) OFFICE (Temporarily Closed)

Ahmad Al Bitar (Office Manager)	Reef Damascus, Daraa Highway Dar Ali Street	Tel: (+963) 11 6948863 Fax: (+963) 11 6948864

TARTOUS BRANCH

Bassam Karam (Branch Manager)	Al-Thawra Street, near Palestine Station	Tel: (+963) 43 9292/221399/225499/227399 Fax: (+963) 43 221699

TRAINING CENTER

	Najmeh Square, across from Orient Club, Damascus	Tel: (+963) 11 3354850.1 Fax: (+963) 11 3354855

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GROUP ADDRESSES

BYBLOS BANK ARMENIA C.J.S.C.

YEREVAN HEAD OFFICE

Ararat Ghukasyan (CEO)	18/3 Amiryan Street, Area 0002, Yerevan	Tel: (+374) 10 53 03 62 Fax: (+374) 10 53 52 96 SWIFT: BYBAAM22 E-mail: infoarm@byblosbank.com

AMIRYAN BRANCH

Hamlet Manukyan (Branch Manager)	18/3 Amiryan Street, Area 0002, Yerevan	Tel: (+374) 10 50 03 62.3.4 Fax: (+374) 10 50 03 64

MALATIA BRANCH

Vahagn Babayan (Branch Manager)	113/1 Andraniki Street, Area 0004, Yerevan	Tel: (+374) 10 73 99 70.1.2.4.5 Fax: (+374) 10 73 99 74

VANADZOR BRANCH

Krist Marukyan (Branch Manager)	Hayq Square, Vanadzor	Tel: (+374) 322 21 330.6.7 Fax: (+374) 322 21 345

KOMITAS BRANCH

Arthur Palikyan (Branch Manager)	38/2 Komitas Avenue, Area 0051 Yerevan	Tel: (+374) 10 32 02 69 Fax: (+374) 10 32 02 79

BYBLOS BANK RDC S.A.R.L.

KINSHASA HEAD OFFICE

Boutros Abi Aad (General Manager)	Avenue du Marché No. 4, Kinshasa, Gombe, Democratic Republic of the Congo	Tel: (+243) 99 100 9001 (+243) 81 70 70 701 SWIFT: BYBACDKI E-mail: byblosbankrdc@byblosbank.com

GOMBE BRANCH

Mohamad Wehbe (Head of Operations)	Avenue du Marché No. 4, Kinshasa, Gombe, Democratic Republic of the Congo	Tel: (+243) 99 100 9001 (+243) 81 70 70 701

OFF-PREMISES ATMs

Location	Responsible Branch
Ablah, Antonine University	Zahlé
Amchit, IPT Petrol Station	Amchit
Annaya, Saint Charbel	Amchit
Antelias, Wooden Bakery Factory	Jal El Dib
Ashrafieh, ABC Shopping Mall, L3	Sassine
Baabda, Antonine University	Baabda
Baalbeck, Dar Al Amal Hospital	Bar Elias
Badaro, Badaro St., Chamandi Bldg.	Badaro
Bchamoun, Main Road, Schools Bifurcation	Choueifat
Beirut, Central District, ESCWA Bldg.	Place de l'Etoile
Bikfaya, Misk River Center	Elyssar
Blat, Lebanese American University Campus	Jbeil
Burj al-Barajneh, Rassoul El Aazam Hospital	Ghobeiry
Dora, City Mall	Dora
Fayadieh, Saint Charles Hospital	Hazmieh
Halate, IPT Petrol Station, Northbound Highway	Jbeil I
Halate, IPT Petrol Station, Southbound Highway	Amchit
Hazmieh, Beirut City Center	Furn El Chebbak
Jbeil, Notre Dame des Secours Hospital	Jbeil 2
Jounieh, Hokayem, Main Road	Jounieh
Jounieh, Jounieh Square, Byblos Bank Regional Management	Jounieh
Jounieh, Zouk Highway, Cadbury	Jounieh
Kaslik, IPT Petrol Station, Southbound Highway	Kaslik
Kaslik, Lebanese Army Officers' Club	Jounieh
Louaizeh (Keserwan), Notre Dame University (NDU)	Zouk
Okaybeh, Sanita Premises	Okaybeh
Ramlet El Bayda, Security Forces Location	Jnah
Sin El Fil, IPT Freeway, Main Road	Dekwaneh
Tayyouneh, Beirut Mall, 2nd Floor	Chiyah
Tebnin, Tebnin Hospital	Bint Jbeil
Tyre, Tyre Rest House	Tyre
Yarzeh, Ministry of Defense	Hazmieh
Zghorta, Main Road, Al Aabi Area	Tripoli Kobbeh
Zouk, Masterpack	Zouk

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