ANNUAL REPORT 2013

BYBLOS BANK

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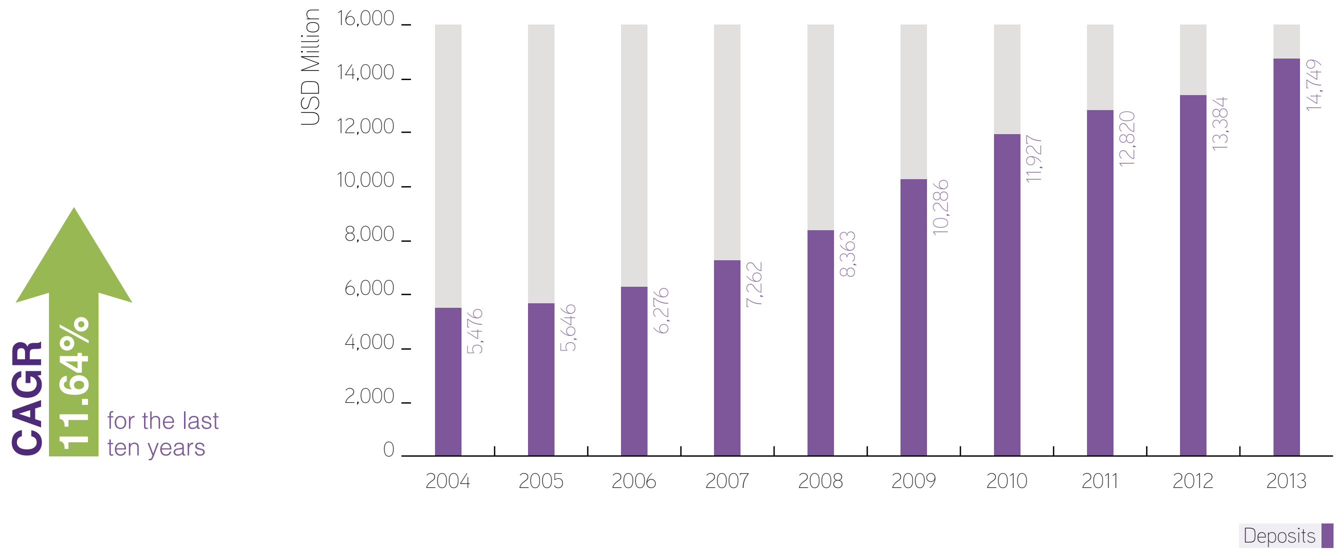

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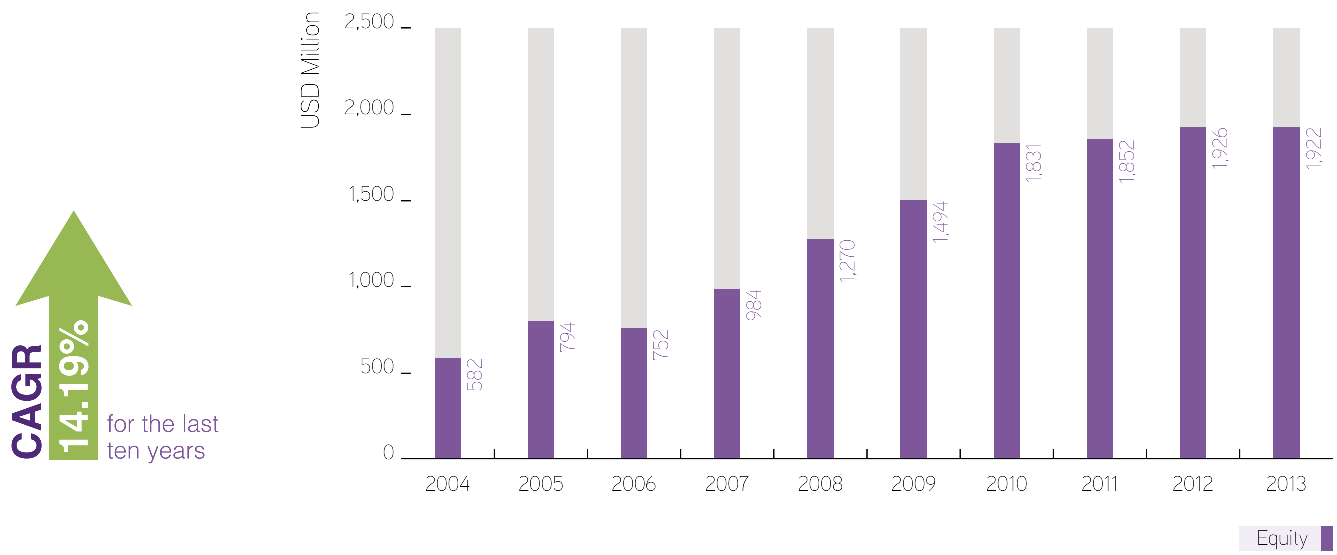

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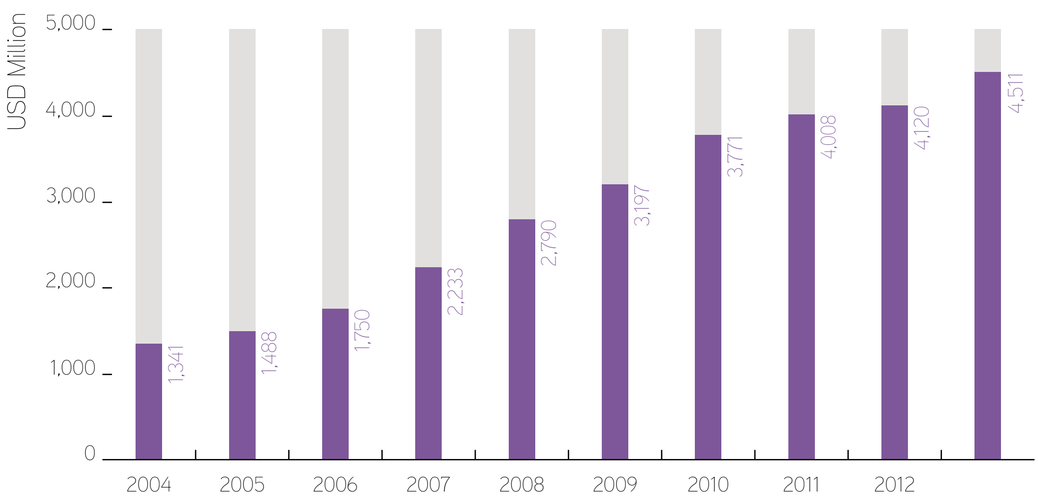

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A MESSAGE FROM THE CHAIRMAN

DEAR STAKEHOLDERS,

It is with great satisfaction that I share with you the 2013 Annual Report of Byblos Bank.

I am pleased, of course, because in yet another year of adverse conditions, the Bank's strategy has proved successful once again. What is more, I am gratified by the talent and dedication of all the professionals who implement this strategy every day of every year.

The true nature of any organization can be derived only from how it performs under pressure, and recent years have demonstrated repeatedly that Byblos Bank has what it takes, not just to survive periods of difficulty, but also to find opportunity therein. Local, regional and international factors all continued to impose significant obstacles for the financial sector in 2013, but we passed the test by a wide margin.

In a stagnant economy saddled with multiple social and political burdens – including at least 1.5 million Syrian refugees – Byblos Bank achieved quality results, including, in particular, growth in several fundamental areas: total assets finished the year at USD 18.5 billion, up 8.6% from end-2012; customers' deposits grew 10.2% to USD 14.7 billion; and net customers' loans totaled USD 4.5 billion, a rise of 9.5%.

Sound asset quality remained a key indicator of Byblos Bank's enviable financial position, as did the vigilance required to maintain that quality. Accordingly, the Bank was scrupulous in allocating sufficient specific and collective provisions against credit losses during the year. These added up to USD 52.8 million in 2013, including USD 18.2 million in collective provisions, against a gross loan portfolio of some USD 4.9 billion. Further reinforcement for Byblos Bank's robust financials was achieved by keeping non-performing loans at just 0.9% of net loans, thereby posting a coverage ratio, including collective provisions, of 119.8%. These provisions affected net income, which fell 6.7% to USD 156.2 million, but preserved the solid financial foundation required for future growth.

In addition, Byblos Bank's Basel III capital adequacy ratio stood at 16.11% as of December 2013, surpassing far in advance the minimum regulatory requirement of 12% by end-2015. The solidity of our financial position also showed itself in the Bank's primary liquidity placed with banks and central banks (including Banque du Liban certificates of deposit), which amounted to USD 9.3 billion, or 63.0% of customers' deposits, as at end-2013.

Apart from their own intrinsic value, these and other measures of Byblos Bank's performance also helped us retain the trust and confidence of strategic partners and other stakeholders. These include the International Finance Corporation, the private sector arm of the World Bank Group, which has been represented on the Board of Directors since the beginning of 2014; the Agence Française de Développement (AFD), the development agency of the French government; and the latter's subsidiary, the Société de Promotion et Participation pour la Coopération Economique, which has held a seat on the BOD since 2012. These highly respected institutions are among the Bank's main shareholders, and their seals of approval send all the right signals to our customers, our employees, and other investors.

Byblos Bank also proved its mettle by another set of criteria in 2013, further strengthening its compliance mechanisms and practices by meeting or exceeding global standards, augmenting our contributions to the fights against money laundering and terrorism, and strictly adhering to relevant international sanctions. These improvements constitute additional support, not just for the Bank's financial position, but also for its ability to keep providing world-class products and services for clients, attractive career opportunities for employees, and consistent value for shareholders. Moreover, they enhance the reputation of Byblos Bank as a reliable institution dedicated to the highest standards of corporate governance.

The situation in Syria continued to cause a variety of problems for banks and other businesses in that country, and Byblos Bank was no exception. Having scaled back our operations there because of the hostilities, our strategy remains to ensure adequate support and follow-up for customers and employees, and to be ready for the day when peace allows us to partner with all Syrians in rebuilding their shattered nation. The Group's fortunes were markedly better in other foreign markets, particularly Europe, Africa, and Iraq. These successes validate the ways and means by which we have expanded abroad, and by which we expect to seize additional opportunities in the years ahead.

Going forward, I see promise on several levels. The political standoff that has paralyzed much of Lebanon's public sector may be approaching resolution, the banking sector is highly liquid, and the country's increasingly attractive oil and gas prospects have the potential to yield unprecedented benefits, both direct and indirect, across the economy. Making the most of these and other opportunities demands, though, that the political class get its house in order so that it can implement badly needed administrative and structural reforms. It is essential that hard-working civil servants receive fair remuneration, but it is no less important that public finances be brought under control. Fiscal discipline will be required to remedy the situation, and so will stringent measures to reduce corruption, waste, redundancy, and other factors that cause scarce resources to be misused.

The best days are still ahead for Lebanon, and for Byblos Bank too. We are very much banking on the young generation to pick up where their forebears left off, build on our accomplishments, and learn from our mistakes. Nowhere is this more apparent than in the Bank's high regard for education. That commitment is expressed in our funding agreement with the AFD, which has allowed us to provide hundreds of university students with long-term loans at low rates and under optimum conditions.

Adversity tells us much about who we are, and I am pleased to report that Byblos Bank has remained faithful to its values. Rather than seeing difficulty as an excuse to cut corners or erode standards, our management and staff have used it as an impetus to be even more professional, more diligent, and more disciplined. Our belief in the practices that made us what we are, the same ones that allow us to thrive where others struggle just to survive, has only been reinforced by this experience.

Please join me in congratulating all members of the Byblos Bank team on yet another year of conspicuous success – and in thanking them for laying the groundwork of even better times to come.

Sincerely,

François S. Bassil
Chairman and General Manager

THE LEBANESE ECONOMY IN 2013

ECONOMIC ACTIVITY

The Lebanese economy was affected in 2013 by repeated security breaches, domestic political tensions, a political vacuum, and paralyzed decision-making within public institutions, in addition to the growing direct and indirect spillovers from the Syrian conflict. Also, the lack of any credible attempt at implementing reforms, the weak rule of law and the rising burden of the public sector on the private sector have taken a toll on economic activity. The economy expanded by 0.9% in real terms in 2013, compared to real GDP growth of 1.2% in 2012. Lebanon's real GDP grew at an annual rate of 2.4% in the first quarter, contracted by 0.6% in the second quarter, increased by 0.2% in the third quarter and expanded by 1.6% in the fourth quarter of the year.

The economic slowdown in 2013 was broad-based, with consumption, trade, tourism, capital flows and investment indicators all pointing to a continuation of anemic economic activity. In particular, the high level of political polarization, the deteriorating security conditions, the domestic political volatility, the prolonged deadlock over the formation of a Cabinet, and the increasing concerns about spillovers from the escalating Syrian crisis combined to negatively affect consumer confidence and investor sentiment throughout the year. The economic slowdown resulted in output losses of about USD 5.2 billion in 2013, following losses of USD 2.9 billion 2012 and USD 1.6 billion in 2011.

REAL SECTORS

The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, averaged 264.7 in 2013 compared to 256.6 in 2012, an increase of 3.2% year-on-year, which reflects economic stagnation in real terms.

The Byblos Bank/AUB Consumer Confidence Index for Lebanon averaged 29 points in 2013, its lowest annual level on record, and fell by 10.7% annually, compared to declines of 37.1% in 2012 and 29% in 2011. The record-low results in 2013 are hardly surprising, given the prevailing sense of instability, uncertainty and caution among Lebanese consumers. Indeed, consumer confidence in Lebanon was severely tested in 2013, as nine out of the 12 monthly readings of the Byblos Bank/AUB Consumer Confidence Index posted their lowest levels since the start of index calculations began in July 2007. Further, the Byblos Bank/AUB Present Situation Index reached its lowest level ever in seven out of 12 months in 2013; while, more alarmingly, the Byblos Bank/AUB Expectations Index reached its lowest level ever in eight out of 12 monthly readings during the year. Security and safety-related issues dominated consumers' concerns during the year. But other persistent issues such as rising political rhetoric and uncertainty, the inability of authorities to satisfy citizens' basic needs, the rising cost of living, decaying public services, and economic stagnation resonated strongly among consumers. Therefore, consumer confidence requires a positive political shock equivalent to the one generated by the 2008 Doha Accord in order to return to the high levels of 2008 and 2009.

EXTERNAL SECTOR

The economy posted a wide trade deficit despite stagnating activity. However, as in previous years, the deficit was mostly offset by capital account inflows, foreign income earnings, as well as by inflows from remittances, tourism and other services. The ongoing Syrian conflict continued to disrupt trade routes through Syria, Lebanon's only overland route for exports. The trade deficit reached USD 17.3 billion in 2013, constituting an increase of 3% year-on-year, as the value of imports remained flat at USD 21.2 billion, while the value of exports fell by 12.2% to USD 3.9 billion. Also, the volume of imports reached 15.9 million tons in 2013, constituting a rise of 1.6% from 2012, while exports posted a 6.7% increase to 2.8 million tons in the covered period, leading to a trade deficit of 13.1 million tons that grew by a marginal 0.5% year-on-year. Imports of oil and mineral fuels fell by 15.3% year-on-year to USD 5.1 billion, while non-hydrocarbon imports rose by 5.7% to USD 16.1 billion. Also, the volume of imports of oil and mineral fuels dropped by 13.4% to 7 million tons in 2013, while that of non-hydrocarbon imports rose by 17.8% to 8.8 million tons. The trade balance posted the widest deficit in the previous five years in both value and volume terms, prompted by a drop of USD 547.2 million in the value of exports. The coverage ratio regressed to 18.5% in 2013 from 21.1% in 2012.

In parallel, the balance of payments posted a deficit of USD 1.1 billion in 2013 compared to deficits of USD 1.5 billion in 2012 and USD 2 billion in 2011, and surpluses of USD 3.3 billion in 2010 and USD 7.9 billion in 2009. 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 from 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 1.27 million in 2013, constituting a decrease of 6.7% from about 1.37 million tourists in 2012, a decline of 23% from 1.66 million tourists in 2011, and a drop of 41.2% from 2.2 million tourists in 2010. European tourists accounted for 34.1% of total visitors in 2013, followed by visitors from Arab countries with 31.6%, the Americas with 16.4%, Asia with 9.2%, Africa with 5.1%, and Oceania with 3.5%. The number of visitors from Oceania declined by 13% in 2013, followed by visitors from Arab countries with a 12.2% decrease, Asia (-7.5%), the Americas (-5.2%), and Europe (-2.4%), while the number of visitors from Africa increased by 5.8%. On a country basis, tourists from Iraq accounted for 11.2% of total visitors in 2013, followed by visitors from France with 9.2%, the United States with 8.1%, Jordan with 6.1%, Canada with 5.6% and Egypt with 5%. Further, the number of tourists from the UAE declined by 62.2% annually, followed by Saudi Arabia with a 43.6% decrease, Kuwait (-26.2%), Turkey (-17.4%), Jordan (-12.4%), the United States (-6.4%) and Canada (-5.2%).

Also, the average occupancy rate at hotels in Beirut was 51% in 2013 compared to 54% in the preceding year, and constituted the third lowest rate among Arab markets. The average rate per room at Beirut hotels was USD 169 in 2013, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 15.7% year-on-year and posted the steepest decrease among all markets in the region. Further, revenues per available room reached USD 87 in Beirut in 2013 and fell by 20.8% year-on-year, the second steepest decrease among Arab markets. Overall, the travel and tourism sector's total contribution to economic output in Lebanon fell by 2.6% in real terms in 2013, following declines of 10.2% in 2012 and 17.2% in 2011 and compared to increases of 10.5% in 2009 and 21.9% in 2010.

THE LEBANESE ECONOMY IN 2013

FISCAL SITUATION

The country's public finance imbalances continued to deteriorate in 2013 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 7.5% during the year to USD 4.2 billion due to a 2.4% increase in spending and almost flat overall revenues. The deficit was equivalent to 31% of total budget and Treasury expenditures compared to 29.5% of overall spending in 2012.

On the spending side, current expenditures fell from the equivalent of 27.7% of GDP in 2012 to 26.9% of GDP in 2013, Treasury spending remained almost unchanged at 2% of GDP, and capital outlays increased from 1.2% of GDP to 1.5% of GDP. On the revenue side, tax receipts regressed from the equivalent of 15.9% of GDP in 2012 to 15.1% of GDP in 2013, while non-tax revenues declined from 5.1% of GDP to 4.9% of GDP. Also, Treasury receipts rose marginally from 1.1% of GDP in 2012 to 1.2% of GDP in 2013. As a result, the primary budget deficit expanded from 0.3% of GDP in 2012 to 0.5% of GDP in 2013, constituting the second consecutive annual primary deficit, while the fiscal deficit widened from 9.2% of GDP in 2012 to 9.5% of GDP in 2013. In parallel, debt servicing increased by 4.3% year-on-year to USD 4 billion, or 9% of GDP, and accounted for 29.2% of total expenditures and for 37.4% of budgetary spending. It absorbed 42.3% of overall revenues and 44.8% of budgetary receipts.

The deterioration in the fiscal balance negatively affected the public debt dynamics, as the debt level increased from 135.7% of GDP in 2012 to 143.2% of GDP in 2013, constituting the ratio's second consecutive annual increase. Lebanon's gross public debt reached USD 63.5 billion at the end of 2013, reflecting a rise of 10% from end-2012 and compared to increases of 7.5% in 2012, 2% in 2011, 2.9% in 2010 and 8.7% in 2009. In nominal terms, the gross public debt grew by USD 5.8 billion in 2013 relative to increases of USD 4 billion in 2012, USD 1 billion in 2011 and USD 1.5 billion in 2010. Domestic debt increased by 12.2% to USD 37.3 billion, while external debt rose by 7.1% to USD 26.1 billion in 2013. Also, foreign currency-denominated debt represented 41.1% of gross public debt at the end of 2013 relative to 42.3% at the end of 2012.

Commercial banks accounted for 59% of the total public debt, followed by the Central Bank with an 18.8% share, public agencies, financial institutions and the general public with 12.3%, and bilateral and multilateral loans with 3.7%, while the remaining 6.2% of the debt was held by other parties. Residents held 90.1% of the total public debt, while non-residents held 9.9% of the total. 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 8.3% to USD 53.2 billion at the end of 2013. Also, gross market debt accounted for about 65% 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 2013, as it was the second weakest performer in the region, with the Banque du Liban stock market index declining by 16.6% in 2013 compared to a 21.2% rise for Arab markets. Further, market capitalization was equivalent to 23.8% of GDP, fifth lowest in the region, and accounted for about 0.9% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 51.4 million shares in 2013, constituting a decrease of 6.6% from 2012, while aggregate turnover amounted to USD 375.2 million, down 8.2% from a turnover of USD 408.5 million in the previous year. Market capitalization increased by 1.2% from end-2012 to USD 10.5 billion, of which 79.2% was in banking stocks and 17.3% in real estate stocks. The market liquidity ratio was 3.6% compared to 3.9% in 2012.

Bank stocks accounted for 86% of aggregate trading volume in 2013, followed by real estate stocks with 11.9%. In terms of the value of shares traded, banking stocks accounted for 79% of aggregate value, followed by real estate stocks with 19.6%. The average daily traded volume for 2013 was 215,112 shares for an average daily value of USD 1.6 million. The figures reflect decreases of 4.6% in volume and 6.2% in value year-on-year.

Fixed Income

Lebanon's external debt posted returns of 3.31% in 2013, constituting the 12th highest return among 35 markets in the Eastern Europe, Middle East and Africa (EMEA) region as well as the 18th highest return among the 63 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA region's returns of -1.74%, the overall emerging markets returns of -4.56% and the 0.09% returns posted by sovereigns rated 'BB' and lower in 2013. It posted the fifth highest returns among 18 countries in the Middle East and Africa region in 2013. Further, Lebanon's external debt posted returns of 3.28% in US Dollar terms, constituting the 10th highest in the EMEA region and the 16th highest among emerging markets.

The Lebanese Republic executed five transactions in 2013 to refinance debt maturing in 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.

THE LEBANESE ECONOMY IN 2013

RISK METRICS

Spreads on five-year credit default swaps (CDSs) for Lebanon ended 2013 at 395 basis points, tightening by 83.6bps from 478.6bps at the end of June and narrowing by 46bps from 441bps at the end of 2012. Lebanon's 5-year CDS spreads were the 11th widest among 76 developed and emerging countries at end-2013. Further, Lebanon ended the year with a five-year cumulative probability of default (CPD) of 25.15%, constituting a decrease from 29.6% at the end of June and a drop from 27.5% at the end of 2012. Lebanon's CPD at end-2013 indicated that Lebanese debt was the 12th riskiest globally.

Rating agencies took actions following mounting political risks and the deterioration in public finances, but they remained confident in the banking sector. On 19 December 2013, Fitch Ratings revised its outlook on Lebanon's long-term foreign currency Issuer Default Rating (IDR) to 'negative' from 'stable'. It attributed the outlook revision to heightened political risks that have a "high" importance in assessing Lebanon's sovereign ratings and the outlook, as well as to deteriorating public debt dynamics and weak growth prospects, with each factor having "medium" importance in assessing the ratings and the outlook.

On 1 November 2013, Standard & Poor's downgraded Lebanon's long-term foreign and local currency sovereign credit ratings from 'B' to 'B-' and maintained a 'negative' outlook on the ratings. It attributed the downgrade to the slow but steady deterioration in Lebanon's macroeconomic fundamentals since the start of the Syrian crisis in early 2011, which, in turn, has negatively affected public finances and reversed the public debt's dynamics. It said that Lebanon's sovereign creditworthiness is supported by confidence in the Lebanese banking sector, which is the main source of funding for the government's deficits and for the stability of public finances. It noted that confidence in the Lebanese banking system remains intact despite regional turmoil and expected the banks' depositor base to remain resilient, as in previous crises and periods of high domestic instability. The agency indicated that the 'negative' outlook reflects its view that credit risks will remain significant as long as the Syrian conflict is unresolved.

On 14 May 2013, Moody's Investors Service affirmed Lebanon's government bond rating at 'B1' and revised the outlook to 'negative' from 'stable'. It attributed the outlook revision to the negative impact of the ongoing conflict in Syria on the Lebanese economy, and to concerns that an escalation of the Syrian conflict would lead to further political instability in Lebanon. The agency considered that the Syrian conflict poses a key threat to the country's already weak political balance of power.

MONETARY SITUATION

The Central Bank's gross foreign currency reserves reached USD 31.7 billion at the end of 2013, constituting an increase of 5.8% from USD 30 billion a year earlier, and were equivalent to about 69.5% of money supply (M2). Also, foreign reserves were equivalent to 10.7 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 its net foreign currency reserves, which it does not publish. The value of the Central Bank's gold reserves reached USD 11.1 billion at the end of 2013, constituting a decrease of 27.5% for the year. The Central Bank's combined assets in gold and foreign currencies at the end of the year were equivalent to about 96.6% of GDP.

INFLATION

Inflation averaged 3.2% in 2013 compared to 5.9% in 2012 according to the International Monetary Fund. 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 levels. 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 continued to slow down in 2013 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. The aggregate net income of the top 14 banks operating in Lebanon was USD 1.7 billion in 2013, unchanged from 2012 and compared to a rise of 7.4% in 2012. Also, the top banks' return on average assets was 1.02% and their return on average equity reached 11.8% in 2013, compared to 1.1% and 12.9%, respectively, in the preceding year. Further, the banks' cost-to-income ratio grew to 49.9% in 2013 from 47.6% in 2012.

Commercial bank assets reached USD 164.8 billion at the end of 2013, constituting a rise of 8.5% from end-2012 and relative to increases of 8% in 2012 and 9% in 2011. The sector's aggregate assets were equivalent to 372% 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, as well as to maintain high levels of liquidity and capitalization. Deposits of the private non-financial sector totaled USD 136.2 billion, rising by USD 11.2 billion or 9% from end-2012, relative to an increase of USD 9.3 billion or 8% in 2012. Private sector deposits were equivalent to nearly 307% of GDP, one of the highest such ratios in the world. Deposits in Lebanese Pounds reached USD 46.1 billion, up 4.9% from end-2012 and compared to an increase of 11.5% in 2012, while deposits in foreign currencies totaled USD 90.1 billion and rose by 11.2% from end-2012 relative to an increase of 6.2% in 2012. Non-resident foreign currency deposits totaled USD 25.1 billion at end-2013 and increased by 21% from end-2012 relative to a rise of 11.8% in 2012. The dollarization rate of deposits increased to 66.1% at end-2013 from 64.8% a year earlier. The average deposit rate in Lebanese Pounds reached 5.44% in December 2013, almost unchanged from 5.41% a year earlier, while the same rate in US Dollars was 2.95% relative to 2.86% in December 2012. In parallel, deposits of non-resident banks reached USD 5 billion and decreased by 15.1% from end-2012.

THE LEBANESE ECONOMY IN 2013

Broad money supply (M3) grew by 6.9% in 2013, similar to the growth rate of 7% posted in 2012. Loans to the private sector totaled USD 47.4 billion at the end of 2013 and increased by USD 3.9 billion or 9% from end-2012, relative to a rise of USD 4.1 billion or 10.4% in 2012. The dollarization rate in private sector lending reached 76.5% at end-2013, down from 77.6% a year earlier. The average lending rate in Lebanese Pounds was 7.29% in December 2013 compared to 7.07% a year earlier, while the same average in US Dollars was 6.88% relative to to 6.87% in December 2012. Claims on the public sector stood at USD 37.7 billion, up 21% year-on-year, and accounted for 38% of the banking sector's total claims. The sector's non-performing loans (NPLs) reached 4% of total loans at end-2013, slightly increasing from 3.8% at end-2012 and 3.7% at end-2011. Rating agencies continued to restrain the banks' ratings to the sovereign ceiling, citing the banks' elevated exposure to the sovereign as their most important risk factor.

The banks' capital base stood at USD 14.2 billion at end-2013, up by 12.3% from a year earlier, with core capital rising by 9.6% to USD 13 billion. The ratio of private sector loans to deposits in foreign currencies stood at 40.3%, well below the Central Bank's limit of 70%, and compared to 41.6% a year earlier. In parallel, the same ratio in Lebanese Pounds was 24.1%, up from 22.1% a year earlier. The ratio of total private sector loans to deposits was 34.8% at end-2013, unchanged from a year earlier.

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

Following several years of subdued growth, economic activity in advanced economies started to recover during the second half of 2013. In parallel, global financial conditions started to tighten as of May 2013 when the US Federal Reserve announced that it would reduce its quantitative easing program. As a result, many emerging markets experienced capital outflows, currency depreciation, wider bond spreads, and declining equity prices. Developing countries continued to expand but at a slower pace, given the prevailing global monetary conditions. Global growth is estimated at 3% in 2013 compared to an expansion of 3.2% in 2012. Economic growth in advanced economies was modest at 1.3%, almost unchanged from 1.4% in 2012, while developing economies remained the growth driver of global economic activity as they expanded by an estimated 4.7% in 2013 relative to a growth rate of 5% in 2012.

The economies of both the Middle East and North Africa (MENA) and Sub-Saharan Africa (SSA) regions 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 Lebanese Diaspora and to the increasing activity of Lebanese banks in the two regions.

The political and social unrest that started in 2011 in some Arab countries continued to affect economic activity in the MENA region. Increased domestic tensions in Egypt weighed on confidence, spillovers from the Syrian conflict affected activity in Lebanon, Jordan and Iraq, and security setbacks, poor infrastructure and weak institutions negatively affected oil production in the region's non-GCC oil exporters. Real GDP growth of oil-importing Arab economies accelerated but remained subdued at 2.7% in 2013 compared to 2% in 2012, well below the historical average growth rate of about 5%. The subdued level of economic activity is due to political uncertainty and security challenges that weighed on key growth drivers. Growth in oil-importing Arab economies was mainly supported by domestic demand in 2013 through elevated remittance inflows; energy, food and transportation subsidies; and high public wage spending, as investment remained low due to weak confidence. Oil importers continued to face the challenges of weak growth, wide fiscal and current account deficits, and rising unemployment.

In parallel, real GDP growth in the economies of the GCC slowed to 4.1% in 2013 from a growth rate of 5.6% in 2013. Also, their hydrocarbon output grew by 0.9% in 2013 relative to a growth rate of 5.5% in 2012, reflecting lower oil prices and production. Also, activity in the non-hydrocarbon sector expanded by 5.4% in 2013, nearly unchanged from 5.6% in 2012, supported by higher public spending and stronger private sector activity. In parallel, economic activity in the region's non-GCC oil exporters contracted by 0.1% in 2013 compared to real GDP growth of 3.9% in 2012, mainly reflecting the international sanctions on Iran and disruptions to oil production in Libya.

Economic growth in Sub-Saharan Africa is estimated at 4.9% in 2013, unchanged from 2012, while it is estimated at 5.9% in 2013 and 5.8% in 2012 when excluding South Africa. Real GDP growth in SSA oil exporters accelerated to 5.7% in 2013 from 5.2% in 2012, while activity in oil-importing economies decelerated to 4.4% last year from 4.7% in 2012. Also, the region's low-income countries grew by 6.8% last year, while the middle-income economies expanded by 2.7%. Economic activity in Sub-Saharan Africa was mainly driven by strong domestic demand, ongoing investments in natural resources and infrastructure, and higher agricultural production. In contrast, external demand had a relatively weaker contribution to SSA's growth given that both economic activity in the rest of the world and commodity prices remained relatively subdued during most of the year. Further, the currencies of South Africa and some frontier economies in Sub-Saharan Africa have weakened since June 2013, reflecting capital outflows in the context of tighter global monetary conditions, as well as pronounced external or fiscal imbalances.

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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 76 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.

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.

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%).

2005	2006	2007	2008	2009	2010	2011	2012	2013
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%.	Commencement of Byblos Bank S.A.L. operations in Erbil, Iraq.	Acquisition of 100% stake in Armenia's International Trade Bank, renamed Byblos Bank Armenia in 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.	Listing on the London Stock Exchange. Issuance of USD 200 million in Series 2009 Preferred Shares. Opening of a Representative Office in Lagos, Nigeria.	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.	Issuance of USD 300 million in Byblos Bank ten-year Eurobonds.	Issuance of USD 300 million in 6.5% convertible fiduciary notes due in 2022.	Introduction of first bio-sourced debit and credit cards in the Middle East.

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. In 2011, Byblos Bank Syria successfully completed a capital increase to 6.12 billion Syrian Pounds (SYP), 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 SYP 100 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 S.A.L. holds 65% of Byblos Bank Armenia's shares, while the European Bank for Reconstruction and Development (25%) and the OPEC Fund for International Development (10%) hold the remainder. With four branches – three of them in the capital, Yerevan – Byblos Bank Armenia continues to develop products that address local 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

YEAR IN REVIEW

LEBANON'S SAFEST BANK

SHOWING THE WAY THROUGH DIFFICULT TIMES

Byblos Bank served as a model of preparedness in 2013, riding out the effects of domestic and regional instability to maintain both its strong market position and its rock-solid financial position. The Bank posted increases in both loans and deposits, earned a more than respectable profit, and remained an invaluable partner to its clients, its employees, and its shareholders. Even more importantly, it also continued the policies that have consistently given it the Lebanese banking sector's best Tier 1 capital-to-assets ratio, far surpassing international standards.

This performance was made possible by constant and careful refinements to the Bank's long-tested business model, driven by a laser-like focus on three current priorities: liquidity and capital strength, process improvements, and dedication to our people. This approach is itself an extension of Byblos Bank's long-term strategy, which relies on continuous enhancements that can only be achieved by highly trained and supremely motivated professionals, all committed to a common goal.

CUSTOMERS FOR LIFE

Byblos Bank's Consumer Banking Division understands that challenging times are precisely when our customers need us most – and vice versa. No effort is spared, therefore, in identifying new processes, technologies and other solutions that provide maximum convenience. Customer focus informs a variety of methods to track the ever-changing needs of our clients, including specialized teams that analyze both reported and unreported problems to resolve complaints today and prevent them tomorrow. This practice has a powerful multiplier effect on the work of Customer Service.

In 2014, the Division plans to maintain and even improve the elite levels of service to which our customers have become accustomed. Our strategy for achieving this goal relies on two main elements.

The first of these is to keep offering the best available training to our employees, thereby further empowering them to cater even more efficiently to the needs of our customers in a challenging market. Much of the emphasis is on e-learning, especially for more junior employees whose acculturation is still in process, but even the most experienced members of our team can still benefit by acquiring new knowledge and new skills. We will continue, too, to help motivate our employees by offering them attractive career advancement opportunities based on the quality of their job performance.

The second element is to keep offering the latest technologies to our clients, making it easier and faster to get their banking done. On this front Byblos Bank has been a pioneer in the Lebanese banking industry by introducing trendsetters like E-branch, Smart ATMs®, and, most recently, Mobile Banking Services. All of these help our clients gain more control over their finances, lightening the workload on our branch personnel and freeing up more of their time to provide quality advisory services.

In support of these endeavors, the Division also remains dedicated to a never-ending search for process enhancements and product improvements. Our Mystery Shoppers help measure the quality of services we provide, while our Customer Satisfaction Surveys tell us how well we meet the expectations of our clients – and how we can get even better.

PRUDENT GROWTH

Byblos Bank provides world-class commercial banking services, complementing our outstanding products with expert advice to clients operating in numerous sectors and geographical areas. Our teams of experts are specialized in all manner of solutions, from syndication and project finance, to contracting and real estate, manufacturing and trade, and agriculture finance.

The Commercial Banking Division's strategy in 2013 was to maintain prudent growth, in line with recent past performance, while preserving our dominant positions in the contracting, manufacturing and trade sectors. This strategy was successful, as all of the Bank's set objectives and key performance indicators were achieved.

Despite difficult and sometimes harsh operating conditions in Lebanon and main markets in the region, we are confident that 2014 also will be a successful year. Our strategy of prudent growth will continue, and we expect our growth targets to be met as planned, relying on our broad market experience, resilience, demonstrated ability to adapt in turbulent times, and sound management policies.

A DOMINANT PLAYER

Byblos Bank remained a force for stability in the capital markets, accounting for a 14.66% market share on the Beirut Stock Exchange in 2013. The Bank also extended its dominant role as one of the largest liquidity providers in both the Eurobond and domestic bond markets. Apart from generating approximately USD 5.5 billion in combined turnover, the Bank's business in these two markets also helped the Republic of Lebanon to find favorable terms for its financing needs despite adverse political and economic conditions.

The Capital Markets Division also gained market share for its brokerage activities, relying on a highly professional team to help more clients navigate both equities and fixed-income investments. Superior service is available around the clock for follow-up, execution, and helping individual and corporate clients alike to invest, trade and hedge with a variety of financial instruments at competitive prices.

A SOLID PRESENCE ABROAD

Byblos Bank's foreign subsidiaries have defied the turmoil affecting much of the region, finding new and better ways to help our customers do the same. Net income generated from overseas operations constituted 13.76% of the Group's consolidated net income in 2013, up from 10.15% in 2012, and this despite the challenging work environment, particularly in war-torn Syria.

During 2013, the International Network Division continued to follow a series of carefully studied policies and directives issued by the Group. These include full compliance with both any applicable international sanctions and the regulatory requirements of foreign countries, as well as achieving greater cost efficiencies and ensuring adequate provisioning in all foreign entities, but especially Syria.

Within the scope of these special measures, the Division also pressed on with its core responsibilities, including support for the Group's foreign entities by managing their interactions with the Head Office and branches in Lebanon. In addition, it continued to standardize operations, processes, and services while maintaining compliance with local regulations, and to encourage cross-selling within the Group. The Division also continued to monitor these and other forms of support, ensuring that they fulfill the terms of the Service Level Agreements governing the relationships between Byblos Bank Headquarters and individual subsidiaries.

Division highlights for 2013 included remarkable growth in lending and trade finance operations in both Iraq and the Democratic Republic of the Congo. Sustaining this momentum is a major goal for 2014.

Other priorities for the coming year include continuous efforts to improve performance and profitability, as well as renewed focus on the Group's image in terms of customer and employee satisfaction. The Division also will work with Human Resources to finalize succession plans for key employees at all of the Group's foreign entities.

OUR PEOPLE, OUR PURPOSE

The open secret of Byblos Bank's success has always been the quality and dedication of its people, and the Human Resources Division is committed to preserving that equation, both now and in the future. The Division is in the process of creating a more user-friendly HR structure, and pursuing a set of long-term objectives defined in 2013:

- Upgrading our HR Information System tool (PeopleSoft) and bringing its impact to bear on more of our activities
- Reviewing HR procedures in order to reduce bureaucracy while increasing efficiency and productivity
- Enhancing our competency framework in order to improve recruitment, talent development and succession planning
- Creating a cutting-edge assessment process that ensures selection on the basis of merit alone

On the international level, the Division's focus for 2014 will be on spreading use of our standardized HR policies, processes and applications so that the practices of the Byblos Bank Group are mirrored by all foreign subsidiaries.

The full implementation of our performance management process will ensure that all employees of our overseas entities receive the same technical and behavioral training as their counterparts in our home market of Lebanon, and that their performance is evaluated objectively and rewarded accordingly. These steps help maintain the Group's competitive edge within the banking sector, as do key benefits such as medical coverage, schooling and university fees, etc.

LEADERSHIP MEANS MAKING A DIFFERENCE

Byblos Bank has been driven since its founding by an ever-present resolve to exert positive influences on the lives and livelihoods of its neighbors, a founding philosophy expressed today by our Corporate Social Responsibility (CSR) policies and programs. Just as we strive every day to become a better bank, so too do we never stop working for the advancement of the communities we serve and the families who inhabit them.

All banking is about moving capital around, but for Byblos Bank the definition also means humanizing that capital so that real benefits are felt by real people. Our CSR work aims to do just that, extending support for a variety of deserving causes not always well served by market forces or purely commercial considerations.

Byblos Bank's long experience in this area has demonstrated that specialization can significantly increase the impact of CSR activities, so we continue to refine the scope of our work. In this way, rather than spreading our efforts too thinly, we can make bigger differences in those areas targeted by our strategy. In 2013, the main priorities were as follows:

- Photography: The Bank strengthened its focus on promoting the talents of emerging Lebanese photographers. The overall objective is to help establish photography as a standalone art in Lebanon, one with a self-sustaining market that creates new space for able photographers to build viable careers.
- Environment: Byblos Bank believes there is no time to waste in safeguarding natural treasures for the generations of tomorrow, and 2013 saw us reinvigorate our long association with tree-planting in Lebanon with a highly successful Cedar Reforestation campaign. We also continued the process of defining and improving the environmental impact of our business operations.
- Heritage: Preserving our heritage remains one of the Bank's most important goals because we believe that understanding the past is the surest path to a stable and prosperous future. Nowhere is this truer than in Lebanon, whose unique cultural foundations are threatened with erosion by several factors, including emigration.
- Education: Byblos Bank continues to work in close cooperation with schools and universities, supporting them in their mission of dispensing knowledge and critical thinking skills. The goal here is to improve the academic access and achievements of our youth, making of them not only more competitive participants in the job market, but also more capable citizens of an abler, wiser and more productive society.

PHOTOGRAPHY

- In late February and early March, we paid tribute to our special ties with Belgium by supporting Belgian Week in Lebanon and erecting a booth to exhibit unique photos of that country. Taken by Byblos Bank Award for Photography 2012 winner Dory Younes, the shots featured images from TomorrowLand, Belgium's world-famous electronic music festival. Our long relationship with Belgium goes back to the establishment of our first overseas subsidiary, Byblos Bank Europe, there in 1976.
- In April, Byblos Bank Headquarters hosted the first solo exhibition by Dory Younes, winner of the first Byblos Bank Award for Photography in 2012. Titled "Urban Landscapes", the event helped fulfill the Bank's determination to spread appreciation for photography and raise the profile of talented Lebanese photographers in order to help them develop and sustain their livelihoods.
- In September came the second edition of the Byblos Bank Award for Photography, which took place in cooperation with the Beirut Art Fair. The first-rate images submitted by participating photographers and the high caliber of the jury generated considerable credibility for the Byblos Bank Award, and more appreciation of the talent required to compete for it. An effective communication plan promoted the finalists and their work, and the winner was Ghaleb Cabbabé, whose reward was a debut solo exhibition hosted at Byblos Bank Headquarters – and a coaching and mentoring program to help him prepare. Using the Beirut Art Fair as a platform offers several advantages, including professional organization and direct public exposure: all 10 of the finalists exhibited their work at Byblos Bank's booth at the fair, which was visited by some 18,000 people.
- We also actively contributed to securing a visit by Photomed, a unique photography festival that usually takes place in France and features the work of photographers from all Mediterranean countries. Our preparations were successful, and the festival took place in January 2014, giving local enthusiasts an opportunity for in-depth looks at the works of such distinguished photographers as Nino Migliori and Costa Gavras. The festival also featured a special Lebanese presence with

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the participation of a group of highly respected local photographers: Carolina Tabet, Emile Issa, Tanya Traboulsi, Mazen Jannoun, Ghadi Smat, Lara Zankoul, Joanna Andraos, Fouad el Khoury and Tony Hage.

HERITAGE

- In July, the Bank supported "Journeys through our heritage", a potent initiative by Liban Art that aimed to both stimulate creativity and keep Lebanon's artistic heritage alive. Curators Janine Maamari and Marie Tomb commissioned each of 21 Lebanese artists (all born after 1970) to create a work in the media of their choice, informed by aspects of Lebanese artistic modernism. The artists were free to investigate and question, but also to contemplate and pay homage to the oeuvre of their forebears (born before 1930), including Helen Khal, Farid Aouad, Shafic Abboud, Gibran Kahlil Gibran, Saliba Douaihy, Saloua Raouda Choucair, and Khalil Saleeby, among others. Exhibited at the Beirut Exhibition Center, the products of their journeys through history and memory revealed personal, historical and societal messages still relevant today.
- Following two years of works and a donation of approximately USD 2 million by Byblos Bank to the Jbeil Municipality, the renovated Jbeil Souks were reopened during a major event in August that was attended by Lebanese President Michel Sleiman. This project is important to Byblos Bank for many reasons, not only because it contributes to the preservation of one of the world's oldest cities, or because that city was the Bank's birthplace, but also because it carries an economic impact that will help its residents obtain greater prosperity, enabling them to remain rooted in their land.
- As an extension of our support for Lebanon's precious archaeological history, the Bank sponsored "Saida, 15 years of excavations", a book based on the findings of works undertaken by the British Museum in collaboration with Lebanon's Directorate of Antiquities and under the supervision of Dr. Claude Serhal. Covering some 5,000 years in the history of one of the most important cities of the ancient world, the tome was offered as an end-of-year gift to many of our clients.
- Byblos Bank also continued to sponsor "Hayda Lebnen", a daily program carried by LBCI Television. In 2013, the program's areas of focus included old souks in various regions of Lebanon, as well as valuable collections – of everything from stamps, keys, and classic cars to musical instruments, stuffed animals, and model cars – owned by Lebanese.
- We also sponsored the Association pour la Restauration et l'Étude des Fresques Médiévales du Liban, allowing it to print and distribute informative brochures explaining the importance of Lebanon's medieval frescoes. Mostly located at aging churches in Jbeil, Batroun, Koura, and the Qadisha Valley, these works require immediate attention in order to preserve them.

EDUCATION

- In 2013, Byblos Bank continued the implementation of its University Loans Program (ULP), a partnership with the Agence Française de Développement (AFD), helping to finance the studies of some 1,036 students at nine private universities in Lebanon. ULP loans, worth a total of EUR 17.2 million in 2013, are disbursed in Lebanese Pounds and carry highly favorable terms and interest rates. The program was launched in late 2010 in association with the AFD, which has provided a line of credit worth EUR 25 million to fund an initial three-year mandate to grant student loans under optimum conditions.
- In August, for the fourth year in a row, Byblos Bank sponsored the annual mini-marathon organized by MyschoolPulse, which helps finance the education of children whose severe illnesses prevent them from attending regular classes. Some 70% of these children fully recover after treatment, and keeping up the pace of their education is crucial for them to resume normal lives.
- Throughout the year, we maintained our partnerships with several schools and universities, with special focus on education for youth and securing their access to new ideas.

ENVIRONMENT

- Coinciding with Independence Day in November 2013, Byblos Bank launched a national campaign to raise awareness about the Cedar of Lebanon, long the country's most recognized national symbol but today covering just 0.0002% of its territory. "Our Cedar Is Our Identity" centered on a TV commercial celebrating the global popularity of Lebanese customs and traditions, but also warning of the need to protect them at home, especially the country's natural icon: its Cedars. The TV spot soon went viral on YouTube and social media, quickly becoming, by far, the most watched Lebanese bank advertisement of the year. The response was overwhelmingly positive, with Lebanese at home and around the world praising the commercial's message and originality. The campaign reflected Byblos Bank's longstanding commitment to reforestation in general and of Cedars in particular, beginning with tree-plantings in 2005.
- The Bank continued this theme with an end-of-year gift for employees and many clients: the Cedars box, a special kit that allows recipients to adopt their very own trees. The adoption kit carries simple instructions on how to go online and select one of four locations (Ehmej, Ehden, Zaarour or Kfardebiane) where Cedar saplings have been planted by the Bank in cooperation with Cedars box and Jouzour Loubnan.
- We also sponsored "Cedrus Libani" a book by Gabriela S. Schaub that features a variety of fascinating information about the Cedar of Lebanon, including how and where the species has been mentioned in literature, its botanical characteristics, its use in logos and fine arts, and the state of Lebanon's Cedar forests today.
- The Bank helped increase appreciation of Lebanon's Jabal Moussa region, one of the country's most important biospheres, by lending support for the production of two guidebooks about the area. Prepared by renowned scientists Georges and Henriette Tohmé, the guidebooks contain the names of photographs of all of Jabal Moussa's flowers and trees, many of which are found nowhere else, and were presented as end-of-year gifts to many of our clients.
- We also continued the implementation of our Bgreen initiative, which aims to reduce the environmental impact of operations at Byblos Bank Headquarters in Ashrafieh. This initiative includes specific and measurable actions on several fronts, from conserving energy and water to reducing the use of paper and recycling paper and plastic products.
- In addition, Byblos Bank teamed up with Gemalto, a global leader in digital security, to introduce the Middle East's first bio-sourced debit and credit cards. The move demonstrated the Bank's commitment to identifying and implementing steps that reduce the environmental impact of every initiative we launch, every policy we follow, and every product we sell. It also showcased Byblos Bank's recurring role as a pioneer of the national and regional banking industries.

OTHER ACTIVITIES

- In May we took part in the grand opening of the AUB Byblos Bank Art Gallery, made possible by a grant from the Bank of some USD 500,000. Located in a prime spot on the AUB campus, the venue is dedicated to hosting exhibitions and programs relating mostly to contemporary art. The Bank was among the first to support the University's vision for promoting the arts, initiating talks on collaboration in 2009. Byblos Bank believes strongly that human creativity and innovation are a much-neglected economic, cultural and social resource for Lebanon, so this experimental facility will plant seeds that encourage local talent in the application of art in all its different forms.
- Once again, the Bank sponsored the Sourat Festival, an annual event that pays homage to the Batroun village's rich history and stately oaks.
- Child's Week: this was the 28th time Byblos Bank has proudly taken part in this event, run by the Association for the Protection of Lebanese Children.

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- We also participated in fundraising events for a variety of non-governmental organizations (NGOs), helping them secure the resources required to carry out their respective functions in the community.
- We helped shore up Lebanon's blood supply by teaming up with the Lebanese Red Cross to organize a blood drive for employees at Byblos Bank Headquarters.

MORE TO COME …

Byblos Bank's commitment to CSR work that furthers the stability and development of the community has only grown stronger with the passage of time, and that will continue in 2014. This year we plan to further sharpen our focus on the kinds of projects that have long-term sustainability, a necessary attribute for the forging of genuine and viable partnerships that further the interests of all stakeholders.

ADVOCACY

As a long-time leader in one of the Lebanese economy's most vital sectors, Byblos Bank regards it as nothing less than a solemn duty to encourage the highest of standards in both the management of private business and the handling of the public purse. Corporate conduct is crucial on multiple levels, from consumer and investor confidence to trade growth and the price of credit. The management of government finances has an even more widespread impact, affecting current and future conditions for each and every one of a country's inhabitants. Increasing awareness of the choices before us is therefore the very least we can to do to secure a better future for all Lebanese.

On this level, the voice of Byblos Bank remains our veteran Chairman and General Manager, Dr. François S. Bassil . With more than five decades of experience in the banking industry, Dr. Bassil was elected in July to a fourth term as Chairman of the Board of the Association of Banks in Lebanon (ABL). His long experience and reputation for financial wisdom lend considerable credibility to his words, and he uses them judiciously.

With the deadlock in Lebanon's political class still preventing progress on a long list of economic and other issues, the past year afforded no shortage of appropriate instances for this advocacy role. Chief among these was the political arena itself, where the resignation of then-Prime Minister Najib Mikati's Cabinet in March was followed by months of paralysis over the composition and policy statement of a new government to be headed by his successor, Tammam Salam. During the interregnum, Dr. Bassil joined other responsible figures in beseeching the political class to gets its priorities straight by finally putting national interests above partisan ones.

During and after this crisis, the Chairman maintained his calls for the political class to close ranks, reanimate state institutions, and finalize long-delayed administrative appointments. He also emphasized the urgency of the government's financial position, calling for far-reaching structural reforms, as well as immediate steps to rein in public spending to end the cycle of mounting debt.

GOVERNANCE AND COMPLIANCE

The fundamental importance of governance has been made unmistakably clear by the 2008-2009 financial crisis and its aftermath. Byblos Bank was spared the worst of that debacle thanks to high standards and prudent management, only reinforcing its belief in strict adherence to rules and regulations, the highest standards of corporate governance, and common sense.

We never stop examining and re-examining our internal policies and procedures to ensure that they remain in compliance with all applicable laws and regulatory requirements. Our personnel receive regular training in these and other areas, putting them on solid ground to apply various standards to given situations.

The Bank takes a similar approach to the manner in which we make information available, particularly to our shareholders. No effort is spared to make sure that all financial and any other material data are accurate, complete and up to date. As a result, our reputation for transparency inspires confidence (and therefore creates value) for all of our stakeholders, from customers and employees to investors and partner institutions.

Nowhere are such good habits more necessary than in protecting the Bank and its stakeholders against money laundering and other forms of malfeasance, financial or otherwise. The Byblos Bank Group consistently adopts organizational policies, supervisory initiatives, and other concrete steps to prevent it from being used by others seeking to conduct illegal activities or to circumvent internationally administered sanction programs. In addition, we comply with all Central Bank of Lebanon rules and guidelines in respect to the establishment of a compliance function for identifying, monitoring and reporting suspicious transactions and activities.

In line with Basel Committee recommendations, Financial Action Task Force guidelines, local regulations and international best practice standards, the Group maintains a compliance program of policies, procedures and systems to meet its commitment to detect and prevent all forms of money-laundering activities. The Group's compliance program follows strict principles that are applicable in any and all jurisdictions in which the Group has a presence, including:

- Carrying out the necessary due diligence before establishing a relationship with a prospective customer in order to verify his or her identity, ascertain the legitimacy of sources of funds, identify third parties who might actually control the disposition of those funds, understand the customer's business model, and determine the intended purpose of the business relationship. As per our Group's policy, under no circumstances do we offer our services to "walk-in" customers not maintaining an account.
- Prohibiting the opening of accounts for certain types of relationships, such as shell banks, non-face-to-face customers, money services businesses (MSBs), numbered or bearer accounts, online casinos and other gambling websites, among others.
- Applying a risk-based approach when deciding on whether to accept or reject the commencement of a relationship; accounting for factors such as the prospective customer's background, geographic location, nature of business activity and type of banking products being solicited. The Group must deny access to its services whenever due diligence examinations of a customer reveal inconsistency in the facts.
- Exercising enhanced due diligence and increased transaction monitoring for customers believed to pose a higher-than-average risk for money laundering, including, but not limited to, those considered politically or financially exposed.

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- Monitoring accounts for changes in transaction patterns that deviate from expected activity or behavior that would be considered normal for that particular customer or category of customers.
- Screening customer data and transaction details against sanction programs administered by local authorities as well as foreign countries and organizations (such as OFAC, the United Nations and the European Union, among others) to ensure that individuals, entities, countries, vessels, goods and services associated directly or indirectly with any transaction are in full compliance with those sanctions.
- Reporting to the Group AML and Legal Compliance Department on any transaction deemed to be unusual or suspicious in order to file a case with the local authorities.
- Providing all staff with continuous training on anti-money laundering measures and techniques, and ensuring awareness of the Group's obligations toward sanctions programs.

The Group operates a vigorous oversight regime over its activities to ensure consistent adherence with its compliance program. This includes the assignment of a compliance officer to each branch and the presence of a local Compliance Department for each of its subsidiaries, all under the authority of a Group Compliance, AML and Regulatory Department located at its Byblos Bank Headquarters. The Head of Group Compliance has direct access to senior management, the Board of Directors, and the Central Bank of Lebanon's Special Investigation Commission.

These and other activities stem from our boundless faith in high standards of governance as the ultimate tool in modern risk management. Accordingly, we use state-of-the art procedures to control different types of risks, for all lines of business, at the individual, portfolio, and aggregate levels. We take great care to protect client information, maintain lofty ethics in all our business dealings, and provide fully transparent risk disclosure to the Board of Directors, senior management, regulators, ratings agencies, and other interested parties.

For decades these and other good habits have allowed the Bank to produce consistent returns, but also to safeguard its long-term financial position and build a sterling reputation. Far from changing course, the future will only see an intensification of these practices as we apply new experiences and new technologies.

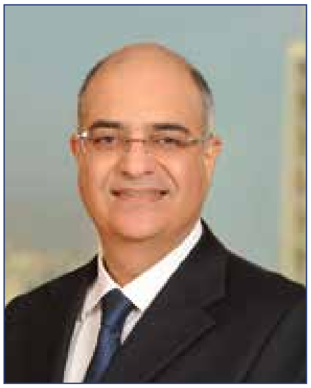
BOARD OF DIRECTORS MEMBER PROFILES

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. Also serves as Chairman of the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance Committee affiliated to the Board. Is now serving a fourth term as Chairman of the Board of the Association of Banks in Lebanon.

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, Chairman and General Manager of Byblos Invest Bank S.A.L., Member of the Board of Byblos Bank Europe, and Vice-Chairman of the Board of Byblos Bank Africa. In addition, serves as Member of the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance Committee affiliated to the Board.



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.

** Following the resignation of H.E. Mr. Sami F. Haddad, the General Assembly of Shareholders elected Mr. Des O'Shea to the Board of Directors on 9 May 2014.*

BOARD OF DIRECTORS MEMBER PROFILES

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. Was designated Minister of Energy and Water as of February 2014.

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. Also serves as a Member of the Risk, Compliance, Anti-Money Laundering and Combating the Financing of Terrorism Committee affiliated to the Board.

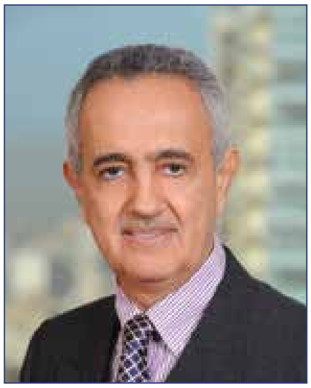
MR. BASSAM A. NASSAR

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 Member of the Audit Committee and the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance 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.

BOARD OF DIRECTORS MEMBER PROFILES



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 Head of the Audit Committee and Member of the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance Committee affiliated to the Board, both of which are affiliated to the Board. Is also Chairman of the Board of Byblos Bank Armenia, Vice-Chairman of the Board of Byblos Bank Syria, Member of the Board of Byblos Bank RDC and a Member of the Board of Byblos Invest Bank S.A.L..

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Alain C. Tohmé
Members	Mr. Abdulhadi A. Shayif
	Mr. Bassam A. Nassar

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

Chairman	Mr. Abdulhadi A. Shayif
Members	Mr. Ahmad T. Tabbara
	H.E. Mr. Arthur G. Nazarian

HUMAN RESOURCES, COMPENSATION, REMUNERATION, NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman	Dr. François S. Bassil
Members	Mr. Semaan F. Bassil
	Mr. Alain C. Tohmé
	Mr. Bassam A. Nassar

MANAGEMENT COMMITTEES

Executive Committee

President	François S. Bassil	Chairman and General Manager
Vice President	Semaan Bassil	Vice-Chairman and General Manager
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 Risk Management Division

Central and International Credit Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Marwan Moharram	DGM, Head of Group Risk Management 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
	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 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
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Marwan Moharram	DGM, 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
	Marwan Moharram	DGM, 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 Risk Management Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division

Risk Committee

President	Marwan Moharram	DGM, 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
	Ziad El Zoghbi	Head of Group Finance and Administration Division

International Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
Members	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	DGM, Head of Group Commercial Banking Division
	Marwan Moharram	DGM, Head of Group Risk Management Division
	Gilbert Zouein	AGM, Head of Group Products, Segments and Marketing 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 Risk Management Division
Vice President	Joumana Chelala	DGM, Head of Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division
	Joseph Nasr	AGM, Head of Distribution Network 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 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

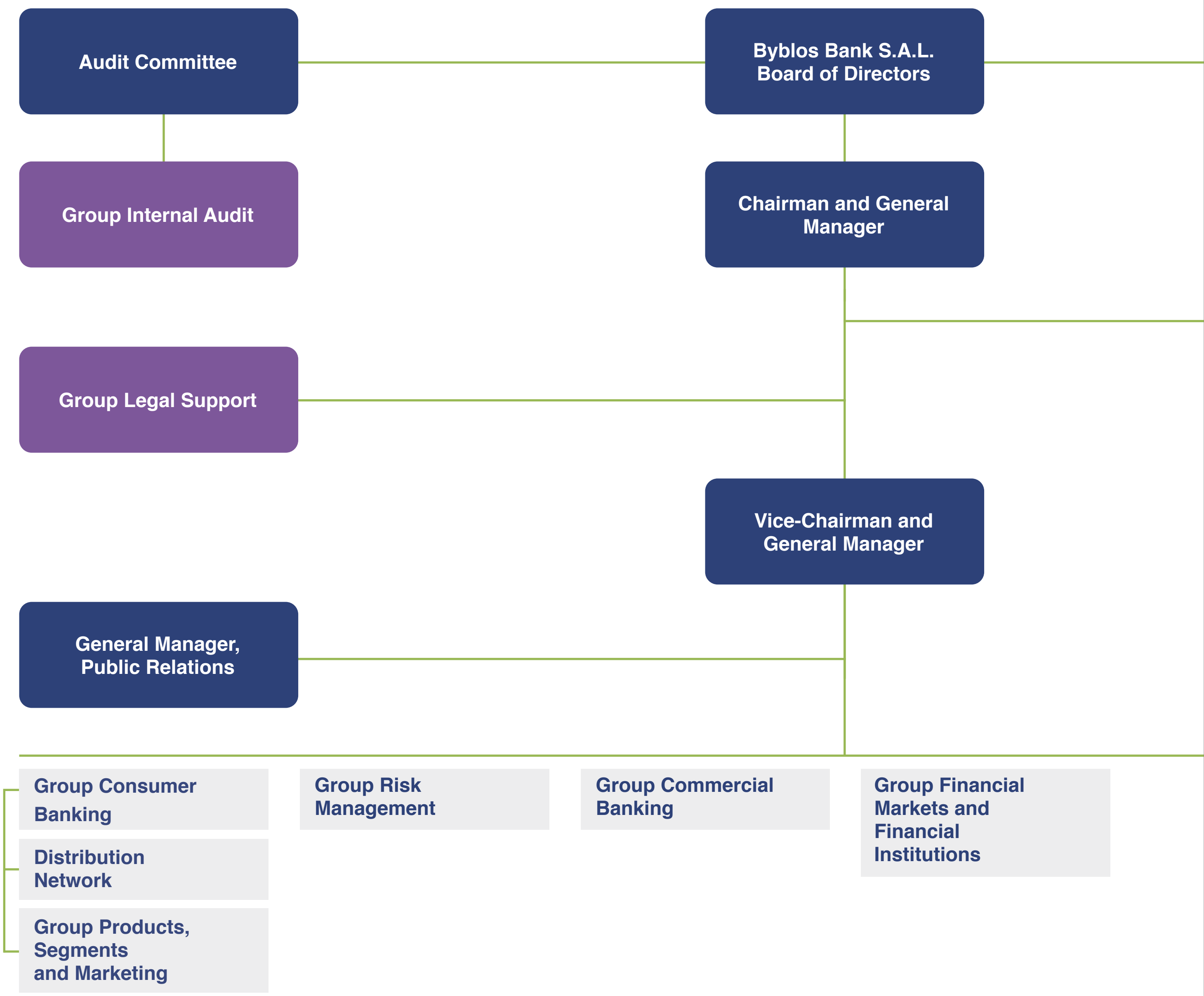
Operational Risk and Information Security Committee

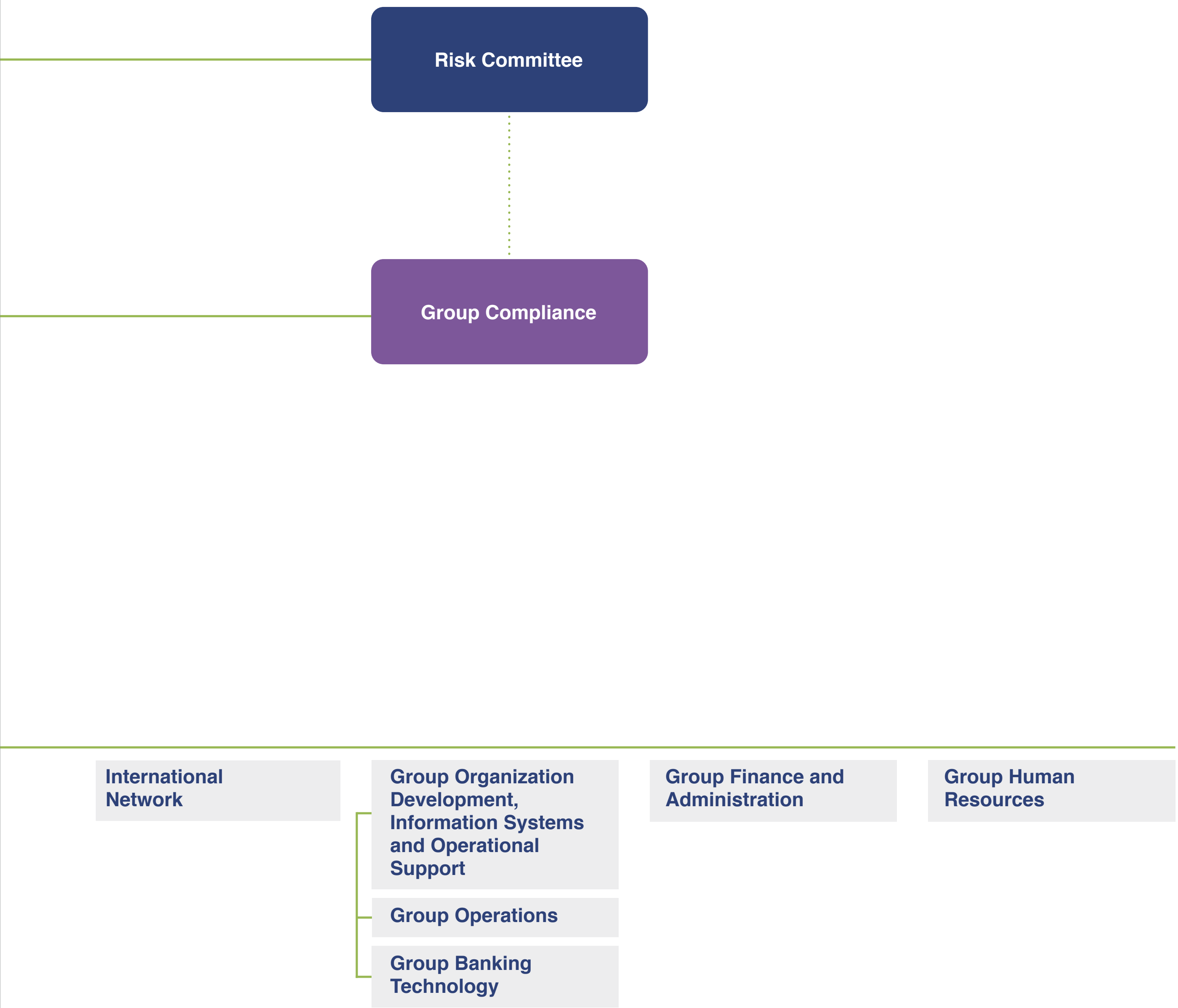
President	Marwan Moharram	DGM, Head of Group Risk Management Division
Vice President	Raffoul Raffoul	Head of Group Organization Development, Information Systems and Operational Support Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking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

Purchasing Committee

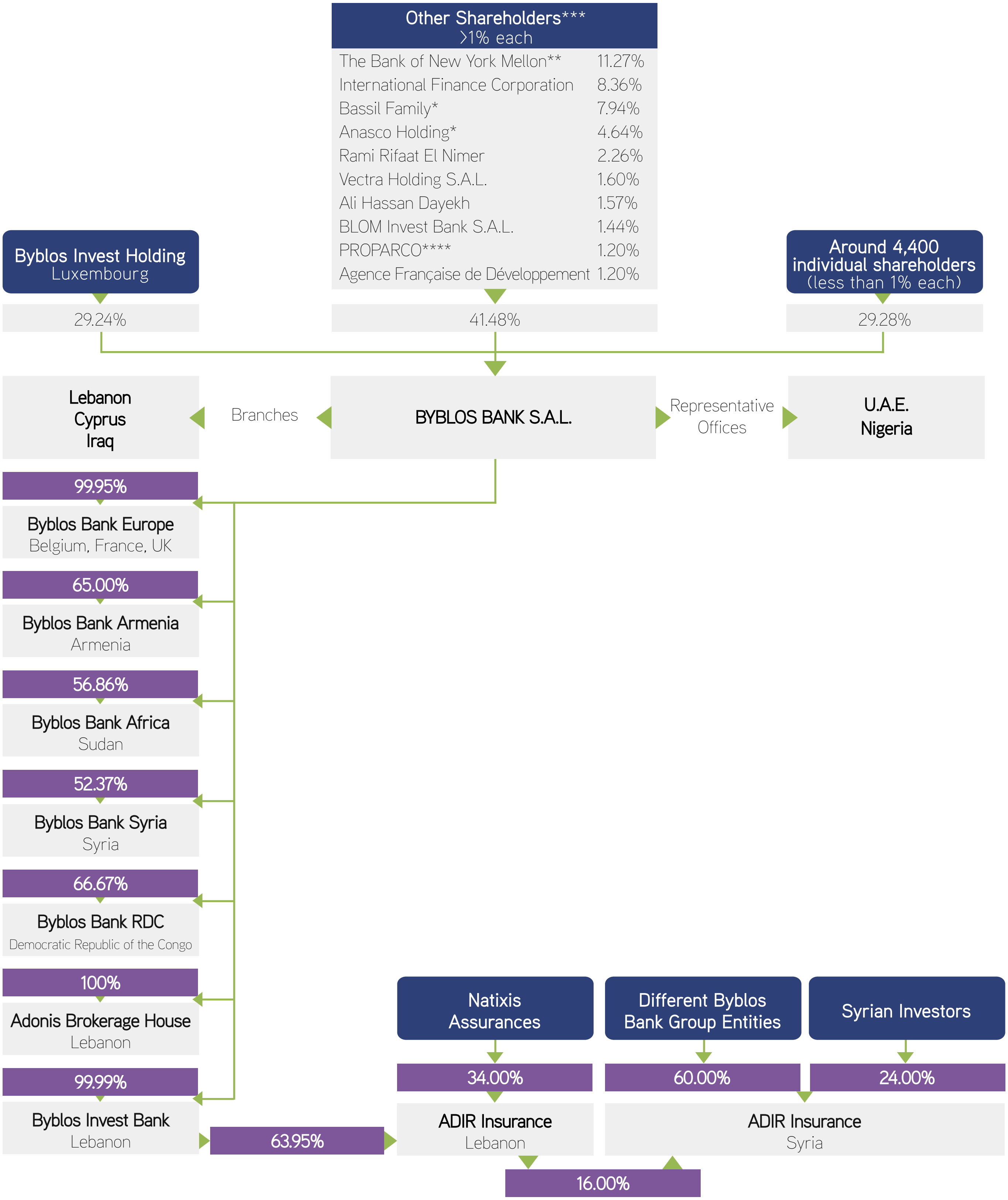
President	Ziad El Zoghbi	Head of Group Finance and Administration Division
Vice President	Joumana Chelala	DGM, Head of Group Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational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

ORGANIZATIONAL CHART




Risk Committee
Group Compliance
International Network
Group Organization Development, Information Systems and Operational Support
Group Operations
Group Banking Technology
Group Finance and Administration
Group Human Resources

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, as at 31 December 2013.*
**** *Société de Promotion et de Participation pour la Coopération Economique.*

BYBLOS BANK S.A.L.
PERFORMANCE REVIEW

KEY FINANCIAL DATA

	2004	2005
Total assets	6,968	7,526
Customers' deposits	5,476	5,646
Net advances to customers	1,341	1,488
Cash and due from banks (1)	3,452	3,194
Total equity	582	794
Net book value (2)	479	690
Net income	53.7	69.4
Number of domestic branches	72	73
Number of foreign branches and subsidiaries (3)	5	6
Number of ATMs	79	84
Number of employees	1,397	1,520
Market Shares (4)		
Market share in assets	9.04%	9.17%
Market share in customers' loans	7.22%	7.18%
Market share in customers' deposits	9.39%	9.32%
Share Data		
Book value per share in USD (5)	1.85	1.44
Earnings per common share in USD (5)	0.20	0.25
Earnings per priority share in USD (5)		0.29
Net dividend per common share in USD (6)	0.10	0.10
Net dividend per priority share in USD (6) (7)		0.01
Dividend payout ratio	62.47%	50.63%
Profitability		
Return on average assets	0.83%	0.96%
Return on average common equity	11.49%	12.03%
Leverage multiplier	14.53	10.91
Interest on earning assets	6.26%	6.32%
Funding cost	5.00%	5.02%
Spread	1.25%	1.30%
Net interest margin	1.60%	1.70%
Cost to income	56.49%	49.56%
Capital Adequacy		
Capital to assets	8.36%	10.55%
Capital adequacy (8)	19.86%	25.04%
Liquidity		
Net advances/assets	19.24%	19.77%
Net advances/customers' deposits	24.48%	26.36%
Customers' deposits/total resources	78.58%	75.02%
Liquid assets	76.16%	76.20%
Asset Quality		
Loan loss provisions (9)/customers' loans	11.86%	10.24%
Non-performing loans/customers' loans	12.19%	10.47%
Loan loss provision (9)/non-performing loans	89.74%	91.30%
1 USD =	LBP 1,507.5	LBP 1,507.5
Number of shares	205,023,723	411,047,446

(1) Includes CDs issued by the Central Bank.
(2) Excludes subordinated loans.
(3) Includes branches of Byblos Bank Europe, Byblos Bank Africa, Byblos Bank Syria, Byblos Bank Armenia, Byblos Bank S.A.L. in Baghdad, Basra, Erbil and Cyprus.
(4) Market share is based on all commercial and investment banks operating in Lebanon.

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

2006	2007	2008	2009	2010	2011	2012	2013
8,190	9,486	11,230	13,576	15,288	16,602	17,015	18,485
6,276	7,262	8,363	10,286	11,927	12,820	13,384	14,749
1,750	2,233	2,790	3,197	3,771	4,008	4,120	4,511
3,234	3,884	4,708	6,179	7,802	9,001	8,917	9,298
752	984	1,270	1,494	1,831	1,852	1,926	1,922
718	762	1,071	1,294	1,627	1,646	1,650	1,204
78.7	99.2	122.0	145.6	177.7	179.7	167.3	156.2
73	73	76	75	77	78	77	76
9	16	17	19	23	24	25	25
85	109	114	133	149	165	168	186
1,766	2,101	2,362	2,433	2,719	2,716	2,572	2,536
9.30%	9.67%	9.88%	9.80%	9.97%	10.27%	9.91%	10.00%
8.35%	8.78%	8.71%	8.51%	8.05%	8.00%	8.15%	8.43%
9.42%	9.55%	9.48%	9.41%	9.51%	9.66%	9.59%	9.89%
1.50	1.61	1.82	2.16	2.21	2.24	2.25	1.46
0.14	0.18	0.21	0.26	0.27	0.25	0.23	0.21
0.17	0.22	0.24	0.29	0.30			
0.10	0.10	0.10	0.13	0.13	0.13	0.13	0.13
0.13	0.13	0.13	0.16	0.16			
78.32%	62.17%	57.10%	58.71%	63.80%	59.62%	64.04%	68.61%
1.00%	1.12%	1.18%	1.17%	1.23%	1.13%	1.00%	0.88%
11.37%	13.84%	14.56%	15.00%	14.03%	12.29%	11.28%	9.80%
11.41	12.45	10.48	10.49	9.40	10.09	10.31	15.35
7.16%	7.29%	6.97%	6.38%	5.84%	5.50%	5.25%	5.08%
5.66%	5.64%	4.99%	4.65%	4.21%	4.00%	3.98%	4.02%
1.49%	1.65%	1.98%	1.73%	1.63%	1.49%	1.27%	1.06%
2.00%	2.10%	2.39%	2.17%	2.04%	1.88%	1.64%	1.42%
53.41%	51.81%	47.38%	46.28%	45.54%	43.65%	45.89%	46.86%
9.18%	10.37%	11.31%	11.01%	11.97%	11.16%	11.32%	10.40%
20.17%	11.23%	12.61%	12.62%	14.75%	14.06%	16.74%	16.11%
21.36%	23.54%	24.85%	23.55%	24.67%	24.14%	24.21%	24.40%
27.88%	30.75%	33.37%	31.08%	31.62%	31.26%	30.78%	30.59%
76.63%	76.56%	74.47%	75.77%	78.01%	77.22%	78.66%	79.79%
74.00%	71.63%	70.69%	72.42%	71.85%	72.48%	72.56%	72.16%
8.73%	5.40%	4.19%	3.64%	3.45%	4.04%	5.30%	5.82%
8.14%	4.66%	3.36%	2.63%	2.38%	3.02%	5.28%	4.85%
100.88%	107.51%	115.64%	134.10%	144.46%	132.77%	99.62%	119.77%
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
411,047,446	411,047,446	423,136,280	423,136,280	565,515,040	565,515,040	565,515,040	565,515,040

(5) Based on the number of shares outstanding at the end of the period.
(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 and Basel III as of December 2011.
(9) Includes specific and collective provisions, as well as reserved interest.

3

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 other financial activities in Europe and the Middle East and North Africa (MENA) region. As at 31 December 2013, the Bank had 2,536 employees, 76 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 (Amirian, 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.

The following analysis covers the performance of the Bank during the fiscal year 2013 with a comparative with the previous years where the data are extracted from the consolidated audited financial statements of the Bank. Data for the sector are extracted from either the Banque du Liban (BDL) quarterly bulletin or Bankdata (Bilanbanques and the Alpha Group report, which consists of banks having total deposits greater than USD 2 billion). The analysis starts with a brief overview of the operating environment in Lebanon followed by a detailed analysis of the Bank's growth, profitability, asset quality, credit risk and dividend distribution.

The Lebanese economy was affected in 2013 by domestic political uncertainties, rising political polarization, growing spillovers from the Syrian conflict, and the weak rule of law, in addition to severe security breaches across the country, a vacuum at the Cabinet level, and the lack of a fully functioning Parliament.

The current economic slowdown is broad-based, with consumption, trade, tourism, capital flows and investment indicators all pointing to a continuation of anemic economic activity. Economic activity is anticipated to remain subdued over the coming months, even with the formation of a new Cabinet, given the limited decision-making margin of the new Cabinet and the low prospects for a lasting resolution to the Syrian conflict over the near term. Overall, the economy expanded by 0.9% in real terms in 2013 compared to a growth rate of 1.2% in 2012.

During the past few months, ratings agencies took actions following mounting political risks and the deterioration in public finances, but they remain confident in the banking sector. Fitch Ratings modified the outlook on Lebanon's sovereign ratings from 'stable' to 'negative', Standard & Poor's downgraded the sovereign ratings and Moody's Investor Services revised its outlook downward to 'negative'. Only Capital Intelligence maintains a 'stable' outlook on the sovereign ratings.

On 19 December 2013, Fitch Ratings revised the outlook on Lebanon's long-term foreign currency Issuer Default Rating (IDR) to 'negative' from 'stable'. It attributed the outlook revision to heightened political risks that have a "high" importance in assessing Lebanon's sovereign ratings and the outlook, as well as to deteriorating public debt dynamics and weak growth prospects, each of which has "medium" importance in assessing the ratings or the outlook.

On 1 November 2013, Standard & Poor's downgraded Lebanon's long-term foreign and local currency sovereign credit ratings from 'B' to 'B-' and maintained a 'negative' outlook on the ratings. It attributed the downgrade to the slow but steady deterioration in Lebanon's macroeconomic fundamentals since the start of the Syrian crisis in early 2011, which, in turn, has negatively affected public finances and reversed the dynamics of the public debt. The agency indicated that the 'negative' outlook reflects its view that credit risks will remain significant as long as the Syrian conflict is unresolved.

Economic activity is expected to remain stagnant over the near term, given the low level of consumer sentiment, and especially because of consumers' declining level of expectations about near-term conditions in the absence of significant developments to improve their confidence level. Given the current low levels of confidence, consumers require a positive political shock of the magnitude of the 2008 Doha Accord, and not just a change or a formation of a government, to restore their confidence to the levels of 2008, 2009 and even 2010.

The banking sector in Lebanon continued to be resilient in 2013, although its activity slowed down due to the economic stagnation in the country, the Syrian crisis, deterioration in domestic security, shrinking margins, and historic-low global interest rates. In November 2013, Standard & Poor's noted that confidence in the Lebanese banking system remains intact despite regional turmoil and expected the banks' depositor base to remain resilient, as in previous crises and periods of high domestic instability. It considered the current growth rate of deposits to be sufficient to meet most of the government's borrowing needs without affecting lending to the private sector, especially with the weak state of the economy.

MANAGEMENT DISCUSSION AND ANALYSIS

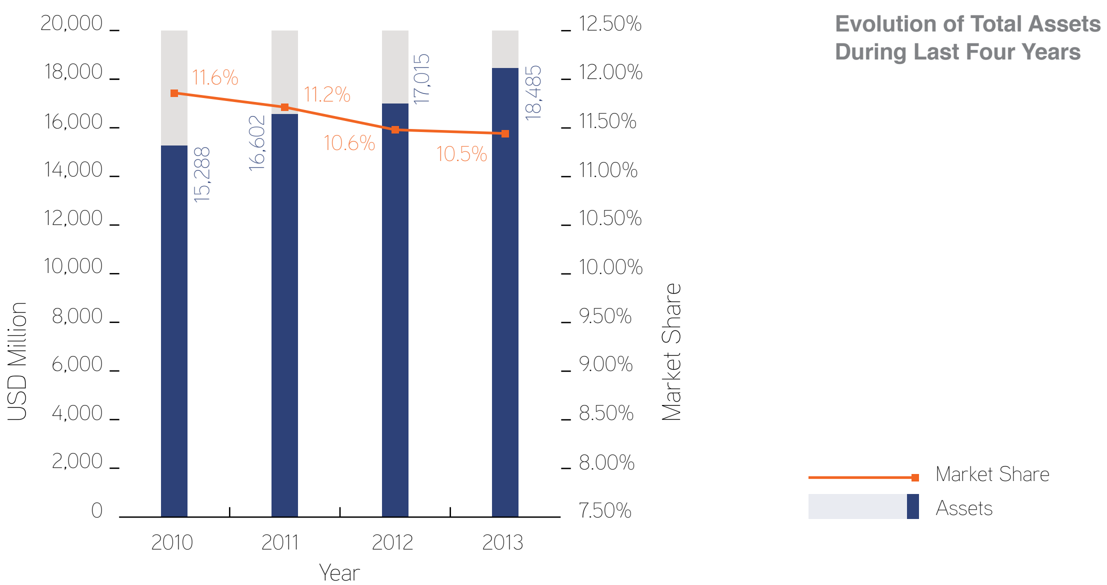
GROWTH

ASSETS

Total assets of the Bank recorded an increase of 8.6% during the year 2013 to reach LBP 27,866 billion (USD 18,485 million) at the end of December 2013 compared to an increase of 2.5% during the year 2012, and compared to an increase of 10.1% in the Alpha Group of top Lebanese banks. Consequently, the Bank's market share in the Alpha Group by total assets stood at 10.5% at the end of 31 December 2013 compared to 10.6% at the end of 31 December 2012.

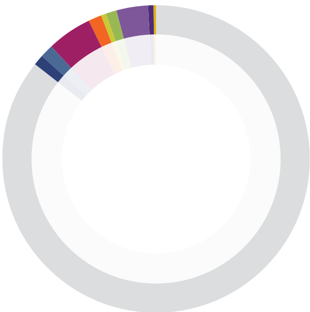
During the period between 31 December 2010 and 31 December 2013, total assets of the Bank grew at an average annual compounded rate of 6.5% compared to growth of 10.3% in the Alpha Group, and which was reflected in the Bank's market share by total assets, which decreased from 11.6% at the end of December 2010 to 10.5% at the end of December 2013.

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



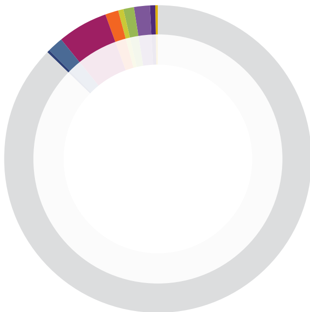
ASSET SPLIT IN THE GROUP

The following pie charts show the breakdown of assets in the Byblos Bank Group as at 31 December 2012 and 31 December 2013:



Asset Split in the Group 2012

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



Asset Split in the Group 2013

87.3%	Lebanon
0.3%	Cyprus
1.6%	Iraq
5.5%	Europe
1.3%	Africa
0.4%	Byblos
1.2%	ADIR & ABH & ADIR Syria
1.7%	Syria
0.6%	Armenia
0.1%	DR Congo

As illustrated above, total assets of international subsidiary banks and branches represented 11.1% of total assets as at 31 December 2013, lower than 12.7% at the end of the previous year.

Geographical Distribution of Branches

Byblos Bank's branch network reached 76 branches inside Lebanon at the end of 2013, representing 7.8% 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 26.3% of total Byblos Bank branches at the end of December 2013 compared to just 19.0% in the Lebanese banking sector, and represented 10.8% of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, branches located in Beirut and its suburbs, 35 branches, represented 46.1% of total Byblos Bank branches at the end of December 2013 compared to 53.5% in the Lebanese banking sector, and represented 6.7% of total branches in the banking sector operating in Beirut and its suburbs.

The nine branches located in the North of Lebanon represented 11.8% of total Byblos Bank branches compared to 10.0% in the Lebanese banking sector, and represented 9.2% 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 10.5% and 5.3% of total Byblos Bank branches respectively compared to 10.8% and 6.7% respectively in the Lebanese banking sector.

The pie charts below show the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2013:

Byblos Bank Dec. 2013

46.1%	Beirut & Suburbs
26.3%	Mount Lebanon
11.8%	North Lebanon
10.5%	South Lebanon
5.3%	Bekaa

Sector Dec. 2013

53.5%	Beirut & Suburbs
19.0%	Mount Lebanon
10.0%	North Lebanon
10.8%	South Lebanon
6.7%	Bekaa

MANAGEMENT DISCUSSION AND ANALYSIS

At the end of 2013, 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, Amirian and Komitas through our subsidiary Byblos Bank Armenia; and Kinshasa-Gombo through our subsidiary Byblos Bank RDC.

Geographical Distribution of Automated Teller Machines (ATMs)

Geographical Distribution of ATMs (Byblos Bank Dec. 2013)

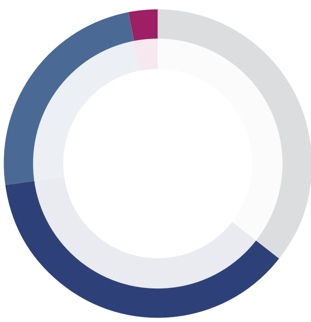
42.5%	Beirut & Suburbs
32.6%	Mount Lebanon
10.4%	North Lebanon
6.9%	South Lebanon
7.6%	Bekaa

Geographical Distribution of ATMs (Sector Sept. 2013)

42.8%	Beirut & Suburbs
29.7%	Mount Lebanon
10.0%	North Lebanon
10.1%	South Lebanon
7.4%	Bekaa

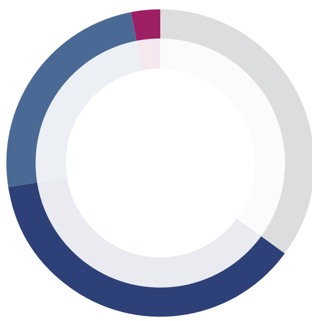
ASSET BREAKDOWN

The graphs below show the composition of the Bank's assets as at 31 December 2012 and 31 December 2013:



Breakdown of Assets 2012

35.8%	Bank placements
37.2%	Portfolio securities
24.2%	Net loans
2.8%	Other assets



Breakdown of Assets 2013

35.1%	Bank placements
37.5%	Portfolio securities
24.4%	Net loans
3.0%	Other assets

FINANCIAL INSTRUMENT PORTFOLIO

The Bank's investment portfolio includes Lebanese Treasury bills and other governmental bills, certificates of deposit, 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 2011, 2012 and 2013:

As at 31 December	2011		2012		2013	
	LBP million	percent	LBP million	percent	LBP million	percent
Lebanese and other governmental treasury bills and bonds						
Lebanese Treasury bills in LBP	1,963,161	21.9	2,182,704	22.9	2,624,259	25.1
Lebanese and other governmental bonds in foreign currency	1,690,243	18.9	2,031,047	21.3	2,802,672	26.8
Bonds and financial assets with fixed income						
Corporate bonds	705,314	7.9	797,650	8.4	635,340	6.1
Corporate certificates of deposit in foreign currency	240,085	2.7	164,123	1.7	33,101	0.3
Central Bank certificates of deposits in LBP and foreign currency	4,271,039	47.7	4,259,293	44.7	4,239,371	40.6
Shares, securities and financial assets with variable income in LBP and foreign currency	103,571	1.2	104,791	1.1	119,859	1.1
Collective Provisions	(25,015)	-0.3	(5,487)	-0.1	(5,062)	0.0
Total	**8,948,398**	**100**	**9,534,121**	**100**	**10,449,540**	**100**

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

Investments by Classification

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 marketplace.

The classification of financial assets depends on the basis of the Bank's business model for managing the financial assets and their respective contractual cash flow characteristics. 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.

The Bank 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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.

- 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 (OCI).

- 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 2011, 2012 and 2013:

As at 31 December 2011

LBP Million	Equity instruments at fair value through profit or loss	Debt instruments at fair value through profit or loss	Debt instruments at amortized cost	Equity instruments 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 instruments at fair value through profit or loss	Debt instruments at fair value through profit or loss	Debt instruments at amortized cost	Equity instruments at fair value through OCI	Accrued interest	Total
Central Bank certificates of deposit		10,537	4,165,732		83,024	4,259,293
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	26,128			78,663		104,791
Corporate certificates of deposit			163,869		254	164,123
Collective Provisions			(5,487)			(5,487)
Total by category	26,128	272,082	9,002,791	78,663	154,457	9,534,121

As at 31 December 2013

LBP Million	Equity instruments at fair value through profit or loss	Debt instruments at fair value through profit or loss	Debt instruments at amortized cost	Equity instruments at fair value through OCI	Accrued interest	Total
Central Bank certificates of deposit		324	4,159,115		79,932	4,239,371
Lebanese and other governmental treasury bills and bonds		104,024	5,252,133		70,773	5,426,931
Bonds and financial assets with fixed income		19,066	608,696		7,578	635,340
Shares, securities and financial instruments with variable income	32,964			86,895		119,859
Corporate certificates of deposit			33,014		88	33,102
Collective Provisions			(5,062)			(5,062)
Total by category	32,964	123,414	10,047,896	86,895	158,371	10,449,540

As per the table above, 97.6% of the financial instruments are classified under debt instruments at amortized cost. 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 51.9% as at 31 December 2013, higher than the 44.2% as at 31 December 2012 and 40.3% as at 31 December 2011. Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 40.6% of the Bank's portfolio as at 31 December 2013, as compared to 44.7% as at 31 December 2012 and 47.7% as at 31 December 2011. Corporate bonds represented 6.1% of the total portfolio as at 31 December 2013 compared to 8.4% as at 31 December 2012 and 7.9% as at 31 December 2011.

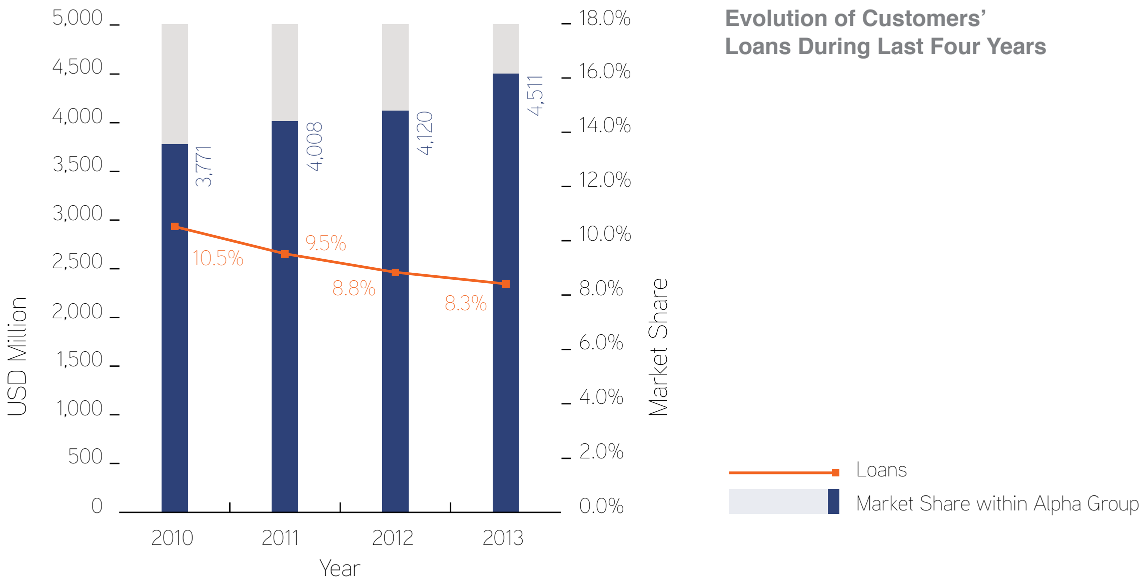
MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMERS' LOANS

Customers' loans net of provisions (specific and collective) on doubtful loans and reserved interest on substandard and doubtful loans grew by 9.5% during the year 2013 to reach LBP 6,801 billion (USD 4,511 million) at the end of 31 December 2013, compared to a growth of 2.8% in 2012, and compared to growth of 15.6% 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 8.3% at the end of 31 December 2013, down from 8.8% at the end of 31 December 2012.

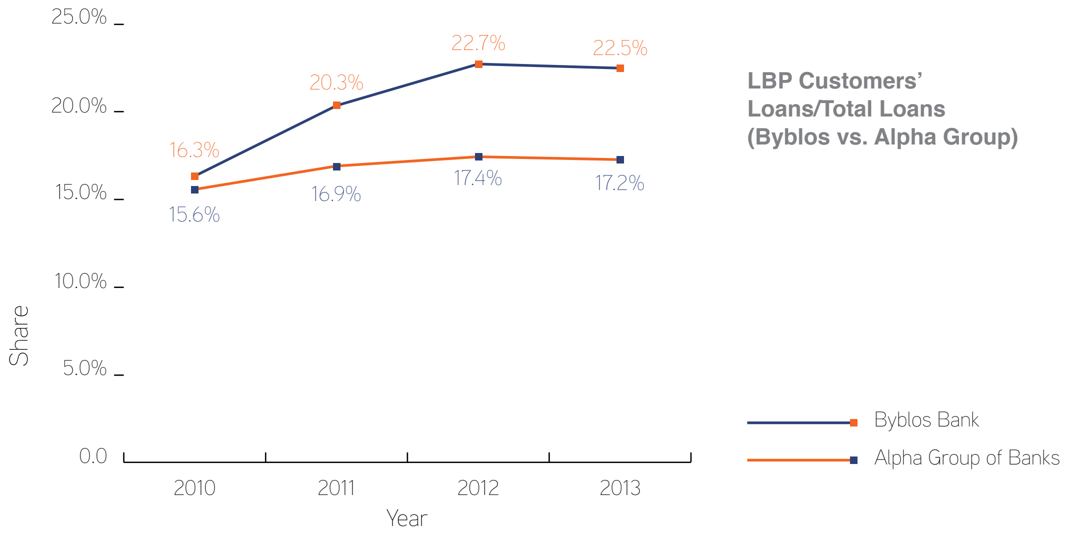
During the period between 31 December 2010 and 31 December 2013, net customers' loans increased at an average annual compounded rate of 6.2% compared to growth of 14.7% in the Alpha Group. Consequently, the Bank's market share of net customer advances dropped from 10.5% at the end of 31 December 2010 to reach 8.3% at the end of 31 December 2013.

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



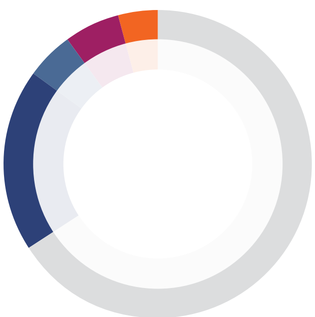
Evolution of Customers' Loans During Last Four Years

Customers' Loans Currency Structure



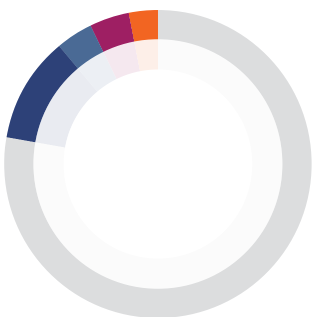
LBP Customers' Loans/Total Loans (Byblos vs. Alpha Group)

Customers' Loans Geographical Distribution



Byblos Bank Dec. 2013

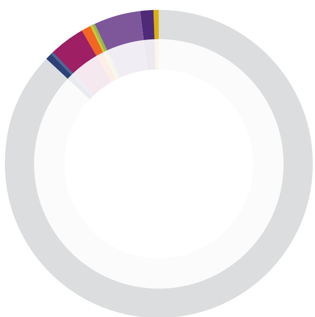
66.0%	Beirut & Suburbs
19.3%	Mount Lebanon
4.8%	North Lebanon
5.5%	South Lebanon
4.4%	Bekaa



Sector Sept. 2013

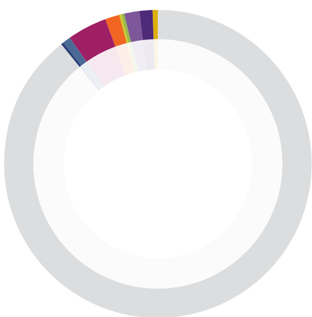
78.1%	Beirut & Suburbs
10.6%	Mount Lebanon
3.9%	North Lebanon
4.4%	South Lebanon
3.1%	Bekaa

Customers' Loans Split in Byblos Bank Group



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%	DR Congo



Loans Split in Group 2013

89.4%	Lebanon
0.3%	Cyprus
0.8%	Iraq
4.0%	Europe
2.0%	Africa
0.0%	Byblos Invest
0.0%	ADIR & ABH & ADIR Syria
1.8%	Syria
1.3%	Armenia
0.4%	DR Congo

MANAGEMENT DISCUSSION AND ANALYSIS

Loan Breakdown by Nature of Borrower

	Dec. 2011			Dec. 2012			Dec. 2013		
	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total
Corporate	2,491,253	1,652,572	39.1%	2,685,886	1,781,683	40.4%	2,907,217	1,928,502	39.7%
International	1,425,607	945,676	22.4%	1,156,956	767,467	17.4%	1,212,237	804,137	16.7%
Middle Market	370,046	245,470	5.8%	356,078	236,204	5.4%	420,196	278,737	5.7%
Retail	1,806,979	1,198,659	28.4%	2,141,804	1,420,766	32.2%	2,366,032	1,569,507	32.3%
Syndication	45,560	30,222	0.7%	72,470	48,073	1.1%	161,278	106,984	2.2%
Others	230,020	152,583	3.6%	230,968	153,212	3.5%	249,681	165,626	3.4%
Total	6,369,465	4,225,182	100.0%	6,644,162	4,407,405	100.0%	7,316,641	4,853,493	100.0%

During 2013, Byblos Bank's gross loan portfolio increased by 10.1% (+LBP 672 billion) to reach LBP 7,317 billion (USD 4,853 million) at the end of 31 December 2013 compared to an increase of 4.3% in 2012.

Commercial Loan Portfolio

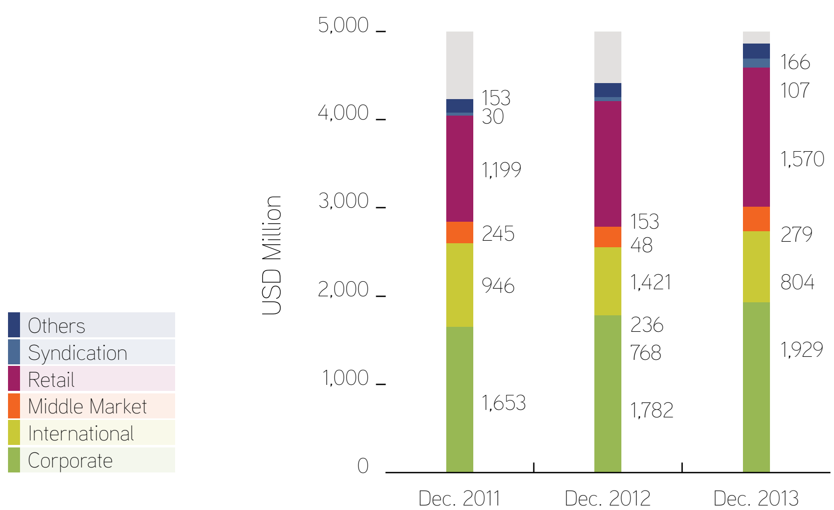
- The corporate loan portfolio increased by 8.2% (+LBP 221 billion or USD 147 million) during the year 2013 to reach LBP 2,907 billion (USD 1,929 million) at the end of 31 December 2013, compared to an increase of 7.8% (+LBP 195 billion or USD 129 million) in 2012. Corporate loans represented 39.7% of the gross loan portfolio at the end of December 2013, compared to 40.4% at the end of 31 December 2012.

- The international loan portfolio increased by 4.8% (+LBP 55 billion or USD 37 million) during the year 2013 to reach LBP 1,212 billion (USD 804 million) at the end of 31 December 2013, compared to a decrease of 18.8% (-LBP 269 billion or USD 178 million) in 2012. International loans represented 16.6% of the gross loan portfolio compared to 17.4% at the end of December 2012.

- The middle market loan portfolio increased by 18.0% (+LBP 64 billion or USD 43 million) during the year 2013 to reach LBP 420 billion (USD 279 million) at the end of 31 December 2013, representing 5.7% of the gross loan portfolio.

- Total exposure to syndicated loans at the end of 2013 amounted to LBP 161 billion (USD 107 million) compared to LBP 72 billion (USD 48 million) at the end of December 2012, representing 2.2% of the gross loan portfolio compared to 1.1% at the end of December 2012.

The chart below shows the breakdown of the loan portfolio by nature of borrower for the years 2011, 2012 and 2013:

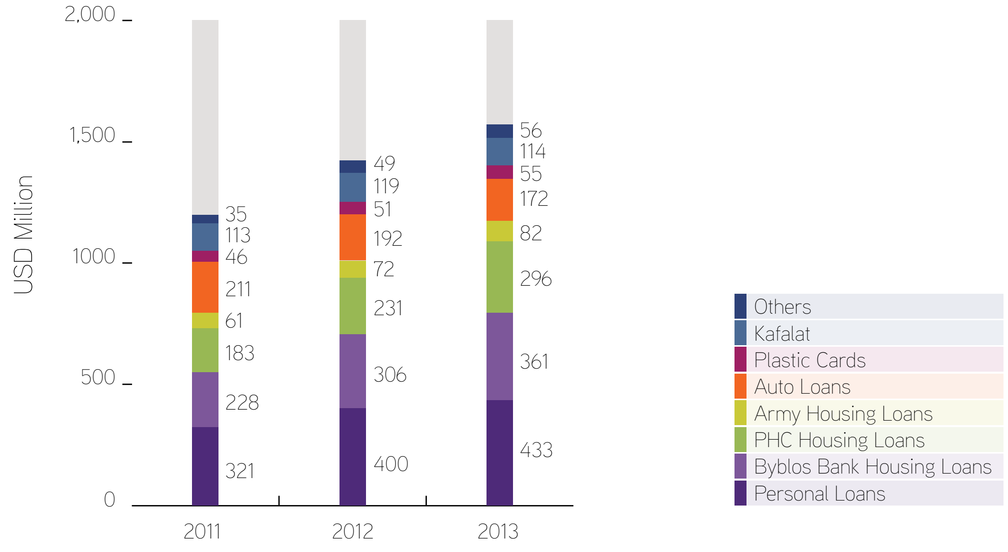


Retail Loan Portfolio

	Dec. 2011			Dec. 2012			Dec. 2013		
	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total	LBP million	USD 000's	% of total
Personal Loans	483,696	320,860	26.8%	603,119	400,079	28.1%	652,103	432,573	27.5%
Byblos Bank Housing Loans	343,359	227,767	19.1%	461,626	306,219	21.5%	544,256	361,032	23.0%
PHC Housing Loans	275,982	183,073	15.3%	348,638	231,269	16.3%	446,683	296,307	18.9%
Army Housing Loans	92,675	61,476	5.1%	108,834	72,195	5.1%	123,708	82,062	5.2%
Auto Loans	318,495	211,273	17.6%	289,531	192,061	13.5%	259,211	171,948	11.0%
Plastic Cards	69,292	45,965	3.8%	76,826	50,963	3.6%	83,485	55,380	3.5%
Kafalat	170,282	112,957	9.4%	178,877	118,658	8.4%	171,802	113,964	7.3%
Others	53,199	35,289	2.9%	74,353	49,322	3.5%	84,784	56,241	3.6%
Total Retail	1,806,980	1,198,660	100.0%	2,141,804	1,420,766	100.0%	2,366,032	1,569,507	100.0%

In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from LBP 2,142 billion (USD 1,421 million) as of 31 December 2012 to LBP 2,366 billion (USD 1,570 million) as of 31 December 2013, recording growth of 10.5%. The main increase in retail loans was the result of the increase in housing loans, whose outstanding portfolios increased between 2012 and 2013 from USD 610 million to USD 739 million, an increase of 21.3%.

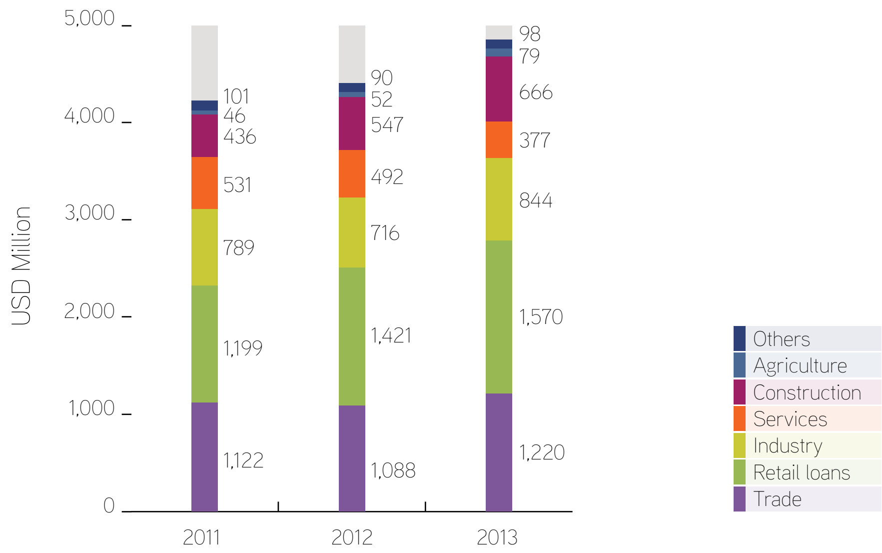
The chart below shows the evolution of retail loans throughout the last three years:



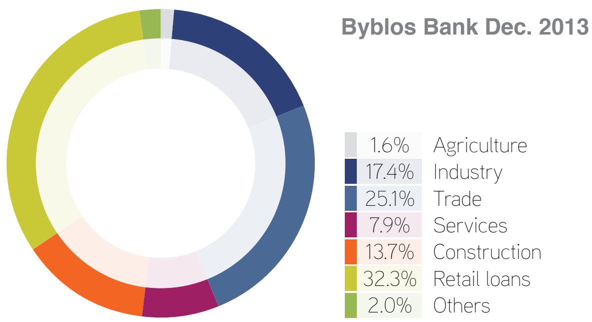
MANAGEMENT DISCUSSION AND ANALYSIS

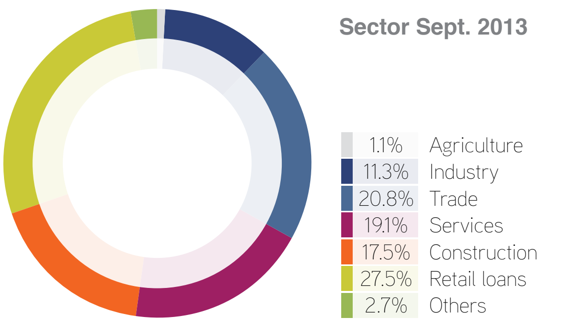
Loan Portfolio by Economic Sector

In recent years, the Bank has tried to focus its lending activities, to the extent possible, on sectors considered by management to be least affected by economic slowdowns. Retail loans stayed almost stable around 32.3% at the end of December 2013 and therefore represented the highest share of the loan portfolio. Loans to the trade sector (both wholesale and retail), constituted 25.1% of outstanding loans as at 31 December 2013, as compared to 24.7% as at 31 December 2012 and 26.6% as at 31 December 2011. Loans to the manufacturing sector increased to 17.4% as at 31 December 2013, as compared to 16.2% as at 31 December 2012 and 18.7% as at 31 December 2011. Loans to the construction sector increased to 13.7% as at 31 December 2013, as compared to 12.4% as at 31 December 2012 and 10.3% as at 31 December 2011.



The pie charts below illustrate the breakdown of the loan portfolio by economic sector as at 31 December 2013 in comparison with the Lebanese banking sector:

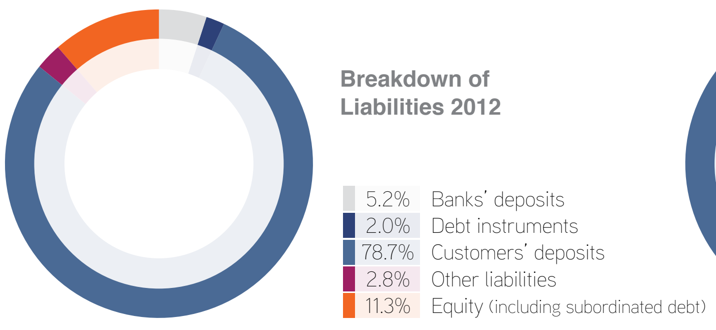


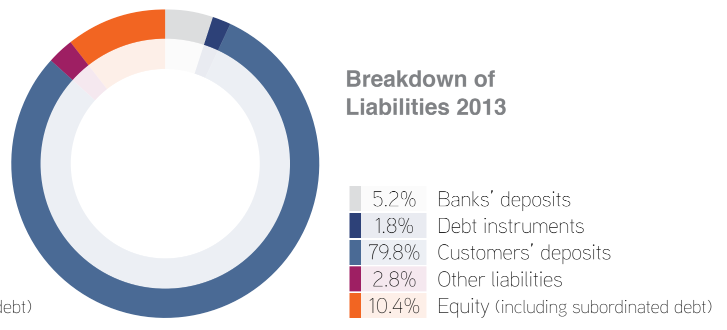


LIABILITIES

LIABILITIES BREAKDOWN

Customers' deposits represent the major source of funds with a share of 79.8% of total assets at the end of 2013, compared to a share of 78.7% at the end of 2012:

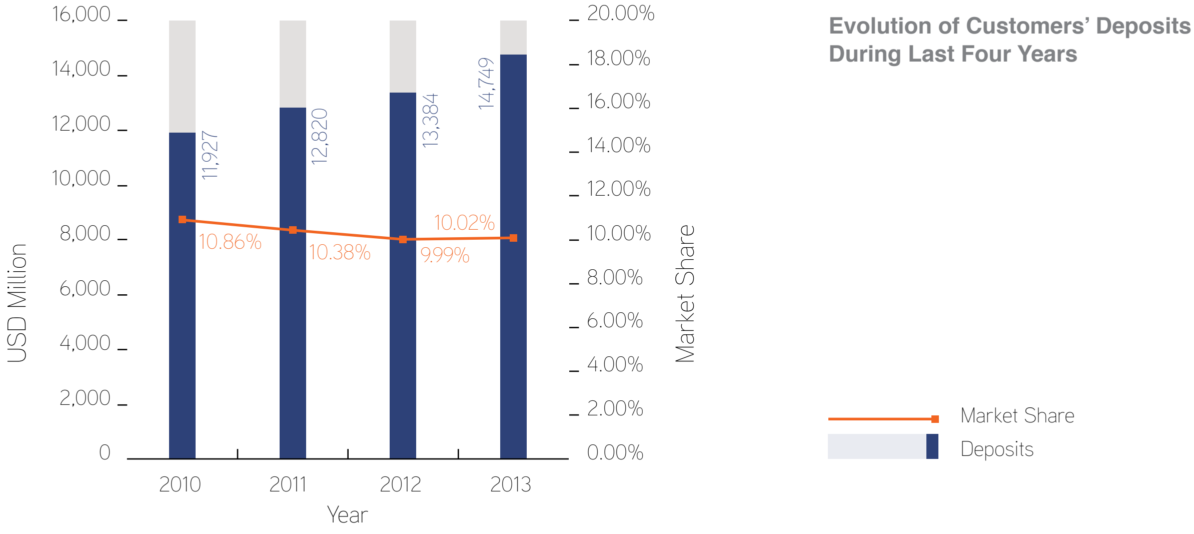




CUSTOMERS' DEPOSITS

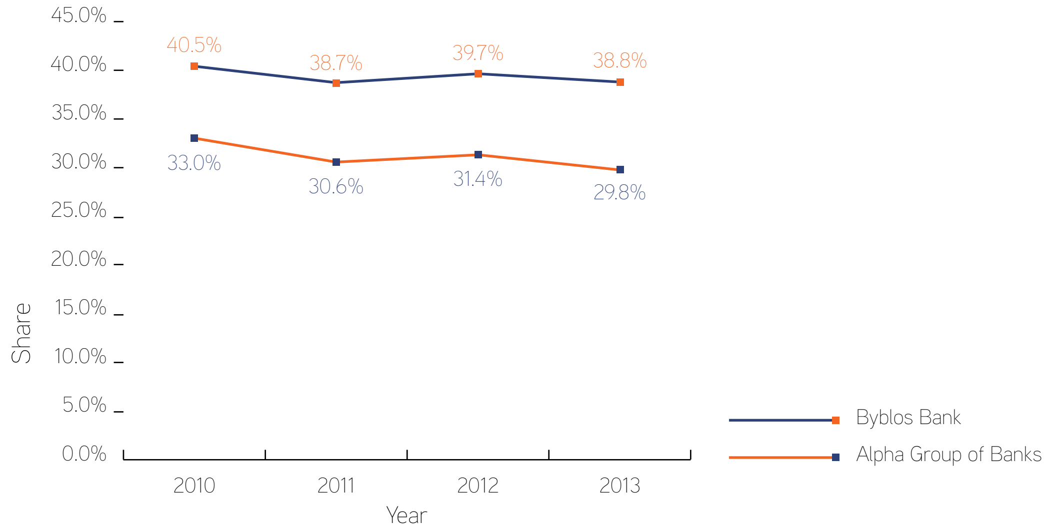
Customers' deposits recorded an increase of 10.2% during 2013 to reach LBP 22,235 billion (USD 14,749 million) at the end of 31 December 2013 compared to an increase of 4.4% during 2012, and compared to an increase of 9.9% in the Lebanese Alpha Group. Consequently, the Bank's market share of total customers' deposits in the Alpha Group of banks stood stable at 10.0% at the end of 2012 and 2013. During the period between 31 December 2010 and 31 December 2013, the Bank's customers' deposits grew at an annual average compounded growth rate of 7.3% compared to growth of 10.2% for the Alpha Group. Consequently, the Bank's market share decreased from 10.9% as at 31 December 2010 to 10.0% as at 31 December 2013.

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



MANAGEMENT DISCUSSION AND ANALYSIS

CUSTOMERS' DEPOSITS CURRENCY STRUCTURE
(LBP Customers' Deposits/Total Deposits)



The dollarization rate was not impacted by the economic and political tensions among different parties in Lebanon, the "Arab Spring" and its consequences on the country, or the worldwide economic crisis. Therefore, customers' deposits denominated in LBP remained almost unchanged between 2010 and 2013, with a slight decrease from their 10-year peak at 40.5% in 2010 to 38.8% in 2013, 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 29.8% in the Alpha Group of banks as at the end of December 2013.

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 2011, 2012 and 2013:

As at 31 December	2011		2012		2013	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Current accounts	3,193,374	16.5	3,291,348	16.3	3,357,947	15.1
Term deposits	14,988,947	77.6	15,617,849	77.4	17,469,444	78.6
Blocked accounts	888,087	4.6	963,958	4.8	1,045,146	4.7
Related parties' accounts	167,102	0.8	205,343	1.0	245,216	1.1
Accrued interest	88,898	0.5	97,134	0.5	116,909	0.5
Total	19,326,408	100	20,175,633	100	22,234,662	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 78.6% of total customers' deposits at the end of December 2013, as compared to 77.4% as at 31 December 2012, and to 77.6% as at 31 December 2011.

Maturity Profile of Customers' Deposits

The following table shows the distribution of the Bank's customers' deposits by maturity profile as at 31 December 2011, 2012 and 2013:

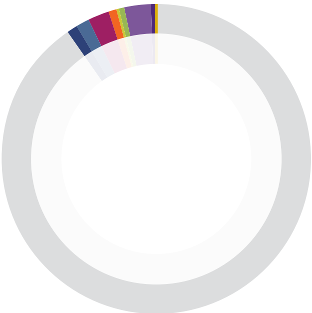
As at 31 December	2011		2012		2013	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Less than 3 months	15,534,118	80.4	15,406,357	76.4	16,089,478	72.4
3 months to 1 year	2,984,528	15.4	3,725,139	18.5	4,282,230	19.3
1 year to 5 years	797,650	4.1	1,036,896	5.1	1,813,749	8.1
Over 5 years	10,112	0.1	7,243	0.0	49,205	0.2
Total	19,326,408	100	20,175,633	100	22,234,662	100

Almost all of the Bank's customers' deposits are short-term, with deposits having a remaining maturity of less than one year representing 91.6% and 94.8% of total customers' deposits as at 31 December 2013 and 31 December 2012, respectively.

Customers' Deposits Split in the Byblos Bank Group

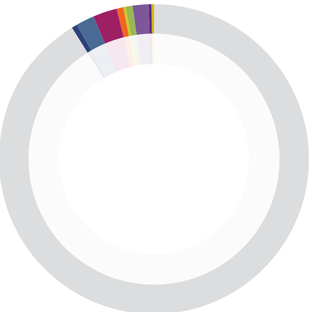
The pie charts below show the split of customers' deposits in the Byblos Bank Group:

Deposits by Group 2012



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

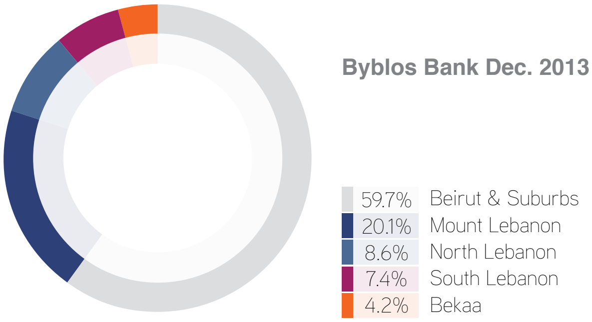
Deposits by Group 2013

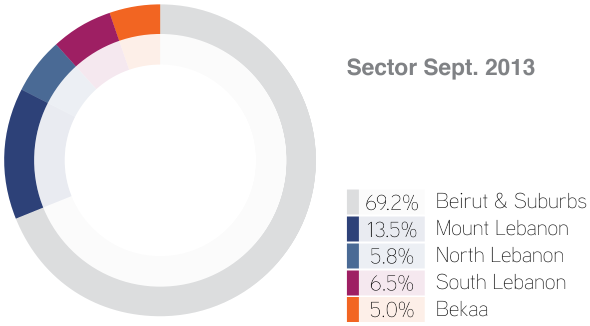


92.0%	Lebanon
0.3%	Cyprus
1.8%	Iraq
2.4%	Europe
0.7%	Africa
0.1%	Byblos
0.7%	ADIR, ABH, & ADIR Syria
1.5%	Syria
0.4%	Armenia
0.1%	DR Congo

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical Distribution of Customers' Deposits





The 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 (46.1% of total branches) representing 59.7% of total customers' deposits in the Bank compared to 69.2% in the Lebanese banking sector. On the other hand, customers' deposits in branches located in Mount Lebanon (26.3% of total branches) represented 20.1% of the Bank's customers' deposits compared to 13.5% in the Lebanese banking sector; customers' deposits in branches located in North Lebanon (11.8% of total branches) represented 8.6% of the Bank's customers' deposits, higher than 5.8% in the Lebanese banking sector. In the South (10.5% of total branches), Byblos Bank's customer deposit concentration was 7.4% compared to 6.5% in the Lebanese banking sector. In the Bekaa Valley, the Bank's customers' deposits are less concentrated than in the Lebanese banking sector, with 4.2% of the Bank's total customers' deposit located in the Bekaa (5.3% of total branches) compared to 5.0% 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 2011, 2012 and 2013, respectively:

In USD 000's	Dec. 2011	Dec. 2012	Dec. 2013
Central Bank of Lebanon	5,847	5,847	27,824
International Finance Corporation (IFC)			4,231
Arab Trade Finance Program	23,491	15,841	18,439
Certificates of Deposit	141,600	40,450	40,450
PROPARCO	4,941	3,347	1,753
OPEC Fund for International Development	14,000	12,167	4,500
European Investment Bank	155,674	126,055	105,503
Govco Incorporated NY	64,714	59,071	53,429
Agence Française pour le Développement	41,203	36,787	43,968
European Bank for Reconstruction and Development	5,000	3,571	2,143
The European Fund for Southeast Europe (EFSE)		5,168	3,000
Citibank	6,833	5,000	3,167
9% Subordinated Participating Notes	31,169		
Convertible Subordinated Loans	173,000	300,000	300,000
Byblos Bank Eurobond	300,000	300,000	300,000
Total Long-Term Sources of Funds	967,472	913,304	908,407

LBP Million	2011	2012	2013	Growth (Vol.)	Growth (%)
Net interest income	436,244	402,641	367,518	(35,123)	-8.7%
Net allocation to provisions	(38,423)	(106,287)	(79,551)	26,736	-25.2%
Net commission income	133,774	135,699	138,993	3,294	2.4%
Net profits on financial operations	113,740	146,453	149,590	3,137	2.1%
Impairment losses on financial investments	(23,575)	19,490	419	(19,071)	-97.9%
Other operating income	24,212	24,451	19,403	(5,048)	-20.6%
Total Operating Income (Before Provisions and Impairment)	707,970	709,244	675,504	(33,740)	-4.8%
Total Operating Income (After Provisions and Impairment)	645,972	622,447	596,372	(26,075)	-4.2%
Operating expenses	(277,423)	(294,212)	(289,187)	5,025	-1.7%
Depreciation and amortization	(31,624)	(31,282)	(27,377)	3,905	-12.5%
Taxes	(65,987)	(44,691)	(44,359)	332	-0.7%
Net Income	270,937	252,262	235,449	(16,813)	-6.7%
Bank's Share	259,894	246,450	224,683		
Dividend on Preferred Shares (Series 2008)	(24,160)	(24,160)	(24,240)		
Dividend on Preferred Shares (Series 2009)	(24,160)	(24,160)	(24,240)		
Net income related to common and priority shares	211,574	198,130	176,203		
Weighted average number of common shares during the period	561,806,168	561,749,874	561,731,039		
Earnings per common share	376.60	352.70	313.68		

Net income for the year 2013 amounted to LBP 235,449 million (USD 156 million), recording a decrease of 6.7% (-LBP 16,813 million or -USD 11.2 million) compared to LBP 252,262 million (USD 167 million) for the year 2012. Return on average assets (ROA) stood at 0.88% at the end of December 2013 compared to 1.00% at the end of December 2012. In addition, return on average common equity (ROCE) stood at 9.80% compared to 11.28% at the end of December 2011. Earnings per common share based on the weighted average number of shares stood at LBP 313.68 (USD 0.208) in 2013 compared to LBP 352.7 (USD 0.234) in 2012.

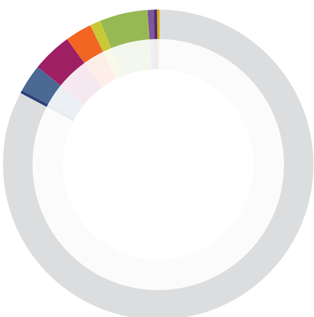
MANAGEMENT DISCUSSION AND ANALYSIS

The contribution of the Bank's subsidiaries to consolidated net income is presented below:

- Byblos Bank Africa's net income for the year 2013 amounted to LBP 8,248 million (USD 5.5 million) compared to LBP 7,187 million (USD 4.8 million) for the year 2012.
- Byblos Bank Europe's net income for the year 2013 amounted to LBP 12,069 million (USD 8.0 million) compared to LBP 11,556 million (USD 7.7 million) for the year 2012.
- Byblos Bank Syria's net income stood at LBP 4,752 million (USD 3.2 million) at the end of 2013 compared to a net loss of LBP 3,397 million (-USD 2.3 million) for the year 2012.
- Byblos Invest Bank's net income stood at LBP 994 million (+USD 0.7 million) at the end of 2013 compared to a net loss of LBP 1,271 million (-USD 0.8 million) for the year 2012.
- Byblos Bank Armenia's net loss stood at LBP 1,289 million (-USD 0.9 million) at the end of 2013 compared to a net income of LBP 745 million (USD 0.5 million) for the year 2012.
- Net income of the insurance companies – Adonis Insurance and Reinsurance S.A.L. (ADIR), Adonis Insurance and Reinsurance Syria (ADIR Syria), and Adonis Brokerage House (ABH) – for the year 2013 amounted to LBP 15,306 million (USD 10.2 million) compared to LBP 13,131 million (USD 8.7 million) for the year 2012.
- Byblos Bank RDC's net income stood at LBP 849 million (+USD 0.6 million) at the end of 2013 compared to a net loss of LBP 330 million (-USD 0.2 million) for the year 2012.

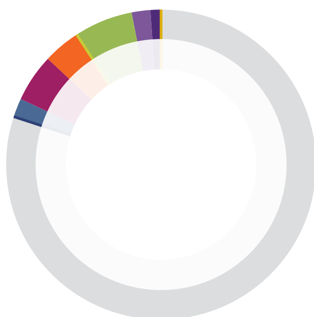
The pie charts below show the contribution of the Bank's subsidiaries to consolidated income between the years 2012 and 2013:

2012



86.1%	Lebanon
0.4%	Cyprus
2.6%	Iraq
4.6%	Europe
2.8%	Africa
-0.5%	Byblos
5.2%	ADIR, ABH, & ADIR Syria
-1.3%	Syria
0.3%	Armenia
-0.1%	DR Congo

2013



80.4%	Lebanon
0.1%	Cyprus
2.1%	Iraq
5.1%	Europe
3.5%	Africa
0.4%	Byblos
6.5%	ADIR, ABH, & ADIR Syria
2.0%	Syria
-0.5%	Armenia
0.4%	DR Congo

NET INTEREST INCOME

Net interest income before provisions for the year 2013 amounted to LBP 367,517 million (USD 243.8 million), recording a decrease of 8.7% (-LBP 35,124 million or USD 23.3 million) compared to LBP 402,641 million (USD 267.1 million) for the year 2012. Consequently, net interest margin stood at 1.42% at the end of 2013 compared to 1.64% at the end of 2012.

	2012			2013		
	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*	13,505,892	536,783	3.97%	13,729,793	512,190	3.73%
Securities	945,453	35,712	3.78%	809,926	26,840	3.31%
Loans	6,126,620	469,010	7.66%	6,505,751	458,704	7.05%
Treasury bills	3,926,460	245,352	6.25%	4,820,248	315,737	6.55%
Total Interest-Earning Assets	24,504,425	1,286,857	5.25%	25,865,718	1,313,473	5.08%
Premises and equipment	317,556	0	0.00%	289,102	0	0.00%
Other non-interest-bearing assets	516,780	0	0.00%	603,419	0	0.00%
Total average assets	25,338,761	1,286,857	5.08%	26,758,239	1,313,473	4.91%
LIABILITIES						
Customers' deposits	19,751,020	788,015	3.99%	21,205,148	850,811	4.01%
Subordinated loans	359,080	23,196	6.46%	411,632	30,747	7.47%
Certificates of deposit and Eurobonds	585,501	38,968	6.66%	507,600	35,085	6.91%
Interest-bearing deposits due to banks	1,497,008	34,037	2.27%	1,392,068	29,312	2.11%
Total interest-bearing liabilities	22,192,609	884,216	3.98%	23,516,448	945,955	4.02%
Other liabilities	657,861	0	0.00%	753,095	0	0.00%
Shareholders' equity	2,488,291	0	0.00%	2,488,696	0	0.00%
Total Average Liabilities and Equity	25,338,761	884,216	3.49%	26,758,239	945,955	3.54%
Spread (a)			1.27%			1.06%
Spread (b)			1.59%			1.37%
Interest-Earning Assets/Interest-Bearing Liabilities			1.10			1.10

** includes central bank certificates of deposit*

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROVISIONS ALLOCATED

Net provisions (specific and collective) allocated for doubtful loans decreased by 25.2% (-LBP 26,736 million), reaching LBP 79,551 million (USD 52.8 million) for the year 2013, as compared to LBP 106,287 million (USD 70.5 million) for the year 2012. The decrease can be explained as follow:
The Bank allocated specific and collective provisions for doubtful loans in the amount of LBP 115,097 million (USD 76.3 million) during the year 2013 as compared to LBP 119,682 million (USD 79.4 million) last year. It is worth mentioning that specific and collective provisions for USD 49.7 million for the loan portfolio were allocated during 2013 for Byblos Bank Syria. The Bank recovered provisions amounting to LBP 35,626 million (USD 23.6 million) during the year 2013, compared to LBP 13,461 million (USD 8.9 million) last year. In fact, most of the recovered provisions were in Byblos Bank Syria and amounted to USD 12.9 million.

Coverage of non-performing loans by specific and collective provisions and reserved interest stood at 119.8% as at 31 December 2013, as compared to 99.6% as at 31 December 2012. Additional details on coverage of non-performing loans will be discussed in the section on asset quality.

LBP Million

	2011	2012	2013
Specific and collective provisions set up during the year			
Doubtful debts	56,844	119,682	115,097
Doubtful banks and financial institutions accounts			
Write-offs	144	66	80
Total Provisions Allocated	**56,988**	**119,748**	**115,177**
Specific and collective provisions written back during the year:			
Loans recovered or upgraded	(7,625)	(9,497)	(25,566)
Unrealized interest on loans and advances to customers	(4,347)	(3,022)	(9,163)
Doubtful banks and financial institutions accounts	(6,593)	(942)	(897)
Total Provisions Recoveries	**(18,565)**	**(13,461)**	**(35,626)**
Net Provisions Allocated	**38,423**	**106,287**	**79,551**

NON-INTEREST INCOME

LBP Million	2011	2012	2013	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	49,595	41,557	41,142	(415)	-1.00%
out of which in Lebanon*	20,707	15,820	14,589	(1,230)	-7.78%
out of which in Byblos Europe	20,701	19,164	20,867	1,703	8.89%
out of which in Byblos Africa	3,601	5,143	5,345	202	3.94%
out of which in Byblos Syria	4,586	1,378	214	(1,165)	-84.50%
out of which in Byblos DR Congo	0	52	127	74	142.29%
Commissions on letters of guarantee	15,588	16,593	15,357	(1,236)	-7.45%
out of which in Lebanon*	12,282	13,194	13,239	45	0.34%
out of which in Byblos Europe	640	829	731	(98)	-11.78%
out of which in Byblos Africa	334	293	373	80	27.51%
out of which in Byblos Syria	2,228	2,150	753	(1,397)	-64.98%
out of which in Byblos Armenia	64	4	0	(4)	-100.00%
out of which in Byblos DR Congo	40	123	261	138	112.37%
Securities income (realized and unrealized)	63,713	80,108	80,927	819	1.02%
Dividends received	5,214	5,042	1,715	(3,328)	-65.99%
Foreign exchange income	44,813	61,302	66,948	5,646	9.21%
Other commissions on banking services	68,591	77,549	82,494	4,945	6.38%
Total Non-Interest Income (Net)**	247,514	282,152	288,583	6,431	2.28%

** 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 2013 amounted to LBP 288,583 million (USD 191.4 million), recording an increase of 2.3% (+LBP 6,431 million) as compared to LBP 282,152 million (USD 187.2 million) for the same period of last year.

- Commissions on documentary credits and acceptances for the year 2013 amounted to LBP 41,149 million (USD 27.3 million), recording a decrease of 1.0% as compared to LBP 41,557 million (USD 27.6 million) in 2012. Trade finance activities in 2013 represented 14.3% of total non-interest income, almost stable compared to 14.7% in 2012.

- Commissions on letters of guarantee for the year 2013 amounted to LBP 15,357 (USD 10.2 million), recording a decrease of 7.5% as compared to LBP 16,593 million (USD 11.0 million) in 2012.

- Realized and unrealized gain on the securities portfolio for the year 2013 amounted to LBP 80,927 million (USD 53.7 million), recording a slight increase of 1.0% as compared to a gain of LBP 80,108 million (USD 53.1 million) in 2012.

- Gains on foreign exchange trading for the year 2013 amounted to LBP 66,948 million (USD 44.4 million), as compared to LBP 61,302 million (USD 40.7 million) in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

LBP Million	2011	2012	2013	Growth (Vol.)	Growth (%)
Staff Expenses	161,287	154,321	162,226	7,905	5.1%
General Expenses	116,048	139,892	126,961	(12,930)	-9.2%
Depreciation and Amortization	31,624	31,281	27,377	(3,905)	-12.5%
Total Operating Expenses	**308,959**	**325,494**	**316,564**	**(8,930)**	**-2.7%**

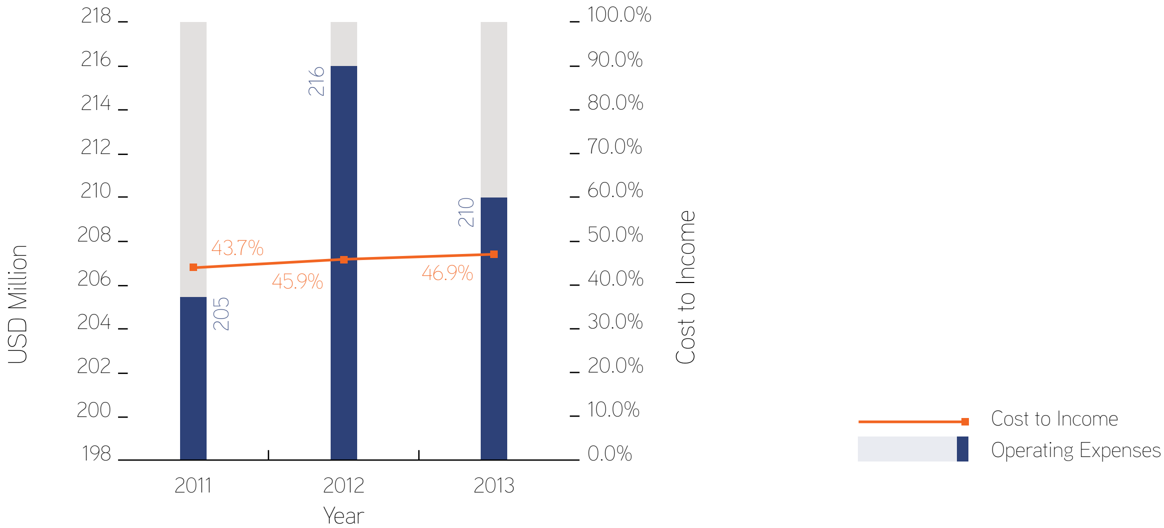
Operating expenses for the year 2013 amounted to LBP 316,564 million (USD 210.0 million), recording a decrease of 2.7% (-LBP 8,930 million) as compared to LBP 325,494 million (USD 215.9 million) in 2012. Consequently, the cost-to-income ratio increased to 46.9% in 2013 compared to 45.9% in 2012.

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

Breakdown of operating expenses 2012

Breakdown of operating expenses 2013

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 the Banque du Liban (BDL), Lebanon's Central Bank, 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 2013, 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 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.

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

As at 31 December	2011		2012		2013	
GROSS BALANCES (1)	LBP million	% of total	LBP million	% of total	LBP million	% of total
Regular	5,117,553	80.5	5,303,374	80.0	6,348,301	87.0
Follow-up	689,921	10.9	616,041	9.3	313,656	4.3
Follow-up and regularization	346,205	5.4	344,463	5.2	277,635	3.8
Substandard loans	10,214	0.2	13,145	0.2	3,486	0.0
Doubtful loans	72,525	1.1	223,128	3.4	124,545	1.7
Bad loans	119,640	1.9	127,661	1.9	230,489	3.2
TOTAL	6,356,058	100.0	6,627,812	100.0	7,298,112	100.0

As at 31 December	2011		2012		2013	
NET BALANCES (1 & 2)	LBP million	% of total	LBP million	% of total	LBP million	% of total
Regular	5,117,553	82.5	5,303,374	83.0	6,348,301	90.7
Follow-up	689,921	11.1	616,041	9.6	313,656	4.5
Follow-up and regularization	346,205	5.6	344,463	5.4	277,635	4.0
Substandard loans	8,814	0.1	10,754	0.2	2,569	0.0
Doubtful loans	40,760	0.7	114,054	1.8	60,494	0.8
Bad loans	0	0.0	0	0.0	0	0.0
TOTAL	6,203,253	100.0	6,388,686	100.0	7,002,655	100.0

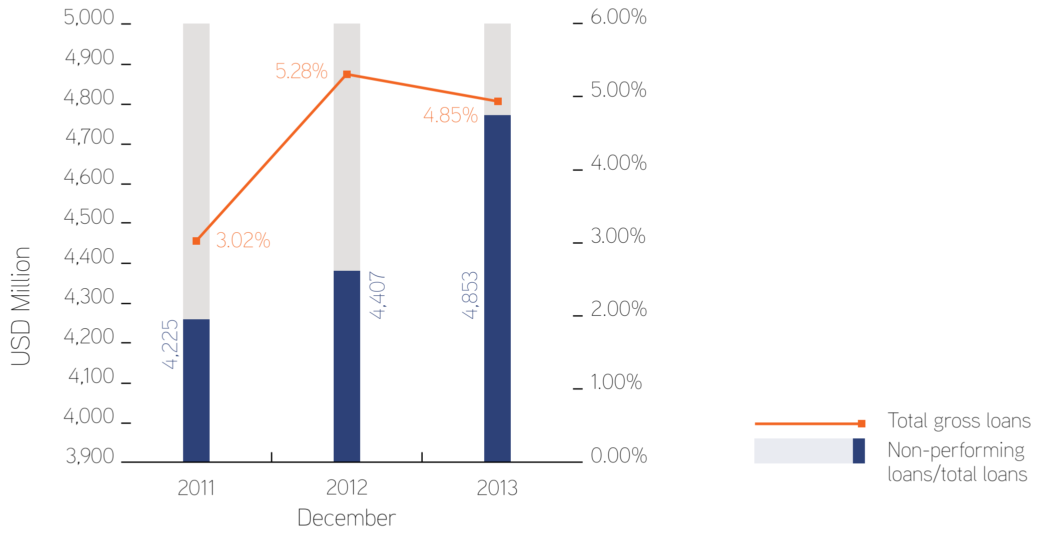
(1) Loans and advances to customers excluding related parties.
(2) Net of specific provisions and reserved interest.

MANAGEMENT DISCUSSION AND ANALYSIS

Provisioning and Coverage Ratios

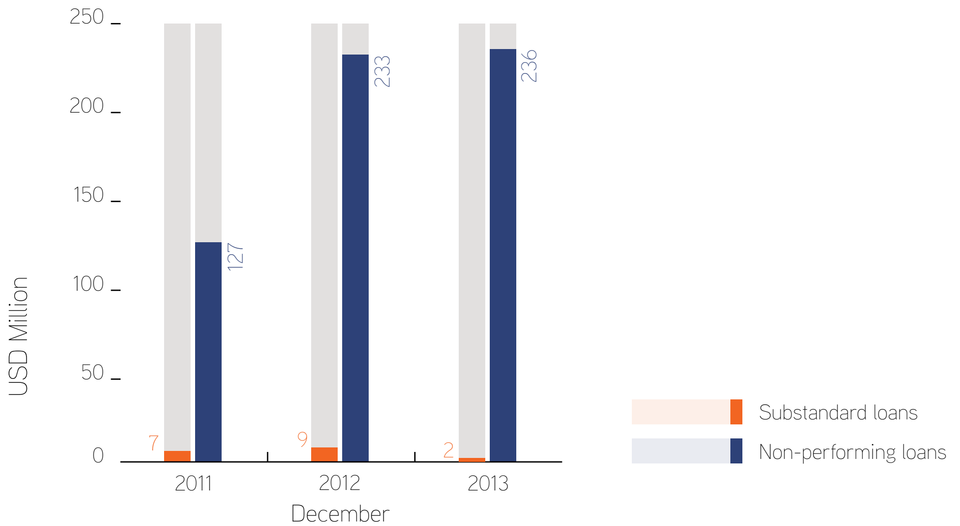
LBP Million	Dec. 2011	Dec. 2012	Dec. 2013
Gross Substandard loans	10,214	13,145	3,486
Gross Non-performing loans	192,165	350,790	355,034
Total Classified Loans	202,379	363,935	358,520
Specific provisions for loan losses	90,206	167,778	213,603
General provisions and collective provisions	103,728	112,732	130,669
out of which general and collective provisions for retail	28,155	31,540	32,290
Reserved interest (sub-standard loans)	1,400	2,391	917
Reserved interest (non-performing loans)	61,198	68,957	80,937
Total provisions	256,532	351,859	426,126
Substandard loans/total gross loans	0.16%	0.20%	0.05%
Non-performing loans/total gross loans	3.02%	5.28%	4.85%
Total classified/total gross loans	3.18%	5.48%	4.90%
Total provisions/total gross loans	4.03%	5.30%	5.82%
NPL provisions/non-performing loans (*)	132.77%	99.62%	119.77%
NPL provisions/non-performing loans (**)	118.12%	90.63%	110.67%
Total provisions/total classified loans (*)	126.76%	96.68%	118.86%
Specific provisions and reserved interest/NPL	78.79%	67.49%	82.96%

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

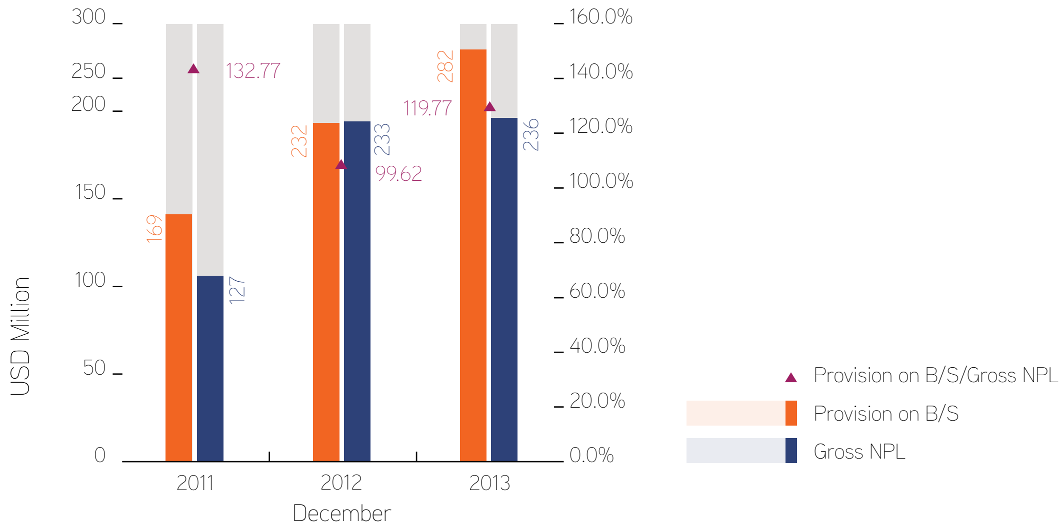


Total classified loans (substandard, doubtful, and bad) amounted to LBP 358,520 million (USD 238 million) at the end of 31 December 2013, representing 4.9% of the total loan portfolio compared to LBP 363,935 million (USD 241 million) at the end of December 2012, representing 5.5% of the total loan portfolio. Total non-performing loans (doubtful and bad) amounted to LBP 355,034 million (USD 236 million) as at 31 December 2013, representing 4.9% of the total loan portfolio, down from 5.3% at the end of 31 December 2012. 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 392,919 million (USD 261 million), covering up to 110.7% of total non-performing loans as at 31 December 2013 compared to 90.6% at the end of 31 December 2012.

Substandard loans amounted to LBP 3,486 million (USD 2.3 million) at the end of 31 December 2013, representing 0.05% of the total loan portfolio compared to LBP 13,145 million (USD 8.7 million) and 0.20% respectively at the end of 31 December 2012. Substandard loans are covered up to 26.3% by reserved interest at the end of 31 December 2013 compared to 18.2% as at 31 December 2012.



MANAGEMENT DISCUSSION AND ANALYSIS



LIQUIDITY

Liquid Assets to Total Assets	Dec. 2011	Dec. 2012	Dec. 2013
Cash and Central Bank	34.25%	38.08%	36.06%
out of which certificates of deposit	17.07%	16.61%	15.21%
Lebanese and other governmental securities	14.54%	16.43%	19.47%
Bonds and fixed-income securities	3.73%	3.73%	2.38%
Banks and financial institutions	19.97%	14.33%	14.24%
Total Liquidity	72.49%	72.56%	72.16%

Liquid Assets to Customers' Deposits	Dec. 2011	Dec. 2012	Dec. 2013
Cash and Central Bank	44.35%	48.41%	45.20%
out of which certificates of deposit	22.10%	21.11%	19.07%
Lebanese and other governmental securities	18.83%	20.89%	24.41%
Bonds and fixed-income securities	4.84%	4.74%	2.98%
Banks and financial institutions	25.86%	18.22%	17.85%
Total Liquidity	93.88%	92.25%	90.43%

As shown above, the Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2013, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese Government securities, placements with banks, and other fixed-income securities) represented 72.2% of total assets and 90.4% of customers' deposits compared to 72.6% and 92.3% respectively as at 31 December 2012.

CAPITAL

As of 31 December 2013, 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 the first Lebanese company to list on the London Stock Exchange in 12 years and the first Bank to list on the LSE in 2009, showing resilience despite the ongoing global financial crisis. As at the end of December 2013, they represented 11.27% of the Bank's common shares.

CAPITAL ADEQUACY RATIO

As a consolidated Group, Byblos Bank's Total Capital Ratio stood at 16.11% as at 31 December 2013, with the Tier 1 Capital and Common Equity Tier One (CET1) ratios coming in at 13.23% and 9.50%, respectively (see Table below). These ratios are measured according to Basel III requirements and BDL Intermediary Circular 358, dated 6 March 2014. The latter stipulates a lower risk weight applied to foreign currency-denominated claims on the BDL of 50% instead of the 100% required under the Basel II Standardized Approach. Measured under a strict interpretation of the Basel III rules, the Total Capital, Tier 1 Capital and CET1 ratios would reach 14.28%, 11.72%, and 8.42%, respectively. The table on the following page shows the Bank operating at comfortable solvency levels as of 31 December 2013, as measured against established regulatory ratios and timetables to meet the requirements of Basel III.

BYBLOS BANK GROUP BASEL III (*) CAPITAL RATIOS

	31 December			
	2011	2012	2013	%
Common Equity Tier One (CET1) Ratio	9.89%	9.71%	9.50%	
Tier 1 Capital Ratio	14.07%	13.70%	13.23%	
Total Capital Ratio	14.60%	16.74%	16.11%	
				LBP Million
Common Equity	1,451,939	1,486,461	1,534,004	
Tier 1 Capital	2,066,724	2,097,762	2,135,290	
Tier 2 Capital	76,512	465,632	464,967	
Total Regulatory Capital	2,143,236	2,563,394	2,600,257	
Total Risk-Weighted Assets (RWA)	14,684,096	15,315,380	16,139,378	
Credit Risk RWA	13,328,285	13,603,485	14,692,087	
Market Risk RWA	337,725	489,831	305,075	
Operational Risk RWA	1,018,086	1,222,064	1,142,216	

(*) After applying a risk weight of 50% to foreign currency-denominated claims on the BDL for all years, instead of 100%, as per BDL Intermediary Circular 358.

MANAGEMENT DISCUSSION AND ANALYSIS

BDL INTERMEDIARY CIRCULAR 358 (BASIC CIRCULAR 44)

The BDL issued Intermediary Circular 358 (Basic Circular 44), dated 6 March 2014, as a revision of the capital adequacy framework applied under the Basel III regime. This is a major circular that clarifies in detail the capital constituents and their eligibility criteria under each tier of Regulatory Capital (Common Equity Tier One [CET1], Tier 1, and Tier 2), in addition to the Regulatory Adjustments, the standard deductions taking place at each tier. The circular conforms to Basel III rules on capital definition and disclosure (Basel Committee on Banking Supervision [BCBS] publication 189 of December 2010).

With respect to risk weights (RW) and credit conversion factors (CCF), these have been detailed in a separate annex of the circular. They conform with Basel III RW and CCF requirements, except the new preferential RW assigned to foreign currency-denominated placements with the BDL[1] of 50% instead of the Basel II/III requirement of 100%.

When applying the terms of Intermediary Circular 358, regulatory capital value does not change, but capital disclosure is more comprehensive. However, risk-weighted assets (RWA) decrease under the 50% RW, and the Bank's consolidated solvency ratios improve.

(1) Includes foreign currency-denominated certificates of deposit, accounts and obligatory reserves.

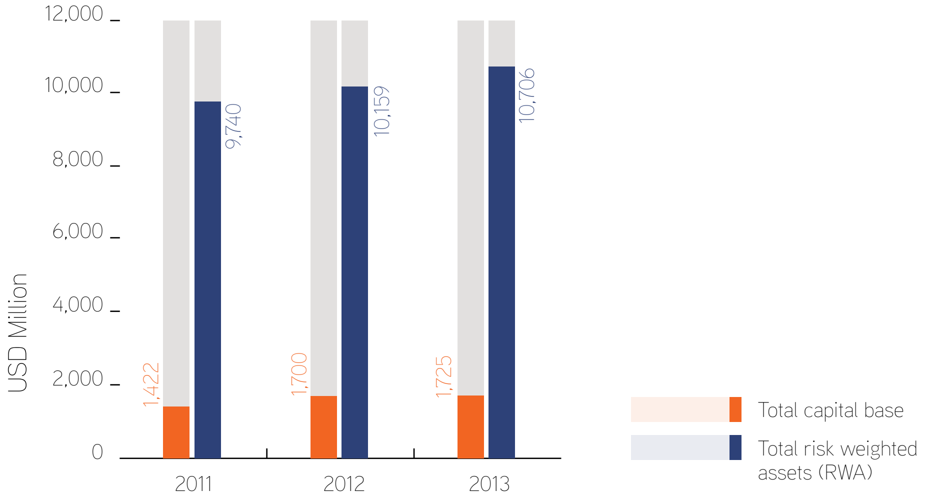
TIMETABLE TO COMPLY WITH BASEL III CAR RATIOS IN LEBANON COMPARED WITH BCBS TARGET RATIOS AND DEADLINES

Basel III minimum CAR ratios/Deadline	Lebanon timetable				BCBS
	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%**

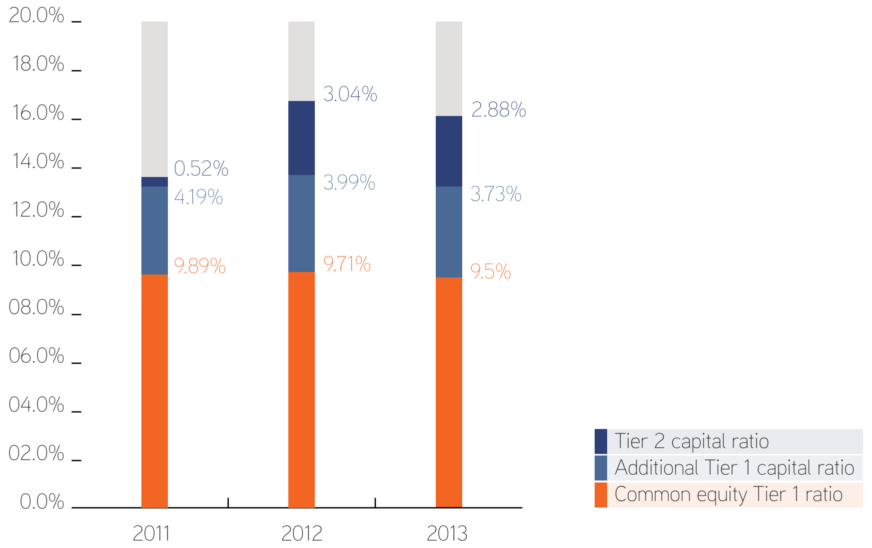
(*) Target ratios include a 2.5% capital conservation buffer but exclude any surcharge for systematically important financial institutions (SIFIs) or other countercyclical buffer.

The Group's total solvency ratio improved from 14.6% as at 31 December 2011 to 16.74% at 31 December 2012, and to 16.11% at 31 December 2013. The capital increase in 2012 came in the form of a new issue of USD 300 million in convertible debt eligible under Tier 2 capital.

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



The chart below shows the evolution of capital adequacy ratios under Basel II/III over the last three years:



MANAGEMENT DISCUSSION AND ANALYSIS

As for the Leverage Ratio, it reached 6.57% at 31 December 2013 based on the BDL's definition. The BCBS has set the Leverage Ratio as a non-risk-based measurement formed by Tier 1 in the numerator divided by total assets plus off balance sheet items and committed lines of credit in the denominator. The BCBS has set the minimum ratio at 3%, with the effective disclosure date in January 2015.

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 interest rate risk in the banking book and the credit concentration risk falling under Pillar 2. To perform these measurements, the Bank uses stress-test scenarios and other classical tools to estimate risk concentrations.

Moreover, the Bank has conducted stress-test scenarios to assess the impact on capital and liquidity of higher sovereign risks, increased portfolio defaults, and funding outflows, and has found both the capital buffer and the liquidity buffer to be 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 as whole, in order to ensure that risks are well understood and that the Bank is allocating sufficient provisions against incurred and foreseen losses.

DIVIDEND DISTRIBUTION

The below 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
2013	**1.7000**	**1.4700**	**200.00**	**0.1327**

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

At its Annual General Assembly held on 9 May 2014, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended 31 December 2013 (before taxes of 5%) of LBP 200 (USD 0.1327) per Common Share and USD 8 per Series 2008 and Series 2009 Preferred Share. Total dividends paid in respect of 2013 represented 68.6% of net income for that year.

CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT

Building a better working world

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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 2013 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 2013, 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.

14 April 2014
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

LBP Million

ASSETS	Notes	2013	2012
Interest and similar income	7	1,295,959	1,274,746
Interest and similar expense	8	(945,955)	(884,216)
NET INTEREST INCOME		350,004	390,530
Fee and commission income	9	154,040	149,819
Fee and commission expense	9	(15,047)	(14,120)
NET FEE AND COMMISSION INCOME		138,993	135,699
Net gain from financial instruments at fair value through profit or loss	10	86,098	88,078
Net gain from sale of financial assets at amortized cost	11	79,862	65,995
Revenue from financial assets at fair value through other comprehensive income	26	1,144	4,491
Other operating income	12	19,382	24,451
TOTAL OPERATING INCOME		675,483	709,244
Net credit losses	13	(79,132)	(86,797)
NET OPERATING INCOME		596,351	622,447
Personnel expenses	14	(162,226)	(154,321)
Other operating expenses	15	(126,961)	(139,891)
Depreciation of property and equipment	27	(27,218)	(31,123)
Amortization of intangible assets	28	(159)	(159)
TOTAL OPERATING EXPENSES		(316,564)	(325,494)
OPERATING PROFIT		279,787	296,953
Net gain on disposal of fixed assets		21	-
PROFIT BEFORE TAX		279,808	296,953
Income tax expense	16	(44,359)	(44,691)
PROFIT FOR THE YEAR		235,449	252,262
Attributable to:			
Equity holders of the parent		224,683	246,450
Non-controlling interests		10,766	5,812
		235,449	252,262
Earnings per share		LBP	LBP
Equity shareholders of the parent:			
Basic earnings per share	17	313.68	352.70
Diluted earnings per share	17	298.02	337.32

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

LBP Million

	Notes	2013	2012
PROFIT FOR THE YEAR		235,449	252,262
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to the income statement in subsequent periods:			
Exchange difference on translation of foreign operations		(61,299)	(109,946)
Net other comprehensive loss to be reclassified to the income statement in subsequent periods		(61,299)	(109,946)
Items not to be reclassified to the income statement in subsequent periods:			
Net unrealized gain (loss) from financial assets at fair value through other comprehensive income		8,222	(3,605)
Income tax effect		(1,232)	527
		6,990	(3,078)
Re-measurement gain on defined-benefit plans	36 (a)	2,741	-
Net other comprehensive income (loss) not to be reclassified to the income statement in subsequent periods		9,731	(3,078)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(51,568)	(113,024)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		183,881	139,238
Attributable to:			
Equity holders of the parent		203,526	181,939
Non-controlling interests		(19,645)	(42,701)
		183,881	139,238

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LBP Million	Notes	2013	2012
ASSETS			
Cash and balances with central banks	18	5,809,930	5,507,572
Due from banks and financial institutions	19	3,353,314	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	20	614,866	458,707
Financial assets given as collateral	21	7,005	8,923
Derivative financial instruments	22	3,824	12,174
Financial assets at fair value through profit or loss	23	157,447	300,909
Net loans and advances to customers at amortized cost	24	6,782,036	6,195,104
Net loans and advances to related parties at amortized cost	47	18,546	15,815
Debtors by acceptances		445,957	316,232
Financial assets at amortized cost	25	10,198,193	9,145,626
Financial assets at fair value through other comprehensive income	26	86,895	78,663
Property and equipment	27	243,230	265,394
Intangible assets	28	811	970
Assets obtained in settlement of debt	29	36,379	33,202
Other assets	30	107,835	94,385
TOTAL ASSETS		27,866,268	25,650,209

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

At 31 December 2013

LBP Million

	Notes	2013	2012
LIABILITIES AND EQUITY			
Liabilities			
Due to central banks	31	51,502	17,918
Due to banks and financial institutions	32	1,392,562	1,327,047
Derivative financial instruments	22	3,063	8,613
Customers' deposits at amortized cost	33	21,986,338	19,967,531
Deposits from related parties at amortized cost	47	248,324	208,102
Debt issued and other borrowed funds	34	506,489	508,711
Engagements by acceptances		445,957	316,232
Other liabilities	35	195,704	262,888
Provisions for risks and charges	36	138,375	130,465
Subordinated debt	37	412,368	410,896
TOTAL LIABILITIES		25,380,682	23,158,403
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	38	684,273	684,273
Share capital – preferred shares	38	4,840	4,840
Share premium – common shares	38	229,014	229,014
Share premium – preferred shares	38	588,671	586,259
Non-distributable reserves	39	672,318	568,145
Distributable reserves	40	97,253	99,659
Other equity instruments	41	-	14,979
Treasury shares	42	(10,054)	(25,302)
Retained earnings	43	52,118	74,024
Revaluation reserve of real estate	44	5,689	5,689
Change in fair value of financial assets at fair value through other comprehensive income	45	(16,644)	(23,634)
Net results of the financial period – profit		224,683	246,450
Foreign currency translation reserve		(123,650)	(92,762)
		2,408,511	2,371,634
NON-CONTROLLING INTERESTS		77,075	120,172
TOTAL EQUITY		2,485,586	2,491,806
TOTAL LIABILITIES AND EQUITY		27,866,268	25,650,209

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 11 April 2014.

Dr. François S. Bassil
Chairman and General Manager

Ziad El-Zoghbi
Head of Group Finance and Administration

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	Preferred shares	Share premium – common shares	Share premium – preferred shares	Non-distributable reserves	Distributable reserves	Other equity instruments
Balance at 1 January 2013	684,273	4,840	229,014	586,259	568,145	99,659	14,979
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	104,448	3,346	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	-
Equity dividends paid (note 54)	-	-	-	-	-	-	-
Treasury shares (note 42)	-	-	-	-	(275)	-	(14,979)
Put options on non-controlling interests (note 5)	-	-	-	-	-	(5,752)	-
Balance at 31 December 2013	**684,273**	**4,840**	**229,014**	**588,671**	**672,318**	**97,253**	**-**
Balance at 1 January 2012	684,273	4,840	229,014	583,858	469,072	79,127	14,979
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	85,518	2,492	-
Transfer to distributable reserves (note 39)	-	-	-	-	(18,040)	18,040	-
Equity component on convertible subordinated loan (note 37)	-	-	-	-	31,618	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-
Translation difference	-	-	-	(11)	-	-	-
Equity dividends paid (note 54)	-	-	-	-	-	-	-
Treasury shares (note 42)	-	-	-	-	(23)	-	-
Balance at 31 December 2012	**684,273**	**4,840**	**229,014**	**586,259**	**568,145**	**99,659**	**14,979**

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

For the year ended 31 December 2013

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 interests	Total
(25,302)	74,024	5,689	(23,634)	246,450	(92,762)	2,371,634	120,172	2,491,806
-	-	-	-	224,683	-	224,683	10,766	235,449
-	2,741	-	6,990	-	(30,888)	(21,157)	(30,411)	(51,568)
-	2,741	-	6,990	224,683	(30,888)	203,526	(19,645)	183,881
-	246,450	-	-	(246,450)	-	-	-	-
-	(110,206)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(3,209)	(3,209)
-	(54)	-	-	-	-	(54)	-	(54)
-	(160,837)	-	-	-	-	(160,837)	-	(160,837)
15,248	-	-	-	-	-	(6)	-	(6)
-	-	-	-	-	-	(5,752)	(20,243)	(25,995)
(10,054)	52,118	5,689	(16,644)	224,683	(123,650)	2,408,511	77,075	2,485,586
(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
(25,302)	74,024	5,689	(23,634)	246,450	(92,762)	2,371,634	120,172	2,491,806

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

CONSOLIDATED STATEMENT OF CASH FLOWS

LBP Million	Notes	2013	2012
OPERATING ACTIVITIES			
Profit before tax		279,808	296,953
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization	27 & 28	27,377	31,282
Provision for loans and advances and direct write-offs, net	13	80,448	107,229
Write-back of provision for other doubtful bank accounts, net	13	(897)	(942)
Provision for financial assets at amortized cost, net	13	(419)	(19,490)
Loss on disposal of fixed assets		21	-
Gain on disposal of assets obtained in settlement of debt	12	(5,791)	(4,613)
Provisions for risks and charges, net		14,399	2,468
Unrealized fair value gains on financial instruments at fair value through profit or loss		(4,520)	(4,361)
Realized gains from financial assets		(76,407)	(75,747)
Derivative financial instruments		2,800	(5,552)
Operating profit before working capital changes		316,819	327,227
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Due from central banks		(490,715)	(1,957,792)
Due to central banks		32,792	763
Due from banks and financial institutions		(13,231)	35,274
Financial assets given as collateral		1,918	(3)
Financial assets at fair value through profit or loss		144,527	(31,587)
Due to banks and financial institutions		(33,291)	(23,314)
Net loans and advances to customers and related parties		(670,112)	(275,828)
Assets obtained in settlement of debt	29	(5,687)	(286)
Proceeds from sale of assets obtained in settlement of debt		8,301	7,149
Other assets		(9,587)	(3,049)
Customers' and related parties' deposits		2,059,029	979,684
Other liabilities		(99,068)	1,433
Cash from (used in) operations		1,241,695	(940,329)
Provision for risks and charges paid		(3,748)	(1,445)
Taxation paid		(47,788)	(51,014)
Net cash (used in) from operating activities		1,190,159	(992,788)

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

For the year ended 31 December 2013

	Notes	2013	2012	LBP Million
INVESTING ACTIVITIES				
Financial assets at amortized cost		(972,286)	(452,840)	
Financial assets at fair value through other comprehensive income		(10)	(5,179)	
Loans to banks and financial institutions and reserve purchase agreements		(156,159)	208,781	
Purchase of property and equipment and intangible assets		(18,674)	(29,919)	
Proceeds from sale of property and equipment		195	278	
Net cash used in investing activities		(1,146,934)	(278,879)	
FINANCING ACTIVITIES				
Debts issued and other borrowed funds		(2,222)	(153,579)	
Subordinated debt		1,472	135,251	
Treasury shares		(6)	151	
Dividends paid to equity holders of the parent (net)		(160,837)	(160,841)	
Dividends paid to non-controlling interests		(3,209)	(3,306)	
Net cash used in financing activities		(164,802)	(182,324)	
Net effect of foreign exchange		(43,725)	(75,040)	
DECREASE IN CASH AND CASH EQUIVALENTS		(165,302)	(1,529,031)	
Cash and cash equivalents at 1 January		4,621,087	6,150,118	
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	46	4,455,785	4,621,087	
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS				
Interest paid		(925,827)	(881,733)	
Interest received		1,306,114	1,269,069	
Dividend received		1,715	5,043	

Operating activities include a non-cash item consisting of an increase in other liabilities by LBP 25,995 million representing put options on non-controlling interests during 2013.

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 during 2012.

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 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 9 locations abroad (Cyprus, Belgium, United Kingdom, France, Syria, Sudan, Iraq, the Democratic Republic of the Congo, and Armenia). Further information on the Group's structure is provided in note 4.

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 where 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 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.

31 December 2013

2.2 – BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Put options granted to non-controlling interests give rise to a financial liability for the present value of the redemption amount. Non-controlling interests continue to be recognized within equity, with changes in the carrying amounting arising from: a) an allocation of the profit or loss for the year; b) a share of changes in appropriate reserves; and c) dividends declared before the end of the reporting period. At the end of each reporting period, the non-controlling interests are then derecognized as if it were acquired at that date. The liability is recognized at the end of the reporting period at its fair value, and any difference between the amount of non-controlling interests derecognized and this liability is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 interests
- 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 – CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied, for the first time, certain standards and amendments. The nature and the impact of each new standard and amendment are described below:

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to the statement of income at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the Requirement for Comparative Information (Amendment)*

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. The Group did not include an opening statement of financial position in these financial statements as the retrospective application of new and amended accounting policies did not have a material effect on the statement of financial position at the beginning of the preceding period. The amendment did not have an impact on the Group's financial statements.

IAS 19 *Employee Benefits (Revised 2011) (IAS 19R)*

IAS 19R introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. IAS 19R eliminates the "corridor method", under which the recognition of actuarial gains and losses was deferred. Instead, the full defined-benefit obligation net of plan assets is now recorded on the balance sheet, with changes resulting from re-measurements recognized immediately in other comprehensive income. In addition, IAS 19R requires net interest expense/income to be calculated as the product of the net defined-benefit liability/asset and the discount rate as determined at the beginning of the year. Other amendments include new disclosures, such as sensitivity disclosures. Sensitivity disclosures for the comparative period have not been provided, as permitted by IAS 19R. The adoption of IAS 19R did not have a material impact on the Group's financial position or financial performance. As such, the adoption of IAS 19R affected disclosures only.

IAS 32 *Tax Effects of Distributions to Holders of Equity Instruments (Amendment)*

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the Group's financial statements.

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

The amendment requires an entity to disclose information about rights to set off financial instruments 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. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 *Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 *Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures*

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 under IFRS 11 must be accounted for using the equity method. As the Group does not have investments in associates or joint ventures, IFRS 11 does not have an impact on the Group.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in the notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values, in particular its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is also provided in the notes.

2.4 – STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 36 *Impairment of Assets*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. This amendment is not expected to have an impact on the Group's financial performance or position and affects presentation only.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

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" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments will be considered for future novation.

2.5 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Lebanese Pounds, 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 reclassified to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.5 – Summary of significant accounting policies

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 loans at below-market interest rates 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 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 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.

31 December 2013

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 method. When the counterparty has the right to sell or re-pledge 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 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 method.

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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.

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as derivatives financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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.

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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.

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 that 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

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consolidated income statement in "Net gain (loss) from financial instruments at fair value through profit or loss". For situations where the 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 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 rents payable are recognized as an expense in the period in which they are incurred.

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 method, 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 interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

(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 three 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.

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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. Fees or components of fees 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.

(v) 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. The 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.

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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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or 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 re-measured at fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

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 re-measured 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 interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognized in profit or loss.

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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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The Group does not have intangible assets with indefinite economic lives.

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 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".

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group operates defined-benefit pension plans, which require contributions to be made to separately administered funds. The cost of providing benefits under the defined-benefit plans is determined using the projected unit credit method, which involves making actuarial assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Those assumptions are unbiased and mutually compatible.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined-benefit liability or asset. The Group recognizes the following changes in the net defined-benefit obligation under "Personnel expenses" in consolidated statement of income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

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; or
- 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; or
- 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.

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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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

JUDGMENTS

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.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

PENSION OBLIGATIONS

The cost of a 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.

4. GROUP INFORMATION

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

	Percentage of ownership			
Subsidiary	2013 %	2012 %	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 International ([S.B.I.] S.A.R.L.)	66.67	66.67	Banking activities	Democratic Republic of the Congo

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5. MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below:

PROPORTION OF EQUITY INTERESTS HELD BY NON-CONTROLLING INTERESTS

Name	2013	2012	%
Byblos Bank Africa	43.14	43.14	
Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	36.00	36.00	
Byblos Bank Armenia C.J.S.C.	35.00	35.00	
Byblos Bank Syria S.A.	47.63	47.63	

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

SUMMARIZED STATEMENT OF PROFIT AND LOSS FOR 2013

	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.	LBP Million
Net interest income	13,629	7,029	6,055	442	
Net fee and commission income	6,929	1,944	163	3,140	
Net gain from financial instruments at fair value through profit or loss	2,363	4,197	192	41,293	
Other operating income	350	11,452	26	1,157	
Net credit losses	(1,586)	(1,000)	(2,676)	(40,083)	
Total operating expenses	(10,694)	(9,503)	(5,049)	(10,382)	
Income tax expense	(2,743)	(847)	-	9,185	
Profit (loss) for the year	8,248	13,272	(1,289)	4,752	
Attributable to non-controlling interests	3,558	4,784	(451)	2,263	
Dividends paid to non-controlling interests	1,198	1,803	-	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

SUMMARIZED STATEMENT OF PROFIT AND LOSS FOR 2012

LBP Million	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.
Net interest income	13,876	6,451	6,016	20,160
Net fee and commission income	6,934	1,688	143	5,502
Net gain from financial instruments at fair value through profit loss	3,348	2,224	192	33,035
Other operating income	115	13,383	384	1,046
Net credit losses	(2,234)	(2,250)	(304)	(55,600)
Total operating expenses	(12,418)	(9,786)	(5,285)	(18,205)
Income tax expense	(2,434)	(1,693)	(400)	10,666
Profit (loss) for the year	7,187	10,017	746	(3,396)
Attributable to non-controlling interests	3,100	3,611	260	(1,619)
Dividends paid to non-controlling interests	1,500	1,352	-	-

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SUMMARIZED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

LBP Million

	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.
Cash and balances with banks	65,844	21,173	49,397	231,749
Balances with Parent and Group entities	79,136	134,861	591	64,598
Financial assets at fair value through profit or loss	-	22,373	-	-
Net loans and advances at amortized cost	133,155	2,994	89,671	121,839
Financial assets at amortized cost	43,539	74,677	11,847	22,962
Property and equipment	19,454	2,149	3,991	10,451
Other assets	8,134	43,885	2,134	35,782
Due to banks	(60,745)	-	(25,873)	(56,076)
Due to Parent and Group entities	(70,104)	-	(7,724)	-
Deposits at amortized cost	(147,623)	(151,239)	(90,726)	(327,033)
Other liabilities	(16,965)	(98,971)	(803)	(32,490)
Total equity	53,825	51,902	32,505	71,782
Attributable to non-controlling interests	13,801	18,711	-	34,190

Put options granted to the holders of non-controlling interests of the subsidiaries Byblos Bank Africa and Byblos Bank Armenia C.J.S.C. were estimated at fair values of LBP 11,774 million and LBP 14,221 million respectively (note 35). These were recorded through partial recognition of non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

SUMMARIZED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

LBP Million	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.
Cash and balances with banks	145,270	18,639	80,036	320,251
Balances with Parent and Group entities	50,320	121,513	1,633	91,499
Financial assets at fair value through profit or loss	-	17,047	-	-
Net loans and advances at amortized cost	73,158	2,798	87,383	330,729
Financial assets at amortized cost	37,848	56,297	7,993	42,545
Property and equipment	21,243	2,572	4,190	21,408
Other assets	17,298	38,039	1,663	43,575
Due to banks	(55,445)	-	(41,434)	(44,733)
Due to Parent and Group entities	(45,704)	-	(13,180)	(638)
Deposits at amortized cost	(172,431)	(123,330)	(93,298)	(536,424)
Other liabilities	(23,139)	(89,945)	(976)	(143,849)
Total equity	48,418	43,630	34,010	124,363
Attributable to non-controlling interests	20,670	15,729	11,904	59,234

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SUMMARIZED CASH FLOW INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.	LBP Million
Operating	(59,704)	17,058	(2,587)	(60,792)	
Investing	(9,989)	(5,364)	(169)	10,553	
Financing	15,266	(1,332)	-	-	
Net increase (decrease) in cash and cash equivalent	(54,427)	10,362	(2,756)	(50,239)	

SUMMARIZED CASH FLOW INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

	Byblos Bank Africa	Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	Byblos Bank Armenia C.J.S.C.	Byblos Bank Syria S.A.	LBP Million
Operating	17,411	16,290	17,288	7,632	
Investing	(15,271)	(20,025)	(236)	118,247	
Financing	157,690	(64)	-	-	
Net increase (decrease) in cash and cash equivalent	159,830	(3,799)	17,052	125,879	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. 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, deposit 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.

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

2013 LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Net interest income	180,406	109,440	49,403	10,755	350,004
Net fee and commission income	65,508	65,661	2,037	5,787	138,993
Net gain from financial instruments at fair value through profit or loss	-	-	86,098	-	86,098
Net gain from sale of financial assets at amortized cost	-	-	79,862	-	79,862
Revenue from financial assets at fair value through other comprehensive income	-	-	1,144	-	1,144
Other operating income	-	-	-	19,382	19,382
Net credit losses	(16,025)	(64,423)	1,316	-	(79,132)
Net operating income	229,889	110,678	219,860	35,924	596,351

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

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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	4,445	135,699
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	-	-	-	24,451	24,451
Net credit losses	(11,127)	(96,102)	20,432	-	(86,797)
Net operating income	274,715	114,294	201,485	31,953	622,447

FINANCIAL POSITION INFORMATION

2013 LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Other[1]	Total
Total assets	2,393,029	4,853,510	20,231,474	388,255	27,866,268
Total liabilities	20,755,502	1,479,159	2,365,984	780,037	25,380,682

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

GEOGRAPHIC INFORMATION

The Group operates in three geographical segments: Lebanon, Europe and Other countries. The following table shows the distribution of the Group's net operating income and non-current assets.

2013

LBP Million	Lebanon	Europe	Other	Total
Total operating income	527,279	53,675	94,529	675,483
Net credit losses	(30,617)	(6,191)	(42,324)	(79,132)
Net operating income[2]	496,662	47,484	52,205	596,351
Non-current assets[3]	218,880	8,994	52,546	280,420

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

(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.

7. INTEREST AND SIMILAR INCOME

LBP Million	2013	2012
Balances with central banks	162,273	136,179
Due from banks and financial institutions	14,233	23,575
Loans to banks and financial institutions	13,474	21,075
Financial assets given as collateral	517	600
Loans and advances to customers at amortized cost	457,980	468,374
Loans and advances to related parties at amortized cost	725	636
Financial assets at amortized cost	646,757	624,307
	1,295,959	1,274,746

31 December 2013

8. INTEREST AND SIMILAR EXPENSE

	2013	2012	LBP Million
Due to central banks	1,809	597	
Due to banks and financial institutions	27,503	33,440	
Customers' deposits at amortized cost	840,219	778,239	
Deposits from related parties at amortized cost	10,592	9,776	
Debt issued and other borrowed funds	34,849	38,219	
Subordinated debt	30,747	23,195	
Other equity instruments	236	750	
	945,955	884,216	

9. NET FEE AND COMMISSION INCOME

	2013	2012	LBP Million
Fee and commission income			
Loans and advances	24,849	22,275	
Letters of guarantee	15,357	16,593	
Acceptances	9,857	9,809	
Letters of credit	31,285	31,748	
Credit cards	12,457	10,765	
Domiciled bills	2,185	1,816	
Checks for collection	3,084	2,934	
Maintenance of accounts	13,080	10,939	
Transfers	9,912	10,723	
Safe rental	946	842	
Portfolio commission	4,321	3,315	
Commission on insurance-related activities	8,593	8,445	
Refund of banking services	12,820	12,964	
Other commissions	5,294	6,651	
	154,040	149,819	
Fee and commission expense			
Commissions paid on financial instruments	(2,003)	(1,581)	
Other commissions	(13,044)	(12,539)	
	(15,047)	(14,120)	
Net fee and commission income	138,993	135,699	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

LBP Million	2013	2012
Interest and similar income from debt instruments		
Lebanese government bonds	16,499	10,470
Certificates of deposit issued by the Central Bank of Lebanon	700	1,039
Other foreign government bonds	115	140
Other debt securities	200	462
	17,514	12,111
(Loss) gain from sale of debt instruments		
Lebanese government bonds	(3,004)	8,112
Certificates of deposit issued by the Central Bank of Lebanon	(873)	24
Other foreign government bonds	21	519
Other debt securities	39	1,424
	(3,817)	10,079

LBP Million	2013	2012
Unrealized (loss) gain from revaluation of debt instruments		
Lebanese government bonds	(1,189)	20
Certificates of deposit issued by the Central Bank of Lebanon	556	(379)
Other debt securities	(105)	1,556
	(738)	1,197
Net gain from debt instruments	12,959	23,387
Equity instruments		
Gain (loss) from sale	362	(327)
Unrealized gain from revaluation	5,258	3,164
Dividend income	571	552
Net gain from equity instruments	6,191	3,389
Unrealized gain from revaluation of structural position of a subsidiary	39,748	28,983
Foreign exchange	27,200	32,319
	86,098	88,078

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

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

The Group derecognizes some debt instruments classified at amortized cost due to the following reasons:

- Deterioration of the credit rating below the ceiling allowed in the Group's investment policy;
- Liquidity gap and yield management;
- Exchange of certificates of deposit by the Lebanese Central Bank;
- Currency risk management as a result of change in the currency base of deposits; or
- Liquidity for capital expenditures.

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

LBP Million

2013	Gains	Losses	Net
Lebanese government bonds	27,575	(280)	27,295
Certificates of deposit issued by the Central Bank of Lebanon	31,309	-	31,309
Other foreign government bonds	2,527	-	2,527
Other debt securities	3,623	(56)	3,567
Bank placements at the Central Bank of Lebanon	15,164	-	15,164
	80,198	(336)	79,862

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

During 2013, the Group discounted placements at the Central Bank of Lebanon which resulted in a gain of LBP 15,164 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. OTHER OPERATING INCOME

LBP Million	2013	2012
Net gain from sale of assets obtained in settlement of debt	5,791	4,613
Rental income from assets obtained in settlement of debt	895	998
Write-back of provisions for risks and charges (note 36 (b))	145	6,700
Other operating income from insurance-related activities	8,843	9,526
Others	3,708	2,614
	19,382	24,451

13. NET CREDIT LOSSES

LBP Million	2013	2012
Charge for the year		
Loans and advances to customers at amortized cost (note 24)	115,097	119,682
Financial assets at amortized cost (note 25)	1,000	2,250
Bad debts written off	80	66
	116,177	121,998
Recoveries during the year		
Loans and advances to customers (note 24)	(25,566)	(9,497)
Unrealized interest on loans and advances to customers (note 24)	(9,163)	(3,022)
Financial assets at amortized cost (note 25)	(1,419)	(21,740)
Doubtful banks (note 19)	(897)	(942)
	(37,045)	(35,201)
	79,132	86,797

14. PERSONNEL EXPENSES

LBP Million	2013	2012
Salaries and related charges	135,695	134,464
Social security contributions	17,727	16,713
Provision for end-of-service benefits (note 36 (a))	8,804	3,144
	162,226	154,321

15. OTHER OPERATING EXPENSES

	2013	2012	LBP Million
Taxes on interest	3,721	3,438	
Taxes and duties	7,522	6,795	
Contribution to deposit guarantee fund	9,951	9,618	
Rent and related charges	7,862	8,106	
Professional fees	8,414	7,491	
Telecommunications and postage expenses	8,418	8,928	
Board of Directors attendance fees	998	970	
Maintenance and repairs	14,052	12,683	
Electricity and fuel	6,732	6,488	
Travel and entertainment	3,907	3,928	
Publicity and advertising	11,829	11,055	
Subscriptions	3,594	4,127	
Bonuses	15,623	20,572	
Legal expenses	3,273	6,308	
Insurance	1,857	1,699	
Guarding fees	2,085	2,301	
Printing and stationery	3,159	4,309	
Provisions for risks and charges (note 36 (b)	4,190	3,504	
Donations	2,624	8,017	
Others	7,150	9,554	
	126,961	139,891	

16. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2013 and 31 December 2012 are as follows:

	2013	2012	LBP Million
Current income tax expense	45,168	49,119	
Deferred tax related to origination of temporary differences	(9,185)	(10,666)	
Other taxes	8,376	6,238	
	44,359	44,691	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INCOME TAX EXPENSE (continued)

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Lebanese tax rate, are shown in the table below:

LBP Million	2013	2012
Operating profit before tax	279,808	296,953
Of which Lebanon	240,478	265,574
Of which insurance companies	15,582	11,710
Of which foreign	23,748	19,669
Income tax at Lebanese tax rate 15%	41,971	44,543
Increase resulting from		
Impact of differently taxed profits	1,036	3,200
Non-deductible expenses	2,799	1,863
Carried forward taxable losses of a subsidiary	5,513	5,880
	9,348	10,943
Decrease resulting from		
Revenues previously subject to tax	(188)	(549)
Provision recoveries previously subject to tax	-	(1,471)
Unrealized gain from revaluation of structural position of a subsidiary	(5,963)	(4,347)
	(6,151)	(6,367)
Income tax	45,168	49,119
Effective income tax rate	16.14%	16.54%

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

LBP Million	2013	2012
Balance at 1 January	36,519	32,176
Charge for the year	53,544	55,357
	90,063	87,533
Less taxes paid		
Current year tax liability*	(24,522)	(25,338)
Prior years tax liabilities	(23,266)	(25,676)
	(47,788)	(51,014)
Balance at 31 December (note 35 (a))	42,275	36,519

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

31 December 2013

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

	Deferred tax assets	Deferred tax liabilities	2013 LBP Million
Fair value of financial instruments	925	2,748	
Carried forward taxable losses of a subsidiary	14,361	-	
	15,286	2,748	

	Deferred tax assets	Deferred tax liabilities	2012 LBP Million
Fair value of financial instruments	1,822	2,615	
Carried forward taxable losses of a subsidiary	9,601	-	
	11,423	2,615	

17. 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 have been 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:

	2013	2012	LBP Million
Weighted average number of common shares outstanding during the year (*)	561,731,039	561,749,874	

	2013	2012	LBP Million
Net profit attributable to equity holders of the parent	224,683	246,450	
(Less): proposed dividends to preferred shares	(48,480)	(48,320)	
Net profit attributable to equity holders of the parent	176,203	198,130	
Basic earnings per share in LBP	313.68	352.70	

(*) 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 42).

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17. EARNINGS PER SHARE (continued)

DILUTED EARNINGS PER SHARE

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

LBP Million	2013	2012
Weighted average number of ordinary shares for basic earnings per share	561,731,039	561,749,874
Effect of dilution		
Convertible subordinated debt	117,200,000	75,209,503
Weighted average number of ordinary shares adjusted for the effect of dilution	678,931,039	636,959,377

LBP Million	2013	2012
Net profit attributable to equity holders of the parent	176,203	198,130
Interest on convertible debt	30,747	19,683
Less: income tax	(4,612)	(2,952)
Net profit attributable to equity holders of the parent adjusted for the effect of convertible debt	202,338	214,861
Diluted earnings per share in LBP	298.02	337.32

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.

18. CASH AND BALANCES WITH CENTRAL BANKS

LBP Million	2013	2012
Cash on hand	273,430	233,884
Balances with the Central Bank of Lebanon		
Current accounts	578,304	602,297
Time deposits	4,461,128	3,871,157
	5,039,432	4,473,454
Balances with central banks in other countries		
Current accounts	428,564	718,971
Time deposits	23,000	31,273
	451,564	750,244
Accrued interest receivable	45,504	49,990
	5,809,930	5,507,572

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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 2,349,275 million and LBP 2,390,356 million, respectively, as at 31 December 2013 (2012: LBP 2,141,301 million and LBP 2,248,890 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 2013, obligatory reserve requirements for banks operating in foreign countries and the related covering time deposits, current accounts and cash on hand amounted to LBP 119,680 million (2012: LBP 124,929 million).

19. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LBP Million

	2013	2012
Banks		
Current accounts	987,038	789,837
Time deposits	2,310,245	2,396,982
Accrued interest receivable	917	2,787
Doubtful bank accounts	2,377	3,193
Provision for doubtful bank accounts	(2,377)	(3,193)
	3,298,200	3,189,606
Financial institutions		
Current accounts	52,243	9,364
Cash margins	710	15,600
	52,953	24,964
Registered exchange companies		
Current accounts	665	444
Doubtful exchange companies accounts	2,259	2,259
Provision for doubtful exchange companies accounts	(2,259)	(2,259)
	665	444
Brokerage companies		
Current accounts	1,496	1,519
	3,353,314	3,216,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DUE FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

DOUBTFUL BANKS AND REGISTERED EXCHANGE COMPANIES

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

	2013			2012		
LBP Million	Banks	Registered exchange companies	Total	Banks	Registered exchange companies	Total
Balance at 1 January	3,193	2,259	5,452	4,097	2,259	6,356
Write-back (note 13)	(897)	-	(897)	(942)	-	(942)
Exchange difference	81	-	81	38	-	38
Balance at 31 December	2,377	2,259	4,636	3,193	2,259	5,452

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

LBP Million	2013	2012
Loans to banks and financial institutions	583,163	377,535
Accrued interest receivable	2,395	1,709
	585,558	379,244
Discounted acceptances	31,286	80,838
Interest received in advance	(1,978)	(1,375)
	29,308	79,463
	614,866	458,707

21. FINANCIAL ASSETS GIVEN AS COLLATERAL

LBP Million	2013	2012
Treasury bills mortgaged in favor of the Central Bank of Lebanon, at amortized cost	6,915	8,814
Accrued interest receivable	90	109
	7,005	8,923

The balance represents treasury bills pledged as collateral for loans obtained from the Central Bank of Lebanon during 2010 (note 31).

22. 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 value 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.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favorable to the Group.

	2013			2012		
LBP Million	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Held for trading						
Currency swaps	1,684	1,673	308,670	11,069	7,541	391,883
Forward foreign exchange contracts	2,140	1,390	154,549	1,105	1,072	143,954
	3,824	3,063	463,219	12,174	8,613	535,837

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

LBP Million	2013	2012
Lebanese government bonds	104,979	256,373
Certificates of deposit issued by the Central Bank of Lebanon	329	10,704
Other debt securities	19,175	7,704
Quoted equity instruments	32,964	26,128
	157,447	300,909

24. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

LBP Million	2013	2012
Commercial loans	4,946,685	4,491,803
Consumer loans	2,261,477	2,055,160
	7,208,162	6,546,963
Less		
Individual impairment allowances	(213,603)	(167,778)
Collective impairment allowances	(130,669)	(112,733)
Unrealized interest	(81,854)	(71,348)
	6,782,036	6,195,104

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 45,971 million as at 31 December 2013 (2012: LBP 76,514 million).

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

2013	Commercial loans	Consumer loans	Total	LBP Million
Balance at 1 January	70,963	385	71,348	
Add (less)				
Unrealized interest for the year	29,104	82	29,186	
Amounts transferred from off-financial position	4,125	-	4,125	
Recoveries (note 13)	(9,163)	-	(9,163)	
Amounts written off	(8,771)	-	(8,771)	
Difference of exchange	(4,693)	(178)	(4,871)	
Balance at 31 December	**81,565**	**289**	**81,854**	

2012	Commercial loans	Consumer loans	Total	LBP Million
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 13)	(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**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

LBP Million 2013	Commercial loans	Consumer loans	Total
Balance at 1 January	136,364	31,414	167,778
Add (less)			
Charge for the year (note 13)	70,670	16,987	87,657
Amounts written off	(5,203)	(296)	(5,499)
Recoveries (note 13)	(23,621)	(1,945)	(25,566)
Transfer from off financial position	2,588	120	2,708
Transfer from collective impairment allowances	4,330	-	4,330
Difference of exchange	(16,926)	(879)	(17,805)
Balance at 31 December	168,202	45,401	213,603
Gross amount of loans individually determined to be impaired	304,077	54,443	358,520

LBP Million 2012	Commercial loans	Consumer loans	Total
Balance at 1 January	68,542	21,664	90,206
Add (less)			
Charge for the year (note 13)	78,218	13,751	91,969
Amounts written off	(1,964)	(207)	(2,171)
Recoveries (note 13)	(6,484)	(3,013)	(9,497)
Transfer (to) from off financial position	(1,058)	384	(674)
Transfer from 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

31 December 2013

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

2013	Commercial loans	Consumer loans	Total
			LBP Million
Balance at 1 January	81,191	31,542	112,733
Add (less)			
Charge for the year (note 13)	26,536	904	27,440
Transfer from commercial to consumer	(795)	795	-
Transfer to individual impairment allowances	(4,330)	-	(4,330)
Difference of exchange	(4,189)	(985)	(5,174)
Balance at 31 December	**98,413**	**32,256**	**130,669**

2012	Commercial loans	Consumer loans	Total
			LBP Million
Balance at 1 January	75,573	28,155	103,728
Add (less)			
Charge for the year (note 13)	25,520	2,193	27,713
Transfer from commercial to consumer	(2,038)	2,038	-
Transfer 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCIAL ASSETS AT AMORTIZED COST

LBP Million	2013	2012
Lebanese government bonds	5,185,252	3,821,495
Certificates of deposit issued by the Central Bank of Lebanon	4,239,042	4,248,589
Other foreign government bonds	129,695	126,960
Other debt securities	649,266	954,069
	10,203,255	9,151,113
Less: collective impairment allowances	(5,062)	(5,487)
	10,198,193	9,145,626

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

LBP Million 2013	Other foreign government bonds	Other debt securities	Total
Balance at 1 January	-	5,487	5,487
Write-back during the year (note 13)	-	(1,419)	(1,419)
Charge for the year (note 13)	-	1,000	1,000
Exchange difference	-	(6)	(6)
Balance at 31 December	-	5,062	5,062

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 13)	(14,236)	(7,504)	(21,740)
Charge for the year (note 13)	-	2,250	2,250
Exchange difference	-	(38)	(38)
Balance at 31 December	-	5,487	5,487

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

LBP Million	2013	2012
Quoted shares	43,405	41,669
Unquoted shares	43,490	36,994
	86,895	**78,663**

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

	2013			2012		
LBP Million	Carrying amount	Cumulative fair value changes	Dividend income	Carrying amount	Cumulative fair value changes	Dividend income
Unquoted shares						
Banque de l'Habitat S.A.L.	22,508	17,320	454	20,641	15,452	454
Intra Investment Company S.A.L.	17,591	4,567	583	13,030	6	583
Interbank Payment Network (IPN) S.A.L.	1,345	342	106	1,289	287	106
Arab Trade Financing Program	1,492	-	-	1,492	-	-
Others	554	105	1	542	103	44
Quoted shares						
Jordan Ahli Bank	43,405	(37,009)	-	41,669	(38,745)	3,304
	86,895	**(14,675)**	**1,144**	**78,663**	**(22,897)**	**4,491**

Dividend income amounted to LBP 1,144 million for the year ended 31 December 2013 (2012: LBP 4,491 million) and resulted from equity instruments held at year-end (2012: the same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. PROPERTY AND EQUIPMENT

2013 LBP Million	Buildings	Motor vehicles	Furniture and equipment	Deposits	Advance payments	Total
COST						
At 1 January 2013	246,383	3,512	209,667	686	3,535	463,783
Additions	71	7	17,970	26	600	18,674
Transfers	3,707	-	24	-	(3,731)	-
Disposals	-	(459)	(1,082)	-	(13)	(1,554)
Foreign exchange difference	(11,694)	(236)	(7,502)	7	188	(19,237)
At 31 December 2013	238,467	2,824	219,077	719	579	461,666
DEPRECIATION						
At 1 January 2013	45,729	2,683	149,977	-	-	198,389
Depreciation during the year	5,278	234	21,706	-	-	27,218
Related to disposals	-	(357)	(981)	-	-	(1,338)
Foreign exchange difference	(881)	(159)	(4,793)	-	-	(5,833)
At 31 December 2013	50,126	2,401	165,909	-	-	218,436
NET CARRYING VALUE						
At 31 December 2013	188,341	423	53,168	719	579	243,230

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	11,990	494	17,355	15	65	29,919
Transfers	8,262	-	11,618	-	(19,880)	-
Disposals	-	(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	-	(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

The cost of buildings as at 31 December 2013 and 31 December 2012 include the revaluation differences of properties valued during prior years in accordance with Law 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 2013 (2012: the same) (note 44).

28. INTANGIBLE ASSETS

LBP Million

	2013	2012
COST		
At 1 January and 31 December	2,303	2,303
ACCUMULATED AMORTIZATION		
At 1 January	1,333	1,174
Amortization expense for the year	159	159
At 31 December	1,492	1,333
NET CARRYING VALUE		
At 31 December	811	970

29. ASSETS OBTAINED IN SETTLEMENT OF DEBT

LBP Million

	2013	2012
COST		
At 1 January	38,361	40,611
Additions	5,687	286
Disposals	(2,510)	(2,536)
At 31 December	41,538	38,361
IMPAIRMENT		
At 1 January and 31 December	(5,159)	(5,159)
NET CARRYING VALUE		
At 31 December	36,379	33,202

Advance payments received in connection with future sale transactions for the above assets amounted to LBP 1,246 million as of 31 December 2013 (2012: LBP 1,357 million) (note 35).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. OTHER ASSETS

LBP Million	2013	2012
Obligatory deposits (a)	16,658	18,610
Other assets (b)	75,891	64,352
Deferred tax assets (note 16)	15,286	11,423
Doubtful debtor accounts	37	37
	107,872	94,422
Less: Allowance for credit losses	(37)	(37)
	107,835	94,385

(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.

b) Other assets comprise of the following:

LBP Million	2013	2012
Prepaid rent	3,778	4,012
Printings and stationery	3,835	3,820
Credit card balances due from customers	13,071	11,216
Insurance premiums receivable	3,558	3,094
Reinsurers' share of technical reserves of subsidiary insurance companies	27,709	23,917
Receivables from the National Social Security Fund	6,692	4,611
Other debit balances	17,248	13,682
	75,891	64,352

31. DUE TO CENTRAL BANKS

LBP Million	2013	2012
Current accounts	1,058	613
Time deposits	6,736	6,711
Loans due to the Central Bank of Lebanon	41,945	8,814
Loan due to the Central Bank of Armenia	1,314	1,692
Accrued interest payable	449	88
	51,502	17,918

31 December 2013

LOANS DUE TO THE CENTRAL BANK OF LEBANON

- During 2013, the Bank signed a credit agreement with the Central Bank of Lebanon based on the provisions of Decision No. 6116, dated 7 March 1996, relating to the facilities which can be granted by the Central Bank of Lebanon to banks. The loan amounted to LBP 35,030 million as of 31 December 2013. The Bank pledged as collateral against this loan, certificates of representation signed by the Bank's customers.

- During 2010, the Bank obtained three loans from the Central Bank of Lebanon to finance customers affected by the July-August 2006 war. These loans were originally granted in the amount of LBP 8,814 million, out of which LBP 1,895 million matured during 2013. These loans are secured by the pledge of Lebanese treasury bills amounting to LBP 6,915 million included under financial assets given as collateral as of 31 December 2013 (2012: LBP 8,814 million) (note 21).

32. DUE TO BANKS AND FINANCIAL INSTITUTIONS

LBP Million

	2013	2012
Banks		
Current accounts	187,405	150,503
Time deposits	673,911	541,930
Term loans	165,929	204,934
Cash margins	129,748	192,880
Accrued interest payable	5,370	6,874
	1,162,363	1,097,121
Financial institutions		
Current accounts	3,993	3,189
Term loans	198,095	189,439
Time deposits	25,879	33,877
Accrued interest payable	1,959	2,424
	229,926	228,929
Registered exchange companies		
Current accounts	108	186
Time deposits	131	288
	239	474
Brokerage institutions		
Current accounts	34	523
	1,392,562	1,327,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. CUSTOMERS' DEPOSITS AT AMORTIZED COST

LBP Million	2013	2012
Current accounts	3,357,947	3,291,348
Term deposits	17,469,444	15,617,849
Cash margins	1,045,146	963,958
Accrued interest payable	113,801	94,376
	21,986,338	19,967,531

Customers' deposits include coded deposit accounts amounting to LBP 35,696 million as of 31 December 2013 (2012: LBP 40,905 million).

34. DEBT ISSUED AND OTHER BORROWED FUNDS

	Maturity	Interest rate %	2013 LBP Million	2012 LBP Million
Certificates of deposit				
Issue 2009 – Second Series	31/03/2014	7.25	60,978	60,978
Accrued interest payable			12	12
			60,990	60,990
Bonds (*)				
Issue 2011	24/06/2021	7.00	444,884	447,106
Accrued interest payable			615	615
			445,499	447,721
			506,489	508,711
Interest and similar expense:				
Certificates of deposit			3,261	6,876
Bonds			31,374	31,343
			34,635	38,219

(*) 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.

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35. OTHER LIABILITIES

	2013	2012	LBP Million
Accrued expenses	41,586	32,464	
Fixed-asset suppliers	2,637	6,089	
Unearned commission and interest	6,283	4,242	
Cash margins related to companies under establishment	1,854	3,876	
Insurance premiums received in advance	2,760	2,445	
Payables to the National Social Security Fund	1,939	1,668	
Advance payments linked to assets obtained in settlement of debt (note 29)	1,246	1,357	
Current tax liability (a)	54,142	49,207	
Deferred tax liability (note 16)	2,748	2,615	
Bankers' checks	27,135	130,459	
Put options on non-controlling interests (note 5)	25,995	-	
Other creditors	27,379	28,466	
	195,704	262,888	

(a) Current tax liability

	2013	2012	LBP Million
Income tax due (note 16)	42,275	36,519	
Withholding tax on salaries	2,132	1,987	
Withholding tax on interest earned by customers	7,121	6,446	
Value added tax	386	200	
Other taxes	2,228	4,055	
	54,142	49,207	

36. PROVISIONS FOR RISKS AND CHARGES

	2013	2012	LBP Million
Technical reserves of insurance subsidiaries	84,916	81,841	
Provision for employees' end-of-service benefits (a)	40,606	38,286	
Other provisions (b)	12,853	10,338	
	138,375	130,465	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. PROVISIONS FOR RISKS AND CHARGES (continued)

(a) Provision for employees' end-of-service benefits

The Bank has two defined-benefit plans covering substantially all of its employees. The first requires contributions to be made to the National Social Security Fund. The entitlement to and level of these end-of-service benefits provided depend on an employee's length of service, salary, contributions paid to the National Social Security Fund, and other requirements outlined in Lebanese Labor Law. Under the second plan, no contributions are required to be made; instead, a fixed end-of-service lump-sum amount should be paid for long-service employees. The entitlement to and level of these end-of-service benefits provided depends on an employee's length of service, salary, and other requirements outlined in the Workers' Collective Agreement. 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.

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

LBP Million	2013	2012
Balance at 1 January	38,286	37,133
Costs charged to the income statement (note 14)		
Service costs	3,574	3,144
Past service costs	1,976	-
Net interest	3,254	-
	8,804	3,144
Re-measurement (gains) losses in other comprehensive income		
Actuarial changes arising from changes in economic assumptions	420	-
Experience adjustments	(3,161)	-
	(2,741)	-
End-of-service benefits paid during the year	(3,748)	(1,445)
Foreign exchange	5	(546)
Balance at 31 December	**40,606**	**38,286**

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Defined-benefit plans in Lebanon constitute more than 90% of the Group's retirement obligation. The principal assumptions used in determining the end-of-service benefit obligations of these plans are shown below:

%	2013	2012
Economic assumptions		
Discount rate	8.5%	8.5%
Future salary increase	5.5%	5.5%
Future expected return on contributions	5.5%	6.0% to 5.0%
Bonus	2-year average as a % of basic	Actual as a % of basic
Demographic assumptions		
Retirement age	Earliest of 64 or completion of 20 contribution years	Earliest of 64 or completion of 20 contribution years
Mortality rate	None	None
Turnover rate	2.0%	2.0%

A quantitative sensitivity analysis as a result of an increase/decrease of 50 basis points in the significant assumptions as at 31 December 2013 is shown below:

	Discount rate		Future salary increase		Future expected return on contributions	
LBP Million	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on net defined benefit obligation	(1,390)	1,501	2,663	(2,514)	(1,127)	1,087

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined-benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. PROVISIONS FOR RISKS AND CHARGES (continued)

(b) Other provisions

Movement in other provisions during the year was as follows:

LBP Million	2013	2012
At 1 January	10,338	14,163
Charge for the year (note 15)	4,190	3,504
Write-back during the year (note 12)	(145)	(6,700)
Foreign exchange	(1,530)	(629)
At 31 December	12,853	10,338

37. SUBORDINATED DEBT

LBP Million	2013	2012
Nominal value	441,697	441,697
Unamortized discount	(29,405)	(31,618)
Accrued interest payable	76	817
	412,368	410,896

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 39) to distributable reserves (note 40).

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 Global Depository Receipts (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 2.50 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 2.50 per share or USD 125 per GDR.

The convertible subordinated loan (net of subordinated notes held by a consolidated subsidiary) were recorded at issuance as follows:

LBP Million	
Nominal value of convertible bonds	441,697
Equity component	(31,618)
Liability component	**410,079**

The equity component of the convertible subordinated loan is recorded in equity under "non-distributable reserves" (note 39).

38. SHARE CAPITAL

	2013			2012		
	No. of shares	Share capital LBP Million	Share premium LBP Million	No. of shares	Share capital LBP Million	Share premium LBP Million
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	293,517	2,000,000	2,420	291,105
	4,000,000	**4,840**	**588,671**	**4,000,000**	**4,840**	**586,259**

The capital of the Bank is divided into 569,515,040 shares of LBP 1,210 each fully paid (2012: 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

38. 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 2013, the Bank transferred LBP 2,412 million from retained earnings to the share premium on Series 2009 Preferred Shares (2012: 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	501,304,190	501,164,240
Global depository receipts*	London SEAQ and Beirut	1,284,217	1,287,016
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.

39. 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 2013	200,820	49,645	31,618	179,994	106,068	568,145
Appropriation from retained earnings	25,103	5,289	-	30,000	44,056	104,448
Net loss on sale of treasury shares	-	(275)	-	-	-	(275)
Balance at 31 December 2013	**225,923**	**54,659**	**31,618**	**209,994**	**150,124**	**672,318**
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 40)	-	-	(18,040)	-	-	(18,040)
Equity component on subordinated debt (note 37)	-	-	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**

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 2013, the Group appropriated LBP 25,103 million from 2012 profits to the legal reserve (2012: LBP 28,570 million).

RESERVES FOR CAPITAL INCREASE

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

LBP Million	2013	2012
Reserve equivalent to gain on sale of assets acquired in settlement of debt	23,971	20,228
Reserve equivalent to provisions recovered	9,737	9,737
Reserve against assets obtained in settlement of debt	11,123	9,577
Reserve against realized gain from liquidation of fixed position	8,870	8,870
Others	958	1,233
	54,659	**49,645**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. NON-DISTRIBUTABLE RESERVES (continued)

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 2013 from the profits of the year 2012 amounted to LBP 30,000 million (2012: LBP 41,385 million).

OTHER RESERVES

Other reserves consist of the following:

- During 2013, the Group transferred an amount of LBP 31,077 million from retained earnings to other reserves related to the subordinate debt (2012: nil).

- Non-distributable reserves of subsidiaries appropriated from retained earnings as required by the laws applicable in the countries in which they operate. During 2013, the Group transferred an amount of LBP 12,979 million from retained earnings to other reserves in this respect (2012: LBP 11,611 million).

As of 31 December 2013, "Other reserves" include reserves of LBP 82,534 million maintained by the subsidiary Byblos Bank Europe to meet several legal limits and requirements (2012: LBP 67,247 million).

40. DISTRIBUTABLE RESERVES

LBP Million	2013	2012
General reserves	91,831	94,237
Other capital reserves	5,422	5,422
	97,253	99,659

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:

LBP Million	2013	2012
At 1 January	94,237	73,705
Appropriation from retained earnings	3,346	2,492
Impact from derecognition of non-controlling interests (note 5)	(5,752)	-
Transfer from non-distributable reserves (note 39)	-	18,040
At 31 December	91,831	94,237

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OTHER CAPITAL RESERVES

	2013	2012	LBP Million
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	

41. OTHER EQUITY INSTRUMENTS

On 12 July 2010, Byblos Bank S.A.L. issued three-year notes (3-Year 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%.

At maturity, on 12 July 2013, the Bank settled the notes through a transfer of 5,520,000 treasury common shares (note 42).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. TREASURY SHARES

Movement of treasury shares recognized in the statement of financial position for the years 2013 and 2012 was as follows:

Year ended 31 December 2013	Common shares No. of shares	Common shares Amount USD (000)	Global Depository Receipts No. of shares	Global Depository Receipts Amount USD (000)
At 1 January 2013	8,609,221	15,633	13,407	1,151
Acquisitions of treasury shares	253,919	386	1,405	101
Sales of treasury shares	(320,538)	(573)	-	-
Settlement of other equity instruments (note 41)	(5,520,000)	(10,028)	-	-
At 31 December 2013	3,022,602	5,418	14,812	1,252
Total treasury shares in LBP million				10,054

Year ended 31 December 2012	Common shares No. of shares	Common shares Amount USD (000)	Global Depository Receipts No. of shares	Global Depository Receipts 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

43. RETAINED EARNINGS

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

LBP Million	2013	2012
Group's share of accumulated unrealized gain on revaluation of structural position of subsidiary bank	23,055	7,764
Other	143	442
	23,198	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.

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44. REVALUATION RESERVE OF REAL ESTATE

	2013	2012	LBP Million
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	

45. 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:

	2013	2012	LBP Million
At 1 January	(23,634)	(20,556)	
Net changes in fair values during the year	8,222	(3,483)	
Net changes in deferred taxes	(1,232)	527	
Difference on exchange	-	(122)	
Balance at 31 December	(16,644)	(23,634)	

46. CASH AND CASH EQUIVALENTS

	2013	2012	LBP Million
Cash and balances with central banks	2,144,861	2,333,218	
Due from banks and financial institutions	3,276,123	3,153,470	
	5,420,984	5,486,688	
Less: Due to banks and financial institutions	(956,992)	(858,186)	
Less: Due to central banks	(8,207)	(7,415)	
Cash and cash equivalents at 31 December	4,455,785	4,621,087	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. 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 4. 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	2013	2012
Loans and advances	18,546	15,815
of which: granted to key management personnel	*15,551*	*13,017*
Deposits	248,324	208,102
Debt issued and other borrowed funds	1,889	1,984
Subordinated debt	18,542	18,241
Guarantees received	11,411	11,965
Guarantees given	8	9
Commitments (including acceptances)	7,307	14,569

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

LBP Million	2013	2012
Interest income on loans	725	636
Interest expense on deposits	10,592	9,776
Interest expense on debt issued and other borrowed funds	132	138
Interest expense on subordinated debt	1,192	1,851
Rent expense	544	561

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In addition to the above:

- Due to banks and financial institutions includes loans from related parties amounting to LBP 69,357 million as of 31 December 2013 (2012: LBP 60,886 million) on which interest of LBP 2,158 million (2012: LBP 2,250 million) was paid.

- During 2012, the Group acquired real estate properties from a related party at a cost of LBP 1,187 million.

COMPENSATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

LBP Million

	2013	2012
Short-term benefits[1]	11,945	15,376

(1) Short-term benefits comprise salaries, bonuses, profit-sharing, attendance fees and other short-term benefits to Key Management Personnel.

48. 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

2013	Banks	Customers	Total
Guarantees and contingent liabilities			
Financial guarantees	-	172,986	172,986
Other guarantees	413,441	1,065,181	1,478,622
	413,441	1,238,167	1,651,608
Commitments			
Documentary credits	442,552	342,448	785,000
Loan commitments	-	2,261,687	2,261,687
	442,552	2,604,135	3,046,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (continued)
Credit-related commitments and contingent liabilities (continued)

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
Loan commitments	-	2,248,925	2,248,925
	378,108	2,729,439	3,107,547

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.

LOAN COMMITMENTS

Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

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 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.

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

	2013	2012	LBP Million
Within one year	3,276	3,647	
After one year but not more than five years	10,480	11,264	
More than five years	12,545	12,594	
	26,301	**27,505**	

OTHER CONTINGENCIES

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 2009 to 2012 and for the years 2012 and 2013 respectively. The subsidiaries' books and records are also subject to review by the tax and social security authorities.

During the past three years, 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 2014.

49. ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

	2013	2012	LBP Million
Assets held in custody and under administration	3,015,848	3,188,752	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

QUOTED MARKET PRICES – LEVEL 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

VALUATION TECHNIQUE USING OBSERVABLE INPUTS – LEVEL 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such valuation techniques and models incorporate assumptions about factors observable in an active market, and which other market participants would use in their valuations, including interest rate yield curves, exchange rates, volatilities, and prepayment and defaults rates.

VALUATION TECHNIQUE USING SIGNIFICANT UNOBSERVABLE INPUTS – LEVEL 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations, or other analytical techniques.

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FAIR VALUE MEASUREMENT HIERARCHY OF THE GROUP'S FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

2013

	VALUATION TECHNIQUES			
	Quoted market price	Observable inputs	Unobservable inputs	
LBP Million	Level 1	Level 2	Level 3	Total
ASSETS				
Derivative financial instruments				
Currency swaps	-	1,684	-	1,684
Forward foreign exchange contracts	-	2,140	-	2,140
Financial assets at fair value through profit or loss				
Lebanese government bonds	103,144	1,835	-	104,979
Certificates of deposit issued by the Central Bank of Lebanon	-	329	-	329
Other debt securities	19 ,175	-	-	19,175
Quoted equity instruments	32,964	-	-	32,964
Financial assets at fair value through other comprehensive income	43,405	-	43,490	86,895
LIABILITIES				
Derivative financial instruments				
Currency swaps	-	1,673	-	1,673
Forward foreign exchange contracts	-	1,390	-	1,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2012

LBP Million	Level 1	Level 2	Level 3	Total
ASSETS				
Derivative financial instruments				
Currency swaps	-	11,069	-	11,069
Forward foreign exchange contracts	-	1,105	-	1,105
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
LIABILITIES				
Derivative financial instruments				
Currency swaps	-	7,541	-	7,541
Forward foreign exchange contracts	-	1,072	-	1,072

There were no transfers between levels during 2013 (2012: the same).

31 December 2013

ASSETS AND LIABILITIES CARRIED AT FAIR VALUE USING A VALUATION TECHNIQUE WITH SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)

Derivatives

Derivative products are valued using a valuation technique with market observable inputs. 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.

Government bonds, certificates of deposit and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities, credit spreads and broker statements.

ASSETS AND LIABILITIES CARRIED AT FAIR VALUE USING A VALUATION TECHNIQUE WITH SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Equity shares of non-listed entities

The Group's strategic investments are generally classified at fair value through other comprehensive income and are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Group determined that cost adjusted to reflect the investee's financial position and results, since initial recognition represents the best estimate of fair value.

RECONCILIATION OF FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS IN UNQUOTED EQUITY SHARES

LBP Million

	2013	2012
Balance at 1 January	36,994	37,040
Re-measurement recognized in other comprehensive income	6,496	(46)
	43,490	36,994

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

COMPARISON OF CARRYING AND FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES NOT HELD AT FAIR VALUE

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

		2013		2012
LBP Million	Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS				
Cash and balances with central banks	5,809,930	5,809,930	5,507,572	5,507,572
Due from banks and financial institutions	3,353,314	3,353,314	3,216,533	3,216,533
Loans to banks and financial institutions and reverse repurchase agreements	614,970	614,866	458,804	458,707
Financial assets given as collateral	7,097	7,005	9,016	8,923
Net loans and advances to customers at amortized cost	6,776,003	6,782,036	6,190,994	6,195,104
Net loans and advances to related parties at amortized cost	18,546	18,546	15,815	15,815
Financial assets at amortized cost				
Lebanese government bonds	5,204,674	5,185,252	3,907,795	3,821,495
Certificates of deposit issued by the Central Bank of Lebanon	4,290,091	4,239,042	4,347,402	4,248,589
Other foreign government bonds	132,762	129,695	133,215	126,960
Other debt securities	666,459	644,204	983,144	948,582
FINANCIAL LIABILITIES				
Due to central banks	51,502	51,502	17,918	17,918
Due to banks and financial institutions	1,392,457	1,392,562	1,327,985	1,327,047
Customers' deposits at amortized cost	22,085,481	21,986,338	20,012,886	19,967,531
Deposits from related parties at amortized cost	250,888	248,324	208,102	208,102
Debt issued and other borrowed funds	512,295	506,489	514,956	508,711
Subordinated debt	412,368	412,368	410,896	410,896

ASSETS AND LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED USING A VALUATION TECHNIQUE WITH SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2) AND/OR SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Deposits with banks and loans and advances to banks

For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

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Government bonds, certificates of deposit and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities, credit spreads and broker statements.

Loans and advances to customers

For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during 2013 with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

Debt issued and other borrowed funds and subordinated debt

Fair values are determined using discounted cash flow valuation models where the inputs used are estimated by comparison with quoted prices in an active market for similar instruments.

2013		VALUATION TECHNIQUES		
	Quoted market price	Observable inputs	Unobservable inputs	
LBP Million	Level 1	Level 2	Level 3	Total
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED				
Cash and balances with central banks	273,430	5,536,500	-	5,809,930
Due from banks and financial institutions	-	3,353,314	-	3,353,314
Loans to banks and financial institutions and reverse repurchase agreement	-	614,970	-	614,970
Financial assets given as collateral	-	7,097	-	7,097
Net loans and advances to customers at amortized cost	-	-	6,776,003	6,776,003
Net loans and advances to related parties at amortized cost	-	-	18,546	18,546
Financial assets at amortized cost				
Lebanese government bonds	2,500,673	2,704,001	-	5,204,674
Certificates of deposit issued by the Central Bank of Lebanon	227,837	4,062,254	-	4,290,091
Other foreign government bonds	77,835	54,927	-	132,762
Other debt securities	666,459	-	-	666,459
LIABILITIES FOR WHICH FAIR VALUES ARE DISCLOSED				
Due to central banks	-	51,502	-	51,502
Due to banks and financial institutions	-	1,392,457	-	1,392,457
Customers' deposits at amortized cost	-	22,085,481	-	22,085,481
Deposits from related parties at amortized cost	-	250,888	-	250,888
Debt issued and other borrowed funds	-	512,295	-	512,295
Subordinated debt	-	412,368	-	412,368

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51. RISK MANAGEMENT

51.1 – 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 identification, measurement, monitoring and controlling risks to ensure that:

- The individuals who take or manage risk clearly understand it;
- The organization's risk exposure is within the limits established by the Board of Directors (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 natures 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, and 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 Group Financial Markets Division and the Head of 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 proposals 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): is responsible for managing 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: is tasked with formulating and enforcing 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: is responsible for reviewing the audit and credit review reports issued by the Group Internal Audit Division, ratifying recommended action plans, and ensuring that all recommendations have been implemented by audited parties.

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 evaluate and improve the effectiveness of risk management, control, and governance processes. Its role within the Group is to ensure that adequate internal controls are maintained and that, 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, the Central Bank and Banking Control Commission requirements, Board of Directors and management directives, and implemented policies and procedures.

RISK MANAGEMENT – BASEL PERSPECTIVE

Group Risk Management is broadly following the guidelines of the Basel texts to measure and assess the risks identified under Pillars I and II, 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 I risks.

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As for addressing the capital management issue in the context of Basel II, the Group developed in 2011 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 heads 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, and approves risk policies.

The GRM is currently made up of the following different 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.

Group Risk Support Department provides technical and business support to the GRM to ensure the implementation of major Group risk projects, perform project management for Basel II compliance-related solutions, data gap analysis, requirement definitions, etc., and maintains databases and reports required to support the GRM.

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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. This 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. This 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: encompasses 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 the 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 function 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 the GRM where relating to 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 the primary responsibility to measure and report the risks of that entity. The policies and procedures defined by the GRM also apply to these entities in terms of basic rules and standards, while local modifications are being usually brought in order to comply with national discretions/requirements. The Country Risk Manager reports to the entity general manager and also has functional reporting to the GRM.

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.

Information compiled from all the businesses 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.

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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.

51.2 – 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 product strategy are identified in the yearly business plan derived from the medium-term plan. These plans are submitted to and discussed with senior 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 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 banks' limits and manages the relationships with banks. The function is determined by liquidity targets and by profit generation through a dynamic and 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.

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CREDIT APPROVAL

The review of credit proposals is assigned to the Credit Risk Division (CRD), a function independent from 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 then followed up 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 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 are subject as well to a constant monitoring by 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 and remedial of spotted deteriorations in borrowers' financial positions, value of collateral and 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 of 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 that suggests that there is a decrease in the estimated future cash flows related to the loan(s).

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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, regional and/or global developments, 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 loans 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 overall Group policy.

Credit-related commitments and financial guarantees are assessed and provisions are made in a manner similar to that for loans.

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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.

Credit-related commitments and financial guarantee risks

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Such commitments expose the Group to similar risks 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 also shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

2013 LBP Million	Maximum exposure	Cash	Securities	Letters of credit/ guarantees	Real estate	Net credit exposure
Balances with central banks	5,536,500	-	-	-	-	5,536,500
Due from banks and financial institutions	3,353,314	710	-	-	-	3,352,604
Loans to banks and financial institutions and reverse repurchase agreements	614,866	2,615	-	-	-	612,251
Financial assets given as collateral	7,005	-	-	-	-	7,005
Derivative financial instruments	3,824	-	-	-	-	3,824
Financial assets at fair value through profit or loss	124,483	-	-	-	-	124,483
Net loans and advances to customers at amortized cost:						
Commercial loans	4,598,505	421,964	107,027	11,907	786,179	3,271,428
Consumer loans	2,183,531	257,739	1,498	-	1,038,610	885,684
Net loans and advances to related parties at amortized cost	18,546	9,059	-	-	1,987	7,500
Financial assets at amortized cost	10,198,193	-	-	-	-	10,198,193
	26,638,767	**692,087**	**108,525**	**11,907**	**1,826,776**	**23,999,472**
Financial guarantees	172,986	9,589	-	-	-	163,397
Documentary credits (including acceptances)	1,230,957	64,848	-	-	-	1,166,109
	28,042,710	**766,524**	**108,525**	**11,907**	**1,826,776**	**25,328,978**
Utilized collateral		766,524	108,525	11,907	1,826,776	
Surplus of collateral before undrawn credit lines		86,924	192,397	156,055	2,689,453	
Guarantees received from banks, financial institutions and customers		**853,448**	**300,922**	**167,962**	**4,516,229**	

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,261,687 million as at 31 December 2013.

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51. RISK MANAGEMENT (continued)
51.2 – CREDIT RISK (continued)

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	306,170	277,831	24,055	757,911	2,837,318
Consumer loans	1,991,819	185,786	1,155	-	796,715	1,008,163
Net loans and advances to related parties at amortized cost	15,815	8,537	-	-	2,099	5,179
Financial assets at amortized cost	9,145,626	-	-	-	-	9,145,626
	24,601,351	572,596	278,986	24,055	1,556,725	22,168,989
Financial guarantees	186,703	19,859	-	-	-	166,844
Documentary credits (including acceptances)	1,174,854	55,986	-	-	-	1,118,868
	25,962,908	648,441	278,986	24,055	1,556,725	23,454,701
Utilized collateral		648,441	278,986	24,055	1,556,725	
Surplus of collateral before undrawn credit lines		159,992	102,346	80,516	1,609,130	
Guarantees received from banks, financial institutions and customers		**808,433**	**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.

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 implemented 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 mortgages over residential properties (for housing loans) and commercial properties (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 above, 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.

CREDIT QUALITY PER CLASS OF FINANCIAL ASSET
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.

2013	Neither past due nor impaired				
LBP Million	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
Balances with central banks	5,121,166	415,334	-		5,536,500
Due from banks and financial institutions	2,794,667	558,647	-	4,636	3,357,950
Loans to banks and financial institutions and reverse repurchase agreements	31,226	583,640	-	-	614,866
Financial assets given as collateral	7,005	-	-	-	7,005
Derivative financial instruments	3,824	-	-	-	3,824
Financial assets at fair value through profit or loss					
Lebanese government bonds	104,979	-	-	-	104,979
Certificates of deposit issued by the Central Bank of Lebanon	329	-	-	-	329
Other debt securities	19,175	-	-	-	19,175
Net loans and advances to customers at amortized cost					
Commercial loans	4,351,968	198,737	91,903	304,077	4,946,685
Consumer loans	1,992,547	16,227	198,260	54,443	2,261,477
Net loans and advances to related parties at amortized cost	18,546	-	-	-	18,546
Debtors by acceptances	440,652	5,305	-	-	445,957
Financial assets at amortized cost					
Lebanese government bonds	5,185,252	-	-	-	5,185,252
Certificates of deposit issued by the Central Bank of Lebanon	4,239,042	-	-	-	4,239,042
Other foreign government bonds	78,588	51,107	-	-	129,695
Other debt securities	439,164	210,102	-	-	649,266
	24,828,130	2,039,099	290,163	363,156	27,520,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)
51.2 – CREDIT RISK (continued)

2012 LBP Million	Neither past due nor impaired 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

Aging analysis of past due but not impaired loans per class of financial assets:

2013 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	57,127	20,022	14,754	91,903
Consumer loans	145,570	24,277	28,413	198,260
	202,697	44,299	43,167	290,163

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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

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.
Individually impaired	Impaired	Substandard	Signals of incapacity to repay from identified cash flows; full repayment supposes the liquidation of assets/collateral; recurrent late payments; late interest; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)
51.2 – CREDIT RISK (continued)

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 Circular 58, are as follows:

2013

LBP Million	Gross balance	Unrealized interest	Impairment allowances	Net balance
Regular	6,259,095	-	-	6,259,095
Follow-up	314,135	-	-	314,135
Follow-up and regularization	276,412	-	-	276,412
Substandard	3,486	(917)	-	2,569
Doubtful	124,545	(14,491)	(49,560)	60,494
Bad	230,489	(66,446)	(164,043)	-
	7,208,162	(81,854)	(213,603)	6,912,705
Collective impairment	(130,669)	-	-	(130,669)
	7,077,493	(81,854)	(213,603)	6,782,036

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

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	2013	2012
Commercial loans	26,381	23,609

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ANALYSIS OF RISK CONCENTRATION

The Group's concentrations of risk are managed by client/counterparty, by geographical region, and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2013 was LBP 80,464 million (2012: LBP 146,936 million) before taking account of collateral or other credit enhancements and LBP 80,464 million (2012: nil) 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

2013 LBP Million	Lebanon	Europe	Other	Total
Balances with central banks	5,084,934	37,310	414,256	5,536,500
Due from banks and financial institutions	121,767	2,291,098	940,449	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	16,866	308,022	289,978	614,866
Financial assets given as collateral	7,005	-	-	7,005
Derivative financial instruments	1,241	1,873	710	3,824
Financial assets at fair value through profit or loss				
Lebanese government bonds	104,979	-	-	104,979
Certificates of deposit issued by the Central Bank of Lebanon	329	-	-	329
Other debt securities	-	377	18,798	19,175
Net loans and advances to customers at amortized cost				
Commercial loans	3,630,699	242,818	724,988	4,598,505
Consumer loans	2,059,017	43,510	81,004	2,183,531
Net loans and advances to related parties at amortized cost	18,546	-	-	18,546
Debtors by acceptances	233,298	4,042	208,617	445,957
Financial assets at amortized cost:				
Lebanese government bonds	5,185,252	-	-	5,185,252
Certificates of deposit issued by the Central Bank of Lebanon	4,239,042	-	-	4,239,042
Other foreign government bonds	-	61,092	68,603	129,695
Other debt securities	29,466	333,617	281,121	644,204
	20,732,441	3,323,759	3,028,524	27,084,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)

51.2 – CREDIT RISK (continued)

2012 LBP Million	Lebanon	Europe	Other	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

51.3 – 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. These incorporate 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 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.

Besides 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.

	2013	2012
Loans to deposits		
Year-end	30.59%	30.78%
Maximum	30.59%	30.97%
Minimum	29.25%	30.75%
Average	29.71%	30.84%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)

51.3 – LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

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 2013 and 31 December 2012 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.

2013 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	1,818,052	383,241	655,977	3,103,515	366,218	6,327,003
Due from banks and financial institutions	2,956,303	321,656	72,747	4,587	-	3,355,293
Loans to banks and financial institutions and reverse repurchase agreements	65,550	142,552	405,226	5,648	-	618,976
Financial assets given as collateral	-	-	-	7,005	-	7,005
Derivative financial instruments	3,270	312	243	-	-	3,825
Financial assets at fair value through profit or loss	349	181	7,580	43,359	156,436	207,905
Net loans and advances to customers at amortized cost	2,927,258	455,798	1,075,723	1,875,646	1,012,323	7,346,748
Net loans and advances to related parties at amortized cost	15,551	-	-	-	2,995	18,546
Debtors by acceptances	195,762	158,039	89,994	2,104	58	445,957
Financial assets at amortized cost	390,706	287,021	1,522,758	6,200,964	5,036,636	13,438,085
Financial assets at fair value through other comprehensive income	-	-	-	-	86,895	86,895
Total undiscounted financial assets	8,372,801	1,748,800	3,830,248	11,242,828	6,661,561	31,856,238
FINANCIAL LIABILITIES						
Due to central banks	8,235	59	473	12,662	31,997	53,426
Due to banks and financial institutions	618,080	345,204	117,452	201,629	148,697	1,431,062
Derivative financial instruments	2,878	179	6	-	-	3,063
Customers' deposits at amortized cost	13,209,142	2,665,822	4,373,724	1,980,587	52,193	22,281,468
Deposits from related parties at amortized cost	214,743	16,463	17,613	7,080	926	256,825
Debt issued and other borrowed funds	-	62,068	31,658	126,630	524,027	744,383
Engagements by acceptances	195,762	158,039	89,994	2,104	58	445,957
Subordinated debt	-	7,186	22,210	117,422	529,300	676,118
Total undiscounted financial liabilities	14,248,840	3,255,020	4,653,130	2,448,114	1,287,198	25,892,302
Net undiscounted financial assets/(liabilities)	(5,876,039)	(1,506,220)	(822,882)	8,794,714	5,374,363	5,963,936

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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

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.

2013 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	752	10,055	104,183	57,167	829	172,986
Documentary credits	34,796	406,030	327,355	16,819	-	785,000
Undrawn credit lines	2,261,687	-	-	-	-	2,261,687
	2,297,235	416,085	431,538	73,986	829	3,219,673

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

The Group expects that not all of the contingent liabilities or commitments will be demanded before maturity.

51.4 – 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 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 ALCO committee 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 also sets the framework necessary for identification, measurement and management of market risk.

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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 re-pricing of assets and liabilities and off financial position items that mature or are re-priced in a given period. The Group manages the risk by matching the re-pricing 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 floating-rate financial assets and financial liabilities and to the reinvestment or refunding of fixed-rated financial assets and liabilities at the assumed rates, including the effect of hedging instruments. The change in interest income is calculated over a one-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates and are not passed through in full, reflecting sticky interest rate behavior. The pass-through rate and lag in response time are estimated based on historical statistical analysis and are reflected in the outcome.

		2013	2012
Currency	Increase in basis points	Effect on net interest income LBP Million	Effect on net interest income LBP Million
LBP	50 basis point	(16,433)	(15,929)
US$	50 basis point	648	560
EUR	50 basis point	(238)	(236)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)
51.4 – MARKET RISK (continued)

The Group's interest sensitivity position, based on the contractual re-pricing date at 31 December, was as follows:

2013 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	879,537	339,188	572,754	2,747,090	300,000	971,361	5,809,930
Due from banks and financial institutions	2,982,222	293,399	72,151	4,625	-	917	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	65,009	142,026	402,080	5,300	-	451	614,866
Financial assets given as collateral	-	-	-	6,915	-	90	7,005
Derivative financial instruments	-	-	-	-	-	3,824	3,824
Financial assets at fair value through profit or loss	-	-	96	17,281	106,037	34,033	157,447
Net loans and advances to customers at amortized cost	3,171,567	580,034	1,748,082	1,096,037	268,340	(82,024)	6,782,036
Net loans and advances to related parties at amortized cost	15,552	-	-	-	2,798	196	18,546
Debtors by acceptances	-	-	-	-	-	445,957	445,957
Financial assets at amortized cost	292,177	161,621	985,906	4,496,418	4,109,974	152,097	10,198,193
Financial assets at fair value through other comprehensive income	-	-	-	-	-	86,895	86,895
Total	7,406,064	1,516,268	3,781,069	8,373,666	4,787,149	1,613,797	27,478,013
LIABILITIES							
Due to central banks	483	2	-	11,490	31,730	7,797	51,502
Due to banks and financial institutions	610,698	346,693	109,963	174,143	143,256	7,809	1,392,562
Derivative financial instruments	-		-	-	-	3,063	3,063
Customers' deposits at amortized cost	13,177,262	2,615,465	4,230,841	1,800,255	48,600	113,915	21,986,338
Deposits from related parties at amortized cost	213,857	15,599	13,639	1,787	-	3,442	248,324
Debt issued and other borrowed funds	-	60,978	-	-	444,883	628	506,489
Engagements by acceptances	-	-	-	-	-	445,957	445,957
Subordinated debt	-	-	-	-	412,286	82	412,368
Total	14,002,300	3,038,737	4,354,443	1,987,675	1,080,755	582,693	25,046,603
Total interest sensitivity gap	(6,596,236)	(1,522,469)	(573,374)	6,385,991	3,706,394	1,031,104	2,431,410

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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	2,746,271	512,441	1,401,935	1,125,626	384,534	24,297	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	6,059,808	2,315,182	2,912,869	8,664,861	3,464,631	1,838,907	25,256,258
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	(7,187,675)	(672,518)	(902,663)	(7,344,364)	(2,508,017)	(1,401,683)	2,491,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)
51.4 – MARKET RISK (continued)

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.

31 December 2013

Following is the consolidated statement of financial position as of 31 December 2013 detailed in Lebanese Pounds (LBP) and foreign currencies, translated into LBP.

2013 LBP Million	Local currency	Foreign currencies	Total
ASSETS			
Cash and balances with central banks	1,362,175	4,447,755	5,809,930
Due from banks and financial institutions	54,960	3,298,354	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	5,370	609,496	614,866
Financial assets given as collateral	7,005	-	7,005
Derivative financial instruments	2,552	1,272	3,824
Financial assets at fair value through profit or loss	1,835	155,612	157,447
Net loans and advances to customers at amortized cost	1,529,434	5,252,602	6,782,036
Net loans and advances to related parties at amortized cost	2,187	16,359	18,546
Debtors by acceptances	-	445,957	445,957
Financial assets at amortized cost	6,617,392	3,580,801	10,198,193
Financial assets at fair value through other comprehensive income	24,087	62,808	86,895
Property and equipment	183,032	60,198	243,230
Intangible assets	811	-	811
Assets obtained in settlement of debt	(8,403)	44,782	36,379
Other assets	50,583	57,252	107,835
OTHER ASSETS	9,833,020	18,033,248	27,866,268
LIABILITIES AND EQUITY			
Due to central banks	42,492	9,010	51,502
Due to banks and financial institutions	17,386	1,375,176	1,392,562
Derivative financial instruments	2,247	816	3,063
Customers' deposits at amortized cost	8,536,319	13,450,019	21,986,338
Deposits from related parties at amortized cost	85,645	162,679	248,324
Debt issued and other borrowed funds	-	506,489	506,489
Engagement by acceptances	-	445,957	445,957
Other liabilities	101,474	94,230	195,704
Provisions for risks and charges	122,765	15,610	138,375
Subordinated debt	-	412,368	412,368
TOTAL LIABILITIES	8,908,328	16,472,354	25,380,682
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	-	588,671	588,671
Non-distributable reserves	513,377	158,941	672,318
Distributable reserves	71,907	25,346	97,253
Treasury shares	1	(10,055)	(10,054)
Retained earnings	23,950	28,168	52,118
Revaluation reserve of real estate	5,689	-	5,689
Change in fair value of financial assets at fair value through other comprehensive income	14,888	(31,532)	(16,644)
Net results of the financial period – profit	211,521	13,162	224,683
Foreign currency translation reserves	(123,650)	-	(123,650)
NON-CONTROLLING INTEREST	18,711	58,364	77,075
TOTAL EQUITY	1,425,507	1,060,079	2,485,586
TOTAL LIABILITIES AND EQUITY	10,333,835	17,532,433	27,866,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. RISK MANAGEMENT (continued)

51.4 – MARKET RISK (continued)

Following is the consolidated statement of financial position as of 31 December 2012 detailed in Lebanese Pounds (LBP) and foreign currencies, translated into LBP.

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	1,371,095	1,120,711	2,491,806
TOTAL LIABILITIES AND EQUITY	9,604,820	16,045,389	25,650,209

31 December 2013

Group 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.

		2013		2012	
Currency	Change in currency rate %	Effect on profit before tax LBP Million	Effect on equity LBP Million	Effect on profit before tax LBP Million	Effect on equity LBP Million
USD	+1	22	-	(182)	-
EUR	+1	18	1,409	9	1,231
SYP	+1	-	869	-	1,515

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 2013 would have increased other comprehensive income by LBP 2,170 million and net income by LBP 1,648 million (2012: LBP 2,083 million and LBP 1,306 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

51. RISK MANAGEMENT (continued)

51.5 – 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 have been placed on the Bank's intranet site for quick access and referrals. Critical operational risk issues are handled by a separate Operational Risk Committee, which meetings are attended by senior managers of business lines, 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.

52. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

31 December 2013

2013	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	1,804,864	339,997	573,392	2,718,253	2,781,312	310,365	3,091,677	5,809,930
Due from banks and financial institutions	2,955,137	320,986	72,605	3,348,728	4,586	-	4,586	3,353,314
Loans to banks and financial institutions and reverse repurchase agreements	65,444	142,388	401,664	609,496	5,370	-	5,370	614,866
Financial assets given as collateral	-	-	-	-	7,005	-	7,005	7,005
Derivative financial instruments	3,270	312	242	3,824	-	-	-	3,824
Financial assets at fair value through profit or loss	5	83	1,066	1,154	17,281	139,012	156,293	157,447
Net loans and advances to customers at amortized cost	2,914,303	425,653	976,328	4,316,284	1,619,548	846,204	2,465,752	6,782,036
Net loans and advances to related parties at amortized cost	15,551	-	-	15,551	-	2,995	2,995	18,546
Debtors by acceptances	195,762	158,039	89,993	443,794	2,104	59	2,163	445,957
Financial assets at amortized cost	337,297	203,445	1,022,345	1,563,087	4,508,671	4,126,435	8,635,106	10,198,193
Financial assets at fair value through other comprehensive income	-	-	-	-	-	86,895	86,895	86,895
Property and equipment	-	-	-	-	-	243,230	243,230	243,230
Intangible assets	-	-	-	-	-	811	811	811
Assets obtained in settlement of debt	-	-	-	-	-	36,379	36,379	36,379
Other assets	14,380	404	27,304	42,088	5	65,742	65,747	107,835
TOTAL ASSETS	**8,306,013**	**1,591,307**	**3,164,939**	**13,062,259**	**8,945,882**	**5,858,127**	**14,804,009**	**27,866,268**
LIABILITIES								
Due to central banks	8,205	2	10	8,217	11,555	31,730	43,285	51,502
Due to banks and financial institutions	615,573	344,211	109,638	1,069,422	178,104	145,036	323,140	1,392,562
Derivative financial instruments	2,878	179	6	3,063	-	-	-	3,063
Customers' deposits at amortized cost	13,214,688	2,643,898	4,267,075	20,125,661	1,811,473	49,204	1,860,677	21,986,338
Deposits from related parties at amortized cost	214,774	16,119	15,155	246,048	2,276	-	2,276	248,324
Debt issued and other borrowed funds	-	60,990	-	60,990	-	445,499	445,499	506,489
Engagements by acceptances	195,762	158,039	89,993	443,794	2,104	59	2,163	445,957
Other liabilities	116,488	1,861	47,264	165,613	26,014	4,077	30,091	195,704
Provisions for risks and charges	-	-	-	-	-	138,375	138,375	138,375
Subordinated debt	-	-	-	-	-	412,368	412,368	412,368
TOTAL LIABILITIES	**14,368,368**	**3,225,299**	**4,529,141**	**22,122,808**	**2,031,526**	**1,226,348**	**3,257,874**	**25,380,682**
Net liquidity gap	(6,062,355)	(1,633,992)	(1,364,202)	(9,060,549)	6,914,356	4,631,779	11,546,135	**2,485,586**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

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

31 December 2013

53. CAPITAL

By maintaining an actively managed capital base, the Group's objectives are to cover risks inherent in the business, to retain sufficient financial strength and flexibility to support new business growth, and to meet national and international regulatory capital requirements at all times. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon according to the provisions of Basic Circular No. 44. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and off balance sheet commitments at a weighted amount to reflect their relative risk.

To satisfy Basel III capital requirements, the Central Bank of Lebanon requires maintaining the following ratios of total regulatory capital to risk-weighted assets for the year ended 31 December 2013 and thereafter:

	Common Tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio	%
Year ended 31 December 2013	6.0	8.5	10.5	
Year ended 31 December 2014	7.0	9.5	11.5	
Year ended 31 December 2015	8.0	10.0	12.0	

RISK-WEIGHTED ASSETS

As of 31 December 2013 and 31 December 2012, risk-weighted assets are as follows:

	2013	Restated 2012	LBP Million
Risk-weighted assets	16,139,378	15,315,380	

REGULATORY CAPITAL

At 31 December 2013 and 31 December 2012, regulatory capital consists of the following:

	Excluding profit for the year		Including profit for the year less proposed dividends		
	2013	Restated 2012	2013	Restated 2012	LBP Million
Common Tier 1 capital	1,534,004	1,486,461	1,597,136	1,571,360	
Additional Tier 1 capital	601,286	611,301	601,286	611,301	
Tier 2 capital	464,967	465,632	464,967	465,632	
Total capital	**2,600,257**	**2,563,394**	**2,663,389**	**2,648,293**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

53. CAPITAL (continued)

CAPITAL ADEQUACY RATIO

As of 31 December 2013 and 31 December 2012, capital adequacy ratio is as follows:

%	Excluding profit for the year		Including profit for the year less proposed dividends	
	2013	Restated 2012	2013	Restated 2012
Common Tier 1 capital	9.50	9.71	9.90	10.26
Total Tier 1 capital ratio	13.23	13.70	13.62	14.25
Total capital ratio	**16.11**	**16.74**	**16.50**	**17.29**

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 in the objectives, policies and processes from previous years; however, these are under the constant scrutiny of the Board.

54. DIVIDENDS PAID AND PROPOSED

LBP Million	2013	2012
Dividends paid or recognized as a liability as at 31 December		
Equity dividends on ordinary shares LBP 200 per share	113,103	113,103
Distributions to series 2008 Preferred Shares – USD 8.00 per share	24,224	24,224
Distributions to series 2009 Preferred Shares – USD 8.00 per share	24,224	24,224
	161,551	**161,551**
Less: dividends on treasury shares	(714)	(710)
	160,837	**160,841**

LBP Million	2013	2012
Proposed for approval at Annual General Assembly (not recognized as a liability as at 31 December)		
Equity dividends on ordinary shares LBP 200 per share	113,103	113,103
Distributions to series 2008 Preferred Shares – USD 8.00 per share	24,224	24,224
Distributions to series 2009 Preferred Shares – USD 8.00 per share	24,224	24,224
	161,551	**161,551**

RESOLUTIONS OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

Held on 9 May 2014

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 2013.

SECOND RESOLUTION

The General Assembly decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2013 as follows:

2013 Non-Consolidated Net Income	206,174
Legal Reserves	(20,622)
Reserves for General Banking Risk 2013	(34,131)
Reserves for Capital Increase	(5,624)
Reconstitution of premiums of Preferred Shares Series 2009	(2,412)
Net Reserves for Foreclosed Properties	(1,710)
Unrealized Gains on Portfolio Held at Fair Value through P&L	(143)
Free reserves	7,000
Profits Carried Forward from Previous Years	14,197
Net Income Available for Appropriation	162,729
Dividends – Preferred Shares Series 2008	24,224
Dividends – Preferred Shares Series 2009	24,224
Dividends – Common Shares	113,103
Profit Carried Forward for 2014	1,178

THIRD RESOLUTION

The General Assembly decides to grant discharge to the Chairman and Board members for their duties during the fiscal year 2013.

FOURTH RESOLUTION

In the light of the resignation of His Excellency Sami Haddad, the General Assembly takes note of and approves said resignation, and decides, instead of electing a new Board of Directors, to elect Mr. Des O'Shea as a Board Member for the remaining mandate of the present Board and until the Annual Ordinary General Assembly meets to examine the 2014 financial statements (the Board is accordingly composed of 12 members).

FIFTH 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 2013 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 agreements between the Bank and the companies to which some members of the Board of Directors belong, as shown in the special reports of the Board of Directors and the 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 2014, 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.

- To grant the special authorization, referred to in article /159/ of the Code of Commerce, to allow members of the Board of Directors to accept the chairmanship or Board membership of other companies having similar business.

SIXTH RESOLUTION

The General Assembly approves the setting of lump-sum emoluments for the members of the Board of Directors at 480 million Lebanese Pounds for the year 2014, 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.

SEVENTH RESOLUTION

The General Assembly approves the determination of emoluments of each of the Chairman/General Manager Dr. François Bassil and the Vice-Chairman/General Manager Mr. Semaan Bassil, on such conditions as described in the 2014 special report and grants them the special authorization referred to in article /152/ of the Code of Money and Credit and in the article /158/ of the Code of Commerce to continue assuming their duties in 2014 with the same terms specified in this report.

The General Assembly approves the salaries and other benefits paid to the senior officers of the Bank for the year 2013, as mentioned in the Board of Directors special report,and approves to pay them for 2014 the amounts mentioned in the same report.

The General Assembly approves the fees paid to the members and chairmen of the Board Audit and Risk committees for 2013 and approves that said members and chairmen receive fees for the fiscal year 2014 as mentioned in the Board of Directors special report.

EIGHTH RESOLUTION

The General Assembly decides to set the fees of the External Auditors, Messrs Semaan Gholam & Co. and Messrs Ernst & Young, at 1,250 million Lebanese Pounds for the fiscal year 2014 for auditing and reviewing the stand-alone and consolidated financial statements.

3

BYBLOS BANK EUROPE S.A.
PERFORMANCE REVIEW

REVIEW OF OPERATIONS

Going Strong in the Face of Adversity

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

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

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

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

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

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

BOARD OF DIRECTORS MEMBER PROFILES

MR. BASSAM A. NASSAR

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

DR. FRANÇOIS S. BASSIL

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

BARON GUY L. QUADEN

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

MR. SEMAAN F. BASSIL

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

MR. FAISAL M. ALI EL TABSH

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

MR. FOUAD N. TRAD

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

MR. ELIE A. BASSIL

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

BOARD OF DIRECTORS MEMBER PROFILES

MR. NAJAH L. SALEM

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

MR. DANIEL L. RIBANT

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

MR. ALAIN J.H. VANDER STICHELEN

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

MR. JACQUES J. DE RAEYMAEKER

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

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

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

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

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

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

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

CREDIT COMMITTEE

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

COMPLIANCE COMMITTEE

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

HUMAN RESOURCES COMMITTEE

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

ASSETS AND LIABILITIES COMMITTEE

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

BALANCE SHEET AFTER APPROPRIATION

EUR Thousand

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

31 December 2013

LIABILITIES	2013	2012	EUR Thousand
THIRD PARTIES	634,002	535,208	
I. Amounts owed to credit institutions	341,023	292,168	
A. Repayable on demand	49,772	48,477	
B. Amounts owed as a result of the rediscounting of trade bills	0	0	
C. Other debts with agreed maturity dates or periods of notice	291,251	243,691	
II. Amounts owed to customers	257,037	207,545	
A. Savings deposits			
B. Other debts	257,037	207,545	
1. repayable on demand	75,636	52,440	
2. with agreed maturity dates or periods of notice	181,401	155,105	
3. as a result of the rediscounting of trade bills			
III. Debts evidenced by certificates	0	0	
A. Debt securities and other fixed-income securities in circulation	0	0	
B. Other	0	0	
IV. Other liabilities	4,596	4,223	
V. Accrued charges and deferred income	1,346	1,272	
VI. Provisions and deferred taxes			
A. Provisions for liabilities and charges	0	0	
1. Pensions and similar obligations	0	0	
2. Taxation	0	0	
3. Other liabilities and charges	0	0	
B. Deferred taxes	0	0	
VII. Fund for general banking risks	0	0	
VIII. Subordinated liabilities	30,000	30,000	
CAPITAL AND RESERVES	67,951	61,932	
IX. CAPITAL	20,000	20,000	
A. Subscribed capital	20,000	20,000	
B. Uncalled capital (-)			
X. Share premium surpluses	0	0	
XI. Revaluation surpluses	0	0	
XII. Reserves	47,950	41,932	
A. Legal reserve	2,086	2,086	
B. Reserves not available for distribution	66	66	
1. in respect of own shares held			
2. other	66	66	
C. Untaxed reserves			
D. Reserves available for distribution	45,798	39,780	
XIII. Profits (losses (-)) brought forward	1	0	
TOTAL LIABILITIES	701,953	597,140	

OFF BALANCE SHEET ITEMS

31 December 2013

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

INCOME STATEMENT

Year Ended 31 December 2013

CHARGES	2013	2012	EUR Thousand
II. Interest payable and similar charges	3,244	4,028	
V. Commissions payable	758	565	
VI. Losses on financial transactions	0	4,124	
A. On trading of securities and other financial instruments			
B. On disposal of investment securities	0	4,124	
VII. General administrative expenses	10,037	9,944	
A. Remuneration, social security costs and pensions	6,868	6,794	
B. Other administrative expenses	3,169	3,150	
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	279	206	
IX. Increase in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	3,769	2,958	
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	0	
XII. Provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0	
XIII. Transfer to the fund for general banking risks	0	0	
XV. Other operating charges	1,959	1,739	
XVIII. Extraordinary charges	85	124	
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses, intangible and tangible fixed assets			
B. Write-downs on financial fixed assets			
C. Provisions for extraordinary liabilities and charges			
D. Loss on disposal of fixed assets			
E. Other extraordinary charges	85	124	
XIXbis.A. Transfer to deferred taxes	0	0	
XX.A. Income taxes	1,517	610	
XXI. Profits for the period	6,018	5,950	
XXII. Transfer to untaxed reserves	0	0	
XXIII. Profits for the period available for appropriation	6,018	5,950	

INCOME STATEMENT

Year Ended 31 December 2013

EUR Thousand

INCOME	2013	2012
I. Interest receivable and similar income	10,814	11,896
A. of which: from fixed-yield securities	876	1,040
III. Income from variable-yield securities	0	0
A. From shares and other variable-yield securities		
B. From participating interests in affiliated enterprises		
C. From participating interests in other enterprises linked by participating interests		
D. From other shares held as financial fixed assets		
IV. Commissions receivable	11,858	11,512
A. Commissions and brokerage	10,427	9,970
B. Remuneration for management services and safekeeping	1	12
C. Other commission received	1,430	1,530
VI. Profit on financial transactions	537	624
A. On trading of securities and other financial instruments	537	624
B. On disposal of investment securities	0	0
IX. Decrease in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	2,016	0
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	0	5,031
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0
XIII. Transfer from the fund for general banking risks	0	0
XIV. Other operating income	1,040	1,005
XVII. Extraordinary income	728	128
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets		
B. Adjustments to write-downs on financial fixed assets	2	
C. Adjustments to provisions for extraordinary liabilities and charges		
D. Gain on disposal of fixed assets		
E. Other extraordinary income	726	128
XIXbis. B. Transfer from deferred taxes	0	0
XX. B. Adjustment of income taxes and write-back of tax provisions	673	52
XXI. Losses for the period	0	0
XXII. Transfer from untaxed reserves	0	0
XXIII. Losses for the period available for appropriation	0	0

APPROPRIATION ACCOUNT

	2013	2012	EUR Thousand
A. Profits (losses (-)) to be appropriated	6,019	5,950	
1. Profits (losses (-)) for the period available for appropriation	6,018	5,950	
2. Profits (losses (-)) brought forward	1	0	
B. Transfers from capital and reserves	0	0	
1. From capital and share premium account			
2. From reserves			
C. Appropriations to capital and reserves (-)	(6,018)	(5,950)	
1. To capital and share premium account			
2. To legal reserve	0	0	
3. To other reserves	(6,018)	(5,950)	
D. Result to be carried forward	1	0	
E. Shareholders' contribution in respect of losses	0	0	
F. Distribution of profits (-)	0	0	
1. Dividends (a)			
2. Directors' entitlements (a)			
3. Other allocations (a)			

(a) Only applicable to Belgian limited liability companies.

Fouad N. Trad
Managing Director and CEO

Daniel L. Ribant
Director, Deputy General Manager

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BYBLOS BANK AFRICA
PERFORMANCE REVIEW

REVIEW OF OPERATIONS

Year of the Breakthrough

Byblos Bank Africa (BBA) posted very strong results in 2013, defying persistent economic problems in its home market of Sudan. These challenges included a large public budget deficit, high inflation, scarcity of foreign currencies, and a widening gap between official and unofficial exchange rates. In addition, 2013 witnessed strict enforcement of US sanctions on Sudan by Eurozone and Gulf banks, disrupting normal banking operations in the country.

On the positive side, the National Assembly passed a new investment law aimed at attracting more foreign investment, and the government introduced austerity measures, including cuts to expensive subsidies on oil products, the objective being to shore up the state's finances. In addition, transit fees for the passage of oil from South Sudan, which gained independence in 2011, resumed late in the second half of 2013, supplying badly needed revenues.

Amid this mixed business environment, BBA continued to take a cautious approach, concentrating on clients with excellent creditworthiness and sourcing foreign currencies from non-governmental organizations and export-oriented clients. We also continued to finance essential commodities for which the Central Bank of Sudan is able and willing to provide the necessary foreign currency.

Thanks to these and other measures, BBA posted very impressive results for 2013, with net profit rising 61.5% from SDG 19 million (USD 3.3 million) in 2012 to SDG 31 million (USD 5.4 million), keeping in mind that there was no material fluctuation in the official exchange rate.

During 2014, the Bank will continue to follow the same strategy, concentrating on trade finance and targeting selected names in the mining and agriculture sectors.

BOARD OF DIRECTORS MEMBER PROFILES

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

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. 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. Ayman A. Bitar, a Jordanian, born in 1977. Mr. Bitar holds a Master's Degree in Global Finance from New York University in the US, and a BA in Banking and Finance from the Hashemite University Jordan. Currently holds the position of Project Specialist at the ICD.

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 serves on the Boards of Byblos Invest Bank S.A.L., Byblos Bank Armenia, Byblos Bank RDC, and ADIR.

MR. AMIN AHMED IDRIS HADI

Sudanese, born in 1974. Holder of a BS in Mathematics and Physics from Khartoum University. Currently serves as Managing Director of Modern Acetylene & Oxygen Company Ltd. Has been a Member of the Board of Byblos Bank Africa since 2013.

BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

Chairman	Mr. Ayman A. Bitar
Members	Mr. Alain F. Wanna
	Mr. Mahmoud S. Osman Saleh

RISK COMMITTEE

Chairman	Mr. Semaan F. Bassil
Member	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 2013

	2013	2012	SDG
Deferred sales	60,673,514	44,728,342	
Investments	26,355,990	23,462,518	
	87,029,504	68,190,860	
Less			
Return on unrestricted investment accounts	(35,597,538)	(31,364,276)	
Bank's share income from investment (as a mudarib and fund owner)	51,431,966	36,826,584	
Add			
Revenue from banking services	26,608,888	19,134,047	
Other revenues	9,974,553	9,243,924	
Total Bank revenue	88,015,407	65,204,555	
Staff expenses	15,333,567	11,129,217	
Administrative and general expenses	8,761,066	8,521,193	
Depreciation	7,629,705	7,835,567	
Amortization	-	26,946	
Bank of Sudan Penalty	-	7,000	
Provision for investment risks	6,000,000	6,000,000	
Management agreement fees	8,721,928	5,839,403	
Provision for contingent liability	1,730,173	1,389,215	
Total expenses	48,176,439	40,748,541	
Net income before Zakat & Tax	39,838,968	24,456,014	
Less			
Zakat	(500,000)	(317,000)	
Taxation	(8,145,313)	(4,832,598)	
Net Income	31,193,655	19,306,416	
Earnings per Share (EPS)	2.10	1.29	

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

SDG	2013	2012
ASSETS		
Cash and cash equivalents	570,036,566	775,883,054
Sales receivables	507,995,048	286,860,642
Investments	194,797,107	157,249,698
Participation (long-term investments)	93,750	93,750
Other assets	1,625,057	2,540,377
Fixed assets – net book value	77,111,524	84,528,871
TOTAL ASSETS	1,351,659,052	1,307,156,392
LIABILITIES		
Current accounts	281,765,212	333,046,070
Payables	37,579,727	40,568,188
Other liabilities	29,215,180	19,351,076
TOTAL LIABILITIES	348,560,119	392,965,334
Unrestricted investment accounts	789,744,056	721,529,835
OWNER'S EQUITY		
Paid-up capital	105,000,000	105,000,000
Share premium	10,621,200	10,621,200
Reserves	69,599,753	59,480,388
Retained earnings	28,133,924	17,559,635
TOTAL OWNER'S EQUITY	213,354,877	192,661,223
TOTAL LIABILITIES AND OWNER'S EQUITY	1,351,659,052	1,307,156,392
CONTRA ACCOUNTS	157,312,364	178,795,885

These accounts have been approved by the Board of Directors.

Gaby Ammar	Alain F. Wanna	Semaan F. Bassil
General Manager	Board of Directors	Board of Directors

BYBLOS BANK SYRIA S.A.
PERFORMANCE REVIEW

REVIEW OF OPERATIONS

Preserving the Future

Byblos Bank Syria (BBS) continued to operate under emergency measures in 2013, accepting a virtual freeze on new business in order to ride out the current conflict in the country in a way that preserves the interests of all stakeholders going forward.

As in 2012, the focus was on thorough follow-ups on unpaid retail and commercial loans, sustaining the high levels of service quality to which our clients are both accustomed and entitled, and living up to our reputation for reliability, transparency and customer focus.

Despite the many challenges encountered during 2013, BBS remained in full conformity with local laws and regulations, as well as with international standards, as we continued to strengthen compliance-related activities and due diligence.

Various internal measures were taken to cut expenses, but this did not prevent the Bank from extending continuous financial assistance to all staff in order to help them cope with the economic repercussions of the war. The situation is still causing many staff members to resign and leave the country of their own accord.

For the coming year, or however long Syria remains in crisis, BBS will retain its emergency stance, standing by its customers and its employees so that all of us are better-positioned to resume normal activities when stability returns.

BOARD OF DIRECTORS MEMBER PROFILES

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

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 19 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.

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. OFID has held a seat on the Board of Directors of Byblos Bank Syria since 2005 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.

BOARD OF DIRECTORS MEMBER PROFILES

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 28 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 25 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.

DR. BASEL A. SAQER

Syrian, born in 1976. Holder of a PhD in Banking and Insurance from Damascus University. Currently serves as General Manager of Adonis Insurance and Reinsurance Syria (ADIR Syria). Has more than 15 years of experience in the insurance industry and has undergone specialized insurance and reinsurance training courses in France and the United Kingdom. Has been a Member of the Board of Directors of Byblos Bank Syria since 2013.

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	Mr. Semaan F. Bassil
Members	Mr. Alain C. Tohmé
	Mr. Mohamad M. Al Hakim

RISK COMMITTEE

Chairman	Mr. André S. Abou Hamad
Members	Mr. Alain C. Tohmé
	Dr. Basel A. Saqer

NOMINATION AND COMPENSATION COMMITTEE

Chairman	Mr. Nader M. Al Kalai
Members	Dr. François S. Bassil
	Mr. André S. Abou Hamad

MANAGEMENT COMMITTEES

MANAGEMENT AND ASSETS AND LIABILITIES COMMITTEE

President	Mr. Georges Sfeir	General Manager
Members	Mr. Karam Bechara	AGM, Head of Commercial Banking
	Mrs. Hanadi Naccache*	AGM, Head of Support Functions
	Mr. Georges Bitar	Head of Finance and Administration
	Mr. Firas Mourtada	Head of Risk Control
	Mrs. Dima Abou Saab	Deputy Head of Branch Coordination
	Mr. Muhannad Haj Sharif	Chief Dealer

CREDIT COMMITTEE

President	Mr. Georges Sfeir	General Manager
Members	Mr. Karam Bechara	AGM, Head of Commercial Banking
	Mrs. Hanadi Naccache*	AGM, Head of Support Functions
		Credit Risk Representative

**Resigned from Byblos Bank Syria S.A. to join Byblos Bank S.A.L. as Head of International Support and Deputy Head of International Network Division as of 2 January 2014*

INCOME STATEMENT

Year Ended 31 December 2013

SYP	2013	2012
Interest income	1,922,986,918	2,704,504,808
Interest expense	(1,518,548,279)	(1,683,766,861)
Net interest income	404,438,639	1,020,737,947
Fee and commission income	288,798,688	252,545,401
Fee and commission expense	(31,344,947)	(51,352,200)
Net fee and commission income	257,453,741	201,193,201
Net interest, fee and commission income	661,892,380	1,221,931,148
Gains less losses arising from dealing in foreign currencies	149,051,215	187,259,728
Unrealized net foreign exchange difference on structural position	3,785,520,590	1,339,325,548
Net losses (gains) on available-for-sale financial investments	(2,784,430)	1,099,042
Other operating income	87,431,088	40,152,590
Total operating income	4,681,110,843	2,789,768,056
Personnel expenses	(470,246,435)	(411,956,866)
Depreciation of fixed assets	(110,978,184)	(129,934,558)
Amortization of intangible assets	(2,096,968)	(3,139,089)
Credit loss expense	(4,005,930,446)	(2,500,616,790)
Miscellaneous provisions	(122,062,832)	(164,630,643)
Other operating expenses	(417,488,683)	(250,565,504)
Total operating expenses	(5,128,803,548)	(3,460,843,450)
Net operating loss	(447,692,705)	(671,075,394)
Dividends from sister companies	25,511,491	21,215,455
LOSS BEFORE TAX	(422,181,214)	(649,859,939)
Income tax refund	874,784,279	492,547,969
PROFIT (LOSS) FOR THE YEAR	452,603,065	(157,311,970)
Basic earnings per share	7.4	(2.57)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013	2012	SYP
ASSETS			
Cash and balances with central banks	14,823,999,768	15,398,082,985	
Balances due from banks	11,360,687,014	5,738,964,712	
Placements due from banks	2,038,885,000	0	
Loans and advances to customers	11,807,063,877	17,049,511,988	
Financial investments – loans and receivables	0	978,186,428	
Financial investments – available for sale	2,249,440,320	1,235,482,020	
Investments in sister companies	359,476,946	350,465,455	
Premises, equipment and projects under construction	990,490,164	1,091,980,913	
Intangible assets	4,898,442	6,995,410	
Other assets	396,724,402	350,261,513	
Deferred tax assets	1,367,690,263	492,547,969	
Statutory blocked funds	1,372,175,396	839,860,958	
TOTAL ASSETS	46,771,531,592	43,532,340,351	
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	5,277,606,170	2,295,997,256	
Due to customers	29,170,176,355	25,797,695,643	
Margin accounts	1,113,831,777	1,028,035,375	
Current tax liabilities	0	0	
Miscellaneous provisions	615,251,779	348,852,821	
Other liabilities	3,659,410,995	7,601,325,176	
Total Liabilities	39,836,277,076	37,071,906,271	
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	98,821,002	76,603,631	
Accumulated realized losses	(4,996,833,510)	(1,796,282,026)	
Accumulated unrealized gains	5,396,032,320	1,742,877,771	
Total Equity	6,935,254,516	6,460,434,080	
TOTAL LIABILITIES AND EQUITY	46,771,531,592	43,532,340,351	

These accounts have been approved by the Board of Directors.

Semaan F. Bassil
Chairman

Georges Sfeir
General Manager

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BYBLOS BANK ARMENIA C.J.S.C. PERFORMANCE REVIEW

REVIEW OF OPERATIONS

Putting All the Pieces in Place

Byblos Bank Armenia had to overcome a series of obstacles in 2013, including disappointing domestic economic growth and both regional and global instability, all of which led to a fall in direct investment and a slowdown of business activity. These and other difficult conditions had direct impacts on certain aspects of the Bank's performance, but some business lines exceeded expectations, and the long-term outlook remains positive.

Accordingly, while commercial lending reported zero growth for the year, the consumer portfolio grew by an impressive 28%, and non-performing loans were kept under control. The expansion was due primarily to strong demand for Housing, Small Business and newly introduced Renovation Loans.

In addition, Byblos Bank Armenia continued its partnership with the International Financial Corporation (or IFC, the private sector arm of the World Bank) in 2013, launching Armenia's first Energy Efficient Housing and Renovation Loans Program. Under this program, the Bank received and almost fully disbursed the first USD 5 million tranche under a USD 10 million framework agreement with the IFC.

As part of continuous efforts to diversify its range of products and services, Byblos Bank Armenia also finalized the procedural and technical aspects of its new Internet Banking platform, initiating a soft launch ahead of assuming a comprehensive online presence in 2014. The main objective for 2014 is to improve the Bank's profitability by focusing on Commercial Banking's Middle Market loans, which should both improve lending margins and increase risk diversification. Byblos Bank Armenia's activities in this vein will concentrate on dynamic companies operating in areas such as manufacturing, trade, food processing, transportation and services.

For Consumer Banking, the emphasis will be on already proven products such as Housing, Renovation and Small Business Loans, products for which the Bank enjoys considerable competitive advantage due to attractive interest rates, high standards of staff professionalism, and speedy approval processes.

To help realize these growth plans, in the coming year the Bank will introduce staff sales incentives, which are expected to have positive impacts on branch performance and the overall profitability of the Bank.

We also will continue our current policy of actively increasing our deposit base while keeping a tight grip on our cost of funds.

In addition to deposits, planned growth will also be supported by tapping facilities available under funding agreements with the IFC and the European Bank for Reconstruction and Development totaling some USD 8 million.

Other top priorities in 2014 will be to expand Internet Banking's customer base and introduce credit cards and long-term savings plans, both of which will further increase the Bank's competitiveness.

All of the aforementioned objectives will be pursued in a manner that reflects the country's difficult economic conditions, in particular by strictly controlling the Bank's cost base in order to improve shareholders' returns.

BOARD OF DIRECTORS MEMBER PROFILES

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

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. 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 Invest Bank S.A.L., Byblos Bank Africa, Byblos Bank RDC and ADIR.

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

President	Mr. Ararat Ghukasyan	Chief Executive Officer
Members	Mr. Harout Bouldoukian	Head of Consumer Banking
	Mr. Hayk Stepanyan	Head of Finance and Administration
	Mrs. Viktoria Kocharian	Head of Risk Management
Secretary	Mrs. Ani Hayrapetyan	Executive Secretary

ASSETS AND LIABILITIES COMMITTEE

President	Mr. Hayk Stepanyan	Head of Finance and Administration
Vice President	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 2013

	2013	2012	AMD Thousand
Interest income	3,736,869	3,854,701	
Interest expense	(2,345,494)	(2,250,214)	
Net interest income	1,391,375	1,604,487	
Fee and commission income	91,773	83,677	
Fee and commission expense	(47,707)	(45,656)	
Net fee and commission income	44,066	38,021	
Net foreign exchange income	52,120	51,085	
Net gain on available-for-sale financial assets	743	3,094	
Other operating expense	(24,632)	(34,565)	
Operating income	1,463,672	1,662,122	
Impairment losses	(725,150)	(81,290)	
Personnel expenses	(621,395)	(704,742)	
Other general administrative expenses	(502,539)	(579,075)	
(Loss)/Profit before taxes	(385,412)	297,015	
Income tax benefit/(expense)	36,184	(104,864)	
(Loss)/profit for the year	(349,228)	192,151	
Other comprehensive income/(loss) for the year, net of income tax			
Revaluation reserve for available-for-sale financial assets:			
Net change in fair value	197,909	(1,988)	
Net change in fair value transferred to profit or loss	(4,869)	1,132	
Other comprehensive income/(loss) for the year, net of income tax	193,040	(856)	
Total comprehensive (loss)/income for the year	(156,188)	191,295	

STATEMENT OF FINANCIAL POSITION

31 December 2013

AMD Thousand	2013	2012
ASSETS		
Cash and cash equivalents	8,327,826	8,971,211
Available-for-sale financial assets		
Held by the Bank	2,665,910	2,198,292
Pledged under sale and repurchase agreements	773,337	573,912
Loans to banks	5,110,012	12,291,540
Loans to customers	24,105,161	23,364,346
Property, equipment and intangible assets	1,072,720	1,120,249
Other assets	560,565	423,734
TOTAL ASSETS	42,615,531	48,943,284
LIABILITIES		
Deposits and balances from banks	2,439,877	8,062,970
Amount payable under repurchase agreements	750,641	561,648
Current accounts and deposits from customers	24,388,803	24,945,995
Other borrowed funds	5,841,164	5,897,232
Deferred tax liabilities	26,525	66,194
Other liabilities	189,346	273,882
TOTAL LIABILITIES	33,636,356	39,807,921
EQUITY		
Share capital	8,125,100	8,125,100
Share premium	257,149	257,149
Revaluation reserve for available-for-sale financial assets	241,267	48,227
Retained earnings	355,659	704,887
TOTAL EQUITY	8,979,175	9,135,363
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	42,615,531	48,943,284

These accounts have been approved by the Board of Directors.

Hayk Stepanyan
Head of Finance and Administration

Ararat Ghukasyan
CEO

BYBLOS BANK RDC S.A.R.L.
PERFORMANCE REVIEW

REVIEW OF OPERATIONS

Hitting Our Stride

Byblos Bank RDC (BBRDC) posted very positive results in 2013, achieving remarkable growth in loans, customers' deposits, and trade finance transactions in just its third year of operations. In addition, the Bank succeeded in entering new market segments in terms of communities and industries, all while keeping a lid on expenses.

These and other successes led to a net profit of more than USD 500,000 in 2013 compared to a loss of USD 236,000 in 2012.

In 2014, BBRDC will capitalize on this growth by continuing to attract more prospects from the Indian community and multinational companies operating in the Democratic Republic of the Congo. The primary goal will be to enlarge our commercial portfolio, both direct and indirect, while maintaining the quality of our loans and related guarantees.

The overall objective for 2014 is a doubling of net profit to more than USD 1 million.

We also will work to provide more efficient services to our existing clients, thereby improving our image and enhancing our ability to attract new clients, secure new deposits, and grow overall business.

BOARD OF DIRECTORS MEMBER PROFILES

MR. DANIEL L. RIBANT

Belgian, born in 1953. Holder of a diploma in Commercial and Financial Sciences from the Catholic Institute for Higher Business Studies in Brussels and a diploma from the Political Studies Institute in Paris. Has 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 Deputy 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.

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 Invest Bank S.A.L., Byblos Bank Armenia, Byblos Bank Africa and ADIR.

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.

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.

PROFILES OF BOARD OF DIRECTORS MEMBERS

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

CREDIT 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 2013

	2013	2012	CDF
Interest income from treasury and interbank operations	494,912	4,947,525	
Interest income from customers	1,704,113,110	1,101,639,652	
Interest paid on treasury and interbank operations	(42,147,924)	(3,222,967)	
Interest paid to customers	(17,708,817)	(23,052,861)	
Net interest income	1,644,751,281	1,080,311,349	
Income from miscellaneous bank operations	1,521,461,483	1,088,748,145	
Expenses on miscellaneous bank operations	(19,820,718)	(15,681,100)	
Net income from banking operations	3,146,392,046	2,153,378,394	
Other income	50,481,885	30,592,907	
General operating expenses	(1,447,162,790)	(1,369,917,066)	
Personnel and other related charges	(792,391,062)	(712,621,625)	
Other taxes	(10,500,257)	(7,688,121)	
Gross operating income	946,819,822	93,744,489	
Depreciation and amortization	(260,458,034)	(336,886,676)	
Net operating income before taxes and extraordinary transactions	686,361,788	(243,142,187)	
Gain (Loss) from disposal of assets	668,107	(4,350,670)	
Provisions and net credit loss expenses	(161,496,614)	(167,778,665)	
Extraordinary expense	(112,348,283)	(69,711,769)	
Extraordinary revenue	108,175,517	269,870,767	
Net operating income before taxes	521,360,515	(215,112,524)	
Income tax expenses	(33,415,799)	(2,504,295)	
Net Income of the period	487,944,716	(217,616,819)	

STATEMENT OF FINANCIAL POSITION

31 December 2013

CDF	2013	2012
ASSETS		
Treasury and interbank operations		
Cash and balances with central banks	3,577,664,643	3,013,731,169
Correspondents' current accounts	992,717,393	961,550,991
Placements with banks		
	4,570,382,036	3,975,282,160
Customer operations		
Loans and advances to customers	15,173,507,020	11,929,964,817
Regularization and other debit balances		
Regularization accounts	174,984,499	157,687,289
Other assets	451,649,081	243,051,576
	626,633,580	400,738,865
Fixed assets		
Tangible and intangible fixed assets	2,425,289,312	2,647,160,967
Other fixed assets	39,095,425	38,588,050
	2,464,384,737	2,685,749,017
TOTAL ASSETS	22,834,907,373	18,991,734,859
Off Balance Sheet		
Commitments given	11,290,012,902	10,147,240,624
Commitments received	57,377,818,298	34,461,426,600
LIABILITIES		
Treasury and interbank operations		
Correspondents' current accounts	151,641,088	0
Customer operations		
Customers' current accounts	7,214,678,471	4,621,266,464
Customers' time deposits	506,759,646	357,574,985
	7,721,438,117	4,978,841,449
Regularization and other credit balances		
Regularization accounts	681,786,972	184,702,626
Other liabilities	800,866,577	886,176,074
	1,482,653,549	1,070,878,700
General provisions	272,170,433	206,088,050
Provisions for risk and charges	22,384,001	31,101,511
	294,554,434	237,189,561
Equity		
Capital	12,030,000,000	12,030,000,000
Revaluation variance	956,525,485	964,675,165
Provision for reconstitution of capital	1,807,500,000	1,807,500,000
	14,794,025,485	14,802,175,165
Profit/Loss		
Brought forward results	(2,097,350,016)	(1,879,733,197)
Net result of the financial period – Loss	487,944,716	(217,616,819)
	(1,609,405,300)	(2,097,350,016)
TOTAL LIABILITIES AND EQUITY	22,834,907,373	18,991,734,859

These accounts have been approved by the Board of Directors.

Daniel L. Ribant
Chairman

Boutros Abi Aad
General Manager

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

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REVIEW OF OPERATIONS

Thirty Years of Excellence

Adonis Insurance and Reinsurance Co. (ADIR) overcame a third consecutive year of local and regional political turmoil in 2013, sustaining strong growth amid difficult market conditions and figuring among the most profitable insurers in Lebanon.

Known for its robust financial investments, prudent strategies and solid solvency ratio, the Company celebrated its 30th anniversary by posting a profit increase of more than 30% for the second year in a row, and registering a return on equity of 27%. Moreover, ADIR achieved asset growth of more than 17% to USD 200 million.

Bancassurance has long been a major strategic goal for the Company, and 2013 saw these efforts pay off in a big way. A series of workshops combined training, development and planning, using staff members' engagement and participation to increase their sense of commitment and ownership.

In parallel, ADIR also diversified its distribution channels during the year, implementing a new function designed to reach new clients and broaden the Company's portfolio with selected brokers and agents.

In 2014, ADIR's primary overall goal is to achieve a return on equity greater than 18%. The Company will rely on several initiatives to reach this target, including a drive to commercialize Group Insurance Products targeting the corporate segment. Special emphasis also will be placed on securing a share of wallet above 1.9%, with heavy focus on defined sales actions and optimized cross-selling and up-selling activities, all while tending constantly to retention and other measures of customer loyalty.

In order to continue these levels of progress and financial stability, the Company will spare no effort in identifying more attractive opportunities for its investments.

In addition, as a specialist in Bancassurance, ADIR is determined to keep developing this promising field by exploring new alternatives and identifying potential new banking networks in the Middle East and North Africa (MENA) region.

In line with the Company's mission, ADIR also will continue to invest in its human capital, reinforcing the skills and overall performance of its team of professionals by offering educational and training programs. At the same time, ADIR will expand its existing career development program, rewarding above-average performance evaluations with job reallocations and other forms of internal mobility.

BOARD OF DIRECTORS MEMBER PROFILES

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. Currently serves as Chairman of the Board and General Manager of ADIR, and has been a member of the Board and Managing Director since 2001. Also serves as Chairman of Adonis Insurance and Reinsurance 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.

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 ADIR since 2013. 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 and as Chairman of the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance Committee affiliated to the Board of Byblos Bank S.A.L. Is now serving a fourth term as Chairman of the Board of the Association of Banks in Lebanon.

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.. Also serves as Chairman of the Board of Byblos Bank Syria, Chairman and General Manager of Byblos Invest Bank S.A.L., Member of the Board of Byblos Bank Europe, Vice-Chairman of the Board of Byblos Bank Africa, and Member of the Human Resources, Compensation, Remuneration, Nomination and Corporate Governance Committee affiliated to the Board of Byblos Bank S.A.L.. Has been a Member of the Board of Directors of ADIR since 2001.

MRS. JOUMANA F. CHELALA

Lebanese, born in 1966. Holds a BA in International Business Administration from the American University of Paris, a BS in Marketing from the Lebanese American University, a Master's in Marketing from the École Supérieure des Affaires in Lebanon. Has been working in the banking sector since 1991 and currently serves as Deputy General Manager and Head of the Group Consumer Banking Division at Byblos Bank S.A.L. Has been a Member of the Board of Directors of ADIR since 2011.

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. Also serves on the Boards of Byblos Invest Bank S.A.L., Byblos Bank Armenia, Byblos Bank RDC, and Byblos Bank Africa. Has been a Member of the Board of Directors of ADIR since 2011.

MR. FADI N. NASSAR

Lebanese, born in 1963. Holds a Bachelor's Degree in Civil Engineering from Saint Joseph University in Lebanon and an MBA in Management from McGill University in Canada. Has been working in the banking sector since 1991 and currently serves as Deputy General Manager and Head of the Group Commercial Banking Division at Byblos Bank S.A.L. Has been a Member of the Board of ADIR since 2011.

MANAGEMENT

MANAGEMENT COMMITTEE

President	Mr. René Klat	Chairman and General Manager of ADIR
Members	Mrs. Joumana Chelala	DGM, Head of Consumer Banking Division of Byblos Bank S.A.L.
	Mr. Gilbert Zouein	AGM, Head of Group Products, Segments and Marketing of Byblos Bank S.A.L.
	Mrs. Pascale Asmar	Natixis Assurances Representative, International Affairs
	Mr. Jean Hleiss	AGM, Director of ADIR
	Mrs. Carla Abdo	AGM, Head of Life, Planning and Development Division of ADIR

INVESTMENT COMMITTEE

President	Mr. René Klat	Chairman and General Manager of ADIR
Members	Mr. Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division of Byblos Bank S.A.L.
	Mrs. Pascale Asmar	Natixis Assurances Representative, International Affairs
	Mr. Bernard Sfeir	Head of Finance Department of ADIR
	Mrs. Eva Abou Jaoudé	Head of Finance Section of ADIR

AUDIT AND COMPENSATION COMMITTEE

President	Mr. René Klat	Chairman and General Manager of ADIR
Members	Mrs. Joumana Chelala	DGM, Head of Consumer Banking Division of Byblos Bank S.A.L.
	Mr. Alain Wanna	DGM, Head of Group Financial Markets and Financial Institutions Division of Byblos Bank S.A.L.
	Mrs. Pascale Asmar	Natixis Assurances Representative, International Affairs

REINSURERS

Hannover Re
Hannover Life Re
Gen Re
Scor Global P & C
Swiss Re
R+V
C.C.R
Mapfre Re
QBE
Arab Re
AWRIS

SUBSIDIARIES

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

BOARD OF DIRECTORS

Chairman	Mr. René A. Klat
Directors	Byblos Invest Bank S.A.L. represented by Mr. Alain F. Wanna
	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. Alain F. Wanna	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 Dr. François S. Bassil
	Mr. Elias Howayek

Adonis Insurance and Reinsurance Co. S.A.L.

STATEMENT OF FINANCIAL POSITION

31 December 2013

USD Thousand

ASSETS	2013	2012
Property and equipment	1,404	1,669
Intangible assets	22	37
Investments in associates	3,333	3,866
Financial investments	22,827	16,925
Investments held to cover investment contract liabilities where the financial risk is borne by policyholders	13,378	10,032
Investments held to cover other investment contract liabilities, at amortized cost	74,833	61,436
Reinsurers' share in technical reserves	17,886	15,076
Deferred policy acquisition costs	4,512	4,593
Reinsurers' balances receivable, net	231	44
Receivables under direct business and from intermediaries, net	2,311	1,511
Other assets	48	38
Term deposits	53,450	51,257
Cash and demand deposits	6,171	3,946
Total Assets	200,406	170,429

EQUITY AND LIABILITIES		
Equity		
Capital	16,584	16,584
Legal reserve	2,674	2,009
General reserve	6,365	3,698
Retained earnings	3	6
Profit for the year	8,804	6,645
Total Equity	34,429	28,942
Liabilities		
Technical reserves for insurance contracts	54,414	50,727
Provision for employees' end-of-service benefits	1,191	789
Investment contract liabilities where the financial risk is borne by policyholders	13,364	10,021
Other investment contract liabilities	71,344	58,589
Reinsurers' deposits in coverage of technical reserves	15,616	13,183
Reinsurers' balances payable	2,427	973
Other Liabilities	7,620	7,203
Total Liabilities	165,977	141,486
Total Equity and Liabilities	200,406	170,429

STATEMENT OF COMPREHENSIVE INCOME

31 December 2013

	2013	2012	USD Thousand
Gross written premium (including investments)	53,206	50,196	
Gross written premium	32,228	31,377	
Change in premium reserves	(2,808)	(3,904)	
Gross premium	29,419	27,473	
Ceded premiums	(14,804)	(13,053)	
Change in reinsurance share of premium reserves	2,627	2,415	
Net premiums	17,243	16,835	
Fee and commission income	6,534	5,474	
Investment income	10,848	8,350	
Gain on sale of investments at amortized cost	-	175	
Other revenues	185	112	
Other revenue	17,566	14,110	
Total revenue	34,809	30,944	
Gross benefits and claims paid	(11,979)	(10,414)	
Claims ceded to reinsurers	3,698	2,812	
Gross change in contract liabilities	(878)	(556)	
Gross change in reinsurance share contract liabilities	183	146	
Change in fair value of investment contract liabilities where the financial risk is borne by policyholders	(2,743)	(1,224)	
Net benefits and claims	(11,719)	(9,237)	
Provision for impairment of investments in associates	(663)	(1,493)	
Other operating and administrative expenses	(6,287)	(6,522)	
Commission expenses and other technical costs	(3,556)	(3,336)	
Finance costs	(3,219)	(2,526)	
Other expenses	(13,725)	(13,876)	
Total expenses	(25,444)	(23,113)	
Profit before tax	9,365	7,831	
Income tax expense	(562)	(1,186)	
Profit for the year	8,804	6,645	

STATEMENT OF CASH FLOWS

Year Ended 31 December 2013

USD Thousand	2013	2012
OPERATING ACTIVITIES		
Profit before taxation	9,365	7,831
Adjustments for:		
Depreciation and amortization	466	485
Provisions for employees' end-of-service indemnities	436	398
Provision for impairment	663	1,493
Provision for doubtful debts	245	431
Gain on sale of property and equipment	-	(13)
Change in technical reserve – net	181	1,489
Fair value (gains) losses on investments for trading	(18)	(310)
Gain on sale of investments at amortized cost	-	(175)
Deferred policy acquisition costs amortized	3,188	3,336
	14,527	14,966
Investments held to cover investment contract liabilities where the financial risk is borne by policyholders	(586)	(653)
Investments at fair value through profit and loss	(186)	-
Investments held to cover other investment contract liabilities	(13,397)	(12,256)
Reinsurers' balances	1,266	(80)
Premiums receivable	(1,046)	(183)
Deferred policy acquisition costs	(3,107)	(3,700)
Changes in insurance contract liabilities	695	410
Investment contract liabilities where the financial risk is borne by policyholders	583	651
Other investment contract liabilities	12,755	11,420
Other liabilities	381	956
Other assets	(10)	6
Margin for guarantees	1	(1)
Cash from operations	11,876	11,537
Income tax paid	(526)	(708)
Employees' end-of-service benefits paid	(34)	(23)
Net cash from operating activities	11,316	10,806
INVESTING ACTIVITIES		
Purchase of property and equipment	(172)	(276)
Purchase of intangible assets	(13)	(47)
Proceeds from sale of property and equipment	-	14
Investments in associates	-	1,250
Loans to associates	(130)	(125)
Investments at amortized cost	(5,698)	(6,379)
Term deposits with maturities over three months	2,455	(7,720)
Net cash used in investing activities	(3,558)	(13,283)
FINANCING ACTIVITIES		
Dividends paid	(3,317)	(2,488)
Reinsurers' deposits in coverage of technical reserves	2,433	2,445
Net cash (used in) from financing activities	(883)	(43)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	6,874	(2,520)
Cash and cash equivalents at 1 January	4,093	6,613
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10,967	4,093

GROSS WRITTEN PREMIUM

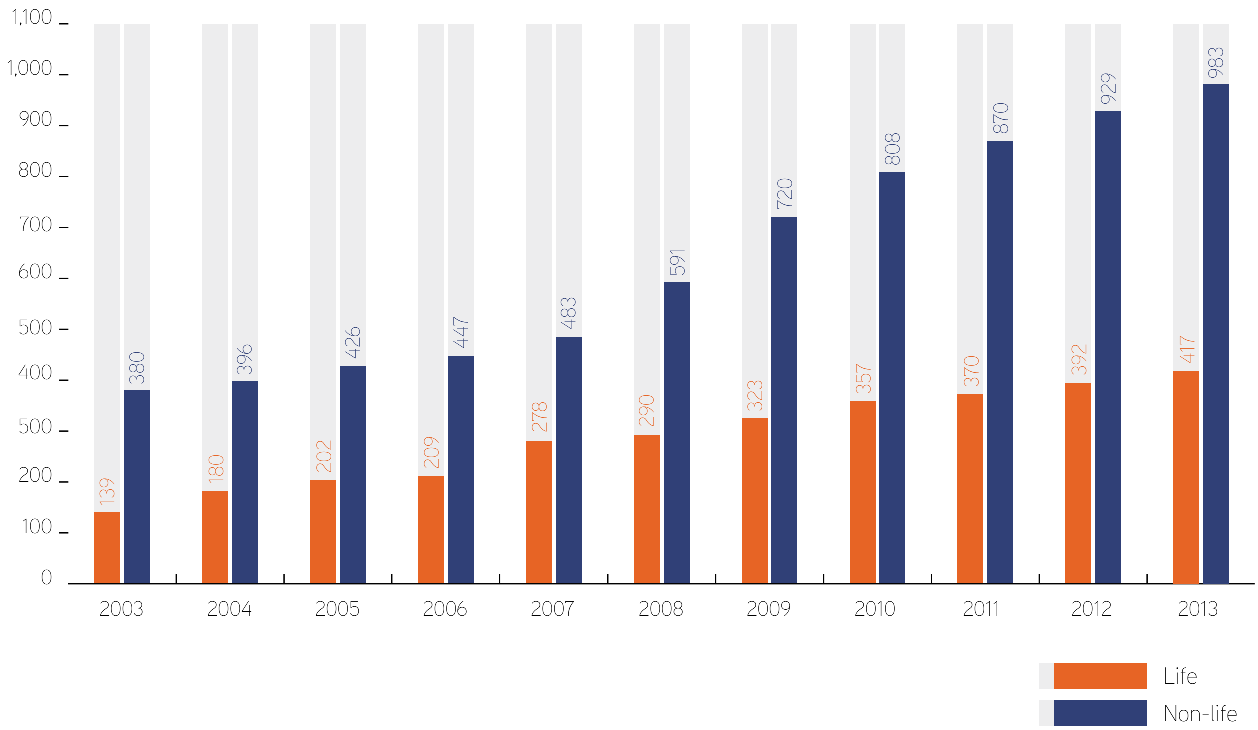
	2013	2012	USD Thousand
Life business			
Retirement and education	20,978	19,324	
Other life business	12,890	11,436	
Total life business	33,868	30,760	
Non-life business			
Fire	4,013	3,366	
Marine	604	683	
General accident	1,372	1,605	
Motor	10,621	11,499	
Medical	1,404	1,166	
Other	1,323	1,116	
Total non-life business	19,338	19,436	
Gross written premium	53,206	50,196	

KEY FIGURES

	2013	USD Thousand
Capital	16,584	
Shareholders' equity	34,429	
Total assets	200,406	
Invested assets	173,992	
Number of clients	95,348	
Number of policies in force	141,764	
Net profit	8,804	
Solvency ratio	44.47%	

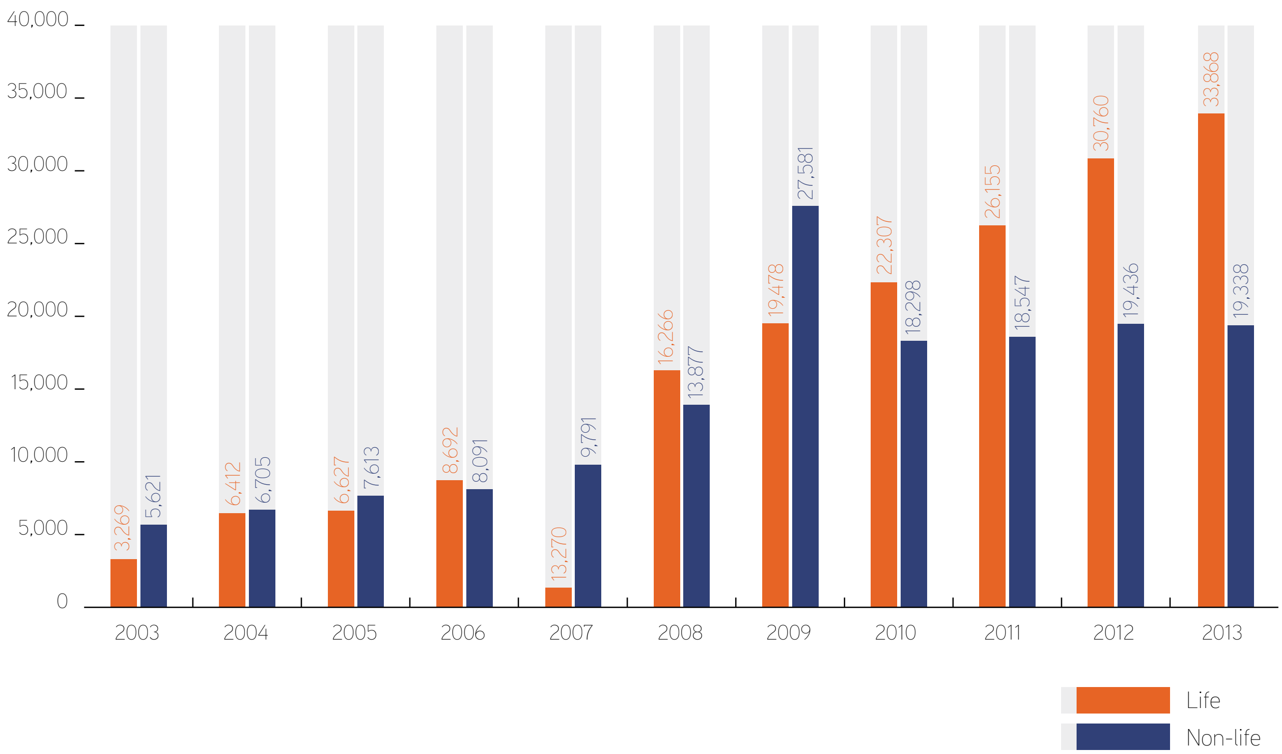
INSURANCE MARKET GROWTH IN LEBANON

USD Million



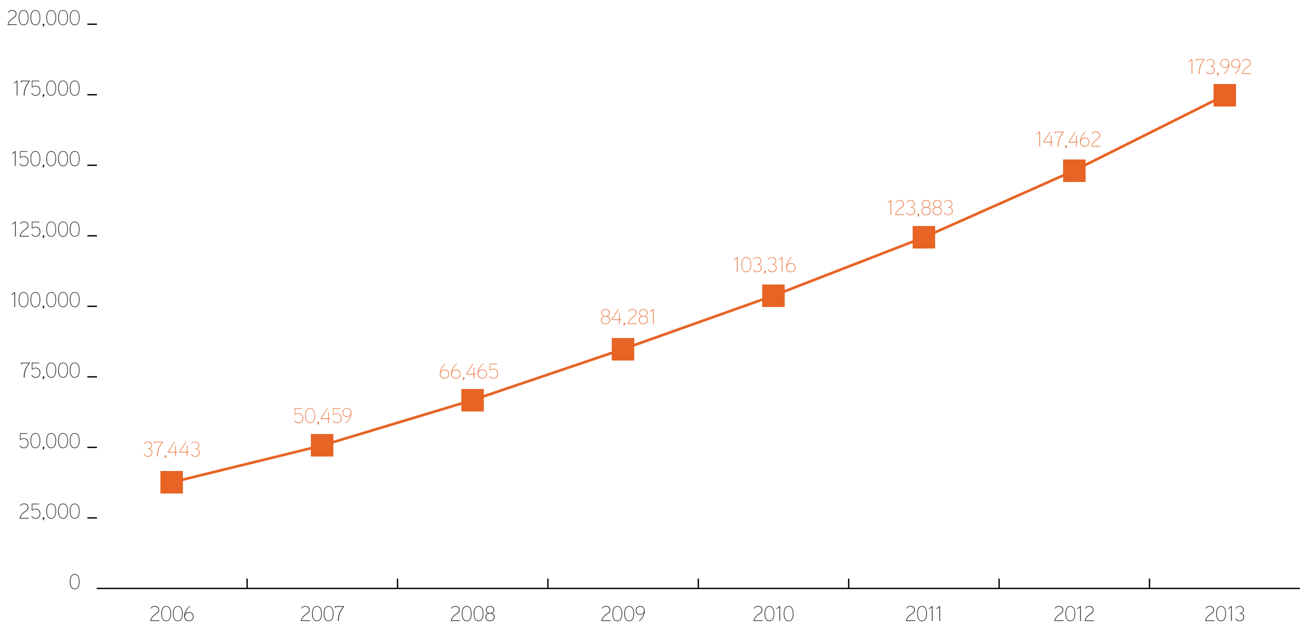
ADIR PREMIUM GROWTH

USD Thousand



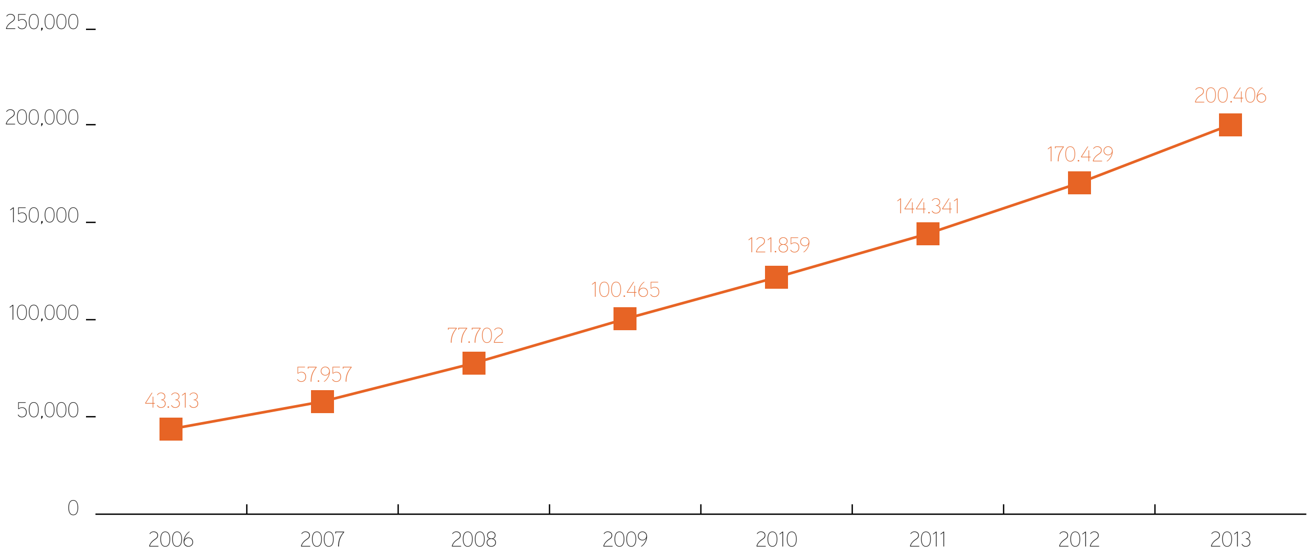
EVOLUTION OF INVESTED ASSETS

USD Thousand



EVOLUTION OF TOTAL ASSETS

USD Thousand



3

DIRECTORY

MAJOR CORRESPONDENT BANKS

COUNTRY	CITY	BANK NAME
Australia	Sydney	Westpac Banking Corporation
Belgium	Brussels	Byblos Bank Europe S.A.
Denmark	Copenhagen	Danske Bank A/S
France	Paris	Société Générale
Germany	Frankfurt	Commerzbank AG, Deutsche Bank AG
Italy	Milan	UniCredit SpA, Intesa Sanpaolo SpA
Japan	Tokyo	Sumitomo Mitsui Banking Corporation, The Bank of New York Mellon
KSA	Jeddah	The National Commercial Bank
Kuwait	Kuwait	National Bank of Kuwait SAK
Netherlands	Amsterdam	ABN AMRO Bank NV
Norway	Oslo	DnB NOR BANK ASA
Qatar	Doha	Qatar National Bank SAQ
Sweden	Stockholm	Skandinaviska Enskilda Banken AB
Switzerland	Zurich	Crédit Suisse
Turkey	Istanbul	Yapi Ve Kredi Bankasi AS
UAE	Dubai	Emirates NBD PJSC, MashreqBank PSC
UK	London	Barclays Bank PLC
USA	New York	The Bank of New York Mellon, Citibank NA

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:	(+961) 1 335200
Fax:	(+961) 1 334554
Telex:	BYBANK 41601 LE
Cable:	BYBLOBANK
SWIFT:	BYBALBBX
Forex:	(+961) 1 335255
Web Site:	http://www.byblosbank.com
E-mail:	secretariat@byblosbank.com.lb

To contact any of our branches,
please call Customer Service at (+961) 01 205050

GROUP ADDRESSES

BEIRUT 1

VERDUN MOUSSAITBEH
Walid Safi (Regional Manager)
Rachid Karameh Street, Byblos Bank Bldg., 2nd Floor, near I.S.F.

BRANCHES

BECHARA AL KHOURY
Mohamad Zaza
ATM indoor
Bechara Khoury Blvd., Adonis Bldg.

BLISS
Ayoub Abou Hamdan
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
Ali Haidar
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 intdoor
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 I.S.F.

BEIRUT 2

ASHRAFIEH TABARIS
Antoine Matta (Regional Manager)
Gebran Tueini Square, Tabaris Center 1063

BRANCHES

AIN EL REMMANEH
Rania Moarbes
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
Roland Merhy
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
Roy Abi Habib
ATM indoor
Damascus Road, Bou Rislan Bldg.

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.

GROUP ADDRESSES

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
Fadia Obeid
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
2 ATMs outdoor
Armenia St., Mahrouk Bldg.

DBAYEH
Christian Anbouba
2 ATMs indoor
Dbayeh Highway, Mitsulift 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
ATM outdoor
Dora Highway, Aya Center

JAL EL DIB
Amin El Achkar
2 ATMs indoor
Internal Main Road, Abou Jaoudeh Bldg.

JDEIDEH 1
Nazih Saadeh
ATMs indoor and outdoor
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

MAZRAAT YACHOUH, ELYSSAR
Armand Bassil
ATMs indoor and outdoor
Bikfaya Main Road, Byblos Bank Bldg.

RABIEH
Salma Fares Khoury
2 ATMs indoor
Rabieh, Mtayleb, Biyyada St.
Facing Resurrection Church, Chalhoub Bldg.

SIN EL FIL
Fadi Skaff
2 ATMs indoor
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
Elie Karim
2 ATMs indoor
Main Road, Zaarour Bldg.

JBEIL 2
Georges Mrad
2 ATMs indoor
Voie 13, Byblos Bank Bldg.

JOUNIEH SÉRAIL
Elie Salloum
2 ATMs indoor
Sérail St., St. Nicolas Bldg.

KASLIK
Elias Abi Nakhlé
ATM outdoor
Sarba Blvd., Moudabber Center

KFARHBAB
Rita Tayeh Youssef
ATM outdoor
Maameltein, Ghazir Road, George Al Zayek Bldg.

MASTITA, BLAT

ATM outdoor
Mastita Square, Georges Atmeh Bldg.

OKAYBEH
Sleiman Haddad
2 ATMs outdoor
Main Road, Chalfoun Center

REYFOUN
Pierre Moubarak
ATM indoor
Main Road, Napoli Center

ZOUK
Georges Khoury
2 ATMs indoor
Jeita Main Road, Semaan Sammour Bldg.

NORTH

TRIPOLI
Fadi El 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
Mireille Abi Farah
ATM indoor
Amioun, Bterram Cross Road

HALBA
Ammar Rachid
2 ATMs indoor
Main Road Al Abdeh, Naim Center

KOBAYAT
Madeleine Dib
ATMs indoor and outdoor
Akkar, Zouk Kobayat, Demiane Bldg.

KOUSBA
Milad Antoun
ATM outdoor
Main Road, Byblos Bank Bldg.

TRIPOLI BOULEVARD
Jamil Alameddine
ATMs indoor and outdoor
Jamila Center, Abou Samra Bridge Intersection

TRIPOLI MINA
Michel Kebbe
ATM indoor
Al Bawabe St., Jabadou Bldg.

TRIPOLI TALL
Rabih Merhabi
2 ATMs indoor
Al Massaref St., Miskawi Bldg.

ZGHORTA
Youssef El Khoury
ATMs indoor and 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
2 ATMs indoor
Old Ghazieh Highway, Ghazieh Entrance, Daher Center

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
Raghida Abdel Khalek
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, Mekhael and Ghassan Chedid Bldg.

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ADONIS INSURANCE AND REINSURANCE CO. S.A.L. (ADIR)

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BYBLOS BANK RDC S.A.R.L.

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OFF-PREMISES ATMs

Location	Responsible Branch
Ablah, Antonine University	Zahlé
Amchit, IPT Petrol Station, Northbound Highway	Amchit
Annaya, Saint Charbel Monastery	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
Barbara, IPT Petrol Station, Southbound Highway	Amchit
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
Dora, City Mall, 1st Floor	Dora
Faraya, Total Petrol Station	Rayfoun
Fayadieh, Saint Charles Hospital	Hazmieh
Gemmayzeh, Gouraud Street, Old Branch	Gemmayzeh
Halate, IPT Petrol Station, Northbound Highway	Jbeil I
Halate, IPT Petrol Station, Southbound Highway	Amchit
Hammana, Hammana Roundabout	Ras El Metn
Hazmieh, Beirut City Center	Furn El Chebbak
Hazmieh, Total Petrol Station, Hazmieh Highway	Baabda
Jbeil, Notre Dame des Secours Hospital	Jbeil 2
Jounieh, Collège Central Jounieh	Haret Sakhr
Jounieh, Hokayem, Main Road	Jounieh
Jounieh, Jounieh Square, Byblos Bank Regional Management	Jounieh
Kaslik, Lebanese Army Officers' Club	Jounieh
Louaizeh (Keserwan), Notre Dame University	Zouk
Nahr El Mott, Fahed Mall	Jdeideh 2
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	Zgharta
Zouk, Masterpack	Zouk

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PRINTING
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