



Byblos Bank Europe S.A.

LIQUIDITY POLICY

(April 2013)

Byblos Bank Europe S.A. (BBE) must, at any time, maintain sufficient liquidity to address expected deposit fluctuations, and debt service requirements. It must also do the necessary in order to meet unscheduled, yet reasonably predictable, loan and deposit fluctuations. Available liquidity (i.e. sum of the inward cash flows, and of the market value of the securities portfolio items with residual maturity greater than one year) should be large enough to cover expected obligations, on a rolling basis, for the coming 12 months.

In order to meet these objectives, the Board of Directors adopts the following guidelines:

1. Centralization of liquidity management

The liquidity management processes are centralized at Head Office (HO), for all European units of BBE, with clear duties assigned to the Dealer, the Marketing Department and the Assets & Liabilities Committee (ALCO).

The Branches remain responsible for complying with their local regulatory requirements regarding liquidity. If needed, the necessary liquidity support must be provided by HO (e.g. funding of high value discounted acceptances). Support will be provided at market prevailing rates.

2. Monitoring of large client deposits

Certain categories of deposits are more exposed to repayment than others. Sight deposits and small term deposits are not as rate-sensitive as large term deposits. For the purpose of this policy, the 'large' deposits are those with value equal or greater than (equiv.) EUR 1M. For the purpose of this definition, all deposits placed by the same client must be aggregated.

Therefore, the Marketing Department must, on a monthly basis, confirm that all necessary actions (for the 3 units) have been taken in order to avoid large deposits outflows. These actions include, but are not limited to, following up the conditions applied to the deposit and contacting the client on a regular basis. The results of these actions are made available to the ALCO.

3. Matching principle

In order to limit the risk of facing liquidity shortages, each (client or correspondent bank) deposit equal or greater than 10 % of equity and with a maturity greater than one month, has to be perfectly matched (regarding its amount & maturity) with its asset equivalent. The Dealer is responsible for ensuring that this rule is respected at any time (for the 3 units).

4. Securities portfolio

The principal source of liquidity fallback being BBE securities portfolio, the Portfolio Investment policy must be complied with at any time. This falls under the joint responsibility of the Dealer and of the ALCO.

5. Treasury management

The placements made by the Dealing room are with prime counterparts only, and are subject to strict adherence to the limits decided by the Management Committee. These placements are communicated on a daily basis to the members of the ALCO.

6. Self-liquidating character of overdrafts & loans

Overdrafts & loans relating to Trade Finance (resulting essentially from the discount or the post-financing of letters of credit) have generally a (partial or complete) self-liquidating character, hence reducing notably their liquidity risk. Consequently, Management Committee must pay particular attention to non Trade Finance related overdrafts & loans.

7. Measuring & managing the liquidity risk

The Management Committee must, upon proposal from the ALCO, adopt adequate limits pertaining to liquidity ratios. These limits must reflect the guidelines exposed in this Policy, and must cover all pertinent maturities and currencies, as well as adequate stress scenarios. They are communicated to the Board of Directors. Their follow-up is organized on a daily basis at operational level, and at least on a monthly basis at ALCO level. Any breach of limits is reported to the Board of Directors on a quarterly basis.