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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

14 April 2014
Beirut, Lebanon

Semaan, Gholam & Co.
Semaan, Gholam & Co.

Byblos Bank SAL

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 LL million	2012 LL million
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)
Amortisation of intangibles 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		LL	LL
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.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	<i>Notes</i>	2013 LL million	2012 LL million
PROFIT FOR THE YEAR		235,449	252,262
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to the income statement in subsequent periods:</i>			
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)
<i>Items not to be reclassified to the income statement in subsequent periods:</i>			
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 benefits 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.

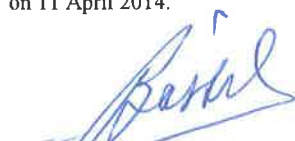
Byblos Bank SAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 LL million	2012 LL million
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
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)
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 Francois Bassil
Chairman/ General Manager



Mr Ziad El-Zoghbi
Financial and Administrative Manager

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

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the parent											Non-controlling interests	Total			
	Common shares LL million	Preferred shares LL million	Share premium - common shares LL million	Share premium - preferred shares LL million	Non-distributable reserves LL million	Distributable reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million			Net results of the financial period - profit LL million	Foreign currency translation reserve LL million	Total LL million
Balance at 1 January 2013	684,273	4,840	229,014	586,259	568,145	99,659	14,979	(25,302)	74,024	5,689	(23,634)	246,450	(92,762)	2,371,634	120,172	2,491,806
Profit for the year	-	-	-	-	-	-	-	-	2,741	-	-	224,683	-	224,683	10,766	235,449
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	6,990	-	(30,888)	(21,157)	(30,411)	(51,568)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,741	-	6,990	224,683	(30,888)	203,526	(19,645)	183,881
Transfer to retained earnings	-	-	-	-	-	-	-	-	246,450	-	-	(246,450)	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	104,448	3,346	-	-	(110,206)	-	-	-	-	-	-	-
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,209)	(3,209)	
Translation difference	-	-	-	-	-	-	-	-	(54)	-	-	-	-	(54)	(54)	
Equity dividends paid (note 54)	-	-	-	-	-	-	-	-	(160,837)	-	-	-	-	(160,837)	(160,837)	
Treasury shares (note 42)	-	-	-	-	(275)	-	(14,979)	15,248	-	-	-	-	-	(6)	(6)	
Put options on non-controlling interests (note 5)	-	-	-	-	-	(5,752)	-	-	-	-	-	-	-	(5,752)	(20,243)	
Balance at 31 December 2013	684,273	4,840	229,014	588,671	672,318	97,253	-	(10,054)	52,118	5,689	(16,644)	224,683	(123,650)	2,408,511	77,075	2,485,586

	Attributable to equity holders of the parent											Non-controlling interests	Total			
	Common shares LL million	Preferred shares LL million	Share premium - common shares LL million	Share premium - preferred shares LL million	Non-distributable reserves LL million	Distributable reserves LL million	Other equity instruments LL million	Treasury shares LL million	Retained earnings LL million	Revaluation reserve of real estate LL million	Change in fair value of financial assets at fair value through other comprehensive income LL million			Net results of the financial period - profit LL million	Foreign currency translation reserve LL million	Total LL million
Balance at 1 January 2012	684,273	4,840	229,014	583,858	469,072	79,127	14,979	(25,476)	65,214	5,689	(20,556)	259,894	(31,329)	2,318,599	166,179	2,484,778
Profit for the year	-	-	-	-	-	-	-	-	246,450	-	-	246,450	-	246,450	5,812	252,262
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	(3,078)	-	(61,433)	(64,511)	(48,513)	(113,024)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	(3,078)	246,450	(61,433)	181,939	(42,701)	139,238
Transfer to retained earnings	-	-	-	-	-	-	-	-	259,894	-	-	(259,894)	-	-	-	-
Transfer to reserves and premiums	-	-	-	2,412	85,518	2,492	-	-	(90,422)	-	-	-	-	-	-	-
Transfer to distributable reserves (note 39)	-	-	-	-	(18,040)	18,040	-	-	-	-	-	-	-	-	-	-
Equity component on convertible subordinated loan (note 37)	-	-	-	-	31,618	-	-	-	-	-	-	-	-	31,618	-	31,618
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,306)	(3,306)	
Translation difference	-	-	-	(11)	-	-	-	-	179	-	-	-	-	168	168	
Equity dividends paid (note 54)	-	-	-	-	-	-	-	-	(160,841)	-	-	-	-	(160,841)	(160,841)	
Treasury shares (note 42)	-	-	-	-	(23)	-	-	174	-	-	-	-	-	151	151	
Balance at 31 December 2012	684,273	4,840	229,014	586,259	568,145	99,659	14,979	(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.

Byblos Bank SAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	<i>Notes</i>	2013 <i>LL million</i>	<i>2012</i> <i>LL million</i>
OPERATING ACTIVITIES			
Profit before tax		279,808	296,953
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	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 from (used in) operating activities		1,190,159	(992,788)
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 LL 25,995 million representing put options on non-controlling interests during 2013.

- Operating activities include a non-cash item consisting of a decrease in customer deposits by LL 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.