

2003

financial reports

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Byblos Bank **Europe** s.a.
auditors' report



BYBLOS BANK EUROPE S.A.

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THE EUROPE AUDITORS REPORT
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Report of the Board of Directors on the Activities of the Bank in 2003

2003 was, predictably, a turbulent year in the regions where the Bank is principally active, with the conflict in Iraq and the war against terrorism having a depressionary effect on the economies of a number of Middle Eastern countries, either directly or indirectly.

At the same time, the economies of the developed world commenced their long haul out of recession, led by the United States. The ever worsening imbalances in the US economy, with burgeoning trade and budget deficits, created considerable volatility in the foreign exchange markets during the year, with the principal beneficiary being the Euro which strengthened by more than 20% over the year; this, despite the sluggish growth seen in the Eurozone economies, particularly in Germany.

On the other hand, inflationary pressures remained subdued in most of the Western economies with the exception of the UK where an initial rise of interest rates in November has been followed by a second one in the early months of 2004. This has meant that the bond markets have remained generally supported and indeed, in the Eurozone, the deflationary effect of the appreciation of the Euro could still mean that the cycle of interest rate cuts may not yet have finished.

Any dampening effects on the bond markets tended to come from further corporate accounting scandals, with the Parmalat affair breaking news at the end of the year and only adding to the ever-growing list of such accounting problems in large publicly quoted multinationals. This has increased the pressures for further strengthening of corporate governance rules across the spectrum of listed companies, which should lead to greater transparency in corporate reporting in the future.

In the meantime, the markets are watching for any signs of inflation that would force the hands of the Federal Reserve to commence an interest rate tightening cycle and consequently have a depressing effect on the bond markets.

As expected in times of such tension, the price of gold has strengthened and whilst equity prices regained some of the ground they lost since the beginning of the year, it will take a long time for them to reach the heights achieved at the end of the 90s. We reported last year that property had re-emerged as a safer investment vehicle and this phenomenon certainly continued throughout 2003 and even into the early months of 2004.

In the Middle East, whilst the removal of the old regime from Iraq in terms of the military objective was swift and decisive, the vacuum left has drawn in a spiraling cycle of violence intended to destabilise both the new governing council and the efforts of the military to restore law and order and to train up the Iraqi security forces to take control of the situation. At the time of going to press it is difficult to see the timetable for the handover of power through elections being respected and this unstable situation appears set to continue for some time.

This has led to charges that the fight against terrorism has been put into second place and even further diminished the efforts of the US to push forward with a lasting peace plan for the Israeli-Palestinian conflict. Whilst all this uncertainty reigns in the region, the economic effects are being felt everywhere, with a drop in revenues from tourism and a general aversion to risk amongst the region's traders, who have been adopting a wait and see attitude in their purchasing strategies. The Lebanese economy remained mired in recession during the year, with the indebtedness of the Lebanese republic continuing to grow and the effects of the Paris II agreement having been gradually eroded.

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This scenario was not propitious for the Bank during 2003, which proved to be a difficult year in almost every sector of our core business, with the notable exception of our investment portfolio, which performed well and continues to do so. We undertook some re-positioning during the year and cautiously added some emerging market issues to the portfolio, but the majority of the investments held are of a high-grade nature.

The core Trade Finance business proved difficult for the reasons set out above and the dampening effect of this on our profits was compounded by the bankruptcy of one of clients in Paris during the year. This, together with some cautious provisioning of other debts of an uncertain recoverability, meant that net profits after tax, were well below those for 2002. The Bank was not a taxpayer in the UK or France, but in Belgium the effective tax rate for the year was over 29%.

Whilst all our non-performing assets remain fully provided for in our books, the classification of debts where the repayment is uncertain means that the total coverage of these categories of assets is now standing at 88%. However, the remaining 12% is secured by mortgages over fixed assets and does not represent uncovered risk. We are also continuing to make some recoveries on these debts.

During 2003 our balance sheet and profit & loss accounts have been severely affected by the appreciation of the Euro, our reporting currency. The majority of our business flows and indeed, revenues are in currencies other than the Euro, principally the US Dollar and consequently this has not only reduced our balance sheet footings, but also our operating income on translation. This factor has also been felt in our London Branch, where Sterling is now at an 11 year high against the US Dollar.

In terms of client deposits, here again the real position is clouded by exchange rate movements and whilst the total of deposits are showing a 10% decline year-on-year, once such movements are factored into the equation, the picture is somewhat different, with a decline of less than 5%.

This can be explained by a number of factors, certain of which are recurrent whilst others are of a more exceptional nature. Taking the latter first, some of our commercial clients, who are also exposed to such violent fluctuations in the exchange rates, decided to cover their positions forward during the year, mainly by setting up borrowings in one currency against pledged deposits in another. During 2003 this tended to be a one-way bet and most of these clients took their profit on these positions before the year-end resulting in a reduction in both sides of our balance sheet.

Secondly, as mentioned last year, there is a constant movement of client deposits between our European network and our Beirut based Parent Bank where clients move the funds according to their perception of the risk/reward ratio between the attractive yields they can obtain in the Lebanon and the economic and political situation in the country.

Thirdly, with stock markets picking up during the year and interest rates remaining low, certain clients decided to take advantage of the equity and bond markets by switching out of cash deposits.

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At the same time our client lendings have grown by 4% in absolute terms during the year – again the real growth is greater than that when exchange rate movements are built in. The majority of the growth has been in our Paris Office where the new manager has been able to build up the client base considerably during the year.

During 2003, as mentioned above, we did undertake some re-positioning of our investment portfolio by realising some of the gains made on our high grade portfolio and cautiously adding some emerging market paper. In general this portfolio has performed well over the year and at year-end there were unrealised gains which, at the current time remain in place. It has to be said that the portfolio did contribute to our direct profitability this year more than in previous years, but despite the gains realised during 2003 we are well positioned in the event of a turnaround in the interest rate cycle.

The effect of all these factors on our Capital Adequacy ratio is that there has been a slight rise in our Risk Weighted Assets and an improvement in the ratio. This is standing at over 24% at the end of 2003 (before appropriation).

Our Net Interest Income has fallen as a consequence of all the above factors, coupled with thinner margins in times of low interest rates, but it has also increased slightly as a percentage of total net revenues to over 43% against 42% in 2002. This being said, our Net Interest Margin (expressed as a percentage of total assets) has also increased compared to 2002 and now stands at 1.43%.

Last year we referred to a strategic review which we had undertaken of our representation in Paris where the decision was taken to strengthen considerably the commercial emphasis of our presence in that city. As mentioned above, the new manager in the branch successfully brought on board a number of new clients for whom facilities were put in place, but only partially utilised by year-end. The final result for the branch was clouded by the bankruptcy of a client referred to above, as a result of which a loss was incurred there. However this debt is fully provided against, giving the branch a platform from which to grow significantly the results in 2004. Client deposits have also increased in the branch during the year. We did have to make some changes to the management in Paris during the year and staff numbers there have been increased to cope with the increased operational flow. The results of all of this should therefore begin showing during the new year.

In London, again the effects of the strong Pound Sterling have weighed heavily on both the balance sheet and profit & loss account of the branch. In addition the prudential provisioning of debts where the repayment is uncertain affected a client of our London branch, where the profits of the year were put to such provisions.

However, a number of new clients have been added to the branch towards the end of 2003 and early 2004 and it is expected that this will give an impetus to the branch operating results for 2004.

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In general, costs were well contained during the year, with all three branches coming in under budget but despite this, our Cost/Income ratio has deteriorated to 84% at the end of 2003. Only in Paris was there an increase of costs year-on-year, due to the increased staff numbers in that branch. Our budget for 2004 shows a distinct improvement in this ratio and we are confident that we can reverse the trend of the last two years in this domain.

It remains difficult to forecast the outlook with the ongoing instability in the Middle East and indeed other sensitive areas of the world. The economies of the developed world are now picking up, with the United States moving ahead strongly, although without any signs of a pick-up in employment, the United Kingdom forecast to grow much faster in 2004, and the Eurozone trailing behind with a somewhat sluggish growth at the present time. But the horizon remains clouded by the continuing strength of the Euro and indeed Sterling, which continues to weigh heavily on our operating income.

Whilst we will continue to operate within our niche markets, we are also looking to develop further our trade finance products as well as growing our activity in the private banking sector with the assistance of the newly created Private Banking Department of our Parent Bank.

Our staff continues to play an important role in the performance of the Bank for which we thank them. We are equally grateful to our main shareholder for the support given and to the ongoing loyalty of our clients.

It should be noted that any information not included in this report, but which is required by Belgian law to be published, may be found on the Group's website at www.byblosbank.com.

The net profit after tax for the year ending 31st December 2003 amounts to € 752.000. Taking into account the profits carried forward from previous years amounting to € 72.000, the profit available for appropriation amounts to € 824.000.

It is proposed, in accordance with the Statutes, to distribute this profit as follows:

	Eur
- To the Legal Reserve	38.000
- To Other Reserves	700.000
- Balance to be carried forward	86.000

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Summary of the Valuation Rules

The Bank's valuation policy is in accordance with the rules laid down by the Royal Decree of 23 September 1992 governing the annual accounts of credit institutions.

Valuation of debtors

Loans are accounted for in the balance sheet for the nominal value, less repayments and amounts written off.

Provisions are applied on loans identified as doubtful, in whole or in part, when objective elements indicate that the loan concerned is irrecoverable.

Fixed - income securities of the investment portfolio

The securities are valued on the basis of their actuarial yield, being the purchase price adjusted for any variance in relation to their future redemption value. Any variance is accounted for under interest income.

Valuation of items denominated in foreign currencies

Monetary items denominated in foreign currencies are translated into Euros at the official end of year closing rates. The translation differences are entered in the profit and loss account.

Valuation of tangible and intangible fixed assets

The cost of investments in premises, furniture, equipment, vehicles and software are depreciated on a straight-line basis over the estimated average life of the asset.

Premises:	over 20 years
Furniture:	over 5 years
Equipment:	over 3 years
Vehicles:	over 4 years
Software	over 3 years

Provisions for risks and charges

These provisions are set aside to cover probable or certain losses and charges, for which it is not possible to put a value on with more than a reasonable degree of accuracy and which are expected to occur at some unspecified time in the future.

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BALANCE SHEET
AFTER APPROPRIATION

ASSETS (EUR 000's)

	31.12.03	31.12.02
I. Cash in hand, balances with central banks and post office banks	4,666	5,159
II. Treasury bills eligible for refinancing with central banks	-	-
III. Loans and advances to credit institutions	201,667	234,092
A. Repayable on demand	7,463	7,136
B. Other loans and advances (with agreed maturity dates or periods of notice)	194,204	226,956
IV. Loans and advances to customers	50,100	48,285
V. Debt securities and other fixed-income securities	20,485	26,457
A. Issued by public bodies	13,381	21,621
B. Issued by other borrowers	7,104	4,836
VI. Shares and other variable-yield securities	-	-
VII. Financial fixed assets	1	1
A. Participating interests in affiliated enterprises	0	0
B. Participating interests in other enterprises linked by participating interests	-	-
C. Other shares held as financial fixed assets	1	1
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	-	-
VIII. Formation expenses and intangible fixed assets	18	27
IX. Tangible fixed assets	783	812
X. Own shares	-	-
XI. Other assets	181	190
XII. Deferred charges and accrued income	1,141	1,511
TOTAL ASSETS	279,042	316,534

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BALANCE SHEET AFTER APPROPRIATION

LIABILITIES (EUR 000's)

	31.12.03	31.12.02
I. Amounts owed to credit institutions	120,038	143,559
A. Repayable on demand	39,106	34,597
B. Amounts owed as a result of the rediscounting of trade bills	-	-
C. Other debts with agreed maturity dates or periods of notice	80,932	108,962
II. Amounts owed to customers	128,745	143,368
A. Savings deposits	-	-
B. Other debts	128,745	143,368
1) repayable on demand	15,268	12,047
2) with agreed maturity dates or periods of notice	113,477	131,321
3) as a result of the rediscounting of trade bills	-	-
III. Debts evidenced by certificates	-	-
A. Debt securities and other fixed-income securities in circul.		
B. Other		
IV. Other liabilities	940	1,045
V. Accrued charges and deferred income	408	403
VI. A. Provisions for liabilities and charges	100	100
1. Pensions and similar obligations	-	-
2. Taxation	-	-
3. Other liabilities and charges	100	100
B. Deferred taxes	-	-
VII. Fund for general banking risks	-	-
VIII. Subordinated liabilities	-	-
CAPITAL AND RESERVES	28,811	28,059
IX. CAPITAL	20,000	20,000
A. Subscribed capital	20,000	20,000
B. Uncalled capital (-)	-	-
X. Share premium account	-	-
XI. Revaluation surpluses	-	-
XII. Reserves	8,725	7,988
A. Legal reserve	970	932
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	7,689	6,990
XIII. Profits (losses (-)) brought forward	86	71
TOTAL LIABILITIES	279,042	316,534

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OFF BALANCE SHEET

(EUR 000's)

	31.12.03	31.12.02
I. Contingent liabilities	91,285	98,983
A. Non-negotiated acceptances	14,291	14,188
B. Guarantees serving as direct credit substitutes	2,705	5,632
C. Other guarantees	20,522	22,451
D. Documentary credits	53,767	56,712
E. Assets charged as collateral security on behalf of third parties	-	-
II. Commitments which could give rise to a risk	12,917	4,736
A. Firm credit commitments	0	0
B. Commitments as a result of spot purchases of transferable or other securities	-	-
C. Undrawn margin on confirmed credit lines	12,917	4,736
D. Underwriting and placing commitments	-	-
E. Commitments as a result of open-ended sale and repurchase agreements	-	-
III. Assets lodged with the credit institution	123,684	147,634
A. Assets held by the credit institution for fiduciary purposes	-	-
B. Safe custody and equivalent items	123,684	147,634
IV. Uncalled amounts of share capital	-	-

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INCOME STATEMENT

CHARGES (EUR 000's)

	31.12.03	31.12.02
II. Interest payable and similar charges	3,943	7,309
V. Commissions payable	268	394
VI. Losses on financial transactions		
A. On trading of securities and other financial instruments	-	-
B. On disposal of investment securities	-	-
VII. General administrative expenses	6,511	6,586
A. Remuneration, social security costs and pensions	4,492	4,472
B. Other administrative expenses	2,019	2,114
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	237	248
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"	364	629
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	-	-
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
XIII. Transfer to the fund for general banking risks	-	-
XV. Other operating charges	1,087	1,329
XVIII. Extraordinary charges	3	7
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	-	0
D. Loss on disposal of fixed assets	0	0
E. Other extraordinary charges	3	7
XIXbis. A. Transfer to deferred taxes	-	-
XX. A. Income taxes	310	607
XXI. Profits for the period	752	1,314
XXII. Transfer to untaxed reserves	-	-
XXIII. Profits for the period available for appropriation	752	1,314

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INCOME STATEMENT

INCOME (EUR 000's)

	31.12.03	31.12.02
I. Interest receivable and similar income	7,947	11,778
of which: from fixed-yield securities	1,158	1,398
III. Income from variable-yield securities	-	-
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	3,972	5,627
VI. Profit on financial transactions	780	310
A. On trading of securities and other financial instruments	181	305
B. On disposal of investment securities	599	5
IX. Decrease in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	0	0
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	-	-
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	32
XIII. Transfer from the fund for general banking risks	-	-
XIV. Other operating income	576	590
XVII. Extraordinary income	200	86
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	-	-
B. Adjustments to write-downs on financial fixed assets	-	-
C. Adjustments to provisions for extraordinary liabilities and charges	0	0
D. Gain on disposal of fixed assets	4	0
E. Other extraordinary income	196	86
XIXbis. B. Transfer from deferred taxes	-	-
XX. B. Adjustment of income taxes and write-back of tax provisions	0	0
XXI. Losses for the period	-	-
XXII. Transfer from untaxed reserves	-	-
XXIII. Losses for the period available for appropriation	-	-

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APPROPRIATION ACCOUNT

(EUR 000's)

	31.12.03	31.12.02
A. Profits (Losses (-)) to be appropriated	823	1,637
1. Profits (Losses (-)) for the period available for appropriation	752	1,314
2. Profits (Losses (-)) brought forward	71	323
B. Transfers from capital and reserves	-	-
1. From capital and share premium account		
2. From reserves		
C. Appropriations to capital and reserves (-)	(737)	(1566)
1. To capital and share premium account	-	-
2. To legal reserve	37	66
3. To other reserves	700	1,500
D. Result to be carried forward		
1. Profits to be carried forward (-)	(86)	(71)
2. Losses to be carried forward	-	-
E. Shareholders' contribution in respect of losses	-	-
F. Distribution of profits(-)	-	-
1. Dividends (a)		
2. Directors' entitlements (a)		
3. Other allocations (a)		

NOTES
TO THE ACCOUNTSI. STATEMENT OF LOANS
AND ADVANCES
TO CREDIT INSTITUTIONS

(EUR thousand)			
(Assets item III)			
		31.12.03	31.12.02
A. For the item as a whole:			
1.	- loans and advances to affiliated enterprises	1,013	1,806
	- loans and advances to other enterprises linked by participating interests	-	-
B. Other loans and advances to credit institutions (with agreed maturity dates or periods of notice)			
2. Analysis according to the remaining maturity:			
	. 3 months and under	185,649	
	. over 3 months up to 1 year	8,555	
	. over 1 year up to 5 years	0	
	. over 5 years	-	
	. undated	-	

II. STATEMENT OF LOANS
AND ADVANCES
TO CUSTOMERS

(EUR thousand)			
(Assets item IV)			
		31.12.03	31.12.02
1. Loans and advances			
	- to affiliated enterprises	-	-
	- to other enterprises linked by participating interests	-	-
4. Analysis according to the remaining maturity:			
	. 3 months and under	44,005	
	. over 3 months up to 1 year	4,267	
	. over 1 year up to 5 years	1,760	
	. over 5 years	-	
	. undated	68	
5. Analysis by type:			
	. trade bills (including own acceptances)	0	
	. loans and advances as a result of leasing and similar agreements		-
	. fixed-rate loans	-	
	. mortgage loans	-	
	. other term loans with a maturity over 1 year	1,760	
	. other loans and advances	48,340	
6. Country analysis *			
	. Belgium	7,440	
	. Foreign countries	42,660	

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NOTES TO THE ACCOUNTS

(EUR thousand)

(Assets item V)

	Belgium	Foreign Countries
3. Country analysis of the securities issued:		
V.A. . by public bodies	3,996	9,385
V.B. . by other borrowers	-	7,104
	Carrying Value	Market Value
4. Listing and maturity		
a) Listed securities	20,485	21,410
Unlisted securities	-	-
	31.12.03	
b) Remaining maturity of up to one year	0	
Remaining maturity of over one year	20,485	
5. Analysis by portfolio:		
a) trading portfolio	-	
b) investment portfolio	20,485	
7. Investment portfolio		
. difference between redemption value (if higher) and carrying value	978	
. difference between redemption value (if lower) and carrying value	53	
a) ACQUISITION COST		
As at end of preceding period	26,457	
Movements during the period:		
. acquisitions	5,641	
. sales (-)	-13388	
. adjustments by application of Article 35ter §4 and 5 (+/-)	1,775	
As at end of period	20,485	
d) CARRYING VALUE AS AT END OF PERIOD	20,485	

III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

NOTES
TO THE ACCOUNTSV. STATEMENT OF FINANCIAL
FIXED ASSETS

(EUR thousand)

(Assets item VII)

	Credit Institutions		Others	
	31.12.03	31.12.02	31.12.03	31.12.02
A.1. Analysis of Assets items VII.A, B, C:				
a) economic sector of items:				
A. Participating interests in affiliated enterprises	0	0	-	-
B. Participating interests in other enterprises linked by participating interests	-	-	-	-
C. Other shares held as financial fixed assets	-	-	1	1
			listed	unlisted
b) listing				
A. Participating interests in affiliated enterprises			-	0
B. Participating interests in other enterprises linked by participating interests			-	-
C. Other shares held as financial fixed assets			-	1
			affiliated (VII.A.)	Enterprises linked by participating interests (VII.B.)
				others (VII.C.)
A.2. Analysis of the carrying value, as at end of period, of Assets items VII.A, B and C				
A. ACQUISITION COST				
As at end of preceding period	0	-	-	1
Movements during the period				
. acquisitions	-	-	-	-
. sales and disposals (-)	-	-	-	-
. transfers from one caption to another (+/-)	-	-	-	-
As at end of period	0	-	-	1
B. REVALUATION SURPLUSES	-	-	-	-
C. WRITE-DOWNS	-	-	-	-
D. NET CARRYING VALUE AS AT END OF PERIOD (A+B -C)	0	-	-	1

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NOTES TO THE ACCOUNTS

(EUR thousand)
(Assets item VIII)

	31.12.03		
	goodwill	other intangible fixed assets	commissions for attracting new business Art. 27bis*
B. Intangible fixed assets			
a) ACQUISITION COST			
As at end of preceding period	-	171	-
Movements during the period:			
. acquisitions, including own construction	-	9	-
. sales and disposals (-)	-	-	-
. transfers from one item to another (+/-)	-	0	-
As at end of period	-	180	-
b) AMORTIZATION AND WRITE-DOWNS			
As at end of preceding period	-	144	-
Movements during the period			
. recorded	-	19	-
. excess written back (-)	-	-	-
. acquisitions from third parties	-	-	-
. cancellations (-)	-	-	-
. transfers from one item to another (+/-)	-	0	-
As at end of period	-	163	-
c) NET CARRYING VALUE AS AT END OF PERIOD (a) - b)	-	17	-

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

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NOTES
TO THE ACCOUNTSVIII. TANGIBLE
FIXED ASSETS

(EUR thousand)

(Assets item IX)

	Land & buildings	Plant, machinery & equipment	Furniture & vehicles	Other tangible fixed assets
a) ACQUISITION COST				
As at end of preceding period	549	1,305	374	1,038
Movements during the period				
. acquisition, including own construction	-	191	0	2
. sales and disposals (-)	-	-262	0	-
. transfers from one item to another (+/-)	-	0	0	0
As at end of period	549	1,234	374	1,040
b) REVALUATION SURPLUSES				
	-	-	-	-
c) DEPRECIATION AND WRITE-DOWNS				
As at end of preceding period	241	1,181	351	679
Movements during the period				
. recorded	24	102	11	83
. excess written back (-)	-	-	-	-
. acquisitions from third parties	-	-	-	-
. cancellations (-)	-	-259	0	0
. transfers from one item to another (+/-)	-	-	-	-
As at end of period	265	1,024	362	762
d) NET CARRYING VALUE AS AT END OF PERIOD (a) + b) - c))				
	284	210	12	278

IX. OTHER ASSETS

(EUR thousand)

(Assets item XI)

	31.12.03
Precious metals	
Miscellaneous	181

X. DEFERRED CHARGES AND
ACCRUED INCOME

(EUR thousand)

(Assets item XII)

	31.12.03
1. Deferred charges	520
2. Accrued income	621

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NOTES TO THE ACCOUNTS

(EUR thousand)

(Liabilities item I)

	31.12.03	31.12.02
A. For the item as a whole:		
- amounts due to affiliated enterprises	1,182	1,790
- amounts due to other enterprises linked by participating interests	-	-
B. For amounts owed to credit institutions (other than those repayable on demand), analysis of their remaining maturity: (Liabilities item 1.B. and C.)		
. 3 months and under	80,932	
. over 3 months up to 1 year	-	
. over 1 year up to 5 years	-	
. over 5 years	-	
. undated	-	

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS

(EUR thousand)

(Liabilities item II)

	31.12.03	31.12.02
1. Amounts owed to:		
- affiliated enterprises	-	0
- other enterprises linked by participating interests	-	-
2. Country analysis:		
- Customers in Belgium	28,698	
- Customers in foreign countries	100,047	
3. Analysis according to the remaining maturity		
. repayable on demand	15,173	
. 3 months and under	111,579	
. over 3 months up to 1 year	1,980	
. over 1 year up to 5 years	13	
. over 5 years	-	
. undated	-	

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS

(EUR thousand)

(Liabilities item IV)

	31.12.03
1. Taxes, remuneration and social security not matured	
a) amounts due to the tax authorities	10
b) amounts due to the National Social Security Office	117
2. Taxes:	
a) taxes payable	
b) estimated tax liabilities	0
3. Other liabilities	
Analysis:	
Paid Holidays	314
Invoices to be received	121
Transitory Accounts	78
Miscellaneous	300

XIV. OTHER LIABILITIES

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NOTES
TO THE ACCOUNTSXV. ACCRUED CHARGES AND
DEFERRED INCOME

(EUR thousand)

(Assets item V)

	31.12.03
1. Accrued charges	217
2. Deferred income	191

XVI. PROVISIONS FOR OTHER
LIABILITIES AND CHARGES

(EUR thousand)

(Liabilities item VI. A. 3.)

	31.12.03
Analysis:	
Provision for Redundancy costs	100

XVIII. STATEMENT OF CAPITAL

	Amounts (EUR thousand)	Number of shares
A. CAPITAL		
1. Subscribed capital (Liabilities item IX. A.)		
- as at end of preceding period	20,000	xxxxxxxxxxxxxxxxxxxx
- changes during the period:	0	-
- as at end of period	20,000	xxxxxxxxxxxxxxxxxxxx
2. Structure of the capital		
2.1. Categories of shares		
Ordinary	20,000	9,750
2.2. Registered or bearer shares		
Registered shares	xxxxxxxxxxxxxxxxxxxx	9,750
Bearer shares	xxxxxxxxxxxxxxxxxxxx	-

XIX. CURRENCY ANALYSIS

(EUR thousand)

	in EUR thousand	in foreign currencies (eq. in EUR 000s)
Total Assets	120,491	158,551
Total Liabilities	117,964	161,078

XXII. STATEMENT OF CONTINGENT
LIABILITIES AND OF
COMMITMENTS LIABLE
TO A FUTURE CREDIT RISK

(EUR thousand)

(Off balance sheet items I and II)

	31.12.03	31.12.02
. Total contingent liabilities on behalf of affiliated enterprises	4,594	7,853
. Total contingent liabilities on behalf of other enterprises linked by participating interests	-	-
. Total commitments towards affiliated enterprises	-	-
. Total commitments towards other enterprises linked by participating interests	-	-

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NOTES
TO THE ACCOUNTS

XXIV. FORWARD OFF BALANCE SHEET TRANSACTIONS ON SECURITIES, CURRENCIES AND OTHER FINANCIAL INSTRUMENTS WITHIN THE MEANING OF OFF BALANCE SHEET ITEM II WHICH ARE NOT COMMITMENTS THAT COULD GIVE RISE TO A RISK

(EUR thousand)**(a) Amounts to be delivered****(b) Nominal/notional reference amount****(c) Agreed buying/selling price**

	Amount as at end of period	of which not intended as a hedge
TYPE OF TRANSACTION		
1. SECURITIES TRANSACTIONS	-	-
2. CURRENCY TRANSACTIONS (a)		
- forward foreign exchange transactions	0	-
- cross currency interest rate swaps	-	-
- currency futures	-	-
- currency options	-	-
- exchange rate agreements	-	-
3. OTHER FINANCIAL INSTRUMENTS	-	-
1. INTEREST RATE TRANSACTIONS (b)	-	-
2. OTHER FORWARD PURCHASES AND SALES (c)	-	-

XXV. EXTRAORDINARY RESULTS

(EUR thousand)

	31.12.03	
A. Gain on disposal of fixed assets to affiliated enterprises	4	
B. Other extraordinary income (Income statement item XVII.E.)		
Reimbursement creditor	196	
Reimbursement legal fees		
Miscellaneous		
Other extraordinary charges (Income statement item XVIII.E.)	3	

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NOTES TO THE ACCOUNTS

(EUR thousand)

	31.12.03
A. Analysis of income statement item XX.A.	
1. Income taxes of the current period	
a. Taxes and withholding taxes due or paid	310
b. Excess of prepaid taxes or withholding taxes figuring on the asset side of the balance sheet	110
2. Income taxes on prior periods	
B. Main sources of disparity between the profit before taxes and the estimated taxable profit	
. Movements in reserves	
. Disallowable expenses	83
. Exonerated items	
D. Status of Future Taxation	
1. Future tax allowances:	
. accumulated tax losses deductible from future taxable profits	
. Taxable provisions	
2. Future tax liabilities	
. Recapture	

XXIII. INCOME TAXES

(EUR thousand)

	31.12.03	31.12.02
A. Value added tax, turnover taxes and special taxes charged during the period:		
1. To the reporting institution (deductible)	138	166
2. By the reporting institution	142	171
B. Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	858	818
2. Withholding taxes on investment income	18	29

XXVII. OTHER TAXES AND TAXES SUPPORTED BY THIRD PARTIES

(EUR thousand)

	31.12.03
A. Directors and Managers	
B. Individuals or Legal Personae who control the Credit Institution directly or indirectly, but who are not affiliated enterprises	
C. Other enterprises controlled directly or indirectly by the persons mentioned under B.	
B. 1. Direct and indirect remuneration and pensions included in the income statement	
- for directors and managers	564
- for former directors and managers	-

XXIX. FINANCIAL RELATIONSHIPS WITH:

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SOCIAL
BALANCE SHEETI. STATEMENT OF
PERSONS EMPLOYED

(in Belgium only)

	1. Full-time	2. Part-time	3. Total (T) or total full-time equivalents (VTE)	4. Total (T) or total full-time equivalents (VTE)
	31.12.03	31.12.03	31.12.03	31.12.02
1. During this and the previous fiscal year				
Average number of persons employed	29.7	3.8	33.1 VTE	33.3 VTE
Number of effective working hours	44,764.8	5,271.8	50.036,6 T	57.516,3 T
Personnel charges (x 1,000 EUR)	4,256.4	202.6	4.459 T	4.439 T
Benefits in addition to wages (x 1,000 EUR)	xxxxxxxxxx	xxxxxxxxxx	33 T	33 T
	1. Full-time	2. Part-time	3. Total full-time equivalents	
2. At the closing date of the fiscal year				
a. Number of registered employees	29	4	32.6	
b. Breakdown according to the type of labour agreement				
Agreement for an indefinite period	29	4	32.6	
Agreement for a definite period	-	-	-	
Agreement for a clearly specified job	-	-	-	
Replacement agreement	-	-	-	
c. Breakdown according to gender				
Men	17	-	17	
Women	12	4	15.7	
d. Breakdown according to the professional category				
Executives	6	-	6	
Salaried staff	23	4	26.7	
Manual workers	-	-	-	
Other	-	-	-	
B. TEMPORARY EMPLOYEES AND PERSONS PUT AT THE DISPOSAL OF THE COMPANY				
	1. Temporary employees	2. Persons put at the disposal of the company		
During the current period				
Average number of persons employed		0.07		-
Number of effective working hours		129.3		-
Company charges (x 1,000 EUR)		4.8		-

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SOCIAL BALANCE SHEET

II. TABLE CONCERNING PERSONNEL CHANGES DURING THE FISCAL YEAR

	1. Full-time	2. Part-time	3. Total full-time equivalents
A. NEWLY ENGAGED PERSONNEL			
a. Number of employees newly registered during the fiscal year	3	-	3
b. Breakdown according to the type of labour agreement			
Agreement for an indefinite period	1	-	1
Agreement for a definite period	-	-	-
Agreement for a clearly specified job	-	-	-
Replacement agreement	2	-	2
c. Breakdown according to gender and the level of education			
Men: primary education	-	-	-
secondary education	2	-	2
higher education (non-university level)	-	-	-
higher education (university level)	1	-	1
Women: primary education	-	-	-
secondary education	-	-	-
higher education (non-university level)	-	-	-
higher education (university level)	-	-	-
B. PERSONNEL WHICH HAS LEFT THE COMPANY			
a. Number of employees having a registered date at which their labour agreement came to an end during the fiscal year	4	-	4
b. Breakdown according to the type of labour agreement			
Agreement for an indefinite period	1	-	1
Agreement for a definite period	1	-	1
Agreement for a clearly specified job	-	-	-
Replacement agreement	2	-	2
c. Breakdown according to gender and the level of			
Men: primary education	-	-	-
secondary education	2	-	2
higher education (non-university level)	2	-	2
higher education (university level)	-	-	-
Women: primary education	-	-	-
secondary education	-	-	-
higher education (non-university level)	-	-	-
higher education (university level)	-	-	-
d. Breakdown according to the reason for ending the labour agreement			
Pension	-	-	-
Early retirement	1	-	1
Lay-off	-	-	-
Other reasons including : the number of employees with the status of self-employed who continue to work for the company at least on a half-time basis	3	-	3

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SOCIAL
BALANCE SHEETIII. STATEMENT OF THE EXTENT
TO WHICH USE HAS BEEN
MADE OF THE EMPLOYMENT
STIMULATING MEASURES
DURING THE FISCAL YEAR

	Number of employees concerned		3. Financial advantage (x1,000 EUR)
	1. Number	2. Full-time equivalents	
EMPLOYMENT STIMULATING MEASURES			
1. Measures offering a financial advantage (1)	-	-	-
1.3 Complete interruption of the professional career	1	1	
1.6 Structural reduction-social security charges	34	33.6	51.6
2. Other measures	-	-	-
Number of employees to whom one or more employment stimulating measures apply:			
- total number for this fiscal year	34	33.6	-
- total number for the previous fiscal year		-	-

IV. INFORMATION ON
EMPLOYEE TRAINING
PROGRAMMES DURING
THE FISCAL YEAR

	Men	Women
Total number of training programmes at the employer's expense		
1. Number of employees concerned	5	2
2. Number of training hours spent	36	124
3. Charges at the expense of company	2	1

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financial report

Resolutions
of the Ordinary
General Meeting
of Shareholders
of May 10th, 2004

First Resolution

The General Meeting approves the reports of the Board of Directors and of the Statutory Auditors for the financial year 2003

Second Resolution

The General Meeting approves the balance sheet and profit & loss account for the year ending December 31, 2003

Third Resolution

The General Meeting approves the distribution of the 2003 Net Profit as proposed by the Board of Directors:

	€
Profit for the Financial year	752.000
Carried forward from previous year	<u>72.000</u>
Profit available for appropriation	824.000
To Legal Reserve:	38.000
To Other Reserves	700.000
Balance to be carried forward	86.000

Fourth Resolution

The General Meeting gives discharge to the Directors and to the Statutory Auditors, Ernst & Young, Reviseurs d'Entreprises, SCCRL, represented by Messrs. Pierre Anciaux & Jean-François Hubin, for the execution of their duties in 2003

Fifth Resolution

The General Meeting decides to appoint Mr. Elie Nahas as a director for a period of two years.

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External mandates held by Directors & Senior Executives of the Bank

The following Directors hold external mandates as defined by the law of 3rd May 2002. In accordance with the requirements of that law, such mandates must be published in the Bank's Annual Report. None of the companies listed below have any common shareholding link with the Bank.

Name	Bank Title	Name of External Company	Address	Position in ext. company
Semaan F. Bassil	Director	Beirut Stock Exchange	Azarieh Bldg Block A3, 4 th floor P.O.Box 11-3553 Beirut Central District Lebanon	Committee member
Albert S. Nassar	Chairman	Niger Mills Co. Ltd <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Director
		S. Nassar & Sons (Nigeria) Ltd. <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Director
		Niger Biscuit Co. Ltd. <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Chairman
Bassam A. Nassar	Director	S. Nassar & Sons S.A. <i>(unquoted commercial company)</i>	Edificio Vallarino, Ult. Piso Calle 52 y Elvira Mendez P.O.Box 0816-06805 Panama 1 Rep. of Panama	Managing Director
		S. Nassar & Sons London Ltd. <i>(unquoted commercial company)</i>	401 Salisbury House London Wall London EC2M 5RR U.K.	Director
		S. Nassar & Sons (Nigeria) Ltd. <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Director
		Niger Mills Co. Ltd. <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Director
		Niger Biscuit Co. Ltd. <i>(unquoted commercial company)</i>	35 Creek Road Apapa Lagos Nigeria	Managing Director
Faysal M. Tabsch	Vice-Chairman	M. A. Tabsch S.A. <i>(unquoted commercial company)</i>	Edificio Vallarino, Ult. Piso Calle 52 y Elvira Mendez P.O.Box 0816-06805 Panama 1 Rep. of Panama	Director - President
		M. A. Tabsch Est. <i>(unquoted commercial company)</i>	P.O.Box 1389 Jeddah Saudi Arabia	Director & General Manager

acknowledgments

concept, copywrite,

design & layout by

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Sales & Retail Products

August 2004

photography by

Fares Jammal

printed by

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ADIR Partnership Byblos Bank &
Assurances Banque Populaire France
Insurance & Reinsurance



ABI Adonis Brokerage House S.A.



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