

2003

**financial reports**

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



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**AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
BYBLOS BANK SAL**

We have audited the accompanying consolidated balance sheet of Byblos Bank SAL as of 31 December 2003, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Ernst & Young

5 April 2004  
Beirut, Lebanon

  
Semaan, Gholam & Co.

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**Byblos** Bank s.a.l.

### **financial report**

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# Byblos Bank s.a.l.

## financial report

### CONSOLIDATED BALANCE SHEET

#### ASSETS (LBP million)

31 December

	Notes	31.12.2003	31.12.2002
Cash and Central Banks (*)	4	3,104,587	930,123
Lebanese treasury bills and other government bills	5	2,108,584	3,301,220
Bonds and financial instruments with fixed income	6	116,264	57,336
Marketable securities and financial instruments with variable income	7	21,522	7,339
Banks and financial institutions	8	1,638,579	1,554,443
Loans and advances to customers (**) (***)	9	1,779,595	1,800,909
Bank acceptances	10	123,218	120,582
Tangible fixed assets	11	140,649	138,921
Other assets	12	3,079	746
Regularisation accounts and other debtor accounts	13	17,388	39,983
Goodwill	14	15,894	19,813
<b>Total assets</b>		<b>9,069,359</b>	<b>7,971,415</b>
(*) Including: certificate of deposits with zero interest rate		434,541	-
(**) Including: sub-standard loans, net		55,772	85,205
- Gross amount		76,037	129,370
- Unrealized interest on substandard loans		(20,265)	(44,165)
(***) After deduction of:			
- Provision for doubtful debts		158,016	134,687
- Unrealised interest on doubtful loans		96,340	84,013
		<b>254,356</b>	<b>218,700</b>
<b>Off balance sheet items</b>			
Financing commitments received from financial intermediaries		36,393	78,954
Financing commitments received from customers		3,925,745	2,792,766
Bad debts fully provided for		55,343	44,101

The consolidated financial statements were authorized for issue by:

Dr. François Bassil  
Chairman / General Manager

Mr. Alain Wanna  
Financial and Administrative Manager

The attached notes 1 to 42 form part of these consolidated financial statements.

## financial report

CONSOLIDATED  
BALANCE SHEET

## LIABILITIES AND SHAREHOLDERS' EQUITY (LBP million)

31 December

	Notes	31.12.2003	31.12.2002
<b>Liabilities</b>			
Central Bank	15	80,620	98,823
Banks and financial institutions	16	474,440	476,496
Deposits from customers	17	7,420,001	6,482,276
Engagement by acceptances	10	123,218	120,582
Liabilities under financial instruments	18	-	12,308
Other liabilities	19	111,265	99,157
Regularisation accounts and other creditor accounts	20	17,842	19,260
Provisions for risks and charges	21	15,103	15,715
Subordinated loans	22	157,303	159,551
<b>Total liabilities</b>		<b>8,399,792</b>	<b>7,484,168</b>
<b>Shareholders' equity</b>			
Revaluation variance accepted in the supplementary capital	23	5,689	5,689
Share capital	24	247,228	246,028
Reserve for general banking risks	25	26,243	20,243
Reserves, premiums and equity differences	26	300,557	137,576
Profit carried forward		2,432	2,324
Net income for the year	30	69,233	65,487
Cumulative change in fair value of financial instruments		1,743	1,047
Consolidation differences	27	4,568	3,458
Minority share	28	11,874	5,395
<b>Total shareholders' equity</b>		<b>669,567</b>	<b>487,247</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,069,359</b>	<b>7,971,415</b>
<b>Off balance sheet items</b>			
Signature commitments given	33	393,600	365,830
Financing commitments given	33	227,452	206,792
Funds under management and fiduciary accounts		103,450	16,548

The consolidated financial statements were authorized for issue by:

Dr. François Bassil  
Chairman / General Manager

Mr. Alain Wanna  
Financial and Administrative Manager

The attached notes 1 to 42 form part of these consolidated financial statements.

# Byblos Bank s.a.l.

## financial report

### CONSOLIDATED STATEMENT OF INCOME

#### FOR THE YEAR ENDED 31 December

(LBP million)

	Notes	2003	2002
<b>Interest and similar income</b>		<b>626,677</b>	<b>569,193</b>
Lebanese Treasury bills	5	338,478	361,127
Deposits and similar accounts in banks and financial institutions	4 & 8	134,933	79,752
Bonds and other financial instruments with fixed income	6	6,612	6,462
Loans and advances to customers		146,646	121,815
Advances to related parties		8	37
<b>Interest and similar charges</b>		<b>(444,368)</b>	<b>(405,708)</b>
Deposits and similar accounts from banks and financial institutions	15 & 16	(18,142)	(23,633)
Deposits from customers and other creditor accounts		(406,843)	(364,858)
Deposits from related parties		(1,931)	(962)
Subordinated loans	22	(17,350)	(9,114)
Certificates of deposits	18	(102)	(7,141)
<b>Net provisions for doubtful loans</b>	<b>30/a</b>	<b>(32,644)</b>	<b>(6,563)</b>
Provisions for doubtful loans		(41,215)	(10,212)
Recovery of provisions		8,571	3,649
<b>Net interest received</b>		<b>149,665</b>	<b>156,922</b>
<b>Revenues from financial instruments with variable income</b>	<b>7</b>	<b>1,552</b>	<b>182</b>
<b>Net revenues from commissions</b>		<b>34,177</b>	<b>31,074</b>
Commissions received		35,767	33,240
Commissions paid		(1,590)	(2,166)
<b>Profit on financial operations</b>		<b>31,403</b>	<b>8,686</b>
Profit on marketable securities		20,764	3,232
Profit on foreign exchange		10,639	5,454
<b>Loss on financial operations</b>		<b>(152)</b>	<b>(566)</b>
Loss on marketable securities		(126)	(560)
Loss on foreign exchange		(26)	(6)
<b>Net profit or loss from financial operations</b>	<b>30/b</b>	<b>31,251</b>	<b>8,120</b>
<b>Other income</b>		<b>1,174</b>	<b>1,015</b>
<b>General and administrative expenses</b>		<b>(108,311)</b>	<b>(100,150)</b>
Salaries and employees benefits	30/c	(66,971)	(60,701)
General operating expenses	30/d	(41,340)	(39,449)
<b>Depreciation and amortization</b>	<b>30/e</b>	<b>(24,458)</b>	<b>(15,299)</b>
<b>Net results for the year before taxes</b>		<b>85,050</b>	<b>81,864</b>
<b>Net extraordinary results before taxes</b>		<b>(2,826)</b>	<b>(282)</b>
Extraordinary income		2,045	829
Extraordinary expenses		(4,871)	(1,111)
<b>Income tax</b>		<b>(12,332)</b>	<b>(15,175)</b>
<b>Net result for the year</b>		<b>69,892</b>	<b>66,407</b>
Less: Minority share		(659)	(920)
<b>Group share</b>		<b>69,233</b>	<b>65,487</b>

The attached notes 1 to 42 form part of these consolidated financial statements.

## financial report

CONSOLIDATED STATEMENT  
OF CASH FLOWS

## FOR THE YEAR ENDED 31 December

(LBP million)

	2003	2002
<b>OPERATING ACTIVITIES</b>		
Net profit before taxation	82,224	81,582
Adjustments for:		
Depreciation	19,834	13,819
Amortisation of goodwill	3,919	1,480
Amortisation of soft loan discount	-	1,253
(Gain) loss from sale of property and equipment	(130)	264
Revaluation variance of bonds and other financial instruments with variable income	(681)	-
Provisions on loans, net of recoveries	32,644	6,563
Provision for employees' end of service benefits	1,631	1,045
Provision for risks and charges	603	-
Provision for foreign currencies fluctuation	-	46
Effect of foreign exchange fluctuation	(464)	(557)
Changes in minority interest	6,479	384
<b>Operating profit before working capital changes</b>	<b>146,059</b>	<b>105,879</b>
Cash and balances with Central Bank (maturity exceeds 3 months)	(1,827,346)	(52,865)
Placement with banks and other financial institutions	2,451	(8,473)
Loans and advances to customers	(11,330)	(295,816)
Portfolio of bonds held for trading	-	(1,321)
Other assets	(2,333)	801
Regularisation and other debtor accounts	22,595	(5,958)
Due to banks and financial institutions	(61,815)	(17,338)
Customer's deposits	937,725	1,012,457
Certificates of deposits	(12,308)	(176,815)
Other liabilities	13,531	23,147
Regularisation and other creditor accounts	(1,419)	2,834
Provision for end of service indemnity transferred from a merged bank	-	1,085
Employees' end of service benefits paid during the year	(2,846)	(3,681)
Taxes paid	(13,755)	(13,850)
<b>Net cash (used in) from operating activities</b>	<b>(810,791)</b>	<b>570,086</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of bonds with fixed income investments, net	(58,928)	(296,532)
Proceeds from sale of non trading investments	1,193,332	133
Proceeds from sale of property and equipment	943	(28,230)
Acquisition of property and equipment	(22,030)	(28,234)
Acquisition of marketable securities and financial instruments with variable income	(13,502)	(18,953)
<b>Net cash from (used in) investing activities</b>	<b>1,099,815</b>	<b>(371,816)</b>
<b>FINANCING ACTIVITIES</b>		
Effect of foreign exchange on shareholders' equity	3,819	5,045
Issue of preferred shares:		
- Nominal value	1,200	-
- Premium	149,550	-
Loans and balances due to Central Bank	(18,203)	-
Subordinated loans	(2,248)	148,843
Dividends paid	(49,196)	(51,893)
<b>Net cash from financing activities</b>	<b>84,922</b>	<b>101,995</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>373,946</b>	<b>300,265</b>
Cash and cash equivalents - beginning of the year	1,578,169	1,277,904
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	<b>1,952,115</b>	<b>1,578,169</b>

The attached notes 1 to 42 form part of these consolidated financial statements.

# Byblos Bank s.a.l.

## financial report

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

**FOR THE YEAR ENDED 31 DECEMBER 2003**  
(LBP million)

	Reserves, premiums and equity differences											
	Share capital	Legal reserve	Legal reserve increase	Share capital paid in	General reserve	Reserve for general banking risks	Revaluation reserve	Cumulative changes in fair values	Profit carried forward	Net income for the year	Consolidation differences	Total
<b>31 December 2002</b>												
<b>Balance at 1 January 2002</b>	<b>246,028</b>	<b>36,098</b>	<b>11,600</b>	<b>-</b>	<b>80,129</b>	<b>15,760</b>	<b>5,689</b>	<b>(912)</b>	<b>2,713</b>	<b>66,816</b>	<b>(11)</b>	<b>463,910</b>
<b>including minority interest</b>												
Transfer to retained earnings	-	-	-	-	-	-	-	-	66,816	(66,816)	-	-
Transfer to reserve for general banking risks	-	-	-	-	-	4,500	-	-	(4,500)	-	-	-
Transfer to reserves and premiums	-	6,549	-	-	4,312	-	-	-	(10,861)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(51,893)	-	-	(51,893)
Revaluation variance for available for sale financial assets	-	-	-	-	-	-	-	1,959	-	-	-	1,959
Foreign exchange difference	-	208	-	-	1,335	(17)	-	-	50	-	3,469	5,045
Net profit for the year	-	-	-	-	-	-	-	-	-	66,407	-	66,407
<b>Balance at 31 December 2002</b>	<b>246,028</b>	<b>42,855</b>	<b>11,600</b>	<b>-</b>	<b>85,776</b>	<b>20,243</b>	<b>5,689</b>	<b>1,047</b>	<b>2,325</b>	<b>66,407</b>	<b>3,458</b>	<b>485,428</b>
Less: Minority interest	-	(466)	-	-	(2,189)	-	-	-	(1)	(920)	-	(3,576)
<b>Net balance at 31 December 2002</b>	<b>246,028</b>	<b>42,389</b>	<b>11,600</b>	<b>-</b>	<b>83,587</b>	<b>20,243</b>	<b>5,689</b>	<b>1,047</b>	<b>2,324</b>	<b>65,487</b>	<b>3,458</b>	<b>481,852</b>
<b>31 December 2003</b>												
<b>Balance at 1 January 2003</b>	<b>246,028</b>	<b>42,855</b>	<b>11,600</b>	<b>-</b>	<b>85,776</b>	<b>20,243</b>	<b>5,689</b>	<b>1,047</b>	<b>2,325</b>	<b>66,407</b>	<b>3,458</b>	<b>485,428</b>
<b>including minority interest</b>												
Transfer to retained earnings	-	-	-	-	-	-	-	-	66,407	(66,407)	-	-
Transfer to reserves for general banking risks	-	-	-	-	-	6,000	-	-	(6,000)	-	-	-
Transfer to reserves and premiums	-	6,666	1,518	-	3,617	-	-	-	(11,801)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(49,196)	-	-	(49,196)
Revaluation variance for available for sale financial assets	-	-	-	-	-	-	-	696	-	-	-	696
Issue of preferred shares	1,200	-	-	149,550	-	-	-	-	-	-	-	150,750
Foreign exchange difference	-	393	-	-	1,616	-	-	-	700	-	1,110	3,819
Net profit for the year	-	-	-	-	-	-	-	-	-	69,892	-	69,892
<b>Balance at 31 December 2003</b>	<b>247,228</b>	<b>49,914</b>	<b>13,118</b>	<b>149,550</b>	<b>91,009</b>	<b>26,243</b>	<b>5,689</b>	<b>1,743</b>	<b>2,435</b>	<b>69,892</b>	<b>4,568</b>	<b>661,389</b>
Less: Minority interest	-	(558)	-	-	(2,476)	-	-	-	(3)	(659)	-	(3,696)
<b>Net balance at 31 December 2003</b>	<b>247,228</b>	<b>49,356</b>	<b>13,118</b>	<b>149,550</b>	<b>88,533</b>	<b>26,243</b>	<b>5,689</b>	<b>1,743</b>	<b>2,432</b>	<b>69,233</b>	<b>4,568</b>	<b>657,693</b>

The attached notes 1 to 42 form part of these consolidated financial statements.

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS

## 1 ACTIVITIES

Byblos SAL is a Lebanese joint stock company registered since 1961 in Lebanon under No 14150 at the Registrar of Commerce and under No 39 on the banks' list at the Central Bank of Lebanon. The Bank's head office is located in Ashrafieh, Elias Sarkis Street, Beirut, Lebanon.

The Bank provides full range of bank activities through its headquarter, 70 branches in Lebanon and 5 locations aboard (Limassol, Brussels, Paris, London and Khartoum). The Bank employed 1,402 employees as of 31 December 2003 (31 December 2002: 1,247 employees).

2 SIGNIFICANT  
ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and circulars issued by the Central Bank and the Banking Control Commission. Following is a summary of the significant accounting policies:

**Accounting convention**

The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of freehold buildings as accepted by the Central Bank and the measurement at fair value of trading and available for sale investment securities.

Assets and liabilities are grouped according to their nature and are listed in the approximate order of their relative liquidity.

The accounting policies are consistent with those used in previous years.

**Basis of consolidation**

The consolidated financial statements comprise the accounts of Byblos Bank S.A.L. (the parent company) and its controlled subsidiaries (as detailed below), after the elimination of all material intercompany balances and transactions:

Subsidiary	Percentage of ownership		Activity	Country of incorporation
	2003 %	2002 %		
Byblos Bank Europe s.a.	99.95	99.95	Banking activities through it's Head Office in Brussels and two branches in London and Paris	Belgium
ADIR Adonis Insurance and Reinsurance Co. s.a.l.	63.95	63.95	Insurance	Lebanon
Adonis Brokerage House s.a.l.	99.40	99.40	Insurance broker	Lebanon
Byblos Invest Bank s.a.l.	99.99	-	Investment banking	Lebanon
Byblos Bank Africa	65.00	-	Banking	Sudan

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Goodwill

Acquisition of investments is accounted for using the purchase method of accounting. Differences between cost and net asset value are recorded as goodwill on the acquisition date.

##### Goodwill resulting from the acquisition of banks

This account consists of goodwill arising from the acquisition of the following two banks:

- Wedge Bank Middle East SAL was acquired in 2001. Goodwill is being amortized over a period of 8 years that will end by 2009.
- ABN AMRO Bank N.V. - Lebanon branch was acquired in 2002. Goodwill is being amortized over a period 5 years that will end by 2007.

##### Consolidation differences

This account represents:

- The difference between the cost of investment in the consolidated subsidiaries and the Bank's share in their capital. The Bank's share in "Reserves and retained earnings" is maintained under the related accounts in shareholders' equity.
- Structural foreign exchange variance.

##### Foreign currencies

###### a- Translation of foreign currency transactions

The accompanying financial statements are denominated in millions of Lebanese Pounds. Appropriate exchange rates have been used to translate balances denominated in foreign currencies as per the Central Bank year-end rates. The resulting gains or losses are reflected in the accompanying statements of income. Transactions in foreign currencies executed by the Bank during the year are recorded at the rate ruling at the date of the transaction.

###### b- Translation of consolidated financial statements of foreign entities

The assets and liabilities of the foreign subsidiaries are not deemed an integral part of the head office's operations and are translated at rates of exchange ruling at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Exchange differences are taken directly to the shareholders' equity under foreign currency translation reserve account.

Following are the exchange rates used by the Bank at year end to translate foreign currencies to Lebanese Pounds:

	31.12.03 LBP	31.12.02 LBP
US. Dollar	1,507.50	1,507.50
British Pound	2,677.47	2,416.07
Euro 1,884.53	1,571.42	
Swiss Franc	1,208.03	1,081.34
Japanese Yen	14.10	12.64

##### Use of estimates

In preparing the financial statements in conformity with International Financial Reporting Standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, and the valuation of foreclosed real estate.

**SIGNIFICANT  
ACCOUNTING POLICIES  
(continued)****Investment securities**

All investment securities are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. Premiums and discounts are amortized on a systematic basis to their maturity and are taken to interest income.

**i) Trading securities**

Investment securities, which are held for trading, are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the statement of income in the period in which it arises.

**ii) Held to maturity**

Investment securities which have fixed or determinable payments which are intended to be held to maturity, are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

**iii) Available for sale**

Investment securities which are classified as "available for sale" are subsequently measured at fair value. Unrealized gains or losses from a change in its fair value is reported as a separate item of shareholders' equity until the investment is derecognized or impaired, at which time cumulative gain or loss previously recognized in shareholders' equity is included in the statement of income for the period.

Investments securities classified as "available for sale" whose fair market value can't be determined, are measured at amortized cost.

**iv) Originated by the Bank**

Investments in debt securities where the Bank provides funds directly to the issuer are stated at amortised cost, less provision for impairment.

**Fair values**

For financial instruments investments traded in organised financial markets, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities

The fair value of unquoted investments is determined either by reference to market value of similar instruments or by reference to discounted cash flows pricing model.

Deposits with banks and other financial institutions and other money market placements

Deposits with banks and other financial institutions and other money market placements are stated at cost less any amounts written off and provision for impairment.

**Legal reserve**

The Bank is requested to allocate from its annual net profit a legal reserve calculated as follows:

- 10% of net profit resulting from the operations in Lebanon.

- 5% of net profit resulting from the operations in Europe.

This reserve is not available for dividend distribution.

**Subordinated loans**

Subordinated loans issued by the Bank are recorded at the principal amount in foreign currencies after deduction of discounts and adding the accrued interest up to balance sheet date.

Byblos Bank s.a.l.

# financial report

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS

**2 SIGNIFICANT  
ACCOUNTING POLICIES  
(continued)**

### Loans and advances

Loans and advances are reported at their outstanding principal balances adjusted for allowance for loan losses and unrealized interest. Interest income is accrued on the outstanding principal balance. The accrual of interest on loans and advances is discontinued at the time it is considered delinquent unless the credit is well-secured and in process of collection. Loans and advances are placed on non-accrual for doubtful and substandard accounts. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

### Deposits

Customer deposits are carried at cost, less amounts repaid.

### Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and amortization with the exception of the freehold building that has been revalued. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Properties acquired through, or in lieu of, loan foreclosure are stated in the same currency of the loan. In the event that the property is not sold within two years from acquisition, a provision is constituted against the total value of the property within a five years period in accordance with the Central Bank intermediate circular #7.

### Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

### Employees' end of service benefits

End-of-service benefits payable to employees at the end of their services are provided for in accordance with social security regulations of the respective countries in which the Bank and its subsidiaries operate.

### Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount as follows:

- For financial assets at amortized cost – the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of income; and
- For financial assets at fair value – where a loss has been recognized directly in equity as a result of the write-down of the asset to recoverable amount, the cumulative net loss recognized in equity is transferred to the statement of income.

Estimated recoverable amount of the Bank's assets is determined based on the net present value of future anticipated cash flows including anticipated recoveries from guarantees and collateral discounted at original effective interest rates.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, and highly liquid investments with insignificant risk of changes in value and whose maturities are three months or less at the date of preparation of the financial statements.

**Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly recorded under off-balance sheet items.

**Derivatives**

Derivatives are stated at fair value.

For the purposes of hedge accounting, hedges are classified into two categories:

- (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; and
- (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a forecasted transaction.

In relation to effective fair value hedges any gain or loss from remeasuring the hedging instrument to fair value, as well as related changes in fair value of the item being hedged, are recognised immediately in the income statement.

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in equity and either transferred to the income statement the period in which the hedged transaction impacts the income statement, or included as part of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. For fair value hedges of financial instruments with fixed maturities any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur the net cumulative gain or loss recognised in equity or transferred to the income statement.

**Revenue recognition**

Interest income is recognized on an accrual basis and include premiums and discounts amortized. Fees, commissions and foreign exchange transactions from banking services are recognized when contractually earned. Interest on loans and advances classified as non-performing is charged to the customer's account and credited to unrealized interest.

**Taxation**

Taxes are provided for in accordance with the fiscal regulations of the respective countries in which the Bank and its subsidiaries operate.

Certain prior year amounts have been reclassified to conform with the presentation in the current year.

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4 CASH AND CENTRAL BANKS

(LBP million)	31.12.03	31.12.02
<b>Cash on hand</b>	<b>72,420</b>	<b>53,305</b>
<b>Central Bank of Lebanon:</b>		
- Current accounts	398,978	206,417
- Time deposits	660,286	654,255
- Certificates of deposits (CD's):		
2 years at zero rate	434,541	-
2 years CD's maturing on 21 May 2004 pledged in guarantee of soft loans obtained from the Central Bank of Lebanon (Note 15)	52,000	-
- Other certificate of deposits	1,423,000	-
	<b>3,041,225</b>	<b>913,977</b>
Central Banks in other countries	14,512	7,853
Accrued interest	48,850	8,293
	<b>3,104,587</b>	<b>930,123</b>
<b>Interest income for the year</b>	<b>114,155</b>	<b>50,051</b>
<b>Percentage of cash and Central Banks' balances to total assets</b>	<b>34.23%</b>	<b>11.67%</b>

(LBP million)	31.12.03
Two years zero rate certificates of deposits (LBP 45,000 million and US Dollars 258,402 thousand)	434,541
Lebanese Treasury bills issued for 2 years at zero rate in LBP (Note 5)	164,698
	<b>599,239</b>

#### a- Certificates of deposits at zero rate

According to the Central Bank principal circular # 86 and its amendments, banks operating in Lebanon are required to subscribe in 2 years period zero rate Lebanese treasury bills issued by the Lebanese government, either in Lebanese Pounds or foreign currencies. The subscription amount by each bank should be equivalent to 10% of the deposits' balances in Lebanese Pounds and foreign currencies as of 31 October 2002. The subscribed amounts calculated as per Central Bank Intermediary Circular # 26 and its amendments amounted to LBP 209,698 million and US Dollars 258,402 thousand, equivalent to LBP 599,239 million invested as follows:

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS5 **LEBANESE TRASURY  
BILLS AND OTHER  
GOVERNMENTAL BILLS**

(LBP million)	31.12.03	31.12.02
<b>Treasury Bills (TB's) at amortized cost:</b>		
Originated loans:		
- Zero coupon treasury bills - compulsory reserve	164,698	-
- Treasury bills pledged to the Central Bank in guarantee of soft loans (Note 15)	42,749	131,341
- Special treasury bills - part of compulsory reserve	-	50,900
- Other treasury bills	1,816,226	2,972,872
	<b>2,023,673</b>	<b>3,155,113</b>
- Accrued interest receivable	53,433	92,668
	<b>2,077,106</b>	<b>3,247,781</b>
<b>Treasury bills at fair value:</b>		
- Treasury bills held for trading	3,997	17,086
- Treasury bills available for sale	26,798	35,211
- Accrued interest receivable	683	1,142
	<b>31,478</b>	<b>53,439</b>
<b>Total</b>	<b>2,108,584</b>	<b>3,301,220</b>
<b>Percentage of treasury bills to total assets</b>	<b>23.24%</b>	<b>41.40%</b>
<b>Income for the year:</b>		
- Interest income and amortization of discounts	338,478	361,127
- Net profits or losses from financial operations	20,638	2,504

**Treasury bills pledged  
in guarantee of soft loans**

These treasury bills are pledged in guarantee of soft loans granted to the Bank by the Central Bank following the acquisition of other banks (Note 15). During 2003 pledged treasury bills have decreased for an amount of LBP 88,592 million resulting from the following:

(LBP million)		
- Treasury bills replaced at maturity by CD's amounting to LBP 52 billion (Note 4)	58,964	
- Treasury bills related to a due and settled soft loan	21,342	
- Devaluation in the value of the pledged treasury bills in guarantee of a soft loan amounting to LBP 40 billion.	8,286	
	<b>88,592</b>	

**Valuation of Lebanese treasury bills  
and other governmental bills portfolio:****31 December 2003**

(LBP million)	nominal value	amortized cost	fair value	book value
Originated loans	2,037,507	2,023,673	2,057,049	2,023,673
Held for trading	3,902	3,946	3,997	3,997
Available for sale	25,441	25,217	26,798	26,798
	<b>2,066,850</b>	<b>2,052,836</b>	<b>2,087,844</b>	<b>2,054,468</b>
Accrued interest receivable	54,116	54,116	54,116	54,116
	<b>2,120,966</b>	<b>2,106,952</b>	<b>2,141,960</b>	<b>2,108,584</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 6 BONDS AND FINANCIAL INSTRUMENTS WITH FIXED INCOME

(LBP million)	31.12.03	31.12.02
<b>Bonds at amortized cost:</b>		
- Originated loans	100,167	42,958
- Accrued interest receivable	2,148	1,467
	<b>102,315</b>	<b>44,425</b>
<b>Bonds at fair value:</b>		
- Held for trading	92	164
- Available for sale	13,549	12,382
- Accrued interest receivable	308	365
	<b>13,949</b>	<b>12,911</b>
<b>Total</b>	<b>116,264</b>	<b>57,336</b>
<b>Fair value at year end</b>	<b>118,992</b>	<b>58,153</b>
<b>Income for the year:</b>		
- Interest revenue and amortization of discounts (premiums)	6,612	6,462
- Income from fair value changes and gain on disposal	-	168

The bonds at 31 December 2003 are detailed as follow:

	31.12.2003 (LBP million)	Percentage of shareholders' equity (%)
Bonds issued by Lebanese banks and resident entities	70,088	12
Banks issued by non resident entities	43,721	7
	<b>113,809</b>	<b>19</b>

Valuation of bonds at 31 December 2003

	nominal value	amortized cost	fair value	book value
Originated loans	100,167	100,167	102,895	100,167
Held for trading	92	86	92	92
Available for sale	13,507	13,387	13,549	13,549
	<b>113,766</b>	<b>113,640</b>	<b>116,536</b>	<b>113,808</b>
Accrued interest receivable	2,456	2,456	2,456	2,456
	<b>116,222</b>	<b>116,096</b>	<b>118,992</b>	<b>116,264</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 7 MARKETABLE SECURITIES AND FINANCIAL INSTRUMENTS WITH VARIABLE INCOME

During the year 2003, the Bank acquired for trading purposes 10,000 preferred shares with non cumulative yield of 7.375 % "Natexis Banque Pop. 7.375% undated" at US Dollars 992,5 for each share having a face value of US Dollars 1,000 each, of which 1,000 shares have been sold later during the year. The fair value of the share at year end amounted to US Dollars 1,042.

(LBP million)	31.12.03	31.12.02
<b>Securities at fair value:</b>		
- Held for trading	5,375	5,495
- Available for sale	16,147	1,844
	<b>21,522</b>	<b>7,339</b>
<b>Income for the year:</b>		
- Dividends	836	519
- Income from disposal	35	111
- Fair value changes	681	(448)
	<b>1,552</b>	<b>182</b>

#### 8 BANKS AND FINANCIAL INSTITUTIONS - ASSETS

(LBP million)	31.12.03	31.12.02
<b>Commercial banks:</b>		
- Current accounts	106,148	78,699
- Term deposits	1,476,551	1,438,661
- Checks for collection	3,781	4,948
- Loans	11,864	13,070
- Financial instruments	33,855	9,199
- Accrued interest receivable	518	966
- Doubtful accounts	3,017	2,608
Less: Provision for doubtful accounts	(3,017)	(2,608)
- Blocked deposits for the Ministry of Economy and Trade	5,167	5,163
	<b>1,637,884</b>	<b>1,550,706</b>
<b>Financial institutions:</b>		
- Current accounts	-	39
- Term deposits	-	3,000
<b>Foreign exchange companies:</b>		
- Doubtful accounts	2,259	2,426
Less: Provision for doubtful accounts	(1,564)	(1,728)
	<b>695</b>	<b>3,737</b>
<b>Total</b>	<b>1,638,579</b>	<b>1,554,443</b>
<b>Interest income for the year</b>	<b>20,778</b>	<b>29,701</b>
<b>Percentage of banks and financial institutions balances to total assets</b>	<b>18.06%</b>	<b>19.50%</b>

#### Breakdown by location

(LBP million)	31.12.03	%	31.12.02	%
Lebanon	30,094	2	35,368	2
O.E.C.D. countries	954,334	58	917,420	59
Saudi Arabia	158,844	10	113,716	7
Other countries	115,426	7	119,755	8
Accounts with Byblos Bank Europe	379,881	23	368,184	24
	<b>1,638,579</b>	<b>100</b>	<b>1,554,443</b>	<b>100</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9 LOANS AND ADVANCES TO CUSTOMERS

(LBP million)	31.12.03	31.12.02
Commercial loans	778,495	984,408
Other advances to customers	990,417	784,129
Creditors accidentally debtors	7,310	11,597
Bad and doubtful loans (net)	67,580	74,224
Accrued interest receivable	2,753	2,750
Less: Unearned interest	(20,447)	(27,078)
	<b>1,826,108</b>	<b>1,830,030</b>
<b>Less:</b>		
- General provision for loans and advances	(44,280)	(27,069)
- Provision for country risk	(2,233)	(2,052)
<b>Total</b>	<b>1,779,595</b>	<b>1,800,909</b>
<b>Percentage of loans and advances to total assets</b>	<b>19.62%</b>	<b>22.59%</b>
<b>Bad loans transferred to off balance sheet</b>		
- Amount	55,343	44,101
- Percentage of bad loans to total loans (before considering provisions and unrealized interest)	2.67%	2.14%
- Percentage of bad and doubtful loans to total loans:		
• excluding off balance sheet accounts	13.41%	12.78%
• including off balance sheet accounts	15.67%	14.60%

The classification of loans in accordance with the Central Bank of Lebanon main circular #58:

(LBP million)		31.12.03				Net
		Gross balance	Unrealized interest	Specific provision	General provision	balance
<b>Loans:</b>	- Good	1,337,485	-	-	-	1,337,485
	- Watch	382,965	-	-	-	382,965
		<b>1,720,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,720,450</b>
	- Substandard	76,037	20,265	-	-	55,772
	- Doubtful	197,390	69,354	60,456	-	67,580
	- Bad	78,033	26,986	51,047	-	-
		<b>2,071,910</b>	<b>116,605</b>	<b>111,503</b>	<b>-</b>	<b>1,843,802</b>
<b>Less:</b>	- General provision to be allocated	-	-	-	44,280	44,280
	- Provision for country risk	-	-	-	2,233	2,233
	Accrued interest income	2,753	-	-	-	2,753
	Less: Unearned interest	20,447	-	-	-	20,447
		<b>2,054,216</b>	<b>116,605</b>	<b>111,503</b>	<b>46,513</b>	<b>1,779,595</b>
		<b>31.12.02</b>				
<b>Loans:</b>	- Good	1,097,738	-	-	-	1,097,738
	- Watch	597,191	-	-	-	597,191
		<b>1,694,929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,694,929</b>
	- Substandard	129,370	44,165	-	-	85,205
	- Doubtful	231,986	74,542	83,243	-	74,201
	- Bad	31,817	9,471	22,323	-	23
		<b>2,088,102</b>	<b>128,178</b>	<b>105,566</b>	<b>-</b>	<b>1,854,358</b>
<b>Less:</b>	- General provision to be allocated	-	-	-	27,069	27,069
	- Provision for country risk	-	-	-	2,052	2,052
	Accrued interest income	2,750	-	-	-	2,750
	Less: Unearned interest	27,078	-	-	-	27,078
		<b>2,063,774</b>	<b>128,178</b>	<b>105,566</b>	<b>29,121</b>	<b>1,800,909</b>

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS**9 LOANS AND ADVANCES  
TO CUSTOMERS  
(continued)**

Following is a comparison of loans and advances as at 31 December 2003 and 2002:

(LBP million)	31.12.03	31.12.02
Gross loans and advances	2,071,910	2,088,102
Interest receivable	2,753	2,750
Unearned interest	(20,447)	(27,078)
	<b>2,054,216</b>	<b>2,063,774</b>
<b>Interest in suspense:</b>		
- substandard loans	(20,265)	(44,165)
- doubtful and bad loans	(96,340)	(84,013)
Specific provision on doubtful and bad loans	(111,503)	(105,566)
General provisions	(44,280)	(27,069)
Provision for country risks	(2,233)	(2,052)
	<b>1,779,595</b>	<b>1,800,909</b>

**Breakdown of bad and doubtful loans:****31 December (LBP million)**

	31.12.03	31.12.02
Gross amount of bad and doubtful loans	275,423	263,803
Unrealized interest	(96,340)	(84,013)
Specific provision	(111,503)	(105,566)
	<b>67,580</b>	<b>74,224</b>

The movement of unrealized interest on doubtful and bad loans during the year:

(LBP million)	31.12.03	31.12.02
<b>Balance - beginning of the year</b>	<b>84,013</b>	<b>58,076</b>
Add (less):		
- Unrealized interest during the year (doubtful and bad loans)	29,090	24,789
- Transfer from general provision	-	666
- Transfer from merged banks	-	7,191
- Recovery of unrealized interest	(4,351)	(1,714)
- Transfer from specific provision	194	-
- Unrealized interest written-off	(7,389)	(5,743)
- Transfer from substandard loans	2,396	-
- Transfer to substandard loans	(73)	-
- Transfer to off balance sheet related to bad loans	(8,041)	(970)
- Unrealized interest at Byblos Bank Europe (net)	-	844
- Effect of exchange rates variation	501	874
<b>Balance -end of the year</b>	<b>96,340</b>	<b>84,013</b>
Unrealized interest at year end on substandard loans	20,265	44,165
Total unrealized interest at year end	116,605	128,178

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9 LOANS AND ADVANCES TO CUSTOMERS (continued)

#### The movement of provisions for doubtful and bad loans during the year

(LBP million)	31.12.03	31.12.02
<b>Balance at the beginning of the year</b>	<b>105,566</b>	<b>97,101</b>
Add (less):		
Transfer from general provisions	5,333	-
Provided for during the year	16,471	1,142
Provision transferred from merged bank (ABN)	-	7,257
Provision transferred to interest in suspense	(194)	-
Effect of exchange rates variation	258	451
Provisions on ABN-AMRO Bank (merged bank) retail portfolio transferred to the general provisions (these provisions were included in the specific provisions as of 2002 year end)	(1,113)	-
Provisions used to write off bad loans	(4,420)	(5,149)
Provisions became available	(7,197)	(3,480)
Provisions relating to bad loans transferred to off balance sheet accounts	(3,201)	6,471
General provisions constituted during the year	-	1,773
<b>Balance at the end of the year</b>	<b>111,503</b>	<b>105,566</b>

#### General provision for credit losses

##### 31 December (LBP million)

	31.12.03	31.12.02
Provisions approved by the Banking Control Commission:		
- Personal loans portfolio	20,358	10,602
- To be allocated to specific customers	16,560	6,500
	<b>36,918</b>	<b>17,102</b>
Provisions transferred to the Bank from Bank Beirut Pour le Commerce SAL (merged bank) constituted against shortage in provisions for certain bad loans	-	4,865
Provisions on ABN AMRO Bank (merged bank) retail portfolio (these provisions were included in the specific provisions as of 2002 year end)	1,113	-
Provisions transferred from ABN AMRO Bank to be allocated to clients	80	-
Provisions constituted by Byblos Bank Africa	52	-
Provisions constituted by Byblos Bank Europe SA	6,117	5,102
<b>Total</b>	<b>44,280</b>	<b>27,069</b>

#### Following is the movement of general provisions during 2003:

<b>Balance at 1.1.2003</b>	<b>27,069</b>
Add:	
Provisions constituted during the year to be allocated to respective clients' accounts after approval of the Banking Control Commission	23,352
Provisions transferred from interest revenues on doubtful commercial bills portfolio	3,015
Provision on ABN AMRO Bank (merged bank) retail loan portfolio transferred to the bank's general provisions (these provisions were included in the specific provisions as of 2002 year end)	1,113
Provisions transferred from ABN-AMRO Bank to be allocated to clients	80
Provisions previously transferred from Banque Beirut Pour Le Commerce SAL (merged bank) allocated to off balance sheet accounts relating to bad loans	(4,865)
General provisions carried forward from year 2002 which was allocated to specific clients in 2003	(5,333)
General provisions recovered during 2002	(1,166)
Effect of exchange rates variation	1,015
<b>Balance 31.12.2003</b>	<b>44,280</b>

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS**9 LOANS AND ADVANCES  
TO CUSTOMERS  
(continued)**

**Bad loans transferred to off balance sheet in conformity with Banking Control Commissions circular # 240:**

**Provisions for country risks****(LBP million)**

	<b>31.12.03</b>
<b>Balance at 1.1.2003</b>	<b>2,052</b>
Effect of exchange rates variation	389
Provisions recovered during the year	(208)
<b>Balance 31.12.2003</b>	<b>2,233</b>

**(LBP million)**

	<b>Loans</b>	<b>Specific provision</b>	<b>Unrealized interest</b>	<b>Net balance</b>
<b>Balance at 1.1.2003</b>	<b>44,101</b>	<b>16,189</b>	<b>27,912</b>	<b>-</b>
Transferred during the year	11,242	3,201	8,041	-
<b>Balance at 31.12.2003</b>	<b>55,343</b>	<b>19,390</b>	<b>35,953</b>	<b>-</b>

**10 BANK ACCEPTANCES**

Customers' acceptances represent documentary credits, which the Bank 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 balance sheet for the same amount.

**(LBP million)**

	<b>31.12.03</b>	<b>31.12.02</b>
<b>Letters of credit payable by the Bank on behalf of its customers</b>	<b>123,218</b>	<b>120,582</b>

**11 TANGIBLE FIXED ASSETS****(LBP million)**

	<b>31.12.03</b>	<b>31.12.02</b>
Net book value for tangible fixed assets subject to article 153 of the Code of Money and Credit (a)	114,680	115,470
Net book value for fixed assets acquired in lieu of debts subject to article 154 of the Code of Money and Credit (b)	25,969	23,451
<b>Total</b>	<b>140,649</b>	<b>138,921</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### a) Tangible fixed assets

(LBP million)

	Buildings	Motor vehicles	Furniture & equipment	Deposits	Advance payments	Total
<b>COST</b>						
<b>1 January 2003</b>	<b>96,358</b>	<b>2,383</b>	<b>77,203</b>	<b>184</b>	<b>2,852</b>	<b>178,980</b>
Additions during the year	2,252	108	7,516	10	4,632	14,518
Transfers	-	(588)	2,903	42	(2,357)	-
Disposal of fixed assets						
fully depreciated	-	-	(5,907)	-	-	(5,907)
Disposals	(58)	(155)	(124)	-	-	(337)
Foreign exchange difference	271	-	945	13	-	1,229
Adjustment	-	(28)	-	-	-	(28)
<b>31 December 2003</b>	<b>98,823</b>	<b>1,720</b>	<b>82,536</b>	<b>249</b>	<b>5,127</b>	<b>188,455</b>
<b>DEPRECIATION</b>						
<b>1 January 2003</b>	<b>11,305</b>	<b>1,751</b>	<b>50,454</b>	<b>-</b>	<b>-</b>	<b>63,510</b>
Depreciation during the year	2,484	160	12,915	-	-	15,559
Transfers	-	(550)	550	-	-	-
Disposal of fixed assets						
fully depreciated	-	-	(5,907)	-	-	(5,907)
Disposals	(14)	(155)	(78)	-	-	(247)
Foreign exchange difference	83	-	777	-	-	860
<b>31 December 2003</b>	<b>13,858</b>	<b>1,206</b>	<b>58,711</b>	<b>-</b>	<b>-</b>	<b>73,775</b>
<b>NET BOOK VALUE</b>						
<b>At 31 December 2003</b>	<b>84,965</b>	<b>514</b>	<b>23,825</b>	<b>249</b>	<b>5,127</b>	<b>114,680</b>
<b>At 31 December 2002</b>	<b>85,053</b>	<b>632</b>	<b>26,749</b>	<b>184</b>	<b>2,852</b>	<b>115,470</b>

#### The cost of buildings at 31 December 2003 include the following:

- Valuation difference determined during prior years by an independent valuer and approved by the Central Bank	5,689
- Cost of a property located in Tripoli transferred to the Bank as a result of the merger with Banque Beyrouth pour le Commerce SAL, this property whose net book value was LBP 271 million as of 31 December 2003 has not yet registered in the name of the Bank	384

#### b) Fixed assets acquired in lieu of debt

(LBP million)

	31.12.03	31.12.02
Cost	33,530	27,042
Less: Accumulated depreciation	(7,561)	(3,591)
<b>Net book value</b>	<b>25,969</b>	<b>23,451</b>
<b>Movement during 2003:</b>		
<b>Balance at 1.1.2003</b>	<b>27,043</b>	<b>3,591</b>
Acquired properties during the year	7,515	-
Disposal during the year	(1,028)	(305)
Depreciation charge for the year	-	4,275
<b>Balance at 31.12.2003</b>	<b>33,530</b>	<b>7,561</b>

#### c) Fixed assets sold during year 2003

(LBP million)

	Net Book Value	Sales price
Tangible fixed assets	90	173
Properties acquired in lieu of debt	723	772
	<b>813</b>	<b>945</b>

#### 11 TANGIBLE FIXED ASSETS (continued)

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## 12 OTHER ASSETS

(LBP million)	31.12.03	31.12.02
Miscellaneous assets	829	746
Compulsory (obligatory) financial assets	2,250	-
<b>Total</b>	<b>3,079</b>	<b>746</b>

13 REGULARISATION  
ACCOUNTS AND OTHER  
DEBTOR ACCOUNTS

(LBP million)	31.12.03	31.12.02
Miscellaneous debtors	4,578	33,565
Less: Provision for various debtor balances	(407)	(327)
<b>Net balance</b>	<b>4,171</b>	<b>33,238</b>
Regularisation accounts	13,217	6,745
<b>Total</b>	<b>17,388</b>	<b>39,983</b>
Recovery of provisions	59	-
Provisions constituted	139	-

**The balance at year end is comprised of the following:**

Compensation settled to employees as a result of acquisition of Wedge Bank Middle East SAL to be amortized over a period of eight years starting from the 1st of October 2001 (see note 17)	5,547	5,547
Less: Accumulated amortization of which LBP 695 million represents charge for the year recorded in the income statement under extraordinary expense	(1,560)	(865)
	<b>3,987</b>	<b>4,682</b>
Payments to ABN-Amro Bank against the employees end of service benefits, which was collected during February 2003	-	23,678
Prepaid expenses	1,703	1,834
Regularisation accounts for foreign currencies	-	120
Reconciling items between the head office and the branches	150	841
Credit card invoices reported at year and recorded subsequently to customer accounts	76	1,097
Balance of fraud operation, of which LBP 371 million was collected at the beginning of year 2003	-	523
Cash in the automated teller machines	2,178	131
Interest receivable on subsidized loans	1,081	560
Interest and commissions receivable on retail loans	821	-
Regularisation accounts and other debtor accounts of subsidiaries	6,594	5,714
Other debit balances	798	803
	<b>17,388</b>	<b>39,983</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 14 GOODWILL

(LBP million)	31.12.03	31.12.02
Goodwill arising from the acquisition of banks	15,894	19,813

USD (000)	31.12.2003			31.12.2002		
	Cost	Amortisation	Net book value	Cost	Amortisation	Net book value
Goodwill arising from the acquisition of Wedge Bank Middle East SAL	11,138	10,652	486	11,138	10,567	571
Goodwill arising from the acquisition in 2002 of ABN-AMRO Bank - Lebanon branch	12,572	2,514	10,058	12,572	-	12,572
<b>Total in US Dollars thousand</b>	<b>23,710</b>	<b>13,166</b>	<b>10,544</b>	<b>23,710</b>	<b>10,567</b>	<b>13,143</b>
<b>Total in LBP million</b>	<b>35,743</b>	<b>19,849</b>	<b>15,894</b>	<b>35,743</b>	<b>15,930</b>	<b>19,813</b>

Amortization charge for the year including an amount of LBP 695 million. (2002: LBP 692 million) related to the amortization of end of service benefits paid to terminated employees of Wedge Bank Middle East SAL registered under "Regularization accounts" (Note 13)

	4,624	1,480
--	-------	-------

USD (000)	31.12.03	31.12.02
Difference between acquisition cost (US Dollars 26,730 thousand) and net assets value of the merged bank (US Dollars 15,592 thousand)	11,138	11,138
Less: LBP 14,684 million represents the difference from revaluation at fair value of the soft loan and the corresponding placement in treasury bills *	(9,699)	(9,699)
Goodwill to be amortized on a straight line basis over 8 years	1,439	1,439
Less: Accumulated amortization	(953)	(868)
Balance at the year end to be amortized at yearly installments of US Dollars 85 thousand each	486	571

#### a) Goodwill arising from the acquisition of Wedge Bank Middle East SAL

\* A soft loan amounting to LBP 40,000 million has been granted to the Bank by the Central Bank of Lebanon subsequent to the merger of Wedge Bank Middle East. The proceed of this loan was mandatory placed in Lebanese treasury bills.

#### b) Goodwill arising from the acquisition of ABN-Amro Bank - Lebanon Branch

USD (000)	31.12.03	31.12.02
Difference between acquisition cost (US Dollars 36,000 thousand) and net assets value (US Dollars 23,428 thousand) to be amortized on a straight line basis over 5 years	12,572	12,572
Less: Accumulated amortization	(2,514)	-
Balance at the year end to be amortized at yearly installment of US Dollars 2,514 thousand each	10,058	12,572

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15 DUE TO CENTRAL BANK

Soft loans following mergers with other banks.

(LBP million)	31.12.03	31.12.02
a- Loan granted to Byblos Bank SAL maturing on 15 November 2009 following the merger with Wedge Bank Middle East SAL	40,000	40,000
Less:		
- Difference from valuation at net present value of the soft loan and the treasury bills financed by the soft loan amortised on a straight line basis over the remaining period of the loan (81 months) with a monthly installment of LBP 165 million	(11,380)	(13,364)
	<b>28,620</b>	<b>26,636</b>
b- Loan granted to Banque Beyrouth Pour le Commerce SAL following the acquisition of Security Bank of Lebanon, maturing and settled on 15 September 2003	-	19,000
c- Loan granted to Byblos Bank S.A.L. following the merger with Banque Beyrouth pour le Commerce SAL, maturing on 28 May 2006	52,000	52,000
	<b>80,620</b>	<b>97,636</b>
Other loans	-	1,187
<b>Total</b>	<b>80,620</b>	<b>98,823</b>
<b>Interest expense:</b>		
- Loans interest expense	5,269	8,009
- Amortization of the difference from valuing the soft loan and the corresponding treasury bills	1,984	1,320
	<b>7,253</b>	<b>9,329</b>
<b>The above loans are secured by the following:</b>		
Certificates of deposits issued by the Central Bank (Note 4)	52,000	-
Lebanese treasury bills (Note 5)	42,749	131,341
	<b>94,749</b>	<b>131,341</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 16 BANKS AND FINANCIAL INSTITUTIONS - CREDIT BALANCES

(LBP million)	31.12.03	31.12.02		
<b>Commercial banks:</b>				
Current accounts	108,518	127,536		
Term deposits	163,656	194,767		
<b>Medium term loans:</b>				
Loan balance	55,236	-		
Less: Difference on valuation amortized over loan period	(1,248)	-		
	<b>326,162</b>	<b>322,303</b>		
Other loans	-	5,199		
Accrued interest payable	276	289		
	<b>326,438</b>	<b>327,791</b>		
<b>Financial institutions:</b>				
Term loans	147,228	148,561		
Accrued interest payable	1,430	1,085		
Less: Cost to be amortized	(949)	(1,185)		
	<b>147,709</b>	<b>148,461</b>		
<b>Foreign exchange companies:</b>				
Current accounts	293	244		
<b>Total</b>	<b>474,440</b>	<b>476,496</b>		
Interest and similar expenses for the year	10,889	14,304		
<b>Breakdown according to geographic area:</b>				
	<b>31.12.03</b>	<b>%</b>	<b>31.12.02</b>	<b>%</b>
O.C.D.E countries	176,943	37	153,681	32
Lebanese banks	21,517	5	50,113	11
Non-resident banks	23,187	5	22,619	5
Arab trade finance program	28,694	6	26,588	5
<b>Total</b>	<b>250,341</b>	<b>53</b>	<b>253,001</b>	<b>53</b>
Byblos Bank Europe SA	224,099	47	223,495	47
	<b>474,440</b>	<b>100</b>	<b>476,496</b>	<b>100</b>

NOTES TO THE  
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DEPOSITS FROM  
CUSTOMERS

(LBP million)	31.12.03	31.12.02
Current accounts	776,893	603,248
Term deposits	1,798,747	1,420,350
<b>Saving accounts:</b>		
- sight	69,486	146,321
- Term	4,662,197	4,184,679
	<b>7,307,323</b>	<b>6,354,598</b>
Blocked deposits	-	23,274
Related party deposits	57,588	41,290
Accrued interest payable	55,090	63,114
<b>Total</b>	<b>7,420,001</b>	<b>6,482,276</b>
Percentage of deposits to total balance sheet at year end	81.81%	81.32%

## Blocked deposits

## 31 December 2003 (LBP million)

## Blocked deposits at 31 December 2002 represent the following:

Blocked deposits amounting to US Dollars 6 million received from the shareholders of Banque Beyrouth Pour le Commerce SAL (merged bank) in guarantee of impaired assets, in addition to interest computed according to the Central Bank's interbank interest rates:

- Blocked deposits	9,045
- Accrued interest payable	2,070
	<b>11,115</b>

- Blocked deposit from the shareholders of Security Bank of Lebanon SAL previously merged

to Banque Beyrouth Pour le Commerce SAL against doubtful loans transferred from the former to the latter	12,159
	<b>23,274</b>

## During 2003, blocked deposits were allocated as follows:

- Deposits used to write off doubtful client accounts transferred from Banque Beyrouth pour le Commerce SAL and Security Bank of Lebanon SAL	21,204
- Account allocated to the shareholders of Banque Beyrouth Pour le Commerce SAL	2,070
	<b>23,274</b>

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LIABILITIES UNDER  
FINANCIAL  
INSTRUMENTS

USD (000)	31.12.03	31.12.02
<b>Certificates of deposits issued by the Bank (CDs)</b>		
- CDs issued in US Dollar at nominal value:		
- two year CDs @ Libor plus 1.5%	-	3,000
- two year CDs @ 7.15% interest rate	-	5,000
	-	8,000
Interest accrued till the end of the year	-	164
	-	8,164
<b>Total CDs in US Dollars thousand</b>	-	<b>8,164</b>
<b>Total in LBP million</b>	-	<b>12,308</b>
<b>Expense for the year:</b>		
Interest	102	6,922
Amortisation of discount and issuance cost	-	218
<b>Total in LBP million</b>	<b>102</b>	<b>7,140</b>

During 2003, all certificates of deposits matured and were settled on due dates.

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(LBP million)	31.12.03	31.12.02
National social security fund	795	1,252
Payable to public sector	15,885	16,082
Other creditors	26,537	26,026
Due to shareholders	271	188
Margins against documentary credits	66,418	55,609
Other accounts	1,359	-
	<b>111,265</b>	<b>99,157</b>
<b>Public Sector</b>	<b>31.12.03</b>	<b>31.12.02</b>
<b>Taxes payable:</b>		
- Income tax	12,738	14,661
- Tax on salaries	744	1,025
- Tax on board of directors' attendance fees	29	26
- Tax on interest	1,723	-
- Value added tax	111	-
- Other taxes	540	370
	<b>15,885</b>	<b>16,082</b>
<b>Income tax paid during the year:</b>		
- On last year profit	13,186	13,125
- Prior years adjustment	501	725
- Advance payment on taxes of Cyprus branch profits	68	-
	<b>13,755</b>	<b>13,850</b>
<b>Income tax expense for the year</b>	<b>12,232</b>	<b>15,175</b>

#### 19 OTHER LIABILITIES

(LBP million)	31.12.03	31.12.02
Unearned interests and commissions	828	880
Accrued charges	6,138	5,343
Technical reserves for insurance companies	7,914	5,630
Accruals transferred from ABN-AMRO Bank merged in 2002	-	2,593
Regularization accounts for foreign currencies	1,993	1,808
Outstanding forward foreign exchange transactions	-	445
Reconciling items between the head office and the branches	969	2,561
<b>Total</b>	<b>17,842</b>	<b>19,260</b>

#### 20 REGULARISATION ACCOUNTS AND OTHER CREDITOR ACCOUNTS

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**PROVISIONS FOR RISKS  
AND CHARGES****Public Sector****31 December (LBP million)**

	<b>31.12.03</b>	<b>31.12.02</b>
Provision for foreign currency fluctuation	264	264
Employees end of service benefits	14,236	15,451
Provision for contingencies	603	-
<b>Total</b>	<b>15,103</b>	<b>15,715</b>

**a. Provision for foreign currency fluctuation**

According to the Central Bank resolutions No 7781 dated 14/3/2001, the net trading position should not exceed 1% of the Bank's Tier I capital. In addition, the Bank should setup a provision to cover the potential loss on the net trading position calculated at 5% of the net trading foreign exchange position.

**b. Employees end of service benefits**

During 2003, a provision of LBP 1,563 million was constituted against employees end of service benefits and accounted for under salaries and related expenses caption. The end of service benefits paid during the year amounted to LBP 2,846 million. The effect of exchange variations on the provisions in foreign currencies amounted to LBP 68 million.

**c. Provision for contingencies**

The provision for contingencies as of 31 December 2003 represents the provision set up by the Bank against potential customer claims in connection with a fraud committed at one of the branches. This provision was accounted for in the statement of income under extraordinary expenses.

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 22 SUBORDINATED LOANS

USD (000)	31.12.03	31.12.02
<b>Term loans:</b>		
US Dollars 10 million loan from Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. (FMO) bearing interest rate of LIBOR+3.75% payable semi annually. The first installment payable on 15 September 2001 for US Dollars 3,000,000 the second for US Dollars 800,000, the remaining 8 installments with equal amounts of US Dollars 775,000 each	3,875	5,425
Add: Interest payable accrued at year end	57	116
Less: "Front end fee" on FMO loan amortised till maturity on straight line basis	(22)	(32)
	<b>3,910</b>	<b>5,509</b>
<b>Subordinated participating notes issued on 1.7.2002 and due on 30.6.2012</b>		
100,000 notes of US Dollars 1,000 each with an annual yield not to exceed 15% of the principal amount of the note detailed as follows:	100,000	100,000
- Annual yield of 9% computed and paid quarterly, starting 1st July 2002.		
- 5% of the Bank's net income, after adding the provision constituted to settle this balance and deducting taxes		
Less: "Front end fee" amounting to US Dollars 836 thousand amortized till maturity on straight line basis	(716)	(796)
Add: Accrued interest payable	1,153	1,125
	<b>100,437</b>	<b>100,329</b>
<b>Total in US Dollars thousand</b>	<b>104,347</b>	<b>105,838</b>
<b>Total in LBP million</b>	<b>157,303</b>	<b>159,551</b>

(LBP million)	31.12.03	31.12.02
<b>Loan charges in LBP million:</b>		
- Interest: US Dollars 11,576 thousand (2002: US Dollars 5,984 thousand) classified under interest expense	17,350	9,114
- Amortization of Front end fee: US Dollars 90,000 (2002: US Dollars 50,000) classified under commissions paid	139	75
<b>Total loan charges: US Dollars 11,666 thousands (2002: US Dollars 6,034 thousand)</b>	<b>17,489</b>	<b>9,189</b>

#### Subordinated participating notes

- These notes are classified under Tier II capital provided that the Bank publishes semi-annual financial statements.

- The earnings based on net profits are paid annually on a date similar to the issuance date, which is 1 July of every year effective 2003 and is recorded to the beneficiaries accounts as at 31 December 2003.

## financial report

NOTES TO THE  
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ACCEPTED IN THE  
SUPPLEMENTARY CAPITAL

(LBP million)	31.12.03	31.12.02
Variance resulting from the revaluation in 1996 of the Bank's owned real estate according to law 282 dated 30.12.1993	6,288	6,288
Less: Decrease of the revalued asset	(599)	(599)
<b>Net revaluation variance</b>	<b>5,689</b>	<b>5,689</b>

## 24 SHARE CAPITAL

(LBP million)	31.12.03		31.12.02	
	No of Shares	LBP million	No of Shares	LBP million
<b>Issued shares</b>				
Ordinary shares	205,023,723	246,028	205,023,723	246,028
Preferred shares	1,000,000	1,200	-	-
	<b>206,023,723</b>	<b>247,228</b>	<b>205,023,723</b>	<b>246,028</b>

The capital of the Bank is divided into 206,023,723 shares of LBP 1,200 each fully paid of which one third listed at Beirut stock exchange. 1,000,000 preferred shares were issued in the first half of 2003 according to law 308 dated 3 April 2001 at "nominal value" amounting to LBP 1,200 million and a premium of US Dollars 99,204 thousand equivalent to LBP 149,550 million recorded under "Reserves, premiums and equity differences" account.

25 RESERVE FOR GENERAL  
BANKING RISKS

(LBP million)	31.12.03	31.12.02
<b>Reserve in compliance with Central Bank main circular # 50</b>	<b>26,243</b>	<b>20,243</b>

This reserve represents the appropriation for risk weighted assets and off balance sheet items constituted in LBP and foreign currencies in accordance with the Central Bank main circular # 44 and its amendments. The consolidated ratio should not be less than 1.25% of these risks at 31 December 2007 and 2% at 31 December 2017.

The appropriation from the profits of the year 2002 amounted to LBP 740 million and US Dollars 3,489 thousand (C/V LBP 6,000 million).

26 RESERVES, PREMIUMS AND  
EQUITY DIFFERENCES

(LBP million)	31.12.03			31.12.02		
	Group share	Minority interest share	Total	Group share	Minority interest share	Total
Legal reserve	49.356	558	49.914	42.389	466	42.855
Reserve for increase of capital	13.118	-	13.118	11.600	-	11.600
General reserve	88.533	2.476	91.009	83.587	2.189	85.776
Premium (Note 24)	149.550	-	149.550	-	-	-
	<b>300.557</b>	<b>3.034</b>	<b>303.591</b>	<b>137.576</b>	<b>2.655</b>	<b>140.231</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 27 CONSOLIDATION DIFFERENCES

(LBP million)	31.12.03	31.12.02
Differences arising from revaluation of structural foreign exchange position approved by the Central Bank	5,428	3,724
Differences arising from the consolidation of subsidiaries	(860)	(266)
	<b>4,568</b>	<b>3,458</b>

#### a- Differences arising from revaluation of structural foreign exchange position approved by the Central Bank

(LBP million)	31.12.03		31.12.02	
	Equivalent to LBP million	Foreign currencies K unit	Equivalent to LBP million	Foreign currencies K unit
Position at closing rates:				
- Euro	41,109	21,814	34,280	21,814
- Dollar	30,159	20,006	150,005	99,506
	<b>71,268</b>		<b>184,285</b>	
Position at historical cost:				
- Euro	35,560		35,560	
- Dollar	30,280		145,001	
	<b>65,840</b>		<b>180,561</b>	
<b>Positive difference</b>	<b>5,428</b>		<b>3,724</b>	

During 2003, the Bank sold an amount of US Dollars 99,500 thousand from its structural position at LBP 1,512.50 for each US Dollar. The positive exchange difference resulting from this transaction amounting to LBP 5,492 million has been recorded in the statement of income. This profit will be appropriated to "Reserve for increase of capital" upon the appropriation of 2003 profits.

The Central Bank approved the liquidation of the structural position provided that the Bank shall subscribe in 3-year certificates of deposits for an equivalent amount, and that the structural position shall be re-constituted within a period not exceeding the end of 2004 provided that the total structural position shall not exceed at any time 60% of Tier I capital issued in LBP.

During 2003, the Bank reconstituted a structural foreign exchange position amounting to US Dollars 20,000 thousand at the rate LBP 1,514 for each US Dollar.

#### b- Differences arising from consolidation of subsidiaries

(LBP million)	31.12.03	31.12.02
Bank's share in the equity of the consolidated subsidiaries	92,500	54,668
Less: Cost of investment in the consolidated subsidiaries	(68,681)	(35,092)
<b>Difference of consolidation</b>	<b>23,819</b>	<b>19,576</b>
This difference is registered in shareholders' equity under the following accounts:		
- Reserves and premiums	20,413	14,786
- Retained earnings	992	1,374
- Profit for the year	1,531	2,636
- Cumulative change in fair values	1,743	1,046
	<b>24,679</b>	<b>19,842</b>
<b>Consolidation differences of subsidiaries</b>	<b>(860)</b>	<b>(266)</b>

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## 28 MINORITY SHARE

(LBP million)	31.12.03	31.12.02
<b>Minority share in subsidiaries:</b>		
- Capital	8,178	1,819
- Reserves, premiums and equity differences	3,034	2,655
- Profit for the year	659	920
- Retained earnings	3	1
	<b>11,874</b>	<b>5,395</b>

29 CASH AND  
CASH EQUIVALENTS

(LBP million)	31.12.03	31.12.02
Cash and balances with the Central Bank	729,916	382,798
Placements with banks and other financial institutions	1,617,290	1,530,703
	<b>2,347,206</b>	<b>1,913,501</b>
Less: Due to banks and other financial institutions	(395,091)	(335,332)
<b>Cash and cash equivalents at year end</b>	<b>1,952,115</b>	<b>1,578,169</b>

30 NET INCOME  
FOR THE YEAR

The statement of income for 2003 and 2002, including minority interest, is summarized as follows:

(LBP million)	Increase (decrease)	31.12.03	31.12.02
Interest and similar income	57,484	626,677	569,193
Interest and similar charges	(38,660)	(444,368)	(405,708)
Net provisions less recoveries	(26,081)	(32,644)	(6,563)
<b>Net interest received</b>	<b>(7,257)</b>	<b>149,665</b>	<b>156,922</b>
Revenues from financial instruments with variable income	1,370	1,552	182
Net commissions income	3,103	34,177	31,074
Net profit or loss from financial operations	23,131	31,251	8,120
Other operating income	159	1,174	1,015
General and administrative expenses	(8,161)	(108,311)	(100,150)
Depreciation and amortisation	(9,159)	(24,458)	(15,299)
<b>Net results for the year before income tax</b>	<b>3,186</b>	<b>85,050</b>	<b>81,864</b>
Net extraordinary results before taxes (losses)	(2,544)	(2,826)	(282)
Income tax	2,843	(12,332)	(15,175)
<b>Net result for the year</b>	<b>3,485</b>	<b>69,892</b>	<b>66,407</b>
Minority share		(659)	(920)
<b>Group share</b>		<b>69,233</b>	<b>65,487</b>

Significant changes between 2003 and 2002 in interest income and charges, commissions and operating expenses, resulted from the acquisition of Lebanon branch of ABN - Amro Bank at the end of the year 2002.

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### a. Net provisions for doubtful loans

(LBP million)

	31.12.03	31.12.02
Provisions set up during the year	39,823	9,067
Bad debt written off	1,392	1,145
	<b>41,215</b>	<b>10,212</b>
<b>Provision written back during the year:</b>		
- Loans recovered or upgraded	(7,197)	(3,428)
- Excess general provisions brought forward from prior year	(1,166)	-
- Provision for country risk	(208)	(221)
	<b>32,644</b>	<b>6,563</b>

#### b. Net profit from financial operations

(LBP million)

	31.12.03	31.12.02
<b>Net profit from transactions:</b>		
- in treasury bills (Note 5)	20,638	2,504
- in bonds (Note 6)	-	168
	<b>20,638</b>	<b>2,672</b>
Positive difference of exchange	10,613	5,448
	<b>31,251</b>	<b>8,120</b>

#### c. Salaries and employees benefits

(LBP million)

	31.12.03	31.12.02
Salaries and wages	49,764	46,273
Contributions to national social security fund	6,121	5,540
Provision for end of services benefits (Note 21)	1,563	1,028
	<b>57,448</b>	<b>52,841</b>
Byblos Bank Africa	140	-
Byblos bank Europe SA	7,723	6,403
Insurance Company	1,660	1,457
	<b>66,971</b>	<b>60,701</b>

#### d. General operating expenses

(LBP million)

	31.12.03	31.12.02
Tax on banking interest revenues	2,062	-
Service fees paid to ABN-AMRO Bank	1,328	-
Taxes and duties	1,585	642
Contribution to the insurance of deposits funds	3,127	2,692
Rents and building services	2,255	1,505
Consulting fees	2,524	2,411
Telecommunications and postage	2,718	2,807
Board of directors' attendance fees	278	240
Maintenance	5,756	4,413
Electricity and fuel	2,825	2,174
Traveling	1,455	1,565
Publicity and advertising	3,811	4,788
Stationary and printings	220	676
Subscriptions	1,369	1,830
Bonus	2,557	5,486
Legal expenses	1,620	1,884
Other expenses	5,850	6,336
	<b>41,340</b>	<b>39,449</b>

### 30 NET INCOME FOR THE YEAR (continued)

NOTES TO THE  
CONSOLIDATED  
FINANCIAL STATEMENTS30 NET INCOME  
FOR THE YEAR  
(continued)

## e. Depreciation and amortization

(LBP million)

	31.12.03	31.12.02
Depreciation of tangible fixed assets (Note 11)	15,559	13,138
Depreciation of fixed assets acquired in lieu of debts (Note 11)	4,275	681
Amortization of goodwill and deferred charges (Note 14)	4,624	1,480
	<b>24,458</b>	<b>15,299</b>

31 EARNINGS  
PER SHARE

(LBP million)

	31.12.03	31.12.02
Profit for the year (net of minority share)	69,233	65,487
Weighted average number of shares	205,523,723	205,023,723
Earnings per share in LBP	337LBP	319LBP

The earnings per share will be reduced to LBP 248 in case we exclude the distribution related to the preferred shares amounting to LBP 18,168 million.

32 RELATED PARTY  
TRANSACTIONS

The Bank enters in the ordinary course of business into transactions with related parties (directors, companies having common directors with the Bank, and financial institutions which are affiliates and subsidiaries). The terms and conditions of these transactions were approved by the Bank's management. The year end debit and credit balances in respect of related parties as of 31 December 2003 and 2002, as well as interest income and expense for the years 2003 and 2002 are as follows:

(LBP million)

	31.12.03	31.12.02
Loans and advances (net of provisions)	1,985	1,985
Deposits	85,962	40,537
Blocked deposits in guarantee of indirect facilities of US Dollars 500 thousand	754	754
Interest income on loans	36	37
Interest expense and deposits	3,378	2,137

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances that are designed to meet the requirements of the Bank's customers. Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Letters of credit, guarantees (including standby letter of credit) and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. The Bank has the following credit related commitments:

(LBP million)	31.12.03	31.12.02
<b>Commitments given:</b>		
- Guarantees	360,101	354,177
- Letters of credit - export	33,499	11,653
	<b>393,600</b>	<b>365,830</b>
<b>Financing commitments given:</b>		
- Letters of credit - import	227,452	206,792
<b>Acceptances (registered on balance sheet)</b>	<b>123,218</b>	<b>120,582</b>

#### Derivative product types

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. Swaps are contractual agreements between two parties to exchange interest of foreign currency differentials based on a specific notional amount. For currency swaps, fixed or floating interest payments as well as notional amounts are exchanged in different currencies.

#### Derivative related 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 Bank.

#### Derivatives held or issued for hedging purposes

As part of its asset and liability management the Bank uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures. The Bank uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Bank uses interest rate swaps, interest rate futures and options to hedge against the changes in fair value arising from certain fixed interest rate loans. The Bank also uses interest rate swaps as cash flow hedges against the interest rate risks arising on certain floating rate loans. For interest rate risk strategic hedging is carried out by monitoring the repricing of financial assets and liabilities and entering into interest rate swaps, futures and options to hedge a proportion of the interest rate exposure. As strategic hedging does not qualify for special hedge accounting related derivatives are accounted for as trading instruments.

### 33 COMMITMENTS AND CONTINGENT

### 34 DERIVATIVES

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards, futures, swaps and options.

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**35** **SEGMENTAL  
INFORMATION**

The Bank operates in two geographic markets: Lebanon which is designated as domestic, and the rest of Middle East, Europe, the Far East and the USA are designated as international. The table below indicates the distribution of the Bank's total assets and liabilities by geographical segment:

(LBP million)	31.12.03		
	Assets	Liabilities	Off balance sheet
<b>Geographical segment:</b>			
- Lebanon	7,126,312	7,904,556	309,315
- Europe	967,012	577,852	196,058
- Other countries	976,895	587,811	66,846
	<b>9,070,219</b>	<b>9,070,219</b>	<b>572,219</b>

**36** **INTEREST RATE RISK  
AND MARKET RISK**

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The Bank has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Assets and liabilities are repriced within one year. Accordingly, exposure to interest rate risk is limited.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The financial instrument's effective interest rate risk denominated in Lebanese Pounds and foreign currencies is as follows:

	31.12.03		31.12.02	
	Denominated in LBP	Denominated in foreign currencies	Denominated in LBP	Denominated in foreign currencies
	%	%	%	%
<b>ASSETS</b>				
Balances with Central Bank	5.77	4.75	2.83	7.94
Placement with banks and other financial institutions	2.49	1.57	5.64	2.24
Lebanese Treasury bills and other governmental bills	14.60	8.69	14.53	8.53
Bonds and other financial instruments with fixed income	-	8.67	-	9.79
Loans and advances to customers	9.54	8.26	14.66	8.68
<b>LIABILITIES</b>				
Due to Central Bank	7.30	6.10	8.30	7.54
Due to banks and other financial institutions	3.66	2.55	4.83	3.33
Customers' deposits	8.65	4.11	10.59	4.71
Long term debts (bonds)	-	11.00	-	10.68
Certificates of deposits	-	5.68	-	8.40

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 36 INTEREST RATE RISK AND MARKET RISK (continued)

##### Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The board of directors has set limits on the value of risk that may be accepted. This is monitored on a weekly basis by the asset and liability committee.

The Bank's interest sensitivity position based on contractual repricing arrangements at 31 December 2003 was as follows (Amounts in LBP million):

#### 31 December 2003

(LBP million)

	Non interest bearing items	Up to 1 mth	1 to 3 mths	3 mths to 1 year	1 to 5 years	over 5 years	Total
<b>ASSETS</b>							
Cash & Central Banks	954,789	209,668	-	628,399	1,311,731	-	3,104,587
Lebanese Treasury bills & other government bills	218,814	104,139	78,098	849,273	785,368	72,892	2,108,584
Bonds & financial instruments with fixed income	2,456	159	-	-	69,699	43,950	116,264
Marketable securities & financial instruments with variable income	21,522	-	-	-	-	-	21,522
Banks & financial institutions	518	1,102,741	514,031	16,122	-	5,167	1,638,579
Loans & advances to customers	2,753	1,138,053	130,636	70,236	243,317	194,600	1,779,595
Bank acceptances	-	111,039	6,557	5,622	-	-	123,218
Tangible fixed assets	140,649	-	-	-	-	-	140,649
Sundry debtors	3,079	-	-	-	-	-	3,079
Regularisation accounts & other miscellaneous accounts	17,388	-	-	-	-	-	17,388
Goodwill	15,894	-	-	-	-	-	15,894
<b>Total assets</b>	<b>1,377,862</b>	<b>2,665,799</b>	<b>729,322</b>	<b>1,569,652</b>	<b>2,410,115</b>	<b>316,609</b>	<b>9,069,359</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>							
Central Bank	-	4	-	-	52,000	28,616	80,620
Banks & other financial institutions	491	88,157	162,443	160,070	57,367	5,912	474,440
Deposits from customers	55,090	4,962,950	1,530,035	702,367	168,051	1,508	7,420,001
Engagement by acceptances	-	110,939	6,657	5,622	-	-	123,218
Liabilities under financial instruments	-	-	-	-	-	-	-
Other liabilities	111,265	-	-	-	-	-	111,265
Regularisation accounts & other creditor accounts	17,842	-	-	-	-	-	17,842
Provisions for risks & charges	15,103	-	-	-	-	-	15,103
Subordinated loans	711	-	2,430	1,169	3,613	149,380	157,303
Total shareholders' equity	669,567	-	-	-	-	-	669,567
<b>Total liabilities &amp; shareholders' equity</b>	<b>870,069</b>	<b>5,162,050</b>	<b>1,701,565</b>	<b>869,228</b>	<b>281,031</b>	<b>185,416</b>	<b>9,069,359</b>

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**INTEREST RATE RISK  
AND MARKET RISK  
(continued)**

**Market risk - (continued)**

The Bank's interest sensitivity position based on contractual re-pricing arrangements at 31 December 2002 was as follows (Amounts in LBP million):

**31 December 2002**

(LBP million)

	Non interest bearing items	Up to 1 mth	1 to 3 mths	3 mths to 1 year	1 to 5 years	over 5 years	Total
<b>ASSETS</b>							
Cash & Central Banks	268,015	99,707	15,076	-	547,325	-	930,123
Lebanese Treasury bills & other government bills	93,810	-	-	1,293,003	1,715,209	199,198	3,301,220
Bonds & financial instruments with fixed income	1,832	1,411	-	-	40,530	13,563	57,336
Marketable securities & financial instruments with variable income	7,339	-	-	-	-	-	7,339
Banks & financial institutions	966	1,099,578	430,159	5,238	13,339	5,163	1,554,443
Loans & advances to customers	2,750	1,189,161	118,985	126,873	215,818	147,322	1,800,909
Bank acceptances	-	81,510	12,339	26,683	50	-	120,582
Tangible fixed assets	138,921	-	-	-	-	-	138,921
Sundry debtors	746	-	-	-	-	-	746
Regularisation accounts & other miscellaneous accounts	39,983	-	-	-	-	-	39,983
Goodwill	19,813	-	-	-	-	-	19,813
<b>Total assets</b>	<b>574,175</b>	<b>2,471,367</b>	<b>576,559</b>	<b>1,451,797</b>	<b>2,532,271</b>	<b>365,246</b>	<b>7,971,415</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>							
Central Bank	-	1,186	-	19,004	38,283	40,350	98,823
Banks & other financial institutions	189	149,394	185,749	31,261	85,943	23,960	476,496
Deposits from customers	63,114	4,162,039	1,274,959	670,808	311,356	-	6,482,276
Engagement by acceptances	-	81,510	12,339	26,683	50	-	120,582
Liabilities under financial instruments	248	-	7,290	4,770	-	-	12,308
Other liabilities	99,157	-	-	-	-	-	99,157
Regularisation accounts & other creditor accounts	19,260	-	-	-	-	-	19,260
Provisions for risks and charges	15,715	-	-	-	-	-	15,715
Subordinated loans	623	-	1,168	1,168	5,842	150,750	159,551
Total shareholders' equity	487,247	-	-	-	-	-	487,247
<b>Total liabilities &amp; shareholders' equity</b>	<b>685,553</b>	<b>4,394,129</b>	<b>1,481,505</b>	<b>753,694</b>	<b>441,474</b>	<b>215,060</b>	<b>7,971,415</b>

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2003

(LBP million)

	Up to 1 mth	1 to 3 mths	3 mths to 1 year	1 to 5 years	over 5 years	Total
<b>ASSETS</b>						
Cash and Central Banks	729,916	-	628,399	1,746,272	-	3,104,587
Lebanese Treasury bills and other government bills	104,139	254,163	849,273	828,117	72,892	2,108,584
Bonds and financial instruments with fixed income	2,616	-	-	69,698	43,950	116,264
Marketable securities and financial instruments with variable income	21,522	-	-	-	-	21,522
Banks and financial institutions	1,103,259	514,031	16,122	-	5,167	1,638,579
Loans and advances to customers	1,140,806	130,636	70,236	243,317	194,600	1,779,595
Bank acceptances	110,939	6,657	5,622	-	-	123,218
Tangible fixed assets	-	-	-	-	140,649	140,649
Sundry debtors	2,191	-	-	547	341	3,079
Regularisation accounts and other miscellaneous accounts	11,465	664	4,433	805	21	17,388
Goodwill	326	652	2,934	11,982	-	15,894
<b>Total assets</b>	<b>3,227,179</b>	<b>906,803</b>	<b>1,577,019</b>	<b>2,900,738</b>	<b>457,620</b>	<b>9,069,359</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
Central Bank	-	-	-	52,000	28,620	80,620
Banks and other financial institutions	232,648	162,443	16,070	57,367	5,912	474,440
Deposits from customers	5,018,039	1,530,035	702,367	168,051	1,509	7,420,001
Engagement by acceptances	110,939	6,657	5,622	-	-	123,218
Liabilities under financial instruments	-	-	-	-	-	-
Other liabilities	94,935	-	15,113	-	1,217	111,265
Regularisation accounts and other creditor accounts	15,140	200	2,502	-	-	17,842
Provisions for risks and charges	196	-	603	14,104	200	15,103
Subordinated loans	-	3,141	1,169	3,613	149,380	157,303
Total shareholders' equity	-	-	52,040	-	617,527	669,567
<b>Total liabilities &amp; shareholders' equity</b>	<b>5,471,897</b>	<b>1,702,476</b>	<b>795,486</b>	<b>295,135</b>	<b>804,365</b>	<b>9,069,359</b>
On balance sheet gap	(2,244,718)	(795,673)	781,533	2,605,603	(346,745)	-
Cumulative gap	(2,244,718)	(3,040,391)	(2,258,858)	346,745	-	-

### 37 LIQUIDITY RISK

#### Market risk

Liquidity risk is the risk that the Bank will be unable to meet its net liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table on the left summarises the maturity profile of the Bank's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the assets and liabilities at the year end are based on contractual repayment arrangement.

The maturity profile of the assets and liabilities at 31 December 2003 was as follows (Amounts in LBP million):

NOTES TO THE  
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**LIQUIDITY RISK**  
**(continued)**

The maturity profile of the assets and liabilities at 31 December 2002 were as follows (Amounts in LBP million):

**31 December 2002**

**(LBP million)**

	<b>Up to 1 mth</b>	<b>1 to 3 mths</b>	<b>3 mths to 1 year</b>	<b>1 to 5 years</b>	<b>over 5 years</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and Central Banks	367,722	15,076	-	547,325	-	930,123
Lebanese Treasury bills and other government bills	75,537	12,044	1,298,660	1,715,781	199,198	3,301,220
Bonds and financial instruments with fixed income	1,775	-	-	41,998	13,563	57,336
Marketable securities and financial instruments with variable income	-	-	-	7,339	-	7,339
Banks and financial institutions	1,100,544	430,159	5,238	13,339	5,163	1,554,443
Loans and advances to customers	1,191,750	119,146	126,873	215,818	147,322	1,800,909
Bank acceptances	81,510	12,339	26,683	50	-	120,582
Tangible fixed assets	-	-	-	-	138,921	138,921
Sundry debtors	-	-	-	-	746	746
Regularisation accounts and other miscellaneous accounts	39,983	-	-	-	-	39,983
Goodwill	326	652	2,934	15,901	-	19,813
<b>Total assets</b>	<b>2,859,147</b>	<b>589,416</b>	<b>1,460,388</b>	<b>2,557,551</b>	<b>504,913</b>	<b>7,971,415</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
Central Bank	1,186	-	19,004	38,283	40,350	98,823
Banks and other financial institutions	149,583	185,749	31,261	85,943	23,960	476,496
Deposits from customers	4,222,715	1,274,959	670,808	311,356	2,438	6,482,276
Engagement by acceptances	81,510	12,339	26,683	50	-	120,582
Liabilities under financial instruments	-	4,980	4,770	-	2,558	12,308
Other liabilities	97,502	-	-	-	1,655	99,157
Regularisation accounts and other creditor accounts	16,899	-	2,361	-	-	19,260
Provisions for risks and charges	-	-	-	15,715	-	15,715
Subordinated loans	-	1,791	1,168	5,842	150,750	159,551
Total shareholders' equity	-	-	50,696	-	436,551	487,247
<b>Total liabilities &amp; shareholders' equity</b>	<b>4,569,395</b>	<b>1,479,818</b>	<b>806,751</b>	<b>457,189</b>	<b>658,262</b>	<b>7,971,415</b>
On balance sheet gap	(1,710,248)	(890,402)	653,637	2,100,362	(153,349)	-
Cumulative gap	(1,710,248)	(2,600,650)	(1,947,013)	153,349	-	-

# Byblos Bank s.a.l.

## financial report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages credit risk by setting limits for individual borrowers, and groups or borrowers and for geographical and industry segments. The Bank also monitors credit exposures and continually assesses the creditworthiness of counter parties. In addition, the Bank obtains security where appropriate, enters into master netting agreements and collateral arrangements with counter parties, and limits the duration of exposures. In certain cases the Bank may also choose out transactions or assign them to counterparties to mitigate credit risk.

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographic 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 of credit risk indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains the necessary securities when appropriate.

#### 38 CREDIT RISK

#### 39 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table on the left sets out the estimated fair values of financial instruments compared to their carrying values:

(LBP million)	31.12.03			31.12.02		
	Fair value	Book value	Difference	Fair value	Book value	Difference
<b>FINANCIAL ASSETS</b>						
Lebanese treasury bills and other governmental bills	2,141,960	2,108,584	33,376	3,470,054	3,301,220	168,834
Bonds and other fixed income securities	118,992	116,264	2,728	58,153	57,336	817
Marketable securities and financial instruments with variable income	21,522	21,522	-	7,339	7,339	-
Banks and financial institutions	1,638,579	1,638,579	-	1,554,443	1,554,443	-
Loans and advances to customers	1,779,595	1,779,595	-	1,800,909	1,800,909	-
<b>FINANCIAL LIABILITIES</b>						
Loans from Central Bank	70,381	80,620	10,239	92,403	98,823	6,420
Banks and financial institutions	474,440	474,440	-	476,496	476,496	-
Deposits from customers	7,420,001	7,420,001	-	6,482,276	6,482,276	-
Subordinated loans	161,826	157,303	(4,523)	162,566	159,551	(3,015)

Fair values of Lebanese treasury bills and other governmental bills are determined based on their market values.

NOTES TO THE  
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FINANCIAL STATEMENTS

**40 RECONCILIATION  
BETWEEN ACCOUNTING  
AND TAXABLE PROFITS**

**31 December 2003**

(LBP million)

	Accounting profit (loss)	Taxable income	Income tax rate %	Taxes due
<b>Lebanese companies:</b>				
- Byblos Bank SAL	64,078	91,581	15	13,737
- Byblos Invest Bank SAL	(94)	-	-	-
- Adonis Insurance & Reinsurance Co. SAL	2,759	1,178	15	177
- Adonis Brokerage House SAL	53	49	15	7
<b>Foreign companies:-</b>				
- Byblos Bank Europe SA	1,295	1,719	34	584
- Limassol branch	2,760	2,931	4,25	130
- Byblos Bank Africa	(959)	-	-	-
	<b>69,892</b>			

**41 LEGAL CASES**

The Bank is a defendant in a number of legal cases in the normal course of business. The Bank's management, based on the advice of its legal advisors, is of the opinion that the effect of any losses that might result from these cases will not materially impact the financial position of the Bank.

**42 PROPOSED DIVIDENDS  
FOR 2003**

The Board of directors proposed to distribute the non consolidated net income of the Bank for the year 2003 as follows:

(LBP million)	2003
<b>Net income for the year 2003 (Head office &amp; Limassol branch)</b>	<b>67,702</b>
<b>Less:</b>	
- Transferred to statutory reserve	(6,770)
- Reserve for general banking risks	(6,200)
- Reserve for capital increase	(5,544)
	<b>49,188</b>
Add: Retained earnings from prior years	1,440
<b>Distributable income</b>	<b>50,628</b>
<b>Appropriation of distributable income:</b>	
- Distribution to 1,000,000 preferred shares at US Dollars 12 each	(18,168)
- Dividends to 205,023,723 ordinary shares at LBP 157.9 each (LBP 150 net of tax)	(32,372)
<b>Profit carried forward</b>	<b>88</b>

# Byblos Bank s.a.l.

## financial report

### ANNEX SUPPLEMENTARY FINANCIAL INFORMATION

#### CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2003

#### IN LEBANESE POUNDS AND FOREIGN CURRENCIES

	Note	Accounts in foreign currencies		Accounts in LBP	Total
		USD (000)	LBP million	LBP million	LBP million
<b>ASSETS</b>					
Cash and Central Banks	4	769,231	1,159,616	1,944,971	3,104,587
Lebanese Treasury bills and other government bills	5	642,644	968,786	1,139,798	2,108,584
Bonds and financial instruments with fixed income	6	77,124	116,264	-	116,264
Marketable securities and financial instruments with variable income	7	10,677	16,094	5,428	21,522
Banks and financial institutions	8	1,084,892	1,635,475	3,104	1,638,579
Loans and advances to customers	9	1,033,432	1,557,898	221,697	1,779,595
Bank acceptances	10	81,736	123,218	-	123,218
Tangible fixed assets	11	20,751	31,282	109,367	140,649
Sundry debtors	12	200	302	2,777	3,079
Regularisation accounts and other miscellaneous accounts	13	3,513	5,296	12,092	17,388
Goodwill	14	10,544	15,894	-	15,894
<b>TOTAL ASSETS</b>		<b>3,734,744</b>	<b>5,630,125</b>	<b>3,439,234</b>	<b>9,069,359</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>					
Central Bank	15	-	-	80,620	80,620
Banks and financial institutions	16	314,380	473,928	512	474,440
Deposits from customers	17	2,981,822	4,495,097	2,924,904	7,420,001
Engagements by acceptances	18	81,736	123,218	-	123,218
Liabilities under financial instruments	19	-	-	-	-
Other liabilities	20	60,116	90,624	20,641	111,265
Regularisation accounts and other creditor accounts	21	2,489	3,753	14,089	17,842
Provisions for risks and charges	22	531	799	14,304	15,103
Subordinated loans	23	104,347	157,303	-	157,303
Revaluation variance accepted in the supplementary capital	24	-	-	5,689	5,689
Share capital	25	-	-	247,228	247,228
Reserve for general banking risks	26	6,083	9,170	17,073	26,243
Reserves, premiums and equity differences	27	109,185	164,596	135,961	300,557
Profit carried forward	28	89	135	2,297	2,432
Net income for the year	29	2,269	3,420	65,813	69,233
Cumulative change in fair value of financial instrument	30	1,156	1,743	-	1,743
Consolidation differences		-	-	4,568	4,568
Minority share	32	4,011	6,047	5,827	11,874
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,668,214</b>	<b>5,529,833</b>	<b>3,539,526</b>	<b>9,069,359</b>

## financial report

ANNEX  
SUPPLEMENTARY  
FINANCIAL INFORMATION

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

## IN LEBANESE POUNDS AND FOREIGN CURRENCIES

	Note	Accounts in foreign currencies		Accounts in LBP	Total
		USD (000)	LBP million	LBP million	LBP million
<b>ASSETS</b>					
Cash and Central Banks	4	475,398	716,663	213,460	930,123
Lebanese Treasury bills and other government bills	5	882,556	1,330,453	1,970,767	3,301,220
Bonds and financial instruments with fixed income	6	38,034	57,336	-	57,336
Marketable securities and financial instruments with variable income	7	1,268	1,911	5,428	7,339
Banks and financial institutions	8	1,015,664	1,531,114	23,329	1,554,443
Loans and advances to customers	9	1,059,922	1,597,833	203,076	1,800,909
Bank acceptances	10	79,988	120,582	-	120,582
Tangible fixed assets	11	17,885	26,961	111,960	138,921
Sundry debtors	12	212	318	428	746
Regularisation accounts and other miscellaneous accounts	13	19,399	29,244	10,739	39,983
Goodwill	14	13,143	19,813	-	19,813
<b>TOTAL ASSETS</b>		<b>3,603,469</b>	<b>5,432,228</b>	<b>2,539,187</b>	<b>7,971,415</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Central Bank	15	787	1,187	97,636	98,823
Banks and financial institutions	16	315,084	474,989	1,507	476,496
Deposits from customers	17	2,899,379	4,370,814	2,111,462	6,482,276
Engagements by acceptances	18	79,988	120,582	-	120,582
Liabilities under financial instruments	19	8,164	12,308	-	12,308
Other liabilities	20	50,407	75,988	23,169	99,157
Regularisation accounts and other creditor accounts	21	3,588	5,409	13,851	19,260
Provisions for risks and charges	22	105	157	15,558	15,715
Subordinated loans	23	105,838	159,551	-	159,551
Revaluation variance accepted in the supplementary capital	24	-	-	5,689	5,689
Share capital	25	-	-	246,028	246,028
Reserve for general banking risks	26	2,594	3,910	16,333	20,243
Reserves, premiums and equity differences	27	6,691	10,086	127,490	137,576
Profit carried forward	28	337	508	1,816	2,324
Net income for the year	29	2,806	4,231	61,256	65,487
Cumulative change in fair value of financial instrument	30	694	1,047	-	1,047
Consolidation differences		-	-	3,458	3,458
Minority share	32	15	23	5,372	5,395
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,476,477</b>	<b>5,240,790</b>	<b>2,730,625</b>	<b>7,971,415</b>

# Byblos Bank s.a.l.

## financial report

Resolutions of the Annual  
Ordinary General Assembly  
held on May 17<sup>th</sup> 2004

### First Resolution

The General Meeting approves the reports of the Board of Directors and the Statutory Auditors and approves all the elements of the balance sheet and profit and loss account of the fiscal year 2003.

### Second Resolution

The General Meeting decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2003 as follows:

2003 Non Consolidated Net income	67,702
Legal Reserves	(6,770)
Special Reserve for Capital Increase	(5,544)
Reserves for General Banking Risk	(6,200)
Profits Carried Forward from Previous Years	1,440
<b>Net Income Available for Distribution</b>	<b>50,628</b>
Dividends Preferred Shares	18,168
Dividends Common Shares	32,372
Profit Carried Forward for 2004	88

### Third Resolution

The General Meeting decides to grant discharge to the Board of Directors and to the Statutory Auditors with respect to the operations of the fiscal year 2003

### Fourth Resolution

The General Meeting decides on the following points, after reviewing the special report of Board of Directors and the Statutory Auditors:

- To approve the credits effectively used during the year 2003 by the members of the Board of Directors and/or by companies in which they own shares, as detailed in the reports of the Board of Directors and the Statutory Auditors.
- The Meeting also confirms the agreement between the Bank and the companies in which some members of the Board of Directors own shares as shown in the special reports of the Board of Directors and the auditors which are attached to these minutes as an integral part thereof.
- To grant 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 directors and/or companies in which they own shares as shown in the special report of the Board of Directors considered as an integral part of these minutes.

The special authorization specifically covers the following:

- i. The sale of 625,000 shares in the Housing Bank to Byblos Invest Bank s.a.l. at cost price.
- ii. The Purchase of 499,500 shares in Byblos Invest Bank s.a.l. from the Chairman and the Vice Chairman at par value.
- iii. The sale of 319,750 shares in ADIR SAL to Byblos Invest Bank s.a.l. at a price of LBP 6,511.55 per share.

- To grant the special authorization referred to in article /159/ of the Code of Commerce in order to permit members of the Board of Directors to manage or administer other companies with an identical or similar object.

## Fifth Resolution

The General Meeting decides to fix the fees of the members of the Board of Directors to an annual gross sum of 300 million Lebanese Pounds for the year 2004, the distribution of which is to be decided by the Board of Directors.

## Sixth Resolution

The General Meeting decides to fix the fees of Messrs. Semaan, Gholam & Co. and Messrs. Ernst & Young, the external auditors for the fiscal year 2004, at 400 million Lebanese Pounds.

## Seventh Resolution

The General Assembly approves the terms of the contracts of the Chairman-General Manager, the Vice Chairman - General Manager Mr. Semaan Bassil, the Board Member and General Manager Mr. Elias Nahas, and the board member Mr. Moussa Maksoud, as shown in the 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 carry through their duties in 2004 with the same terms specified in the special report.





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BYBLOS INVEST BANK S.A.



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



**ABI** Adonis Brokerage House S.A.



**BYBLOS BANK GROUP**