Notre Dame University
Faculty of Business Administration & Economics
Graduate Division

&

Bordeaux Business School
Institute of International Business

Byblos Bank Expansion in Qatar

A Thesis Submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.) and the Master of Science in International Business (M.I.B.)

CARLA GHANNAM GHANNAM

NDU-Lebanon
2008

Approval Certificate

Byblos Bank Expansion in Qatar

BY

CARLA GHANNAM GHANNAM

Approved:

Signatures: __Dr. Mohamad Hamadeh Mohamad Hamade
Supervisor

___Dr. Akl Kairouz______________
Reader

NDU MBA/MIB Academic Committee: ____________________________

____

Dr. Rock-Antoine Mehanna
Director of Graduate Programs

NDU NOTRE DAME UNIVERSITY | Director, Graduate Programs | Faculty of Business | Administration & Economics

Bordeaux Business School: ____________________________

8/1/08
Date

DECLARATION

I hereby declare that this Thesis is entirely my own work and that it has not been submitted as an exercise for a degree at any other University.

CARLA GHANNAM GHANNAM

CONTENTS

ABSTRACT

Byblos Bank, in compliance with its policy to expand its activities overseas and especially in the Middle East region, is planning to open the soonest, a branch of the bank in Qatar. Maintaining the highest levels of group safety, the increasing challenge in technology and creating the most suitable nature of offices, are the major concerns of Byblos Bank.

Plan, coordinate and execute the opening of Byblos Bank Qatar, and empower it with a secured and group compliant banking system that meets its needs, are crucial for its expansion.

The objective of this project is to provide a smooth opening for Byblos Bank Qatar.

This study is the outcome of my analysis and experience during the period of time I have worked in Byblos bank.

The challenge was to study the Byblos Bank future strategy; **is it feasible and profitable to venture into the Qatar market? What would be the form, steps and decisions taken for such expansion?**

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGMENTS

With my deepest gratitude I wish to thank every person who has inspired, touched, and illuminated my life through their presence.

For generously sharing their wisdom and love, I would also like to acknowledge and express my gratitude to my dear parents who supported me to become what I am, to my dearest friends (Charbel and Nicole) who showed their interest and care throughout the years of my graduate studies.

I would like to thank the committee members for all their efforts.

Last but not least, I want to share my appreciation for the inspirational teaching of my highly respected advisor Dr. M. Hamadeh and Dr. A. Kayrouz who highlighted my journey and the completion of this project.

Chapter 1
INTRODUCTION

The last decades marked records profits for Byblos Bank S.A.L., furthering its reputation as Lebanon's leading financial institution, as it continues with the same aim of moving forward and providing profitable value to all its stakeholders.
Byblos Bank S.A.L. continues in its persistent efforts to further enhance its customer service and provide a wide range of products and services.
Byblos Bank S.A.L. has the largest retail banking network in Lebanon, consisting of 93 branches and offices where 73 are located at strategic and convenient points across the country and 107 ATMs of which 12 are located abroad.
Based on Byblos Efficiency ratios and financial indicators, this project will determine if the bank can venture in Qatar, as a new geographical market, create values for its customers and expand internationally in order to diversify its sources of revenues.
Many constraints face the expansion of the bank in Qatar, therefore its is very important to elaborate in the next chapters, on the nature of offices, the laws and the regulations that will determine its accessibility to the market...

1.1. General Background

Understanding how political, economic and legal systems influence a country's ability to achieve meaningful potential economic progress and explore the potential risk associated with doing business abroad are crucial in order to reveal the way in which operations should be managed.

1. 1. 1. Middle East

The Middle East region occupies a strategic part of the world. Therefore, any military, political, or social actions in the area affect economically and politically not only local business firms and managers but also the rest of the world, especially as the GCC possess over 40% of the world's oil reserves.

1. 1. 2. Qatar

Following the discovery of oil in 1939 in spite of its delay of exploitation by WWII, oil replaced pearling and fishing as Qatar's main source of revenues. All Qataris are Muslims (10%Shi'a, 90%Sunni- Expatriates are Muslim, Christians, Hindus, Buddhists& Baha'is). Qatar moved towards certain democracy with the elections in 1999. A constitution providing for democratic reforms, came into force in 2005. Qatar uses "Wahhabi" Law as the basis of its government and the vast majority of its citizens follow this specific Islamic doctrine. It strongly supports the Gulf Cooperation Council (GCC), approves the United Nations efforts to uphold peace and security and works to maintain good relations with all countries. Qatar placed great emphasis on education and has incorporated the most advanced medical equipment and training into the country's healthcare policy.

1. 1. 3. Byblos Bank

Lebanese Banks are a major pillar of the Lebanese economy and a source of hope for a domestic economic upturn. In 1950, Victor and Fouad Ferneiné, Semaan and Youssef Melkan Bassil founded "Société Commerciale et Agricole Byblos Bassil Frères and Co" in the ancient Phoenician town of Byblos. The company initially dealt with natural silk, leather tanning and carried out some lending activities related to the agricultural, commercial and transportation sectors. In 1961, the Company's name was changed to "Société Bancaire Agricole Byblos Bassil Frères et Co". In 1963, the new adopted name became Byblos Bank SAL and was registered at the Central Bank in Lebanon as a public joint stock company under No. 14150 at the Registrar of Commerce and under No.39 on the bank's list.

International- Local expansion: During the 1975 civil war, the Bank expanded internationally branches in Brussels (1976), Paris (1980), London (1981) and Limassol-

Cyprus (1984). It focused on assisting a selected Lebanese and Arab clientele and served as correspondent banker for selected banks in some Middle Eastern countries. **ADIR**, its group's insurance- reinsurance Company, was established. At the end of the war (1983), the bank pursued a local strategy, focusing on retail banking where he pioneered.

Byblos Bank's COD Receives the ISO 9001-2000 Certificate Award (Dec.03)

Byblos Objectives: Byblos bank aims at becoming a Universal financial institution, playing a major regional player in the MENA region and providing quality services in the domestic and selective regional markets, to its clients and to its key stake holders

Important Achievements: Legal Notification; The data contained in international credit transfers and separately requested express credit transfers, are forwarded to the beneficiary's banks via the worldwide payment service, the Belgium based Society for Worldwide Interbank Financial Telecommunication (SWIFT). The following is a list of Byblos Bank branches.

Byblos Bank Abu Dhabi- 2005 (Representative Office)

Byblos Bank Africa- 2003, opened in the MENA region, located in Khartoum- Sudan.

Cyprus- Byblos Bank's International Banking Unit (IBU) established in Limassol in 1984 has become since early 06, an onshore branch to Byblos Bank. Cyprus branch started working in the Cypriot currency on Jan. 07.

Byblos Bank Erbil Branch - 2007- covers commercial and correspondent banking services including payments, LCs, LGs, and DCs.

Byblos Bank Syria is owned and managed 41.5% by Byblos Bank S.A.L, 51% by Syrian investors, 7.5% by the OPEC (Organization of Petroleum Exporting Countries) Fund for International Development. It has opened 6 branches in Chaalan, Mezze, Homs, Tartous, Lattakia and Aleppo.

Byblos Bank Armenia is incorporated in Armenia with 4 branches.

People Achievements: Byblos bank remained conscious of its social responsibility to bring economic benefits to the communities in which we live and work in.

Figure 3, page 82, shows Organizational Structure of Byblos Bank

1. 2. Need for Expanding Byblos Bank in Qatar

As we will see in the next chapters, the benefits of expanding Byblos Bank in Qatar are crucial for diversifying its source of revenues through the journey of going internationally.

1. 3. <u>Purpose of the study</u>

To maximize its profit, and minimize its expenses, every financial institution like Byblos Bank, needs a feasibility study to ensure the process of going internationally and to analyze the risk and benefits associated with any financial step taken. The main questions focus upon, whether Byblos Bank would benefit and expand to the Qatar market? If yes, what types of offices shall the bank pursue, given that its scope of international activities?

1. 4. <u>Brief overview of all chapters</u>

This study is the outcome of my own analysis and research that I have conducted during the period that I have worked in Byblos Bank, and it will be presented as a comprehensive business case.

The next chapter is the Literature part in which I demonstrate the entering of international commerce, the nature of offices and relationships, the financial institutions and its role and the globalization of financial markets. The third chapter illustrates the international rules and mainly in Qatar. The fourth chapter explains the Qatar economic situation and its main economic indicators. The fifth chapter describes the operational analysis in which I provide the financial statements of Byblos bank and its analysis. The sixth chapter identifies the stakes presents, the challenges that Byblos Bank would encounter when expanding abroad. Is it feasible that this latter goes internationally? If yes, in which type of office? Should it consider the country risk analysis and its constraints shall it take given the country risk analysis and its constraints?

A SWOT analysis will be made to support this expansion. Finally in the last chapter, the strategic consideration and recommendations are given in order to strengthen the conclusion concerning the expansion of Byblos Bank in Qatar.

Chapter 2
LITERATURE

2. 1. Entering International Commerce

Several studies show that the most efficient way for a given bank to enter into international commercial activity is usually a gradual process that commences with the provision of financial assistance to local firms interested in export or import. A bank might consider establishing an international department through the issuance of various procedures to help exporters and importers finance international trade. **Commercial banks** serve as intermediary role in the exchange market; they are prepared to both buy and sell foreign currencies at appropriate prices to cover the demands of customers and also trade in foreign currencies for their own account. The expansion of activities beyond the home office requires a major decision; a physical presence (with limited numbers of functions) or more extensive foreign activities (with full service type of operations) to which extent the involvement is in new forms of financing to accommodate changes in the patterns of borrowing.

2. 2. Nature of Offices and Relationships

Described by George M. Taoka and Don R. Beeman in their book "International Business Environments, Institutions, and Operations", they mentioned that the appropriate organizational form is related to the scope of international activities a bank wants to pursue. Thus, the decision taken for the structure of organization is important for many reasons starting with tax considerations.

2. 2. 1. Correspondent Banking

The native bank may act as an agent for a nonnative bank; provide services, without a physical presence abroad (lowest level of exposure). The relationship is developed to facilitate Export- Import trade particularly relating to the instruments and financial documentation of trade as local intelligence reports, foreign exchange conversions, letters of credit or loans. Another advantage is that it is a stepping-stone for a broader relationship with the correspondent bank; the most common conduit for participating in international banking activities with the minimum cost in both time and money dimensions. However, George M. Taoka and Don R. Beeman mentioned that the disadvantages related to the agency is that, its interests do not necessarily coincide with the principal's and the agent doesn't necessarily act in the best interest of the principal.

2. 2. 2. <u>Representative Office</u> (RO)

Mr. Charles W. HULTMAN thinks that a RO is designed primarily to solicit business for the parent bank and its other affiliates and to provide advisory services to bank customers located elsewhere. The arrangement involves a limited physical presence in the foreign market. The office does no accept deposits or make loans but rather serves a liaison function for the parent bank. RO are low budget and can be easily closed down, making them useful vehicles for exploring a new, high-risk market; it is used in countries where the authorities do not permit foreign banks to set up full-service branches or subsidiaries. The advantages are that it enables the bank to interact with other institutions overseas. Mr. Charles W. Hultman believes that the disadvantage is linked to the difficulty in overcoming the impediments in foreign markets.

2. 2. 3. <u>Agency</u>

It is an integral part of the parent company but can perform more functions than a RO, used primarily to accommodate international commerce. The difference is that agencies are allowed to accept foreign demand deposits not the domestic demand deposits and to hold credit balances. Agencies are not required to hold reserves against deposit liabilities; thus it's like a full-fledged bank except that it does not handle retail deposits. Agencies are between the branch and the RO. The desirable critical mass of the potential business is much larger for the agency than a RO.

2. 2. 4. Foreign Branch

It is an institution located outside the country under the laws of the host country. It indicates a higher level of commitment to the foreign market than the RO. It is an integral part of the parent institution, usually not separately capitalized, which typically performs all of the traditional banking functions allowed by the host country, including accepting deposits and extending loans. Mr. Charles W. HULTMAN thinks that for many bank, branches are the most important form of overseas office.

2. 2. 5. Subsidiary

Another nature of offices mentioned by Mr. Charles W. HULTMAN is the subsidiary that is an organization with a specified portion of the voting stock held directly or indirectly by the parent bank and capable of being controlled by the parent bank. The subsidiary is separate legally from the parent firm even when it is wholly owned, organized under the laws of the host country and may engage in full banking activities which is different from the branch. It may be established as a new organization (de nova), or by acquisition of an existing bank (directly or through an Edge Act Corporation*). The advantage of a partial ownership is that a subsidiary stems from partners' strengths such as greater name recognition, greater familiarity with the territory and ability to share losses.

2. 2. 6. Affiliate

The affiliate of an organization (subsidiary of the Org.) defined as a foreign institution in which the parent company owns 20-50 % of the equity stock, generally does not involve control by the company holding its stock.

2. 2. 7. Agreement Corporations

It has the same powers as Edge Act Corporation (**EAC**), but it is state chartered. EAC are Subsidiaries of banks or bank holding companies and are designed primarily to permit banks to undertake international financial transactions, but their efforts are restricted to international commerce. Edges are chartered by the Federal Reserve Board and may be owned by either U.S. or foreign interests, located mostly in New York, Florida, and Texas. Agreement corporations enter into an agreement with the Federal Reserve to operate according to its regulations.

2. 2. 8. Bank Holding Company

It is a company that holds at least 25 % ownership of a bank and established for control purposes and is not operating entities.

2. 2. 9. Joint Ventures

It reflects acquisition of a minority interest in a foreign bank in an effort to pool resources of participating institutions and to share the associated risk. It is defined by regulation with 20% or more of the voting stock held by the investor (Not a subsidiary).

2. 2. 10. Consortium Bank and Syndicate

A syndicate is very similar to Consortium Bank, represented by a group of banks that pool their resources in a cooperative effort usually for the provision of large loans to reduce the capital requirements and risks involved in new ventures.
However the Syndications frequently imply the existence of a lead or managing bank.

2. 2. 11. Branch

Charles W. HULTMAN in his book "The Environment of International Banking" affirms that the Branch is a direct extension of the parent bank in the overseas market, used for enhancing physical presence overseas and thus requires equity contribution from the parent bank. It enables the parent to gain access to both retail and wholesale markets locally by accepting deposits and placing surplus funds. This physical presence allows a bank to expedite services to the home-based clients in foreign countries and attract local customers who plan to undertake activities in the bank's home country. Foreign branches increase the bank earnings and reduce its overall earnings volatility through diversification. In addition, the rapid advance in communication technology has significantly reduced the physical presence of a branch overseas, especially given the large fixed overhead for operating a branch.

2. 3. Financial Institutions and Globalization of Financial Markets

2. 3. 1. Financial Institutions

Financial institutions in an economy pool the savings of investors and invest them in enterprises or assets that generate uncertain returns.

The **role of financial institutions:** Mentioned by SARKIS J.KHOURY and ALO GHOSH in their book the "International Banking and Finance" that a financial institution, such as a bank creates a pool of investors for risk sharing, economy of scale in carrying out financial transactions that may increase and reduce the return or the risk for these investors. The commercial bank plays three primary roles in the financial market; the information processing, risk sharing and the money creation. Commercial bank is considered with two financial intermediaries, investment banks (engineer's specific financial products especially made to suit the needs of their customers) and insurance companies (specializes in risk sharing). Many **impediments** delay financial market's effectiveness which can be government-induced or structure-based. Impediments create a challenge for financial institutions by imposing additional costs for their services or additional Returns by assuming additional risks. The major **activities** pursued by international banks are the foreign trade financing, conversion of foreign exchange and the investment banking.

2. 3. 2. Globalization of Financial Markets

Globalization requires removal or minimization of impediments. While international transactions after WWII were complicated and inflexible in bureaucratic procedures, today financial transactions are conducted with ease. Innovations in communication technology, its processing and transmission of data have greatly improved international trade and finance and have provided a strong boost for the demand for these services.

2. 4. Conclusion

To summarize this chapter, the most important factors to be considered in assessing the nature of the financial markets are the strength and the willingness to adapt to change that has been demonstrated in these markets. Qatar is a good potential market for Byblos Bank to penetrate.

Chapter 3
LEGISLATION

3. 1. Legal Overview

A country's laws regulate business practice, define the manner in which business transactions are to be executed and set down the rights and obligations of those involved in business transaction. Difference in legal systems can affect the attractiveness of a country as an investment site and market. International business firms must be familiar with the relevant laws of those foreign countries in which they operate. Good bank supervision and well-administrated are obviously in the public interest. Each nation delegates regulatory and supervisory powers to its central bank (Monetary Authority) or to a number of parties. Although many legal principles from the French legal system have been adopted, Shariah's law is the main source of legislation in Islamic states. The judiciary system in Qatar is divided into two main forts, the Shariah's courts and the civil system. The Shariah's courts administering Islamic laws are being generally limited to the settlement of disputes relating to marriage, divorce, inheritance, custody cases, child support and certain criminal cases. In the civil system, the administration of justice is routed through a number of courts: the Commercial and Civil Court, the Labor Court and the Court of Appeal. Qatar has also a Lower and Higher Criminal Court. All proceedings are conducted in Arabic, but translators are provided for non-Arabic speaking litigants. In May 2004, two pieces of legislation were issued by the Housing and Civil Affairs Ministry as part of an ongoing reform process, the 1st of which allowed for the formation of professional associations and the 2nd for legislation of a new labor law, which gave workers the right to form trade unions and go on strike. A new judiciary law was also recently announced which will merge the existing two-court system into one and establish a supreme court to be called the Court of Cassation (Public importance).

3. 2. Qatar Law

When contrasted with other Arab states such as Saudi Arabia, for instance, Qatar has comparatively liberal laws, but is still not as liberal as some of its neighbors like UAE or Bahrain. The period of liberalization and modernizations came up after the current Emir of Qatar, Hamad bin Khalifa Al-Thani governed. Under his rule, Qatar became the 1st Persian Gulf country where women gained the right to vote. A further liberalization has taken place due to the 15th Asian Games held in Qatar at year 2006. The judicial system of Qatar consists of five secular courts (two criminal as well as civil, labor and appeals) and separate religious courts which apply Islamic Shariah law based on Sunni jurisprudence.

3. 2. 1. Resolution of Disputes

Disputes unfortunately occur in the conduct of business. Arbitration is widely practiced in Qatar. However, parties failing to reach an amicable resolution end up by referring their disputes either to litigation or arbitration.

3. 2. 2. Islamic Law (Shariah)

Shariah mainly is based on the Holy *Quran* and the teachings and practices of the Prophet Mohammed (*Sunna*). The consensus of opinions and interpretations of religious scholars is considered a secondary source of *Shariah*. Except for Saudi Arabia, the banking laws and practices of countries of the area are generally based on western banking systems. A notable trend for the application of banking based on Shariah **(Islamic Banking)** started in the area in recent years. In accordance with Shariah, Muslims can trade and invest in anything that is permitted (Halal) and not prohibited (Haram). The main difficulty arises in the classification of interest charged on funds in Shariah. While some Islamic jurists and scholars consider all types of interest as usury which is prohibited in Shariah, others consider simple interest acceptable and only compounded interest to be prohibited. Shariah provides specific rules of **inheritance** that are applied to Muslims based on the principle of providing specific allocation/shares of the estate of the deceased to certain groups of his relatives such spouse\parents and the distribution of the remainder to heirs such as offspring's, brothers/sisters- uncles and aunts.

3. 2. 3. Qatar Central Bank (QCB)

Decree Laws &Articles (1993) replaced Qatar Monetary Fund and upheld the stability of the finance market. Its capital has been increased to reach QR 1 billion. It consists of 77 articles, describing all the functions of the bank located in Doha. The strength of the Qatari Riyal is attributed to the strength of the Qatari economy and the huge revenues of hard currency earned from the exports of oil, gas, heavy industries products and to the stability of the banking system. The Bank has kept on its policy to liberalize interest rates since 1995. According to this policy banks are free to determine the interest rates without restrictions, which created the right condition for healthy competition among the banks operating in Qatar. These information are extracted from the following website www.unitedworld-usa.com

3. 2. 4. Legal Market

Qatar's legal market, dominated by a handful of firms and experienced senior lawyers, has witnessed major changes in the last two years, including a number of associations between foreign and domestic firms as well as arrivals of international law firms.

3. 2. 5. Law firms

The established leaders in the legal market include Hassan A Al-Khater Law Office, the Law Offices of Gebran Majdalany (established in Beirut- 1967 and in Doha since 1981) and the Law Offices of Dr Najeeb bin Mohammed Al-Nauimi, no longer associated with Richards Butler, continues to be highly regarded . In banking and finance, in late 2003, the Hassan A Al-Khater Law Office advised, HSBC Bank PLC, on the government's US$700 Million global Islamic issue. On the corporate side, it represented Alcatel in a landmark tax case; ExxonMobil and Occidental as well as banks such as HSBC and Standard Chartered.

Al-Kaabi Law Firm established in 1988 by Nasser Al-Kaabi, with 13 lawyers, being one of the largest practices in the country, is involved in major banking transactions.

Rouhani, Partners Attorneys and Legal Consultants include multinational lawyers.

3. 2. 6. Registration of Intellectual Property

Qatar is keen on the protection of all property rights and adopted the patents and Trademarks and international treaties and agreements.

Chapter 4
QATAR ECONOMY

The economic and legal systems of a country are shaped by its political system, the more the ruler (Emir) is opened, the more the country is economically developed. Since 1950, the oil and gas sectors have become Qatar's main source of income, amounting to 33% of GDP and assisting in the expansion and modernization of Qatar's infrastructure. In 2000, GDP reached $14.6 billion and the per-capita income approximately $24,000, among the highest in the world. To reduce its dependence on the oil sector and limit the country's vulnerability to fluctuation in oil prices, the government has placed a great emphasis on the diversification of the economic base by expanding natural gas and non-oil sectors. Huge investment in the oil and gas industries is still being made leading to the rapid expansion of the economy. Production of Oil has positive impact on Qatar's economy, rising the GDP where the nominal GDP reached $37.85 billion (62nd worldwide), the Per capita reached $43,110 (7th worldwide) in 2005, which has influenced positively the income of its citizens and the HDI as of 2004 reached 0.844 (46th worldwide).
In the follow sections, I will expose the main economic indicators for Qatar.

4. 1. <u>Gross Domestic Product</u>

4. 1. 1. <u>Oil</u>

During the years, 1994- 5- 6, Nominal GDP rose by 11.3%. During 1996, it reached QR 32,976 million compared to QR 8,583 million in 1994. This followed a 10.4% increase in 1995. This robust growth was largely attributed to the substantial expansion in the output of the oil sector.
In 1996-7, Provisional estimates from the Central Statistical Organization indicate an overall GDP growth rate of 3% for 1997, largely due to the expansion in the non-oil sector which increased by 5% reaching QR 21,214 million. The softening of oil prices led to a slight contraction of 0.2% in the output of the oil sector from to QR 12,773 million in

1996 to QR 12,750 million in 1997. As a result, the share of the oil sector to total GDP declined marginally from 38.7% to 37.5% in 1996-7.
In addition, the increase continued from 2005 till 2008; The Nominal GDP rose from 42.1 in 2005 to 52.7 in 2006 and from 60.3 in 2007 to 67.5 in 2008

4. 1. 2. Non Oil

Revised figures indicate that the non-oil sector showed a strong underlying growth of 8.1% in 1996, with the trend continuing, albeit at a slower rate of growth, in 1997 with preliminary data indicating an increase of 5%. This growth was broadly based, but was particularly manifest in the Building and Construction sector. In 1997, this sector reached 8.2% of GDP, recorded a 22.1% increase to QR 2,770 million, the highest element of the non-oil sector, compared to a 15.5% increase in 1996. Lately, the number of building permits issued by the 4 largest municipalities increased by 8.5% from 23,1 in 1995 to 2,747 in 1996. The total number of housing units amounted to 93,302 according to the 1997 Census, representing a 44.6% increase from 1986. 2004-5 budgets, the government increased infrastructure spending by 45% and it expects to spend more than $50 billion over the next 10 years on roads, sewerage, power and basic infrastructure development. As a result for the emergence of construction opportunities, many important Lebanese Engineering- Contracting- Construction Companies have been attracted to Qatar.

4. 1. 3. Finance

Insurance and Real Estate, amounted to 10.3% of GDP and 2.5% increase to QR 3,510 million in 1997.

4. 1. 4. Trade

Restaurants and Hotels sector amounted to 7.5% of GDP, recorded an increase of 0.5% to

QR 2,557 million in 1997. This sector is increasing importance in the near future as the number of hotel, leisure and tourist development increases.

4. 1. 5. Other services

It includes social services, government services, household services and import duties, amounted to 23.2% of GDP, increased by 4.7% to QR 7,880 million in 1997.
Please refer to the Table 5 in page56 which show Byblos Bank Financial Statements for the year 2004-5-6-7

4. 2. Public Finance

The Qatari Government has traditionally generated approximately 62% of its revenues from petroleum sales with the balance emanating from investment income including the broad export orientated industrial base.

4. 3. Money Supply

MS1, which includes currency with public and demand deposits, increased from 4.5% in 1996 to 6.4% to QR 4,130 million in 1997.
MS2, which includes savings and time deposits and deposits in foreign currencies increased by 10.7% to QR 17,466 million, compared to an increase of 5.8% in 1996. Total domestic liquidity, increased by 10.4% to QR 21,596 million, compared to an increase of 5.6% in 1996.

4. 4. Consumer Price Index

Inflation measured by the Consumer Price Index (CPI) increased from 3.0% to 7.4% in 1995-6. The CPI, which is calculated upon a base value of 100 in 1988, increased from 118.4 to 127.2 in 1995-6. While, at first sight, the 1996 inflation rate is higher than that recorded in recent years, it is appropriate to reflect upon an average increase of 2.8% in the past 5 years, which compares favorably with other group countries. In 1996, all main groups, with the exception of food beverages and tobacco, registered percentage increases than that recorded in 1995, reflecting some temporary bottlenecks within the economy. This group's weight within the CPI is the highest, accounting for 28.7% of its total.

4. 5. External Trade- Balance of payments

Qatar is fully integrated into the world's free trade economic system and in 1994 the country became the 121st member to join the World Trade Organization (WTO). The USA, Japan, UK, Germany, Italy and France are Qatar's main industrial trading partners and have dominated the import market over the past years. Over the medium-term, trading relationships with the Far Eastern countries will assume much greater significance as the volume of LNG and petrochemicals exports to that region progressively expands. Preliminary estimates indicate that the trade balance recorded a surplus of QR 2.4 billion in 1997 compared to a deficit of QR 302 M in 1996.Trade balance increase from 9.0 in 2003 to 13.3 in 2004 and from 16.7 in 2005 to 17.7 in 2006

Exports increased by 40% in 1997 to reach QR 19.5 billion, against QR 13.9 billion in 1996. This substantial growth in export revenues was mainly attributed to increased oil production volumes and prices.

Imports increased by 20.3% to QR17.1 billion, compared to QR14.3 billion in 1996. Machinery and transport equipment required for the major LNG and infrastructural projects accounted for the bulk of the increase in imports witnessed during 1995-97 and gave rise to short-lived phenomena of a negative trade balance in 1995-96. Once the major capital related imports is concluded and export volumes from both existing and newly emergent projects reach capacity levels, the trade balance will generate even larger surpluses.

Services and Transfers: According to preliminary figures, services and transfers (net) increased by 24.6% to QR 11.9 billion in 1997, compared to QR 9.4 billion in 1996. This increase in services and transfers was to a great extent offset by the surplus in the trade balance. As a result, the current account deficit declined from 1997-96. A net capital transfer, which includes net foreign borrowing and repayments along with official and private investments have increased. Accordingly, 1997 constituted the first year in which the country recorded a positive balance of payments since the process of transformation of the economy began. Qatar has registered current-account deficits since 1993, which have escalated from 8.6% of GDP in 1993 to 26.5% in 1995, before dropping to 4.4% in 1998. Despite high merchandise trade surplus, a current-account deficit remains, due primarily to services and private transfers throughout most of the 1990s. In 1999, the current account improved drastically to record a surplus equivalent to 17.8% of GDP due to higher oil and LNG exports and significantly lower imports.

Please refer to Table 2, page 54, which shows Qatar GDP, Fiscal and External indicators

4. 6. <u>Inflation</u>

During the past few years, the Central bank's prudent monetary policy has succeeded in achieving price stability, despite fluctuating economic growth. During the 1993-5 period, the inflation rate increased markedly in 1996-97 to 4.9%, mainly due to the imposition of charges for the provision of healthcare services to expatriates; it then fell to 2.9% in 1998 and 2.2% in 1999. The inflation rate is 2.7% in 2000 and 3% in 2001. The updated percentage is as such; the inflation rate increase from 2.3 in 2003 to 6.8 in 2004 and from 8.8 in 2005 to 11.8 in 2006.

4. 7. <u>Exchange Rate</u>

Qatar's cautious monetary-policy stance has served over the years to ensure exchange-rate stability. The riyal is formally linked to the IMF's special drawing right at a rate of QR4.76, with a fluctuation band of 7.25%. The Central Bank is maintaining the exchange-rate secured for the near future, helped by the recovery in oil prices and the gradual movement in gas exports.

4. 8. Fiscal Policy

Qatar was running successive budget deficits since the late 1980s, amid a strong emphasis on project development and maintenance of a generous welfare system for nationals. Both internal and external borrowing has financed the deficits. Direct revenue from oil accounted for approximately 60% of total government revenues, while indirect revenues through the collection of dividends on the profits of Qatar General Petroleum Corporation (QGPC) added another 15%, bringing the contribution of the petroleum sector to approximately 75% of total revenues. The 2001-2 budget provides for a total spending of QR17.5 billion and that total revenues exceeded this amount at QR18.06 billion, generating a budgetary surplus- the 1st in 15 years of QR497 million. The budget aims to diversify the economy's income sources, boost the quality of education, health and other social services, reduce the debt burden and strengthen state reserves.

4. 9. Economic Openness

Islamic banks would seem to have better opportunities to compete and to expand their shares of the market in relatively open, liberal economies than in closed ones. Figure 1 presents the average score of MENA country that has Islamic banks on 9 of 10 indicators (exclude low taxation rates that may attract foreign investment but do not indicate a liberal economic climate). The more open the economy is, the lower its score is.
Pleaser refer to the Figure 1 in page 81, which Show the Economic Openness of MENA region
Another way of looking at the competitive environment of Islamic banks is to examine the total amount of credit, as a proportion of GDP, which the commercial banking system provides to the private sector. While Islamic banks also engage in trade financing for public-sector enterprises, their prime customers are private enterprises and households. Figure 2 locates their most promising private- sector markets for financing in the GCC countries, Jordan, Egypt and to a lesser extent in turkey. The biggest anomalies, again, are Tunisia and Lebanon, which display relatively generous credit to the private sector (as a percentage of GDP). Two countries not included, because they do not have Islamic

banks, are Morocco and Oman, which are positioned close to Tunisia with respect to both economic openness and credit to the private sector. They would appear to be relatively well-placed for Islamic banking but have steadfastly refused entry to such banks.
Please refer to the Figure 2, page82, which shows the Islamic share of commercial bank deposits

4. 10. External Debt

The status of the international financing undertaken by both public and private sector are borrowers from Qatar on the international capital markets in recent years, which took a meaningful proportion of its economy. The non-guaranteed financing constitute direct corporate indebtedness on the part of the relevant borrowers or issuers and does not entail any financial obligation of a sovereign nature on the part of the Government of the State of Qatar. This is to mention that the two major LNG export projects (Qatar and RasGas) are self-sustaining stand-alone project finance basis, without any support, recourse or other financial obligations devolving upon the government. Accordingly, the repayments of these non-guaranteed obligations are predicated entirely upon the underlying corporate cash flows of the relevant borrowing companies.
When computing the total debt as a percentage of GDP, it is essential to recognize the long lead times involved in the construction of the major export facilities for projects such as Qatar gas and RasGas. All of the external obligations for these projects have been successfully raised and are included in Qatar Table 4; however, the full volume of export revenues from these projects will not be realized for some time. Accordingly, the use of the latest available GDP figure as the denominator tends to overstate this percentage, as future GDP figures will expand with the increasing volume of exports from the projects presently under development. Qatar's LNG investment program, financed by a huge stock of external debt, led to the reversal of the country's position at the end of 1994, from a net creditor to a debtor. The country's external debt (including government guaranteed debt and QGPC debt) had reached $ 11.2 billion by 1999, accounting for 98% of GDP and over 170% of total exports. A new $ 500 million sovereign loan was launched in September 2000 following Qatar's second Eurobond issue, which raised $

1.4 billion in mid-June. Qatar's foreign-currency debt stock is considerably higher than those of similarly rated sovereign credits; however, debt ratios should improve considerably in the medium term, following the completion of several LNG projects, with exports nearing full capacity, in spite of additional external debt accruing in the shorter. Debt-to-GDP and debt-to-exports ratios are likely to improve beyond 2001, due to sustainable economic growth driven by growing natural-gas export revenues

4. 11. Banking Sector (Early- Latest Banking)

Early Banking: The consistent aim of development in Qatar is to achieve an economy which will be viable when the oil runs out. Apart from oil and gas, Qatar is very poorly endowed with natural resources; even water is scarce. Oil is the dominant factor in the economy accounting for 75% of GNP, 90% of government revenues and 95% of export earnings. Proven gas reserves are very large and the development strategy of the government is therefore based on the use of natural gas. An outline development plan has been drawn up which emphasizes the need for more housing and new industry. Among other aims are the development of the fishing industry and expansion of viable diversification projects.

Latest Banking: The banking sector is comprised of seven domestic of which are Qatari owned institutions, including five commercial banks (Al Ahli Bank, Commercial bank of Qatar (www.cbq.com.qa/), Doha Bank (www.dohabank.com.qa/), Grindlays Qatar Bank, and Qatar National Bank (www.qatarbank.com/) and the two others Qatar Central Bank (www.qcb.gov.qa/) and Qatar Industrial Development Bank (50% owned by the Government and has an authorized capital of QR 200 million. QDB's objective (www.qidb.com/) is to promote small and medium size industrial projects) and seven foreign banks; Arab Bank (www.arabbank.com), Bank Saderat Iran (www.bank-saderat-iran.com/), HSBC (www.britishbank.com/), Mashreq bank (www.mashreqbank.com), BNP Paribas (qatar.bnpparibas.com/), Standard Chartered (www.standardchartered.com/qa/), and United Bank as well as two Islamic institutions; Qatar Islamic Bank (www.qib.com.qa/) and Qatar International Islamic Bank (www.qiibonline.com/), has been working to increase its capital, provide good quality service and cater to international investors. The majority extend standard individual banking facilities and most offer 24-hour access to accounts through Automated Teller Machines (ATMs) and some via telephone or PC banking or through call centers. The domestic banking system has opened up to Islamic banking, a sector which is gaining strength in the region. A true test for the sector will be the induction of a Monetary Union and a single GCC currency, scheduled for 2010. "We have been active in reshaping financial policies, and we want transparency to ensure a smooth consolidation for the whole community," says Abdulla Bin Khalid Al-Attiya, governor of the Central Bank. **Qatar Central Bank (QCB)** which was incorporated in 1993 when it took over the responsibilities of the former Qatar Monetary Agency. QCB has introduced the major international standards applicable to banking supervision, regulations and has implemented an automated link with local banks (QCB-Link) to enhance its ability to monitor banks in a timely and accurate manner. In 1997, a country-wide ATM and POS SWITCH system, known as NAPS was introduced under the auspices of the Central Bank. NAPS provide access for customers of all participating banks to all domestic ATM and POS facilities. In 1998, a law regulating public debt was approved as part of the Government's measures to implement financial sector reform. This law allows QCB to issue treasury bills and bonds, which are expected initially to be offered to Qatari banks with the intent of widening the scope of participants at a later date to include local non-bank and foreign investors. The introduction of treasury bills and bonds would facilitate the ability of the monetary authorities to implement the desired monetary policy by more active intervention actions to influence the level of money supply and interest rates. Deposit rates continue to be subject to QCB regulatory located in the following website; **www.qatarembassy.net** ***(source: Marhaba magazine).***

The various accounts and products are available, including familiar current and savings accounts with instant access. Most payments are in cash or by plastic cards; checks are not widely accepted. With over 95 branches and more than 50 ATMs in Qatar, account holders are never far from their money. All the commercial banks in Qatar offer the same range of standard facilities you would expect to find in the world such as personal loans, auto loans, debit cards, credit cards, traveler's checks, money transfers etc. Selected banks also offer specialized accounts such as VIP, ladies, students or children's accounts, plus e-banking platforms such as telephone and PC banking which offer 24 hour-a-day, 7 days a week access. Deposit accounts can be in Qatar Riyals, US $ etc. and the Islamic Banks offer a special range of services which are approved by religious scholars.

In March 29, 2008, Gulf news (www.gulfnews.com/business/Banking_and_Finance), illustrated the Citibank's attitude for the outlook of the Qatari banking sector. It stated that the sector looked positive with emerging as a key beneficiary of the country's strong economic growth. "The banking sector is benefiting from the economic boom with all banks showing robust volume growth trends, strong fee income growth and low loan loss provisioning," analyst Simon Nellis said. The analysts stated that the aggressive expansion plans of the top local corporate such as Qatar Airways, Gas and Petroleum were likely to fuel economic growth and the benefits from the government in the form of various allowances and grants allow Qatari nationals to maintain higher levels of disposable income, creating a niche client base for retail and private banking.

In Beirut 2006, Arab Press Digest (APD) (www.zawya.com) marked net profits of the Qatari banking sector which were expected to soar by 121% and reach a combined value of QR 4.2 billion ($1.15 billion) in 2005 compared with QR 1.9 billion ($522 million) in 2004. These profits were unprecedented in the Qatari banking sectors of more than 40 years, al-Qabas said. QNB, the country's oldest and largest bank, improved its net profits by almost 85% from QR 827 million in 2004 to QR 1.5 billion in 2005. Similarly, overall customers' deposits grew by QR 22 billion or 38.2% to QR 79.6 billion while private sector deposits jumped by 42.9% to QR 58.6 billion. Loans and advances to the local market rose by 31.6% to QR 62.2 billion from QR 47.3 billion but doubtful loans reached more than QR 1 billion. Based on their strong results, most banks announced plans to distribute generous cash dividends as well as increase their capitals by issuing bonus shares in a range from 25% to 100%.

Encouraged by the QCB and with an aim to boost their profitability, Qatari banks go on regional expansion through strategic alliances. Qatar International Islamic Bank signed an agreement with Daaboul group in Syria for the creation of a new Islamic bank under the name Syria International Islamic Bank and with a capital that could reach up to $30 million. The Qatari side will have a stake of 49% while the stake of Syrian investors will be 51%. QNB also was participating in efforts to establish a joint venture bank in Syria, together with partner banks from the UAE and Lebanon. Investments in regional banks came from private and public entities. Qatari investors established a bank in Sana'a, Yemen, with a capital $100 million, in partnership with Yemeni investors.

In 2003, Qatar Islamic Bank had already contributed a small stake to the formation of Arab Finance House (AFH), the first Islamic bank in Lebanon.

In 2005, Qatar's state-owned Supreme Council for Economic Affairs and Investment acquired Beirut-based BLC Bank for $236.3 million.

Earlier in July 2005, QNB had acquired the London-based asset management firm Ansbacher Holdings from South Africa's FirstRand Group at GBP 135 million.

CBQ acquired a strategic stake in National Bank of Oman, boosting NBO's capital to $208 million from $182 million.

Led by QNB and CBQ, the majority of conventional banks opened new Islamic branches and outlets that provide banking services and products in compliance with Islamic law. Moreover, the creation of Al Rayan Bank in Qatar by the end of 2005 is considered a major achievement in Islamic banking since Al Rayan will be the largest Islamic bank in the world with a capital of QR 7.5 billion. Qatari banks entered into investment funds and portfolios for shares traded at the Doha Securities Market (DSM). The investment funds were able to attract many customers who transferred their deposits to these funds in a bid to achieve higher returns. Interest rates on bank deposits did not exceed 2% whereas interest on loans was more than 10%.

Shikrallah Nakhoul, an APD Staff Writer in Beirut, mentioned in his publication, that looking at the negative side of the banking sector in Qatar, the Qatari banks charge high interest rates on loans, making it difficult for private and public sector projects to secure bank financing. Some of Qatari banks even refuse to finance small and medium size projects. Banks don't have the necessary funds to finance mega projects that are being implemented in the country and the Gulf region at large.

Ahli bank (QSC), established 22 years ago, illustrate through his CEO Bassel Gamal Aly, the banking Sector Growth of Qatar (www.ahlibank.com.qa/). Today the bank's retail, corporate, private banking and treasury divisions provide tailor-made solutions for its clients. Bassel says "We're old in terms of expertise and knowing the market, we're young in terms of creating business and above all we're flexible and client oriented".

The bank attributes its strong position in the market to a number of world-class financial partners and strategic partnerships, one of which is with Ahli Bank Bahrain, which counts representatives in countries throughout the region including Oman, Iran and Iraq. In 2004 Ahli Bank Bahrain acquired a 40% stake of Ahli Bank QSC, which saw the Qatari bank's equity rise from $85 to $239 million, making it one of the largest banks in Qatar in terms of capitalization and positioning it to benefit from the growth potential there. Ahli Bank QSC achieved excellent results in last years, as its net profit increased by 64.3 % from 2004-5. The bank is planning to double its number of branches in the next 3 years, bringing the total to16 , 3 to 5 of which will be specialized in Shariah compliant assets and liability products. Its biggest financing project to date, in which the bank underwrote $350 million in loans, is the largest transaction in the history of the private sector.

4. 11. 1. <u>Results of Commercial Banks Operating in Qatar</u>

The consolidated 1997 financial results of all banks operating in Qatar revealed another year of strong performance. Net profits, for the sector as a whole increased. Total assets of all commercial banks amounted to QR 38,521 million, which represents a 12.4% increase over 1996 level of QR 34,275 million. Total assets of the foreign banks operating in Qatar amounted to QR 5,761 million, representing 15% of the total. The continuation of robust economic activities as witnessed by the substantial growth in GDP since 1995, led to a 12% increase in loans and advances to reach QR 25,565 million in 1997, compared to a 10.1% increase in 1996 to QR 22,819 million. All banks reported higher levels of customer deposits. Specific provision for loan losses, for the sector as a whole, declined by 12.5% to QR 138.1 million, compared to a 2.6% decline to QR 157.7 million in 1996. The ratio of equity to assets for the sector increased.

4. 12. <u>Insurance Sector</u>

The insurance sector is one of the saving and investment facilities available in the country's economic structure. Presently there are 8 insurance companies of which 4 are joint stock companies, while the others are representative agencies of overseas companies. The latest indicators of the activity of insurance sector in Qatar reflect an outstanding growth in the development of its work techniques and expansion of its role in the country's economic and social development. Insurance Companies participated with the national banks in the establishment of private companies.

4. 13. <u>Securities</u> (Doha Securities Market- DSM)

DSM was officially opened on 26th May 1997. Nineteen companies are currently listed on the exchange which includes stocks for the banking, insurance, services and industry sectors. In order to qualify for listing on the DSM, a company must have at least 100 shareholders and a minimum share capital of QR 10 million, at least 50% of which must be fully paid. Listed companies must publish audited financial results annually and unaudited results six-monthly. 7 brokers, 3 of whom are banks, have been licensed to trade on the market. Procedures aimed at securing effective transparency and monitoring of price fluctuations are in place. In August 1998, the DSM completed upgrading its operations to allow central registration and electronic clearing. Electronic trading is expected to be in place by the end of 1999, which will facilitate the process of linking the DSM with other Gulf bourses.

4. 14. <u>Country Wealth and Future Prospects</u>

The enormous factor endowments of gas and oil reserves have resulted in Qatar's selection as the 8^{th} wealthiest country in the world per capita and the highest among GCC States, according to World Bank survey in 1995. Qatar is ranked firmly amongst the more wealthy nations of the world. According to the 1997 World Bank's Atlas, Qatar's GNP per capita, as measured by purchasing-power parity, stood at US$17,690 and ranked 22nd among the world's countries and the 2nd among GCC. According to the IMF Article IV Report issued in 1997, Qatar's medium-term prospects are highly favorable. The projected growth in crude oil production, the large investments in LNG, petrochemicals and other energy intensive export oriented projects are expected to enhance growth.

Moreover, the GDP per capita increase from 50.4 in 2005 to 59.5 in 2006 and from 64.2 in 2007 till 67.8 in 2008.

4. 15. Influence of expatriates on Qatar market

The Lebanese expatriate segment is 45,000 and still rising. The majority work in the Engineering, construction and contracting industries distributed between administrative, architects, engineers, foremen and few labors. Others work in the hospitality Services (Hotels/Restaurants...) and other sectors with an average salary of the targeted segment around $3,000 -3,500. Major expenses are on housing with an average rental cost per average apartment in Doha between ranges from $2,500-3,000/ month, covered by the recruiting company in general. Thus, financial products are essential to the Lebanese expatriate in which Byblos bank must work on before entering Qatar like: Fund transfer facility, saving/current accounts, expatriates housing loan, e-banking, personal and auto Loans

Doha Bank - BOB Agreement: Lebanese expatriates deal with 2 banks: QNB and Doha Bank. Those who deals with Doha Bank also deals with BOB, due to fund transfer agreement between them that insured many services such as, transfer of funds from Doha bank accounts to BOB accounts, reduced transfer fee of QR 7 if via website and QR 20 if in person, fund transfer delivery within 24 hours, exposure by BOB to the major big corporate clients that Byblos is financing (MAN, CAT, SEG, CCC…) allowing to gain a great market share of the expatriate segment, the ability to cross-sell and finally the exposure by Doha Bank allowing increasing his customer base and cross-sell it as well as earning commissions on fund transfers.

4. 16. Structure of Business Entities

4. 16. 1. Companies

The regulations relating to the structure of companies are governed by the Commercial Companies Law, Law No.11 of 1981. This law derived from the equivalent Egyptian code and inspired by French legislation. The Commercial Companies Law provides for the incorporation of different kinds of companies in Qatar; below are the two widely used:

Private Limited Company: The so called "WLL" Company that enjoys limited liability which is restricted to the assets of the company and it is the form most commonly used by foreign investors because it is simple to incorporate, has favorable tax regime and the liability of each member for its debt is limited to his capital share. A private limited company cannot conduct insurance, banking or investment broking activities.

Public Limited Company: A public limited company consists of a number of persons who subscribe for its transferable shares and are not liable for the Company's obligations except for the amount of the nominal value of the shares for which they subscribed. The share capital must be at least QR 500,000 divided into shares of between QR100&1, 000. Only Qataris are permitted to be shareholders unless an Emir decree is obtained to allow for non-Qataris to subscribe as shareholders.

The Commercial Companies Law also provides for the establishment, by Emir Decree, of a special form of Shareholding Company in which foreign entities could participate with the Government and other public institutions or public corporations.

4. 16. 2. <u>Partnership</u>

Partnership can be **General**, **Joint** and **Limited**

4. 16. 3. <u>Joint Ventures</u>

A joint venture consists of two or more natural or legal persons working to carry out a commercial enterprise. If one of the parties is a non-Qatari, the joint venture may not carry on any business that is reserved by law to Qataris.

4. 16. 4. <u>Branches of Foreign Companies</u>

Foreign participation in business activities in Qatar is regulated by Law No.25 of 1990. A foreign company is required to apply to the Minister of Finance, Economy and Commerce to obtain an Emir Decree.

4. 16. 5. <u>Structures used by foreign investors</u>

Foreign investors can operate in Qatar by establishing one of the following structures:
1- Wholly owned branch of a foreign company.
2- Partnership or a company with a Qatari partner.
3- Partnership/ company to engage in contracting business with 1 or more Qatari partners.

4. 17. <u>Foreign Investment and Incentives</u>

Exchange Control: No foreign exchange restrictions exist and equity capital, loan capital and all income streams arising in Qatar are freely remittable.
Foreign Investments Regulation (Contracting- Agencies and Trading): Foreigners, whether individual or corporations, are not permitted to import goods and services on their own account in Qatar, they must sell their goods to a Qatari agent or distributor which will then market them locally.
Sources of finance: Foreigners can use their funds to participate in Qatari businesses.
Importing and exporting: The import of goods is regulated by the Qatar Customs Law No.5 of 1988. A person wishing to import goods into Qatar for sale must be registered in an Importers Register and be approved by the Qatar Chamber of Commerce.

4. 18. <u>Rules of Business in Qatar</u>

Some companies come to Qatar thinking it is a **tax**-free zone, but it's not free. While there is no personal income tax, foreign-owned firms must pay a tax on corporate income. The customs duty for general cargo entering Qatar is 5%. Foreign investors need permission from the Qatari Government to invest in the banking and insurance sectors as well as the original copies of **documentation**.

To work in Qatar, a valid work permit issued by the Department of **Labor** is needed. Partnership of the company can be divided into maximum 49% of the capital with a Qatari partner of 51%.

A six-month temporary driver's license in Qatar is from the **Driving License** Section at Madinat Khalifa Traffic Department. Foreigners cannot own **land** in Qatar.

4. 19. Budgetary Developments in the Arab World

Faced with widening fiscal deficits in the early 1990s, the Arab governments have been working on increasing their finances over the past years. The need for a more balanced fiscal position has been made easy for the GCC governments with higher oil prices in 1999-01, to boost revenues. Other Arab countries have their own set of fiscal bottlenecks, such as limited revenue sources, the predominance of a rigid wage bill on the expenditure side and in the case of Lebanon- a large interest bill to service a rising public debt.

Please refer to the Table 4, page56, which shows the Balance to GDP of Qatar, Lebanon and others Arabic countries

4. 20. Economic Implications of Islam

The Koran establishes explicit economic principles of free enterprise and of earning legitimate profit through trade and commerce. The protection of the right to private property is also embedded within Islam, although Islam asserts that all property is a favor from Allah (God), who created and so owns everything. Those who hold property are regarded as trustee, rather than owners. As trustees they are entitled to receive profits from the property but are cautious to use it in a righteous and prudent manner. This reflects Islam's concern with social justice. Islam is critical of those who earn profit through the exploitation of others. In the Islamic view, humans are part of a collective where the wealthy and successful have obligations to help the needed ones.

4. 20. 1. <u>Interest in Islamic banking</u>

The economic idea is that commercial risk should be shared. In the Western Approach, interest guarantees the banker a return, so on a collateralized loan, the banker avoids much of the commercial risk that's inherent in business. No matter what happens, the banker gets a return. In contrast, Islam requires that the banker shares this commercial risk. If the business venture is successful, the banker shares the profit and if it doesn't, neither does the banker. The economic principle of Islam prohibits the payment or receipt of interest, which is considered usury. In several Islamic states, it is becoming a matter of law. The value of community in Islam is stronger than the value of individual profit.
Islamic Legitimacy of "Murabaha": The "purists", who tend to be Islamic economists and not jurists who decide what is legally permissible, insist on replacing murabaha with the distinctively Islamic financial instruments of Mudaraba and musharaka (profit-sharing).

Finally, Islamic finance which had long been perceived as a moderating element in Islam, found itself, after the declaration of the war on terrors, as never before in the crosshairs of law enforcement. The attacks of Sep. 11th led to suspicion that sophisticated financial networks were behind the attacks and dealings with international banks deteriorated.

Chapter 5
OPERATIONAL ANALYSIS AND STAKES

5. 1. Operational Analysis

Byblos' Bank mission is to be a Universal financial institution, consolidating its leading position in the domestic and international market, therefore focusing on its operational analysis is a good assessment to recognize its feasibility for expansion in Qatar.

5. 1. 1. Financial Statements

March 2003

Net Income: Byblos bank was successful in maintaining the same profitability levels as the last year period despite subscribing to the special treasury bills yielding 0%. In this regard net interest margin stood at 2.63%. ROA and ROE stood at 0.9% and 14.5%.
Total Assets: from March 2002-3, total assets increased by 17.8%, sum of 8,235 billion - US$ 5.5 billion, total deposits increased by 20.1% amounted LBP 6,606 billion- US$ 4.4 billion and total loans increased by 18.6% amounted LBP 1,816 billion- US$ 1.2 billion.
Net Non-Performing Loans: Gross loans posted a rate of 3.8% and the coverage of non-performing loans by provisions and cash collateral stood at 89%.
The bank maintained high liquidity ratios with liquid assets representing 74.2% of total assets and immediate FCY liquidity representing 46% of FCY deposits.
Total capital amounted to US$ 403 million (which excludes declared dividends) and amounted to US$ 503 million upon the closing of the preferred-shared issuance.
Total capital represented 5.9% of total assets and capital adequacy ratio stood at around 19% (excluding the upcoming preferred share issuance).

March 2004

Profitability: It decreased of 12.3% with a total of LBP 15.6 billion- US$ 10.3 M. ROA and ROE stood at 0.7% and 9.4%. The main reason for the drop was the reduced net interest margin by 82 basis points from 2.63% to 1.81% in period March 03-04. The decrease in net interest margin is explained by the bank's conservative strategy to keep highly liquid assets, coupled by the drop in LBP interest rates and the current low level of US$ interest rates. Thus, the bank reduced its portfolio of Lebanese government securities of FCY which represented 18.2% of FCY deposits compared to 39% in the last year period. Moreover, customer loans as a percentage of customer deposits stood at 23.7% compared to 27.5% in the last year period.
Non Interest Income: It increased by 21.6% compared to the last year period and represented 24.1% of total operating income compared to 17% in the last year period. The bank is working on the **diversification of income sources at two levels**. Increase the level of non-interest income by private banking initiatives, bank assurance products and investment banking activities through the newly created Byblos Invest Bank SAL and expand outside Lebanon. Therefore, the bank opened a banking **subsidiary in Sudan**, fully operational and generated profits from the 1st year of operations.
Growth: Total assets increased by 13.6% in amounts LBP 9,353 billion- US$ 6204M. Customer deposits increased by 16.3%- LBP 7,680 billion- US$ 5,095 M. Market share in customer deposits stood at 10.24% compared to 10% in 2003. Customer loans remained flat with a marginal increase of 0.1% due to the lack of attractive opportunities- LBP 1,818 billion- US$ 1,206 M. Market share in customer loans was constant (7.7%). Net non-performing loans decreased from 2.4% to 1.6% of gross loans.
Liquidity and Capital Adequacy: The bank increased its liquidity levels from 76.4% of total assets and 93% of customer deposits compared 74.2% and 92.5% in 2003. Capital adequacy ratio stood at a high level of 26.8%- LBP 826 billion- US$ 548 M.

June 2004

Profitability: It increased by 1.3%- LBP 37.7 billion- US$ 25 M. ROA and ROE stood at 0.8% and 11.5%. The bank was able to increase its profits despite the drop in net interest

margin from 2.44% to 1.84% in June 2003-4. The drop in net interest margin was the result of the bank's conservative strategy with regard to maturity mismatching and liquidity accumulation. Most important is the bank's ability to diversify the sources of its operating income. Therefore, non-interest income increased from 23%- 29% in 2003-04. Operating expenses increased slightly by 3.1% and cost-to-income ratio stood 62.7%.
Growth: Total assets and customer deposits recorded a growth of 12.7% and 14%- LBP 9,677 billion- US$ 6.4 billion and LBP 7,966 billion- US$ 5.3 billion respectively. Customer loans were almost stable and recorded a small increase of 0.7%- LBP 1,846 billion- US$ 1.2 billion. The bank continued its conservative strategy regarding the loan provisioning and as a result net non-performing loans of gross loans rose from 1.7%- 2%.
Liquidity and Capital Adequacy: Byblos bank continued to increase its liquidity levels, where liquid assets represented 76.6% of total assets compared to 75.1% previously. Highly liquid placements with banks denominated in foreign currencies represented an increase from 52.6% to 61.6% from June 2003. The bank maintained high capitalization levels with a capital adequacy ratio of over 26% which is much higher than the required rate of 12%. Total capital amounted to LBP 800 billion (US$ 531M) at the end of Jun 04.

September 2004

Profitability: It increased of 1.7%- US$ 36.1M. ROA and ROE stood at 0.8% and 11%.
Net income: The increase of net income was small due to the bank's conservative strategy pursued 2 years ago. The bank decided to reduce its exposure to the public sector in order to diversify away its risks to one important borrower. As a result exposure in the high return Lebanese government securities as percentage of total assets was reduced from 30.1%- 22.2%. Moreover, low return immediate liquidity in FCYs (excluding investments in fixed income securities) represented 65% of FCY deposits compared to 61.4% a year earlier. Aggressive competition among Lebanese banks on deposit taking and on acquisition of good quality loans continued to drive margins down. As a result net interest margin dropped by 68 basis points and reached 1.7%.
The diversification of revenues increased the income, which is generated from commissions and financial operations, from 27% to 33.6% of total operating income.

Growth: increased by 13.4%.Total assets stood at LBP 10,052 billion- US$ 6.67 billion). Market share in total assets increased to 10.4% compared to 10.1%. Customer deposits marked an increase of 12.7% amounted LBP 8,149 billion- US$ 5.4 billion. Market share in customer deposits increased to 10.3% from 10.2%. Customer loans rose up of 5.7%- LBP 1,856 billion- US$ 1.23 billion. Market share in customer loans increased from 7.4%- 7.6%. The bank increased the coverage of nonperforming loans by provisions; thus net nonperforming loans of gross loans decreased from 3.8% to 2.3%.

Total capital amounted to US$ 542 million and represented 8.1% of total assets (one of the highest ratios in the sector) and capital adequacy ratio stood at a high level of 24.8%.

Outlook: In the domestic market, the bank continued to ensure leadership through its largest spread branch network, on focusing on profitable consumer market segments and on the corporate business. To ensure better returns for its shareholders, a full fledged International Banking Division was set up and qualified staff was recruited. As a result the Bank expanded in Africa, where ROE stood at a high level of 12.9% after only a year of operations. It has been setup with a partnership with OPEC fund and the Islamic Corporation for the Development of the Private Sector (ICD).

December 2004

Profitability: Byblos bank increased of 15.6% in net income- US$ 53.5 M. ROA and ROE stood at 0.83% and 11.8%. The main boost to profitability came from higher commission income and higher financial operations.

Net interest margin: It dropped from 2.22% to 1.61% due to the maturity of high yielding Lebanese government securities and the aggressive competition among Lebanese banks on deposit taking and on acquisition of good quality loans. It compensated for the drop in net interest margin by higher commission and financial operations revenues. As a result non-interest income represented 37.5% of gross operating income compared to 27.1% previously, which falls within the bank's strategy to enhance non-interest income. Cost-to-income ratio stood at 61% compared to 53%. Operating expenses includes tax on interest (5%) and if not, it would have stood at 58%.

Growth: Total assets increased of 15.7% stood at LBP 10,491 billion- US$ 7 billion.

Market share in total assets increased from 10% to 10.47%.

Customer deposits: Increased of 11.3%- LBP 8,256 billion- US$ 5.5 billion.

Market share in customer deposits didn't change and stood at 10.1%.

Customer loans: Increased of 13.4%- LBP 2,017 billion- US$1.3 billion. Market share in customer loans increased from 7.8% to 8.4%. The bank sustained the high coverage of nonperforming loans by provisions and as result net nonperforming loans maintained 2.2%.

Total capital: One of the highest ratios in the sector, 8.1%- US$ 565 M. It maintained high liquidity ratios where liquid assets represented a high level of 76.2% of total assets and immediate liquidity in FCY represented 56.7% of FCY deposits.

<u>September 2005</u>

Profitability: Net income marked an increase of 23.4%- US$ 44.6 M compared to US$ 36.1 M. ROA and ROE stood 0.84% and 12.6%. Cost-to-income ratio, a measure of the Bank's efficiency, stood at 53.4% compared to 64%.

Growth: Total assets increased of 7.4%.

Customer deposits and Customer Loans: Increased of 3.7% and 13.1% compared to the 4.7% and 5% in the Lebanese banking sector.

The Bank maintained high liquidity ratios where liquid assets represented a high level of 76% of total assets and immediate liquidity in FCY represented 55.9% of FCY deposits.

<u>December 2005</u>

Profitability: Compared with previous year, the Bank showed an increase of 28.5% and generated net profit of US$ 69 million. ROA and ROE stood at 0.95% and 12.7%.

The reason of the performance was due to the enhancement of management of the bank's assets and liabilities which resulted in an increase of interest margin from 1.6% to 1.7% from 2004-5; the revenues from non traditional lending activities such as LC, banking services, securities trading have increased by 47.8% and have constituted 41.7% of total revenues up from 36.5% in the previous year. Approximately, 30% of this activity comes from the int'l operations handled out of Beirut and from our branches / subsidiary banks in Sudan, Paris, Brussels, Cyprus and London and the operating in cost efficiency (cost-to-income ratio) has improved from 57.5% to 51% at 04- 05 and this trend continues to improve due to more centralization of processes inside the bank and due to the handling of a larger volume of transactions with no increase in expenses.

Growth: Total assets increased of 8.5%- LBP 11,391 billion- US$ 7.6 billion, compared to an increase of 0.6% in the Lebanese banking sector. Noted that 55% of the growth in total assets was driven by the foreign operations and the assets of foreign subsidiaries represented 11.6% of consolidated assets compared to 8.9% at the end of 04.

Customer deposits and Customer loans: Increased of 2.8% and 10.8%- LBP 8,493 billion- US$ 5.6 billion and LBP 2,241 billion- US$ 1.5 billion compared to an increase 0.5% and 3.5% in the Lebanese banking sector

Total Capital: It represented 10.6% of total assets- US$ 799 M. The bank maintained high liquidity ratios where liquid assets represented a high level of 76.2% of total assets and immediate liquidity in FCY represented 59% of FCY deposits.

Outlook: It has obtained a seat on the Beirut Stock Exchange. Resulted from the international activities, the profitability share of the total group increased from 3%- 13%.

March 2006

Profitability: It reported an increase in net income of 43.1%- LBP 24.5 billion- US$ 16.2 M. ROA and ROE stood at 0.85% and 9.3%.

Growth: Total assets recorded an increase of 12.5%- LBP 11,742 billion- US$ 7.8 billion compared to an increase of 7% in the Lebanese banking sector.

Customer deposits and **Customer loans**: It increased of 7.7% and 19.3 %- LBP 8,762 billion- US$ 5.8 billion and LBP 2,377 billion- US$ 1.6 billion compared to an increase of 10% and 3.5% in the Lebanese banking sector.

Total capital: It amounted 10.3% of total assets- US$ 801 M. The bank maintained **high liquidity ratios** where liquid assets represented a high level of 75% of total and immediate liquidity in FCY represented 60% of FCY deposits.*Please refer to the Table 5, page 56, which shows Byblos Bank Financial Statements for the year 2004-5-6-7*

5. 1. 2. Conclusion

According to the financial statements, the positive profitability and the growth that encountered by Byblos Bank during its experience in expanding abroad (Europe, Cyprus, Sudan and Syria) encourages the bank to pursue the project of expansion in Qatar.
The most two encouraging reasons to go internationally, is that Byblos Bank has a positive portfolio abroad and the socio-economic instability that Lebanon is facing everyday forces the bank not to put all his "good in one basket".

5. 2. Challenges

5. 2. 1. Factors Affecting Type of Office

Since the type of office is affected by the attitude of the host country as reflected in its laws, regulations and policies, branches are the easier type of office to establish in a foreign country and they afford the parent company the greatest degree of control. As a full service type of offices, branches play a key role in external operations. Usually commercial banking is categorized as retail, wholesale, or service banking.
Retail activities include offering different types of services such as deposit holding for users other than banks, providing financing for small exporters and importers, lending to individuals, households, small corporations and partnerships. This type of banking usually requires a branch or a subsidiary office.
Wholesale banking includes transactions with large corporate customers, banks, financial institutions, governments in large loans, deposits, and related functions. Wholesale banking may be undertaken by subsidiaries, branches, and agencies. Branches and subsidiaries are the two important types to perform the traditional banking functions.

5. 2. 2. Risk management confronting the international banker

Banks are institutions actively engaged in profit maximization; they face the inherent risks in any activities. It is a banker's job to manage risk, such as:

Credit Risk (The danger that a borrower defaults on a debt obligation), **Liquidity and Funding Risk** (The threat of insufficient liquidity on the part of the bank for normal operating requirements), **Settlement/ payment risk** (Created when one party of a deal pays money or delivers assets before receiving its own cash or assets, hence exposing itself to a potential loss and interest rate risk), **Interest Rate Risk** (The risk that arises from mismatches in both the volume and maturity of interest-sensitive assets, liabilities and off-balance sheet items), **Market or Price Risk** (The exposure of banks to losses due to market or price fluctuations in markets), **Foreign exchange or currency risk** (The exposure of banks to fluctuations in foreign exchange rates that affect positions held in a particular Cy for a customer/ Bank), **Sovereign risk** (The political/ economic conditions threaten to interrupt repayment of loans or other debt obligations) and **Operating risk** (arising from losses, fraud, failure of internal control, or unexpected expenses- lawsuits).
As for the increasing of Causes of Crashes; Banks are more vulnerable and fragile to failures than other companies for many reasons such as Low capital-to-assets ratios (high leverage), Low cash-to-assets ratios, high demand debt and short-term debt to total debt ratios (high potential for a run). Moreover, crashes are marked by fierce competition between financial institutions and by financial fraud; thus, the government has to contain the damage, restore confidence to the public and avoid or contain contagion.
The burden on bankers is expanding and there is no escape from the problem of money laundering. Therefore, banks are required to report suspicious transactions and to establish internal controls. To prevent the money laundering, it must implement the "**Know Your Customer**" program, which seeks to verify the background of the clients.
There are rising needs for more consolidation of banking institutions; The banking sectors in the Arab countries are expected to witness greater merger and Acquisition (M&A) activities in the years ahead, either between domestic banks wishing to capture market share in their respective markets or through cross border acquisition to facilitate intraregional expansion of Arab Banks.
Please refer to the Table 1, page 54 ,which shows the Mergers and acquisitions among banks in the Middle East
Small Arab banks that are unable to invest in up-to-date technology will find it very difficult to survive. Even at retail level, domestic banks will be facing competition from

the international banking giants providing online banking services to prime customers. In a liberalized global financial market, Arab banks have no choice but to consolidate in order to reduce operation costs (economies of scale), minimize duplication and spread huge technology expenses over a wider base.

As for the methodologies of Country Risk Analysis, it involves both qualitative and quantitative analysis of political, social, economic, financial and natural conditions in the country in which the borrower operates.

5. 2. 3. Byblos Entering Qatar

Any firm contemplating foreign expansion must first analyse in depth the issue of which foreign markets to enter as well as the timing and scale of entry. The choice must be based on an assessment of a nation's long-run profit potential.

It is important here to mention that Qatar's language is like our language and therefore the entry could be easier. Since no Lebanese banks have established a branch in Qatar, Byblos will have an early entry as a Lebanese bank.

As previously described in chapter 2, with the nature of offices, appropriate organizational form is related to the scope of international activities that Byblos Bank is intended to pursue, therefore, the decision of expanding abroad would be through a bank for many reasons such as:

The correspondent banking: this nature does not require a physical presence and has the lower cost; however, the disadvantage is that the agent doesn't necessarily act in the best interest of the principal.

The Representative office requires a limited physical presence with low budget and easy to close in the foreign market, however, the activities of the office are limited since it can not accept deposit or make loans- only a liaison function. The advantage of such office, is that it's a tool to explore a new or high-risk market and it is established when the host country does not permit the full service of foreign banks, which is not in our case since Qatar has already 7 foreign banks and its not yet a risky market, on the contrary there are many Lebanese business men willing to deal with their home bank.

As for the agency, it can perform more functions than a RO, although it accepts foreign demand deposits, remains unable to handle the retail deposits which is abundant in the Qatar market and must not be ignored.
The affiliate which is very similar to the subsidiary, although the ownership is changed 20-50% of the equity stock, is controlled by the parent bank, engaged in full banking activities and legally separated from the parent firm, they're established "de nova". They can be partially owned by partners, who strengthen the image of the bank with good name recognition and ability to share losses as well as the familiarity with the territory. But since Byblos Bank through expansion, is increasing its revenues, the target behind the expansion, is not just the image or the presence of such nature but the profit increase through ownership of the bank.
Given the researched information, the author assert that the most important and efficient form of overseas office to be established in Qatar by Byblos Bank is the branch; The branch enables the parent to gain access to both retail and wholesale markets, as well as all traditional services are applied to the branch which abides by the law of the host country. The branch attracts Lebanese customers who plan to undertake activities in the bank's home country; thus increasing the banks earnings through diversification.

5. 2. 4. <u>SWOT Analysis</u>

<u>Strengths</u>

1- Byblos Bank has an overarching view of the whole society: It is providing effective financial services to the whole group and in this perspective, it is creating value.
2- Byblos Bank possesses a strong bank image, among Lebanese and Arabs.
3- The bank has wide of variety products that fits all the society needs and works in competing rates with the market.
4- The bank is very inter-connected. The members work daily in a team spirit.
5- Byblos Bank always seek new ways of improving the operational system by using, adapted new technology in communication and the latest programs such as the FinArch*

which is the core platform to answer the Bank's capital management requirements. The bank spends portion of its budget on building and developing rich databases of prospects.
6- Byblos Bank's Central Operations received the ISO 9001-2000 Certificate Award (Dec. 03) which provided it with a good reputation in operations.
7- The bank is linked to the Belgium based Society for Worldwide Interbank Financial Telecommunication (SWIFT) in order to combat terrorism.
8- In addition to the value created, Byblos Bank works on generating sales for the higher-profit products (margins).
9- Economically wise, the bank has to expand in order to diversify its profit not to depend only on the Lebanese market because of its risks involved.

Weaknesses

1- Byblos Bank can not promote all the products sold locally: although some of the products may have a potential ifwell pr omoted, however the bank is sometimes constrained by its budget or the limits posted by the foreign bank.
2- The bank has no fund transfer Agreement with a Qatari Bank.
3- The retail level is not well perceived by the host country.
4- "Conflict of Interests": Competition between Lebanese banks and Qatari ones: banks with the same product portfolio face some conflicting interests. They may compete over the same markets. This is a real challenge for Byblos Bank to overcome since some banks are duplicating efforts and resources.

Opportunities

The bank opportunities focus on:
1- Target new geographic markets: Byblos Bank is always monitoring the new online trends and trying to study the profile of international potential clients. Based on such information, the bank is able to identify which products to target in which new geographic markets (that were not already approached by its competitors).

2- The great number of Lebanese expatriates are well paid and have good positions in Qatar

3- Qatar is appreciated as one of the open countries in Arab countries (education, medical sector, business openness...)

4- The Lebanese Law Offices of Gebran Majdalany, which boasts one of the largest practices in Qatar, since 1981, enjoys a top reputation in the market, specializing in banking, company law, civil law (including construction and real estate, aluminum, airports, airlines and oil- gas), insurance and international trade. Therefore, Byblos can take advantage of his expertise to direct it to in its expansion process.

5- Target qualified banks: Search for banks that match Byblos bank' target profile and work on establishing a relationship with them.

6- Products that Byblos Bank offers are highly demanded in Qatar such as the personal loan, expatriate loan for housing.

7- Lebanese expatriates require high demand for the fund transfer facility and the bank is entitled to make such transactions.

8- A large number of Arabs visit Lebanon yearly, therefore in order to facilitate their transactions made in the country; the potential accounts opening are highly welcomed. Benefit from the Lebanese Diaspora through targeting Lebanese-owned companies across Qatar and Arabic neighboring countries. Such companies are more likely to prefer working with a Lebanese-rooted company such as Byblos Bank S.A.L.

9- Qatar has a high profile area for safety and security equipment; therefore, as a country of little risk, it is a beneficial potential market for expanding.

Threats

1- The political situation in Lebanon has created negative image on the banking sector.

2- There is an increasing global competition; the number of financial institutions is increasing in the world. Competitors who have online presence are actively and heavily present online. (Local competition mainly by HSBC, QNB, Commercial Bank…) Their products' online presence consist the major threat to our products.

3- The fluctuations of the exchange monetary rate affect negatively the financial services.

4- Bank of Beirut (BOB) have already established a representative office: Permanent staff with an office at Doha Bank.
5- Audi Bank is a main competitor to Byblos Bank and it is preparing for a joint venture; to open soon a complete entity covering corporate finance, Retail and Private Banking.

5. 3. Conclusions and Recommendations

Working at the MIS has given me the opportunity to explore the operations and practices that goes in the bank activities which are explained in the customer's attitude, in new business environments and from an international approach.
As previously discussed this study thus contributes to a comprehensive overview and guidance, with its challenges, risks and portfolio, for all the banks willing to expand globally.
Language enables people to communicate with each other and Arabic language is shared between Qataris and Lebanese. The issue of giving meaning across cultures is not raised here; ethical decisions across Lebanon and Qataris are not that different in taking the ethical analysis **(recruit Qataris).** Cultural diversity typifies the countries of the world. Although no individual can be familiar with the cultural environments of all countries, it is essential that expatriates of multinational enterprises become familiar with the culture of the country to which they are assigned.
The potential in the Gulf region in general and Qatar in particular is big and increasing and in order for us to exploit the opportunities, we recommend the following:
Regarding Byblos Bank, it must seriously consider expanding its operations into emerging countries and thus diversifying its source of revenues. It is already doing so through the branches already established in Brussels, Cyprus, Iraq, Sudan and Syria. Through this expansion, the bank will also be increasing its current profitability capacity. This type of expansion should be taking place in other potential countries as well.
When expanding, Byblos Bank should work on sending professional staff to the host country. Therefore, it should organize rounds of meetings to create more awareness among all staff surplus about its activities, ways to assist them and sources of funding and to inform them about the importance and value of selling Byblos bank retail products.

Arranging an urgent agreement with a leading Bank in Qatar (preferably QNB) is required to insure a Fund Transfer facility within 24 hours and at a maximum charge of 7 QR per transfer. The client should be able to do the transfer in person and via website. Establish a permanent presence for the bank in Qatar, whereby the bank's representative can answer all the needs in a quicker and more reliable manner especially that interpersonal banking relationships for those people are more important than communicating online.

The success of Byblos as a pioneering to explore new markets and create value to Lebanese expatriates as well as non Lebanese citizens - has been an interesting case to experience and study, a tool to explore the world and generate new business, as well as enlarge market knowledge and gain strategic insight....

Once Byblos Bank has defined Qatar as the right target market, the challenge remains in identifying the right clientele and the management team...

REFERENCES

Charles, W. L. H. (2006). GLOBAL BUSINESS TODAY. McGraw. Hill international edition

George M. T. & Don R. B. (1991). INTERNATIONAL BUSINESS. ENVIRONMENTS, INSTITUTIONS AND OPERATIONS. New York, NY: HarperCollins

Charles W.H. (1990). THE ENVIRONMENT OF INTERNATIONAL BANKING. Prentice-Hall International Editions

Sarkis J. K. & Alo G. (1989). RECENT DEVELOPMENTS IN INTERNATIONAL BANKING & FINANCE. RESEARCH, ANALYSIS & STRATEGIES. McGRAW-HILL BOOK COMPANY

Jane E. H. & Scott B. M.D. (2002). INTERNATIONAL BANKING. Publisher Addison Wesley

Clement M. H. & Rodney W. (2004). THE POLITICS OF ISLAMIC FINANCE. Publisher Edinburgh University Press

Rodney W. (1990). ISLAMIC FINANCIAL MARKETS. Routledge- London and New York

Dileep M. & Hung-Gay F. (2004). INTERNATIONAL BANK MANAGEMENT. Blackwell Publishers

Howe M. (1966). INTERNATIONAL BUSINESS. PRINCIPLES AND PROBLEMS. Free Press

Wagdy M. A. (2001). MANAGING MULTINATIONALS IN THE MIDDLE EAST. ACCOUNTING AND TAX ISSUES. Quorum Books

Bank of Bahrain & Kuwait Asia Bank & Gulf International Bank & Saudi National Commercial Bank & United Gulf Bank. (1983). ARAB BANKING & FINANCE HANDBOOK. Falcon

Henry T. A. (2002). THE ARAB WORLD FACING THE CHALLENGE OF THE NEW MILLENNIUM. Tauris.

Amiri Diwan (1993) Decree law No.15: Establishing Qatar Central Bank. Qatar: Hamad B. K. A. T. Amir of the State of Qatar

Online sources:

www.unitedworld-usa.com

www.tradearabia.com

www.cbq.com.qa

www.mashreqbank.com

www.qatar.bnpparibas.com

www.qiibonline.com

www.standardchartered.com/qa

www.britishbank.com

www.qib.com.qa

www.arabbank.com

www.bank-saderat-iran.com

www.qcb.gov.qa

www.dohabank.com.qa

www.qatarbank.com

www.qidb.com

www.zawya.com

www.gulfnews.com/business/Banking_and_Finance

www.ahlibank.com.qa

APPENDICES A

<u>FinArch</u>* FinArch (Financial Architects nv), with offices in the major financial centers worldwide, is a global value leader in providing a new generation of financial management software. FinArch provides a unique blend of domain expertise, operational services, and technology solutions that accelerate and facilitate financial institutions' ambition to implement a cost effective and reliable financial management platform. FinArch is also positioned as a leader in Gartner's Magic Quadrant for Basel II software applications.

<u>Citi</u>* The leading global financial services company, has some 200 million customer accounts and does business in more than 100 countries, providing consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Major brand names under Citi's trademark red arc include Citibank, CitiFinancial, Primerica, Citi Smith Barney and Banamex. In Lebanon Citibank has been operating as a fully licensed branch since 1996.

<u>OPIC</u>* OPIC was established as an agency of the U.S. government in 1971. It helps U.S. businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with foreign direct investment, and supports U.S. foreign policy. Because OPIC charges market-based fees for its products, it operates on a self-sustaining basis at no net cost to taxpayers. OPIC's political risk insurance and financing help U.S. businesses of all sizes invest in more than 150 emerging markets and developing nations worldwide. Over the agency's 35-year history, OPIC has supported $164 billion worth of investments that have helped developing countries to generate more than 732,000 host-country jobs and $13 billion in host-government revenues. OPIC projects have also generated $69 billion in U.S. exports and supported more than 264,000 American jobs.

LTA* The Lebanese Transparency Association (LTA) is a Non-Governmental Organization (NGO) that aims at curbing corruption in its various forms and promoting the principles of transparency and accountability, establishing the rule of law, and strengthening respect of basic rights as declared in international charters and the Lebanese Constitution.

LCGTF* Created in November 2002 by the Lebanese Transparency Association (LTA), the goal of the Lebanon Corporate Governance Task Force (LCGTF) is to build and maintain a coalition to promote good corporate governance in Lebanon. It is a permanent working group, consisting of prominent representatives from the Lebanese private and public sectors, as well as civil society.

Qatar Central Bank- Decree Laws &Articles (1993)

the decree law consists of 77 articles which describes the whole function of the bank. Below are the most important articles:

Article 1- Establishment of the bank and its objectives, Capital, Profits & Reserves

Article 2: "The bank shall have a body corporate status personality & shall conduct all operations & transactions necessary to realize its object".

Article 3: "The head office of the bank shall be located, in Doha, and the bank may open branches in Qatar and appoint agents and correspondents abroad"

Article 4: "The bank shall organize and implement the monetary, credit and banking policies in accordance with the state General Plan, in order to support the national economy and the stability of the currency..."

"...the bank shall be empowered to:

Direct the monetary policy and banking credit in order to realize the objective of the state economy policy, exercise the privilege of issuance and circulation of the currency, take actions necessary to stabilize the value of the currency and is free conversion to other foreign currencies, supervise & control banks & financial institutions according to the provisions of the law, function as banker for the Government within the limits prescribed by this law, act as a bank for all the banks operating in the State & maintain & employ the reserved funds allocated as cover to the currency."

Article 5: "Capital of the bank shall be (500,000,000) Five Hundred Million Qatari Riyals to be fully paid by the government..."

Article 10: "The governor shall manage the Bank's business & shall be responsible before the board..."

Article 11: "The board shall have all the powers needed to attain the Bank's Objectives..."

Article 20: "The bank shall not pay to its employees or to their benefit any wages, salaries, fees, allowances or gratuities calculated on the basis of profits realized by the bank."

Article 24: "The issuance of currency is a state privilege exercised by the bank exclusively..."

Article 38: "The bank shall determine the conditions under which credits to be extended to banks in general & shall declare from time its rates for discounts, rediscounts, loans & advances.

Article 39: "...The bank may impose a fine on any bank which fails to maintain the required reserve in the prescribed ratios pursuant to the provisions of this article, at an annual rate as announced by the bank..."

Article 43: "No person shall carry on banking business in Qatar, or use the term bank, banker or any other expression denoting practicing banking business or off-shore banking in documents, correspondences, advertisements or any other means without having first obtained a license from the Council of Ministers issued on the recommendation of the bank. The license shall be issued pursuant to the conditions prescribed by the bank.
The bank may permit the national banks to establish branches to practice offshore banking business according to the regulations and conditions prescribed..."

Article 44: "Any company desirous of practicing banking in Qatar shall apply to the bank for license in the specified form prepared by the bank containing the required information."

Article 48: "No bank shall open a new branch or close an existing branch or change its location without the prior approval of the bank."

Article 49: "No licensed bank shall merge or consolidate with another bank without prior approval of the bank"

Article 50: "Qatari banks shall not be granted a license unless its paid-up capital is not less than twenty million Qatari Riyals. And for a branch of a foreign bank the capital maintained or assigned for business in Qatar shall not be less than ten million Qatari Riyals. National branches of offshore banks are exempted from this condition. The bank may exempt some foreign offshore banks according to the bank's regulations…"

Article 52: "Every bank shall have a chartered auditor registered in Qatar, who shall be appointed upon the approval of the bank…"

Article 53: "The bank may at any time conduct inspection of any bank if t considers such inspection necessary, to ensure that the bank is in a sound financial position and is complying with the provisions of this law in the management of its business…"

Article 55: "Every bank shall publish in one of the daily newspapers statement of its balance sheet and the loss and profit account certified by the auditor within four months from the expiry of financial year, and shall present a copy thereof the bank…"

Article 57: "Every bank shall provide the bank with any information or statements, which the bank considers necessary for the proper performance of its functions in the manner and time specified by it.

Byblos Bank is maintaining accounts with these banks - Correspondent Banks

Algeria Algiers, Banque Nationale d'Algérie

Australia Sydney, Westpack Banking Corporation

Austria Vienna, Bank Austria Creditanstalt Int'l AG

Bahrain Manama. Gulf International Bank (BSC) / Arab Banking Corporation (BSC)

Belgium Brussels, Byblos Bank Europe S.A. / KBC Bank N.V.

Brazil Sao Paolo, Deutshe Bank / ABN Amro Bank

Canada Montreal, BNP Paribas / Royal Bank of Canada Toronto, Scotiabank

Cyprus Limassol, Byblos Bank S.A.L. (IBU) / Bank of Cyprus / Cyprus Popular Bank

Czekh Republic Prague, Ceskoslovenska Obchodni Banka (CSOB)

Denmark Copenhagen, Danske Bank A.K.

Egypt Cairo, National Bank of Egypt

Ethiopia Adis Abeba, Commercial Bank of Ethiopia

Finland Helsinki, Nordea Bank Finalnd PLC

France Paris, Byblos Bank Europe S.A. (Paris Branch) / BNP Paribas/ Natexis Banques Populaires

Germany Frankfurt, Deutsche Bank A.G./Bank of New York/ Commerzbank A.G./Dresdner Bank A.G.

Greece Athens, National Bank of Greece /Bank of Cyprus

Hong-Kong Hong-Kong,Bank of New York

Hungary Budapest, Commerzbank

Italy Milano,IntesaBC /Unicredito Italiano Spa, Rome, UBAE Arab Italian Bank SPA

Japan Tokyo, Bank of New York

Jordan Amman, Housing Bank For Trade and Finance/Union Bank for Savings & Investments/Jordan National Bank plc

K.S.A. Jeddah, National Commercial Bank Riyadh, Arab National Bank/Saudi Hollandi Bank / Riyad Bank

Korea Seoul, Korea Exchange Bank / Bank of New York / Union de Banques Arabes et Françaises UBAF

Kuwait Kuwait, Gulf Bank ksc / National Bank of Kuwait sak

The Netherlands Amsterdam, ABN Amro Bank

Norway Oslo, Den Norske Bank

Philippines Manila, Bank of Philippine Islands

Poland Warsaw, Bank Handlowy W Warszawie S.A

Spain Madrid, Banco Atlantico/ Banco Bilbao Vizcaya Argentaria

Srilanka Colombo, Bank of Ceylon / People's Bank

Sweden Stockholm, Skandinaviska Enskilda Banken

Switzerland Zurich, Credit Suisse First Boston / UBS A.G.

Syria Damascus, Commercial Bank of Syria

Turkey Istanbul, Yapi Ve Kredi Bankasi / KOCBANK /Turke Ekonomi Bankasi (TEB)

Tunisia Tunis, Tunis International Bank

U.A.E. Abu Dhabi, Abu Dhabi Commercial Bank, Dubai, Standard Chartered Bank/ Mashreqbank, Sharjah, Bank of Sharjah

United Kingdom London, BBE S.A./ Barclays Bank PLC / HSBC Bank PLC

U.S.A. New York, Bank of New York / Citibank / JP Morgan Chase / American Express Bank / Standard Chartered Bank

Venezuela Caracas, Banco Del Caribe SACA.

APPENDICES B

Table 1

Acquirer	Country	Merged- acquired or strategic interest
United Saudi Bank	Saudi Arabia	Saudi Cairo Bank (1997)
Wafabank	Morocco	Unibank (1997)
Bank Audi	Lebanon	Credit Com. de Moyen Orient (1997)
Byblos Bank	Lebanon	Banque Bey. pour le Commerce (1997)
Jordan National Bank	Jordan	Business Bank (1997)
KIPCO	Kuwait	Burgan Bank (56%) (1998)
Bank of Beirut	Lebanon	Transorient Bank (1998)
Bank Audi	Lebanon	Orient Credit Bank (1998)
Fransabank	Lebanon	Universal Bank (1998)
Emirates Bank International	UAE	Bank of Beirut (10%) (1998)
Gulf Bank	Kuwait	United Bank of Kuwait (27%) (1999)
SAMBA	Saudi Arabia	United Saudi Bank (1999)
Gulf International Bank	Bahrain	Saudi International Bank, UK (1999)
Arab Banking Corp.	Bahrain	Arab African Bank of Egypt (1999)
Societe Generale Libano-Europe de Banque	Lebanon	MEA Inv. Bank of Jordan (35%) (1999)
United Bank of Lebanon	Lebanon	Banque Lib. pour le Commerce (2000)
Faisal Islamic Bank	Bahrain	Islamic Inv. Comp of the Gulf (2000)
United Bank of Kuwait	Kuwait	Al-Ahli Com. Bank of Bahrain (2000)
Commercial Bank of Oman	Oman	Bank of Muscat (2000)
EFG Hermes	Egypt	Fleming CIIC (2001)
Bank Audi	Lebanon	Lebanon Invest (2001)

Mergers and acquisitions among banks in the Middle East
(Source: THE ENVIRONMENT OF INTERNATIONAL BANKING)

Table 2

	1996	1997	1998	1999	2000	2001
Nominal GDP (QR million)	32,976	41,124	37,330	44,397	53,276	57,538
Nominal GDP ($ million)	9059	11,298	10,255	12,197	14,636	15,806
Nominal GDP growth	11.30%	24,7%	-9.20%	18.90%	20.00%	8.00%
Real GDP growth	4.80%	10,5%	2.50%	3,5%	7.00%	5.00%
Inflation	4.90%	4,9%	2.90%	2,2%	2.70%	3.00%
Fiscal indicators (QR M)- Revenues	10,797	13,397	12,354	14,098	12,617	18,057
Fiscal indicators (QR M)- Expenditures	13,747	16,387	15,660	14,353	15,400	17,560
Fiscal indicators (QR M)- Deficit	-2950	-2990	-3306	-255	-2783	497
(as percentage of GDP)	-8.9	-7.3	-8.9	-0.6	5.2	0,8
External debt ($ million)	7181	9026	10,796	11,196	11,700	13,000
(as percentage of GDP)	79.3	79.9	105.3	91.8	79.9	-
External indicators (QR M)- Trade balance	4546	3143	7134	18,062	22,875	-
Exports	13,952	14,036	18,311	26,258	32,875	-
Imports	-9406	-10,893	-11,177	-8196	-10,000	-

Current Account	-4537	-6111	-1658	7903	10,375	-
(as percentage of GDP)	-13.8	-14.9	-4.4	17.8	19.5	-

Qatar GDP, Fiscal and External indicators
(Source: www.gulfnews.com)

Table 3

Fund	Promoter	Established	Minimum Investment	Annual Fee %	Total Assets $ Million
Al- Ahli Global Trading Equity	National Commercial Bank	1995	$2,000	1.75	640.0
Alfanar Investment Holdings	Permal Asset Management	1997	$5,000	2.00	171.0
Takaful Global Fund	Keppel Insurance	1995	$4,000	1.50	94.3
Al- Dar World Equities	Pictet & Cie	1998	$100,000	1.50	45.9
UBS Islamic Fund- Global Equities	UBS Islamic Fund Management	2000	$100,000	2.04	33.8
Citi Global Portfolio	Citi Islamic Investment Bank	1997	$10,000	1.81	33.8
Al- Rajhi Global Equity	Al- Rajhi Banking & Investment Corporation	1996	50 Shares	1.50	30.0
Dow Jones Islamic Index	Wafra Investment/ Al Tawfeeq	1999	$10,000	1.50	22.5
SAMBA Global Equity	SAMBA Capital Management	1999	$2,000	2.15	16.0
Al- Bait Global Equity	Securities House	2000	$50,000	1.75	15.0
Al- Baraka Global Equity	Al- Baraka Investment Bank	1997	$25,000	1.50	11.1
Global Equity 2000 Sub Fund	First Investment Company	2000	$10,000	1.50	11.0

Leading Islamic Managed funds
(Source: Failak International, www.failaka.com 2002)

Table 4

	1998	1999	2000	2001
Saudi Arabia				
Expenditure	50.69	48.27	54.1	68
Budget Balance	-12.93	-9.07	12	-6.66
Balance/ GDP	-9.90%	-6.40%	7.30%	-4.06%
Kuwait				
Expenditure	13.04	13.15	11.77	13.94
Budget Balance	-1.21	4.04	4.62	-5.6
Balance/ GDP	-4.80%	13.80%	14.10%	-13.50%
Qatar				
Expenditure	4.5	4.3	3.94	4.23
Budget Balance	-0.82	-0.91	-0.07	-0.77
Balance/ GDP	-7.30%	-8.90%	-0.60%	-5.00%
Oman				
Expenditure	5.79	5.88	6.34	7.3
Budget Balance	-0.99	-1.21	0.3	-0.82
Balance/ GDP	-7.10%	-7.90%	1.60%	-4.20%
Jordan				
Expenditure	2.9	2.88	2.84	3.24
Budget Balance	-0.79	-0.6	-0.58	-0.56
Balance/ GDP	-9.90%	-7.40%	-7.00%	-6.00%

Lebanon				
Expenditure	5.16	5.59	6.93	6.62
Budget Balance	-2.24	-2.37	-3.9	-3.37
Balance/ GDP	-14.00%	-15.00%	-24%	-20.40%
Egypt				
Expenditure	20.8	25.3	27	29.2
Budget Balance	-0.8	-3.7	-3.6	-3.9
Balance/ GDP	-1.00%	-4.20%	-3.60%	-4.20%

Balance to GDP of Qatar, Lebanon and others Arabic countries (Source: INTERNATIONAL BANK MANAGEMENT)

Table 5

	31 Dec. 20004			31 Dec. 2005		
At Year End (Millions of LBP)	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
ASSETS						
Cash & Central Bank	2,189,670	2,189,670	3,549,031	1,372,566	1,348,395	2,720,961
Lebanese Treasury Bills & Government Bills	991,987	1,457,705	2,449,692	1,880,870	1,786,918	3,667,788
Bonds & Financial Instruments With Fixed Income	0	347,259	347,259	0	202,282	202,282
Marketable Securities & Fin. Instruments With Variable Income	12,510	3,507	16,017	13,408	22,410	35,818
Banks & Financial Institutions	12,414	1,642,242	1,654,656	62,079	1,991,881	2,053,960
Current Accounts	-336	-87,117	-87,453	-817	-106,449	-107,266
Time Deposits	-12,078	-1,555,125	-1,567,203	-61,262	-1,885,432	-1,946,694
Securities Purchased Under Resale Agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts- Time Deposits	0	0	0	0	0	0
Loans & Advances to Customers	276,677	1,744,192	2,020,869	298,794	1,932,946	2,231,740
Commercial Loans	-62,645	-1,316,641	-1,379,286	-51,962	-1,542,777	-1,594,739
Other Loans to Customers	-217,771	-382,542	-600,313	-253,729	-346,473	-600,202
Overdraft Accounts	-1,877	-11,321	-13,198	-1,698	-14,622	-16,320
Net Debtor Accts / Creditor Accts & Cash Collateral	0	0	0	0	0	0
Loans & Advances related Parties	0	0	0	0	0	0
Net Non Performing Loans	-5,760	-63,435	-69,195	-5,771	-50,313	-56,084
General Provisions	11,376	29,747	41,123	14,366	21,239	35,605
Bank Acceptances	271,128	271,128	0	205,274	205,274	
Investment & Loans to Related Parties under the cost method	0	0	0	0	0	0
Investment in Related Parties Under Equity Method	0	0	0	0	0	0
Tangible Fixed Assets (Including Revaluation Variance)	120,601	34,303	154,904	123,740	56,286	80,026
Intangible Fixed Assets	1,574	0	1,574	1,449	0	1,449
Other Assets	2,754	289	3,043	2,722	92	2,814
Regularization & Miscellaneous Debtor Accounts	7,946	28,386	36,332	10,709	32,092	42,801

Revaluation Variance of other fixed assets	0	0	0	0	0	0
Consolidation Differences	0	0	0	0	0	0
TOTAL ASSETS	3,616,133	6,888,372	10,504,505	3,766,337	7,578,576	11,344,913
of which Substandard Loans, Net of Reserved Interest	49,009 36,740	49,009 36,740	49,009 36,740	49,009 36,740	49,009 36,740	49,009 36,740
After Deduction of:						
Provisions for Doubtful Debts	103,248	111,763	103,248	111,763	103,248	111,763
Unrealized Interests on:	121,502	114,066	121,502	114,066	121,502	114,066
Substandard Loans	20,365	17,226	20,365	17,226	20,365	17,226
Doubtful Loans	101,137	96,840	101,137	96,840	101,137	96,840
Commitments by sig received						
Financial institutions	300	66,027	66,327	92	37,530	37,622
Commissions by signature received - Customers	164,171	3,033,483	3,197,654	156,622	3,187,004	3,343,626
TOTAL Contra Accounts	164,471	3,099,510	3,263,981	156,714	3,224,534	3,381,248
Npls Fully Provisioned Transferred to Off-BS	24,365	29,724	54,089	28,947	46,513	75,460

BS & Contra Acc. (AUDITED)	**31 Dec. 2004**			**31 Dec. 2005**		
LIABILITIES & SHAREHOLDER'S EQUITY	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
Central Bank	82,595	0	82,595	84,574	9,992	94,566
Banks & Financial Institutions	301	651,917	652,218	674	864,957	865,631
Current Accounts	-301	-261,315	-261,616	-674	-123,657	-124,331
Time Deposits	0	-390,602	-390,602	0	-741,300	-741,300
Securities sold under repurchase agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts- Time deposits	0	0	0	0	0	0
Deposits from Customer	3,116,991	5,137,359	8,254,350	2,973,220	5,537,755	8,510,975
Sight Deposits	-294,288	-685,795	-980,083	-256,262	-840,386	-1,096,648
Time Deposits	-644,147	-1,540,172	-2,184,319	-576,606	-1,576,180	-2,152,786
Saving Deposits	-2,177,500	-2,849,109	-5,026,609	-2,139,024	-3,109,286	-5,248,310
Net Creditor Accts / Debtor Accts & Cash Collateral	0	0	0	0	0	0
Related Parties Accounts	-1,056	-62,283	-63,339	-1,328	-11,903	-13,231
Engagements by Acceptances		271,128	271,128	205,274	205,274	
Liabilities Under Financial Instruments	0	193,849	193,849	0	266,820	266,820
Certificates of Deposits	0	-120,857	-120,857	0	-120,857	-120,857
Debenture Bonds	0	0	0	0	0	0
Other Liabilities Under Financial Instruments	-72,992	-72,992	0	-145,963	-145,963	
Other Liabilities	16,863	99,698	116,561	20,450	107,540	127,990
Regularization & Miscellaneous Creditor Accounts	13,492	1,638	15,130	7,241	17,138	24,379

Provisions For Risk & Charges	40,005	845	40,850	52,373	75	52,448
Subordinated Loans (or Notes)	0	155,070	155,070	0	152,988	152,988
Revaluation Variance Accepted as Supplementary Capital	1,978	0	1,978	1,978	1,978	1,978
Share Capital & Cash Contribution	247,228	0	247,228	494,456	494,456	
Reserves for General Banking Risks	17,826	14,592	32,418	19,038	20,821	39,859
Reserves & Premiums & Equity Differences	149,093	167,589	316,682	159,749	154,760	314,509
Balance Carried Forward	-2,800	-691	-3,491	5,473	-769	4,704
Net Income (or Loss) for the Year	77,048	2,367	79,415	94,521	7,573	102,094
Cumulative Changes in Fair Value	23,605	1,568	25,173	6,344	14,846	21,190
Foreign Currency Translation Reserve	1,115	5,525	6,640	1,115	3,465	4,580
Revaluation Variances of Other Fixed Assets	3,711	0	3,711	3,711	0	3,711
Minority interest	6,438	6,562	13,000	7,142	49,619	56,761
Total Liabilities & Shareholder's Equity	3,795,489	6,709,016	10,504,505	3,932,059	7,412,854	11,344,913
Engagements by Signature - Financial Institutions	0	0	0	0	0	0
Engagements by Signature - Customers	45628	365455	411083	42616	474824	517440
Engagements by Financial Instruments	0	78673	78673	0	144686	144686
Total Contra Accounts	0	347672	347672	0	390527	390527
BALANCE SHEET & Contra Accounts (AUDITED)	9980	93622	103602	10137	148811	158948

(Millions of LBP)	**2004**	**2005**
Interest & Similar Income	587138	661004
Lebanese Treasury Bills	192,972	240972
Deposits & Similar Accounts in Banks & Financial Institutions	233034	229,756
Deposits in HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	0	0
Bonds & Financial Instruments with Fixed Income	18632	23,846
Loans & Advances to Customers	142500	166,430
Loans & Advances to Related Parties	0	0
Others Interest & Similar Income		
Interest & Similar Charges	436923	482,979
Deposits & Similar Accounts in Banks & Financial Institutions	18271	28,149
Deposits from Customers & Other Creditor Accounts	392906	419,410
Deposits from Related Parties	3128	3,317
Cash Contribution to Capital & Subordinated Loans	17705	18,093

Certificates of Deposits	3930	7,796
Bonds & Financial Instruments with Fixed Income	983	6,214
Other Interest & Similar Charges	0	0
Net Allocation to Provisions	9,355	24,869
Provisions for Doubtful Debts	17,736	32,627
Provisions for Doubtful Debts no more Required	8,381	7,758
Net Interest Received	140,860	153,156
Instruments with Variable Income	890	2,181
Net Commissions	47,858	66,647
Commissions Received	49,373	68,988
Commissions Paid	1,515	2,341
Profit on Financial Operations	40,441	52,462
Marketable Securities	34,031	44,060
Financial Fixed Assets	0	0
Foreign Exchange Transactions	6,410	8,402
Financial Instruments	0	0
Loss on Financial Operations	2,142	1,691
Marketable Securities	2,036	1,210
Financial Fixed Assets	0	0
Foreign Exchange Transactions	106	481
Financial Instruments	0	0
Net Profit or Loss on Financial Operations	38,299	50,771
Other Operating Income	6,307	2,799
Other Operating Charges	1,801	2,599
Other Operating Expenses	113,742	128,488
Staff Expenses	70,506	73,158
Other Operating Expenses	43,236	55,330
Allocation to Prov. & Depreciation of Fixed Assets	22,830	17,472
Net Allocation to Prov. on Financial Fixed Assets	0	0
Net Allocation on Contra Acc.	0	0
Net Income for the Yr-Before T	95,841	126,995
Net Extraordinary Incm-Before T	0	0
Extraordinary Income	0	0
Extraordinary Expenses	0	0
Income Tax	14,943	22,372
Share in Results of Related cos. Under Equity Method	0	0
Non-Financial Institutions	0	0
Financial Institutions	0	0

Net Profit for the Year-After Taxes	80,898	104,623
Group Share	79,415	102,094
Minority Share	1,483	2,529
Total Assets	6968	7526
Customer Deposits	5476	5646
Net Advances to Customers	1341	1480
Cash & Due From Banks	3452	3167
Total Equity	582	794
Net Book Value (1)	479	692
Net Income	53,7	69,4
Growth in Assets	15,73%	8,00%
Growth in Customer Deposits	11,24%	3,11%
Growth in Net Advances to Customers	13,49%	10,43%
Return on Average Assets	0,83%	0,96%
Return on Average Equity	11,65%	13,49%
Net Interest Margin	1,60%	1,70%
Cost-to-income	56,49%	49,01%
Tier One Capital to Assets	6,52%	8,92%
Net advances / Assets	19,24%	19,67%
Net Non-Performing Loans / Net Customer Loans	1,39%	0,92%
Liquid Assets / Assets	76,16%	76,20%

OPERATING ACTIVITIES

Profit for the Year Before Taxation	94358	124466
Depreciation of Tangible & Intangible Assets	22830	17472
Profit from Sale of Property & Equip.	-1067	-212
Treasury Bills & Bonds Held for Trading	0	-3643
Treasury Bills & Bonds not Held for Trading	-21,836	-3,597
with Fixed Income not Held for Trading Assets	-1,635	-811
Changes in Fair Values of Shares, Securities and Financial Assets with Variable Income	-343	-1,854
Provisions for Doubtful Loans, Net of Recoveries	9,355	24,869
Provisions for Employees' End of Service Benefits	1,673	1,617
Provisions for Risks & Charges		
Provisions for FCYs Fluctuations	14	165
Other Provisions	6,520	6,465
Effect of Exchange Rate Changes	-153	197

Changes in Minority Interests	1,126	43,761
Operating Profit Before Changes in Working Capital	110,842	208,292
Lebanese & Other Governmental Treasury Bills Held for Trading	14,348	-1,070,227
Bonds & Financial Assets with Fixed Income Held for Trading	0	130,605
Dep with CB (Maturities > 3 Mths)	37,041	732,675
Dep.with Banks & Fin. Institutions	-355,356	261,129
Loans & Advances to Customers	-259,080	-235,740
Other Assets	-5,157	229
Regularization Acc. & Other Debit Balances	-6,554	-18,446
Due to Banks & Financial Institutions	60,276	-30,124
Customers' Deposits	843,881	256,625
Liabilities Under Financial Instruments	193,849	72,971
Other Liabilities	3,793	-6,955
Regularization Accounts & Other Credit Balances	5,587	7,864
Employees' End of Service Benefits Paid During the Year	-968	-830
Taxes Paid	-13,825	-2,603
Net Cash From Operating Activities	628,677	305,465
INVESTING ACTIVITIES		
Leb. & Other Gov. Treasury Bills not Held for Trading	-302,138	-145,767
Bonds & Other Financial Assets with Fixed Income not Held for Trading	-229,677	16,415
Proceeds from Sale of Tangible Fixed Assets	3,824	3,121
Purchase of Tangible Fixed Assets	-25,115	-40,791
Purchase of Intangible Fixed Ass.	-1,637	0
Purchase- Shares- Securitie & Financial Ass. with Variabl Incom	-1,418	-17,048
Net Cash Used in Investing Activities	-556,161	-184,070
FINANCING ACTIVITIES		
Loans & Balances Due to CB	1,975	11,971
Effect of Ex. Rate Changes on Equities in FCs	3,623	-4,772
Issuance of Priority Shares	0	247,228
Subordinated Loans	-2,233	-2,082
Dividends Paid	-51,177	-52,239
Net Cash From Financ Activities	-47,812	200,106
Increase in Cash & Cash	24,704	321,501

Equivalents		
Cash & Cash Equivalents – Beginning of the Year	1,952,115	1,976,819
Cash & Equivalents–End of Yr	1,976,819	2,298,320

Byblos Bank Financial Statements for 31 Dec. 2004 to 31 Dec. 2005
(Source: www.byblosonline.com)

	31 Mar. 2005			**31 Mar. 2006**		
At Year End (Millions of LBP)	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
ASSETS						
Cash & Central Bank	1,307,704	1,218,596	2,526,300	1,150,750	1,317,987	2,468,737
Lebanese Treasury Bills & Government Bills	1,016,165	1,837,233	2,853,398	2,056,801	1,801,016	3,857,817
Bonds & Financial Instruments With Fixed Income	351,896	351,896	162,405	162,405		
Marketable Securities & Fin. Instruments With Variable Income	12,504	15,051	27,555	12,504	24,237	36,741
Banks & Financial Institutions	16,420	2,175,764	2,192,184	124,410	2,184,671	2,309,081
Current Accounts	-9,253	-111,674	-120,927	-964	-128,329	-129,293
Time Deposits	-7,167	-2,064,090	-2,071,257	-123,446	-2,056,342	-2,179,788
Loans & Advances to Customers	289,487	1,703,011	1,992,498	302,700	2,074,352	2,377,052
Commercial Loans	-37,196	-931,483	-968,679	-55,727	-1,640,836	-1,696,563
Other Loans to Customers	-253,490	-737,820	-991,310	-259,248	-398,652	-657,900
Overdraft Accounts	-1,758	-5,512	-7,270	-1,637	-7,595	-9,232
Net Non Performing Loans	-5,364	-56,163	-61,527	-5,205	-51,393	-56,598
General Provisions	8,321	27,967	36,288	19,117	24,124	43,241
Bank Acceptances	265,541	265,541	292,343	292,343		
Investment in Related Parties Under Equity Method	14,490	14,490	15,729	15,729		
Tangible Fixed Assets (Including Revaluation Variance)	118,835	34,602	153,437	122,944	59,759	182,703
Intangible Fixed Assets	340	340	1,450	312	1,762	
Other Assets	2,732	976	3,708	2,715	6,856	9,571
Regularization & Miscellaneous Debtor Accounts	36,355	14,812	51,167	10,500	16,863	27,363
Consolidation Differences	3,080	3,080	706	706		
TOTAL ASSETS	**2,814,692**	**7,620,902**	**10,435,594**	**3,800,503**	**7,941,507**	**11,742,010**
Unrealized Interests on:	41,987	40,754				
Substandard Loans	19,489	14,200				
Commitments by signature received -	89,980	109,669				
Financial institutions	109,091	111,454				
TOTAL Contra Accounts	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
Fully Provisioned Transf. to OffBS	300	56,361	56,661	92	38,950	39,042
BALANCE SHEET & Contra Accounts (AUDITED)	186,213	3,662,323	3,848,536	158,293	3,889,654	4,047,947

Liabilities & Shareholder's Equity	29,362	48,036	77,398	20,642	46,203	66,845
Central Bank						
Banks & Financial Institutions	203,495	203,495	85,081	85,081		
Current Accounts	12,388	570,031	582,419	1,037	848,198	849,235
Time Deposits	-385	-44,987	-45,372	-1,037	-134,562	-135,599
Securities sold under repurchase agreements	-12,003	-525,044	-537,047	-713,636	-713,636	
Sight Deposits	2,172,365	5,961,472	8,133,837	2,950,288	5,812,121	8,762,409
Time Deposits	-241,009	-808,144	-1,049,153	-260,913	-894,519	-1,155,432
Saving Deposits	-489,477	-1,408,862	-1,898,339	-481,794	-1,679,618	-2,161,412
Net Creditor Accts / Debtor Accts & Cash Collateral	-1,440,873	-3,651,509	-5,092,382	-2,206,261	-3,201,340	-5,407,601
Related Parties Accounts	-1,006	-92,957	-93,963	-1,320	-36,644	-37,964
Engagements by Acceptances	265,541	265,541	292,343	292,343		
Liabilities Under Financial Instruments	193,864	193,864	265,406	265,406		
Certificates of Deposits	-119,532	-119,532	-119,531	-119,531		
Debenture Bonds	-74,332	-74,332	-145,875	-145,875		
Other Liabilities	39,571	102,636	142,207	49,007	134,772	183,779
Regularization & Miscellaneous Creditor Accounts	36,573	7,328	43,901	21,224	41,681	62,905
Provisions For Risk & Charges	27,393	837	28,230	33,889	88	33,977
Subordinated Loans (or Notes)	-929	155,944	155,015	-809	153,855	153,046
Revaluation Variance Accepted as Supplementary Capital	1,978	1,978	1,978	1,978		
Share Capital & Cash Contribution	247,228	247,228	494,457	494,457		
Reserves for General Bkg Risks	6,829	14,592	21,421	19,038	20,821	39,859
Reserves & Premiums & Equity Differences	142,908	166,836	309,744	140,589	167,136	307,725
Balance Carried Forward	-988	695	-293	4,376	4,270	8,646
Net Income (or Loss) for the Year	72,032	989	73,021	96,058	-139	95,919
Cumulative Changes in Fair Value	7,082	455	7,537	7,082	18,991	26,073
Foreign Currency Translation Reserve	14,793	1,329	16,122	23,282	1,372	24,654
Revaluation Variances of Other Fixed Assets	3,711	3,711	3,711	3,711	3,711	3,711
Treasury shares						
Minority interest	6,616	6,616	50,807	50,807		
Total Liabilities & Shareholder's Equity	2,986,429	7,449,165	10,435,594	3,930,288	7,811,722	11,742,010
Contra Accounts						
Engagements by Signature - Financial Institutions	459,567	459,567	431,512	431,512		
Engagements by Signature - Customers	46,974	506,202	553,176	44,529	680,753	725,281
Engagements by Financial Instruments	1,884	1,884	1,131	1,131		

Total Contra Accounts	46,974	967,653	1,014,627	44,529	1,113,396	1,157,925
BS& Contra Acc. (AUDITED)						
Lebanese Treasury Bills	39,852	76,187				
Deposits & Similar Accounts in Banks & Financial Institutions	65,732	63,003				
Bonds & Financial Instruments with Fixed Income	0	0				
Loans & Advances to Customers	6,756	3,016				
Loans & Advances to Related Parties	39,699	45,306				
Others Interest & Similar Income	0	0				
Interest & Similar Charges	0	0				
Deposits & Similar Accounts in Banks & Financial Institutions	152,039	187,512				
Deposits from HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	9,665	10,383				
Deposits from Customers & Other Creditor Accounts	0	0				
Deposits from Related Parties	95,143	116,698				
Cash Contribution to Capital & Subordinated Loans	1,187	597				
Certificates of Deposits	4,415	4,505				
Bonds & Financial Instruments with Fixed Income	1,923	1,929				
Other Interest & Similar Charges	1,038	2,207				
Net Interest Inc. Before Provisions	113,371	136,319				
Net Allocation to Provisions	38,668	51,193				
Provisions for Doubtful Debts no more Required	3,290	7,254				
Recoveries from Provisions for Doubtful Loans	0	0				
Net Interest Received	-3,270	-2,123				
Income from Mark. Sec. & Fin.	20	5,131				
Instruments with Variable Income	38,648	46,062				
Net commissions	106	6,254				
Commissions Received	13,809	18,753				
Commissions Paid	653	523				
Profit on Financial Operations	13,156	18,230				
Marketable Securities	10,630	5,348				
Financial Fixed Assets	0	0				
Foreign Exchange Transactions	2,340	2,189				
Financial Instruments	12,970	7,537				
Loss on Financial Operations	7,409	212				
Marketable Securities	0	0				
Financial Fixed Assets	3	1,505				

Foreign Exchange Transactions	7,412	1,717
Other Operating Income	656	913
Other Operating Charges	458	689
Other Operating Expenses	18,924	22,679
Staff Expenses	12,438	17,416
Other Operating Expenses	31,362	40,095
Allocation to Prov. & Depreciation of Fixed Assets	5,476	4,796
Net Allocation to Prov. on Financial Fixed Assets	0	0
Net Allocation to Prov. on Contra Accounts	20,828	31,699
Net Income for the Year - Before Taxes	0	0
Net Extra. Incm-Before Taxes	0	0
Extraordinary Income	0	0
Extraordinary Expenses	3,726	7,228
Share in Results of Related cos. Under Equity Method	0	0
Non-Financial Institutions	0	0
Financial Institutions	17,102	24,471
Total Assets	6,922	7,789
Customer Deposits	5,396	5,813
Net Advances to Customers	1,322	1,577
Cash & Due From Banks	3,130	3,169
Total Equity	559	801
Net Book Value (1)	456	699
Net Income	11,3	16,2
Growth in Assets	205,023,723	411,047,446
Growth in Customer Deposits	0,22	0,16
Growth in Net Advances to Customers	2,22	1,70
Return on Average Assets	11,57%	12,52%
Return on Average Equity	5,90%	7,73%
Net Interest Margin	9,59%	19,30%
Cost-to-income	0,65%	0,85%
Tier One Capital to Assets	9,70%	9,33%
Net advances / Assets	1,55%	1,86%
Net Non-Performing Loans / Net Customer Loans	63,86%	54,93%
Liquid Assets / Assets	6,46%	8,70%

Byblos Bank Financial Statements for 1st quarter 2004 to 1st quarter 2005
(Source: www.byblosonline.com)

At Year End (Millions of LBP)	31 Jun. 2005			31 Jun. 2006		
	LBP	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
ASSETS						
Cash & Central Bank	1,220,538	1,269,194	2,489,732	1,153,011	1,334,492	2,487,503
Leb. Treasury Bills & Gov. Bills	1,329,130	1,807,329 1	3,136,459	1,990,505	1,882,226	3,872,73
Bonds & Financial Instruments With Fixed Income	0	357,272	357,272	0	159,425	159,425
Marketable Sec. & Fin. Instrument With Variable Incom	12,504	2,722	15,226	13,403	25,166	38,569
Banks & Financial Institutions	57,293	1,771,486	1,828,779	111,759	2,478,477	2,590,236
Current Accounts	-530	-86,970	-87,500	-228	-140,050	-140,278
Time Deposits	-56,763	-1,684,516	-1,741,279	-111,531	-2,338,427	-2,449,958
Securities Purchased Under Resale Agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts	0	0	0	0	0	0
Time Deposits	0	0	0	0	0	0
Loans & Advances to Customers	282,281	1,786,487	2,068,768	311,754	2,144,683	2,456,437
Commercial Loans	-29,239	-983,062	-1,012,301	-50,850	-1,611,534	-1,662,384
Other Loans to Customers	-262,557	-767,986	-1,030,543	-278,021	-451,698	-729,719
Overdraft Accounts	-1,553	-4,506	-6,059	-1,768	-59,726	-61,494
Net Debtor Accts / Creditor Accts & Cash Collateral	0	0	0	0	0	0
Loans & Advances to related Parties	0	0	0	0	0	0
Net Non Performing Loans	-5,503	-56,190	-61,693	-5,103	-45,674	-50,777
General Provisions	16,571	25,257	41,828	23,988	23,949	47,937
Bank Acceptances	0	309,004	309,004	320,902	320,902	
Investment & Loans to Related Parties under the cost method	0	0	0	0	0	0
Investment in Related Parties Under Equity Method	13,735	0	13,735	15,211	0	15,211
Tangible Fixed Assets (Include Revaluation Variance)	120,086	33,856	153,942	124,311	67,484	191,795
Intangible Fixed Assets	0	2,259	2,259	1,639	93	1,732
Other Assets	2,712	608	3,320	2,691	5,911	8,602
Regularization & Miscellaneous Debtor Accounts	19,103	28,908	48,011	9,665	52,192	61,857
Consolidation Differences	3,999	3,998	0	3,999	3,998	0
Goodwill	0	0	0	0	0	0
of which Substandard Loans, Net of Reserved Interest	40,563	42,019	40,563	42,019	40,563	42,019
Provisions for Doubtful Debts	95,276	109,904	95,276	109,904	95,276	109,904
Unrealized Interests on:	112,281	106,682	112,281	106,682	112,281	106,682
Substandard Loans	20,210	14,692	20,210	14,692	20,210	14,692

Doubtful Loans	92,071	91,990	92,071	91,990	92,071	91,990
Financial institutions	300	50,800	51,100	92	29,191	29,283
Commissions by signature received - Customers	155,533	3,218,630	3,374,163	164,775	4,165,966	4,330,741
TOTAL Contra Accounts						
Npls Fully Provisioned Transferred to Off-BS	29,347	46,339	75,686	12,611	41,122	53,733
BS & Contra Acc. (AUDITED)						
LIABILITIES & SHAREHOLDER'S EQUITY						
Central Bank	83,596	0	83,596	33,570	9,694	43,264
Banks & Financial Institutions	670	561,333	562,003	1,555	918,650	920,205
Current Accounts	-670	-150,988	-151,658	-1,555	-77,616	-79,171
Time Deposits	0	-410,345	-410,345	0	-841,034	-841,034
Securities sold under repurchase agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts	0	0	0	0	0	0
Time Deposits	0	0	0	0	0	0
Deposits from Customer	2,614,717	5,643,932	8,258,649	3,132,278	6,165,206	9,297,484
Sight Deposits	-249,440	-889,835	-1,139,275	-279,243	-1,029,502	-1,308,745
Time Deposits	-485,615	-1,373,480	-1,859,095	-528,840	-1,781,872	-2,310,712
Saving Deposits	-1,874,327	-3,295,373	-5,169,700	-2,322,686	-3,320,734	-5,643,420
Net Creditor Accts / Debtor Accts & Cash Collateral	0	0	0	0	0	0
Related Parties Accounts	-5,335	-85,244	-90,579	-1,509	-33,098	-34,607
Engagements by Acceptances	0	309,004	309,004	0	320,902	320,902
Liabilities Under Financial Instruments	0	194,184	194,184	-242	266,700	266,458
Certificates of Deposits	0	-121,438	-121,438	0	-120,994	-120,994
Debenture Bonds	0	-72,746	-72,746	242	-145,706	-145,464
Other Liab. Under Fin. Instruments	0	0	0	0	0	0
Other Liabilities	31,484	100,268	131,752	28,195	175,526	203,721
Regularization & Miscellaneous Creditor Accounts	11,614	21,931	33,545	18,848	27,751 9	46,59
Provisions For Risk & Charges	29,770	1,795	31,565	35,319	355	35,674
Subordinated Loans (or Notes)	-899	157,165	156,266	-444	46,779	46,335
Revaluation Variance Accepted as Supplementary Capital	1,978	0	1,978	1,978	0	1,978
Share Capital & Cash Contribution	247,228	0	247,228	494,457	0	494,457
Reserves for General Bkg Risks	19,038	10,803	29,841	27,898	20,261	48,159
Reserve- Premium-Equity Diff.	152,565	166,314	318,879	162,398	170,416	332,814
Balance Carried Forward	4,376	-39	4,337	17,038	3,039	20,077
Net Income (or Loss) for the Yr	36,131	2,576	38,707	52,481	2,697	55,178

Cumulative Chngs in Fair Value	7,822	3,299	11,121	7,981	8,094	16,075
FC Translation Reserve	0	0	0	1,466	1,466	
Reva. Variances of Other FA	3,711	0	3,711	3,711	0	3,711
Treasury shares						
Minority interest	0	14,139	14,139	2	50,441	50,443
Engagements by Signature - Financial Institutions	41,584	508,615	550,199	43,586	803,253	846,839
Engagements by Signature - Customers	0	360,863	360,863	525,233	525,233	
Engagements by Financial Instruments	0	1,508	1,508	754	754	

BS & Contra Acc. (AUDITED)

Interest & Similar Income	302,964	386,964
Lebanese treasury bills	110,909	154,508
Deposits & Similar Accounts in Banks & Financial Institutions	110,907	137,825
Deposits in HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	0	0
Bonds & Financial Instruments with Fixed Income	1,844	6,160
Loans & Advances to Customers	79,304	88,471
Loans & Advances	0	0
Others Interest & Similar Incom	0	0
Interest & Similar Charges	224,188	284,136
Deposits & Similar Accounts in Banks & Financial Institutions	10,682	23,312
Deposits from HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	0	0
Deposits from Customers & Other Creditor Accounts	195,869	241,709
Deposits from Related Parties	2,629	1,408
Cash Contribution to Capital & Subordinated Loans	9,057	9,312
Certificates of deposits	3,869	3,865
Other Interest & Similar Charges	2,082	4,530
Net Interest Income Before Provisions	78,776	102,828
Net Allocation to Provisions	8,423	10,231
Provisions for Doubtful Debts	13.007	16,230
Provisions for Doubtful Debts no more Required	4,584	5,999
Net Interest Received	70,353	92,597
Instruments with Variable Incom	237	5,218
Net commissions	28,900	37,803
Commissions Received	29,903	38,485
Commissions Paid	1,003	682

Profit on Financial Operations	27,781	25,841
Marketable Securities	23,489	20,805
Foreign Exchange Transactions	4,292	5,036
Loss on Financial Operations	57	4,540
Marketable Securities	57	2,216
Foreign Exchange Transactions	0	2.324
Net Profit/ Loss on Financial Operations (Fin. Instruments)	27,724	21,301
Other Operating Income	1,116	1,697
Other Operating Charges	392	3,144
Other Operating Expenses	66,124	78,021
Staff Expenses	39,619	45,377
Other Operating Expenses	26,505	32,644
Net Income for the yr - Before Taxes	50,963	67,726
Net Ext. Income - Before Taxes	0	0
Extraordinary Income	0	0
Extraordinary Expenses	0	0
Income Tax	9,666	12,838
Share in Results of Related cos. Under Equity Method	30	0
Non-Financial Institutions	0	0
Financial Institutions	30	0
Net Profit for the Yr-After Taxes	41,327	54,888
Group Share	40,611	55,178
Minority Share	716	-290
Total Assets	6,919	8,096
Customer Deposits	5,478	6,167
Net Advances to Customers	1,372	1,629
Cash & Due From Banks	2,865	3,368
Total Equity	546	708
Net Book Value (1)	442	677
Net Income	27.4	36.4
Growth in Assets	205,023,723	411,047,446
Growth in Customer Deposits	0.27	0.18
Growth in Net Advance to Cust.	1.67	1.4
Return on Average Assets	-0.7	7.58%
Return on Average Equity	0.05%	9.24%
Net Interest Margin	2.37%	10.07%
Cost-to-income	0.79%	0.93%
Tier One Capital to Assets	11.90%	10.63%
Net advances / Assets	1.58%	1.83%
Net Non-Performing Loans / Net Customer Loans	56.45%	52.95%
Liquid Assets / Assets	6.26%	8.20%

Byblos Bank Financial Statements for Jun. 2005 to Jun. 2006

(Source: www.byblosonline.com)

	30 Sep. 2005			30 Sep. 2006		
At Year End (Millions of LBP)	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
ASSETS						
Cash & Central Bank	1,193,805	1,191,328	2,385,133	1,037,786	1,503,708	2,541,494
Lebanese Treasury Bills & Government Bills	1,812,181	1,754,572	3,566,753	2,031,165	1,906,388	3,937,553
Bonds & Financial Instruments With Fixed Income	0	232,801	232,801	0	133,929	133,929
Marketable Sec. & Fin. Instrument With Variable Incom	12,504	4,531	17,035	29,307	6,794	36,101
Banks & Financial Institutions	57,857	1,899,689	1,957,546	41,060	2,297,249	2,338,309
Current Accounts	-659	-108,311	-108,970	-396	-120,575	-120,971
Time Deposits	(57,198))	-1,791,378	-1,848,576	-40,664	-2,176,674	-2,217,338
Securities Purchased Under Resale Agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts	0	0	0	0	0	0
Time Deposits	0	0	0	0	0	0
Loans & Advances to Customers	282,816	1,817,458	2,100,274	311,868	2,109,783	2,421,651
Commercial Loans	-25,473	-938,624	-964,097	-58,617	-1,678,260	-1,736,877
Other Loans to Customers	-273,097	-848,508	-1,121,605	-265,240	-356,200	-621,440
Overdraft Accounts	-1,633	-5,629	-7,262	-1,446	-58,393	-59,839
Net Debtor Accts / Creditor Accts & Cash Collateral	0	0	0	0	0	0
Loans&Advances-related Parties	0	0	0	0	0	0
Net Non Performing Loans	-5,575	-53,223	-58,798	-4.744	-46,484	-51,228
General Provisions	22,962	28,526	51,488	18,179	29,554	47,733
Bank Acceptances	0	289,612	289,612	0	222,453	222,453
Investment & Loans to Related Parties under the cost method	0	25,025	25,025	0	0	0
Investment in Related Parties Under Equity Method	14,297	0	14,297	0	15,904	15,904
Tangible Fixed Assets (Include Revaluation Variance)	117,117	39,774	156,891	125,453	81,862	207,315
Intangible Fixed Assets	1,632	185	1,817	1,639	298	1,937
Other Assets	2,721	93	2,814	2,750	10,687	13,437
Regularization & Miscellaneous Debtor Accounts	10,455	31,459	41,914	15,429	36,787	52,216
Revaluation Variance -other FA	0	0	0	0	0	0
Consolidation Differences	0	0	0	0	0	0
Goodwill	0	9,038	9,038	0	0	0
of which Substandard Loans, Net of Reserved Interest	41,867	28,911	41,867	28,911	41,867	28,911

Provisions for Doubtful Debts	92,935	112,273	92,935	112,273	92,935	112,273
Unrealized Interests on:	109,724	108,097	109,724	108,097	109,724	108,097
Substandard Loans	17,461	13,794	17,461	13,794	17,461	13,794
Doubtful Loans	92,263	94,303	92,263	94,303	92,263	94,303
TOTAL Contra Accounts	135	49,126	49,261	92	51,595	51,687
Npls Fully Provisioned Transferred to Off-BS	155,275	33,224,087	3,379,362	164,150	4,461,518	4,625,668
BS & Contra Acc. (AUDITED)	28,998	47,513	76,511	12,610	40,245	52,885
LIABILITIES & SHAREHOLDER'S EQUITY						
Central Bank	84,091	0	84,091	34,065	15,243	49,308
Banks & Financial Institutions	906	567,040	567,946	2,784	906,863	909,647
Current Accounts	-906	-101,469	-102,375	-1,275	-82,323	-83,598
Time Deposits	0	-465,571	-465,571	-1,509	-824,540	-826,049
Securities sold under repurchase agreements	0	0	0	0	0	0
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	0	0
Current Accounts	0	0	0	0	0	0
Time Deposits	0	0	0	0	0	0
Deposits from Customer	2,919,137	5,533,977	8,453,114	2,804,880	6,366,268	9,171,148
Sight Deposits	-269,189	-878,075	-,147,264	-187,729	-836,575	-1,024,304
Time Deposits	-582,793	-1,480,704	-2,063,497	-510,100	-1,700,556	-2,210,656
Saving Deposits	-2,059,195	-3,115,370	-5,174,565	-2,107,051	-3,726,620	-5,833,671
Net Creditor Accts / Debtor Accts & Cash Collateral	0	0	0	0	-23,318	-23,318
Related Parties Accounts	-7,960	-59,828	-67,788	0	-79,199	-79,199
Engagements by Acceptances	0	289,612	289,612	0	222,453	222,453
Liab. Under Fin. Instruments	0	266,209	266,209	0	263,185	263,185
Certificates of Deposits	0	-119,039	-119,039	0	-119,187	-119,187
Debenture Bonds	0	0	0	0	0	0
Other Liab Under Financial Instruments	0	-147,170	-147,170	0	-143,998	-143,998
Other Liabilities	55,178	132,767	187,945	28,320	124,935	153,255
Regularization & Miscellaneous Creditor Accounts	18,563	34,378	52,941	16,783	32,079	48,862
Provisions For Risk & Charges	31,215	658	31,873	35,040	130	35,170
Subordinated Loans (or Notes)	-869	152,887	152,018	0	47,528	47,528
Revaluation Variance Accepted as Supplementary Capital	1,978	0	1,978	1,978	0	1,978
Share Capital & Cash Contribution	247,228	0	247,228	494,457	0	494,457
Reserves for General Bkg Risks	19,038	20,361	39,399	27,338	20,821	48,159
Reserve- Premium- Equity Diff	152,565	166,736	319,301	162,421	169,928	332,349
Balance Carried Forward	4,376	-39	4,337	17,038	3,077	20,115
Net Income (or Loss) for the Yr	62,776	3,403	66,179	71,868	3,530	75,398

Cumulative Chng in Fair Value	8,199	13,430	21,629	7,981	-15,546	-7,565
FC Translation Reserve	0	-2,972	-2,972	0	2,270	2,270
Revaluation Variances of Other Fixed Assets	3,711	0	3,711	3,711	0	3,711
Minority interest	0	14,411	14,411	0	50,871	50,871
Contra Accounts						
Engagements by Signature - Financial Institutions	0	376,163	376,163	528,500	528,500	0
Engagements by Signature - Customers	41,133	503,220	544,353	42,553	823,485	866,038
Engagements by Financial Instruments	0	1,508	1,508	754	754	0

Byblos Bank Financial Statements for Sep. 2005 to Sep. 2006
(Source: www.byblosonline.com)

	31-Dec-05			31-Dec-06		
At Year End (Millions of LBP)	**LBP**	**C/V LBP**	**Total**	**LBP**	**C/V LBP**	**Total**
ASSETS						
Cash & Central Bank	1,372,566	1,348,395	2,720,961	963,513	1,529,686	2,493,199
Lebanese Treasury Bills & Government Bills	1,880,870	1,786,918	3,667,788	2,225,725	1,953,613	4,179,338
Bonds & Financial Instruments With Fixed Income	0	202,282	202,282	0	139,120	139,120
Market. S & Fin. Instruments With Variable Income	13,408	22,410	35,818	13,409	3,353	16,762
Banks & Financial Institutions	62,079	1,991,881	2,053,960	15,905	2,325,394	2,341,299
Current Accounts	-817	-106,449	-107,266	-659	-121,373	-122,032
Time Deposits	-61,262	-1,885,432	-1,946,694	-15,246	-2,204,021	-2,219,267
Securities Purchased Under Resale Agreements	0	0	0	0		
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	17,021	17,021
Current Accounts	0	0	0	0	-645	-645
Time Deposits	0	0	0	0	-16,376	-16,376
Loans & Advances to Customers	298,794	1,932,946	2,231,740	335,663	2,311,422	2,647,085
Commercial Loans	-51,962	-1,542,777	-1,594,739	-61,623	-1,826,228	-1,887,851
Other Loans to Customers	-253,729	-346,473	-600,202	-282,348	-369,067	-651,415
Overdraft Accounts	-1,698	-14,622	-16,320	-1,420	-94,568	-95,988
Net Debtor Accts / Creditor Accts & Cash Collateral	0	0	0	0	0	0
Loans & Advances to related Parties	0	0	0	0	0	0
Net Non Performing Loans	-5,771	-50,313	-56,084	-4,639	-40,367	-45,006
General Provisions	14,366	21,239	35,605	14,367	18,808	33,175
Bank Acceptances	0	205,274	205,274	0	285,103	285,103
Investment & Loans to Related	0	0	0	0		

Parties under the cost method						
Investment in Related Parties Under Equity Method	0	0	0	0	0	0
Tangible Fixed Assets (Including Rev. Variance)	123,740	56,286	180,026	124,483	84,020	208,503
Intangible Fixed Assets	1,449	0	1,449	1,514	209	1,723
Other Assets	2,722	92	2,814	2,715	6,004	8,719
Regularization & Miscellaneous Debtor Accounts	10,709	32,092	42,801	24,408	42,801	67,209
Rev. Variance of other FA						
Consolidation Differences	0	0	0	0	3,629	3,629
Goodwill	0	0	0	0	18,223	18,223
TOTAL ASSETS	3,766,337	7,578,576	11,344,913	3,707,335	8,719,598	12,426,933
of which Substandard Loans, Net of Reserved Interest	36,740	31,906	36,740	31,906	36,740	31,906
After Deduction of:						
Provisions for Doubtful Debts	111,763	102,205				
Unrealized Interests on:	114,066	113,935				
Substandard Loans	17,226	15,151				
Doubtful Loans	96,840	98,784				
Commitments by signature received	92	37,530	37,622	80	49,938	50,018
Financial institutions	156,622	3,187,004	3,343,626	168,575	4,858,502	5,027,077
Commissions by signature received - Customers						
TOTAL Contra Accounts	156,714	3,224,534	3,381,248	168,655	4,908,440	5,077,095
Npls Fully Provisioned Transferred to Off-BS	28,947	46,513	75,460	11,507	33,568	45,075

BS Contra Accounts

Liab & Shareholder's Equity						
Central Bank	84,574	9,992	94,566	34,560	0	34,560
Banks & Financial Institutions	674	864,957	865,631	31,899	887,079	918,978
Current Accounts	-674	-123,657	-124,331	-1,355	-153,481	-154,836
Time Deposits	0	-741,300	-741,300	-30,544	-733,598	-764,142
Securities sold under repurchase agreements	0	0	0	0		
H.O. & branches, parent co., sister inst. & subsidiaries	0	0	0	0	26,605	26,605
Current Accounts	0	0	0	0	0	0
Time Deposits	0	0	0	0	-26,605	-26,605
Deposits from Customer	2,973,220	5,537,755	8,510,975	2,727,179	6,724,761	9,451,940
Sight Deposits	-256,262	-840,386	-1,096,648	-199,505	-893,419	-1,092,924
Time Deposits	-576,606	-1,576,180	-2,152,786	-464,757	-1,919,487	-2,384,244
Saving Deposits	-2,139,024	-3,109,286	-5,248,310	-2,061,462	-3,894,474	-5,955,936
Net Creditor Accts / Debtor Accts & Cash Collateral	0	0	0	0	0	0

Related Parties Accounts	-1,328	-11,903	-13,231	-1,455	-17,381	-18,836
Engagements by Acceptances	0	205,274	205,274	0	285,103	285,103
Liabilities Under Financial Instruments	0	266,820	266,820	0	263,597	263,597
Certificates of Deposits	0	-120,857	-120,857	0	-121,004	-121,004
Debenture Bonds	0	0	0	0	0	0
Other Liab.Under Financial Instruments	0	-145,963	-145,963	0	-142,593	-142,593
Other Liabilities	20,450	107,540	127,990	53,034	149,227	202,261
Regularization & Miscellaneous Creditor Accounts	7,241	17,138	24,379	14,112	35,478	49,590
Provisions For Risk & Charges	52,373	75	52,448	36,101	8,125	44,226
Subordinated Loans (or Notes)	0	152,988	152,988	-222	48,057	47,835
Revaluation Variance Accepted as Supplementary Capital	1,978	1,978	1,978	0	1,978	
Share Capital & Cash Contribution	494,456	494,456	494,456	0	494,456	
Reserves for General Bk Risks	19,038	20,821	39,859	27,338	20,821	48,159
Reserve- Premium- Equity Diff.	159,749	154,760	314,509	170,854	170,766	341,620
Balance Carried Forward	5,473	-769	4,704	19,047	556	19,603
Net Income (or Loss) for the Yr	94,521	7,573	102,094	96,480	19,801	116,281
Profit & loss account						
Cumulative Chngs in Fair Value	6,344	14,846	21,190	7,981	1,146	9,127
FC Translation Reserve	1,115	3,465	4,580	0	6,851	6,851
Rev. Variances of Other FA	3,711	0	3,711	3,711	0	3,711
Minority interest						
Total Liab.& Shareholder's Equity	7,142	49,619	56,761	7,937	52,515	60,452
Contra Accounts						
Engagements by Signature - Financial Institutions						
Engagements by Signature - Customers	0	0	0	0	0	0
Engagements by Financial Instruments	42,616	474,824	517,440	41,282	647,688	688,970
Total Contra Accounts	0	144,686	144,686	2,515	207,365	209,880
BS & Contra Acc. (AUDITED)	0	390,527	390,527	540,048	540,048	0
(Millions of LBP)	10,137	148,811	158,948	10,137	92,160	102,297
Interest & Similar Income						
Lebanese treasury bills	661,004	807,871				
Dep. & Similar Acc. in Banks & Financial Institutions	240,972	322,451				
Deposits in HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs	229,756	285,795				
Bonds & Financial Instruments with Fixed Income	0					
Loans & Advances to Customers	23,846	9,321				

Loans & Advances to Related Parties	166,430	190,303
Others Interest & Similar Incom	0	1
Interest & Similar Charges	0	
Dep & Similar Acc. in Banks & Financial Institutions	482,979	582,715
Dep from HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	28,149	48,665
Dep. from Customers & Other Creditor Acc.	0	
Deposits from Related Parties	419,410	503,883
Cash Contribution to Capital & Subordinated Loans	3,317	806
Certificates of deposits	18,093	12,508
Bonds & Financial Instruments with Fixed Income	7,796	7,795
Other Interest & Similar Charges	6,214	9,058
Net Interest Income Before Provisions	0	0
Net Allocation to Provisions	24,869	10,531
Provisions for Doubtful Debts		
Provisions for Doubtful Debts no more Required	32,627	19,716
Recoveries from Provisions for Doubtful Loans	7,758	9,185
Net Interest Received		
Income from Mark. Sec. & Fina.	153,156	214,625
Instruments with Variable Incom	2,181	3,280
Net commissions		
Commissions Received	66,647	79,129
Commissions Paid	68,988	84,924
Profit on Financial Operations	2,341	5,795
Marketable Securities	52,462	46,303
Financial Fixed Assets	44,060	35,629
Foreign Exchange Transactions	0	0
Financial Instruments	8,402	10,674
Loss on Financial Operations	0	0
Marketable Securities	1,691	22,221
Financial Fixed Assets	1,210	19,943
Foreign Exchange Transactions	0	0
Financial Instruments	481	2,278
Net Profit-Loss on Finan. Opera.	0	0
Other Operating Income	50,771	24,082
Other Operating Charges	2,799	5,281
Other Operating Expenses	2,599	14,304

Staff Expenses	128,488	149,692
Other Operating Expenses	73,158	89,720
Allocation- Prov. &Dep. of FA	55,330	59,972
Net Allocation- Prov. Finan FA	17,472	12,365
Net Allocation-Prov.Contra Acc.	0	0
Net Income for the Yr - Befor T	0	0
Net Extra Income - Before Taxes	126,995	150,036
Extraordinary Income	0	0
Extraordinary Expenses	0	0
Income Tax	0	0
Share in Results of Related cos. Under Equity Method	22,372	30,398
Non-Financial Institutions	0	0
Financial Institutions	0	0
Net Profit for the Yr-After Taxes	0	0
Group Share	104,623	119,638
Minority Share	102,094	116,322
Millions of LBP	2,529	3,316
Total Assets		
Customer Deposits	7526	8243
Net Advances to Customers	5646	6270
Cash & Due From Banks	1480	1756
Total Equity	3167	3218
Net Book Value (1)	794	763
Net Income	692	731
Growth in Assets	69.4	79.4
Growth in Customer Deposits	0.08	0.0954
Growth in Net Advances to Customers	0.0311	0.1106
Return on Average Assets	0.1043	0.1861
Return on Average Equity	0.0096	0.0101
Net Interest Margin	0.1349	0.1115
Cost-to-income	0.017	0.0198
Tier One Capital to Assets	0.4901	0.5023
Net advances / Assets	0.0892	0.087
Net Non-Performing Loans / Net Customer Loans	0.1967	0.213
Liquid Assets / Assets	0.0092	0.0045
1 USD = LBP	0.762	0.7379

Byblos Bank Financial Statements for 31 Dec. 2005 to 31 Dec. 2006.
(Source: www.byblosonline.com)

At Year End (Millions of LBP)	31-Mar-06			31-Mar-07		
	LBP	C/V LBP	Total	LBP	C/V LBP	Total
ASSETS						
Cash & Central Bank	1,150,750	1,317,987	2,468,737	845,546	1,588,191	2,433,737
Leb. Treasury Bills & Gov. Bills	2,056,801	1,801,016	3,857,817	2,184,125	2,026,834	4,210,959
Bonds & Financial Instruments With Fixed Income	162,405	162,405	128,878	128,878		
Mark. Sec. & Fin. Instruments With Variable Income	12,504	24,237	36,741	14,212	22,242	36,454
Banks & Financial Institutions	124,410	2,184,671	2,309,081	24,590	2,433,528	2,458,118
Current Accounts	-964	-128,329	-129,293	-915	-194,858	-195,773
Time Deposits	-123,446	-2,056,342	-2,179,788	-23,675	-2,238,670	-2,262,345
Sec. Purchased Under Resale Agre						
H.O. & branches, parent co., sister inst. & subsidiaries	28,753	28,753	28,753	28,753	28,753	28,753
Current Accounts	-19,406	-19,406	-19,406	-19,406	-19,406	-19,406
Time Deposits	-9,347	-9,347	-9,347	-9,347	-9,347	-9,347
Loans & Advances to Customers	302,700	2,074,352	2,377,052	337,454	2,474,706	2,812,160
Commercial Loans	-55,727	-1,640,836	-1,696,563	-58,216	-1,973,738	-2,031,954
Other Loans to Customers	-259,248	-398,652	-657,900	-291,644	-482,494	-774,138
Overdraft Accounts	-1,637	-7,595	-9,232	-1,426	-12,072	-13,498
Net non performing Loans	-5,205	-51,393	-56,598	-4,515	-34,799	-39,314
General Provisions	19,117	24,124	43,241	18,347	28,397	46,744
Bank Acceptances	292,343	292,343	282,683	282,683		
Investment in Related Parties Under Equity Method	15,729	15,729	17,459	17,459		
Tangible FA Includ Rev. Variance	122,944	59,759	182,703	123,589	92,806	216,395
Intangible Fixed Assets	1,450	312	1,762	1,381	72	1,453
Other Assets	2,715	6,856	9,571	2,640	6,008	8,648
Regularization & Miscellaneous Debtor Accounts	10,500	16,863	27,363	17,475	45,255	62,730
Revaluation Variance of other FA						
Consolidation Differences	706	706				
TOTAL ASSETS	3,800,503	7,941,507	11,742,010	3,568,471	9,129,956	12,698,427
After Deduction of:	40,754	26,492	40,754	26,492	40,754	26,492
Provisions for Doubtful Debts	14,200 14,424	14,200 14,424	14,200 14,424	14,200 14,424	14,200 14,424	14,200 14,424
Substandard Loans	109,669	105,471	109,669	105,471	109,669	105,471
Doubtful Loans	111,454	103,347	111,454	103,347	111,454	103,347
TOTAL Contra Accounts	92	38,950	39,042	80	47,623	47,703
Fully Provisioned Transferred to Off-BS	158,293	3,889,654	4,047,947	172,396	5,263,723	5,436,119
BALANCE SHEET & Contra Accounts (AUDITED)	20,642	46,203	66,845	12,836	39,950	52,785

LIAB & Shareholder's Equity

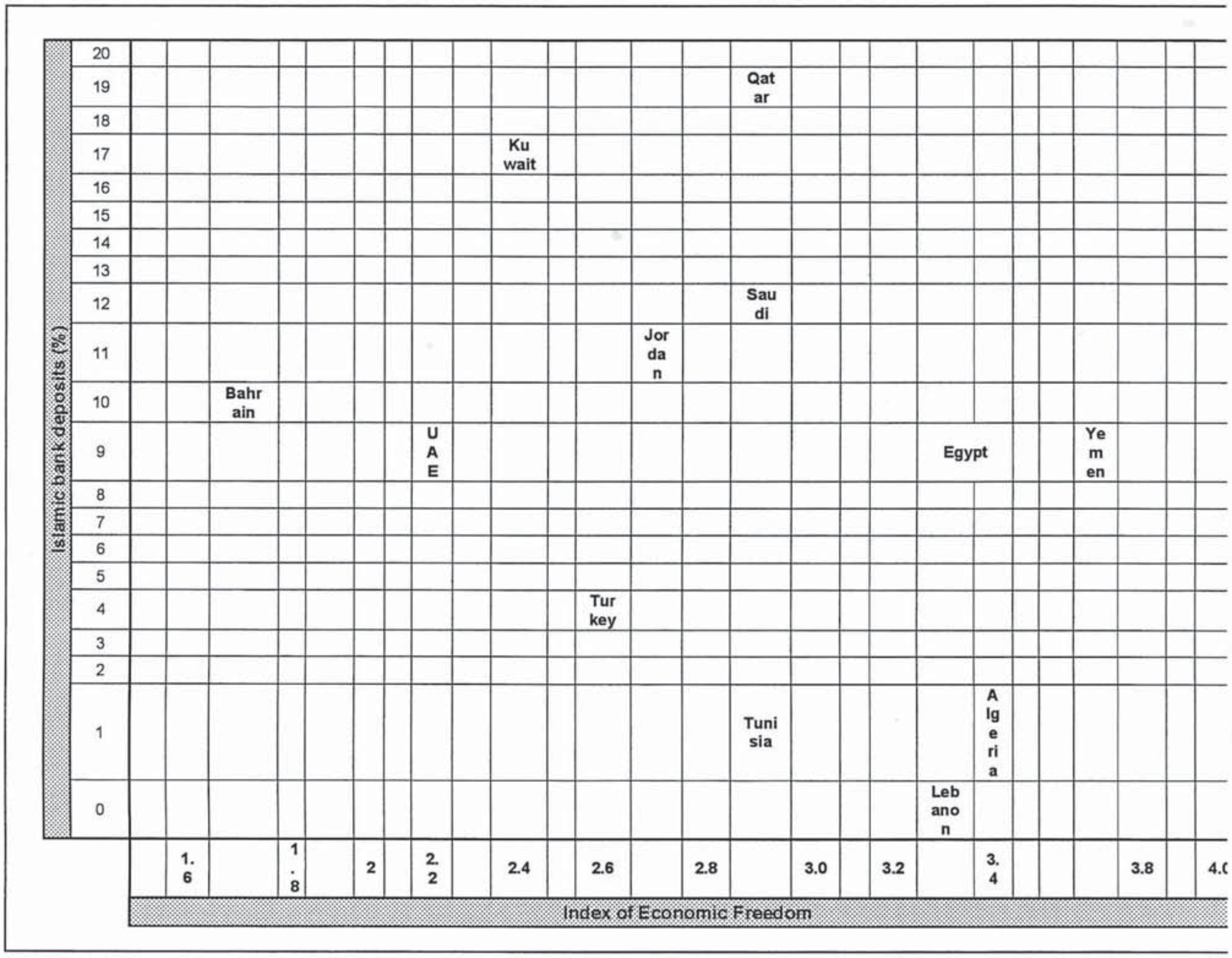
Central Bank	85,081	85,081	35,068	35,068		
Banks & Financial Institutions	1,037	848,198	849,235	21,100	853,117	874,217
Current Accounts	-1,037	-134,562	-135,599	-1,566	-171,643	-173,209
Time Deposits	-713,636	-713,636	-19,534	-681,474	-701,008	
H.O. & branches, parent co., sister inst. & subsidiaries	23,232	23,232	23,232	23,232	23,232	23,232
Time Deposits	-23,232	-23,232	-23,232	-23,232	-23,232	-23,232
Deposits from Customer	3,032,199	5,730,210	8,762,409	2,714,456	7,048,334	9,762,790
Sight Deposits	-261,012	-894,420	-1,155,432	-195,117	-962,091	-1,157,208
Time Deposits	-543,698	-1,617,714	-2,161,412	-468,449	-1,907,592	-2,376,041
Saving Deposits	-2,226,169	-3,181,432	-5,407,601	-2,050,890	-4,111,272	-6,162,162
Related Parties Accounts	-1,320	-36,644	-37,964	-67,379	-67,379	
Engagements by Acceptances	292,343	292,343	282,683	282,683		
Liab. Under Financial Instruments	265,406	265,406	271,863	271,863		
Certificates of Deposits	-119,531	-119,531	-119,198	-119,198		
Debenture Bonds	-145,875	-145,875	-152,665	-152,665		
Other Liab. Under Fin. Instruments	49,007	134,772	183,779	40,991	158,085	199,076
Regularization & Miscellaneous Creditor Acc,	21,224	41,681	62,905	21,432	43,340	64,772
Provisions For Risk & Charges	33,889	88	33,977	37,634	2,772	40,406
Subordinated Loans (or Notes)	-809	153,855	153,046	-212	48,586	48,374
Revaluation Variance Accepted as Supplementary Capital	1,978	1,978	1,978	1,978		
Share Capital & Cash Contribution	494,457	494,457	494,457	494,457		
Reserves for General Bnkg Risks	19,038	20,821	39,859	27,338	20,821	48,159
Reserve-Premium & Equity Diff.	140,589	167,136	307,725	162,421	173,378	335,799
Balance Carried Forward	4,376	4,270	8,646	9,838	10,387	20,225
Net Income (or Loss) for the Year	96,058	-139	95,919	111,917	-360	111,557
Profit & loss account	23,282	1,372	24,654	27,020	2,772	29,792
Cumulative Changes in Fair Value	7,082	18,991	26,073	8,791	-18,811	-10,020
FCy Translation Reserve	21	7,240	7,261			
Revaluation Variances of Other FA	3,711	3,711	3,711	3,711		
Treasury shares	-659	-659	-659	-659	-659	-659
Minority interest	50,807	50,807	2	53,684	53,686	
Total Liab & Shareholder's Equity						
Contra Accounts						
Engagement by Sig- Financial Institutions	431,512	431,512	651,602	651,602		
Engagement by Sig - Customers	44,529	680,753	725,281	39,684	826,700	866,384
Engagements by Financial Instruments	1,131	1,131	377	377		
Total Contra Accounts						
BS & Contra Acc.(AUDITED)						

Lebanese Treasury Bills	76,187	89,990
Dep & Similar Acc. in Banks & Financial Institutions	63,003	72,661
Deposits in HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs	0	0
Bonds & Financial Instruments with Fixed Income	3,016	3,250
Loans & Advances to Customers	45,306	54,074
Loans- advances to Related Parties	0	0
Others Interest & Similar Income	0	0
Interest & Similar Charges	187,512	219,975
Deposits & Similar Accounts in Banks & Financial Institutions	10,383	11,715
Deposits from HO & Branches, Parent Comp. & Foreign Sister Financial Institutions & Subs.	0	0
Dep from Customers & Other Creditor Acc.	116,698	134,233
Deposits from Related Parties	116,698	134,233
Cash Contribution to Capital & Subordinated Loans	4,505	1,598
Certificates of Deposits	1,929	1,923
Bonds & Financial Instruments with Fixed Income	2,207	2,139
Other Interest & Similar Charges	136,319	152,656
Net Interest Income Before Provisions	51,193	67,319
Net Allocation to Provisions		
Provisions for Doubtful Debts	7,254	8,251
Provisions for Doubtful Debts no more Required	0	0
Recoveries from Provisions for Doubtful Loans	-2,123	-954
Net Interest Received	5,131	7,297
Incom from Mark. Sec. &Financial	46,062	60,022
Instruments with Variable Income	2	251
Net commissions		
Commissions Received	18,753	24,752
Commissions Paid	523	1,884
Profit on Financial Operations	18,230	22,868
Marketable Securities	11,600	2,274
Financial Fixed Assets	0	0
Foreign Exchange Transactions	2,189	2,697
Financial Instruments	13,789	4,971
Loss on Financial Operations	212	92
Marketable Securities	0	0

Financial Fixed Assets	1,505	142
Foreign Exchange Transactions	1,717	234
Other Operating Income	913	827
Other Operating Charges	689	772
Other Operating Expenses	22,679	25,038
Staff Expenses	17,416	19,008
Other Operating Expenses	40,095	44,046
Allocation to Prov. & Dep of FA	4,796	5,724
Net Alloc. to Prov. on Contra Acc.	0	0
Net Income for the Yr -Before T	31,699	38,163
Net Extra. Income - Before Taxes	7,228	8,130
Extraordinary Income		
Extraordinary Expenses	0	0
Income Tax	0	0
Share in Results of Related cos. Under Equity Method	24,471	30,034
Total Assets	7789	8424
Customer Deposits	5813	6476
Net Advances to Customers	1577	1865
Cash & Due From Banks	3169	3264
Total Equity	801	759
Net Book Value (1)	699	727
Net Income	16.2	19.9
Growth in Assets	411047446	411047446
Growth in Customer Deposits	0.16	0.19
Growth in Net Adv. to Customers	1.7	1.77
Return on Average Assets	0.035	0.0218
Return on Average Equity	0.0295	0.0329
Net Interest Margin	0.0651	0.0624
Cost-to-income	0.0085	0.0096
Tier One Capital to Assets	0.0933	0.1093
Net advances / Assets	0.0186	0.0225
Net Non-Performing Loans / Net Customer Loans	0.5493	0.5226
Liquid Assets / Assets	0.087	0.0861

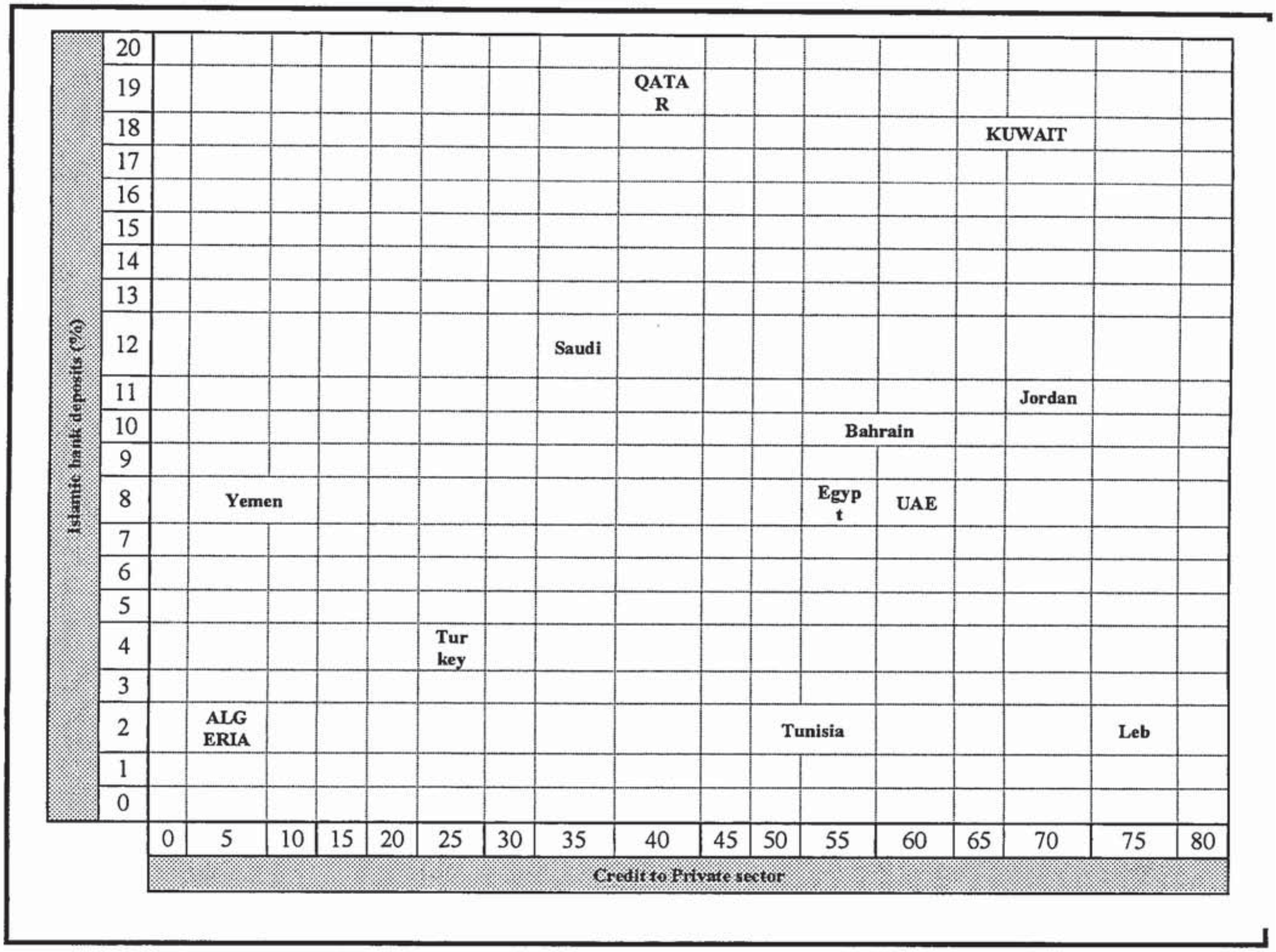
Byblos Bank Financial Statements for Mar. 2006 to Mar. 2007
(Source: www.byblosonline.com)

Figure 1



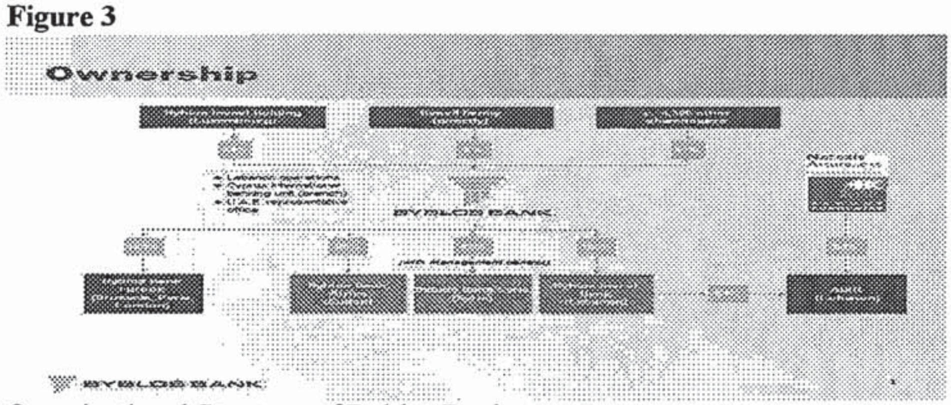
Economic Openness of MENA region
(Source: ISLAMIC FINANCIAL MARKETS. Routledge)

Figure 2



Islamic share of commercial bank deposits
(Source: ISLAMIC FINANCIAL MARKETS. Routledge)

Figure 3



Organizational Structure of Byblos Bank
(Source: www.byblosonline.com)