



5

Year in Review

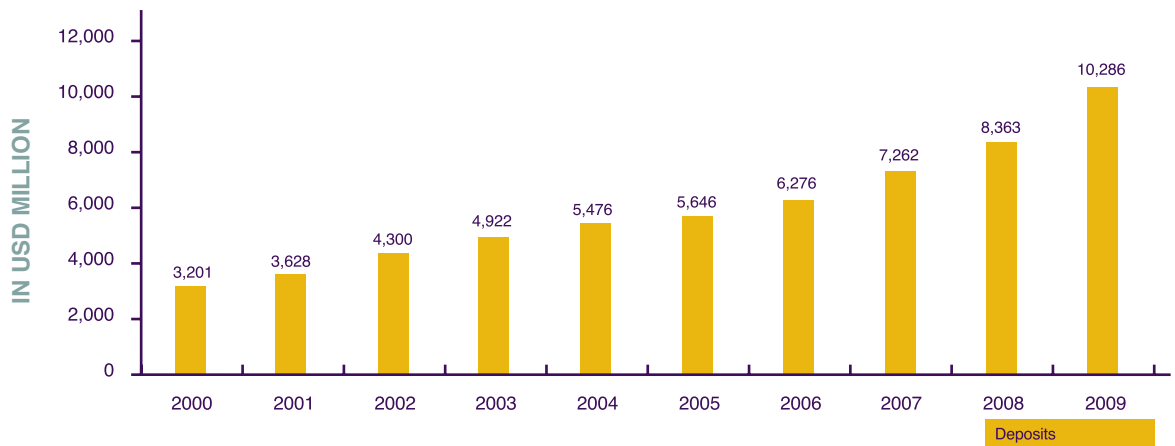




Financial Highlights

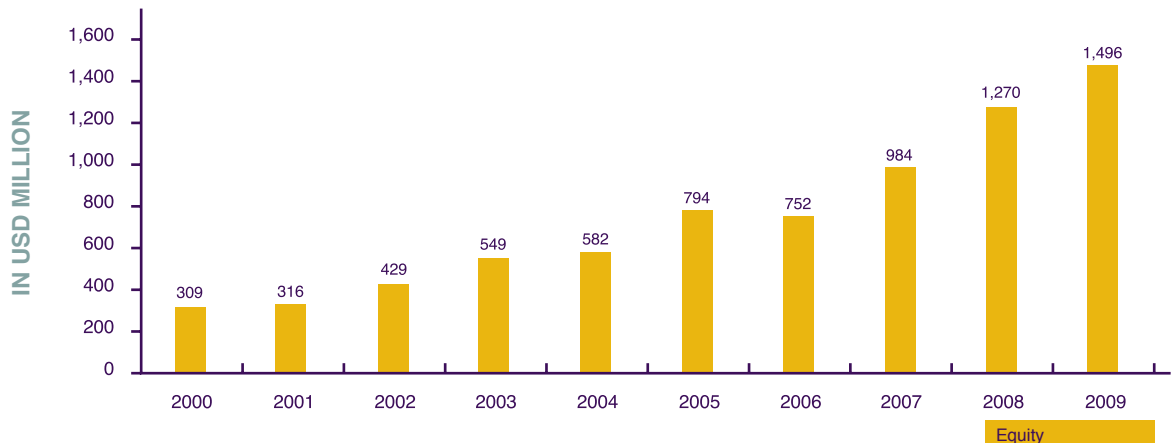
Customers' Deposits

EVOLUTION OF CUSTOMERS' DEPOSITS DURING THE LAST TEN YEARS



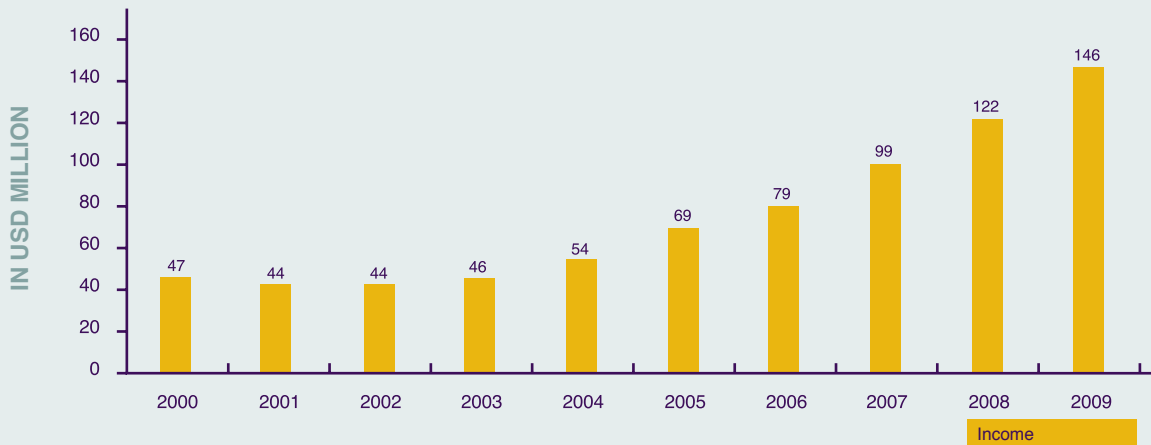
Total Equity

EVOLUTION OF TOTAL EQUITY DURING THE LAST TEN YEARS



Net Income

EVOLUTION OF NET INCOME DURING LAST TEN YEARS



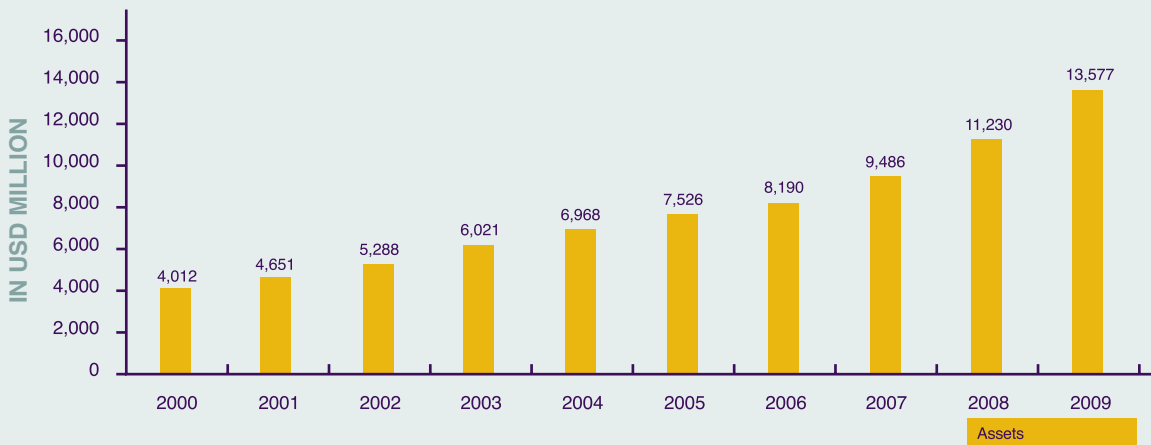
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13.51%

CAGR

Total Assets

EVOLUTION OF TOTAL ASSETS DURING THE LAST TEN YEARS

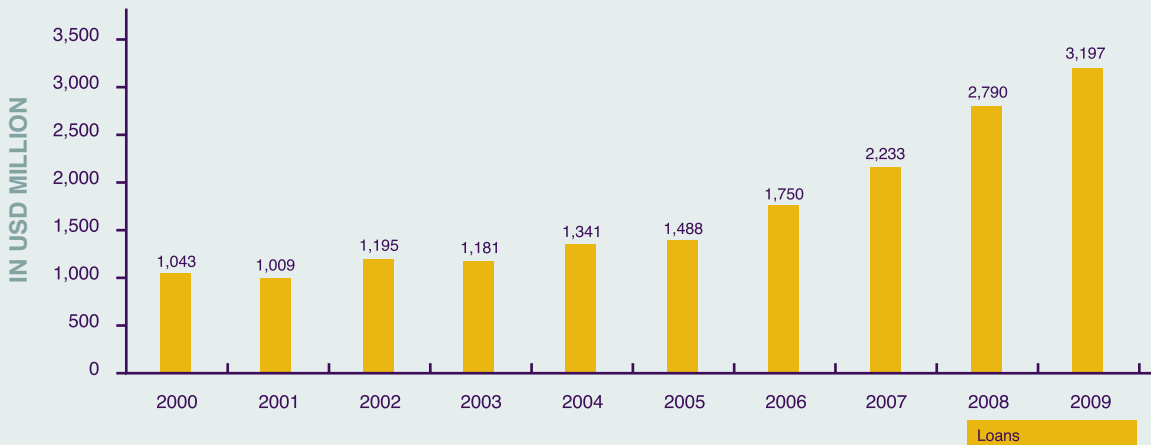


14.51%

CAGR

Net Customers' Loans

EVOLUTION OF CUSTOMERS' LOANS DURING THE LAST TEN YEARS



13.25%

CAGR





A Message from the Chairman



DEAR STAKEHOLDERS,

The Byblos Bank Group added another extraordinary chapter to its proud history in 2009, demonstrating once again that sound business practices lead to consistently superior results. Despite continuing unease in many sectors over the after-effects of the recent global financial crisis, the Group and its subsidiaries continued to meet or beat expectations.

The financial services industry faces daunting challenges these days. The credit crunch of 2008 has been largely contained, but liquidity remains fragile in many markets, holding back consumer spending and leading to jobless recoveries in some of the world's largest economies. Fears of a so-called "double-dip" recession are widespread, and both public and private sectors are divided over how best to resume sustained growth – and how to cope with another downturn if and when it comes. Solutions are not easy to come by, particularly with so many governments heavily burdened by debt and deficits.

The Group is fortunate in that our home base, Lebanon, has largely avoided the direct consequences of the global slowdown. After a bout of poor growth wrought by political and security challenges between early 2005 and mid-2008, the Lebanese economy has rebounded with considerable vigor. Growth has been very strong, particularly in construction, tourism and our own financial sector, and while the public debt remains relatively large, the rate of its expansion has been brought down to manageable levels. The latter point is vitally important because while, traditionally, the Lebanese economy has been driven by private enterprise rather than government spending, large overhangs of public debt can soak up too much of the credit that businesses need to fund both new and existing ventures. Now that the economy is once again expanding at a faster rate than the debt is, there are fewer obstacles to sustainable growth.

Most of the international markets from which we derive an ever-increasing share of our income – principally in the Middle East and North Africa region – have likewise been spared the worst. Capital flows into some of the countries in which we operate have come under pressure, but our own investments and the business activity they help to generate are compensating for some of the shortfall. In addition, the Group has selected the markets into which it has entered with great care. In general, they are typified by under-developed financial sectors, and often by erratic service in areas such as communications. This creates strong and persistent demand for precisely the kind of experience and expertise offered by Byblos Bank, which allows us to ensure world-class banking in less-than-ideal conditions.

Perhaps most importantly, the Group has continued to thrive because of the way we do business. From personal banking and commercial banking to insurance and investment products, financial services are about trust. One repercussion of the global slowdown has been a crisis of confidence in financial companies, hobbling recovery efforts by denying them the capital they – and economies at large – need to recover. By contrast, the Byblos Bank Group still enjoys a reputation for responsible management. We never lost sight of the fact that our duty is to safeguard our stakeholders' futures, not to make headlines in tomorrow morning's newspapers. As a result, we retain the trust of the clients, partners, governments and multilateral institutions with which we do business – and that of the communities where we do it.

It is no surprise to us, then, that the Group is in such a strong position today. Our meticulously planned and adroitly executed expansion into foreign markets in recent years has not just diversified the sources of our revenue – it also has substantially increased the volume of that revenue. Our growing footholds in investment banking and insurance (including the burgeoning Bancassurance sector) confer similar advantages on the Group and its stakeholders. The Group built its current strategy around these endeavors because both of them promised powerful synergies with each other, and with our traditional fortes like retail banking and trade finance. All that potential is now being realized, and the results are highly satisfying.

The financial data contained in the 2009 Annual Report are just the latest illustration of how successful our strategy has been. As at 31 December 2009, Byblos Bank was third among all banks operating in Lebanon in terms of net profit (LBP 219.4 billion on growth of 19.3%), total assets, (LBP 20,467 billion on growth of 20.9%), shareholders' equity (LBP 1,955 billion on growth of 20.8%), advances to customers (LBP 4,819 billion on growth of 14.6%), and customers' deposits (LBP 15,506 billion on growth of 23.0%).

The same figures also offer a window on our plans for 2010: in broad strokes, we will adhere to the carefully crafted plan that has carried us from success to success, updating its details to fit changing circumstances but standing by the principles that have proved so effective in the past. Byblos Bank will continue to expand its commanding position in the highly competitive Lebanese market, while subsidiaries abroad will keep expanding our global presence to the benefit of both local economies and foreign investors. In short, we will not rest on our laurels.

All of the foregoing was made possible by the loyalty, professionalism, and hard work of everyone involved with the growing community known as the Byblos Bank Group. It is my privilege on occasion to express my gratitude to individual members of our team for their many contributions to our shared accomplishments. Here I avail myself of the opportunity to thank each and every one of you: customers and shareholders, members of our various boards of directors, executive and branch managers, analysts, administrators and traders, and particularly all of the front-line personnel who daily serve our clients and help them secure their futures. Because of you, "Your Bank for Life" is becoming just that to more and more people every day.

Sincerely Yours,



François S. Bassil
Chairman and General Manager





10

The Economy in 2009

LEBANESE ECONOMY

Lebanon's economic activity was characterized by three stages in 2009. The first stage spanned the first five months of the year and reflected the uncertainties prevailing at the time. The year began with apprehensions that the global recession and a marked decline in economic activity in the Gulf Cooperation Council (GCC) countries would reduce Lebanon's remittances, exports, foreign direct investment, capital inflows, and earnings from tourism, therefore leading to a slowdown in economic growth. Further, uncertainties about the parliamentary elections, scheduled for early June, kept sentiment subdued. As such, consumer confidence and investor sentiment remained hesitant and the economy entered a wait-and-see period.

The second stage covered the five months from mid-June until mid-November, beginning with a reduction in political uncertainties as the parliamentary elections took place on time and in a stable environment, while the economy and financial sector demonstrated their resilience in the face of the regional economic slowdown. This led to a record tourism season, an increase in capital inflows, a remarkable growth in bank deposits, and a rise in consumer confidence. However, the period highlighted the political risks prevailing in the country, as demonstrated by the persistent obstacles to the formation of a new Cabinet following the elections, which affected consumer confidence. The third stage covered the remainder of the year and saw the formation of a national unity Cabinet and a decline in political tensions.

Throughout most the year, political uncertainties prevented the implementation of structural and economic reforms, as the fiscal deficit remained wide and the public debt continued to increase. Accordingly, the year ended with the same set of challenges for the Lebanese economy and its financial sector: the vulnerabilities of public finances remain and have yet to be addressed by effectively reducing the government's borrowing needs. In addition, political discord continued to be an obstacle to improving the local investment climate and business environment, and to increasing the economy's overall transparency.

REAL AND EXTERNAL SECTORS

Economic activity was positive overall in 2009, with real GDP growth for the full year officially estimated at around 9%, driven mostly by construction, tourism, and financial services. The Central Bank's Coincident Indicator, a proxy for overall economic activity, rose by nearly 14% year-on-year. The trade deficit reached USD 12.75 billion in 2009, up 1% from USD 12.65 billion in 2008, as the value of imports increased by 0.7% to USD 16.24 billion in 2009 while the value of exports was unchanged at USD 3.5 billion. But the volume of exports declined by 16% to nearly 3 million tons, while that of imports increased by 17% to 14.6 million tons. The coverage ratio reached 21.5% in 2009, almost unchanged from 21.6% in 2008. In parallel, the balance of payments recorded a surplus of USD 7.9 billion in 2009, compared to a surplus of USD 3.46 billion in the previous year, due to an increase of USD 8.69 billion in the Central Bank's net foreign assets combined with a decrease of USD 794 million in the commercial banks' net foreign assets.

TOURISM SECTOR

The tourism and hospitality sector exceeded all expectations in 2009, as all related indicators posted record growth rates. As such, it demonstrated the ability of the Lebanese economy to compete regionally and internationally in attracting visitors as long as the country enjoys political stability and a favorable security situation. Indeed, incoming visitors totaled 1.9 million in 2009, constituting an increase of 39% year-on-year, the world's highest growth rate in tourist arrivals. Also, the occupancy rate at hotels in Beirut was 73% in 2009, up from 55% in 2008, constituting the highest growth in occupancy rates in the region. The average rate per room at Beirut hotels increased by 26.5% to USD 234 year-on-year and posted the highest increase among all markets in the region. Furthermore, revenues per available room were USD 172 in Beirut in 2009, up 67% year-on-year, again constituting the highest rise in the Middle East. A total of 770,000 persons used hotels and furnished apartments in the country and spent nearly two million nights in such facilities in 2009, constituting increases of 21.2% and 34.7%, respectively, from 2008 figures. As a result, clients stayed an average of 2.54 nights per person last year compared to 2.29 nights in 2008. Visitors spent a total of USD 203.4 million on lodging in hotels and furnished apartments, up 134.5% from USD 87 million in the previous year. Overall, the travel and tourism industry is estimated to have contributed directly about 9% of GDP, while its direct and indirect contribution was equivalent to nearly 25% of the overall economic activity.

FISCAL SITUATION

The fiscal situation slightly deteriorated in 2009, as the deficit reached USD 2.96 billion, up 1.3% from 2008. The deficit was equivalent to 26% of total budget and Treasury expenditures compared to 29.4% in 2008. Overall government expenditures reached USD 11.4 billion, up 14.8% year-on-year, while total revenues increased by 20.4% to USD 8.4 billion over the covered period. Debt servicing increased by 16.7% year-on-year and totaled USD 3.8 billion, accounting for 33.7% of total expenditures and 44.4% of budgetary spending. It absorbed 45.5% of overall revenues and 48% of budgetary receipts. The overall primary surplus reached USD 1.1 billion, or 9.5% of total expenditures, compared to a surplus of USD 0.6 billion, or 6% of spending a year earlier. The fiscal deficit was officially estimated at 8.4% of GDP in 2009, down from 9.7% of GDP in 2008, but still one of the highest in emerging markets.

In parallel, Lebanon's gross public debt reached USD 51.1 billion at the end of December 2009, constituting an increase of 8.7% year-on-year. Domestic currency debt increased by 15.3% to USD 29.8 billion, while foreign currency-denominated debt decreased by 0.5% to USD 21.3 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, rose annually by 6.3% to USD 44.1 billion at the end of 2009. Local currency debt accounted for 58.4% of gross public debt at end-2009, compared to 55% a year earlier, while foreign currency-denominated debt represented 41.6% of the total at end-2009, down from 45% a year earlier. The gross public debt was officially estimated at about 148% of GDP at end-2009, down from 157% at end-2008. The decline was caused by the growth in GDP rather than by any decline in the nominal size of the debt. Commercial banks held 58.4% of the public debt at the end of 2009.





CAPITAL MARKETS

Activity on the Beirut stock market increased by 33% in 2009 compared to a 17% rise for Arab bourses, posting the fourth best performance among Arab stock markets for the year. But the bourse remained small and not relevant to the financing of economic activity in the country, as market capitalization was equivalent to about 35% of GDP for 2009, ranking in 9th place in the Arab world. Total trading volume on the Beirut Stock Exchange reached 102.6 million shares in 2009, a decrease of 3% from the previous year, while aggregate turnover amounted to USD 1 billion, down 39% from a turnover of USD 1.7 billion in 2008. Market capitalization increased by 34% to USD 12.8 billion year-on-year, of which 66.7% was in banking stocks, 30.7% in real estate stocks, 2.06% in industrial stocks, 0.3% in funds, and 0.3% in trading stocks. The market liquidity ratio was 8.1%, down from 17.8% in 2008. Lebanon's market capitalization accounted for about 1.2% of the aggregate market capitalization of Arab equity markets.

Bank stocks accounted for 67.8% of aggregate trading volume in 2009, followed by real estate stocks with 31.6% and industrial stocks with 0.5%. In terms of value of shares traded, real estate stocks accounted for 69.8% of aggregate value, followed by banking stocks with 30% and industrial stocks with 0.2%. The average daily traded volume for the year was 422,175 shares for an average daily value of USD 4.3 million. The figures reflect a decrease of 4% in volume and a decrease of 40% in value year-on-year.

In the fixed-income market, Lebanon's external debt posted the 12th highest return at 26.8% among 20 markets in the Emerging Europe, Middle East and Africa (EMEA) region in 2009, as well as the 22nd best return among 40 emerging markets. Lebanon underperformed the EMEA returns of 30.7% and the overall emerging market returns of 27.8% during the year, as well as the 36% returns posted by similarly rated sovereigns during the year. The spread on Lebanese Eurobonds ended 2009 at 320 basis points, 11th narrowest in the EMEA region and 22nd narrowest among emerging markets. It was wider than the EMEA spread of 249 basis points and the emerging markets overall spread of 277 basis points as at end-2009.

Lebanon successfully placed USD 500 million in Eurobonds in November, with proceeds to be mainly earmarked toward servicing the debt and for Treasury transfers to the money-losing state-owned Electricité du Liban. The issue had two tranches with maturities in 2015 and 2024, totaling USD 250 million each. The coupon rate on the 2015 maturity is at 5.875%, while the rate on the 2024 maturity is at 7%. The favorable rates and high demand for the current issue would help in the refinancing of Eurobonds maturing in 2010 and totaling USD 2.15 billion. In March 2009, the Finance Ministry successfully completed a voluntary debt swap for around USD 2.3 billion of maturing Eurobonds, with demand reaching 82.8% of the maturing bonds. In exchange, the government issued a three-year USD 600 million bond carrying a coupon rate of 7.5% and due in 2012, an eight-year USD 1.5 billion bond carrying a coupon rate of 9% and due in 2017, and a three-year €211 million bond with a coupon rate of 7.75% due in 2012. The bonds included USD 450 million in new issues due to high demand.

In parallel, political stability, the resilience of public finances and the strength of the banking sector convinced rating agencies to upgrade the country's sovereign ratings. In December, Standard & Poor's raised Lebanon's long-term sovereign credit rating to 'B' from 'B-' and its short-term sovereign rating to 'B' from 'C', and revised the outlook to 'positive'. Also Moody's Investors Service upgraded Lebanon's local and foreign currency sovereign bond ratings to 'B2' from 'B3' in April, and revised the outlook on the ratings to 'positive' from 'stable' in December. Furthermore, Capital Intelligence raised Lebanon's long-term foreign and local currency ratings to 'B' from 'B-' in May and maintained the outlook at 'stable'. Each of the agencies warned that the authorities need to implement structural reforms to reduce the fiscal deficit and the public debt, and expressed concern about Lebanon's significant political and economic vulnerabilities.

MONETARY SITUATION

Lebanon's monetary authorities have proved highly adept at maintaining stability in times of crisis. Indeed, the Lebanese pound's unofficial peg to the US dollar has been sustained and the Central Bank accumulated adequate resources to keep the currency stable, as gross reserves increased by 45.4% during the year to reach USD 24.8 billion at end-2009, equivalent to about 74.7% of money supply (M2), and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 15.7 months worth of imports, well above the four-month reference and a high level by emerging market standards. The Central Bank's assets in foreign currencies, including gold, totaled USD 38.4 billion at the end of the year, equivalent to about 113% of GDP.

INFLATION

Inflation has been under control over the past 10 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Inflation dropped significantly in 2009 due to lower international oil and commodity prices. Lebanon imports most of its energy needs and has an import-based economy, as the value of imports historically has been equivalent to about five times that of exports. As such, imported inflation accounts for about 70% of inflation in the country. Overall inflation averaged 4.5% in 2009, down from 9.3% in 2008, but inflationary pressures increased at the end of the year due to the recovery in global commodity prices and the weakening of the US currency.

BANKING SECTOR

The banking sector remains the backbone of the Lebanese economy, and was profitable, highly liquid and well capitalized in 2009, unlike most banking sectors in advanced and emerging economies. The aggregate assets of banks operating in Lebanon were equivalent to about 338% of GDP and deposits equivalent to 281% of GDP at the end of 2009, among the highest such ratios in the world. Banks continued to compete aggressively for corporate and retail clients domestically, while the sector continued its asset diversification strategy by expanding regionally and in emerging markets. The sector remained resilient to global and regional financial shocks, and proved it can finance the private sector while supporting the public sector's needs, at a time when governments around the world have been forced to bail out their banking systems.

Bank assets reached USD 115.2 billion at the end of 2009, up 22.3% from end-2008, with overall foreign assets increasing by 20% year-on-year to reach USD 23 billion; while private-sector bank deposits totaled USD 95.8 billion, up 23.1% from end-2008 and reflecting continued confidence in the sector. Deposits in Lebanese pounds rose by 43.6% from end-2008 to USD 34 billion, while those in foreign currencies increased by 14.1% to USD 61.7 billion. Non-resident foreign currency deposits reached USD 14.2 billion at end-2009, increasing by 34% from end-2008. In parallel, deposits of non-resident banks reached USD 4.6 billion, up 6.9% from the end of the previous year. The dollarization rate of deposits reached 64.5% at end-2009, down from 69.6% at end-2008, reflecting the massive conversion from foreign currencies into Lebanese pounds that has been triggered by political stability and the high differential between domestic and global interest rates in both Lebanese pounds and US dollars.

Broad money supply (M3) grew by 19.5% in 2009 compared to 14.7% in 2008. Loans to the private sector amounted to USD 28.4 billion at end-2009, up 13.3% from end-2008, highlighting the sector's financing of the national economy. The dollarization rate in private sector lending reached 84%, compared to 86.6% at end-2008. The average lending rate in Lebanese pounds was 9.04% in December 2009 compared to 9.95% a year earlier, while the same average in US dollars stood at 7.28% relative to 7.47% a year earlier. In parallel, claims on the public sector stood at USD 29.1 billion, up 14.3% from end-2008, and accounted for just 25.2% of the sector balance sheet. But rating agencies continued to restrain banks' ratings to the sovereign ceiling, citing their high direct exposure to the sovereign as their most important risk factor.

Capital funds reached USD 7.94 billion, an 11.9% increase from end-2008, with core capital rising by 11% to USD 7.5 billion. The sector's capital adequacy ratio was 12.7%. Also, the ratio of loans to deposits in foreign currencies stood at 38.6%, well below the Central Bank's limit of 70%, and down from 40.1% a year earlier. In parallel, the same ratio in Lebanese pounds was 13.3% compared to 14.2% a year earlier. The ratio of total private sector loans to deposits stood at 29.6%, down from 32.2% a year earlier. In parallel, the aggregate net income of banks operating in Lebanon improved substantially, rising by 12% year-on-year to USD 1.2 billion. Also, the banks' net return on average assets was 1.1% and their net return on average equity reached 15.5% in 2009. Given the financial turmoil that swept across banking sectors in advanced and emerging economies, the profit indicators continue to reflect the resilience of the Lebanese banking sector. Furthermore, the sector's cost-to-income ratio declined to 51.6% in 2009 from 53.1% in 2008.

GLOBAL AND REGIONAL ECONOMIES

The global economy went through one of the most challenging years on record in 2009, as the worldwide financial crisis led to the deepest economic downturn in recent history. Overall, the world economy contracted by 0.8% in 2009, with advanced economies contracting by 3.2% and emerging and developing economies growing by 2.1%. But growth solidified and broadened to advanced economies in the second half of 2009, driven by extraordinary monetary and fiscal stimulus measures. Indeed, monetary policy was highly expansionary, with interest rates down to record lows in most advanced and in many emerging economies, while the balance sheets of central banks expanded to unprecedented levels in key advanced economies. Furthermore, governments in both advanced and emerging economies opted for massive fiscal stimulus in response to the deep downturn.

The impact of the crisis on the Middle East and North Africa (MENA) region, and on Sub-Saharan Africa, was of particular significance to Lebanon due to the economy's strong trade and financial links to Gulf Arab markets in particular, as well as to its dependence on the Diaspora and to the increasing activity of Lebanese banks in the two regions.

The global crisis had a direct impact on the MENA region through the decline in international oil prices and the turmoil in global financial markets. The region was also affected by the secondary effects of the crisis through declines in trade, remittances inflows, and foreign direct investment (FDI). Accordingly, economic growth slowed to 2.2% in 2009 from 5.4% in 2008, but the impact of the crisis was less severe than in other regions, as counter-cyclical policies and financial sector support measures limited the decline in output in 2009. The economies of the GCC were the most affected in the region, as the crisis impacted them directly through a negative terms-of-trade shock associated with the drop in oil prices, and a financial shock that destabilized overextended domestic banks. Growth in the GCC slowed down to about 0.8% in 2009, but governments used ample fiscal surpluses and accumulated reserves to respond quickly with monetary and fiscal measures to prevent a deeper deceleration in growth. In parallel, the MENA region's oil importers were mostly affected by the secondary effects of the crisis in trade, remittances and FDI, with growth decelerating to 4.8% in 2009. The financial sectors of oil-importing economies remained relatively unaffected by the developments in global financial markets, as banks were less overextended than those in the GCC countries.

The economies of Sub-Saharan Africa were not spared the impact of the crisis, as the region's real GDP grew by 1.6% in 2009 compared to 5.6% a year earlier. The economies most severely affected were oil-exporting countries, which are more closely integrated into the global economy, as well as middle-income countries, while the region's low-income and most fragile countries proved fairly resilient in the face of the global downturn.

The limited slowdown across the region was due to multiple factors such as the counter-cyclical macroeconomic policies that were pursued in many countries, the quick recovery in global economic activity, and the relative health of the region's economies in the mid-2000s. Also, nearly two-thirds of the countries experiencing a slowdown were able to increase government spending to support economic activity, while remittances and official aid flows remained broadly unchanged from their 2008 levels. Finally, the recovery in global demand led to a rise in commodity prices, which boosted export earnings in many of the region's economies.





Doing What We Do Best – Only Better

The Byblos Bank Group performs many functions and answers to a wide variety of stakeholders, but whatever their position or specialty, every member of our team shares at least one common goal with all of his or her colleagues: to continually improve the processes by which we deliver on our promises. In 2009, that spirit of perpetual renewal inspired numerous developments that helped us to better serve our customers – and therefore to better achieve our own goals.

PERSONAL BANKING

Nowhere was this spirit more in evidence than in the Consumer Banking Division, whose overall strategy for the year focused on profitable portfolio growth. This included several areas of emphasis, including reliance on the segmentation of retail customers, developing branch staff knowhow, product development, perfecting processes and procedures, and transferring Byblos Bank Group expertise to the subsidiaries. The Branch Development and International Retail departments, both of which were established in 2008, continued to prove their worth in this regard. The former's achievements in 2009 included ensuring that key personal performance indicators were well defined and in place, and that job descriptions and management roles were respected and in line with optimum branch structure. In addition, careful attention was paid to reinforcing the customer focus culture of branch staff, including seminars on subjects like cross-selling and increasing sales to specific market segments. International Retail, meanwhile, was provided with the added personnel and functionality required to maintain the level of support it extends to the Bank's rapidly expanding overseas subsidiaries.

Retail operations were also supported by the continual refinement of the trend-setting products and services for which Byblos Bank is known, with supplementary features added to Byblos Bank Housing Loans, Government Housing Loans, and Credit Cards. Particular emphasis was placed in 2009 on preparations for the rollout of new card products in 2010.

In addition, procedures and information technology systems relating to retail products were reviewed with an eye toward speeding up processes and minimizing costs. As in other lines of business, these measures are crucial for Byblos Bank in several ways, including faster turnaround times for credit and other applications, more and better opportunities for cross-selling and up-selling, more efficient product delivery, and lower cost-to-income ratios for all manner of activities. Process improvements also help to deepen and strengthen the long-term relationships we seek to have with our customers.

MAKING BETTER USE OF TECHNOLOGY

In terms of Non-Branch Distribution channels, we continued to study the implementation of an in-house switch in order to better manage and monitor our ATM network, provide better service to customers, and increase revenues. At the same time, the ATMs' functional menu was updated and simplified, the goal being to increase usage by 25%. In addition, Call Center services were improved, and the Banking Technology team worked on development of an effective Contact Management tool to extend the impact of the Call Center's activities.

COMMERCIAL BANKING

With world markets experiencing great volatility and uncertainty, we continue to be very close to our customers. We examine together every aspect which might affect their businesses, and look to assist them in protecting themselves against unforeseen setbacks. Our service extends beyond local borders, since today, numerous customers are now present in the same overseas markets in which we operate. We look to add value by introducing them to credible counter-parties in those common overseas markets. Furthermore, we continue the tradition of being both pioneers and leaders in dealing with international agencies, and passing on the benefits of agreements signed with those agencies, whether through long-term funding, capped pricing, or insurance coverage, among other areas, to our customers.

ADDING TO THE TEAM

Also in 2009, Byblos Bank's reputation helped attract a valuable new partner in the form of the International Finance Corporation (IFC), the private sector arm of the World Bank. In a deal announced just weeks into 2010, the IFC agreed to buy USD 100 million worth of the Bank's shares. Aside from constituting a vote of confidence in the Bank's performance, the capital increase also makes more funds available for SMEs – and for the Group's continuing expansion into new markets.

A SALUTE TO EXPATRIATES

In keeping with the traditions of Byblos Bank in particular and the Lebanese population in general, considerable care was also taken to catering for the needs of expatriates working in Europe, the Gulf, Africa and other parts of the world. As they have for generations, Lebanese expats played a variety of important roles in 2009, not only because of the remittances they send to loved ones at home but also because of the productive contributions they make to the countries in which they live and work. We strive to recognize and reward these hard-working individuals both practically and symbolically, for instance by making special credit facilities available for them in their homeland, and by planting a cedar tree in the name of every Lebanese expatriate who opens an account with Byblos Bank.

GETTING THE WORD OUT

Explaining the purposes of these and other activities is just one responsibility of the Group Communication Department, whose mission includes the development and dissemination of information for both internal and external consumption – all while maintaining high levels of accuracy, utility, and transparency. In 2009, much of the department's energy was devoted to revisiting the Group's brand strategy in preparation for the campaigns scheduled for 2010.

PERFECTING OUR MOST IMPORTANT RESOURCE

The foundation for many of these activities is provided by the Human Resources Division. In 2009, HR's primary achievements included the creation of a Competency Model and the Bank-wide implementation of competency-based management that will improve our handling and retention of High Performers. A new salary scale was introduced, and a Succession Planning Exercise was conducted, focusing on the identification of key and critical positions in all departments. In addition, Byblos Way launched its Retail School in 2009, complete with purpose-built syllabi and prerequisites for all branch positions.

In 2010, HR's strategic priorities range from softening processes and reducing paperwork to carrying out Phase II of the Succession Management Process, which will see successors designated for all key and critical positions. Some 25% of these will then commence their Individual Development Plans. Byblos Way is launching both its Credit School and its Management School, and the HR Handbook is being revised in line with our new strategy, which includes an overhaul of the welcome package for new recruits. The Code of Conduct is also being reviewed to ensure compatibility with our ongoing Culture Change.





Corporate Social Responsibility: the Bottom Line(s)

Corporate Social Responsibility (CSR) has always been a driving force of Byblos Bank's business philosophy, and if anything the tradition has only been strengthened in recent years. Our CSR strategy is informed by the spirit of the "Triple Bottom Line" as measured by people, planet and profit. Underpinned by a realization that well-conceived activities which benefit the communities we serve are an investment in our own future, this allows greater integration between traditional business activities and contributions to ecological, social and other causes. Accordingly, we have developed governance guidelines to ensure that environmental and social considerations are part of everything we do, from the procedures of individual departments to the corporate decision-making process.

Byblos Bank supports worthwhile projects in numerous fields that help improve living conditions in the communities we serve, but our good works are increasingly focused on four main pillars: Education, Culture, Health and the Environment. Taken together, these areas offer the surest routes we know of helping people and their families to secure better tomorrows. Education underpins just about everything else a society does – or wants to do; the preservation and promotion of Culture helps to spread a sense of belonging – and an appreciation of diversity; concentrating on Health gives more people a better chance of leading happier, more productive lives; and protecting the Environment helps further all of these goals by preserving our natural surroundings for future generations.

In 2009, our CSR activities took place on a variety of levels, making them too numerous to permit a comprehensive listing here. Both in whole and in part, these endeavors were a manifestation of the commitment that the Bank and its employees feel toward the communities in which they live and work.

EDUCATION FOR ALL

This was the 24th consecutive year, for instance, in which Byblos Bank provided support for Child Week, an event organized by the Association for the Protection of Lebanese Children in order to foster the artistic, cultural and educational interests of our youngsters. Our involvement with education also extended all the way to the university level, with support provided for institutions of higher learning to upgrade their buildings and other facilities – and therefore to improve the learning environment for their students. We conducted formation and orientation sessions to help youth learn more about banking services, enabling them both to take better care of their personal finances and to broaden their career horizons. We also marked the 10th anniversary of our involvement with the Lebanese Center for Special Education, which since 2000 has worked to improve access and opportunities for children with learning disabilities.

UPHOLDING CULTURE

We also marked our ninth year as the main sponsor of the Byblos International Festival, an annual musical extravaganza that has gained international acclaim for attracting world-class talent in a variety of genres. Our contributions also included the sponsorship of "Lebanon in 360HD", a spectacular DVD using hi-tech graphics to highlight the country's architectural, cultural and geographical jewels in all their splendor. Other recipients of Byblos Bank's backing in 2009 included the Silk Museum in Bsous, Aley, and, as has been the case for several years, the Daraj el Fan ("Art Stairs ") festival in Beirut's Gemmayzeh neighborhood.

The Bank was also keen in 2009 to support activities that help sustain both the cultural and natural environments. For this purpose, it has sponsored Sourat, an event held to preserve the traditional cachet of the typical Lebanese village of Sourat, Jbeil, and also the Race Cup, a fundraising event aimed at safeguarding Beirut Hippodrome, one of the last green spots in the city.

BIG ON BOOKS

Books are an integral part of a healthy culture's past, present and future, so Byblos Bank is proud to assist such endeavors. This past year, beneficiaries of this kind of support included "L'histoire du Liban à travers ses timbres", a book tracing Lebanon's history through the evolution of its postage stamps; "Creative Lives", a tome that celebrates some of Lebanon's most respected intellectuals and artists; and the Salon du Livre's book-signing event in Beirut.

Also in 2009, Byblos Bank lent its support to the Red Cross by holding an in-house blood drive for employees, sponsored the Goodwill Marathon for the disabled, and undertook to pay all the medication costs of Resto du Coeur, ("Restaurant of the Heart"), which focuses on providing nourishing meals to the elderly.

Another priority for our CSR strategy has been rural development, a matter of considerable urgency for many communities. By focusing our activities on remote areas whenever and wherever appropriate, Byblos Bank aims to help these often-overlooked villages to increase their viability in a rapidly changing world, all while retaining their traditional charms.

The Bank takes very seriously the many roles it plays in the many communities it serves. To be sure, this practice builds goodwill and therefore contributes to both generating new business and retaining the loyalty of our existing customers. Just as importantly, it is consistent with the values that we espouse. For this reason, CSR is not just something we do – in many ways, it's what we are.

