

# Management Discussion and Analysis





## OVERVIEW OF THE BANK

Byblos Bank is one of the leading banks in Lebanon, providing a full range of banking services through its extensive branch network. Through its overseas banking and other subsidiaries, the Bank also conducts a wide range of commercial banking and financial activities in Europe and the Middle East and North Africa (MENA) region. As at 31 December 2009, the Bank had 2,433 employees, 600,000 active accounts, 75 branches in Lebanon, one branch in Cyprus and one in Erbil, Iraq (in January 2010, a new branch was opened in Baghdad). As at the same date, Byblos Bank Europe S.A., the Bank's 99.95% owned subsidiary, had its main branch in Brussels, one branch in London and another branch in Paris; Byblos Bank Africa Ltd., the Bank's 56.9% owned subsidiary, had one branch in Khartoum and one branch in Bahri; Byblos Bank Syria, the Bank's 41.5% owned subsidiary, had nine branches in Abu Remaneh, El Mazzeh, Homs, Aleppo, Lattakia, Tartous, Hama, Abbasiyin and Hosh Blass. Byblos Bank Armenia C.J.S.C., the Bank's 65% owned subsidiary, had three branches in Amiryan, Vanadzor and Malatia. The Bank also has a representative office in Abu Dhabi, United Arab Emirates, and another one in Lagos, Nigeria, aiming at better servicing of the Lebanese Diaspora abroad. In addition, in April 2010, the Bank bought the majority of shares of Solidaire Banque in the Republic of Congo, which will henceforth be known as Byblos Bank DR Congo.

The Bank has developed a reputation as a pioneer in the development and marketing of new products designed principally to serve the rapidly growing consumer market in Lebanon. In recent years, the Bank has undertaken a number of steps to expand its business and improve its market share and profile by setting up subsidiaries in selected MENA countries, by striving to provide tailor-made banking services to its customers in terms of retail and commercial banking, and by launching new financial products.

On 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange representing 26% of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank of the issue. The Bank aimed through the listing to increase liquidity through the listing of Global Depositary Shares and to promote further transparency for investors. According to the London Stock Exchange, Byblos Bank is also the first Lebanese company to list on the London Stock Exchange in the past 12 years and the first bank to list on the LSE in 2009, showing resilience despite the ongoing global financial crisis.

The International Finance Corporation (IFC), a member of the World Bank Group, and Byblos Bank jointly announced in January 2010 that IFC would make an equity investment of approximately USD 100 million in Byblos Bank. The transaction, closing of which is subject to customary closing conditions, is in the form of a purchase by IFC of common shares from Byblos Invest Holdings S.A. (Luxembourg), Byblos Bank's largest shareholder, with a commitment of Byblos Invest Holdings to utilize the proceeds to subscribe to a USD 250 million capital increase by Byblos Bank, bringing the bank's consolidated total capital to over USD 1.5 billion. IFC's equity investment – the largest to date in a Lebanese bank – will assist Byblos Bank in increasing access to finance for small- and medium-sized enterprises (SMEs) in Lebanon and elsewhere, and expand its operations to frontier countries in the MENA region.

In April 2010, PROPARCO, which is partly held by the Agence Française pour le Développement (AFD), invested USD 30 million in Byblos Bank's shares, becoming one of the Bank's largest shareholders. Through this transaction, the Bank will be able to further expand its activities to frontier countries in MENA, and reinforce its already large capital base. This partnership will also enhance the lending capacity of Byblos Bank to extend financing to SMEs.

According to Bankdata, as at and for the year ended 31 December 2009, the Bank ranked third among all banks operating in Lebanon in terms of net profit of LBP 219.4 billion (USD 145.6 million), in terms of total assets of LBP 20,467 billion (USD 13,577 million), in terms of shareholders' equity of LBP 1,955 billion (USD 1,297 million), in terms of advances to customers of LBP 4,819 billion (USD 3,197 million) and in terms of customers' deposits of LBP 15,506 billion (USD 10,286 million).

The Bank has a high level of nominal liquidity, with cash, placements with central banks, interbank deposits and investments in Lebanese Treasury bills and other marketable securities representing 72.4% of total assets as at 31 December 2009. As at and for the year ended 31 December 2008, the Bank's capital adequacy ratio (Basel I) was 22.13% (excluding net income for 2009) and capital adequacy (Basel II) was 12.65%, while its return on average assets was 1.2% and its return on average equity was 12.3%.

## GROWTH

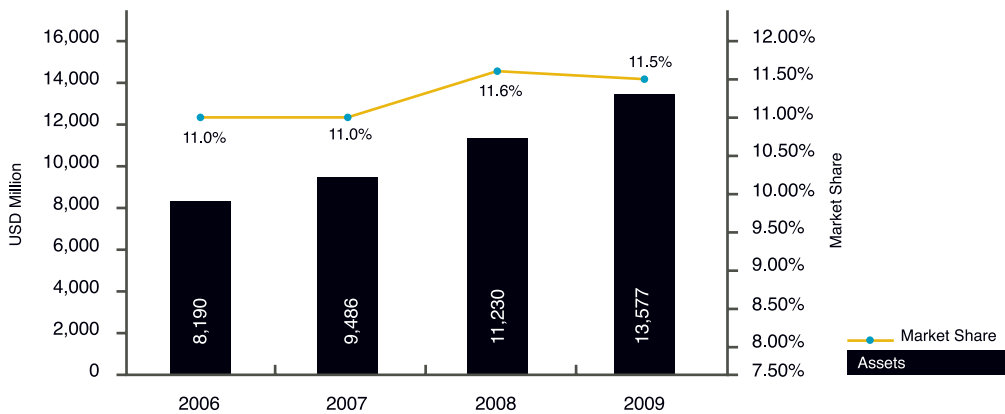
### TOTAL ASSETS

Total assets of the Bank recorded an increase of 20.9% during the year 2009 to reach LBP 20,467 billion (USD 13,577 million) at the end of December 2009 compared to an increase of 18.4% during the year 2008, and compared to an increase of 22.1% in the Lebanese alpha group of banks. Consequently, the bank's market share in the alpha group of total assets stood at 11.5% at the end of 31 December 2009 compared to 11.6% at the end of 31 December 2008.

During the period between 31 December 2006 and 31 December 2009, total assets of the Bank grew at an average annual compounded rate of 18.4% compared to a growth of 16.9% in the Lebanese alpha group of banks, and which was reflected in the Bank's market share of total assets, which grew from 11.0% at the end of 31 December 2006 to reach 11.5% at the end of 31 December 2009.

The graph below shows the evolution of total assets and market share during the last four years:

Evolution of Total Assets During Last Four Years



ASSET SPLIT WITHIN THE GROUP

The following graph shows the breakdown of assets in the Byblos Bank Group as at 31 December 2008 and 31 December 2009.

Asset Split within the Group 2008



Asset Split within the Group 2009



As shown above, total assets of international subsidiary banks and branches represented 15.5% of total assets at the end of 31 December 2009 compared to 16.8% at the end of 31 December 2008.





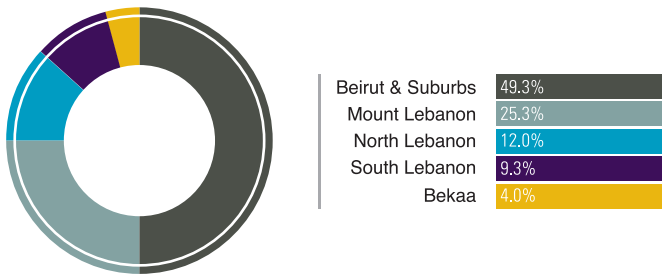
**GEOGRAPHICAL DISTRIBUTION OF BRANCHES**

Byblos Bank's branch network reached 75 branches inside Lebanon at the end of 2009, representing 8.5% of total branches in the Lebanese banking sector. Byblos bank's branch presence is more concentrated in rural areas as compared to the distribution in the Lebanese banking sector. Byblos Bank branches located in Mount Lebanon, 19 branches, represented 25.3% of total Byblos Bank branches at the end of December 2009 compared to just 18.1% in the Lebanese banking sector, and represented 11.9% of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, branches located in Beirut and its suburbs, 37 branches, represented 49.3% of total Byblos Bank branches at the end of December 2009 compared to 54.4% in the Lebanese banking sector, and it represented 7.7% of total branches operating in Beirut and its suburbs.

The nine branches located in the North of Lebanon represented 12.0% of total Byblos Bank branches compared to 9.9% in the Lebanese banking sector, and represented 10.2% of total branches of the Lebanese banking sector operating in North Lebanon. In South Lebanon (seven branches) and the Bekaa Valley (three branches), Byblos Bank's presence was less concentrated than the Lebanese banking sector, where Byblos Bank branches located in the South and Bekaa represented 9.3% and 4.0% of total Byblos Bank branches respectively compared to 10.5% and 7.1% respectively in the Lebanese banking sector.

The graph below shows the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2009.

Byblos December 2009



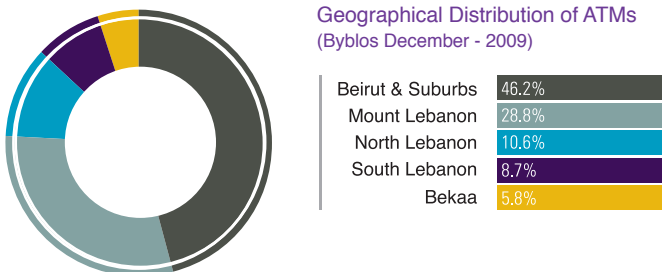
Sector December 2009



At the end of 2009, the Byblos Bank Group's presence abroad consisted of Cyprus; Erbil and Baghdad (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum and Bahri through our subsidiary Bank Africa Ltd. (Sudan); Abu Remaneh, Aleppo, Homs, Lattakia, Mazzeh, Tartous, Hama, Abbasiyin and Hosh Blass through our subsidiary Byblos Bank Syria S.A.; and Vanadzor, Malatia, and Amirian through our subsidiary Byblos Bank Armenia.

**GEOGRAPHICAL DISTRIBUTION OF AUTOMATED TELLER MACHINES (ATM)**

Geographical Distribution of ATMs (Byblos December - 2009)



Geographical Distribution of ATMs (Sector December - 2009)



## CUSTOMERS' DEPOSITS

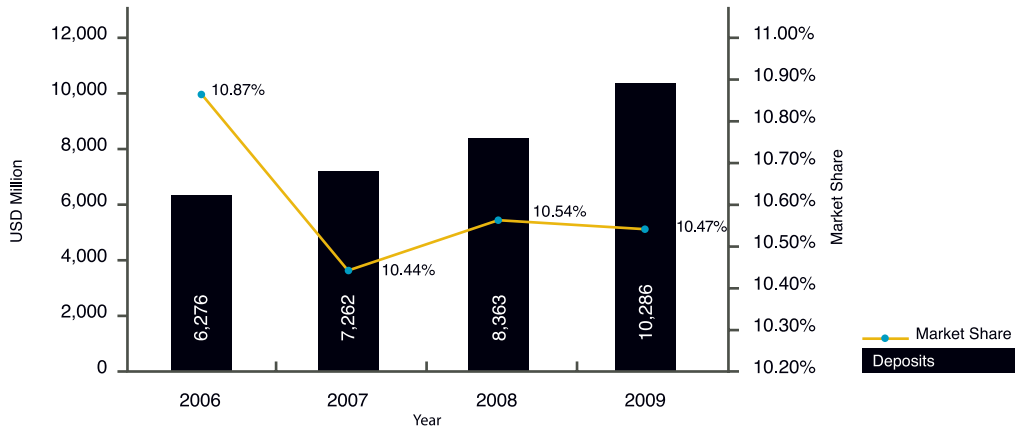
Customers' deposits recorded an increase of 23.0% during 2009 to reach LBP 15,506 billion (USD 10,286 million) at the end of 31 December 2009 compared to an increase of 15.2% during 2008, and compared to an increase of 23.8% in the Lebanese alpha group of banks. Consequently, the Bank's market share of total customers' deposits in the Lebanese alpha group of banks stood at 10.47% at the end of 31 December 2009, slightly lower than 10.54% at the end

of the previous year.

During the period between 31 December 2006 and 31 December 2009, the Bank's customers' deposits grew at an annual average compounded growth rate of 17.9% compared to a growth of 19.4% in the Lebanese alpha group banks. Consequently, the Bank's market share stood at 10.47% at the end of 31 December 2009, lower than 10.87% at the end of 31 December 2006.

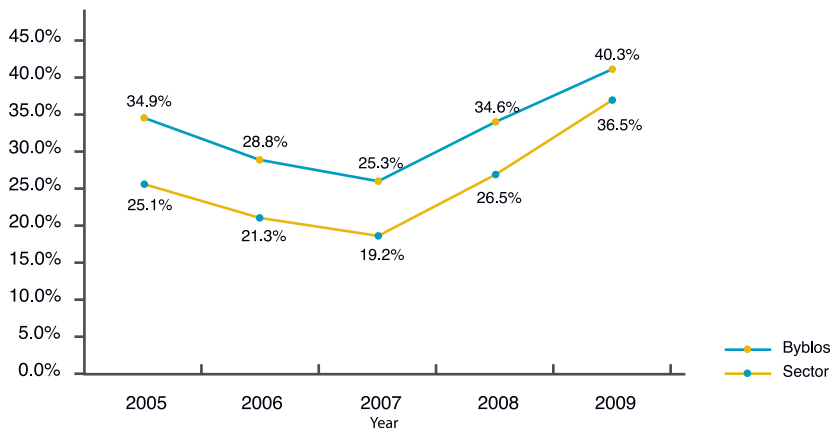
The graph below shows the evolution of customers' deposits over the last four years:

Evolution of Customers' Deposits During Last Four Years



## CUSTOMERS' DEPOSITS CURRENCY STRUCTURE

LBP Customers' Deposits (Byblos vs. Sector)



Influenced by the sound financial strength of the Lebanese banking sector as well as the solid Lebanese economy, which was not affected by the worldwide financial crisis that started in 2008, customers regained their confidence in the stability of the Lebanese Pound, bearing in mind the high differential between the Lebanese Pound and foreign currency (mainly US Dollar) interest rates. Accordingly, customers' deposits denominated in LBP increased to 40.3% of total customers' deposits at the end of 31 December 2009 after it had

reached a five-year low of 25.3% at the end of 2007. The decreasing trend in LBP customers' deposits between 2004 and 2007 was largely the result of economic and political tension between different parties in Lebanon during the period, as well as the assassination of former Prime Minister Rafic Hariri. Compared to the Lebanese banking sector, Byblos Bank has a higher deposit base denominated in LBP as compared to 36.5% in the sector (data for 2009 are from alpha group due to the unavailability of all Lebanese banks' data).





## CUSTOMERS' DEPOSITS BY TYPE OF ACCOUNT

The following table shows the distribution of the Bank's customers' deposits by type of account as at 31 December 2007, 2008 and 2009:

As at 31 December	2007		2008		2009	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Current accounts	1,309,826	12.0	1,915,683	15.2	1,916,710	12.4
Term deposits	8,962,632	81.9	9,933,340	78.8	12,740,834	82.2
Blocked accounts	493,331	4.5	594,445	4.7	639,064	4.1
Related parties' accounts	122,906	1.1	106,472	0.8	139,814	0.9
Accrued interest	59,413	0.5	56,940	0.5	69,746	0.4
<b>Total</b>	<b>10,948,108</b>	<b>100</b>	<b>12,606,880</b>	<b>100</b>	<b>15,506,169</b>	<b>100</b>

The composition of customers' deposits stood almost stable throughout the last three years, during which time they were comprised mostly of term deposits, which consisted of 82.2% of total customers' deposits at the end of December 2009, as compared to 78.8% as at 31 December 2008, and to 81.9% as at 31 December 2007.

## MATURITY PROFILE OF CUSTOMERS' DEPOSITS

The following table shows the distribution of the Bank's customers' deposits by maturity profile as at 31 December 2007, 2008 and 2009:

As at 31 December	2007		2008		2009	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Less than 3 months	9,361,386	85.5	10,429,354	82.7	12,982,058	83.7
3 months to 1 year	1,242,934	11.4	1,762,893	14.0	1,932,889	12.5
1 year to 5 years	269,571	2.5	343,257	2.7	587,753	3.8
Over 5 years	74,217	0.7	71,376	0.6	3,467	0.0
<b>Total</b>	<b>10,948,108</b>	<b>100</b>	<b>12,606,880</b>	<b>100</b>	<b>15,506,168</b>	<b>100</b>

Almost all of the Bank's customers' deposits are short-term, with deposits having a remaining maturity of less than one year representing 96.2% and 96.7% of total customers' deposits as at 31 December 2009 and 31 December 2008, respectively.

### CUSTOMERS' DEPOSIT SPLIT WITHIN BYBLOS BANK GROUP

The pie charts below show the split of customers' deposits in the Byblos Bank Group:

Deposits split within the Group 2008



Deposits split within the Group 2009



### GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS' DEPOSITS

Byblos December - 2009



Sector December - 2009



Geographical distribution of the Bank's customers' deposits is in line with the geographical distribution of its branches, with customers' deposits in branches located in Beirut and its suburbs (49.3% of total branches) representing 61.0% of total customers' deposits in the bank compared to 69.0% in the Lebanese banking sector. On the other hand, customers' deposits in branches located in Mount Lebanon (25.3% of total branches) represented 19.7% of the Bank's customers' deposits compared to 12.7% in the Lebanese banking sector; customers' deposits in branches located in North Lebanon (12.0% of total branches) represented 8.9% of the Bank's customers' deposits, higher than 6.2% in the Lebanese banking sector. In the South (9.3% of total branches), Byblos Bank's customers' deposit concentration was 7.2% compared to 7.1% in the Lebanese banking sector. In the Bekaa Valley, the Bank's customers' deposits are less concentrated than in the Lebanese banking sector, with 3.2% of the Bank's total customers' deposit are located in the Bekaa (4.0% of total branches) compared to 5.0% in the Lebanese banking sector.



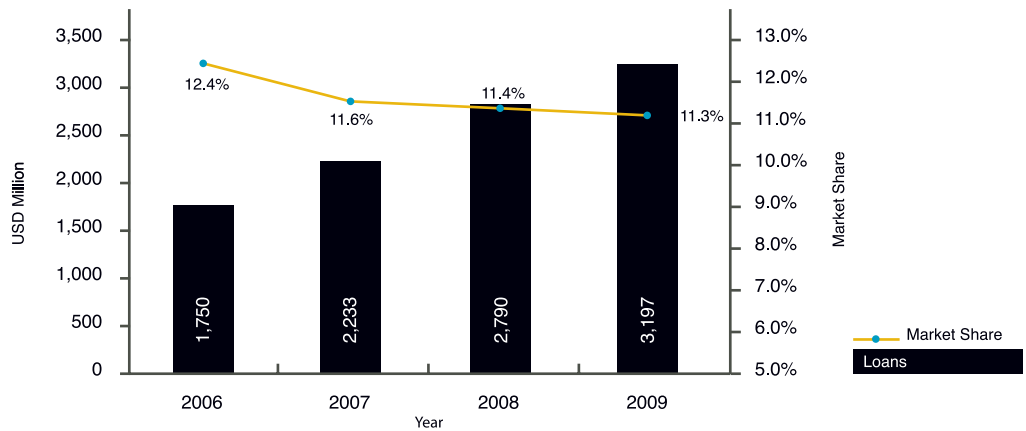


**CUSTOMERS' LOANS**

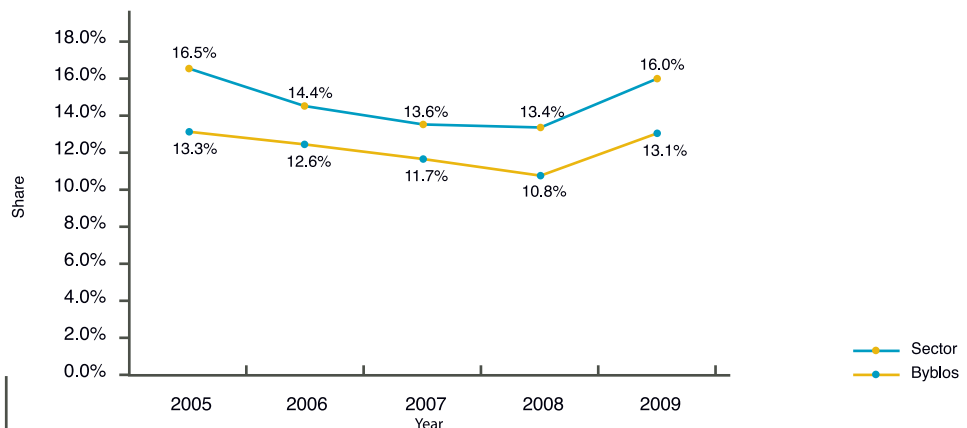
Customers' loans net of provisions (specific and collective) on doubtful loans and reserved interest on substandard and doubtful loans grew by 14.6% during the year 2009 to reach LBP 4,819 billion (USD 3,197 million) at the end of 31 December 2009 compared to growth of 25.0% in 2008, and compared to growth of 15.8% in the Lebanese alpha group banks. The lower growth in the Bank's net customers' loans in comparison with the Lebanese alpha group banks led to a small decrease in the Bank's market share of net customers' loans to 11.3% at the end of 31 December 2009, down from 11.4% at the end of 31 December 2008. During the period between 31 December 2006 and 31 December 2009, net customers' loans increased at an average annual compounded rate of 22.2% compared to growth of 26.2% in the Lebanese alpha group banks. Consequently, the Bank's market share of net customer advances dropped from 12.4% at the end of 31 December 2006 to reach 11.3% at the end of 31 December 2009.

The chart below shows the evolution of net customers' loans and their market shares over the last four years:

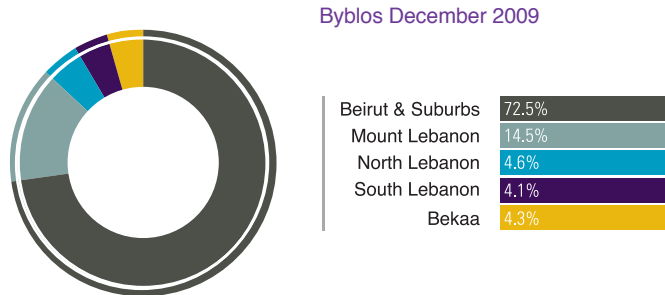
Evolution of Customers' Loans During Last Four Years



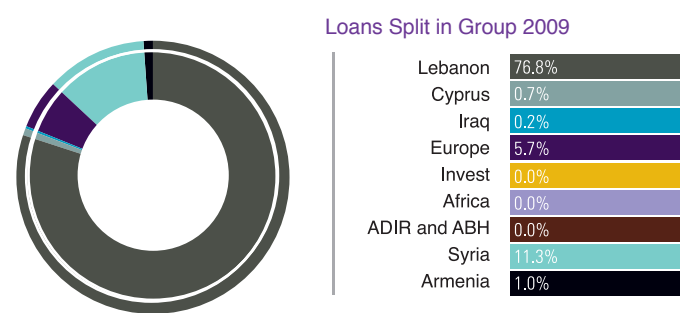
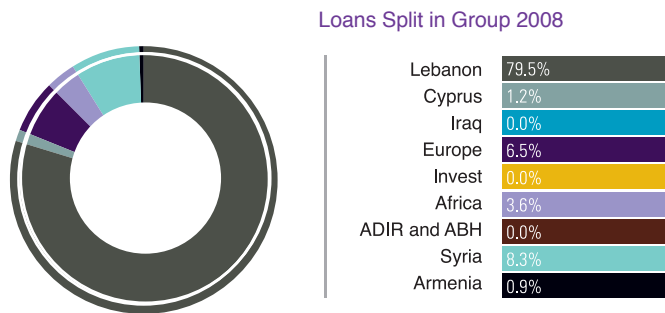
LBP Customers' Loans (Byblos vs. Sector)



## CUSTOMERS' LOANS GEOGRAPHICAL DISTRIBUTION



## CUSTOMERS' LOANS SPLIT IN BYBLOS BANK GROUP



## LOAN BREAKDOWN BY NATURE OF BORROWER

Loan Portfolio by Nature of Borrower	December 2007			December 2008			December 2009		
	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total
Corporate	1,531,994	1,016,248	42.5%	1,689,895	1,120,992	37.8%	1,872,506	1,242,127	36.7%
International	795,266	527,539	22.0%	1,136,445	753,861	25.4%	1,324,027	878,293	25.9%
Middle Market	214,755	142,457	6.0%	262,246	173,961	5.9%	289,804	192,241	5.7%
Retail	765,175	507,579	21.2%	1,031,607	684,317	23.0%	1,280,772	849,600	25.1%
Syndication	214,496	142,286	5.9%	217,457	144,250	4.9%	155,913	103,425	3.1%
Others	85,883	56,971	2.4%	138,811	92,080	3.1%	180,337	119,627	3.5%
<b>Total</b>	<b>3,607,568</b>	<b>2,393,080</b>	<b>100.0%</b>	<b>4,476,461</b>	<b>2,969,460</b>	<b>100.0%</b>	<b>5,103,359</b>	<b>3,385,313</b>	<b>100.0%</b>

During 2009, Byblos Bank's gross loan portfolio increased by 14.0% (+LBP 627 billion) to reach LBP 5,103 billion (USD 3,385 million) at the end of 31 December 2009 compared to an increase of 24.1% in 2008.





## COMMERCIAL LOAN PORTFOLIO

--- The corporate loan portfolio increased by 10.8% (+LBP 183 billion or USD 121 million) during the year 2009 to reach LBP 1,873 billion (USD 1,242 million) at the end of 31 December 2009 compared to an increase of 10.3% (+LBP 158 billion or USD 105 million) in 2008. Corporate loans represented 36.7% of the gross loan portfolio at the end of December 2009, compared to 37.8% at the end of 31 December 2008.

--- The international loan portfolio increased by 16.5% (LBP 188 billion or USD 124 million) during the year 2009 to reach LBP 1,324 billion (USD 878 million) at the end of 31 December 2009 compared to an increase of 42.9% (LBP 341 billion or USD 226 million) in 2008.

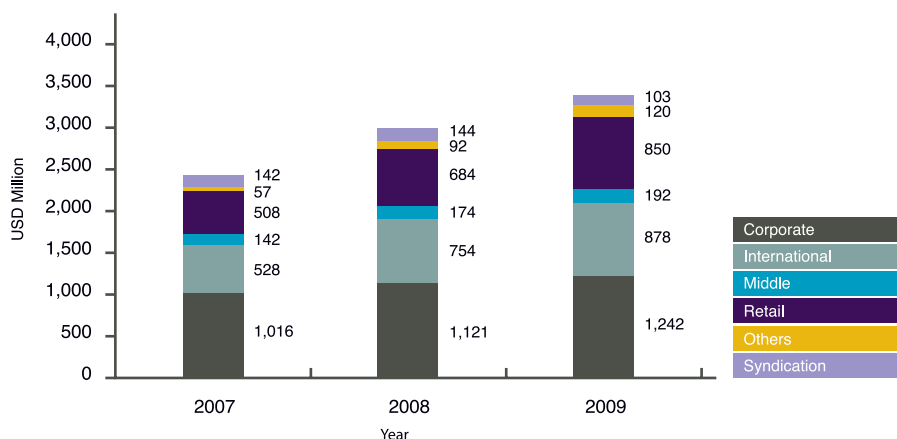
International loans represented 25.9% of the gross loan portfolio compared to 25.4% at the end of December 2008.

--- Total exposure to syndicated loans at the end of 2009 amounted to LBP 156 billion (USD 103 million) compared to LBP 217 billion (USD 144 million) at the end of December 2008, representing 3.1% of the gross loan portfolio compared to 4.9% at the end of December 2008.

--- The middle market loan portfolio increased by 10.5% (+LBP 28 billion or USD 18 million) during the year 2009 to reach LBP 290 billion (USD 192 million) at the end of 31 December 2009 representing 5.7% of the gross loan portfolio compared to 5.9% at the end of 31 December 2008.

The chart below shows the breakdown of the loan portfolio by nature of borrower between the years 2007, 2008 and 2009:

Breakdown of Loan Portfolio by Type of Borrower



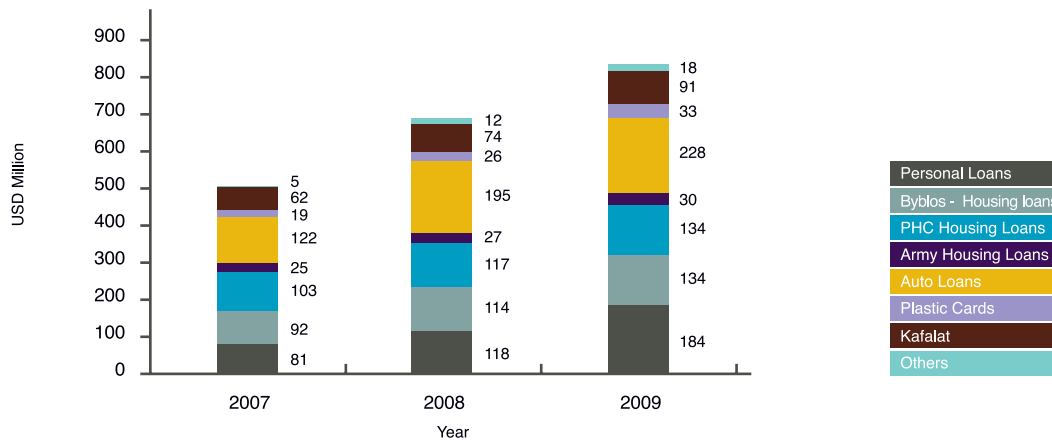
## RETAIL LOAN PORTFOLIO

	December 2007			December 2008			December 2009		
	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total
Personal Loans	121,693	80,725	15.9%	178,453	118,377	17.3%	276,940	183,708	21.6%
Byblos - Housing Loans	138,428	91,826	18.1%	171,950	114,063	16.7%	201,473	133,647	15.7%
PHC Housing Loans	155,449	103,117	20.3%	176,472	117,063	17.1%	201,335	133,556	15.7%
Army Housing Loans	37,297	24,741	4.9%	40,612	26,940	3.9%	44,579	29,571	3.5%
Auto Loans	183,385	121,648	24.0%	294,333	195,246	28.5%	343,066	227,573	26.8%
Plastic Cards	27,929	18,527	3.7%	39,571	26,249	3.8%	49,694	32,964	3.9%
Kafalat	93,107	61,763	12.2%	112,082	74,349	10.9%	136,604	90,616	10.7%
Others	7,887	5,232	1.0%	18,128	12,025	1.8%	27,082	17,965	2.1%
<b>Total Retail</b>	<b>765,175</b>	<b>507,579</b>	<b>100.0%</b>	<b>1,031,602</b>	<b>684,313</b>	<b>100.0%</b>	<b>1,280,772</b>	<b>849,600</b>	<b>100.0%</b>

In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from USD 508 million as of December 2007, to USD 684 million as of December 31 2008, and to USD 850 million as of December 31, 2009, increases of 34.8% and 24.2% respectively. The main increase in retail loans came from personal loans and credit cards, two high-yield products, whose outstanding portfolios increased between 2008 and 2009 from USD 118 million to USD 184 million, an increase of 55.2% for personal loans, and from USD 26 million to USD 33 million, an increase of 25.6%, for credit cards.

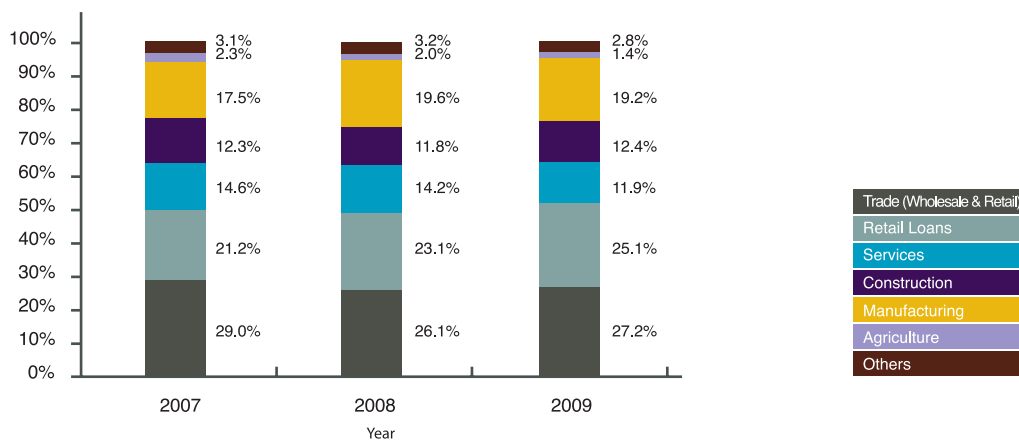
Retail loans secured by real guarantees represented 72% of the total retail portfolio. The chart below shows the evolution of retail loans throughout the last three years:

**Retail Loan Portfolio Breakdown**



**LOAN PORTFOLIO BY ECONOMIC SECTOR**

In recent years, the Bank has focused its lending activities, to the extent possible, in sectors considered by management to be least affected by economic slowdowns. Loans to the trade sector (both wholesale and retail) continued to represent the major part of outstanding loans, constituting 27.2% of outstanding loans as at 31 December 2009, as compared to 26.1% as at 31 December 2008 and 29.0% as at 31 December 2007. Loans to the manufacturing sector decreased slightly to 19.2% as at 31 December 2009, as compared to 19.6% as at 31 December 2008 and 17.5% as at 31 December 2007. Loans to the construction sector increased to 12.4% as at 31 December 2009, as compared to 11.8% as at 31 December 2008 and 12.3% as at 31 December 2007, while retail loans stood at 25.1%, 23.1%, and 21.2% as at 31 December 2009, 2008 and 2007, respectively.





The pie charts below show the breakdown of the loan portfolio by economic sector as at 31 December 2009 in comparison with the Lebanese banking sector.



Byblos December 2009

Trade (Wholesale & Retail)	27.2%
Retail Loans	25.1%
Services	11.9%
Construction	12.4%
Industry	19.2%
Agriculture	1.4%
Others	2.8%



Sector December 2009

Trade (Wholesale & Retail)	21.9%
Retail Loans	22.2%
Services	16.3%
Construction	15.3%
Industry	11.8%
Agriculture	0.9%
Others	11.5%

## LONG-TERM SOURCES OF FUNDS

As a part of the Bank's strategy to match its longer-term loan portfolio with longer-term funding sources, the Bank has tapped into several types of long-term funding resources. The following table shows the breakdown of the Bank's long-term sources of funding as at 31 December 2007, 2008 and 2009, respectively:

In USD 000's	December 2007	December 2008	December 2009
Central Bank of Lebanon	26,537	26,534	
International Finance Corporation (IFC)	4,895	1,634	
Arab Trade Finance Program	1,986	22,313	9,594
Certificates of deposit	77,921	77,920	141,600
Proparco	15,196	12,530	9,864
GSM Program	642		
Opec Fund for International Development	1,364	455	
European Investment Bank	73,865	191,844	173,012
FMO Loan	5,357	3,214	1,071
Govco Incorporated NY	45,000	43,393	74,179
Agence Française pour le Développement	4,894	12,792	34,194
Citibank	5,000	4,583	9,750
Index-linked notes	49,441	49,430	
Equity-linked notes	49,410	49,414	49,414
Commodity-linked notes	6,367	6,371	
9% Subordinated Participating Notes	31,169	31,169	31,169
Convertible subordinated loans	200,000	173,000	173,000
<b>Total Long Term Sources of Funds</b>	<b>599,044</b>	<b>706,595</b>	<b>706,846</b>

## PROFITABILITY

In LBP million	2007	2008	2009	Growth (Vol.)	Growth (%)
Net interest income	278,007	355,842	387,060	31,218	8.8%
Net allocation to provisions	(4,761)	(5,434)	(26,245)	(20,811)	383.0%
Net commission income	81,847	106,923	116,668	9,745	9.1%
Net profits on financial operations	29,380	23,854	52,153	28,299	118.6%
Impairment losses on financial investments		(37,700)	(15,279)	22,421	-59.5%
Other operating income	4,755	17,519	16,251	(1,268)	-7.2%
<b>Total operating income (before provisions and impairment)</b>	<b>393,989</b>	<b>504,138</b>	<b>572,132</b>	<b>67,994</b>	<b>13.5%</b>
<b>Total operating income (after provisions and impairment)</b>	<b>389,228</b>	<b>461,004</b>	<b>530,608</b>	<b>69,604</b>	<b>15.1%</b>
Operating expenses	(185,600)	(221,351)	(238,852)	(17,501)	7.9%
Depreciation and amortization	(18,536)	(17,530)	(25,925)	(8,395)	47.9%
Taxes	(35,574)	(38,208)	(46,410)	(8,202)	21.5%
<b>Net Income</b>	<b>149,518</b>	<b>183,915</b>	<b>219,421</b>	<b>35,506</b>	<b>19.3%</b>

In LBP million	2007	2008	2009
Bank's share	142,550	172,285	206,628
Dividend on Preferred shares (series 2003)	(18,168)	(18,168)	
Dividend on Preferred shares (series 2008)		(10,144)	(24,032)
Dividend on Preferred shares (series 2009)			(10,063)
Priority distribution of 4 per cent. on priority shares	(9,880)	(9,882)	(9,966)
Net income related to common and priority shares	114,502	134,091	162,567
Weighted average number of common shares during the period	204,955,557	216,862,160	216,721,108
Weighted average number of priority shares during the period	205,838,523	205,875,672	205,915,830
Earnings per common share	278.73	317.19	384.65
Earnings per priority share	326.73	365.19	433.05

Key profitability ratios	December 2007	December 2008	December 2009
Return on average assets	1.12%	1.18%	1.17%
Return on average equity	13.41%	13.31%	12.31%
Net interest margin	2.19%	2.39%	2.16%
Cost-to-income	51.81%	47.38%	46.28%





Net income for the year 2009 amounted to LBP 219,421 million (USD 146 million), recording an increase of 19.3% (+LBP 35,506 million or USD 23.6 million) compared to LBP 183,915 million (USD 122 million) in the year 2008. The increase in net income is explained by the fact that the increase of 13.5% (+LBP 67,994 million or USD 45.1 million) in operating income was higher than the increase of 10.8% (LBP 25,896 million or USD 17.2 million) in operating expenses.

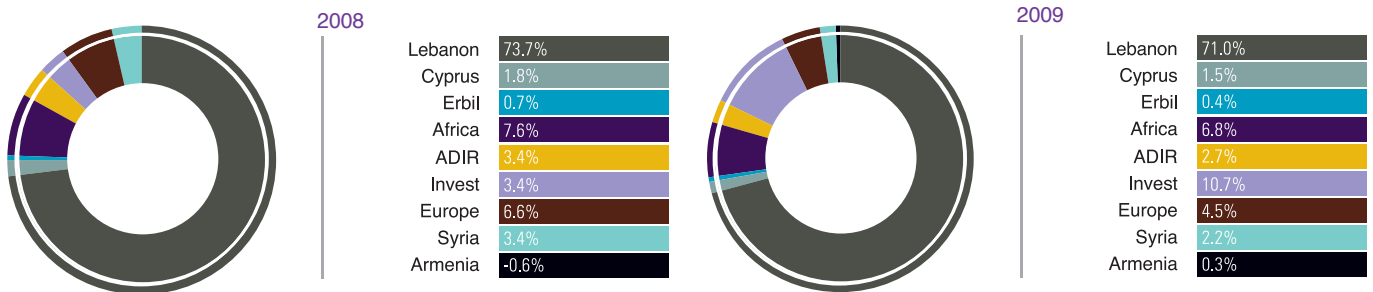
Return on average assets (ROA) slightly decreased to 1.17% at the end of December 2009 compared to 1.18% at the end of December 2008. Moreover, return on average equity (ROE) decreased to 12.31% compared to 13.31% at the end of December 2008, mainly due to the increase in preferred shares.

Earnings per common and priority shares based on the weighted average number of shares stood at LBP 384.65 (USD 0.255) and 433.05 (USD 0.287) respectively in 2009 compared to LBP 317.19 (USD 0.210) and 365.19 (USD 0.242) in 2008.

The contribution of the Bank's subsidiaries to consolidated net income is presented below:

- Byblos Bank Africa's net income for the year 2009 amounted to LBP 17,317 million (USD 11.5 million) compared to LBP 14,381 million (USD 9.5 million) for the year 2008.
- Byblos Bank Europe's net income for the year 2009 amounted to LBP 11,576 million (USD 7.7 million) compared to LBP 12,445 million (USD 8.3 million) for the year 2008.
- Byblos Bank Syria's net income stood at LBP 5,706 million (USD 3.8 million) at the end of 2009 compared to LBP 6,386 million (USD 4.2 million) for the year 2008.
- Byblos Invest Bank's net income stood at LBP 27,306 million (USD 18.1 million) at the end of 2009 compared to a net income of LBP 6,529 million (USD 4.3 million) for the year 2008.
- Net income of the insurance companies – Adonis Insurance & Reinsurance S.A.L. (ADIR), Adonis Insurance & Reinsurance Syria, and Adonis Brokerage House – for the year 2009 amounted to LBP 6,863 million (USD 4.6 million) compared to LBP 6,392 million (USD 4.2 million) for the year 2008.

The pie chart below shows the contribution of the Bank's subsidiaries to consolidated income between the years 2008 and 2009:



## NET INTEREST INCOME

Net interest income before provisions for the year 2009 amounted to LBP 387,060 million (USD 256.8 million), recording an increase of 8.8% (+ LBP 31,218 million or USD 20.7 million) compared to LBP 355,842 million (USD 236.0 million) for the year 2008. However, net interest margin decreased by 23 basis points to reach 2.16% at the end of 2009 compared to 2.39% at the end of 2008.

	2008			2009		
	Average balance LBP Million	Interest earned	Average rate %	Average balance LBP Million	Interest earned	Average rate %
<b>ASSETS</b>						
Interest-bearing deposits in other banks	6,476,275	315,502	4.87%	8,206,043	345,536	4.21%
Securities	253,821	24,159	9.52%	404,199	23,504	5.82%
Loans	3,786,339	314,976	8.32%	4,512,906	358,203	7.94%
Treasury Bills	4,374,894	383,158	8.76%	4,784,494	414,649	8.67%
<b>Total interest-earning assets</b>	<b>14,891,328</b>	<b>1,037,795</b>	<b>6.97%</b>	<b>17,907,642</b>	<b>1,141,893</b>	<b>6.38%</b>
Investments in affiliates						
Total earning assets	14,891,328	1,037,795	6.97%	17,907,642	1,141,893	6.38%
Premises and equipment	266,584	0	0.00%	297,368	0	0.00%
Other non-interest bearing assets	456,575	0	0.00%	493,120	0	0.00%
<b>Total average assets</b>	<b>15,614,486</b>	<b>1,037,795</b>	<b>6.65%</b>	<b>18,698,129</b>	<b>1,141,893</b>	<b>6.11%</b>
<b>LIABILITIES</b>						
Customers' deposits	11,768,964	577,206	4.90%	14,056,524	659,101	4.69%
Subordinate loans	313,674	27,655	8.82%	297,918	29,091	9.76%
Certificates of deposit	121,170	7,784	6.42%	213,307	14,704	6.89%
Index- and equity-linked instruments	147,544	9,367	6.35%	129,499	7,404	5.72%
Interest-bearing deposits due to banks	1,307,515	59,941	4.58%	1,617,311	44,533	2.75%
<b>Total interest-bearing liabilities</b>	<b>13,658,866</b>	<b>681,953</b>	<b>4.99%</b>	<b>16,314,559</b>	<b>754,832</b>	<b>4.63%</b>
Other liabilities	554,039	0	0.00%	665,158	0	0.00%
Shareholders' equity	1,385,184	0	0.00%	1,786,635	0	0.00%
<b>Total average liabilities and equity</b>	<b>15,598,089</b>	<b>681,953</b>	<b>4.37%</b>	<b>18,766,352</b>	<b>754,832</b>	<b>4.02%</b>
<b>Spread (a)</b>			<b>1.98%</b>			<b>1.75%</b>
<b>Spread (b)</b>			<b>2.27%</b>			<b>2.08%</b>
<b>Interest-earning assets/Interest-bearing liabilities</b>			<b>1.09</b>			<b>1.10</b>

- (a) Average return on interest-earning assets – average cost of interest-bearing liabilities  
 (b) Average return on assets – average cost of liabilities and equity

## PROVISIONS ALLOCATED

Net provisions allocated for doubtful loans increased by 3.8 times to LBP 26,245 million (USD 17.4 million) for the year 2009, as compared to LBP 5,434 million (USD 3.6 million) for the year 2008. This increase was mainly due to the rise in provisions on doubtful debts by LBP 18.8 billion (USD 12.5 million) in 2009 and the provision taken on doubtful banks accounts amounted to LBP 3.9 billion. Coverage of non-performing loans by specific and general provisions and reserved interest increased to 134.09% as at 31 December 2009, as compared to 115.64% as at 31 December 2008. Additional details on coverage of non-performing loans will be discussed in the section on asset quality.





In LBP million	2007	2008	2009
Provisions set up during the year			
- Doubtful debts	13,602	11,682	30,529
- Doubtful banks and financial institutions accounts			3,870
- Miscellaneous debtor accounts	50		
- Write offs	156	230	217
<b>Total Provisions Allocated</b>	<b>13,808</b>	<b>11,912</b>	<b>34,616</b>
Provision written back during the year:			
- Loans recovered or upgraded	(8,044)	(6,478)	(8,371)
- Excess general provisions brought forward from prior year			
- Doubtful banks and financial institutions accounts			
- Provision for country risk			
- Miscellaneous debtor recovered	(1,003)		
<b>Total Provisions Recoveries</b>	<b>(9,047)</b>	<b>(6,478)</b>	<b>(8,371)</b>
<b>Net Provisions Allocated</b>	<b>4,761</b>	<b>5,434</b>	<b>26,245</b>

## NON INTEREST INCOME

In LBP million	2007	2008	2009	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	35,782	46,016	47,825	1,809	3.93%
out of which in Lebanon	18,187	21,951	20,785	(1,166)	-5.31%
out of which in Byblos Europe	11,184	17,977	19,167	1,190	6.62%
out of which in Byblos Africa	5,250	4,514	6,085	1,571	34.79%
out of which in Byblos Syria	1,161	1,574	1,788	214	13.57%
Commissions on letters of guarantees	8,366	12,261	13,736	1,475	12.03%
out of which in Lebanon	6,395	9,406	9,429	23	0.24%
out of which in Byblos Europe	624	790	831	41	5.14%
out of which in Byblos Africa	588	448	349	(99)	-22.01%
out of which in Byblos Syria	759	1,574	3,083	1,509	95.89%
out of which in Byblos Armenia	0	43	44	1	1.27%
Securities Income	17,151	5,667	30,640	24,973	440.67%
Dividends	1,581	4,390	6,299	1,909	43.49%
Foreign exchange income	12,229	18,187	15,213	(2,974)	-16.35%
Other commissions on banking services	36,118	44,256	55,109	10,853	24.52%
<b>Total Non-Interest Income (Net)*</b>	<b>111,227</b>	<b>130,777</b>	<b>168,821</b>	<b>38,044</b>	<b>29.09%</b>

\* Net commissions, plus net trading income, plus net gain or loss on financial assets.

Non-interest income for the year 2009 amounted to LBP 168,821 million (USD 112.0 million), recording an increase of 29.09% (+LBP 38,044 million) as compared to LBP 130,777 million (USD 86.8 million) in the same period of last year.

--- Commissions on documentary credits and acceptances for the year 2009 amounted to LBP 47,825 million (USD 31.7 million), recording an increase of 3.9% as compared to LBP 46,016 million (USD 30.5 million) in 2008. Trade finance activities in 2009 represented 28.3% of total non-interest income in 2009, down from 35.2% in 2008.

--- Commissions on letters of guarantees for the year 2009 amounted to LBP 13,736 (USD 9.1 million), recording an increase of 12.0% as

compared to LBP 12,261 million (USD 8.1 million) in 2008.

--- Realized and unrealized gain on the securities portfolio for the year 2009 amounted to LBP 30,640 million (USD 20.3 million), recording a huge increase of 440.7% as compared to a gain of LBP 5,667 million (USD 3.8 million) in 2008, noting that the low income from securities in 2008 was mainly the result of the 2008 world economic downturn.

--- Gains on foreign exchange trading for the year 2009 amounted to LBP 15,213 million (USD 10.1 million), recording a decrease of 16.3% as compared to LBP 18,187 million (USD 12.1 million) in 2008.

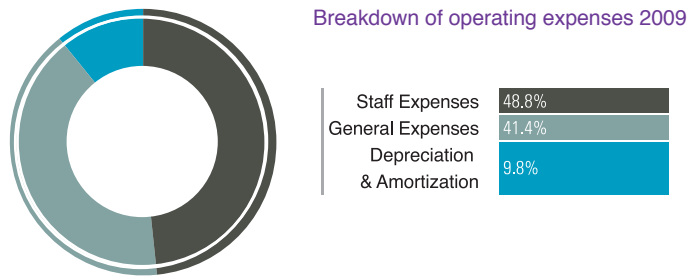
--- Dividends received on the Bank's investments in securities with variable income amounted to LBP 6,299 million in 2009, recording an increase of 43.5% compared to LBP 4,390 million in 2008.

**OPERATING EXPENSES**

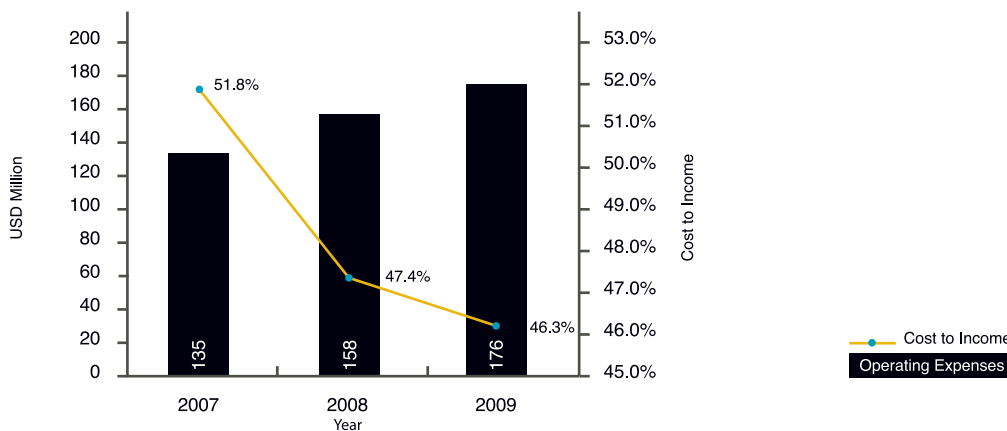
In LBP million	2007	2008	2009	Growth (Vol.)	Growth (%)
Staff expenses	98,366	123,143	129,339	6,196	5.0%
General expenses	87,234	98,208	109,513	11,305	11.5%
Depreciation and amortization	18,536	17,530	25,925	8,395	47.9%
<b>Total Operating Expenses</b>	<b>204,136</b>	<b>238,881</b>	<b>264,777</b>	<b>25,896</b>	<b>10.8%</b>

Operating expenses for the year 2009 amounted to LBP 264,777 million (USD 175.6 million), recording an increase of 10.8% (+LBP 25,896 million) as compared to LBP 238,881 million (USD 158.8 million) in 2008. Despite the increase in operating expenses, the Bank succeeded in decreasing its cost-to-income ratio to 46.3% in 2009 compared to 47.4% in 2008.

The graphs below show the breakdown of operating expenses for the last two years.



The graph below shows the evolution of operating expenses and the cost-to-income ratio over the last three years:





## ASSETS QUALITY

### Loan portfolio

Under Decision No. 7159 issued by Lebanon's Central Bank, the Banque du Liban (BDL), all banks and financial institutions operating in Lebanon are required to classify loans according to five categories of risk: (i) ordinary/regular accounts (sub-divided into (a) unconditional and (b) incomplete documentation); (ii) accounts to be followed up and regularized; (iii) less-than-ordinary/sub-standard accounts; (iv) doubtful accounts; and (v) bad or ailing accounts. Byblos Bank's internal classification system, which has been followed since 1992, generally incorporates and refines the requirements set out in Decision No. 7159. Because the Bank's internal classification criteria are more detailed than those of the Central Bank, no material reclassifications were required to reclassify the Bank's loans according to the applicable Central Bank regulations when they came into effect and the Bank believes that, as at 31 December 2009, it was in compliance with all related requirements. The Bank continues to adhere to its own loan classification criteria for internal purposes, although reports to the Central Bank and the Banking Control Commission are made in accordance with the Central Bank classifications.

The frequency of the Bank's review of problem loans is dependent upon the applicable classification. Loans that are classified as Classification 1 or Classification 2 are reviewed by the Bank on a monthly basis, whereas loans that are classified as Classification 3 or Classification 4 are reviewed on a quarterly basis.

When a loan is 90 days past due, interest income ceases to be accrued in the statement of income and is allocated as "reserved interest".

The tables below show the breakdown of the Bank's loan portfolio (gross and net) over the last three years:

As at 31 December	2007		2008		2009	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
<b>Gross balances:</b>						
Good loans	3,122,415	86.6	4,049,822	90.5	4,730,021	92.7
Watch loans	281,679	7.8	248,987	5.6	227,746	4.5
Substandard loans	35,495	1.0	27,027	0.6	11,204	0.2
Doubtful loans	113,968	3.2	88,049	2.0	61,066	1.2
Bad loans	54,011	1.5	62,577	1.4	73,322	1.4
<b>Total</b>	<b>3,607,568</b>	<b>100.0</b>	<b>4,476,462</b>	<b>100.0</b>	<b>5,103,359</b>	<b>100.0</b>

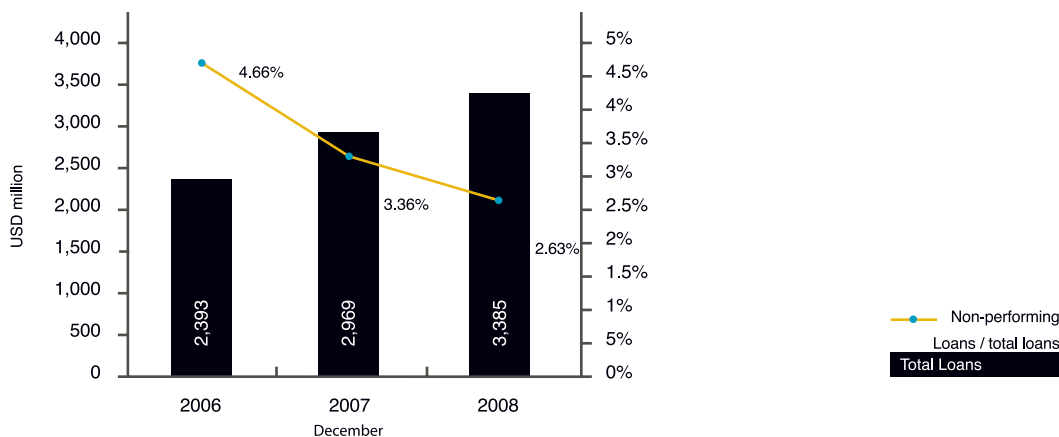
As at 31 December	2007		2008		2009	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
<b>Net balances:</b>						
Good loans	3,122,415	90.4	4,049,822	93.4	4,730,021	94.9
Watch loans	281,679	8.2	248,987	5.7	227,746	4.6
Substandard loans	21,381	0.6	13,573	0.3	5,456	0.1
Doubtful loans	29,281	0.8	23,607	0.5	19,498	0.4
Bad loans	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>3,454,756</b>	<b>100.0</b>	<b>4,335,989</b>	<b>100.0</b>	<b>4,982,720</b>	<b>100.0</b>

## PROVISIONING AND COVERAGE RATIOS

In LBP million	Dec-07	Dec-08	Dec-09
Substandard loans	35,495	27,027	11,204
Non-performing loans	167,979	150,626	134,388
<b>Total Classified Loans</b>	<b>203,474</b>	<b>177,653</b>	<b>145,592</b>
Specific provisions for loan losses	65,690	59,668	56,800
General provisions and collective provisions	41,901	47,170	65,317
out of which general provisions for retail	20,630	21,574	20,814
Reserved interest (sub-standard loans)	14,114	13,454	5,749
Reserved interest (non-performing loans)	73,008	67,351	58,091
<b>Total provisions and cash collateral</b>	<b>194,713</b>	<b>187,643</b>	<b>185,956</b>
Substandard loans/total loans	0.98%	0.60%	0.22%
Non-performing loans/total loans	4.66%	3.36%	2.63%
Total classified/total loans	5.64%	3.97%	2.85%
Total provisions/total loans	5.40%	4.19%	3.64%
NPL provisions/non-performing loans (*)	107.51%	115.64%	134.09%
NPL provisions/non-performing loans (**)	95.23%	101.32%	118.61%
Total provisions/total classified loans (*)	95.69%	105.62%	127.72%

(\*) Includes specific, general and collective provisions, reserved interest

(\*\*) Excluding general provisions for retail loans

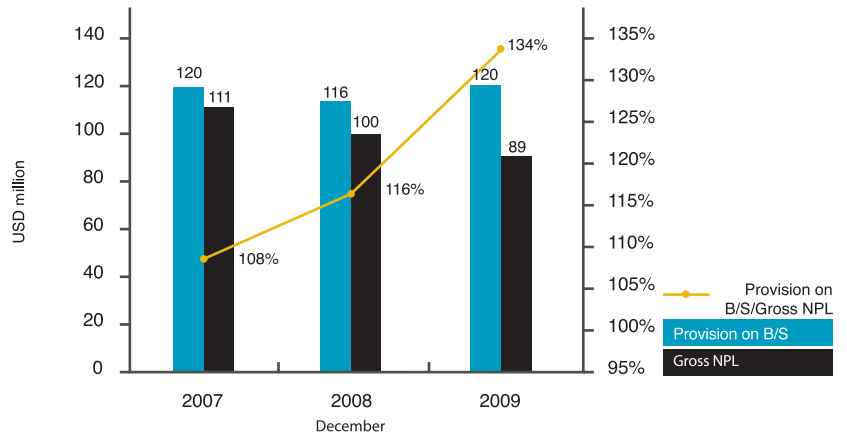
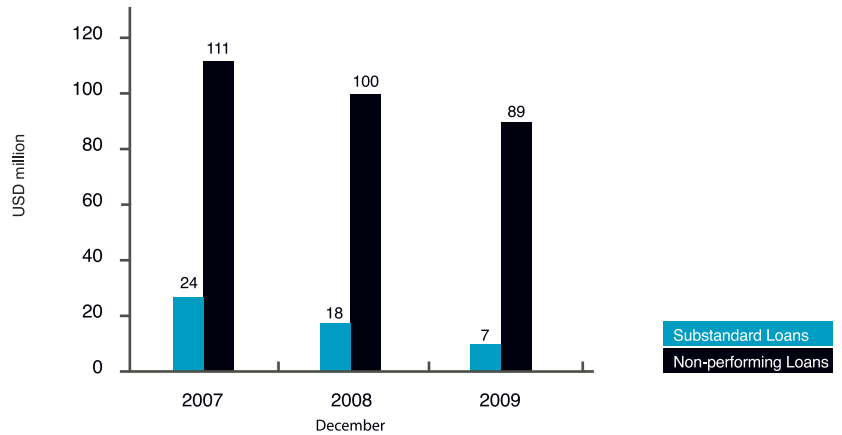




Total classified loans (substandard, doubtful, and loss) amounted to LBP 145,592 million (USD 96.6 million) at the end of 31 December 2009, representing 2.9% of the total loan portfolio compared to LBP 177,653 million (USD 117.8 million) at the end of December 2008, representing 4.0% of the total loan portfolio. Total non-performing loans (doubtful and loss) amounted to LBP 134,388 million (USD 89.1 million) as at 31 December 2009, representing 2.7% of the total loan portfolio, down from 3.4% at the end of 31 December 2008. Specific, general and collective provisions (excluding general provisions for the retail loan portfolio), as well as reserved interest on non-performing loans, amounted to LBP 159,393 million (USD 105.7 million), covering up to 118.6% of total non-performing loans as at 31 December 2009 compared to 101.3% at the end of 31 December 2008.

Substandard loans amounted to LBP 11,204 million (USD 7.4 million) at the end of 31 December 2009, representing 0.22% of the total loan portfolio compared to LBP 27,027 million (USD 17.9 million) and 0.6% respectively at the end of 31 December 2008. Substandard loans are covered up to 51.3% by reserved interest at the end of 31 December 2009 compared to 49.8% as at 31 December 2008.

Classified Loans



## Investment and trading portfolio

The Bank's investment portfolio includes Lebanese Treasury Bills and other governmental bills, bonds and financial instruments with fixed incomes, and marketable securities and financial instruments with variable incomes.

The following table sets forth the breakdown of the Bank's securities portfolio by type of instrument and currency as at 31 December 2007, 2008 and 2009:

As at 31 December	2007		2008		2009	
	LBP million	%	LBP million	%	LBP million	%
<b>Lebanese and other governmental treasury bills and bonds</b>						
Lebanese Treasury Bills in LBP	2,134,306	39.8	2,342,233	32.5	2,865,582	32.0
Lebanese governmental bonds in foreign currency	2,130,730	39.7	2,142,518	29.7	2,218,654	24.8
<b>Bonds and financial assets with fixed income</b>						
Corporate bonds in foreign currency	122,316	2.3	385,326	5.3	423,072	4.7
Corporate certificates of deposit in foreign currency	38,607	0.7	25,491	0.4	42,904	0.5
Central Bank certificates of deposit in LBP and foreign currency	824,184	15.4	2,223,764	30.8	3,293,987	36.8
<b>Shares, securities and financial assets with variable income in LBP and foreign currency</b>						
	117,867	2.2	89,300	1.2	99,070	1.1
<b>Total</b>	<b>5,368,010</b>	<b>100</b>	<b>7,208,632</b>	<b>100</b>	<b>8,943,270</b>	<b>100</b>

### LEBANESE AND OTHER GOVERNMENTAL TREASURY BILLS AND BONDS

Lebanese and other governmental treasury bills and bonds (in both LBP and foreign currencies) decreased, as a percentage of the Bank's total securities portfolio, to 56.8% as at 31 December 2009, as compared to 62.2% as at 31 December 2008 and 79.5% as at 31 December 2007. Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 36.8% of the Bank's portfolio as at 31 December 2009, as compared to 30.8% as at 31 December 2008 and 15.4% as at 31 December 2007.

The Bank's portfolio of securities is classified as follows:

#### *Investments by Classification*

The Bank's investment securities portfolio is divided between investments held for trading and non-trading investments and financial assets, which are further classified pursuant to IAS 39 as outlined below.

#### *Trading Investments*

Investments held for trading are initially recognized at cost and subsequently remeasured at fair value. All related realized and unrealized gains or losses are included in gains and losses arising from trading investments. Interest earned or dividends received are included in interest and similar income and dividend income respectively.





## Non-trading investments and financial assets

Pursuant to IAS 39, financial assets are classified as follows:

--- **Held-to-maturity investments:** non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Bank has the positive intention and ability to hold these investments to maturity. Investments intended to be held for an undefined period, however, are not included in this classification;

--- **Investments carried at fair value through profit and loss account:** investments are classified as fair value through profit and loss account if the fair value of the investment can be reliably measured and the classification as fair value through profit and loss account is in accordance with the documented strategy of the Bank;

--- **Investments carried at amortized cost (loans and receivables):** loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market;

--- **Available-for-sale investments:** available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified to any of the three preceding categories.

Financial assets are initially measured at fair value, plus, in the case of investment not carried at fair value through profit or loss, directly attributable transaction costs. The Bank classifies its financial assets at the time of initial recognition and, where allowed and appropriate, re-evaluates its classifications at each financial year-end.

The following tables set forth a breakdown of the Bank's investment securities portfolio, by classification, as at 31 December 2007, 2008 and 2009:

As at 31 December 2007	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit			33,164	759,666	31,354	824,184
Lebanese and other governmental treasury bills and bonds	787,967	1,646,219	1,729,875		100,975	4,265,036
Bonds and financial assets with fixed income	148	611	118,301		3,256	122,316
Shares, securities and financial instruments with variable income	28,547		89,320			117,867
Corporate certificate of deposits			21,625	15,685	1,297	38,607
<b>Total by category</b>	<b>816,662</b>	<b>1,646,830</b>	<b>1,992,285</b>	<b>775,351</b>	<b>136,882</b>	<b>5,368,010</b>

As at 31 December 2008	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				2,157,271	66,493	2,223,764
Lebanese and other governmental treasury bills and bonds	169,115	1,232,442	1,078,948	1,907,264	96,982	4,484,751
Bonds and financial assets with fixed income	7866	71,322	116,782	178,775	10,581	385,326
Shares, securities and financial instruments with variable income	29,954		59,346			89,300
Corporate certificate of deposits				24,652	839	25,491
<b>Total by category</b>	<b>206,935</b>	<b>1,303,764</b>	<b>1,255,076</b>	<b>4,267,962</b>	<b>174,895</b>	<b>7,208,632</b>

As at 31 December 2009	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				3,225,577	68,410	3,293,987
Lebanese and other governmental treasury bills and bonds	152,988	493,582	1,516,505	2,820,948	100,214	5,084,237
Bonds and financial assets with fixed income	22,565	54,224	161,668	176,061	8,553	423,072
Shares, securities and financial instruments with variable income	24,918		74,152			99,070
Corporate certificate of deposits				42,179	726	42,904
<b>Total by category</b>	<b>200,471</b>	<b>547,807</b>	<b>1,752,325</b>	<b>6,264,764</b>	<b>177,903</b>	<b>8,943,270</b>

## LIQUIDITY

Liquid assets to total assets	December 2007	December 2008	December 2009
<b>Cash and Central Bank</b>	<b>18.27%</b>	<b>25.09%</b>	<b>28.90%</b>
out of which other certificates of deposit	5.76%	13.14%	16.09%
<b>Lebanese Government Securities</b>	<b>29.83%</b>	<b>26.49%</b>	<b>24.84%</b>
Bonds and fixed-income securities	0.86%	2.28%	2.07%
Banks and financial institutions	22.68%	16.83%	16.61%
<b>Total Liquidity</b>	<b>71.63%</b>	<b>70.69%</b>	<b>72.42%</b>
<b>Liquid Assets to Customers' Deposits</b>	<b>Dec-07</b>	<b>Dec-08</b>	<b>Dec-09</b>
Cash and Central Bank	23.90%	33.69%	38.15%
out of which other certificates of deposit	7.54%	17.64%	21.24%
<b>Lebanese Government Securities</b>	<b>39.02%</b>	<b>35.57%</b>	<b>32.79%</b>
Bonds and fixed-income securities	1.12%	3.06%	2.73%
Banks and financial institutions	29.66%	22.60%	21.92%
<b>Total Liquidity</b>	<b>93.70%</b>	<b>94.93%</b>	<b>95.59%</b>

As shown above, liquidity increased compared to the previous years, with the Bank maintaining a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2009, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese Government securities, placements with banks, and other fixed-income securities) represented 72.4% of total assets and 95.6% of customers' deposits compared to 70.7% and 94.9% respectively as at 31 December 2008.

## CAPITAL AND CAPITAL ADEQUACY

As of 31 December 2009, the Bank's share capital is LBP 516,835 million, consisting of (i) a single class of 217,112,557 Common Shares, with a par value LBP 1,210 per share, all of which is fully paid-up; (ii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 15 August 2008 at a price of, and may, subject to certain conditions, be redeemed by the Bank at, USD 100.00 per share, all of which are fully paid-up; (iii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 4 September 2009 at a price of USD 96.00 per share, and may, subject to certain conditions, be redeemed by the Bank at USD 100.00 per share, all of which are fully paid-up; and (iv) 206,023,723 Priority Shares, with a par value of LBP 1,210, all of which are fully paid-up.

On the 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange representing 26% of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank of the issue. The Bank aimed through the listing to increase liquidity through the listing of Global Depositary Shares and to promote further transparency for investors. According to the London Stock Exchange, Byblos Bank is also the first Lebanese company to list on the London Stock Exchange in the past 12 years and the first Bank to list on the LSE in 2009, showing resilience despite the ongoing global financial crisis.





## As at 31 December

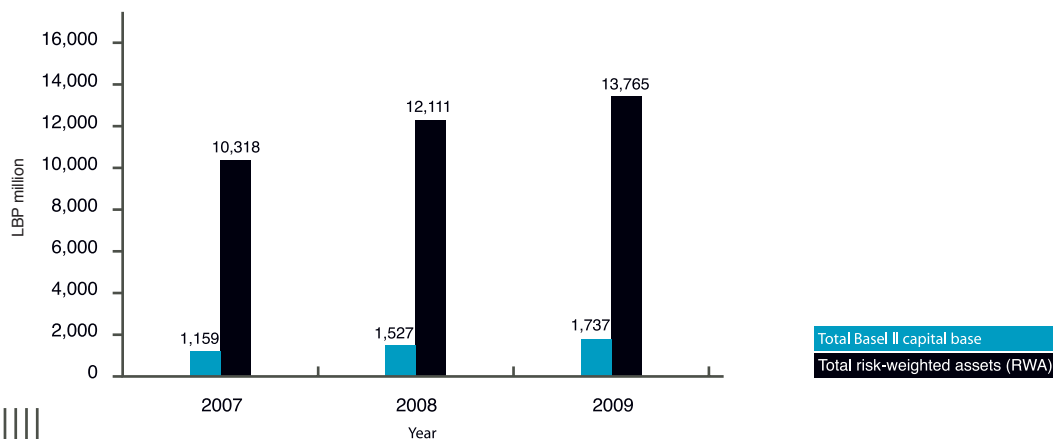
	2007	2008	2009
(LBP million except ratios)			
Basel II total capital adequacy ratio (Pillar1 risks)	11.23%	12.61%	12.62%
Common equity ratio	6.64%	7.02%	6.87%
Tier 1 capital ratio	8.64%	10.93%	10.46%
Tier 2 capital ratio	2.59%	1.69%	2.15%
Common equity	685,243	849,739	945,599
Tier 1 capital (*)	891,256	1,323,183	1,440,085
Tier 2 capital (*)	267,625	204,076	296,490
Total capital base (*)	1,158,880	1,527,259	1,736,575
<b>Total risk-weighted assets (RWA)</b>	<b>10,317,692</b>	<b>12,110,998</b>	<b>13,764,908</b>
Credit risk RWA	9,056,612	11,246,373	12,600,294
Market risk RWA	665,936	152,114	307,835
Operational risk RWA	595,144	712,512	856,778

(\*) After deducting:

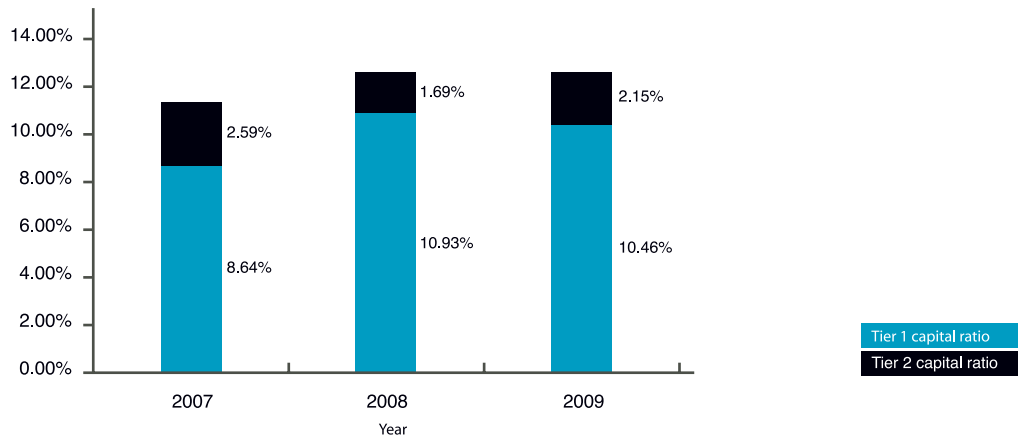
- Unrealized losses on available-for-sale portfolio
- Investment in unconsolidated companies banks where the bank's share exceeds 10%
- Investment in Insurance companies

In view of the past two years of gradual increases of the Bank's capital, Byblos Bank Group's total capital adequacy ratio for Pillar 1 risks under the Standardized Approach of Basel II has improved from 11.23% at 31 December 2007 to 12.61% at 31 December 2008 and to 12.62% at 31 December 2009 despite a 33.4% increase in risk-weighted assets due to an increase in the consolidated balance sheet. Byblos Bank applies strictly the Basel II Pillar 1 rules and risk weights and uses the Central Bank of Lebanon's methodology for the segmentation of the loans portfolio and the application of granularity test. Therefore, the disclosed capital ratios show the Bank's capital position in a highly transparent and standard fashion, with the Bank operating with a safe cushion above the 8% minimum total capital ratio and with a satisfactory common equity ratio (6.87% at 31 December 2009) and Tier 1 capital ratio (10.46%).

The graph below shows the evolution of total capital and risk-weighted assets throughout the last three years under Basel II:



The graph below shows the evolution of capital adequacy ratios throughout the last three years under Basel II:



## DIVIDEND DISTRIBUTION

The following table sets forth the high and low sale prices of Byblos Bank Common Shares, as reported on the Beirut Stock Exchange, and the cash dividends paid by the Bank on the Common Shares with respect to the periods indicated.

Period	High	Low	Common share dividend <sup>(1)</sup>	
	USD	USD	LBP	USD
2000	2.3750	1.6250	250.00	0.1658
2001	1.7500	1.0625	250.00	0.1658
2002	1.7813	1.0625	236.84	0.1571
2003	2.0625	1.2500	157.89	0.1047
2004	1.8100	1.4500	157.89	0.1047
2005	2.7800	1.4500	157.89	0.1047
2006	4.0000	1.4500	157.89	0.1047
2007	2.6000	1.6500	157.89	0.1047
2008	3.2300	1.5800	157.89	0.1047
<b>2009</b>	<b>2.1900</b>	<b>1.5800</b>	<b>200.00</b>	<b>0.1327</b>

Note:

(1) Before taxes at a rate of 5 percent

Period	High	Low	Common share dividend <sup>(1)</sup>	
	USD	USD	LBP	USD
2005	2.5100	2.1600	11.84	0.0079
2006	4.0000	1.6000	205.89	0.1366
2007	2.5900	1.6900	205.89	0.1366
2008	3.1000	1.5400	205.89	0.1366
<b>2009</b>	<b>2.2000</b>	<b>1.6000</b>	<b>248.40</b>	<b>0.1648</b>

Note:

- (1) Before taxes at a rate of 5%  
 (2) Dividends include distribution of 4% on nominal value of priority shares

In addition, at its Annual General Meeting held on April 23, 2010, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended December 31 2009 (before taxes of 5%) of LBP 200 (USD 0.1327) per Common Share, LBP 248.4 (USD 0.1648) per Priority Share (comprised of the regular dividend of LBP 200 (USD 0.1327) plus the priority dividend equivalent to 4% of the nominal value of the Priority Share as provided in the terms of the Priority Shares) and USD 8 per Series 2008 Preferred Share and USD 3.35 per Series 2009 Preferred Share. Total dividends paid in respect of 2009 represented 58.7% of net income for that year.

