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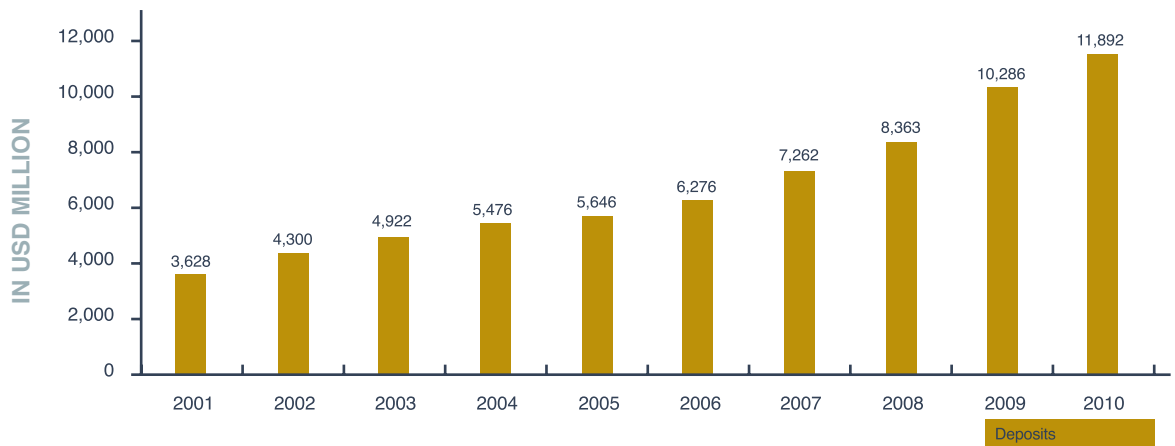
Year in Review



Financial Highlights

Customers' Deposits

EVOLUTION OF CUSTOMERS' DEPOSITS DURING THE LAST TEN YEARS

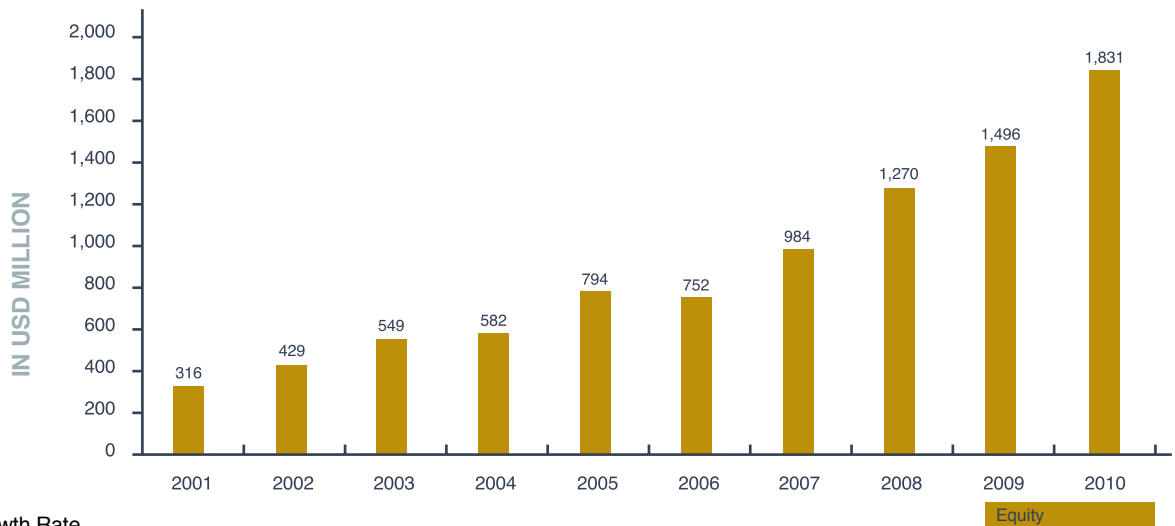


14.10%

CAGR*

Total Equity

EVOLUTION OF TOTAL EQUITY DURING THE LAST TEN YEARS



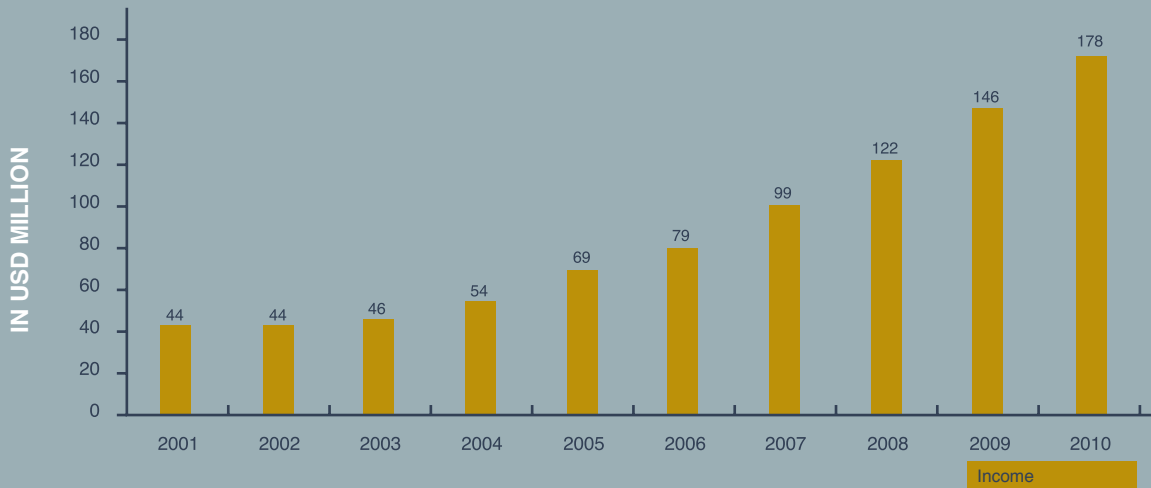
21.55%

CAGR*

* Compound Annual Growth Rate

Net Income

EVOLUTION OF NET INCOME DURING THE LAST TEN YEARS



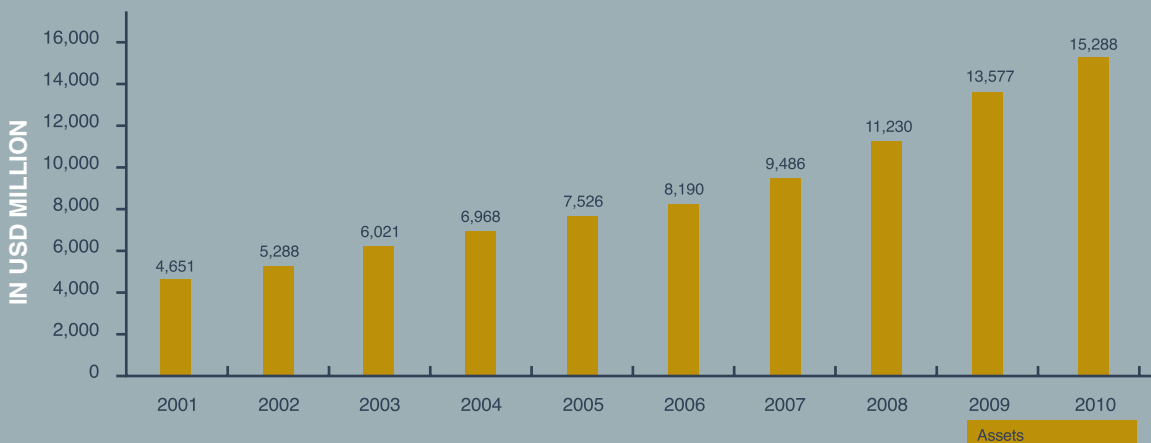
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16.68%

CAGR

Total Assets

EVOLUTION OF TOTAL ASSETS DURING THE LAST TEN YEARS

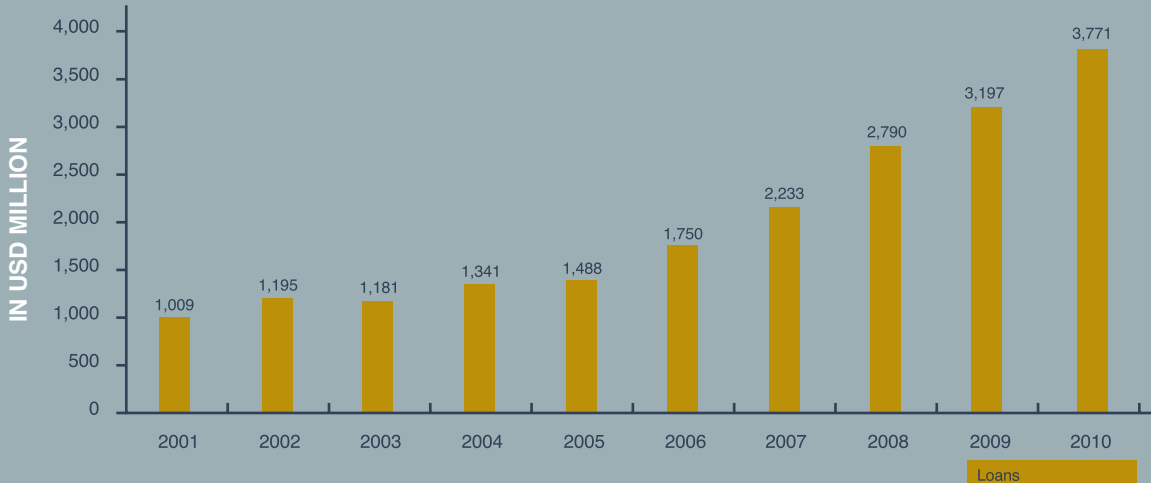


14.14%

CAGR

Net Customers' Loans

EVOLUTION OF CUSTOMERS' LOANS DURING THE LAST TEN YEARS



15.78%

CAGR

A Message from the Chairman



DEAR STAKEHOLDERS,

It gives me great pleasure to share with you the satisfying results of another year of hard work by all members of our team at the Byblos Bank Group. Many players in our industry continue to struggle with the after-effects of the global financial crisis, but our performance continues to improve, as well as to impress.

The financial results of 2010 are a lot more than an aggregation of numbers: they reflect the effectiveness of our business model and the professionalism of our people.

By any measure, the numbers are impressive. The Group's after-tax profits grew by 22% from USD 145.6 million in 2009 to USD 177.7 million in 2010. Total assets rose year-on-year by 12.6% to USD 15.3 billion, and customers' loans increased by 18% year-on-year to USD 3.8 billion at end-2010. Also, customers' and related parties' deposits grew 15.6% to reach USD 11.9 billion at the end of last year. In parallel, our risk-averse approach continued to provide a formidable shield against the potential pitfalls of doing business, and to enjoy the confidence of analysts, customers, investors and regulators.

Further, our expansion strategy continued to pave the way for additional successes in the future. Our domestic network grew to 77 branches in 2010 with openings in Jeb Jennine, Marjeyoun and Choueifat, and we plan to strengthen our presence in other regions of the country as well. On the international front, we added new branches in Iraq, Sudan and Syria, and entered a new market with the establishment of Byblos Bank RDC S.A.R.L. in the Democratic Republic of the Congo.

The soundness of our strategy and the concrete reliability of our operations also enabled Byblos Bank to attract two solid and prestigious new partners in 2010: the International Finance Corporation (IFC), the private sector arm of the World Bank Group; and Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), which is the private sector arm of the French government's Agence Française de Développement. The IFC invested USD 100 million and PROPARCO injected USD 30 million in Byblos Bank, making each of them a shareholder in the Bank.

These investments were particularly fulfilling because, apart from constituting recognition of our business practices in general and of our reputation for effective risk management in particular, they also came from entities that share some of our most important values. Both the IFC and PROPARGO are concerned with helping developing countries to expand and invigorate their economies while following the highest standards of responsible behavior, objectives that figure near the very top of Byblos Bank's priorities. We strive each and every day to justify the trust and confidence of our stakeholders by generating adequate returns. But as a corporate citizen, we try to accomplish this goal in a way that constantly reinvests in the communities we serve and to address important issues like social development and environmental protection. As such, our newest partners will help us to carry out this mission even more effectively, and already their advice and expertise have helped us to improve our policies and procedures, especially with regard to the environment.

We cannot overemphasize the human aspect of Byblos Bank's business philosophy. We strongly believe in the long-term welfare of the families, companies, and communities that we serve. Our success depends on theirs, so the more we can help them create jobs and stimulate growth in their communities, the more we will be expanding and enriching the local, regional and international markets where we operate, thereby generating additional opportunities. Our business plan was designed to sustain this virtuous cycle, and we have succeeded so far in this objective. Our goal, therefore, is neither to just generate profits nor simply to perform a few acts of generosity. Instead, it is to humanize our capital, an ongoing process whereby we put resources to uses that are both economically productive and socially beneficial. We strongly believe that these objectives complement each other and, if intelligently pursued, are of great value as long-term investments that produce both tangible and intangible returns.

In addition to the Group's close involvement with the private sector, Byblos Bank is also a trusted partner of the Lebanese State. We took this relationship to a new level in 2010 by acting as sole Lead Manager for a seven-year LBP 1.5 trillion government bond issue. We were able to assist Lebanon in reducing the foreign-currency component of

its debt stock, and the seven-year maturity was the longest ever for Lebanese domestic-currency debt. As a result, industry publication *mtn-i*, which specializes in the global medium-term notes market, named the transaction its "European Landmark Deal of the Year".

Looking ahead, our forecasts again indicate challenging conditions for much of 2011, particularly for some of the overseas markets in which the Group operates. Our strategy is flexible, so we expect to face these conditions from a position of strength as we continue to consolidate the gains already achieved by Byblos Bank's international expansion, and as we lay the groundwork for more to come.

I am not surprised that Byblos Bank has been able to overcome so many obstacles and reach so many milestones, given our meticulous and systematic approach in developing our strategy and the professionalism with which we implement it. As such, I am both gratified by the success of our team and humbled by the performance of the people who make our accomplishments possible. Thank you for all your contributions, and congratulations on yet another successful year.

Sincerely Yours,



François S. Bassil
Chairman and General Manager

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The Economy in 2010

LEBANESE ECONOMY

Lebanon's economic activity was characterized by two stages in 2010. The first stage spanned the first half of the year and consisted of positive economic activity as a continuation of the trends of 2009. The formation of the new Cabinet of national unity in November 2009, along with stable political and security conditions, helped increase consumer confidence, improve investor sentiment and drive economic activity in the first half of 2010.

The second stage covered the second half the year and saw the resurgence of political risks and their detrimental impact on the economy. The rise in political tensions since July and the security incidents in the South and in Beirut during the summer negatively affected the business climate, as consumer confidence regressed and investors adopted a wait-and-see approach. This led to a reversal of economic trends, especially in the fourth quarter of the year, when all indicators pointed to a slowdown in activity and capital inflows, as well as to a deterioration in public finances. Further, the increase in political tensions and the paralysis of government institutions froze policy-making, which already had been largely paralyzed by sharp ideological and political differences within the Cabinet of national unity.

The year ended with the same set of challenges for the Lebanese economy and its financial sector, as the public finance vulnerabilities remain and have yet to be addressed by effectively reducing the government's borrowing needs despite the stability of public finances in general and the debt in particular. 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 competitiveness and transparency.

REAL AND EXTERNAL SECTORS

Economic growth in Lebanon is estimated to have slowed to 5% in the second half of 2010 compared to estimates of 9% for the first half of the year. Still, full-year real GDP growth is estimated at 7.5% compared to the official growth rate of 8.5% in 2009. The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, rose by 10.4% year-on-year on average. The trade deficit reached USD 13.7 billion in 2010, up 7% year-on-year from USD 12.75 billion in 2009, as the value of imports increased by 10.6% to USD 18 billion in 2010, while the value of exports rose by 22% to USD 4.25 billion. Also, the volume of imports increased by 3% to 15 million tons, while that of exports rose by 5% to 3.1 million tons in 2010. The coverage ratio reached 23.7% in 2010 compared to 21.5% in 2009. In parallel, the balance of payments posted a surplus of USD 3.3 billion in 2010 compared to a surplus of USD 7.9 billion in 2009.

Foreign direct investment (FDI) in Lebanon was estimated at USD 4.65 billion in 2010, constituting a decline of 3.2% from USD 4.8 billion in 2009. FDI in Lebanon was equivalent to 12% of the country's GDP last year, compared to 13.7% of GDP in 2009, and compared to FDI to the Middle East and North Africa (MENA) region of 2.8% of GDP in 2010 and 3.3% of GDP in 2009.

TOURISM SECTOR

The majority of tourism and hospitality sector indicators recorded improvements in 2010, but reflected a slowdown in growth from 2009. Incoming visitors totaled 2.2 million in 2010, constituting an increase of 17% year-on-year, compared to an increase of 39% in 2009. Also, the average occupancy rate at hotels in Beirut was 68% in 2010, decreasing from 73% in 2009. The average rate per room at Beirut hotels increased by 3.2% year-on-year to USD 257, compared to an annual increase of 26.5% in 2009, and posted the seventh highest increase among all markets in the MENA region. In addition, revenues per available room were USD 177 in Beirut in 2010, the third highest in the region, but down from USD 184 in 2009.

A total of 877,909 persons used hotels and furnished apartments in Lebanon and spent around 2.1 million nights in such facilities in 2010, constituting increases of 14% and 7.7%, respectively, from 2009 figures. Clients stayed an average of 2.4 nights per person in 2010 compared to 2.5 nights in 2009. This reveals a slowdown in growth from 2009, when the number of persons who used hotels and furnished apartments grew by 21.2% and the number of nights spent increased by 34.7%. Visitors came from 166 countries and spent a total of USD 126.4 million on lodging in hotels and furnished apartments in 2010, a decline of 38% from USD 203.4 million in 2009. Overall, the travel and tourism industry is estimated to have directly contributed about 13.3% of GDP in 2010, while its direct and indirect contribution is estimated at nearly 37.6% of overall economic activity.

FISCAL SITUATION

The ongoing political deadlock prevented the passage of the 2010 draft budget, which included a massive increase in spending on infrastructure projects and forecast a deficit of 11% of GDP. In fact, the fiscal deficit reached USD 2.92 billion in 2010, down 1.3% from USD 2.96 billion in 2009. The deficit was equivalent to 7.5% of GDP in 2010 compared to 8.5% of GDP in 2009, well below the official deficit target of 11% of GDP for 2010, due to strong tax receipts and the delay in the approval of the 2010 budget that led to a deferment of capital expenditures until 2011. The deficit was equivalent to 25.8% of total budget and Treasury expenditures, unchanged from 2009. Overall government expenditures reached USD 11.3 billion, down 0.5% year-on-year, while total revenues decreased by a marginal 0.2% to USD 8.4 billion. Debt servicing increased by 1.9% year-on-year to USD 3.9 billion, and accounted for 34.5% of total expenditures and for 38.7% of budgetary spending. It absorbed 46.5% of overall revenues and 49% of budgetary receipts. The overall primary surplus rose by 11.6% in 2010 to USD 1.2 billion, or 10.6% of total spending compared to a surplus of USD 1.1 billion, or 9.5% of total expenditures, a year earlier. But the primary surplus was equivalent to 3% of GDP in 2010 compared to 3.2% of GDP in the previous year.

In parallel, Lebanon's gross public debt reached USD 52.6 billion at the end of 2010, constituting an increase of 2.8% year-on-year. Domestic currency debt increased by 7.3% to USD 32 billion at the end of 2010, while foreign currency-denominated debt decreased by 3.3% year-on-year to USD 20.6 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased by 1.9% to USD 45 billion at the end of 2010. Local currency debt accounted for 61% of gross public debt at end-2010 compared to 58.3% at end-2009, while foreign currency-denominated debt represented 39% of the total at the end of 2010 relative to 41.7% a year earlier. The gross public debt was equivalent to 134.5% of GDP at the end of 2010, down from 146.5% of GDP at end-2009. But the decline was caused by economic growth rather than by any reforms or measures to reduce the nominal size of the debt. Commercial banks accounted for about 57% of the total public debt at the end of 2010.

CAPITAL MARKETS

The Beirut stock market continued to suffer from low liquidity and a lack of interest from privately-held firms in listing their shares. It under-performed its regional peers, as it was the third worst performer in the region last year, with the stock market index declining by 5.8% in 2010 compared to a 12.2% improvement for Arab markets. Further, its market capitalization was equivalent to 32.5% of GDP, third lowest in the region and compared to 64.5% of GDP for the combined Arab equity markets. Lebanon's market capitalization accounted for about 1.3% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 164.7 million shares in 2010, constituting an increase of 60.5% from end-2009, while aggregate turnover amounted to USD 1.87 billion, up 80% from a turnover of USD 1.04 billion in 2009. Market capitalization decreased by 1.3% to USD 12.7 billion at the end of 2010, of which 71.7% was in banking stocks and 24.2% in real estate stocks. The market liquidity ratio was 14.7% compared to 8.1% for 2009.

Bank stocks accounted for 90.4% of aggregate trading volume in 2010, followed by real estate stocks with 9.3%. In terms of value of shares traded, banking stocks accounted for 81.5% of aggregate value, followed by real estate stocks with 18.2%. The average daily traded volume for 2010 was 674,813 shares for an average daily value of USD 7.7 million. The figures reflect increases of 61.2% in volume and 80.8% in value year-on-year.

In the fixed-income market, Lebanon's external debt posted the 9th highest return, at 9.72%, among 24 markets in the Emerging Europe, Middle East and Africa (EMEA) region in 2010, as well as the 26th best return among 46 emerging markets. Lebanon outperformed the EMEA returns of 9.58% but underperformed the overall emerging market returns of 12.12% last year. Also, Lebanon's external debt underperformed the 15.3% returns posted by similarly rated sovereigns, while it posted the 7th best performance, at 10%, in the EMEA region and the 24th best performance in emerging markets in US dollar terms. It also underperformed the 19.8% returns of US dollar 'B'-rated bonds. Further, Lebanon's external debt posted the 7th highest returns among nine countries in the Middle East and Africa region in 2010.

The Lebanese Republic executed three transactions in 2010 to refinance maturing debt. The first was a 10-year, USD 1.2 billion Eurobond offering, with a coupon rate of 6.375%, issued in February to refinance debt that matured in March. The second was a USD 725 million dual-tranche Eurobond transaction issued in November. The first tranche carries a coupon rate of 5.15% and matures in November 2018, while the second tranche carries a coupon rate of 6.10% and matures in October 2022. The weighted average coupon rate is 5.44% and the average maturity is 9.2 years. The transaction was more than three times oversubscribed, with international subscriptions accounting for 26% of the total. In addition, the government issued a seven-year LBP 1,500 billion bond denominated in Lebanese pounds that carries a coupon rate of 7.9%. The issuance, which matures in December 2017, constitutes the longest maturing issue to date in the domestic currency and helps the government further shift the financing of the deficit and the composition of the public debt from foreign currencies to Lebanese pounds.

RISK METRICS

Spreads on five-year credit default swaps (CDS) for Lebanon ended the year at 298.1 basis points, widening from 287.7bps at end-September due to the deterioration of political conditions in the country. CDS spreads widened in the second quarter of 2010 by 79bps to 318.3, but this was due to external factors related to the sovereign crisis in Southern Europe. Overall, Lebanon's five-year CDS spreads widened by 28.5bps between the end of 2009 and the end of 2010, reflecting market stability. Further, Lebanon ended 2010 with a cumulative probability of default (CPD) of 19.2%, similar to the CPD of Iceland and Italy, and placing it among the top 15 riskiest sovereigns in the world. Lebanon's CPD rate at the end of the year deteriorated from 17% at end-2009 and from 16.2% at end-March, but improved from 20.5% at end-June.

During the year, rating agencies maintained their view on the sovereign. Standard & Poor's affirmed its 'B/B' long- and short-term sovereign credit ratings on Lebanon in November, with a 'positive' outlook. It stressed that structural reforms, together with stability, are vital to support sustained improvement in the fiscal deficit and to maintain confidence in the banking system in the medium- to long-term. Additionally, Moody's Investors Service upgraded Lebanon's government bond issuer ratings in April to 'B1' from 'B2', as well as the country ceiling for foreign currency bank deposits to 'B1' from 'B2' and the country ceiling for foreign currency bonds to 'Ba3' from 'B1'. The agency attributed the upgrades at the time to the continued improvement in external liquidity and the strengthened ability of the country's banking system to finance fiscal deficits.

MONETARY SITUATION

Lebanon's monetary authorities have consistently proven to be 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 has accumulated adequate resources to keep the currency stable, as gross foreign currency reserves increased by 11.4% from the end of 2009 to reach USD 28.6 billion at end 2010, equivalent to about 72.6% of money supply (M2), and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 19.5 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 43.6 billion at the end of the year, equivalent to about 112% of GDP. The Central Bank intervened in the currency market in October and sold US dollars to absorb the rise in dollar demand that pushed the exchange rate outside the upper band. The move constituted the Central Bank's first market intervention in about two years.

INFLATION

Inflation has been under control during the previous 10 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Lebanon has an import-based economy and imports most of its energy needs, 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. Inflation reached 4.6% at the end of 2010, while it averaged about 4% in 2010. The increases in global oil and commodity prices exerted upward pressure on inflation in the latter part of 2010.

BANKING SECTOR

The banking sector remains the backbone of the Lebanese economy, and was profitable, highly liquid and well capitalized in 2010. The sector continued to benefit from the positive trends of the previous year, especially during the first half of 2010. The aggregate assets of banks operating in Lebanon were equivalent to about 330% of GDP and deposits equivalent to about 275% of GDP at the end of 2010, among the highest such ratios in the world. Banks continued to compete aggressively for corporate and retail clients domestically, while the sector carried on with its asset diversification strategy by expanding regionally and in emerging markets. The sector remained resilient to global and regional shocks, and continued to finance the private sector while supporting the public sector's needs.

Commercial bank assets reached USD 128.9 billion at the end of 2010, up 11.9% from end-2009, with overall foreign assets increasing by 8.6% year-on-year to USD 25.7 billion. Deposits of the private non-financial sector totaled USD 107.2 billion, up 12% from end-2009. Deposits in Lebanese pounds reached USD 39.5 billion, increasing by 15.9% from end-2009, while deposits in foreign currencies reached USD 67.8 billion, rising by 9.8% from end-2009. Non-resident foreign currency deposits reached USD 15.6 billion at end-2010, increasing by 9.7% from end-2009. In parallel, deposits of non-resident banks reached USD 4.5 billion at end-2010, down 2.2% from end-2009. The dollarization rate of deposits reached 63.2% at end-2010, down from 64.5% a year earlier, reflecting conversions from foreign currencies into Lebanese pounds.

Broad money supply (M3) grew by 12.3% in 2010 compared to 19.5% in 2009. Loans to the private sector amounted to USD 34.9 billion at end-2010, up 23% year on-year, highlighting the sector's financing of the national economy. The dollarization rate in private sector lending reached 80.3% compared to 84% at end-2009. The average lending rate in Lebanese pounds was 7.91% in December 2010 compared to 9.04% a year earlier, while the same average for US dollars was 6.74% compared to 7.28% in December 2009. In parallel, claims on the public sector stood at USD 29.3 billion, up 1% from end-2009, and accounted for 45.6% of the banking sector's total loans. 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.

The banks' capital base reached USD 9.2 billion, up 16% from end-2009, with core capital rising by 15.7% to USD 8.7 billion. The sector's capital adequacy ratio was 12.4% at end-2010 relative to 13.7% a year earlier. The ratio of private sector loans to deposits in foreign currencies stood at 41.4%, above the ratio of 38.6% a year earlier, but still well below the Central Bank's limit of 70%. In parallel, the same ratio in Lebanese pounds was 17.4%, up from 13.3% a year earlier. The ratio of total private sector loans to deposits stood at 32.6%, compared to 29.6% a year earlier. In parallel, the aggregate net income of the top 12 banks operating in Lebanon increased by 24% year-on-year to USD 1.6 billion. Also, the banks' return on average assets was 1.5% and their return on average equity reached 20.2% in 2010, improving from 1.2% and 16.9%, respectively, in the previous year. Further, the sector's gross non-performing loans declined to 4.3% of total loans at the end of 2010 from 6% in 2009.

GLOBAL AND REGIONAL ECONOMIES

The world economy continued to emerge from the global financial crisis and the deepest economic downturn in recent history. The world experienced a two-speed recovery in 2010, with emerging and developing economies driving global growth as developed economies lagged behind. As such, the global economy expanded by 5% in 2010, compared to a contraction of 0.5% in 2009, with advanced economies growing by 3% and emerging and developing economies expanding by 7.3%. Economic activity in most developing countries was supported by strong domestic demand, the resurgence of international and domestic financial flows, and higher commodity prices. In parallel, several advanced economies, many of which were at the center of the crisis, had not fully recovered from the crisis by the end of the year. Emerging market economies have coped much better with the global downturn due to improved fundamentals, strong growth, and avoidance of financial excess during the boom years that preceded the crisis. However, activity in these economies remains dependent on demand in advanced economies.

The economies of both the MENA region and Sub-Saharan Africa are 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 MENA economies recovered from the global crisis, as the region posted a real GDP growth rate of 3.4% in 2010 relative to 1.9% in 2009, with oil exporters growing by 3.5% and oil importers expanding by 4.5%. Economic activity was supported by counter-cyclical fiscal policies, financial sector support measures, accommodative monetary policies, a recovery of tourism activity, and a resumption of capital inflows; while oil exporters benefited from a rebound in energy prices from their low levels in 2009. Oil exporters have largely overcome the most severe effects of the global financial crisis, and the rebound in oil prices in 2010 led to a significant improvement in their fiscal and external balances. But they continued to face significant vulnerabilities due to their dependence on oil, as non-oil activity remained subdued and improved only gradually in 2010. More specifically, the economies of the Gulf Cooperation Council (GCC) have returned to solid growth in 2010, but the recovery has been driven by the public sector as private sector activity remained sluggish, and as credit expansion continued to be weak more than two years into the crisis due to increased provisioning for non-performing loans and sluggish private sector demand. In parallel, oil importers, which were affected by the secondary effects of the crisis due to their strong linkages with oil producing countries in general and with GCC economies in particular, also benefited from trends in hydrocarbon-exporting countries. As such, oil importing economies benefited from the recovery in trade, tourism, remittance inflows and foreign direct investment.

Most of the economies in Sub-Saharan Africa recovered quickly from the global crisis, as the region's real GDP grew by 5% in 2010 compared to 2.8% a year earlier. But the pace of recovery has varied, with the region's 29 low-income countries growing by 5.3%, middle-income economies expanding by 3.7% and oil exporters posting growth of 6.5%.

The growth has been supported by the expansion in public investment and social support programs, continued monetary accommodation, stronger exports, rising commodity prices, and higher capital inflows. Foreign direct investment, the most important source of private capital flows to Sub-Saharan Africa, grew by 6% to USD 32 billion in 2010 compared to a decline of 12.3% in the previous year. Also, the expanding trade ties with Asia have played a role in the region's recovery, primarily through commodity markets.

Forging Ahead on All Fronts

The Byblos Bank Group has enjoyed a long run of consistent growth, a process that has only accelerated in recent years. Such achievements do not simply materialize of their own accord but are rather the product of concerted efforts by teams specializing in various different tasks. In 2010, we managed yet again to improve on our past performance, and simultaneously we continued to make the necessary preparations for similar successes in the future.

MORE SERVICES FOR MORE CONSUMERS

The Consumer Banking Division made major contributions to this effort on several fronts, with special focus on identifying the needs of specific market segments and developing purpose-built products that provide full-spectrum solutions and thereby increase customer satisfaction. Throughout the year, the Division also worked on improving a variety of the processes by which we service our clients. In addition, these services were made more readily available to more people in more places as new branches were opened as part of our ongoing expansion plan. The added convenience was buttressed, too, by greater emphasis on rewarding our customers with one of the most generous loyalty programs offered by any Lebanese bank. Consumer Banking also kept Byblos Bank at the top of the heap in terms of loans to small businesses, and once again we led all Lebanese banks in issuing government-subsidized Kafalat loans to small- and medium-sized enterprises, accounting for 23.6% of that market as of 31 December 2010. Another significant step was the signing of an agreement with the Agence Française de Développement (AFD) for a credit line of EUR 25 million: this funding helps us offer our University Educational Loan under optimum conditions.

Retail operations were highly productive in 2010, benefitting from several elements that helped meet the needs of our customers. These included the introduction of new Credit Card products, the addition of attractive features to several of our most popular Loans, and process enhancements that helped keep up with the growing demand for Bancassurance. We also implemented a variety of administrative changes that made service delivery more efficient, less costly and more customer-friendly, all while increasing opportunities for cross-selling and up-selling. And as ever, we continued to analyze the markets we serve in order to predict changing conditions that call for the launching of new products and/or improvements to existing ones. We also increased the level of support for these endeavors by working continuously to upgrade the technology involved, putting more and better tools in the hands of both our employees and our customers.

DEDICATED SUPPORT FOR OVERSEAS SUBSIDIARIES

The year also saw the launch of our new International Network Division to make the most of Byblos Bank's overseas expansion, which now sees us operating in a total of 12 countries. The Division is designed to supervise and support the activities of all subsidiaries, branches and representative offices in foreign markets. As such, it aims to ensure that Byblos Bank standards are maintained throughout our international network, acts as a liaison between the Group and its subsidiaries, and assists the latter in meeting budgets.

BIG ON BUSINESS

Commercial lending continues to be one of the pillars of the Bank, with its focus on the productive, rather than the speculative, sectors of the economy.

During 2010, we maintained a consistent growth in our loan portfolio without compromising our credit principles, a rare feat in today's market. SME lending was targeted particularly, with the aim of assisting small- and medium-sized industrialists and traders in growing their business and strengthening their foothold in the market. The benefits and know-how we have developed through our own regional expansion experience have been passed on to our customers by assisting them in finding new markets for their products, as well as by advising them about the opportunities for expanding their own businesses regionally.

The Bank has continued its pioneering approach of being among the leading users of the various trade and industrial programs offered by international agencies and has passed on the benefit of such programs to its customers.

During 2010, environmental adherence has become a firm element of our Risk Acceptance Criteria. This entailed introducing our customers to the benefits of implementing environmental controls in their daily business.

A LOCAL GATEWAY TO GLOBAL MARKETS

The Capital Markets team maintained its reputation for stellar service in 2010, fulfilling its end of the "Your Bank For Life" promise by helping our customers to build their investment portfolios on solid foundations. Staffed and managed by experienced professionals, the Division provides our clients with access to both local and international opportunities in Fixed Income, Equities, Currencies and Precious Metals. In addition to personalized service, we also put the latest research and analysis at our customers' disposal, ensuring that they have all the information they need to make their investment decisions.

SERVING THE NATIONAL INTEREST

In December, Byblos Bank took the next step in its longstanding role as facilitator for the Lebanese government's efforts to improve its finances – and set a record in the process. The Bank served as sole Lead Manager for a seven-year, LBP 1.5 trillion Treasury Bond issue that helped Beirut to reduce the foreign-currency component of its public debt. The seven-year, 7.90% coupon was the longest for a domestic-currency bond in Lebanon, the issue was oversubscribed, and industry publication *mtn-i* proclaimed it “European Landmark Deal of the Year”.

GAINING INTERNATIONAL PARTNERS

Byblos Bank's reputation helped win two valuable new partners in 2010, both of which are already exerting a positive influence on our ability to meet our business goals while maintaining high levels of corporate citizenship. Both the International Finance Corporation (IFC, the private sector lending arm of the World Bank Group) and PROPARCO (an investment group partly held by the Agence Française de Développement) took significant equity stakes in the Bank. The investments add to Byblos Bank's already large capital base, enable us to provide more financing for small- and medium-size enterprises, and bring important synergies for our efforts to become a greener institution. They also demonstrate broad confidence in the Bank's business model, particularly in terms of our highly successful international expansion, our reputation for effective risk management, and our careful attention to social development in the communities we serve.

KEEPING STAKEHOLDERS INFORMED

The Group Communication Department had a very busy year in 2010, expanding its ability to develop and distribute information to both in-house and external recipients. Working as it does on the front line of the Bank's commitment to transparency, the Communication team remained focused on ensuring that all the data it produces is both accurate and relevant. In addition to improving our activities relating to products and services, we upgraded our ability to interact with the media by establishing a specialized Press Office, and completed both a comprehensive content overhaul strategy for Byblos Bank's new website, which goes live in 2011, and a cutting-edge digital strategy to keep us up-to-date with the social media revolution.

MAKING OUR HUMAN CAPITAL EVEN MORE VALUABLE

All of the foregoing depends on the abilities and dedication of the Group's employees, who together constitute our most valuable asset. The Human Resources Division's strategy emphasizes the highest standards of ethics and integrity. In accomplishing its mission of making Byblos Bank the employer of choice for competent and loyal individuals, the Division's priorities include the attraction and retention of the highest-quality Human Capital by developing their skills, managing their aptitudes with both skill and sensitivity, and maintaining an environment in which employees can deliver maximum value to our customers and shareholders.

The Division reached several milestones in 2010, including implementation of a new salary scale, the provision of People Management Training for all managers by a highly respected British facilitator, and new tests for potential recruits per job profile. We also compiled a new list of High Potential Candidates for promotion, trained all Department Heads to improve their interview skills and completed the Competency Catalogue for Byblos Bank. The year also saw the launch of an ambitious Succession Management exercise, as well as the inauguration of the Byblos Way Retail School.

In 2011, the Division's objectives include fairer and more accurate Job Evaluations, the opening of Byblos Way's Credit School and Management School, and the conducting of an Employee Satisfaction Survey. We also plan to complete the second phase of the Succession Management process, train all employees and managers in use of the E-Performance Module on PeopleSoft, and revise our Code of Conduct in line with the ongoing Culture Change.

Corporate Social Responsibility: Part of Everything We Do

Byblos Bank's business philosophy includes Corporate Social Responsibility (CSR) as a key pillar, and both our commitment to these activities and our ability to carry them out have increased in recent years. Our CSR strategy follows a "Triple Bottom Line" model in which performance is measured on three levels: people, planet and profit. Apart from a strong desire to simply do the right thing, we also operate on the assumption that helping to preserve and develop the communities we serve helps to improve our own long-term prospects. In other words, our contributions to ecological, social and other causes are anything but a drain on traditional business activities: quite the contrary, they constitute an investment in our own future by increasing the dynamism and sustainability of the markets in which the Group operates. Accordingly, our governance guidelines ensure that environmental and social considerations are part of everything we do, from global policy to individual loan applications.

To support the implementation of these guidelines, Byblos Bank has developed a dedicated Social and Environmental Policy under which we seek not only to maintain high standards but also to inform all of our stakeholders about the essential nature of these activities. Among other priorities, the Policy has led to the integration of social and environmental concerns into core decision-making processes, the adoption of both local regulations and international best practices, and regular reviews to ensure that our procedures remain up to date. It also has inspired the development of plans to make Byblos Bank a greener institution, for instance by making our buildings more environmentally friendly.

In keeping with these principles, Byblos Bank supports worthy projects in a variety of fields but focuses on building an educated society, preserving a sustainable environment, promoting higher standards of living, and upholding culture. Our experience shows that these are powerful contributors to better outcomes for countries, communities and individuals alike. Education plays a major role in virtually all elements of healthy economic and social groupings; Culture supports all manner of human development goals by strengthening the bonds within and between societies; and protecting the Environment underpins all of the foregoing by making everyday life safer and more harmonious for everyone – including future generations.

As usual, the Group Communication Department at Byblos Bank filled 2010 with numerous instances of support for worthy causes and events, working with individuals and organizations to build stronger communities. The following examples provide a representative picture of our priorities, and of our determination to achieve strong results on all of our Bottom Lines, often by participating in activities that address more than one of the different areas on which we focus.

BRINGING THE PAST TO LIFE

The past year saw Byblos Bank stress history as part of its cultural lineup, reasoning that a fuller appreciation of the past cannot help but to improve consideration for both the present and the future. The main activities under this banner included cooperation with the International Council of Museums and sponsorship of several special episodes of LBCI Television's *Hayda Lebneen* program, which focused on various museums in Lebanon. We also worked with the program to help promote awareness of historic mosques and churches, ancient castles and citadels, and the country's invaluable nature reserves. Another program on Future Television was used to highlight the findings of excavations in Saida undertaken by the British Museum (and also supported by the Bank) that have helped to flesh out the history of that city down through the ages. In addition, Byblos Bank lent its support to the historic Batroun village of Sourat by sponsoring the annual Sourat Festival.

BACKING FOR BOOKS

Reading is a highly versatile tool that provides both utility and enjoyment, not to mention myriad cultural benefits, so Byblos Bank places special emphasis on the written word. In 2010, our activities on this front included sponsorship of *Floral Enchantment* and *Orchids of Lebanon*, richly photographed tomes on the country's prolific plant life; *Palaces of Lebanon – The Lost Heritage*, which explores the spectacular homes of some of the wealthy families that have influenced the country in so many ways for centuries; *The History of the Lebanese Press*, which traces the history of local journalism since its beginning in the 19th century; and *Libania*, a book of photography celebrating Lebanon's cultural, historical and natural heritage. We also backed the Virgin Megastore activities during the Salon du Livre at Beirut's BIEL convention center.

KEEN ON CULTURE

The Bank has long been an avid supporter of Lebanon's thriving cultural scene, itself a healthy reflection of the country's amazing diversity. In 2010, these activities included backing for two separate shows at the annual Byblos Festival in Jbeil, as well as sponsorship of an event in Beirut's Ashrafieh neighborhood during the Fête de la Musique.

EAGER TO EDUCATE

As usual, Byblos Bank was a generous supporter of schools, universities and their students in 2010. We continued to develop the university scholarship program, and provided USD 50,000 to the American University of Beirut's Olayan School of Business, allowing it to establish the Byblos Bank OSB Faculty Research and Development Fund. In addition, we took part for the 25th consecutive year in Child's Week, an annual event organized by the Association for the Protection of Lebanese Children that encourages youngsters to develop their abilities in many artistic, cultural and educational activities. The theme for the 2010 program was environmental preservation, and activities included a tree planting expedition. Another recipient of Byblos Bank sponsorship was the Myschoolpulse Mini-Marathon in Faqra, which raised funds for the schooling of children who suffer from cancer and cannot attend regular classes. We also continued our support for the Lebanese Center for Special Education (LCSE), which works to improve access and opportunities for children with learning disabilities. The Bank has been a sponsor of the LCSE since the latter's inception in 2000.

A HELPING HAND FOR HEALTH

Byblos Bank sponsored a variety of initiatives during the year that aimed to improve individual situations and/or the public health environment. We also participated in several fundraising events aimed at supporting the infirm, the elderly and other needy people. Once again, the Bank helped support the Red Cross by, among other things, setting aside a day for an employee blood drive. And for the fifth year in a row, we sponsored Goodwill, an NGO that works with disabled people, as it used its participation in the Beirut Marathon to raise funds and increase awareness.

GALLOPING GREEN

In addition to changing our own business practices so as to reduce environmental impacts across the board, Byblos Bank also sponsored the efforts of others in 2010, and found ways to address green issues from a variety of angles. One of the most imaginative came when we participated in the Beirut Race Cup, a fundraising event designed to support the capital's historic Hippodrome: the Byblos Bank team stole the show with a table and hats made from recyclable bottles collected by employees – and won the prize for “Best Table” in the bargain. In addition, the Bank extended backing to efforts aimed at preserving the Bkassine Forest, a highlight of South Lebanon's beautiful Jezzine district and the largest pine forest in the Middle East.