



LEBANON THIS WEEK

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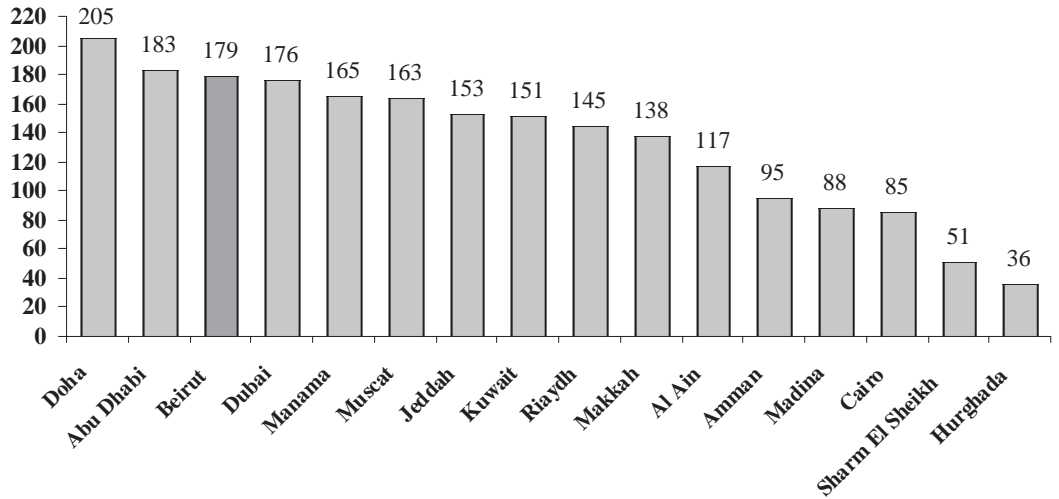
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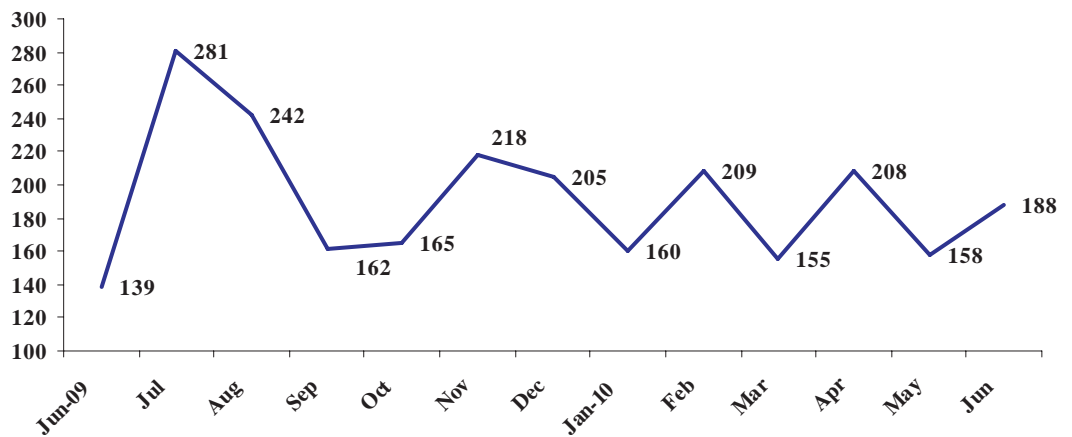
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Charts of the Week

Revenues per Available Hotel Room (RevPAR) in the Middle East in First Half of 2010 (US\$)



Revenues per Available Hotel Room (RevPAR) in Beirut (US\$)



Source: Ernst & Young, Byblos Research

Quote to Note

"While there are strong political and economic motivations for ensuring that the regulatory environment is in place, the timeframe may nevertheless be optimistic."

IHS Global Insight, on expectations that oil and gas exploration off the Lebanese coast could begin in the near term

Number of the Week

LBP 500bn: Aggregate arrears of the National Security Fund to private hospitals in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	2008	May 09	2009	Mar 10	Apr 10	May 10	% Change*
Exports	3,478	292	3,486	374	328	371	27.06
Imports	16,133	1,242	16,241	1,934	1,377	1,369	10.23
Trade Balance	(12,655)	(950)	(12,755)	(,560)	(1,049)	(998)	5.05
Balance of Payments	3,462	521	7,899	264	424	(195)	(137.43)
Checks Cleared in LBP	9,350	928	11,122	1,187	1,058	1,068	15.09
Checks Cleared in FC	43,174	3,497	45,270	5,302	4,615	4,677	33.74
Total Checks Cleared	52,524	4,425	56,392	6,489	5,673	5,745	29.83
Budget Deficit/Surplus	(2,921)	(198)	(2,960)	(377)	(110)	(183)	(7.58)
Primary Balance	597	64	1,078	62	291	137	114.06
Airport Passengers	4,085,334	345,278	4,986,544	363,742	438,328	420,212	21.70

\$bn (unless otherwise mentioned)	Dec 2008	May 09	Feb 10	Mar 10	Apr 10	May 10	% Change*
BdL FX Reserves	17.06	20.22	26.88	27.17	27.32	27.32	35.11
<i>In months of Imports</i>	<i>15.03</i>	<i>16.28</i>	<i>22.29</i>	<i>14.04</i>	<i>19.84</i>	<i>19.96</i>	<i>22.60</i>
Public Debt	47.02	47.73	51.98	51.46	51.49	51.07	7.00
Net Public Debt	41.49	42.77	44.20	44.40	44.34	44.24	3.44
Bank Assets	94.25	101.65	118.27	119.91	120.64	120.69	18.73
Bank Deposits (Private Sector)	77.78	84.35	97.07	98.14	99.13	99.21	17.62
Bank Loans to Private Sector	25.04	26.07	29.87	30.71	31.04	31.44	20.60
Money Supply M2	24.76	28.15	35.42	36.23	36.72	37.43	32.97
Money Supply M3	68.66	73.58	83.75	84.96	85.75	86.04	16.93
LBP Lending Rate (%)	9.95	9.79	8.83	8.69	8.48	8.47	(132b.p.)
LBP Deposit Rate (%)	7.22	7.06	6.42	6.11	6.00	5.93	(113b.p.)
USD Lending Rate (%)	7.47	7.28	7.26	7.01	7.10	7.10	(18b.p.)
USD Deposit Rate (%)	3.33	3.22	2.99	2.86	2.84	2.84	(38b.p.)
%* Change in CPI**	6.36	2.15	9.04	8.73	6.55	6.51	436b.p.

* Year-on-Year; ** Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	19.78	(1.93)	118,185	15.96%
Solidere "B"	19.75	(1.94)	43,004	10.36%
Byblos Common	1.80	0.00	53,877	5.22%
Byblos Priority	1.81	0.00	0.00	3.01%
Byblos Pref. 08	100.00	0.00	0.00	1.61%
BLOM GDR	92.60	0.11	5,014	5.52%
BLOM Listed	86.50	(0.23)	3,713	15.01%
Audi GDR	8.70	0.00	0.00	7.14%
Audi Listed	8.00	0.00	21,881	22.22%
HOLCIM	12.46	(1.03)	7,440	1.96%

Source: Beirut Stock Exchange (BSE); *Week-on-week

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Nov. 2010	6.875	101.19	1.36
May 2011	7.875	103.88	2.56
Mar. 2012	7.500	106.75	3.05
Sep. 2012	7.750	108.75	3.27
June 2013	8.625	113.00	3.72
Apr. 2015	10.000	121.13	4.88
Jan. 2016	8.500	116.13	5.05
May 2016	11.625	130.00	5.44
Mar. 2017	9.000	120.50	5.27
Apr. 2021	8.250	116.00	6.17

Source: Byblos Capital Markets

	August 16-21,10	August 9-14,10	% Change	July 2010	July 2009	% Change
Total Shares Traded	254,014	788,426	(67.78)	9,412,692	6,492,987	44.97
Total Value Traded	\$4,405,551	\$10,599,512	(58.44)	\$117,692,424	\$153,033,909	(23.09)
Market Capitalization	\$12.39bn	\$12.46bn	(0.56)	\$12.51bn	\$11.56bn	8.22

Source: Beirut Stock Exchange (BSE)



High growth rates and public finance imbalances unsustainable without key reforms

The World Bank considered that the key near-term policy challenge for Lebanon is maintaining a prudent approach to economic management. It said that the country remains highly vulnerable to a change in confidence and to external shocks, and has limited fiscal space due to its high fiscal and current account deficits and public debt. It stressed that careful fiscal management to maintain the confidence of depositors and investors is critical for Lebanon's economic prospects, given the substantial exposure of commercial banks to the public debt. It added that a stable political and security environment, and continued prudent monetary policies, are critical to managing risks and protecting Lebanon from the effects of external shocks.

The World Bank projected real GDP growth in Lebanon at 8% in 2010 and 7% in 2011, adding that its forecast takes into account the importance of the external economic environment, political stability, and the government's medium-term economic program. It said its base-case scenario for economic growth assumes a political environment that is conducive to decision-making, as well as the absence of major military conflict related to regional tensions. It also takes into consideration an expected gradual increase in oil prices and its impact on foreign inflows and growth; a projected gradual recovery in growth regionally and globally and its impact on demand for Lebanon's exports of goods and services; the government's plan to increase public investments in key service sectors over the medium-term; and its program to stimulate private investment and growth, including through improved service delivery and enhanced public-private-partnership. It considered that these assumptions, combined with the current favorable economic dynamics and constructive political environment, would result in an annual average growth rate of 6% over the 2011-13 period.

The World Bank warned about the high costs of not implementing solid reforms. It said that the medium-term reform scenario suggests that, even with fiscal adjustment that would reduce fiscal deficits by 1.6% of GDP between 2009 and 2013 and a fairly positive growth response in the medium-term, the public debt will remain high at 124% of GDP at end-2013. It noted that in the event of a weak policy response and a deteriorating internal or external political environment, or unfavorable external shocks, Lebanon's growth potential would remain at around its historical annual average of 3.5% due to a lack of profitable business opportunities, weak external competitiveness and low levels of business confidence in economic prospects. It added that primary public spending relative GDP would also remain at its historical average, and interest payments in terms of GDP would stay high. It expected that, in such a low growth scenario, the fiscal deficit would become unsustainably high at double digit levels relative to GDP, and the debt-to-GDP ratio would increase back to the high level of a few years ago. In turn, this would inevitably expose the country to a risk of financial disruption, should investors holding the vast majority of Lebanon's debt lose confidence in the country's debt servicing capacity.

The World Bank said that implementing structural reforms requires legislative approval and greater consensus building within the Lebanese public. It noted that the past policy track record does not provide much comfort in this case, as the prolonged period of weak and slow reform implementation and lack of fiscal adjustment are largely responsible for the high fiscal and current account imbalances and volatile growth performance, despite the fact that the issues and remedies have been well identified. It stressed that there is a significant risk that narrow sectarian interests will continue to overshadow national-level interests and obstruct again the implementation of the economic reform program. It added that this risk could be compounded if macroeconomic stresses develop, triggered by external shocks from volatility in oil prices, a surge in commodity prices, as well as insufficient growth in the main trading partners.

Lebanon's Medium-Term Macroeconomic Outlook					
	2009	2010E	2011P	2012P	2013P
GDP growth (%)	9.0	8.0	7.0	6.0	6.0
CPI (%)	2.8	4.9	3.6	3.1	3.1
Total Expenditures (% of GDP)	32.9	32.9	32.8	31.6	30.6
Total Revenues (% of GDP)	24.8	24.4	24.1	24.1	24.1
Primary Balance Including Grants (% of GDP)	3.0	1.7	1.1	1.6	2.0
Fiscal Balance Including Grants (% of GDP)	-8.1	-8.5	-8.7	-7.5	-6.5
Public Debt (% of GDP)	148.0	139.0	133.6	129.2	124.3
Exports of GNFS (% of GDP)	22.3	21.7	21.2	20.9	20.7
Imports of GNFS (% of GDP)	47.0	46.2	45.2	44.7	43.9
Current Account Balance (% of GDP)	-15.5	-15.4	-15.2	-15.1	-14.8

Source: World Bank

Parliament approves offshore oil and gas exploration law

The Lebanese Parliament ratified a draft law that authorizes for the first time offshore oil and gas exploration and drilling. The law provides the basis to apply an international law called Production Sharing Agreement (PSA), essential in the production sharing deals that usually take place between states and international oil companies. The Ministry of Energy & Water indicated that the first licensing round would start in 2012. It added that after the law's ratification, legislative efforts will focus on issuing the related executive decrees. The law calls for the establishment of a regulatory authority and a committee to oversee exploration and production; while discussions over the establishment, structure and management of a sovereign wealth fund have been postponed.

Last March, the United States Geological Survey (USGS) estimated that the Levant Basin Province has a mean of 1.7 billion barrels of recoverable oil and a mean of 122 trillion cubic feet of recoverable gas. The Levant Basin Province encompasses approximately 83,000 square kilometers of the eastern Mediterranean area off the coasts of Lebanon, Syria, Cyprus and Israel. The USGS stressed that the estimates represent technically-recoverable oil and gas resources, and are not estimates of economically-recoverable resources. The USGS estimated that there is a 95% probability of finding at least 483 million barrels of oil, a 50% chance of having at least 1,440 million oil barrels, and a 5% possibility of having 3,759 million oil barrels in the Levant Basin Province. Further, it estimated that there is a 95% probability of finding at least 50 billion cubic feet of gas, a 50% chance of having at least 112,613 billion cubic feet of gas, and a 5% possibility of having 227,430 billion cubic feet of gas in the region. Also, it estimated that there is a 95% probability of finding at least 1,226 million barrels of natural gas liquids, a 50% chance of having at least 2,815 million barrels of natural gas liquids, and a 5% possibility of having at least 5,783 million barrels of natural gas liquids. The USGS used a geology-based assessment methodology.

In 2002, British firm Spectrum Energy & Information Technology conducted a seismological survey that showed prospects of oil and natural gas deposits within Lebanon's territorial waters, specifically along its northern coast. Spectrum said that there are substantial geological indicators and evidence suggesting the potential presence of hydrocarbons, but warned that its survey was just a preliminary step to confirm that offshore drilling alone can determine the presence of oil or natural gas. The study covered Lebanon's Exclusive Economic Zone in the Mediterranean, which stretches another 119 kilometers beyond the 19 kilometers of territorial waters where Lebanon has sovereign rights to explore, exploit and manage underwater natural resources.

Association of Banks finalizes protocols for judicial and agricultural loans

The Association of Banks in Lebanon finalized a Protocol with the mutual fund for judges, whereby housing loans to judges would benefit from the same conditions that apply for mortgages under the existing Protocol between banks and the Military Housing Unit. The loans would be conditional on the fund vouching for the applicant and on the Central Bank allowing commercial banks to utilize 100% of reserve requirements for these loans. The ABL, in cooperation with the Ministry of Agriculture, also finalized a Protocol whereby small loans to farmers would benefit from preferential terms as long as the ministry approves the project's feasibility, and as long as the Central Bank authorities commercial banks to utilize 100% of the reserve requirements for the loans.

New law provides working rights to Palestinian refugees

The Lebanese Parliament passed a law that provides working rights to Palestinian refugees in Lebanon. The bill gives Palestinians the right to enter the wider labor market on the same terms as other foreigners. The law authorizes the refugees to work in a number of professions that were previously prohibited to Palestinians. Further, Palestinians will benefit for the first time from social security protection, which will be derived from a special fund, and not from the resources of the National Social Security Fund. The law stipulates that several professions will continue to be off limits to Palestinians, including engineering, medicine and the law, as these professions continue to be reserved for Lebanese citizens. The United Nations estimates there are 400,000 Palestinian refugees in Lebanon, many of whom already work in low-skilled jobs without proper legal status. It is not clear how the new law will affect the Lebanese labor market, as most low-skilled jobs are held by non-Lebanese, and due to the fact that Lebanon does not produce labor surveys or issue unemployment figures.

Consumer Price Index up 2.9% annually in July 2010

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 2.9% in July 2010 from July 2009. Prices of clothing and footwear increased by 14%, followed by prices of education (9.6%), water, electricity, gas & other fuels (+5.2%), restaurants & hotels (+4.5%) recreation & entertainment (+3.3%), transportation (+2.4%), food & non-alcoholic beverages (+2.0%), miscellaneous goods & services (+2.0%), alcoholic beverages & tobacco (+1.9%), and furniture & household equipment (+1.3%). Prices of health care regressed by 3.6%, followed by communication with -0.2%. Imported inflation accounts for about 70% of inflation in the country. 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.

The Consumer Price Index increased by 0.1% in July 2010 from June 2010. Prices of clothing and footwear increased by 1.4%, followed by health care (0.4%), restaurants & hotels (0.3%), food & non-alcoholic beverages (0.2%), miscellaneous goods & services (0.1%), recreation & entertainment (0.1%). Prices of water, electricity, gas & other fuels regressed by 0.2% month-on-month. Housing prices remained unchanged month-to-month, along with those of communication, education, alcoholic beverages and tobacco and furniture & household equipment.

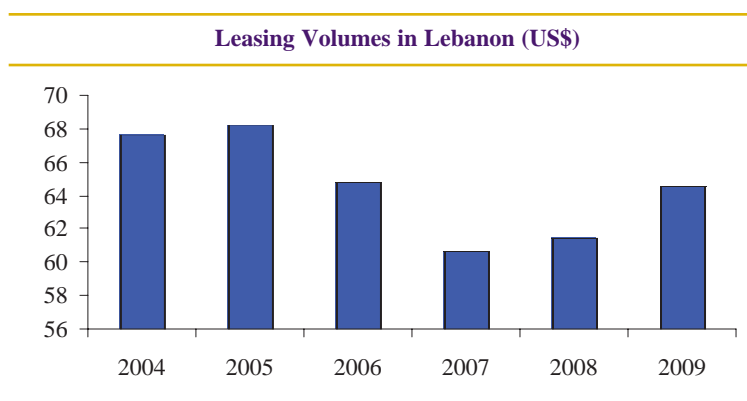
Leasing volume at \$65m in 2009, manufacturing accounts for 52% of total

Figures issued by the Central Bank indicate that leasing activity in Lebanon reached \$64.6m in 2009, constituting an increase of 5.2% from \$61.4m in 2008, and compared to \$60.6m in 2007 and \$64.8m in 2006. The distribution of leasing activity by sector shows that the manufacturing sector accounted for \$33.5m, or 51.8% of the total in 2009, constituting the largest user of leasing services in the country. It was followed by transportation, warehousing & communication with \$8.7m, or 13.5% of the total; sanitary services with \$6.9m (10.6%), enterprises & buildings with \$4m (6.3%), retail with \$3.1m (4.8%), educational, media, advertising & legal services with \$2.3m (3.6%), individuals with \$2.1m (3.2%), real estate services with \$1.3m (2%), electricity, water & gas with \$0.9m (1.4%), hotels & restaurants with \$0.8m (1.3%), wholesale with \$0.6m (1%), financial brokerage with \$0.22m (0.4%), and agriculture with \$0.2m (0.3%). There are currently two leasing firms in Lebanon, down from three firms in 2006.

Leasing to individuals and to five sectors posted growth during 2009, while 8 sectors saw a decline in leasing year-on-year. Transportation, warehousing & communication posted a 64% increase in leasing, constituting the biggest rise in leasing activity year-on-year. It was followed by hotels & restaurants with a 22.8% increase, financial brokerage (+22%), manufacturing (+10.5%), retail (+9.4%), while leasing to individual jumped by 84.5% annually. In parallel, leasing to the real estate sector declined by 60%, followed by wholesale (-40%), sanitary services (-21.7%), electricity, water & gas (-14%), agriculture (-7%), enterprises & buildings (-4.6%), and educational, media, advertising & legal services (-4.4%), while leasing to other associations & personal services, which accounts for 0.02% of the total, dropped by 74% year-on-year.

Leasing activity declined by 4.3% between 2004 and 2009, peaking at \$68.2m in 2005, despite the growth of leasing in several sectors. Real estate posted a 3533% increase in leasing, constituting the biggest rise in leasing activity during the two years, followed by hotels & restaurants with an increase of 1482%, agriculture (+820%), sanitary services (+213%), transportation, warehousing & communication (+123%), financial brokerage (+126%), educational, media, advertising & legal services (+157.5%), and electricity, water & gas (+46%); while leasing to individuals jumped by 175% during the covered period. In parallel, leasing to wholesale trade declined by 94.3% between 2004 and 2009, followed by retail (-44%), manufacturing (-7.5%), while leasing to other associations & personal services dropped by 99% during the covered period.

Further, the distribution of leasing activity across sectors shows that manufacturing has dominated leasing during the 2004-09 period, representing 51% on average of yearly leasing activity. Also, the share of sanitary services increased from 3.3% in 2004 to 10.6% of the total in 2009; transportation, warehousing & communication grew from 5.6% to 13.5%; the share of educational, media, advertising & legal services rose from 1.3% in 2004 to 3.6% last year; real estate jumped from 0.05% to 2.1% in 2009; the share of hotels & restaurants increased from 0.08% in 2004 to 1.3% in 2009; agriculture rose from 0.03% to 0.33%; while the share of individuals jumped from 1.1% to 3.2%. In parallel, the share of wholesale and retail trade dropped sharply, as the share of wholesale trade declined from 15.1% in 2004 to 1% in 2009, while that of retail declined from 8.2% in 2004 to 4.8% in 2009.



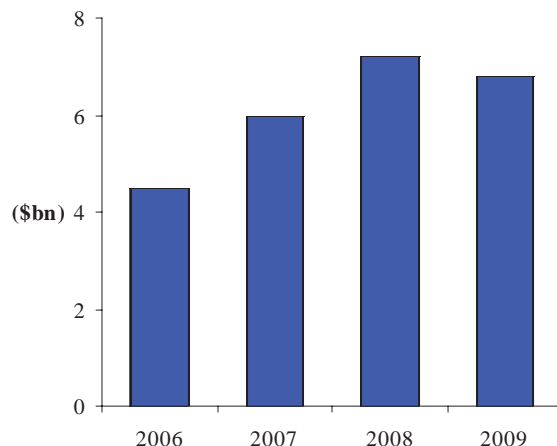
Source: Central Bank, Byblos Research

Money dealers exported \$6.8bn in cash in 2009

Figures released by the Central Bank show that there was 393 money dealers in Lebanon at the end 2009, up from 385 at end-2008 and 355 at year-end 2000. Mount Lebanon had 107 money dealers, accounting for 27.2% of the total, followed by Beirut with 99 dealers (25.2%), the Bekaa with 76 (19.3%), the North with 67 (17%), and the South with 44 (11.2%). There were 49 money dealers with paid in capital of LBP250m and 344 dealers with paid in capital of LBP100m at the end of 2009. In addition to their normal activities, money dealers are authorized to export and import cash bank notes.

The total value of bank notes exported from Lebanon by money dealers totaled \$6.8bn in 2009, constituting a decrease of 6.5% from \$7.2bn in 2008. Exported bank notes totaled \$7.2bn in 2008, \$6bn in 2007, and \$4.5bn in each of 2006 and 2005. In parallel, imported bank notes by money dealers totaled \$135m in 2009, down 17.7% from \$164m in 2008. Imported bank notes totaled \$164m in 2008, \$118m in 2007, \$111m in 2006, and \$158m in 2005. US dollar bank notes accounted for 44.7% of total exported bank notes in 2009. They were followed by European currencies with 33% and Arab currencies with 22%.

Exported Bank Notes from Lebanon (\$bn)



Source: Central Bank, Byblos Research

Cleared checks up 32.4% to \$40.1bn in first 7 months of 2010

The value of cleared checks increased by 32.4% to \$40.1bn in the first 7 months of 2010 compared to the same period of 2009. The value of cleared checks in Lebanese pounds rose by 22.1% to the equivalent of \$7.7bn, while the value of cleared checks in US dollars rose by 35% to \$32.5bn. The dollarization rate of cleared checks increased from 79.3% to 80.9% year-on-year.

EFG Hermes acquires Crédit Libanais

Regional investment bank EFG Hermes Holding SAE announced that it has acquired a 65% stake in Crédit Libanais sal for \$542m, with a call option for an additional 25% interest. EFG Hermes said it will have the right to exercise the call option for the additional 25% over the next two years at its sole discretion and at the same terms, including pricing, as those applicable to the acquisition of the initial 65% stake. EFG Hermes said the transaction, which is subject to the final approval of the Central Bank of Lebanon, transforms it from an investment company with an investment banking platform into a universal bank. It added that the deal helps diversify its earnings through the introduction of a sustainable commercial banking earnings stream, as well as leads to the diversification of its geographical presence with significant footprint in Lebanon and further expansion potential in the Levant area.

Last January, EFG Hermes sold its entire stake in Bank Audi sal after lengthy discussions with the bank regarding a combination of the two entities did not yield results. In January 2006, EFG Hermes acquired a 20% stake in Audi through a \$450m capital increase by the latter, and then increased its stake gradually to 28.6% to become the bank's largest shareholder. EFG Hermes planned at first to acquire a majority stake in Bank Audi. Then it tried to fully merge with the bank two years ago, but it announced in November 2008 that merger negotiations have failed, even though they were ongoing for more than one year.

Crédit Libanais sal is 79%-owned by Saudi investor Khalid bin Mahfouz through his Bahrain-based Capital Investment Holding Co. An additional 11.2% is owned by Capital Investments Holding – Lebanon sal. EFG Hermes said that the implied consideration of \$834m for 100% of the bank's share capital represents a transaction multiple of approximately 2x shareholders' equity. It noted that the multiple is materially lower if the unrealized real estate and securities capital gains of the bank are taken into account. Crédit Libanais sal, one of Lebanon's top 10 banks, posted net profits of \$36.6m in the first half of the year, up 28.6% from the same period last year. Its total assets reached \$5.74bn at end-June 2010, constituting a 4.8% increase from end-2009, while loans & advances to customers rose by 13.5% from end-2009 to \$1.5bn. Customer deposits totaled \$5bn at end-June, up 17% from end-2009. It has 61 branches in Lebanon, one branch in each of Cyprus and Bahrain, and a representative office in Canada. It recently established a subsidiary bank in Senegal. EFG Hermes said the acquisition will be financed from its own cash resources and will not require any external funding.

Car sales up 5.2% year-on-year in first 7 months of 2010

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 19,639 new passenger cars were sold in the first 7 months of 2010, constituting an increase of 5.2% from the 18,666 cars sold in the same period last year. Japanese cars accounted for 38.2% of total sales, followed by Korean cars with a 30.6% share, European automobiles with 24%, American vehicles with 6.3%, and Chinese vehicles with 0.9%. Korean cars posted the biggest growth in sales with a 78.1% jump year-on-year, followed by Chinese cars with a 20.8% rise. In parallel, Japanese cars posted a 16.1% drop in sales year-on-year, followed by European cars with a 3.6% decline and American cars with a 5.2% decrease. Kia is the leading brand in the Lebanese market with 3,639 cars sold in the first seven months of 2010, followed by Hyundai with 2,346, Nissan with 3,247 cars sold, Toyota with 1,627, Mitsubishi with 869, Chevrolet with 828, and Renault with 750 cars.

Profits of top 12 banks up 23% to \$752m in first half of 2010

The consolidated net profits of the Alpha Group of banks reached \$752m in the first half of 2010, constituting an increase of 23.4% from the same period last year. The Alpha Group consists of 12 banks with deposits in excess of \$2bn each. Total net operating income rose by 22% to \$1.76bn, with aggregate net interest income increasing by 15% to \$1.16bn and non-interest receipts growing by 32.2% to \$646m year-on-year. Also, total operating expenditures increased by 15.8% to \$860m, with staff expenses increasing by 15.5% to \$467m. Total assets reached \$124bn at end-June 2010, constituting an 18.2% increase from end-June 2009 and a 4.8% rise from end-2009, while aggregate loans & advances to customers rose by 27.7% year-on-year and by 13% from end-2009 to \$32bn. Customer deposits totaled \$102.6bn at end-June, constituting an increase of 18.6% from end-2009 and a growth of 4.3% from a year earlier.

Fransabank's profits up 55% to \$69m year-to-June

Fransabank sal, one of Lebanon's top 10 banks, announced consolidated net profits of \$69.3m in the first half of 2010, up 55% from the same period last year. Net operating income rose by 39.4% in the first half of the year to \$170m, with interest income increasing by 29% to \$119.4m and non-interest receipts growing by 73% to \$51m year-on-year. Also, operating expenditures increased by 22.4% to \$85.7m, with staff expenses increasing by 24% to \$52.8m. Total assets reached \$11.53bn at end-June 2010, constituting a 27% rise from end-June 2009 and a 6.8% rise from end-2009, while loans & advances to customers increased by 36.3% year-on-year and by 18.4% from end-2009 to \$2.7bn. Customer deposits totaled \$9.3bn at end-June, constituting an increase of 3.3% from end-2009 and a growth of 21.4% from a year earlier.

Corporate Highlights

BankMed's net income up 16% to \$53m in first half of 2010

BankMed sal, one of Lebanon's top 10 banks, announced consolidated net profits of \$52.6m in the first half of 2010, up 16% from the same period last year. Net operating income rose by 10% to \$55m, with net interest income decreasing by 12% to \$86.3m and non-interest receipts growing by 2.3% to \$74m year-on-year. Also, operating expenditures increased by 12.2% to \$95.4m, with staff expenses increasing by 10% to \$42.2m. Total assets reached \$11bn at end-June 2010, constituting a 13% rise from end-June 2009 and a 3.8% rise from end-2009, while loans & advances to customers increased by 21.2% year-on-year and by 2.5% from end-2009 to \$3.2bn. Customer deposits totaled \$8.5bn at end-June, constituting an increase of 4% from end-2009 and a growth of 15.4% from a year earlier.

SGBL's profits up 79% to \$50m in first half of 2010

Société Générale de Banque au Liban sal (SGBL) sal, one of Lebanon's top 10 banks, declared consolidated net profits of \$50.3m in the first half of 2010, constituting an increase of 79% from the same period last year. Net operating income rose by 51% in the first half of the year to \$106m, with net interest income increasing by 12.6% to \$54m and non-interest receipts growing by 160% to \$55m year-on-year. Also, operating expenditures increased by 26% to \$49.3m, with staff expenses increasing by 15.5% to \$28.3m. Total assets reached \$5.1bn at end-June 2010, constituting a 36% rise from end-June 2009 and a 4.8% rise from end-2009, while loans & advances to customers increased by 43% year-on-year but contracted by 0.7% from end-2009 to \$1.4bn. Customer deposits totaled \$3.6bn at end-June, constituting a decrease of 2.5% from end-2009 and a growth of 24% from a year earlier.

Libano-Française posts \$40m in first half profits

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted consolidated net profits of \$39.6m in the first half of 2010, constituting an increase of 43% from the same period last year. Net operating income rose by 20.5% to \$99m, with net interest income increasing by 22.6% to \$71.7m and non-interest receipts growing by 31% to \$30m year-on-year. Also, operating expenditures increased by 12.4% to \$52.4m, with staff expenses increasing by 14% to \$31m. Total assets reached \$7.7bn at end-June 2010, constituting a 12.2% rise from end-June 2009 and a 2.6% rise from end-2009, while loans & advances to customers increased by 21% year-on-year and by 14.7% from end-2009 to \$2.6bn. Customer deposits totaled \$6.5bn at end-June, constituting an increase of 12% from end-2009 and a growth of 1.2% from a year earlier.

Lebanese Canadian's profits up 85% to \$29m in first 6 months of 2010

The Lebanese Canadian Bank sal, one of Lebanon's top 10 banks, declared consolidated net profits of \$29.3m in the first half of 2010, constituting an increase of 84.7% from the same period last year. Net operating income rose by 48% to \$60.3m, with net interest income increasing by 18.7% to \$49.7m and non-interest receipts growing by 21.3% to \$13.6m year-on-year. Also, operating expenditures increased by 17% to \$25.8m, with staff expenses increasing by 27% to \$17m. Total assets reached \$5.6bn at end-June 2010, constituting a 23.8% rise from end-June 2009 and a 7.6% rise from end-2009, while loans & advances to customers jumped by 61.7% year-on-year and by 29.3% from end-2009 to \$1.6bn. Customer deposits totaled \$4.8bn at end-June, constituting an increase of 25.8% from end-2009 and a growth of 7.5% from a year earlier.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP ⁽¹⁾ (\$bn)	25.0	29.3	32.7	
External Debt / GDP	84.9	72.2	65.0	(720)
Local Debt / GDP	83.2	88.3	91.2	290
Total Debt / GDP	168.1	160.5	156.2	(430)
Trade Balance / GDP	(36.0)	(43.2)	(39.0)	420
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	24.0	25.8	180
Budget Expenditures / GDP	33.4	33.9	34.8	90
Budget Balance / GDP	(10.2)	(10.0)	(9.0)	100
Primary Balance / GDP	2.9	2.0	3.3	130
BdL FX Reserves / M2	59.4	68.9	75.1	620
M3 / GDP	239.3	234.3	251.0	1,670
Bank Assets / GDP	329.0	321.7	352.4	3,070
Bank Deposits / GDP	269.1	265.5	292.9	2,740
Private Sector Loans / GDP	81.7	85.5	86.8	130
Dollarization of Deposits	77.3	69.6	64.5	(510)
Dollarization of Loans	86.4	86.6	84.0	(260)

* Change in basis points 08/09

(1) Based on Ministry of Finance Estimations and the International Monetary Fund

Source: Association of Banks in Lebanon, Byblos Research Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	Apr 2009	Mar 2010	Apr 2010	Change*	Risk Level
Political Risk Rating	57.5	58.5	58.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	30.0	35.5	35.5	▲	Low
Composite Risk Rating	57.7	61.0	61.0	▲	Moderate

Regional Average	Apr 2009	Mar 2010	Apr 2010	Change*	Risk Level
Political Risk Rating	65.4	64.9	64.8	▼	Moderate
Financial Risk Rating	41.4	42.2	42.0	▲	Very Low
Economic Risk Rating	37.0	36.8	37.1	▲	Low
Composite Risk Rating	71.9	71.9	71.9	↔	Low

*year-on-year

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B1	NP	Stable	B2		Stable
Fitch	B	B	Stable	B		Stable
S&P	B	B	Positive	B	B	Positive
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	D-		Stable
EIU		B	Stable

Source: Rating agencies



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