



## LEBANON THIS WEEK

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Fransabank's profits up 43% to \$107m year-to-September

BankMed's net income up 7% to \$82m in first 9 months of 2010

SGBL's profits increase by 45% to \$68m in first 9 months of 2010

BLC Bank's profits grow by 28% to \$33m year-to-September

Profits of top 12 banks up 27% to \$1.2bn in first 9 months of 2010

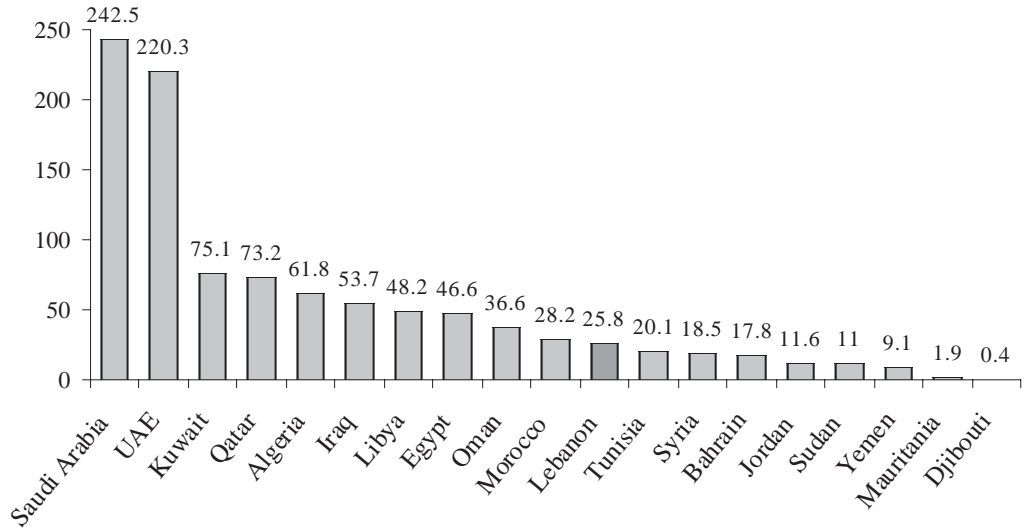
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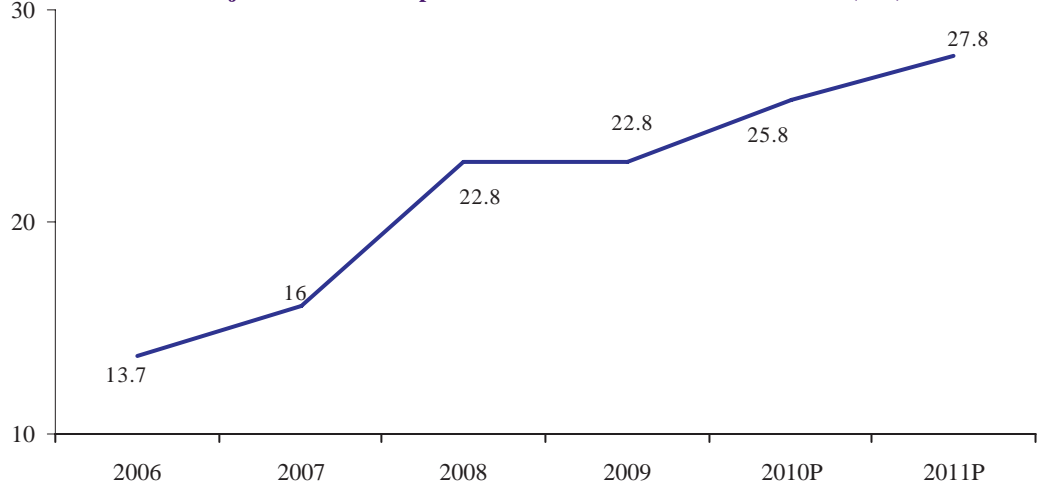
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### Charts of the Week

Projected Value of Exports of Goods & Services from Arab Countries in 2010 (\$bn)



Projected Value of Exports of Goods & Services from Lebanon (\$bn)



Source: International Monetary Fund

### Quote to Note

"This is unlikely to happen until the political situation is stable enough to allow for a concerted attempt at addressing the structural fiscal deficit."

*The Economist Intelligence Unit, on the possibility of a sovereign upgrade by rating agencies*

### Number of the Week

**LBP 6,111bn:** Aggregate value of Certificates of Deposits issued by the Central Bank of Lebanon in the first 8 months of 2010, constituting an increase of 29% from end-2009

## Economic Indicators

<b>\$m (unless otherwise mentioned)</b>	<b>2008</b>	<b>Sep 09</b>	<b>2009</b>	<b>July 10</b>	<b>August 10</b>	<b>Sep10</b>	<b>% Change*</b>
Exports	3,478	298	3,486	385	312	290	(2.68)
Imports	16,133	1,250	16,241	1,449	1,449	1,310	4.80
Trade Balance	(12,655)	(952)	(12,755)	( 1,064)	(1,137)	(1,020)	7.14
Balance of Payments	3,462	475	7,899	106	447	186	(60.84)
Checks Cleared in LBP	9,350	900	11,122	1,674	1,152	1,124	24.89
Checks Cleared in FC	43,174	3,882	45,270	4,609	4,470	4,037	3.99
Total Checks Cleared	52,524	4,782	56,392	6,283	5,622	5,161	7.93
Budget Deficit/Surplus	(2,921)	(381)	(2,960)	(52)	(358)	472	(223.88)
Primary Balance	597	47	1,078	279	(69)	(13)	(127.66)
Airport Passengers	4,085,334	463,919	4,986,544	497,647	578,452	550,421	18.65
<b>\$bn (unless otherwise mentioned)</b>	<b>Dec 2008</b>	<b>Sep 09</b>	<b>May 10</b>	<b>June 10</b>	<b>August 10</b>	<b>Sep 10</b>	<b>% Change*</b>
BdL FX Reserves	17.06	23.21	27.32	27.42	28.24	28.46	22.62
<i>In months of Imports</i>	<i>15.03</i>	<i>18.57</i>	<i>19.96</i>	<i>18.92</i>	<i>19.5</i>	<i>21.7</i>	<i>16.86</i>
Public Debt	47.02	49.18	51.07	51.00	50.18	50.85	3.40
Net Public Debt	41.49	43.61	44.24	44.13	44.4	44.64	2.36
Bank Assets	94.25	109.90	120.69	121.68	124.63	126.74	15.32
Bank Deposits (Private Sector)	77.78	91.19	99.21	100.12	102.72	103.85	13.88
Bank Loans to Private Sector	25.04	27.89	31.44	31.71	33.24	33.82	21.26
Money Supply M2	24.76	31.57	37.43	38.02	38.78	39.32	24.55
Money Supply M3	68.66	78.73	86.04	86.74	88.9	90.06	14.39
LBP Lending Rate (%)	9.95	9.22	8.47	8.37	8.05	8.11	(111b.p.)
LBP Deposit Rate (%)	7.22	6.94	5.93	5.83	5.72	5.70	(124b.p.)
USD Lending Rate (%)	7.47	7.24	7.10	7.03	7.04	7.04	(20b.p.)
USD Deposit Rate (%)	3.33	3.16	2.84	2.75	2.78	2.78	(38b.p.)
%* Change in CPI**	6.36	1.99	6.51	7.42	4.74	7.15	516b.p.

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

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

Sources: ABL, BdL

## Capital Markets

<b>Most Traded Stocks on BSE</b>	<b>Last Price (\$)</b>	<b>% Change*</b>	<b>Total Volume</b>	<b>Weight in Market Capitalization</b>
Solidere "A"	18.95	3.05	39,446	15.41%
Solidere "B"	18.55	1.92	10,725	9.80%
Byblos Common	1.73	0.58	14,800	5.06%
Byblos Priority	1.77	2.31	3,094	2.97%
Byblos Pref. 08	101.50	0.00	0	1.65%
BLOM GDR	9.43	0.00	0	5.67%
BLOM Listed	8.80	0.00	0	15.38%
Audi GDR	8.44	0.00	0	6.98%
Audi Listed	7.99	0.00	450,000	22.6%
HOLCIM	14.50	(3.01)	803	2.30%

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

<b>Sovereign Eurobonds</b>	<b>Coupon %</b>	<b>Mid Price \$</b>	<b>Mid Yield %</b>
May 2011	7.875	102.88	2.19
Mar. 2012	7.500	106.00	2.83
Sep. 2012	7.750	108.00	3.11
June 2013	8.625	112.75	3.40
Apr. 2015	10.000	121.50	4.57
Jan. 2016	8.500	116.25	4.89
May 2016	11.625	130.00	5.24
Mar. 2017	9.000	121.00	5.07
Nov. 2018	5.150	99.75	5.19
Apr. 2021	8.250	117.00	6.02

Source: Byblos Capital Markets

	<b>November 15-19</b>	<b>November 8-12</b>	<b>% Change</b>	<b>October 2010</b>	<b>October 2009</b>	<b>% Change</b>
<b>Total Shares Traded</b>	523,868	10,974,231	(95.23)	5,788,714	4,968,991	16.5
<b>Total Value Traded</b>	\$4,696,973	\$90,657,905	(94.82)	\$55,744,061	\$103,486,832	(46.1)
<b>Market Capitalization</b>	\$12.30bn	\$12.21bn	0.69	\$12.21bn	\$12.60bn	(3.1)

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 84th globally, 10th in MENA region on Prosperity Index

The Legatum Institute 2010 Prosperity Index ranked Lebanon in 84th place among 110 countries around the world and in 10th place among 14 countries in the Middle East & North Africa region. Lebanon also came in last place among 27 upper-middle income countries (UMICs) included in the survey. Lebanon came in 86th place globally, in 8th place regionally and ranked last among UMICs in the 2009 survey. Globally, Lebanon ranked ahead of Honduras, Moldova and Nicaragua and came behind Syria, Bolivia and Guatemala. The index uses a broad definition of prosperity to include both material wealth and quality of life. It finds that the most prosperous nations in the world are not necessarily those that have only a high level of GDP, but are those that also have happy, healthy, and free citizens. The data covers 89 variables grouped into eight sub-indices, each identified as a foundation of long-term prosperity. The index rankings are based on the simple average of the scores of the eight sub-indices for each country.

Lebanon ranked in 70th place globally, eighth place in the MENA region and in 18th place among UMICs on the Economic Fundamentals Sub-Index. This category represents a growing and sound economy that provides opportunities for wealth creation. Globally, Lebanon came ahead of Syria, Egypt and Botswana, and behind Turkey, Namibia and Romania. Regionally, Lebanon ranked ahead of Syria, Egypt and Iran and behind Tunisia, Algeria and Morocco. It also ranked ahead of Botswana and behind Turkey among UMICs.

Lebanon ranked in 83rd place globally, in 9th place in the MENA region and 27th place among the UMICs on the Entrepreneurship & Innovation Sub-Index. The category reflects the degree of a favorable environment to new enterprises and the commercialization of new ideas. It also measures the continuous ability for people to seek new opportunities and improve their own socio-economic standing. Globally, Lebanon came ahead of Egypt, Uzbekistan and Iran and behind Indonesia, El Salvador and Honduras. Regionally, Lebanon ranked ahead of Egypt, Iran and Sudan and came behind Algeria, Jordan and Morocco. It also ranked the last behind Algeria and Namibia among UMICs.

Lebanon ranked in 92nd place globally, in 11th place in the MENA region and in 24th place among the UMICs on the Governance Sub-Index. This category reflects the degree of an effective and accountable government, fair elections and political participation and rule of law. Globally, Lebanon came ahead of Bolivia, Nepal and Bangladesh and behind Paraguay, Algeria and Moldova. Regionally, Lebanon ranked ahead of Yemen, Iran and Sudan and came behind Algeria, Syria and Egypt. It also ranked ahead of Venezuela and behind Algeria among UMICs. Norway was perceived as the most prosperous country globally, while Zimbabwe was considered the least prosperous country around the world.

Prosperity Index 2010		
	MENA Rank	Global Rank
UAE	1	30
Kuwait	2	31
Israel	3	36
Tunisia	4	48
Saudi Arabia	5	49
Morocco	6	62
Jordan	7	74
Algeria	8	79
Syria	9	83
<b>Lebanon</b>	<b>10</b>	<b>84</b>
Egypt	11	89
Iran	12	92
Sudan	13	100
Yemen	14	105

*Source: Legatum Institute, Byblos Research*

### Lebanon's Rankings on Prosperity Sub-Indices for 2010

Sub-Index	Global Rank	MENA Rank	UMIC Rank
Economic Fundamentals	70	8	18
Entrepreneurship & Innovation	83	9	27
Governance	92	11	24
Education	51	5	12
Health	79	12	22
Safety and Security	89	9	23
Personal Freedom	82	3	23
Social Capital	99	13	23

*Source: Legatum Institute, Byblos Research*

### Energy Ministry begins preparations to implement electricity plan

The Ministry of Energy & Water retained the Swiss firm AF-Colenco and Germany's MVV-Decon to assist and consult in the bid by companies to build a 450 Megawatts electricity production unit at Deir Amar and to install Diesel generators at Jieh and Zouk with total production capacity of 250 Megawatts. AF-Colenco signed a four months €440,000 contract to organize the prequalification rounds and bids for the Deir Amar gas turbines and combined cycle unit, while MVV-Decon signed a three month €293,000 contract to oversee the bidding for the Diesel generators at Jieh and Zouk. Also, Electricité de France signed a €260,000 contract to submit plans to improve the distribution of electricity in Lebanon. The three contracts are part of a plan approved last by the Cabinet that aims at increasing the production capacity of electricity in the country. The plan, which costs \$4.9bn, aims at providing 24 hours of electricity by 2014 by increasing electricity production capacity from 1,685 Megawatts currently to 4,000 Megawatts by 2014 and 5,000 Megawatts by 2015.

### Lebanon has 7th widest spread in emerging markets on five-year Credit Default Swaps

The spread on five-year Credit Default Swaps (CDS) for Lebanon reached 288 basis points at the end of October 2010, compared to spreads of 205 bps for the CDX Emerging Markets benchmark index and to 182 bps for the Itraxx SovX index for Central & Eastern Europe, the Middle East & Africa (CEEMEA) region. Lebanon's spreads were the 7th widest among 36 emerging markets, the third widest among 19 countries in the CEEMEA region, and the narrowest among similarly-rated sovereigns. Lebanon's spreads were narrower than Dubai (414bps) and wider than Hungary (287bps). Credit Default Swaps represent the cost of insuring government bonds against default and have become a reflection of perceived credit risk. As such, it cost around \$288,000 a year at end-October to insure a notional \$10m of Lebanese sovereign debt against default for five years, down from \$307,000 a year earlier. CDS are tradable, over-the-counter derivatives that function like a default insurance contract for debt. If a borrower defaults, the protection buyer is paid compensation by the protection seller. Swap buyers may be protecting investments they own or simply making negative bets against countries. So the wider the spread, the bigger the perception of default and the more expensive it becomes to buy insurance against potential default.

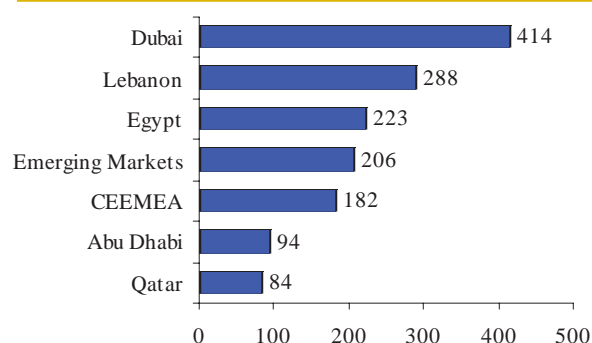
Lebanon's spread widened by 19bps from the end of October 2009 compared to a narrowing of 74bps for emerging markets spreads year-on-year. Lebanon's spread widened by the 5th biggest margin in emerging markets and by the 3rd biggest margin in the CEEMEA region, as well by the biggest among similarly-rated sovereigns during the 12-months ending October 2010. Further, Lebanon's spreads widened by 8bps in the first 10 months of 2010 compared to a narrowing of 55bps for emerging markets spreads. Lebanon's spreads widened by the second biggest margin in emerging markets and also by the second biggest margin in the CEEMEA region, as well by the highest margin among similarly-rated sovereigns during the first 10 months of 2010. In parallel, the spreads of four emerging markets widened during the same period, including those of three economies in the CEEMEA region.

### Lebanon ranks 78th globally, first in Arab world in press freedom

In its annual survey on press freedoms in 178 countries, international organization Reporters Without Borders ranked Lebanon in 78th place worldwide and first among 23 countries in the Middle East and North Africa (MENA) region. Lebanon came in 61st place globally and second place regionally in the previous survey. The index measures the level of freedom that journalists and the media have in each country and the efforts made by governments to see that press freedom is respected. The survey reflects press freedom in each country based on events between September 2009 and September 2010. The index calculation was based on answers to a questionnaire with 43 criteria that asked for details of direct attacks on journalists and the media such as threats, attacks, censorship, confiscation, searches and pressure. It also asked about the degree of impunity enjoyed by those responsible for such violations. The questionnaire recorded the legal environment for the media and the behavior of the state towards the local and foreign press as well as the flow of information on the Internet. Reporters Without Borders assigns index scores in ascending order, the lower the score the higher is press freedom in a given country.

Globally, Lebanon ranked immediately ahead of Malawi, Albania, and Panama, and came behind Guatemala, Mongolia and Moldova. Lebanon received a score of 20.5 points in the 2010 survey, better than the Arab and MENA averages of 49 points and 51 points, respectively, and down from 15.4 points in 2009 and 14 points in 2008. The scores of 11 MENA countries improved while those of 12 countries deteriorated; while the ranking of 6 countries improved and that of 17 countries regressed year-on-year. Reporters Without Borders said that the 2010 scores show a general improvement from 2009. It noted, however, that reporters' freedom reached a low in 2009, while improvements in scores this year reflect the return to pre-2009 levels of freedom, without any significant progress.

**Five-year CDS spreads at end-October 2010**



Source: Bloomberg, Byblos Research

**Press Freedom Index Rankings & Scores for 2010**

	Score	MENA Rank	Global Rank
<b>Lebanon</b>	<b>20.50</b>	<b>1</b>	<b>78</b>
Kuwait	23.75	2	88
UAE	23.75	3	87
Mauritania	25.38	4	95
Djibouti	30.50	5	110
Jordan	37.00	6	120
Qatar	38.00	7	121
Oman	40.25	8	124
Egypt	43.33	9	127
Iraq	45.58	10	130
Israel	47.00	11	132
Algeria	47.33	12	133
Morocco	47.40	13	135
Turkey	49.25	14	138
Bahrain	51.38	15	144
Palestine	56.13	16	150
Saudi Arabia	61.50	17	157
Libya	63.50	18	160
Tunisia	72.50	19	164
Yemen	82.13	20	170
Sudan	85.33	21	172
Syria	91.50	22	173
Iran	94.56	23	175

Source: Reporters without Borders 2010

### Lebanon ranks 90th globally, 11th in MENA region in environmental performance

The Environmental Performance Index for 2010 ranked Lebanon in 90th place globally among 163 countries, and in 11th place among 22 countries in the Middle East & North Africa (MENA) region. Lebanon also ranked in 30th place among 36 Upper Middle-Income Countries (UMICs) included in the survey. The EPI ranks countries on 25 indicators grouped into 10 established policy components that are Environmental Burden of Disease, Air Pollution (effects on humans), Water (effects on humans), Air Pollution (effects on nature), Water (effects on nature), Biodiversity & Habitat, Forestry, Fisheries, Agriculture, and Climate Change. Further, the 10 components are divided into two core categories. The first category is Environmental Health, which measures environmental stresses to human health and includes the first three components; while the second category is Ecosystem Vitality, which measures ecosystem health and natural resource management, and includes the seven remaining policy components. Each of the two categories represents 50% of the final EPI score.

The 2010 EPI uses a methodology that quantitatively tracks national performance on a core set of environmental policy goals for which every government can be held accountable. It identifies specific targets for environmental performance and measures how close each country comes to these goals. The Environmental Performance Index is issued by Columbia and Yale universities in collaboration with the Joint Research Center of the European Commission and the World Economic Forum.

Globally, Lebanon ranked ahead of Sao Tomé & Príncipe, Kazakhstan and Nicaragua and came behind Jamaica, Belgium and Ukraine. It ranked ahead of Kazakhstan and behind Jamaica among UMICs. It received a score of 57.9 points, lower than the global average of 58.4 points and the UMICs' average of 64.5 points, but higher than the MENA and Arab averages of 53.7 points and 52.6 points, respectively.

Lebanon ranked in 48th place worldwide, in 9th place among UMICs and in 6th place in the MENA region on the Environmental Health category. Globally, it came ahead of Tunisia, Bosnia & Herzegovina and Estonia, and behind Macedonia, Venezuela and South Korea. Also, it ranked ahead of Bosnia & Herzegovina and Mexico and behind Macedonia and Venezuela among UMICs; while it came ahead of Tunisia and Jordan and behind the UAE and Kuwait in the MENA region.

Lebanon ranked in 145th place worldwide, in 34th place among UMICs, and in 14th place in the MENA region on the Ecosystem Vitality category. Globally, it came ahead of Trinidad & Tobago, Jordan and Brunei Darussalam, and behind the United States, China and Botswana. Also, it ranked ahead of Bosnia & Herzegovina and behind Botswana among UMICs; while it ranked ahead of Jordan, Israel and Libya and behind Mauritania, Iraq and Saudi Arabia in the MENA region.

#### MENA Rankings and Scores

Country	Score	MENA Rank	Global Rank
Algeria	67.4	1	42
Morocco	65.6	2	52
Syria	64.6	3	56
Israel	62.4	4	66
Egypt	62.0	5	68
Tunisia	60.6	6	74
Djibouti	60.5	7	75
Turkey	60.4	8	77
Iran	60.0	9	78
<b>Lebanon</b>	<b>57.9</b>	<b>10</b>	<b>90</b>
Jordan	56.1	11	97
Saudi Arabia	55.3	12	99
Kuwait	51.1	13	113
Libya	50.1	14	117
Qatar	48.9	15	122
Yemen	48.3	16	124
Sudan	47.1	17	129
Oman	45.9	18	131
Bahrain	42.0	19	145
Iraq	41.0	20	150
UAE	40.7	21	152
Mauritania	33.7	22	161

Source: Columbia and Yale universities, Byblos Research

#### Components of the 2010 Environmental Performance Index for Lebanon

Category	Global Rank	MENA Rank	UMIC Rank	Lebanon Score	Global Average Score	MENA Average Score	UMIC Average Score
<b>Environmental Health</b>	48	5	9	77.3	60.5	66.5	71.8
Environmental burden of disease	66	10	19	64.4	53.6	62.5	62.3
Air Pollution (effects on humans)	60	3	18	81.6	64.0	61.6	79.1
Water (effects on humans)	35	4	2	98.9	70.6	79.4	83.6
<b>Ecosystem Vitality</b>	145	12	34	38.5	56.3	40.9	57.2
Air Pollution (effects on nature)	123	15	30	40.5	49.5	47.9	49.6
Water (effects on nature)	129	4	30	56.0	67.5	35.7	70.6
Biodiversity & Habitat	152	14	33	3.5	55.0	27.7	53.3
Forestry	1	1	1	100.0	87.7	95.3	95.5
Fisheries	14	1	4	95.5	73.9	66.3	78.6
Agriculture	23	1	10	91.0	70.9	63.1	75.0
Climate Change	136	1	33	38.0	55.3	66.3	53.4

Source: Columbia and Yale universities, Byblos Research

### Credit and debit cards reach 1.7 million cards, ATMs total 1,255 at end of September

Figures released by the Central Bank of Lebanon show that the number of credit and debit cards issued in Lebanon reached 1,703,126 cards at the end of September 2010, constituting a 4.5% increase from end-2009, and a 6% rise on a yearly basis. Resident cardholders accounted for 97.2% of total cards issued in Lebanon. The distribution of payment cards by type shows that debit cards with residents accounted for 63% of the total, followed by credit cards with residents (21.8%), charge cards with residents (10%), resident pre-paid cards (2.4%), non-resident debit cards (2.2%), non-resident charge cards (0.4%), non-resident credit cards (0.2%), and non-resident pre-paid cards (0.03%). The number of ATMs totaled 1,255 machines at end-September, constituting an increase of 4% in the first 9 months 2010 and up by 6.2% from 1,181 ATMs at the end of September 2009. The Greater Beirut area had 620 ATMs, accounting for 49.4% of the total, followed by Mount Lebanon with 287 (22.8%), the North with 128 (10%), the South with 104 (8.2%), the Bekaa with 93 (7.4%), and Nabatiyeh with 23 (2%). Further, the aggregate number of point of sales accepting payment cards reached 45,655 by the end of September, increasing by 1.1% annually.

The average monthly domestic payment by residents totaled \$122.6m in the third quarter of 2010, increasing by \$110.65m in the second quarter of 2010, increasing by 10.8% quarter-to-quarter and rising by 19.2% from the third quarter of 2009, while the average monthly payment and cash withdrawal abroad by residents rose by 16.3% to \$79.3m from the second quarter of 2010 and grew by 27.3% from the third quarter of 2009.

Further, the average monthly value of cash withdrawals by residents using ATMs increased quarterly by 5.7% and rose by 5% from the same quarter of the previous year to \$436.6m, while average monthly withdrawals by non-residents grew by 29.3% to \$8.1m quarter-to-quarter and by 3% from the same period last year. Also, the average monthly purchases in Lebanon by non-residents increased by 22% quarter-to-quarter and rose by 8.2% annually to \$2.25m. Domestic card payments in Lebanese pounds accounted for 11.6% of aggregate payments in all currencies, while local currency withdrawals represented 65.7% of the total in the third quarter of 2010.

#### Number and Usage of Payment Cards Issued in Lebanon (for the first 9 months of 2010 and 2009)

	end-Sep 2010	end-Sep 2009	Change
<b>Cards</b>			
With residents	1,655,564	1,560,991	6.1%
With non-residents	47,562	44,970	5.8%
Total	1,703,126	1,605,961	6.1%
<b>ATMs</b>	1,255	1,181	6.3%
Points of Sales	45,655	45,145	1.3%
<b>Purchases (in US\$m)</b>			
by residents in Lebanon	\$1,012.2	\$799.6	26.6%
<i>% in Lebanese pounds</i>	<i>11.8%</i>	<i>12.2%</i>	
by non-residents in Lebanon	\$17.4	\$16.3	6.6%
by residents outside Lebanon	\$624.2	\$483.5	29.1%
<b>Cash withdrawal (in US\$m)</b>			
by residents in Lebanon	\$3,675	\$3,417	7.5%
<i>% in Lebanese pounds</i>	<i>66.2%</i>	<i>67.3%</i>	
by non-residents in Lebanon	\$59.2	\$54.4	8.7%

Source: Central Bank of Lebanon, Byblos Research

### Islamic banking segment has potential to grow

The First Vice Governor of the Central Bank, Raed Charafeddine, indicated that the Lebanese market offers Islamic banks operating in the country the potential to grow, adding that they can seize this opportunity by raising awareness about the industry. He noted that the industry is at an early stage of development, and encouraged Islamic banks to disseminate information about the system's benefits and to offer products that are of interest to different segments of the customer base. In parallel, the Vice Governor said the Central Bank is studying the possibility of issuing Islamic bonds or Sukuks, and if they will add value to the Lebanese financial system. He noted, however, that the process is still at a very early stage and a decision in this regard will require a long period time. The regulatory framework for Islamic banks in Lebanon was established in 2004 through Law 575. There are four Islamic banks operating in Lebanon, including two Arab institutions, with assets accounting for just 1% of the assets of commercial banks operating in the country.

### **Number of tourists up 18% in first 10 months of 2010**

The number of incoming tourists to Lebanon totaled 1,851,922 in the first 10 months of 2010, constituting an increase of 17.6% from 1,574,490 tourists in the same period last year. Arab tourists accounted for 33.6% of total visitors and were followed by visitors from Europe with 22.4%, Asia with 21.9%, the Americas with 12.8%, Africa with 6.6%, and Oceania with 2.8%. The number of tourists reached 157,260 in October 2010, constituting an increase of 15.7% from 135,871 in October 2009. Tourists from Arab countries accounted for 35.1% of total visitors in October 2010, followed by visitors from Europe with 31.7%, Asia with 18.6%, the Americas with 9.5%, Oceania with 2.7% and Africa with 2.3%. Incoming tourists totaled 1.9 million in 2009, up 39% year-on-year and constituting the highest growth rate in the world in tourist arrivals last year.

### **Most tourists spending in Lebanon originates from Saudi Arabia, UAE and Kuwait in first 10 months of 2010**

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that visitors from Saudi Arabia spent the most in Lebanon in the first 10 months of 2010, accounting for 23% of total tourist spending. They were followed by visitors from the UAE with 11%, Kuwait with 10%, Syria with 8% and Egypt for 7%. Spending by visitors from Syria rose by 40% in the first 10 months of the year, followed by visitors from Egypt with 31%, Saudi Arabia (+28%), France (+25%), Jordan (+20%), the UAE (+11%), while visitors from Qatar decreased by 1% and visitors from Kuwait remained unchanged. Beirut attracted 82% of total spending over the covered period, followed by the Metn area with 13%, the Keserwan region with 2% and Baabda with 1%. Fashion & clothing accounted for 68% of total spending, followed by watches with 11%, home & garden products, perfumes & cosmetics and department stores with 4% each, souvenirs & gifts with 3%, and consumer electronics & household appliances and electronics & IT with 2% each. Spending on Electronics & IT increased by 35% in the first 10 months of the year, followed by spending on perfume & cosmetics with a 27% rise, fashion & clothing (23%), consumer electronics & household appliances (+22%), watches (20%), department stores (+14%), souvenirs & gifts (+6%) and home & garden products (+2%).

## Corporate Highlights

### Fransabank's profits up 43% to \$107m year-to-September

Fransabank sal, one of Lebanon's top 10 banks, announced consolidated net profits of \$106.7m in the first 9 months of 2010, up 42.7% from the same period last year. Net operating income rose by 31.7% in the first three quarters of the year to \$259.2m, with interest income increasing by 31.3% to \$185.6m and non-interest receipts growing by 37% to \$73m year-on-year. Also, operating expenditures increased by 20% to \$128.5m, with staff expenses increasing by 22% to \$79m. Total assets reached \$11.8bn at end-September 2010, constituting a 19% rise from end-September 2009 and a 9.2% rise from end-2009, while loans & advances to customers increased by 37.3% year-on-year and by 26.3% from end-2009 to \$2.9bn. Customer deposits totaled \$9.6bn at end-September, constituting an increase of 6% from end-2009 and a growth of 15% from a year earlier.

### BankMed's net income up 7% to \$82m in first 9 months of 2010

BankMed sal, one of Lebanon's top 10 banks, announced consolidated net profits of \$82m in the first 9 months of 2010, up 7.2% from the same period last year. Net operating income rose by 13% to \$236.7m, with net interest income rising by 23.6% to \$167m and non-interest receipts growing by 18% to \$87.8m year-on-year. Also, operating expenditures increased by 16.5% to \$145m, with staff expenses increasing by 12.4% to \$64.1m. Total assets reached \$11.6bn at end-September 2010, constituting a 9.6% rise from end-September 2009 and a 9.7% rise from end-2009, while loans & advances to customers increased by 18.2% year-on-year and by 26.6% from end-2009 to \$4bn. Customer deposits totaled \$9.2bn at end-September, constituting an increase of 13.6% from end-2009 and a growth of 14.1% from a year earlier.

### SGBL's profits increase by 45% to \$68m in first 9 months of 2010

Société Générale de Banque au Liban sal (SGBL) sal, one of Lebanon's top 10 banks, declared consolidated net profits of \$68m in the first 9 months of 2010, constituting an increase of 44.6% from the same period last year. Net operating income rose by 35.3% in the first three quarters of the year to \$151.4m, with net interest income increasing by 15.5% to \$84.6m and non-interest receipts growing by 95% to \$74.6m year-on-year. Also, operating expenditures increased by 25.3% to \$75.5m, with staff expenses increasing by 28.2% to \$43m. Total assets reached \$5.2bn at end-September 2010, constituting a 30.5% rise from end-September 2009 and an 8.3% rise from end-2009, while loans & advances to customers increased by 37% year-on-year but remained flat from end-2009 at \$1.4bn. Customer deposits totaled \$3.8bn at end-September, constituting a rise of 4.5% from end-2009 and a growth of 24% from a year earlier.

### BLC Bank's profits grow by 28% to \$33m year-to-September

BLC Bank sal, one of Lebanon's listed banks, announced unaudited net profits of \$32.8m in the first 9 months of 2010, up 28% from the same period last year. Net interest income rose by 32.1% to \$51.3m while net fee & commission receipts rose by 22.5% to \$10.67m and net interest on trading portfolio posted a \$0.23m loss compared to a \$2.5m gain in the same period last year. General administrative expenses increased by 15.8% to \$32.6m and staff costs increased by 16.6% to \$20.7m. Total assets reached \$3bn at end-September 2010 up 16.2% from end-2009 and 25.5% from September 2009, while loans & advances to customers increased by 31.3% from end-2009 and by 48% year-on-year to \$624.3m. The bank held \$64m in assets acquired in satisfaction of loans as at end-September, up from \$50m a year earlier. Customer deposits totaled \$2.48bn, an increase of 9.3% from end-2009 and of 17.5% from end-September 2009. Also, the bank's average return on assets reached 1.56% and its average return on equity reached 17% in September 2010. In August 2007, Fransabank acquired 97.52% of BLC Bank sal from the Qatari Supreme Council for Economic Affairs. It then sold a majority stake in BLC to the Maurice Sehnaoui Group in April 2008. BLC Bank's share price closed at \$1.67 on November 19, up 33.6% year-to-date.

### Profits of top 12 banks up 27% to \$1.2bn in first 9 months of 2010

The consolidated net profits of the Alpha Group of banks reached \$1.16bn in the first 9 months of 2010, constituting an increase of 27.4% 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 \$2.7bn, with aggregate net interest income increasing by 20.3% to \$1.85bn and non-interest receipts growing by 25.7% to \$939m year-on-year. Also, total operating expenditures increased by 16.1% to \$1.3bn, with staff expenses increasing by 16.1% to \$711m. Total assets reached \$129bn at end-September 2010, constituting a 15% increase from end-September 2009 and an 8.8% rise from end-2009, while aggregate loans & advances to customers rose by 26.5% year-on-year and by 21% from end-2009 to \$34.3bn. Customer deposits totaled \$107.1bn at end-September, constituting an increase of 9% from end-2009 and a growth of 15.5% from a year earlier.

## Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP <sup>(1)</sup> (\$bn)	25.0	29.9	34.5	
External Debt / GDP	84.9	70.7	61.6	(910)
Local Debt / GDP	83.2	86.5	86.5	(6)
Total Debt / GDP	168.1	157.3	148.1	(920)
Total External Debt / GDP	194	172	171	(100)
Trade Balance / GDP	(36.0)	(42.3)	(37.0)	530
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	21.7	23.1	140
Budget Expenditures / GDP	33.4	24.5	25.1	60
Budget Balance / GDP	(10.2)	(2.7)	(1.9)	80
Primary Balance / GDP	2.9	2.0	3.1	110
BdL FX Reserves / M2	59.4	67.5	71.2	370
M3 / GDP	239.3	229.6	237.9	830
Bank Assets / GDP	329.0	315.2	334.1	1,890
Bank Deposits / GDP	269.1	260.1	277.6	1,750
Private Sector Loans / GDP	81.7	83.7	82.2	(150)
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	June 2009	May 2010	June 2010	Change*	Risk Level
Political Risk Rating	57.0	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	57.5	61.0	61.0	▲	Moderate

Regional Average	June 2009	May 2010	June 2010	Change*	Risk Level
Political Risk Rating	65.1	64.8	64.8	▼	Moderate
Financial Risk Rating	41.5	41.7	41.7	▲	Very Low
Economic Risk Rating	34.6	38.3	38.4	▲	Low
Composite Risk Rating	70.6	72.4	72.4	▲	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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