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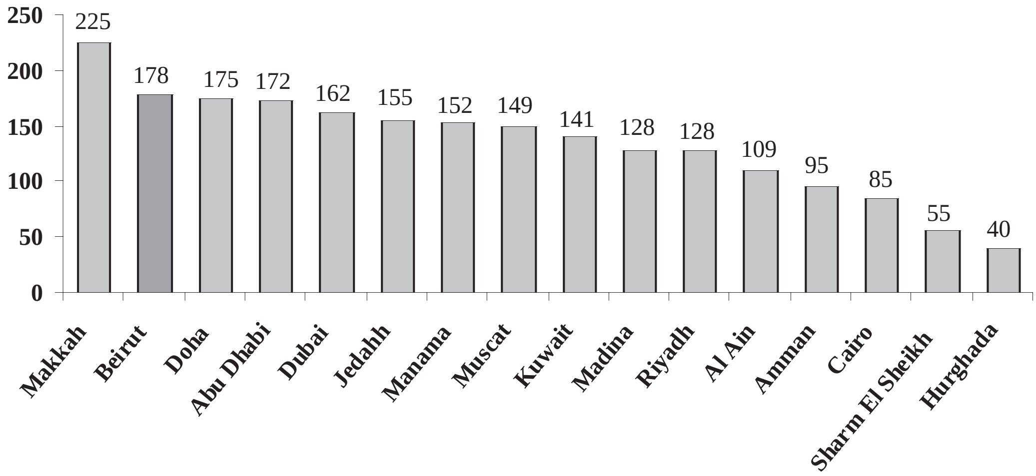
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

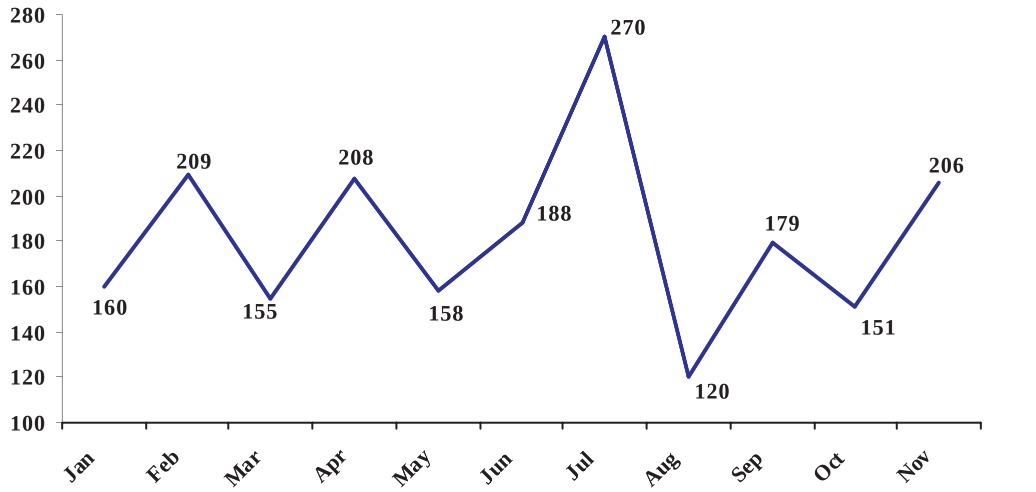
In This Issue

Charts of the Week

Average Room Yields at Arab Hotels in the First 11 Months of 2010 (US$)



Beirut Hotels Average Room Yields (US$)



Source: Ernst & Young

Quote to Note

"The situation will compound the already slow legislative process in the country, delaying again the implementation of much-needed tax, legal and economic reforms."

IHS Global Insight, assessing the preliminary cost of the political crisis on the Lebanese economy

Number of the Week

132: Number of days that were needed to form the the government of national unity that collapsed this week

Economic Indicators

$m *(unless otherwise mentioned)*	**2008**	**Oct 09**	**2009**	**August 10**	**Sep10**	**Oct 10**	**% Change***
Exports	3,478	327	3,486	312	290	435	33.03
Imports	16,133	1,291	16,241	1,449	1,310	1,486	15.10
Trade Balance	(12,655)	(964)	(12,755)	(1,137)	(1,020)	(1,051)	9.02
Balance of Payments	3,462	1,167	7,899	447	186	(185)	(115.85)
Checks Cleared in LBP	9,350	1,102	11,122	1,152	1,124	1,849	67.79
Checks Cleared in FC	43,174	4,600	45,270	4,470	4,037	4,526	(1.61)
Total Checks Cleared	52,524	5,702	56,392	5,622	5,161	6,375	11.80
Budget Deficit/Surplus	(2,921)	(190)	(2,960)	(358)	(472)	(460)	142.11
Primary Balance	597	210	1,078	(69)	(44)	(118)	(156.19)
Airport Passengers	4,085,334	388,771	4,986,544	578,452	550,421	417,378	7.36

$bn *(unless otherwise mentioned)*	**Dec 2008**	**Oct 09**	**July 10**	**August 10**	**Sep 10**	**Oct 10**	**% Change***
BdL FX Reserves	17.06	24.12	27.42	28.24	28.46	28.20	16.92
In months of Imports	*15.03*	*18.68*	*18.92*	*19.5*	*21.7*	*18.9*	*1.18*
Public Debt	47.02	49.90	51.00	50.18	50.85	51.13	2.46
Net Public Debt	41.49	43.74	44.13	44.4	44.64	44.93	2.72
Bank Assets	94.25	111.57	121.68	124.63	126.74	126.65	13.52
Bank Deposits (Private Sector)	77.78	92.44	100.12	102.72	103.85	104.18	12.70
Bank Loans to Private Sector	25.04	28.09	31.71	33.24	33.82	34.39	22.43
Money Supply M2	24.76	32.36	38.02	38.78	39.32	39.31	21.48
Money Supply M3	68.66	79.71	86.74	88.9	90.06	90.57	13.62
LBP Lending Rate (%)	9.95	9.32	8.37	8.05	8.11	8.15	(117b.p.)
LBP Deposit Rate (%)	7.22	6.86	5.83	5.72	5.70	5.72	(114b.p.)
USD Lending Rate (%)	7.47	7.28	7.03	7.04	7.24	7.08	(20b.p.)
USD Deposit Rate (%)	3.33	3.18	2.75	2.78	2.78	2.81	(37b.p.)
%* Change in CPI**	6.36	1.66	7.42	4.74	7.15	8.69	703b.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"	18.95	(1.76)	261,942	15.18%
Solidere "B"	18.99	(2.06)	148,548	9.92%
Byblos Common	1.85	0.00	451,020	5.23%
Byblos Priority	1.85	0.00	23,793	3.00%
Byblos Pref. 08	103.00	0.49	250	1.61%
BLOM GDR	10.52	1.64	109,329	6.02%
BLOM Listed	10.39	9.37	3,670	16.08%
Audi GDR	8.98	0.22	171,187	6.61%
Audi Listed	7.92	(2.22)	223,709	22.22%
HOLCIM	16.95	(1.63)	9,651	2.65%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
May 2011	7.875	101.69	2.73
Mar. 2012	7.500	104.75	3.30
Sep. 2012	7.750	106.88	3.39
June 2013	8.625	110.81	3.89
Apr. 2015	10.000	120.25	4.70
Jan. 2016	8.500	115.50	4.96
May 2016	11.625	127.50	5.30
Mar. 2017	9.000	119.25	5.30
Nov. 2018	5.150	99.50	5.23
Apr. 2021	8.250	116.50	6.06

Source: Byblos Capital Markets

	January 10-14	January 3-7	% Change	December 2010	December 2009	% Change
Total Shares Traded	1,407,625	1,300,007	8.28	3,399,412	3,174,705	7.1
Total Value Traded	$13,527,901	$10,695,122	26.49	$33,080,487	$49,395,829	(33.0)
Market Capitalization	$12.78bn	$12.71bn	0.61	$12.68bn	$12.84bn	(1.3)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Cabinet dissolution to complicate fiscal outlook, put upward pressure on interest rates

Barclays Capital considered that the dissolution of the government of national unity, and risks of disagreements over the formation of a new Cabinet, could complicate considerably the country's political and economic outlook and heighten uncertainty further. It did not express concern for the short term, but added that risks could increase should the deadlock remain prolonged and tensions rise further. Also, rising prices of food and fuel and recent calls by trade unions to raise wages suggest possible street protests.

Barclays indicated that the collapse of the government could complicate further the fiscal outlook. It said that problems in forming a new Cabinet could delay indefinitely the agreement on the 2011 budget and put on hold much-needed fiscal reforms both on the expenditures and revenues side, including plans for privatization. Also, a prolonged period of uncertainty and lack of reforms could put added upward pressures on the term structure of interest rates again, therefore reversing the recent reduction in the government's domestic borrowing cost. In parallel, it noted that the lack of a budget will likely keep the fiscal deficit in check by limiting spending to the mere payment of wages and interest on the debt. It warned, however, that a political deadlock marred by rising tensions is detrimental to economic growth, especially that Lebanon has a service-based economy. It noted that economic activity slowed in the second half of 2010, particularly in the last quarter, adding that further uncertainty could aggravate the situation. It estimated that the Finance Ministry needs to roll-over around $3.4bn of foreign currency debt this year. It expressed confidence that the caretaker Cabinet would be able to undertake a Eurobond exchange, and that local banks would roll over the maturities. It said that available liquidity and continued growth in deposits, though at a much lower rate due to base effects, would allow the banks to comfortably engage in rolling over the government's debt. In turn, this would keep any significant widening of Lebanese credit spreads contained, even if the negative political developments may lead to some nervousness among international investors.

Sudden crisis to affect investor sentiment and consumer confidence

Credit Suisse expected that the toppling of the Lebanese government will raise concerns about a possible deterioration in the security situation on the ground, which is likely to affect investor sentiment and prompt a slowdown in tourist arrivals until political tensions ease. It anticipated that the crisis' impact on the country's creditworthiness would be contained due to Lebanon's substantial foreign exchange reserves, equivalent to more than 10 months of imports of goods & services, and the long record of the country's financial system of successfully coping with political and security shocks. It added that Lebanon's key creditworthiness indicators, such as the ratio of foreign currency reserves to total imports, fiscal deficit-to-GDP ratio and the public debt-to-GDP ratio are close to their most favorable levels since the mid-1990s. It noted, however, that macroeconomic imbalances are still significant, and foreign holders of Lebanese assets are likely to be cautious until at least some clarity emerges on future political developments.

In parallel, regional investment bank EFG Hermes expected the recent political developments in Lebanon to result in a prolonged political conflict among the two political camps and did not foresee the formation of a new government in the near future. It did not expect the new conflict to escalate into violent confrontations, but did not rule out that possibility given the tense political situation. It noted that the government had been in a state of paralysis over the past few months, and that its resignation does not represent immediate downside risks to the country's economic growth. It cautioned, however, that economic activity would be more impacted by a decline in confidence given that Lebanon is predominantly a service-based economy that relies primarily on tourism and financial services. EFG Hermes had previously forecast real GDP growth rate of 5% in 2011, down from 6.5% in 2010, but currently sees more downside risks going forward.

Renewed political risks mitigated by improved fiscal and monetary metrics

Merrill Lynch indicated that the sharp and sudden deterioration of the political landscape in Lebanon is likely to take some time to resolve, especially if the crisis follows the scenario of the 2006-08 standoff, as structural political vulnerabilities come to the forefront and political risks increase. It said the risk-reward of holding Lebanese assets has deteriorated, but considered that downside risks are mitigated by a comfortable foreign currency reserve position, large banking sector liquidity, a substantial domestic investor base, likely light international investor positioning, and possible GCC financial support if necessary. It noted that the moderate economic slowdown that was evident in the fourth quarter of 2010 will continue and become more evident, while structural reforms are likely to be delayed further. It added that government expenditures may benefit given that last year's appropriations will be carried forward in the absence of a budget, but that tax revenue growth is likely to decrease. It considered that Lebanon is facing the crisis from a position of strength given the stellar economic performance of the past two years, as interest rate differentials with advanced economies remain high and should ensure continued deposit inflows. It also expected financial support from the GCC if needed, especially to guarantee the stability of the currency peg to the US dollar, therefore keeping debt default at a low risk.

Merrill Lynch added that Lebanon has successfully weathered past crises without significant damage due to its unique features and despite the high level of public debt that leads to solvency, liquidity and debt rollover concerns. It noted that domestic banks, which hold the majority of government paper, are liquid with low loan-to-deposit ratios of 54%, adequate capitalization levels of about 13% and primary foreign currency liquidity ratio of nearly 50%. Also, deposits of the non-financial sector, equivalent to 270% of GDP, are not volatile, while the Central Bank's assets in foreign currencies and gold reserves stand at 120% of GDP.

Lebanon in the News

JP Morgan reduces growth forecast after government collapse

JP Morgan reduced its forecast for real GDP growth in Lebanon to 4% in 2011 from an earlier forecast of 6% due to the deterioration in political conditions. It indicated that the government of national unity collapsed less than two years after its formation, causing renewed political turmoil that could paralyze the country. It anticipated political negotiations to form a new government to last a few months, therefore affecting the growth outlook this year. It said that growth was expected to slowdown anyway after the high performance of the 2008-10 period, and added that high frequency indicators confirm this trend. It noted that the improvement in economic conditions over the last two years will place the country in a better position to face the political turmoil, as foreign exchange reserves reached $31.2bn in November 2010 while the dollarization rate of deposits decreased to its lowest level in the previous decade. It also anticipated that the steady inflow of deposits, which was helped by high interest rate spreads, to remain supportive despite the expected slowdown. It added that the credibility of the currency peg will stay unshaken, given that the Central Bank has displayed skillful management of political turmoil and heightened periods of stress such as in the aftermath of the assassination of Prime Minister Rafiq Hariri and the 2006 war between Hezbollah and Israel.

Renewed political instability could severely affect confidence

Citigroup considered that that the impact of renewed political instability on Lebanon's economic and fiscal performance could be severe if confidence in Lebanon and in the rule of law in particular were to dissipate in the wake of the sudden rise in political risks following the collapse of the government of national unity. It noted a certain degree of complacency in the country about the risks associated with the current round of political tensions, given that political crises are common place in Lebanon. Further, it cautioned that market and economic indicators do not accurately reflect the country's underlying risk. It added that this complacency is due to the resilience that the Lebanese economy has demonstrated in the face of considerable political challenges. It said domestic deposit growth continued at a considerable pace throughout the decade despite the Hariri assassination, the war with Israel, and the domestic political turmoil of 2006-08. Further, real GDP growth recovered during the 2006-08 crisis to exceed 7% in 2007 and to reach around 9% in 2008 and 2009. It noted that this resilience is a measure of the confidence of the Lebanese people, Diaspora and regional investors, as well as being a reflection of the economic potential of the country.

Central Bank ready to defend currency

Central Bank Governor Riad Salameh declared that political uncertainty and instability is affecting the Lebanese markets through an increase in demand for foreign currencies. He stressed that the Central Bank will make sure that the country's currency remains stable and the government stays solvent. He stated that the Bank will intervene in the currency market to preserve the stability of the Lebanese pound and inject U.S. dollars to meet the rise in dollar demand. He added that the Bank can act and will act to maintain stability, and that it will intervene in the market when the need arises. In parallel, Governor Salameh expressed confidence about the stability of the Eurobond market, adding that non-resident holders of bonds are familiar with Lebanon's political and economic risks. The Central Bank intervened in the currency market last October and sold U.S dollars to absorb the rise in dollar demand that pushed the exchange rate outside its upper band. The move constituted the Bank's first market intervention in about two years. The Central Bank's assets in foreign currencies reached $30.6bn at the end of 2010, constituting an increase of 8.2% from $28.3bn at end-2009, but a decline of 3% from $31.5bn at the end of last September. Further, the value of the Central Bank's gold reserves increased by 29.3% year-on-year and by 7.4% in the fourth quarter to $13bn, reaching a new all-time high due to the rise in global gold prices.

United Nations to help demarcate Lebanon's maritime border

The United Nations expressed its willingness to assist Lebanon demarcate its maritime border with Israel to protect the country's gas reserves, adding that Lebanon has the right to benefit from its potential offshore oil and gas resources. The U.N. response followed a request by Lebanon for the international organization to protect the country's economic zone, after a large gas field was discovered by Israel off the Mediterranean coast. Last August, 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 for offshore gas exploration would take place in 2011. He said that the official announcement about tendering the exploration licenses and for qualified companies to submit their bid will be at the end of November 2011. 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.

Lebanon signs $49m loan to finance energy imports

The Arab Monetary Fund (AMF) extended to Lebanon a one-year $45m concessional loan to finance the government's oil and fuel imports. The loan, which carries a preferential interest rate of LIBOR plus 1%, is expected to help Lebanon reduce the cost of its petroleum imports. The use of the credit line is subject to the approval of the Cabinet, which has yet to ratify a previous credit line signed in December 2008. Lebanon imports all of its energy needs, and has seen the import bill soar in recent years with the jump of oil prices to record highs. Treasury transfers to Electricité du Liban totaled $1.06bn in the first 11 months of 2010, 95% of which is used to pay EDL's oil and fuel bills imports.

Lebanon in the News

Lebanon ranks 89th globally, 8th among Arab countries in economic freedom, economy upgraded to "mostly free" status

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2011, a broad indicator of economic freedom in 183 countries, ranked Lebanon in 89th place worldwide and in eighth place among 17 Arab countries. Lebanon also ranked in 27th place among the 34 Upper Middle Income countries (UMICs) included in the survey. Lebanon's global and regional rankings were unchanged from the 2010 index, but the survey upgraded Lebanon to the "moderately free" category this year from the "mostly unfree" category of economic freedom where it remained for more than 10 years. The index evaluates individual economies on the basis of 52 independent variables that were divided into 10 broad factors of economic freedom that are equally weighted. The factors are business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom.

Globally, Lebanon ranked ahead of the Dominican Republic, Zambia and Azerbaijan and came immediately behind Greece, Italy and Fiji. It also came ahead of Gabon, Argentina and Seychelles and behind Samoa, Croatia and South Africa among UMICs. Lebanon's level of economic freedom improved to 60.1%, up 0.6 percentage points from the previous year, and above the global level of economic freedom of 59.7%, but below the UMICs and Arab levels of 63.4% and 60.4% respectively. Lebanon's score increased slightly due to considerable gains in monetary and investment freedom that were somewhat offset by declines in property rights and freedom from corruption.

MENA Countries Rankings & Scores

Country	MENA Rank	Global Rank	Score
Bahrain	1	10	77.7%
Qatar	2	27	70.5%
Oman	3	34	69.8%
Jordan	4	38	68.9%
UAE	5	47	67.8%
Saudi Arabia	6	54	66.2%
Kuwait	7	61	64.9%
Lebanon	**8**	**89**	**60.1**%
Morocco	9	93	59.6%
Egypt	10	96	59.1%
Tunisia	11	100	58.5%
Djibouti	12	125	54.5%
Yemen	13	127	54.2%
Algeria	14	132	52.4%
Mauritania	15	134	52.1%
Syria	16	140	51.3%
Libya	17	173	38.6%

Source: Heritage Foundation, Byblos Research

Lebanon ranked ahead of Gabon and behind The Gambia globaly and came ahead of Syria and behind Kuwait regionally on the Business Freedom sub-index, which reflects the ability to create, operate, and close an enterprise quickly and easily. The survey noted that the overall freedom to establish and run a business in Lebanon remains limited by its regulatory environment, as the cost of starting a business is high and the process of closing a business is lengthy and costly. Lebanon also ranked ahead of Belarus and behind Kazakhstan globally and came ahead of Jordan and behind Yemen on the Trade Freedom sub-index. This category measures the absence of tariff and non-tariff barriers that affect imports and exports of goods and services.

Further, Lebanon ranked head of Cambodia and behind Singapore globally, while it came ahead of Egypt and behind Jordan regionally on the Fiscal Freedom sub-index, which measures the tax burden of government. The survey added that Lebanon has relatively low tax rates and that tax compliance is improving. Further, Lebanon ranked ahead of Jamaica and behind St. Vincent & the Grenadines on the Government Spending sub-index.

Lebanon ranked ahead of Mali and behind Chile on the Monetary Freedom sub-index, while it came behind Jordan and ahead of Mauritania in the Arab region. This category combines price stability with an assessment of price controls. The survey noted that Lebanon's score reflects measures that distort domestic prices. In parallel, Lebanon tied with 12 countries that include Cambodia, Benin and Greece on the Investment Freedom sub-index, which is an assessment of the free flow of capital. Regionally, it tied with Djibouti, came ahead of Oman and Kuwait and behind Egypt and Morocco.

Economic Freedom in Lebanon by Category

	Arab Rank	Global Rank	Lebanon Score	Change in Score	Arab Average	Global Average
Business Freedom	13	128	57.5%	↑	63.5%	64.3%
Trade Freedom	9	75	80.5%	↔	76.0%	74.8%
Fiscal Freedom	8	19	91.0%	↓	88.5%	76.3%
Government Spending	12	103	64.9%	↑	67.9%	63.9%
Monetary Freedom	3	59	77.7%	↑	73.6%	73.4%
Investment Freedom	5	62	60.0%	↑	46.2%	50.2%
Financial Freedom	2	38	60.0%	↔	47.1%	48.5%
Property Rights	15	139	25.0%	↓	40.6%	43.6%
Freedom from Corruption	14	132	25.0%	↓	38.6%	40.5%
Labor Freedom	10	98	59.0%	↑	61.6%	61.5%

Source: Heritage Foundation, Byblos Research

Lebanon in the News

Beirut and Monaco chambers sign cooperation deal

The Chamber of Commerce, Industry & Agriculture of Beirut & Mount Lebanon signed a cooperation agreement with the Monaco Chamber of Economic Development (CED) to increase bilateral trade and investment opportunities. The agreement aims to exchange information between the two chambers, to increase trade volumes and improve economic ties between companies, and to facilitate bilateral commercial activities. According to the CED, the trade volume between the Lebanon and Monaco increased by 250% in 2009, as Lebanese exports to Monaco reached €250,000 while imports from Monaco totaled €2.55m in 2009. In parallel, Monaco Telecom signed a cooperation agreement with two Lebanese television channels to expand their coverage to Monaco.

Lebanon and Syria sign tourism agreement

Tourism Minister Fadi Abboud signed with his Syrian counterpart a five-year tourism cooperation agreement between the two countries. The bilateral agreement covers the 2011-2015 period and is expected to help promote tourism through joint promotional campaigns and initiatives, staff-training programs and infrastructure developments. In parallel, Minister Abboud announced that the ministry will build a complex at the Masnaa crossing point on the Lebanese-Syrian border to provide services to tourists such as restaurants, banking outlets and health clinics. The project will be built on a 10,000 square meter property owned by the Finance Ministry.

Net public debt at $45bn at end-November 2010

Lebanon's gross public debt reached $51.8bn at the end of November 2010, constituting an increase of 1.22% from end-2009, and an increase of 2.6% from end-November 2009. Domestic debt increased by 5.2% to $30.9bn, while external debt decreased by 1.1% annually to $20.9bn. Local currency debt accounted for 59.7% of gross public debt at end-November 2010 compared to 58.2% a year earlier, while foreign currency-denominated debt represented 40.3% of the total at the end of November relative to 41.8% a year earlier. The weighted interest rate on outstanding Treasury bills was 7.75%, while the weighted interest rate on Eurobonds was 7.28% at the end of November. Further, the weighted life on Eurobonds was 4.89 years, while that on Treasury bills was 566 days.

Commercial banks accounted for 57.6% of the local public debt at the end of November 2010 compared to 60.3% a year earlier. They were followed by the Central Bank with 25.6%, up from 23.4% at end-November 2009; while public agencies, financial institutions and the general public accounted for 16.8% of local debt, up from 16.2% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.9% of the external debt, followed by multilateral institutions with 7%, foreign governments with 4.6%, and Paris II loans with 1.4%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 2.1% to $44.9bn. In parallel, the gross market debt accounted for about 68% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Coincident indicator up 7.5% in November 2010

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 266.7 points in November compared to 248 points in October and 242.7 points in November 2009. The Coincident Indicator, an average of 8 weighted economic indicators, rose by 7.5% in November, and increased by 9.9% year-on-year. The indicator averaged 248.2 points in the 12-months ending November 2010 compared to 246.2 points in the 12-months ending October 2010 and to 223.3 points in the 12-months ending November 2009. As a result, the average coincident indicator rose by 0.8% month-on-month and by 11.2% year-on-year. The indicator increased for the seventh time in 11 months this year, but only for the fourth time by more than one percentage point, and exceeded its previous all-time high of 264.5 points registered last March. Further, the month-to-month increase in November constituted the third highest month-to-month increase this year, and the second best improvement ever for the indicator for the covered month. In parallel, the indicator improved 13 times and regressed five times in the month of October since 1993. The indicator averaged 225.8 point in 2009 and 198.4 points in 2008.

European Commission's Macro-Financial Assistance to Lebanon expires

The Finance Ministry declared that the European Commission's €80m Macro-Financial Assistance to Lebanon has expired. The support was part of the European Commission's pledges at the Paris III donor conference held in January 2007. The support consisted of a €30m grant and €50m loan to the government. In parallel, the Italian Development Cooperation Office in Lebanon approved a one-year €2.5m national program to promote socio-economic development in Lebanon. The program, which would complement the national strategy of the Ministry of Social Affairs for social development, is expected to strengthen the country's Social Development Fund and support existing Social Development Centers. Further, European Union signed a four-year €10m agreement to strengthen and promote democracy and human rights in Lebanon. The program aims to support civil society in the socio-economic development of the country, protect migrant workers and female domestic workers, and support the reform of prisons.

Corporate Highlights

BLC bank to issue $40m in preferred shares

The Extraordinary General Assembly of BLC Bank sal held on July 7, 2010 approved an increase of the Bank's capital by $265,340 to $101.6m through the issuance of 400,000 Series A Preferred Shares at a par value of LBP1,000 ($0.66) and a nominal value of $100 per share. The shares are non-cumulative and will pay an annual dividend of between 6.5% and 7% per share, while the bank will have a call option after the fifth year of issuance. In parallel, the bank decided to list 133,333 common shares of its existing 152,700,000 total common shares on the Beirut Stock Exchange. It already has 51 million shares listed on the Beirut bourse. BLC Bank posted unaudited net profits of $32.8m in the first 9 months of 2010, up 28% from the same period last year. 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. Customer deposits totaled $2.48bn, an increase of 9.3% from end-2009 and of 17.5% from end-September 2009.

ATFP extends credit lines to BLOM Bank and BLC Bank

The Arab Trade Finance Program (ATFP) extended a line of credit worth $20m to BLOM Bank sal and a $4m credit line to BLC Bank sal in order to refinance trade transactions between Lebanon and other Arab countries. The ATFP was set up in 1990 by the Arab Monetary Fund to improve inter-Arab trade and has extended to 25 Lebanese banks and government institutions 130 lines of credit for an aggregate value of about $1.4bn. The ATFP program offers, through its financing scheme, a range of services to help strengthen and develop the volume of trade among Arab countries, to encourage exports, and to enhance the competitive capabilities of Arab producers and exporters.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP*(1)* ($bn)	25.0	29.9	34.9	
External Debt / GDP	84.9	70.7	60.9	(980)
Local Debt / GDP	83.2	86.5	85.5	(100)
Total Debt / GDP	168.1	157.3	146.4	(1,090)
Total External Debt / GDP	194	172	169.2	(280)
Trade Balance / GDP	(36.0)	(42.3)	(36.5)	580
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	21.7	22.9	120
Budget Expenditures / GDP	33.4	24.5	24.8	30
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	235.2	560
Bank Assets / GDP	329.0	315.2	330.2	1,500
Bank Deposits / GDP	269.1	260.1	274.4	1,430
Private Sector Loans / GDP	81.7	83.7	81.3	(240)
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	Oct 2009	Sep 2010	Oct 2010	Change*	Risk Level
Political Risk Rating	56.5	59.5	58.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	35.5	35.5	35.5	↔	Low
Composite Risk Rating	60.0	61.5	61.0	▲	Moderate

Regional Average	Oct 2009	Sep 2010	Oct 2010	Change*	Risk Level
Political Risk Rating	65.1	64.6	64.5	▼	Moderate
Financial Risk Rating	42.0	42.2	42.3	▲	Very Low
Economic Risk Rating	34.8	38.2	38.2	▲	Low
Composite Risk Rating	70.9	72.5	72.5	▲	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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605
Riad El Solh - Beirut 1107 2811 - Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A
Abu Roummaneh Head Office
Al Chaalan - Amine Loutfi Hafez Str.
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240 / 1 / 2 / 3 / 4
Fax: (+ 963) 11 3348207
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60,
Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457 / 9
Fax: (+ 964) 66 2233458
E-mail: iraqbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Karada - Salman Faeq Street
Facing Al Sheruk Building
P.O.Box: 3085 Al Elweyah - Iraq
Phone: (+ 964) 1 7177493
(+ 964) 1 7177294
E-mail: aabdelkader@byblosbank.com

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336400
Fax: (+ 971) 2 6338400
E-mail: byblosbankuae@byblosbank.com

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street
Yerevan, 37500 - Republic of Armenia
Phone: (+ 374) 10 530 362
Fax: (+ 374) 10 535 296

CYPRUS

Limassol Branch
1, Arch. Kyprianou / St. Andrew Street
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433 / 4 / 5
Fax: (+ 357) 25 367139
E-mail: bybloscyprus@byblosbank.com

BELGIUM

Byblos Bank Europe S.A
Bussels Head Office
10, Rue Montoyer
B-1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

ENGLAND

London Branch
Berkeley Square House - Suite 5
Berkeley Sq.
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 207 493 35 37
Fax: (+ 44) 207 493 12 33
E-mail: byblos.europe@byblosbankeur.com

FRANCE

Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+ 33) 1 45 63 10 01
Fax: (+ 33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa Ltd.
Khartoum - Sudan
El Amarat -Street 21
P.O.Box: 8121 El Amarat - Khartoum - Sudan
Phone: (+ 249) 183 566 444
Fax: (+ 249) 183 566 454
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
10-14 Bourdillon Road
Ikoyi, Lagos - Nigeria
Phone: (+ 234) 1 6653633
(+ 234) 1 8990799
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC
4, Avenue du Marche
C/Gombe, Kinshasa, Democratic Republic of Congo
Phone: (+ 243) 817 070701
(+ 243) 991 009001
E-mail: melamm@byblosbank.com.lb