



## LEBANON THIS WEEK

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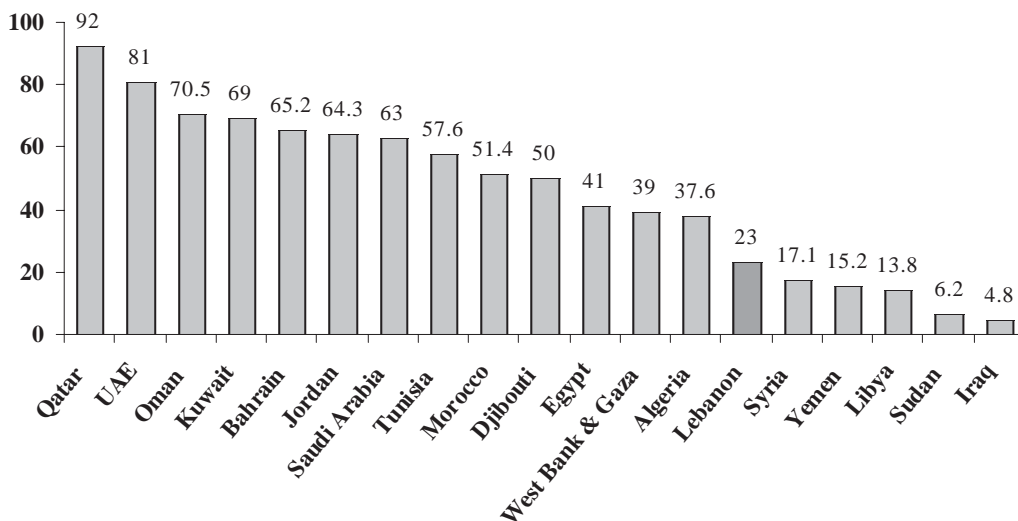
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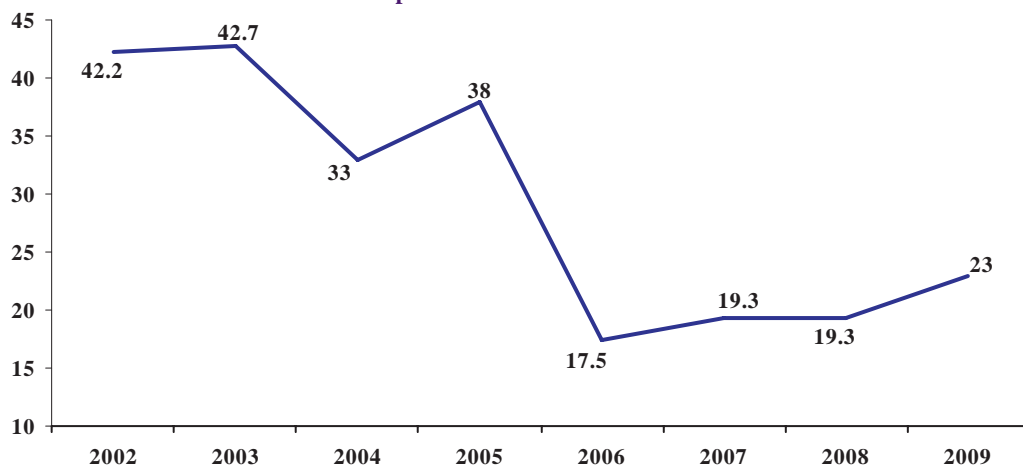
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### Charts of the Week

Control of Corruption Indicator of Arab Countries in Percentile Rank



Control of Corruption Indicator for Lebanon in Percentile Rank



Source: World Bank Governance Indicators

### Quote to Note

"We are ready to put at Lebanon's disposal our financial and technical resources to help the country face the current economic challenges."

*Dr. Mirza Hassan, Executive Director at the World Bank Group, on the bank's readiness to support reforms in Lebanon*

### Number of the Week

**70%:** Proportion of doctors in Lebanon whose monthly income is \$1,000 or less, according to Dr. Charaf Abu Charaf, head of the Beirut Order of Physicians

## Economic Indicators

\$m (unless otherwise mentioned)	2008	Nov 09	2009	Sep10	Oct 10	Nov 10	% Change*
Exports	3,478	339	3,486	290	435	316	(6.78)
Imports	16,133	1,581	16,241	1,310	1,486	1,811	14.55
Trade Balance	(12,655)	(1,242)	(12,755)	(1,020)	(1,051)	(1,495)	20.37
Balance of Payments	3,462	280	7,899	186	(185)	(673)	(340.36)
Checks Cleared in LBP	9,350	850	11,122	1,124	1,849	1,626	91.29
Checks Cleared in FC	43,174	3,752	45,270	4,037	4,526	4,048	7.89
Total Checks Cleared	52,524	4,602	56,392	5,161	6,375	5,674	23.29
Budget Deficit/Surplus	(2,921)	(179)	(2,960)	(472)	(460)	(328)	83.24
Primary Balance	597	101	1,078	(44)	(118)	(32)	(131.68)
Airport Passengers	4,085,334	380,342	4,986,544	550,421	417,378	467,131	22.82

\$bn (unless otherwise mentioned)	Dec 2008	Nov 09	July 10	Sep 10	Oct 10	Nov 10	% Change*
BdL FX Reserves	17.06	24.81	27.42	28.46	28.20	27.74	11.81
<i>In months of Imports</i>	15.03	15.69	18.92	21.7	18.9	15.3	(2.49)
Public Debt	47.02	50.46	51.00	50.85	51.13	51.77	2.60
Net Public Debt	41.49	44.01	44.13	44.64	44.93	44.92	2.07
Bank Assets	94.25	113.57	121.68	126.74	126.65	127.57	12.33
Bank Deposits (Private Sector)	77.78	94.06	100.12	103.85	104.18	105.02	11.65
Bank Loans to Private Sector	25.04	28.81	31.71	33.82	34.39	34.92	21.21
Money Supply M2	24.76	33.19	38.02	39.32	39.31	39.31	18.44
Money Supply M3	68.66	81.04	86.74	90.06	90.57	91.00	12.29
LBP Lending Rate (%)	9.95	9.13	8.37	8.11	8.15	7.98	(115b.p.)
LBP Deposit Rate (%)	7.22	6.81	5.83	5.70	5.72	5.68	(113b.p.)
USD Lending Rate (%)	7.47	7.25	7.03	7.24	7.08	6.96	(29b.p.)
USD Deposit Rate (%)	3.33	3.07	2.75	2.78	2.81	2.80	(27b.p.)
%* Change in CPI**	6.36	4.47	7.42	7.15	8.69	10.82	635b.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"	19.10	(2.30)	1,156,079	15.44%
Solidere "B"	19.00	(0.94)	411,224	9.98%
Byblos Common	1.90	(1.04)	920,896	5.52%
Byblos Priority	1.90	(1.04)	901,696	3.16%
Byblos Pref. 08	103.00	0.00	0	1.66%
BLOM GDR	10.03	0.30	65,100	5.99%
BLOM Listed	9.50	0.00	0	16.51%
Audi GDR	7.89	(0.13)	127,682	5.97%
Audi Listed	7.55	(0.66)	162,235	21.26%
HOLCIM	16.90	0.00	0	2.67%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
May 2011	7.875	100.88	4.11
Mar. 2012	7.500	103.75	3.85
Sep. 2012	7.750	105.38	4.08
June 2013	8.625	109.00	4.47
Apr. 2014	7.375	108.00	4.59
Jan. 2016	8.500	118.07	5.10
May 2016	11.625	113.32	5.36
Mar. 2017	9.000	116.13	5.81
Nov. 2018	5.150	96.25	5.76
Apr. 2021	8.250	115.50	6.16

Source: Byblos Capital Markets

	February 14-18	February 7-11	% Change	January 2011	January 2010	% Change
<b>Total Shares Traded</b>	1,092,611	742,982	47.06	5,322,427	12,057,977	(55.9)
<b>Total Value Traded</b>	\$4,257,017	\$7,944,441	(46.42)	\$47,601,150	\$961,719,141	(95.1)
<b>Market Capitalization</b>	\$12.37bn	\$12.46bn	(0.66)	\$12.66bn	\$12.65bn	0.1

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 134th globally, 97th among developing economies for its economic growth environment

Global investment bank Goldman Sachs ranked Lebanon in 134th place among 182 countries globally on its Growth Environment Scores index (GES) for 2010, up from 142nd place in 2009 but down from 85th place in 1997. It also ranked Lebanon in 97th place among developing countries, up from 104th place in the previous survey but down from 46th place in 1997. Lebanon also ranked in 18th place among 23 countries in the Middle East & North Africa (MENA) region, unchanged from the previous year and down from 9th place in 1997. Additionally, Lebanon came in last place among 43 Upper Middle Income Countries (UMICs) included in the survey, unchanged from 2009, but down from 22nd place in 1997.

The GES is a composite measure of economic growth conditions in 182 countries that summarizes the overall growth environment and that ranks countries according to their ability to achieve their growth potential. The GES consists of 13 indicators grouped in five broad categories of growth criteria that are equally weighted. The categories are Macroeconomic Stability that covers inflation, government deficit and external debt as a percentage of GDP; Macroeconomic Conditions such as investment rates and openness of the economy; Human Capital, including life expectancy and the level of education; Technological Capabilities such as penetration of personal computers, phones and the Internet; and Political Conditions as reflected by political stability, the rule of law and corruption.

Globally, Lebanon ranked ahead of Mauritania, Laos and Papua New Guinea and came behind Ghana, Egypt and Lesotho. It also ranked ahead of Belarus, Lithuania and South Africa and behind Namibia, Uruguay and Samoa among UMICs. Lebanon received a score of 4.1 points, up from 3.69 points in the previous year but down from 3.95 points in 1997. Lebanon's score was lower than the global average score of 5.25 points, the UMICs' average of 5.55 points, the developing economies' average of 4.75 points, the MENA average score of 5.2 points and the Arab average score of 5.2 points. The scores of 19 countries in the region improved year-on-year and 4 declined, while the ranks of 9 countries improved and 14 declined. Singapore posted the highest score in the world and Bahrain had the best score across developing economies.

### Labor Ministry introduces amendments to labor law

Labor Minister Boutros Harb introduced amendments to the labor law, which would bring the existing law in line with international labor principles and agreements. The amendments introduced marriage leaves, paternity leaves and leaves related to the death of a fourth degree relative. They also linked the duration of an employee's annual leave to his or her seniority in the organization. Further, they added new provisions for part-time workers and mandated that employers should pay trainees. In parallel, the General Labor Union rejected the new amendments and stated that the minister's proposal is against the interest of workers. It added that the amendments would allow employers to interpret certain articles their way, thus widening the gap between employers and employees. The union said it will file a direct complaint to the International Labor Organization given that the amendments violate international labor standards.

### TRA approved rights of way draft decree

The board of directors of the Telecommunication Regulatory Authority approved the rights of way draft decree which defines the conditions that determine the use of public goods, the procedures that govern access to such goods and the charges and fees that will prevail from their use. The decree allows telecommunication service providers to use public properties to excavate, install pipes and erect poles that carry the network. It also stipulates the right to perform necessary repairs by the providers when needed. The decree, which still needs the approval of the Council of Ministers, is expected to reduce the construction and operational costs of telecommunication networks as well as modernize the existing network. Articles 35 and 36 of Telecommunications Law 431/2002 granted specifically the access and use of both public and private property to the telecommunications sector.

### GES Scores & Rankings 2010

Country	Score	MENA	Global
		Rank	Rank
Bahrain	7.57	1	14
UAE	7.24	2	23
Qatar	7.02	3	30
Kuwait	6.49	4	43
Oman	6.34	5	47
Saudi Arabia	6.11	6	54
Israel	5.96	7	57
Jordan	5.85	8	61
Algeria	5.57	9	69
Morocco	5.46	10	78
Tunisia	5.45	11	79
Libya	5.14	12	93
Iran	5.08	13	96
Turkey	5.07	14	98
Djibouti	4.43	15	119
Syria	4.36	16	123
Egypt	4.22	17	132
<b>Lebanon</b>	<b>4.10</b>	<b>18</b>	<b>134</b>
Mauritania	4.05	19	135
Iraq	3.83	20	144
West Bank Gaza	3.82	21	145
Yemen	3.38	22	168
Sudan	3.14	23	173

Source: Goldman Sachs, Byblos Research

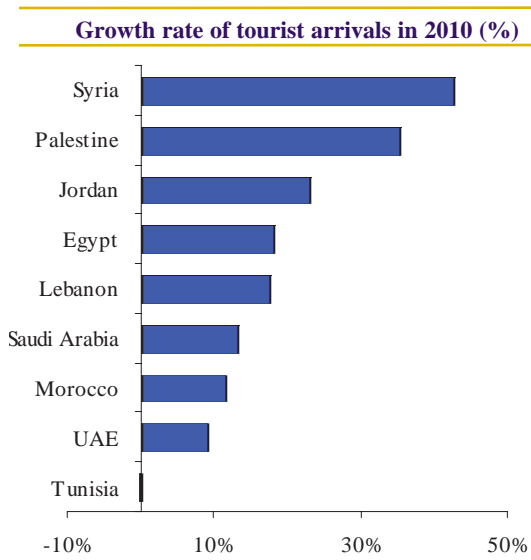
### Lebanon posts 22nd highest growth rate in tourist arrivals in the world in 2010

Preliminary figures issued by the United Nations World Tourism Organization indicate that Lebanon posted the 22nd highest growth rate in tourist arrivals in the world during 2010 with a 17.6% increase from the previous year. Lebanon ranks in 12th place worldwide when excluding countries with arrivals of less than two million tourists last year. In comparison, tourist arrivals grew by 6.7% globally, by 5.3% in advanced economies and by 8.2% in emerging markets. Regionally, tourist arrivals increased by 14% in the Middle East and rose by 5.8% in North Africa. They increased by 6.4% in Africa, grew by 3.2% in Europe, rose by 7.7% in the Americas, and expanded by 12.6% in Asia and the Pacific. Globally, Lebanon tied with Bosnia & Herzegovina, ranked ahead of Papua New Guinea and Kiribati that posted growth rates of 17.5% each, and came behind Egypt that posted a 17.9% increase in tourist arrivals. Regionally, Lebanon was the fifth fastest growing tourism market, coming ahead of Saudi Arabia that posted a rise of 13.3% in tourist arrivals, Morocco (11.5%), the UAE (9%), Turkey (5.8%), Cyprus (1.8%), and Tunisia (-0.3%). Lebanon was preceded by Egypt (17.9%), Jordan (23%), Palestine (35.3%), and Syria (42.5%). Lebanon was the fastest The World Tourism Organization projected tourist arrivals to grow between 4% and 5% globally and by 7% to 10% in the Middle East in 2011. In parallel, the WTO said tourism receipts in Lebanon totaled \$6.8bn in 2009, up 16.4% from 2008 and constituting the second highest growth rate in the Arab world and the highest when excluding countries with tourism receipts of less than \$1bn. Further, Lebanon ranked in 34th place globally in terms of tourism receipts in 2009, behind Taiwan (\$6.81bn) and ahead of Morocco (\$6.6bn); while it ranked third regionally behind Egypt (\$10.8bn) and the UAE (\$7.4bn).

Figures issued by the Ministry of Tourism show that the number of incoming tourists to Lebanon totaled 2,167,989 in 2010. Arab tourists accounted for 34.6% of total visitors and were followed by visitors from Europe with 22.9%, Asia with 21.2%, the Americas with 12.5%, Africa with 5.9%, and Oceania with 2.8%. Lebanon posted the highest growth rate in tourist arrivals in the world during 2009 with a 39% increase from the previous year.

### Carlos Slim Helu to establish \$50m foundation in Lebanon

Mexican businessman of Lebanese origin Carlos Slim Helu announced plans to establish a non-profit organization in Lebanon with a capital of \$50m. The foundation's priorities will be to provide access of information & communication technology services to the youth of Lebanon, as well as to preserve the heritage of Lebanese poet Gebran Khalil Gebran. The foundation will also promote and support various social and cultural issues of interest. *Forbes* magazine's annual survey of the world's billionaires ranked Mr. Slim Helu as the wealthiest man in the world in 2010 with a fortune of \$53.5bn, ahead of Bill Gates and Warren Buffett. Mr. Slim is likely to retain his rank on top of the *Forbes* list in 2011, as his publicly disclosed holdings surged about 37% to \$70bn in 2010, with wireless carrier America Movil SAB representing \$48.9bn of this wealth. According to Bloomberg, Mr. Slim's best-performing asset last year was holding company Grupo Carso SAB, whose shares almost doubled as it prepared for this year's spin-off of its mining operations amid soaring gold and silver prices. The mining spin-off, Minera Frisco SAB, listed on Mexico's stock market on January 6 and has gained 80% since then. Also, America Movil shares rose 15% in 2010 as the number of Latin American mobile-phone owners neared 100% of the population. His biggest loss came from a stake in publisher New York Times Co., which fell by 21%. Mr. Slim built his fortune by buying real estate and assets such as a bottling company and a cigarette maker during periods of economic crisis in Mexico. His move to take control of telecom firm Telmex in a 1990 privatization sale helped catapult him into the ranks of the world's richest people. Mr. Slim and his family control 42% of America Movil's shares. They also hold stakes of 79% in Grupo Carso and 55% in Grupo Financiero Inbursa SAB, a financial services company that has tripled its branches since the end of 2008.



Source: United Nations World Tourism

### Use of hotels and furnished apartments in Lebanon exceed two million nights, spending down 38% to \$126m in 2010

Figures compiled by the Ministry of Tourism show that a total of 877,909 persons used hotels and furnished apartments in Lebanon and spent 2,106,277 nights in such facilities in 2010, constituting increases of 14.1% and 7.7%, respectively, from 2009 figures. As a result, clients stayed an average of 2.4 nights per person last year compared to 2.54 nights in 2009, 2.29 nights in 2008, 2.23 nights in 2007 and 2.46 nights per person in 2006. The 2010 figures constitute a new peak in visitors and nights spent, but reflect a slowdown in growth from 2009, when the number of persons who used hotels and furnished apartments grew by 21.2% and the number of nights spent increased by 34.7%. Visitors came from 166 countries and spent a total of \$126.4m in 2010 on lodging in hotels and furnished apartments, a decline of 38% from \$203.4m in 2009, and compared to \$87m in 2008, \$59m in 2007 and \$69m in 2006. Arab nationals, including Lebanese citizens, accounted for 69.8% of total clients and of 64.5% of aggregate nights in 2010, down from 73.4% of total clients and 70.2% of aggregate nights in 2009, and 74.4% of total clients and 70.6% of aggregate nights spent in 2008.

### Length of Stay of Top 10 Countries

Country	Total nights	Average night per person
Lebanon	379,973	2.22
Saudi Arabia	232,678	2.16
Jordan	124,752	2.01
Kuwait	122,424	2.16
Iraq	111,789	2.31
Syria	92,782	2.00
France	70,180	1.95
UAE	87,306	2.50
Egypt	72,870	2.10
United States	60,959	2.33

Source: Ministry of Tourism, Byblos Research

The distribution of clients by country at hotels and furnished apartments indicates that Lebanon accounted for 171,409 clients, or 19.5% of the total, down from 23.5% in 2009. It was followed by Saudi Arabia with 107,888 clients (12.3%), Jordan with 61,917 (7.1%), Iraq with 56,801 (6.5%), Syria with 48,348 (5.5%) and Kuwait with 46,482 (5.3%). Lebanon accounted for 18% of the total number of nights spent, up from 16.7% in 2009, followed by Saudi Arabia with 11%, Jordan with 5.9%, Iraq with 5.8%, and Syria with 5.3%. The length of stay per person for Arab nationals shows that nationals from Morocco stayed an average of 8.66 nights per person, followed by Libya (3.46), Tunisia (3.27), Oman (3.24), Algeria (2.81), Yemen (2.56), Sudan (2.52), Bahrain (2.32), Syria (2.31), Qatar (2.27), Iraq (2.16), Saudi Arabia (2.16), Egypt (2.1), Jordan and Kuwait (2 each). The report has separate entries for Abu Dhabi and Dubai where nationals from Abu Dhabi totaled 816 and spent 1.76 nights per person, and those from Dubai reached 1,761 and spent 1.73 nights per person. In parallel, the length of stay per person for non-Arab visitors shows that nationals from Belarus stayed an average of 40.7 nights per person, followed by Moldova (32.53), Uzbekistan (19.81), Ukraine (13.6), Kirgizstan (11.6) and Nicaragua (8). The top 5 countries accounted for 50.8% of clients and 46.1% of total nights spent, while the top 10 countries accounted for 71.1% of clients and 64.4% of total nights spent in 2010.

### Beirut Port revenues up 6% in 2010 despite drop in activity

Figures released by the Beirut Port Authority show that the port's revenues improved in 2010 despite a slowdown in activity. Total revenues reached nearly \$3bn in 2010, constituting an increase of 5.8% from \$2.8bn in the previous year. The distribution of revenues shows that direct port revenues increased by 1.4% to \$165.8m in 2010, customs revenues rose by 4.3% to \$1.7bn in 2010, and revenues from the value-added tax grew by 9% to \$1.1bn in 2010. In parallel, a total of 2,285 ships used the port, reflecting a 4.6% decrease from 2009, while the total number of containers declined by 4.6% to 949,155. Imported containers accounted for 49% of the total. Further, the volume of goods shipped through the port reached 6.5 million tons last year, up 2.3% from the previous year, with imported goods accounting for 87% of the total.

### Port of Beirut Activity

	2010	2009	Change (%)
Number of ships	2,285	2,395	-4.6%
<b>Total goods (million tons)</b>	<b>6.5</b>	<b>6.3</b>	<b>3.2%</b>
Imported goods	5.6	5.7	-1.8%
Exported goods	0.82	0.67	22.6%
<b>Total cargo containers</b>	<b>949,155</b>	<b>994,601</b>	<b>-4.6%</b>
Imported containers	466,329	484,874	-3.8%
Exported containers	462,145	488,651	-5.4%
Restacked containers	20,681	21,076	-1.9%
<b>Total revenues (\$m)</b>	<b>2,996</b>	<b>2,832</b>	<b>5.8%</b>
Port revenues	166	164	1.4%
Tariff revenues	1,694	1,624	4.3%
Revenues from VAT	1,132	1,040	8.9%
Port management revenues	4.2	4.1	2.4%

Source: Al Bayan

### Lebanon ranks 149th globally, third regionally in per capita alcohol consumption

Figures released by the World Health Organization (WHO) indicate that Lebanon ranked in 149th place among 193 countries around the world and in third place among 20 countries in the Middle East and North Africa & Pakistan (MENAP) region in terms of adult alcohol consumption per capita. The WHO defines alcohol consumption per capita as the recorded alcohol consumption from production, imports, exports and sales, as well as unrecorded consumption which includes informally produced and home-made alcohol, smuggled alcohol, or alcohol obtained through cross-border shopping. The WHO based its findings on 2005 data, the latest available figures.

Globally, Lebanon ranked ahead of Brunei Darussalam, Togo and Djibouti and came behind Benin, Tuvalu and Nepal, while it ranked only behind Sudan and Bahrain among MENAP countries. Lebanon's adult alcohol consumption per capita was 2.21 liters of pure alcohol in 2005, below the global average of 6.13 liters and the Upper-Middle Income Countries' average of 9.46 liters, but above the MENAP average of 0.67 liters. Moldova had the highest adult alcohol consumption per capita in the world at 18.2 liters of pure alcohol in 2005, while Afghanistan had the lowest consumption level at zero liters. Lebanon's recorded adult per capita alcohol consumption was 1.71 liters of pure alcohol and its unrecorded alcohol consumption was 0.5 liters. Also, spirits accounted for 46% of Lebanon's recorded adult alcohol consumption in 2005, followed by wine with 33% and beer with 21%.

The WHO classified 47.1% of Lebanon's adult population as abstainers, with 43.3% as lifetime abstainers and 3.8% as former drinkers, compared to a global average of 45% and a regional average of 87.8%. Also, females accounted for 54.2% of overall abstainers in Lebanon, below the global average of 55% and the MENAP average of 93.4%, while males accounted for 31.6% of total abstainers, below the global average of 34.9% and the MENAP average of 82.4%.

Further, adult alcohol consumption per capita in Lebanon averaged 2.23 liters of pure alcohol during the 2003-05 period, ranking Lebanon in third place regionally. The WHO considered as 'stable' Lebanon's recorded per capita alcohol consumption of 1.75 liters between 2001 and 2005, while it assigned Lebanon a score of 3 for its patterns of drinking on a scale of 1 (least risky drinking pattern) to 5 (most risky drinking pattern).

#### Adult Alcohol Consumption in 2005

	Per capita consumption	MENAP Rank	Global Rank
Bahrain	3.6	1	125
Sudan	2.6	2	143
<b>Lebanon</b>	<b>2.2</b>	<b>3</b>	<b>149</b>
Djibouti	1.9	4	152
Morocco	1.5	5	157
Syria	1.4	6	158
Tunisia	1.3	7	160
Qatar	1.3	8	161
Iran	1.0	9	163
Oman	0.9	10	165
Jordan	0.7	11	171
UAE	0.5	12	176
Somalia	0.5	13	177
Iraq	0.4	14	179
Egypt	0.4	15	180
Saudi Arabia	0.3	16	182
Yemen	0.2	17	184
Libya	0.1	18	185
Kuwait	0.1	19	186
Pakistan	0.1	20	188

Source: World Health Organization

### **Stress tests confirm banking sector's resiliency, Central Bank urges more scrutiny of transactions**

Central Bank Governor Riad Salameh indicated that stress tests conducted on commercial banks operating in Lebanon highlighted the banking sector's ability to face any difficulties or developments that may arise. He also encouraged banks to retain their 2010 profits, which would raise their capital base and improve their resiliency. He expressed hope that the Association of Banks in Lebanon would play a role in this issue, so that the Central Bank would not have to issue circulars in this regard.

In parallel, Governor Salameh indicated that the Central Bank has started its own investigation into the U.S. Department of the Treasury's allegations against the Lebanese Canadian Bank sal (LCB), and that it would take the appropriate measures. He noted that, normally, a bank would notify the Special Investigation Commission against money laundering in case of suspicious cash transactions. Last week, the U.S. Treasury identified the LCB and its subsidiaries as a financial institution of primary money laundry concerns due to the bank's alleged role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. It added that the network has used accounts at the bank to launder hundreds of millions of dollars monthly. LCB denied any involvement and affirmed it would fully cooperate with the authorities. The governor also emphasized that banks must review regularly their lists of clients and conduct know-you-customer procedures more frequently, and that they should notify authorities of any suspicious accounts or transactions. Further, he stressed on the need for commercial banks to strictly follow and implement the rules and regulations related to their dealings with foreign exchange bureaus in order to identify the checks' owners and the sources of cash deposited at banks. Last week, Governor Salameh declared that LCB is in compliance with Lebanese and international anti-money laundering regulations, and with the circulars issued by the Central Bank and the Special Investigation Commission against money laundering.

### **Lintel Holding divests telecom contracting subsidiary, will focus on DRC operations**

The Lebanese-owned telecommunications group Lintel Holding announced the sale of its telecom contracting subsidiary Linfra to IPI Group, a telecommunications services provider. Linfra was established in Lebanon in 1991 and covers the Middle East, GCC and various African countries. It has branches in Saudi Arabia, Syria, Iraq, Morocco, Algeria, Nigeria, and South Africa. Lintel said the sale is in line with the group's strategy to focus on its mobile operator division, especially with the planned launch of the group's third operation in the Democratic Republic of Congo before the end of 2011. It added that the launch of the DRC operation will require its full efforts, especially in view of the country's size and existing competition. The Lintel group of companies provides GSM telecom services through fully or partially-owned companies in West Africa. It operates in Africa through Africell Gambia and Africell Sierra Leone. According to Lintel, both operators are market leaders with market shares of 65% and 60%, respectively, and a combined number of over 1.8 million active subscribers. The group said its consolidated revenues exceeded \$100m in 2010.

### **Internet Service Providers sue Telecom Ministry**

Internet Service Providers (ISP) Cedarcom sal and Broadband Plus filed a lawsuit against the Ministry of Telecommunication for prohibiting the two companies from providing DSL services in Lebanon. Cedarcom stated that the company installed and deployed DSL equipments across Lebanon in preparation of the sector's DSL launch in 2007, as stipulated by the 2006 Memorandum of Understanding between the ministry, Ogero and a number of private ISPs. It said, however, that Ogero refused to connect the equipments to Lebanon's local network, making Cedarcom the only company not to be connected and resulting in hundreds of thousands of dollars in losses. Also, Broadband Plus noted that it planned to provide Internet services through Ogero but was not allowed to offer such services.

### **ABL signs a cooperation agreement with Jordanian counterpart**

The Association of Banks in Lebanon (ABL) and the Association of Banks in Jordan signed a cooperation agreement to promote and strengthen cooperation between the two sides. The agreement aims to improve the level of cooperation between the Lebanese and Jordanian banking sectors through, among others, joint initiatives, the exchange of information and sharing of economic and financial data. There are three Lebanese banks with a direct presence in Jordan, and two Jordanian banks with operations in Lebanon.

## Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP <sup>(1)</sup> (\$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	Stable	B	B	Stable
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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**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](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://www.byblosbank.com)**

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# 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