



LEBANON THIS WEEK

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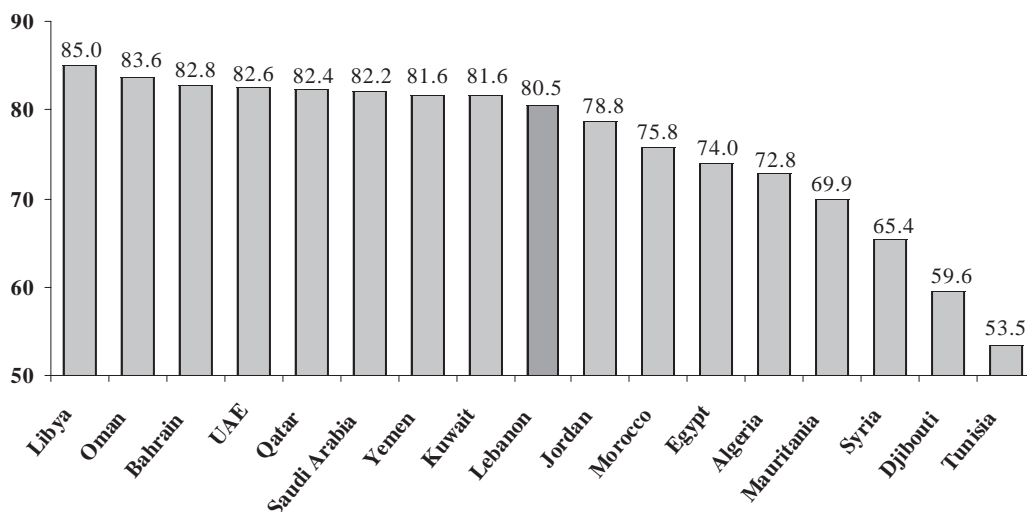
Fransabank's profits up 40% to \$146m in 2010

BankMed's net income up 17% to \$106m in 2010

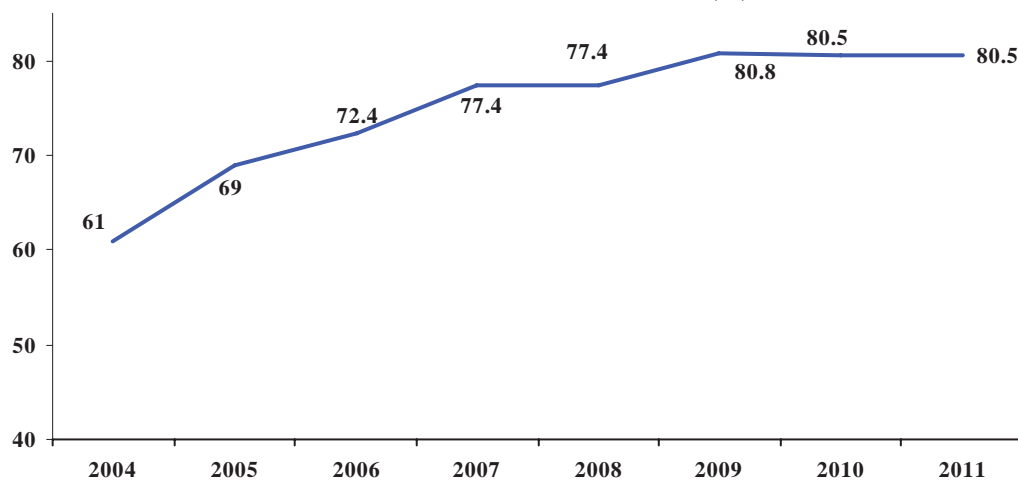
SGBL's profits increase by 22% to \$86m in 2010

Charts of the Week

Trade Freedom Level of Arab Countries in 2011 (%)



Trade Freedom Level of Lebanon (%)



Source: Heritage Foundation/ Wall Street Journal

Quote to Note

"There is no intention whatsoever to target the Lebanese banking sector."

Central Bank Governor Riad Salameh, after getting confirmation from the U.S. Treasury Department that its decision to identify a Lebanese bank as a financial institution of 'primary money laundering concerns' is not aimed at the entire sector

Number of the Week

4: Lebanon's rank on *The Economist* magazine's Arab League Index of Unrest, in terms of countries least likely to undergo regime change

Economic Indicators

\$m (unless otherwise mentioned)	2008	Dec 09	2009	Oct 10	Nov 10	Dec 10	% Change*
Exports	3,478	364	3,486	435	316	487	33.79
Imports	16,133	1,380	16,241	1,486	1,811	1,470	6.52
Trade Balance	(12,655)	(1,016)	(12,755)	(1,051)	(1,495)	(983)	(3.25)
Balance of Payments	3,462	1,610	7,899	(185)	(673)	1,243	(22.80)
Checks Cleared in LBP	9,350	1,061	11,122	1,227	1,079	1,278	20.45
Checks Cleared in FC	43,174	4,756	45,270	4,526	4,048	4,370	(8.12)
Total Checks Cleared	52,524	5,817	56,392	5,753	5,127	5,648	(2.91)
Budget Deficit/Surplus	(2,921)	(368)	(2,960)	(460)	(352)	(62)	(83.15)
Primary Balance	597	72	1,078	(118)	(32)	276	283.33
Airport Passengers	4,085,334	738,211	4,986,544	417,378	467,131	369,735	(49.91)

\$bn (unless otherwise mentioned)	Dec 2008	Dec 09	Sep 10	Oct 10	Nov 10	Dec 10	% Change*
BdL FX Reserves	17.06	25.66	28.46	28.20	27.74	28.60	11.46
<i>In months of Imports</i>	<i>15.03</i>	<i>18.59</i>	<i>21.7</i>	<i>18.9</i>	<i>15.3</i>	<i>19.4</i>	<i>4.36</i>
Public Debt	47.02	51.09	50.85	51.13	51.77	52.59	2.94
Net Public Debt	41.49	44.11	44.64	44.93	44.92	45.01	2.04
Bank Assets	94.25	115.25	126.74	126.65	127.57	128.93	11.87
Bank Deposits (Private Sector)	77.78	95.77	103.85	104.18	105.02	107.20	11.93
Bank Loans to Private Sector	25.04	28.37	33.82	34.39	34.92	34.93	23.12
Money Supply M2	24.76	34.16	39.32	39.31	39.31	39.40	15.34
Money Supply M3	68.66	82.08	90.06	90.57	91.00	92.15	12.27
LBP Lending Rate (%)	9.95	9.04	8.11	8.15	7.98	7.91	(113b.p.)
LBP Deposit Rate (%)	7.22	6.75	5.70	5.72	5.68	5.68	(107b.p.)
USD Lending Rate (%)	7.47	7.28	7.24	7.08	6.96	6.74	(54b.p.)
USD Deposit Rate (%)	3.33	3.05	2.78	2.81	2.80	2.80	(25b.p.)
%* Change in CPI**	6.36	4.20	7.15	8.69	10.82	10.65	645b.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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	18.70	(2.09)	61,658	15.55%	May 2011	7.875	100.56	5.18
Solidere "B"	18.83	(0.89)	43,504	10.18%	Mar. 2012	7.500	103.75	3.82
Byblos Common	1.90	0.00	120,451	5.68%	Sep. 2012	7.750	105.38	4.06
Byblos Priority	1.89	(0.53)	5,000	3.24%	June 2013	8.625	109.00	4.47
Byblos Pref. 08	103.00	0.00	0	1.71%	Apr. 2014	7.375	108.00	4.59
BLOM GDR	9.98	(0.50)	7,993	6.13%	Jan. 2016	8.500	118.00	5.12
BLOM Listed	9.00	(5.26)	43,989	16.09%	May 2016	11.625	113.00	5.43
Audi GDR	7.83	(0.76)	44,250	6.10%	Mar. 2017	9.000	115.88	5.85
Audi Listed	7.03	(6.89)	25,301	20.38%	Nov. 2018	5.150	97.00	5.64
HOLCIM	16.51	(2.31)	465	2.68%	Apr. 2021	8.250	115.00	6.23

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

Source: Byblos Capital Markets

	February 21-25	February 14-18	% Change	January 2011	January 2010	% Change
Total Shares Traded	368,691	1,092,611	(66.26)	5,322,427	12,057,977	(55.9)
Total Value Traded	\$3,838,722	\$4,257,017	(9.83)	\$47,601,150	\$961,719,141	(95.1)
Market Capitalization	\$12.02bn	\$12.37bn	(2.83)	\$12.66bn	\$12.65bn	0.1

Source: Beirut Stock Exchange (BSE)



Merrill Lynch forecast economic growth at 6% in 2011, political instability is main risk to the outlook

Merrill Lynch estimated real GDP growth in Lebanon at 8% in 2010 and projected economic activity to expand by 6% in 2011. It said growth is likely to slow down this year, despite the relative decline in political uncertainty with the designation of Nagib Mikati as the prime minister. It expected the moderate economic slowdown that was evident in the fourth quarter of 2010 to continue and further take hold if political tensions do not decline significantly. It said the slowdown was evident, as the coincident indicator increased by 6.2% annually in December and deposits grew by 12% year-on-year in November, constituting declines from annual growth rates that peaked at above 20% in early 2010. It noted, however, that economic growth is still coming from a strong base, as real GDP grew by 9% on average over the last three years, led by a construction boom, a surge in tourist arrivals and a buoyant retail sector. It noted that the strong cyclical recovery has supported public finances and external balances, but the lack of political consensus has prevented the implementation of meaningful reforms.

Merrill Lynch considered that political instability constitutes the main risk to the economic and financial outlook. It said that reactions to the verdict of the Special Tribunal for Lebanon may destabilize politics further, slow deposit growth, and increase dollarization rates. It added that the real estate sector may be the most affected sector from a sudden stop in capital inflows. It indicated that the political stand-off will further delay the adoption of a budget and the implementation of structural reforms aimed at tackling the high level of the public debt. As such, it expected a slowdown in tax revenue growth, but anticipated expenditures to be kept in check, given that last year's appropriations will largely carry forward. It added that the capital expenditure increases that were included in the 2010 budget will continue to be deferred without a functioning government and a ratified budget. Still, it noted that the fiscal balance has improved due to the strong economic performance over the 2008-10 period, and estimated the fiscal deficit to have declined from 9% of GDP in 2009 to 8.5% of GDP in 2010, and for the primary surplus to have declined from 3.1% of GDP in 2009 to 1.2% of GDP in 2010. But it forecast the primary surplus to further decline to 1% of GDP and for the fiscal deficit to widen again to about 9% of GDP in 2011. It projected the public debt to reach 131% of GDP at the end of 2011, down from 133% of GDP at end-2010.

In parallel, Merrill Lynch said the financial sector continues to mitigate risks as domestic banks, which hold the bulk of government paper, are liquid with low loan-to-deposit ratios. It added that the Central Bank can meet foreign currency demand of the non-financial sector, as its foreign currency reserves stand at \$31.6bn and gold reserves at \$12.7bn. It noted that the political instability of January resulted in an increase in the dollarization rate of deposits by two percentage points to 65%, but there were no net deposit outflows from the banking sector.

Country Forecast Summary				
	2009	2010E	2011F	2012F
Real GDP growth (% yoy)	9.0	8.0	6.0	5.5
CPI inflation (% yoy, avg.)	3.4	4.7	5.3	5.0
External Sector				
Current account balance (% of GDP)	(10.7)	(10.8)	(10.3)	(10.5)
Current account balance (\$bn)	(3.7)	(4.2)	(4.5)	(5.1)
Trade balance (\$bn)	(11.2)	(13.6)	(14.7)	(13.5)
International reserves (\$bn)	28.7	32.6	34.5	34.0
Public Sector				
Primary fiscal balance (% of GDP)	3.1	1.2	1.0	2.0
Fiscal balance (% of GDP)	(8.9)	(8.5)	(9.0)	(8.0)
Debt Indicators				
Gross external debt (% of GDP)	177.1	166.5	158.3	152.6
Public (% of GDP)	61.7	58.0	54.0	53.0
Private (% of GDP)	115.4	108.5	104.3	99.6
Gross government debt (% of GDP)	148.5	133.2	130.8	129.0
Domestic (% of GDP)	86.8	75.2	76.8	76.0
External (% of GDP)	61.7	58.0	54.0	53.0

Source: Merrill Lynch, February 2011

Lebanon is 58th largest market for U.S. exports, key exports include fuel and machinery in 2010

The United States Department of Commerce's 2011 Country Commercial Guide for Lebanon (CCG) highlighted the country's favorable investment climate and its liberal economic system, but said that red tape and an unpredictable operating environment are some of the issues hurting Lebanon's image as a country open for investment. It said the country has very few restrictions on the movement of capital across its borders, foreign investors are allowed to manage and hold business and private assets without any restrictions, and the government does not require investors to engage in any particular sector or project. The guide indicated that corruption is more extensive in government contracts, taxation and real estate registration than in private sector deals and that Lebanon is not a signatory of the OECD convention on combating bribery.

The U.S. Department of Commerce said Lebanon was the 58th largest market for U.S. exports in 2010, up from 64th biggest in 2009 and 68th largest in 2008, adding that the U.S. exported \$1.9bn worth of goods to Lebanon last year, equivalent to 10.6% of total Lebanese imports. It noted that the U.S. has become the number one trading partner for Lebanon in 2010. The top U.S. exports to Lebanon in 2010 were mineral fuel and oil with \$882m, machinery with \$248m, vehicles with \$242m, pharmaceutical products with \$69m, cereals with \$60m, medical equipment with \$58m, and electrical equipment \$50m.

The Guide said leading Lebanese sectors for U.S. exports include the automobile sector, pharmaceuticals & drugs, medical equipment, plastic materials, apparel, education services, and agriculture. The CCG estimated the U.S. share of the local auto market at 13% in 2010, adding that demand for U.S. automotive products such as brakes, clutches, engine lubricants, and safety accessories is increasing because of their quality advantage over foreign competitors. Also, it noted the rising demand for American sport utility vehicles (SUVs) because of their competitive price, high quality, and long record of success in the market.

Further, U.S. pharmaceuticals accounted for about 8% of total pharmaceutical imports, while U.S. exports of medical equipment had a 24% market share in 2010. The CCG said U.S. pharmaceutical products have an advantage over European products in the biotechnology, high-tech, anti-cancer, and cardiovascular fields. Moreover, any new leading American drug that is not yet manufactured in Europe is well received in Lebanon. It added that demand for U.S. medical equipment is increasing due to their high quality, long record of success in the Lebanese market, and to the weakness of the dollar relative to the euro. It noted that Lebanon is an ideal location for establishing a regional office to cover the Levant, including Iraq.

In parallel, U.S. exports of raw materials to Lebanon reached around \$19m, about 3.7% of total such imports to Lebanon last year. Also, U.S. apparel exports to Lebanon reached \$10m, about 2.4% of total apparel imports to Lebanon, while U.S. agricultural exports totaled \$162m, equivalent to 6% of Lebanese agricultural imports. It said major U.S. agricultural exports to Lebanon include cereals, tobacco, edible fruits and nuts, dairy products, meat, and beverages and spirits. Finally, it noted that Lebanon has one of the best educational systems in the Middle East with 180,850 students enrolled in universities throughout Lebanon and over 1,600 Lebanese students studying in the U.S.

Tourism Ministry launches promotional campaign

The Ministry of Tourism launched a new advertising campaign to promote tourism in Lebanon, in order to target new segments and attract new tourists to the country. The commercials will be aired on local and international satellite channels including CNN, BBC and Arab and Lebanese satellite stations. The ministry intended to finance tourism promotion campaigns from a new airport tax of LBP5,000, but the tax could not be approved due to the failure of successive Lebanese governments to pass a national budget. The number of incoming tourists to Lebanon totaled 2,167,989 in 2010, up 17.2% from the previous year. Arab tourists accounted for 34.6% of total visitors and were followed by visitors from Europe with 23%, Asia with 21.2%, the Americas with 12.5%, Africa with 6%, and Oceania with 2.8%. Lebanon posted the 22nd highest growth rate in tourist arrivals in the world during 2010 and the 12th highest when excluding countries with arrivals of less than two million tourists last year.

Most tourism spending in Lebanon originated from Saudi Arabia and the UAE in January

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that visitors from Saudi Arabia spent the most in Lebanon during January 2011, accounting for 18% of total tourist spending. They were followed by visitors from the UAE with 12%, Egypt with 8%, and Kuwait and Syria with 7% each. Spending by visitors from Nigeria rose by 46% in the first month of the year from end-2010, followed by visitors from Syria with 34% and Kuwait and Saudi Arabia with 12% each, while spending by visitors from Jordan contracted by 29% in January, followed by visitors from Egypt with a 15% decrease, Qatar (-12%) and the UAE (-5%). Beirut attracted 83% of total spending over the covered period, followed by the Metn area with 13%, the Keserwan region with 2% and Saida with 1%. Fashion & clothing accounted for 68% of total spending, followed by watches with 12%, home & garden products, perfumes & cosmetics and department stores with 4% each, souvenirs & gifts with 3%, and electronics & IT and consumer electronics & household appliances with 2% each. Spending on perfumes & cosmetics increased by 28% in January 2011, followed by spending on fashion & clothing and home & garden products with a 16% rise each, and department stores with a 10% growth. Spending on consumer electronics & household appliances decreased by 26% in January, followed by souvenirs & gifts with a 17% decrease and watches with a 2% drop, while spending on electronics & IT remained unchanged in the first month of the year.

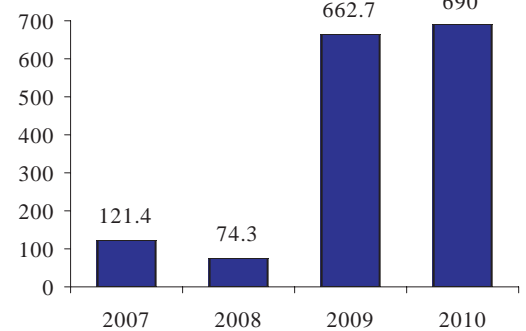


Reduction in gasoline excise tax approved, decision to widen fiscal deficit

President Michel Suleiman and Caretaker Prime Minister Saad Hariri approved the reduction of the excise tax on gasoline by LBP5,000 or \$3.3 per 20 liters. Excise taxes have been fixed by the government since January 2009 at LB476.5 per liter or LBP9,530 per 20 liters for 95 octane gasoline, and at LBP474 per liter or LBP9,480 per 20 liters for 98 octane gasoline. As such, the decision constitutes declines of 52.5% and 52.7% on 95 octane and 98 octane gasoline, respectively. Energy Minister Gebran Bassil had suggested a reduction of LBP3,000, or \$2 per 20 liters, while Finance Minister Raya el-Hassan proposed more recently a steeper reduction of LBP5,000 per 20 liters. The decision to reduce the tax still requires approval by the Council of Ministers.

In May 2004, the Council of Ministers adopted a new gasoline pricing structure and imposed a price cap on the retail price of gasoline due to the increase in international oil prices at the time. As such, the government absorbed the rise in global oil prices by reducing its excise fee. As a result, the Treasury was losing revenues from excise receipts by adjusting the continuing increase in import prices to local retail price ceilings. Following the decrease in international oil prices at the end of 2008, the government decided in January 2009 to uncap the retail price of gasoline, to fix the excise rate, and to allow domestic prices to move with international oil prices in order to ensure a more stable and substantial revenue stream to the Treasury. Since then, revenues from the excise tax jumped from LBP112bn in 2008 to LBP999bn in 2009 and LBP1,040bn in 2010. The reduction in excise fees is expected to reduce government revenues and to have a negative impact on the fiscal deficit in the absence of structural reforms to reduce government spending and borrowing needs.

Excise Tax Revenues (\$m)



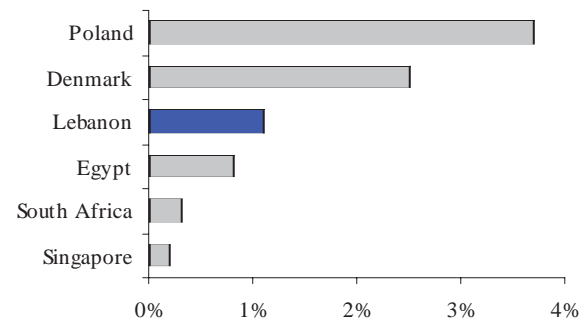
Source: Ministry of Finance

Parliamentary committee endorses anti-smoking draft law

The Lebanese Parliament's Administration & Justice Committee endorsed the draft law to reduce smoking in Lebanon and approved the ban of smoking in public places. The draft law defined a public place as all indoor and outdoor public areas, as well as all areas of social use, including public transportation. The draft law also bans smoking in the workplace at both public and private institutions. Also, the draft law stipulates that hotels are allowed to allocate 10% of their room capacity for smokers provided that they abide by health standards from the Health Ministry. In parallel, the Committee agreed to specify the maximum amount of nicotine and tar per cigarette.

A study issued by the AUB Tobacco Control Research Group last year estimated that Lebanese aged 18 years and above smoke 2,979 cigarettes per year on a per capita basis, as males consume 4,228 cigarettes per year and females consume 1,807 cigarettes annually on average. As a result, Lebanon has one of the highest adult cigarette consumption rates in the world at 12.4 packs per person per month, compared to 3.7 packs per month in France, 3.5 packs in Jordan and 1.7 packs in Singapore. The report said 53% of adults in the country smoke cigarettes or water-pipes, as 43% of Lebanese male adults and 28% of female adults are cigarette smokers, and 26% of males and 23.3% of females are water-pipe smokers. Further, 64.5% of boys and 54.6% of girls between 13 and 15 years old smoke water-pipes, while 15% of males and 7% of females in the same age bracket smoke cigarettes.

Cost of Smoking (% of GDP)



Source: AUB Tobacco Control Research Group

The study conservatively estimated the direct and indirect cost of smoking on the Lebanese economy at \$326.7m, excluding the impact of second hand smoke on non-smokers. It calculated the direct cost of smoking at \$262.1m, which includes the cost of smoking-related diseases at \$146.7m, productivity-related costs at \$102.2m, and environmental degradation costs at \$13.6m. Further, it estimated the indirect costs of smoking due to tobacco-related deaths at \$64.6m. As a result, it estimated the net losses of smoking to the Lebanese economy at \$55.4m, equivalent to about 1.1% of GDP in 2008 and compared to 1.5% of GDP in Denmark, 0.8% of GDP in Egypt and 0.3% of GDP in Singapore. The study was sponsored by the Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut.

Social Affairs Ministry unveils strategy for social development

The Ministry of Social Affairs unveiled a national strategy for social development in Lebanon. The five-year plan, which was prepared by a ministerial committee, is expected to support families living in poverty and extreme poverty, to establish an institutional mechanism to improve the living conditions of households with limited income, and to encourage youth integration and participation in socio-economic programs. The strategy also aims to protect vulnerable segments of society such as Lebanese homeless or teenage workers, as well as to ensure the rights of persons with disabilities, the elderly and women. In parallel, the Health Ministry, which was involved in developing the national strategy, noted that around 45% of Lebanese residents have no social protection, especially the elderly who do not have medical coverage in the absence of pension plans. It added that 30% of Lebanese live in poverty and 18% in extreme poverty. The strategy needs to be approved by the Cabinet.

Labor Ministry announces Palestinian refugees' employment procedures

Labor Minister Boutros Harb signed a decision to organize the employment of Palestinian refugees residing in Lebanon and to facilitate their working permit procedures. He said that working permit procedures will be accepted and processed by the Syrian workers' department at the ministry, which would also settle disputes and complaints related to the refugees' legal status in Lebanon. Further, permits would be granted for a three-year period, renewable through the ministry. In August 2010, the Lebanese Parliament passed a law that provided working rights to Palestinian refugees in Lebanon. The bill gave Palestinians the right to enter the wider labor market on the same terms as other foreigners. The law authorized the refugees to work in a number of professions that were previously prohibited to Palestinians. Further, Palestinians will benefit for the first time from social security protection, which will be derived from a special fund, and not from the resources of the National Social Security Fund. The law stipulated that several professions will continue to be off limits to Palestinians, including engineering, medicine and law, as these professions continue to be reserved for Lebanese citizens. The United Nations estimates there are 400,000 Palestinian refugees in Lebanon, many of whom already work in low-skilled jobs without proper legal status.

TRA to cooperate with Portuguese counterpart

The Telecommunications Regulatory Authority of Lebanon and the National Communications Authority of Portugal signed a Memorandum of Cooperation to explore and develop cooperation venues between the two entities. The agreement aims to promote and encourage the exchange of information and documents about telecom regulatory issues, as well as mutual consultations and joint projects, workshops, training and studies. The agreement is also expected to strengthen the role of the two entities and to establish strategies for international participation and comparative analysis policies and regulations in the sector.

Beirut and Rabat sign cooperation agreement

The municipalities of Beirut and Rabat signed a twin cities agreement to facilitate the exchange of expertise and raise cooperation between the two sides. The agreement stipulates the exchange of information, supporting projects that promote economic development, the organization of annual economic and trade days in each city, facilitating communication between economists, stimulating private projects at local and regional levels, and organizing trade, industrial and agricultural fairs. The agreement also covered environmental protection and the preservation of natural and historical heritage sites in the two cities, cooperation in socio-cultural and health issues, supporting women in local governments, and fighting poverty and social exclusion.

Cleared checks up 20% to \$67bn in 2010

The value of cleared checks totaled \$67.4bn in 2010, constituting an increase of 19.6% from 2009. The value of cleared checks in Lebanese pounds rose by 21.6% to the equivalent of \$13.5bn, while the value of cleared checks in US dollars rose by 19.1% to \$53.9bn. The dollarization rate of cleared checks declined marginally from 80.3% to 80% year-on-year. Also, the value of returned checks in domestic and foreign currency amounted to \$1.42bn in 2010, up 30% from \$1.1bn in the previous year.

Byblos Bank to issue 10-year \$150m bond

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, announced plans to issue a 10-year \$150m bond that will carry an annual coupon rate of 7% to be paid semi-annually. The Bank will use the net proceeds from the issue for general corporate purposes. The bond, which will be issued by the end of April 2011 and matures in 2021, will be listed on the Beirut Stock Exchange as well as on the Luxembourg or another international stock market. Further, it will have a secondary market and holders will be able to sell at any moment at market prices. The bond's issuance is subject to the approval of the Bank's General Assembly and that of the Central Bank of Lebanon. Previous fixed income securities issued by Byblos Bank include a 10-year \$100m subordinated note issued in July 2002 and a 5-year \$200m convertible bond issued in November 2007.

Byblos Bank sal declared consolidated net profits of \$178.4m in 2010, constituting an increase of 22.5% from \$145.6m in 2009. Net interest income reached \$282.5m, up 10% from 2009, while net fees and commission income increased by 9.4% to \$84.7m and net trading income dropped by 41.5% to \$14.6m in 2010. As a result, operating income rose by 20% to \$455.3m. Total assets reached \$15.3bn at the end of 2010, constituting a rise of 12.6% from the end of 2009, while net loans & advances to customers increased by 18% to \$3.76bn at end-2010. Customers' deposits totaled \$11.8bn, up 16% from end-2009. The Bank's total equity reached \$1.6bn at end-2010, up 25.4% from end-2009. Earnings per common ordinary share rose by 4.6% to LBP 401.6, equivalent to \$0.27 per share, and earnings per common priority share increased by 4.1% to LBP 449.98, or \$0.3 per share. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom, and Cyprus.

Bank of Beirut finalizes acquisition of Australian bank

Bank of Beirut sal announced it has finalized the acquisition of an 85% stake in Laiki Bank (Australia) Ltd for €104.3m, and that it has renamed it Beirut Hellenic Bank Ltd. Laiki Bank was owned by the Cyprus-based group Marfin Popular Bank Public Co Ltd (MPB). MPB will retain a 15% share in Beirut Hellenic Bank and has an option to sell its remaining stake to Bank of Beirut after February 2013. Laiki Bank (Australia) Ltd was incorporated in 2001 and offers banking services and products to the Cypriot and Greek communities in Australia through a network of 10 branches and 125 employees. It had total assets of €680m, total loans of €543m and total deposits of €65m at end-September 2010. MPB indicated that it has also agreed to a strategic cooperation with Bank of Beirut regarding the operations of the two banks in Australia, Cyprus and Lebanon.

Bank of Beirut has already received the necessary approval from the Australian Prudential Regulatory Authority and the Central Bank of Lebanon, and MPB obtained the approval of the Central Bank of Cyprus. The transaction represents a multiple of approximately 1.67 times the net book value of Laiki Bank at end-September 2010. MBP is the second largest banking group in Cyprus with a 15% market share in loans and a 19% share in deposits. It is also present in Greece, Russia, Ukraine, Romania, Serbia, the United Kingdom, Malta, Estonia and Australia.

Profits of top 13 banks up 24% to \$1.6bn in 2010

The unaudited consolidated net profits of the Alpha Group of banks reached \$1.61bn in 2010, constituting an increase of 24% from 2009. The Alpha Group consists of 13 banks with deposits in excess of \$2bn each. Total net operating income rose by 20.4% to \$3.8bn, with aggregate net interest income increasing by 20% to \$2.5bn and non-interest receipts growing by 27% to \$1.4bn year-on-year. Also, total operating expenditures increased annually by 15.7% to \$1.8bn, with staff expenses increasing by 15.7% to \$990m. The banks' total assets reached \$134.1bn at end-2010, constituting an 11.2% increase from end-2009; while aggregate loans & advances rose by 25.7% year-on-year to \$36.2bn. Customer deposits totaled \$112.1bn at end-2010, constituting an increase of 12.3% from end-2009.

CMA CGM's profits at \$1.63bn on revenues of \$14.3bn in 2010

The Lebanese-owned and France-based container shipping group CMA CGM declared net profits of \$1.63bn in 2010 compared to losses of \$1.43bn in 2009. Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled \$2.52bn last year relative to losses of \$667m in 2009, while the firm's EBITDA margin was 17.6% compared to -6.35% a year earlier. CMA CGM had revenues of \$14.3bn in 2010, constituting an increase of 36% from \$10.5bn in the previous year, while freight volume rose by 14.7% to 9 million twenty-foot equivalent unit (TEU). The firm attributed the 2010 results to the group's investment in large containerships, implementation of a cost reduction plan, as well as to higher volumes carried and improved freight rates. Last year, the Turkish holding firm Yildirim Group invested \$500m in five-year convertible bonds for a 20% stake in the firm. CMA CGM said the agreement will help it strengthen its balance sheet and support its growth strategy, and that the founding Saadé family will retain an 80% stake in the firm. CMA CGM, which owns 360 ships and employs 16,400 people, has some \$5bn in debt following the worst downturn in container shipping history and a series of steep losses from hedging deals on oil prices. In November 2009, CMA CGM said it was seeking capital from investment funds and needed between \$300m and \$400m at the time.

Berytech announces support program for SMEs

The Beirut-based business incubator Berytech announced a partnership with Potential, a UAE-based business development company, to support small and medium enterprises (SME) in Lebanon through the Internet-based SME Evolution Program. The program is expected to enhance the global competitiveness of SMEs in Lebanon and the MENA region through 'webinars' and live workshops in association with professors from globally ranked universities over an initial period of six months. Further, the program is expected to help SMEs network with their peers throughout the region and gain support from each other and from mentors who will be assigned to answer questions and enquiries.

Fransabank's profits up 40% to \$146m in 2010

Fransabank sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$146.2m in 2010, up 40.3% from 2009. Net operating income rose by 29% year on year to \$355.4m, with net interest income increasing by 31.6% to \$255.7m and non-interest receipts growing by 36% to \$104m year-on-year. Also, operating expenditures increased by 17.5% to \$174.2m, with staff expenses increasing by 17.9% to \$107m. Total assets reached \$12.3bn at end-2010, constituting a 13.3% rise from end-2009, while loans & advances increased by 36% annually to \$3.1bn. Customer deposits totaled \$10.1bn at end-2010, up 12% from end-2009.

BankMed's net income up 17% to \$106m in 2010

BankMed sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$105.6m in 2010, up 16.5% from 2009. Net operating income rose by 13.5% to \$320.3m, with net interest income rising by 8% to \$195.3m while net fees & commission income decreased by 1.4% to \$40.5m year-on-year. Also, operating expenditures increased by 11.3% to \$205m year-on-year. Total assets reached \$11.2bn at end-2010, constituting a 5.7% rise from end-2009, while loans & advances to customers increased by 21.2% year-on-year to \$2.88bn. Customer deposits totaled \$7.8bn at end-2010, constituting an increase of 9.2% from end-2009.

SGBL's profits increase by 22% to \$86m in 2010

Société Générale de Banque au Liban sal (SGBL) sal, one of Lebanon's top 10 banks, declared unaudited consolidated net profits of \$85.6m in 2010, constituting an increase of 21.8% from 2009. Net operating income rose by 23.3% in 2010 to \$198.4m, with net interest income increasing by 14.8% to \$113.3m and non-interest receipts growing by 65.6% to \$99.7m year-on-year. Also, operating expenditures increased by 23.4% to \$102.5m, with staff expenses increasing by 21.2% to \$56.3m. Total assets reached \$5.1bn at end-2010, constituting a 7.6% rise from end-2009, while loans & advances increased marginally by 1.4% annually to \$1.4bn. Customer deposits totaled \$4.1bn at end 2010, constituting a rise of 11.1% from end-2009.

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	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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