



LEBANON THIS WEEK

In This Issue

Economic Indicators.....1

Capital Markets.....1

Lebanon in the News.....2

Lebanon ranks 90th globally, 12th in MENA region in country risk

Lebanon's travel and tourism economy to generate \$13.5bn this year, ranks 15th globally in terms of its contribution to GDP in 2011

Italy to co-finance social development projects

Medical waste to be disposed of in France

Retail and wholesale trade drive growth, migrant transfers and credit expansion stimulate demand

Beirut has 28th most expensive office space worldwide, third most expensive in Arab World

Syndicates form association

Airport passengers up 11.3% in 2010

Corporate Highlights6

Byblos Bank wins award for Landmark Deal of the Year

Stock market activity down 93% to \$77m in first two months of 2011

Libano-Française profits up 17% to \$79.3m in profits in 2010

Crédit Libanais profits at \$79m in 2010

BLC Bank's net income up 33% to \$45.3m in 2010

MEA to join SkyTeam alliance

BBAC's profits increase by 7% to \$38m in 2010

Launch of *Al-Jouhouria* newspaper

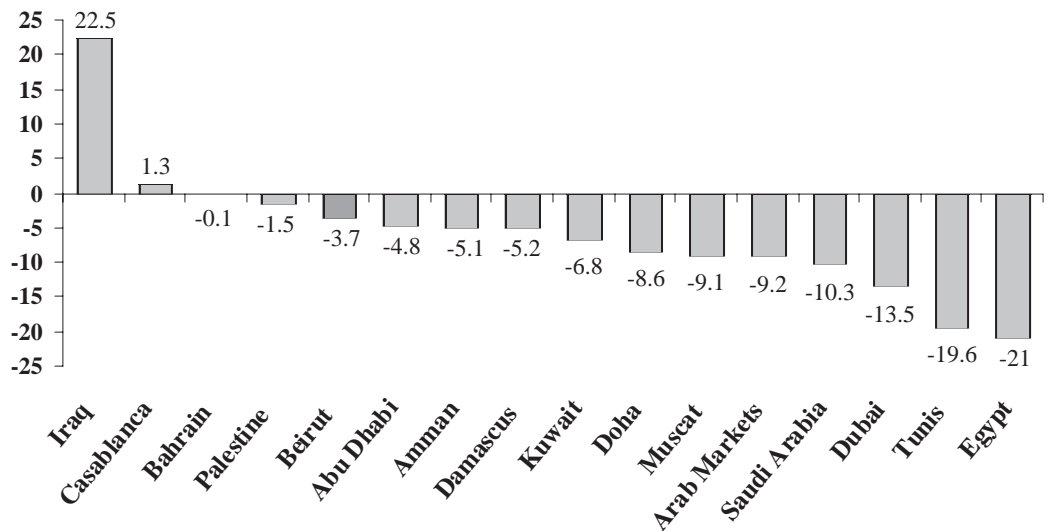
Lebanese-Canadian Bank sold to SGBL

Ratio Highlights.....8

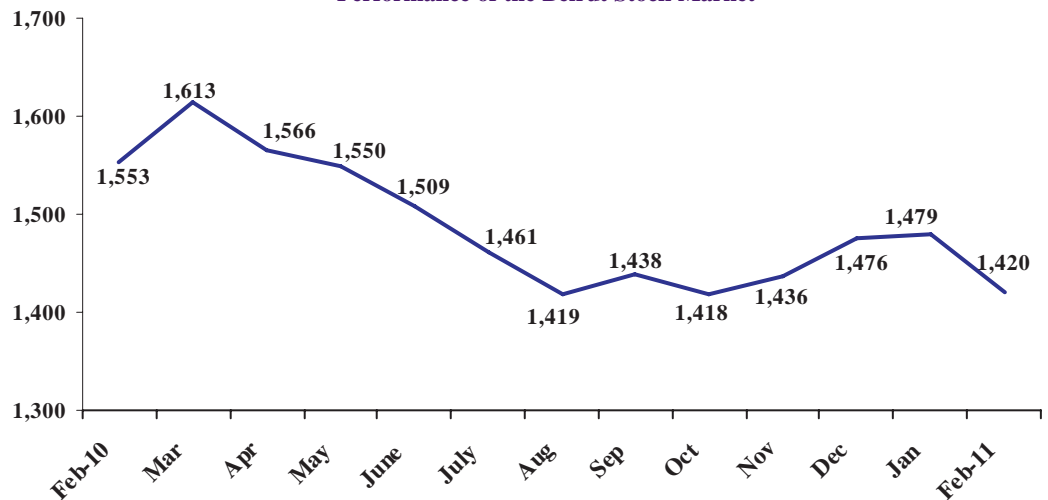
Risk Outlook.....7

Charts of the Week

Performance of Arab Stock Markets in the First Two Months of 2011 (%)



Performance of the Beirut Stock Market*



*BLOM Stock Index

Source: Local Stock Markets

Quote to Note

"Achieving another year of strong growth in 2011 will require that those positive factors remain in place and are supported by a global and regional recovery."

The International Monetary Fund, on political stability, rapid credit growth, and large current and capital inflows as the key drivers of growth in Lebanon

Number of the Week

24%: percentage of respondent firms in Lebanon that have plans to recruit new staff during the first quarter of 2011, according to a survey conducted by job portal Bayt.com and YouGov Siraj

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
Solidere "A"	18.37	(1.76)	167,616	15.29%
Solidere "B"	18.28	(2.92)	22,127	9.89%
Byblos Common	1.92	1.05	53,916	5.75%
Byblos Priority	1.91	1.06	567,000	3.28%
Byblos Pref. 08	104.00	0.97	250	1.73%
BLOM GDR	10.00	0.20	81,670	6.15%
BLOM Listed	9.10	1.11	58,000	16.29%
Audi GDR	7.61	(2.81)	131,343	5.94%
Audi Listed	7.15	1.71	51,977	20.74%
HOLCIM	16.51	0.00	0	2.68%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
May 2011	7.875	100.56	5.18
Mar. 2012	7.500	103.75	3.75
Sep. 2012	7.750	105.38	4.06
June 2013	8.625	109.00	4.47
Apr. 2014	7.375	108.00	4.59
Jan. 2016	8.500	118.00	5.12
May 2016	11.625	113.00	5.16
Mar. 2017	9.000	115.88	5.84
Nov. 2018	5.150	97.00	5.64
Apr. 2021	8.250	115.00	6.23

Source: Byblos Capital Markets

	Feb. 28- Mar. 4	February 21-25	% Change	February 2011	February 2010	% Change
Total Shares Traded	1,250,799	368,691	239.25	7,279,483	55,216,126	(86.82)
Total Value Traded	\$9,358,867	\$3,838,722	143.80	\$29,306,533	\$158,807,366	(81.55)
Market Capitalization	\$12.01bn	\$12.02bn	(0.09)	\$12.68bn	\$12.84bn	(6.43)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 90th globally, 12th in MENA region in country risk

In its semi-annual survey of the country risk of 185 countries, *Euromoney* magazine ranked Lebanon in 90th place worldwide and in 12th place among 20 countries in the Middle East & North Africa region in March 2011. Also, Lebanon came in 25th place among 36 upper middle income countries (UMICs) included in the survey. Lebanon ranked in 76th place globally and in 12th place regionally in the September 2010 survey, while it ranked 82nd globally and 13th regionally in March 2010. The survey evaluates individual country risk by assigning a weighting to six categories that cover Political Risks, Economic Performance, Access to Bank Finance & Capital Markets, Debt Indicators, Credit Ratings, and Structural Assessment. The results of the March 2011 survey reflect the increase in political risks in the MENA region since the beginning of the year, as the cut-off date of the survey was February 23rd.

Globally, Lebanon ranked ahead of Albania, Venezuela and Mongolia, and came behind Argentina, Ukraine and Macedonia. It also ranked ahead of Venezuela and behind Argentina among UMICs. The rankings of Lebanon on each of the six categories regressed from last September, with its rank on the Access to Bank Finance & Capital Markets declining by 27 spots, followed by Political Risks with a drop of 12 spots, while its rank regressed by 3 spots or less on each of the other categories.

In parallel, Lebanon received a score of 43.53 points, down 15.7% from 51.66 points in the September 2010 survey. Its score came below the global average of 44.43 points and lower than the MENA and Arab averages of 48.52 points and 46.34 points, respectively, as well as below the UMICs' average score of 47.92 points. Lebanon's score regressed on each of the six categories from last September, with its score on the Access to Bank Finance & Capital Markets declining by

62.5%, followed by a drop of 18% on Political Risks and a decline of 12.2% on Debt Indicators, while its score regressed by 9% or less on each of the other categories. Lebanon posted the fourth steepest drop in rankings and in scores among MENA countries in the March 2011 survey. The decline in Lebanon's overall score and rank was driven primarily by the drop in the Political Risks score, as this category has a 30% weight in the overall score. The scores of 18 MENA countries regressed and two increased; while the rankings of 10 countries declined, nine improved and one remained unchanged.

Lebanon ranked ahead of El Salvador and behind Mali globally, while it came ahead of Tunisia and behind Saudi Arabia regionally on the Political Risks category. Also, it ranked ahead of Kenya and behind Nigeria worldwide, while it came ahead of Syria and behind Algeria regionally in Economic Performance. Further, it ranked ahead of Brazil and behind Portugal globally, and ahead of all Arab countries on the Structural Assessment category. Finally, Lebanon tied with Dominica, ranked ahead of Tajikistan and behind Turkey globally, and came ahead of Algeria and behind Tunisia regionally on the Debt Indicators category.

MENA Countries Rankings & Scores

	Score	MENA Rank	Global Rank
Qatar	75.53	1	21
Kuwait	70.47	2	32
UAE	69.70	3	33
Oman	67.65	4	34
Israel	66.83	5	35
Bahrain	65.65	6	37
Saudi Arabia	65.12	7	38
Morocco	51.28	8	67
Jordan	50.42	9	68
Libya	46.85	10	79
Tunisia	45.41	11	81
Lebanon	43.53	12	90
Egypt	41.63	13	95
Algeria	39.50	14	99
Yemen	33.79	15	121
Syria	33.60	16	122
Iran	32.86	17	125
Iraq	30.95	18	131
Sudan	29.33	19	136
Mauritania	10.25	20	175

Source: *Euromoney*, *Byblos Research*

Country Risk Indicators for Lebanon March 2011

	Weighting (%)	Score	MENA Rank	Global Rank	MENA Avg Score	Global Avg Score
Political Risk	30	45.58	10	81	44.83	45.57
Economic Performance	30	45.25	13	97	51.16	43.11
Structurals Assessments	10	61.31	2	41	49.71	36.58
Debt Indicators	10	7.22	13	119	7.26	7.11
Credit Rating	10	1.46	13	110	3.90	3.33
Access to Bank Finance & Capital Markets	10	1.50	15	122	3.60	3.71

Source: *Euromoney March 2011*, *Byblos Research*

Lebanon's travel and tourism economy to generate \$13.5bn this year, ranks 15th globally in terms of its contribution to GDP in 2011

The World Travel & Tourism Council (WTTC) estimated that the travel & tourism industry would contribute directly \$3.77bn to the Lebanese economy in 2011, equivalent to 9.5% of GDP, and direct industry employment will reach 122,000, representing 9.1% of total employment in Lebanon this year. It added that, since travel & tourism (T&T) touches all sectors of the economy, its real direct and indirect impact is even greater, and forecast it will generate \$13.5bn, or 33.8% of overall economic activity in Lebanon in 2011, including 431,700 jobs, representing 32.2% of total employment in 2011. It added that the T&T industry's direct contribution to Lebanon's economic activity will rise to \$5.8bn, or 9.7% of GDP in 2021, while the broader T&T economy will contribute \$20.6bn, or 34.7% of GDP by 2021.

The WTTC projected the T&T economy in Lebanon to grow by 4.3% per year in real terms between 2011 and 2021 compared to 4.6% in the Middle East and 4.1% globally over the same period of time, while the T&T direct industry will grow by 4.3% per year in real terms during the 2011-2021 period compared to 4.6% growth for the Middle East and 4.4% globally. Lebanon's T&T economy ranks in 15th place among 181 countries in terms of its contribution to GDP in 2011, while it ranks in 110th place worldwide in terms of its annualized growth rate over the 2011-21 period.

Further, the T&T direct industry jobs are forecast to reach 147,000 or 9.7% of total jobs in Lebanon by 2021, while employment in the T&T economy should total 516,000 jobs overall, equivalent to 34% of total employment by 2021. In comparison, the WTTC forecast direct industry employment in the Middle East to grow by 2.4% over the 2011-21 period and to account for 3.2% of total employment, while it forecast the T&T economy employment to grow by 2.5% and to account for 8.1% of total employment in the region. Lebanon ranked 60th worldwide in terms of the share of its T&T economy employment out of total employment, while it came in 107th place in the real growth rate of T&T employment over the coming 10 years.

Travel & Tourism contribution in Lebanon (\$bn)			
	2011	2021f	Growth* (%)
Visitors Exports	8.8	13.1	4.1
Leisure Spending	9.1	13.5	4.0
Domestic Spending	1.4	2.4	5.5
Business Spending	1.2	2.2	6.3
Capital Investment	1.3	1.9	4.4
T&T Direct Contribution to GDP	3.8	5.8	4.3
T&T Total Contribution to GDP	13.5	20.6	4.3
T&T Industry Employment**	122	147	1.6
T&T Economy Employment**	432	516	1.8

*real annualized growth over 2011-2021

**in thousands of jobs

Source: World Tourism & Travel Council

Italy to co-finance social development projects

The Ministry of Social Affairs unveiled nine new social development projects in Lebanon that the Italian government is expected to co-finance along with the ministry. It said that the projects cover the environmental, economic, educational, cultural and agricultural sectors. It noted that the projects were developed according to social priorities defined by the ministry such as the fight against poverty, the protection and the right of children, elderly and persons with disabilities, the fight against drugs, volunteering, micro-credit, the fight against gender discrimination, and the promotion of handicrafts. As such, it stated that the projects would mainly target the Bekaa region, Mount Lebanon as well as Northern and Southern Lebanon. It noted that the Italian government's funding will range between \$30,000 and \$70,000 per project.

Medical waste to be disposed of in France

The Environment Ministry stated that Lebanon produces around 11 tons of medical waste per day with only half of this quantity being disposed of and treated according to environmental standards. It noted that it has sent three warnings to 80 private hospitals and 20 public hospitals to abide by environmental standards when treating their medical waste. It warned that it will take legal measures if hospitals fail to meet environmental standards when disposing of medical waste. Further, it announced that Mersaco, a Lebanese medical & pharmaceutical products trading company, volunteered to ship 60 tons of medical waste to France for proper disposal. Lebanon produces around 1.5 million tons of solid waste annually, of which 10% are recycled, 40% are thrown in dumps and 50% disposed of in landfills.

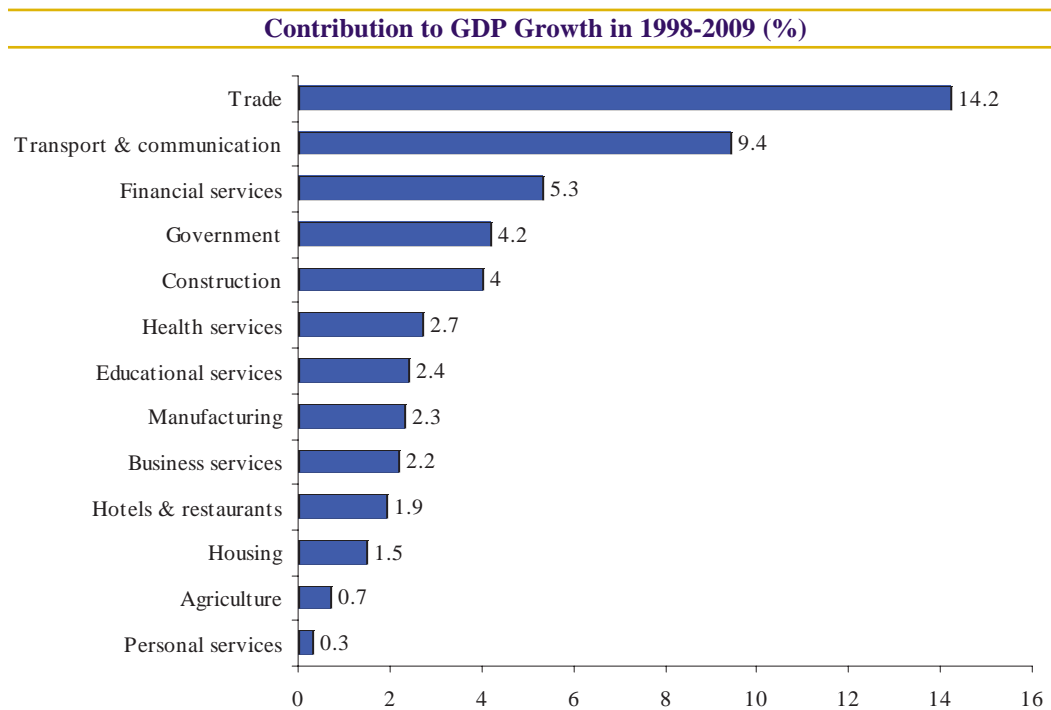
Retail and wholesale trade drive growth, migrant transfers and credit expansion stimulate demand

The International Monetary Fund indicated that economic growth in Lebanon was concentrated in the retail and wholesale trade sector in 2009, reflecting a boom in consumption and tourism due to the large inflow of remittances, visitor arrivals, and renewed political stability. It said other sectors such as construction, telecommunications, government spending, health services, and hotels & restaurants also provided small but significant contributions. It added that the services sector was the main driver of growth in Lebanon, in contrast to the negative growth in the agriculture and manufacturing sectors. The IMF's analysis is based on recently released national accounts that showed real GDP growth of 8.5% in 2009.

The IMF noted that the Lebanese economy is relatively diversified and largely service-based, despite the concentration of growth in a few dynamic sectors. It said retail and wholesale trade accounted for almost 28% of economic activity in 2009, followed by construction with 13.3% and government with 9%. It added that other contributing sectors include telecom with 7.6%, manufacturing with 7.5%, financial services with 7%, education with 6.6%, agriculture with 5%, and healthcare with 4.8%. It noted, however, that the share of agriculture and manufacturing in GDP has declined continuously since 1997.

The Fund said growth was essentially private-sector driven through consumption and investment in 2009, with negative contributions from net exports and public investment. It noted that exceptionally high transfers from abroad and strong credit growth contributed to fueling domestic demand in 2009, with investment limited to construction, transportation, and some machinery and equipment. It added that Lebanon's total disposable income far exceeded its GDP, allowing for high consumption and investment. It said total disposable income reached close to 150% of GDP in 2009, mainly as a result of the sizable current and capital transfers received from the large Lebanese Diaspora, reflecting the Diaspora's essential role in explaining economic activity in the country.

In parallel, the IMF indicated that average growth in Lebanon was lower and more volatile than in the MENA region in the past decade due to various shocks and armed conflicts. But the Lebanese economy outperformed the regional average during the 2007-09 period. The Fund noted that growth was mainly driven by retail and wholesale trade, telecommunications, and banking during the 1997-2009 period. It added that government spending and construction contributed significantly to growth, while other service sectors such as healthcare, education, business services, and hotels & restaurants provided small contributions. Further, the contributions of manufacturing and agriculture were positive but small or marginal.



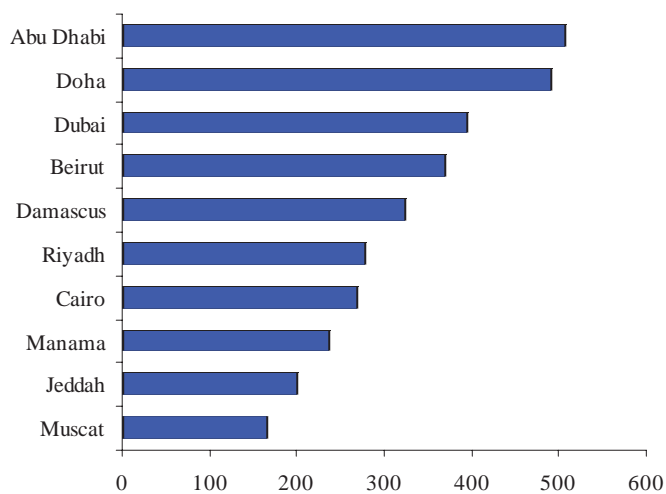
Source: National Accounts, IMF

Beirut has 28th most expensive office space worldwide, third most expensive in Arab World

The 2011 survey of the world's most expensive office locations in 68 cities around the world by property consultants Cushman & Wakefield ranked Beirut as the 28th most expensive city worldwide and the third most expensive among 12 cities in the Middle East & Africa region included in the rankings. Beirut was the 31st most expensive city globally and the fourth most expensive in the region in the 2010 survey. The study evaluates key office locations in 68 countries and includes in its annual rankings the location with the most expensive occupancy cost in each country. It said the occupancy costs reflect rent in addition to local taxes and service charges.

Globally, Beirut ranked immediately behind Warsaw, Dublin and Athens and was considered more expensive than Tel Aviv, Brussels and Vancouver. The cost of office space in Beirut was €427 per square meter per year in 2010, lower than the global average of €484 per sqm, but higher than the Arab cities' average of €352.7 per sqm and the average of €343.7 per sqm for cities in the Middle East & Africa. The cost of office space in Beirut was €380 per square meter per year in 2009. Beirut was one of 42 cities included in the rankings, where occupancy costs increased in 2010; compared to 16 cities that saw a decline in rents; and 3 cities where rents were stable; while 5 new cities were added to the 2011 survey.

Top 10 Most Expensive Office Locations in the Arab World in 2010 (€ per sqm)



Source: Cushman & Wakefield, Byblos Research

In parallel, Cushman & Wakefield indicated that the rent for net internal office areas in Beirut was €368.3 per square meter in 2010, up 6.8% from 2009, but unchanged from 2009 from 2008. It added that rents held firm in Lebanon in 2010 and that there was an increasing trend of moving out of the Beirut Central District in search of better rental deals. It also noted that rents are expected to stabilize in 2011 due to limited supply and cautious lessee sentiment. Beirut's net internal area rent was higher than the global average rent of €353, the average rent of €25 in Europe, the Middle East & Africa, and the average of €303 in 10 Arab cities and locations.

Further, rents in the Beirut Central District were stable last year, compared to declines in most Arab cities and to an average decline of 10% globally. Rentals of net internal areas in Manama dropped by 33% in 2010, followed by Abu Dhabi with a 29% decline, Doha with a 17% contraction, Damascus with a 7% fall and Riyadh with a 3% decrease. Rentals of net internal areas in Cairo, Amman, Beirut, Doha and Jeddah remained unchanged in 2010. Hong Kong is the world's most expensive city for office space with an occupancy cost of €1,931 per sqm a year, followed by London and Tokyo.

Syndicates form association

The syndicates of several liberal professions established the Association of Liberal Professions Syndicates in Lebanon. The new association aims to defend the interests of liberal professions in the country. The founding entities include the syndicates of accountants, nurses, veterinary, physical therapist, dental laboratory owners and topographers. The association called on other syndicates of liberal professions to join its ranks. In parallel, the Ministry of Interior & Municipalities granted its approval for the establishment of the Lebanese Federation for Consumer Protection. The federation's stated objectives are to protect the rights and interests of Lebanese consumers as well as to represent consumers vis-à-vis the government and legal authorities.

Airport passengers up 11.3% in 2010

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 5,552,261 in 2010, up 11.3% year-on-year. The UAE accounted for 1,013,622 passengers, or 18.3% of total passenger activity. It was followed by Saudi Arabia with 683,631 passengers, or 12.3% of the total, France with 543,249 travelers (9.8%) and Kuwait with 384,154 travelers (6.9%). The total number of flights reached 66,124 in 2010, up 14.9% year-on-year. Middle East Airlines registered 19,506 flights, accounting for 29.5% of the total. It was distantly followed by Royal Jordanian Airlines with 2,890 flights or 4.4% of the total, Qatar Airways with 1,885 flights, Etihad Airways with 1,870 flights, Saudi Arabian Airlines with 1,755 flights and National Air Services with 1,754 flights. The UAE was the biggest source and destination of traffic to Lebanon, as aircraft movement to and from the UAE totaled 9,523 flights, accounting for 14.4% of the total. Also, the HIA processed 78,282 metric tons of cargo in 2010, of which 77,237 tons of freight and 1,045 tons of mail. MEA processed 21,077 tons of freight, of which 20,748 tons in regular freight and 328 tons in mail.

Byblos Bank wins award for Landmark Deal of the Year

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, won with the Finance Ministry the European Landmark Deal of the Year Award for issuing LBP1,500bn Notes due in December 2017 on behalf of the Republic of Lebanon. The European Awards cover European, Middle East & African issuers and banks. The award was granted by mtn-i, a specialized publication that covers the \$3.5 trillion global medium-term notes (MTN) market and that is considered by market players to be the most relevant source of new issue information and long-term trend analysis. mtn-i said Byblos Bank received the award for, among others, bringing a new issuer to market, for broadening the investor pool who buy Lebanese government paper, for the fact that it was the largest ever non-syndicated MTN issue, and for being the first Lebanese pound-denominated bond. Last December, the Ministry of Finance issued a seven-year LBP 1,500bn bond denominated in Lebanese pounds that carries a coupon rate of 7.9%. Byblos Bank sal acted as the sole Lead Manager for the issuance, which constitutes the longest maturing issue to date in the domestic currency. The issue took place on the basis of the Republic of Lebanon's Global Medium Term Note Program for Lebanese pound issuance. The bond, which matures in December 2017, helps the government further shift the financing of the deficit and the composition of the public debt from foreign currencies to Lebanese pounds.

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 the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom, and Cyprus.

Stock market activity down 93% to \$77m in first two months of 2011

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 12.6 million shares in the first two months of 2011, constituting a decrease of 81.3% from the same period last year, while aggregate turnover amounted to \$76.9m, down 93.1% from a turnover of \$1.1bn in the first two months of 2010. Market capitalization decreased by 4.8% from end-2010 to \$12.1bn, of which 70% was in banking stocks and 26% in real estate stocks. The market liquidity ratio was 0.6% compared to 8.7% in the same period last year. Bank stocks accounted for 85.1% of aggregate trading volume in the first two months of the year, followed by real estate stocks with 14.7%. In terms of value of shares traded, real estate stocks accounted for 53.1% of aggregate value, followed by banking stocks with 45.7%. The average daily traded volume for the period was 340,592 shares for an average daily value of \$2.1m. The figures reflect decreases of 81% in volume and 93% in value year-on-year.

Libano-Française profits up 17% to \$79.3m in profits in 2010

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$79.3m in 2010, constituting an increase of 17.4% from 2009. Net operating income rose by 9.2% year-on-year to \$198.4m, with net interest income increasing by 23.8% to \$146.6m and non-interest receipts decreasing by 1.9% to \$49.3m year-on-year. Also, operating expenditures increased by 7.1% to \$104.5m, with staff expenses increasing by 6% to \$59.45m. Total assets reached \$8.66bn at end-2010, constituting a 14.7% rise from end-2009, while loans & advances to customers increased by 28% year-on-year to \$2.9bn. Customer deposits totaled \$7.4bn at end-2010, up 16.8% from end-2009.

Crédit Libanais profits at \$79m in 2010

Crédit Libanais sal, one of Lebanon's top 10 banks, posted consolidated net profits of \$79.1m in 2010, constituting an increase of 50.3% from 2009. Net operating income rose by 29.6% year-on-year to \$177m, with net interest income increasing by 20.4% to \$127.4m and non-interest receipts increased by 63.2% to \$59.5m year-on-year. Also, operating expenditures increased by 14.3% to \$85.6m, with staff expenses increasing by 10.3% to \$49.3m. Total assets reached \$6.5bn at end-2010, constituting an 18.5% rise from end-2009, while loans & advances to customers increased by 28% year-on-year to \$1.65bn. Customer deposits totaled \$5.65bn at end-2010, up 17.2% from end-2009. Crédit Libanais was acquired last August by the Cairo-based investment bank EFG Hermes.

BLC Bank's net income up 33% to \$45.3m in 2010

BLC Bank sal, one of Lebanon's listed banks, announced unaudited net profits of \$45.3m in 2010, up 32.6% from the same period last year. Total assets reached \$3.1bn at end-2010 up 19.6% from end-2009, while loans & advances to customers increased by 44.6% to \$687m. The bank held \$63.8m in assets acquired in satisfaction of loans at end-2010, up from \$50.4m a year earlier. Customer deposits totaled \$2.6bn, an increase of 14.5% from end-2009. In August 2007, Fransabank acquired 97.52% of BLC Bank sal from the Qatari Supreme Council for Economic Affairs. It then sold a majority stake in BLC to the Maurice Sehnaoui Group in April 2008.

MEA to join SkyTeam alliance

National flag carrier Middle East Airlines (MEA) signed a partnership agreement to join the SkyTeam alliance, one of the three largest passenger alliances in the world. MEA expects the agreement to generate revenue increases of between 10% and 15%, as the deal would allow MEA flights to connect with around 12,500 flights and 898 destinations in 169 countries. MEA said that it has fulfilled most of the requirements to join the alliance such as security and safety obligations, international standards commitments towards staff and pilots, while it is still working on the alliance's loyalty program. The agreement is expected to be effective as of 2012. MEA is the second Arab carrier to join the 13-airlines alliance after the Saudi Arabian Airlines. In parallel, MEA announced plans to build a 20,000 square meters air cargo warehouse at the Hariri International Airport. MEA currently serves 30 destinations and is scheduled to receive a new Airbus plane in 2011, expanding its fleet to 16 aircraft. The Central Bank owns a 99% stake in the carrier, which was planning to raise \$250m through an initial public offering of 25% of its capital in the fourth quarter of last year. But the partial IPO was indefinitely postponed last September.

BBAC's profits increase by 7% to \$38m in 2010

BBAC sal, one of Lebanon's top 13 banks, posted unaudited consolidated net profits of \$38.4m in 2010, constituting an increase of 7.2% from 2009. Net operating income rose by 7.3% in 2010 to \$91.4m, with net interest income increasing by 40% to \$65.5m and non-interest receipts declining by 37.3% to \$20.3m year-on-year. Also, operating expenditures increased by 6.3% to \$51.45m, with staff expenses increasing by 7.2% to \$25.7m. Total assets reached \$4.1bn at end-2010, constituting a 10.44% rise from end-2009, while loans & advances to customers increased by 27.7% year-on-year to \$868m. Customer deposits totaled \$3.6bn at end-2010, constituting an increase of 10.8% from end-2010. The bank's shareholders' equity reached \$307.3m, up 9.6% in 2010.

Launch of *Al-Jouhouria* newspaper

Former Deputy Prime Minister and Defense Minister Elias el-Murr launched a new Arabic-language political newspaper named *Al-Jouhouria*. The new publication increases to 15 the number of Lebanese dailies, which include 12 newspapers in Arabic, two in French and one in English. *Al-Jouhouria* pledged to move beyond existing political notions and to add value by serving as a platform for all political trends. Last year, A survey by consulting firm Value Partners and media services company Zenith Optimedia indicated that most newspapers in Lebanon are politically affiliated, which leads them to generally reflect their respective political party's point of view. It found that newspapers remain the dominant form of news consumption in Lebanon, with 46% of survey respondents saying they use print newspapers only. Newspapers attracted \$37m, or 20.6%, of real advertising expenditures in the Lebanese market in 2010, behind television and billboard advertising. Spending on newspaper ads rose by 10% last year, constituting the slowest growth among all media advertising.

Lebanese-Canadian Bank sold to SGBL

The Central Bank of Lebanon announced that Société Générale de Banque au Liban sal (SGBL) has won the bid to acquire the Lebanese-Canadian Bank sal (LCB) for an undisclosed amount. SGBL was the smallest among four banks that bid for LCB, and is smaller than its new acquisition by assets, loans & advances, deposits, and shareholders' equity. The decision to sell LCB came after the U.S. Department of the Treasury identified last month the bank and its subsidiaries as a financial institution of primary money laundering concerns due to its alleged role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. The U.S. Treasury added that the network has used accounts at the bank to launder hundreds of millions of dollars monthly. Also, the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) filed a proposal to prohibit U.S. financial institutions from opening or maintaining correspondent or payable-through accounts for LCB. The bank denied at the time any involvement and affirmed it would fully cooperate with authorities. Based on end-2010 figures, SGBL and LCB would have combined assets of \$11.3bn, loans & advances of \$3.2bn, and deposits of \$9.3bn. The combined entity would rank in fifth place in the sector in assets terms. In 2006, French banking group Société Générale reduced its stake in SGBL from 50% to 19%. The Central Bank said it will not extend a soft loan or any other type of loans to facilitate the transaction and that the deal will be implemented under the banking sector's mergers and acquisitions law.

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	Nov 2009	Oct 2010	Nov 2010	Change*	Risk Level
Political Risk Rating	57.0	58.5	58.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	35.5	35.5	35.5	↔	Low
Composite Risk Rating	60.2	61.0	61.0	▲	Moderate

Regional Average	Nov 2009	Oct 2010	Nov 2010	Change*	Risk Level
Political Risk Rating	64.9	64.5	64.4	▼	Moderate
Financial Risk Rating	42.0	42.3	42.3	▲	Very Low
Economic Risk Rating	34.8	38.2	38.0	▲	Low
Composite Risk Rating	70.8	72.5	72.3	▲	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



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

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

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