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Economic Research & Analysis Department

LEBANON THIS WEEK

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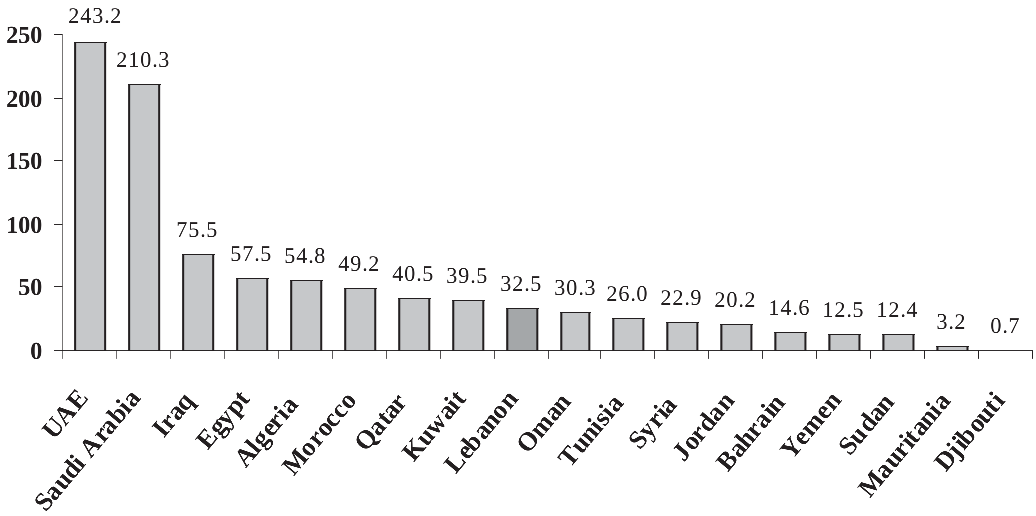
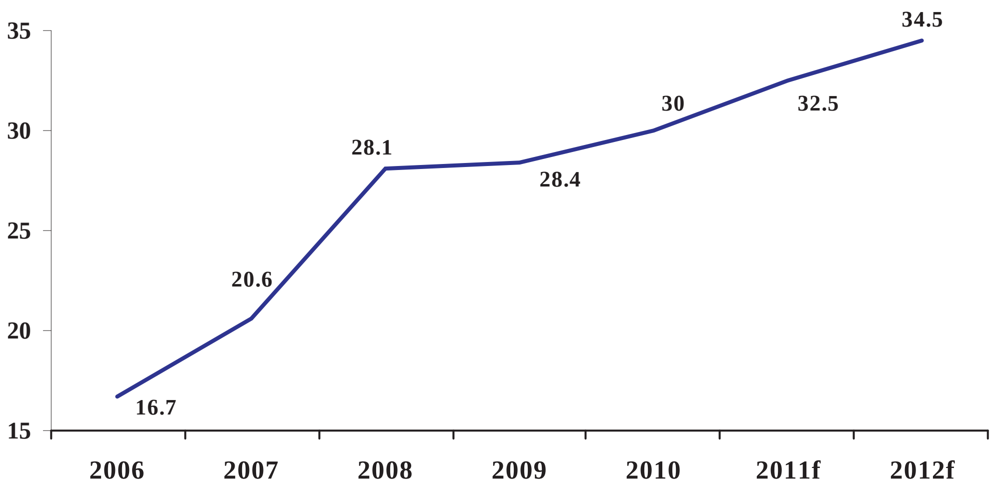
Charts of the Week

Imports of Goods and Services of Arab Countries in 2011 ($bn)



Imports of Goods and Services to Lebanon ($bn)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"Banks report capital above the regulatory minimum, high liquidity buffers, low levels of non-performing loans, and stable profits."

The International Monetary Fund, on the strength of the Lebanese banking sector

Number of the Week

$360m: Amount allocated in the 2012 draft budget to "urgent and exceptional" expenditures, without specifying the nature of these expenditures.

Economic Indicators

$m *(unless otherwise mentioned)*	**2009**	**Aug 10**	**2010**	**June 11**	**July 11**	**Aug 11**	**% Change***
Exports	3,486	312	4,256	411	415	373	19.55
Imports	16,241	1,449	17,956	1,571	1,679	1,719	18.63
Trade Balance	(12,755)	(1,137)	(13,700)	(1,160)	(1,264)	(1,346)	18.38
Balance of Payments	7,899	447	3,326	564	(307)	(2,143)	(579.42)
Checks Cleared in LBP	11,122	1,152	13,519	1,156	1,218	1,101	(4.43)
Checks Cleared in FC	45,270	4,470	53,925	4,716	5,939	5,017	12.24
Total Checks Cleared	56,392	5,622	67,444	5,872	7,157	6,118	8.82
Budget Deficit/Surplus	(2,960)	(358)	(2,892)	350	67	(178)	(50.31)
Primary Balance	1,078	(69)	1,232	459	314	75	(209.28)
Airport Passengers	4,986,544	578,452	5,552,260	517,860	702,265	574,924	(0.61)

$bn *(unless otherwise mentioned)*	**Dec 2009**	**Aug 10**	**May 11**	**June 11**	**July 11**	**Aug 11**	**% Change***
BdL FX Reserves	25.66	28.24	28.44	28.33	28.91	30.64	8.50
In months of Imports	*18.6*	*19.49*	*18.02*	*18.03*	*17.2*	*17.82*	*(8.57)*
Public Debt	51.09	50.18	52.72	52.52	52.80	53.40	6.42
Net Public Debt	44.11	44.42	45.70	45.6	45.50	45.71	2.90
Bank Assets	115.25	124.63	134.04	135.43	136.88	138.06	10.78
Bank Deposits (Private Sector)	95.77	102.72	110.47	111.48	112.14	112.95	9.96
Bank Loans to Private Sector	28.37	33.24	37.45	37.26	38.34	38.92	17.09
Money Supply M2	34.16	38.78	37.22	36.61	36.84	37.35	(3.69)
Money Supply M3	82.08	88.90	94.11	94.23	94.65	95.21	7.10
LBP Lending Rate (%)	9.04	8.05	7.67	7.59	7.33	7.53	(52b.p.)
LBP Deposit Rate (%)	6.75	5.72	5.64	5.62	5.59	5.53	(19b.p.)
USD Lending Rate (%)	7.28	7.04	7.04	6.98	7.03	7.16	12b.p
USD Deposit Rate (%)	3.05	2.78	2.84	2.81	2.86	2.80	2b.p.
%* Change in CPI**	4.20	3.18	7.30	6.16	6.28	6.49	331b.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"	13.42	(1.68)	201,781	13.13%
Solidere "B"	13.47	(0.15)	67,698	8.57%
Byblos Common	1.60	0.00	227,926	5.63%
Byblos Pref. 08	101.00	0.00	1,750	1.98%
Byblos Pref. 09	101.00	0.00	1,242	1.98%
BLOM GDR	7.90	0.00	0	5.71%
BLOM Listed	7.43	0.13	34,036	15.63%
Audi GDR	6.30	(2.17)	1,000	6.14%
Audi Listed	5.86	(2.01)	104,852	20.04%
HOLCIM	16.40	2.82	3,000	3.13%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar. 2012	7.500	100.50	5.74
Sep. 2012	7.750	100.50	7.05
June 2013	8.625	108.38	3.07
Apr. 2014	7.375	108.50	3.60
Jan. 2015	5.875	105.50	3.98
Apr. 2015	10.00	118.75	4.04
Jan. 2016	8.500	115.25	4.42
Mar. 2017	9.000	119.38	4.82
Nov. 2018	5.150	99.75	5.19
Apr. 2021	8.250	118.00	5.74

Source: Byblos Bank Capital Markets

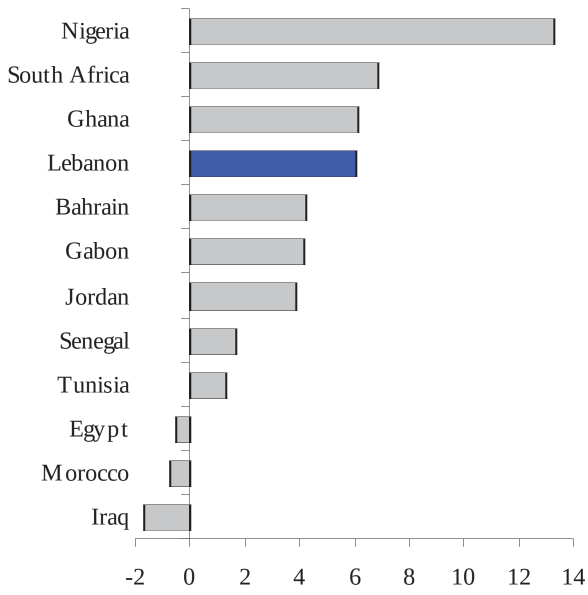
	November 21-25	November 14-18	% Change	October 2011	October 2010	% Change
Total Shares Traded	657,723	430,138	52.91	2,253,871	5,763,864	(60.90)
Total Value Traded	$5,881,682	$4,952,512	18.76	$17,474,040	$55,296,763	(68.40)
Market Capitalization	$10.22bn	$10.29bn	(0.68)	$10.45bn	$12.21bn	(14.44)

Source: Beirut Stock Exchange (BSE)

Lebanon's external debt posts 19th highest returns in emerging markets, fourth best in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted returns of 6.03% in the first 10 months of 2011, constituting the seventh highest return among 28 markets in the Eastern Europe, the Middle East & Africa (EMEA) region as well as the 19th best return among the 51 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA region's returns of 4.04%, but underperformed the overall emerging markets returns of 6.53% year-to-October. Also, Lebanon's external debt outperformed the 4.76% returns posted by similarly-rated sovereigns.

External Debt Performance in Midde East & Africa in First 10 Months of 2011 (%)



Source: Merrill Lynch, Byblos Research

Further, Lebanon's external debt posted the fourth highest returns among 12 countries in the Middle East & Africa region in the first 10 months 2011, ahead of Bahrain (4.23%), Gabon(4.13%), Jordan (3.82%), Senegal (1.68%), Tunisia (1.3%), Egypt (-0.57%), Morocco (-0.78%) and Iraq (-1.72%). But it was outperformed by Nigeria with 13.3%, South Africa with 6.83% and Ghana with 6.12%. In US dollar terms, Lebanon's external debt posted returns of 6% in the first 10 months of 2011, coming in eighth place in the EMEA region and in 20th place among emerging markets.

In parallel, Lebanon's external debt posted returns of 0.85% in October, constituting the 23rd highest return in the EMEA region and the 42nd highest return in emerging markets during the covered month. It underperformed the EMEA returns of 3.22% and the emerging markets returns of 3.9%, as well as the 4.94% returns of similarly-rated sovereigns for the same month. Regionally, it outperformed Tunisia (0.83%); but underperformed Nigeria (9.14%), Iraq (6.44%), Gabon (6%), Senegal (5.9%), Jordan (4.36%), Morocco (1.81%), South Africa (1.8%), Egypt (1.43%), and Bahrain (1.21%).

Merrill Lynch said the spread on Lebanese Eurobonds ended October 2011 at 370 basis points, constituting the 10th narrowest in the EMEA region and 21st narrowest among emerging markets. It was narrower than the EMEA spread of 390 basis points and the emerging markets overall spread of 383 basis points at end-October 2011.

Lebanon has a weight of 3.44% on Merrill Lynch's Sovereign Plus Debt Index, fourth highest in the EMEA universe behind Turkey (11.35%), Russia (8.58%) and Hungary (4.39%), and ninth highest among emerging markets. Lebanon accounted for 8% of the allocations in the EMEA region.

Central Bank's holdings of Treasury bills up by $4bn so far this year

Central Bank Governor Riad Salamé indicated that the Central Bank bought more than LBP 6,000bn, equivalent to $4bn, in government Treasury bills so far this year, in order to maintain interest rates at their current level. The Association of Banks in Lebanon said that the Central Bank had to intervene because commercial banks had refrained from subscribing to Treasury bills during this period, as political instability at the beginning of the year led banks to favor more flexible and liquid instruments such as Certificates of Deposits over T-bills. The Central Bank accounted for 32.3% of local public debt at end-September 2011, up from 21.4% at end-September 2010 and 27.2% at end-2010.

Further, Governor Salamé stated that the Central Bank's liquid assets reached a record high of $32bn, despite securing the government's financing needs in US dollars that totaled $2.8bn so far this year. He said that such level of foreign exchange reserves highlights Lebanon's capabilities to defend the stability of the national currency.

In parallel, he added that Lebanese banks are healthy and will further strengthen their balance sheets by raising the capital adequacy ratio to 12%, which would exceed the Basel III requirement of 10.5%, with most of the capital being Common Equity Tier One (CET1). He added that the deadline for the implementation of these requirements is set for end-2015. Further, Governor Salamé reportedly encouraged Syrian affiliates of Lebanese banks to increase their provisions to 20% of doubtful loans in order to avoid the negative impacts that would result from potential losses.

IMF calls for strong policies to restore investor and consumer confidence

The International Monetary Fund projected economic growth in Lebanon to range between 1% and 2% this year and between 3% to 4% in 2012, compared to an annual average real GDP growth rate of 8% during the 2007-10 period. It said the Lebanese economy has lost momentum after four years of strong growth, reflecting domestic political uncertainty and regional unrest. It noted that risks to growth next year are high and to the downside due to an uncertain global and regional environment, particularly in Syria.

The Fund called for strong domestic policies to restore investor and consumer confidence. It considered that the key policy challenges for Lebanese authorities are to maintain macroeconomic stability and lay the foundation for a more dynamic economy, as well as to reduce the country's debt-to-GDP ratio, which is still among the highest in the world.

The IMF estimated that Lebanon's medium-term strategy should focus on generating sustained growth and reducing public finance and economic vulnerabilities. It called for implementing structural reforms to improve the business environment and reduce the infrastructure deficit, as well as for reforming the social security system. It expected such measures to strengthen the economy's competitiveness and to eventually reduce unemployment and poverty. Further, it cautioned that mandated wage increases should be in line with productivity growth to avoid undermining the economy's competitiveness. It added that the education system to needs to meet the needs of the labor market.

The Fund warned that the prevailing risks call for a prudent 2012 budget that should target a small primary surplus. It added that the fiscal stance should remain neutral and keep the debt-to-GDP ratio on the decline. It also called on the government to reduce its reliance on Central Bank financing and to return to market funding by raising interest rates on Lebanese pound T-bills with maturities of less than 7 years. The IMF stressed that the government's medium-term fiscal policies should focus on reducing the public debt level, but considered at the same time that there is scope for higher social and capital spending, and suggested a wide range of tax increases. It called for reducing subsidies to the state-owned money-losing Electricité du Liban and encouraged reforms in the electricity sector to address losses and ultimately bring tariffs to a cost-recovery level.

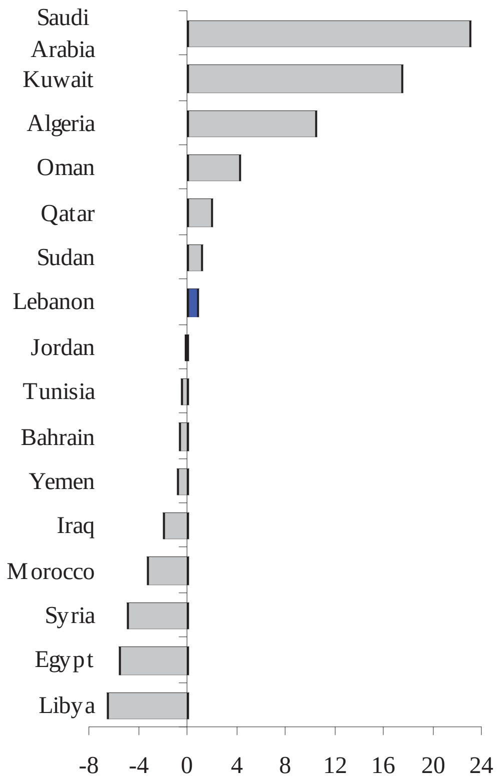
The IMF pointed out that national accounts, balance of payments statistics, and social and labor market indicators remain weak. It urged efforts to strengthen statistics, including by providing the Central Administration of Statistics with a clear legal mandate, high-level support, and appropriate funding.

Lebanon is third most affected country from Arab Spring in terms of public revenues

Geopolicity, an independent research and consulting firm, estimated the impact of the Arab Spring on public expenditures in Lebanon at nearly -$1.83bn and its cost on public revenues at about $932m. As such, it calculated that the Arab Spring has had a net positive impact on Lebanon's fiscal balance of $900m. It said that the cost to public revenues includes around $146m in tax breaks, with the remainder caused by a decrease in economic activity, mainly construction. Lebanon would be the third most affected Arab country in terms of public revenues, behind Libya (-$21.5bn) and Yemen (-$1.5bn).

It noted that Lebanon has avoided major protests but has been negatively impacted by the Arab Spring sweeping the region due to the country's open economy, which is highly dependent on the regional political and economic climates, and particularly those of neighboring Syria. It added that the main contributing factors that have impacted Lebanon's economy as a result of the Arab Spring include a deterioration of regional trade caused in part by the Syrian conflict; high energy prices due in part to temporary interruption of gas deliveries from Egypt; an increase in the cost of imported products caused by high oil prices; low tourism activity; and a drop in FDI inflows.

Net Impact on Fiscal Balance (US$bn)



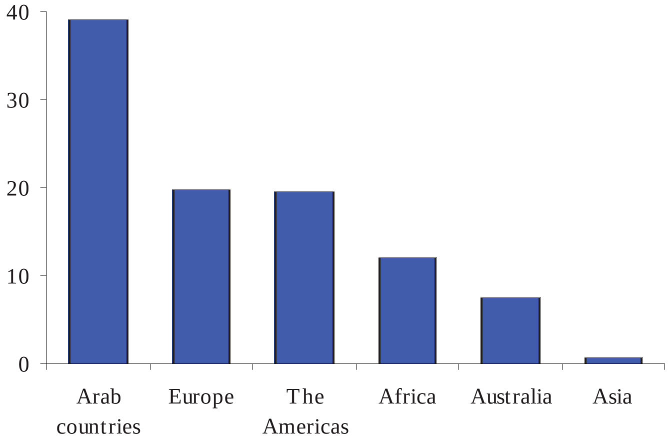
Source: Geopolicity

Two-thirds of Lebanese emigrate for employment reasons, 77% of emigrants are younger than 35 years

Figures issued by the Central Administration of Statistics (CAS) as part of a cluster survey indicate that 6.3% of total households in Lebanon had at least one member who emigrated between 2004 and 2009. The survey reveals that 86% of emigrants left the country, 6% emigrated with other family members, and 8% migrated with their whole family.

The survey added that 76.3% of Lebanese emigrants are males and 23.7% are females. Also, 44.1% are between 25 and 34 years old, 33.2% of emigrants are 24 year-old or younger, 13.1% are in the 35 to 44 years age bracket, and 9.5% are older than 45 years. It also showed that the migration level declines with the level of education, as holders of university degrees accounted for 44.4% of total emigrants, followed by those with secondary education who represented 29.1% of the total, while Lebanese migrants with an intermediate or primary education level accounted for 23% of total Lebanese emigrants between 2004 and 2009.

Destination of Lebanese Emigrants (% of total)



Source: Central Administration of Statistics

Also, the survey indicates that 48.4% of emigrants were unemployed before they left the country, while 51.5% held various jobs in Lebanon prior to their emigration. Additionally, 66% of emigrants left the country to find a job, 16% migrated for family reasons, 10.9% departed to for educational purposes, and 4.7% left the country to get married.

In parallel, results showed that 24.3% of Lebanese emigrants left in 2007, while 20% traveled in each of 2005 and 2006, 17.6% migrated in 2008, and only 6.5% emigrated in 2009. Further, the Arab region was the primary destination for Lebanese emigrants and accounted for 39.2% of the total, followed by Europe with 19.7%, the Americas with 19.5%, Africa with 12.1%, Australia with 7.6%, and Asia with 0.7%.

The CAS conducted the cluster survey in collaboration with the United Nations Children's Fund (UNICEF). It adopted the United Nation's definitions and guidelines to measure the Lebanese emigration level and its main characteristics. The methodology developed identifies the characteristics of individual emigrants from March 2004 till the end of 2009.

Cooperation protocol between Lebanese and Kuwaiti real estate associations

The Real Estate Association of Lebanon signed a cooperation protocol with the Kuwait Real State Association to remove barriers facing Kuwaiti businesses in Lebanon. It said that the volume of Kuwaiti investments in Lebanese real estate is on an upward trend and that the agreement would facilitate the registration of plots bought by Kuwaiti citizens in Lebanon. It noted that the protocol includes guidelines and useful information for real estate investors, such as the names of accredited companies, dealers, engineers, brokers and lawyers. It added that the agreement also stipulates the exchange of information between the two associations, holding training courses and workshops for briefing investors about relevant laws and regulations, as well as needed documents for real estate transactions.

Lebanon and Russia sign protocols of cooperation

The Lebanese government and its Russian counterpart signed cooperation protocols in the fields of electricity & water resources; industrial and agricultural cooperation; sea & land transportation and railways as well as in the field of defense, investment and fashion. The Lebanese government encouraged mutual investments in both countries and called for the elimination of all technical and practical procedures that would restrain the development of such investments. Lebanon's imports from Russia totaled $507m in 2010 relative to $416m in 2009, while Lebanese exports to Russia reached $3.4m in 2010 compared to $2m in 2009.

Number of tourists down 24% in first 10 months of 2011

The number of incoming tourists to Lebanon totaled 1,400,711 in the first 10 months of 2011, constituting a decrease of 24.4% from 1,851,922 tourists in the same period last year, driven by annual declines in tourist arrivals of 20.8% in October, 26.3% in September, 20% in August, 39.3% in July, 23% in June, 29% in May, 20.4% in April, 14.3% in March, 17% in February and 7.6% in January. Arab tourists accounted for 34% of total visitors in the first 10 months of the year, and were followed by visitors from Europe with 29.6%, Asia with 15.8%, the Americas with 13.6%, Africa with 3.6%, and Oceania with 3.3%. Tourists from France accounted for 8.9% of total visitors in the first 10 months of the year, followed by visitors from Iraq with 8.7%, Saudi Arabia with 7.53%, Jordan with 7.5%, and the U.S. with 5.5%. The number of tourists reached 124,601 in October 2011 compared to 157,260 in October 2010. Incoming tourists totaled 2.17 million in 2010, up 17% year-on-year.

Tourism spending in Lebanon up 8% year-to-October

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that total spending by tourists in Lebanon increased by 8% year-to-October, as visitors from Saudi Arabia spent the most during the first 10 months of 2011 and accounted for 20% of total tourist spending. They were followed by visitors from the UAE with 11%, Kuwait with 9%, Syria with 8% and Egypt with 6%. Spending by visitors from Syria rose by 18%, followed by visitors from the UAE (+16%) and France (+10%); while spending by visitors from Egypt contracted by 13%, followed by Jordan (-10%), Saudi Arabia (-4%), Kuwait (-3%) and Qatar (-1%). Beirut attracted 83% of total spending over the covered period, followed by the Metn area with 13%, the Keserwan region with 2%, and Baabda with 1%. Fashion & clothing accounted for 74% of total spending, followed by watches with 9%, home & garden products and department stores with 4% each, souvenirs & gifts with 3%, consumer electronics & household appliances with 2%, and electronics & IT and sports equipments & clothing with 1% each. Spending on sports equipment & clothing increased by 33%, followed by consumer electronics & household appliances with a 13% growth, fashion & clothing (+12%), souvenirs & gifts (+10%), and home & garden equipments (+2%). Expenditures on electronics & IT decreased by 15% in the covered period, followed by watches with a 11% drop, and spending at department stores with a 6% decrease.

Airport activity stagnates in first 9 months of 2011

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures and transit) totaled 4,288,869 in the first 9 months of 2011, up 1.1% from the same period last year. The UAE accounted for 758,387 passengers, or 17.7% of total passenger activity. It was followed by Saudi Arabia with 490,658 passengers, or 11.4% of the total; France with 414,634 travelers (9.7%) and Turkey with 355,585 travelers (8.3%). The total number of flights reached 47,976 in the first 9 months of 2011, down 2.8% year-on-year. Middle East Airlines registered 15,779 flights, accounting for 32.9% of the total. It was distantly followed by Royal Jordanian Airlines with 2,182 flights or 4.5% of the total, Qatar Airways with 1,643 flights, Etihad Airways with 1,406 flights, Fly Dubai with 1,394 flights, and Saudi Arabian Airlines with 1,337 flights. The UAE was the biggest source and destination of traffic to Lebanon, as aircraft movement to and from the UAE totaled 6,804 flights, accounting for 14.2% of the total. Also, the HIA processed 53,640 metric tons of cargo in the first 9 months of 2011, of which 52,989 tons of freight and 651 tons of mail. MEA processed 16,127 tons of freight, of which 15,853 tons in regular freight and 273 tons in mail.

Consumer Price Index up 3.5% annually in October

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 3.5% in October 2011 from October 2010. Prices of alcoholic beverages & tobacco increased by 9.9%, followed by water, electricity, gas & other fuels (+9.7%), education (+7.6%), transportation (+5.3%), furnishings & household equipment (+5%), restaurants & hotels (+4.7%), recreation & entertainment (+4.6%), food & non-alcoholic beverages (+4.3%), health care (+2.4%) and miscellaneous goods & services (+2%). In parallel, housing prices remained unchanged year-on-year, prices of clothing & footwear declined by 5.5% and communication prices declined by 0.1%. Imported inflation accounts for about 70% of inflation in the country, as Lebanon has an import-based economy. Lebanon imports most of its energy needs and the value of imports historically has been equivalent to about five times that of exports.

The Consumer Price Index increased by 0.7% in October 2011 from September 2011. Prices of alcoholic beverages & tobacco increased by 9.3%, followed by education (+7.5%), recreation & entertainment (+2.5%), clothing & footwear (+1.7%), prices at restaurants & hotels (+0.6%), food & non-alcoholic beverages (+0.5%) and furnishings & household equipment (+0.1%). Further, the cost of housing, communication and miscellaneous goods & services remained unchanged month-on-month, and that of transportation declined by 2%, health care down by 1.5% and that of water, electricity, gas & other fuels decreased by 0.5%. The Consumer Price Index grew by 4.8% year-on-year in September and increased by 5.5% year-on-year in August.

Construction permits down 5.5% in first 9 months of 2011

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits issued in the first 9 months of 2011 reached 12.4 million square meters, constituting a decrease of 5.5% from 13.1 million square meters in the same period last year. Construction permits totaled 1.2 million square meters in September 2011, down 12.5% year-on-year from 1.4 million square meters in September 2010. In parallel, cement deliveries reached 4.2 million tons in the first 9 months of 2011, an increase of 7.6% from 3.9 million tons in the same period last year. Cement deliveries reached 465,000 tons in September 2011, up 36.8% from 340,000 tons in September 2010.

Cleared checks up 3%, returned checks unchanged in first 9 months of 2011

The value of cleared checks reached $52.6bn in the first 9 months of 2011, constituting an increase of 3.4% from the same period of 2010. The value of cleared checks in Lebanese pounds rose by 6.7% to the equivalent of $10.6bn, while the value of cleared checks in US dollars increased by 5.2% to $43.1bn. The dollarization rate of cleared checks increased to 81.9% from 80.5% in the same period last year. Also, the value of returned checks in domestic and foreign currency amounted to $1.1bn in the first 9 months of 2011, unchanged from the same period last year. In parallel, the number of cleared checks totaled 9.7 million checks in the first 9 months of 2011, up 1.2% from the same period of 2010. Also, the number of returned checks totaled 195,000 checks and rose by 8.3% in the covered period.

Corporate Highlights

Profits of top 12 banks up 3% to $1.2bn in first 9 months of 2011

The unaudited consolidated net profits of the Alpha Group of banks reached $1.2bn in the first 9 months of 2011, constituting an increase of 2.9% from the same period last year. The Alpha Group consists of 12 banks with deposits in excess of $2bn each. Total net operating income rose by 5.1% to $2.9bn, with aggregate net interest income increasing by 5.1% to $1.9bn and non-interest receipts growing by 5.5% to $1.1bn year-on-year. The net interest spread dropped to 1.85% for the first 9 months of 2011 from 1.93% in the same period last year. Also, total operating expenditures increased by 7.6% year-on-year to $1.4bn, with staff expenses increasing by 10.2% to $798.4m. The banks' total assets reached $142.7bn at end-September, constituting a 6.4% increase from end-2010; while aggregate loans & advances rose by 12.7% during the first 9 months to $40.8bn. Customer deposits totaled $118.2bn at the end of September, constituting an increase of 5.2% from end-2010. The banks' net return on average assets reached 1.17% on an annualized basis relative to 1.25% at end-September 2010; while net return on average equity was 13.56% relative to 13.78% at end-September 2010. Further, the cost-to-income ratio increased to 48.07% at the end of September 2011 compared to 47.02% at the end of September 2010.

Fransabank's income increases by 14% to $122m in first 9 months of 2011

Fransabank sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of $122.1m in the first 9 months of 2011, up 14.4% from the same period last year. Net operating income rose by 21.2% year-on-year to $312.6m, with net interest income increasing by 22.5% to $230.5m and non-interest receipts increasing by 28.1% to $88.6m year-on-year. Also, operating expenditures increased by 26.3% to $160.8m, with staff expenses increasing by 28.8% to $101.6m. Total assets reached $14.1bn at end-September, constituting a 15.2% rise from end-2010, while loans & advances increased by 39.5% in the first 9 months of 2011 to $4.4bn. Customer deposits totaled $11.6bn at end-September, up 15.4% from end-2010.

SGBL's profits rise 62% to $110m year-to-September

Société Générale de Banque au Liban (SGBL) sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of $109.9m in the first 9 months of 2011, up 61.5% from the same period last year. Net operating income increased by 27.6% year-on-year to $193.3m, with net interest income increasing by 16.4% to $98.5m and non-interest receipts increasing by 21.2% year-on-year to $90.4m. Also, operating expenditures increased by 3% to $77.8m, with staff expenses increasing by 2.1% to $43.9m. Total assets reached $11.3bn at end-September, constituting a 120.3% rise from end-2010, while loans & advances increased by 109.2% in the first 9 months to $3bn. Customer deposits totaled $8.5bn at end-September, up 109.9% from end-2010. The figures include the assets and liabilities of the Lebanese-Canadian Bank sal that SGBL acquired earlier this year, which explains the significant year-on-year jump in the bank's results.

BLC Bank's net income up 13% to $37m in first 9 months of 2011

BLC Bank sal, one of Lebanon's listed banks, announced unaudited net profits of $37m in the first 9 months of 2011, up 12.8% from the same period last year. Net interest income rose by 49.8% to $69.1m, while net fees & commission income increased by 45.2% to $12.8m and net interest gains on trading portfolio reached $2.8m in the first 9 months of 2011 compared to $2.3m in the same period last year. Administrative expenses increased by 56% to $16.2m and staff costs rose by 62.4% to $33.6m year-on-year. Total assets reached $4.27bn at end-September 2011, up 38% from end-2010; while loans & advances to customers increased by 117.3% to $1.5bn at end-September 2011. The bank held $61.3m in assets acquired in satisfaction of loans at end-September 2011, down from $63.8m at end-2010. Customer deposits totaled $3.6bn constituting and increased of 39.4% from end-2010. BLC Bank is part of the Fransabank Group.

Al-Joumhouria acquires rights to *Le Figaro* in Lebanon, buys lifestyle monthly magazine

The Arabic-language daily newspaper *Al-Joumhouria* announced that it has bought Lebanese lifestyle monthly magazine *Special* for an undisclosed amount. Further, *Al-Joumhouria* indicated that it has acquired the exclusive representation of the French daily *Le Figaro* in Lebanon, allowing it to translate articles from the French daily into Arabic and publish them. It added that the daily newspaper is currently in negotiations with four other publications to either buy them or acquire the right to publish them in Lebanon. Former Deputy Prime Minster and Defense Minister Elias el-Murr launched *Al-Joumhouria* in February this year. The new publication increased to 15 the number of Lebanese dailies, which include 12 newspapers in Arabic, two in French and one in English. *Al-Joumhouria* pledged to move beyond existing political notions and to add value by serving as a platform for all political trends

Ratio Highlights

(in % unless specified)	2008	2009	2010	Change*
Nominal GDP*(1)* ($bn)	30.1	34.9	39.2	
External Debt / GDP	70.7	60.9	52.5	(840)
Local Debt / GDP	86.5	85.5	81.7	(380)
Total Debt / GDP	157.3	146.4	134.2	(1,220)
Total External Debt / GDP	172.4	175.2	160.5	(1,470)
Trade Balance / GDP	(42.3)	(36.5)	(35.0)	150
Exports / Imports	21.6	21.5	23.7	220
Budget Revenues / GDP	23.5	24.1	21.4	(270)
Budget Expenditures / GDP	33.3	32.6	28.8	(380)
Budget Balance / GDP	(9.8)	(8.5)	(7.5)	(100)
Primary Balance / GDP	2.0	3.1	3.1	0
BdL FX Reserves / M2	68.9	75.1	72.6	(250)
M3 / GDP	229.6	235.2	235.1	(10)
Bank Assets / GDP	315.2	330.2	328.9	(130)
Bank Deposits / GDP	260.1	274.4	273.5	(90)
Private Sector Loans / GDP	83.7	81.3	89.1	780
Dollarization of Deposits	69.6	64.5	63.2	(130)
Dollarization of Loans	86.6	84.0	80.3	(370)

** Change in basis points 09/10*
(1) Based on Ministry of Finance Estimations and the International Monetary Fund
Source: Association of Banks in Lebanon, Byblos Research Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	June 2010	May 2011	June 2011	Change*	Risk Level
Political Risk Rating	58.5	55.5	55.5	▼	High
Financial Risk Rating	28.0	28.5	28.5	▲	High
Economic Risk Rating	35.5	32.5	32.5	▼	Moderate
Composite Risk Rating	61.0	58.2	58.2	▼	High

Regional Average	June 2010	May 2011	June 2011	Change*	Risk Level
Political Risk Rating	64.8	60.3	59.9	▼	Moderate
Financial Risk Rating	41.7	41.8	42.0	▲	Very Low
Economic Risk Rating	38.4	36.8	36.6	▼	Low
Composite Risk Rating	72.4	69.5	69.3	▼	Moderate

**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 Ratings	B	B	Stable	B		Stable
Standard & Poor's	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-		Negative
EIU		B	Stable

Source: Rating agencies

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