



# LEBANON THIS WEEK

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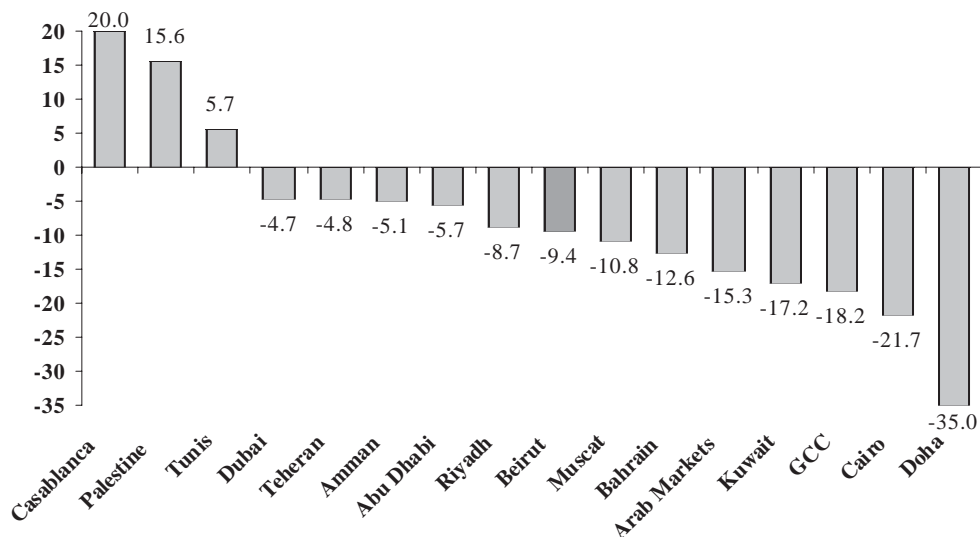
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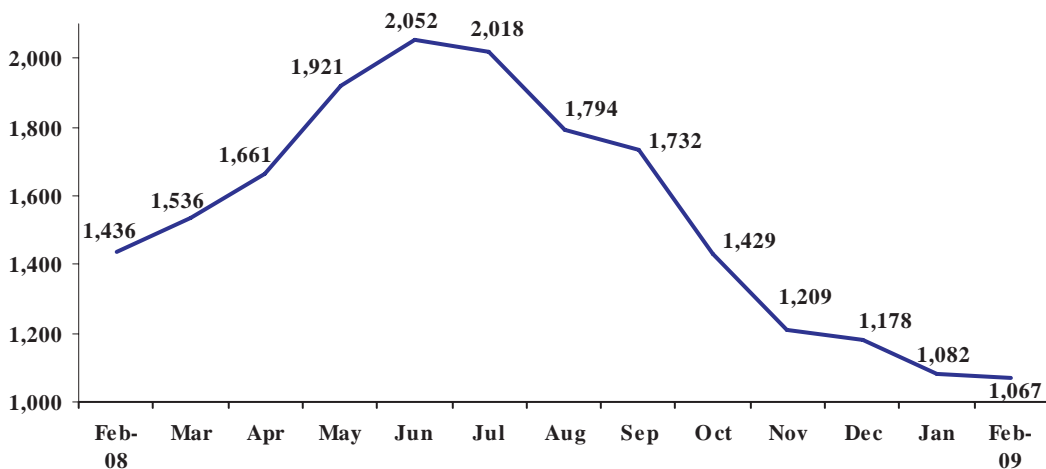
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## Charts of the Week

Performance of MENA Stock Markets in the First Two Months of 2009 (%)



Performance of Beirut Stock Market\*



\*BLOM Stock Index

Source: Local stock markets

## Quote to Note

“Lebanon is one of the few countries where the banks are not struggling to survive.”

*Duncan Niederauer, CEO of the New York Stock Exchange, on the resilience of the Lebanese banking sector to the global financial crisis*

## Number of the Week

**\$1.18bn:** Increase in the foreign currency assets of the Central Bank of Lebanon in the first two months of 2009, leading to a record total of \$20.9bn at end-February 2009

## Economic Indicators

\$m (unless otherwise mentioned)	Dec. 2007	2007	Oct. 2008	Nov. 2008	Dec. 2008	2008	% Change*
Exports	241	2,816	254	330	250	3,478	23.51
Imports	1,064	11,815	1,490	1,664	1,135	16,133	36.55
Trade Balance	(823)	(8,999)	(1,236)	(1,334)	(885)	(12,655)	40.63
Balance of Payments	864	2,036	231	303	714	3,462	70.04
Checks Cleared in LBP	682	8,409	848	764	832	9,349	11.18
Checks Cleared in FC	2,769	29,892	3,936	3,548	3,181	43,162	44.39
Total Checks Cleared	3,451	38,301	4,784	4,312	4,013	52,511	37.10
Budget Deficit/Surplus	(155)	(2,546)	(68)	(511)	(332)	(2,921)	14.73
Primary Balance	92	731	297	(246)	(49)	597	(18.33)
Airport Passengers	334,486	3,408,834	351,753	299,175	419,329	4,085,334	19.85

\$bn (unless otherwise mentioned)	Dec. 2006	Dec. 2007	Sep. 2008	Oct. 2008	Nov. 2008	Dec. 2008	% Change*
BdL FX Reserves	10.21	9.78	15.32	16.17	16.42	17.06	74.44
<i>In months of Imports</i>	<i>11.30</i>	<i>9.19</i>	<i>10.42</i>	<i>10.85</i>	<i>9.87</i>	<i>15.03</i>	<i>63.55</i>
Public Debt	40.37	42.03	45.68	46.08	46.83	47.01	11.85
Net Public Debt	37.42	39.03	40.89	40.74	41.15	41.49	6.30
Bank Assets	74.27	82.26	91.73	90.43	91.76	94.25	14.58
Bank Deposits (Private Sector)	60.69	67.29	75.13	74.80	75.60	77.78	15.59
Bank Loans to Private Sector	18.92	20.42	24.80	24.61	24.69	25.04	22.62
Money Supply M2	15.57	16.47	22.13	23.10	23.87	24.76	50.33
Money Supply M3	53.23	59.83	66.44	66.38	67.08	68.66	14.76
LBP Lending Rate (%)	10.37	10.10	9.98	9.90	10.08	9.95	(15b.p.)
LBP Deposit Rate (%)	7.49	7.40	7.18	7.28	7.27	7.22	(18b.p.)
USD Lending Rate (%)	8.55	8.02	7.37	7.53	7.54	7.47	(55b.p.)
USD Deposit Rate (%)	4.76	4.69	3.57	3.54	3.47	3.33	(136b.p.)
%* Change in CPI**	7.04	5.92	11.76	11.16	8.35	6.36	44b.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"	15.34	(2.11)	52,147	18.11%
Solidere "B"	15.25	(3.48)	42,470	11.70%
Byblos Common	1.63	(1.81)	14,824	4.18%
Byblos Priority	1.69	0.00	0	4.11%
BLOM GDR	64.05	(3.68)	5,250	5.59%
BLOM Listed	61.00	0.00	0	15.48%
Audi GDR	44.00	(1.68)	8,623	5.11%
Audi Listed	40.00	0.00	16,300	16.14%
HOLCIM	13.50	8.00	276	3.11%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	102.75	5.32
Dec.2009	7.000	100.88	5.80
Mar.2010	7.125	100.63	6.46
May 2011	7.875	101.63	7.06
Sep.2012	7.750	100.50	7.59
June 2013	8.625	101.75	8.13
Apr.2015	10.000	106.75	8.56
Jan.2016	8.500	99.00	8.69
May 2016	11.625	114.75	8.80
Apr.2021	8.250	92.50	9.29

Source: Byblos Capital Markets

	This Week	Last Week	% Change	Feb. 2009	Feb. 2008	% Change
<b>Total Shares Traded</b>	140,390	847,473	(83.43)	54,105,555	2,398,001	2,156.28
<b>Total Value Traded</b>	\$2,921,215	\$5,160,186	(43.39)	\$115,261,712	\$43,415,201	165.49
<b>Market Capitalization</b>	\$8.74bn	\$8.55bn	(0.95)	\$8.55bn	\$10.54bn	(18.90)

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 64th globally, 7th in MENA region on ICT Development Index

The International Telecommunication Union's 2009 Information & Communication Technology (ICT) Development Index in 154 countries ranked Lebanon in 64th place worldwide and 7th among 19 countries in the Middle East and North Africa region. Lebanon also ranked in 18th place among 28 upper middle income countries (UMICs) included in the survey. Lebanon ranked in 56th place globally, in 7th place regionally and in 14th place among UMICs in the previous survey conducted in 2002. The index quantifies and tracks the digital divide among economies and measures a country's progress toward becoming an information society. The index is a composite of three sub-indices that measure the level of access, usage and skills of ICT in a country.

Lebanon received a score of 3.43 points, up by 35.6% from the previous survey, and above the global average of 3.39 points, the MENA average of 3.22 points and the Arab average of 3.1 points, but it scored below the average of 3.61 points for UMICs. On a global basis, Lebanon ranked ahead of Macedonia and Moldova and came behind Thailand and Bosnia. Lebanon came in the category of countries with 'Upper' ICT development. It ranked in 31st place among the 33 economies that belong in this category, and scored below their average of 4.2 points.

Lebanon ranked ahead of Macedonia and behind Ecuador on the ICT Access Sub-Index. This category measures the access to fixed telephone lines, mobile cellular subscriptions, international Internet bandwidth users, the proportion of households with a computer and the proportion of households with Internet access at home. Also Lebanon ranked ahead of Venezuela and behind Brazil among UMICs and came ahead of Syria and behind Oman in the region. Lebanon also ranked ahead of Peru and behind Macedonia on the ICT Use Sub-Index. This category reflects the Internet users, the fixed broadband Internet subscribers, and the mobile broadband subscribers. Regionally, Lebanon ranked ahead of Saudi Arabia and behind Kuwait. It also came ahead of Costa Rica and behind Mauritius among UMICs. Also, Lebanon ranked ahead of Turkmenistan and behind Peru on the ICT Skills Sub-Category. This category reflects the adult literacy rate, and the secondary and tertiary gross enrolment ratios. Regionally, Lebanon ranked ahead of Jordan and behind Bahrain, while it came ahead of Brazil and behind Venezuela among the UMICs.

ICT Development Index				
	Score	Global Rank	MENA Rank	Category
Israel	5.6	29	1	High
UAE	5.29	32	2	High
Bahrain	4.69	42	3	Upper
Qatar	4.44	44	4	Upper
Saudi Arabia	3.62	55	5	Upper
Kuwait	3.57	57	6	Upper
<b>Lebanon</b>	<b>3.43</b>	<b>64</b>	<b>7</b>	Upper
Jordan	3.06	76	8	Medium
Oman	3.00	77	9	Medium
Iran	2.94	78	10	Medium
Palestine	2.92	79	11	Medium
Libya	2.84	81	12	Medium
Tunisia	2.73	83	13	Medium
Syria	2.66	89	14	Medium
Egypt	2.54	94	15	Medium
Algeria	2.51	97	16	Medium
Morocco	2.34	101	17	Medium
Sudan	1.56	120	18	Low
Yemen	1.47	124	19	Low

Source: International Telecommunication Union, Byblos Research

Components of the ICT Development Index for Lebanon							
Sub-Index	Global Rank	MENA Rank	UMIC Rank	Lebanon Score	Global Average Score	MENA Average Score	UMIC Average Score
Access	73	8	20	3.55	3.91	3.66	4.05
Use	53	6	12	1.33	1.43	0.96	1.21
Skills	58	5	16	7.39	6.31	6.2	7.51

Source: International Telecommunication Union, Byblos Research

### IMF expects growth at 3-4% in 2009, urges fiscal reforms to face upcoming challenges

In its Article IV Consultation, the International Monetary Fund indicated that the Lebanese economy has been remarkably resilient to the global financial crisis, adding that the domestic financial system is not directly exposed to distressed financial products or markets, is very liquid and well capitalized, and economic growth has remained strong. It said prudent macroeconomic and financial policies in recent years have strengthened the economy's ability to weather external shocks. Primary fiscal surpluses have contributed to lowering the debt-to-GDP ratio by nearly 20% since 2006; interest rate policy has supported deposit inflows, rapid de-dollarization, and a build-up of foreign reserves; and strict financial regulation and oversight have shielded banks from exposure to troubled international banks and structured products.

The Fund warned, however, that Lebanon faces significant challenges, as the economy will feel spillovers from the global recession and the weakened outlook in the GCC. It expected real GDP growth to drop to 3-4% in 2009 from over 8% in 2008, and added that remittances, tourism, merchandise exports, FDI and portfolio investment, and deposit inflows will be negatively affected. It considered that reducing the debt-to-GDP ratio remains the top priority, adding that reforming the state-owned Electricité du Liban is essential to avoid an increase in the deficit. Further, it supported the ongoing monetary policy to encourage deposit inflows, given the risks of the global crisis and domestic political uncertainty ahead of the June parliamentary elections. It also urged the Central Bank and the Banking Control Commission to continue monitoring commercial banks and to plan for contingencies in the wake of the worsening global outlook.

### Merrill Lynch maintains its recommendation on Lebanese Eurobonds to 'Market Weight'

Merrill Lynch maintained its recommendation on Lebanon's external debt to 'Market Weight' in its model portfolio of emerging markets debt and increased Lebanon's market weight by 0.4 percentage point to 7.3% in March, after raising it by 2.2 percentage points last November due to the performance of Lebanese Eurobonds, specifically since the spread of financial turmoil to emerging markets in September. Merrill Lynch upgraded its recommendation to 'Market Weight' from 'Underweight' following the Doha Accord last May. The 'Underweight' recommendation was in place since April 2007 due to the negative political outlook and deteriorating situation in the country at the time. It noted that Lebanon has been one of the best performers, along with Iraq, in its portfolio since its upgrade to 'Market Weight' on May 22nd.

Lebanon's Market Weight compares well with the Under Weight recommendation on the Europe, the Middle East & Africa (EMEA) region and to the Under Weight recommendation for similarly-rated countries. Lebanon's weight in the portfolio is 7.3% in March compared to 6.9% in January, 7.7% in November and 5.5% in September. Lebanon had just a 1.5% weight in March 2008, a higher allocation of only Iraq. Lebanon accounted for 25% of the allocations in the EMEA region, up from 21.8% earlier this year and from 24% in November, and significantly up from 19% in September and from 14.6% at the beginning of May 2008. Lebanon's allocation is the 5th highest among countries in the portfolio, up from 7th highest earlier this year, from 6th highest in November and up from 9th highest last September.

In parallel, Lebanon's external debt posted the second highest return at 6% in the EMEA region in the first two months of 2009, as well as the 7th best return among the 28 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA returns of 0.15% and the overall emerging market returns of -0.84% in the cover period. Also, Lebanon posted the best performance at 10% in the EMEA region as well as among emerging markets in the 12-months ending February 2009. It outperformed the EMEA returns of -10% and the overall emerging market returns of -10.7% during the same period. Merrill Lynch said the spread on Lebanese Eurobonds ended February 2009 at 672 basis points, 7th lowest in the EMEA region and 17th lowest among emerging markets. It was lower than the EMEA spread of 679 basis points and wider than the emerging markets overall spread of 622 basis points.

### New code to streamline tax procedures

The Ministry of Finance indicated that the new tax code, ratified by Parliament two months ago, represents major progress in the field of taxation for Lebanon and is the second largest tax reform project since the introduction of the value-added tax (VAT) in 2002. The code stipulates the establishment of a single tax account for each taxpayer that would cover all taxes owed. Such accounts will allow the ministry to better control and monitor taxes owed by individuals. The code also allows taxpayers to modify, under specific conditions, tax declarations without bearing any penalty. In addition, the new code sets a maximum two-month delay to declare the start or the end of a professional activity, and it extended to three years from two years the period during which taxes can be paid, except for the VAT and for taxes deducted at source. In parallel, the new law imposed time limits on tax collections of a maximum of 4 years following the notification year, while it set the time to arbitrate a taxpayer's complaint to between 6 and 9 months. The ministry also plans to submit to the Cabinet a draft law relative to the unification of the income tax.

### Lebanon to install fiber optic Internet grid

The Telecommunications Minister announced the installation of fiber optic cables over a distance of 4,700 kilometers and at a cost of \$62m, aiming at boosting the capacity of Internet networks in Lebanon and eventually at reducing the prices of DSL subscriptions. Fiber-optic cables allow very long distance communications as well as the transmission of high flows of information, representing a major progress in the telecommunications field. The project aims to create two national connection knots, Lebanon Ring 1 and Lebanon Ring 2, and 39 local knots. The establishment of the two main national knots will take place over a one-year period starting in June 2009, whereas the installation of the local knots will take place over an 18-month period beginning in March 2010. The project will be completed by the end of 2011 and will allow the introduction of new services in the fixed line networks as well as new technologies for the cellular networks. Fiber optic cables were already installed in Lebanon 15 years ago over 1,300 kilometers but needed to be upgraded.

Emerging Markets External Debt Portfolio		
Country	Bonds	Weight (%)
Turkey	Turkey '18s	11.1
Brazil	Brazil '17s	10.8
Mexico	Mexico '31s	8.6
Philippines	Philippines '16Ns	8.1
Russia	Russia '18s	7.9
<b>Lebanon</b>	<b>Lebanon '13s</b>	<b>7.3</b>
Indonesia	Indonesia '18s	7.3
Venezuela	Venezuela '18Ns	6.4
Peru	Peru '37s	5.5
Colombia	Colombia '17s	4.4
Panama	Panama '36s	2.8
Argentina	Pars	1.5
Uruguay	Uruguay '22s	1.6
South Africa	South Africa '14s	1.4
Ukraine	Ukraine '13s	1.0
Jamaica	Jamaica '17s	0.8
El Salvador	El Salvador '23s	0.6
Iraq	Iraq '28s	0.4
Cash		12.4
<b>Total</b>		<b>100</b>

Source: Merrill Lynch, March 2009

### **Trade deficit down 4.8% to \$786m in January 2009**

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Imports declined by 3.6% year-on-year to \$1.07bn in January 2009, while exports grew by 7.3% to \$281m in January 2009, leading to a trade deficit of \$786m, down 4.8% year-on-year and down 11.2% from December 2008. The coverage ratio reached 26.3% in January 2009 compared to 23.7% in January 2008.

China was the main source of imports with \$109m or 10% of the total, followed by Germany with \$86m (8%), United States with \$85m (8%), France with \$79m (7%) and Italy with \$76 (7%). Switzerland was the main export destination with \$64m or 23% of the total, followed by Iraq with \$30m (11%), UAE with \$24m (8%), Syria and France with \$16m each (6%) and Saudi Arabia with \$15m (5%). Lebanon's main export was jewelry at \$90m or 32% of total exports, followed by machinery & appliances with \$43m (15%), base metals with \$24m (8%), chemical products and paper with \$17m each(6%), and transportation equipments with \$14m (5%). Re-exports totaled \$12m in January 2009, down 25% from \$16m in January 2008.

### **Customs receipts up 107% to \$147m in January 2009**

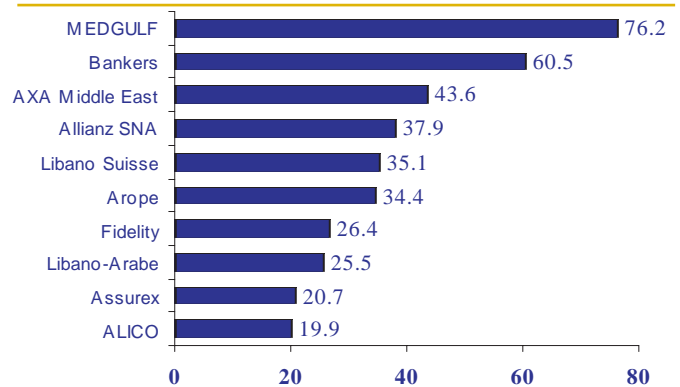
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Figures released by the Higher Customs Council show that customs revenues reached \$147m in January 2009, up 107% from January 2008 and 3.3% compared to December 2008. The Port of Beirut continues to be the main point of customs revenues, accounting for 90% of the total, and was followed by the Hariri International Airport with 4.5%, the Port of Tripoli with 3% and the Masnaa crossing point with 1.1%. Overall customs receipts reached \$258m in January 2009 when including revenues from the value-added tax that totaled \$111m during that month.

### Total non-life premiums post 22.4% rise to \$591m in 2008

The annual survey by Al-Bayan magazine of the insurance sector in Lebanon showed that total non-life premiums reached \$590.5m in 2008, constituting an increase of 22.4% from 2007, and compared to growth rates of 8% in 2007 and 4.7% in 2006. Non-life premiums totaled \$482.65m in 2007 and \$446.8m in 2006. MEDGULF maintained its first place with \$76.2m in non-life premiums, followed by Bankers with \$60.5 million, AXA Middle East with \$43.6m, Allianz SNA with \$37.9m, and Libano-Suisse with \$35.1m as the top 5 non-life insurers. CLA registered the highest jump in the rankings from last year, moving from 24th to 14th place and posted the highest growth in premiums among all insurers in the survey at 256.8% year-on-year. Byblos Bank's insurance affiliate ADIR registered a 41.6% rise in premiums, posting the fourth highest jump among the top 20 insurers and third biggest jump in non-life premiums among insurers that are partly of fully-owned by banks. It ranked in 13th place, up one notch from the previous year. ADIR's non-life premiums jumped by 22.4% in 2007 and constituted the biggest rise among insurers affiliated to banks. The survey attributed the significant rise in non-life premiums last year to the increase in comprehensive car insurance related to auto loans for new cars sold, as well as to increased competition among insurers affiliated to banks.

Non-Life Premiums of the Top 10 Insurers in 2008 (\$m)

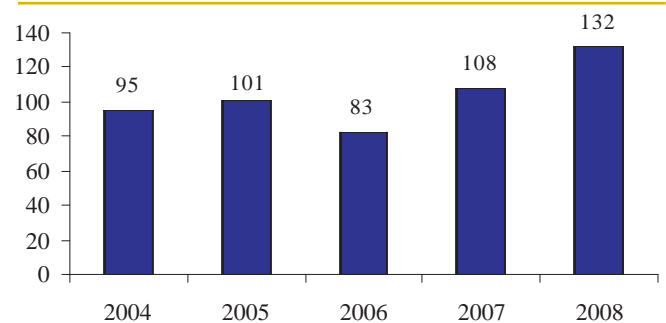


There were 9 advances and 4 declines among the top 20 insurers, while the rankings of 7 insurers were unchanged. Nine of the top 10 insurers were unchanged from 2007, with Cumberland dropping 5 spots to 12th place and Assurex improving by 3 spots to 9th place. All of the top 10 insurers posted increases in their premiums and 8 of them saw a double digit rise. AROPE and Assurex recorded the biggest year-on-year rise at 65.4% and 59% respectively, while MEDGULF and ALICO's premiums rose by single digits of 7.7% and 1.3%, respectively. The rankings of the top 5 insurers remained unchanged. There were 2 advances and 2 declines in the rankings of the top 10 firms. AROPE and Libano-Arabe gained 2 notches each to rank in 6th and 8th place respectively, while Fidelity and ALICO regressed by one spot each to 7th place and 10th place, respectively. The top 10 insurers controlled 64.4% of the market in 2008 compared to 63.3% in 2007 and 63.9% in 2006, while the top 20 insurers represented 85.3% of premiums compared to 84% in 2007. The aggregate non-life premiums of the top 10 insurers reached \$380.4m in 2008 compared to \$305.6m in 2007.

### Advertising spending in Lebanon up 22% to \$132m in 2008, TV gets 38% of total

The annual survey of the advertising market in the Arab world by ArabAd magazine and research firm IPSOS-STAT shows that real advertising expenditures in Lebanon totaled \$131.7m in 2008, constituting an increase of 21.9% from \$108m in 2007 and up by 58.7% from \$83m in 2006. ArabAd said that 2008 was a very good year for Lebanon in all sectors. Television attracted \$50m, or 37.9%, of advertising expenditures, followed by print publications with \$44.1m (33.6%), outdoor billboards with \$27.5m (20.9%), radio with \$8.6m (6.5%) and cinemas with \$1.5m (1.1%). In terms of advertising revenues, LBCI was the top television station, Al Balad led all newspapers, Achabaka was the top weekly publication, and Mondanité was the leading monthly periodical.

Real advertising expenditures in Lebanon (\$m)



Transmed was the biggest individual spender on advertising in Lebanon, followed by Khalil Fattal & Fils, L'Oreal, SMLC, BUMC, Zain, National Beverage Company, Obegi, Amana Care, and BankMed. Toyota was the top advertised brand in all media, followed by Zain, Pepsi, Coca Cola, Head & Shoulders, Amana Care, Pantene Pro-V, BankMed, Bank Audi and Zein Al Atat.

According to IPSOS-STAT, monitored advertising expenditures in Lebanon, which are determined according to rate cards, totaled \$784.4m last year, up by 37.3% from \$571.3m in 2007. Lebanon accounted for 7% of total monitored advertising expenditures in the Arab world. It ranked in 4th place behind Pan Arab TV satellites (40%), the United Arab Emirates (22%) and Saudi Arabia (10%).

### **BLC Bank's profits up 54.2% to \$23m in 2008**

BLC Bank sal, one of Lebanon's listed banks, announced un-audited net profits of \$23m in 2008, up 54.2% from the previous year. Net interest income rose by 35.4% to \$43.6m while net fee & commission receipts regressed by 17% to \$6.4m and net interest gains on trading portfolio dropped by 162.6% to post a loss of \$0.5m in 2008 compared to an income of \$0.82m in 2007. General administrative expenses declined by 14.2% to \$11m and staff costs increased by 29.2% to \$20.6m. Total assets reached \$1.97bn at the end of 2008, constituting a 13.8% rise from end-2007, while loans & advances to customers increased by 44.3% to reach \$275.5m. The bank held \$50.7m in assets acquired in satisfaction of loans at end-2008. Customers' deposits rose by 17.1% year-on-year to \$1.73bn. The bank's equity increased by 22.2% to \$156.6m year-on-year. In August 2007, Fransabank sal acquired 97.52% of BLC Bank for \$153m from the Qatari Supreme Council for Economic Affairs. In 2005, the Qatari investor acquired 96.2% of BLC for \$236.4m from the Central Bank of Lebanon.

### **Toshiba establishes first regional call center in Beirut**

The Toshiba company launched in Lebanon its first call center for the Middle East, citing the country's high-quality customer service and multilingual workforce. The new call center was officially launched on March 4 in partnership with TeleSupport International sal, part of the ITG Holding Group. It will be open 24 hours a day and 7 days a week for pre- and post-sales services via a toll-free number in Egypt and the Levant and Gulf countries, and is expected to create 30 to 40 jobs. The revenues of the Toshiba group in the Middle East reach more than \$300m per year. In late January, the Telecommunications Ministry signed agreements with local and foreign companies to establish and operate international call centers in Lebanon. These agreements followed the implementation of the basic infrastructure needed to support Voice over Internet Protocol (VoIP) for inbound calls, and included contractual regulations intended to enhance infrastructure, therefore attracting foreign investment and creating job opportunities.

### **Public Corporation for Housing and Housing Bank extend \$445m in mortgages in 2008**

The Public Corporation for Housing (PCH) and the Housing Bank of Lebanon extended a total of 7,700 housing loans for an aggregate total amount of \$445.4m in 2008. The PCH provided 6,300 housing loans totaling \$365.4m for an average of \$58,000 per loan, while the Housing Bank processed 1,400 housing loans amounting to \$80m for an average of \$57,143 per loan. Loans extended through the state-owned PCH benefit from deductions in reserve requirements for banks, target low income citizens and have a ceiling of \$120,000 per loan. The Housing Bank, whose capital is \$33.3m, grants loans with a ceiling of \$300,000 to Lebanese residents or expatriates. It is owned by commercial banks, local insurance companies and the government, with the latter holding 20% of the bank's capital. The bank also benefits from deductions in reserve requirements for commercial banks.

### **Mobile phone operators reduce cellular rates**

Mobile phone operator MTC Touch announced that the company reduced the monthly subscriptions for fixed cellular lines by 40%, from \$25 to \$15 per month, and reduced rates per minute by 15%, from \$0.13 to \$0.11 per minute. Similarly, mobile operator Alfa reduced by 15% to 70% the cost and rates relative to fixed mobile lines. It cut the cost of a fixed line to \$50 from \$100, excluding the value added-tax. Moreover, subscribers that wish to transfer from a prepaid line to a postpaid or fixed line will pay \$30 instead of \$100.

## Ratio Highlights

(in % unless specified)	2006	2007	2008	Change*
Nominal GDP <sup>(1)</sup> (\$bn)	22.7	24.6	28.8	
External Debt / GDP	89.9	86.4	73.4	(1,300)
Local Debt / GDP	88.1	84.6	89.8	520
Total Debt / GDP	178.4	171.0	163.2	(780)
Trade Balance / GDP	(31.3)	(36.6)	(43.9)	(730)
Exports / Imports	24.3	23.8	21.6	(220)
Budget Revenues / GDP	19.4	23.6	24.4	80
Budget Expenditures / GDP	30.8	33.9	34.5	60
Budget Balance / GDP	(11.5)	(10.3)	(10.1)	20
Primary Balance / GDP	0.4	2.9	2.1	(80)
BdL FX Reserves / M2	65.6	59.6	68.9	930
M3 / GDP	234.4	243.2	238.4	(480)
Bank Assets / GDP	327.2	334.4	327.3	(710)
Bank Deposits / GDP	267.4	273.5	270.1	(340)
Private Sector Loans / GDP	67.4	72.2	86.9	1,470
Dollarization of Deposits	76.2	77.3	69.6	(770)
Dollarization of Loans	84.0	84.3	86.6	230

\* Change in basis points 06/07

(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	Dec 2007	Nov 2008	Dec 2008	Change*	Risk Level
Political Risk Rating	56.5	57.5	57.5	▲	High
Financial Risk Rating	31.5	28.0	28.0	▼	High
Economic Risk Rating	29.0	30.0	30.0	▲	Moderate
Composite Risk Rating	58.5	57.7	57.7	▼	High

Regional Average	Dec 2007	Nov 2008	Dec 2008	Change*	Risk Level
Political Risk Rating	65.6	65.6	65.6	↔	Moderate
Financial Risk Rating	41.3	41.5	41.8	▲	Very Low
Economic Risk Rating	40.0	39.0	39.5	▼	Low
Composite Risk Rating	73.5	73.0	73.4	▼	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	B3	NP	Positive			
Fitch	B-	B	Stable	B-		
S&P	B-	C	Stable	B-	C	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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