



LEBANON THIS WEEK

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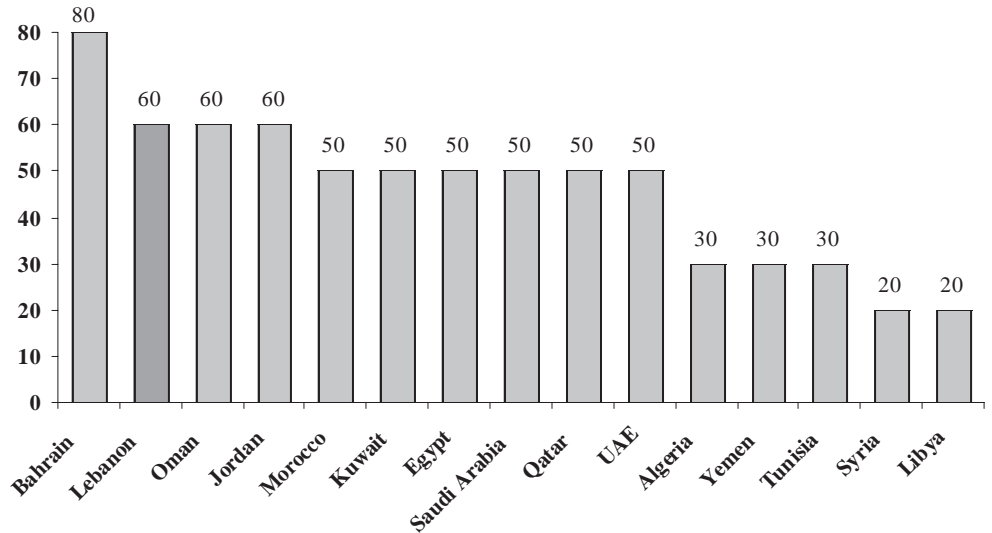
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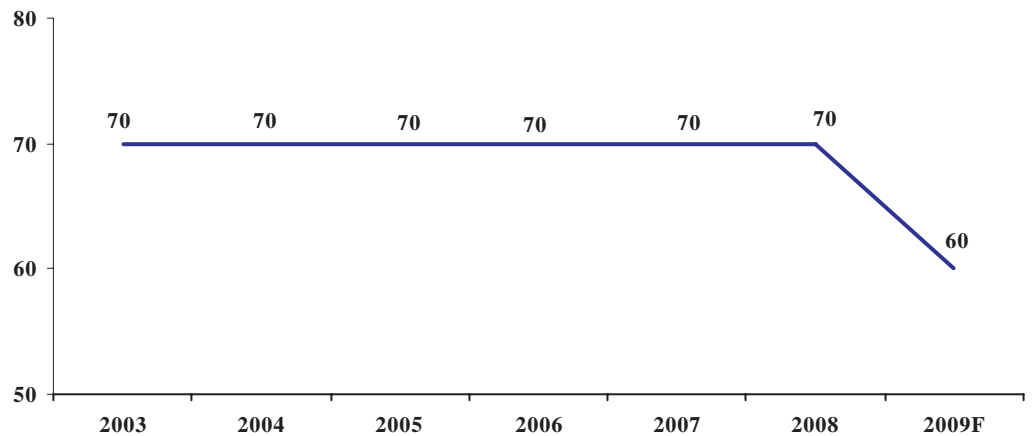
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Charts of the Week

Index of Financial Freedom in MENA Countries for 2009



Index of Financial Freedom for Lebanon



Source: Heritage Foundation/Wall Street Journal, 2009

Quote to Note

“Among the non-oil-producing countries, Lebanon is set to experience the steepest slowdown, as difficult external liquidity conditions raise the cost of debt servicing and the downturn in the Gulf reduces remittances.”

The International Monetary Fund, on the impact of the global crisis on the Lebanese economy relative to other non-oil producing Arab countries

Number of the Week

587: Number of remaining candidates to the June 7 parliamentary elections after the April 22 deadline to withdraw candidacies for the 128-seat Lebanese Parliament

Economic Indicators

\$m (unless otherwise mentioned)	2007	Feb. 08	Dec. 2008	2008	Jan.2009	Feb. 09	% Change*
Exports	2,816	311	250	3,478	281	449	44.37
Imports	11,815	1,212	1,135	16,133	1,067	1,035	(14.60)
Trade Balance	(8,999)	(901)	(885)	(12,655)	(786)	(586)	(34.96)
Balance of Payments	2,036	543	714	3,462	364	300	(44.75)
Checks Cleared in LBP	8,409	718	832	9,350	927	815	13.51
Checks Cleared in FC	29,893	2,873	3,181	43,174	3,434	2,872	(0.03)
Total Checks Cleared	38,302	3,591	4,013	52,524	4,361	3,687	2.67
Budget Deficit/Surplus	(2,546)	283	(332)	(2,921)	(305)	(326)	(215.19)
Primary Balance	731	(22)	(49)	597	(7)	(82)	272.73
Airport Passengers	3,408,834	212,231	419,329	4,085,334	307,127	276,825	(30.43)
\$bn (unless otherwise mentioned)	Dec. 2007	Feb.08	Nov. 2008	Dec. 2008	Jan. 2009	Feb. 09	% Change*
BdL FX Reserves	9.78	10.78	16.42	17.06	17.59	18.23	69.11
<i>In months of Imports</i>	<i>9.19</i>	<i>8.89</i>	<i>9.87</i>	<i>15.03</i>	<i>16.48</i>	<i>17.62</i>	<i>98.20</i>
Public Debt	42.03	42.74	46.83	47.01	46.99	47.20	10.44
Net Public Debt	39.03	39.32	41.15	41.49	41.43	41.88	6.51
Bank Assets	82.26	84.17	91.76	94.25	93.79	95.11	12.99
Bank Deposits (Private Sector)	67.29	69.18	75.60	77.78	77.74	78.88	14.02
Bank Loans to Private Sector	20.42	21.82	24.69	25.04	24.96	24.94	14.29
Money Supply M2	16.47	16.90	23.87	24.76	25.41	26.23	55.21
Money Supply M3	59.83	61.11	67.08	68.66	68.62	69.41	13.58
LBP Lending Rate (%)	10.10	9.94	10.08	9.95	10.07	10.03	0.9b.p.
LBP Deposit Rate (%)	7.40	7.26	7.27	7.22	7.22	7.13	(1.8b.p.)
USD Lending Rate (%)	8.02	7.71	7.54	7.47	7.35	7.28	(5.6b.p.)
USD Deposit Rate (%)	4.69	4.20	3.47	3.33	3.31	3.25	(22.6b.p.)
%* Change in CPI**	5.92	10.14	8.35	6.36	4.03	4.60	(54.6b.p.)

* Year-on-Year; ** Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	15.90	(0.19)	139,414	18.45%	Mar. 2010	7.125	101.38	5.44
Solidere "B"	15.50	(0.96)	307,909	11.69%	May 2011	7.875	102.38	6.62
Byblos Common	1.64	(3.53)	60,000	4.13%	Mar. 2012	7.500	101.38	6.96
Byblos Priority	1.76	3.53	15,000	4.21%	Sep. 2012	7.750	102.00	7.07
Byblos Pref. 08	95.40	(4.41)	600	2.21%	June 2013	8.625	103.50	7.62
BLOM GDR	62.40	(2.04)	5,350	5.35%	Apr. 2015	10.000	108.38	8.20
BLOM Listed	60.00	0.00	0	14.97%	Jan. 2016	8.500	101.38	8.23
Audi GDR	47.52	(6.73)	8,570	5.42%	May 2016	11.625	116.13	8.53
Audi Listed	45.00	0.00	4,744	17.85%	Mar. 2017	9.000	102.75	8.51
HOLCIM	13.00	0.39	100	2.94%	Apr. 2021	8.250	94.50	9.01

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

Source: Byblos Capital Markets

	This Week	Last Week	% Change	Mar. 2009	Mar. 2008	% Change
Total Shares Traded	547,287	647,059	(15.42)	2,056,873	2,427,822	(15.28)
Total Value Traded	\$8,240,392	\$15,967,071	(48.39)	\$32,104,177	\$49,644,714	(35.33)
Market Capitalization	\$8.62bn	\$8.78bn	(1.91)	\$8.48bn	\$11.36bn	(25.36)

Source: Beirut Stock Exchange (BSE)



EIU revises growth forecast downward to 2.4% for 2009, warns of long term impact of global financial crisis

In its first comprehensive report about Lebanon this year, the Economist Intelligence Unit revised downward its economic growth forecast for 2009 to 2.4% from 2.7%, making it the third downward revision in the past few months. In parallel, it increased its estimate for real GDP growth for 2008 to 6.3% from 4.2% earlier this year. It attributed the change in its 2009 growth forecast to the spillover from the global economic slowdown, which is likely to have an indirect impact on the local tourism, real estate, construction and financial sectors. It added that other factors to impact growth in 2009 are a rise in political uncertainty associated with the upcoming parliamentary elections, as well as slower growth in the GCC that will negatively impact the flow of remittances from expatriates, a key source of financial support for many households. It maintained its forecast for 2010 at 3.3%, as a modest increase in regional growth that year would boost investment and tourism activity. It expected private consumption to worsen in 2009 and 2010 as a result of the expected decline in remittance inflows, and to remain constrained by concerns on the part of lenders and consumers about the global credit crunch and regional slowdown. It warned that downside risks remain high, with the possibility that a sudden political crisis could derail economic growth, as occurred in 2005, 2006 and 2007.

The EIU expected little progress on the government's economic reform plans. It said the privatization of state assets, notably the two mobile phone licenses and the state-owned utility Electricité du Liban, is unlikely in 2009 and could be delayed further by domestic opposition and because the world economic downturn could deter potential investors. It added that global liquidity constraints could delay disbursements of aid pledged at the Paris III donor conference. It expressed fears that the global liquidity freeze could increase pressure on the Lebanese state, which needs to rollover local and foreign currency debt instruments on a regular basis, and to borrow in order to finance its persistently large fiscal deficit.

The EIU indicated that immediate risks from the global financial crisis to the Lebanese banking sector remain limited, given the sector's lack of direct exposure to the global credit crunch and its recent strong performance. It said Lebanese banks are protected in the short term by relatively high levels of liquidity, a strong deposit base, high capitalization levels, limited exposure to real estate lending and the strong support of the Central Bank. It noted that banks will be also safeguarded from a slowdown in economic growth as a significant part of their revenues comes from lending to the government. The EIU indicated that domestic political and economic uncertainties in recent years have reduced local lending opportunities, and banks' regional lending has been driven by a real estate and consumption boom in GCC states. It warned that the financial turmoil may translate into decreased economic activity in the Middle East in general, which may raise concerns about the Lebanese financial sector's indirect exposure to regional risk.

Country Forecast Summary			
	2008e	2009f	2010f
Real GDP growth (%)	6.3	2.4	3.3
Consumer price inflation (end-of-period) (%)	5.5	3.0	3.7
Consumer prices (avge) (%)	10.0	4.0	3.5
Fiscal balance (% of GDP)	-10.6	-10.7	-10.5
Current-account balance (\$bn)	-3.7	-3.1	-3.8
Current-account balance (% of GDP)	-13.4	-9.7	-10.9
External debt (% of GDP)	122	105	102
Public Debt (% of GDP)	164	149	145
Foreign Reserves (\$bn)	15.3	18.3	20.2
Months of Import Cover	11.3	15.8	16.3
Exchange Rate LP:US\$ (avge)	1,508	1,508	1,508
Exchange Rate LP:€(avge)	2,096	2,050	2,111

Source: Economist Intelligence Unit, April 2009

Public procurement code to be established

The Ministry of Finance and the International Labor Organization are developing a national public procurement code covering the procedures and standard specifications that public entities have to follow for transactions and purchase orders. The development of the code is part of a global project relative to the reform of the public procurement system in Lebanon. The World Bank is providing \$1m to fund the project. The Lebanese public procurement system suffers from weaknesses, such as the lack of internal and external control, low resources of the Directorate for Public Procurement, and the need to unify several procedures. Public procurement contracts account for about 30% of total public expenditures.

Occupancy at Beirut hotels at 62%, room yields up 144% in the first two months of 2009

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that occupancy rate at hotels in Beirut was 62% in the first two months of 2009, up 24% from 38% in the same period last year. The occupancy rate in Beirut was the 19th highest among 22 markets in the region, compared to being the lowest in the same period last year. Beirut posted the highest growth in occupancy rates in the region, but this was largely to the fact that occupancy rates are already very high in most regional markets and that occupancy in Beirut hotels was very low. The survey said the average rate per room at Beirut hotels was \$193 in the first two months of 2009, ranking the capital's hotels as the 11th most expensive in the region along with Makkah in Saudi Arabia, and ahead of Dubai-Apartments and Al Ain in the UAE, Amman in Jordan, Medina in Saudi Arabia and all markets in Egypt. The average rate per room at Beirut hotels increased by 48.7% to \$193 year-on-year and posted the highest increase among all markets in the region. The average rate per room in Beirut came below the regional average of \$199, which increased by 2.5% from \$194 in the same period of 2008. But the average room rate in Beirut increased by 5.6% in February 2009 from January and by 61.1% from February 2008.

Occupancy rates at Beirut hotels were 57% in January and 68% in February 2009, compared to 43% in January, 32% in February, and 79% in December 2008. Beirut hotels had an occupancy rate of 57% for all of 2008.

Further, revenues per available room (RevPAR) were \$121 in Beirut in the first two months of 2009, up from \$50 in the same period last year, ranking it in 13th place in the region, ahead of all markets in Egypt, Amman in Jordan, and Medina and Makkah in Saudi Arabia. Beirut's RevPAR was up 144.3% year-on-year, posting the highest rise in the region, and compared to an average rise of 2.6% across the region. Beirut posted RevPARs of \$108 in January, \$136 in February, and \$191 in December 2008.

Doha posted the highest occupancy rate in the Middle East at 80%, Abu Dhabi had the region's highest average room rate at \$396 and the highest RevPAR at \$309 in the first two months of 2009, while Beirut posted the highest growth in RevPAR at 144.3%. Dubai-Beach posted the highest average room rate at \$372 and the highest RevPAR at \$302 among sub-markets.

American Lebanese Chamber of Commerce launches Better Business Values

The Better Business Group at the American Lebanese Chamber of Commerce launched a set of Better Business Values to promote a corporate culture of integrity, transparency and governance in Lebanon. It also aims to build a trustworthy and business-friendly environment in the country. The project plans to form an alliance of like-minded professionals and businesses to raise national awareness about the importance of improving corporate performance by adopting and applying the Better Business Values. The values include ethical standards, equal employment opportunity, leadership skills, corporate social responsibility, corporate governance, accountability & transparency, adherence to antitrust, quality & consumer protection, intellectual property protection, and lobbying & advocacy. The Better Business Group pledged to disseminate the Better Business Values publicly, to assist all stakeholders in adhering to their principles, and to partner with others to create a cluster of prominent supporters.

Chamber of Commerce opens branch in Akkar

The Tripoli & Northern Lebanon Chamber of Commerce, Industry & Agriculture, in cooperation with the Municipality of Halba in Akkar, opened a branch of the Chamber in Halba in order to provide services to businesses and communities in the Akkar region. The new branch includes an integrated Business Development Services Center located in the municipality. The United States Agency for International Development (USAID) funded the establishment of the Chamber's branch and Business Development Services Center. It provided \$75,000 to the center for computers, website development and training. The services offered by the Chamber and the center include developing feasibility studies and business plans, managing geographic mapping of businesses, and accessing project finance, among others. The project is part of the \$11m, three-year USAID Empowering Municipalities through Local Economic Development program that is implemented by Relief International.

Hotel Performance in first two months of 2009

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai - Apartments	82	149	(24.6)
Dubai - Beach	81	302	(33.9)
Doha	80	250	9.5
Abu Dhabi	78	309	15.8
Muscat	78	237	11.6
Dubai-Overall	76	223	(32.5)
Dubai-City	73	197	(32.0)
Cairo - Pyramids	73	65	(7.3)
Sharm El Sheikh	72	37	(15.6)
Cairo - Overall	70	77	(12.5)
Al Ain	70	122	3.5
Cairo- City	69	80	(13.1)
Jeddah	69	137	20.1
Alexandria	68	44	1.2
Manama	68	168	(0.1)
Hurghada	67	31	(12.2)
Riaydh	65	145	(4.5)
Kuwait	64	193	31.7
Beirut	62	121	144.3
Makkah	60	116	30.2
Madina	49	65	(4.7)
Amman	47	60	(18.3)

Source: Ernst & Young, Byblos Research

Hotels sector offers opportunities due to high tourism potential, needs branded budget and mid-scale hotels

Global hotel and hospitality consulting firm HVS indicated that the hotel and tourism industry exceeded expectations and had an impressive year in 2008 due to the relatively stable political situation in the country, with over 1.3 million visitors and more than 600,000 users of hotels and furnished apartments, constituting increases of 31% and 43.9%, respectively, from the previous year. It noted that hotels in Lebanon recorded low marketwide occupancy of 57% in 2008, but considered it a significant increase from 39% in 2007. It said the occupancy rate at Beirut hotels was about 30% in the first half of 2008, but rose to 90% after the Doha Accord in May. Also, average room rates increased by 38% to \$148 last year, while the RevPAR doubled to \$84.

It said 2006 was gloomy for the sector, 2007 saw a cautious recovery and 2008 posted an outstanding performance, reflecting the potential for the existing hotel projects to move forward. It estimated that a total of about 2,000 rooms, specifically in Beirut, are in the planning and involve global players like the InterContinental Hotels Group, Starwood and Kempinski, as well as some non-branded developments outside Beirut. It noted, however, that some projects are still at a speculative stage. It said some of these hotel groups are already present in Beirut, along with the Movenpick, Wyndham, Accor, Rotana and other independent operators.

According to HVS, Lebanon's hotels sector has many opportunities, such as the fact that Beirut remains a more affordable place than other Arab cities to set up a business, establish a regional office or promote investments of various kinds. Also, Lebanon offers an unparalleled product for tourists and a distinct potential investment opportunity for investors. It added that the product includes cultural, historical and religious tourism, recreational activities, a moderate climate and natural resources. Further, the country has a lot to promote with the francophone games taking place in Lebanon this year, such as its beaches, ski resorts, religious tourism and lively nightlife.

HVS estimated that Lebanon needs new hotels because of a potential shortage in supply in case demand continues to recover. It said a lot of the current supply is in the upscale category, adding that there will be a need for branded budget and mid-scale hotels to cater for this profitable niche. HVS considered that political stability remains the cornerstone of the Lebanese tourism industry and national economy. It said the impact of the global crisis on the Arab world and its resulting effects on the Lebanese Diaspora may affect tourism developments in the country. It added that the effects may not be as devastating as in other markets, but the tremor would still be felt.

Expected New Hotels in Beirut		
Hotel Name	Number of Rooms	Opening Date
Raouche Rotana Suites	170	Mid-2009
Campbell Gray Hotel	88	Mid-2009
Four Seasons Hotel Beirut	235	Mid-2009
Hilton Beirut	167	End-2009
Solidere Rotana Suites	250	Mid-2010
Grand Hyatt Beirut	354	Mid-2011
Kempinski	150	Early 2012

Source: HVS Research

Consumer Price Index up 2.1% annually in March 2009

The Central Administration of Statistics' Consumer Price Index indicates that inflation rose by 2.1% in March 2009 compared to March 2008. Prices at restaurants & hotels increased by 16.6%, followed by prices of clothing & footwear with 16.3%, food & nonalcoholic beverages (+6.5%), furniture & household equipment (+5%), housing (+4.8%), education (+4.1%), miscellaneous goods & services (+2.7%) and health care (+1%). Prices of water, electricity, gas & other fuels regressed by 16.5%, followed by prices of transportation (-1.5%), recreation & entertainment (-0.9%), alcoholic beverages & tobacco (-0.8%) and communications (-0.6%).

The Consumer Price Index decreased by 0.6% in March 2009 from February 2009. Prices of water, electricity, gas & other fuels declined by 4.2%, followed by miscellaneous goods & services with 0.8%, furniture & household equipment (-0.4%), transportation (-0.4%), recreation & entertainment (-0.4%), health care (-0.3%), food & non-alcoholic beverages (-0.2%) and communication (-0.1%). Prices of alcoholic beverages & tobacco, clothing & footwear, housing, education, and restaurants & hotels remained unchanged month-to-month.

Beirut port revenues up 33.6% in first quarter of 2009

Figures released by the Port of Beirut Authority show that port revenues amounted to \$39.7m in the first quarter of 2009, up 33.6% from the same period of 2008. Freight activity reached 1.5 million tons in the first quarter of 2009, up 5.8% compared to the same period of 2008. The number of ships reached 599, up 13.7% compared to a year earlier. Further, the port's revenues reached \$13.1m in March 2009, up 5.1% from the previous month. Freight activity increased by 34% to 576,000 tons and the number of ships increased by 13.5% to 219 ships in March 2009 from the previous month.



Subsidized interest loans reach \$2.34bn at end-2008

Figures released by the Central Bank show that the cumulative amount of subsidized interest loans to productive sectors in Lebanon reached \$2.34bn during the 1997-2008 period. The industrial sector accounted for \$1.4bn, or 59.86% of the total, followed by tourism with \$680m (29.07%), agriculture with \$212m (9.08%), specialized technology with \$46m (1.95%) and handicrafts with \$0.9m (0.04%). Subsidized interest loans extended in 2008 totaled \$476.9m relative to \$249m in 2007.

Subsidized medium & long-term loans reached \$1.56bn, equivalent to 67% of the total at end-2008. Industry accounted for 60.9% of the total, followed by tourism with 34.1%, agriculture with 4.1% and specialized technologies with 0.9%. The program was established in the first quarter of 1997 and consists of a 5% to 7% subsidy on the interest for loans extended in foreign currencies to productive sectors. Also, subsidized interest loans guaranteed by the Kafalat Corporation totaled \$517.7m, or 22.1% of the total. Industry accounted for 54% of Kafalat-backed subsidies, followed by agriculture with 27.3%, tourism with 15.4%, special technologies with 3.1% and handicrafts with 0.2%. Kafalat provides financial guarantees for loans of up to \$400,000 for small and medium-sized enterprises in productive sectors.

Further, interest subsidized under the protocol signed with the European Investment Bank totaled \$130.2m, or 5.6% of the total, with industry accounting for 48.9% of the total, followed by tourism with 37.3%, specialized technologies with 12.2%, and agriculture with 1.6%. In addition, subsidized interest loans granted by leasing companies totaled \$74.8m at the end of 2008, or 3.2% of the total, with industry accounting for 96.9%, tourism with 3% and specialized technologies with 0.1% of such subsidies. Finally, subsidized interest loans granted by the International Finance Corporation totaled \$39m, or 1.7% of the total, with industry accounting for 76.7%, agriculture for 11.7% and tourism for 11.6%, while subsidized interest loans to finance working capital totaled \$10.3m, or 0.4% of the total with tourism accounting for 100% of the total.

Overdrafts account for 33% of bank credits, term savings attract 87% of customer deposits

Figures issued by the Central Bank about the distribution of bank credits by type show that overdrafts accounted for \$9.3bn, or 33.4% of total private sector credits at the end of 2008. They were followed by advances against real estate with \$6.3bn (22.4%), advances against personal guarantees \$4.7bn (16.9%), advances against cash collateral or bank guarantees \$4.3bn (15.5%), advances against other real guarantees \$1.7bn (6.1%), and advances against financial values \$1.6bn (5.7%).

In parallel, the distribution of private sector deposits indicates that term savings was the preferred type of account for resident and non-resident bank clients in Lebanese pounds as well as in foreign currencies. It accounted for \$36.4bn, or 83.7%, of resident deposits in foreign currency and was followed by checking and current accounts \$5.7bn (13%), sight saving accounts \$1.2bn (2.8%) and other creditor accounts \$0.2bn (0.5%). Further, term saving accounts attracted \$18.6bn, or 92.1%, of resident deposits in Lebanese pounds, followed by checking and current accounts \$1.4bn (6%) and sight saving accounts \$0.4bn (1.8%). Non-residents also favored term saving accounts, which accounted for \$9.1bn, or 86%, of their foreign currency deposits and for \$0.88bn, or 96.5%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled \$67.4bn at the end of 2008, accounting for 86.6% of deposits in Lebanese pounds and foreign currencies.

Balance sheet of financial institutions posts 30% growth in 2008

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP1,228bn, or \$815m, at the end of 2008, constituting a decrease of 9% from end-September 2008 and a rise of 29.9% from end-2007. Liabilities to the private sector reached \$150.8m, down by 25.8% from end-September 2008 and up by 49.4% year-on-year. Commitments to the financial sector reached \$350.2m at end-2008, representing a decrease of 9.9% from end-September 2008 and an increase of 33.6% year-on-year.

On the assets' side, financial institutions' operations with commercial banks reached \$248.4m at the end of 2008, down by 10.6% from end-September 2008 and up by 38.7% from end-2007. Lending to the private sector reached \$412m, constituting a decrease of 12% from end-September 2008 and a rise of 23.7% year-on-year. Investments in government securities totaled \$130.8m at end-2008, up by 6% from end-September 2008 and up by 44% from end-2007. Further, the aggregate capital account of financial institutions reached \$227m at the end of 2008, up by 0.5% from end-September 2008 and up by 17.5% from \$193.3m at end-2007.

Bank Audi distributes dividends for 2008

Bank Audi sal announced that its Ordinary General Assembly held on April 21, 2009 approved the distribution of dividends for 2008. The bank will pay LBP3,298 (\$2.1875) per share for holders of preferred shares Series C, LBP11,683 (\$7.75) per share for holders of Preferred Shares Series D, and LBP3,400 (\$2.25) per share for holders of Common Shares. The dividends will be paid net of a 5% distribution tax. Dividends will be paid starting April 22, 2009. Bank Audi posted net profits of \$238.5m in 2008, up 19.1% from the previous year. It had total assets of \$20.4bn, loans of \$5.97bn and aggregate deposits of \$17.1bn at end-2008.

Bank of Beirut to distribute dividends for 2008

Bank of Beirut sal announced that its Ordinary General Assembly held on April 2, 2009 approved the distribution of dividends for 2008. The bank will pay \$35.6m to the holders of common shares and preferred shares. The bearers of Common Shares will receive a total of \$18.6m, equivalent to \$0.41 per share. The holders of Preferred Shares Series C will get \$8.05m, equivalent to \$2.76 per share and holders of Preferred Shares Series D will receive \$9m, equivalent to \$2.25 per share. The aggregate amount accounts for 53.6% of the bank's net profits that reached \$66.4m in 2008. Bank of Beirut had assets of \$5.8bn and deposits of \$3.9bn at end-2008.

Ratio Highlights

(in % unless specified)	2006	2007	2008	Change*
Nominal GDP ⁽¹⁾ (\$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	B2	NP	Stable			
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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