

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1

Capital Markets.....1

Lebanon in the News.....2

Lebanon ranks 182nd globally, 16th in MENA region in terms of brand perception

Average annual occupancy rate at Beirut hotels at 55%, room yields up by 1% during past 15 years

Lebanon ranks 118th globally, second in Arab world in press freedoms

Average Coincident Indicator rises by 10.3% year-on-year in March

Credit and debit cards reach 1.59 million cards, resident purchases total \$236m in first quarter of 2009

Net public debt at \$42.3bn at end-March 2009

Balance of payments posts surplus of \$297m in first quarter of 2009

Trade deficit down 14.6% to \$2.2bn in first quarter of 2009

Customs receipts up 100% to \$427m in first quarter of 2009

Airport passengers up 21.5% in first 4 months of 2009

Corporate Highlights6

Commercial banks' assets reach \$98bn at end-March, lending slows in first quarter

Central Bank and Association of Banks set up corporate governance committee

BLC Bank's profits up 1.5% to \$4.8m in first quarter of 2009

Net interest income impacts BLOM and Audi's revenues in first quarter

MTC Touch expands network capacity

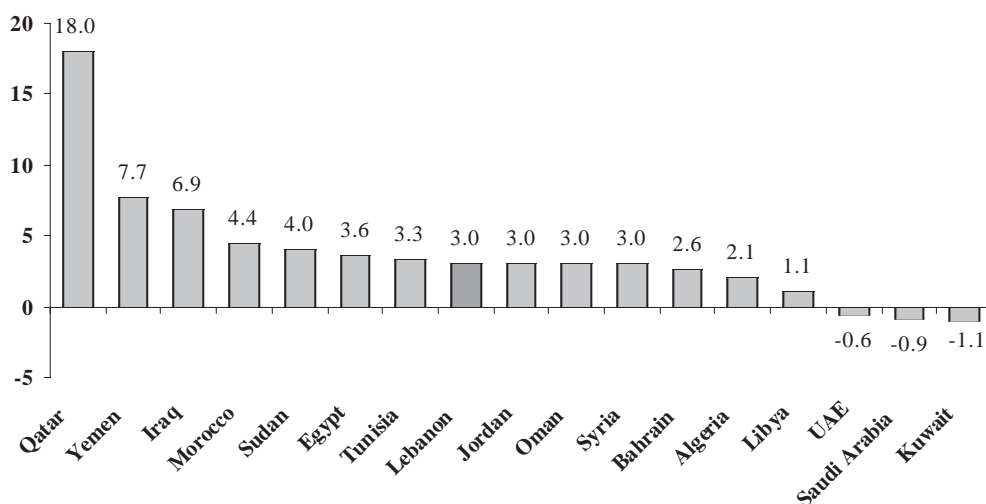
Ratio Highlights..... 8

Risk Outlook.....8

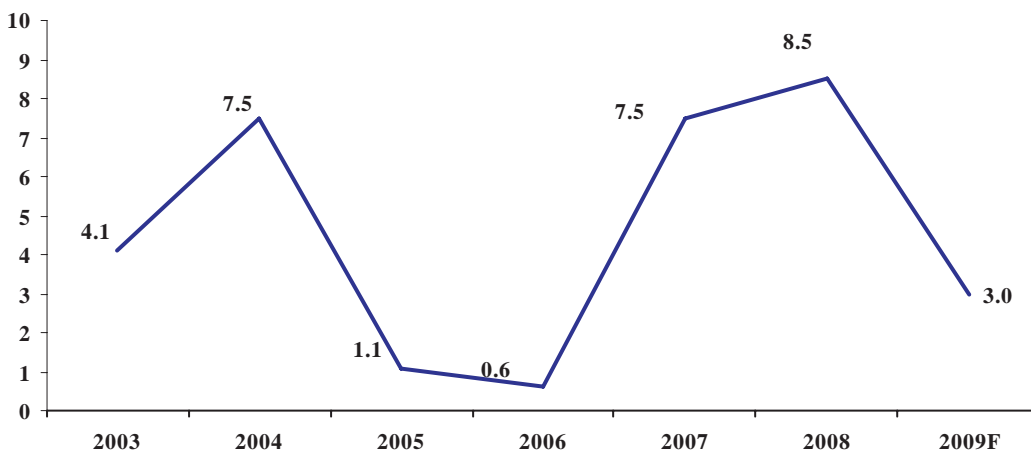
Ratings & Outlook.....8

Charts of the Week

Real GDP Growth Forecast for Arab Economies for 2009 (%)



Real GDP Growth for Lebanon (%)



Source: International Monetary Fund

Quote to Note

“We do not expect capital flows to continue at these levels, but an improved trade balance and a still strong services balance should deliver a smaller balance of payments surplus and continuing deposit growth in 2009.”

Regional investment bank EFG Hermes, on the expected decline in capital inflows during the rest of the year relative to the first two months of 2009

Number of the Week

37%: Lebanon's cellular penetration rate at the end of 2008, according to the Arab Advisors Group

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"	19.15	19.69	436,730	20.54%	Mar. 2010	7.125	101.50	5.23
Solidere "B"	19.12	19.57	1,452,763	13.33%	May 2011	7.875	102.50	6.54
Byblos Common	1.75	1.16	331,923	4.08%	Mar. 2012	7.500	101.50	6.91
Byblos Priority	1.78	1.71	26,750	3.93%	Sep. 2012	7.750	102.00	7.06
Byblos Pref. 08	95.40	0.00	0	2.05%	June 2013	8.625	103.50	7.62
BLOM GDR	64.20	4.14	16,100	5.09%	Apr. 2015	10.000	108.50	8.17
BLOM Listed	65.00	8.33	4,100	14.99%	Jan. 2016	8.500	101.50	8.20
Audi GDR	49.75	10.02	8,550	5.25%	May 2016	11.625	116.13	8.52
Audi Listed	45.05	2.39	2,000	16.52%	Mar. 2017	9.000	102.75	8.51
HOLCIM	13.12	(0.98)	5,885	2.75%	Apr. 2021	8.250	95.00	8.94

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

Source: Byblos Capital Markets

	This Week	Last Week	% Change	April 2009	April 2008	% Change
Total Shares Traded	2,353,387	509,532	381.87	2,614,635	3,953,335	(33.86)
Total Value Traded	\$36,218,077	\$8,707,647	315.93	\$42,197,348	\$75,774,862	(44.31)
Market Capitalization	\$9.32bn	\$8.61bn	8.28	\$8.61bn	\$12.31bn	(30.08)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 182nd globally, 16th in MENA region in terms of brand perception

The Nation Brand Perception Index (NBPI) ranked Lebanon in 182nd place among 200 countries around the world and in 16th place among 20 countries in the Middle East and North Africa region in the first quarter of 2009. Lebanon also came in 36th place among 39 upper-middle income countries (UMICs) included in the survey. The NBPI represents the first scientific basis for analyzing international perceptions of a country's brand. It ranks 200 countries and territories, including all 192 UN member countries, based on how they are described in major media. It covers the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The index is based on a quarterly analysis of millions of mentions of countries in hundreds of thousands of news articles in 38 prominent global media sources. The index scores rely both on the overall quality of the media coverage and the prominence of the country, determined by the number of country references or mentions. Scores are distributed around a mean 50 with a standard deviation of 10. The index is issued by East West Communications, a U.S. firm specializing in nation branding and government communications, and Perception Metrics, which developed the algorithm that analyzed the tone of the articles.

Globally, Lebanon ranked ahead of Myanmar, Cambodia, Bangladesh, North Korea, Somalia and Ukraine and came behind Colombia, Iceland, Nigeria, Madagascar, Georgia, and Congo. It also ranked ahead of Russia and Cuba, and behind Latvia and Serbia among UMICs. Lebanon received a score of 36.4 points, below the global average of 49.8 points and the UMICs average of 50.3 points, as well as below the MENA average of 45.8 points and the Arab average of 47.8 points. Lebanon ranked in 190th place globally in the second quarter of 2008, in 188th place in the third quarter and in 38th place in the fourth quarter of last year, reflecting significant improvement in the last quarter of 2008. Lebanon's score improved significantly on a quarterly basis, rising from 28.6 points in the second quarter, to 31 points in the third quarter and to 55.8 points in the last quarter of 2008, before witnessing a steep decline to 36.4 points in the first quarter of 2009.

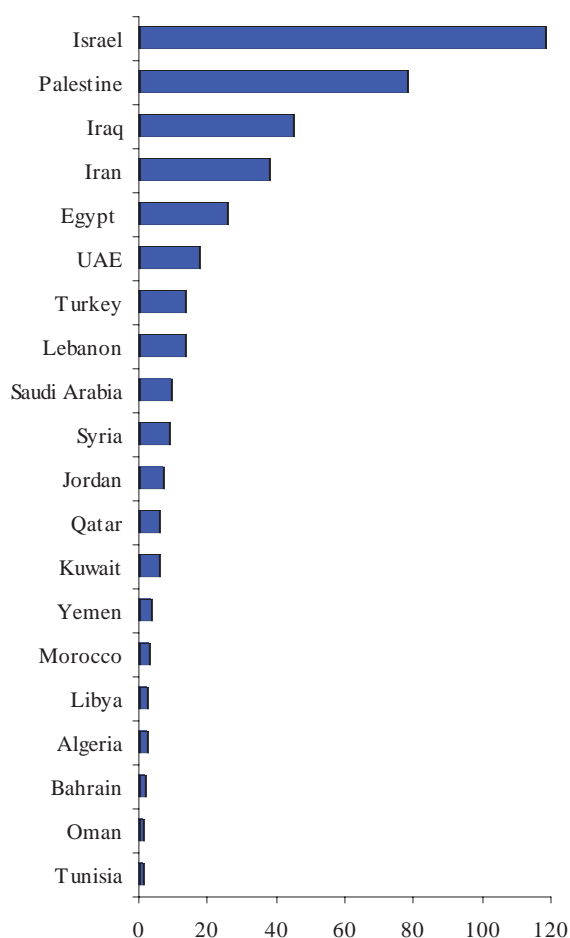
In parallel, Lebanon was the 41st most mentioned country in the international media in the first quarter of 2009, the 8th most mentioned country from the MENA region and the 9th most mentioned among UMICs. Globally, Lebanon was mentioned more than Belgium, Ukraine, Myanmar, Sweden, Taiwan and Greece and less than the Netherlands, Sri Lanka, Sudan, Cuba, North Korea and Turkey. It was also mentioned more than Poland and Serbia and less than Cuba and Turkey among UMICs. Lebanon was mentioned 13,123 times in the international media, below the global average mentions of 18,092 times, as well as below the MENA average mentions of 20,058 times, Arab average mentions of 13,600 times but above the UMICs' average mentions of 7,377 times. Lebanon was mentioned 15,951 times in the second quarter of 2008, 14,748 times in the third quarter and 67,553 times in the fourth quarter of 2008. It was the 37th month mentioned country worldwide in the second quarter, the 36th most mentioned in the third quarter and the 13th most mentioned in the fourth quarter of 2008. Singapore had the best nation brand perception in the world with a score of 87.5 points and Pakistan the worst brand perception with a score of 2.4 points.

MENA Rankings & Scores in Q1-2009

	Score	MENA Rank	Global Rank
UAE	76.8	1	3
Qatar	63.9	2	15
Kuwait	57.8	3	23
Egypt	56.7	4	26
Oman	56.6	5	28
Jordan	55.1	6	32
Bahrain	53.6	7	48
Morocco	51.5	8	75
Saudi Arabia	50.5	9	118
Tunisia	50.3	10	121
Syria	49.9	11	131
Algeria	48.7	12	146
Libya	48.2	13	151
Turkey	47.1	14	159
Iran	39.6	15	176
Lebanon	36.4	16	182
Yemen	33.5	17	186
Israel	16.4	18	196
Iraq	13.2	19	198
Palestine	11.0	20	199

Source: East West Communications, Byblos Research

Number of mentions in global media in Q1-09 (in thousands)



Source: East West Communications, Byblos Research

Average annual occupancy rate at Beirut hotels at 55%, room yields up by 1% during past 15 years

The annual survey of the Middle East hotel sector by global hotel consulting firm HVS indicated that the average occupancy rate at Beirut hotels was 55% during the 1994-2008 period compared to the Middle East's average of 67% over the same period, constituting the lowest occupancy rate in the region along with Kuwait City. Also, the average rate per room posted a compound annual growth rate (CAGR) of -1% during the 1994-2008 period compared to a CAGR of 5% for the region. Beirut and Hurghada in Egypt were the only two markets to post declines in their room rate's CAGR during the period, with Hurghada posting a -2% contraction. In parallel, Revenue Per Available Room (RevPAR) at Beirut hotels posted a CAGR of 1% during the past 15 years compared to a CAGR of 6% for the region. Beirut posted the lowest growth in RevPAR across the region over the previous 15 years.

The decline in Beirut's key hotel performance indicators over the past 15 years was driven by the deterioration of the sector's indicators over the 2005-07 period, following the peak year of 2004, due to political uncertainties and security shocks. However, Beirut hotels' performance improved in 2008 but did not reach 2004 levels. Occupancy rate reached 57% in 2008 at Beirut's hotels, up from 39% in 2007. Also, the average room rate reached \$148 in 2008, up by 91% from \$78 in 2007, while RevPAR registered a 180% increase from \$30 in 2007 to \$84 in 2008. Finally, Beirut's hotels saw a significant increase in gross operating profit per available room of 700%, from \$3 in 2007 to \$24 in 2008. The survey expects occupancy and average rates to decline in most of the region's markets over the next two years due to the global economic slowdown, increased competition among hotels and the opening of new hotels. But Beirut, Riyadh, Doha, Damascus and Cairo-City Center are forecast to fare better than the other cities.

Lebanon ranks 118th globally, second in Arab world in press freedoms

In its annual report on press freedoms in 195 countries, independent think tank Freedom House ranked Lebanon in 118th place globally and second among 20 Arab countries in 2009. Lebanon also came in the 30th place among the 39 UMIC countries included in the survey. Lebanon came in 117th place globally and in second place regionally in the 2008 survey. The survey assesses the degree of print, broadcast, and Internet freedom across the world. The 2009 ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2008. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating.

Lebanon, along with Kuwait, Mauritania and Egypt, were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 16 countries came in the 'Not Free' category. Globally, Lebanon tied with Malawi, Maldives, and Sierra Leone, ranked ahead of Nepal, Thailand and Colombia and came immediately behind Indonesia, Nigeria and Ukraine. Lebanon also came ahead of Seychelles and Malaysia and behind Turkey and Mexico among UMICs. Lebanon received a score of 56 points in the 2009 survey, worse than the 55 points it received in 2008 but better than the 58 points received in 2007. Lebanon's score was also better than the Arab average of 70.8 points but worst than the global and UMIC averages of 47.1 points and 42.3 points respectively. The report also noted that the global level of media freedom declined for the seventh consecutive year. Freedom house said a free press plays a key role in sustaining and monitoring a healthy democracy, as well as in contributing to greater accountability, good government, and economic development.

Hotel Performance in the Middle East during 1994-2008

	Avg Annual Occupancy Rate (%)	Room Rate CAGR (%)	RevPar CAGR (%)
Dubai	77	6	7
Cairo - Heliopolis	75	5	5
Cairo - City Center	74	6	9
Abu Dhabi	71	8	10
Sharm El Sheikh	71	3	4
Hurghada	70	-2	2
Damascus	70	4	5
Cairo - Pyramids	68	5	8
Doha	68	13	13
Manama	65	8	9
Muscat	65	9	9
Riyadh	64	7	7
Jeddah	62	5	6
Amman	61	6	7
Kuwait City	55	2	4
Beirut	55	-1	1
Average	67	5	6

Source: HVS, Byblos Research

Freedom of Press Rankings & Scores

Country	Score	Arab Rank	Global Rank
Kuwait	55	1	115
Lebanon	56	2	118
Mauritania	58	3	124
Egypt	60	4	128
Algeria	62	5	136
Jordan	64	6	140
Morocco	64	7	140
Qatar	65	8	143
Iraq	67	9	148
UAE	69	10	153
Bahrain	71	11	156
Oman	71	12	156
Djibouti	73	13	160
Sudan	78	14	168
Yemen	79	15	172
Saudi Arabia	82	16	176
Tunisia	82	17	176
Syria	83	18	178
Palestine	86	19	184
Libya	94	20	190

Source: Freedom House 2009

Average Coincident Indicator rises by 10.3% year-on-year in March

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 211.1 in March 2009 compared to 212.4 points in February and 198.4 points in March 2008. The Coincident Indicator, an average of 8 weighted economic indicators, regressed by 0.6% month-on-month and rose by 0.7% in the first quarter of 2009 and by 6.4% on an annual basis. The indicator averaged 202.9 points in the 12-months ending March 2009 compared to 201.8 points in the 12-months ending February 2009 and to 183.9 points in the 12-months ending March 2008. As a result, the average coincident indicator rose by 10.3% year-on-year. The indicator posted its best performance ever in January of this year, surpassing the previous peak of 209.8 points reached in November 2008. The results of the first quarter reflect consecutive declines in activity during February and March from the January peak, but at a relatively low pace. The indicator improved 8 times, regressed 5 times and was unchanged twice in the month of March since 1993. The indicator averaged 198.4 points in 2008, 180 points in 2007 and 171.6 points in 2006.

Credit and debit cards reach 1.59 million cards, resident purchases total \$236m in first quarter of 2009

Figures released by the Central Bank of Lebanon show that the number of credit and debit cards issued in Lebanon reached 1.59 million cards at the end of March 2009, constituting a 1.8% increase from the previous quarter and a 9.1% rise on a yearly basis. Resident cardholders accounted for 97.3% of total cards issued in Lebanon. The distribution of payment cards by type shows that debit cards with residents accounted for 62.8% of the total, followed by credit cards with residents (22.5%), charge cards with residents (10%), non-resident debit cards (2.2%), resident prepaid cards (1.9%), non-resident charge cards (0.4%), and non-resident credit cards (0.2%). The number of ATMs reached 1,139 machines at the end of March 2009, increasing by 6% from 1,075 ATMs at the end of March 2008. The Greater Beirut area had 569 ATMs, accounting for 50% of the total, followed by Mount Lebanon with 247 (21.7%), the North with 124 (10.9%), the South with 95 (8.3%), the Bekaa with 84 (7.3%), and Nabatiyeh with 20 (1.8%). Further, the aggregate number of points of sales accepting payment cards reached 44,463 by the end of March, decreasing by 0.2% on a quarterly basis and by 6.9% annually.

The average monthly domestic payment by residents totaled \$78.5m in the first three months of 2009, declining by 11.1% quarter-to-quarter but rising by 16% from the first quarter of 2008, while the average monthly payment abroad by residents regressed by 15.1% to \$46.1m on a quarterly basis but increased by 3% on a yearly basis. Further, the average monthly value of cash withdrawals by residents using ATMs decreased quarterly by 5.4% to \$347m but rose annually by 24.7%, while average monthly withdrawals by non-residents decreased by 8.6% to \$4.9m quarter-to-quarter but increased by 22.6% year-on-year. Also, the average monthly purchases in Lebanon by non-residents decreased by 10.7% quarter-to-quarter but increased by 45% annually to \$1.6m. Domestic card payments in Lebanese pounds accounted for 11.2% of aggregate payments in all currencies, while local currency withdrawals represented 68.4% of the total at the end of March 2009.

Number and Usage of Payment Cards in Lebanon			
(for the quarters ending Mar 2009 and Mar 2008)			
	Mar-09	Mar-08	Change
Cards			
With residents	1,549,290	1,410,426	9.8%
With non-residents	43,343	49,572	-12.6%
Total	1,592,633	1,459,998	9.1%
ATMs			
Points of Sales	44,463	47,768	-6.9%
Purchases (in US\$m):			
by residents in Lebanon	\$235.5m	\$203.1m	15.9%
<i>% in Lebanese pounds</i>	<i>11.2%</i>	<i>11.0%</i>	
by non-residents in Lebanon	\$4.8m	\$3.3m	45.0%
by residents outside Lebanon	\$138.2	\$134.1	3.0%
Cash withdrawal US (\$m)			
by residents in Lebanon	\$1,041	\$835	24.7%
<i>% in Lebanese pounds</i>	<i>68.4%</i>	<i>67.5%</i>	
by non-residents in Lebanon	\$14.7	\$11.9	22.6%

Source: Central Bank of Lebanon, Byblos Research

Net public debt at \$42.3bn at end-March 2009

Lebanon's gross public debt reached \$47.8bn at the end of March 2009, constituting an increase of 1.8% from end-2008 and a rise of 10.7% from end-March 2008. Domestic debt increased by 22.7% to \$26.5bn, while external debt decreased by 1.2% annually to \$21.3bn. Local currency debt accounted for 55.4% of gross public debt at end-March 2009 compared to 50% a year earlier, while foreign currency-denominated debt represented 44.6% of the total at the end of March relative to 50% a year earlier. Market-issued Eurobonds account for about 66% of external debt

Commercial banks accounted for 56.4% of total public debt at the end of March 2009 compared to 54.1% a year earlier. They were followed by the Central Bank with 21%, up from 19.3% at end-March 2008; while public agencies, financial institutions and the general public held 8.3% of the debt relative to 10.2% a year earlier. Further, bilateral and multilateral loans accounted for 5.9% of total public debt, down from 7.1% at end-March 2008, while other public debt holders held the remaining 8.4% compared to 9.3% a year earlier. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 6.4% to \$42.3bn. In parallel, the gross market debt accounted for about 66% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Balance of payments posts surplus of \$297m in first quarter of 2009

Central Bank figures show that Lebanon's balance of payments (BoP) posted a surplus of \$297m in the first quarter of 2009 compared to a deficit of \$214m in the same period last year. The BoP posted a deficit of \$367m in March compared to a surplus of \$300m in February and a deficit of \$497m in March 2008. The March 2009 deficit was caused by a rise of \$348m in the Central Bank's net foreign assets and a decline of \$715m in those of banks and financial institutions. The cumulative surplus over the first quarter of 2009 was caused by a surplus of \$1.8bn in the Central Bank's net foreign assets and a decline of \$1.5bn in those of banks and financial institutions. The balance of payments posted a cumulative surplus of \$3.5bn in 2008.

Trade deficit down 14.6% to \$2.2bn in first quarter of 2009

Imports decreased by 7.4% to \$3.2bn in the first quarter of 2009 and exports grew by 14.3% to \$1bn in the same period, leading to a trade deficit of \$2.2bn, down 14.6% year-on-year. In volume terms, imports decreased by 9.1% to 2.9 million tons in the first quarter of 2009, and exports declined by 8.1% to 790,000 tons in the same period, leading to a trade deficit of 2.1 million tons, down 9.5% year-on-year. The coverage ratio reached 30.9% in the first quarter of 2009 compared to 25% in the same period of 2008. The trade deficit reached \$869m in March 2009, down 1% from March 2008.

China was the main source of imports with \$319m or 9.8% of the total, followed by Germany with \$278m (8.6%), Italy with \$275m (8.5%), France with \$238m (7.3%), the USA with \$237m (7.3%) and Japan with \$154m (4.8%). Switzerland was the main export destination with \$275m or 27.5% of the total, followed by Syria with \$135m (13.5%), Iraq with \$84m (8.4%), the UAE with \$76m (7.6%) and Saudi Arabia with \$52m (5.2%). Lebanon's main export was jewelry at \$343m or 34.3% of total exports, followed by machinery & mechanical appliances with \$126m (12.6%), mineral products with \$120m (12%), prepared foodstuffs with \$62m (6.2%), base metals with \$61m (6.1%) and chemical products with \$60m (6%). Re-exports totaled \$37m in the first three months of 2009, down 17.8% from \$45m in the same period of 2008.

The Hariri International Airport was the main source of Lebanese exports accounting for 41.6% of total exported goods in the first quarter of 2009, followed by the Port of Beirut with 21.3%, the Abbudieh crossing point with 16.1%, the Masnaa crossing point with 15.7% and the Port of Tripoli with 4.4%. The Port of Beirut was the main source for imports, accounting for 65.7% of total imports, followed by the Hariri International Airport with 18.5%, the Port of Tripoli with 8% and the Masnaa crossing point with 5.2%.

Customs receipts up 100% to \$427m in first quarter of 2009

Figures released by the Higher Customs Council show that customs revenues reached \$427m in the first quarter of 2009, up 100% from the same period of 2008. Customs revenues reached \$152m in March compared to \$129m in February and to \$76m in March 2008. The Port of Beirut continues to be the main point of customs revenues, accounting for 88.3% of the total, and was followed by the Hariri International Airport with 6%, the Port of Tripoli with 2.9%, and the Masnaa crossing point with 1.3%. Overall customs receipts reached \$748m in the first quarter of 2009 when including revenues from the value-added tax that totaled \$321m over that period of time.

Airport passengers up 21.5% in first 4 months of 2009

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 1,279,217 in the first 4 months of 2009, up 21.5% year-on-year. Passengers from the UAE accounted for 22.7% of total passengers, followed by those from Saudi Arabia with 12%, France with 11.6%, Kuwait with 9.3% and Egypt with 6.8%. The total number of flights reached 15,738 in the first 4 months of 2009, up 23.9% year-on-year. Also, the HIA processed 22,670 metric tons of cargo, of which 22,312 tons of freight and 358 tons of mail. The total cargo processed in the first 4 months of 2009 increased by 7.7% compared to the same period of 2008.



Commercial banks' assets reach \$98bn at end-March, lending slows in first quarter

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$97.9bn at the end of March 2009, up 3.9% from end-2008 and up 15% from end-March 2008. Private sector deposits totaled \$80.5bn, up 3.5% from end-2008 and up 16.5% from end-March 2008. Deposits increased by \$1.63bn in March and \$1.14bn in February, after declining by \$42m in January 2009. Deposits in Lebanese pounds rose by 9.9% from end-2008 and by 61.5% year-on-year, while deposits in foreign currencies increased by 0.7% from the end of last year and by 2.9% from end-March 2008. Non-resident foreign currency deposits reached \$11.2bn at end-March 2009, increasing by 5.9% from end-2008 and by 24.4% year-on-year. In parallel, deposits of non-resident banks reached \$4.4bn, up 2.7% from end-2008 but down 9.5% from end-March 2008. The dollarization rate of deposits reached 67.7% at end-March 2009, down from 69.6% at end-2008 and from 76.7% a year earlier. Further, the average deposit rate in Lebanese pounds reached 7.10% compared to 7.22% a year earlier, while the same rate in US dollars was 3.26%, down from 3.84% in March 2008.

Loans to the private sector amounted to \$25.4bn, up 1.6% from end-2008 and up 13.3% year-on-year. Non-resident foreign currency loans reached \$4bn at end-March 2009, increasing by just 0.4% from end-2008 and by 9.3% year-on-year. The dollarization rate in private sector lending reached 85.9% compared to 86.6% at end-2008 and 87.2% a year earlier. The average lending rate in Lebanese pounds was 10.1% in March 2009 compared to 9.92% a year earlier, while the same average in US dollars was 7.32% compared to 7.57% in March 2008. Claims on the public sector stood at \$25.7bn, up 1.2% from end-2008 and 14.7% year-on-year, and accounted for 50.3% of the banking sector's total loans. The ratio of private sector loans to deposits in foreign currencies stood at 40.1%, well below the Central Bank's limit of 70%, and up from 37% a year earlier. In parallel, the same ratio in Lebanese pounds was 13.8% compared to 17.9% a year earlier. The ratio of total private sector loans to deposits stood at 31.6%, down from 32.5% a year earlier. The banks' aggregate capital base stood at \$7.14bn, up 0.6% from end-2008 and 13.5% from \$6.29bn in March 2008.

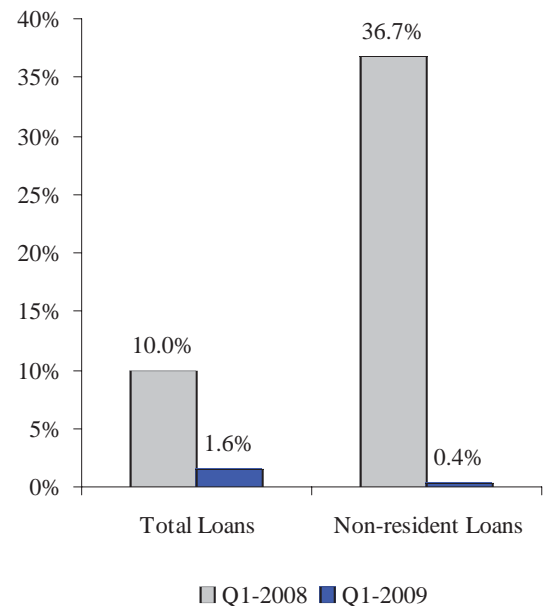
Central Bank and Association of Banks set up corporate governance committee

The Central Bank of Lebanon announced plans to jointly establish with the Association of Banks in Lebanon a corporate governance committee for banks operating in the country. The Banking Governance Committee will be chaired by the Third Vice-Governor of the Central Bank, Mr. Mohamad Baassiri, and will include a member from the Banking Control Commission, the head of legal affairs at the Central Bank, and one or more representatives from the Association of Banks in Lebanon. The objectives of the committee are to strengthen corporate governance at commercial banks operating in Lebanon, to encourage supervisory practices in order to maintain the sector's soundness, as well as to protect depositors and shareholders from potential decisions that run against the principles of corporate governance. Also, the committee intends to follow up on international recommendations and best practices dealing with governance, particularly those issued by the Basel Committee. It also plans to follow up on the implementation of circulars issued by the Central Bank related to corporate governance, and to submit proposals to the Central Bank's Central Council that it deems important to corporate governance at banks.

BLC Bank's profits up 1.5% to \$4.8m in first quarter of 2009

BLC Bank sal, one of Lebanon's listed banks, announced un-audited net profits of \$4.8m in the first quarter of 2009, up 1.5% from the same period last year. Net interest income rose by 30.6% to \$12.3m while net fee & commission receipts increased by 74.5% to \$2.1m and net interest gains on trading portfolio dropped by 106.7% to post a loss of \$2m in the first quarter of 2009 compared to an income of \$30m in the same period of 2008. General administrative expenses increased by 24.9% to \$9.4m and staff costs rose by 46.4% to \$6.3m. Total assets reached \$2.03bn at end-March 2009, constituting a 3.1% rise from end-2008, while loans & advances to customers increased by 14.7% to reach \$315.9m. The bank held \$51m in assets acquired in satisfaction of loans at end-March 2009. Customers' deposits rose by 3.6% from end-2008 to \$1.79bn. The bank's equity increased by 6.4% to \$166.6m in the first quarter of 2009. 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.

Growth in Private Sector Loans (%)



Source: Association of Banks in Lebanon

Net interest income impacts BLOM and Audi's revenues in first quarter

Regional investment bank EFG Hermes indicated that BLOM Bank's net profits rose by 18% in the first quarter of 2009 from the last quarter of 2008, beating estimates by 9%, while Bank Audi's profits rose by 3% over the same period, in line with EFG's quarterly forecast. It said BLOM's year-on-year profits rose by 11% on a group basis, driven by an 18% rise in revenues and a 25% rise in cost, which led to a 12% improvement in operating profits. In parallel, Audi's profits increased by 13% year-on-year due to a 5% rise in revenues and a 1% growth in costs, which resulted in a 9% growth in operating profits. EFG noted that BLOM's net interest income grew by 12% year-on-year and fell by 12% quarter-to-quarter due a 34 basis points decline in net interest spread, while non-interest income jumped by 26% mostly from investment-related income. In parallel, Bank Audi's net interest income increased by 3% year-on-year but dropped by 20% quarter-to-quarter, with net interest spread falling by 53 basis points quarterly to 161bps. It noted that rates offered by Lebanese banks on US dollar deposits have declined since the end of 2008, but the drop has not matched the sharp fall in Libor, resulting in the significant quarterly decline in their net interest spreads.

Further, EFG Hermes indicated that BLOM had a net provision release of \$3m in the first quarter of 2009 compared to a provision release of \$1m in the same period last year and a charge of \$22m in the fourth quarter of 2008, when it took a large collective provision. It noted that the positive provisioning figure for the first quarter suggests no deterioration in credit quality since December 2008, when the gross NPL ratio stood at 3.9% and the coverage ratio at 80%, with this ratio increasing to 100% when collective provisions are included. EFG added that Audi's net NPL has remained broadly stable at 0.35% of gross loans since December 2008, with a coverage ratio of 88% of NPLs.

MTC Touch expands network capacity

Mobile phone operator MTC Touch, a subsidiary of the Kuwait-based Zain Group, announced it has completed an infrastructure network upgrade project and launched 150 new base stations. It also upgraded its Intelligent Prepaid Network platform as well as several existing sites across the country. MTC's new project will allow it to host up to 1.2 million customers, including up to one million prepaid clients, as well as to ameliorate the quality of its coverage across the country. MTC's has about one million subscribers for a 57% market share. MTC Touch manages one of the two mobile phone networks that are owned by the Lebanese state.

In parallel, the Zain Group declared net income of 75.7m Kuwait dinars, or \$261m in the first quarter of 2009, constituting a rise of 3.3% from the same period last year and a decline of 12.8% from the fourth quarter of 2008. Revenues rose by 25% year-on-year and by 1% relative to the last quarter of 2008 to KWD567m, or \$1.96bn. In parallel, Zain announced a major restructuring of its operations, leading to the reduction of 2,000 employees from its current 15,500 workforce. The process has already started in Kuwait, Iraq, Jordan and some African markets. Zain also intends to centralize and outsource some back office and other functions. The firm is targeting a 5% improvement in its operating margin.

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	Feb 2008	Jan 2009	Feb 2009	Change*	Risk Level
Political Risk Rating	55.5	57.0	57.0	▲	High
Financial Risk Rating	31.5	28.0	28.0	▼	High
Economic Risk Rating	28.5	30.0	30.0	▲	Moderate
Composite Risk Rating	57.7	57.5	57.5	▼	High

Regional Average	Feb 2008	Jan 2009	Feb 2009	Change*	Risk Level
Political Risk Rating	65.8	65.6	65.7	▼	Moderate
Financial Risk Rating	41.2	41.7	41.1	▼	Very Low
Economic Risk Rating	40.3	39.3	38.9	▼	Low
Composite Risk Rating	73.6	73.3	72.8	▼	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



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.lb

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

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

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

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street
Yerevan, 37500 - Republic of Armenia
Phone: (+374) 10 530 362
Fax: (+374) 10 535 296

NIGERIA

Byblos Bank Nigeria Representative Office
10-14 Bourdillon Road
Ikoyi, Lagos - Nigeria
Phone: (+ 234) 1 6653633
(+ 234) 1 8990799
E-mail: melamm@byblosbank.com.lb

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

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

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