



LEBANON THIS WEEK

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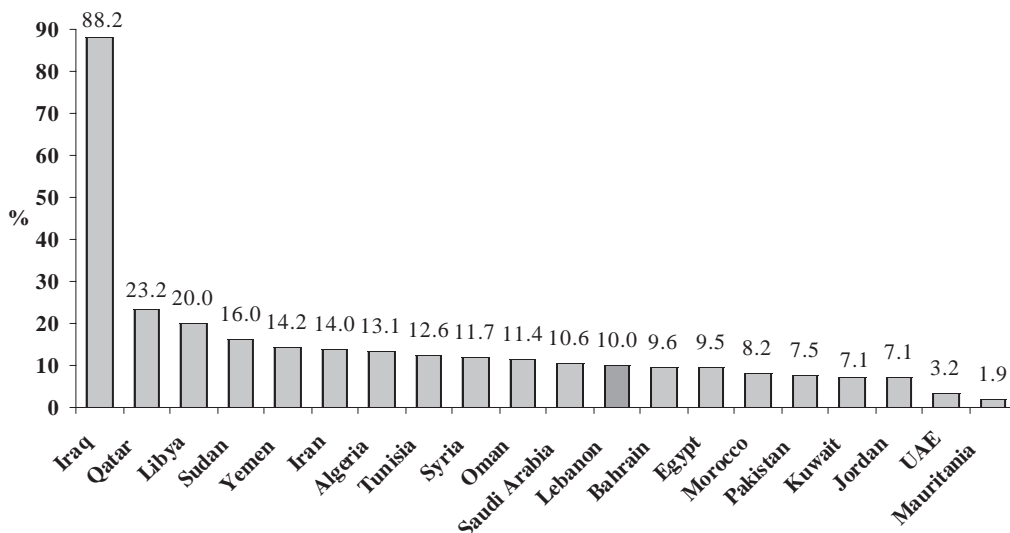
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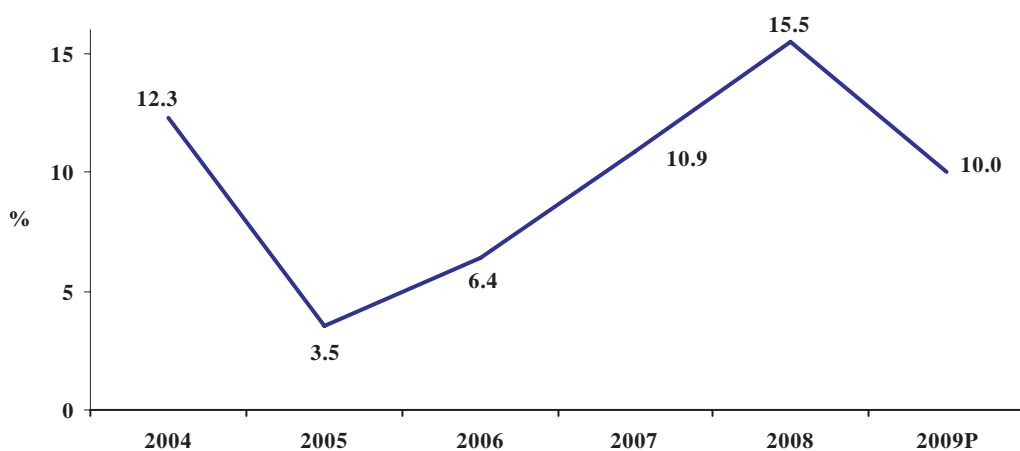
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Charts of the Week

Projected Broad Money Growth in MENA Countries in 2009 (%)



Broad Money Growth in Lebanon (%)



Source: International Monetary Fund

Quote to Note

“Regardless of who will lead the next government, investors are very likely to welcome the return of a March 14th government, as this outcome would remove most of the uncertainties associated with the elections.”

Investment bank Credit Suisse, on the impact of the results of the June 7 parliamentary elections

Number of the Week

\$1.14bn: Increase in the net foreign assets of commercial banks operating in Lebanon during the first 4 months of the year, according to the Association of Banks in Lebanon

Economic Indicators

| \$m (unless otherwise mentioned) | 2007 | Mar. 08 | 2008 | Jan.2009 | Feb. 2009 | Mar. 09 | % Change* |
|---|-------------|----------------|-------------|-----------------|------------------|----------------|------------------|
| Exports | 2,816 | 302 | 3,478 | 281 | 449 | 270 | (10.60) |
| Imports | 11,815 | 1,179 | 16,133 | 1,067 | 1,035 | 1,138 | (3.48) |
| Trade Balance | (8,999) | (877) | (12,655) | (786) | (586) | (868) | (1.03) |
| Balance of Payments | 2,036 | (497) | 3,462 | 364 | 300 | (367) | (26.16) |
| Checks Cleared in LBP | 8,409 | 750 | 9,350 | 927 | 815 | 899 | 19.87 |
| Checks Cleared in FC | 29,893 | 3,087 | 43,174 | 3,434 | 2,872 | 3,294 | 6.71 |
| Total Checks Cleared | 38,302 | 3,837 | 52,524 | 4,361 | 3,687 | 4,148 | 8.11 |
| Budget Deficit/Surplus | (2,546) | 158 | (2,921) | (305) | (326) | (508) | (421.52) |
| Primary Balance | 731 | 108 | 597 | (7) | (82) | (110) | (201.85) |
| Airport Passengers | 3,408,834 | 270,188 | 4,085,334 | 307,127 | 276,825 | 302,709 | 12.04 |

| \$bn (unless otherwise mentioned) | Dec. 2007 | Mar.08 | Dec. 2008 | Jan. 2009 | Feb. 2009 | Mar. 09 | % Change* |
|--|------------------|---------------|------------------|------------------|------------------|----------------|------------------|
| BdL FX Reserves | 9.78 | 10.83 | 17.06 | 17.59 | 18.23 | 18.66 | 72.30 |
| <i>In months of Imports</i> | <i>9.19</i> | <i>9.18</i> | <i>15.03</i> | <i>16.48</i> | <i>17.62</i> | <i>16.40</i> | <i>78.65</i> |
| Public Debt | 42.03 | 43.09 | 47.01 | 46.99 | 47.20 | 47.85 | 11.05 |
| Net Public Debt | 39.03 | 39.68 | 41.49 | 41.43 | 41.88 | 42.34 | 6.70 |
| Bank Assets | 82.26 | 85.14 | 94.25 | 93.79 | 95.11 | 97.94 | 15.03 |
| Bank Deposits (Private Sector) | 67.29 | 69.09 | 77.78 | 77.74 | 78.88 | 80.50 | 16.51 |
| Bank Loans to Private Sector | 20.42 | 22.46 | 25.04 | 24.96 | 24.94 | 25.45 | 13.31 |
| Money Supply M2 | 16.47 | 17.17 | 24.76 | 25.41 | 26.23 | 26.86 | 56.44 |
| Money Supply M3 | 59.83 | 61.58 | 68.66 | 68.62 | 69.41 | 70.52 | 14.52 |
| LBP Lending Rate (%) | 10.10 | 9.92 | 9.95 | 10.07 | 10.03 | 10.10 | 1.8b.p. |
| LBP Deposit Rate (%) | 7.40 | 7.22 | 7.22 | 7.22 | 7.13 | 7.10 | (1.7b.p.) |
| USD Lending Rate (%) | 8.02 | 7.57 | 7.47 | 7.35 | 7.28 | 7.32 | (3.3b.p.) |
| USD Deposit Rate (%) | 4.69 | 3.84 | 3.33 | 3.31 | 3.25 | 3.26 | (15.1b.p.) |
| %* Change in CPI** | 5.92 | 10.80 | 6.36 | 4.03 | 4.60 | 2.10 | (80.6b.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" | 23.75 | 0.21 | 506,906 | 21.79% | Mar. 2010 | 7.125 | 102.00 | 4.20 |
| Solidere "B" | 23.50 | (0.30) | 236,438 | 14.01% | May 2011 | 7.875 | 104.00 | 5.63 |
| Byblos Common | 1.80 | (3.23) | 383,601 | 3.58% | Mar. 2012 | 7.500 | 103.50 | 6.09 |
| Byblos Priority | 1.75 | (5.41) | 383,227 | 3.31% | Sep. 2012 | 7.750 | 104.13 | 6.31 |
| Byblos Pref. 08 | 95.50 | (1.44) | 600 | 1.75% | June 2013 | 8.625 | 106.00 | 6.88 |
| BLOM GDR | 74.00 | 2.92 | 10,892 | 5.02% | Apr. 2015 | 10.000 | 109.75 | 7.88 |
| BLOM Listed | 71.85 | 0.00 | 0 | 14.17% | Jan. 2016 | 8.500 | 103.00 | 7.90 |
| Audi GDR | 65.05 | 0.23 | 5,747 | 5.87% | May 2016 | 11.625 | 117.75 | 8.20 |
| Audi Listed | 57.55 | (3.36) | 11,088 | 18.05% | Mar. 2017 | 9.000 | 105.25 | 8.07 |
| HOLCIM | 13.05 | (4.74) | 10,000 | 2.34% | Apr. 2021 | 8.250 | 100.00 | 8.25 |

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

Source: Byblos Capital Markets

| | This Week | Last Week | % Change | May 2009 | May 2008 | % Change |
|------------------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Total Shares Traded | 1,618,760 | 4,589,898 | (64.73%) | 4,526,493 | 12,254,353 | (63.06) |
| Total Value Traded | \$21,502,060 | \$98,790,174 | (78.23%) | \$70,679,284 | \$275,797,021 | (74.37) |
| Market Capitalization | \$10.90bn | \$10.90bn | (0.01%) | \$8.22bn | \$14.15bn | (30.08) |

Source: Beirut Stock Exchange (BSE)



Draft 2009 budget approved, projected deficit at 9.4% of GDP

The Council of Ministers approved the draft budget proposal for 2009 after political obstacles delayed extensively its approval. The draft budget forecast a deficit of 28.4% of total expenditures, equivalent to 9.4% of GDP, compared to an expected a deficit of 27% in the 2008 budget proposal and a realized deficit of 29.3% of total expenditures last year. It also projected total expenditures at LP15,552bn, or \$10.3bn in 2009 compared to \$7.6bn in the 2008 budget draft and to a realized \$9.95bn, while overall revenues are forecast to reach \$7.4bn in 2009 relative to \$5.5bn in the 2008 budget draft and a realized \$7.03bn last year. Debt servicing is expected to reach \$4bn in 2009, up from a realized \$3.3bn last year. Current expenditures covering debt servicing, public servants salaries and transfers to Electricité du Liban would account for 82% of total expenditures. The primary surplus is expected to reach LP2,028bn, or \$1.3bn, in 2009, up from a projected LP1,543bn or \$1bn and a realized \$0.6bn for 2008. The increase in expenditures is attributed to the rise in debt servicing, as well as to the \$915m needed to finance the public-sector salary increase, and to the \$22m earmarked for the parliamentary elections. In parallel, the budget projects the gross public debt to increase by \$3bn to \$50bn at end-2009 if the privatization of the mobile phone licenses does not take place this year. The 2009 draft budget proposal is based on a real GDP growth of 3% in 2009, on an expected inflation rate of 5% and on an average crude oil price of \$54 per barrel.

| Approved Draft Budgets (US\$m) | | | |
|---------------------------------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 |
| Total Expenditures | 7,854 | 7,612 | 10,316 |
| Total Revenues | 5,091 | 5,551 | 7,372 |
| Fiscal Deficit | 2,763 | 2,061 | 2,943 |
| % of Total Expenditures | 35.2 | 27.1 | 28.4 |
| Primary Balance | 488 | 1,024 | 1,345 |

Source: Ministry of Finance

Fitch considers Lebanese banking sector has low vulnerability level

In its risk assessment of 86 banking systems in advanced and emerging economies, Fitch Ratings indicated that Lebanon's banking sector was among 25 banking systems that came in the 'low strength' category on its Banking System Indicator (BSI). The BSI is a measure of intrinsic banking system quality or strength, derived from Fitch's long-standing and current Individual Ratings for banks. It deliberately excludes potential support from shareholders or governments since the objective is to highlight systemic weakness that might trigger the need for such support. The BSI measures system quality or strength on a scale ranging from 'A' representing very high quality or strength, through 'B' (high), 'C' (adequate), 'D' (low) and 'E' (very low). Lebanon came in the 'D' category along with Tunisia, Morocco and Nigeria in the Middle East & Africa region, as well as with other countries such as China, Hungary, the Philippines, Ireland, Romania, and Russia among others. Fitch said that 75% of emerging markets banking systems came in the 'C' and 'D' category and 25% in the 'E' segment.

In parallel, the agency placed Lebanon's banking sector among 30 bank systems with a 'low level of potential vulnerability', coming in the highest category on Fitch's Macro-prudential Indicator (MPI). The MPI highlights the existence and severity of a set of macro-economic circumstances that has been shown to anticipate a majority of past episodes of banking system distress and in some cases full-blown systemic crises. The MPI identifies instances of rapid credit growth that bring the ratio of private sector credit-to-GDP and the real exchange rate or real equity prices above long-run trend values by certain trigger amounts. An MPI score of '1' denotes low potential vulnerability, while a score of '2' reflects moderate vulnerability and a score of '3' denotes a high level of vulnerability to potential systemic stress. The assessment is based on three years of annual data with a trigger in any of the three years being relevant to a country's MPI score. Lebanon received a score of '1', along with Egypt, Israel, Oman and Tunisia, in the Middle East & Africa region. Other countries in this category included Austria, Germany, Hong Kong, Singapore and Uruguay, among others. Also, Lebanon was one of 8 countries whose banking system has a 'low level of potential vulnerability' despite the 'low strength' of their banking sectors. This category included Benin, China, El Salvador, Hungary, Indonesia, the Philippines, and Tunisia.

Average Coincident Indicator rises by 18% year-on-year in April

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 236.5 points in April 2009 compared to 211.1 in March and 200 points in April 2008. The Coincident Indicator, an average of 8 weighted economic indicators, jumped by 12% month-on-month and rose by 12.8% in the first quarter of 2009 and by 18.3% on an annual basis. The indicator averaged 205.9 points in the 12-months ending April 2009 compared to 202.9 points in the 12-months ending March 2009 and to 185 points in the 12-months ending April 2008. As a result, the average coincident indicator rose by 11.3% year-on-year. The indicator posted its best performance ever in April, surpassing the previous peak of 215.3 points reached in January of this year. It also registered the second best improvement ever on a monthly basis, following the 31% jump posted in September 2006 following the end of the Israeli war that paralyzed economic activity in July and August of that year. The April results reverse a trend of consecutive declines in activity during February and March, and reflect a significant pick up in economic activity. The indicator improved 13 times and regressed 4 times in the month of April since 1993. The indicator averaged 198.4 points in 2008, 180 points in 2007 and 171.6 points in 2006.



Association of Banks amends reference rate on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) amended the name of its reference lending rates from the Beirut Cost Rate to the Beirut Reference Rate (BRR). It maintained the same calculation methodology for the rates that relies on adding the banks' operating cost and the average cost on term deposits in both currencies in the Beirut market, and takes into consideration the private sector lending in each of the currencies. Further, the ABL recommended to its member banks to decrease the BRR in US dollars by 3 basis points to 5.24% from 5.27% previously. The rate, considered as the reference rate for lending in foreign currency, replaced earlier this year the London Inter-Bank Offering Rate (LIBOR) since the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the BRR in Lebanese pounds by three basis points to 8.96% from 8.99% previously. The ABL indicated that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate. The prime Lending rate for US dollar and Lebanese pounds are 8.25% and 10% respectively.

Elections results to boost investor sentiment

Standard Chartered Bank indicated that the victory of the March 14 coalition in the June 7 parliamentary elections marks a fresh start for Lebanon and should boost investor sentiment. It said that since the election's uncertainties have been removed, the Lebanese government can focus on economic issues. It added that the economic reform program set by the government had been put on hold given the political uncertainty. It noted that while the Lebanese economy has been resilient amid the political downturn, there are a number of issues that the government must address such as reforming the energy sector and reducing its public debt, which is the highest in the world at 162% of GDP.

Lebanon to promote tourism "Beyond Beirut"

The Ministry of Tourism and the United States Agency for International Development (USAID) launched a campaign to promote Lebanon as a tourism destination. Labeled "Beyond Beirut", the campaign includes a new website that highlights all the tourist destinations across the country, in addition to launching several promotional campaigns in the media. The program is implemented by the global Academy for Educational Development and the Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance. The campaign's objective is to enhance Lebanon's ability to compete in the tourism market, and to increase tourism by 20% throughout the country. Lebanon's travel and tourism economy ranks in 149th place worldwide in terms of its annual growth rate over the 2009-19 period.

World Bank loans disbursed to Lebanon total \$271m as at June 2009

Figures released by the World Bank indicate that the Bank's loan portfolio in Lebanon consists of 9 active projects for a total amount of \$271m, of which \$113.1m, or 42%, had been disbursed as at June 2009. The Bank added two new projects totaling \$10m in 2008 and in the first quarter of 2009. The new projects support studies for the National Social Security Fund, the Ministry of Education, the Ministry of Social Affairs and the Ministry of Health. They also aim to support the implementation of financial and administrative reforms at the Finance Ministry, with the purpose of improving the management of public funds and resources.

World Bank Loans to Lebanon as of June 2009 (\$m)

| Project Name | Approval Year | Loan Amount | Amount Disbursed | Closing Date |
|---|---------------|--------------|------------------|--------------|
| Baalbeck Water & Wastewater | 2002 | 43.5 | 25.3 | Dec. 2009 |
| Urban Transport Development | 2002 | 143.7 | 54.1 | Dec. 2011 |
| Cultural Heritage & Urban Development | 2003 | 31.5 | 16.7 | Dec. 2009 |
| First Municipal Infrastructure | 2006 | 30.0 | 9.3 | Dec. 2009 |
| Bekaa Emergency Water | 2007 | 15.0 | 0.3 | May. 2010 |
| Emergency Power Sector | 2007 | 5.0 | 2.1 | June 2009 |
| Emergency Social Protection Implementation Support | 2007 | 1.0 | 0.9 | Mar. 2009 |
| Second Emergency Social Protection Implementation Support | 2008 | 6.0 | 0.4 | Mar. 2012 |
| Emergency Financial Management Capacity Support | 2009 | 4.0 | 4.0 | Sep. 2011 |
| Total | | 270.7 | 113.1 | |

Source: World Bank Group

Fiscal deficit up 22% to \$1.21bn in first 4 months of 2009

Figures released by the Finance Ministry show that the fiscal deficit reached \$1.21bn in the first 4 months of 2009, up 22.1% from the same period last year. The deficit was equivalent to 30.4% of total budget and Treasury expenditures compared to 31.4% in the same period of 2008. Overall government expenditures reached \$3.98bn, up 26.1% year-on-year, while total revenues increased by 27.9% to \$2.77bn over the covered period. Tax revenues improved by 35.9% year-on-year to \$1.87bn, of which 35.9%, or \$673m, were in VAT receipts that posted a 15.9% annual rise. Tax revenues accounted for 70.8% of budgetary revenues and for 67.8% of total Treasury and budget receipts.

Debt servicing increased by 21.2% year-on-year to \$1.35bn, accounting for 49.1% of total expenditures and for 33.8% of budgetary spending. It absorbed 50.8% of overall revenues and 48.6% of budgetary receipts. Excluding debt servicing, the primary surplus reached \$1.28bn, or 46.7% of budget expenditures compared to a surplus of \$850.9m, or 36.6% a year earlier. The overall primary deficit reached \$164.3m, or 4.1% of total spending compared to a surplus of \$243m, or 7.7% of total expenditures, a year earlier.

Trade deficit down 4.1% to \$3.8bn in first 4 months of 2009

Imports increased by 4.8% to \$5.04bn in the first 4 months of 2009 and exports grew by 6.9% to \$1.23bn in the same period, leading to a trade deficit of \$3.8bn, up 4.1% year-on-year. In volume terms, imports increased by 9.3% to 4.62 million tons in the first 4 months of 2009, and exports declined by 9.1% to 1.01 million tons in the same period, leading to a trade deficit of 3.6 million tons, up 15.9% year-on-year. The coverage ratio reached 24.5% in the first 4 months of the year compared to 26.3% in the same period of 2008. The trade deficit reached \$1.5m in April 2009, up 88.6% from April 2008.

France was the main source of imports with \$524m or 10% of the total, followed by the United States with \$463m (9%), China with \$445m (9%), Germany with \$385m (8%), Italy with \$366m (7%) and Japan with \$208m (4%). Switzerland was the main export destination with \$291m or 24% of the total, followed by Syria with \$150m (12%), Iraq with \$112m (9%), the UAE with \$102m (8%) and Saudi Arabia with \$85m (7%). Lebanon's main export was jewelry at \$378m or 31% of total exports, followed by machinery & mechanical appliances with \$162m (13%), mineral products with \$127m (10%), prepared foodstuffs with \$87m (7%), base metals with \$87m (7%) and chemical products with \$71m (6%). Re-exports totaled \$53m in the first four months of 2009, down 5.4% from \$56m in the same period of 2008.

The Hariri International Airport was the main source of Lebanese exports accounting for 39% of total exported goods in the first four months of 2009, followed by the Port of Beirut with 23%, the Masnaa crossing point with 18%, the Abbudieh crossing point with 15% and the Port of Tripoli with 4%. The Port of Beirut was the main source for imports, accounting for 66% of total imports, followed by the Hariri International Airport with 21%, the Port of Tripoli with 6% and the Masnaa crossing point with 5%.

Customs receipts up 103% to \$575m in first 4 months of 2009

Figures released by the Higher Customs Council show that customs revenues reached \$575m in the first 4 months of 2009, up 102.5% from the same period last year. Customs revenues reached \$149m in April compared to \$152m in March and to \$70m in April 2008. The Port of Beirut continues to be the main point of customs receipts, accounting for 88.5% 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 1.4%. Overall customs receipts reached \$1bn year-to-April when including revenues from the value-added tax that totaled \$434m over the covered period.

Solidere's net income down 19% to \$183m in 2008

Solidere, the Lebanese Company for the Development and Reconstruction of the Beirut Central District and Lebanon's largest firm in terms of market capitalization, announced net profits of \$182.7m in 2008, up 18% from \$155.9m in 2007. When including the profits of its Dubai-based affiliate Solidere International (SI), Solidere's consolidated net income becomes \$182.7m, down 18.5% from \$224m in 2007. Solidere owns 38.2% of SI, which is developing several projects in Saudi Arabia, the UAE and Egypt.

Net consolidated revenues from land and real estate sales rose by 11.4% to \$194.2m in 2008 while net revenues from rental properties decreased by 2.8% to \$13.3m, resulting in total net operating revenues of \$206.1m for the year, up 10.9% year-on-year. Gross consolidated revenues from land and real estate sales totaled \$256.6m while those from real estate rentals totaled \$21.7m.

Solidere stated that its consolidated assets totaled \$2.45bn and declined by 4.5% from end-2007, as inventory of land and projects in progress totaled \$1.27bn at end-2008 down from \$1.40bn at end-2007. Consolidated banks' loans totaled \$2.3m at end-2008, down 68.1% from the end of 2007, while bank overdrafts and short term facilities reached \$177m compared to \$181.2m at the end of 2007. Solidere's earnings per share reached \$1.1781 compared to \$1.4450 a year earlier.

| Solidere Results (US\$m) | | |
|------------------------------|-------|-------|
| | 2008 | 2007 |
| Total Assets | 2,453 | 2,569 |
| Loans from banks | 2.34 | 7.04 |
| Total Equity | 1,859 | 1,832 |
| Net revenues from operations | 206 | 185 |
| Net income | 183 | 224 |
| Debt-to-equity ratio (%) | 0.25 | 0.40 |
| Earnings per share (\$) | 1.17 | 1.44 |

Source: Company statements

Solidere announces Ordinary General Assembly

The Board of Directors of Solidere sal invited its shareholders to its Ordinary General Assembly to be held on July 13, 2009. This is a second invitation for the Ordinary General Assembly, which did not convene on June 17, 2009 due to the lack of a quorum. The agenda of the meeting includes hearing the Board of Directors and the auditors' reports for 2008, approving the financial statements of 2008, granting clearance to the Chairman and Board members for their administrative duties during 2008, electing a new Board of Directors for the financial year 2009, appointing auditors for the financial year 2009, and negotiating the establishment of a new company, mainly owned by Solidere sal, to acquire the Beirut Souks project.

Moody's downgrades CMA CGM's ratings, cites weak market conditions

Moody's Investors Service downgraded the Lebanese-owned and France-based CMA CGM's Corporate Family Rating (CFR) and Probability of Default Rating (PDR) to 'B1' from 'Ba1'. It attributed the downgrade to expectations that the combined effects of weak market conditions and the firm's sizeable capital investment plan will likely lead to lower cash flow than previously anticipated and a financial profile no longer in line with a 'Ba' rating over the medium term.

It added that CMA CGM, like all the main players in the container shipping industry, implemented in the past few years a capital investment plan based on the steady growth of consumer spending in the main Western countries. But because of the current global economic downturn, consumer spending is expected to remain subdued over the medium term, therefore negatively affecting the level of growth. Moody's expected CMA CGM's credit profile to be affected by the structural changes in the market due to both the severity of the downturn and the persistence of weak market conditions over the medium term. It added that the rating action is based on the assumption that lenders are likely to remain supportive and that the firm's liquidity situation, which partly relies on asset sales, will remain adequate.

The agency indicated that the 'negative' outlook reflects challenging market conditions that could further exert pressure on CMA CGM's credit metrics in the next 18 months, increase the risk that the company will breach its covenants, and add further uncertainty to the firm's financial profile. Further, the tightened nature of the global credit environment increases the uncertainty surrounding the company's ability to raise additional resources to finance the capital outlays already scheduled for 2010 and 2011, which the company cannot cancel or postpone. Earlier this month, Fitch Ratings downgraded CMA CGM's Long-term Issuer Default Rating (IDR) and its senior unsecured rating to 'BB-' from 'BB+' and kept the outlook at 'negative'. Headquartered in Marseille, the privately-owned CMA CGM is the third-largest container shipping company in the world with 913,000 twenty-foot equivalent unit (TEU) capacity. It has a global network of 81 main lines and 37 feeder lines, calling at 228 ports in 161 countries.

IDAL provides incentives to Staybridge Suites Hotel project

The Investment Development Authority of Lebanon (IDAL) announced it has extended a series of investment incentives to the Staybridge Suites Hotel project. IDAL is offering the incentives through its Package Deal Contract (PDC) program where qualified projects benefit from a range of special incentives, tax exemptions, fee reductions and facilities. Staybridge Suites Hotel is a \$47m project providing 170 job opportunities. It will be located in the Ras Beirut region and will include 84 furnished suites, a business lounge and a gym. Staybridge Suites Hotel is present in 100 locations in the US, Canada and South America as well as in Egypt and the United Kingdom.

IDAL's PDC program provides investment incentives to projects in industry, agriculture, agro-industries, tourism, technology, information technology, telecommunications and media. The incentives include full exemptions from income and dividend tax for up to 10 years, reduction of work and residence permit fees of up to 50%, reduction of up to 50% of construction permit fees, full exemption from fees related to land registration and from fees for annexation, sub-division, mortgage, and registration of lease contracts, as well as other incentives. IDAL bases its project selection on several criteria such as the investment cost, number of jobs to be created, economic and environmental impacts, and transfer of technology, among others.

| Qualification criteria for PDC incentives | | |
|--|---------------------------|-----------------|
| Sector | Minimum investment | New jobs |
| Tourism | \$15m | 200 |
| Industry | \$10m | 100 |
| Agro-industries | \$3m | 60 |
| Agriculture | \$2m | 50 |
| TMT* | \$0.4m | 25 |

*technology, media & telecom

Source: IDAL

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 | Apr 2008 | Mar 2009 | Apr 2009 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 55.5 | 57.5 | 57.5 | ▲ | 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 | 57.7 | 57.7 | ↔ | High |

| Regional Average | Apr 2008 | Mar 2009 | Apr 2009 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 65.5 | 65.7 | 65.4 | ▼ | Moderate |
| Financial Risk Rating | 40.9 | 41.2 | 41.4 | ▲ | Very Low |
| Economic Risk Rating | 40.3 | 37.3 | 37.0 | ▼ | Low |
| Composite Risk Rating | 73.3 | 72.1 | 71.9 | ▼ | 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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