



LEBANON THIS WEEK

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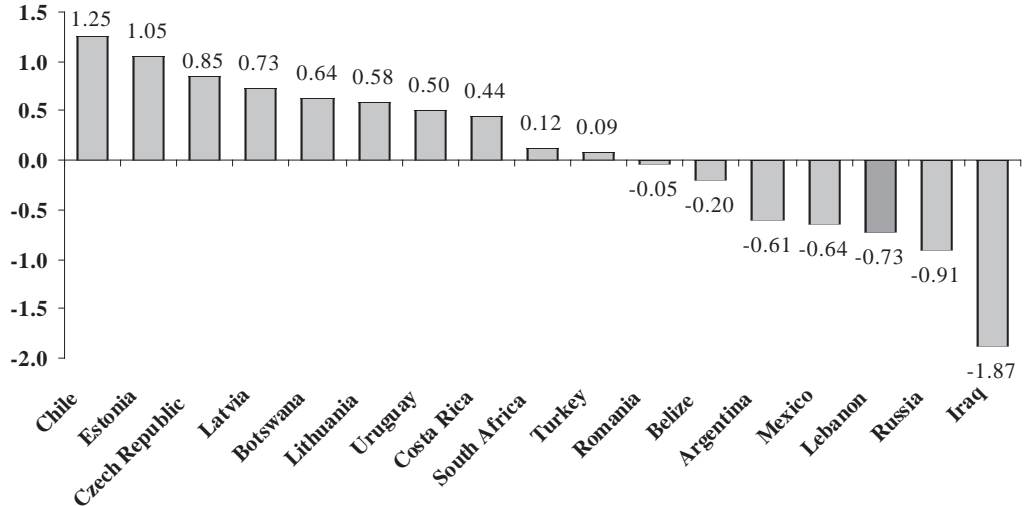
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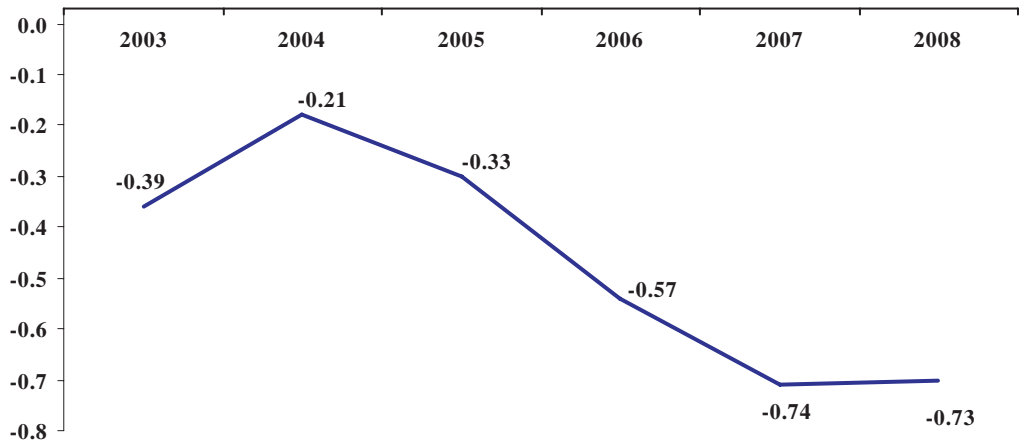
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Charts of the Week

Rule of Law Indicator for select Upper Middle-Income Countries in 2008



Rule of Law Indicator for Lebanon



Source: World Bank Governance Indicators, 2009

Quote to Note

“Bank assets are still growing strongly, and the sector is continuing to attract non-resident deposits.”

The Economist Intelligence Unit, on the resilience of the Lebanese banking sector to the regional slowdown and global crisis

Number of the Week

30%: Increase in average room rates, to \$175, at Beirut hotels in the first half of 2009, according to global consulting firm Deloitte & Touche

Economic Indicators

\$m (unless otherwise mentioned)	2007	June 08	2008	April 2009	May 2009	June 09	% Change*
Exports	2,816	325	3,478	231	292	249	(23.38)
Imports	11,815	1,201	16,133	1,797	1,242	1,551	29.14
Trade Balance	(8,999)	(876)	(12,655)	(1,566)	(950)	(1,302)	48.63
Balance of Payments	2,036	640	3,462	839	521	443	(30.78)
Checks Cleared in LBP	8,409	790	9,350	804	928	873	10.51
Checks Cleared in FC	29,893	3,986	43,174	3,222	3,497	3,658	(8.23)
Total Checks Cleared	38,302	4,776	52,524	4,026	4,425	4,531	(5.13)
Budget Deficit/Surplus	(2,546)	39	(2,921)	(76)	(198)	(151)	(487.18)
Primary Balance	731	264	597	363	64	161	(39.02)
Airport Passengers	3,408,834	363,818	4,085,334	392,556	348,510	460,223	26.50

\$bn (unless otherwise mentioned)	Dec. 2007	June 2008	Mar. 2009	April 09	May 09	June 09	% Change*
BdL FX Reserves	9.78	12.62	18.66	19.33	20.22	20.62	63.39
<i>In months of Imports</i>	<i>9.19</i>	<i>10.51</i>	<i>16.40</i>	<i>10.75</i>	<i>16.28</i>	<i>13.29</i>	<i>26.45</i>
Public Debt	42.03	44.49	47.85	47.77	47.73	47.31	6.34
Net Public Debt	39.03	40.40	42.34	42.69	42.77	42.96	6.44
Bank Assets	82.26	88.45	97.94	99.63	101.65	103.62	17.15
Bank Deposits (Private Sector)	67.29	72.09	80.50	82.62	84.35	85.78	18.99
Bank Loans to Private Sector	20.42	23.68	25.45	25.76	26.07	26.07	10.09
Money Supply M2	16.47	19.30	26.86	27.77	28.15	29.07	50.62
Money Supply M3	59.83	63.55	70.52	72.28	73.58	74.68	17.51
LBP Lending Rate (%)	10.10	10.09	10.10	9.83	9.79	9.76	(33b.p.)
LBP Deposit Rate (%)	7.40	7.25	7.10	7.08	7.06	6.96	(29b.p.)
USD Lending Rate (%)	8.02	7.28	7.32	7.21	7.28	7.24	(4b.p.)
USD Deposit Rate (%)	4.69	3.55	3.26	3.24	3.22	3.18	(37b.p.)
%* Change in CPI**	5.92	12.43	3.51	2.00	1.88	3.31	(912b.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"	23.56	0.13	255,826	21.32%	Mar. 2010	7.125	102.50	2.34
Solidere "B"	23.51	(0.30)	175,107	13.83%	May 2011	7.875	105.63	4.47
Byblos Common	1.75	0.00	31,097	3.44%	Mar. 2012	7.500	105.50	5.18
Byblos Priority	1.75	(3.85)	30,901	3.26%	Sep. 2012	7.750	106.50	5.40
Byblos Pref. 08	96.60	(0.31)	2,060	1.75%	June 2013	8.625	109.00	5.95
BLOM GDR	78.70	0.13	5,354	5.26%	Apr. 2015	10.000	112.88	7.19
BLOM Listed	75.00	0.00	0	14.59%	Jan. 2016	8.500	107.63	7.00
Audi GDR	66.00	2.40	482	5.87%	May 2016	11.625	122.50	7.32
Audi Listed	60.50	0.83	1,035	18.72%	Mar. 2017	9.000	111.25	7.06
HOLCIM	12.01	(4.38)	1,083	2.12%	Apr. 2021	8.250	105.75	7.50

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

Source: Byblos Capital Markets

	This Week	Last Week	% Change	July 2009	July 2008	% Change
Total Shares Traded	509,041	525,587	(3.15)	6,492,987	5,686,000	14.19
Total Value Traded	\$11,146,829	\$8,778,416	26.98	\$153,033,909	\$171,614,296	(10.83)
Market Capitalization	\$11.05bn	\$11.04bn	0.07	\$11.56bn	\$15.94bn	(27.51)

Source: Beirut Stock Exchange (BSE)



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

Merrill Lynch maintained its recommendation on Lebanon's external debt to 'Market Weight' in its model portfolio of emerging markets debt and decreased Lebanon's market weight by 0.1 percentage points to 5.8% in August after increasing it by 0.1 percentage points in July, reducing it by 0.2 percentage point in June and by 1.4 percentage points in May, and raising it by 0.4 percentage point in March and by 2.2 percentage points last November due to the performance of Lebanese Eurobonds, specifically since the spread of financial turmoil to emerging markets in September.

Lebanon's external debt rating of 'Market Weight' placed Lebanon in the same category as Colombia, Panama, Peru, Russia and Turkey. Lebanon's Market Weight came below the 'Over Weight' recommendation on the Europe, the Middle East & Africa (EMEA) region and the 'Over Weight' recommendation for similarly-rated countries. Merrill Lynch reduced Lebanon's weight in the portfolio to 5.8% in August compared to 5.9% in July, 5.8% in June, 6% in May, 7.4% in April, 7.3% in March, but still up from 5.5% in September. Lebanon had just a 1.5% weight in March 2008, a higher allocation of only Iraq. Lebanon accounted for 17.6% of the allocations in the EMEA region in August, down from 20.4% in June, 24.8% in May, 25.6% in April, 25% in March, 21.8% in February and 24% in November, but up from 19% in September and from 14.6% in May 2008. Lebanon's allocation was the 9th highest among countries in the portfolio, down from 8th in July, 7th in June, 8th in May, 6th in April and 5th in March, but similar to last September.

In parallel, Lebanon's external debt posted the 13th highest return at 18.25% among 20 markets in the EMEA region in the first 7 months of 2009, as well as the 25th best return among the 40 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon underperformed the EMEA returns of 19.43% but outperformed the overall emerging market returns of 17.39% in the covered period. Also, Lebanon's external debt underperformed the 23.79% returns posted by similarly-rated sovereigns during the first 7 months of the year, while it posted the 9th best performance at 18.44% in the EMEA region and the 21st best performance in emerging markets in US dollar terms. Further, Lebanon's external debt posted the 7th highest returns among 8 countries in the Middle East & Africa region during the covered period, as it came ahead of Egypt with 7.83% but behind Iraq with 65.62%, Ghana with 76.02%, Gabon with 51.43%, Morocco with 24.26%, Tunisia with 21.98%, and South Africa with 23.13%. Also, it posted returns of 3.31% in July, ahead of Egypt (0.64%) and Tunisia (3.23%), but behind Ghana (19.57%), Gabon (9.54%), South Africa (5.65%), Iraq (5.32%) and Morocco (3.64%).

In parallel, Lebanon's external debt posted the 12th highest return in the EMEA region and the 22nd highest return in emerging markets during July 2009. It outperformed the EMEA returns of 3.19% and the emerging markets returns of 2.96%, and underperformed the 3.61% returns of similarly-rated sovereigns for the same month. Merrill Lynch said the spread on Lebanese Eurobonds ended July 2009 at 431 basis points, 11th narrowest in the EMEA region and 23rd narrowest among emerging markets compared to 11th lowest in the EMEA region and 21st lowest among emerging markets at the end of March 2009. It was wider than the EMEA spread of 377 basis points and the emerging markets overall spread of 381 basis points as at end-July 2009.

Consumer Price Index down 1% annually in July 2009

The Central Administration of Statistics' Consumer Price Index indicates that inflation decreased by 0.9% in July 2009 from July 2008. Prices at restaurants & hotels increased by 8.3%, followed by housing prices (+6.1%), food & non alcoholic beverages (+4.8%), alcoholic beverages & tobacco (+4%), education (+4%), furniture & household equipment (+3.8%), miscellaneous goods & services (+0.7%) and recreation & entertainment (+0.4%). Prices of water, electricity, gas & other fuels regressed by 18.7%, followed by prices of communications (-13.2%), clothing & footwear (-7.8%), transportation (-2.8%) and health care (-1%).

The Consumer Price Index increased by 0.7% in July 2009 compared to June 2009. Housing prices increased by 6.1%, followed by water, electricity, gas & other fuels (+2%), transportation (+1%), alcoholic beverages & tobacco (+0.7%), health care (+0.7%), restaurants & hotels (+0.4%), food & non alcoholic beverages (+0.2%) and recreation & entertainment (+0.1%). Prices of clothing and footwear decreased by 10%, followed by prices of furniture & household equipment (-0.1%) and miscellaneous goods & services (-0.1%). Prices of education and communication remained unchanged month-to-month.

Emerging Markets External Debt Portfolio

Country	Bonds	Weight (%)
Brazil	Brazil '17s	10.8
Turkey	Turkey '18s	9.9
Venezuela	Venezuela '18Ns	9.9
Indonesia	Indonesia '18Ns	9.8
Russia	Russia '18s	9.5
Philippines	Philippines '16Ns	8.8
Mexico	Mexico '31	7.4
Colombia	Colombia '17s	6.2
Lebanon	Lebanon '13s	5.8
Peru	Peru '37s	4.3
Panama	Panama '36s	3.6
Ukraine	Ukraine '13	3.5
Argentina	Pars	2.8
Uruguay	Uruguay '22s	1.6
South Africa	South Africa '14s	1.3
Bahrain	CCB Susuk'14s	1.0
Qatar	Qatar'14	1.0
El Salvador	El Salvador '23s	0.6
Ivory Coast	FLIRB's	0.6
Iraq	Iraq '28s	0.5
Jamaica	Jamaica '17s	0.3
Cash		1.0
Total		100

Source: Merrill Lynch, August 2009

Finance Ministry projects tax receipts at 18% of GDP, non-tax revenues at 6.4% of GDP in 2009 budget proposal

Figures issued by the Ministry of Finance in its budget proposal for 2009 indicate that budget revenues would reach LBP 11,389bn this year, or \$7.55bn, constituting an increase of 36% from 2008. It estimated tax receipts to rise by 28% to LBP 8,239bn, or \$5.5bn, and for non-tax revenues to jump by 63% to LBP 3,150bn, or \$2.1bn. It expected taxes on income, profits & capital gains to increase by 27% and to account for 23% of tax receipts, while it forecast property taxes to rise by 31% and account for 8.5% of tax revenues. Further, it projected VAT receipts to grow by 18% year-on-year and account for 33.5% of tax revenues and for the excise tax to jump by 46% and represent 18% of tax receipts. Also, it expected customs duties to increase by 32% and account for 8.7% of total receipts and for other tax revenues to grow by 28% and account for 4.5% of aggregate tax receipts. In parallel, it projected income from public enterprises to increase by 84% year-on-year and to account for 76.4% of non-tax revenues, and for administrative fees and charges to rise by 11% and to represent 15% of non-tax income.

The ministry said tax revenues would be equivalent to 18% of GDP compared to an average of 15% of GDP over the last four years, and forecast non-tax revenues to be equivalent to 6.4% of GDP net of grants. It expected taxes on income, profits & capital gains at 4.3% of GDP relative to an average of 3.5% of GDP over the previous 4 years. Further, it estimated property taxes at 1% of GDP, down from 1.5% of GDP in 2008. It forecast domestic taxes on goods & services at 10% of GDP, up from 8% of GDP in 2008, of which VAT receipts at 5.9% of GDP. It also estimated customs duties at 1.5% of GDP, similar to 2008.

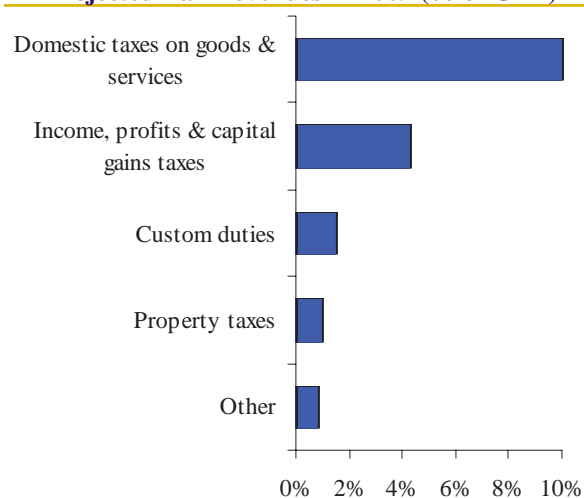
The Ministry said its tax revenues assumptions are based on an increase in tax on interest income from 5% to 7% starting at the beginning of 2009; and/or amending the modalities that financial institutions and other firms file on the real basis of the income tax on profits, file for the 5% interest tax by abolishing the right to deduct the interest due from the profit tax amount. It also plans to increase capital gains taxes on assets' revaluation from 1.5% to 2%, and on abolishing VAT exemptions to businesses. It noted that the most important tax measure relates to the drop in international oil prices in the fourth quarter of 2008 that allowed the restoration of the gasoline excise tax, as the government decided to fix the excise tax rate at the level prevailing in January 2009 and to allow domestic prices to move with global prices. As such, the measure is expected to yield the equivalent of 1.8% of GDP, up from 0.8% of GDP in 2008.

Lebanon is 4th largest recipient of financing facilities from Euro-Med investment initiative

The Facility for Euro-Mediterranean Investment and Partnership's (FEMIP) annual report shows that Lebanon was the fourth largest recipient of financing facilities among its Mediterranean partners during the 2002-08 period. FEMIP has extended to Lebanon €27m in financing facilities during the covered period, accounting for 7.3% of total financing extended to its 9 Mediterranean partner countries. Launched in October 2002, the program is an umbrella for the range of services provided by the European Investment Bank (EIB) in the Mediterranean basin. FEMIP extended nearly €8.5bn in financing to projects in infrastructure, industry, environment, human capital, credit lines and risk capital to Algeria, Egypt, Gaza & West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia during the covered period. Lebanon received €457m in credit line facilities, accounting for 32.9% of total credit lines extended by FEMIP to Mediterranean partner countries.

It also received €105m in financing for environmental projects, representing 14.7% of aggregate environmental financing in the region, as well as €60m for transportation projects, accounting for 3.3% of total transportation financing. Finally, Lebanon received €5m in risk capital, representing 2% of aggregate risk capital financing in the region. The EIB pledged €60m in loans for Lebanon at the Paris III conference that include €100m for priority infrastructure projects and €60m for the private sector.

Projected Tax Revenues in 2009 (% of GDP)



FEMIP Financial Facilities during 2002-08

Country	€m	Rank
Egypt	2,288	1
Tunisia	1,814	2
Syria	992	3
Lebanon	627	4
Israel	428	5
Algeria	318	6
Jordan	253	7
Morocco	94	8
Gaza/West Bank	55	9

Source: FEMIP annual report, Byblos Research

Credit and debit cards reach 1.6 million cards, ATMs total 1,162 at end of June 2009

Figures released by the Central Bank of Lebanon show that the number of credit and debit cards issued in Lebanon reached 1.63 million cards at the end of June 2009, constituting a 2.1% increase from end-March 2009, a 4% rise in the first half of the year and an 8.3% 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 63.1% of the total, followed by credit cards with residents (22.4%), charge cards with residents (9.9%), non-resident debit cards (2.1%), resident prepaid cards (1.9%), non-resident charge cards (0.4%), and non-resident credit cards (0.2%). The number of ATMs rose by 2% to 1,162 machines on a quarterly basis, by 1.9% in the first half of the year and by 7.2% from 1,084 ATMs at the end of June 2008. The Greater Beirut area had 577 ATMs, accounting for 49.7% of the total, followed by Mount Lebanon with 251 (21.6%), the North with 126 (10.8%), the South with 97 (8.3%), the Bekaa with 90 (7.8%), and Nabatiyeh with 21 (1.8%). Further, the aggregate number of point of sales accepting payment cards reached 44,818 by the end of June, increasing by 0.6% since the end of 2008 and decreasing by 8% annually.

The average monthly domestic payment by residents totaled \$85.2m in the second quarter of 2009, rising by 8.5% quarter-to-quarter and by 21.8% from the second quarter of 2008, while the average monthly payment abroad by residents increased by 14.8% to \$52.9m on a quarterly basis and by 6.8% from the end of June 2008. In parallel, domestic payments by residents rose by 19%, while payments abroad by residents increased by 5% in the first half of 2009 compared to the same period last year. Further, the average monthly value of cash withdrawals by residents using ATMs increased quarterly by 8.4% to \$376.1m and rose annually by 26.5%, while average monthly withdrawals by non-residents grew by 10.2% to \$5.4m quarter-to-quarter and by 23.7% year-on-year. Also, the average monthly purchases in Lebanon by non-residents rose 8.6% quarter-to-quarter and by 23.2% annually to \$1.74m. Domestic card payments in Lebanese pounds accounted for 11.6% of aggregate payments in all currencies, while local currency withdrawals represented 67.7% of the total.

Number and Usage of Payment Cards Issued in Lebanon (for the quarters ending June 2009 and June 2008)

	Jun-09	Jun-08	Change
Cards			
With residents	1,583,277	1,451,366	9.1%
With non-residents	43,138	50,720	-15.0%
Total	1,626,415	1,502,086	8.3%
ATMs	1,162	1,084	7.2%
Points of Sales	44,818	48,713	-8.0%
Purchases (in US\$m):			
by residents in Lebanon	\$255.64	\$209.87	21.8%
% in Lebanese pounds	11.6%	10.8%	
by non-residents in Lebanon	\$5.23	\$4.25	23.1%
by residents outside Lebanon	\$158.58	\$148.54	6.8%
Cash withdrawal US (\$m)			
by residents in Lebanon	\$1,128.23	\$891.76	26.5%
% in Lebanese pounds	67.67%	64.87%	
by non-residents in Lebanon	\$16.20	\$13.09	23.8%

Source: Central Bank of Lebanon, Byblos Research

Trade deficit up 5.7% to \$7.3bn in first 7 months of 2009

Imports increased by 3.8% to \$9.3bn in the first 7 months of 2009 and exports declined by 2.5% to \$2bn in the same period, leading to a trade deficit of \$7.3bn, up 5.7% year-on-year. In volume terms, imports increased by 13.4% to 8.41 million tons year-to-July and exports declined by 18.7% to 1.66 million tons in the same period, leading to a trade deficit of 6.75 million tons, up 25.6% year-on-year. The coverage ratio reached 21.5% in the first 7 months of the year compared to 22.9% in the same period of 2008. The trade deficit reached \$1.24bn in July 2009, down 7.1% from July 2008.

France was the main source of imports with \$1.07bn or 11.5% of the total, followed by the United States with \$887m (9.5%), China with \$813m (8.7%), Germany with \$712m (7.6%), Italy with \$675m (7.3%) and Japan with \$392m (4.2%). Switzerland was the main export destination with \$413m or 20.6% of the total, followed by Syria with \$205m (10.2%), the UAE with \$187m (9.3%), Iraq with \$173m (8.6%) and Saudi Arabia with \$149m (7.4%). Lebanon's main export was jewelry at \$558m or 27.8% of total exports, followed by machinery and mechanical appliances with \$287m (14.3%), prepared foodstuff with \$166m (8.3%), base metals with \$164m (8.2%), mineral products with \$143m (7.1%), and paper and paperboard articles with \$134m (6.7%). Re-exports totaled \$85m in the first 7 months of 2009, down 3.4% from \$88m in the same period of 2008.

The Hariri International Airport was the main source of Lebanese exports accounting for 37% of total exported goods in the first 7 months of 2009, followed by the Port of Beirut with 26.5%, the Masnaa crossing point with 18.6%, the Abbudieh crossing point with 12.3% and the Port of Tripoli with 4.3%. The Port of Beirut was the main source for imports, accounting for 65.3% of total imports, followed by the Hariri International Airport with 21.3%, the Port of Tripoli with 5.8% and the Masnaa crossing point with 5%.

Customs receipts up 94.4% to \$1.1bn in first 7 months of 2009

Customs revenues reached \$1.05bn in the first 7 months of 2009, up 94.4% from \$540m in the same period last year. Custom revenues reached \$170.6m in July 2009 compared to \$154.1m in June and to \$90.2m in July 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 5.6%, the Port of Tripoli with 2.8%, and the Masnaa crossing point with 1.5%. Overall customs receipts reached \$1.84bn year-to-July when including revenues from the value-added tax that totaled \$788.2m over the covered period.

Byblos Bank to raise \$200m in Preferred Shares

As per the decision of its Extraordinary General Assembly held on August 1st 2009, Byblos Bank sal launched the offering of its Series 2009 Preferred Shares with a subscription period from August 28 to September 9, 2009. Proceeds will be used for general funding purposes, including strengthening the Bank's capital structure, external growth, and replacing the Series 2003 Preferred Shares, among others. The Series 2009 Preferred Shares are non-cumulative, redeemable and subject to a call option by the Bank starting in 2014 and for each subsequent year. The issue price of the Preferred Shares is \$96 per share at a par value of LBP1,210 per share. Holders of the 2009 Preferred Shares will receive \$8 annually per share in dividends starting the financial year 2009. Holders of the Series 2008 Preferred Shares have the priority to subscribe to the new issue. Byblos Bank raised \$200m in preferred shares in August 2008, constituting the largest issuance of preferred shares by a Lebanese bank in 2008.

The Byblos Bank Group, one Lebanon's leading banks, posted net profits of \$62.7m in the first half of 2009, constituting an increase of 3% from the same period last year. Its assets totaled \$12.3bn and deposits reached \$9.24bn at end-June, constituting increases of 10% and 11%, respectively, from end-2008. Byblos Bank has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom, and Cyprus.

Moody's downgrades HSBC Bank Middle East on deteriorating asset quality

Moody's Investors Service downgraded the financial strength rating of HSBC Bank Middle East Limited (HBME) to 'C' from 'C+' and its long-term local currency debt rating and foreign currency deposit and debt ratings to 'Aa3' from 'Aa2'. The outlook on the ratings is 'stable'. HBME is a wholly owned subsidiary of HSBC Holdings plc. The agency attributed the downgrade to expectations that HBME will encounter pressure on its asset quality and profitability in the countries in which it operates, especially in the United Arab Emirates, which accounts for the majority of the bank's operations. It also took into consideration the recent deterioration in HBME's loan book, both in its corporate loans and in its weakening retail banking exposures. Moody's added that stress tests of the loan book for further delinquencies over the next 12-18 months show that HBME should be able to withstand the deteriorating credit cycle. Therefore, it did not expect further downgrades from the current 'C' level over the next 12-18 months, except in the event of continued large corporate defaults that could cause higher-than-anticipated rises in the bank's non-performing loans and loan loss provision expenses. HBME ranks in 16th place in assets and deposits, and in 18th place in loans and discounts in the Lebanese market.

Fransabank's profits up 45.2% to \$88.3m in 2008

Fransabank sal announced net profits of \$88.3m in 2008, up 45.2% from \$60.8m in 2007. Net interest income rose by 50.4% to \$192.5m, while net fee & commission receipts increased by 34.1% to \$28m and net gains on its trading portfolio dropped by 88.7% to \$0.96m in 2008 from \$8.5m in 2007. Total assets reached \$8.45bn at end-2008, constituting a 16.9% rise from end-2007, while loans & advances to customers increased by 16.5% to \$1.6bn. Customers' deposits rose by 15.4% from end-2007 to \$6.9bn. The bank's equity increased by 46.1% to \$756.5m in 2008. In August 2007, Fransabank acquired 97.52% of BLC Bank sal from the Qatari Supreme Council for Economic Affairs. It then sold a majority stake in BLC to the Maurice Sehnaoui Group in April 2008. In December 2007, Fransabank sal acquired Crédit Agricole's 34% share in Fransabank (France). It then sold 40% of its acquired share in Fransabank (France) to Financière Oceor, part of Groupe Caisse d'Epargne (France).

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 07/08

(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	Jun 2008	May 2009	Jun 2009	Change*	Risk Level
Political Risk Rating	57.0	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	58.5	57.5	57.5	▼	High

Regional Average	Jun 2008	May 2009	Jun 2009	Change*	Risk Level
Political Risk Rating	65.5	65.3	65.1	▼	Moderate
Financial Risk Rating	41.3	41.6	41.5	▲	Very Low
Economic Risk Rating	39.6	36.0	34.6	▼	Moderate
Composite Risk Rating	73.2	71.4	70.6	▼	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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