



LEBANON THIS WEEK

In This Issue

Economic Indicators.....1

Capital Markets.....1

Lebanon in the News.....2

Occupancy at Beirut hotels at 72%, room yields up 81% in first 10 months of 2009

Standard & Poor's upgrades sovereign ratings on resilience of public finances, urges implementation of reforms

Central Bank to continue policy of support for Lebanese pound

Central Bank foreign assets increase by 43.4% to \$28.3bn in 2009

Fiscal deficit at \$2.6bn in first 11 months of 2009

Consumer Price Index up 2.4% annually in November 2009

Trade deficit down 0.3% to \$11.7bn in first 11 months of 2009

Customs receipts up 73% to \$1.7bn in first 11 months of 2009

Airport passengers up 22% in 2009

Electricity supply contract renewed for one year

Corporate Highlights5

Moody's revises outlook on Byblos Bank and three other banks following change in sovereign outlook

Byblos Bank Syria lists shares on Damascus bourse

Standard & Poor's upgrades three banks

Bank of Beirut Preferred Shares listed on Beirut Stock Exchange

Stock market activity down 39% to \$1bn in 2009

Bassoul & Heneiné raises \$14.4m through securitization deal

UAE investment firm exits local fund

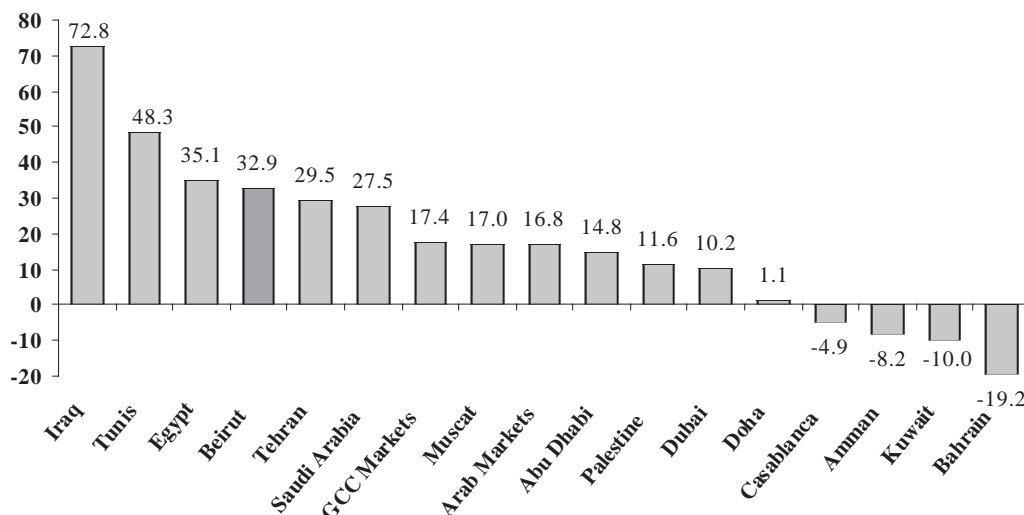
Ratio Highlights.....7

Risk Outlook.....7

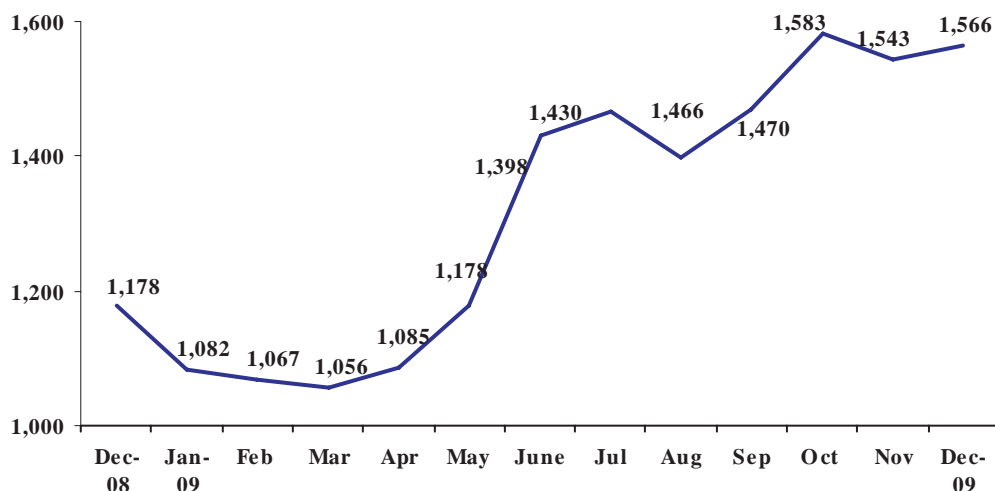
Ratings & Outlook.....7

Charts of the Week

Performance of MENA Stock Markets in 2009 (%)



Performance of the Beirut Stock Market*



*BLOM Stock Index

Source: Local Stock Markets

Quote to Note

“With the exception of the urgent need to reduce government transfers to Electricité du Liban, the scope of fiscal adjustment on the expenditure side is limited.”

The Institute of International Finance, on the importance of reforming the electricity sector

Number of the Week

87%: The Central Bank's assets in foreign currencies, in percentage of GDP, at year-end 2009

Economic Indicators

\$m (unless otherwise mentioned)	2007	Oct 08	2008	Aug 09	Sep 09	Oct 09	% Change*
Exports	2,816	254	3,478	239	298	327	28.74
Imports	11,815	1,490	16,133	1,439	1,250	1,291	(13.35)
Trade Balance	(8,999)	(1,236)	(12,655)	(1,200)	(952)	(964)	(22.00)
Balance of Payments	2,036	231	3,462	1,020	475	1,167	405.19
Checks Cleared in LBP	8,409	848	9,350	937	900	1,102	29.95
Checks Cleared in FC	29,893	3,936	43,174	4,233	3,882	4,600	16.87
Total Checks Cleared	38,302	4,784	52,524	5,170	4,782	5,702	19.19
Budget Deficit/Surplus	(2,546)	(67)	(2,921)	(127)	(381)	(190)	183.58
Primary Balance	731	297	597	122	47	210	(29.29)
Airport Passengers	3,408,834	351,753	4,085,334	612,956	463,919	388,771	10.52
\$bn (unless otherwise mentioned)	Dec 2007	Oct 2008	Dec 2008	Aug 09	Sep 09	Oct 09	% Change*
BdL FX Reserves	9.78	16.16	17.06	22.82	23.21	24.12	49.26
<i>In months of Imports</i>	<i>9.19</i>	<i>10.84</i>	<i>15.03</i>	<i>15.86</i>	<i>18.57</i>	<i>18.68</i>	<i>72.32</i>
Public Debt	42.03	46.08	47.02	48.52	49.18	49.90	8.29
Net Public Debt	39.03	40.74	41.49	43.24	43.61	43.74	7.36
Bank Assets	82.26	90.43	94.25	107.37	109.90	111.57	23.38
Bank Deposits (Private Sector)	67.29	74.80	77.78	89.30	91.19	92.44	23.58
Bank Loans to Private Sector	20.42	24.61	25.04	27.11	27.89	28.09	14.14
Money Supply M2	16.47	23.10	24.76	30.91	31.57	32.36	40.09
Money Supply M3	59.83	66.38	68.66	77.22	78.73	79.71	20.08
LBP Lending Rate (%)	10.10	9.90	9.95	9.27	9.22	9.32	(58b.p.)
LBP Deposit Rate (%)	7.40	7.28	7.22	7.00	6.94	6.86	(42b.p.)
USD Lending Rate (%)	8.02	7.53	7.47	7.05	7.24	7.28	(25b.p.)
USD Deposit Rate (%)	4.69	3.54	3.33	3.18	3.16	3.18	(36b.p.)
%* Change in CPI**	5.92	11.16	6.36	1.52	1.99	1.66	(950b.p.)

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

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

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	23.96	(0.08)	77,904	18.50%
Solidere "B"	24.02	1.01	62,843	12.06%
Byblos Common	2.11	0.96	33,087	3.54%
Byblos Priority	2.11	0.48	33,000	3.36%
Byblos Pref. 08	101.50	(2.40)	3,000	1.57%
BLOM GDR	90.05	0.28	16,250	5.14%
BLOM Listed	84.00	0.00	1,475	13.95%
Audi GDR	91.00	2.25	10,327	6.91%
Audi Listed	85.00	2.47	20,347	22.59%
HOLCIM	12.50	(0.16)	125	1.88%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2010	7.125	100.56	3.16
May 2011	7.875	105.75	3.48
Mar. 2012	7.500	107.00	4.12
Sep. 2012	7.750	109.00	4.13
June 2013	8.625	112.00	4.79
Apr. 2015	10.000	118.50	5.87
Jan. 2016	8.500	112.50	5.99
May 2016	11.625	127.50	6.29
Mar. 2017	9.000	115.50	6.28
Apr. 2021	8.250	111.00	6.83

Source: Byblos Capital Markets

	Jan 4-8, 2009	Dec 28-30, 2009	% Change	December 2009	December 2008	% Change
Total Shares Traded	1,231,743	536,930	129.40	4,512,808	4,098,570	10.11
Total Value Traded	\$11,090,169	\$9,303,310	19.21	\$106,395,792	\$68,636,890	55.01
Market Capitalization	\$12.40bn	\$12.50bn	(0.75)	\$12.55bn	\$9.88bn	27.0

Source: Beirut Stock Exchange (BSE)



Occupancy at Beirut hotels at 72%, room yields up 81% in first 10 months of 2009

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that occupancy rate at hotels in Beirut was 72% in the first 10 months of 2009, up 41% from 51% in the same period last year. The occupancy rate in Beirut was the 7th highest among 21 markets in the region, compared to being the lowest in the same period last year. Beirut posted the highest growth in occupancy rates in the region, but this was largely due to the fact that occupancy rates in Beirut hotels were low in the first 10 months of 2008. The survey said the average rate per room at Beirut hotels was \$226 in the first 10 months of 2009, ranking the capital's hotels as the 7th most expensive in the region along with Dubai, and behind Muscat, Kuwait City, Manama, Doha, Abu Dhabi and the Dubai-Beach sub-market.

The average rate per room at Beirut hotels increased by 29.1% to \$226 year-on-year and posted the highest increase among all markets in the region. The average rate per room in Beirut came above the regional average of \$191, which declined by 4.5% from \$200 in the same period of 2008. The average room rate in Beirut reached \$227 in October 2009 relative to \$205 in September and \$181 in October 2008. Occupancy rates at Beirut hotels were 57% in June, 87% in July 2009, 75% in August, 71% in September, and 85% in October 2009, compared to 57% in June, 74% in July, 90% in August, 48% in September, and 83% in October 2008. Beirut hotels posted the third highest occupancy rate in October behind Abu Dhabi and Cairo. Beirut hotels had an occupancy rate of 57% for all of 2008.

Hotel Performance in first 10 months of 2009			
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai - Beach	83	246	(32.5)
Sharm El Shaikh	78	44	(14.7)
Hurghada	77	37	(16.9)
Dubai - Apartments	77	115	(30.0)
Abu Dhabi	76	232	(5.1)
Jeddah	74	150	6.4
Beirut	72	165	81.4
Dubai - Overall	71	163	(35.5)
Cairo - City	70	80	(12.7)
Cairo - Overall	70	79	(13.6)
Cairo - Pyramids	69	74	(18.8)
Al Ain	67	106	4.2
Dubai - City	67	133	(37.9)
Doha	65	192	(13.1)
Muscat	61	153	(12.5)
Riyadh	61	132	(9.8)
Amman	60	86	(5.3)
Makkah	58	129	(16.2)
Manama	57	170	(15.3)
Madina	56	83	(18.8)
Kuwait	54	144	(6.0)

Source: Ernst & Young, Byblos Research

Further, revenues per available room (RevPAR) were \$165 in Beirut in the first 10 months of 2009, up from \$91 in the same period last year, ranking it in 5th place in the region, after Dubai-Beach, Abu Dhabi, Doha and Manama. Beirut's RevPAR was up 81.4% year-on-year, posting the highest rise in the region, and compared to an average decline of 10.6% across the region. Beirut posted RevPARs of \$139 in June, \$281 in July, \$242 in August, \$162 in September and \$165 in October 2009 compared to \$100 in June, \$156 in July, \$216 in August, \$84 in September and \$91 in October 2008. Abu Dhabi posted the highest average room rate and the highest REvPAR in the region at \$305 and \$232, respectively, in the first 10 months of 2009; while Sharm El Shaikh in Egypt had the highest occupancy rate at 78% during the same period. Among sub-markets, Dubai-Beach posted the highest average room rates and RevPAR of \$295 and \$246, respectively.

Standard & Poor's upgrades sovereign ratings on resilience of public finances, urges implementation of reforms

Standard & Poor's raised Lebanon's long-term sovereign credit rating to 'B' from 'B-' and its short-term sovereign rating to 'B' from 'C', and revised the outlook to 'positive'. It also raised its transfer and convertibility assessment on Lebanon to 'BB-' from 'B+', and affirmed the '4' recovery rating on Lebanon's foreign currency senior unsecured debt that carries an average recovery of 30%-50%. The agency attributed the upgrade and 'positive' outlook to the resilience of Lebanon's public finances and its banking system to the political turmoil of the past three years.

It noted that the most important recent development is the new political consensus that allowed Prime Minister Hariri to form a national unity government. It said the new government is prioritizing structural reforms in line with IMF and Paris III recommendations, which include privatizing the telecom and electricity sectors, cutting expenditures and raising revenues. It said the reforms could lower the fiscal deficit, reduce the public debt-to-GDP ratio, and lower Lebanon's contingent liabilities. It estimated that the fiscal deficit could fall from 9.9% of GDP in 2008 to 6.3% of GDP in 2012 with sustained structural reforms.

S&P noted that the positive outlook balances the challenges PM Hariri faces in maintaining a working consensus among opposing factions in his new government, against the opportunity to implement much-needed structural reform. It said further upgrades to the ratings will depend on the new government's ability to implement public sector adjustment measures, and noted that the recent improvement in deposits and reserves can only be sustained over the medium term through fiscal reforms. It indicated that the outlook could come under downward pressure in the case of civil unrest, or if the new government does not implement economic reforms. It warned that political uncertainties remain the key risk to the ratings, as factionalism may impede progress on approving the key economic reforms, which could undermine confidence in the financial sector and compromise the ability of local banks to lend to the government.



Central Bank to continue policy of support for Lebanese pound

The Central Bank's First Vice Governor, Raed Charaffedine, indicated that the Bank's Central Council approved the issuance of 7-year Certificates of Deposits denominated in Lebanese pounds and carrying a fixed rate of 8.5% and a variable rate based on yields on 6-months Treasury bills plus 1.21%. He said the Bank will continue to encourage commercial banks to distribute a lower share of profits in dividends for this year, as it advised banks to limit dividend distribution to 25% of profits for 2008. He added that the Bank will also stress on commercial banks to take general provisions and reduce leverage, in addition to maintaining high levels of liquidity and solvency as part of the implementation of Basel II. He noted that the recent circulars issued by the Central Bank to stimulate economic growth and encourage lending in Lebanese pounds resulted in aggregate demand for loans of LBP 1,000bn for mortgages and to finance higher education, as well as to finance new projects. He added that encouraging lending in Lebanese pounds will reduce speculation in the domestic market and lower risks for the banking sector, in addition to restoring the Lebanese pound's role as a lending and accounting currency after being for an extended period of time a savings currency. Further, he expected the Central Bank's policies in support of the national currency to channel expatriates' remittances to investment projects and to create new jobs.

Central Bank foreign assets increase by 43.4% to \$28.3bn in 2009

The Central Bank's interim balance sheet reached \$53.75bn at the end of 2009 compared to \$40bn at the end of 2008. Assets in foreign currencies increased by 43.4% during the year to \$28.3bn, up from \$19.7bn at the end of 2008. Assets in foreign currencies increased by \$1.08bn in December, \$672.6m in November, \$851.4m in October, \$384.7m in September, \$810.8m in August, \$992m in July, \$402.1m in June, \$792.5m in May, \$581.3m in April, \$810.6m in March, \$612.8m in February and by \$567m in January. This resulted in an aggregate increase of nearly \$8.6bn in 2009.

The Central Bank's gold reserves increased by 25.3% year-on-year to \$10.1bn on the strength of the global rise in gold prices, slightly below the all-time high of \$10.8bn reached at the end of last November. Its securities portfolio increased by 17% to \$7.7bn, as it continued to cover the deficit by subscribing to Treasury bills.

Further, deposits of the financial sector rose by \$9.6bn or 33.8% annually to \$37.8bn due to capital inflows into the banking sector, while deposits of the public sector rose by 27.7% year-on-year to \$5.9bn. Assets in foreign currencies increased by \$7.34bn in 2008, declined by \$580m in 2007 and rose by \$1.32bn in 2006.

Fiscal deficit at \$2.6bn in first 11 months of 2009

Figures released by the Finance Ministry show that the fiscal deficit reached \$2.6bn in the first 11 months of 2009, up 0.06% from the same period of the previous year. The deficit was equivalent to 25.1% of total budget and Treasury expenditures compared to 29% in the same period of 2008. Overall government expenditures reached \$10.3bn, up 15.5% year-on-year, while total revenues increased by 21.9% to \$7.7bn over the covered period. Tax revenues improved by 25.5% year-on-year to \$5.5bn, of which 32.7%, or \$1.8bn, were in VAT receipts that posted an 11.6% annual rise. Tax revenues accounted for 75.1% of budgetary revenues and for 71.1% of total Treasury and budget receipts.

Debt servicing increased by 13% year-on-year to \$3.4bn, accounting for 33.2% of total expenditures and for 44.2% of budgetary spending. It absorbed 44.4% of overall revenues and 46.9% of budgetary receipts. Excluding debt servicing, the budget primary surplus reached \$3.1bn, or 40.6% of budget expenditures compared to a surplus of \$2.5bn, or 38.4% a year earlier. The overall primary surplus reached \$1bn, or 9.8% of total spending compared to a surplus of \$646m, or 7.2% of total expenditures, a year earlier.

Consumer Price Index up 2.4% annually in November 2009

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 2.4% in November 2009 from November 2008. Prices of transportation increased by 17.7%, followed by prices of education (+9.6%), alcoholic beverages & tobacco (+7.4%), housing (+6.1%), restaurants & hotels (+3.2%), recreation & entertainment (+3.1%), health care (+1.7%), furniture & household equipment (+0.4%) and miscellaneous goods & services (+0.1%). Prices of communication regressed by 13.2%, followed by clothing & footwear (-9.7%), food & non-alcoholic beverages (-2.0%), and prices of water, electricity, gas & other fuels (-0.2%).

The Consumer Price Index increased by 1% in November 2009 from October 2009. Prices of water, electricity, gas and other fuels increased by 2.9%, followed by transportation (+2.8%), clothing & footwear (+2.1%), health care (+1.2%), food & non-alcoholic beverages (+0.6%), furniture & household equipment (+0.4%), alcoholic beverages & tobacco (+0.3%), recreation & entertainment (+0.1%), and miscellaneous goods & services (+0.1%). Housing prices remained unchanged month-to-month as well as communication prices, education prices and restaurants & hotels prices.

Trade deficit down 0.3% to \$11.7bn in first 11 months of 2009

Imports decreased by 0.9% to \$14.9bn in the first 11 months of 2009 and exports declined by 3.3% to \$3.1bn in the same period, leading to a trade deficit of \$11.7bn, down 0.3% year-on-year. The coverage ratio reached 21% in the first 11 months of the year compared to 21.5% in the same period of 2008. The trade deficit reached \$1.2bn in November 2009, down 6.9% from November 2008.

The United States was the main source of imports with \$1.7bn or 11.3% of the total, followed by France with \$1.4bn (9.7%), China with \$1.3bn (8.8%), Italy with \$1.12bn (7.5%), and Germany with \$1.11bn (7.4%). Switzerland was the main export destination with \$706m or 23% of the total, followed by the UAE with \$303m (10%), Iraq with \$254m (8%), Saudi Arabia with \$219m (7%) and Syria with \$201m (6%). Lebanon's main export was jewelry at \$969m or 31% of total exports, followed by machinery and mechanical appliances with \$458m (15%), base metals with \$279m (9%), prepared foodstuff with \$260m (9%) and paper and paperboard articles with \$210m (7%). Re-exports totaled \$135m in the first 10 months of 2009, down 20.1% from \$169m in the same period of 2008.

Customs receipts up 73% to \$1.7bn in first 11 months of 2009

Customs revenues reached \$1.68bn in the first 11 months of 2009, up 72.9% from \$970m in the same period of the previous year. Custom revenues reached \$143m in November 2009 compared to \$166m in October and to \$135m in November 2008. The Port of Beirut continues to be the main point of customs receipts, accounting for 87% of the total in November 2009, and was followed by the Hariri International Airport with 6%, the Port of Tripoli with 2.7%, and the Masnaa crossing point with 2%. Overall customs receipts reached \$2.93bn year-to-November when including revenues from the value-added tax that totaled \$1.25bn over the covered period.

Airport passengers up 22% in 2009

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 4.99 million in 2009, up 22% from the previous year. The total number of flights reached 57,543 in 2009, up 27.1% from 2008. Also, the HIA processed 72,590 metric tons of cargo, of which 71,557 tons of freight and 1,033 tons of mail. The total cargo processed in 2009 increased by 5.8% from 2008.

Electricity supply contract renewed for one year

The state-owned Electricité du Liban and Syria's Establishment for Electricity Generation & Transmission signed an agreement for a one-year extension of a contract to supply electricity from the Syrian station of Dimas to the Lebanese station of Anjar and from the Simerian Station to Deir Nabouh. The Syrian side said the quantity of electricity supplied to Lebanon was more than 8 billion Kilowatts per hour since 1998, adding that it will supply electricity to Lebanon according to available capacities in Syria.

Moody's revises outlook on Byblos Bank and three other banks following change in sovereign outlook

Moody's Investors Service revised to 'positive' from 'stable' the outlook on Byblos Bank's 'B2' long-term foreign currency deposit ratings and the outlook on Byblos Bank's 'B1' senior unsecured debt rating. It also changed the outlook to 'positive' from 'stable' on the 'B2' long-term foreign currency deposit ratings of BLOM Bank, Bank Audi and Bank of Beirut. It added that Byblos Bank's 'B1' subordinated debt rating carries a 'stable' outlook as it is not constrained at Lebanon's 'B1' sovereign debt ceiling. The agency attributed the change in outlook to its earlier revision of the sovereign's outlook to 'positive' from 'stable', adding that the sovereign ratings continue to restrain the banks' overall ratings. It said that, despite solid economic growth, the strengthened ability of the country's banking system to finance fiscal deficits and an improvement of the domestic political situation, banking and government finances remain co-dependent with sovereign exposures constituting banks' largest credit concentration. As such, the four banks' Bank Financial Strength Ratings of 'D-' remain restricted by their respective large exposures to Lebanese sovereign risk and continue to carry a 'stable' outlook. It said banks' ratings could be upgraded if the prevailing consensual political environment is sustained and if the banks continue to diversify their risks away from the sovereign, either domestically or through their regional expansion.

In parallel, Moody's downgraded to 'Ba3' from 'Ba2' the long-term global local currency (GLC) deposit ratings of Bank Audi, BLOM Bank and Byblos Bank. Last May, the agency placed on review for possible downgrade the GLC deposit ratings of the three banks to assess if the government's ability to provide support to its banking system converges with its own debt-servicing capacity. Moody's said the Lebanese authorities are at least as likely to support their banking system as they are to service their own debt, a view that has traditionally led to bank ratings benefiting from significant uplift. It noted, however, that the co-dependence between the banking sector and government finances in Lebanon and the likelihood that stress in the banking system would materialize in the event of the government's inability to service its debt, mean that greater weight should be attributed to the government's rating as a measure of public support for the country's banks. Consequently, it set Lebanon's systemic support indicator at 'B1', one notch above the government's 'B2' local currency bond rating, rather than the local currency deposit ceiling.

Byblos Bank Syria lists on Damascus bourse

Byblos Bank Syria (BBS), the Syrian affiliate of the Byblos Bank Group, listed all of its shares on December 17th on the Damascus Securities Exchange (DSE). BBS became the 7th bank and the 12th institution to be listed on the DSE. Other banks listed on the DSE include the Syrian affiliates of BLOM Bank, Bank Audi and Banque BEMO, as well as the Arab Bank Syria, the International Bank for Trade & Finance and the Syria International Islamic Bank. The DSE officially started trading last March, with trading taking place two days a week. The share price of listed firms is allowed to increase by a limit of 2% and a share cannot be bought and sold in the same day. Byblos Bank sal, one of Lebanon's top 3 banks, posted net profits of \$95.9m in the first 9 months of 2009, up 21.3% from the same period last year. It had total assets of \$13.04bn, loans of \$2.94bn and aggregate deposits of \$9.82bn at end-September 2009. The Byblos Bank Group operates in Lebanon, Syria, Iraq, the United Arab Emirates, Sudan, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom and Cyprus. Byblos Bank's shares are already listed on the Beirut Stock Exchange and the Bank's Global Depository Receipts trade on the London Stock Exchange.

Standard & Poor's upgrades three banks

Standard & Poor's raised its long-term counterparty credit ratings on Blom Bank, BankMed and Bank Audi to 'B' from 'B-', and revised the ratings' outlook to 'positive' from 'stable'. It also raised its short-term counterparty credit rating on BankMed and Bank Audi to 'B' from 'C'. Standard & Poor's does not rate Byblos Bank sal. The agency attributed the upgrades to its earlier upgrade of Lebanon's long- and short-term sovereign credit ratings. It said the ratings on the three banks reflect the risks of their fragile operating environment, primarily the government's high indebtedness, fiscal deficit, and fragile political stability. It added that the most important risk factor for the banks is their very high direct exposure to the sovereign. It noted that the ratings are supported by a large and stable resident and non-resident depositor base, which allows the banking sector to cover the government's financing requirements.

In parallel, the agency said the banking sector has proven its resiliency to numerous challenges in recent years, including the assassination of former Prime Minister Rafik Hariri in 2005, the war with Israel in 2006, and the global economic downturn. It viewed favorably the banks' good customer franchises and strong liquidity position. It noted that the 'positive' outlook on the three banks reflects and closely follow that on the Republic of Lebanon, adding that a sovereign upgrade is likely to trigger an upgrade of the banks' ratings.

Bank of Beirut Preferred Shares listed on Beirut Stock Exchange

The Beirut Stock Exchange (BSE) approved the listing, trading and pricing of Bank of Beirut's 2,400,000 Preferred Shares Series E, which contributed to increase the capital of the bank. The nominal value of each of the new preferred shares is \$0.8. As a result, the Bank's capital is distributed between 44,849,375 Common Shares, 2,920,000 Preferred Shares Series C, 4,000,000 Preferred Shares Series D, 2,400,000 Preferred Shares Series E and 3,000,000 Preferred Shares Series F. Bank of Beirut sal posted net profits of \$50.9m in the first 9 months of 2009, up 4% from the same period of the previous year. It had total assets of \$6.42bn, loans of \$1.53bn and aggregate deposits of \$4.44bn at end-September 2009.

Stock market activity down 39% to \$1bn in 2009

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 102.6 million shares in 2009, a decrease of 3% from the previous year, while aggregate turnover amounted to \$1bn, down 39% from a turnover of \$1.7bn in 2008. Market capitalization increased by 34% to \$12.8bn year-on-year, of which 66.7% was in banking stocks, 30.7% in Solidere stocks, 2.06% in industrial stocks, 0.28% in funds, and 0.27% in trading stocks. The market liquidity ratio was 8.1%, down from 17.8% in 2008. Lebanon's market capitalization accounted for about 1.2% of the aggregate market capitalization of Arab equity markets.

Bank stocks accounted for 67.8% of aggregate trading volume in 2009, followed by Solidere's stocks with 31.6% and industrial stocks with 0.5%. In terms of value of shares traded, Solidere stocks accounted for 69.8% of aggregate value, followed by banking stocks with 30% and industrial stocks with 0.2%. The average daily traded volume for the year was 422,175 shares for an average daily value of \$4.3m. The figures reflect a decrease of 4% in volume and a decrease of 40% in value year-on-year.

Bassoul & Heneiné raises \$14.4m through securitization deal

Auto dealer Bassoul & Heneiné sal raised \$14.36m through the securitization of a diversified portfolio of auto loans. The deal is a revolving asset-backed structure whereby Bassoul & Heneiné issued two classes of notes, with Class A having an expected weighted average life of 3.9 years and a yearly fixed coupon of 7.25%, and Class B that is subordinated to Class A and retained by the company. The structure provides for a replenishing period during which the purchasing fund may buy additional auto loans subject to certain preset criteria, which could result in total financing of up to \$44m for Bassoul & Heneiné. The deal was structured and arranged by BSEC, the securitization subsidiary of Banque BEMO sal. The deal represents the second time that Bassoul & Heneiné has tapped the securitization market. It raised \$8.4m in 2005 through the securitization of a pool of auto loan receivables. Bassoul & Heneiné, one of the country's largest auto dealers, is the exclusive distributor in Lebanon of BMW, Renault, Mini Cooper, Alfa Romeo, and Dacia brands.

UAE investment firm exits local fund

The Abu Dhabi Investment House (ADIH), a UAE-based financial services firm, announced its exit from the Beirut Gate Fund, which was used for the purchase, master-planning and full entitlements of eight plots of land as a mixed-use development within the Solidere area of the Beirut Central District. The project comprised eight plots of land with a total area of 21,448 square meters and a built-up area of 178,500 square meters, offering residential, commercial and retail opportunities. The Beirut Gate Fund was established in early 2006 and received significant demand from local and regional investors due to Lebanon's economic boom at that time, specifically in the real estate and tourism sectors. ADIH said the Summer 2006 war destroyed part of Lebanon's infrastructure, and negatively affected the economy and the political environment, leading to a drastic price reduction in the real estate market. It added that sales of plots were affected, as political groups staged demonstrations and a sit-in that lasted almost two years on the project's land, followed by the global economic crisis.

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	Oct 2008	Sept 2009	Oct 2009	Change*	Risk Level
Political Risk Rating	57.5	56.5	56.5	▼	High
Financial Risk Rating	28.0	27.5	28.0	↔	High
Economic Risk Rating	30.0	27.5	35.5	▲	Low
Composite Risk Rating	57.7	55.7	60.0	▲	Moderate

Regional Average	Oct 2008	Sept 2009	Oct 2009	Change*	Risk Level
Political Risk Rating	65.6	65.1	65.1	▼	Moderate
Financial Risk Rating	41.1	41.7	42.0	▲	Very Low
Economic Risk Rating	39.0	34.7	34.8	▼	Moderate
Composite Risk Rating	72.8	70.7	70.9	▼	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	Positive			
Fitch	B-	B	Stable	B-		
S&P	B	B	Positive			
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