

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1

Capital Markets.....1

Lebanon in the News.....2

Lebanon ranks 33rd globally, third in Arab World on Logistics Performance Index

Lebanon ranks 89th globally, 9th in MENA region in economic freedom

Coincident Indicator up 11% month-to-month in October

Lebanon to be included in first environment, social and governance index for region

Corporate Highlights5

Byblos Bank to raise capital by \$250m, IFC to hold 8% stake

MEA valued at \$1bn, national carrier to float 25% stake this year

Lebanon & Gulf Bank's profits up 108% to \$18m in 2009

RYMCO to distribute dividends

EFG-Hermes divests stake from Bank Audi

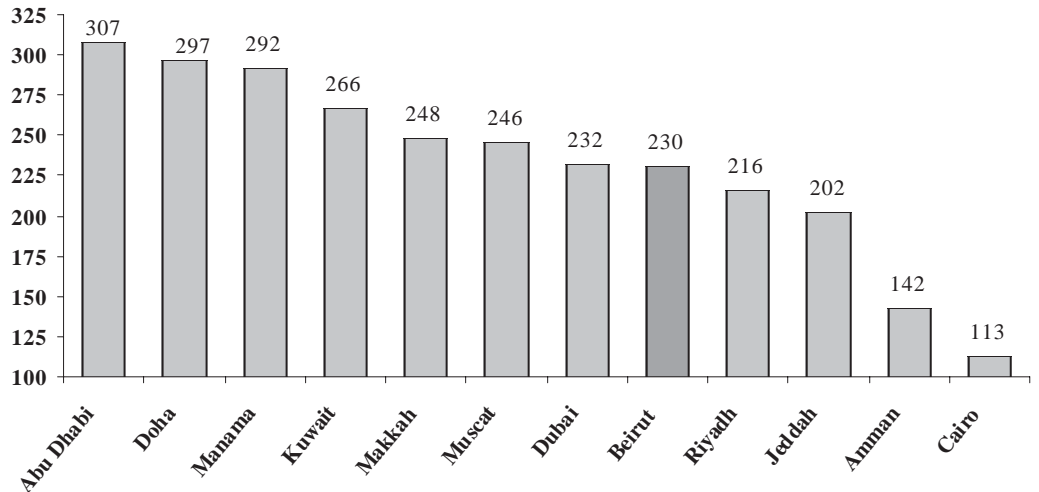
Ratio Highlights.....7

Risk Outlook.....7

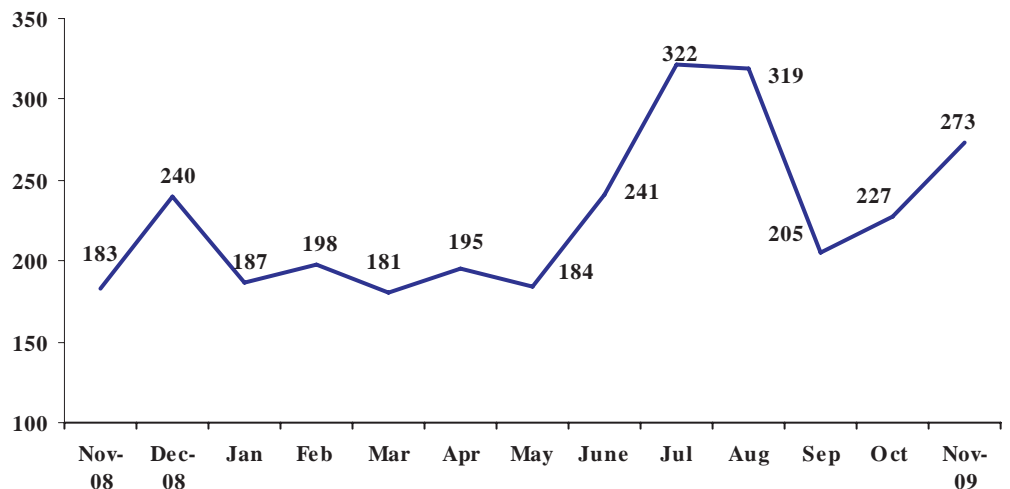
Ratings & Outlook.....7

Charts of the Week

Average Room Rates at Arab Hotels in the first 11 months of 2009 (US\$)



Beirut Hotels Average Room Rates (US\$)



Source: Ernst & Young

Quote to Note

“It is time to bid farewell to our investment in Audi.”

Regional investment bank EFG-Hermes, on concluding the sale of all of its stake in Bank Audi after four year as the bank's biggest shareholder.

Number of the Week

7%: Estimated economic growth in Lebanon for 2009, according to the World Bank

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"	23.15	(2.36)	151,105	17.90%
Solidere "B"	23.04	(3.11)	82,758	11.58%
Byblos Common	2.15	2.38	16,700	3.61%
Byblos Priority	2.12	0.00	0	3.38%
Byblos Pref. 08	103.00	1.48	1,250	1.59%
BLOM GDR	89.7	(1.27)	19,152	5.13%
BLOM Listed	85.00	0.00	300	14.13%
Audi GDR	89.25	(1.92)	2,508,102	6.78%
Audi Listed	88.00	0.17	7,616,518	23.42%
HOLCIM	12.60	0.80	432	1.90%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar. 2010	7.125	100.70	2.02
May 2011	7.875	106.00	3.08
Mar. 2012	7.500	107.75	3.70
Sep. 2012	7.750	109.75	3.79
June 2013	8.625	113.00	4.46
Apr. 2015	10.000	120.25	5.50
Jan. 2016	8.500	114.75	5.57
May 2016	11.625	130.25	5.81
Mar. 2017	9.000	119.00	5.72
Apr. 2021	8.250	113.50	6.53

Source: Byblos Capital Markets

	Jan 18-22, 2010	Jan 11-15, 2010	% Change	December 2009	December 2008	% Change
Total Shares Traded	10,396,462	730,546	1,323.11	3,174,705	3,338,870	(4.92)
Total Value Traded	\$928,613,413	\$12,480,605	7,340.45	\$49,395,830	\$41,192,782	19.91
Market Capitalization	\$12.93bn	\$13.04bn	(0.83)	\$12.84bn	\$9.61bn	33.66

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 33rd globally, third in Arab World on Logistics Performance Index

The World Bank's Logistics Performance Index (LPI) for 2010 ranked Lebanon in 33rd place among 155 countries worldwide and third among 17 Arab countries. Lebanon came in 98th place globally and 13th regionally in the previous survey which was conducted in 2007. Lebanon also ranked in 4th place among 34 upper-middle income countries (UMICs), up from 21st place in 2007. The LPI provides an in-depth cross-country assessment of the logistics gap among countries and reflects perceptions of the logistics environment of trading partner countries. It is based on a survey of operators on the ground worldwide who provided feedback on the logistics "friendliness" of the countries in which they operate and those with which they trade. The LPI is a composite of six sub-indices of supply chain performance that cover customs procedures, logistics costs, infrastructure quality, the ability to track and trace shipments, and timeliness in reaching a destination. The survey assigned scores to the main index and its sub-categories that range from one to five points, with one being the worst performance.

Globally, Lebanon came ahead of Portugal, Thailand and Latvia, and ranked behind Israel, Poland and South Africa. It ranked ahead of Latvia and Turkey and behind Poland and Malaysia among UMICs. Lebanon received a score of 3.34 points, up 41% from 2.37 points in 2007, and higher than the global average of 2.87 points as well as the UMICs average of 2.82 points and the Arab average of 2.80 points.

Lebanon ranked ahead of Iceland and behind Portugal on the Customs sub-index. Regionally, it ranked ahead of Kuwait and came behind Oman. This category reflects the efficiency and effectiveness of Customs and other border procedures. Further, Lebanon ranked ahead of the Slovak Republic and came behind Turkey on the Infrastructure sub-index, while it ranked ahead of Qatar and behind Oman in the region. This category measures the quality of Transport and IT infrastructure for logistics.

Lebanon ranked ahead of Ecuador, tied with Paraguay and Panama, and came behind Rwanda on the International Shipments sub-index. Regionally, it ranked ahead of Saudi Arabia, tied with Syria, and came behind Qatar. The category measures the ease and affordability of arranging shipments. Lebanon ranked ahead of Austria and came behind Italy on the Logistics Competence sub-index, while it ranked ahead of all Arab countries. This category reflects the skills available in the local logistics industry such as transport operators and customs brokers, among others.

Lebanon ranked ahead of Argentina, tied with Slovenia and came behind the Dominican Republic on the Tracking & Tracing sub-index. Regionally, it ranked ahead of Qatar and behind Saudi Arabia. This category measures the ability to track and trace shipments. Also, Lebanon ranked ahead of Taiwan, tied with South Korea and came behind the Republic of Congo on the Timeliness sub-index, while it ranked ahead of Oman and behind Qatar in the region. This category assesses the timeliness of shipments in reaching their destination.

Logistics Performance Index 2010

Economy	Arab Rank	Global Rank	Score
UAE	1	24	3.63
Bahrain	2	32	3.37
Lebanon	3	33	3.34
Kuwait	4	36	3.28
Saudi Arabia	5	40	3.22
Qatar	6	55	2.95
Oman	7	60	2.84
Tunisia	7	60	2.84
Syria	9	80	2.74
Jordan	9	80	2.74
Egypt	11	92	2.61
Yemen	12	101	2.58
Djibouti	13	126	2.39
Algeria	14	130	2.36
Libya	15	132	2.33
Sudan	16	146	2.21
Iraq	17	148	2.11

Source: World Bank, Byblos Research

Logistics Performance Indicators for Lebanon

Indicator	Arab Rank	Global Rank
Customs	3	29
Infrastructure	6	41
International Shipments	17	69
Logistics Competence	1	19
Tracking and Tracing	5	49
Timeliness	1	29

Source: World Bank, Byblos Research

Logistics Performance Scores by Category

Indicator	Lebanon Score	Arab Average	Global Average
Customs	3.27	2.60	2.56
Infrastructure	3.05	2.65	2.64
International Shipments	2.87	2.73	2.85
Logistics Competence	3.73	2.68	2.76
Tracking & Tracing	3.16	2.69	2.92
Timeliness	3.97	3.44	3.41

Source: World Bank, Byblos Research



Lebanon ranks 89th globally, 9th in MENA region in economic freedom

The Heritage Foundation/*Wall Street Journal* Index of Economic Freedom for 2010, a broad indicator of economic freedom in 183 countries, ranked Lebanon in 89th place worldwide and 9th among 17 countries in the Middle East and North Africa region. Lebanon also ranked in 26th place among the 34 Upper Middle Income countries (UMICs) included in the survey. Lebanon came in 95th place globally and 9th regionally in the 2009 survey. The index evaluates individual economies on the basis of 52 independent variables that were divided into 10 broad factors of economic freedom that are equally weighted. The factors are business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom.

Globally, Lebanon ranked ahead of Burkina Faso, Rwanda and Azerbaijan and came immediately behind Mongolia, Ghana and the Dominican Republic. It also came ahead of Croatia, Gabon and Argentina and behind Belize, South Africa and Poland among UMICs. Lebanon is in the "most-ly unfree" category. Lebanon's level of economic freedom improved this year to 59.5%, up 1.4 percentage points from the previous survey, and above the global level of economic freedom of 59.4%, but below the UMICs, MENA and Arab levels of 63%, 60.4% and 61% respectively.

Lebanon ranked ahead of Nicaragua and came behind Ghana on the Business Freedom sub-index. This category reflects the ability to create, operate, and close an enterprise quickly and easily. Regionally, it ranked ahead of Libya and behind Syria, while it came ahead of Russia and behind Gabon among UMICs. Lebanon also tied with Armenia, ranked ahead of Belarus and came behind Bosnia & Herzegovina on the Trade Freedom sub-index, while it ranked ahead of Malaysia and behind Trinidad & Tobago among UMICs. This category is a composite measure of the absence of tariff and non-tariff barriers that affect imports and exports of goods and services.

Further, Lebanon ranked ahead of Cambodia and behind Albania on the Fiscal Freedom sub-index, while coming ahead of Egypt and behind Oman in the MENA region. This category is a measure of the tax burden of government. Further, Lebanon tied with Angola, ranked ahead of Ireland and came behind Papua New Guinea on the Government Spending sub-index, which covers all government expenditures, including consumption and transfers. It tied with Libya and came ahead of Oman and behind Saudi Arabia in the MENA region.

Lebanon ranked ahead of the Guyana and behind The Gambia on the Monetary Freedom sub-index, while it came ahead of Libya and behind Kuwait in the region. This category combines price stability with an assessment of price controls. In parallel, Lebanon tied with 9 countries that include Colombia, Montenegro and Azerbaijan on the Investment Freedom sub-index, which is an assessment of the free flow of capital. Regionally, it tied with Kuwait and Oman, came ahead of Egypt and behind Morocco. Finally, Lebanon tied with 29 countries that include Bulgaria, Germany and Norway on the Financial Freedom sub-index that measures banking security as well as independence from government control.

MENA Countries Rankings & Scores			
Country	MENA Rank	Global Rank	Score
Bahrain	1	13	76.3
Qatar	2	39	69.0
Kuwait	3	42	67.7
Oman	3	42	67.7
Israel	3	42	67.7
UAE	6	46	67.3
Jordan	7	52	66.1
Saudi Arabia	8	65	64.1
Lebanon	9	89	59.5
Morocco	10	91	59.2
Egypt	11	94	59.0
Tunisia	12	95	58.9
Algeria	13	105	56.9
Yemen	14	121	54.4
Syria	15	145	49.4
Iran	16	168	43.4
Libya	17	173	40.2

Source: Heritage Foundation, Byblos Research

Economic Freedom in Lebanon by Category		
	MENA Rank	Global Rank
Business Freedom	16	133
Trade Freedom	9	74
Fiscal Freedom	7	16
Government Spending	12	110
Monetary Freedom	8	95
Investment Freedom	6	76
Financial Freedom	4	55
Property Rights	12	118
Freedom from Corruption	12	105
Labor Freedom	12	112

Source: Heritage Foundation, Byblos Research

Economic Freedom in Lebanon by Category			
	Lebanon Score	MENA Average	Global Average
Business Freedom	56.6%	67.1%	65.0%
Trade Freedom	80.5%	75.2%	74.6%
Fiscal Freedom	91.6%	87.0%	75.8%
Government Spending	62.8%	68.9%	67.6%
Monetary Freedom	71.4%	68.8%	71.4%
Investment Freedom	55.0%	48.1%	51.0%
Financial Freedom	60.0%	45.9%	48.8%
Property Rights	30.0%	41.5%	44.1%
Freedom from Corruption	30.0%	40.2%	40.5%
Labor Freedom	57.0%	64.1%	62.4%

Source: Heritage Foundation, Byblos Research

Coincident Indicator up 11% month-to-month in October

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 233.5 points in October 2009 compared to 211.1 points in September 2009 and 191 points in October 2008. The Coincident Indicator, an average of 8 weighted economic indicators, improved by 10.6% month-on-month, and rose by 11.4% in the first 10 months of 2009 and by 22.3% on an annual basis. The indicator averaged 220.6 points in the 12-months ending October 2009 compared to 217.8 points in the 12-months ending September 2009 and to 195 points in the 12-months ending October 2008. As a result, the average coincident indicator rose by 13.1% year-on-year. The indicator posted its second best performance in October during the first 11 months of 2009, after posting its best performance ever in April 2009 with 236.5 points. Also, the October results reverse two consecutive months of decline in activity, and reflect the fifth monthly increase in activity in the first 11 months of 2009. Further, the month-to-month increase in October constitutes the highest improvement ever for the indicator for the covered month. The indicator improved 14 times, was unchanged once and regressed two times in the month of October since 1993. The indicator averaged 198.4 points in 2008, 180 points in 2007 and 171.6 points in 2006.

Lebanon to be included in first environment, social and governance index for region

Standard & Poor's, the Hawkamah Institute for Corporate Governance and Credit Rating and Information Services of India Ltd indicated that Lebanon will be included in the Environment, Social and Governance (ESG) index, the first of its kind to be launched in the Middle East & North Africa region. The International Finance Corporation, the private sector arm of the World Bank, is helping develop the index. The index aims to encourage responsible and sustainable investment practices by measuring the environmental, social, and corporate governance performance of hundreds of listed companies in the region. It aims to help about 600 listed companies in 11 countries to better understand environmentally and socially responsible investment practices, and the importance of implementing sound corporate governance. In addition to Lebanon, the index will cover the United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Oman, Kuwait, Jordan, Egypt, Morocco and Tunisia. The project also intends to strengthen and promote environmentally-sustainable and socially-responsible businesses, which will create greater awareness and adoption of ESG practices by companies as well as increase available financing options. Hawkamah noted that financial performance indicators have traditionally marked investment decisions, while the index aims to provide the market and investors with a tool focusing on non-financial indicators that are fundamental in assessing the sustainability of a company's future performance. The IFC added that the absence of credible and standardized data about business practices relating to social and environmental concerns is a key barrier limiting the flow of socially-responsible investing funds to the region.

Byblos Bank to raise capital by \$250m, IFC to hold 8% stake

Byblos Bank sal, one of Lebanon's top 3 banks, announced that its Board of Directors approved a \$250m capital increase at a price of \$1.75 per common share, including nominal value and issue premium. The increase is subject to the approvals of the Bank's shareholders and of the Central Bank of Lebanon. In parallel, Byblos Bank sal announced that its principal shareholder, the Luxembourg-based Byblos Invest Holding SA, holder of 41.7% of the Bank's share capital, entered into a share purchase agreement with the International Finance Corporation (IFC), the private sector arm of the World Bank. As such, the IFC will buy from Byblos Invest Holding 47,619,047 of the Bank's common shares at a price of \$2.10 per share, for an aggregate purchase price of \$100m. The Central Bank of Lebanon granted its approval for the transaction on January 21, 2010. The capital increase and the IFC transaction are expected to take place before the end of June 2010.

Following the completion of the transaction and the capital increase, the IFC will hold an 8% stake in Byblos Bank sal and will have a seat on the Bank's Board of Directors. Further, Byblos Invest (Holding) SA and the IFC agreed that Byblos Invest (Holding) SA will allocate all of the proceeds from the sale to the capital increase, and that the IFC will not participate in the increase. The capital increase will be reserved to the Bank's holders of common and priority shares, while holders of GDRs representing common shares will be able to participate in the capital increase subject to the standard conditions and restrictions applicable to GDR holders.

Byblos Bank sal posted net profits of \$95.9m in the first 9 months of 2009, up 21.3% from the same period of the previous year, and constituting the highest profit increase among Lebanon's listed banks. It had total assets of \$13.04bn, loans of \$2.94bn and aggregate deposits of \$9.82bn at end-September 2009. Its shareholders' equity stood at \$976.8m and its paid-up capital totaled \$341m at the end of last September. 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 listed on the Beirut Stock Exchange and the Bank's Global Depository Receipts trade on the London Stock Exchange. Last month, 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.

The capital increase and IFC's participation fall within the Bank's strategy of gradual expansion in emerging markets. The Bank's objective is to diversify its assets and sources of income by expanding in selective emerging markets with strong economic growth and low levels of bank penetration. It aims to have a minimum of 40% of its assets and income from international activities in the coming few years. The substantial participation of the IFC in the Bank's capital demonstrates that the Lebanese banking sector remains attractive to international institutional investors despite the recent exit of a leading regional financial institution from the local market. It also reflects the increased focus of investors on sound and conservative management, as well as on transparency, governance, risk management, and internal controls, as well as on the high solvency and profitability ratios of institutions.

MEA valued at \$1bn, national carrier to float 25% stake this year

Central Bank Governor Riad Salameh indicated that national flag carrier Middle East Airlines (MEA) intends to raise \$250m through an initial public offering of 25% of the carrier's share capital later this year. As such, MEA would be valued at about \$1bn. The Central Bank owns a 99% stake in the carrier. He added that a prospectus will be distributed in the first half of the year to prospective investors, and that investors will be limited to a 1% stake in order to guarantee wide ownership of the shares. The floated shares will be listed on the Beirut Stock Exchange, which will help absorb excess liquidity in the economy and banking sector, revitalize and deepen the stock market, and attract new institutional and individual investors to the Beirut bourse. MEA, which currently serves 28 destinations, will receive two new Airbus planes in 2010 and an additional one in 2011, expanding its fleet to 16 aircraft. MEA underwent a restructuring program in 2001 that witnessed the layoff of more than 1,500 employees, or 40% of its staff, in addition to the cancellation of unnecessary flights and routes. Subsequently, the company managed to reverse 26 years of losses and returned to profitability in 2002. The national carrier also modernized its fleet, as it completed in 2003 its first fleet upgrade since 1975. The company's income turned from losses of \$87m in 1997 to an expected net profit of \$100m in 2009. It is not possible to independently verify the actual financial state of the national flag carrier, as it does not publish its balance sheet and income statement.

Lebanon & Gulf Bank's profits up 108% to \$18m in 2009

Lebanon & Gulf Bank sal posted net profits of \$17.7m in 2009, constituting an increase of 108% from \$8.5m in 2008. Net interest income rose by 323% year-on-year to \$21.8m, and net commission income increased by 13.2% to \$5.9m, while net operating revenues grew by 44.3% to \$34.3m for the year. Total assets reached \$1.6bn at end-2009, up 35.6% from a year earlier, while loans and advances to customers rose by 19.5% to \$447.7m. Customer deposits totaled \$1.45bn, an increase of 35.8% from end-2008. The bank's shareholders' equity totaled \$106.8m at end-2009, up 35.5% from a year earlier. Lebanon & Gulf Bank ranked in 15th place in the Lebanese banking sector terms of assets and loans & advances to customers, and in 14th place in terms of deposits at end-2008.

RYMCO to distribute dividends

The Ordinary General Assembly of automobile dealer Rasamny Younis Motor Co. sal (RYMCO) approved dividend distribution of \$0.07 per share before tax for the year 2008. The dividends will be paid starting January 25, 2010. RYMCO declared net profits of \$2.41m in the first 9 months of 2009, down 70.5% from \$8.17m in the same period of the previous year. RYMCO's total assets and total equity amounted to \$138.3m and \$54.1m at the end of September 2009 respectively, compared to \$120.6m and \$49.7m a year earlier. RYMCO is the only car retailer listed on the Beirut bourse. It had a 23% market share in new cars registered in 2009, the highest among car dealerships in the country.

EFG-Hermes divests stake in Bank Audi

Regional investment bank EFG-Hermes Holding Company S.A.E. announced that it has sold its entire stake in Bank Audi sal at \$91 per share for a total of \$913.4m. In January 2006, EFG-Hermes acquired a 20% stake in the bank through a \$450m capital increase by the latter, and then increased its stake gradually to about 27%. Its stake consisted to 7.55 million local shares and 2.48 million Global Depository Receipts. EFG-Hermes planned at first to acquire a majority stake in the bank. Then it tried to fully merge with Bank Audi two years ago, but it announced in November 2008 that merger negotiations have ended, even though they were ongoing for more than one year. The proposed merged entity was supposed to offer synergies on a regional level between the two institutions. More recently, EFG-Hermes reiterated that lengthy discussions with Bank Audi regarding a combination of the two businesses did not yield results. It stated that its Audi investment represented over 50% of its adjusted book value, but that it did not have control over it and decided to put its stake up for sale. It indicated that a number of opportunities could make more strategic sense in the foreseeable future, adding that it is well-positioned to take advantage of these opportunities. M1 Group, the investment firm of former Prime Minister Najib Mikati and his brother Taha, has reportedly acquired part of the available shares for about \$380m, while current Audi shareholders and members from the Abu Dhabi ruling family, investing directly or through investment vehicles, have acquired another part of the available shares for the same amount. The third part was reportedly acquired by the Central Bank of Lebanon for about \$153m to "facilitate the deal." According to press reports, the Central Bank resold its share in Bank Audi to the Lebanese Merhebi Group. Neither the Central Bank nor Bank Audi has confirmed or denied these reports.

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	B2		Positive
Fitch	B-	B	Stable	B-		
S&P	B	B	Positive	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



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