



LEBANON THIS WEEK

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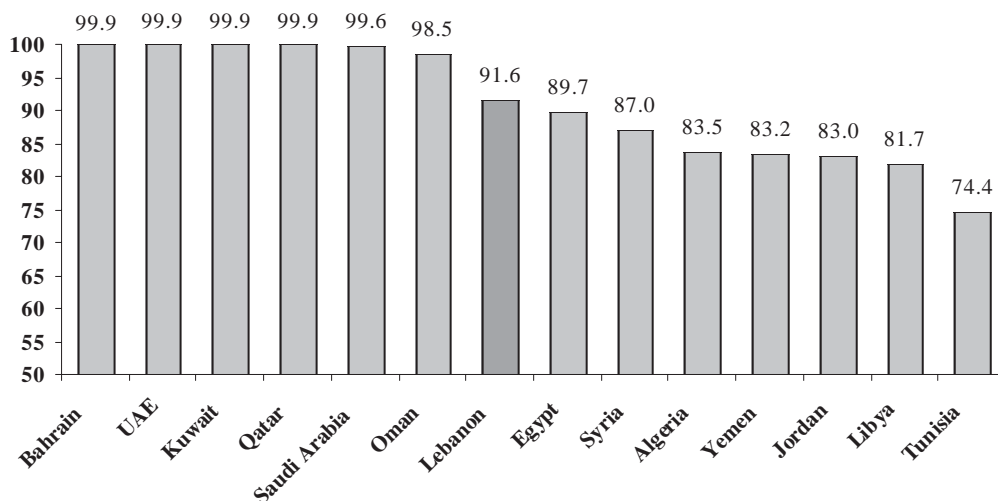
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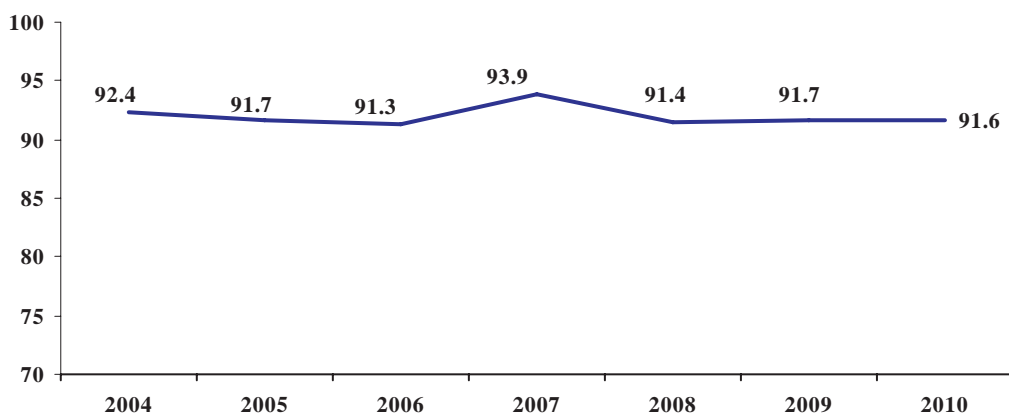
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Charts of the Week

Fiscal Freedom Index for Arab Countries for 2010



Fiscal Freedom Index for Lebanon



Source: Heritage Foundation/Wall Street Journal, 2010

Quote to Note

“Failure to do that will limit the room for further reductions in interest rates and maintain the need for costly sterilization of large capital inflows.”

Barclays Capital, on the imperative of reducing expenditures in the upcoming 2010 budget

Number of the Week

33.4%: Increase in revenues per available room at Beirut hotels in January, compared a drop of 4.1% in the MENA region, according to STR Global

Economic Indicators

\$m (unless otherwise mentioned)	2007	Dec 2008	2008	Oct 09	Nov 09	Dec 09	% Change*
Exports	2,816	251	3,478	327	339	364	45.02
Imports	11,815	1,135	16,133	1,291	1,581	1,380	21.58
Trade Balance	(8,999)	(884)	(12,655)	(964)	(1,242)	(1,016)	14.93
Balance of Payments	2,036	714	3,462	1,167	280	1,610	125.49
Checks Cleared in LBP	8,409	831	9,350	1,102	850	1,061	27.68
Checks Cleared in FC	29,893	3,184	43,174	4,600	3,752	4,756	49.37
Total Checks Cleared	38,302	4,015	52,524	5,702	4,602	5,817	44.88
Budget Deficit/Surplus	(2,546)	(332)	(2,921)	(190)	(179)	(368)	10.84
Primary Balance	731	48	597	210	101	72	50.00
Airport Passengers	3,408,834	419,329	4,085,334	388,771	380,342	738,211	76.05
\$bn (unless otherwise mentioned)	Dec 2007	Dec 2008	Sep 09	Oct 09	Nov 09	Dec 09	% Change*
BdL FX Reserves	9.78	17.06	23.21	24.12	24.81	25.66	50.41
<i>In months of Imports</i>	<i>9.19</i>	<i>15.03</i>	<i>18.57</i>	<i>18.68</i>	<i>15.69</i>	<i>18.59</i>	<i>23.68</i>
Public Debt	42.03	47.02	49.18	49.90	50.46	51.09	8.65
Net Public Debt	39.03	41.49	43.61	43.74	44.01	44.11	6.31
Bank Assets	82.26	94.25	109.90	111.57	113.57	115.25	22.28
Bank Deposits (Private Sector)	67.29	77.78	91.19	92.44	94.06	95.77	23.13
Bank Loans to Private Sector	20.42	25.04	27.89	28.09	28.81	28.37	13.30
Money Supply M2	16.47	24.76	31.57	32.36	33.19	34.16	37.96
Money Supply M3	59.83	68.66	78.73	79.71	81.04	82.08	19.54
LBP Lending Rate (%)	10.10	9.95	9.22	9.15	9.13	9.04	(91b.p.)
LBP Deposit Rate (%)	7.40	7.22	6.94	6.86	6.81	6.75	(47b.p.)
USD Lending Rate (%)	8.02	7.47	7.24	7.28	7.25	7.28	(19b.p.)
USD Deposit Rate (%)	4.69	3.33	3.16	3.18	3.07	3.05	(28b.p.)
%* Change in CPI**	5.92	6.36	1.99	1.66	4.47	4.20	(216b.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"	22.01	(2.57)	150,388	17.07%
Solidere "B"	22.10	(2.04)	61,675	11.14%
Byblos Common	2.09	1.95	221,089	3.52%
Byblos Priority	2.10	(0.47)	188,205	3.36%
Byblos Pref. 08	103.00	(0.96)	150	1.60%
BLOM GDR	94.50	(0.53)	24,580	5.42%
BLOM Listed	90.00	0.00	0	15.01%
Audi GDR	89.55	(0.50)	14,336	7.05%
Audi Listed	87.00	0.00	0	23.22%
HOLCIM	12.05	(0.41)	5,980	1.82%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Nov. 2010	6.875	103.25	2.14
May 2011	7.875	105.94	2.88
Mar. 2012	7.500	107.88	3.46
Sep. 2012	7.750	109.75	3.63
June 2013	8.625	113.00	4.32
Apr. 2015	10.000	120.00	5.46
Jan. 2016	8.500	115.00	5.46
May 2016	11.625	129.25	5.88
Mar. 2017	9.000	118.75	5.73
Apr. 2021	8.250	113.00	6.57

Source: Byblos Capital Markets

	Feb 22-25, 2010	Feb 15-19, 2010	% Change	January 2010	January 2009	% Change
Total Shares Traded	669,486	48,733,983	(98.63)	12,057,977	2,561,252	370.78
Total Value Traded	\$9,605,879	\$114,122,311	(91.58)	\$961,719,141	\$40,944,752	2,248.82
Market Capitalization	\$12.89bn	\$12.96bn	(0.49)	\$12.65bn	\$8.76bn	44.36

Source: Beirut Stock Exchange (BSE)



Copyright violations remain a significant obstacle to legitimate business in Lebanon

The International Intellectual Property Alliance (IIPA), an organization representing more than 1,300 companies that produce and distribute copyright-protected materials throughout the world, asked the United States Trade Representative to keep Lebanon on the Watch List for serious infringements of intellectual property rights and severe copyright problems. The alliance's request is part of its overall recommendations to the US authorities in the annual 'Special 301' review of copyright piracy and market access problems in 39 countries.

The IIPA stated that piracy remains a significant obstacle to legitimate business in Lebanon despite the authorities' incremental progress in fighting piracy during the past two years. It cited problems like end-user piracy of business software that continues to cause enormous losses to software companies; book piracy in the form of illegal photocopying on and around university campuses; retail piracy of all kinds of copyright materials such as movies, music and entertainment software; cable and pay TV piracy; growing Internet-based and mobile device piracy; and the sale of circumvention devices such as pay TV decoders. It added that Lebanese courts continue to be a weak link in enforcing intellectual property rights, starting with relative inactivity by prosecutors' offices, and ending in results that do not deter further infringements. It noted that copyrights are important to Lebanon's economy and would contribute even more to the economy if intellectual property rights were more effectively enforced. It said that it is important for Lebanon to establish the proper legal framework for copyright protection and fully implement the laws to reduce piracy and foster growth in the country's creative sectors.

The IIPA noted that the Lebanese government is considering an overhaul of its 1999 Copyright Law but added that early amendments would have weakened protection and would have posed major problems for copyright owners. Also, the suggested amendments would have been incompatible with major international copyright treaties and would have failed to resolve longstanding problems with the original law. But it stated that recent discussions have focused on crafting a bill that would address existing deficiencies in the current law, that would be fully TRIPS-compatible, and would implement the WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT).

In parallel, the IIPA said Lebanon's intellectual property rights regime continues to undergo a review by the U.S. government to determine whether Lebanon should continue to receive Generalized System of Preferences (GSP) duty-free treatment for many of its goods imported into the United States. It noted that the GSP program is important to the Lebanese economy, as Lebanon exported \$43.6m worth of products to the United States duty-free, or almost 56.5% of its total exports to the U.S. in 2009.

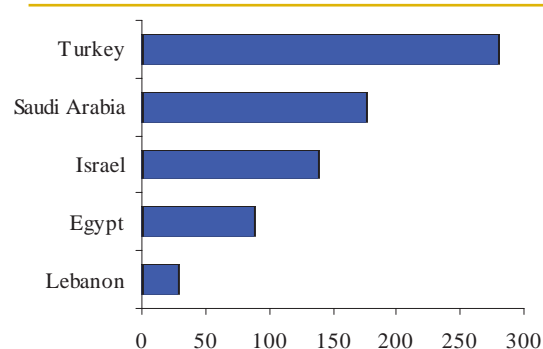
The IIPA called on the Lebanese government to take several actions that would yield immediate benefits to copyright industries. It said authorities need to ensure that the Cyber Crime and Intellectual Property Rights Bureau Unit continues to actively run raids against piracy targets on request, including end-user software piracy, and to provide the unit with ex officio raiding authority and a regular operating budget. Further, it asked authorities to ensure that draft amendments to the Lebanese Copyright Law are compatible with major international copyright treaties, including the TRIPS Agreement and the WCT and WPPT. Finally, it encouraged authorities to pass accession legislation to permit Lebanon to join the Berne Convention as well as the WCT and WPPT.

Consumer Price Index up 3.3% annually in January 2010

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 3.3% in January 2010 from January 2009. Prices of transportation increased by 17.9%, followed by prices of education (+9.6%), water, electricity, gas & other fuels (+9.1%), alcoholic beverages & tobacco (+7.7%), housing (+6.1%), restaurants & hotels (+3.8%), recreation & entertainment (+2.7%), health care (+2.5%), furniture & household equipment (+0.3%) and miscellaneous goods & services (0.2%). Prices of clothing & footwear regressed by 13.4%, followed by communication (-13.1%) and food & non-alcoholic beverages (-0.9%). Imported inflation accounts for about 70% of inflation in the country. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports.

The Consumer Price Index decreased by 1.1% in January 2010 from December 2009. Prices of transportation increased by 0.3%, followed by alcoholic beverages & tobacco (+0.2%), miscellaneous goods & services (+0.2%), restaurants & hotels (+0.1%), and furniture & household equipment (+0.1%). Prices of clothing & footwear regressed by 13.8% month-on-month, followed by water, electricity, gas and other fuels (-2.0%), food & non-alcoholic beverages (-0.2%) and communication (-0.1%). Housing prices remained unchanged month-to-month as well as health, recreation & entertainment, and education.

Piracy Related Losses in the Middle East for 2009 (\$m)



Source: International Intellectual Property Alliance

Beirut has 31st most expensive office space worldwide, fifth most expensive in Arab World

The 2010 survey of the world's most expensive office locations in 63 cities around the world by property consultants Cushman & Wakefield ranked Beirut as the 31st most expensive city worldwide and the fourth most expensive among 10 cities in the Middle East & Africa region included in the rankings. Beirut was the 32nd most expensive city globally and the third most expensive in the region in the 2009 rankings. The study evaluates 202 key office locations in 63 countries and includes in its annual rankings the location with the most expensive occupancy cost in each country. It said the occupancy costs reflect rent in addition to municipal tax, service charges and value-added tax.

Globally, Beirut ranked immediately behind Warsaw, Copenhagen and Vienna and was considered more expensive than Damascus, Istanbul and Vancouver. The cost of office space in Beirut was €380 per square meter per year in 2009, significantly lower than the global average of €437.6 per sqm, the Arab cities' average of €443.5 per sqm, as well as the average of €408.7 per sqm for cities in the Middle East & Africa. The cost of office space in Beirut was €398 per square meter per year in 2008.

In parallel, Cushman & Wakefield indicated that the rent for net internal office areas in Beirut was €344.75 per square meter in 2009, unchanged from the previous year, but compared to a rise of 14% in 2008. It added, however, that there is a shortage of good quality office accommodation in the Beirut Central District, which is expected to result in an increase in rental values this year. Beirut was one of 3 cities included in the rankings where rents were stable in 2009; compared to 54 cities, or 86% of the total, that saw a decline in rents; and 6 cities, or 9% of the total, that experienced rental growth. Further, Beirut's net internal area rent was higher than the global average rent of €332, and the average rent of €22 in Europe, the Middle East & Africa, but lower than the average of €404.6 in 10 Arab cities and locations.

The Beirut Central District also ranked 5th among the top 10 most expensive office locations in the Arab world in 2009. Further, rents in Beirut were stable last year, compared to declines in most Arab cities and to an average decline of 10% globally. Rentals of net internal areas in Dubai dropped by 35% in 2009, followed by Amman with a 20% decline, Abu Dhabi with a 7% decrease, Damascus and the Dubai International Financial Center with a 6% contraction for each, and Doha with a 4% decline. Cushman & Wakefield did not include figures for rental change in Riyadh, Jeddah and Cairo, as the cities are included in the survey for the first time. Tokyo is the world's most expensive city for office space with an occupancy cost of €1,441 per sqm a year, followed by London and Hong Kong.

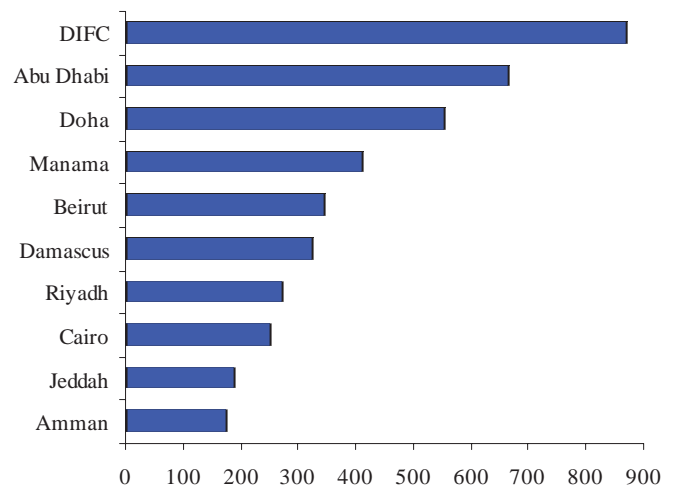
Labor Ministry proposes solutions to social security problems

Labor Minister Boutros Harb warned that the National Social Security Fund (NSSF) will be in trouble if politicians, parties and syndicates continue to interfere in its affairs. He said the Fund is already suffering from a shortage of staff, an underdeveloped management and a huge financial deficit. He proposed to amend the Fund's governing laws that date back to 1963 as they are no longer appropriate to meet the growing needs of the beneficiaries, and to modernize all the departments in order to increase staff's efficiency, facilitate access of beneficiaries to needed information, and create an efficient network between the NSSF, hospitals and doctors. He also proposed reactivating medical supervision on the consumption of medical services and introducing medical and social cards for old pensioners. He indicated that hospitals will have to accept any NSSF patient and insisted on reaching an agreement between the NSSF and hospitals on the new rates that will be charged.

Parliament ratifies trade and finance-related agreements

The Lebanese Parliament ratified Lebanon's free trade treaty with the countries of European Free Trade Association (EFTA), and approved Lebanon's accession to the WIPO Performances and Phonograms Treaty (WPPT) and authorized the government to pursue membership status. Also, the legislature amended the protocol related to the agreement on the promotion and protection of investment with Romania, as well as the protocol related to the convention on the avoidance of double taxation with Malta. Further, Parliament ratified laws related to an agreement between the government and the Islamic Development Bank to finance reconstruction projects, and another agreement with the Arab Fund for Economic & Social Development to finance road projects in the North, as well as approved a €6m loan from Germany.

Top 10 Most Expensive Office Locations in the Arab World in 2009 (€ per sqm)



Source: Cushman & Wakefield, Byblos Research

Use of hotels and furnished apartments in Lebanon at record two million nights, spending up 135% to \$203m in 2009

Figures compiled by the Ministry of Tourism show that a total of 769,551 persons used hotels and furnished apartments in Lebanon and spent 1,955,679 nights in such facilities in 2009, constituting an increase of 21.2% and 34.7%, respectively, from 2008 figures. As a result, clients stayed an average of 2.54 nights per person last year compared to 2.29 nights in 2008, 2.23 nights in 2007 and 2.46 nights per person in 2006. Visitors came from 166 countries and spent a total of \$203.4m in 2009 on lodging in hotels and furnished apartments, up 134.5% from \$87m in 2008, and compared to \$59m in 2007 and \$69m in 2006. The 2009 figures constitute a new peak in visitors and nights spent, but reflect a slowdown in growth from 2008, when the number of persons who used hotels and furnished apartments grew by 43% and the number of nights spent increased by 47.5%. But the slowdown appears to have been compensated by the jump in spending on lodging last year. Arab nationals, including Lebanese citizens, accounted for 73.4% of total clients and of 70.2% of aggregate nights in 2009 compared to 74.4% of total clients and 70.6% of aggregate nights in 2008, and 74.3% of total clients and 69.1% of aggregate nights spent in 2007.

The distribution of clients by country at hotels and furnished apartments indicates that Lebanon accounted for 171,973 clients, or 23.5% of the total, down from 25% in 2008. It was followed by Saudi Arabia with 95,022 clients (12.3%), Jordan with 60,746 (7.9%), Kuwait with 50,256 (6.5%), Syria with 43,130 (5.6%) and Iraq with 41,553 (5.4%). Lebanon accounted for 16.7% of the total number of nights spent, down from 21.3% in 2008, followed by Saudi Arabia with 12.6%, Jordan with 6.5%, Iraq with 5.7%, and Kuwait with 5%. The length of stay per person for Arab nationals shows that nationals from Morocco stayed an average of 11.67 nights per person, followed by Algeria (3.67), Tunisia (3.3), Qatar (3.12), Libya (3.06), Oman (2.76), Iraq (2.67), Egypt (2.64), Saudi Arabia (2.59), Bahrain (2.51), the UAE (2.50), Kuwait (2.25), Sudan (2.31) and Egypt (2.64). The report has separate entries for Abu Dhabi and Dubai where nationals from Abu Dhabi totaled 1,213 and spent 2.42 nights per person, and those from Dubai reached 2,021 and spent 1.91 nights per person. In parallel, the length of stay per person for non-Arab nationals shows that nationals from Belarus stayed an average of 34.5 nights per person, followed by Moldova (34.45), Ukraine (18.55), Tajikistan (12.2), Kazakhstan (12) and Dominica (11.76). The top 5 countries accounted for 54.7% of clients and 47.3% of total nights spent, while the top 10 countries accounted for 73.8% of clients and 66% of total nights spent in 2009.

Foreign reserve accumulation supports financial stability and sovereign solvency

Commerzbank AG indicated that Lebanon's resilience to financial shocks and safe-haven status benefited it in a strongly counter-cyclical way. It said the accumulation of capital flows has served well market confidence and exchange rate stability, even though it increased sterilization costs and accumulated idle resources in the banking system. It stated that the Central Bank has pursued a policy of reserve accumulation to hedge the financial system against security risks. As a result, it has accumulated \$34bn in foreign currency reserves and the banking system holds a deposit base of nearly \$100bn or over 300% GDP. It noted that the fundamental monetary target is likely to remain foreign reserve accumulation, as it would support financial stability and the solvency of the sovereign.

It said that Lebanon's public debt has been the economy's key vulnerability over the last decade, adding that structural reforms are necessary to improve the country's creditworthiness. It noted that fiscal consolidation remains uncertain in the medium-term despite some degree of political consensus and stability achieved in late 2009. It said structural deficiencies in utilities and infrastructure are substantial, as the energy sector is strongly subsidized and transfers to the national energy company amount to 4% GDP. Further expenditures are rigid, with 40% of revenues absorbed by the wage bill, half of which is to the military, and another 40% of revenues go to debt servicing. It considered that the government recognizes the need to accommodate capital expenditures to enhance growth and solvency in the medium-term. But it noted that capital investments have to be balanced against revenue measures given the existing expenditure rigidities. As such, the primary surplus may not be sustained, but the government will continue to maintain a stable or lower debt ratio as a fiscal constraint.

Commerzbank estimated that Lebanon's debt ratio could fall by one-third over the next decade if current macroeconomic conditions were to prevail. It estimated at 1% of GDP the debt-stabilizing primary surplus for Lebanon in a base-scenario. It added that the privatization could lower the ratio by a one-off 10% GDP and improve its sustainability and the overall financing burden. It noted, however, that the debt trajectory remains highly sensitive to interest rates or shocks to growth. It warned that the debt ratio could resume its rise if real interest rates increase to 10% due a security shock, GDP growth slows down and the primary balance declines.

Length of Stay of Top 10 Countries

Country	Total nights	Average night per person
Lebanon	327,459	1.90
Saudi Arabia	245,852	2.59
Jordan	126,477	2.08
Kuwait	113,211	2.23
Iraq	111,127	2.67
Syria	94,267	2.19
France	81,492	2.51
UAE	74,216	2.50
Egypt	62,915	2.64
United States	57,671	2.94

Source: Ministry of Tourism, Byblos Research

Trade deficit up 18.6% to \$932m in January 2010

Imports increased by 16.7% year-on-year to \$1.2bn in January 2010, while exports grew by 11.4% to \$313m in January 2010, leading to a trade deficit of \$932m, up 18.6% year-on-year and down 8.3% from December 2009. The coverage ratio reached 25.1% in January 2010 compared to 26.3% in January 2009.

China was the main source of imports with \$112m or 9% of the total, followed by France and Germany. Switzerland was the main export destination with \$51m or 16.3% of the total, followed by the UAE with \$30m (9.6%), Iraq, Saudi Arabia and Syria with \$18m (5.7%) each. Lebanon's main export was jewelry at \$111m or 35% of total exports, followed by machinery and mechanical appliances with 16% and base metals with 11%. Re-exports totaled \$13m in January 2010, up 8.3% from \$12m in January 2009.

Number of tourists up 37% in January 2010

The number of incoming tourists to Lebanon totaled 106,005 in January 2010, constituting a decrease of 23% from 137,651 tourists in December 2009 and an increase of 37.1% from 77,308 tourists in January 2009. Arab tourists accounted for 46.5% of total visitors and were followed by visitors from Europe with 23.3%, Asia with 15.9%, America with 10.2%, Oceania with 2.3% and Africa with 1.6%.

Byblos Bank opens branch in Baghdad

The Byblos Bank Group opened a branch in Baghdad, becoming the first Lebanese bank with a direct presence in the Iraqi capital. Byblos Bank started operations in Iraq in May 2007 through a branch in Irbil, the capital of Kurdistan, making it the first Lebanese bank to establish a direct presence in the Iraqi market at the time. The Baghdad branch, like the Irbil branch, is part of Byblos Bank sal, and will cover commercial and correspondent banking services including payments, letters of credit, letters of guarantee, and documentary collections, among other services. The expansion in Iraq falls within the Group's strategy of asset diversification and expansion in emerging markets and developing economies. The Bank's objective is to diversify its assets and sources of income by expanding in selective 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. Byblos Bank is one of four foreign banks with direct branches in Iraq, the others being the Arab Banking Corporation, the Turkish Agricultural Bank and Bank Melli Iran. Iraq's banking sector has 22 privately owned commercial banks, 7 Islamic banks and 7 state-owned banks.

Byblos Bank sal declared consolidated net profits of \$146.1m in 2009, constituting an increase of 20% from \$122m in 2008. Total assets reached \$13.58bn at the end of 2009, constituting a rise of 21% from the end of 2008, while net loans & advances to customers increased by 14.6% to \$3.19bn at end- 2009. Customers' deposits totaled \$10.2bn, up 23% from end-2008. The Byblos Bank Group has a direct presence in Syria, Sudan, Iraq, the United Arab Emirates, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom, and Cyprus.

Stock market activity at \$1.1bn in first two months of 2010

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 67.3 million shares in the first two months of 2010, an increase of 19% year-on-year, while aggregate turnover amounted to \$1.1bn, up 617% from a turnover of \$156m in the same period last year. Market capitalization increased by 51% to \$12.9bn year-on-year, of which 69.3% was in banking stocks and 28.2% in real estate stocks. The bourse's activity was artificially inflated in January due to the sale of regional investment bank EFG-Hermes of its entire stake in Bank Audi sal during the month. The market liquidity ratio was 8.7% compared to 1.8% for the same period of 2009.

Banks stocks accounted for 96.8% of aggregate trading volume in the first two months of 2010, followed by real estate stocks with 3.1%. In terms of value of shares traded, banking stocks accounted for 95.7% of aggregate value, followed by real estate stocks with 4.2%. The average daily traded volume for the period was 1,770,371 shares for an average daily value of \$29.5m. The figures reflect an increase of 19% in volume and an increase of 617% in value year-on-year.

SGBL acquires majority stake in Cyprus bank

Société Générale de Banque au Liban sal (SGBL) announced it has acquired a majority stake in Société Générale Bank - Cyprus (SGBCy) from Société Générale France. The acquisition is part of SGBL's regional expansion plan. SGBCy was established in 1985 as an International Banking Unit in Cyprus. It obtained an on shore license in 2000 and has been operating since 2002 as a fully licensed local bank, catering to resident in addition to non-resident clients. It operates through 7 branches throughout Cyprus. SGBL posted net profits of \$70m in 2009 and its assets stood at \$4.6bn at the end of the year. It has a local network of 42 branches.

Oger Telecom plans to increase stake in Turk Telecom

Oger Telecom, part of the Hariri family-owned Saudi Oger Group, declared its interest in acquiring the Turkish government's stake in fixed-line operator Turk Telecom. Oger Telecom already owns 55% of Turk Telecom. Turkey's government currently owns 30% of Turk Telekom and plans to divest 15% to 20% of its interest via an initial public offering. The remaining 15% stake in the operator is already listed on the Turkish stock exchange. Oger Telecom, which purchased its stake in Turk Telecom for \$6.6bn in 2006, said it would buy a stake through a block sale or any other process that allows a block amount of no less than 10%. Oger Telecom also owns, among other assets, 75% of Cell C, a mobile operator in South Africa, and 95% of Cyberia, an Internet service provider operating in Jordan, Saudi Arabia and Lebanon. Saudi Telecom owns 35% of Oger Telecom.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP ⁽¹⁾ (\$bn)	25.0	29.3	32.7	
External Debt / GDP	84.9	72.2	65.0	(720)
Local Debt / GDP	83.2	88.3	91.2	290
Total Debt / GDP	168.1	160.5	156.2	(430)
Trade Balance / GDP	(36.0)	(43.2)	(39.0)	420
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	24.0	25.8	180
Budget Expenditures / GDP	33.4	33.9	34.8	90
Budget Balance / GDP	(10.2)	(10.0)	(9.0)	100
Primary Balance / GDP	2.9	2.0	3.3	130
BdL FX Reserves / M2	59.4	68.9	75.1	620
M3 / GDP	239.3	234.3	251.0	1,670
Bank Assets / GDP	329.0	321.7	352.4	3,070
Bank Deposits / GDP	269.1	265.5	292.9	2,740
Private Sector Loans / GDP	81.7	85.5	86.8	130
Dollarization of Deposits	77.3	69.6	64.5	(510)
Dollarization of Loans	86.4	86.6	84.0	(260)

* Change in basis points 08/09

(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	Dec 2008	Nov 2009	Dec 2009	Change*	Risk Level
Political Risk Rating	57.5	57.0	57.0	▼	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	30.0	35.5	35.5	▲	Low
Composite Risk Rating	57.7	60.2	60.2	▲	Moderate

Regional Average	Dec 2008	Nov 2009	Dec 2009	Change*	Risk Level
Political Risk Rating	65.6	64.9	64.7	▼	Moderate
Financial Risk Rating	41.8	42.0	42.1	▲	Very Low
Economic Risk Rating	39.5	34.8	35.2	▼	Low
Composite Risk Rating	73.4	70.8	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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