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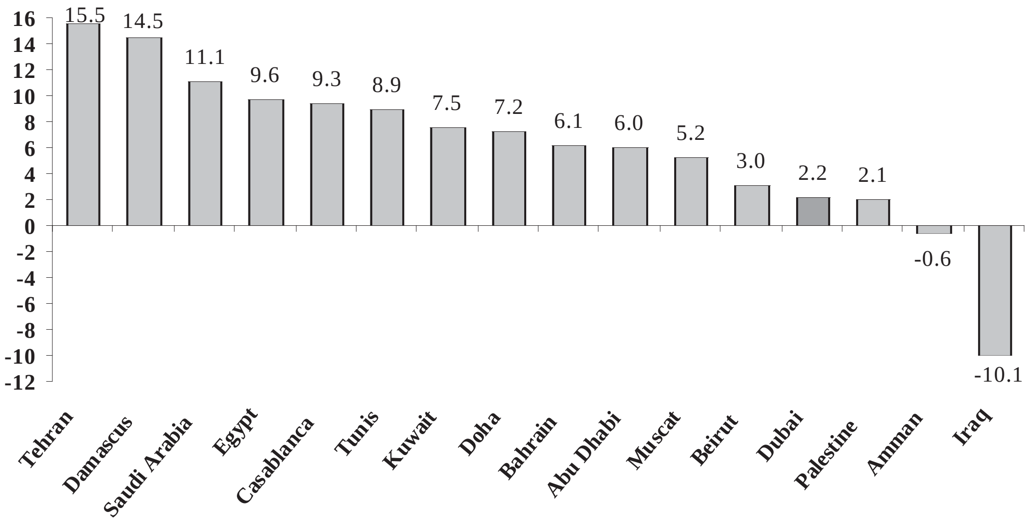
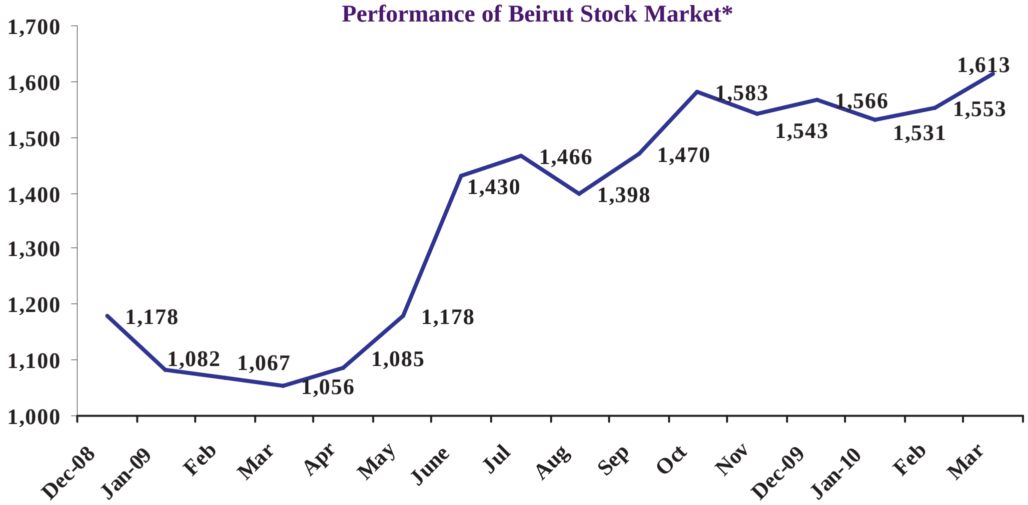
LEBANON THIS WEEK

In This Issue

Charts of the Week





**BLOM Stock Index*
Source: Local Stock Markets

Quote to Note

"Historically, Lebanon has had much more to offer than the capital in terms of tourism, ski and cultural activities."

Hotel and hospitality consultancy firm HVS, on the appeal of tourism in Lebanon beyond the capital Beirut.

Number of the Week

60%: Growth in Lebanon's cellular penetration rate in 2009, according to the Arab Advisors Group

Economic Indicators

$m *(unless otherwise mentioned)*	**2008**	**Jan 09**	**2009**	**Nov 09**	**Dec 09**	**Jan 10**	**% Change***
Exports	3,478	281	3,486	339	364	313	11.39
Imports	16,133	1,067	16,241	1,581	1,380	1,245	16.68
Trade Balance	(12,655)	(786)	(12,755)	(1,242)	(1,016)	(932)	18.57
Balance of Payments	3,462	364	7,899	280	1,610	(44)	(112.09)
Checks Cleared in LBP	9,350	927	11,122	850	1,061	1,088	17.37
Checks Cleared in FC	43,174	3,434	45,270	3,752	4,756	4,444	29.41
Total Checks Cleared	52,524	4,361	56,392	4,602	5,817	5,532	26.85
Budget Deficit/Surplus	(2,921)	(305)	(2,960)	(179)	(368)	(18)	94.10
Primary Balance	597	(7)	1,078	101	72	202	(2,985.71)
Airport Passengers	4,085,334	307,127	4,986,544	380,342	738,211	369,694	20.37

$bn *(unless otherwise mentioned)*	**Dec 2008**	**Jan 09**	**Oct 09**	**Nov 09**	**Dec 09**	**Jan 10**	**% Change***
BdL FX Reserves	17.06	17.59	24.12	24.81	25.66	26.78	52.24
In months of Imports	*15.03*	*16.48*	*18.68*	*15.69*	*18.59*	*21.50*	*30.46*
Public Debt	47.02	46.99	49.90	50.46	51.09	51.65	9.92
Net Public Debt	41.49	41.43	43.74	44.01	44.11	43.92	6.01
Bank Assets	94.25	93.79	111.57	113.57	115.25	116.52	24.23
Bank Deposits (Private Sector)	77.78	77.74	92.44	94.06	95.77	95.99	23.47
Bank Loans to Private Sector	25.04	24.96	28.09	28.81	28.37	29.36	17.63
Money Supply M2	24.76	25.41	32.36	33.19	34.16	34.77	36.83
Money Supply M3	68.66	68.62	79.71	81.04	82.08	82.43	20.12
LBP Lending Rate (%)	9.95	10.07	9.15	9.13	9.04	8.91	(116b.p.)
LBP Deposit Rate (%)	7.22	7.22	6.86	6.81	6.75	6.61	(61b.p.)
USD Lending Rate (%)	7.47	7.35	7.28	7.25	7.28	7.26	(9b.p.)
USD Deposit Rate (%)	3.33	3.31	3.18	3.07	3.05	3.04	(27b.p.)
%* Change in CPI**	6.36	4.03	1.66	4.47	4.20	4.96	93b.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"	23.62	4.51	227,005	17.32%
Solidere "B"	23.64	3.87	51,763	11.26%
Byblos Common	2.44	4.27	396,854	3.88%
Byblos Priority	2.46	2.50	204,624	3.72%
Byblos Pref. 08	104.50	0.00	0	1.53%
BLOM GDR	100.70	0.75	3,500	5.46%
BLOM Listed	97.50	0.00	5,256	15.37%
Audi GDR	91.65	(1.72)	9,940	6.82%
Audi Listed	90.00	1.12	14,594	22.71%
HOLCIM	11.76	(3.53)	484	1.68%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov. 2010	6.875	102.88	1.85
May 2011	7.875	105.25	2.99
Mar. 2012	7.500	107.50	3.45
Sep. 2012	7.750	109.38	3.63
June 2013	8.625	113.13	4.18
Apr. 2015	10.000	120.50	5.30
Jan. 2016	8.500	115.13	5.41
May 2016	11.625	129.50	5.79
Mar. 2017	9.000	118.88	5.67
Apr. 2021	8.250	113.50	6.51

Source: Byblos Capital Markets

	Apr 6-9, 10	Mar 29-Apr1, 10	% Change	March 2010	March 2009	% Change
Total Shares Traded	914,020	725,493	25.99	8,084,842	2,056,873	293.06
Total Value Traded	$10,956452	$12,091,628	(9.39)	$59,053,649	$32,104,177	83.94
Market Capitalization	$13.64bn	$13.43bn	1.55	$13.40bn	$8.48bn	58.08

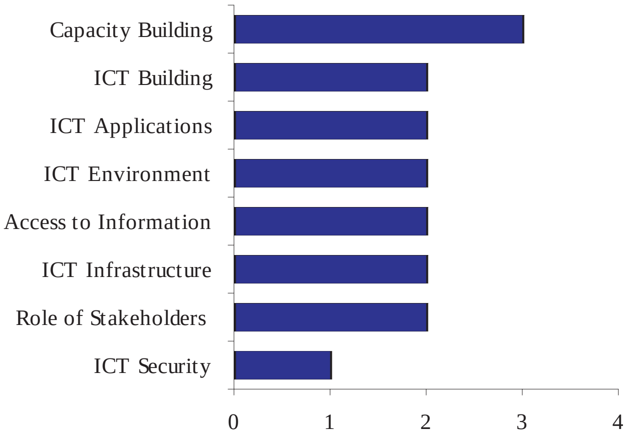
Source: Beirut Stock Exchange (BSE)

Lebanon is at early stage of developing its information society

The United Nations Economic and Social Commission for Western Asia's (ESCWA) evaluation of the status of the information society in the 14 countries of the region indicated that Lebanon is generally still at an early stage of development in building its information society. It used four maturity levels for each aspect of the information society, whereby level 1 indicates the lowest level of maturity and level 4 shows the highest level of maturity.

Lebanon came in Maturity Level 2 in terms of the role of government and stakeholders in building the information society. It was one of four countries in this category that included Oman, Sudan and Syria. The report said Lebanon is awaiting the formal approval of e-Lebanon as the national ICT strategy, which has been delayed due to the political situation in the country. It noted that Lebanon established in 2007 a national coordinating office, which launched a number of national projects and initiatives. Further, an e-government strategy drafted in 2002 was modernized and updated in 2008 and includes clear and realistic goals. But it considered that the pace of implementation of the nation's ICT strategy to be 'limited', similar to the pace in Palestine and Sudan. Seven ESCWA countries are at a more advanced level than Lebanon in this category.

ICT Maturity Level of Lebanon



Source: ESCWA, Byblos Research

Also, Lebanon is at Maturity Level 2 in terms of ICT infrastructure. It is one of five countries in this category that include Egypt, Oman, Palestine and Syria. The survey said Lebanon is characterized by average penetration rates of fixed and mobile telephone lines, an encouraging environment for widespread use of telecom services by businesses and individuals, a national bandwidth/backbone for voice and data telecommunication undergoing development, and a sufficient number of Internet players in the market. Six Arab countries are at more mature levels.

Further, Lebanon came in Maturity Level 2 in terms of access to information and knowledge. It was one of five countries in this category that included Iraq, Jordan, Saudi Arabia and Syria. ESCWA said this maturity level is characterized by a relatively high Internet penetration rate and some development of public information, in addition to limited access to public domain information, sometimes due to censorship. Six Arab countries are at more advanced levels, while three are less advanced than Lebanon.

Additionally, Lebanon is at Maturity Level 3 in terms ICT capacity-building. It is one five countries in this category that include Egypt, Jordan Qatar and Saudi Arabia. ESCWA considered that this maturity level is characterized by widespread use of ICT in schools and universities, extensive IT literacy programs, and progress in research and development. It noted that Lebanon advanced one level since 2007, as it exhibited developments worthy of moving upwards from Maturity Level 2. Only one Arab country is at a more advanced level in this category than Lebanon.

Lebanon came in Maturity Level 1 in terms of security in the use of ICT. It was one of 10 countries in this segment that includes Bahrain, Iraq, Jordan, Kuwait, Oman, Palestine, Sudan, Syrian and Yemen. The report noted that countries ranked at this maturity level lack standards, regulations and policies related to data and network security, as well as privacy policies and laws governing ICT abuse. Lebanon is one of 7 countries that do not have an e-transaction law, one of 6 economies without an e-signature law and one of 12 countries that do not possess Public Key Infrastructure technology.

Lebanon is at Maturity Level 2 in terms of the ICT enabling environment. It is one of four countries in this segment that included Kuwait, Oman and Syria. The survey said countries at this maturity level have signed a fair number of international agreements or treaties related to IPR and patents. But they have few laws regulating cyberspace, with modest progress achieved in the enforcement of cyber laws, while high software piracy rate is common.

Also, Lebanon came at Maturity Level 2 in terms of ICT applications in the public and private sectors. It was one of three countries in this category that included Egypt and Kuwait. The survey said this level is characterized by average progress in ICT applications in all areas. Six Arab countries are at more advanced level in this category than Lebanon. Finally, Lebanon is at Maturity Level 2 in building the ICT sector. It is one of five countries in this segment that includes Bahrain, Kuwait, Oman and Qatar. The report considered that this maturity level indicates the presence of nascent local ICT firms with limited investments, an improved government facilitation role, and the existence of some ICT product exports. Four Arab countries are at a more advanced level in this category than Lebanon.

Lebanon in the News

Fitch Upgrades Lebanon to 'B', warns of increased spending and wide fiscal deficits

Fitch Ratings upgraded Lebanon's Long-term foreign and local currency Issuer Default Ratings (IDRs) to 'B' from 'B-' with a 'stable' outlook. It also upgraded Lebanon's Country Ceiling to 'B' from 'B-' and affirmed its Short-term foreign currency IDR at 'B'. It attributed the upgrade to the significant decline in Lebanon's public debt to 148% of GDP at end-2009 from 180% at end-2006 due to rapid GDP growth and primary surpluses, improved political situation, and the authorities' success in maintaining macroeconomic stability through multiple stress tests since 2005.

It said Lebanon's debt service record remains unblemished despite the country's considerable liabilities and the numerous shocks it faced since 2005, helping it secure regular access to the Eurobond market through the global economic crisis. It added that domestic debt sustainability is higher than the elevated debt-to-GDP ratio would suggest due to the size and depth of the local banking sector, which is the main holder of Lebanese paper. It noted that the resilience of the sector, which is in turn funded by deposits from a dedicated Diaspora, is vital to the ratings.

Fitch said the surge in capital inflows last year, which included a 20% increase in FDI and supported the balance of payments, led foreign exchange reserves to rise to an unprecedented $26bn, or 75% of GDP in 2009 from $17bn or 57% of GDP in 2008. It noted that reserves accumulation and the banks' sizeable holdings of sovereign debt make the Lebanese public sector a significant net external creditor of about 58% of GDP on a residency basis, in contrast to the median of similarly-rated countries where the public sector is a net external debtor of about 14% of GDP.

It warned that Lebanon's high debt level, which is the second highest of all rated sovereigns after Japan, continues to restrain the ratings. It added that the jump in capital spending proposed in the upcoming 2010 budget will result in a deficit of 10.7% of GDP in 2010, up from 9.1% of GDP in 2009. Therefore, it did not expect the debt-to-GDP ratio to decline in 2010?11, especially in the absence of much-needed measures, such as the privatization of the telecom sector and the reduction of Electricité du Liban's deficit. It warned that renewed political turbulence or heightened geopolitical tensions that lead to prolonged declines in non?resident deposits or an increase in the debt burden would adversely affect the ratings.

Central Bank foreign assets increase by 6.4% to $30bn in first quarter of 2010

The Central Bank's interim balance sheet reached $56.1bn at the end of March 2009 compared to $53.75bn at the end of 2009 and to $44bn at the end of March 2009. Assets in foreign currencies increased by 6.4% in the first quarter of the year to $30.1bn, up from $28.3bn at the end of 2009. Assets in foreign currencies increased by $561.7m in March, $236.9m in February, and by $1bn in January. This resulted in an aggregate increase of nearly $1.8bn in the first quarter of 2010. Further, assets in foreign currencies rose by $8.4bn, or 38.6%, year-on-year.

The Central Bank's gold reserves increased by 1.6% in the first quarter and by 20.7% year-on-year to $10.23bn, slightly below the all-time high of $10.8bn reached at the end of last November. Its securities portfolio increased by 1.2% in the first quarter and by 4.5% annually to $7.75bn. Further, deposits of the financial sector rose by $2.24bn, or 6% in the first quartr of the year and by $8.54bn or 27% annually to $40bn due to capital inflows into the banking sector; while deposits of the public sector rose by 31.8% year-on-year to $6bn. Assets in foreign currencies increased by $28.3bn in 2009, $7.34bn in 2008, declined by $580m in 2007 and rose by $1.32bn in 2006.

Stock market activity at $1.2bn in first quarter of 2010

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 75.4 million shares in the first quarter of 2010, an increase of 28% from the same period last year, while aggregate turnover amounted to $1.2bn, up 526% from a turnover of $188m in the first quarter of 2009. Market capitalization increased by 4.3% to $13.4bn in the first quarter of 2010, of which 69.5% was in banking stocks and 28% 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 8.8% compared to 2.2% for the same period of 2009. Bank stocks accounted for 95.7% of aggregate trading volume in the first quarter of the year, followed by real estate stocks with 4.2%. In terms of value of shares traded, banking stocks accounted for 93.7% of aggregate value, followed by real estate stocks with 6.1%. The average daily traded volume for the period was 1,277,270 shares for an average daily value of $20m. The figures reflect an increase of 28.3% in volume and an increase of 526% in value year-on-year.

Fiscal deficit down 69% to $194m in first two months of 2010

Figures released by the Finance Ministry show that the fiscal deficit reached $193.4m in the first two months of 2010, down 69% from $626m in the same period last year. The deficit was equivalent to 12% of total budget and Treasury expenditures compared to 31.7% in the first two months of 2009. Overall government expenditures reached $1.61bn, down 18.4% year-on-year, while total revenues increased by 5.1% to $1.42bn in the covered period. Tax revenues improved by 11.2% year-on-year to $1.02bn, of which 36%, or $370m, were in VAT receipts that posted a 9.4% annual rise. Tax revenues accounted for 76.7% of budgetary revenues and for 72.3% of total Treasury and budget receipts. The distribution of other tax revenues show that income tax receipts grew by 5.1% to $197m, customs revenues rose 3% year-on-year to $273m, real estate registration fees improved by 83.3% to $76m, stamp fees increased by 44.7% to $59.5m, and income from taxes on goods & services rose by 12.6% to $34.7m. Also, revenues from inheritance tax regressed by 1.5% to $5.6m and revenues from built property taxes dropped by 29% to $7.7m. Further, the distribution of income tax revenues shows that taxes on wages & salaries accounted for 38% of total income tax receipts, followed by tax on interest with 31.4%, and taxes on profits with 24.6%. In parallel, non-tax budgetary revenues contracted by 15% to $310.2m, with revenues from government properties dropping by 16% to $244.5m and administrative fees & charges declining by 8.6% to $53.6m.

Debt servicing regressed by 3.7% year-on-year to $505m, accounting for 31.3% of total expenditures and for 40% of budgetary spending. It absorbed 35.6% of overall revenues and 37.8% of budgetary receipts. Excluding debt servicing, the primary surplus reached $589m, or 46.6% of budget expenditures compared to a surplus of $571.2m, or 45.7% a year earlier. The overall primary surplus reached $324.2m, or 20.1% of total spending compared to a deficit of $89m, or 4.5% of total expenditures, a year earlier.

Net public debt at $44.2bn at end-February 2010

Lebanon's gross public debt reached $52bn at the end of February 2010, constituting an increase of 1.7% from end-2009, and an increase of 10% from end-February 2009. Domestic debt increased by 17.2% to $30.8bn, while external debt decreased by 1.2% annually to $21.2bn. Local currency debt accounted for 59.2% of gross public debt at end-February 2010 compared to 55.6% a year earlier, while foreign currency-denominated debt represented 40.8% of the total at the end of February relative to 44.4% a year earlier.

Commercial banks accounted for 61.2% of the local public debt at the end of February 2010 compared to 60.1% a year earlier. It was followed by the Central Bank with 22.6%, down from 24.2% at end-February 2009; while public agencies, financial institutions and the general public accounted for 16.3% of local debt relative to 15.3% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.1% of the external debt, followed by multilateral institutions with 7.2%, foreign governments with 4.6% and Paris II loans with 2.1%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 5.5% to $44.2bn.

Balance of payments posts surplus of $297m in first two months of 2010

Central Bank figures show that Lebanon's balance of payments (BoP) posted a surplus of $714m in the first two months of 2010 compared to a surplus of $664m in the same period last year. The BoP posted a surplus of $759m in February compared to a deficit of $44m in January and a surplus of $300m in February 2009. The February 2010 surplus was caused by a rise of $253m in the Central Bank's net foreign assets and $506m in those of banks and financial institutions. The cumulative surplus over the first two months of 2010 was caused by a surplus of $1.4bn in the Central Bank's net foreign assets and a decline of $722m in those of banks and financial institutions. The balance of payments posted a cumulative surplus of $7.9bn in 2009 and $3.5bn in 2008.

Coincident Indicator up 13.4% year-on-year in January 2010

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 244.1 points in January 2010 compared to 240.5 points in December 2009 and 215.3 points in January 2009. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 1.5% month-on-month, and rose by 13.4% year-on-year. The indicator averaged 228.3 points in the 12-months ending January 2010 compared to 225.8 points in 2009 and to 200.3 points in the 12-months ending January 2009. As a result, the average coincident indicator rose by 14% year-on-year. The indicator posted its best performance ever in January 2010 after posting its best performance ever in November 2009 with 242.7 points. It also reflected a resumption of the increase in monthly activity after a slowdown in December that reversed two consecutive months of increase in activity. Further, the month-to-month increase in November constitutes the eighth highest improvement ever for the indicator for the covered month. In parallel, the indicator improved nine times, and regressed eight times in the month of January since 1993. The indicator averaged 198.4 points in 2008 and 180 points in 2007.

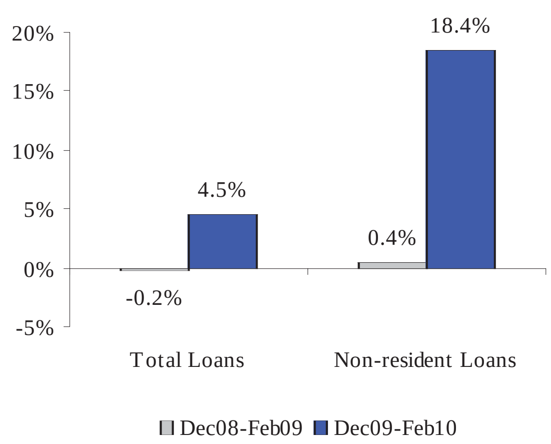
Construction permits up 36% in first two months of 2010

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits reached 1.8 million square meters in the first two months of 2010, up 36% from 1.3 million square meters in the same period last year. Construction permits totaled 1.1 million square meters in February 2010, up 8.1% year-on-year from 1 million square meters in February 2010. In parallel, cement deliveries reached 327 million tons in January 2010, an increase of 2.5% from 319 million tons in December 2009, and a decrease of 3% from 337 million tons in January 2009.

Commercial banks' assets reach $118bn at end-February 2010

The Association of Banks in Lebanon released the consolidated balance sheet of commercial banks showing that total assets reached $118.3bn at the end of February 2010, up 2.6% from end-2009 and up 24.4% from end-February 2009. Private sector deposits totaled $97bn, up 1.4% from end-2009 and up 23% from end-February 2009. Deposits in Lebanese pounds reached $35.3bn, up 3.9% from end-2009 and up 40% year-on-year, while deposits in foreign currencies reached $61.7bn and remained unchanged from the end of last year but increased by 15.2% from end-February 2009. Non-resident foreign currency deposits reached $13.8bn at end-February 2010, decreasing by 2.9% from end-2009 and increasing by 29% year-on-year. In parallel, deposits of non-resident banks reached $5.2bn, up 12.7% from end-2009 and up 49.4% from end-February 2009. The dollarization rate of deposits reached 63.6% at end-February 2010, down from 64.5% at end-2009 and from 67.9% a year earlier. Further, the average deposit rate in Lebanese pounds reached 6.42% compared to 7.13% a year earlier, while the same rate in US dollars was 2.99%, down from 3.25% in February 2009.

Growth in Private Sector Loans (%)



Source: Association of Banks in Lebanon

Loans to the private sector amounted to $29.9bn, up 5.3% from end-2009 and up 19.8% year-on-year. The dollarization rate in private sector lending reached 83.8% compared to 84% at end-2009 and 86.1% a year earlier. The average lending rate in Lebanese pounds was 8.83% in February 2010 compared to 10.03% a year earlier, while the same average in US dollars was 7.26% compared to 7.28% in February 2009. Claims on the public sector stood at $30.1bn, up 18.7% year-on-year and up 3.7% from end-2009, and accounted for 50.2% of the banking sector's total loans. The ratio of private sector loans to deposits in foreign currencies stood at 41%, well below the Central Bank's limit of 70%, and slightly above the ratio of 40% a year earlier. In parallel, the same ratio in Lebanese pounds was 13.7%, unchanged from a year earlier. The ratio of total private sector loans to deposits stood at 30.8%, down from 31.6% a year earlier. The banks' aggregate capital base stood at $7.95bn, unchanged from end-2009 and up 10.6% from $7.18bn in February 2009.

Lebanon produces 1.5 million tons of solid waste, only 10% are recycled

The Environment Ministry indicated that Lebanon produces around 1.5 million tons of solid waste annually, of which 10% are recycled, 40% are thrown in dumps and 50% disposed of in landfills. Organic matters account for 50% of solid waste in the country, followed by papers & cardboards and plastics with 17% each, textile and glass with 5% each, metals with 3%, and other types of solid waste with 3%. It said that over the past 10 years, waste collection services and recycling have been increasing, but related projects have been initiated to address urgent problems only. Therefore, landfills are still the main option adopted in Lebanon even for fermented organic materials. It attributed this inefficiency to the weak capacity and lack of effective programs to sort waste at the source. Also, waste management programs continually ignore the adoption of integrated management systems, starting with reducing waste at source, reusing and recycling. The ministry said integrated management systems for solid waste are available over 19% of the Lebanese territory and cover 60% of the population. They are present in Beirut, Mount Lebanon, Tripoli and Zahlé. It added that solid waste in the rest of the regions is thrown in dumps that total about 200 and include 27 dumps that need to be urgently addressed. It noted that solid waste mismanagement is leading to a minimum of $15m in annual environmental damage. As such, the ministry is proposing a comprehensive solution that includes collection, light sorting, recycling, thermal disintegration, and proper disposal. It is suggesting to have four centers for such activities in Beirut & Mount Lebanon, Bekaa & Baalbek-Hermel, the South & Nabatieh, and in the North & Akkar. It estimated the budget for such operations at $55 per ton, with the government buying energy for the plants at a cost not exceeding $0.11 per kilowatt per hour. It added that the plan extends over a minimum of 25 years, including two years of preparations and another two years of implementation.

Government to drop tariffs on hybrid cars

The Finance and Environment ministries jointly announced that the 2010 draft budget will include a waiver of import tariffs on hybrid cars, despite the fact that tariffs on imported cars represent a significant portion of tax revenues. Tariffs on imported cars totaled $52.2m in the first two month of 2010, accounting for 19% of overall customs revenues and for 5% of total tax revenues in the covered period. Further, the average effective excise tax rate on cars was about 28% in 2009. Environmental specialists estimate that 70% to 80% of air pollution in Lebanon emanate from transportation vehicles. The two ministries are also studying a plan to substitute the entire taxi fleet in Lebanon, which totals about 20,000 cars, by environmentally friendly vehicles.

Byblos Bank acquires bank in Democratic Republic of Congo, becomes first Lebanese bank to enter market

The Byblos Bank Group announced the acquisition of Solidaire Banque Internationale, a private bank operating in the Democratic Republic of Congo (DRC), becoming the first Lebanese bank to enter the Congolese market. The newly-acquired bank is operating as an independent subsidiary of the Byblos Bank Group and has been renamed Byblos Bank DR Congo. It offers corporate and commercial banking services, trade finance, consumer banking, and investment services, among others. The expansion in the DRC 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. 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.

The DRC's banking sector has 18 privately-held banks, including 16 banks with foreign majority ownership. The economy has a low banking penetration rate, as the banking sector had consolidated assets of about $1.4bn and deposits of $1.23bn, equivalent to about 11.4% of GDP and 10.6% of GDP, respectively, at the end of 2008. Further, private sector credit reached $880m, about 7.5% of GDP. The International Monetary Fund recently indicated that the global financial crisis has had a limited direct impact on the DRC's banking system and projected real GDP growth at 5.4% in 2010 an 7.3% in 2011, up from 2.8% in 2009. Agriculture and forestry account for 37.4% of GDP, followed by services with 35%, mining with 13.4%, and industry with 12.6%.

Byblos Bank announces dividends for 2009

The Board of Directors of Byblos Bank sal announced that it will propose to the Ordinary General Assembly convened to meet on April 23, 2010, the distribution of dividends for 2009 as follows: LBP 200 per share for holders of common shares; LBP 200 per share and 4% of the share's nominal value (LBP 48.4 per share) for holders of Priority Shares; $8 per share for holders of Series 2008 Preferred Shares and $3.35 per share for shareholders carrying Series 2009 Preferred Shares. The dividends will be paid around April 29, 2010 net of a 5% distribution tax. Also, LBP 200 per share will be paid in U.S. dollars starting May 5, 2010 for GDR holders through the depositary The Bank of New York Mellon, after deducting the 5% tax.

In parallel, the Board of Directors of Byblos Bank sal invited its shareholders to its Ordinary Annual General Assembly to be held on April 23, 2010. The agenda of the meeting includes hearing the Board of Directors and the auditors' reports for 2009, approving the financial statements of 2009, granting clearance to the Chairman and Board members for their administrative duties during 2009, and to authorize the Board members to carry out during 2010 all the operations described in the special report of both the Board of Directors and the auditors.

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.

Byblos Bank to increase capital by $114m

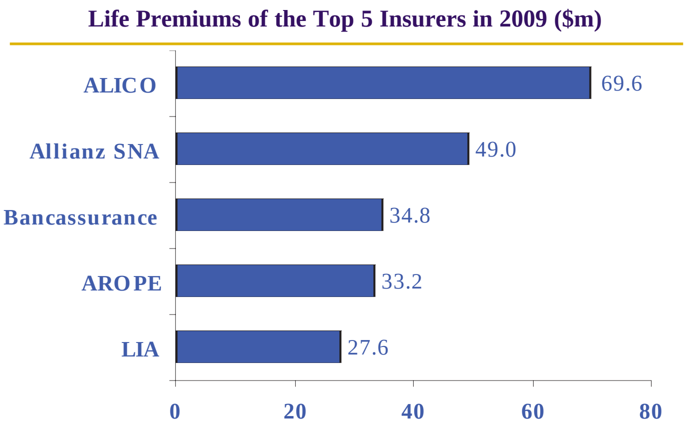
The Extraordinary General Assembly of Byblos Bank sal held on February 19, 2010 decided to increase the Bank's capital by $114.3m through issuing 142,378,760 additional common shares with a par value of LBP 1,210 ($0.8) each. The new shares will be added to the existing 217,112,557 common shares, raising the bank's capital to $457.12m distributed into 359,491,317 common shares, 206,023,723 priority shares, and 4,000,000 preferred shares. The capital increase will be reserved to the Bank's holders of common, preferred 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.

Fitch upgrades Byblos Bank on sovereign rating action

Fitch Ratings upgraded Byblos Bank sal's Long-term Issuer Default Ratings (IDRs) to 'B' from 'B-' with a 'stable' outlook. It also affirmed the Bank's Short-term foreign currency IDR at 'B', the Individual Rating at 'D', the Support Rating at '5', and the Support Rating Floor at 'CCC'. It also upgraded the IDRs of Bank Audi to 'B' from 'B-' and affirmed BLOM Bank's Support Rating at '5'. The agency attributed the upgrades to its earlier upgrade of Lebanon's Long-term local and foreign currency IDRs to 'B' from 'B-' with a 'stable' outlook.

It indicated that the banks' ratings and outlooks are closely related to, and constrained by, those of the sovereign given that about half of their balance sheets remain invested in government debt, either through holdings of government paper or maintained as reserves at the Central Bank of Lebanon. Fitch said that Lebanon's banking system is one of the country's main strengths. It added that banks are liquid and consistently profitable, and have withstood the effects of the global credit crunch and the international economic challenges as well as recent political unrest. The agency noted that Lebanese banks maintained relatively strong performances in recent years due to well-contained loan growth in the past few years, low reliance on wholesale funding, strong customer deposit growth in 2008 and 2009, as well as strict and effective restrictions imposed by the Central Bank of Lebanon.

Life premiums post 11.3% rise to $232.4m in 2009



Source: Al-Bayan

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon show that total life premiums reached $323.4m in 2009, constituting an increase of 11.3% from $290.5m in 2008 and compared to a growth rate of 4.4% in 2008. Life premiums totaled $278m in 2007, $209m in 2006, $202m in 2005 and $180m in 2004. A total of 15 firms posted double-digit growth rates while three firms registered a triple-digit rise in life premiums. The market has 35 companies offering life insurance.

American Life Insurance Company (ALICO) maintained its market lead with $69.6m in life premiums, equivalent to a 21.5% market share, down from 26.7% in each of 2008 and 2007 and from 34% in 2006. It was followed by Allianz-SNA with $49m, Bancassurance with $34.8m, AROPE with $33.2m, and LIA with $27.6m as the top 5 providers of life insurers in Lebanon. Seven of the top 10 life insurers posted increases in their premiums, with MEDGULF recording the biggest year-on-year rise at 237.5%, while LIA posted a 16.8% drop in its premiums, constituting the steepest fall among the top 10 firms. ALICO posted a drop of 10.2% in its premiums, constituting the first decline in its premiums since it started operating in Lebanon. The rankings of the first two of the top 10 firms were unchanged, one firm advanced to the top 10, while the ranks of three firms increased and four declined. Bancassurance and MEDGULF rose by two notches each to third and sixth place, respectively, while CLA rose by one notch to 9th place. Also, AROPE, LIA, ADIR and SOGECAP Liban dropped by one notch each to 4th, 5th, 7th and 8th place, respectively. In parallel, Bankers Assurances advanced by one notch to 10th place, while AXA Middle East dropped by two notches to 11th place. The survey indicated that many insurers saw a drop in their premiums due to the global financial crisis that had a negative impact on personal savings and on life insurance companies worldwide. It noted that seven of the top 10 providers of life insurance are affiliated to commercial banks, reflecting the growing influence of the banking sector on the insurance sector.

The top 5 life insurers in Lebanon controlled 66.2% of the market in 2009 compared to 73% in 2008 and to 76.8% in 2007. Their aggregate premiums reached $214.2m compared to $212.7m in 2008 and $213.7m in 2007. *Al-Bayan*'s survey shows that overall life and non-life premiums rose by 18.4% to $1.04 billion in 2009, compared to a growth rate of 15.7% in 2008, with life premiums accounting for 31% of the total. It said the top 10 insurers in Lebanon accounted for 67.3% of the combined life and non-life market, while the top 20 firms accounted for 83.5% of aggregate premiums in 2009, with MEDGULF leading all insurers with $117m in total premiums, followed by Allianz-SNA with premiums of $95m.

TMA receives first airplane

Cargo airline Trans Mediterranean Airlines sal (TMA) announced that it has received its first airplane, an Airbus 300-600 that will soon operate out of the Rafic Hariri International Airport. Lebanese businessman Mazen Bsat bought TMA in February 2009 and pledged to resume its operations and pay all of its $60m dues to its former and actual pilots and to the government. TMA has been grounded since mid-2005 and all of its bilateral transportation agreements have been suspended. TMA's assets upon the purchase included five Boeing 707 planes, a head office, hangars and maintenance equipment at the Hariri International Airport, as well as offices in Paris and Rome. In addition, its existing fleet is considered outdated and was put out of service in most countries. It currently has 180 employees and a few pilots. Established in 1953, TMA was the first cargo airline in the Middle East and the Arab world to establish direct shipping lines to the United States, and the first regional carrier to have direct shipping lines between Japan and the United States. The company's new management also aims to create a training center for freight operations.

Housing Bank raises loan ceilings

The Housing Bank sal increased the ceiling of its real estate loans from LBP 450m or $300,000 to LBP 600m or $400,000. Such loans are used to build new homes or to buy existing residences. It also raised the ceiling on loans for housing repairs from LBP 150m ($100,000) to LBP 200m ($132,670). The increase in the loan ceilings comes amid an unprecedented rise in real estate prices in the country during the previous three years. The bank extends 20-year loans to build new residences or to buy exiting units as well as 10-year loans for housing repairs, with grace periods ranging from three months to two years. The bank, which extends loans to Lebanese residents and expatriates, increased the loan ratio extended to non-resident Lebanese from 50% to 60% of a housing unit's total value, and the ratio can increase to 80% in case of acceptable guarantees or collateral. Residents can borrow up to 80% of a house's value. Residents can borrow up to 80% of a house's value. The bank extended loans totaling LBP 125bn, or about $83m, in 2009 and is targeting to increase its portfolio by LBP 250bn this year. The Housing Bank, whose capital is $33.3m, is owned by commercial banks, local insurance companies and the government, with the latter holding 20% of the bank's capital. The bank also benefits from deductions in reserve requirements from commercial banks.

Corporate Highlights

Kafalat loan guarantees rise by 58% to $46.3m in first quarter of 2010

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $46.3m in the first quarter of 2010, up 57.5% from $29.4m in the same period last year. The number of loan guarantees totaled 392 in the first quarter of 2010 compared to 214 in the same period last year. The average loan size reached $118,173 compared to $137,383 in the first quarter of 2009. The agriculture sector accounted for 49.2% of the number of guarantees, followed by industry with 37.2%, tourism with 10.7%, specialized technologies with 2.3%, and handicraft with 0.5%. Mount Lebanon accounted for 39.8% of guarantees, followed by the Bekaa with 23.7%, the North with 14.3%, the South with 10.2%, Nabatieh with 8%, and Beirut with 4.1%. Kafalat-backed loans totaled $17.8m in March, in $12.2m in February, and $16.3m in January; while the number of guarantees reached 122 in March, 137 in February, and 134 in January. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to $400,000 earmarked for the set up and expansion of small and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

Hotel occupancy at 61% year-to-February

Figures released by Deloitte and STR Global show that the occupancy rate at Beirut hotels reached 61.4% in the first two months of 2010, compared to 63.1% in the same period last year. Also, the city's revenues per available room (RevPAR) totaled $140.12 during the first two months of the year, constituting an increase of 35.4% from the corresponding period in 2009. In comparison, occupancy rates at hotels in the Middle East was 60% during the covered period relative to 61.3% in the first two months of 2009, while the region's RevPAR was $131.42, down 13.3% from $151.51 in the same period last year.

Bank Audi plans dividends of LBP 5,012 per common share for 2009

The Board of Directors of Bank Audi sal called for an Ordinary General Assembly to be held on April 12, 2010 and announced that it will propose to distribute dividends of LBP 5,012 ($3.33) per share, net of a 5% distribution tax, for shareholders carrying common shares.

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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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