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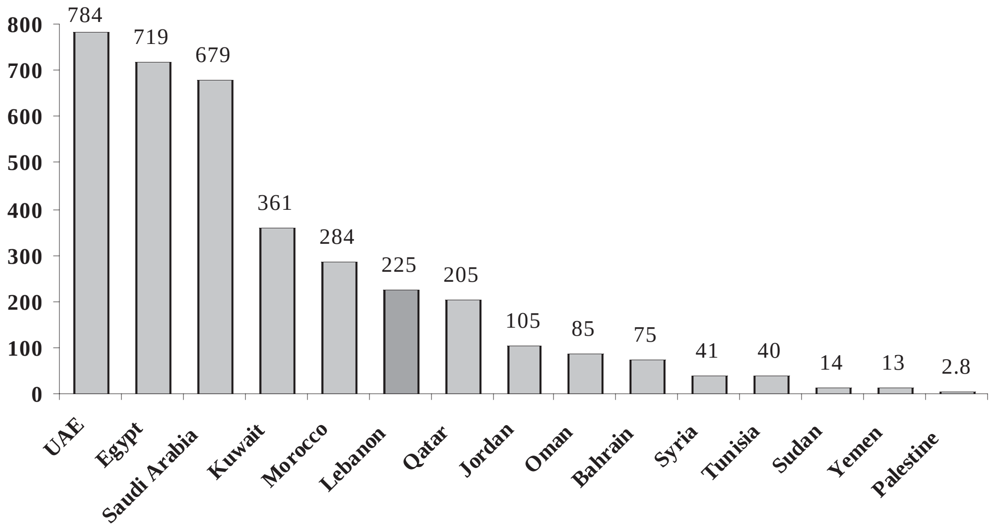
LEBANON THIS WEEK

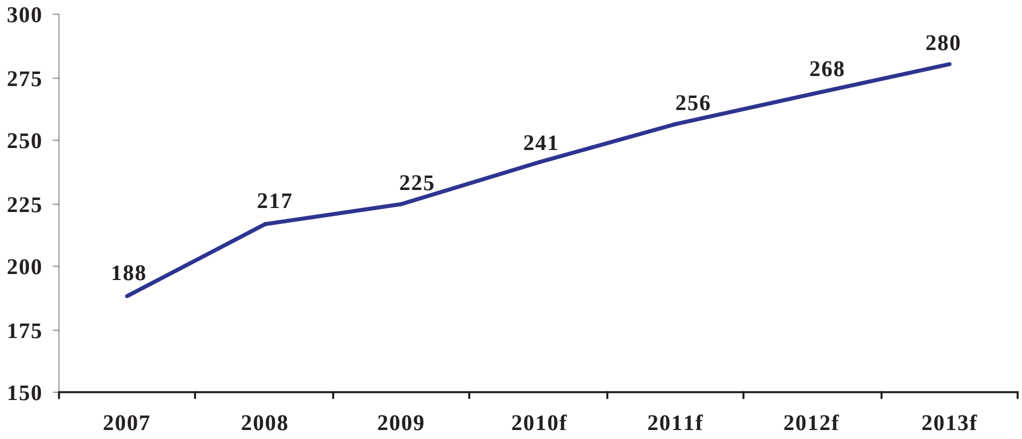
In This Issue

Charts of the Week

Advertising Expenditures in Arab Countries in 2009 ($m)



Advertising Expenditures in Lebanon ($m)



Source: Value Partner, Zenith Optimedia

Quote to Note

"We consider this unexpected escalation as a sufficient signal to be more cautious in our risk assessment of Lebanese assets."

Barclays Capital, following the recent and sudden escalation of geopolitical tension in the region

Number of the Week

$375: Government subsidies per capita to the money-losing Electricité du Liban in 2009, according to the Finance Ministry

Economic Indicators

$m *(unless otherwise mentioned)*	2008	Feb 09	2009	Dec 09	Jan 10	Feb 10	% Change*
Exports	3,478	376	3,486	364	313	342	(9.04)
Imports	16,133	1,035	16,241	1,380	1,245	1,026	(0.87)
Trade Balance	(12,655)	(659)	(12,755)	(1,016)	(932)	(864)	31.11
Balance of Payments	3,462	300	7,899	1,610	(44)	759	153
Checks Cleared in LBP	9,350	815	11,122	1,061	1,088	966	18.53
Checks Cleared in FC	43,174	2,872	45,270	4,756	4,444	3,929	36.80
Total Checks Cleared	52,524	3,687	56,392	5,817	5,532	4,895	32.76
Budget Deficit/Surplus	(2,921)	(325)	(2,960)	(368)	(18)	(176)	45.85
Primary Balance	597	(826)	1,078	72	202	123	(114.89)
Airport Passengers	4,085,334	276,825	4,986,544	738,211	369,694	339,237	22.55

$bn *(unless otherwise mentioned)*	Dec 2008	Feb 09	Nov 09	Dec 09	Jan 10	Feb 10	% Change*
BdL FX Reserves	17.06	18.24	24.81	25.66	26.78	26.88	47.37
In months of Imports	*15.03*	*17.62*	*15.69*	*18.59*	*21.50*	*26.20*	*48.69*
Public Debt	47.02	47.21	50.46	51.09	51.65	51.98	10.10
Net Public Debt	41.49	41.89	44.01	44.11	43.92	44.20	5.51
Bank Assets	94.25	95.12	113.57	115.25	116.52	118.27	24.34
Bank Deposits (Private Sector)	77.78	78.88	94.06	95.77	95.99	97.07	23.06
Bank Loans to Private Sector	25.04	24.94	28.81	28.37	29.36	29.87	19.77
Money Supply M2	24.76	26.23	33.19	34.16	34.77	35.42	35.04
Money Supply M3	68.66	69.41	81.04	82.08	82.43	83.75	20.66
LBP Lending Rate (%)	9.95	10.03	9.13	9.04	8.91	8.83	(120b.p.)
LBP Deposit Rate (%)	7.22	7.13	6.81	6.75	6.61	6.42	(71b.p.)
USD Lending Rate (%)	7.47	7.28	7.25	7.28	7.26	7.26	(2b.p.)
USD Deposit Rate (%)	3.33	3.25	3.07	3.05	3.04	2.99	(26b.p.)
%* Change in CPI**	6.36	2.80	4.47	4.20	4.96	9.04	624b.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"	23.32	(1.27)	210,709	17.36%
Solidere "B"	23.01	(2.66)	60,125	11.14%
Byblos Common	2.18	(10.66)	29,148	3.52%
Byblos Priority	2.22	(9.76)	4,631	3.41%
Byblos Pref. 08	104.50	0.00	0	1.56%
BLOM GDR	97.50	(3.18)	11,600	5.36%
BLOM Listed	97.50	0.00	8,000	15.61%
Audi GDR	90.00	(1.80)	13,058	6.81%
Audi Listed	88.95	(1.17)	1,353	22.79%
HOLCIM	12.10	2.89	4,061	1.76%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov. 2010	6.875	102.63	2.17
May 2011	7.875	105.25	2.88
Mar. 2012	7.500	107.50	3.41
Sep. 2012	7.750	109.50	3.53
June 2013	8.625	113.00	4.17
Apr. 2015	10.000	120.50	5.27
Jan. 2016	8.500	115.50	5.32
May 2016	11.625	130.00	5.67
Mar. 2017	9.000	118.75	5.68
Apr. 2021	8.250	113.75	6.47

Source: Byblos Capital Markets

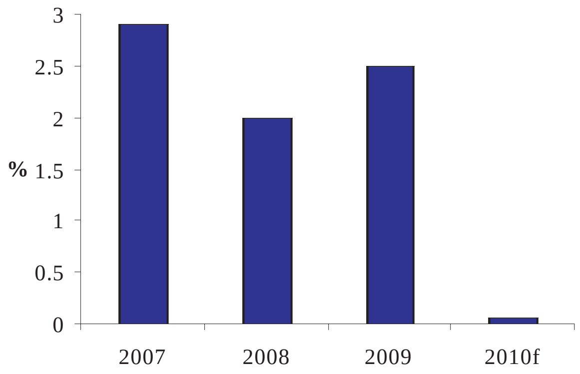
	Apr 12-16, 10	Apr 5-9, 10	% Change	March 2010	March 2009	% Change
Total Shares Traded	375,443	914,020	(58.92)	8,084,842	2,056,873	293.06
Total Value Traded	$1,478,099	$10,956,452	(86.51)	$59,053,649	$32,104,177	83.94
Market Capitalization	$13.43bn	$13.64bn	(1.54)	$13.40bn	$8.48bn	58.08

Source: Beirut Stock Exchange (BSE)

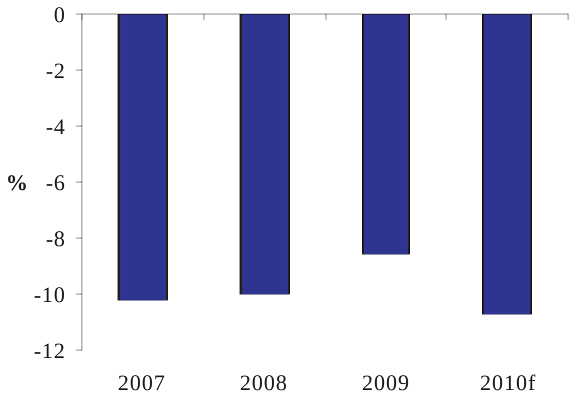
Draft budget has record fiscal deficit of $4bn, equivalent to 31% of expenditures and 11% of GDP

The Ministry of Finance issued the budget draft for 2010 that shows overall budget and Treasury expenditures at $13.2bn, constituting an increase of 15.5%, or $1.8bn, from 2009; and aggregate revenues of $9.2bn, up 8.6% or $726m, from the previous year. As a result, the fiscal deficit would reach $4bn, or 30.5% of overall spending compared to a deficit of $3bn or 25.6% of expenditures in 2009. The ministry estimated the deficit at 10.7% of GDP in 2010, up from 8.6% of GDP in 2009; and the primary surplus at 0.05% of GDP compared to 2.5% of GDP last year. The spending figures exclude the reimbursement of $303m in soft loans related to capital expenditures. When including this amount, the deficit would rise to $4.3bn, or 11.5% of GDP. The ministry based its projections on real GDP growth of 4.5% and average inflation of 3.5% this year. It estimated the debt-to-GDP ratio at 147.5% of GDP at end-2010, unchanged from a year earlier.

Overall Primary Balance (% GDP)



Fiscal Balance (% GDP)



Source: Ministry of Finance

The ministry forecast budgetary spending at $12.4bn, up $1.5bn or 14.4% year-on-year, and revenues at $8.6bn, an increase of 14% from the previous year. As such, it estimated the budget deficit to rise by 15.4% to $3.76bn in 2010, constituting 30.4% of expenditures relative to 30.2% of spending last year. On the expenditures side, it projected debt servicing at $4.34bn, an increase of 1.8% year-on-year, accounting for 33% of overall spending and absorbing 47% of total revenues. It also forecast current expenditures to rise by 11.3% to $6.7bn and for capital spending to jump by a massive 148% to $1.35bn, leading to a 22.6% increase to $8bn in primary budgetary outlays. The distribution of current expenditures shows that wages & salaries increase by 9.2% to $3.74bn, subsidies to Electricité du Liban rise by 27.3% to $1.6bn, social & health outlays grow by 24.3% to $762m, government operations grow by 15.5% to $400m, and agricultural subsidies jump by 22% to $82.3m. The distribution of capital spending indicates that spending on electricity facilities & their maintenance jumps by 120% to $320.4m; disbursements on new buildings increases by 295% to $267m; expenditures on road construction & repairs rise by 97% to $228.2m; and outlays for facility maintenance grow by 60% to $117m. The ministry estimated capital spending at 3.6% of GDP for 2010 compared to 1.6% of GDP last year. It said such spending would reach $2.3bn or 6.1% of GDP when including off-budgetary spending, compared to $0.9bn or 2.7% of GDP in 2009.

On the revenues side, it expected tax receipts to rise by 12% to $6.7bn and to account for 73% of total revenues; while it forecast non-tax income to contract by 4.7% to $1.9bn due to an 8% drop in telecom revenues. The distribution of tax revenues shows that the ministry forecasts VAT receipts to improve by 8.7% to $2.1bn; customs revenues to expand by 4.8% to $1.85bn; income tax receipts to jump by 26% to $1.53bn; and property taxes to rise by 21% to $648m. In order to boost revenues, the ministry said it imposed "slight increases" in certain taxes. It increased the tax on deposit interest rates from to 7% from 5% and real estate registration fees to 7% from 5% on properties exceeding $0.5m in value. It also imposed a new 3% fee on one-time revaluations of fixed assets and real estate of companies, as well as subjected empty buildings to the built property tax. In parallel, it granted certain tax and fee exemptions, such as eliminating public school registration fees and the fees to take the official exams; increasing the exemptions on inheritance taxes by nearly three times; canceling the sales tax for small tourism outlets that are not subject to VAT; exempting hybrid cars from customs fees; reducing penalties on taxes and fees by 90% in order to encourage taxpayers to settle their dues; and raising the tax exemption on built property inhabited by owners to $6,000 from $4,000.

LNG is viable solution to energy problems, offshore platform near Zahrani site to save up to $80m per year

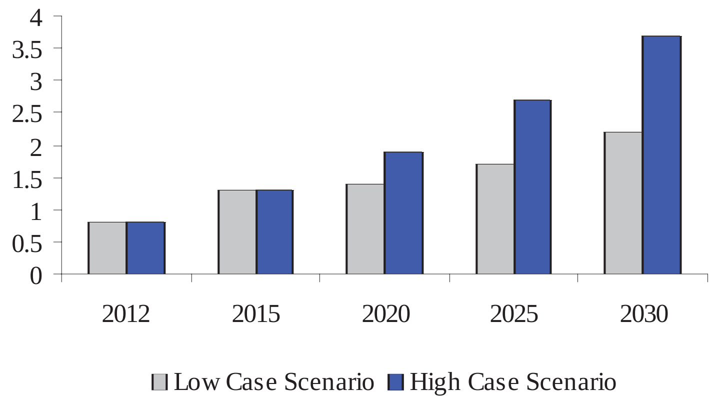
A study commissioned by the World Bank from consultants Poten & Partners indicated that liquefied natural (LNG) can offer important support to Lebanon's energy sector over the medium to long term by significantly reducing power generation costs. It said Lebanon's electricity sector has reached a state of crisis due to inadequate generation capacity and high costs, and recommended the development of LNG supply as an alternative, as Lebanon faces favorable LNG market conditions in the next few years. It said LNG can offer important relief by significantly reducing generation cost at the Zahrani combined cycle gas turbine (CCGT) power station by displacing distillate oil, and by creating the option to fuel CCGT generation capacity expansion in the south of the country. It noted that the Beddawi CCGT in northern Lebanon is being supplied with natural gas from Egypt via the Arab gas and Gasyle 1 pipelines. But it considered that it will be expensive to transport gas from Beddawi to the south, and that gas volumes from the Arab gas pipeline are expected to be limited.

Poten & Partners stated that current LNG market conditions provide an opportunity for Lebanon to secure LNG supply, as more than 80 million tons per year of new supply are projected to reach the global market between 2009 and 2013. It noted that the Middle East & North Africa region is the best source to supply Lebanon, as it is adding around 55 million tons per year of LNG, and will have a production facility of about 140 million tons per year by 2015 with substantial uncommitted and flexible LNG availability. It identified Qatar, Algeria, Yemen and Egypt as the key potential LNG sources given their supply availability and geographic proximity to Lebanon. It noted that LNG supplies in these countries are mostly controlled by Sonatrach, Qatar Petroleum, GDF-Suez, BG and Total, which are all very good potential partners for Lebanon and are very experienced in the LNG trade both from a technical and commercial perspective.

It estimated Lebanon's needs at 1.5 million to 2 million tons per year by 2020, and encouraged authorities to move quickly to secure LNG supply, as it projected a return to a more balanced LNG market by 2014. It said Lebanon could secure long term prices of around $7 per million British Thermal unit in the current surplus market conditions, and that Lebanon would not have to pay an additional country-specific risk premium. It warned, however, that suppliers will not accept Electricité du Liban as a creditworthy LNG buyer and that they would require additional government guarantees and perhaps a World Bank partial-risk guarantee for a long term LNG supply agreement.

Poten & Partners said the economics of LNG imports are feasible for the Zahrani site and are justified based on the displacement of distillate oil as its primary fuel supply. It noted that implementing the LNG solution at Zahrani could result in savings of between $75m and $80m per year, internal rate of return of more than 90%, and investment payback in one to two years. It indicated that the main constraints at the Zahrani site are the lack of port infrastructure and the shallow water depth, and identified offshore regas technology as best for the site. It estimated upfront capital cost to be the highest for the onshore conventional terminal, at around $550m, and the floating storage and regasification unit (FSRU) adjacent to berth at around $200m. It said the lowest cost, of about $70m, would be for the permanently moored offshore FSRU with ship-to-ship LNG transfer. It added that the FSRU would moor offshore and be linked to the coast by a subsea gas pipeline, avoiding the costly port and jetty construction required for the other competing technologies.

Projected Annual LNG Consumption in Lebanon (MMt/y)



Source: Poten & Partners

Moody's upgrades sovereign ratings to 'B1', warns about high deficit and public debt

Moody's Investors Service upgraded Lebanon's government bond issuer ratings to 'B1' from 'B2', as well as the country ceiling for foreign currency bank deposits to 'B1' from 'B2' and the country ceiling for foreign currency bonds to 'Ba3' from 'B1'. It also maintained Lebanon's local currency country ceiling at 'Ba1' and changed the outlook on the sovereign ratings to 'stable' from 'positive'. The agency attributed the upgrades to a continuation of the positive trends that encouraged it to place Lebanon's sovereign ratings on 'positive' outlook last December, such as the continued improvement in external liquidity, the strengthened ability of the country's banking system to finance fiscal deficits, and an improvement of the domestic political situation with the formation of a consensus government last November.

It said Lebanon's public finances have proven resistant to serious political and economic shocks in recent years, mainly due to the resilience of the country's banking system, which is the government's primary creditor. It added that the Central Bank's large and growing cushion of foreign exchange reserves and its effective regulation of domestic banks bolstered confidence in Lebanon's financial system. It noted that the Central Bank's foreign exchange reserves rose to $26.9bn at end-February 2010 from $9.8bn at the end of 2007, placing the country in a better position to absorb financial shocks such as a potential rise in deposit dollarization, while also providing ample cover for the government's maturing foreign currency debt. Also, the Central Bank holds about $10.1bn worth of gold, constituting a further support to confidence.

Moody's added that the country's commercial banks remain liquid, are well-capitalized and have continued to attract deposits from abroad. It acknowledged the risk that bank deposits could fall in the event of a serious political or economic upheaval, but added that they have displayed a high level of stability during previous crises with the bulk of deposits sourced from the country's large and loyal Diaspora. It expressed concern about Lebanon's significant political and economic vulnerabilities, including wide twin deficits, a very high public debt, a tense domestic political environment, and a precarious geopolitical location. The agency cautioned that the government's weak policy effectiveness may not improve despite the recent formation of a consensus government, and remained alarmed by the slow progress in implementing much-needed economic reforms.

Central Bank to oppose mergers among top 11 banks

Central Bank Governor Riad Salameh declared that the Central Bank will oppose any merger between the top 11 banks in the country, in line with global trends about avoiding having large institutions that would be considered "too big to fail". He added that the Bank will encourage the merger of small and medium size banks with larger entities due to the higher operating costs resulting from new requirements in the sector.

In parallel, he indicated that real GDP growth in Lebanon could exceed 5% in 2010, as private sector lending reached about $1bn and as the aggregate value of cleared checks rose by more than 50% in the first two months of the year. As such, the Bank is monitoring the rise in commodity prices and their impact on inflation, given that it targets an average inflation rate of no more than 4% this year. In parallel, he said that foreign currency deposits continue to be converted to Lebanese pounds, and that such conversions are from new capital inflows rather than from existing deposits. He expected deposit growth to range between 8% and 11% this year based the first quarter's trends, and attributed the slower growth rate relative to the previous two years to the decline in interest rates a s well as to the increase in the deposit base. He noted that the Central Bank has stopped issuing Certificates of Deposits as the Finance Ministry resumed its issuance of Treasury bills after suspending them in March.

The Central Bank also cautioned commercial banks about proposals from some foreign banks and financial institutions to invest in structured products or to participate in financing projects outside the country. He urged Lebanese banks to verify the safety of such investments irrespective of the returns from such placements and the assurances given by the foreign entities, adding that the Bank will increasingly monitor such investments. Governor Salameh also stated that the Bank will be more strict regarding the composition of banks' boards of directors and the profile of members, as banks need to abide by the guidelines of the Basel Committee on this issue.

Central Bank endorses commercial banks' proposal to fully own NDIC

The Central Bank considered that the commercial banks' proposal to fully own the National Deposit Insurance Corporation (NDIC) constitutes a positive step and would help develop the corporation's work in favor of protecting depositors. Last month, the Association of Banks in Lebanon suggested that commercial banks buy the government's share in the NDIC for a contribution of $1bn, of which $500m would be paid this year. The NDIC is equally owned by the government and commercial banks, with each side supposed to contribute $50m annually. But the government has not paid its dues since 1996, making it liable for about $700m. The proposal would exempt the government from its accumulated dues, with banks contributing this amount in place of the State, in addition to valuing the NDIC's assets that are estimated at $1bn, and paying the government $500m in exchange for its 50% share in the NDIC. This would result in the banks' paying $550m this year and $150m per year in the coming two years, and would maintain the NDIC's involvement in managing the organization along with the Central Bank of Lebanon. The ABL also stated that the corporation would be recapitalized within three to five years through raising the banks' annual contribution. In parallel, the amount of deposits to be guaranteed would be raised fro LBP 5m currently to at least LBP 30m. The proposal requires the modification of the NDIC's law or for Parliament to vote on a new draft law.

Occupancy at Beirut hotels at 64%, room yields up 34.5% in January 2010

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that occupancy rate at hotels in Beirut was 64% in January 2010, up from 59% in January 2009. The occupancy rate at Beirut hotels was the 12th highest among 20 markets in the region, compared to 17th in the same period last year. Beirut posted the 5th highest growth in occupancy rates in the region in January 2010, behind Sharm El Shaikh, Hurghada, Makkah and Cairo City. The survey said the average rate per room at Beirut hotels was $248 in January 2010, ranking the capital's hotels as the sixth most expensive in the region, behind Dubai-Beach, Abu Dhabi, Doha, Manama, and Kuwait.

The average rate per room at Beirut hotels increased by 24.3% to $248 year-on-year and posted the second highest increase among all markets in the region behind Riyadh. The average rate per room in Beirut came above the regional average of $197, which declined by 7.7% from $213 in January 2009. Occupancy rates at Beirut hotels were 71% in September, 85% in October, 79% in November and 75% in December 2009.

Further, revenues per available room (RevPAR) were $160 in Beirut in January 2010, up from $119 in January 2009, ranking it in sixth place in the region, after Dubai-Beach, Abu Dhabi, Dubai overall, Doha and Dubai-City. Beirut's RevPAR was up 34.5% year-on-year, posting the second highest rise in the region behind Riyadh, and compared to a decline of 12.7% across the region. Beirut posted RevPARs of $165 in October, $218 in November and $205 in December 2009. Dubai-Beach posted the highest average room rate in the region at $369 and the highest REvPAR at $270, while Dubai-Apartments posted the highest occupancy rate at 82% in January 2010.

Hotel Performance in January 2010

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Dubai - Apartments	82	103	(23.7)
Sharm El Sheikh	80	47	20.5
Dubai-City	78	162	(19.8)
Hurghada	77	32	14.3
Dubai - Overall	77	190	(16.3)
Dubai - Beach	73	270	(10.6)
Cairo- City	71	81	8.0
Cairo - Overall	70	80	5.3
Abu Dhabi	70	217	(20.2)
Jeddah	69	135	(2.2)
Muscat	68	158	(37.8)
Beirut	**64**	**160**	**34.5**
Al Ain	64	117	(10.0)
Doha	60	168	(33.6)
Makkah	57	103	13.2
Riaydh	56	134	55.8
Kuwait	52	134	(38.2)
Amman	48	71	6.0
Madina	46	61	10.9
Manama	45	119	(17.9)

Source: Ernst & Young, Byblos Research

Association of Banks amends reference rate on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to decrease the Beirut Reference Rate in US dollars to 5% from 5.05% previously starting in May. The rate, considered as the reference rate for lending in foreign currency, replaced last year the London Inter-Bank Offering Rate (LIBOR) since the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the Beirut Reference Rate in Lebanese pounds to 8.12% from 8.32% previously. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL indicated that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate. The prime lending rate for US dollar and Lebanese pounds are 8.25% and 10% respectively.

Airport passengers up 21% in first quarter of 2010

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 1,072,673 in the first quarter of 2010, up 21% year-on-year. The UAE accounted for 226,827 passengers, or 21.1% of total passenger activity. It was followed by Saudi Arabia with 135,553 passengers, or 12.6% of the total, France with 100,304 travelers (9.4%) and Kuwait with 88,646 travelers (8.3%). The total number of flights reached 14,551 in the first quarter of 2010, up 26.7% year-on-year. Middle East Airlines registered 4,200 flights, accounting for 28.9% of the total. It was distantly followed by Royal Jordanian Airlines with 698 flights or 4.8% of the total, Etihad Airways with 458 flights, Emirates Airlines with 433 flights and Jazeera Airways with 388 flights. The UAE was the biggest source and destination of traffic to Lebanon, as aircraft movement to and from the UAE totaled 2,371 flights, accounting for 16.3% of the total. Also, the HIA processed 18,388 metric tons of cargo in the first quarter of 2010, of which 18,131 tons of freight and 257 tons of mail. Total cargo processed in the first three months increased by 9.5% compared to the same period last year. MEA processed 2,917 tons of freight, of which 4,923 tons in regular freight and 77 tons in mail.

Moody's upgrades Byblos Bank and three other banks on change in sovereign ratings

Moody's Investors Service upgraded Byblos Bank's long-term foreign currency deposit ratings to 'B1' from 'B2' and Byblos Bank's senior unsecured debt rating to "Ba3' from 'B1'. It also changed to 'B1' from 'B2' the long-term foreign currency deposit ratings of BLOM Bank, Bank Audi and Bank of Beirut. It added that Byblos Bank's 'Ba3' subordinated debt rating is not constrained at Lebanon's 'B1' sovereign debt ceiling. It also changed the outlook on all the ratings to 'positive' from 'stable. The agency attributed the upgrades to its earlier upgrade of the sovereign's ratings to 'B1' from 'B2', adding that the sovereign ratings continue to restrain the banks' overall ratings. It noted that the performance of the rated Lebanese banks was satisfactory in 2009, with all four of them posting net income growth of at least 15%, an have comfortable capitalization levels. Also, customer deposits in the banking system increased by about 20% year-on-year in February. It said earlier that, despite solid economic growth, the strengthened ability of the country's banking system to finance fiscal deficits and an improvement of the domestic political situation, banking and government finances remain co-dependent with sovereign exposures constituting banks' largest credit concentration. It added that banks' ratings could be upgraded if the prevailing consensual political environment is sustained and if the banks continue to diversify their risks away from the sovereign, either domestically or through their regional expansion.

In parallel, Moody's upgraded Lebanon's systemic support indicator to 'Ba3' from 'B1', maintaining the one-notch gap with the current sovereign debt rating of 'B1'. It affirmed the four banks' respective bank financial strength ratings, global local currency (GLC) deposit ratings, local and foreign currency short-term ratings, national scale ratings and Byblos Bank's subordinated bond rating of 'B1', adding that they are not affected by this rating action.

CMA CGM considering investment from Qatar Investment Authority

The Lebanese-owned and France-based container shipping group CMA CGM is reportedly considering an investment of €740m, or about $1bn from the Qatar Investment Authority, the sovereign wealth fund of Qatar. According to reports, QIA is offering the investment in the form of loan guarantees to the firm, which is carrying a heavy debt burden even as operating results in its liner business improve. CMA CGM, which owns 360 ships and employs 16,400 people, has some $5bn in debt following the worst downturn in container shipping history and a series of steep losses from hedging deals on oil prices. The firm’s banks have recently provided about $500m in loans to the carrier in exchange for a management reorganization. Last November, CMA CGM said it was seeking capital from investment funds and needed between $300m and $400m. Qatar is reportedly considering whether to use its investment in CMA CGM as part of its planned maritime hub in the port of Doha. Last year, Moody's Investors Service downgraded CMA CGM's Corporate Family Rating (CFR) and Probability of Default Rating (PDR) to ‘B1’ from ‘Ba1’, while Fitch Ratings downgraded its Long-term Issuer Default Rating (IDR) and its senior unsecured rating to 'BB-' from 'BB+' and kept the outlook at ‘negative’. The agencies no longer rate CMA CGM at the request of the firm. Headquartered in Marseille, the privately-owned CMA CGM is the third-largest container shipping company in the world with 913,000 twenty-foot equivalent unit (TEU) capacity. It has a global network of 81 main lines and 37 feeder lines, calling at 228 ports in 161 countries.

Capital Intelligence affirms bank ratings

Capital Intelligence affirmed BLOM Bank's and Bank Audi's long- and short-term foreign currency ratings at 'B' and 'B', respectively. It also maintained the banks' Financial Strength Rating at 'BBB-' as well as the Support level at '3', adding that all the ratings carry a 'stable' outlook. It noted that the banks' ratings are constrained by Lebanon's sovereign ratings.

The agency said BLOM increased its operating and net profits in 2009 with contribution from its overseas operations, and achieved better returns than the peer group average in part due to provision write-backs. Further, the bank's loan quality is sound as evidenced by an NPLs ratio that is lower than the sector's average. It noted that provision coverage for NPLs is satisfactory, but that higher provisioning levels would provide a stronger buffer against potential new problem loans. In parallel, it said Bank Audi is diversifying its assets and revenues through growing regional operations. It indicated that Audi's NPLs ratio and provisioning charges have increased in 2009, but that the quality of its credit portfolio is sound and provision coverage is at a comfortable level. It said the bank's returns continue to be modest, but that profits rose last year from higher non-interest income.

Capital Intelligence indicated that BLOM Bank's and Bank Audi's balance sheets are satisfactorily capitalized but considered that a higher capital adequacy ratio would be prudent due to Lebanon's historically volatile operating environment. It said the banks continue to maintain a comfortable level of liquidity, reflecting their growing pool of customer deposits. It noted, however, that a considerable proportion of BLOM Bank's and Bank Audi's liquid assets are invested in Lebanese government paper. It expressed concern about this asset concentration given the size of the state's debt burden and the lack of real progress on economic reforms.

Corporate Highlights

BLOM Bank announces dividends

BLOM Bank sal announced that its Ordinary General Assembly held on April 9, 2010 approved dividends distribution of $8.5 per share for shareholders carrying 2004 Preferred Shares, $9.5 per share for shareholders carrying 2005 Preferred Shares, LP6,000 ($4) per share for shareholders carrying common shares, and LP6,000 per share for shareholders carrying GDRs. Dividends on preferred shares will be paid starting April 20, 2010 net of a 5% distribution tax; those on common shares starting on April 21 and those of GDRs starting April 28th.

Bank Audi to pay dividends

Fitch Ratings upgraded Byblos Bank sal's Long-term Issuer Default Ratings (IDRs) to 'B' from 'B-' with a 'stable' outlook. It also Bank Audi sal announced that its Ordinary General Assembly held on April 12, 2009 approved dividends distribution of $7.75 per share for shareholders carrying Preferred Shares Class D, and LP3,276.25 ($3.5) per share for shareholders carrying common shares. Dividends will be paid starting April 15, 2010 net of a 5% tax.

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	Feb 2009	Jan 2010	Feb 2010	Change*	Risk Level
Political Risk Rating	57.0	57.0	57.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	30.0	35.5	35.5	▲	Low
Composite Risk Rating	57.5	60.2	60.5	▲	Moderate
Regional Average	**Feb 2009**	**Jan 2010**	**Feb 2010**	**Change***	**Risk Level**
Political Risk Rating	65.7	64.8	64.7	▼	Moderate
Financial Risk Rating	41.1	42.0	42.1	▲	Very Low
Economic Risk Rating	38.9	35.3	35.7	▼	Low
Composite Risk Rating	72.8	71.0	71.2	▼	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	B1	NP	Stable	B2		Stable
Fitch	B	B	Stable	B		Stable
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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