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BYBLOS BANK SAL

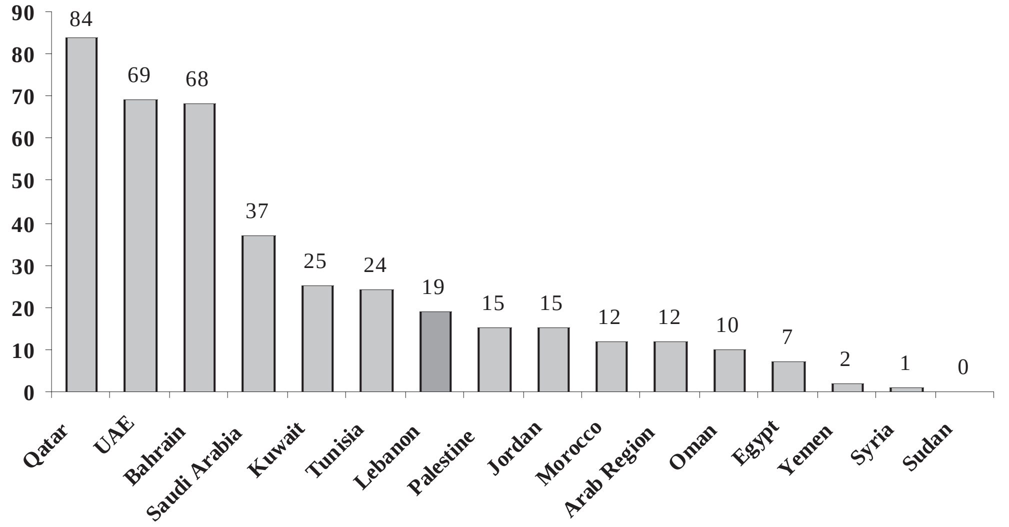
Economic Research & Analysis Department

LEBANON THIS WEEK

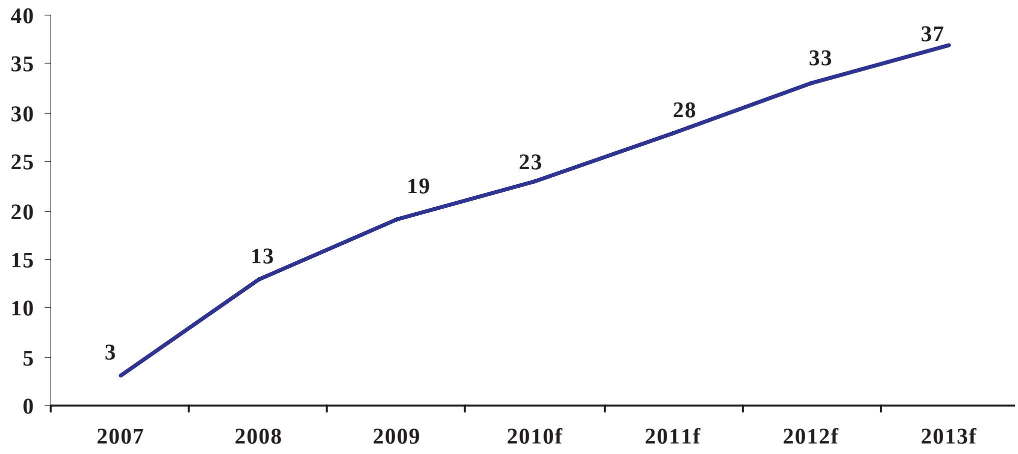
In This Issue

Charts of the Week

Broadband Penetration Rates in Arab Countries in 2009 (% of households)



Broadband Penetration Rate in Lebanon (% of households)



Source: Informa TM

Quote to Note

"The expansionary budget will stretch fiscal balances, reversing three years of declining deficits."

Regional investment bank EFG Hermes, on the expected outcome of the 2010 budget

Number of the Week

2.1%: Gross domestic savings as a percentage of GDP in 2009, according to Fitch Ratings

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	1,206	(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"	22.87	0.44	162,036	17.89%
Solidere "B"	22.70	(0.09)	50,119	11.54%
Byblos Common	1.85	(2.63)	99,672	3.14%
Byblos Priority	1.88	(2.08)	22,900	3.03%
Byblos Pref. 08	100.00	0.00	3,200	1.56%
BLOM GDR	92.10	0.11	19,884	5.32%
BLOM Listed	93.80	1.96	659	15.77%
Audi GDR	87.70	(0.90)	1,083	6.98%
Audi Listed	82.00	(1.03)	13,916	22.07%
HOLCIM	12.75	1.19	1,983	1.95%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov. 2010	6.875	102.00	2.66
May 2011	7.875	105.25	2.49
Mar. 2012	7.500	107.13	3.44
Sep. 2012	7.750	109.25	3.50
June 2013	8.625	113.25	3.99
Apr. 2015	10.000	120.50	5.21
Jan. 2016	8.500	115.25	5.33
May 2016	11.625	129.50	5.70
Mar. 2017	9.000	118.25	5.73
Apr. 2021	8.250	113.00	6.55

Source: Byblos Capital Markets

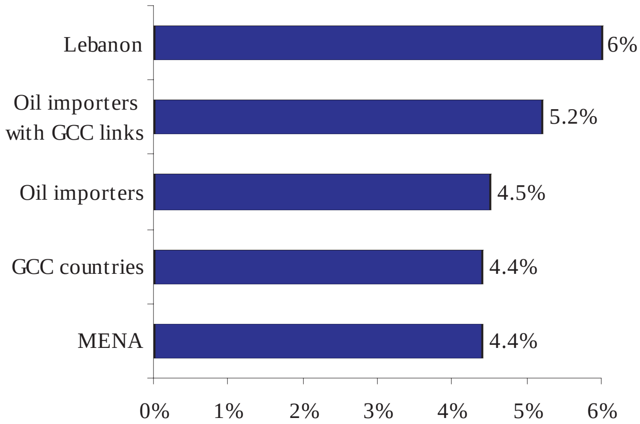
	May 10-14, 10	May 3-7, 10	% Change	April 2010	April 2009	% Change
Total Shares Traded	5,917,775	4,744,400	24.73	26,726,767	2,614,635	922.20
Total Value Traded	$9,445,933	$12,100,033	(21.93)	$84,719,621	$42,197,348	100.77
Market Capitalization	$12.80bn	$12.80bn	(0.15)	$13.01bn	$8.61bn	51.12

Source: Beirut Stock Exchange (BSE)

World Bank projects real GDP growth at 6% in 2010, warns of high fiscal deficit and its impact on growth

The World Bank projected economic growth in Lebanon at 6% in 2010 compared to growth of 4.4% in the Middle East & North Africa, 4.5% for the region's oil importers and 5.2% for oil importers with links to the GCC. It also projected real GDP growth of 6% in 2011 compared to 4.8% in the MENA region and 5.2% for oil importers. Lebanon's projected growth rate in 2010 would make it the fourth fastest growing economy in the MENA region behind Qatar at 18.5%, Yemen at 7.9% and Iraq at 7.3%. It said that Lebanon, along with Jordan and Egypt, are the oil importers that are most likely to benefit from the resumption of growth in the GCC through FDI and remittance inflows. It added that remittances from the GCC represent a non-negligible share of GDP for these countries, and forecast remittance inflows to the developing economies of the MENA region to rise by 1.3% in 2010 and 3.4% in 2011.

Projected Real GDP Growth in 2010 (%)



Source: World Bank

The World Bank forecast Lebanon's fiscal balance to post a deficit of 10.7% of GDP this year relative to a surplus of 1.5% of GDP for the MENA region, a deficit of 7% of GDP for oil importers and a deficit of 9.1% for oil importers with GCC links. The projected fiscal deficit would be the highest by far in the region in 2010. Further, it projected Lebanon's current account deficit at 18.7% of GDP in 2010 compared to a surplus of 6.1% of GDP for the region, a deficit of 5% of GDP for oil importers and a deficit of 15% of GDP for oil importers with GCC links.

In parallel, the World Bank estimated Lebanon's economic growth at 8% in 2009 compared to growth of 2.2% in the MENA region, 4.8% for oil importing economies, and 6.1% for oil importers with GCC links. It noted that growth declined in Lebanon in 2009 from 9.3% in 2008, but the economy grew last year at a much faster pace than other countries, helped by the strength of certain sectors such as tourism and real estate, as well as by private investments. Lebanon was the second fastest growing economy in the MENA region last year behind Qatar. The World Bank said Lebanon posted a fiscal deficit of 9.1% of GDP in 2009 relative to a deficit of 1.9% of GDP for the MENA region, a deficit of 5.7% of GDP for oil importers and a deficit of 9.7% for oil importers with GCC links. Further, it estimated Lebanon's current account deficit at 18.5% of GDP in 2009 compared to a surplus of 2.5% of GDP for the region, a deficit of 4.7% of GDP for oil importers and a deficit of 13.4% of GDP for oil importers with GCC links.

The World Bank warned that high government spending in Lebanon, as well as in Jordan and Egypt, will have an adverse effect on fiscal balances, as fiscal space is limited and the fiscal situation may become a long-term growth issue unless these countries reduce their fiscal deficits in the near future. It noted that Lebanon remains vulnerable to external shocks despite high growth in recent years. It cautioned that, despite some fiscal adjustment, continued donor financing and average growth of 6%, Lebanon's public debt will remain at above 100% of GDP in the next few years. It attributed the elevated debt level to the high cost of servicing the existing large debt stock, and added that the Lebanese government has changed its debt financing strategy by increasing net financing from domestic sources in the local currency.

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 4.88% from 5% previously starting in June. 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 7.72% from 8.12% 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.

Lebanon's piracy rate at 72% in 2009, 39th highest globally and 5th highest in MENA region

The U.S.-based Business Software Alliance (BSA), an industry group representing the world's leading computer software developers, ranked Lebanon in 39th place worldwide and fifth in the Middle East and North Africa region (MENA) in terms of piracy rate in 2009. Also, Lebanon came in 5th place among the 25 upper middle-income countries (UMICs) included in the survey. Lebanon's piracy rate reached 72% last year, down from 74% in 2008, 73% in 2007, 2006 and 2005 and 75% in 2004. The survey covered business application software, as well as operating systems, consumer-oriented software and local-language software. Globally, Lebanon's piracy rate was equivalent to that of Tunisia, and was higher than in Peru, the Philippines and Brunei and lower than Serbia, Honduras and Thailand. Lebanon's piracy rate was higher than rates in Argentina and Uruguay and lower than rates in Panama and Botswana among UMICs. Lebanon's piracy rate was higher than the global rate of 43%, the UMIC rate of 61%, the MENA rate of 64%, the Arab rate of 66% and the Middle East & Africa rate of 59%.

Also, Lebanon posted the 73rd highest piracy-related dollar losses worldwide, the 15th highest losses among the UMICs, the 11th highest losses in the MENA region and the 10th highest losses among Arab countries. Piracy-related losses in the country totaled $46m in 2009, down from $49m in 2008 and up from $44m in 2007, $39m in 2006, $34m in 2005 and $26m in 2004. Globally, Lebanon's piracy-related dollar losses were similar to losses in El Salvador and Puerto Rico, higher than in Tunisia, Panama and Bolivia and lower than losses in Qatar, Azerbaijan and Algeria. Its losses were lower than Slovakia and Croatia and higher than Panama and Uruguay among UMICs. Lebanon's piracy-related dollar losses accounted for 0.09% of global losses, 0.6% of UMIC losses, 2.6% of MENA losses, 3.9% of such losses in the Arab world and 1.6% of losses in the Middle East & Africa region.

Software Piracy in MENA region in 2009

Country	Rate	Rank	Losses (US$m)
Yemen	90%	1	10
Libya	88%	2	25
Iraq	85%	3	129
Algeria	84%	4	55
Lebanon	**72%**	**5**	**46**
Tunisia	72%	6	44
Morocco	66%	7	64
Oman	63%	8	39
Turkey	63%	9	415
Kuwait	60%	10	62
Egypt	59%	11	146
Jordan	57%	12	26
Bahrain	54%	13	21
Qatar	51%	14	50
Saudi Arabia	51%	15	304
UAE	36%	16	155
Israel	33%	17	148
Total MENA	**64%**		**1,739**

Source: Business Software Alliance

Occupancy at Beirut hotels at 70%, room yields up 33.3% in first two months of 2010

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 70% in the first two months of 2010, up from 67% in the same period last year. The occupancy rate at Beirut hotels was the 11th highest among 18 markets in the region, compared to 13th in the same period last year. Beirut posted the 9th highest growth in occupancy rates in the region in the first two months of 2010 compared to the highest growth in the first two months of 2009. The survey said the average rate per room at Beirut hotels was $261 in the first two months of 2010, ranking the capital's hotels as the fifth most expensive in the region behind Dubai-Beach, Doha, Abu Dhabi and Kuwait.

The average rate per room at Beirut hotels increased by 28% to $261 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 $198, which declined by 6% from $211 in the same period of 2009. Occupancy rates at Beirut hotels were 64% in January and 76% in February 2010, compared to 85% in January and 76% in February 2009. Beirut hotels had an occupancy rate of 73% for all of 2009.

Hotel Performance in first two months of 2010

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Sharm El Sheikh	84	47	20.5
Dubai-City	83	176	(14.6)
Hurghada	82	31	14.8
Dubai - Overall	82	204	(10.1)
Dubai - Beach	81	287	(5.0)
Cairo- City	76	88	10.0
Cairo - Overall	75	87	7.4
Abu Dhabi	73	210	(30.7)
Muscat	73	169	(28.7)
Jeddah	71	146	6.6
Beirut	**70**	**184**	**33.3**
Al Ain	70	125	(2.3)
Makkah	69	138	19.0
Doha	68	200	(25.4)
Riaydh	58	138	20.0
Kuwait	57	153	(19.0)
Madina	56	77	18.5
Amman	52	78	20.0

Source: Ernst & Young, Byblos Research

Further, revenues per available room (RevPAR) were $184 in Beirut in the first two months of 2010, up from $138 in the same period last year, ranking it in fifth place in the region, after Dubai-Beach, Abu Dhabi, Dubai Overall and Doha. Beirut's RevPAR was up 33.3% year-on-year, posting the highest rise in the region, and compared to a decline of 6.8% across the region. Beirut posted RevPARs of $160 in January, $209 in February 2010 and $205 in December 2009. Dubai-Beach posted the highest average room rate in the region at $354 and the highest REvPAR at $287, while Sharm El Shaikh posted the highest occupancy rate at 84% in the first two months of 2010.

Overdrafts account for 32% of bank credits, share of trade & services at 38% of utilized credits

FFigures issued by the Central Bank about the distribution of bank credits by type show that overdrafts accounted for $10bn, or 31.6% of total private sector credits at the end of 2009. They were followed by advances against real estate with $7.3bn (23.3%), advances against personal guarantees $5.5bn (17.3%), advances against cash collateral or bank guarantees $4.8bn (15.2%), advances against other real guarantees $2.3bn (7.2%), and advances against financial values $1.7bn (5.5%). In parallel, utilized credits by the private sector totaled $31.6bn at the end of December 2009, with the trade & services sector accounting for $11.8bn, or 38.2% of such credits. It was followed by personal credits with $7bn (22.2%), construction with $4.8bn (15.3%), industry with $3.7bn (11.8%), financial intermediaries with $2.6bn (8.2%) and agriculture with $279m (0.9%), while other sectors accounted for the remaining $1bn (3.4%). Also, wholesale trade represented 42.8% of trade & services credits, followed by real estate services with 20%, retail with 14.6%, transport & storage with 13.4%, hotels & restaurants with 6.4% and educational services with 2.8%.

Personal credits accounted for 76.3% of loan beneficiaries, followed by trade & services with 12.9% of beneficiaries, industry with 3.6%, construction with 1.7%, financial intermediaries with 0.9%, agriculture with 0.8%, while other sectors accounted for 3.8%. Further, the aggregate number of loan beneficiaries grew by 26% year-on-year to 281,513, while 89% of beneficiaries had loans ranging from LBP 5 million to LBP 100 million by end-2009. Beirut and its suburbs accounted for 81.1% of bank credits and for 58% of beneficiaries. It was followed by Mount Lebanon with 8.1% of credits and 15.3% of beneficiaries; South Lebanon with 3.9% of credits and 8.3% of beneficiaries; North Lebanon with 3.8% of credits and 12.4% of beneficiaries; and the Bekaa with 3.1% of deposits and 6.4% of beneficiaries.

Term savings attract 87% of customer deposits

Figures issued by the Central Bank about the distribution of bank deposits showed that term savings in the private sector deposits was the preferred type of account for resident and non-resident bank clients in Lebanese pounds as well as in foreign currencies as at December 2009. Term saving deposits accounted for $38.9bn, or 81.8%, of resident deposits in foreign currency and were followed by checking and current accounts with $7bn (14.8%), sight saving accounts with $1.3bn (2.8%) and other creditor accounts with $300m (0.6%). Further, term saving accounts attracted $29.6bn, or 94%, of resident deposits in Lebanese pounds, followed by checking and current accounts with $1.6bn (5%) and sight saving accounts with $0.4bn (1.4%). Non-residents also favored term saving accounts, which accounted for $12.5bn, or 87.8%, of their foreign currency deposits and for $2.3bn, or 98.1%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled $83.3bn at the end of December 2009, accounting for 87% of deposits in Lebanese pounds and foreign currencies.

In parallel, Beirut and its suburbs accounted for 69% of private sector deposits and for 50% of depositors. It was followed by Mount Lebanon with 12.7% of deposits and 16.9% of beneficiaries; South Lebanon with 7.1% of deposits and 11.9% of beneficiaries; North Lebanon with 6.2% of deposits and 13.4% of depositors; and the Bekaa with 5.1% of deposits and 7.8% of beneficiaries.

Industrial activity up in fourth quarter of 2009

The Central Bank's quarterly business survey indicated that industrial production increased during the fourth quarter of 2009, with a balance of opinion standing at +25, compared to +15 during the same quarter of 2008. The business survey reflects the opinions of enterprise managers on the evolution of their businesses, in order to depict the evolution of a number of key economic variables. For overall demand for industrial goods, the balance of opinion stood at +19 in the fourth quarter of 2009 compared to +13 in the same quarter of 2008. The balance of opinion for foreign demand dropped from +4 to +2 in the same period. The balance of opinion is the difference between the proportion of managers out of total surveyed managers estimating that there has been an improvement in the said variable and the proportion of those who have reported a decline in the variable.

Industrial Activity: Year-on-year evolution of opinions

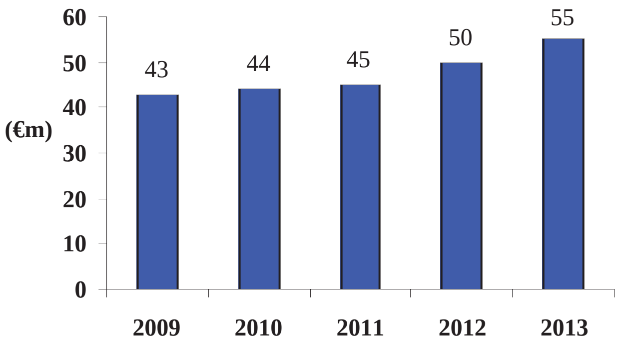
Aggregate results	Q4-06	Q4-07	Q4-08	Q4-09
Production	-25	4	15	25
Total demand	-27	-1	13	19
Foreign demand	-8	12	4	2
Volume of investments	-3	21	23	15
Inventories of finished goods	-18	-8	6	7
Inventories of raw material	-14	-6	1	0
Registered orders	-33	-19	-11	-1

Source: Central Bank Business Survey Q4-09

European Union to provide €150m in assistance during 2011-13

The European Union indicated that it will allocate €150m in bilateral assistance for Lebanon during the 2011-13 period within the framework of the European Neighborhood Policy Instrument. It said the annual average of €50m represents a 7 % increase from support provided during the 2007-10 period, and attributed the increase to the EU's objective of supporting Lebanon's reform agenda and the country's stability. It added that the assistance will gradually increase from €45m in 2011 to €55m in 2013 to keep the option of shifting assistance from a project approach to sector and budgetary support. It noted that it will allocate €91m, or 60.7% of the total, to socio-economic reforms; €34m, or 22.7%, to support the economy's recovery and reinvigoration; and €25m, or 16.7%, for political reforms. In comparison, 46% of the allocations during the 2007-10 period went to social and economic reforms, 42.3% for recovery and reconstruction, and 11.8% for political reforms.

EU Assistance to Lebanon (€m)



Source: European Union

The EU added that support for socio-economic reforms will include €73m for sector reforms and €18m for technical assistance and twinning operations. It said up to €12m may be earmarked in 2011 to a comprehensive program to support economic growth and trade-related assistance, such as better market access for industrial products and improving the business environment. Also, up to €28m could be allocated to build human capital in 2012 by supporting the medium term implementation of the National Education Strategy. Further, it will provide special technical assistance in 2010 and a more structured support of up to €33m in 2013 for the modernization of the country's infrastructure. It will also extend additional support to strengthen the link between research & development and innovation strategies for the Lebanese economy, as well as modernizing the Lebanese legislative and regulatory framework and strengthening the capacity of various Lebanese institutions to apply legislation favorable to socio-economic development. Finally, it intends to provide technical assistance in 2011 to improve the management capacity of the Environment Ministry to help it develop environmental strategies and monitor their implementation.

In parallel, the EU said the recovery and reinvigoration component includes contributing to the development and implementation of decentralization and land-use strategies; pursuing capacity-building activities to help local administrations benefit from external assistance and cooperation programs; and supporting coordination mechanisms for local development and to address regional disparities.

Corporate Highlights

Byblos Bank's strong franchise, international diversification, and asset quality point to positive prospects

Fitch Ratings indicated that Byblos Bank's prospects are positive, as the Bank has the benefit of a strong franchise and increasing diversification, and has demonstrated its resilience to the economic slowdown in the Middle East & North Africa region. It stated that the Bank's day-to-day business is handled by a capable and highly-skilled management team, adding that the Bank has a 12-member board of directors, of whom 10 are non-executive members and seven are independent members.

The agency indicated that Byblos Bank posted strong income growth in 2009 with net profits rising by 20% year-on-year, as the increase in core revenues more than offset a rise in credit costs. It added that profitability ratios were satisfactory with an operating ROAA of 1.4% and operating ROAE of 15.6%. It expected the Bank's profitability to remain strong in 2010, as the Lebanese economy continues to improve and growth in the MENA economies resumes. It expected the Bank's net interest income to increase in 2010 as loan growth picks up again, which should also improve the net interest margin. The agency said the Bank's asset quality continued to improve in 2009, and did not anticipate significant increases in NPLs given the well-controlled loan growth and cautious risk management policies. Also, loan impairment charges remain low and compare well regionally and internationally.

Fitch Ratings added that Byblos Bank has a very strong domestic funding franchise, and non-equity funding consists almost entirely of customer deposits. It said about 80% of the bank's deposit base is domestic, most of which is retail, with the balance consisting mostly of deposits from the MENA region. It noted that deposits concentration is small, with the top 20 depositors accounting for less than 4% of the total. Also, the Bank has comfortable liquidity levels, as its deposit base has historically proved to be both stable and resilient despite political unrest in Lebanon. Fitch said the Bank's domestic market share has improved gradually in the last three years, and that it is seeking to increase it either through organic growth or via acquisitions. It added that international expansion is a key part of the Bank's strategy, as it is focusing on less developed markets with growth potential. It welcomed the Bank's international diversification strategy, provided growth remains focused on relatively untapped markets. It noted that the risks of operating in such markets are mitigated by the fact that the Bank focuses mainly on short-term trade finance transactions and on specific segments, often in conjunction with regional or international institutions. It expected international operations to account for about 40% of revenues in the next three to five years.

Kafalat loan guarantees reach $59.6m in first four months of 2010

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $59.6m in the first four months of 2010, up 41.6% from $42.1m in the same period last year. The number of loan guarantees totaled 507 in the first four months of 2010 compared to 314 in the same period last year. The average loan size reached $117,506 compared to $134,063 in the first four months of 2009. Mount Lebanon accounted for 39.1% of guarantees, followed by the Bekaa with 23.3%, the South & Nabatieh with 19.3%, the North with 14.4% and Beirut with 3.9%. The agriculture sector accounted for 48.5% of total guarantees, followed by industries with 36.5%, tourism with 11.6%, specialized technologies with 2% and handicraft with 1.4%. 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.

BLC Bank's profits up 72% to $8.2m in first quarter of 2009

BLC Bank sal, one of Lebanon's listed banks, announced un-audited net profits of $8.2m in the first quarter of 2010, up 72% from the same period last year. Net interest income rose by 13.4% to $13.9m, while net fee & commission receipts increased by 16.9% to $2.5m and net interest gains on trading portfolio posted a gain of $114,000 in the first quarter of 2010 compared to a loss of $2,000 in the same period last year. General administrative expenses increased by 6.3% to $10m and staff costs declined by 0.4% to $6.2m. Total assets reached $2.6bn at end-March 2010, unchanged from end-2009, while loans & advances to customers increased by 2.4% to reach $486.9m. The bank held $51.7m in assets acquired in satisfaction of loans at end-March 2010. Customers' deposits declined by 2.1% from end-2009 to $2.22bn. The bank's equity increased by 7.6% to $245.7m in the first quarter of 2010.

BLC announces dividends for 2009

BLC Bank sal announced that its Ordinary General Assembly held on April 8, 2010 approved the distribution of $15.1m in dividends for 2009, equivalent to a 43.3% payout ratio and LBP 149 per share. It said the dividends were determined after taking into consideration the 10% legal reserve requirements, the $4m in reserves against various banking risks, as well as $1.76m in provisions covering repossessed real estate collateral, and $5.4m in free reserves to cover debt provisions. In parallel, it approved the release of $1m from provisions taken in 2008 and their allocation to retained earnings. The assembly also approved the bank's chairman annual pay that is equivalent to 3% of net profits, or $856,000 for 2009.

Corporate Highlights

Fransabank ratings affirmed

Capital Intelligence affirmed Fransabank's Long- and Short-Term Foreign Currency Ratings at 'B' and 'B' respectively. It also maintained the bank's Financial Strength Rating at 'BB+' as well as the Support level at '3', adding that all the ratings carry a 'stable' outlook. It noted that the ratings are constrained by Lebanon's sovereign ratings. The agency said Fransabank continued to improve the quality of its loan portfolio in 2009 as evidenced by a decline in non-performing loans and improved loan-loss provision coverage. It added that the bank's risk management processes have strengthened in recent years in anticipation of implementing the Basel II framework, and that its balance sheet is adequately capitalized following a capital increase in 2008. But it considered that a higher capital adequacy ratio would be prudent due to Lebanon's historically volatile operating environment. It said that the bank's international expansion is diversifying its assets and revenues. It added that the bank's net profits continued to grow last year, supported by higher net interest income and a significant provision write-back; but returns remained relatively modest as is the case with peer banks.

Capital Intelligence indicated that Fransabank continues to maintain a comfortable level of liquidity, reflecting a stable base of customer deposits. It noted, however, that a considerable proportion of the bank's liquid assets consist of Lebanese government paper and Certificates of Deposit issued by the Central Bank. 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. But it noted that Lebanon's improved international liquidity position has mitigated the sovereign's near term refinancing risks.

Launch of real estate association

The Real Estate Association of Lebanon (REAL) officially launched its operations. REAL is the first group to represent players and entities in the Lebanese real estate sector. It is expected to bring together more than 200 members, including brokers, consultants and developers, among others. It aims to represent and defend the interests of real estate professionals and their clients through the application of a code of ethics, to communicate more effectively with executive and legislaitive institutions, and to to support sector-related initiatives such as the modernization and upgrade of laws. Further, it intends to improve the general reputation of the real estate sector.

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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