

LEBANON THIS WEEK

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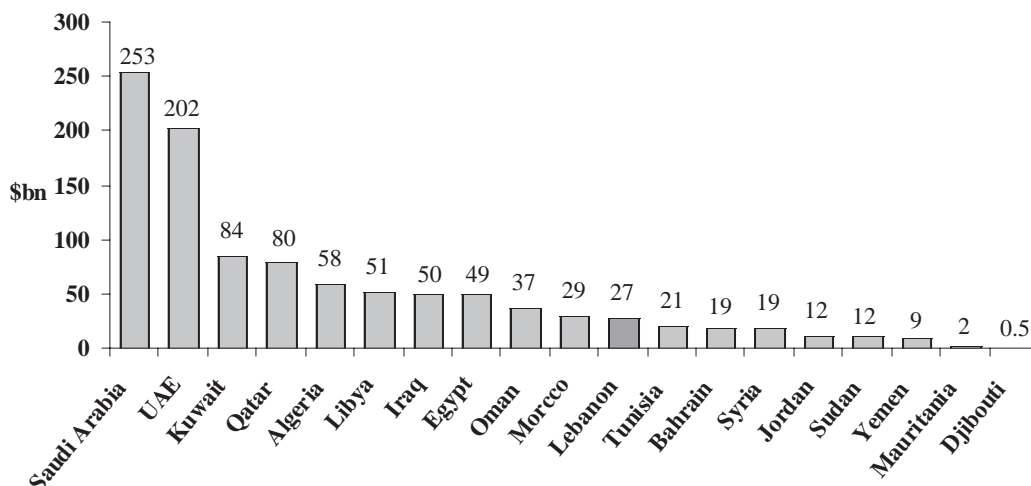
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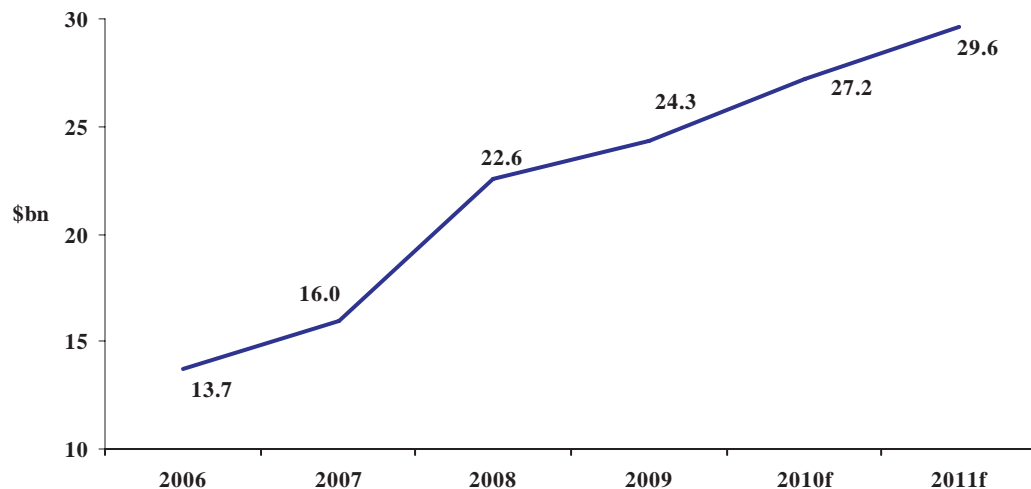
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Charts of the Week

Projected Exports of Goods and Services of Arab Countries in 2010 (\$bn)



Exports of Goods and Services from Lebanon (\$bn)



Source: International Monetary Fund

Quote to Note

“When properly harnessed and supported, small business entrepreneurs can provide important goods and services that will help this country grow.”

Neil Wolin, Deputy Secretary of the U.S. Treasury Department, on the importance and potential of SMEs in Lebanon

Number of the Week

\$10,880: Lebanon's gross national income per capita at purchasing power parity, according to Fitch Ratings

Economic Indicators

\$m (unless otherwise mentioned)	2008	Mar 09	2009	Jan 10	Feb 10	Mar 10	% Change*
Exports	3,478	270	3,486	313	342	374	38.52
Imports	16,133	1,138	16,241	1,245	1,206	1,934	69.95
Trade Balance	(12,655)	(868)	(12,755)	(932)	(864)	(1,560)	79.72
Balance of Payments	3,462	(367)	7,899	(44)	759	264	(171.93)
Checks Cleared in LBP	9,350	899	11,122	1,088	966	1,187	32.04
Checks Cleared in FC	43,174	3,294	45,270	4,444	3,929	5,302	60.96
Total Checks Cleared	52,524	4,148	56,392	5,532	4,895	6,489	56.44
Budget Deficit/Surplus	(2,921)	(508)	(2,960)	(18)	(176)	(377)	25.79
Primary Balance	597	(110)	1,078	202	123	62	(156.36)
Airport Passengers	4,085,334	302,709	4,986,544	369,694	339,237	363,742	20.16
\$bn (unless otherwise mentioned)	Dec 2008	Mar 09	Dec 09	Jan 10	Feb 10	Mar 10	% Change*
BdL FX Reserves	17.06	18.66	25.66	26.78	26.88	27.17	45.61
<i>In months of Imports</i>	<i>15.03</i>	<i>16.40</i>	<i>18.59</i>	<i>21.50</i>	<i>22.29</i>	<i>14.04</i>	<i>(14.39)</i>
Public Debt	47.02	47.85	51.09	51.65	51.98	51.46	7.54
Net Public Debt	41.49	42.34	44.11	43.92	44.20	44.40	4.87
Bank Assets	94.25	97.94	115.25	116.52	118.27	119.91	22.43
Bank Deposits (Private Sector)	77.78	80.50	95.77	95.99	97.07	98.14	21.91
Bank Loans to Private Sector	25.04	25.45	28.37	29.36	29.87	30.71	20.67
Money Supply M2	24.76	26.86	34.16	34.77	35.42	36.23	34.88
Money Supply M3	68.66	70.52	82.08	82.43	83.75	84.96	20.48
LBP Lending Rate (%)	9.95	10.10	9.04	8.91	8.83	8.69	(141b.p.)
LBP Deposit Rate (%)	7.22	7.10	6.75	6.61	6.42	6.11	(99b.p.)
USD Lending Rate (%)	7.47	7.32	7.28	7.26	7.26	7.01	(31b.p.)
USD Deposit Rate (%)	3.33	3.26	3.05	3.04	2.99	2.86	(40b.p.)
%* Change in CPI**	6.36	2.10	4.20	4.96	9.04	8.73	663b.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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	23.06	(0.82)	187,049	18.02%	Nov. 2010	6.875	102.50	1.95
Solidere "B"	22.86	(1.80)	62,540	11.68%	May 2011	7.875	104.50	2.97
Byblos Common	1.80	(3.23)	35,568	3.05%	Mar. 2012	7.500	106.75	3.52
Byblos Priority	1.83	1.10	36,169	2.95%	Sep. 2012	7.750	109.00	3.51
Byblos Pref. 08	100.30	0.30	3,434	1.57%	June 2013	8.625	113.00	3.99
BLOM GDR	91.95	(1.02)	10,560	5.31%	Apr. 2015	10.000	120.50	5.16
BLOM Listed	92.00	0.00	0	15.46%	Jan. 2016	8.500	115.50	5.25
Audi GDR	8.55	(2.06)	152,080	6.80%	May 2016	11.625	128.50	5.83
Audi Listed	8.30	(0.60)	346,363	22.32%	Mar. 2017	9.000	118.13	5.73
HOLCIM	14.00	6.79	7,161	2.13%	Apr. 2021	8.250	113.13	6.53

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

Source: Byblos Capital Markets

	June 7-11,10	May 31-June 4,10	% Change	May 2010	May 2009	% Change
Total Shares Traded	923,559	601,461	53.55	16,963,146	4,526,493	274.75
Total Value Traded	\$13,312,083	\$10,400,591	27.99	\$149,074,321	\$70,679,281	110.92
Market Capitalization	\$12.80bn	\$12.86bn	(0.52)	\$12.85bn	\$9.27bn	38.59

Source: Beirut Stock Exchange (BSE)



IMF calls for decisive measures to reduce public finance vulnerabilities, pushes for structural reforms

The International Monetary Fund indicated that economic growth in Lebanon could exceed 8% this year, as the economy has largely eluded the impact of the global crisis and has benefited from increasing stability. It considered that the key challenges for Lebanese authorities consist of managing the buoyant economy to prevent overheating risks, and taking advantage of the positive momentum to implement the reforms necessary for sustained medium-term growth and macro-financial stability. The Fund said Lebanon's underlying vulnerabilities are still very high and key reforms remain stalled despite rising primary surpluses, a drop in the debt-to-GDP ratio, the inflow of deposits, and a rise in the Central Bank's foreign reserves. It noted that, at 148% of GDP at end-2009, the debt level is among the highest in the world and generates large recurring borrowing needs. It said that the current environment of low global interest rates and abundant liquidity will not persist indefinitely, and urged authorities to avoid complacency and to build consensus to address the country's structural weaknesses and vulnerabilities.

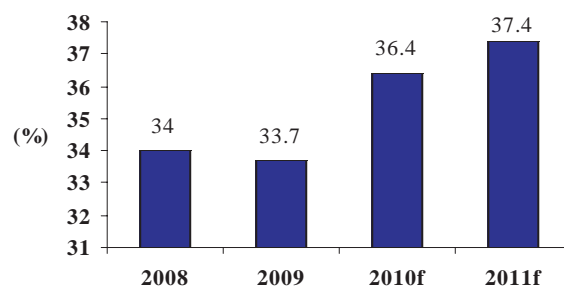
The IMF called on authorities to reduce unnecessary fiscal spending and to target a higher primary surplus for this year, given the high GDP growth rate and the public debt burden. It conditioned additional public investments to the implementation of structural and sectoral reforms, including fixing the loss-making electricity sector. It expected the primary balance to post a surplus of 1.5% of GDP this year under a passive scenario, and encouraged measures that would lead to a primary surplus of at least 2% of GDP, which would help the debt level decline to 139% of GDP by the end of 2010. It also expected the government to be able to cover its financing needs from the market this year. The Fund added that the favorable financing environment should allow further progress towards a safer public debt structure. It encouraged the government to continue, in coordination with the Central Bank, to fund some of its foreign currency debt service in local currency, and to gradually lengthen the debt's maturity profile. It expected these steps to help reduce public sector refinancing risks and currency mismatches, and to support de-dollarization.

In parallel, the IMF called for a medium-term fiscal strategy that would be flexible enough to accommodate higher public investment and targeted social spending, while achieving a substantial decline in the debt-to-GDP ratio. It considered that this could be achieved by increasing the efficiency and quality of public spending and by raising revenues through tax increases. It stressed on the need to reduce subsidies to Electricité du Liban and to raise electricity tariffs. It added that public-private partnerships could provide a useful vehicle to address infrastructure bottlenecks, but cautioned that a sound institutional framework must be put in place to control fiscal risks. It also called for modernizing the tax administration and public financial management, including having a unified and broad budget. It also called for strengthening the Central Bank's balance sheet, as the management of past crises and the large sterilization operations of the last two years have weakened its income position. It encouraged the phasing out of exemptions from reserve requirements, as well as the privatization of the Central Bank's non-financial assets.

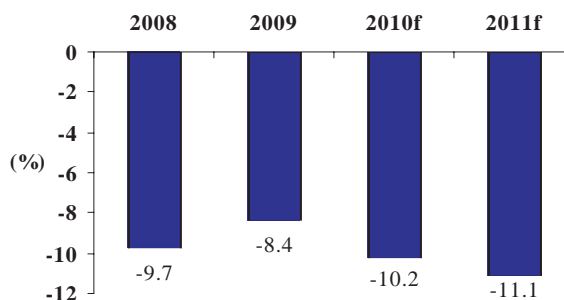
Lebanon, Syria, Jordan and Turkey to set up a free trade zone

Lebanon, Syria, Jordan and Turkey signed an agreement on June 10 to set up a free trade zone and complete a visa-free travel regime for their nationals. The four countries agreed to establish a Cooperation Council to develop a long-term strategic partnership and create a zone of free movement of goods and persons among their economies. The agreement expands all existing bilateral agreements to cover the four countries, as Turkey has already signed bilateral agreements to cancel entry visas with the three countries, in addition to free-trade agreements with Syria and Jordan.

Central Government Total Expenditures
(% of GDP)



Central Government Fiscal Balance
(% of GDP)



Source: International Monetary Fund

Lebanon ranks 109th among developing countries, 7th in Arab world in statistical capacity

The World Bank's Statistical Capacity Index for 2009 ranked Lebanon in 109th place among 145 developing countries worldwide and 7th among 12 developing economies in the Arab world. Lebanon came in 114th place globally and 8th regionally in the previous survey. Lebanon also ranked in 35th place among 42 upper middle income countries (UMICs) included in the survey, up from 38th place in 2008. The index provides an overview of the statistical capacity of developing countries. It assesses the capacity of national statistical systems using metadata information generally available for most countries, and monitors progress in statistical capacity-building over time. The index is a composite of three sub-indices that cover statistical methodology, source data, and periodicity and timeliness.

Lebanon received a score of 49 points, unchanged from the previous year, and lower than the developing economies' average of 62.2 points as well as the UMICs average of 68.3 points and the Arab average of 53.3 points. On a global basis, Lebanon tied with Chad, Comoros and Sierra Leone, ranked ahead of Benin and Dominica, and came behind St. Lucia and Guinea. It also ranked ahead of St. Vincent and the Grenadines and behind St. Lucia among UMICs, as well as ahead of Yemen and behind Syria in the Arab world.

Lebanon tied with 23 countries that include Bangladesh, Uzbekistan and Paraguay on the Statistical Methodology Sub-Index. It also tied with Suriname, St. Lucia Grenada and Fiji among UMICs, and came ahead of Djibouti and behind Syria in the region. The sub-index measures a country's ability to adhere to internationally recommended standards and methods, and assesses guidelines and procedures used to compile macroeconomic statistics, as well as social data reporting and estimation practices.

Also, Lebanon tied with 26 countries that include China, Turkmenistan and Benin on the Source Data Sub-Index, while it tied with Namibia, Palau, Dominica and Gabon among UMICs, and with Syria, Libya and Iraq in the region. This category reflects whether a country conducts data collection activities in line with internationally-recommended periodicity, and whether data from administrative systems is available and reliable for statistical estimation purposes.

Further, Lebanon tied with 7 countries that include Mozambique, Sri Lanka and Eritrea on the Periodicity & Timeliness Sub-Index. It tied with Turkey and Venezuela among UMICs, and ranked ahead of Yemen and behind Syria in the region. The sub-index looks at the availability and periodicity of key socioeconomic indicators. It attempts to measure the extent to which data is made accessible to users through transformation of source data into timely statistical outputs.

Statistical Capacity Index 2009

	Score	Arab Rank	Developing Economies Rank
Egypt	83	1	18
Tunisia	71	2	52
Jordan	64	3	64
Algeria	61	4	73
Mauritania	60	5	79
Syria	53	6	99
Lebanon	49	7	109
Yemen	47	8	116
Sudan	43	9	122
Iraq	37	10	130
Libya	36	11	131
Djibouti	35	12	134

Source: World Bank, Byblos Research

Components of the Statistical Capacity Index for Lebanon

Sub-Index	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Developing Economies Average Score	Arab Average Score	UMIC Average Score
Statistical Methodology	82	7	30	40	53.2	45.0	63.5
Source Data	89	6	35	40	60.3	45.8	68.4
Periodicity and Timeliness	102	9	30	67	73.1	68.9	72.9

Source: World Bank, Byblos Research

Lebanon has least competitive cellular market in the Arab world

The Cellular Competition Intensity Index for 2010 ranked Lebanon in 19th place among 19 countries in the Arab world, down from 15th place in 2007 and 11th place in 2006. The index rates the intensity level of competition in the region's cellular markets by comparing the state of every market relative to the other markets. The index, designed by the Arab Advisors Group, takes into account 8 categories, with each category assigned a weight based on its importance as an indicator of competitive behavior. The categories include the number of licensed and expected operators in 2010, the number of working operators, the market share of the largest operator, the number of pre-paid plans, the number of post-paid plans, the availability of corporate offers, the availability of 3G services, and the availability of International Long Distance competition.

Lebanon received a score of 31.2%, way below the regional average of 57.4%, and down from 35.1% in 2007. Its score continued to be negatively affected by the fact that the government owns the two mobile operators and has full control of the sector. Lebanon and Libya were the only Arab countries to still have a government-owned cellular duopoly. The index shows the correlation between the number of working operators and the intensity of competition in the markets. The Arab Advisors Group considered Jordan to have the most competitive cellular market in the region, as it has four cellular operators, intense competition in the ILD segment, as well as offers 24 prepaid plans and 37 postpaid plans, the highest and second highest number of plans, respectively, in the region. The rankings of Jordan, Saudi Arabia, Palestine, Oman, Tunisia, Yemen, Bahrain and Qatar improved from 2009; those of Egypt, Morocco and Syria were unchanged; while the rankings of Algeria, Iraq, Kuwait, Lebanon, Libya, Mauritania, Sudan and the UAE regressed year-on-year.

Cellular Competition Intensity Index 2010		
	Score (%)	Rank
Jordan	80.7	1
Saudi Arabia	75.3	2
Palestine	69.3	3
Oman	67.1	4
Egypt	65.7	5
Morocco	64.9	6
Iraq	63.4	7
Tunisia	62.7	8
Yemen	61.1	9
Bahrain	59.9	10
Algeria	59.5	11
Sudan	59.4	12
Mauritania	56.8	13
Kuwait	49.8	14
Qatar	46.4	15
UAE	45.4	16
Syria	38.0	17
Libya	34.3	18
Lebanon	31.2	19

Source: Arab Advisors Group

Real estate demand heavily dependent on expatriates, price increases slowing down in first quarter

Real estate advisers RAMCO indicated that the Lebanese residential real estate sector is a mature market that has demonstrated solid foundations over the past decade by maintaining a sustained pace of growth. It said that prices in Beirut have increased by an annual average rate of 20% to 30% between 2005 and 2008, and that the market has somewhat stabilized since 2009. It noted the market's growth since 2005 despite the disruptive security and political events that shook the country since the start of that year, with demand for and prices of new apartments constantly on the rise. It added that demand would occasionally slow down as a result of political instability or a deterioration in security, but without stopping altogether.

RAMCO indicated that activity has slowed down in 2010, with prices growing by 5% to 10% in the first quarter of the year, reflecting more sustainable growth rates than the elevated price increases in previous years. It estimated that there are around 350 buildings under construction in the Greater Beirut Area, representing about two million square meters of residential space. It said 168 projects, or 48% of the total being built, are priced at \$3,500 per sqm; 63 buildings, or 18% of the total, are priced at above \$5,000 per sqm; 43 projects, accounting for 12% of the total, are selling at more than \$6,000 per sqm; 19 buildings are priced at above \$7,000 per sqm; 8 developments are selling at above \$8,000 per sqm; and three projects are charging more than \$9,000 per sqm. It noted that the 24 projects under construction in the Beirut Central District are charging above \$6,000 per sqm and account for 56% of all projects in this price bracket in the Greater Beirut Area. It estimated the sales ratio of residential units to be delivered this year at about 70% to 80%.

In parallel, RAMCO estimated that Lebanese expatriates represent about 40% to 45% of buyers, but account for a much larger share of the value of transactions due to the larger budgets they have compared to resident buyers. It added that residents represent slightly more than 50% of the market, but less in terms of the value of transactions because they buy mostly low- to middle-end products at budgets of about \$250,000 per unit. It noted that residents who had been priced out of the market because of steep price hikes have been encouraged to return to the market due to the relaxation in lending and the introduction of new loan subsidies. It noted that the two government-backed mortgage institutions, the Housing Bank and the Public Corporation for Housing, have eased their lending terms and increased their loan ceilings, while the Central Bank has lifted reserve requirements on mortgages in Lebanese pounds, which led to a drop in interest rates and encouraged borrowers to seek out mortgages.

In parallel, RAMCO indicated that the steady increase in the value of real estate in Lebanon since 2005 has attracted speculators to the market, and estimated that speculators account for 20% of buyers, while end-users represent the other 80%. It noted that, despite their minority status, speculators are very active and are making their presence increasingly felt in the market. It considered that speculation is almost exclusively limited to upper-middle and high-end residential areas, with 40% of buyers in the Beirut Central District consisting of speculators, compared to the city-wide average of about 20%.

Occupancy at Beirut hotels at 72%, room yields up 21.2% in first four 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 72% in the first five months of 2010, unchanged from the same period last year. The occupancy rate at Beirut hotels was the 12th highest among 19 markets in the region, and posted the same rank in the first four months of 2009. The survey said the average rate per room at Beirut hotels was \$252 in the first four months of 2010, ranking the capital's hotels as the sixth most expensive in the region behind Dubai-Beach, Doha, Manama, Abu Dhabi and Kuwait City.

The average rate per room at Beirut hotels increased by 22.2% to \$252 year-on-year and posted the highest increase among all markets in the region. The average rate per room in Beirut came above the regional average of \$203, which declined by 4.2% from \$212 in the same period of 2009. Occupancy rates at Beirut hotels were 64% in January, 76% in February, 68% in March and 79% in April 2010, compared to 85% in January, 76% in February, 74% in March, and 81% in April 2009. Beirut hotels had an occupancy rate of 73% for all of 2009.

Further, revenues per available room (RevPAR) were \$182 in Beirut in the first four months of 2010, up from \$150 in the same period last year, ranking it in fifth place in the region after Dubai-Beach, Doha, Abu Dhabi and Dubai Overall. Beirut's RevPAR was up 21.2% year-on-year, posting the highest rise in the Middle East, and compared to an increase of 0.5% across the region. Beirut posted RevPARs of \$160 in January, \$209 in February, \$155 in March, and \$208 in April 2010. Dubai-Beach posted the highest average room rate in the region at \$366 and the highest REvPAR at \$310, while Sharm El Shaikh posted the highest occupancy rate at 88% in the first four months of the year.

Hotel Performance in first four months of 2010

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Sharm El Sheikh	88	55	21.0
Hurghada	87	38	10.7
Dubai - Beach	84	310	(2.7)
Dubai - Overall	81	203	(7.4)
Dubai-City	80	165	(10.0)
Makkah	78	150	10.5
Cairo- City	77	89	8.4
Cairo - Overall	77	89	8.4
Abu Dhabi	75	204	(30.4)
Muscat	75	172	(17.9)
Jeddah	73	152	6.9
Beirut	72	182	21.2
Doha	71	217	(18.2)
Al Ain	71	125	(0.9)
Madina	65	95	9.4
Amman	61	90	14
Manama	60	166	(12.7)
Riaydh	60	145	5.5
Kuwait	58	157	(12.9)

Source: Ernst & Young, Byblos Research

Airport passengers up 18.6% in first five months of 2010

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 1,931,213 in the first five months of 2010, up 18.6% year-on-year. The UAE accounted for 388,476 passengers, or 20.1% of total passenger activity. It was followed by Saudi Arabia with 196,640 passengers, or 12.6% of the total, France with 139,849 travelers (9.7%) and Kuwait with 117,995 travelers (7.7%). The total number of flights reached 24,842 in the first five months of 2010, up 23% year-on-year. Middle East Airlines registered 7,076 flights, accounting for 28.5% of the total. It was distantly followed by Royal Jordanian Airlines with 1,166 flights or 4.7% of the total, National Air Services (NAS) with 778 flights, Etihad Airways with 776 flights, Emirates Airlines with 723 flights and Jazeera Airways with 619 flights. The UAE was the biggest source and destination of traffic to Lebanon, as aircraft movement to and from the UAE totaled 3,940 flights, accounting for 16% of the total. Also, the HIA processed 31,493 metric tons of cargo in the first five months of 2010, of which 31,046 tons of freight and 447 tons of mail. MEA processed 8,601 tons of freight, of which 8,468 tons in regular freight and 133 tons in mail.

Trade deficit up 13.2% to \$4.4bn in first four months of 2010

Imports increased by 14.4% to \$5.76bn and exports increased by 18.4% to \$1.36bn in the first four months of 2010, leading to a trade deficit of \$4.4bn, up 13.2% year-on-year. The coverage ratio reached 23.6% year-to-April compared to 22.5% in the same period of 2009. The trade deficit was \$1.04bn in April 2010, down 33% from April 2009. The United States was the main source of imports with \$543m or 9% of the total, followed by China with \$491m (9%), Italy with \$467m (8%), Germany with \$391m (7%) and France with \$379m (7%). Switzerland was the main export destination with \$180m or 13% of the total, followed by the UAE with \$129m (9%), Turkey with \$91m (7%), Iraq with \$85m (6%) and Syria with \$79m (6%). Lebanon's main export was jewelry at \$367m or 27% of total exports, followed by machinery and mechanical appliances with \$218m (16%), base metals with \$179m (13%), prepared food-stuff with \$103m (8%) and chemical products with \$89m (7%). Re-exports totaled \$53m in the four months of 2010, up 3.8% from \$51m in the same period of 2009.

Customs receipts up 6.3% to \$612m in the first four months of 2010

Customs revenues reached \$612.3m in the first four months of 2010, up 6.3% from \$575.8m in the same period last year. Custom revenues reached \$156.6m in April 2010 down from \$173.1m in March and compared to \$148.6m in April 2009. The Port of Beirut continues to be the main point of customs receipts, accounting for 88% of the total in April 2010, and was followed by the Hariri International Airport with 5.6%, the Port of Tripoli with 4.1%, and the Masnaa crossing point with 2.4%. Overall customs receipts reached \$419m in April 2010 when including revenues from the value-added tax that totaled \$184m in the same period.



Byblos Bank invites shareholders to an Extraordinary General Assembly

The Board of Directors of Byblos Bank sal invited the Bank's shareholders to an Extraordinary General Assembly to be held on June 28, 2010. The agenda of the meeting includes checking the veracity of the subscription and payment of the Bank's capital increase, and giving the final approval of the amendment to article 6 of the Articles of Incorporation further to the capital increase. The \$250m capital increase falls within Byblos Bank's strategy of gradual expansion in emerging markets and of increasing its lending to small and medium-size enterprises. the Lebanese economy and one of the largest IFC investments in the Arab banking sector.

Byblos Bank declared consolidated net profits of \$31.4m in the first quarter of 2010, constituting an increase of 25.8% from the same period last year. Aggregate assets reached \$14.4bn and loans totaled \$3.4bn at the end of March, constituting increases of 5.8% and 6.4%, respectively, from end-2009. Customers' deposits reached totaled \$11bn, up 7.7% from end-2009. The Byblos Bank Group has a direct presence in Syria, Sudan, Iraq, the United Arab Emirates, Nigeria, the Democratic Republic of Congo and Armenia, as well as in Belgium, France, the United Kingdom, and Cyprus.

EU extends €15m facility to support energy efficiency of SMEs

The European Union announced that it has allocated €15m to a new facility to support investments in energy efficiency by small and medium-sized enterprises (SMEs) in Lebanon. It said the facility aims to reduce the vulnerability of SMEs from high energy costs and increase their competitiveness by creating incentives to invest in energy efficiency and savings, as well as in renewable energy technologies. It considered that this step will support the strategic development of products and services in the renewable energy and energy efficiency sector, with the aim of creating a local market for sustainable energy. It noted that recently-conducted energy audits show vast potential for energy savings in industries, hospitals, commercial centers, and other public facilities in Lebanon. It noted, however, that such investments are inaccessible for many Lebanese SMEs. The EU added that the facility will help banks provide more concessional loans targeted for energy savings. It noted that the facility represents the solutions needed to promote sustainable economic development and economic diversification in Lebanon.

Kafalat loan guarantees reach \$72.5m in first five 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 \$72.5m in the first five months of 2010, up 31% from \$55.3m in the same period last year. The number of loan guarantees totaled 605 in the first five months of 2010 compared to 417 in the same period last year. The average loan size reached \$119,770 compared to \$132,610 in the first five months of 2009. Mount Lebanon accounted for 40.7% of guarantees, followed by the Bekaa with 21.8%, the South & Nabatieh with 20.2%, the North with 13.6% and Beirut with 3.8%. The agriculture sector accounted for 48% of total guarantees, followed by industry with 37%, tourism with 12.2%, specialized technologies with 1.7% and handicraft with 1.3%. 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.

Bank Audi accounts for 75% of Audi-Saradar Group's assets, 72% of profits

The Audi-Saradar Group's unconsolidated balance sheet for Bank Audi sal indicates that the bank's stand-alone assets reached \$19.8bn at the end of 2009, equivalent to 75% of the group's consolidated assets. Such assets rose by 31% year-on-year compared to a 30% rise in the group's aggregate assets. Further loans & advances to customers totaled \$3.82bn at end-2009, accounting for 58% of the group's overall lending. They grew by 5.8% year-on-year, compared to a 10% increase for the group's lending. Further, customer deposits totaled \$16.17bn, representing 70% of the group's deposit base. They grew by 34% from end-2008 compared to deposit growth of 32.8% for the group. In comparison, assets of the stand-alone bank accounted for 74%, loans for 60% and deposits for 70.6% of the group's consolidated assets, loans and customer deposits in 2008. Further, the unconsolidated income statement indicates that the bank posted net profits of \$208.5m in 2009, accounting for 72% of the group's total profits. Such profits increased by 25% year-on-year, compared to growth of 21.4% in the group's aggregate profits last year. Unconsolidated net profits accounted for 70% of the group's profits in 2008. The Audi-Saradar Group is present in 8 Arab countries and two European countries.

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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