



LEBANON THIS WEEK

In This Issue

Economic Indicators.....1

Capital Markets.....1

Lebanon in the News.....2

Lebanon is 5th biggest recipient of net Arab investments in 2006, largest recipient relative to GDP

S&P says Lebanon has 'average' default recovery rate

Government to subsidize lending rates for tourism sector

Monthly instead of quarterly fees for fixed phone lines

World Bank loans disbursed to Lebanon total \$150m as at end-June 2007

Corporate Highlights.....3

Banks issue results for first half of 2007: Average growth in profits down by 4% year-on-year

Fransabank wins bid for BLC Bank at \$153m

RYMCO posts \$1.4m profits in first half 2007

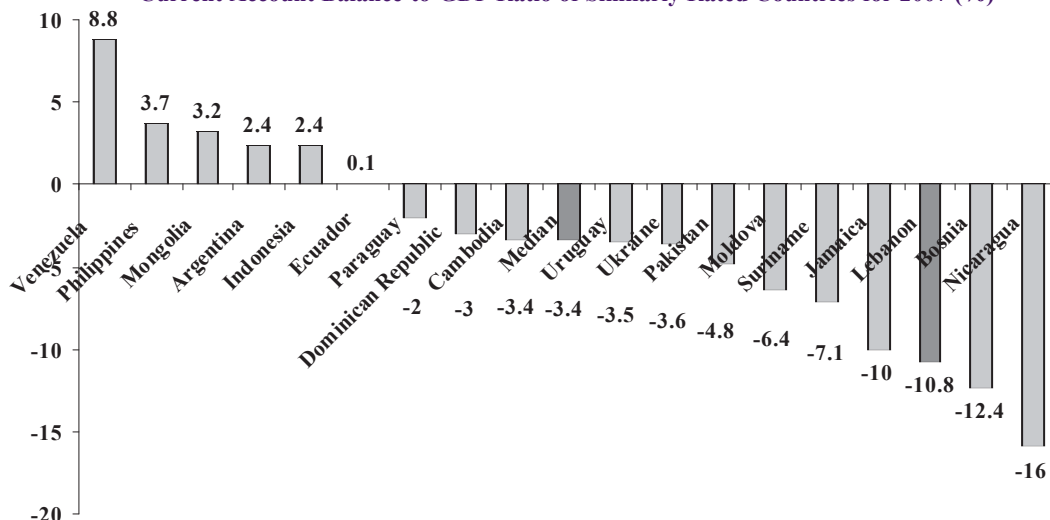
Ratio Highlights.....4

Risk Outlook.....4

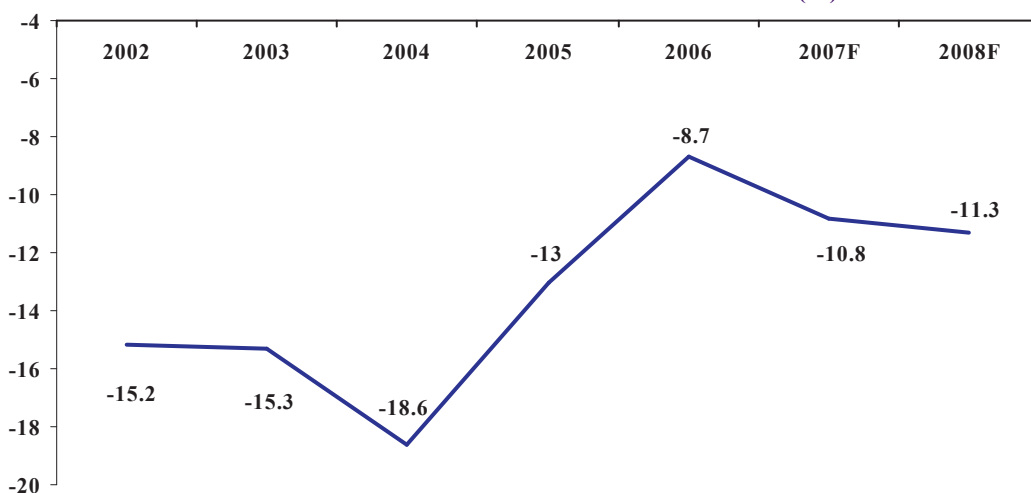
Ratings & Outlook.....4

Charts of the Week

Current Account Balance-to-GDP Ratio of Similarly Rated Countries for 2007 (%)



Current Account Balance-to-GDP Ratio for Lebanon (%)



Source: Moody's Investor Services, 2007

Quote to Note

“The political gridlock and instability within the country have stifled the growth of traditional economic sectors, especially tourism, and placed enormous pressures on Government spending.”

The World Bank, on the impact of the political stalemate on the Lebanese economy

Number of the Week

\$4.76bn: Aggregate amount of Lebanese pound-denominated Treasury bills that mature in the second half of 2007, according to the Association of Banks in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	May 2006	Jan-May.06	2006	Apr.2007	May 2007	Jan-May 07	% Change*
Exports	285	1,033	2,282	231	233	1,086	5.13%
Imports	980	4,179	9,399	946	930	4,577	9.52%
Trade Balance	(695)	(3,147)	(7,118)	(715)	(697)	(3,491)	10.93%
Balance of Payments	414	1,835	2,795	261	174	335	(81.74%)
Checks Cleared in LBP	659	3,124	7,219	635	739	3,402	8.89%
Checks Cleared in FC	2,533	11,478	25,268	2,239	2,457	11,277	(1.75%)
Total Checks Cleared	3,192	14,602	32,487	2,874	3,196	14,679	0.53%
Budget Deficit	(32)	358	3,039	72	-	-	-
Primary Balance	290	804	(17)	251	-	-	-
Airport Passengers	270,711	1,310,384	2,825,138	290,059	245,917	1,220,013	(6.90%)

\$bn (unless otherwise mentioned)	Dec.2005	May 2006	Dec.2006	Mar.2007	Apr.2007	May 2007	% Change*
BdL FX Reserves	9.85	12.65	10.21	9.62	9.81	9.91	(21.66%)
<i>In months of Imports</i>	<i>11.3</i>	<i>12.9</i>	<i>11.3</i>	<i>9.8</i>	<i>10.4</i>	-	-
Public Debt	38.50	38.78	40.39	41.22	41.29	41.41	6.78%
Net Public Debt	34.79	35.34	37.44	38.56	38.69	38.97	10.27%
Bank Assets	70.33	74.18	76.18	77.08	77.02	77.89	5.00%
Bank Deposits	56.99	59.71	60.69	61.08	61.88	62.49	4.66%
Bank Loans to Private Sector	16.23	17.01	17.20	17.50	17.81	18.09	6.35%
Money Supply M2	16.23	17.15	15.57	15.73	15.97	16.23	(5.36%)
Money Supply M3	49.38	51.34	53.23	54.19	54.97	55.77	8.63%
LBP Lending Rate (%)	10.12	10.21	10.37	10.28	10.42	10.45	24b.p.
LBP Deposit Rate (%)	7.70	7.57	7.49	7.48	7.48	7.49	(8b.p.)
USD Lending Rate (%)	8.38	8.36	8.55	8.55	8.49	8.40	4b.p.
USD Deposit Rate (%)	4.09	4.37	4.76	4.84	4.85	4.88	51b.p.
%* Change in CPI**	(2.23)	2.53	7.04	4.91	4.45	3.86	133b.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"	15.24	(1.04%)	57,523	18.38%
Solidere "B"	15.10	(1.44%)	15,441	11.84%
Byblos Common	1.65	(5.17%)	611,250	4.08%
Byblos Priority	1.78	1.66%	63,601	4.42%
BLOM GDR	66.75	(1.77%)	7,132	5.95%
BLOM Listed	64.00	0.00%	615	5.53%
Audi GDR	57.90	0.70%	600	6.86%
Audi Listed	55.00	0.00%	0	21.74%
HOLCIM	20.25	0.00%	1,462	4.77%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Oct.2009	10.250	101.75	8.78
Dec.2009	7.000	96.50	8.64
Mar.2010	7.125	96.00	8.86
May 2011	7.875	95.50	8.63
Sep.2012	7.750	96.23	8.59
June 2013	8.625	97.50	8.76
Apr.2015	10.000	104.25	9.21
Jan.2016	8.500	94.50	9.46
May 2016	11.625	113.75	9.05
Apr.2021	8.250	89.25	9.15

Source: Byblos Capital Markets

	This Week	Last Week	% Change	July 2007	July 2006	% Change
Total Shares Traded	773,810	123,472	526.71%	3,588,032	3,761,421	(4.61%)
Total Value Traded	\$3,828,117	\$3,066,873	24.82%	\$22,596,353	\$82,522,119	(72.62%)
Market Capitalization	\$8.29bn	\$8.35bn	(0.72%)	\$8.31bn	\$5.93bn	40.13%

Source: Beirut Stock Exchange (BSE)



Lebanon is 5th biggest recipient of net Arab investments in 2006, largest recipient relative to GDP

Figures released by the Inter-Arab Investment Guarantee Corporation show that net Arab direct investments (ADI) in Lebanon totaled \$1.84bn in 2006, up 42.6% from \$1.29bn in 2005. Lebanon was the 5th largest recipient of net ADI in nominal terms among 9 countries that released figures on inflows and outflows of Arab funds, down from third place in 2005. Net direct investments reflect more accurately the movement of investment in a given economy and provide a more precise picture compared to just gross inflows. Lebanon posted the fourth highest growth rate in net ADI year-on-year in the region. Further, net ADI in Lebanon accounted for 17.8% of aggregate net inter-Arab investments last year compared to 4.1% in 2005. Net ADI in Lebanon totaled \$5.43bn during the 2001-06 period, grew at a compound annual rate (CAGR) of 72.3% and averaged \$905m annually, according to Byblos Research.

In parallel, Net ADI in Lebanon was equivalent to 8.1% of GDP in 2006, ranking Lebanon first in the region, up from third place in 2005. Net ADI as a percentage of GDP in Lebanon grew steadily every year since 2001. The net ADI-to-GDP ratio was 0.7% in 2001, 2.6% in 2002, 3.6% in 2003, 4.6% in 2004, 6% in 2005 and 8.1% in 2006, according to Byblos Research.

The methodology used to estimate inter-Arab investments by the Inter-Arab Investment Guarantee Corporation relies on 'declared' and 'licensed' investment, rather than achieved ones. This could significantly affect the effective 2006 figures for Lebanon, as some of the biggest Arab investment projects in the country were announced prior to the summer war with Israel, and most of them have yet to materialize.

S&P says Lebanon has 'average' default recovery rate

Standard & Poor's issued Sovereign Recovery Ratings (SRR) for 25 speculative grade sovereign issuers that include Lebanon. The new rating category indicates the expected recovery of principal and interest due in the hypothetical event of default. The ratings have a scale from '1+' to '6', with '1+' representing full recovery and '6' reflecting negligible recovery. They are based on S&P's assessment of a sovereign's ability and incentive to make payments after defaulting as well as the role of international financial institutions and bilateral lenders.

Lebanon received a rating of '4', denoting a hypothetical 'average' (30-50%) recovery range. S&P said Lebanon's recovery rating is supported by the country's debt payment culture, where the sovereign has always met its obligations. Constraining factors include high levels of fiscal and external debt under S&P's default stress simulations. Lebanon's SRR had no effect on its current sovereign rating. Lebanon was one of 6 countries to receive this rating, with 15 countries getting a '3' rating, reflecting 'meaningful' recovery. The agency said SRRs differs from the traditional Issuer Credit Rating (ICR) which captures only the probability of the default taking place.

Government to subsidize lending rates for tourism sector

The Ministry of Tourism announced that the government will subsidize 4% of the lending rates charged by the banks to the tourism sector. This step is expected to help the sector cover some its operational costs for the next six to 12 months. The government also decided to drop tariffs on electricity for the sector up to May 2008. These measures aim to support the tourism sector which has been severely damaged by the political stalemate and the security situation.

Monthly instead of quarterly fees for fixed phone lines

The Ministry of Telecommunications signed with the Association of Banks in Lebanon a Memorandum of Understanding regarding the payment of monthly fees by subscribers of fixed line services through the banks. The monthly fees, which will replace the quarterly fees, will first be issued on August 15, 2007 covering the month of July. The banks will earn a monthly commission of maximum LP2,000 (\$1.3) per invoice.

Net Inter-Arab Direct Investments in 2006

	\$bn	Rank	% of GDP
Egypt	2.62	1	2.4
Tunis	2.32	2	7.6
Saudi Arabia	2.12	3	0.6
Sudan	1.98	4	5.3
Lebanon	1.84	5	8.1
Yemen	0.77	6	4.1
Libya	0.45	7	0.9
Morocco	0.06	8	0.1
Jordan	(1.81)	9	-
Total	10.34		1.5

Source: IAIGC, Byblos Research

Standard & Poor's Ratings

	Recovery Rating	ICR*	LT-FC Debt**
Argentina	4	B+	B+
Ecuador	4	CCC	CCC
Jamaica	4	B	B
Lebanon	4	B-	B
Ukraine	4	BB-	BB
Venezuela	4	BB-	BB

Source: Standard & Poor's

*Issuer Credit Rating

**Long-Term Foreign Currency Debt Rating

Lebanon in the News

World Bank loans disbursed to Lebanon total \$150m as at end-June 2007

Figures released by the World Bank indicate that the bank's loan portfolio in Lebanon consists of 6 projects for a total amount of \$285m, of which \$150m, or 53% have been disbursed as at end of June 2007. The World Bank noted that it is the joint responsibility of the Bank and the Lebanese authorities to make sure the lending portfolio is meeting Lebanon's priority needs in an effective way.

World Bank Loans to Lebanon as of June 30, 2007 (\$m)

Project Name	Approval Year	Loan Amount	Amount Disbursed	Closing Date
Education Development	2000	44.6	25.8	Dec. 2007
First Municipal Infrastructure	2000	80.0	68.1	Jun. 2008
Community Development	2001	20.0	11.0	Mar. 2007
Baalbeck Water & Wastewater	2002	43.5	15.0	Sep. 2008
Urban Transport Development	2002	65.0	21.5	Jun. 2009
Cultural Heritage & Urban Development	2003	31.5	8.7	Dec. 2009
Total		284.6	150.1	

Source: World Bank Group

Corporate Highlights

Banks issue results for first half of 2007: Average growth in profits down by 4% year-on-year

The five listed banks on the Beirut Stock Exchange announced their results for the first half of 2007. The average percentage change in net profits of the five banks in the first half of 2007 declined by 4% year-on-year. The average increases in total assets, total loans and total deposits were 11%, 22% and 13% respectively. The average increases in net profits, total assets, total loans and total deposits were 16%, 6%, 20% and 11% in the first quarter of 2007.

	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$41.43m	\$93.15m	\$91.32m	\$18.87m	\$3.72m
% Change*	13.8%	5.4%	6.4%	0.3%	(30.2%)
Total Assets	\$8.68bn	\$15.16bn	\$15.51bn	\$4.75bn	\$0.73bn
% Change*	7.2%	15.0%	22.2%	9.8%	1.5%
Loans (1)	\$2.05bn	\$2.38bn	\$3.94bn	\$0.82bn	\$0.26bn
% Change*	26.0%	25.9%	39.7%	7.4%	10.4%
Deposits (1)	\$6.77bn	\$12.71bn	\$13.11bn	\$3.29bn	\$0.56bn
% Change*	9.7%	15.4%	25.1%	14.5%	1.7%

*Year-on-year

(1) Customer Loans and Deposits

Fransabank wins bid for BLC Bank at \$153m

Fransabank won the bid for the acquisition of 97.52% of BLC Bank from the Qatari Supreme Council for Economic Affairs and Investment at \$153m. Fransabank was competing with the Lebanese Canadian Bank, which offered \$143m for the deal. The book value of BLC Bank is around \$105m; hence, the deal would be providing a premium of \$48m to the seller. The deal includes the bank's assets and branches in Lebanon as well as its branch in France. The Qatari investor, which acquired in 2005 the Central Bank's stake of 96.22% in BLC for \$236.4m, put up the bank for sale earlier this year. The Central Bank is expected to give its final approval of the sale in three weeks. BLC announced net profits of \$3m in the first quarter of 2007. The bank's total assets and customer deposits reached \$2.3bn and \$1.9bn respectively as at end-March 2007, compared to \$2.2bn and \$1.8bn as at end-2006. After the acquisition, Fransabank's total assets would reach around \$8bn and would be ranked fourth among the 10 largest Lebanese banks, behind Byblos Bank and ahead of BankMed. Also, Fransabank's total number of branches would increase from 63 to 96 in Lebanon.

RYMCO posts \$1.4m profits in first half 2007

Rasamny Younis Motor Co. (RYMCO) announced that its net income reached \$1.4m in the first half of 2007, up 54% from the same period last year. Total sales (net of discounts) reached \$44m, up 21% year-on-year. RYMCO's total assets and total equity amounted to \$71.3m and \$39.5m as at end-June 2007 respectively, compared to \$89.3m and \$38.3m as at end-June 2006. RYMCO increased its capital from LP25bn (\$16.6m) to LP26bn (\$17.2m) through transferring LP1bn (\$0.7m) from reserves to current capital and issuing new shares at a nominal value of LP1,000 (\$0.66) each. RYMCO said its market share of newly registered cars reached 20% in the first half of 2007, highest among car dealerships in the country.



Ratio Highlights

	2005	2006	Change*	Q1-2007 ⁽¹⁾
Nominal GDP ⁽²⁾ (\$bn)	21.4	22.6		23.6
External Debt / GDP	89.6	90.3	70	86.4
Local Debt / GDP	90.2	88.5	(170)	88.1
Total Debt / GDP	179.9	179.2	(70)	174.6
Trade Balance / GDP	(35.0)	(31.4)	360	(8.9)
Exports / Imports	20.1	24.3	420	23.0
Revenues / GDP	22.9	19.5	(340)	5.9
Expenditures / GDP	31.8	31.0	(80)	8.9
Budget Balance / GDP	(8.9)	(11.5)	(260)	(3.0)
Primary Balance / GDP	2.3	(0.1)	(180)	0.3
BdL FX Reserves / M2	60.7	65.6	490	61.2
M3 / GDP	230.8	235.5	470	229.6
Bank Assets / GDP	328.5	337.2	870	326.7
Bank Deposits / GDP	266.3	268.6	230	258.9
Private Sector Loans / GDP	75.7	76.1	40	74.2
Dollarization of Deposits	73.1	76.2	310	76.0
Dollarization of Loans	82.4	81.6	(80)	81.6

* Change in basis points

(1) Up to March 2007, and based on the IMF estimation of 1% Real GDP Growth Rate and 3.5% Inflation Rate

(2) Based on Ministry of Finance Estimations (assuming 1% and 0% Real GDP Growth Rates in 2005 and 2006 respectively)

Source: 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	June 2006	May 2007	June 2007	Change*	Risk Level
Political Risk Rating	58.5	58.0	56.5	▼	High
Financial Risk Rating	31.5	31.5	31.5	↔	Moderate
Economic Risk Rating	25.5	29.0	29.0	▲	High
Composite Risk Rating	57.8	59.2	58.5	▲	High

Regional Average	June 2006	May 2007	June 2007	Change*	Risk Level
Political Risk Rating	66.4	66.1	67.5	▲	Moderate
Financial Risk Rating	41.3	41.5	41.9	▲	Very Low
Economic Risk Rating	41.1	40.1	40.3	▼	Very Low
Composite Risk Rating	74.4	73.8	74.8	▲	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	B3	NP	Negative			
Fitch	B-	B	Stable	B-		
S&P	B-	C	Negative	B-	C	Negative
CI	B-	B	Negative	B-	B	Negative

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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