



LEBANON THIS WEEK

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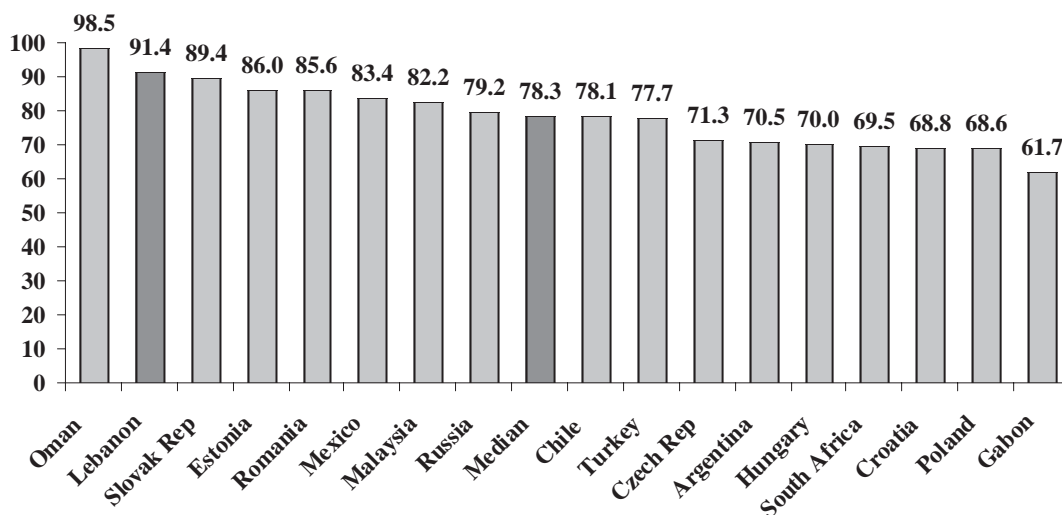
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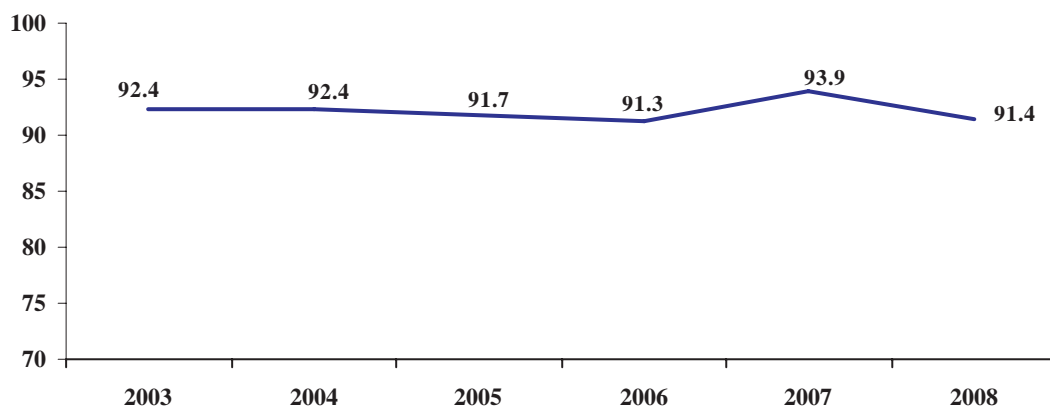
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Charts of the Week

Index of Fiscal Freedom for Upper-middle-income Countries in 2008 (%)



Index of Fiscal Freedom for Lebanon (%)



Source: Heritage Foundation/Wall Street Journal, 2008

Quote to Note

“Despite the tense political situation in Lebanon, we have noticed that there is no rush to buy dollars from the local market.”

Central Bank Governor Riad Salameh, on the stability of the exchange rate throughout the 15-month old political stalemate

Number of the Week

\$4.22bn: The value of property sales in Lebanon during 2007, according to real estate broker Coldwell Banker

Economic Indicators

| \$m (unless otherwise mentioned) | Dec.2006 | 2006 | Oct.2007 | Nov.2007 | Dec.2007 | 2007 | % Change* |
|---|-----------------|-------------|-----------------|-----------------|-----------------|-------------|------------------|
| Exports | 206 | 2,282 | 258 | 293 | 241 | 2,816 | 23.4% |
| Imports | 904 | 9,398 | 1,193 | 1,054 | 1,064 | 11,815 | 25.7% |
| Trade Balance | (698) | (7,116) | (935) | (1,347) | (237) | (8,999) | 26.4% |
| Balance of Payments | (169) | 2,795 | 45 | 547 | 864 | 2,036 | (27.15%) |
| Checks Cleared in LBP | 669 | 7,219 | 775 | 778 | 682 | 8,409 | 16.48% |
| Checks Cleared in FC | 2,106 | 25,268 | 2,879 | 2,902 | 2,769 | 29,883 | 18.26% |
| Total Checks Cleared | 2,775 | 32,487 | 3,654 | 3,680 | 3,451 | 38,292 | 17.87% |
| Budget Deficit | 457 | 3,039 | 263 | 314 | 154 | 2,545 | (16.25%) |
| Primary Balance | (140) | (17) | 96 | (30) | 91 | 730 | 4,349.1% |
| Airport Passengers | 266,036 | 2,825,138 | 275,716 | 225,57 | 334,486 | 3,408,834 | 20.66% |

| \$bn (unless otherwise mentioned) | Dec.2005 | Dec.2006 | Sep.2007 | Oct.2007 | Nov.2007 | Dec.2007 | % Change* |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| BdL FX Reserves | 9.85 | 10.21 | 10.27 | 9.58 | 9.75 | 9.78 | (4.21%) |
| <i>In months of Imports</i> | <i>11.3</i> | <i>11.30</i> | <i>10.90</i> | <i>8.03</i> | <i>9.25</i> | <i>9.19</i> | <i>(18.67%)</i> |
| Public Debt | 38.50 | 40.37 | 40.57 | 41.16 | 41.84 | 42.06 | 4.19% |
| Net Public Debt | 34.79 | 37.44 | 38.28 | 38.68 | 38.71 | 39.06 | 4.33% |
| Bank Assets | 68.54 | 74.27 | 81.62 | 80.72 | 80.11 | 82.25 | 10.74% |
| Bank Deposits | 56.99 | 60.69 | 65.68 | 66.28 | 65.93 | 67.29 | 10.87% |
| Bank Loans to Private Sector | 14.46 | 15.31 | 17.23 | 17.32 | 17.65 | 17.75 | 15.94% |
| Money Supply M2 | 16.23 | 15.57 | 16.60 | 16.53 | 16.27 | 16.42 | 5.46% |
| Money Supply M3 | 49.38 | 53.23 | 58.27 | 58.88 | 58.75 | 59.83 | 12.40% |
| LBP Lending Rate (%) | 10.12 | 10.37 | 10.25 | 10.28 | 10.24 | 10.14 | (23b.p.) |
| LBP Deposit Rate (%) | 7.70 | 7.49 | 7.47 | 7.46 | 7.42 | 7.40 | (9b.p.) |
| USD Lending Rate (%) | 8.38 | 8.55 | 8.25 | 8.21 | 8.22 | 8.16 | (39b.p.) |
| USD Deposit Rate (%) | 4.09 | 4.76 | 4.91 | 4.87 | 4.84 | 4.75 | (1b.p.) |
| %* Change in CPI** | (2.23) | 7.04 | 3.05 | 3.55 | 5.07 | 5.92 | (112b.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" | 21.40 | 3.13% | 127,188 | 19.95% | Oct.2009 | 10.250 | 102.50 | 8.50 |
| Solidere "B" | 21.35 | 2.94% | 49,300 | 12.94% | Dec.2009 | 7.000 | 97.75 | 8.41 |
| Byblos Common | 2.20 | 1.38% | 181,123 | 4.20% | Mar.2010 | 7.125 | 98.00 | 8.25 |
| Byblos Priority | 2.21 | (0.45%) | 229,694 | 4.24% | May 2011 | 7.875 | 97.88 | 8.65 |
| BLOM GDR | 90.05 | 1.18% | 13,190 | 6.20% | Sep.2012 | 7.750 | 96.25 | 8.78 |
| BLOM Listed | 81.55 | 0.00% | 0 | 5.45% | June 2013 | 8.625 | 98.50 | 8.99 |
| Audi GDR | 80.10 | 11.02% | 28,858 | 7.34% | Apr.2015 | 10.000 | 105.25 | 8.98 |
| Audi Listed | 70.00 | 0.00% | 0 | 21.47% | Jan.2016 | 8.500 | 96.75 | 9.09 |
| HOLCIM | 19.82 | (0.40%) | 2,526 | 3.61% | May 2016 | 11.625 | 114.00 | 9.15 |
| | | | | | Apr.2021 | 8.250 | 93.00 | 9.18 |

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

Source: Byblos Capital Markets

| | This Week | Last Week | % Change | February 2008 | February 2007 | % Change |
|------------------------------|------------------|------------------|-----------------|----------------------|----------------------|-----------------|
| Total Shares Traded | 655,573 | 626,470 | 4.65% | 2,398,001 | 3,315,263 | (27.67%) |
| Total Value Traded | \$8,756,709 | \$9,660,430 | (9.35%) | \$43,415,200 | \$56,573,571 | (23.26%) |
| Market Capitalization | \$10.73bn | \$10.55bn | 1.62% | \$10.54bn | \$8.18bn | 28.86% |

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 115th globally, 17th in MENA region in credit ratings

In its semi-annual survey on the creditworthiness of 174 countries, Institutional Investor magazine ranked Lebanon in 115th place worldwide and 17th among 20 countries in the Middle East and North Africa region. Lebanon ranked 121st globally and 17th regionally in the September 2007 survey and came in 109th globally and 16th regionally in March 2007. Also, Lebanon came in 29th place among 32 upper middle income countries (UMICs), up from 31st place in September 2007. The survey rates the creditworthiness of countries on a scale of 0 to 100, with 100 representing countries with the least chance of debt default. The ratings are based on input provided by senior economists and sovereign risk analysts at leading global banks and money management and securities firms.

On a global basis, Lebanon ranked ahead of Turkmenistan, Belize and Tanzania and came immediately behind Mozambique, Swaziland and Cape Verde. Also, Lebanon ranked ahead of Belize and Seychelles and came behind Gabon and the Dominican Republic among UMICs. Lebanon's global rank improved by 6 spots from the September survey, along with Haiti and Tajikistan, and posted the 13th biggest advance in the global rankings. But it regressed by 6 spots from March 2007.

Lebanon received a score of 28.9 points, below the global average of 46.6 points as well as lower than the MENA and Arab averages of 50.5 points and 50.3 points, respectively, according to Byblos Research. It also scored below the average of 56.2 points for UMICs. Its score improved by 0.2 points, or 0.7%, from September 2007 and regressed by 0.6 points or 2% from March 2007. Lebanon posted the smallest increase in its score in the MENA region. Further, Lebanon was among 17 UMICs whose scores improved and posted the 15th best increase among such economies.

The rankings of 14 MENA countries improved, 5 regressed and one was unchanged, while the scores of 14 countries increased and 6 declined. Switzerland remained the country with the best creditworthiness in the world while Zimbabwe had the highest probability of default worldwide.

Merrill Lynch maintains 'Underweight' recommendation on Lebanese Eurobonds

Merrill Lynch maintained its recommendation on Lebanon's external debt at 'Underweight' in its model portfolio of emerging markets debt for March. It attributed the decision to the continued negative political outlook and the extended delay in electing a new president. Merrill Lynch changed last April its recommendation on the country's external debt from 'Overweight' to 'Underweight'.

According to Merrill Lynch, the sustainability of the debt is not an issue in the short term due to the strong banking sector and local holdings of external debt. Also, Lebanon is likely to roll over its maturing debt in 2008 with the help of the public sector and the Central Bank, and will request Arab support for the financing of the budget deficit. It considered that if the political deadlock were to be solved soon, the medium- and long-term outlooks would improve on the back of higher chances for the implementation of the reform program. But it added that the ongoing political stalemate clouds even the medium-term outlook and that without a political solution soon, debt sustainability will become a significant issue.

Lebanon's allocation in the portfolio was 2.2% in March, unchanged from February and January but down from 2.5% in the last quarter of 2007 and down from 2.6% in September, 2.8% in August and 2.7% in July, but still third highest after Turkey and Russia in the Emerging Europe, the Middle East and Africa region (EMEA). It accounted for 6.8% of aggregate allocations in the EMEA universe in March, down from 7.2% in the previous month. Further, Lebanon's allocation was 11th highest in emerging markets. Merrill Lynch said its preferred asset class in Lebanon remains the Republic 20016N. Lebanon posted the fourth highest return at 2.18% among 13 countries in the EMEA region during the first two months of 2008, and the 7th best return among the 34 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA returns of 1.16% and the overall emerging markets' returns of 0.5% during the first two months of 2008. Lebanon and Ukraine are the only underweight credits in the EMEA universe. Other allocations in the region include Iraq (1.30%), Tunisia (1%) and Egypt (0.45%).

MENA Countries Rankings & Scores

| Country | MENA Rank | Global Rank | Score |
|----------------|-----------|-------------|-------------|
| UAE | 1 | 28 | 80.3 |
| Qatar | 2 | 30 | 78.2 |
| Kuwait | 3 | 32 | 77.7 |
| Saudi Arabia | 4 | 40 | 72.8 |
| Oman | 5 | 41 | 70.5 |
| Bahrain | 6 | 43 | 70.3 |
| Israel | 7 | 47 | 69.2 |
| Tunisia | 8 | 56 | 61.3 |
| Morocco | 9 | 66 | 55.1 |
| Algeria | 10 | 67 | 54.7 |
| Egypt | 11 | 73 | 50.7 |
| Libya | 12 | 75 | 49.0 |
| Jordan | 13 | 81 | 45.8 |
| Iran | 14 | 92 | 35.7 |
| Yemen | 15 | 98 | 32.8 |
| Syria | 16 | 110 | 29.6 |
| Lebanon | 17 | 115 | 28.9 |
| Mauritania | 18 | 136 | 21.4 |
| Iraq | 19 | 161 | 13.9 |
| Sudan | 20 | 165 | 12.0 |

Source: Institutional Investor, Byblos Research

Credit Suisse forecasts average growth at 3.5%, fiscal deficit at 5.2% of GDP and public debt at 159% of GDP for 2008-09

Global finance and investment firm Credit Suisse forecast Lebanon's real GDP growth at 3% in 2008 and 4% in 2009 compared to growth of 5.6% in 2008 and 5.7% in 2009 in Emerging Europe, the Middle East & Africa (EMEA), and compared to growth of 6.4% and 6.7% for emerging markets in 2008 and 2009, respectively. Lebanon's economic growth forecast was the second lowest among 12 countries in the EMEA region and fourth lowest among 25 emerging markets in 2008 and 2009. Also, Credit Suisse forecast Lebanon's inflation rate at 6% in 2008 and 4% for 2009 compared to inflation of 8.4% in 2008 and 6.6% in 2009 in the EMEA region, and of 6.5% and 5.5% for emerging markets in 2008 and 2009, respectively. Lebanon's inflation rate projection was the fourth lowest in the EMEA region for 2008 and third lowest for 2009.

In parallel, Credit Suisse forecast Lebanon's fiscal deficit at 5.7% of GDP for 2008 and 4.6% of GDP for 2009 compared to a surplus of 0.6% of GDP in 2008 and 0.9% of GDP in 2009 in the EMEA region, and compared to deficits of 0.8% of GDP and 0.7% of GDP for emerging markets in 2008 and 2009, respectively. Lebanon's fiscal deficit forecast was the second highest in the EMEA region for 2008 and for 2009. It was the second highest among emerging markets in 2008 and the 4th highest in 2009.

Further, Credit Suisse projected Lebanon's government debt at 160% of GDP at the end of 2008 and 157% of GDP at the end of 2009, compared to 27.6% of GDP in 2008 and 25.5% of GDP in 2008 in the EMEA region as well as compared to 33.6% of GDP in 2008 and 31.7% of GDP in 2009 in emerging markets. Also, it forecast Lebanon's foreign debt at 100.3% of GDP at the end of 2008 and at 92.4% of GDP for 2009, compared to 34.8% of GDP in 2008 and 34.3% of GDP in 2009 in the EMEA region, and compared to 22.6% of GDP and 21.7% of GDP for emerging markets in 2008 and 2009, respectively. Lebanon's total and external debt to GDP ratios were the highest among all emerging markets for 2008 and for 2009.

Finally, Credit Suisse forecast Lebanon's current account deficit at 9.9% of GDP for 2008 and at 9.1% of GDP for 2009 compared to deficits of 2% of GDP in 2008 and 3.1% of GDP in 2009 in the EMEA region, and compared to a surplus of 0.8% of GDP and a deficit of 0.6% of GDP for emerging markets in 2008 and 2009, respectively. Lebanon's current account deficit was the second highest in the EMEA region for 2008 and for 2009, as well as the 5th highest among emerging markets in 2008 and in 2009.

| Forecast Summary 2008-09 average | | | |
|----------------------------------|---------|------|------------------|
| | Lebanon | EMEA | Emerging Markets |
| Real GDP (%) | 3.5 | 6.0 | 6.5 |
| Inflation (%) | 5.0 | 7.5 | 6.0 |
| Government expenditures (% GDP) | 35.8 | 31.9 | 28.5 |
| Fiscal Balance (% GDP) | -5.2 | 0.7 | -0.8 |
| Public Debt (% GDP) | 158.5 | 27 | 32.7 |
| Foreign Debt (% GDP) | 96.4 | 34.5 | 22.2 |
| Current Account Balance (% GDP) | -9.5 | -2.6 | 0.2 |

Source: Credit Suisse, Byblos Research

Airport passengers up 11% in the first two months of 2008

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) amounted to 492,509 in the first two months of 2008, up 11% year-on-year. Airport passengers totaled 280,278 in January 2008, up 8% from January 2007. Airport passengers for February 2008 reached 212,231, up 16% from February 2007. The total number of flights reached 6,192 in the first two months of 2008, with 3,094 in January and 3,098 in February. Also, the HIA processed 9,938 metric tons of cargo in the first two months of 2008, of which 9,780 tons of freight and 158 tons of mail.

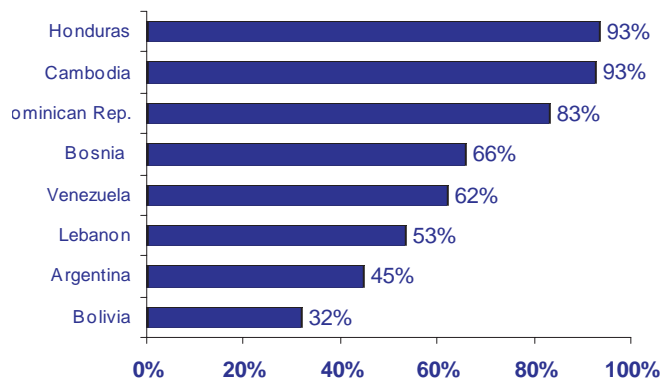
Fiscal deficit at 10.2% of expenditures in January 2008

Figures released by the Finance Ministry show that the fiscal deficit reached \$77.3m in January 2008, equivalent to 10.2% of total budget and Treasury expenditures, up 535% from \$12.2m and 2.3% of total spending in January 2007. Total revenues reached \$681m, up 29.3% year-on-year, while total expenditures amounted to \$759m, up 40.7% annually. Overall tax revenues rose by 6.7% year-on-year to \$423.4m, of which 45%, or \$189m, were in VAT receipts. Debt servicing increased by 37% year-on-year and reached \$257m, accounting for 34% of total expenditures and 49% of budgetary spending. It absorbed 38% of overall revenues and 48% of budgetary receipts. Excluding debt servicing, the budget primary surplus reached \$266m, or 50.3% of budgetary expenditures compared to a surplus of \$249m a year earlier. The overall primary surplus reached \$180m in January 2008, or 24% of total spending, compared to a surplus of \$176m or 33% of total spending a year earlier.

Net public debt at \$39.1bn at end of January

Figures issued by the Central Bank show that Lebanon's gross public debt reached \$42.3bn at the end of January, constituting an increase of 4% from \$40.7bn at end-January 2007. Domestic debt increased by 4.2% year-on-year to \$21bn, while external debt rose by 3.9% annually to \$21.3bn. Commercial banks accounted for 54.1% of domestic debt, followed by the Central Bank with 28.5%, and public agencies, financial institutions and individual investors with 17.4%. Multilateral institutions accounted for 7% of external debt, foreign governments for 3.8%, while Eurobond holders, foreign private sector loans, Paris II loans and special T-bills in foreign currencies accounted for the other 89.2%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, rose annually by 3.7% to \$39.1bn.

Foreign-Currency Public Debt as % of Total Public Debt of similarly rated countries, 2008 forecast



Source: Moody's Investors Service

Foreign currency-denominated debt accounted for 50.3% of gross public debt, while local currency debt represented 49.7% of the total. Gross public debt was equivalent to 171% of GDP at end-2007, down from 178% at end-2006, while gross market debt represented 103.3% of GDP. Gross market debt excludes the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, and Paris II and Paris III-related debt from overall debt figures.

Credit and debit cards exceed 1.38 million cards, ATMs total 1,046 at end of September 2007

Figures released by the Central Bank of Lebanon show that the number of credit and debit cards issued in Lebanon reached 1.38 million cards at the end of September 2007, a 0.5% increase from the previous quarter and a 10.3% rise on a yearly basis. The distribution of payment cards by type shows that debit cards with residents accounted for 63.6% of the total, followed by credit cards with residents (19.9%), charge cards with residents (11.2%), non-resident debit cards (2.2%), resident prepaid cards (1.7%), non-resident charge cards (1.2%), and non-resident credit cards (0.2%). The number of ATMs rose by 0.7% to 1,046 machines on a quarterly basis and by 6% from 987 ATMs at the end of September 2007. The Greater Beirut area had 540 ATMs, accounting for 51.6% of the total, followed by Mount Lebanon with 225 (21.5%), the North with 103 (9.8%), the South with 86 (8.2%), the Bekaa with 77 (7.4%), and Nabatiyeh with 15 (1.4%). Further, the aggregate number of point of sales accepting payment cards reached 46,506 by the end of September, increasing by 1.8% on a quarterly basis and by 6.7% annually.

The average monthly domestic payment by residents rose by 12% to \$60.7m quarter-to-quarter, while the average monthly payment abroad by residents increased by 19.4% to \$47.3m over the same period. Further, the average monthly value of cash withdrawals by residents using ATMs increased quarterly by 6.3% to \$284.2m, while average monthly withdrawals by non-residents rose by 20.3% to \$4.7m. Domestic card payments in Lebanese pounds accounted for 11.2% of aggregate payments in all currencies, while local currency withdrawals represented 66.4% of the total.

Number and Usage of Payment Cards Issued in Lebanon (for the quarters ending Sep 2007 and Sep 2006)

| | Sep-07 | Sep-06 | Change |
|--------------------------------|-----------|-----------|--------|
| Cards | | | |
| with residents | 1,335,729 | 1,197,429 | 11.5% |
| with non-residents | 50,739 | 59,627 | -14.9% |
| Total | 1,386,468 | 1,257,056 | 10.3% |
| ATMs | 1046 | 987 | 6.0% |
| Points of Sales | 46,503 | 43,577 | 6.7% |
| Purchases (in US\$m): | | | |
| by residents in Lebanon | \$182.3 | \$111.9 | 62.9% |
| % in Lebanese pounds | 11.2% | 13.2% | |
| by non-residents in Lebanon | \$3.4 | \$1.8 | 88.9% |
| by residents outside Lebanon | \$141.7 | \$113.7 | 24.6% |
| Cash withdrawal US(\$m) | | | |
| by residents in Lebanon | \$852.7 | \$627.9 | 35.8% |
| % in Lebanese pounds | 66.4% | 74.7% | |
| by non-residents in Lebanon | \$14.20 | \$10.60 | 34.0% |

Source: Central Bank of Lebanon, Byblos Research



Byblos Bank subscribes in full to \$75m bond issued by Lebanese American University

Byblos Bank sal subscribed in full to the \$75m bond issued by the Lebanese American University (LAU). The bond has a 10-year maturity of February 2018, carries a 6.75% annual coupon rate during the first 5 years until February 2013 and an annual rate of 7.35% afterwards. Also, the bond is callable in its entirety in February 2013. Moody's Investors Service gave the bond a Global Rating of 'A3' and Standard & Poor's assigned a long-term rating of 'A-' to the bond. Both ratings are four notches above investment grade. The outlook on all ratings is 'stable'.

LAU is an independent, non-profit institution of higher learning established under the laws of the State of New York in 1950. It currently has about 6,300 students in its four schools and graduates each year more than 1,300 students. LAU intends to use the proceeds from the bond to finance a variety of projects for a total cost of about \$120m, including new capital projects and a medical school building. LAU has embarked on establishing a medical school in collaboration with Harvard Medical International. The bond issuance is the first-of-its-kind transaction by a Middle Eastern-based university and LAU is the first Beirut-based institution to be rated above the sovereign level.

S&P attributed its rating to the university's high levels of unrestricted cash and investments of more than \$300m that it holds and manages in the U.S; the short maturity of the bond; the university's positive operations, with strong surpluses after minimal endowment spending of less than 1%; and LAU's competitive position in Lebanon as one of its top universities with growing enrollment and demand. Moody's said the majority of LAU's operating funds and all of its endowment funds are held in U.S. financial institutions. It added that the university has substantially grown its unrestricted endowment pool from operating cash flow, gifts and retained investment earnings, and its board includes members with significant endowment investment experience.

The Byblos Bank Group is one the largest banking and financial services groups in Lebanon. Its net profits rose by 24.2% to \$98m in 2007. Total assets increased by 15.4% to \$9.5bn and deposits by 15.6% to \$7.25bn year-on-year.

Lebanese company M1 Travel Ltd purchases three jets for \$112.5m

The Lebanese aircraft company M1 Travel Ltd purchased three Embraer-190 jets from the Brazilian company Embraer, the third largest aircraft manufacturer in the world. The deal, valued at \$112.5m, completes the original order for 5 aircraft and M1 Travel retains options for two more aircraft. Deliveries are scheduled to begin in 2009. The Geneva-based M1 Travel Ltd operates daily flights to Saint-Tropez, Nice, Ibiza, Ajaccio and other European destinations. The firm is part of the group M1, whose founders and principal shareholders are former Prime Minister Nagib Mikati and his brother Taha. M1 is engaged in a number of business activities focusing on telecommunications, retail, energy and real estate.

Ratio Highlights

| | 2005 | 2006 | 2007 | Change* |
|-----------------------------------|--------|--------|--------|---------|
| Nominal GDP ⁽¹⁾ (\$bn) | 21.5 | 22.7 | 24.6 | |
| External Debt / GDP | 89.3 | 89.9 | 86.4 | (350) |
| Local Debt / GDP | 89.8 | 88.1 | 84.6 | (350) |
| Total Debt / GDP | 179.1 | 178.4 | 171.0 | (740) |
| Trade Balance / GDP | (34.9) | (31.3) | (36.6) | (530) |
| Exports / Imports | 20.1 | 24.3 | 23.8 | (50) |
| Revenues / GDP | 22.8 | 19.4 | 23.6 | 420 |
| Expenditures / GDP | 31.6 | 30.8 | 33.9 | 310 |
| Budget Balance / GDP | (8.8) | (11.5) | (10.3) | 120 |
| Primary Balance / GDP | 2.3 | 0.4 | 2.9 | 250 |
| BdL FX Reserves / M2 | 60.7 | 65.6 | 59.6 | (600) |
| M3 / GDP | 229.8 | 234.4 | 243.2 | 880 |
| Bank Assets / GDP | 318.8 | 327.2 | 334.4 | 720 |
| Bank Deposits / GDP | 265.1 | 267.4 | 273.5 | 610 |
| Private Sector Loans / GDP | 67.3 | 67.4 | 72.2 | 480 |
| Dollarization of Deposits | 73.1 | 76.2 | 77.3 | 110 |
| Dollarization of Loans | 84.5 | 84.0 | 84.3 | 30 |

* Change in basis points 06/07

(1) Based on Ministry of Finance Estimations

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 | Jan.2007 | Dec.2007 | Jan.2008 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 55.5 | 56.5 | 56.5 | ▲ | High |
| Financial Risk Rating | 31.5 | 31.5 | 31.5 | ↔ | Moderate |
| Economic Risk Rating | 29.0 | 29.0 | 28.5 | ▼ | High |
| Composite Risk Rating | 58.0 | 58.5 | 58.2 | ▲ | High |

| Regional Average | Jan.2007 | Dec.2007 | Jan.2008 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 66.3 | 65.6 | 65.7 | ▼ | Moderate |
| Financial Risk Rating | 41.6 | 41.3 | 41.2 | ▼ | Very Low |
| Economic Risk Rating | 41.3 | 40.0 | 40.3 | ▼ | Very Low |
| Composite Risk Rating | 74.7 | 73.5 | 73.6 | ▼ | 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 | CCC+ | C | Stable | CCC+ | 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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