

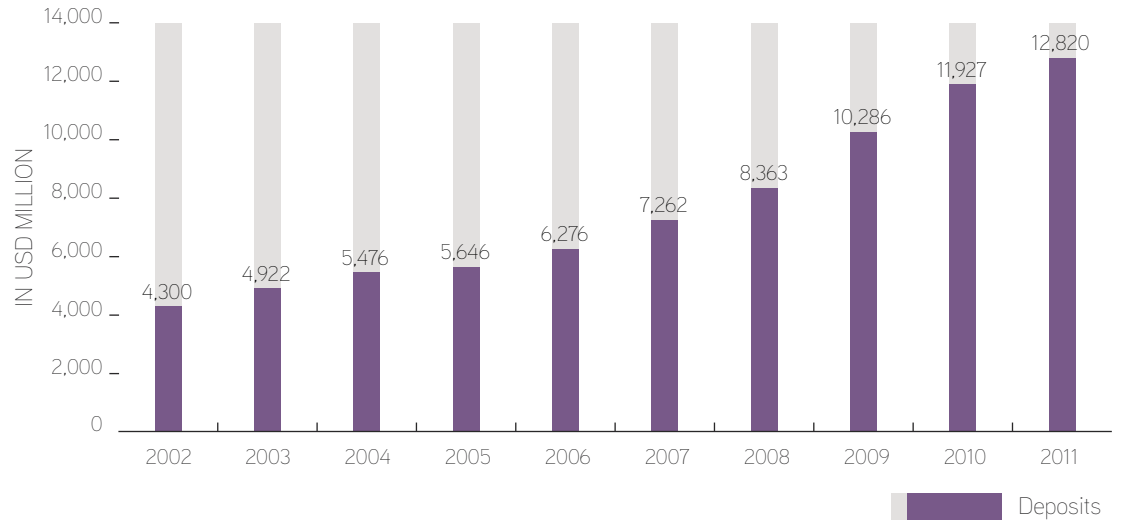
THE YEAR IN BROAD STROKES



FINANCIAL HIGHLIGHTS

CUSTOMERS' DEPOSITS

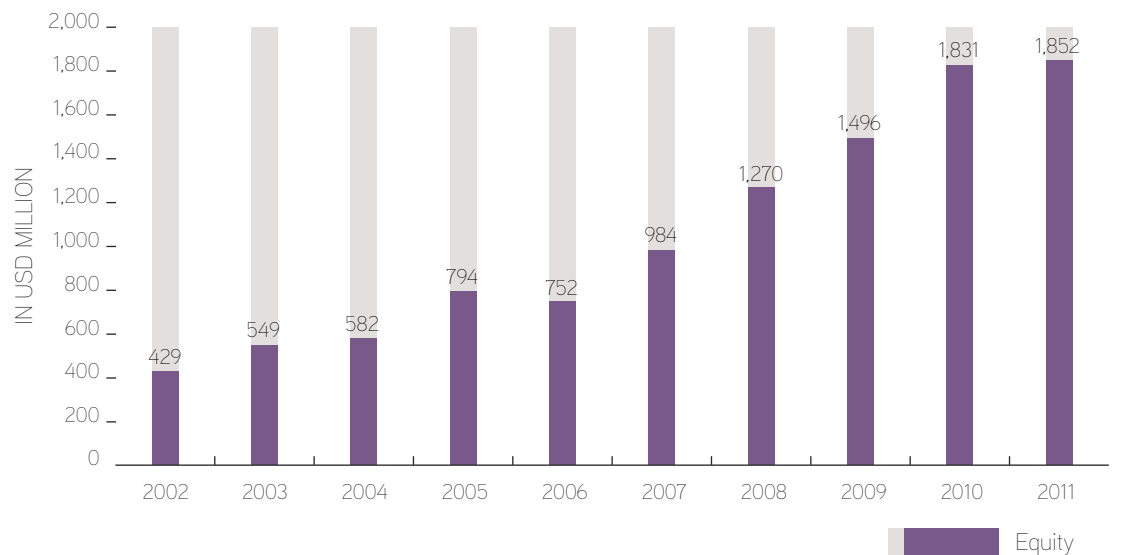
Evolution of Customers' Deposits



CAGR
for the last ten years

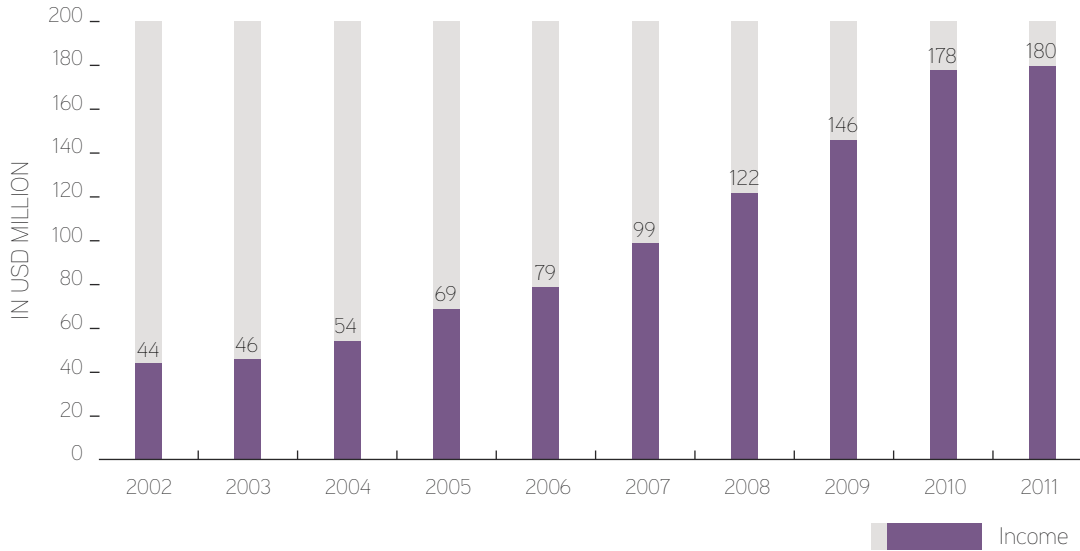
TOTAL EQUITY

Evolution of Total Equity



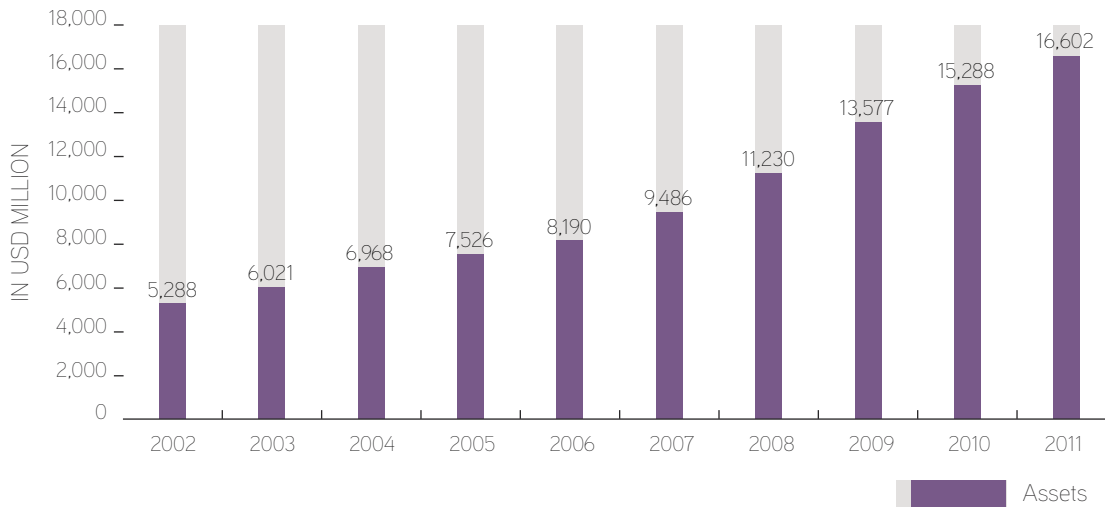
CAGR
for the last ten years

NET INCOME
Evolution of Net Income



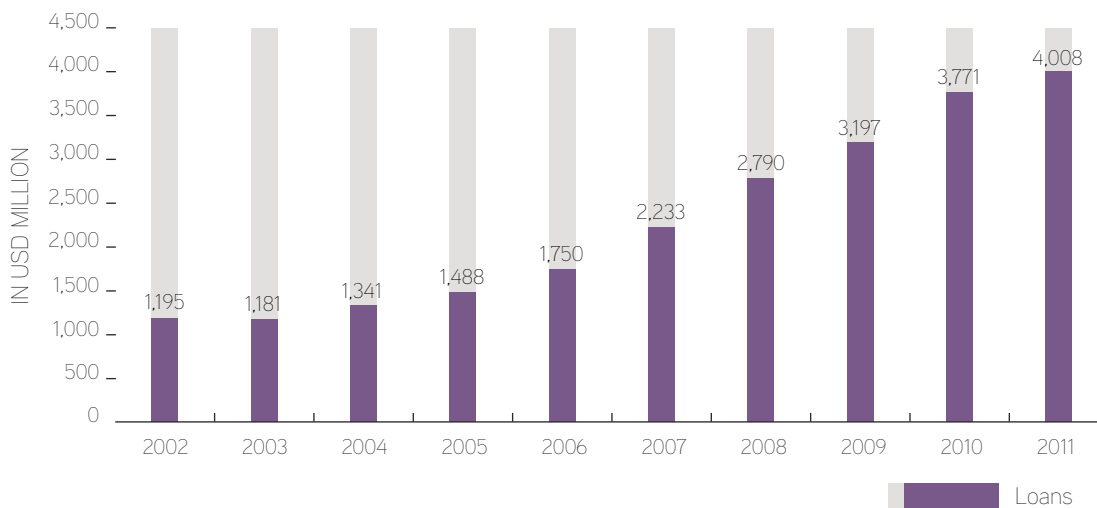
CAGR
for the last ten years

TOTAL ASSETS
Evolution of Total Assets



CAGR
for the last ten years

NET CUSTOMERS' LOANS
Evolution of Customers' Loans



CAGR
for the last ten years

A MESSAGE FROM THE CHAIRMAN



DEAR STAKEHOLDERS,

It is with great satisfaction that I introduce the Byblos Bank Group's Annual Report 2011, not least because its contents demonstrate both the resilience of our business model and the versatility of the hard-working professionals who implement it.

The past year carried a full load of challenges, including the continuing predicament in global financial markets and political instability in much of the Middle East region, both of which contributed to considerable uncertainty in Lebanon and several other markets in which we operate. Nonetheless, Byblos Bank was able to post more than respectable results, including an actual increase in profits, while simultaneously taking measures to insulate the Group and all its stakeholders against future volatility.

The Bank posted net profits of USD 179.7 million for 2011, an increase of 1.2% from USD 177.7 million in 2010. Total assets rose by 8.6% to USD 16.6 billion as at 31 December 2011, as compared to USD 15.3 billion at the end of 2010. Customers' deposits increased by 7.5% to USD 12.8 billion as at end-December 2011, while net customers' loans increased by 6.3% to USD 4.0 billion as of the same date. The Bank's cost-to-income ratio improved considerably to 43.39% in 2011, as compared to 45.54% in 2010. Total capital (Tier 1 and Tier 2) amounted based on Basel II calculation and requirement to USD 1,458 million as at 31 December 2011, and our Basel II capital adequacy ratio stood at a solid 13.61%.

As ever, our overall mission remains what I call the "humanization of capital": the tethering of financial resources to those elements of the private sector most likely to generate sustainable growth, well-paying jobs and other opportunities with real and lasting benefits for both society at large and its constituent members. In practice, this means increasing our involvement – and that of other private sector actors – in the kind of socioeconomic development that allows more people to earn their livelihoods and raise their families without having to leave their home towns or even homelands.

Accordingly, Byblos Bank has always been a keen partner for the business community, including the small- and medium-sized enterprises (SMEs) that generate most new jobs. This ambition is manifest on several levels, including our leading role in the Lebanese government's Kafalat program, which has improved access to credit for small businesses. In addition, we plan in the near future to launch new in-house products tailored to the specific needs of middle-market clients, i.e. those too large to qualify as SMEs but too small to benefit from traditional corporate banking products. By these and other means, Byblos Bank hopes to increase its investment – and thereby to encourage the same by others – in areas crucial to the domestic economy, including agriculture and related industries, manufacturing, and the exciting environmental sector.

The other side of this coin is to spare the state the need to keep borrowing new funds from the markets, which distracts it from its core responsibilities, causes it to take on more debt, and drives up the cost of funds for all other actors. Instead, Byblos Bank wants to shift more of the cost and risk onto the private sector by financing a larger role for the latter in things like infrastructure development.

This perspective is informed by a cautious and comprehensive approach that has long served Byblos Bank and its stakeholders well, and 2012 promises more of the same. Barring unforeseen changes, there will again be headwinds caused by outside factors ranging from the European debt crisis to the highly unfortunate events in Syria. Once again, however, we will be prepared: the Bank has set aside maximum provisions against various forms of risk and is very liquid. This limits profitability and may shrink our balance sheet, but it protects the long-term interests of the Bank and its stakeholders, and will position us well to respond quickly and decisively when conditions improve.

We will not, however, simply stand pat. While holding the line against additional exposure in some markets, we will continue to actively pursue new business in others, using the proceeds to offset the higher cost of funds engendered by uncertainty and the need to maintain high liquidity. Our strong relationships with our customers, especially the SMEs among them, provide ample prospects to expand this aspect of our activities. The Bank will endeavor, too, to help the Lebanese government take advantage of privatization opportunities in such a way as to reduce its debt, improve the quality and reliability of services delivered to the public, and help stimulate stronger economic growth.

In addition to political and economic hurdles, 2011 also focused a spotlight on all Lebanese banks when it comes to the measures they take to combat money laundering, as well as other areas of international concern. Byblos Bank's philosophy on this subject is simple: our aim is to ensure full compliance, all the time, with all relevant guidelines. This, we believe, is the only responsible policy if we are to protect the Bank's reputation and maintain our access to international markets, and thereby to further the interests of our stakeholders.

In closing, I take the liberty of repeating my respect and admiration for those who allowed the Bank to weather the adverse conditions encountered in 2011 – the employees who redoubled their efforts, the shareholders who had the foresight to stand by the Bank, and the clients whose trust we have worked so hard to earn. Thank you all.

Sincerely,



François S. Bassil
Chairman and General Manager

THE ECONOMY IN 2011

LEBANESE ECONOMY

Lebanon's economic activity was characterized by two stages in 2011. The first stage spanned the first half of the year and saw domestic political shocks, security breaches, and regional turmoil severely affect economic activity. The collapse of the Hariri Cabinet of national unity in January 2011, the prolonged period of political vacuum prior to the formation of a new Cabinet, and uncertain domestic security conditions, along with the changes taking place across the Arab world, especially the start of the Syrian crisis, led to significant decreases in consumer confidence and investor sentiment, bringing economic activity to a near halt in the first half of 2011.

The second stage covered the second half the year and saw the formation of a new Cabinet, the activation of state institutions, and a semblance of political normality after nearly five months of vacuum. This helped economic activity somewhat, but it was hardly enough to make up for the economic stagnation of the first half of the year, especially with the sharp domestic political tensions and the ongoing Syrian crisis. Therefore, there was no reversal of economic trends in the second half, as all indicators continued to point to the slowdown in activity and capital inflows, as well as to the deterioration of public finances.

The year ended with the same set of challenges for the Lebanese economy and its financial sector, as the public finance vulnerabilities remain and have yet to be addressed by effectively reducing the government's borrowing needs despite the stability of public finances in general and the debt in particular. In addition, political discord continued to be an obstacle to improving the local investment climate and business environment, and to increasing the economy's overall transparency. Further, the year ended with the worsening Syrian crisis hovering over the Lebanese economy and constituting an unprecedented challenge to the outlook.

REAL SECTORS

Economic growth in Lebanon reached 2% in the second half of 2011 compared to about 0.8% for the first half of the year, with full-year real GDP growth estimated at 1.5% compared to the official figure of 7% in 2010. The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, rose by 2.5% year-on-year on average.

The Byblos Bank/AUB Consumer Confidence Index averaged 51.7 in 2011 compared to 72.8 in 2010 and 96.7 in 2009. The Index averaged 54.6 in the first quarter of 2011, with a low of 47.5 in March. The first month of 2011 was a microcosm of political events that affect consumer confidence in Lebanon. The collapse of the Hariri Cabinet of national unity on 12 January, the ensuing street protests, the threat of a power vacuum, and the sudden rise in political uncertainties combined to severely affect the outlook and, therefore, appeared to further impact confidence. But the designation of MP Najib Mikati as prime minister on 25 January helped the level of confidence to recover somewhat, with the Index improving to 60.7 in January from its low in the preceding month. However, the confidence level deteriorated again in February with the delays in the Cabinet's formation, especially in view of earlier expectations that the Cabinet's one-sided composition would speed its birth. These delays resulted in a transitional period of extended power vacuum and government paralysis.

The Index declined further in March to reach an all-time low of 47.5, as this time the start of street protests in Syria worsened the prevailing level of uncertainties and clearly took its toll on confidence. The protests in Syria were highly unexpected, therefore creating an external shock with domestic implications, and added a new dimension to consumers' anxieties.

Consumer confidence improved somewhat in the second quarter, as the Index averaged 57, driven by a jump to 67.4 in June upon the formation of the Cabinet after a delay of nearly five months. But the level

of confidence in the third quarter readjusted downward as the positive impact of the government's formation was brief and gave way to renewed consumer skepticism in light of domestic and regional uncertainties. Indeed, the Index averaged 54.2 during the third quarter and reached a new all-time low of 46.4 in August on consumer fears of potential domestic repercussions from the issuance by the Special Tribunal for Lebanon of four arrest warrants at the end of June and the renewed political rhetoric about this issue, as well as from the unabated turmoil in Syria.

The fourth quarter also saw a drop in consumer confidence, as the Index averaged 41 during the last three months of the year and reached yet another all-time low of 33 in December. Increasing tensions within the Cabinet and the resulting paralysis of decision-making within the government, in addition to the protracted crisis in Syria, combined to reduce confidence to its lowest level on both a quarterly and a yearly basis.

EXTERNAL SECTOR

Lebanon is a predominantly importing country characterized by large trade deficits; however, these deficits are mostly offset by capital account inflows and inflows from remittances, income earnings, tourism and other services. The trade deficit reached USD 15.9 billion in 2011, up 16% year-on-year from USD 13.7 billion in 2010, as the value of imports increased by 12.2% to USD 20.2 billion in 2011, while the value of exports rose marginally by 0.3% to USD 4.3 billion. Also, the volume of imports amounted to 15 million tons in 2011, constituting a marginal increase of 0.3% from 2010, while exports posted a 12.6% drop to 2.7 million tons in the covered period, leading to a trade deficit of 12.3 million tons, up 3.7% year-on-year. The trade balance constituted the highest deficit in five years in both value and volume terms, and was prompted by a rise of USD 2.2 billion in imports as the value of exports was almost unchanged in 2011. The coverage ratio reached 21.2% in 2011 compared to 23.7% in 2010. In parallel, the balance of payments posted a deficit of USD 2 billion in 2011 compared to a surplus of USD 3.3 billion in 2010 and an average surplus of USD 3.6 billion over the previous five years.

Foreign direct investment (FDI) in Lebanon was estimated at USD 3.9% billion in 2011, constituting a decline of 20.5% from USD 4.98 billion in 2010. FDI in Lebanon was equivalent to 10.1% of the country's GDP in 2011, compared to 13.4% of GDP in 2010, and compared to FDI in the Middle East and North Africa (MENA) region of 2.1% of GDP in 2011 and 3.8% of GDP in 2010.

TOURISM SECTOR

The tourism sector, a main driver of economic activity in the country, suffered from the combination of domestic political shocks and uncertainties, regional turmoil, and the inability of Lebanese authorities to capitalize on this turmoil to attract Western visitors who had been targeting North African destinations in the first quarter of the year. As a result, the number of incoming tourists to Lebanon totaled 1.65 million in 2011, constituting a decrease of 23.7% from about 2.17 million in 2010 and compared to an increase of 17% in 2010. Also, the average occupancy rate at hotels in Beirut was 57% in 2011, decreasing from 68% in the preceding year. The average rate per room at Beirut hotels was USD 220 in 2011, decreasing by 13.6% year-on-year, while revenues per available room (RevPAR) were USD 126, down 27.5% from USD 174 in 2010.

A total of about 739,000 persons used hotels and furnished apartments in Lebanon, and spent 1.74 million nights in such facilities in 2011, constituting decreases of 15.8% and 17.3%, respectively, from 2010 figures. As a result, clients stayed an average of 2.36 nights per person in 2011 compared to 2.4 nights in 2010. The 2011 figures constitute the first annual contraction in the number of persons using hotels and furnished apartments and in the number of nights spent since 2007, when the total number of clients decreased by 5.8% and the total nights spent declined by 14.4% from 2006 figures. Visitors

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came from 165 countries and spent a total of USD 104.5 million on lodging in hotels and furnished apartments in 2011, a decline of 17.3% from USD 126.4 million in 2010. Overall, the travel and tourism industry is estimated to have directly contributed about 9.5% of GDP in 2011, while its direct and indirect contribution is estimated at nearly 33.8% of overall economic activity.

FISCAL SITUATION

The political uncertainty and delay in the formation of the government prevented the passage of the 2011 draft budget, which resulted in the sixth consecutive year that the country's public finances were run without a budget. The fiscal deficit is estimated to have narrowed to 5.6% of GDP in 2011 compared to 7.7% of GDP in 2010.

The fiscal deficit reached USD 2.34 billion in 2011, down 19% from USD 2.9 billion in the previous year. The deficit was equivalent to 20% of total budget and Treasury expenditures compared to 25.6% of overall spending in 2010. Overall government expenditures reached USD 11.7 billion, up 3.2% year-on-year, while total revenues increased by 11% to USD 9.3 billion. Budgetary expenditures rose by 5.5% to USD 10.6 billion, while budget revenues rose by 11% to USD 8.86 billion. The narrowing of the deficit and the increase in revenues are due to the inclusion of USD 1.5 billion in telecommunications receipts in budget revenues for 2011, of which USD 1.3 billion was transferred at the end of 2011 and USD 200 million in January 2012 to the Finance Ministry's account at the Central Bank.

Debt servicing decreased by 4% year-on-year to USD 3.75 billion, accounting for 32% of total expenditures and for 35.3% of budgetary spending. It absorbed 40.2% of overall revenues and 42.3% of budgetary receipts. The overall primary balance posted a surplus of USD 1.66 billion, or 14.2% of spending, relative to a surplus of USD 1.23 billion or 11% of total expenditures in 2010.

In parallel, Lebanon's gross public debt reached USD 53.6 billion at the end of 2011, constituting an increase of 2% from end-2010. Domestic debt increased by 2.2% to USD 32.7 billion at the end of 2011, while external debt rose by 1.7% annually to USD 20.9 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased by 3% year-on-year to USD 46.4 billion at the end of 2011. Local currency debt accounted for 61% of gross public debt at end-2011 compared to 60.9% a year earlier, while foreign currency-denominated debt represented 39% of the total at the end of 2011 relative to 39.1% a year earlier. The debt-to-GDP ratio at end-2011 is estimated at 136.2% of GDP relative to 141.7% of GDP a year earlier. Commercial banks accounted for 51% of the local public debt at the end of 2011.

CAPITAL MARKETS

The Beirut stock market continues to suffer from low liquidity and a lack of interest from privately held firms in listing their shares. It under-performed its regional peers in 2011, as it was the third worst performer in the region, with the stock market index declining by 20.3% in 2011 compared to a 13.6% drop for Arab markets. Further, its market capitalization was equivalent to 26.3% of GDP, fifth lowest in the region and compared to 45.4% of GDP for the combined Arab equity markets. Lebanon's market capitalization accounted for about 1.2% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 77.5 million shares in 2011, constituting a decrease of 53% from 2010, while aggregate turnover amounted to USD 515.3 million, down 72.4% from a turnover of USD 1.87 billion in the previous year. Market capitalization decreased by 19% from end-December 2010 to USD 10.3 billion, of which 72.8% was in banking stocks and 23.1% in real estate stocks. The market liquidity ratio was 5% compared to 14.7% in 2010.

Bank stocks accounted for 81.8% of aggregate trading volume in 2011, followed by real estate stocks with 17%. In terms of the value of shares traded, banking stocks accounted for 54% of aggregate value, followed by real estate stocks with 44%. The average daily traded volume for 2011 was 320,234 shares for an average daily value of USD 2.1 million. The figures reflect decreases of 52.5% in volume and 72.2% in value year-on-year.

In the fixed-income market, Lebanon's external debt posted returns of 7.31% in 2011, constituting the fourth highest return among 28 markets in the Eastern Europe, Middle East and Africa (EMEA) region, as well as the 16th best return among the 51 emerging markets. Lebanon outperformed the EMEA region's returns of 1.74%, as well the overall emerging markets' returns of 6.76% during the year. Also, Lebanon's external debt outperformed the 4.63% returns posted by similarly rated sovereigns, while it posted returns of 7.3%, coming in fourth place in the EMEA region and in 17th place among emerging markets in US dollar terms. Further, Lebanon's external debt posted the third highest returns among 12 countries in the MENA region in 2011.

The Lebanese Republic executed three transactions in 2011 to refinance maturing debt in 2011 and 2012. The first transaction was a USD 1 billion dual-tranche Eurobond in May to refinance debt that matured in the same month. The first tranche consisted of an eight-year USD 650 million bond that matures in May 2019 and carries a coupon rate of 6%, while the second tranche consisted of an 11-year USD 350 million bond that matures in October 2022 and carries a coupon rate of 6.1%. The second transaction was a USD 1.2 billion dual-tranche Eurobond in July to refinance USD 943 million in bonds maturing in August 2011. The first series consisted of a five-year USD 500 million issue that matures in November 2016 and carries a coupon rate of 4.75%, and the second series was a USD 700 million re-opening of the 6.1% coupon Eurobond due in October 2022, with the new series carrying a coupon rate of 6.2%. Further, the government issued three dual-tranche Eurobond series in December 2011 to refinance USD 1.2 billion and EUR 535.6 million in Eurobonds maturing in 2012. The first USD 500 million dual-tranche Eurobond series consisted of eight-year USD 433.2 million and USD 66.8 million issues that mature in November 2019, with each carrying a coupon rate of 5.45%, while the second USD 375 million dual-tranche series consisted of 15-year USD 235.5 million and USD 139.5 million issues that mature in November 2026, with each carrying a coupon rate of 6.6%. Both dual-tranche Eurobond series will be used to refinance a USD 600 million bond that matures in September 2012, with a coupon rate of 7.75%, and a USD 600 million bond that matures in March 2012, with a coupon rate of 7.50%. The third EUR 445 million dual-tranche Eurobond series consisted of seven-year EUR 420.9 million and EUR 24 million issues that mature in November 2018, each with a coupon rate of 5.35%. Both dual-tranche Eurobond series will be used to refinance EUR 535.6 million in Eurobonds maturing in April 2012 and carrying a coupon rate of 5.875%.

RISK METRICS

Spreads on five-year credit default swaps (CDSs) for Lebanon ended 2011 at 447.5 basis points, widening by 17.8bps from 429.7bps at the end of the third quarter. Overall, Lebanon's five-year CDS spreads widened by 149.4 bps in 2011 compared to 28.5bps in 2010. Lebanon's CDS spreads widened particularly during the first and second quarter of 2011 due to the deterioration of political conditions in the country as well as to the turmoil across the Middle East and North Africa. Further, Lebanon ended 2011 with a cumulative probability of default (CPD) of 27.6%, deteriorating from 19.2% at the end of 2010.

During the year, rating agencies maintained their view on the sovereign. Fitch Ratings affirmed Lebanon's long-term foreign and local currency Issuer Default Ratings (IDR) at 'B' and its short-term foreign currency IDR at 'B' with a 'stable' outlook. It also affirmed the Country Ceiling at 'B'. The agency attributed its decision to the fact that Lebanon's substantial foreign exchange reserves,

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lower debt levels and reduced interest costs partially offset the risks of political instability, growth deceleration and worsening public finances in 2011. It added that the already low ratings incorporate a measure of tolerance for political volatility. Fitch considered that the primary risk to Lebanon's ratings is a sustained outflow of deposits prompted by political instability. Further, Moody's Investors Service maintained Lebanon's foreign- and local-currency government bond ratings at 'B1' with a 'stable' outlook. It also kept the Senior Unsecured foreign currency ratings at 'B1' and the Short Term foreign currency ratings at 'NP'. It said that these sub-investment grade ratings reflect Lebanon's significant political and economic challenges that include wide fiscal and current deficits and the second highest government debt-to-revenues ratio among rated sovereigns.

MONETARY SITUATION

Lebanon's monetary authorities have continuously proven to be highly adept at maintaining stability in times of crisis. Following the collapse of the government in January, the currency peg came under pressure in the first quarter of 2011 due to deposit outflows and currency conversions. As a result, the Central Bank had to defend the pound, losing in the process about half of its net foreign exchange holdings, according to the International Monetary Fund. But gross reserves remained unchanged because the Central Bank issued foreign currency-denominated Certificates of Deposit and reverted to buying foreign currency in the market when market pressures subsided and deposit inflows resumed.

The Central Bank's gross foreign currency reserves increased by 7.8% from the end of 2010 to reach USD 30.82 billion at the end of 2011, equivalent to about 79.2% of money supply (M2) and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 10.3 months of the following year's imports of goods and services, well above the four-month reference and a high level by emerging market standards. The value of the Central Bank's gold reserves increased by 10.7% year-on-year to USD 14.4 billion, after reaching an all-time high of USD 16.75 billion at end-August due to the rise in global gold prices. The Central Bank's assets in gold and foreign currencies at the end of the year were equivalent to about 116% of GDP.

INFLATION

Inflation averaged 5.4% in 2011 compared to 4.5% in 2010. Inflation has been under control during the previous 15 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports. As such, imported inflation accounts for about 70% of inflation in the country.

BANKING SECTOR

The banking sector was affected by the combination of domestic political instability and regional uncertainties, which led to a slowdown in deposit growth and the contraction of profit margins during the year. The aggregate assets of banks operating in Lebanon were equivalent to 360% of GDP and deposits were equivalent to 296% of GDP at the end of 2011, among the highest such ratios in the world.

Commercial bank assets reached USD 140.6 billion at the end of 2011, constituting an increase of 9% from end-2010, with overall foreign assets decreasing by 0.9% year-on-year to USD 25.5 billion. Deposits of the private non-financial sector totaled USD 115.7 billion, increasing by 8% from end-2010. Deposits in Lebanese pounds reached USD 39.4 billion, unchanged from end-2010, while deposits in foreign currencies totaled USD 76.3 billion, rising by 12.6% from end-2010. Non-resident foreign

currency deposits totaled USD 18.6 billion at end-2011, increasing by 19.2% from end-2010. In parallel, deposits of non-resident banks reached USD 5.8 billion, an increase of 29.2% from end-2010. The dollarization rate of deposits reached 65.9% at end-2011, up from 63.2% a year earlier.

Broad money supply (M3) grew by 5.5% in 2011 compared to 12.3% in 2010. Loans to the private sector totaled USD 39.4 billion at the end of 2011, constituting an increase of 12.7% from end-2010. The dollarization rate in private sector lending reached 78.4% at end-2011, down from 80.3% a year earlier. The average lending rate in Lebanese pounds was 7.38% in December 2011 compared to 7.91% a year earlier, while the same average in US dollars was 7.02% compared to 6.74% in December 2010. Claims on the public sector stood at USD 29.2 billion, down 0.3% year-on-year, and accounted for 42.6% of the banking sector's total claims. Rating agencies continued to restrain banks' ratings to the sovereign ceiling, citing their high direct exposure to the sovereign as their most important risk factor.

The banks' capital base stood at USD 10.7 billion, up by 16.3% from end-2010, with core capital rising by 17.3% to USD 10.2 billion. The sector's capital adequacy ratio based on Basel II risk weights is estimated at 13.2% in 2011. The ratio of private sector loans to deposits in foreign currencies stood at 40.5%, well below the Central Bank's limit of 70%, and below the ratio of 41.4% a year earlier. In parallel, the same ratio in Lebanese pounds was 21.6%, up from 17.4% a year earlier. The ratio of total private sector loans to deposits was 34% compared to 32.6% a year earlier. In parallel, the aggregate net income of the top 12 banks operating in Lebanon increased by 1.2% year-on-year to USD 1.5 billion. Also, the top banks' return on average assets was 1.16% and their return on average equity reached 13.12% in 2011. Furthermore, the top banks' cost-to-income ratio reached 47.42% in 2011 compared to 47.17% in 2010.

GLOBAL AND REGIONAL ECONOMIES

The world economy's ongoing recovery from the global financial crisis was disrupted during the year by several factors that included the worsening of the Eurozone crisis, persistently soft activity in the United States, a decline in investor sentiment due to renewed financial instability, the disruption of activity in Japan from the earthquake and tsunami, the unrest in several countries of the MENA region, and the surge in global oil prices. The world experienced a two-speed economic performance in 2011, with emerging and developing economies continuing to drive global growth as developed economies lagged behind. As such, the global economy expanded by 3.9% in 2011 compared to growth of 5.3% in 2010, with advanced economies growing by 1.6% and emerging and developing economies expanding by 6.2%.

Economic activity in most developing countries was supported by strong domestic demand, the resurgence of international and domestic financial flows, and higher commodity prices. In parallel, advanced economies experienced a much slower-than-anticipated recovery, and many of them faced increasing fiscal and financial uncertainties. Emerging market economies have coped much better with the global downturn due to improved fundamentals, strong growth, and avoidance of financial excess during the boom years that preceded the crisis. However, activity in these economies remains dependent on demand in advanced economies.

The economies of both the MENA region and Sub-Saharan Africa are of particular significance to Lebanon due to the latter's strong trade and financial links to Gulf Arab markets in particular, as well as to its dependence on the Diaspora, and to the increasing activity of Lebanese banks in the two regions.

The unprecedented political changes that took place across the MENA region in 2011 affected economic activity in most countries, with widely diverging outcomes. The political transitions in a number of countries created uncertainty that had a negative impact on capital inflows, foreign direct investment, tourism, and overall economic activity during 2011. In addition, oil-importing economies had to manage higher commodity prices, lower global growth, and an adverse external environment, as well as negative spillovers from both the regional changes and the Eurozone crisis. In parallel, oil-exporting economies, especially those of the Gulf Cooperation Council (GCC) countries, benefited from the increase in energy prices and domestic stability, as their fiscal and external account balances improved. In turn, this provided them with additional fiscal space to stimulate non-hydrocarbon activity through public investments. As a result, the MENA economies posted a real GDP growth rate of 3.5% in 2011 relative to 4.9% in 2010, as GCC economies grew by 8% from 5.2% in the preceding year, Maghreb economies contracted by 1.7%, and Mashreq economies grew by 1.8%. Further, activity in the region's oil importers slowed to 2% in 2011 relative to 4.5% in the preceding year.

Economic growth in Sub-Saharan Africa maintained its pace in 2011 despite several shocks that included uncertainty and slowdown in the global economy, volatile and elevated commodity prices, and the drought in the Horn of Africa. Continuing its post-crisis recovery path, real GDP in Sub-Saharan Africa is estimated to have expanded by 5.2% in 2011, slightly slower than the 5.4% recorded a year earlier. The pace of growth was varied, with many economies in the region expanding at or near their highest rates of growth in many years. The region's 26 low-income countries grew by an average of 5%, middle-income economies expanded by 4.6% and oil exporters posted real GDP growth of around 6% in 2011. The region's growth was mainly driven by domestic demand, stronger exports supported by higher commodity prices, increased tourism activity, higher FDI, and government public investment projects.