

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

Second Half 2012 Results and Analysis

Confidence Stagnates at Near Record Low in Second Half of 2012

CONTENTS

I - Analysis of Results

A - Analysis on a Calendar Basis

B - Timeline Analysis

C - Analysis of Present Situation & Expectations Indices

D - General Trends

E - Consumer's Near-Term Outlook

II - Consumer Confidence & the Real Estate Market

III - Results by Category

A - Consumer Confidence by Gender

B - Consumer Confidence by Age

C - Consumer Confidence by Occupation

D - Consumer Confidence by Income

E - Consumer Confidence by Administrative District

F - Consumer Confidence by Religious Affiliation

IV - Consumers' Responses to Select Survey Questions

A - Major Purchases

B - Real Estate

HIGHLIGHTS

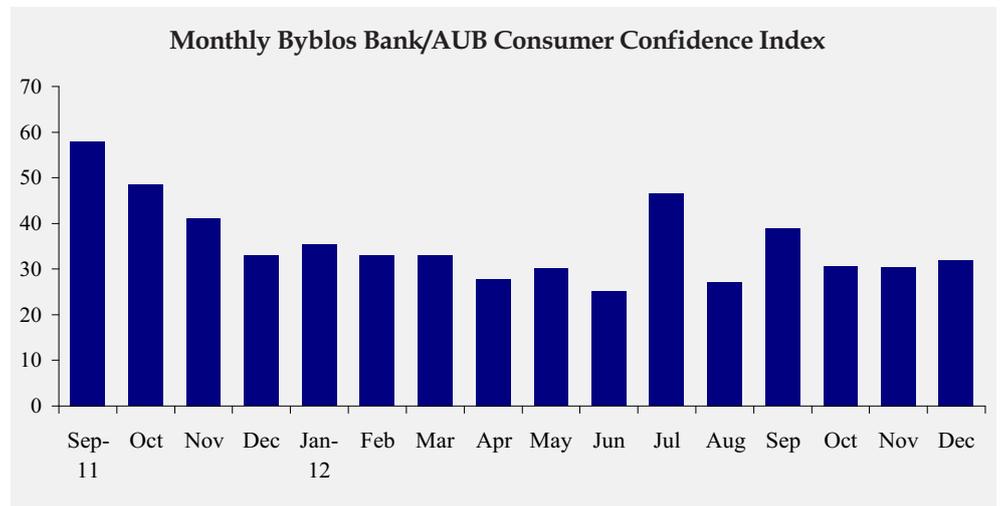
- The Byblos Bank/AUB Consumer Confidence Index dropped to its lowest level on a yearly basis in 2012, recording an average monthly reading of 32.5, down 37% from 51.7 in 2011.
- The confidence level reached a near record-low in the second half of 2012, as the Byblos Bank/AUB Consumer Confidence Index posted averages of 37.5 and 31 in the third and fourth quarters, respectively, the fourth- and second-lowest results on a quarterly basis since the index's inception.
- On a monthly basis, the Byblos Bank/AUB Consumer Confidence Index reached its second-lowest level in five years in August 2012.
- Repeated security breaches, the resurfacing of political assassinations and assassination attempts, the high level of political polarization and escalating rhetoric, and mounting concerns about spillovers from the Syrian crisis were the main factors for the near record-low level of consumer confidence in the second half of 2012.
- The resumption of the National Dialogue and the issuance of the Baabda Declaration contributed to slightly contain the slide in consumer sentiment.
- The rise in the cost of living, the decay in public-service delivery, and the weak rule of law also affected consumer confidence in the second half of the year.
- The Byblos Bank/AUB Present Situation Index and Expectations Index reached near record-low levels in the second half of 2012.
- The near-term expectations of consumers during the third and fourth quarters of 2012 were lower than their views of their current conditions.
- All 26 sub-categories of the Byblos Bank/AUB Consumer Confidence Index remained at low levels throughout the second half of 2012.
- The level of consumer sentiment reached such low levels that consumers require a positive political shock of the magnitude of the Doha Accord, and not just a change in government, to restore their confidence to the levels of 2008, 2009 and 2010.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

The level of consumer confidence in Lebanon improved in relative term during the third quarter of 2012 from record-low levels posted during the second quarter of the year, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index for July, August and September. The index reached 46.5 in the July 2012 survey, constituting an increase from the all-time low of 25.1 in June 2012, but regressed to 27.2 in August 2012. This was followed by an increase to 38.8 in September 2012. The index regressed in the fourth quarter of 2012, as it reached 30.7 in the October 2012 survey, constituting a decrease of 20.9% from the previous month, then it declined by 1% to 30.4 in November 2012 and improved by 4.9% to 31.9 in December 2012. The Byblos Bank/AUB Consumer Confidence Index's outcome for August 2012 posted the second-lowest level since the start of the index's calculation in July 2007.

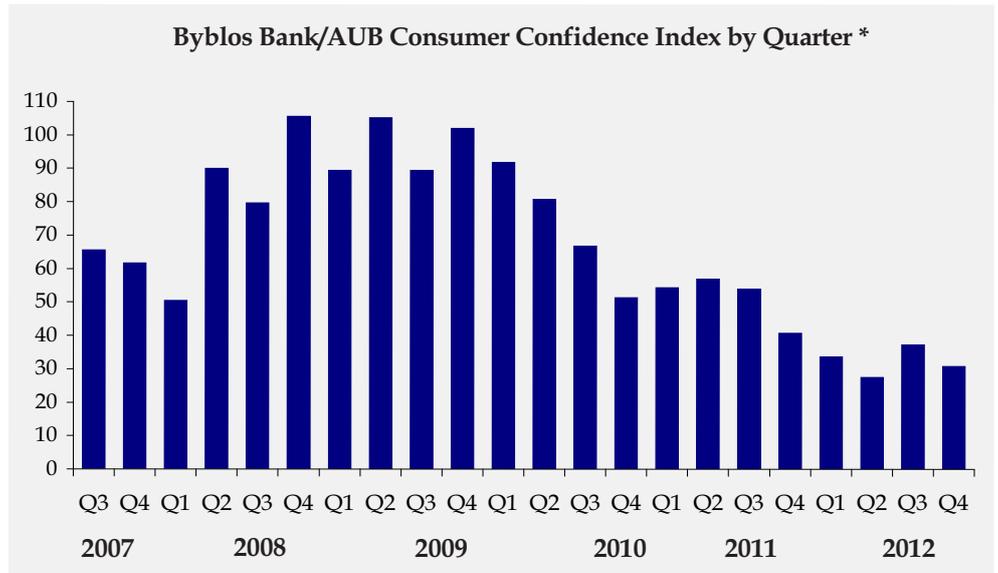
Consumers' sentiment remained at near all-time low in the second half of 2012



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

The results of the last two quarters of 2012 reflect the persisting trend of stagnating consumer confidence in the country. Indeed, the index averaged 31 in the fourth quarter of 2012, constituting its second-lowest reading in 22 quarters. It also averaged 37.5 in the third quarter of 2012, the fourth-lowest quarterly reading since the start of the index's calculation. This follows declines in the first and second quarters of 2012 to the index's third-lowest and lowest quarterly levels, respectively. Overall, the results of the third and fourth quarters of 2012 were consistent with the ongoing trend of low confidence since the fourth quarter of 2010. Also, the results of the fourth quarter reflect the index's ninth quarterly decline out of the previous 13 quarters; while the third quarter's outcome reflects the index's only quarterly increase in 2012 and its first rise since the second quarter of 2011. As a result, the Byblos Bank/AUB Consumer Confidence Index posted an average monthly value of 34.2 during the second half of 2012, constituting the index's second-lowest level on a semi-annual basis. The index's average monthly value in the second half of 2012 improved by 11% from an average monthly value of 30.8 in the first half of 2012, but fell by 28% from 47.5 in the second half of 2011, reflecting a steep decline in confidence levels from an already tumultuous and uncertain period.

Consumer confidence remained at low levels in the third and fourth quarters of 2012

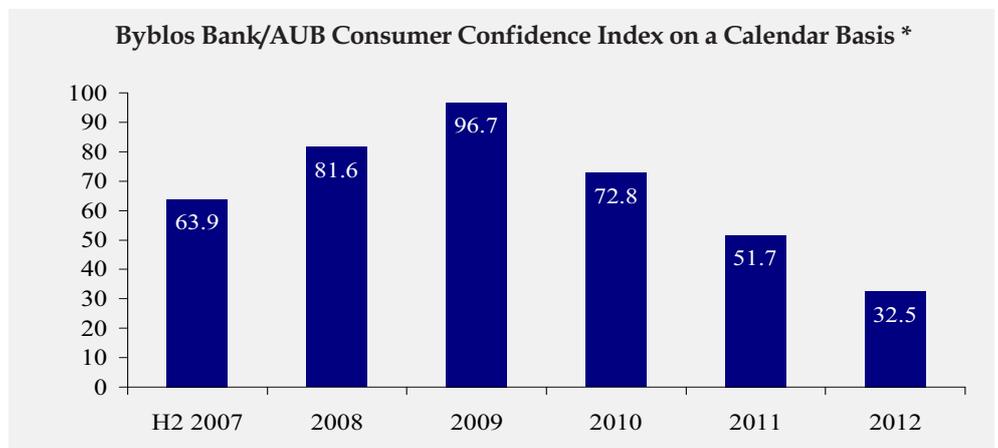


** monthly average index by quarter
Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon*

The results of the third and fourth quarters of 2012 maintained and solidified the low confidence level that has prevailed since the fourth quarter of 2010, and reinforced the broader trend of decline that started at the end of the fourth quarter of 2009. Indeed, the average score of the fourth quarter of 2012 constitutes a drop of 69.7% from the results of the fourth quarter of 2009 and a drop of 70.7% from the peak of 105.8 registered in the fourth quarter of 2008.

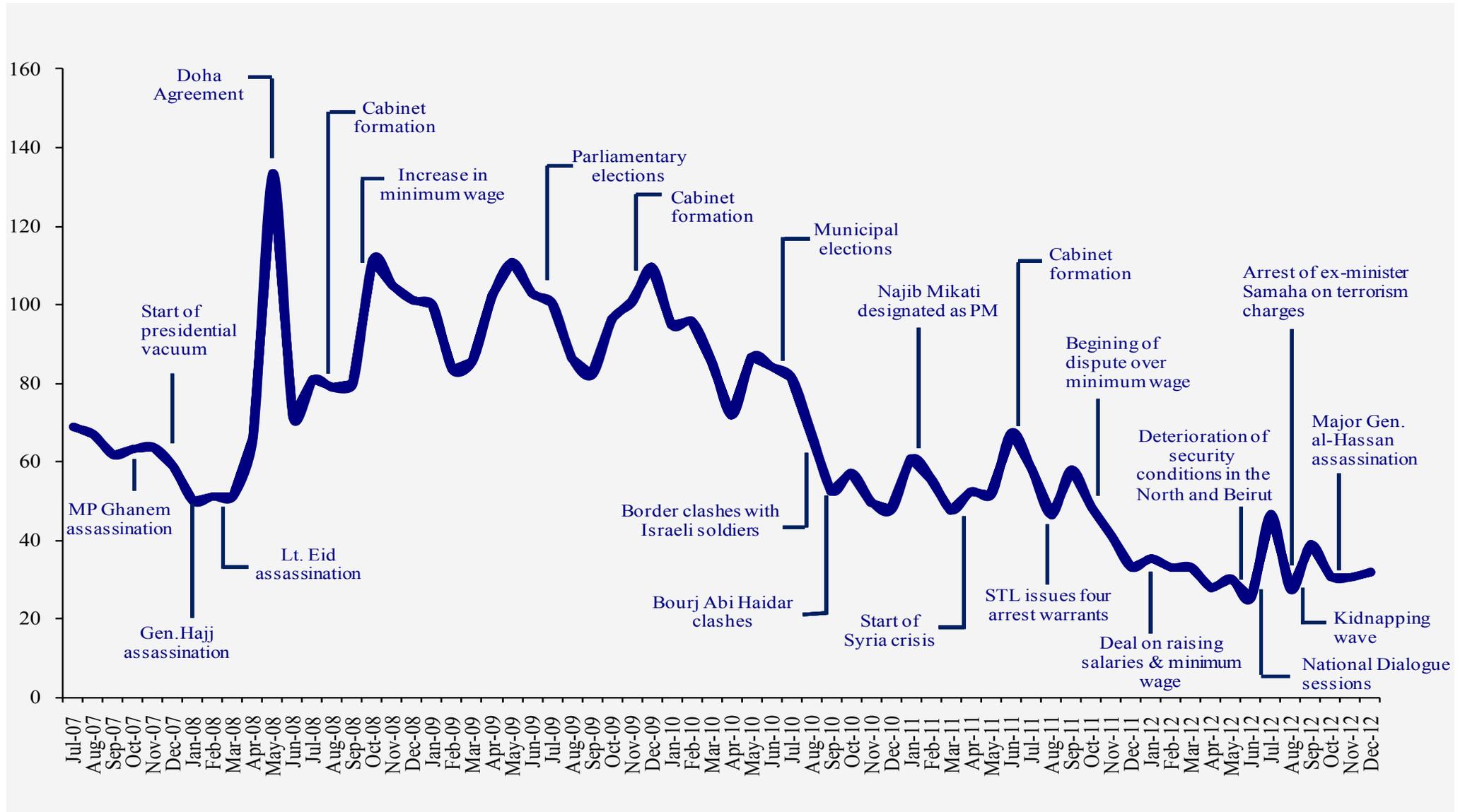
Overall, the Byblos Bank/ AUB Consumer Confidence Index posted a monthly average level of 32.5 in 2012, constituting a drop of 37.1% from 51.7 on average in 2011, a decline of 55.4% from an average 72.8 in 2010, and a decrease of 66.4% from an average 96.7 in 2009. The results of 2012 are alarming, given that consumer sentiment dropped sharply during the year from an already record-low level in 2011, and due to the perception at the time that the confidence level of Lebanese consumers might have bottomed out at the end of 2011. But the record-low outcome in 2012 is hardly surprising, given the prevailing sense of instability, insecurity and caution among Lebanese consumers.

Consumer confidence in 2012 dropped to its lowest annual level since the start of the index's calculation



** monthly average index for the period
Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon*

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007-December 2012)



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

**Fluctuations of the Byblos Bank/AUB Consumer Confidence Index,
the Byblos Bank/AUB Present Situation Index
and the Byblos Bank/AUB Expectations Index**

	Q3 2012			Q4 2012		
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
CCI*	46.5	27.2	38.8	30.7	30.4	31.9
Month-on-month change (%)	85.2%	-41.5%	42.7%	-20.9%	-1%	5%
Year-on-year change (%)	-20%	-41.4%	-33.1%	-36.6%	-26.2%	-3.2%
PSI**	45.3	29.6	40.8	32.3	30.7	32.3
Month-on-month change (%)	71.1%	-34.7%	37.7%	-20.7%	-5%	5.3%
Year-on-year change (%)	-8%	-36.3%	-17.6%	-27.5%	-18.4%	12.2%
EI***	47.3	25.6	37.5	29.6	30.2	31.6
Month-on-month change (%)	96.1%	-45.9%	46.6%	-21%	1.9%	4.8%
Year-on-year change (%)	-26.2%	-44.8%	-41.1%	-42%	-30.6%	-11.5%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

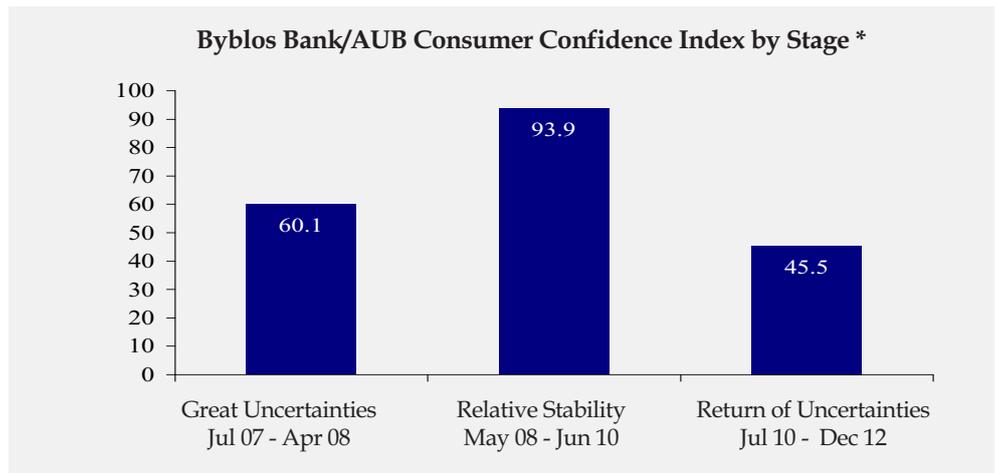
*** EI: Byblos Bank/AUB Expectations Index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

B -TIMELINE ANALYSIS

The results of the third and fourth quarters of 2012 upheld the trend in consumer confidence that started in July 2010. We have identified three distinctive periods in the history of the Byblos Bank/ AUB Consumer Confidence Index: a period of Great Uncertainties, one of Relative Stability, and a third of Return of Uncertainties. The first period starts in July 2007 and ends in April 2008, with the index averaging 60.1 during this timeframe. It was a “high risk” period dominated by political and security uncertainties. The second period extended from May 2008 to June 2010 and is characterized by a significantly higher level of confidence, as the index averaged 94 during the 26-month span. This timeframe was a “low risk” period that saw several positive political events that helped revive consumer’s confidence. The third period, which has stretched from July 2010 to June 2012, saw the return of uncertainties and an increase in political risks. The index averaged 48.3 during the 24-month period, constituting its lowest reading throughout the three periods. The results of the third and fourth quarters of 2012 extended and confirmed the Return of Uncertainties period and dragged down the index reading to an average of 45.5 over the July 2010-December 2012 period, constituting the lowest level of consumer confidence over the three periods.

The period of returning uncertainties was more pronounced throughout 2012



* monthly average index for the period

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

Both the Present Situation Index and the Expectations Index posted their second-lowest reading in the fourth quarter of 2012

Consumers continued to be more pessimistic about future conditions than they are about their current situation

The Byblos Bank/ AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index moved in the same direction during the third quarter of 2012. As such, the Present Situation Index increased by 71.1% in July, decreased by 34.7% in August and rose by 37.7% in September. The Expectations Index rose by 96.1% in July, declined by 45.9% in August and rose by 46.6% in September. Also, both indices moved in the same direction in the fourth quarter of 2012, except for the month of November, where the indices moved in opposite directions. The Present Situation Index declined by 20.7% in October, decreased by 5% in November and rose by 5.3% in December, while the Expectations Index declined by 21% in October, rose by 1.9% in November and increased by 4.8% in December 2012. Overall, both sub-indices posted their second-lowest readings in 22 quarters in the fourth quarter of 2012, which reflected the deterioration of confidence in current as well as in future conditions. The Expectations Index was lower than the Present Situation Index during the third and fourth quarters of 2012, which shows that Lebanese consumers were more pessimistic about the future than they were about present circumstances. There were only two other quarters with a similar outcome since the index's inception, namely the second quarter of 2012 and the third quarter of 2010. Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation. Indeed, there were only four months between July 2007 and December 2011 when Lebanese consumers were more, or equally, pessimistic about the future than they were about present circumstances. However, there were four months during the first half of 2012 and five months during the second half of 2012 when consumers were more pessimistic about the future than they were about current conditions. The Expectations Index recorded a lower value than the Present Situation Index in August, as well as in September, October, November and December during the second half of 2012. As a result, consumers displayed more pessimism about the future than about present conditions in nine out of 12 months during 2012. This emerging trend, which was particularly visible in the second half of 2012, demonstrates consumers' negative and uncertain outlook, and raises alarms over the depth of consumers' pessimism.

D - GENERAL TRENDS

Consumer confidence in Lebanon remained very sensitive to political developments during the second half of 2012, in line with trends since July 2007. Domestic political tensions, repeated security breaches, the resurfacing of political assassinations and assassination attempts, lax public health safety, the slow-moving decision-making process within public institutions, in addition to the direct and indirect spillovers from the crisis in Syria, combined to keep confidence at very low levels. Indeed, several developments significantly impacted the confidence of Lebanese consumers during the covered period: the recurrent deterioration of security conditions in the North and along the Lebanese-Syrian border, the wave of kidnappings and public threats of targeted abductions, the discovery of a major terrorist plot to destabilize the country, the attempted assassination of MP Boutros Harb, the assassination of Major General Wissam al-Hassan, the high level of political polarization and escalating rhetoric, as well as the increasingly pervasive impact of the Syrian conflict. In addition, the counterfeit medicine scandal, the rolling electricity blackouts and the protracted issue of the public-sector salary scale added to the mix. The lone event that had a positive but brief impact on consumer sentiment was the resumption of the National Dialogue among political parties after an 18-month interruption, and the subsequent issuance of a comprehensive statement, the Baabda Declaration, which pledged to address citizens' concerns.

The Syrian crisis, multiple security breaches and political tensions had the most significant impact on consumer confidence during the second half of 2012

The Syrian conflict, with all its ramifications, continued to dominate the political arena in Lebanon during the second half of 2012, as the crisis' escalation led to recurrent political and security spillovers into the country. Further, the prolonged crisis kept the political polarization in Lebanon elevated, therefore worsening the local political climate, which negatively affected consumer sentiment and reflected growing consumers' concerns about uncertain economic conditions and political instability. In turn, Lebanese consumers continued to increasingly feel the repercussions of the Syrian crisis in the second half of the year, as reflected by stagnating sentiment and near record-low levels of the Byblos Bank/AUB Consumer Confidence Index.

Chronic skirmishes along the Lebanese-Syrian border stretching from the North to the Bekaa region maintained fears that the Syrian conflict would spill into Lebanon. In addition, citizens remained concerned about a recurrence of inter-factional clashes in Tripoli that resulted in 28 people dead and 160 wounded in May and June. Indeed, despite numerous attempts to reduce tensions and reach a solution, fighting flared up again in August and resulted in 13 people dead and more than 100 wounded, while another 12 people were killed and 73 injured in December confrontations. The festering problems in Tripoli have been perceived to be linked to the conflict in Syria.

In early August 2012, the Lebanese security forces arrested former minister Michel Samaha over accusations of his involvement in transporting explosives from Syria as part of an elaborate plot to destabilize the country. The plan consisted of using the explosives to carry out a series of bombings to assassinate certain Lebanese officials, including religious clerics, at religious and other events in the province of Akkar and other locations in the North in order to provoke sectarian strife throughout Lebanon. Despite the general relief at the successful prevention of the plot, consumers' confidence was shaken by the

conspiracy's magnitude, given that it was a reminder of the omnipresent threat of large-scale security breaches and raised their fears from other potential plots that may be in the making. Moreover, it was the most prominent display so far of the direct spillover of the Syrian conflict onto the Lebanese scene and its potential to recreate the period of war in the country.

However, consumers' fears of security breaches materialized in a different and unexpected form that made state institutions look helpless and that threatened to plunge the country into a state of lawlessness. In retaliation for the kidnapping of one of its members by an armed group in Syria, a local clan went in mid-August on a kidnapping spree of Arab and foreign nationals across Lebanon, while its "armed wing" publicly threatened to abduct GCC and other foreign nationals and to kidnap Lebanese citizens based on a "data bank" of targets. The clan's justification for its action was that Lebanese authorities did not make enough efforts to release their kidnapped relative in Syria. The repercussions were immediate, as several Arab and non-Arab countries asked their nationals to leave Lebanon and issued strict travel warnings to their citizens. Further, amid wide media coverage of the clan's threats, protesters blocked major Beirut streets, including the road leading to the airport, at the inability of the government to free another 16 Lebanese citizens that have been abducted and held hostage in Syria since last May. So, amid the apparent inability of the State to protect the basic safety of its citizens, along with warnings by leading public figures that the situation was getting out of control, the negative impact on citizens' confidence level became inevitable. As a result, the Byblos Bank/AUB Consumer Confidence Index reached its second-lowest level in August since the start of the index's calculation in July 2007. This confirms the historical trend of the index, as its results have demonstrated that consumer sentiment in Lebanon is significantly affected by political and security events, whether they are negative or positive. But the Byblos Bank/AUB Consumer Confidence Index recovered somewhat in September after the government took several measures to re-impose its authority through arresting the kidnapers from the local clan, releasing some of the persons that the latter kidnapped, and undertaking a major campaign to reestablish law and order.

The wave of kidnappings and the return of political assassinations took their toll on consumer sentiment

But the confidence of Lebanese consumers took another hit in the fourth quarter of the year with the assassination of Major General Wissam al-Hassan, Chief of the Intelligence Bureau of the Internal Security Forces, in a car bomb in the Beirut district of Achrafieh on October 19th. The assassination, which caused the death of seven more persons and the injury of 78 others, shocked citizens and marked yet another chilling episode of tensions in the country. The incident was the first assassination in Lebanon since early 2008, which raised the specter of plunging the country into the unknown with the resumption of the targeted assassinations of prominent public figures and politicians, following the failed assassination attempt on MP Boutros Harb in early July. The al-Hassan assassination provoked street protests and road blockades in various parts of the country. It also raised political tensions and uncertainties, as the opposition called for the Prime Minister's immediate resignation and accused the Cabinet of being incapable of maintaining security in the country. The political clouds continued to gather, as the Prime Minister refused to resign, while the opposition declined the President's invitation to resume the National Dialogue and declared a boycott of the Cabinet and all related activities, including atten-

ding parliamentary sessions, until the Cabinet's departure, reflecting all signs of mounting political paralysis and added tensions. Further, violent clashes erupted throughout the country, especially in Tripoli, and left 10 dead and 65 wounded. In addition, the assassination of the most senior intelligence official in charge of domestic security in the country renewed citizens' anxiety, as they became increasingly uncertain about safety conditions and inter-communal peace and stability. As such, consumers' sentiment regressed substantially and, more importantly, their outlook became gloomier, as the Byblos Bank/AUB Expectations Index remained firmly lower than the Byblos Bank/AUB Present Situation Index for the rest of the quarter.

The National Dialogue was a welcome but brief respite from political bickering

The second main factor that affected consumer confidence during the second half of 2012 was the resumption of the National Dialogue sessions under the sponsorship of the President of the Republic in June, as well as in August and September, following a lengthy interruption that dated back to early November 2010. Lebanese citizens welcomed the sight of opposing politicians gathered around the same table twice in June, while the content of the Baabda Declaration addressed their growing concerns, especially pledges to focus on maintaining security, reducing the political rhetoric, and avoiding interference in the Syrian conflict. As a result, the Byblos Bank/AUB Consumer confidence Index rose in July, but the bounce was short-lived as the index retreated in August to near all time lows. It is true that the July bounce came after two National Dialogue meetings in June, but it was also caused by base effects, as the month's results followed an all-time low for the index in June. Further, despite its rise, the index remained within the dynamics of very low confidence levels.

The brief July bounce is also in line with previous trends, as the index's historical results demonstrate that Lebanese consumers are generally skeptical about the immediate concrete impact of an event or of a government decision. In fact, consumers need to concretely feel the impact of any announced economic policy or political decision in order for their confidence level to remain elevated beyond the immediate rise. Their reaction to the National Dialogue and, especially, to the Baabda Declaration fit this pattern. They welcomed the dialogue sessions and the ensuring resolution. But they remained highly skeptical about the willingness of political factions to concretely abide by and implement the content of the collective statement, and were more inclined to believe that most politicians would only pay lip service to the Baabda Declaration. Also, consumers look for positive signals for their outlook to improve. So, in line with past trends, they reacted positively at the time of the declaration's announcement, but they did not get overly optimistic and their expectations remained low, given that they have been used to be eventually disappointed. Therefore, the holding of dialogue sessions has been insufficient on its own to improve confidence over time, as almost none of the resolutions that the attendees agreed upon during the numerous meetings held since 2006 have been implemented.

The third main factor to affect consumer sentiment in the second half of the year was the increasingly controversial issue of the public sector's salary scale. The disruptive strike of contract workers and bill collectors of state-owned utility Electricité du Liban finally ended in early August after more than three months of protests. Ordinary citizens ended up paying the price of this ordeal

The Cabinet's fixation on the salary scale took precedence over a much needed plan to stimulate growth

with frequent disruptions to their day-to-day activity, minimal EdL supply of power, and higher fees paid to private electricity generators throughout the strike period and beyond. But as soon as this issue died down, the more challenging and wider socio-economic issue of the public sector's salary scale adjustment loomed on the horizon. The issue that started in 2011 remained unresolved in the second half of 2012 given the government's continuing hesitation and indecision. As a result, civil servants, including public school teachers, began a series of strikes and protests until the government reached an agreement with their representatives on the matter. The Cabinet approved on September 6th a draft law for a wide scale public-sector salary increase, bringing an end to the months-long dispute. However, the Cabinet was reluctant to send the bill to Parliament for ratification until it finds ways to secure the funds to finance the massive salary increase. This prompted the public sector's employees to carry out a series of strikes and to threaten further escalation, the disruption of public sector services, and even a campaign of civil disobedience. As a result, the hundreds of thousands of consumers in the public sector were left without an officially-approved salary scale by the end of 2012, which gave way to their renewed skepticism. Simultaneously, private-sector employees and employers became concerned about the potential repercussions of the new salary scale, when implemented, on their business.

Decay in public service delivery and lack of accountability continue to frustrate consumers

In case there was a need for more reasons to negatively affect consumer sentiment in the second half of 2012, a wave of kidnappings of Lebanese, this time in exchange for ransoms, and a series of bank robberies, raised citizens' fears about their personal safety and kept their outlook gloomy, given that personal physical security is a key determinant of confidence. Moreover, the discovery of warehouses full of illegally imported medicines, as well as revelations of pharmacies selling over 100 different medicines with forged stamps from the Health Ministry and fraudulent lab tests, made consumers wonder about public health standards and raised suspicions about basic day-to-day medical safety. The issue took added importance as it followed the numerous cases of food poisoning, along with the discovery of warehouses full of spoiled meat and rotten foodstuff and of stores with expired food products in the first half of the year.

The deterioration of security conditions, the kidnappings and robberies, along with the counterfeit medicines' scandal, combined to hit at the core of consumers' day-to-day basic security and healthcare needs, which inevitably led to a negative impact on consumers' confidence level in the second half of 2012. More importantly, medical safety problems represent part of an overarching structural issue, which is the steady decay in the quality of basic day-to-day public services, and the lack of any concrete perspective to improve them beyond politicians' bland promises, lame excuses and misplaced priorities.

As such, the drop in the Byblos Bank/ AUB Expectations Index during the second half of 2012, due to the cumulative impact of the above trends, does not bode well for a substantial resurgence of economic activity in the near term. In fact, consumer sentiment remained at such low levels in the last six months of the year, that we reiterate that Lebanese consumers require a positive political shock of the magnitude of the Doha Accord, and not just a change in government, in order to restore their confidence to levels reached in 2008, 2009 and

2010. As such, we expect economic growth to remain stagnant in the absence of any positive political or economic shocks.

Economic activity is expected to remain stagnant in the absence of positive shocks

Looking at the full year, consumer confidence was severely tested in 2012, as 10 out of the 12 monthly readings of the Byblos Bank/ AUB Consumer Confidence Index posted their lowest level since the start of index's calculation in July 2007. Further, the Byblos Bank/ AUB Present Situation Index reached its lowest level ever in 10 out of 12 months last year; while, more alarmingly, the Byblos Bank/ AUB Expectations Index reached its lowest level in 66 months in 11 out of 12 monthly readings during 2012. Security and safety-related issues dominated consumers' concerns during the year. But other powerful issues such as rising political rhetoric and uncertainties, the inability of authorities to satisfy citizens' basic needs, the rising cost of living, decaying public services, the weak rule of law, and economic stagnation resonated strongly among consumers. Consequently, the results of the Byblos Bank/ AUB Consumer Confidence Index clearly reflect citizens' declining confidence in the seriousness of the government, of public authorities and of political parties to bring about real change, to meet their basic needs, as well as to improve their living standards and to provide a credible framework for economic opportunities.

E - CONSUMERS' NEAR-TERM OUTLOOK

During the third quarter of 2012, the level of consumer confidence rose in relative terms across all 26 sub-categories of the Byblos Bank/ AUB Consumer Confidence Index. However, consumer confidence declined across all sub-categories of the index during the fourth quarter of 2012.

Males continue to have a less pessimistic outlook than females

Male consumers had a relatively less pessimistic outlook for the coming six months than their female counterparts in the second half of 2012, as the average monthly reading of the Expectations Index for males was 38.9 relative to 34.6 for females in the third quarter of 2012; and 34.6 for males relative to 26.4 for females in the fourth quarter of 2012. Also, consumers aged between 21 and 29 years were less pessimistic over the near term relative to consumers in older age brackets in the third quarter of 2012.

In parallel, consumers aged 50 years and older were less pessimistic over the near term than consumers in younger age brackets in the fourth quarter of 2012, as reflected by a higher reading of the Expectations Index for the sub-categories of consumers aged between 50 and 59 years and those 60 years and older. In contrast, consumers who are between 30 and 39 years old were the most pessimistic during the second half of 2012 as their Expectations Index was 33.7 in the third quarter and 27.2 in the fourth quarter of 2012. During the third quarter of 2012, students were the least pessimistic about economic prospects among occupational sub-categories, as the Expectations Index for this segment averaged 44 during the covered quarter. They were followed by private sector employees and freelancers with Expectations Index readings of 42 and 37.7, respectively. In parallel, housewives were the most pessimistic during the quarter with an Expectations Index score of 27.4.

In the fourth quarter of 2012, freelancers were the least pessimistic with an average Expectations Index of 36, followed by private sector employees and the

unemployed with readings of 32.9 and 28.3, respectively. Also, as in the previous quarter, housewives were the most pessimistic among all occupational categories, with an Expectations Index score of 19 during the fourth quarter of 2012.

In parallel, consumers with a monthly household income higher than \$2,000 were less pessimistic relative to other income brackets during the second half of 2012, as the Expectations Index for this segment averaged 50.3 and 42.1 during the third and fourth quarters of 2012, respectively.

Beirut residents had the least pessimistic outlook in the second half of 2012

Consumers in Beirut had the least pessimistic outlook among the country's five administrative districts during the second half of 2012; while those from the Bekaa were the most pessimistic about future prospects. In terms of religious affiliations, Christian consumers had the least pessimistic outlook in the coming six months; while Shiite consumers were the most pessimistic about their future prospects.

METHODOLOGY

The Byblos Bank/AUB Consumer Confidence Index is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon, whereby residents are asked a number of questions about current and future economic conditions, their personal financial situation, and their intention regarding major purchases. The index is calculated on a monthly basis, with January 2009 as its base month. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the index based on age, gender, income, profession, region, and religious affiliation. The index calculation started in July 2007. The monthly field survey is conducted by Statistics Lebanon sarl, one of the leading market research and opinion polling firms in the country. The firm draws a random sample of the population for each monthly survey.

II- Consumer Confidence and the Real Estate Market

Poor security conditions and uncertainties are weighing down on consumers' intent to buy real estate

The overall muted outlook of Lebanese consumers during the second half of 2012 was reflected in their answers to questions about their present and near-term intentions to purchase or build a house, to sell real estate, or to spend large sums of money on home improvements or on renovations. The survey's results show that, on average, 94% of Lebanese consumers interviewed in the third quarter of 2012 did not expect to build or buy a home in the following six months, while 2.8% of respondents had plans to purchase a residential unit in the near term. Consumers' outlook slightly deteriorated during the fourth quarter, as 95% of respondents who were polled during the period indicated that they will neither construct nor purchase a home in the near term, while 2.3% of consumers intended to buy a house in the coming six months.

More specifically, 95.9% of respondents who were surveyed in August 2012 did not plan to purchase a residential unit in the following six-month period, constituting the highest such proportion in the second half of 2012 and the second-highest percentage since the survey's start in July 2007. This concurred with the month that produced the second-lowest level of consumer confidence and expectations since the start of the Byblos Bank/AUB Consumer Confidence Index's calculation. The results demonstrate the impact of political uncertainties and of deteriorating security conditions on consumers' decision-making process, particularly regarding their long-term investment plans such as buying real estate.

Consumers are postponing home improvement plans

Further, 92.6% of Lebanese consumers interviewed in the third quarter of 2012 did not have plans to spend large sums of money on home improvements or on renovations over the following six months. Consumers' outlook deteriorated further during the fourth quarter of 2012, as 93.8% of respondents who were polled during the period indicated that they would not invest in improving their homes in the near term. Moreover, the second half of 2012 included four out of 10 monthly surveys since July 2007 where respondents were the most reluctant to invest in home improvement. This comes as a normal reaction to postponing non-essential expenditures in the prevailing climate of uncertainties.

In parallel, 92.9% of Lebanese consumers interviewed in the third quarter of 2012 did not have plans to sell real estate over the following six months. Consumers' outlook was virtually unchanged during the fourth quarter of the year, as 93% of respondents who were polled during the period indicated that they do not intend to sell their real estate in the near term, reflecting the widespread perception that sellers would not receive their asking price in the current environment.

The survey's results demonstrate the impact of political uncertainties and deteriorating security conditions on consumers' perceptions and on their investment decisions. They also reflect consumers' higher level of awareness than most politicians and public officials that proper se-

curity conditions and political stability, as well as a clear vision for the Lebanese economy, are the prerequisites for encouraging investments in general and real estate investments in particular. Indeed, when families or individuals decide to buy a residential unit, they have to commit large sums of money over long periods of time. Most Lebanese living in the country simply can no longer afford to buy residential units outright, mainly because of the prevailing high prices and, therefore, would need to borrow money. The process involves putting a down payment and taking out a mortgage. In other words, consumers are transforming their liquid asset, which is cash, into an illiquid asset, which is real estate. Further, they are borrowing large sums of money from the bank to pay for the balance of the house purchased, which is by itself a long-term commitment that requires monthly installments over many years.

Precarious conditions are deterring long-term financial commitments

For most consumers, the down payment represents a majority, if not most, of their liquid assets. In order to dispose of most of their liquid assets, borrow most of the house's cost, and commit to monthly payments for up to 30 years, consumers require a positive long-term outlook and a high level of confidence, especially that buying a house is usually the first large investment individuals tend to make. In turn, this decision requires socio-economic stability, knowledge that other opportunities would materialize in case they lose their job, expectations that their income would increase at a rate that maintains their purchasing power, and the proper environment to plan for the long term. But the precarious conditions on the ground have been hardly conducive for such an environment, even when consumers are looking to buy a primary residence.

A very small percentage of the population participates in the real estate market

Therefore, the rising uncertainties, political volatility and worsening security conditions not only in the second half of 2012, but over the past two years, have led consumers in general to hold on to their liquid cash and to postpone long-term financial commitments, which explains in part the steady decline in domestic demand for real estate over 2011 and 2012. The results of the survey also reflect another dimension of the real estate market in the country. The high percentage of respondents who consistently did not intend to make a real estate transaction, whether a purchase or a sale, demonstrates that real estate activity in the country has been limited to a narrow segment of the resident population, irrespective of political or economic conditions.

The results also validate a survey by the World Bank that revealed that only 6% of adults have an outstanding mortgage in Lebanon. The results are hardly surprising, given the wide gap between the income level in the country and real estate prices. Indeed, most of the demand for real estate in the country during the market's high growth period that stretched from 2007 to mid-2010 has come from Lebanese expatriates, while the supply has been overwhelmingly geared to this particular segment. Therefore, the other main reason for the market's ongoing stagnation is the reluctance of expatriates to buy housing units in Lebanon due to the current political and security conditions and the elevated prices.

III - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

The results of the Byblos Bank/ AUB Consumer Confidence Index show that male consumers recorded a relatively higher level of confidence than their female counterparts during the second half of 2012. The latter results are in line with a trend that started in the first half of 2011. Also, male and female consumers posted higher confidence levels of 38 and 30.5, respectively, in the second half of 2012; compared to confidence levels of 32.8 and 28.7, respectively, in the first half of the year.

The confidence level of males was higher than that of females in the second half of 2012

In parallel, male and female consumers posted higher levels of confidence in the third quarter of 2012 than in the fourth quarter of the year. As such, male and female consumers posted confidence levels of 40.6 and 34.4, respectively, during the third quarter of 2012, and confidence levels of 35.5 and 26.5, respectively, in the last three months of the year. The fourth quarter results represent both genders' second-lowest level of confidence in 22 quarters. On average, female consumers had a higher confidence level than their male counterparts in seven out of the first eight quarters since the index's inception in July 2007, but the trend was reversed with males having a higher confidence level than females in 13 out of the following 14 quarters.

On a monthly basis, the confidence level of males and females reached their second-lowest level of 30 and 24.4, respectively, in August 2012 since the start of the index's calculation. On average, male consumers had higher confidence levels than female consumers in 40 out of 66 months, representing a 60.6% frequency of occurrence, since the index's inception in July 2007.

Overall, male consumers displayed a higher level of confidence than their female counterparts in 2012, in line with a general trend that started in 2009. Both genders reached their lowest annual confidence levels of 35.4 and 29.6, respectively, in 2012.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jul-12	48.2	44.8
Aug-12	30.0	24.4
Sep-12	43.5	34.1
Av. Index Q3 2012*	40.6	34.4
Oct-12	35.1	26.3
Nov-12	35.2	25.5
Dec-12	36.1	27.7
Av. Index Q4 2012*	35.5	26.5

* average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

B - CONSUMER CONFIDENCE BY AGE

Consumers aged 60 years and older displayed a higher level of confidence in the second half of 2012 than other age groups, in line with the results of the first half of the year. This differed from the trend observed since the index's inception, where consumers in the 21 to 29 year-old bracket consistently posted the highest confidence level on a semi-annual basis.

Consumers in the 21 to 29 year-old bracket posted the highest confidence level during the third quarter of 2012

In parallel, consumers in the 21 to 29 year-old bracket posted the highest confidence level during the third quarter of 2012, as the index for this age segment averaged 41.4. This is in line with results of the July 2007-December 2012 period, with the exception of the first, second and fourth quarters of 2012. Also, consumers aged 60 years and older posted the highest confidence level during the fourth quarter of 2012, as the index for this segment averaged 36. The third quarter of 2008 and the second quarter of 2012 were the only two other periods where this age segment surpassed the other age brackets.

Further, consumers in the 21 to 29 year-old bracket registered a confidence level of 54.2 in July and 33.4 in October, constituting the highest readings among age segments in the second half of 2012; while citizens aged 60 years and older displayed the highest level of confidence in August (32.9), November (37.8) and December (38), and those between 50 and 59 years old posted the highest outcome in September 2012 at 45.2. On a monthly basis, consumers between 21 and 29 years old held their highest level of consumer confidence in 44 out of 66 months, representing a 66.7% frequency of occurrence.

Overall, consumers aged 60 years and older posted the highest annual level of confidence in 2012 among age groups, in contrast to the results of previous years where consumers in the 21 to 29 year-old bracket posted the highest level of confidence in 2008, 2009, 2010 and 2011.

Byblos Bank/AUB Consumer Confidence Index by Age					
Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Jul-12	54.2	46.9	47.6	32.7	39.6
Aug-12	25.5	26.7	26.9	27.5	32.9
Sep-12	44.4	28.5	38.4	45.2	44.5
Av. Index Q3 2012*	41.4	34.0	37.6	35.1	39.0
Oct-12	33.4	26.1	31.1	33.0	32.2
Nov-12	31.2	29.2	28.2	28.8	37.8
Dec-12	33.7	24.3	37.7	33.1	38.0
Av. Index Q4 2012*	32.8	26.6	32.3	31.6	36.0

* average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

C - CONSUMER CONFIDENCE BY OCCUPATION

Private sector employees recorded the highest level of confidence in the second half of 2012 with an average six-month reading of 38.1, constituting the third occurrence out of 11 semi-annual periods since the index's inception.

Students posted the highest level of confidence during the third quarter of 2012

Moreover, students posted the highest level of confidence during the third quarter of 2012, as the index for this segment averaged 46.8 during the covered period. They were followed by private sector employees with an average confidence level of 41.7, the self-employed with an average reading of 38.2, the unemployed with an average outcome of 37.2, public sector employees with an average level of 34.6, and housewives with an average of 28.1. In parallel, the self-employed had the highest level of confidence during the fourth quarter of 2012, constituting the second such quarterly instance since the start of the index's calculation, as the index averaged 34.9 for this segment. They were followed by private sector employees with an average of 34.5 and the unemployed with an average of 32.7. On a quarterly basis, the consumer confidence of two out of the six occupational sub-categories reached an all-time low in the fourth quarter of 2012. As such, students' confidence level averaged 27.6, while the housewives' category averaged 19.9 during the last three months of 2012.

The self-employed had the highest level of confidence during the fourth quarter of 2012

On a monthly basis, students recorded the highest level of confidence in the July and September polls at 54.6 and 55.3, respectively; private sector employees registered the highest level of confidence in the August and November polls at 31 and 36.2, respectively; while self-employed citizens had the highest confidence level in October and December 2012. Overall, students held the highest level of consumer confidence in 37 out of 66 months, representing a 56.1% frequency of occurrence.

On an annual basis, students posted the highest level of confidence among occupational categories in 2012, in line with the prevailing trend since 2008. In parallel, public sector employees posted their lowest level of confidence among occupational categories in 2012, constituting the first such instance since the index's inception. Also, all occupational categories posted their lowest level of confidence in 2012 when compared to previous years.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jul-12	53.3	33.3	45.5	54.6	40.2	45.6
Aug-12	31.0	16.9	30.2	30.5	18.4	28.1
Sep-12	40.8	53.5	38.9	55.3	25.6	37.8
Av. Index						
Q3 2012*	41.7	34.6	38.2	46.8	28.1	37.2

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Oct-12	30.9	24.0	35.8	24.4	20.5	33.8
Nov-12	36.2	31.4	32.6	27.9	18.7	30.6
Dec-12	36.4	24.5	36.4	30.4	20.4	33.7
Av. Index						
Q4 2012*	34.5	26.6	34.9	27.6	19.9	32.7

* average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

D - CONSUMER CONFIDENCE BY INCOME

Consumers with a household income above \$2,000 per month recorded the highest level of confidence among income brackets in the second half of 2012 with an average reading of 53.2, in line with the results of the July 2007-June 2012 period. But the result constituted the lowest semi-annual reading for this segment since the start of the index's calculation.

Consumers with household income above \$2,000 per month posted the highest level of confidence during the second half of 2012

The results of the index show that consumers with household income above \$2,000 per month had a higher confidence level in the third quarter than in the fourth quarter of 2012, with averages of 58 and 48.3, respectively. Moreover, consumers with a household income of \$1,001 to \$2,000 had the second-highest level of confidence among all income brackets in the last two quarters of the year, with an average index reading of 42.4 during the third quarter and 34.4 during the fourth quarter of 2012. Also, the results of the fourth quarter were the second-lowest for all income sub-categories over the 22-quarter period.

The second-half results indicate that consumers with a household income above \$2,000 per month held the highest confidence level by income bracket in each of the last six months of 2012. Consumers at this income level held the highest level of confidence in 60 out of 66 months, representing a 90.9% frequency of occurrence. Consumers with a household income between \$501 and \$1,000 per month held the lowest confidence level by income bracket in each of July, August, October, November and December. Also, consumers with a household income below \$500 per month posted the lowest confidence level by income bracket in September 2012. Moreover, consumers with a monthly household income below \$500 per month and those with a household income between \$501 and \$1,000 posted in August 2012 their second-lowest monthly confidence level since the index's inception. Also, those with a monthly household income between \$1,001 and \$2,000 posted in August 2012 their third-lowest result over the July 2007-December 2012 period.

Overall, consumers with a household income above \$2,000 per month held the highest confidence level by income bracket in 2012, in line with the annual general trend since the index's inception.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	≤\$500	\$501-\$1,000	\$1,001-\$2,000	≥\$2,001
Jul-12	44.4	40.6	52.4	61.4
Aug-12	26.5	22.1	26.9	59.5
Sep-12	33.0	35.3	47.9	53.2
Av. Index Q3 2012**	34.6	32.7	42.4	58.0
Oct-12	36.2	24.7	29.8	45.5
Nov-12	27.4	25.4	37.4	47.3
Dec-12	30.4	27.0	36.0	52.2
Av. Index Q4 2012**	31.4	25.7	34.4	48.3

* monthly household income

** average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

Consumers in Mount Lebanon displayed the highest level of confidence among administrative districts in the second half of 2012 with an average reading of 42, constituting the first time since the index's inception that the region posts the highest level of confidence on a semi-annual basis.

Consumers in Mount Lebanon had the highest confidence level during the second half of 2012

Further, consumers in Mount Lebanon had the highest confidence level among all administrative districts in the third and fourth quarters of 2012, as the index averaged 46.1 and 37.9, respectively. There were only four other instances where Mount Lebanon recorded the highest quarterly confidence level among administrative districts during the July 2007-June 2012 period. Beirut posted the second-highest confidence level among administrative districts during the last two quarters of 2012, followed by North Lebanon. Moreover, consumers in four out of five administrative districts posted their second-lowest quarterly confidence level in the fourth quarter of 2012 since the start of the index's calculation.

On a monthly basis, the results of the second half of 2012 show that consumers from Mount Lebanon registered the highest level of confidence among administrative districts in the July, September and November polls, with index readings of 53.5, 52.3 and 38.9, respectively; while Beirut residents posted the highest confidence level in August at 38.5, in October at 40 and in December 2012 at 41.6. In parallel, consumers in Beirut posted their second-lowest monthly confidence level in November 2012, while those from Mount Lebanon and the North posted their second-lowest confidence level in August 2012, since July 2007.

Consumers in Beirut displayed the highest annual level of confidence among administrative districts in 2012, constituting the first such instance since 2008. Also, all five administrative districts posted their lowest level of confidence in 2012 when compared to previous years.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jul-12	52.7	53.5	45.5	33.4	38.4
Aug-12	38.5	32.5	30.3	4.1	22.7
Sep-12	45.7	52.3	39.5	18.6	19.3
Av. Index Q3 2012*	45.6	46.1	38.4	18.7	26.8
Oct-12	40.0	35.3	34.7	13.6	22.9
Nov-12	28.4	38.9	36.2	13.4	21.0
Dec-12	41.6	39.6	34.1	12.7	20.8
Av. Index Q4 2012*	36.7	37.9	35.0	13.2	21.6

* average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Druze consumers posted the highest level of confidence among all religious affiliations in the second half of 2012, constituting the fourth such semi-annual occurrence since the start of the survey's calculation.

In parallel, Druze consumers registered the highest confidence level among all religious affiliations during the third quarter of 2012, constituting the sixth such instance during the 22-quarter period, with an average reading of 48.4. They were followed by Christian consumers with a confidence level of 46.7, Sunni consumers (33.5) and Shiite consumers (21.9). Moreover, Christian consumers posted the highest confidence level among religious affiliations during the fourth quarter of 2012, the 10th such instance during the 22-quarter period, as the index for this sub-category averaged 39.8 during the covered period. It was followed by Druze consumers that registered a quarterly confidence level of 38.8, Sunni consumers (27.5), and Shiite consumers (16.6). The confidence level of consumers of three out of four religious affiliations reached its second-lowest results in 22-quarters during the fourth quarter of 2012.

On a monthly basis, the second-half results indicate that Christian consumers had the highest confidence level among religious affiliations in July, August and October; while Druze consumers posted the highest level of confidence in September, November and December 2012. Conversely, the Shiites were the least confident consumers in each of the last six months of 2012, in line with the general trend since the start of the survey. Christian consumers held the highest level of confidence in 25 out of 66 months, representing a 37.9% frequency of occurrence, followed by Druze consumers with an incidence of 28.8%, and Sunni and Shiite consumers with a frequency of 16.7% each. Christian consumers posted their second-lowest level of confidence in October 2012 since July 2007, while Sunni consumers posted their second-lowest level in November 2012.

Overall, Christian consumers displayed the highest level of confidence among all religious affiliations in 2012, in line with the trend since 2010. Also, all five religious affiliations posted their lowest level of confidence in 2012 when compared to previous years.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jul-12	54.1	43.9	37.3	42.2
Aug-12	38.9	24.5	11.0	23.5
Sep-12	47.1	32.1	17.3	79.6
Av. Index Q3 2012*	46.7	33.5	21.9	48.4
Oct-12	38.1	31.2	17.5	31.0
Nov-12	40.1	23.7	16.8	40.5
Dec-12	41.3	27.6	15.5	45.1
Av. Index Q4 2012*	39.8	27.5	16.6	38.8

* average monthly index

Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

IV - Consumers' Responses to Select Survey Questions

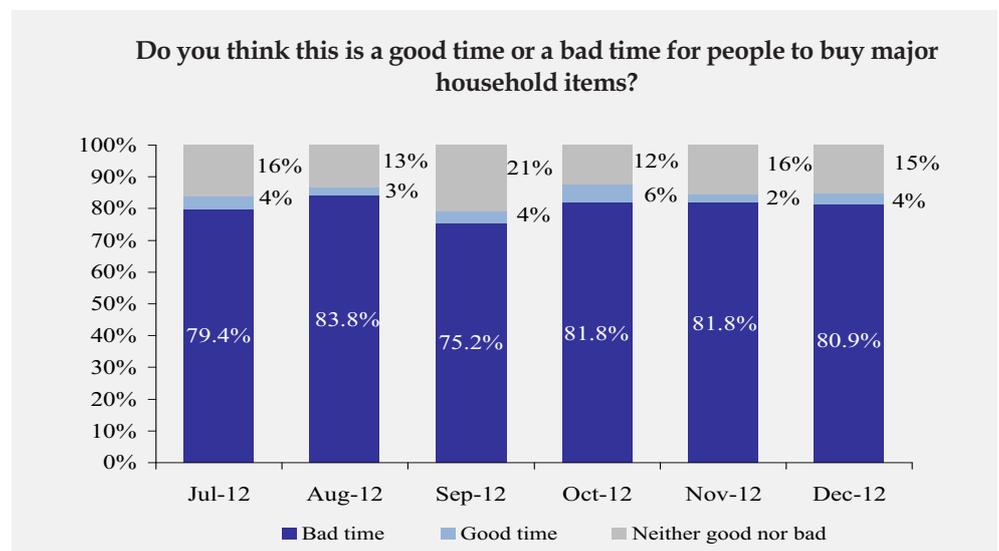
A - MAJOR PURCHASES

The 66 monthly surveys conducted from July 2007 to December 2012 show that the majority of consumers believe that it was not an appropriate time to purchase major household items.

Nearly 82% of respondents considered that it was a bad time to purchase major household items in the fourth quarter of 2012

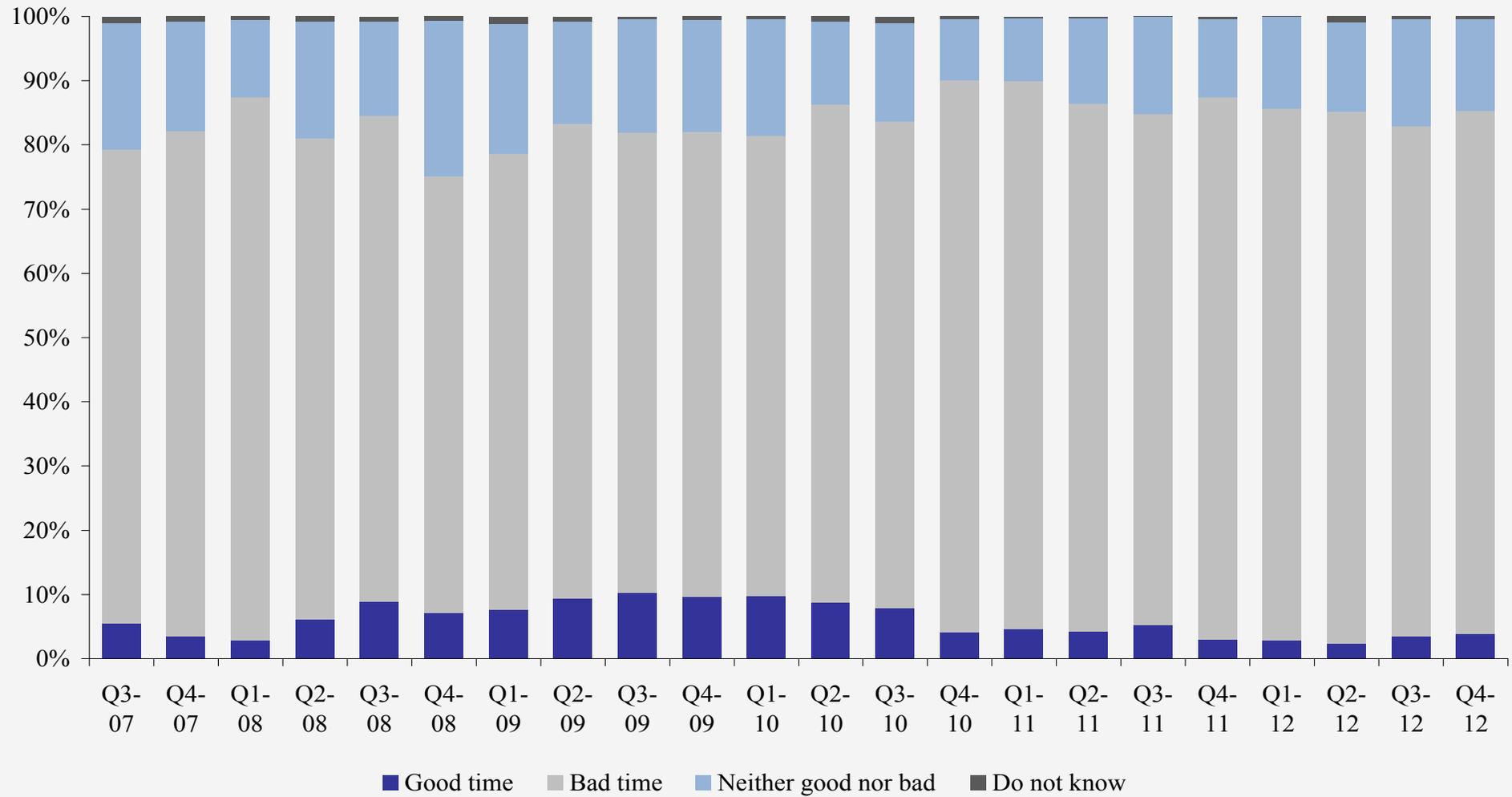
During the third quarter of 2012, 79.5% of respondents indicated that it is not a good time to acquire durable goods. Conversely, only 3.5% of respondents polled over the same quarter considered that it was a good time to buy major household items, while 16.7% of consumers were not sure whether it is a proper time to purchase durable goods. This perception worsened during the following quarter, as 81.5% of respondents interviewed over the fourth quarter of 2012 indicated that it was a bad time to purchase major household goods, while only 3.8% of respondents indicated that it was a good time to get such items. In parallel, the fourth quarter of 2010 had the highest percentage of respondents (86%) in 22 quarters who claimed that it was not a good time to buy major household goods. Further, the second quarter of 2012 posted the lowest proportion of respondents (2.4%) in 22 quarters who indicated that it was a good time to acquire durable items. The December 2011 survey posted the highest proportion of respondents (88.2%) over the July 2007-December 2012 period who stated that it was not an appropriate time to purchase major household items.

On an annual basis, consumers were most optimistic to purchase major households items in 2009, as 9.2% of respondents believed that it was an appropriate time to do so, compared to 7.6% in 2010, 6.3% in 2008, 4.2% in 2011 and 3.1% in 2012.



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Do you think this is a good time or a bad time for people to buy major household items?



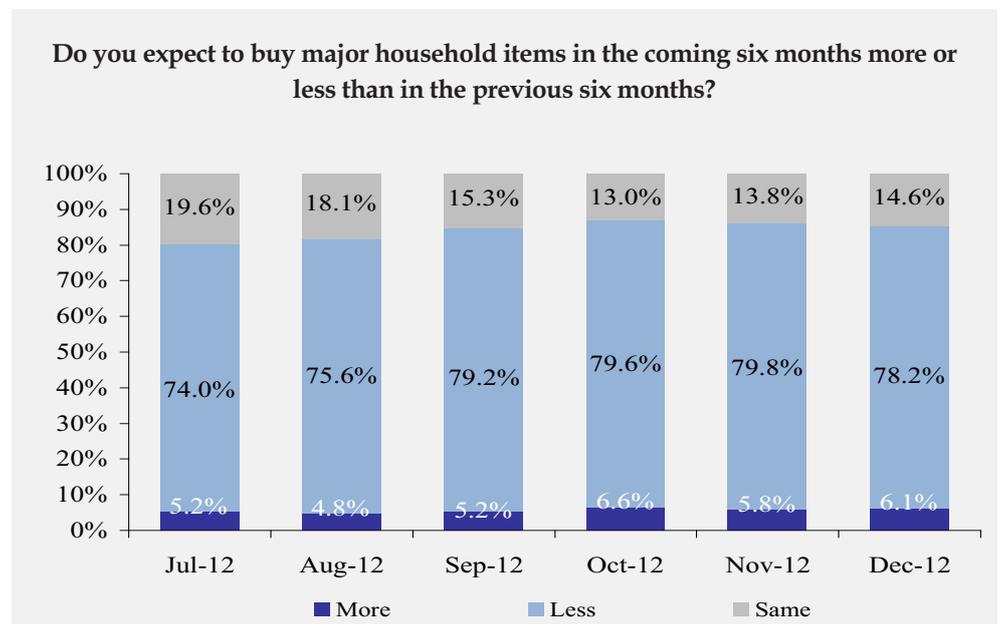
Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

In parallel, the 66 monthly surveys conducted from July 2007 to December 2012 show consistently that the majority of consumers do not expect to buy as many major household items in the coming months as they did in the previous six months.

Nearly 79% of respondents in the fourth quarter of 2012 expected to refrain from buying major household items in the following six months

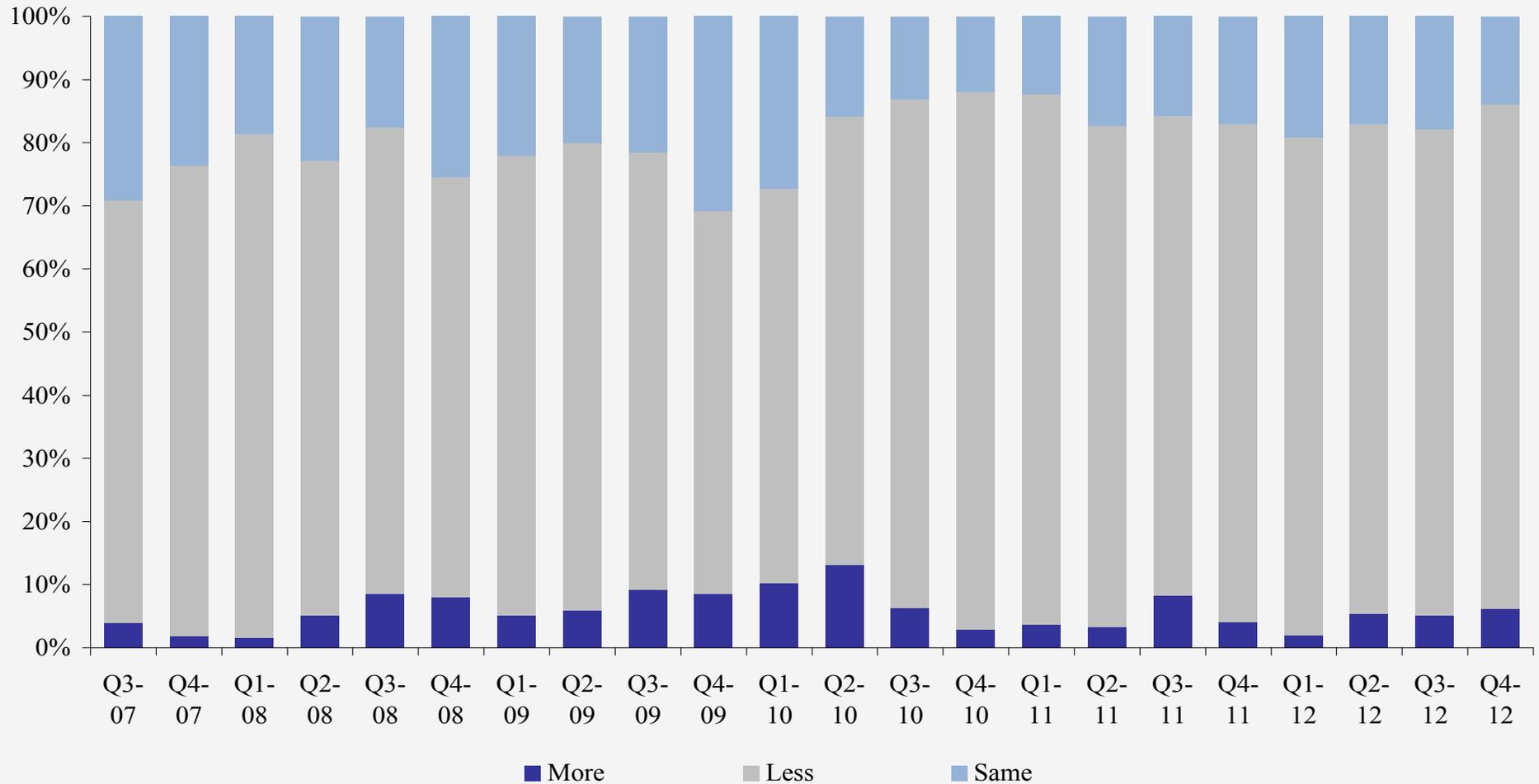
On a quarterly basis, 76.3% of respondents polled during the third quarter of 2012 do not expect to purchase as many durable items in the coming six months as they did in the previous six months. Also, 79.2% of respondents in the fourth quarter of 2012 indicated that they do not intend to buy major household goods in the near term as much as they did in the previous six months. In contrast, the fourth quarter of 2010 posted the highest proportion of respondents (83.6%) in 22 quarters who did not expect to buy major household items in the near term as much as they did in the previous six months. On a monthly basis, 93.1% of respondents in December 2010 indicated that they did not expect to purchase as many major household goods in the coming months as they did in the previous six months, constituting the highest such monthly percentage since the survey's inception.

On an annual basis, 7.9% of consumers expected to buy as many major household items in the coming months as they did in the previous six months in 2010, followed by 6.8% of respondents in 2009, 5.6% in 2008, 4.7% in 2011 and 4.6% in 2012.



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Do you expect to buy major household items in the coming six months more or less than the previous six months?



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

B - REAL ESTATE

The 66 monthly surveys conducted from July 2007 to December 2012 show that the majority of consumers have not been planning to buy or build a home over the coming six months.

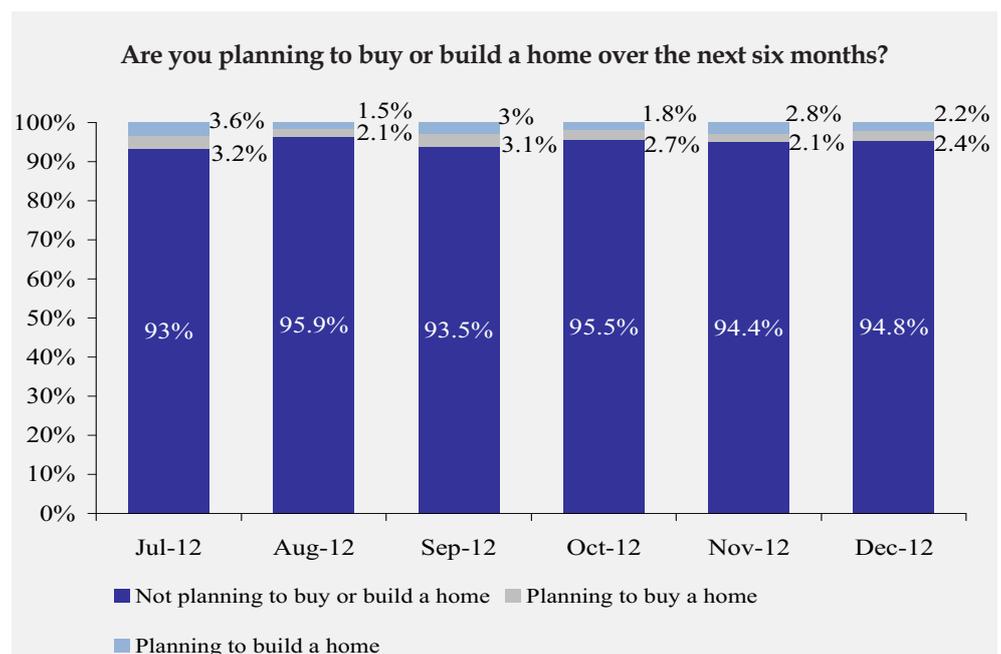
On a quarterly basis, 95.5% of respondents polled during the second quarter of 2012 did not expect to purchase or build a home over the near term, constituting the highest such percentage since the index's inception; while the fourth quarter of that year displayed the second-highest such proportion at 95%.

Nearly 95% of respondents in the fourth quarter of 2012 do not intend to buy a home in the coming six months

The second quarter of 2010 posted the highest quarterly percentage of respondents (8.8%) who intended to purchase a home, while the second quarter of 2012 had the lowest such percentage (1.8%) since the index's inception. In addition, the second quarter of 2012 posted the lowest percentage of respondents who intended to build a home (2.1%), while the fourth quarter of that year had the second-lowest such percentage (2.3%) since the start of the index's calculation in July 2007.

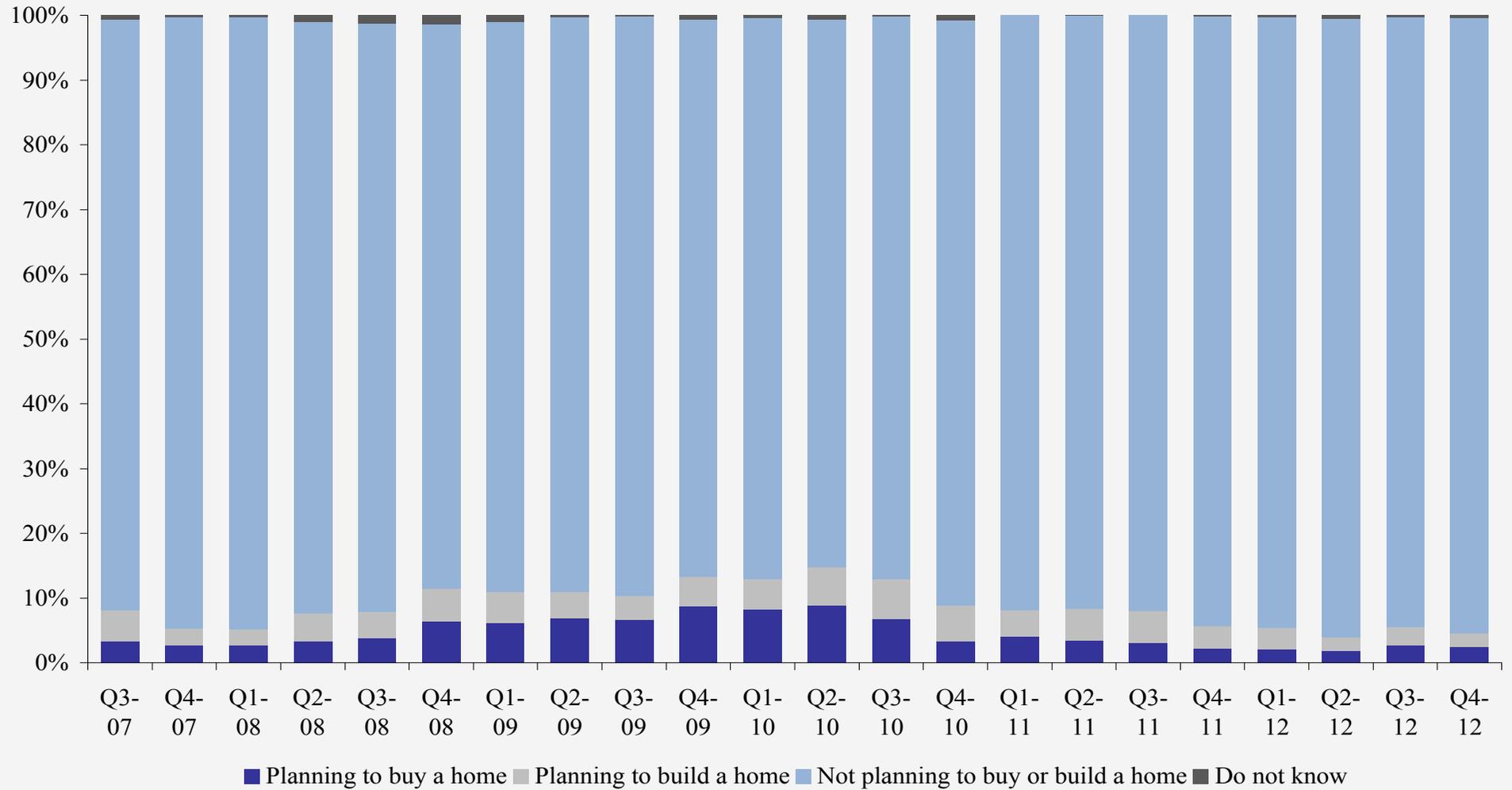
The December 2011 survey revealed that 96.2% of respondents did not intend to buy or build real estate in the coming six months, constituting the highest such monthly percentage since the survey's inception. It was followed by the August 2012 and May 2012 surveys (95.9% each).

On an annual basis, consumers' plans to buy a home in 2012 were muted, as the share of respondents who intended to buy a residence in the coming six months fluctuated between 1.8% and 3.8% for an average of 2.4%. Consumers' intentions to buy or build a home in the near term were the lowest in 2012 compared to 2008, 2009, 2010 and 2011.



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Are you planning to buy or build a home over the next six months?



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

In parallel, the 66 monthly surveys conducted from July 2007 to December 2012 show that the majority of consumers have not been planning on spending large amounts of money on home improvements or on renovations over the following six months.

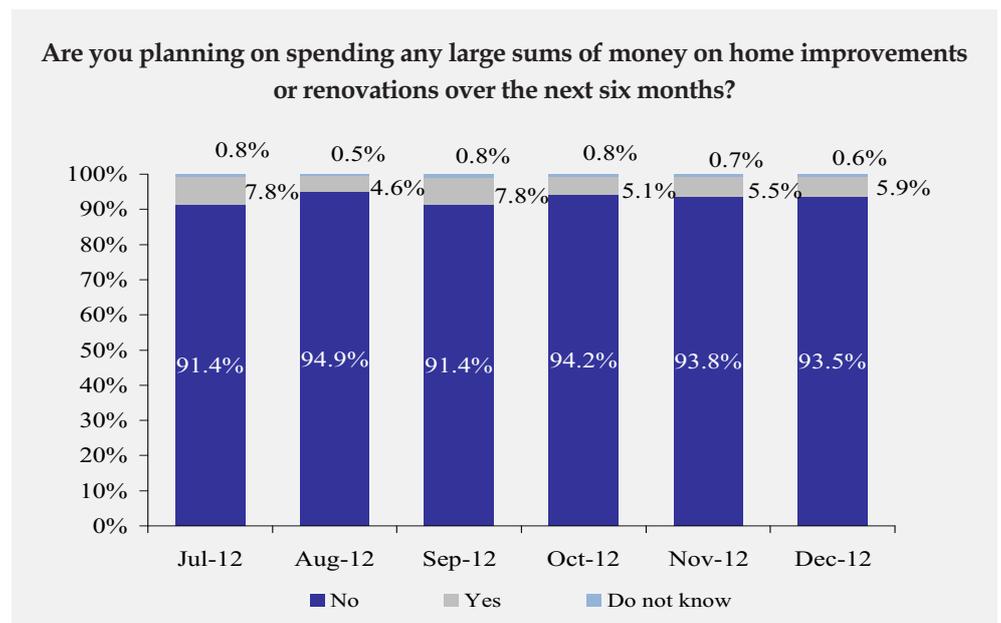
On a quarterly basis, 92.6% of respondents polled during the third quarter of 2012 did not have home improvement or renovation plans over the near term. Further, the fourth quarter of 2012 displayed the third-highest proportion of respondents (93.8%) in 22 quarters who did not have plans to either improve or renovate their homes in the coming six months.

Nearly 94% of respondents do not plan to improve or renovate their home in the next six months

The fourth quarter of 2011 posted the highest proportion of respondents (95.3%) in 22 quarters who did not have plans to renovate or improve their property in the coming six months. In contrast, the second quarter of 2009 posted the highest share of respondents (16.5%) in 22 quarters who expected to spend a large amount of money on home improvement in the near term.

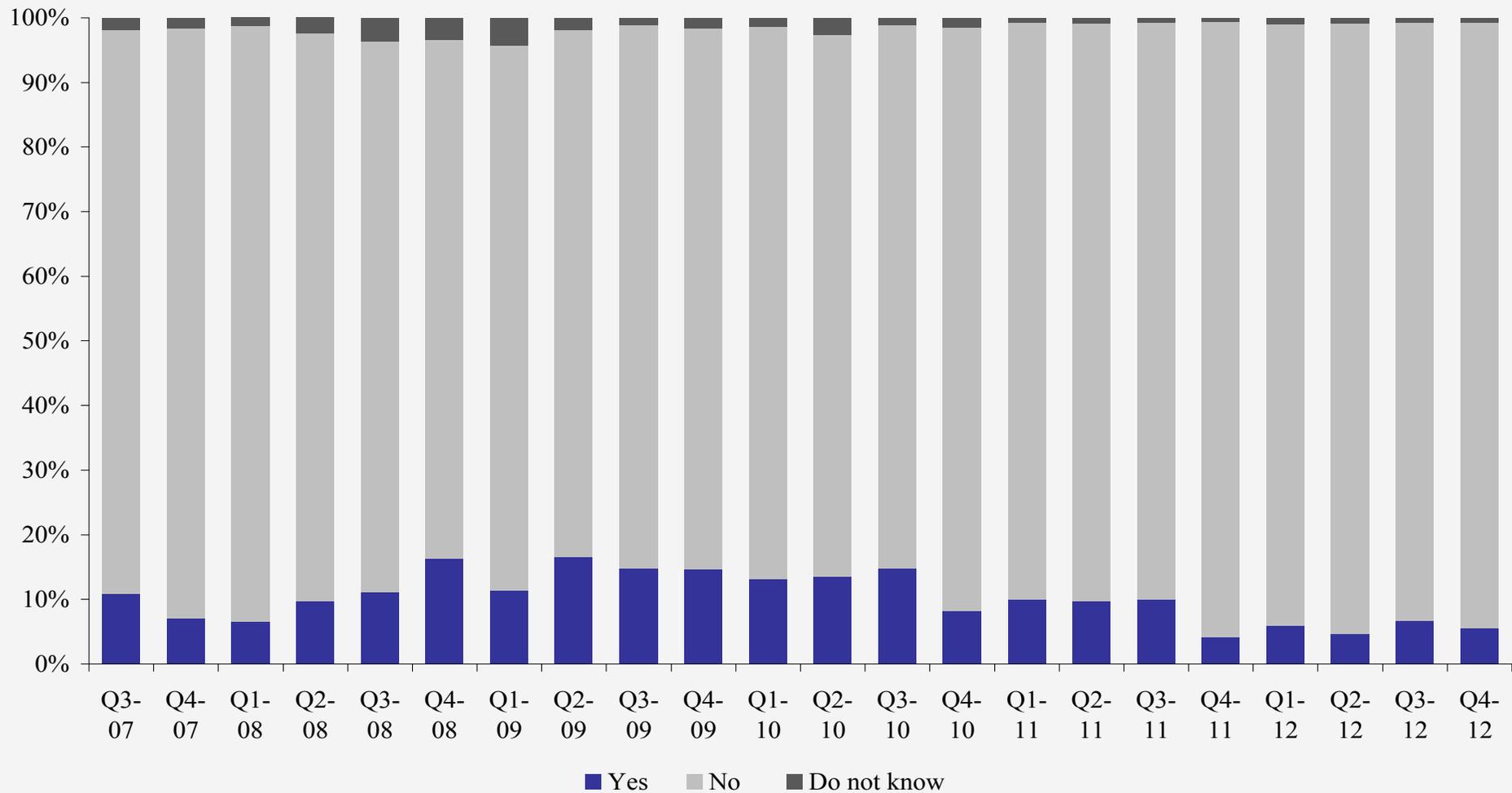
The December 2011 survey revealed that 97.3% of respondents did not intend to spend large sums of money on home renovation in the near term, which was the highest such monthly percentage since the survey's inception. The results were in line with answers to the questions about building or acquiring a home.

On an annual basis, 93.5% of consumers interviewed in 2012 did not have plans to spend large sums of money on home improvements or on renovations over the near term, constituting the highest such percentage since 2008.



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Are you planning on spending any large sums of money on home improvements or renovations over the next six months?



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

In parallel, the 66 monthly surveys carried from July 2007 to December 2012 show that the majority of consumers did not expect to sell any real estate that they or their family own over the coming six months.

Nearly 93% of respondents in the fourth quarter of 2012 do not intend to sell their real estate over the next six months

The first quarter of 2012 posted the highest proportion of respondents (96.2%) in 22 quarters who did not have plans to sell real estate in the coming six months, while the third quarter of 2007 had the highest proportion of respondents (13.9%) who intended to sell real estate in the near term.

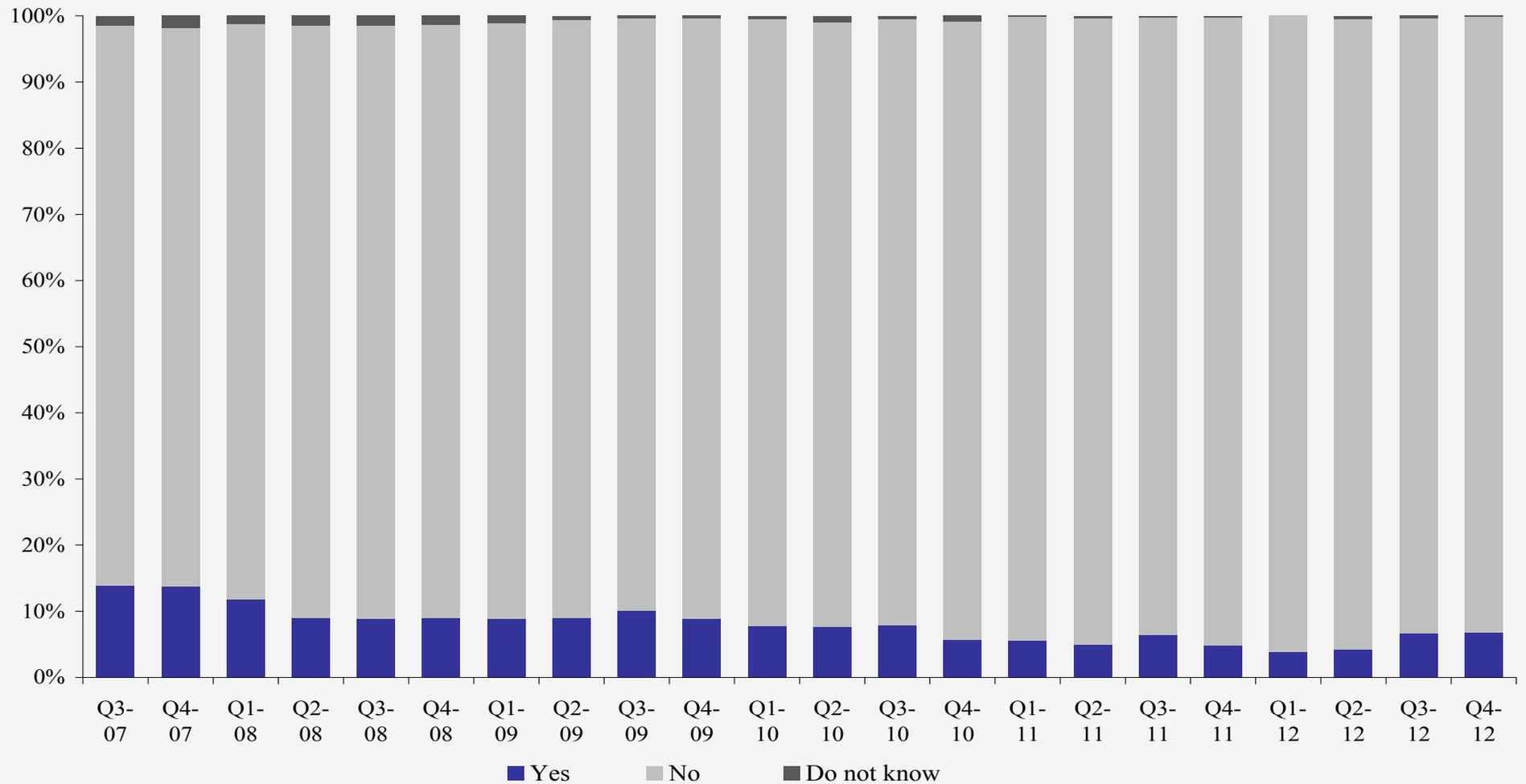
The January 2012 survey recorded an all-time high in terms of the proportion of respondents (97.4%) who did not have plans to sell any family real estate within the coming six months. In parallel, the July 2007 results showed the highest proportion of respondents (15.8%) who expected to sell real estate in the next six months.

On an annual basis, the share of consumers interviewed in 2012 who did not have plans to sell real estate in the near term fluctuated between 90.3% and 97.4% for an average of 94.4%, constituting the highest such percentage since 2008.



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Do you plan to sell any real estate that you or your family own in the coming six months?



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

**Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com**

Consumer Confidence in Lebanon: The Byblos Bank/AUB Consumer Confidence Index - Fourth Quarter 2011 Results and Analysis is a research document that is owned by Byblos Bank sal and published by Byblos Bank sal in cooperation with the American University of Beirut. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from *Consumer Confidence in Lebanon: The Byblos Bank/AUB Consumer Confidence Index - Fourth Quarter 2011 Results and Analysis* may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP**LEBANON**

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605
Riad El Solh - Beirut 1107 2811 - Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14
Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807
(+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street
Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House - Suite 5
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 207 493 3537
Fax: (+ 44) 207 493 1233
E-mail: byblos.europe@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293