

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

Fourth Quarter 2011 Results and Analysis

Confidence Drops to Record Low in Fourth Quarter of 2011

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HIGHLIGHTS

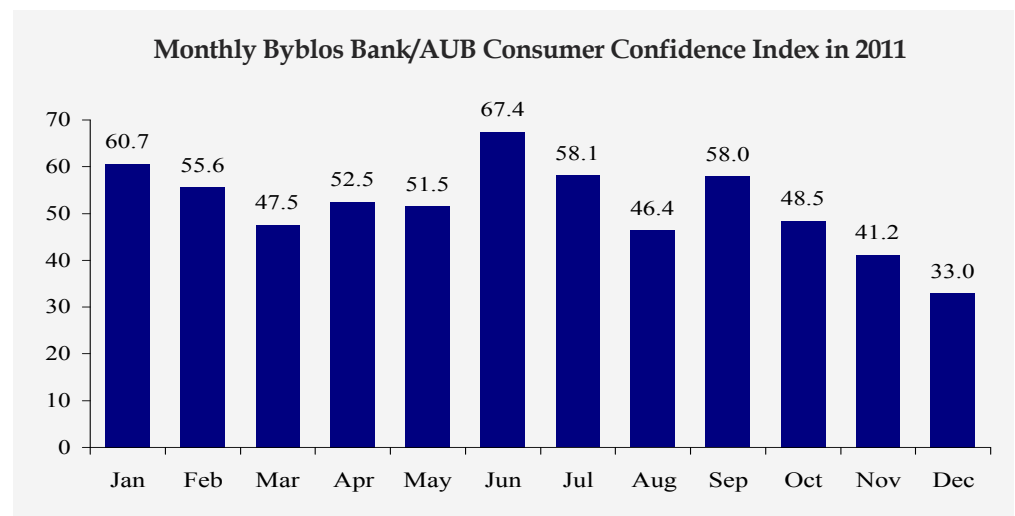
- The Byblos Bank/AUB Consumer Confidence Index dropped to its lowest level on a yearly basis in 2011, recording an average monthly reading of 51.9, down 29% from 72.8 in 2010.
- The confidence level dropped systematically in the last quarter of 2011, as the Byblos Bank/AUB Consumer Confidence Index posted an average of 40.9, the lowest result on a quarterly basis since the inception of the index.
- On a monthly basis, the Byblos Bank/AUB Consumer Confidence Index reached a record low in four and a half years in December 2011.
- The escalating Syrian crisis and the dispute over the minimum wage and salary adjustment issue were the main factors for the drop of consumer confidence in the fourth quarter of 2011.
- The increase in the cost of living, in addition to the deterioration in the quality of basic day-to-day public services, also affected consumer confidence in the fourth quarter.
- The Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index also posted record lows of 28.8 and 35.8, respectively, in December 2011.
- In line with the results of the July 2007-September 2011 period, the near-term expectations of consumers during the fourth quarter of 2011 were consistently higher than their views of their current conditions.
- Twenty three out of 26 sub-categories of the Byblos Bank/AUB Consumer Confidence Index posted record lows during the fourth quarter of 2011.
- The December survey posted the highest percentage of pessimistic consumers since July 2007 in terms of personal financial conditions, business conditions, and personal borrowing plans.
- We expect economic activity to remain anemic during the first half of 2012 in the absence of any major developments or concrete measures that would raise the level of consumer confidence.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

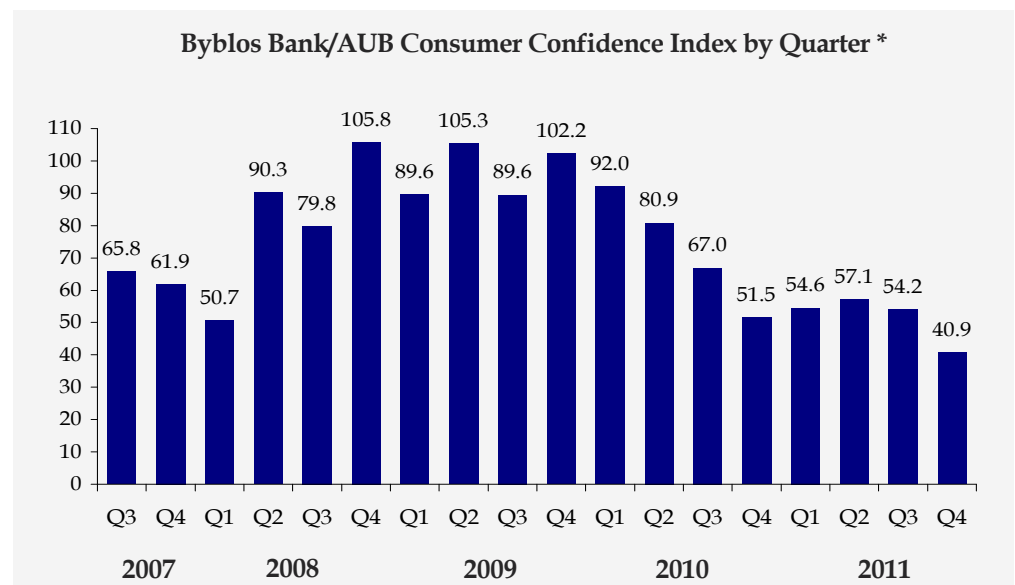
The level of consumer confidence in Lebanon deteriorated markedly in the fourth quarter of 2011, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index in October, November and December. The index reached 48.5 in the October 2011 survey, constituting a drop of 16.4% from 58 in September. It further declined by 15% in November to 41.2, which was followed by a contraction of nearly 20% in December to 33. The Byblos Bank/AUB Consumer Confidence Index outcome for December was the lowest since the start of the index's calculation in July 2007.

Consumer confidence dropped significantly in the fourth quarter of 2011



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

Also, the index averaged 40.9 during the fourth quarter of 2011, its lowest reading in 18 quarters. It even posted a lower average than that of the first quarter of 2008 when consumer confidence was reeling under the weight of prevailing political and security uncertainties at the time.

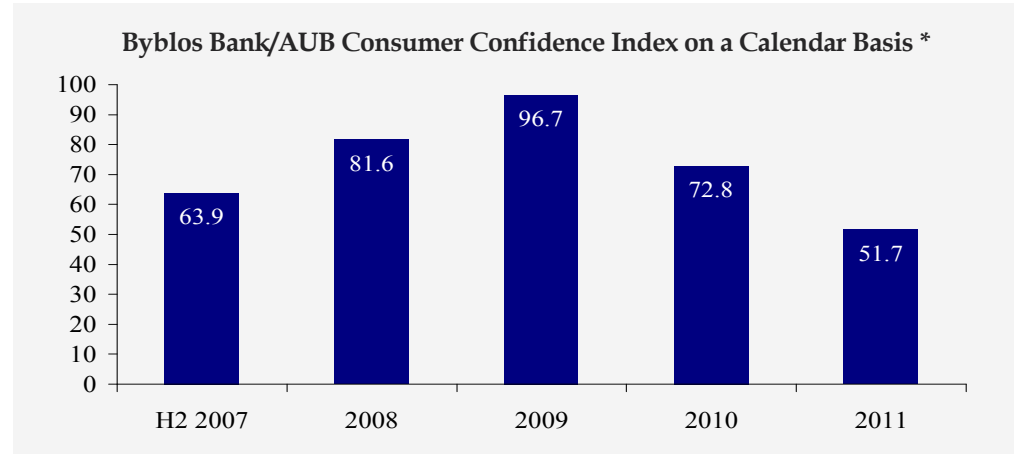


* monthly average index by quarter

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

As a result, the Byblos Bank/ AUB Consumer Confidence Index posted an average monthly value of 51.7 in 2011, constituting its lowest level on a calendar basis since the start of index's calculation, as the index contracted by 29% last year compared to a decline of 24.7% in 2010 and an increase of 18.4% in 2009.

Consumer confidence in 2011 dropped to its lowest 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

The successive monthly declines in the last quarter of 2011 capped a tumultuous year in which consumer confidence steadily receded throughout most of the 12-month period, as the year saw only four monthly increases in consumer confidence compared to 8 declines. The most significant improvement was a 31% up-tick in the index in June after the formation of the Mikati Cabinet, followed by a 27.3% rise in January upon the designation of Mr. Mikati as Prime Minister, a 25% increase in September and a 10.5% rise in April. But the contraction of consumer confidence in the last three months of 2011 accelerated the declining trend during the year and confirmed the steady deterioration in confidence across the country.

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

	Q4 2011			Q4 2010		
	Oct-11	Nov-11	Dec-11	Oct-10	Nov-10	Dec-10
CCI*	48.5	41.2	33.0	57.1	49.7	47.7
Month-on-month change (%)	-16.4%	-15.0%	-19.9%	8.8%	-13.0%	-4.0%
Year-on-year change (%)	-15.2%	-17.1%	-30.8%	-40.7%	-50.6%	-56.5%
PSI**	44.6	37.6	28.8	49.7	44.4	41.2
Month-on-month change (%)	-9.9%	-15.6%	-23.5%	-13.2%	-10.6%	-7.3%
Year-on-year change (%)	-10.3%	-15.3%	-30.1%	-37.8%	-42.8%	-47.0%
EI***	51.1	43.5	35.8	62.2	53.3	52.0
Month-on-month change (%)	-19.7%	-14.8%	-17.8%	26.0%	-14.4%	-2.3%
Year-on-year change (%)	-17.9%	-18.3%	-31.3%	-42.0%	-54.1%	-60.2%

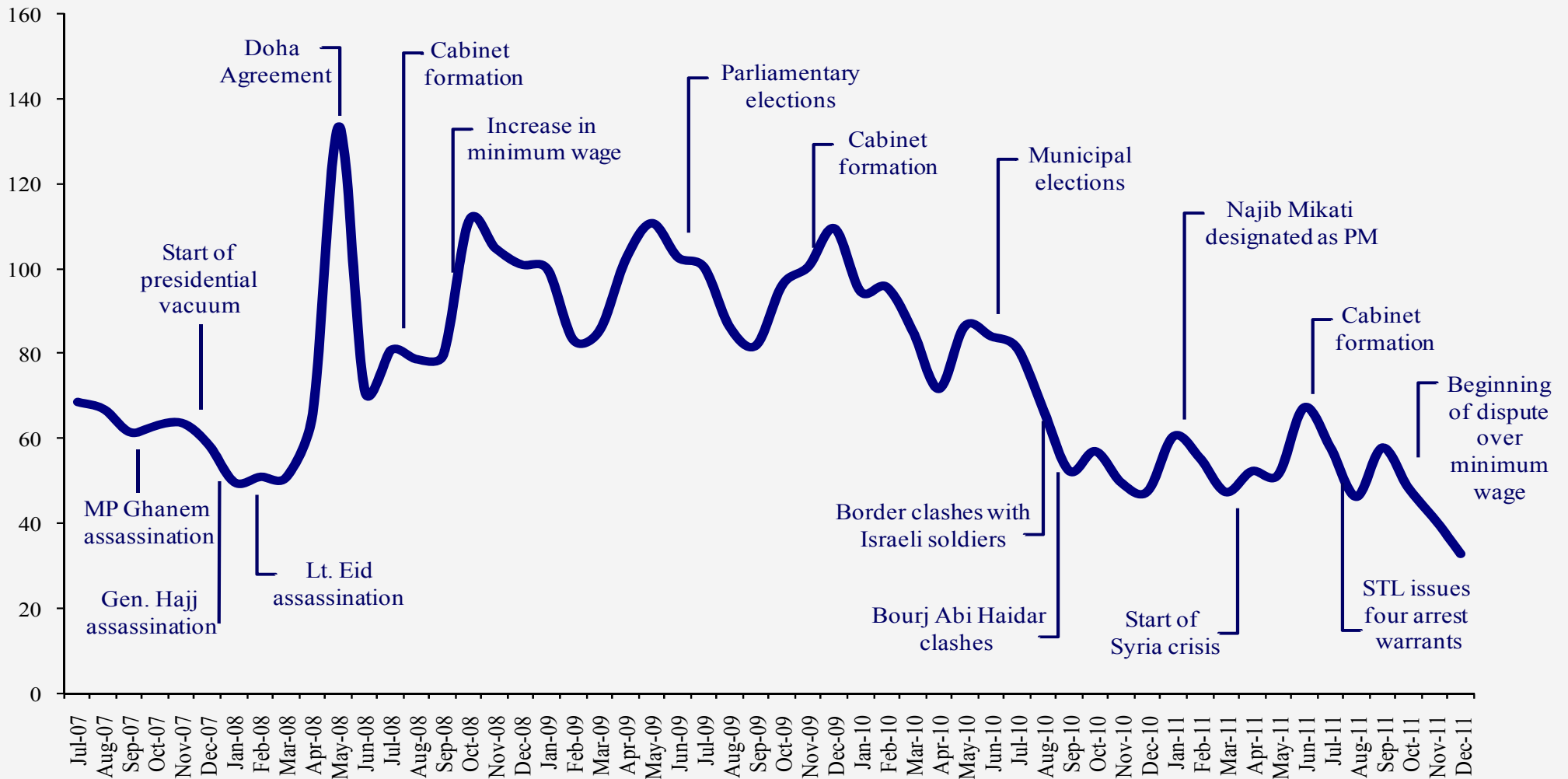
* CCI: Byblos Bank/AUB Consumer Confidence Index

** 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

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007-December 2011)

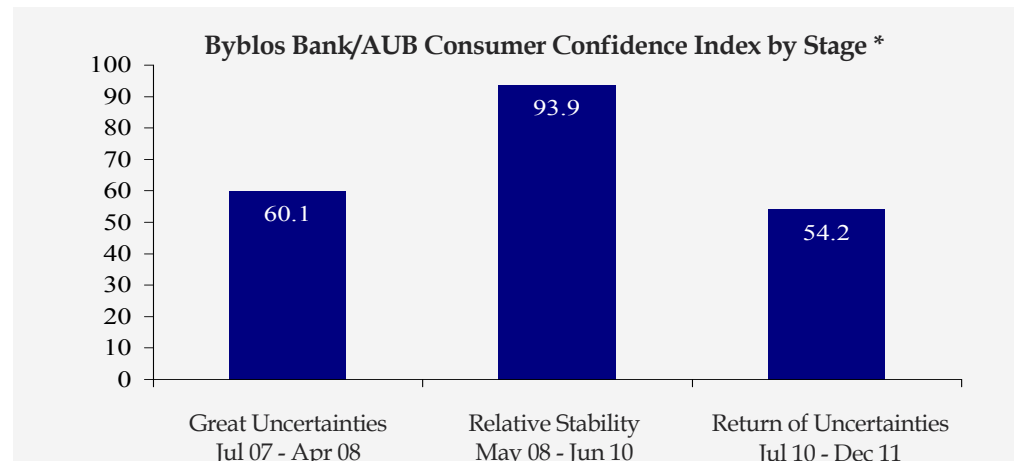


Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

B - TIMELINE ANALYSIS

The period of returning uncertainties was more pronounced in the fourth quarter of 2011

In parallel, the results of the fourth quarter of 2011 accelerated the trend in consumer confidence that started in July 2010. In our inaugural report, we 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 confidence. The third period, which stretched from July 2010 to September 2011, saw the return of uncertainties and an increase in political risks. The index averaged 57 during the 15-month period, constituting its lowest reading throughout the three periods. The results of the fourth quarter of 2011 extended and confirmed the Return of Uncertainties period and dragged down the index reading to an average of 54.2 over the July 2010-December 2011 period, constituting the lowest level of consumer confidence over the three periods.



* 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 lowest reading in 18 quarters during the fourth quarter of 2011

The Byblos Bank/ AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index moved in the same direction as the Byblos Bank/ AUB Consumer Confidence Index during the fourth quarter of 2011. Indeed, the Present Situation Index declined by 9.9% in October, dropped by 15.6% in November and fell by 23.5% in December. Similarly, the Expectations Index contracted by 19.7% in October, declined by a further 14.8% in November and receded by 17.8% in December. As a result, both the sub-indices posted their lowest reading in 18 quarters during the fourth quarter of 2011; which reflected the deterioration of confidence in current as well as in future conditions. In line with the results over the July 2007-September 2011 period, the near-term expectations of consumers were consistently higher than their views of their current conditions during the fourth quarter of 2011.

D - GENERAL TRENDS

The Syrian crisis and the salary adjustment issue impacted significantly consumer confidence during the fourth quarter of 2011

Consumer confidence in Lebanon remained very sensitive to political developments during the fourth quarter of 2011, in line with trends since July 2007. Increasing tensions within the Cabinet and the resulting paralysis of decision-making within public institutions, in addition to the protracted crisis in Syria, combined to reduce confidence to its lowest level since the start of the index calculation. Two events, in particular, impacted significantly the confidence of Lebanese consumers during the covered period: the Syrian crisis and the salary adjustment issue. The Syrian crisis continued to dominate the political scene in Lebanon during the fourth quarter of the year, while the conflict's escalation had a disproportionate impact on the level of political discourse in the country. Indeed, the Lebanese political class imported the Syrian crisis onto the local political scene with all the resulting ramifications in terms of further domestic political polarization and the increase of an already tense political discourse. As a result, the escalation of the Syrian crisis in the fourth quarter worsened the local political climate, which negatively affected consumer confidence and reflected growing consumers' concerns about future economic conditions and political stability in the country. In turn, the Lebanese economy, continued to increasingly feel the repercussions of the Syrian crisis in the latter part of the year as reflected by the drop in consumer sentiment and the slowdown in activity.

The mishandling of the minimum wage issue backfired on consumer sentiment

The second main factor that affected consumer sentiment during the last quarter of the year was the socio-economic issue of the salaries' adjustment. The government decided to increase the minimum wage and to raise other salary brackets in both the public and private sectors, and the Cabinet approved a proposal on October 12, 2011. During the July 2007-September 2011 period, economic events have had little or no impact on the level of confidence, as there were no major or substantial economic events that were similar in scope to the main political developments that triggered a positive or negative consumer reaction. The raise in the minimum wage in September/October 2008 was about the only locally-generated economic event that significantly raised the level of confidence during the covered period, and this bump was short-lived. However, the October 2011 raise did not generate an increase in consumer confidence, as it was rejected by the Shura Council shortly after its approval by the Cabinet. In turn, this triggered a lengthy process that raised consumers' unease and anxiousness, rather than improve their sentiment and outlook. Indeed, multiple proposals and counter-proposals and a protracted standoff between the government, labor unions, and the private sector, left citizens without an officially-approved salary adjustment by the end of 2011. The mishandling of the issue backfired on consumer sentiment and gave way to renewed consumer skepticism, in line with past trends.

The results of the July 2007-September 2011 period showed that Lebanese consumers are generally skeptical about the immediate concrete impact of an event or of a government decision. The events of the fourth quarter of 2011 deepened their skepticism, as the back-and-forth about the

salary adjustment issue left them in the dark about any concrete governmental decision. Also, previous trends show that Lebanese consumers look for positive signals for their outlook to improve. They react positively at the time of the event, but they have low expectations, as they have been used to be eventually disappointed. This trend was fully on display during the fourth quarter of 2011, as the signals were increasingly negative about the possibility of reaching a satisfactory solution to the issue, which significantly damped consumers' expectations.

A parallel trend, which is structural in nature, contributed to the drop in consumer confidence in the fourth quarter of 2011 and, more specifically, negatively affected consumers' level of expectations about their future financial situation over the near term. The increase in the cost of living, combined with the concrete deterioration in the quality of basic day-to-day public services such as electricity, telecommunications, water supply and road conditions in most areas of the country took their toll on consumers' confidence and on their near-term outlook. As such, the drop in the Byblos Bank/AUB Expectations Index during the fourth quarter of 2011 due to the cumulative impact of these trends does not bode well for a substantial resurgence of economic activity in the first few months of 2012. Therefore, we expect economic activity to remain anemic during at least the first half of 2012 in the absence of positive political or economic shocks, and with the lack of any concrete measures that would help raise the level of consumer confidence.

Economic activity is expected to remain anemic during the first half of 2012

E - CONSUMERS' NEAR-TERM OUTLOOK

During the fourth quarter of 2011, the level of consumer confidence declined across all 26 sub-categories of the Byblos Bank/AUB Consumer Confidence Index, but with certain variations across sub-categories in consumers' outlook over the following six months, given that the Byblos Bank/AUB Expectations Index has reflected historically a higher sensitivity to events.

Consumers are generally pessimistic about the near-term

Male consumers had a relatively less pessimistic outlook for the coming six months than their female counterparts in the fourth quarter of 2011, as the average monthly reading of the Expectations Index for males was 44.6 relative to 42.3 for females. Also, consumers between 21 and 29 years old were less pessimistic over the near term than consumers in older age brackets, as reflected by a higher reading of the Expectations Index for this sub-category. In contrast, consumers who are between 40 and 49 years old were the least optimistic among all age brackets during the quarter as their Expectations Index was 37.9.

During the fourth quarter of 2011, private sector employees were the least pessimistic about economic prospects among occupational sub-categories, as the Expectations Index for this segment averaged 49.4 during the covered period. They were followed by freelancers and the unemployed with Expectations Index readings of 45.2 each during the quarter. In parallel, public sector employees were the most pessimistic during the quarter with an Expectations Index score of 29.2.

In parallel, consumers with a monthly household income of \$500 or less were the least pessimistic among all income brackets during the fourth quarter of 2011. This can be attributed to their anticipation that they would significantly benefit from an eventual government decision to raise the minimum wage. The Expectations Index for this income bracket was 48.4, followed by those with household income above \$2,000 per month with an Expectations Index score of 47.5.

Consumers in the North had the least pessimistic outlook among the country's six administrative districts during the fourth quarter of 2011; while those from the Bekaa were the most pessimistic about future prospects. In terms of religious affiliations, Christians had the least pessimistic outlook for the coming six months; while Shiite consumers were the most pessimistic about 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 - Borrowing & Interest Rates

The overall muted outlook of consumers in the fourth quarter of 2011 was reflected in their answers to questions about the trend of interest rates and their plans to borrow money for personal consumption over the coming six months. Indeed, when interviewed during the last three months of 2011, the vast majority of consumers (63.8%) expected a rise in interest rates in the following six-month period. More specifically, the December 2011 survey showed that over two-thirds (67.5%) of respondents expected interest rates to increase over the near term, the highest such percentage since the survey's start in July 2007. The intuitive answers of respondents seem to reflect consumers' higher level of awareness about interest rate trends than that of most politicians. The inability of Lebanese authorities to reduce the borrowing needs of the government, combined with a marked slowdown in capital inflows and deposit growth, as well as political uncertainties, are bound to lead to higher interest rates. More specifically, the lack of political will to implement the structural reforms that would reduce public spending, stimulate growth, raise public revenues and reduce the fiscal deficit, would inevitably put a floor to the steady decline in interest rates of recent years. The window of opportunity was wide open between September 2008 and June 2010 to implement such reforms given the domestic political stability during this period, high economic growth rates, massive capital inflows, as well the favorable regional context and international environment for reforms. However, the majority of Lebanese politicians and decision-makers were too absorbed by their political rivalries to focus long enough on the importance of reforms and on the need to take advantage of the favorable circumstances. The window of opportunity has not closed completely yet, but the cost of reforms has inevitably increased and there is still no credible sign that most politicians are remotely concerned about reforms.

Around 64% of consumers expect a rise in interest rates in the near-term

In parallel, 87.4% of consumers interviewed during the fourth quarter of 2011 indicated that they do not plan to borrow money in the following six months. Moreover, 90.8% of respondents who were surveyed in December 2011 had no plans to borrow funds during the following six-month period, constituting the highest such proportion in 54 months. This concurs with the month that produced the highest proportion of consumers who expected interest rates to rise in the following six-month period. The results demonstrate the impact of political uncertainties and of the government's indecision and paralysis on consumers' perceptions and their decision-making. More generally, the results reveal that the number of residents who borrow from banks is still small relative to the entire population despite the material rise in retail lending over the past four years. Also, the high percentage of respondents who do not plan to borrow funds falls in line with consumers' concerns about the increasing cost of living and the resulting decline of their purchasing power. It is also a reminder that public policy needs to focus on measures that would create the proper framework to stimulate economic growth in order to create jobs and put more disposable income in the pocket of consumers, which would help raise their confidence level and maintain economic growth at sustained levels.

87.4% of consumers interviewed during the fourth quarter of 2011 do not plan to borrow money in the following six months

III - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

The confidence level of males was higher than that of females in the fourth quarter of 2011

The results show that male consumers displayed a relatively higher level of confidence than their female counterparts during the last quarter of 2011, which reflects a slight change from the past trend where both genders had an equal level of confidence during the July-2007-December 2011 period. Male and female consumers posted confidence levels of 42.1 and 39.6, respectively, during the fourth quarter of last year, which represents their lowest level of confidence in 18 quarters. Further, the confidence level of both males and females reached an all-time monthly low of 34.8 and 31.1, respectively, in December 2011.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Oct-11	50.2	46.9
Nov-11	41.3	40.9
Dec-11	34.8	31.1
Av. Index Q4 2011*	42.1	39.6

* average monthly index

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

B - CONSUMER CONFIDENCE BY AGE

Consumers aged between 21 and 29 years displayed higher confidence than other age brackets

Consumers in the 21 to 29 year-old bracket posted the highest confidence level during the last quarter of 2011, in line with the results of the July 2007-September 2011 period, as the index for this age segment averaged 47.4 during the quarter. Consumers aged between 30 and 39 years old as well as those 60 years and older had an almost identical level of confidence at 40.2 and 40.6, respectively, during the quarter.

Further, consumers in the 21 to 29 year-old bracket registered a confidence level of 59.1 in October, constituting the highest reading among age segments in the month's survey; while citizens aged 60 years and older displayed the highest level of confidence in November (51.3) and those between 40 and 49 years old posted the highest reading in December 2011 (35.9).

In parallel, consumers across all age brackets recorded during the fourth quarter of 2011 their lowest level of confidence in 18 quarters. However, the confidence level of consumers aged 60 years and above during the last quarter of 2011 was almost identical to their confidence level during the last quarter of 2010. On a monthly basis, the consumer confidence of four out of the five age brackets reached a 54-month low in December 2011, while that of consumers aged between 40 and 49 years was lowest in November 2011.

Byblos Bank/AUB Consumer Confidence Index by Age					
Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Oct-11	59.1	46.1	46.1	45.1	36.6
Nov-11	49.4	41.6	28.9	31.6	51.3
Dec-11	33.7	32.8	35.9	27.6	33.9
Av. Index Q4 2011*	47.4	40.2	36.9	34.8	40.6

* average monthly index

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

C - CONSUMER CONFIDENCE BY OCCUPATION

Consumers across all occupations recorded their lowest level of confidence in December 2011

Private sector employees displayed the highest level of confidence during the fourth quarter of 2011, as the index for this segment averaged 45 during the covered period. They were followed by the unemployed, students, and the self-employed with average levels of confidence of around 43 each during the three-month period.

The fourth quarter results indicate that students showed the highest level of confidence in the October poll at 59.2; unemployed citizens registered the highest level of confidence, for only the third time since the start of the index's calculation, in November at 57.6; while private sector employees and the self-employed almost tied for the highest confidence level in December at around 37.

On a quarterly basis, the consumer confidence of five out of the six occupational sub-categories reached an all-time low in the fourth quarter of 2011, while that of the unemployed was lowest in the fourth quarter of 2010. On a monthly basis, the level of consumer confidence across all six occupational sub-categories posted a 54-month low in December 2011.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Oct-11	52.8	43.3	49.2	59.2	39.3	44.5
Nov-11	45.2	24.5	41.8	40.2	31.3	57.6
Dec-11	37.2	13.4	37.3	29.8	24.2	27.4
Av. Index						
Q4 2011*	45.0	27.1	42.8	43.0	31.6	43.2

* average monthly index

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

D - CONSUMER CONFIDENCE BY INCOME

Consumers with household income above \$2,000 per month posted the highest level of confidence during the fourth quarter

Consumers with a household income above \$2,000 per month posted the highest level of confidence during the fourth quarter of 2011, in line with the results of the July 2007-September 2011 period, as the index for this income level averaged 49.3 during the quarter. Consumers with household income of \$500 or less had the second highest level of confidence among all income brackets with an average index reading of 45.1 in the three-month period.

The fourth quarter results indicate that consumers with household income above \$2,000 per month held the highest confidence level by income bracket in October and December at 63 and 44.9, respectively; while those with a monthly household income in the \$1,001 to \$2,000 bracket displayed the highest level of confidence in November at 44.8.

In parallel, the consumer confidence of three out of the four income sub-categories reached an 18-quarter low in the fourth quarter of 2011, while that of consumers with household income of \$500 or less was lowest in the first quarter of 2008. Over the July 2007-December 2011 period, consumers with a monthly household income between \$501 and \$2,000 posted their lowest monthly level of confidence in the December 2011 poll, while those with household income above \$2,000 per month displayed an all-time low in November 2011.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	≤\$500	\$501-\$1,000	\$1,001-\$2,000	≥\$2,001
Oct-11	53.0	43.6	46.9	63.0
Nov-11	42.6	38.1	44.8	40.2
Dec-11	39.6	24.2	36.9	44.9
Av. Index Q4 2011**	45.1	35.3	42.8	49.3

* 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 from the North posted the highest confidence level during the fourth quarter of 2011

Consumers in the North had the highest confidence level during the fourth quarter of 2011, in line with the results of the July 2007-September 2011 period, as the index for the region averaged 45.5 during the quarter. The other regions also followed past trends, with Mount Lebanon posting the second highest confidence level during the quarter at 44.3, followed by the South at 43.2, Beirut at 37.7 and the Bekaa at 27.2.

The results of the fourth quarter show that consumers from South Lebanon registered the highest level of confidence among administrative districts in the October and November polls, with index readings of 54.5 and 59.5, respectively; while Mount Lebanon posted the highest confidence level in December at 44.6.

Consumers in four out of five administrative districts posted their lowest level of confidence in the last quarter of 2011 since the start of the survey in the third quarter of 2007. Over the July 2007-December 2011 period, consumers in the Bekaa and the South posted their lowest monthly confidence level in December 2011; with the Bekaa region hitting a 54-month low of 9.1 among administrative districts as well as among all 26 sub-categories of the Byblos Bank/ AUB Consumer Confidence Index.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Oct-11	50.5	44.8	52.9	43.7	54.5
Nov-11	31.3	43.4	39.3	28.7	59.5
Dec-11	31.1	44.6	44.2	9.1	15.5
Av. Index Q4 2011*	37.7	44.3	45.5	27.2	43.2

* average monthly index

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

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

The confidence level across religious affiliations in the fourth quarter was in line with past trends

Christian consumers registered the highest confidence level during the fourth quarter of 2011, in line with the results of the July 2007-September 2011 period, as the index for this sub-category averaged 45.3 during the quarter. The other religious affiliations also followed past trends, with Sunni consumers posting the second highest confidence level during the quarter at 40.7, followed by the Druze at 37.5, and the Shiites at 34.7.

The fourth quarter results indicate that Christian consumers had the highest confidence level in October and December at 52.2 and 43.2, respectively; while Shiite consumers posted the highest level of confidence among religious affiliations in November. Conversely, the Druze were the least confident consumers in October and November, while Shiite consumers were the least confident among religious affiliations in December.

The confidence level of consumers across all religious affiliations reached an 18-quarter low during the last three months of 2011. Over the July 2007-December 2011 period, Sunni and Shiite consumers posted their lowest level of confidence in the December 2011 poll, while Christian consumers posted their lowest confidence level last November.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Oct-11	52.2	48.1	44.9	41.4
Nov-11	40.4	38.7	47.6	32.5
Dec-11	43.2	35.2	11.7	38.5
Av. Index Q4 2011*	45.3	40.7	34.7	37.5

* average monthly index

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

IV - Consumers' Responses to Select Survey Questions

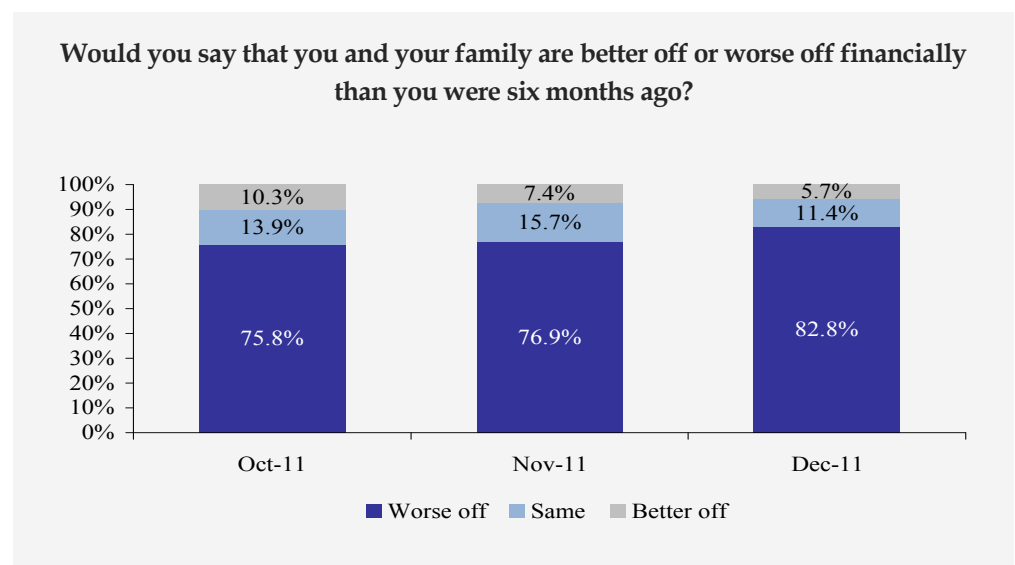
A - PERSONAL FINANCIAL SITUATION

The 54 monthly surveys conducted from July 2007 till December 2011 show that the majority of consumers have been consistently pessimistic about their current financial situation, as they claimed in each of the surveys that they have become worse off financially than they were six months earlier.

On a quarterly basis, 78.5% of respondents indicated that they were worse off financially during the fourth quarter of 2011 than they were six months earlier, which is the highest such proportion of respondents since the launch of the index. In contrast, the fourth quarter of 2008 posted the highest proportion of respondents (24.1%) in 18 quarters who replied that they have become better off financially than they were six months earlier.

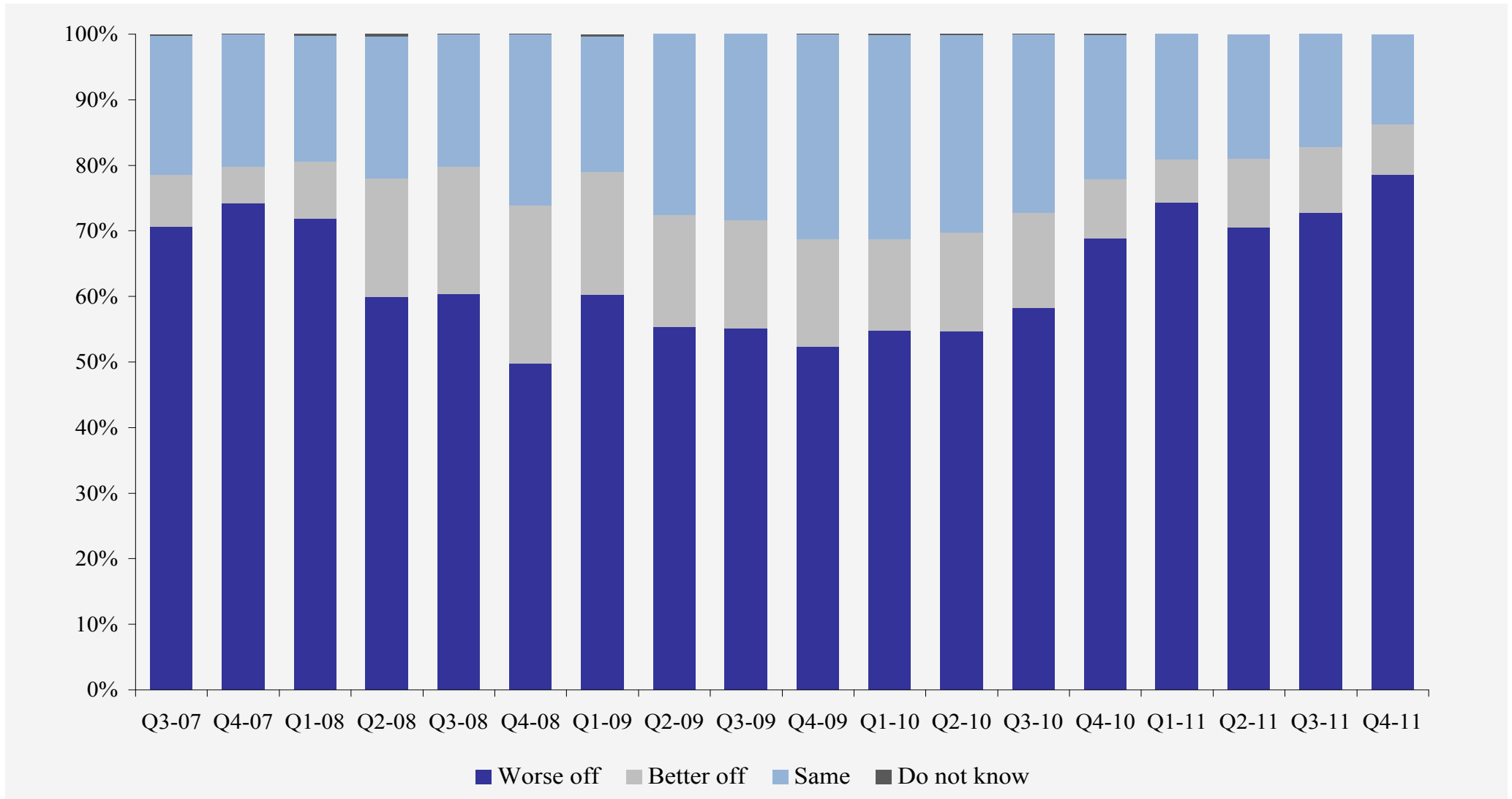
Nearly 83% of respondents were pessimistic about their present financial situation in December 2011

The December 2011 survey revealed that 82.8% of respondents considered that their personal financial conditions deteriorated from six months earlier, which is the highest such monthly percentage since the survey's inception. The percentage of consumers who replied that they were worse off in December than they were six months earlier grew by around 6 percentage points from 76.9% in November and by 7 percentage points from 75.8% in October 2011. This reflects the further worsening of consumers' mood at the end of 2011 due to the unrelenting crisis in Syria and the dispute regarding the wage adjustment, as well as the increase in the cost of living and of gasoline prices during the fourth quarter of 2011.



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

Would you say that you and your family are better off or worse off financially than you were six months ago?



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

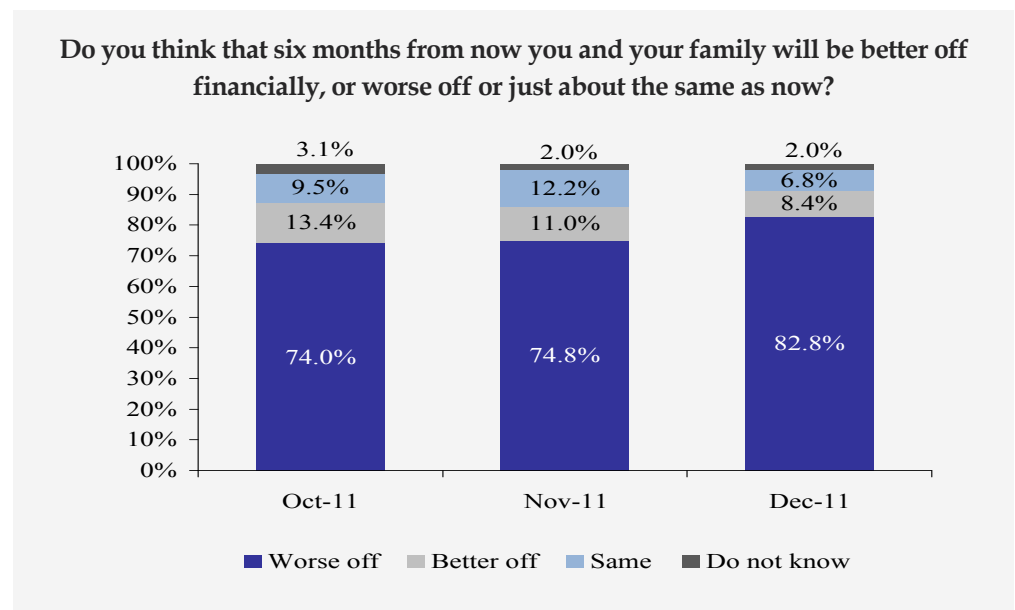
Along the same trend, the majority of consumers believed that their financial condition was going to deteriorate over the next six months in 52 out of the 54 monthly surveys. In contrast, the May 2008 survey posted the highest proportion of respondents (45.6%) over the July 2007-December 2011 period who expected to be better off financially during the six months ahead, as Lebanese consumers gained confidence following the Doha Accord.

During the fourth quarter of 2011, 77.2% of respondents expected their financial condition to worsen over the coming six months, which constitutes the highest such percentage on a quarterly basis since the index's inception. In contrast, the fourth quarter of 2009 posted the lowest percentage of respondents (39.3%) who expected their financial situation to be worse in six months' time.

77.2% of respondents were pessimistic about their future financial situation during the fourth quarter of 2011

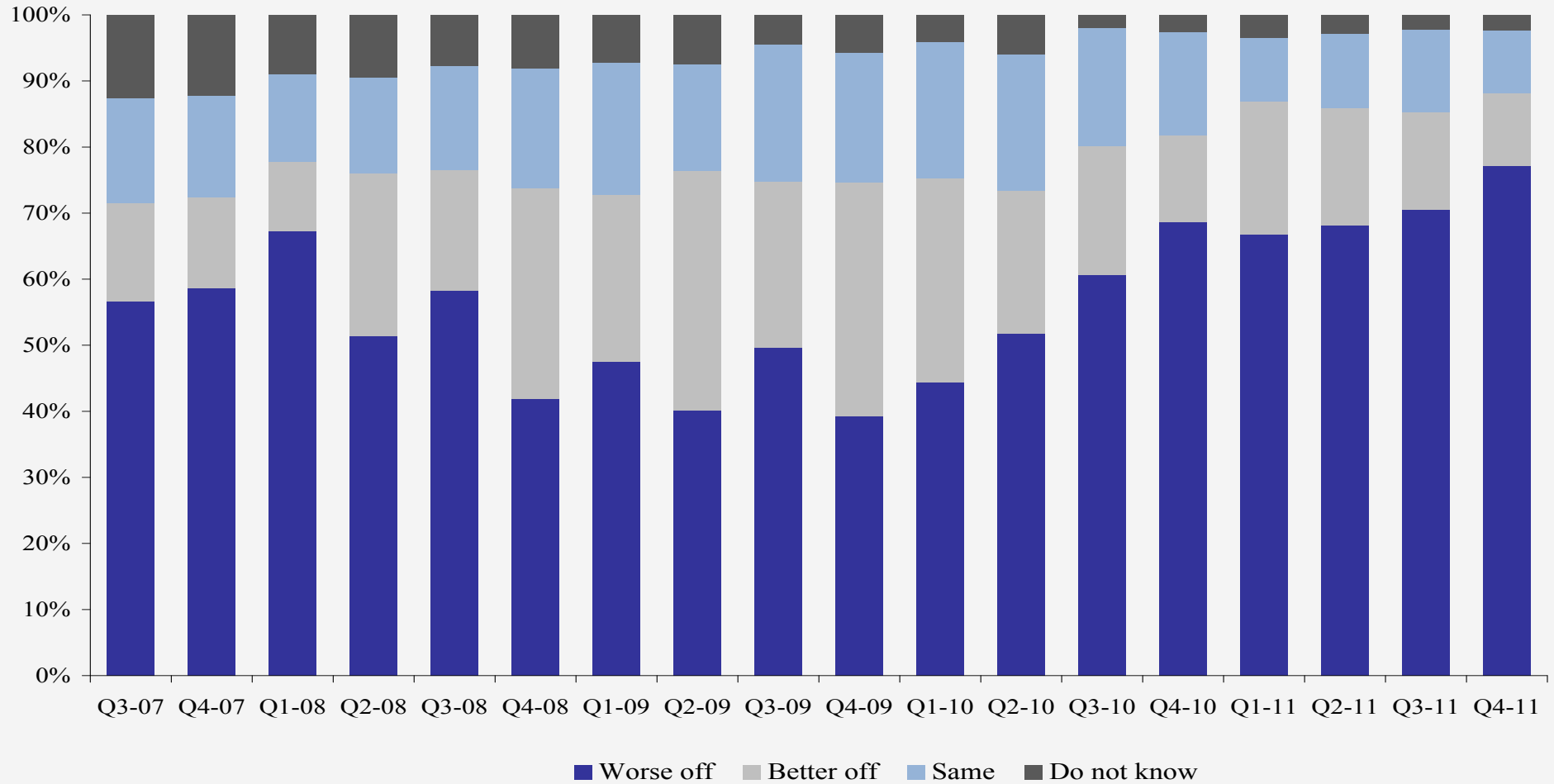
In parallel, the second quarter of 2009 had the highest percentage of respondents (36.3%) in 18 quarters who expected to be financially better off in the coming six months.

Consumers' assessment of their future financial conditions was the least favorable in the December 2011 poll, as 82.8% of respondents expected that they will be worse off financially over the coming six months, up from 74.8% in November of the same year. Conversely, only 8.4% of the respondents in the December survey expected their financial conditions to improve in six months' time, down from 11% in November and 13.4% in October, which confirms the deterioration of consumers' mood at the end of 2011.



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

Do you think that six months from now you and your family will be better off financially, or worse off or just about the same as now?



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

B - BUSINESS CONDITIONS

The 54 monthly surveys conducted from July 2007 to December 2011 show that the majority of consumers have been consistently pessimistic about business conditions, as they claimed in each of the surveys that business conditions have worsened relative to six months earlier.

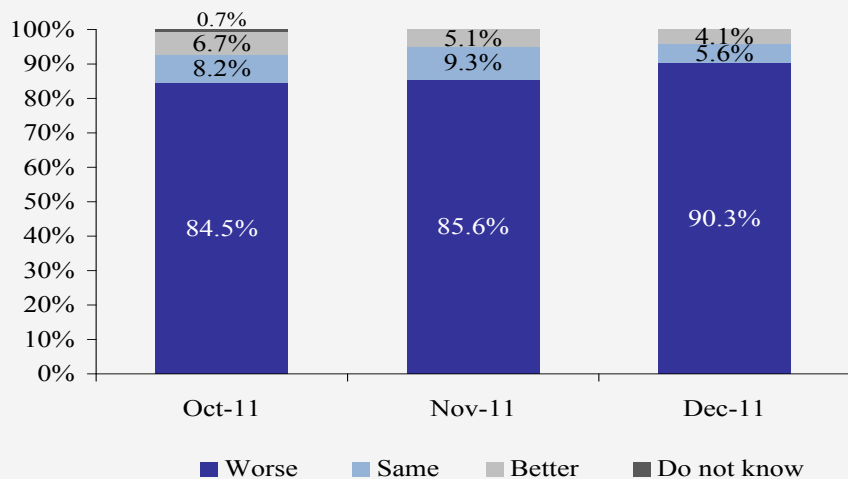
On a quarterly basis, 86.8% of respondents claimed that business conditions during the fourth quarter of 2011 were worse than they were six months earlier, which is the highest such proportion since the third quarter of 2007.

The fourth quarter of 2008 had the lowest proportion of respondents (51.9%) in 18 quarters who replied that present business conditions were worse than they were six months earlier.

Also, consumers' appraisal of current business conditions in the December 2011 survey was the most pessimistic in four and a half years, as 90.3% of respondents indicated that present business conditions were worse than they were six months earlier, up from 85.6% in November and 84.5% in October.

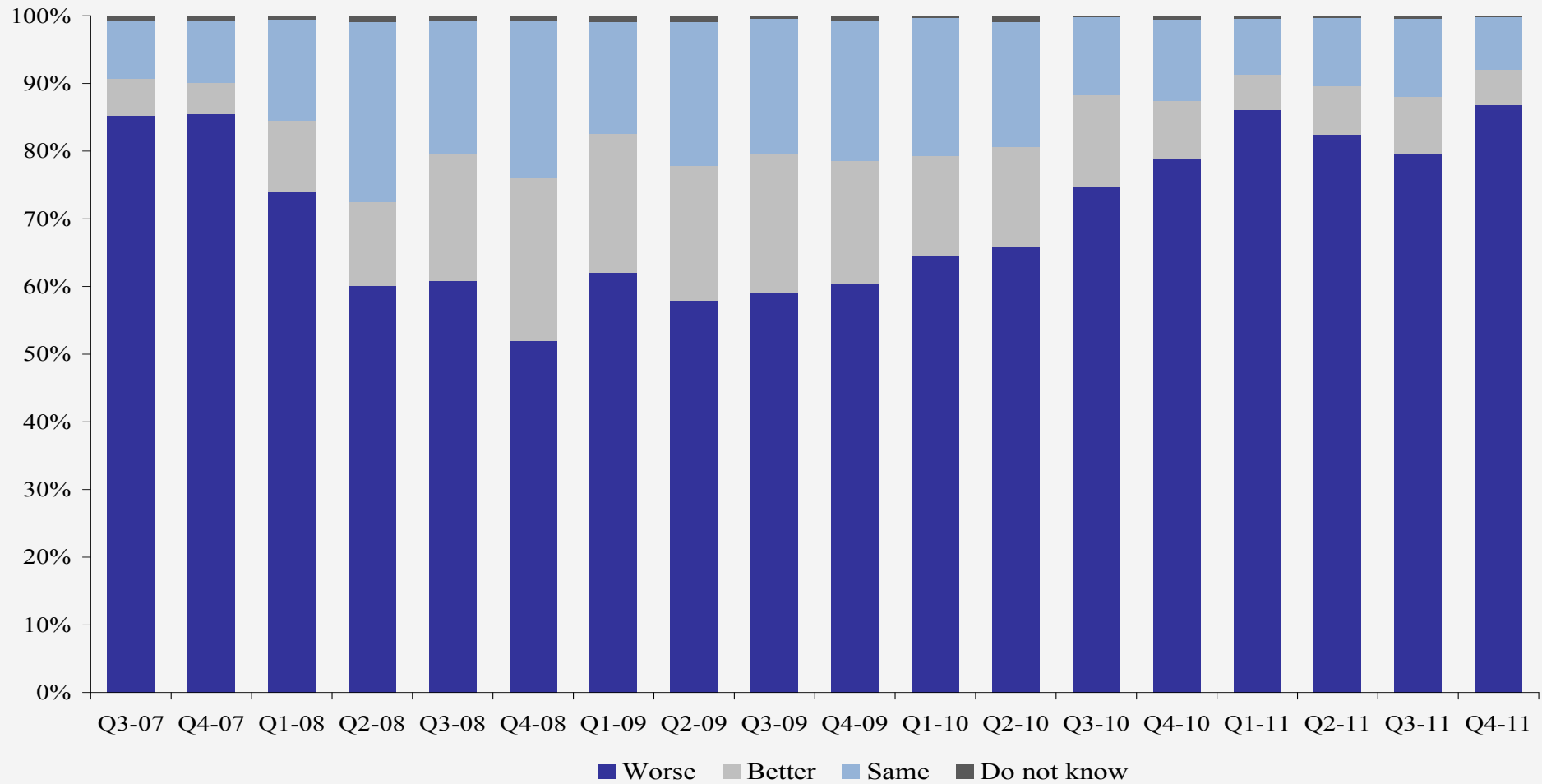
Nearly 87% of respondents were pessimistic about existing business conditions during the fourth quarter of 2011

Would you say that at the present time business conditions are better or worse than they were six months ago?



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

Would you say that at the present time business conditions are better or worse than they were six months ago?



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

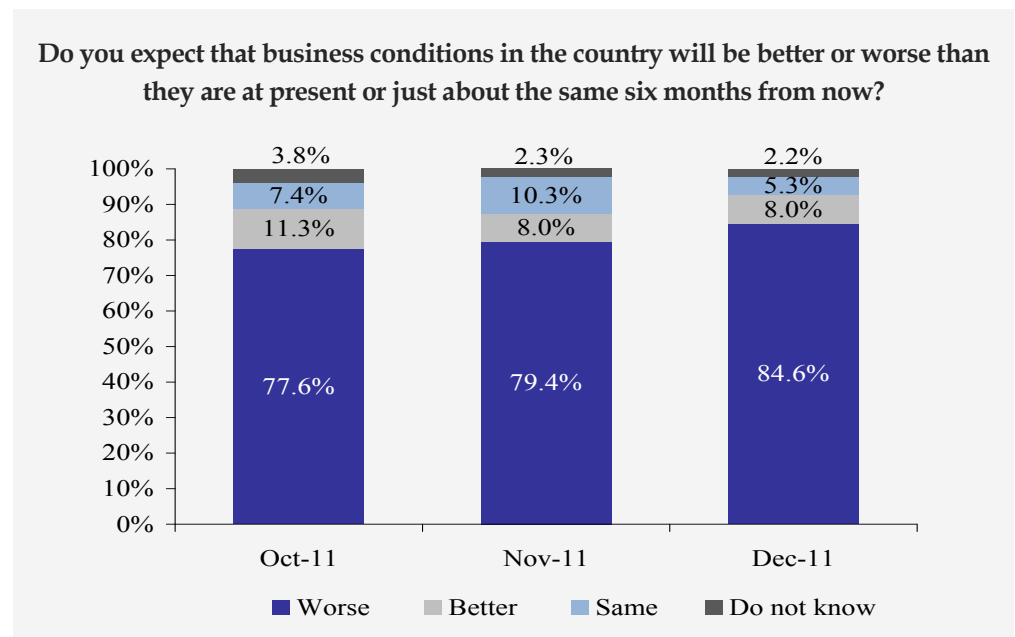
In parallel, the majority of consumers were pessimistic about business conditions in the country over the next six months in 50 out of 54 monthly surveys, or in around 93% of monthly readings. A majority of respondents in the May 2008, June 2009, July 2009 and December 2009 polls anticipated business conditions to improve in six months' time only.

In line with the quarterly results of current business conditions, 80.5% of respondents in the fourth quarter of 2011 expected business conditions to worsen in the coming six months, which is the highest such proportion in 18 quarters.

80.5% of respondents were pessimistic about future business conditions in the fourth quarter of 2011

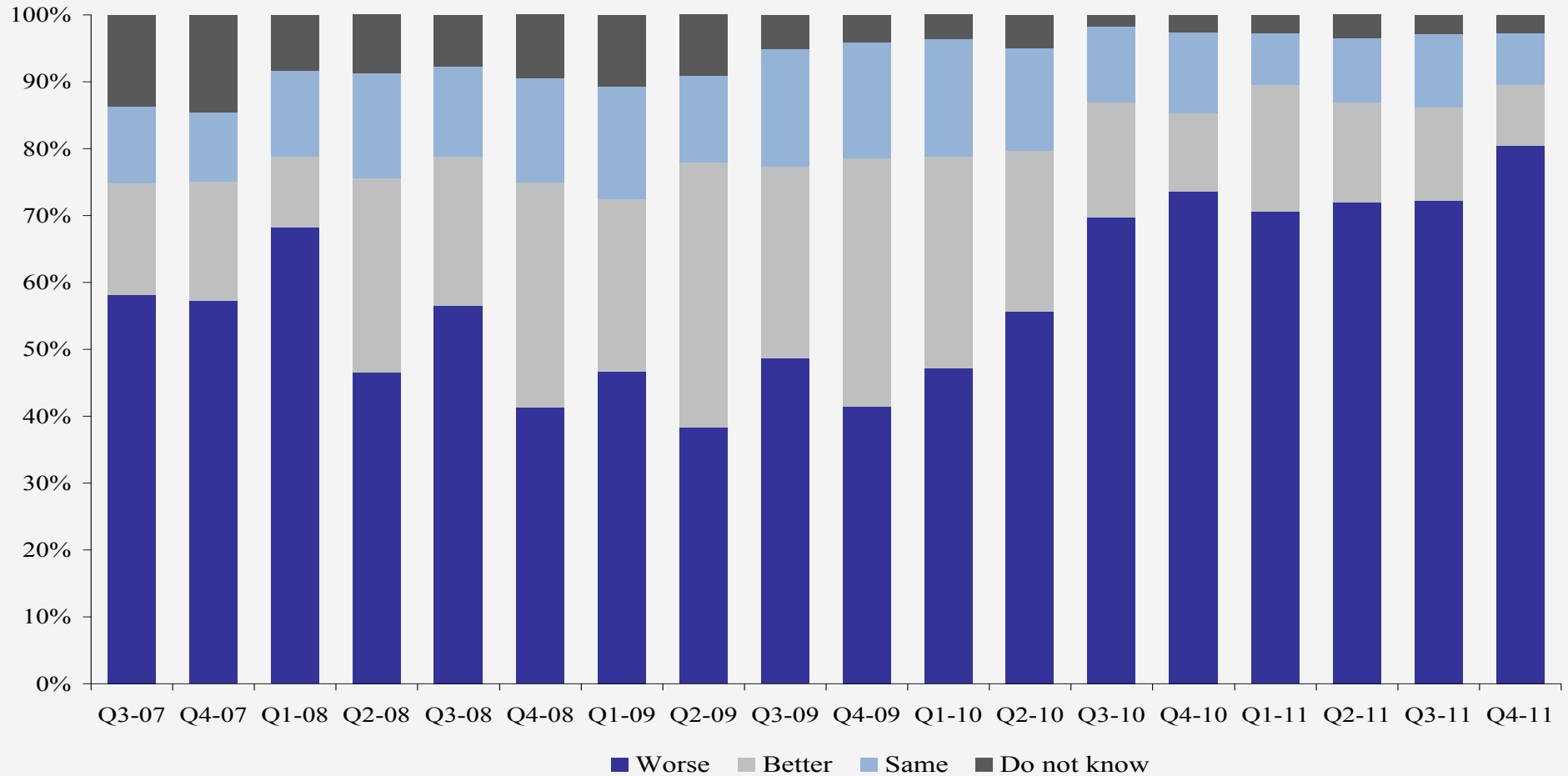
In contrast, the second quarter of 2009 posted the lowest proportion of respondents (38.3%) since the third quarter of 2007 who replied that business conditions will deteriorate in six months time.

On a monthly basis, respondents were the most pessimistic about future business conditions in the December 2011 poll since the survey's inception, as 84.6% of them anticipated business conditions to worsen in six months' time, up from 79.4% in November and 77.6% in October.



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

Do you expect that business conditions in the country will be better or worse than they are at present or just about the same six months from now?



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

C - BORROWING & INTEREST RATES

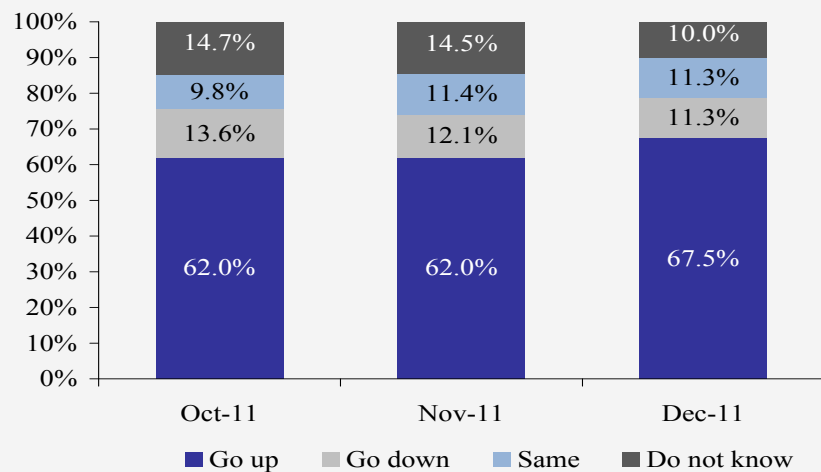
The monthly surveys that were conducted between July 2007 and December 2011 show that, in each of the 54 surveys, the majority of consumers expected interest rates to increase in the coming six months.

During the fourth quarter of 2011, 63.8% of respondents expected interest rates to increase in the coming six months. The second quarter of 2011 posted the highest percentage of respondents (65.5%) in 18 quarters who expect interest rates to rise in the near-term; while the first quarter of 2009 posted the lowest percentage of respondents (37.1%) in 18 quarters who anticipate interest rates to rise in the coming six months.

The December 2011 survey showed that over two-thirds (67.5%) of respondents expect interest rates to increase in the coming six months, the highest such percentage since July 2007. The December poll also showed that 11.3% of respondents forecast interest rates to drop in the coming six months, while another 11.3% anticipated rates to remain the same in the coming six months.

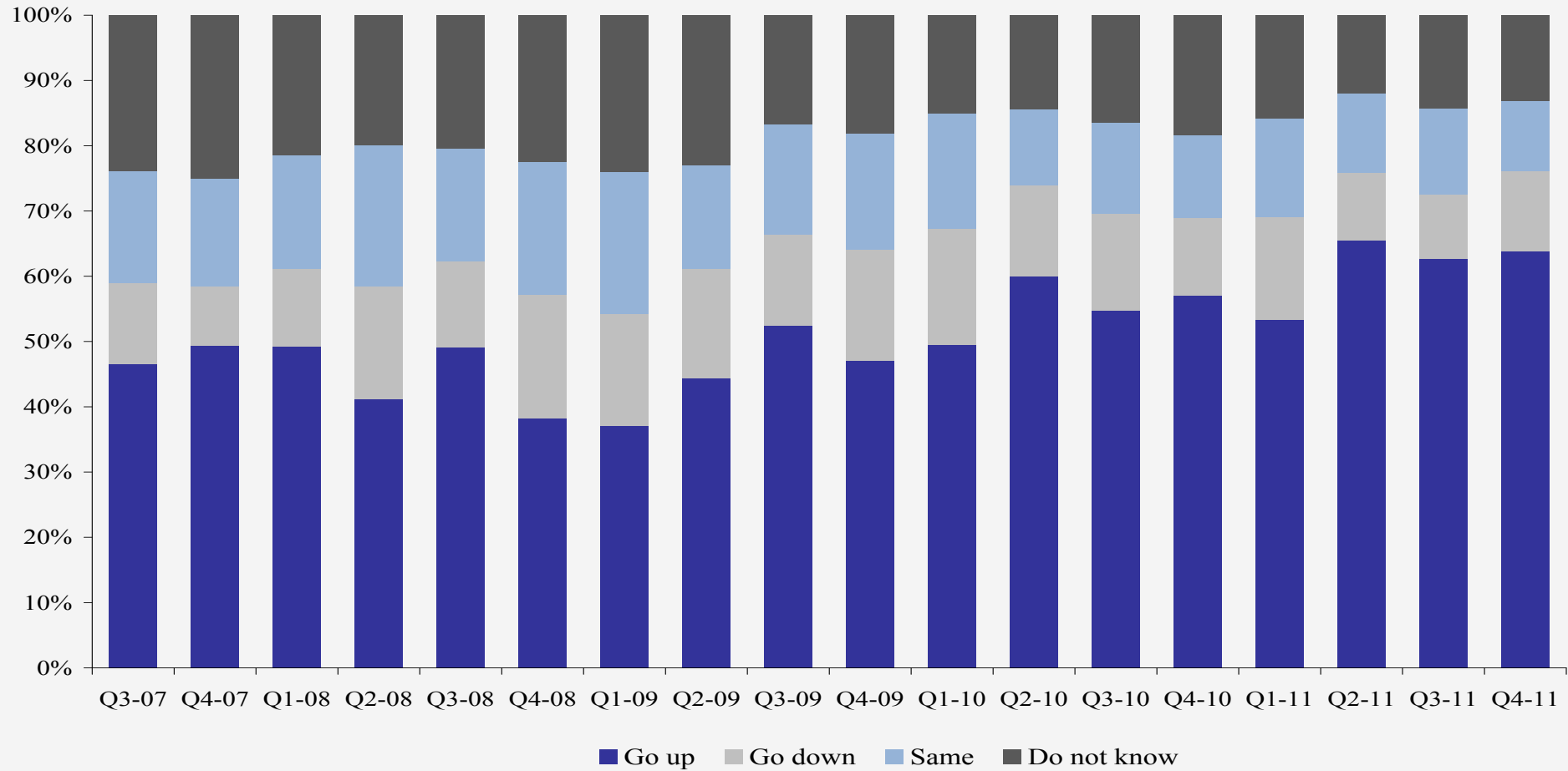
The December 2011 poll posted the highest proportion of respondents who expect interest rates to increase in the coming six months

What do you think will happen to interest rates for borrowing money during the next six months, will they go up, stay the same or go down?



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

What do you think will happen to interest rates for borrowing money during the next six months, will they go up, stay the same or go down?



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

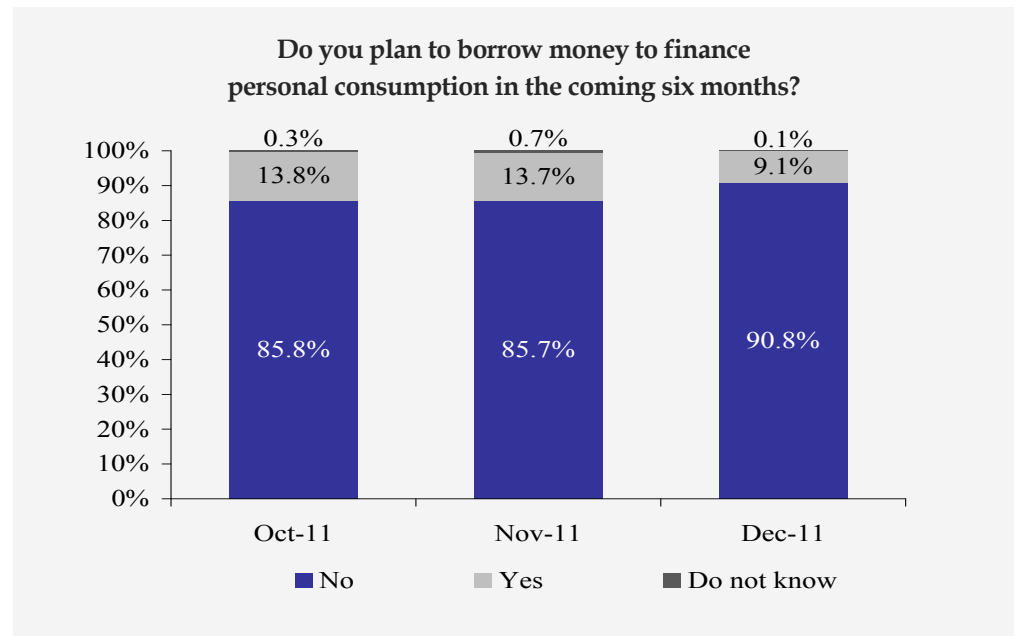
During the 54-month period, the majority of respondents in each of the surveys did not intend to borrow funds to finance their personal consumption over the next six months.

During the first quarter of 2011, around 88% of respondents did not plan to borrow money to finance their personal consumption in the coming six months, the highest such quarterly proportion in 18 quarters.

The proportion of respondents who do not plan to borrow money was at its highest in December 2011

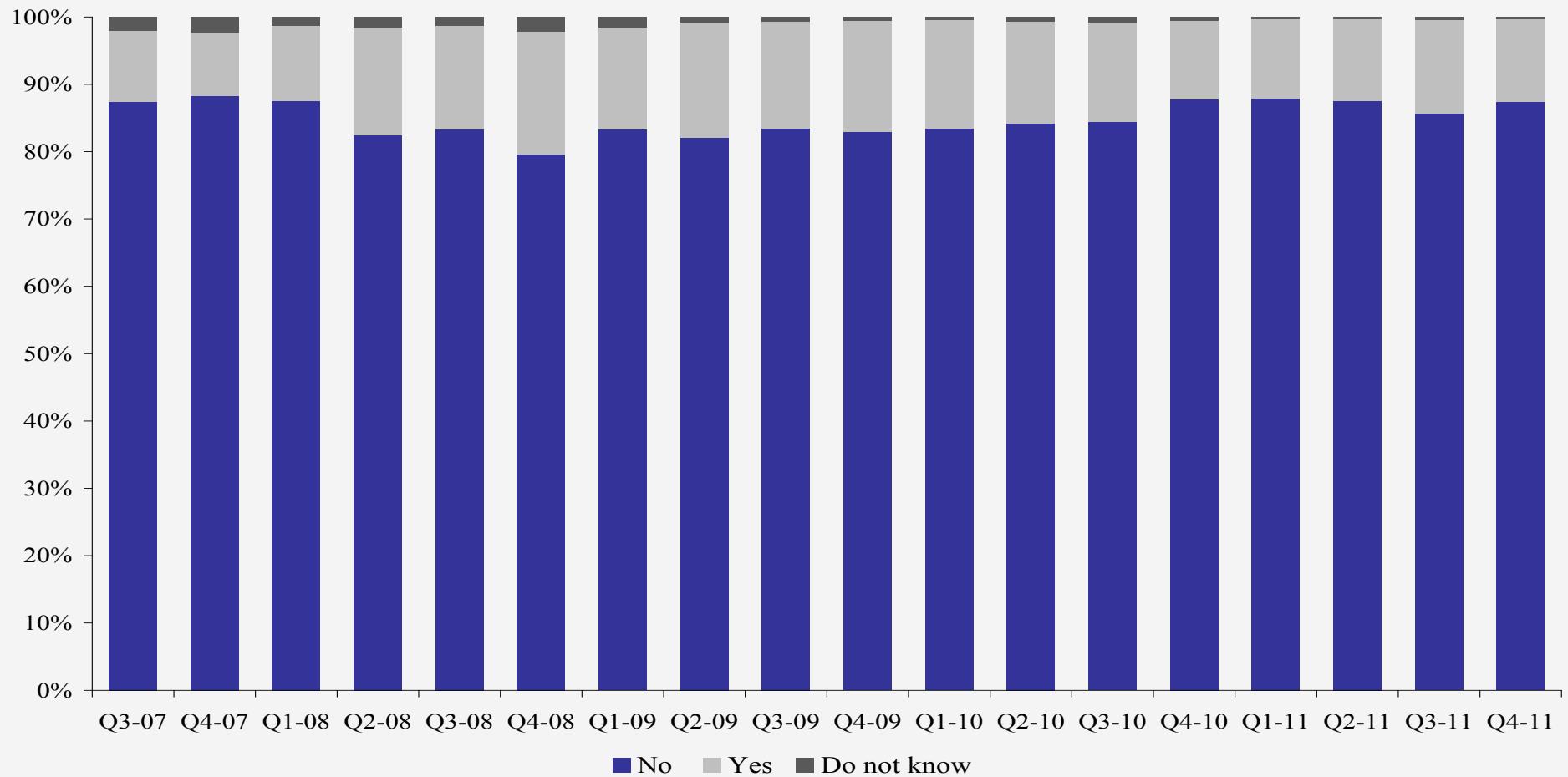
Conversely, the fourth quarter of 2008 had the highest proportion of consumers (18.1%) who intended to borrow funds to finance personal consumption in the coming six months. This coincided with the quarter that saw the highest percentage of respondents (18.9%) who expect interest rates to drop in the six months ahead.

Further, the December 2011 survey posted the highest proportion of respondents (90.8%) in 54 months who do not plan to borrow money to finance their personal consumption in the coming six months, up from 85.7% in November. This concurs with the month that revealed the highest proportion of consumers who expect interest rates to rise in the coming six months.



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

Do you plan to borrow money to finance personal consumption in the coming six months?



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

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