

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Corporate ratings improve in 2010

Fitch Ratings indicated that it downgraded 10.6% of global corporate issuers in 2010 compared to a record high of 26.4% in 2009, while it upgraded 10.7% of issuers last year relative to 4.9% in the preceding year. It noted that the overall downgrade-to-upgrade ratio was balanced at 1-to-1 in 2010, constituting a significant improvement from the 5.4-to-1 ratio recorded in 2009. It noted that the share of global corporate issuers with stable ratings was 78.7% in 2010, up from 68.7% in 2009, indicating an improvement of credit conditions last year. It added that it downgraded 5% of emerging market issuers in 2010, and upgraded 17% of such issuers; while it downgraded 12% and upgraded 8.6% of developed markets corporate issuers in 2010. The agency said that North America accounted for 130 downgrades, followed by Europe with 90 downgrades, Asia-Pacific with 21, Latin America & the Caribbean with 13 and Middle East & Africa with six downgrades. Further, North America had 116 upgrades last year, followed by Europe with 72, Asia-Pacific with 44, Latin America & the Caribbean with 30, and the Middle East & Africa with two downgrades. Also, the banking & finance sector accounted for 138 downgrades, followed by the industrial sector with 98 and the insurance sector with 24 downgrades. In parallel, the industrial sector saw 166 upgrades, followed by the banking sector with 84 and the insurance sector with 14 upgrades.

Source: Fitch Ratings

MENA

Equity markets down by 5% in first quarter of 2011

Arab stock markets decreased by 5.2% and GCC markets by 3.2% in the first quarter of 2011 compared to increases of 10% and 11.5%, respectively, in the same period last year. Activity on the Iraqi stock exchange increased by 25.8% during the covered period, posting the best performance among Arab markets, and was followed by the Palestine stock market with a 1.7% improvement. In parallel, the Egyptian stock market dropped by 23.5% in the first quarter and posted the worst performance among Arab equity markets. It was followed by the Damascus financial market with a 15.5% retreat, the Tunis stock exchange with a 13.2% decrease, the Kuwait bourse with a 9.5% downturn, the Muscat bourse with a 8.7% decline, the Amman stock market with a 8.3% drop, the Dubai financial market with a 4.6% contraction, the Abu Dhabi market with a 4.2% decline, the Beirut Stock Exchange with a 3.8% drop, the Casablanca equity market with a 3.7% downturn, the Doha exchange with an 2.6% reduction, the Saudi Arabian equity market with a 0.9% fall, and the Bahrain stock market with a 0.5% decline. In comparison, emerging market equities increased by 1.6% and global equities rose by 4% in the first quarter of 2011. Arab stock markets rose by 3.5% in March compared to an increase of 5.9% for emerging market equities.

Source: Local stock markets, Byblos Research

Launch of \$1bn infrastructure fund

The World Bank, the International Finance Corporation (IFC) and the Islamic Development Bank (IDB) announced plans for a \$1bn fund to finance infrastructure projects in the MENA region. The Arab Financing Facility for Infrastructure (AFFI) focuses on regional infrastructure programs and public-private partnerships (PPPs). It will support cross-border projects designed to boost regional connectivity such as electricity, rail, road and maritime networks. Also, a private sector window, with the IFC and IDB as anchor investors, will provide private investment to support PPP deals and the possibility of Shariah-compliant financing. Further, the facility will extend financing for technical assistance and policy coordination, and aims to catalyze financing for the \$40bn annual funding gap. The World Bank estimated that the region requires \$30bn in investments per year to meet the rising electricity demand, as well as between \$75bn and \$100bn a year to sustain growth rates achieved in recent years and to boost economic competitiveness.

Source: World Bank

SUDAN

Central Bank increases supply of foreign currency

The Central Bank of Sudan (CBoS) declared that the country's supply of hard currency has increased recently, reversing a trend of decline. It claimed that indicators point towards an "abundance" of foreign currency at banks and foreign exchange bureaus, and that the market has enough supply to meet demand. Last month, the CBoS said it has started injecting foreign currency in the market, driven by the rise in the country's foreign currency revenues. It attributed this rise to the increase in global oil prices and to proceeds from gold exports. The CBoS indicated that it has been buying gold locally and selling it abroad, which has raised its hard currency reserves. It added that this helped it provide foreign currency to foreign exchange bureaus to meet unexpected payments, as well as to commercial banks in order to finance the import of goods other than the ones allowed by the CBoS.

Last November, the CBoS set a premium of 17.6% to the official exchange rate. The move was a bid to stabilize the Sudanese pound, which was facing increasingly downward pressure ahead of the January referendum on the independence of Southern Sudan. The establishment of an effective exchange rate at a premium to the official rate aimed at closing the current gap with the black market rate. But the authorities started to ease some of the restrictions imposed last year on foreign currency transfers, as the CBoS has recently increased the cap on hard currency that can be carried by travelers abroad and allowed withdrawals from special accounts. The exchange rate reached SP2.7 to the U.S. dollar at the end of March compared to SP2.5 at end-2010.

Source: Central Bank of Sudan, Thomson Reuters

POLITICAL RISK OVERVIEW - MARCH 2011

BAHRAIN

Violence flared in Bahrain after a new security crackdown on ongoing anti-government protests killed two civilians and left hundreds injured. King Hamad bin Isa Al Khalifa proclaimed a three-month state of emergency on March 15th. In parallel, Saudi and Emirati troops entered the country to help maintain order. The Shia opposition bloc Al Wefaq claimed that 100 people are missing and another 21 were killed since February 14th.

EGYPT

Prime Minister Ahmad Shafiq and other Mubarak-linked Cabinet members resigned on March 3 under pressure from protesters. Also, 77% of Egyptians voted for constitutional amendments in the referendum on March 19th. The ruling Supreme Council issued an interim constitution until the presidential elections take place after September 2011. Labor strikes continued, while hundreds of protesters were detained. Also, 13 Christians were killed and 140 were wounded in sectarian violence in the outskirts of Cairo.

IRAN

The Head of the International Atomic Energy Agency criticized Iran for lack of cooperation, while the U.S. warned that the military aspects of Iran's nuclear work is increasingly apparent. In parallel, the Iranian opposition stated that at least 79 people were arrested during rallies. The government called for the immediate withdrawal of all foreign forces from Bahrain. The North Atlantic Treaty Organization said that weapons were intercepted in Afghanistan coming from Iran, but the Iranian Foreign Ministry denied the reports. Turkey also confiscated material labeled as illegal under the UN sanctions in cargo coming from Tehran to Syria.

IRAQ

Demonstrations continued against the regional government in northern Kurdistan, leaving one police officer killed and 10 wounded. Prime Minister Nouri al-Maliki demanded the immediate withdrawal of Kurdish troops from Kirkuk, while President Jalal Talabani considered that the city should be annexed to the Kurdish region. Thousands of Shiites protested in Baghdad and Basra against Saudi Arabia's military intervention in Bahrain. In parallel, a suspected al-Qaeda gunman took hostages in Tikrit's provincial council and killed 56 people.

IVORY COAST

The Ivory Coast saw a slide into civil war as fighting intensified in Abidjan between forces loyal to incumbent President Gbagbo and those allied to elected President Alassane Ouattara. Pro-Ouattara rebels reached Abidjan on March 31 and attacked Gbagbo's presidential residence. Heavy fighting also spread to at least five Abidjan districts over the month. Gbagbo forces killed seven women protesters and shot another 25 civilians in Abobo district. Ouattara announced the creation of Forces Republicaines de Côte d'Ivoire (FRCI) comprising former Forces Nouvelles rebels and army defectors.

LIBYA

Clashes between the rebel movement and security forces escalated into civil war, prompting international military action. Government forces recaptured several key towns, including Ras Lanuf, Zawiyah and Brega. Following the call for intervention by the Arab League, the UNSC approved a no-fly zone on March

17 and authorized the use of all necessary measures to protect civilians, while prohibiting foreign occupation. International coalition led by the UK, the U.S. and France began missile and air strikes against military installations and targeted government forces attacking Benghazi and other rebel-held towns. NATO assumed control of all international military operations on March 27th. Foreign Minister Moussa Koussa arrived to the UK and announced his defection from the regime.

NORTH SUDAN

The ruling National Congress Party and the Sudanese People's Liberation Movement met to discuss post-referendum arrangements such as maintaining two economically viable states, including the shared oil and petroleum infrastructure. Further, the renewal of fighting in Abyei prompted around 20,000 persons to flee the region. As such, the United Nations Missions in Sudan convened a meeting between representatives from both the North and the South, where parties agreed on establishing standing committees to address the security situation.

SOUTH SUDAN

Opposition parties withdrew from the technical committee for the review of the Interim Constitution of South Sudan following disagreements on power-sharing allotment with the Sudan People's Liberation Movement (SPLM). They accused the SPLM, which controls the majority of the committee, of reaching a decision by a majority voting rather than by consensus. In parallel, clashes between the Sudan People's Liberation Army (SPLA) and forces loyal to renegade General Athor re-erupted in Jonglei, forcing civilians to flee the region.

SYRIA

Anti-regime protests spread across the country, starting in the southern city of Daraa, where at least 55 civilians were killed by security forces since March 18th. Dozens were killed in other cities in a violent crackdown by security forces. In the first public address since the beginning of the unrest, President Bashar Assad blamed foreign conspiracy and said that news were exaggerated. The President released many political prisoners, including lawyer Diana Jawabrah. The Cabinet resigned on March 29 in face of the protests.

TUNISIA

Interim President Fouad Mebazaa announced constitutional assembly elections to be held by July 24th. He confirmed that the interim government would lead until then, despite the constitutional 60-day term limit on caretaker leaders. Interim Prime Minister Beji Caid Essebsi named a new Cabinet on March 7 following a string of resignations.

YEMEN

Over 90 protesters were killed as nationwide anti-regime protests continued for the seventh week, but hopes remain for possible reconciliation and formation of a national unity government. The opposition demanded the immediate resignation of President Ali Abdullah Saleh, but he vowed to make no more concessions. Eleven military commanders including senior general Ali Moshen joined the protests and promised to protect demonstrators. A total of 150 civilians were killed from the explosion of an ammunition factory in Jaar where the cause of the explosion remained unknown.

Source: International Crisis Group



OUTLOOK

GCC

Economic activity to benefit from higher public spending, turmoil-hit economies to see growth deceleration

Barclays Capital projected economic growth in the GCC at 6.3% in 2011 compared to an earlier forecast of 6.7%, but up from 4.8% in 2010. It said rising oil prices and increased production due to Libya's political crisis, as well as prospects for a continued rise in oil demand are supporting the macroeconomic outlook in the majority of GCC countries. It considered that Saudi Arabia and Kuwait are likely to benefit the most due to increased hydrocarbon production and higher anticipated public spending, which would boost domestic consumption and investment, encourage private sector credit growth and maintain non-hydrocarbon activity. It estimated the recently announced fiscal packages in Saudi Arabia and Kuwait at 25% of GDP and 6.2% of GDP, respectively. As such, it revised upwards Saudi Arabia's real GDP growth to 5.1% this year from a recent forecast of 4.1%, and non-oil growth to 4.8% compared to an earlier estimate of 4.2%. It also forecast Kuwait's real GDP to grow by 4.3% from 2.3% last year, and for its non-oil sector to expand by 4.1% relative to 2.5% in 2010. In parallel, Barclays expected the UAE economy to grow by 3.8% and its non-oil sector to expand by 3.7%, due in part to the gradual revival in Dubai's trade and tourism sectors, which are benefiting from turmoil in Egypt and Tunisia and political tension in Lebanon. It added that Dubai could start to benefit from the relocation of businesses and households from turmoil-affected countries

In parallel, Barclays expected growth to slow in countries that saw recent unrest, despite an anticipated increase in government spending and support from other GCC states. It projected growth in Bahrain at 1.4% in 2011 compared to 3.1% last year, with non-oil growth slowing to 1.5% this year from 3.5% in 2010. It also forecast Oman's economy to expand by 4.5% in 2011 compared to 3.9% last year, with non-oil growth decelerating to 3.8% from 4.4% in 2010. It considered that Bahrain's turmoil will take a toll on the financial and tourism sectors, as political uncertainty could undermine the country's role as a financial hub.

Source: Barclays Capital

UAE

Dubai debt restructuring may lead to new rollover risks in the short term

The International Monetary Fund indicated that the UAE banking system is better prepared to withstand shocks due to continued strong core earnings and higher capital compared to pre-crisis levels, but noted that significant challenges remain. It said non-performing loans (NPLs) have doubled since the global financial crisis, but added that system liquidity has improved in light of slower credit growth and high deposit rates that are attracting foreign flows. It noted that Dubai banks face greater pressures from their exposures to government-related entities (GREs) and real estate, as they bear a greater burden of provisions on Dubai loan restructuring; their NPLs are twice as high as Abu Dhabi banks; and they continue to de-leverage, leading them to lose market share.

The Fund added that Dubai's debt restructuring may imply postponing the realization of losses for banks and a new bout of rollover risk in a few years. It said the restructuring assumes that the borrowers' problem is one of liquidity rather than solvency. It noted, however, that borrowers may not be able to pay when the loans start to mature if asset prices do not recover. It called on the Central Bank of the UAE (CBU) to monitor the performance of restructured loans, and to consider regulating their classification and provisioning in case of further restructuring. It also encouraged the CBU to contain banks' dividend distribution over the next few years to make sure banks can handle this risk without new government support. In parallel, the IMF said developing a domestic debt market would help banks over time meet the Basel liquidity requirement and that a government securities market would help banks improve their liquidity buffers. It said authorities could also explore funding from non-traditional sources, such as term deposits from government sources. It cautioned that foreign term-funding maturities should avoid coinciding with those of GRE debt in case of a market disruption. It also noted that government control of banks and high exposure to GREs point to potential governance issues at banks.

Source: International Monetary Fund

IRAQ

Economic growth at 12% in 2011

The International Monetary Fund projected Iraq's real GDP growth at 12.2% in 2011 compared to an estimate of 1% in 2010, and forecast non-oil growth at 5% this year relative to 4.5% last year. It said authorities have been successful at maintaining macroeconomic stability under difficult circumstances, adding that such stability is one of the key conditions for the development of a vibrant economy. It called for efforts to rebuild key economic institutions, including those needed for private sector development, and to improve governance. It added that Iraq's prospects are positive, but risks remain from political instability and a deteriorating security situation, to delays in the development of oil fields and volatility in oil prices.

The Fund supported the Central Bank of Iraq's policy of managing the exchange rate of the Iraqi dinar to keep inflation low. It said a stable exchange rate continues to provide a solid anchor for the public's expectations in an otherwise highly uncertain environment. But it noted that rising oil revenues could put upward pressure on the real exchange rate, which would warrant greater exchange rate flexibility. The IMF considered that the 2011 budget balances the need to accelerate Iraq's reconstruction with the need to return to a sustainable fiscal position in the coming years. It forecast the fiscal balance to post a deficit of 13.7% of GDP in 2011 compared to 10.6% of GDP in 2010. It said the 2011 budget deficit can be financed. It added that the budget will gradually shift back to a surplus in the coming years with the projected increase in oil production, especially if oil prices remain around current levels. It also encouraged the authorities to start work on creating a sound institutional framework for managing Iraq's sovereign wealth in the longer run.

Source: International Monetary Fund



ECONOMY & TRADE

WORLD

Sovereign upgrades outpace downgrades in 2010, emerging markets credit quality improves

Fitch Ratings indicated that it downgraded 8 sovereigns in 2010 compared to 14 in the previous year, and upgraded 12 sovereigns last year relative to two upgrades in 2009. It said Europe accounted for 6 downgrades, followed by Asia-Pacific and Latin America & the Caribbean with one downgrade each. Further, Latin America & the Caribbean had four upgrades last year, followed by Europe and Asia-Pacific with three, and the Middle East & Africa with two upgrades. In parallel, the agency downgraded 7.9% of sovereign issuers in 2010 compared to 14% in 2009, while it upgraded 12% of issuers last year relative to 2% in the preceding year. It noted that the overall downgrade-to-upgrade ratio was 0.7 to 1 in 2010, constituting a reversal to the 7-to-1 ratio of 2009. It added that it downgraded 4.3% of emerging market issuers in 2010 compared to 15.9% in 2009, and upgraded 15.7% of such issuers relative to 2.9% in 2009. In comparison, Fitch said it downgraded 16.1% of developed markets sovereign issuers in 2010 relative to 9.7% in 2009, and upgraded 3.2% of such issuers relative to no upgrades in 2009. As such, it stated that developed market issuers saw net credit quality erosion, while emerging market issuers saw meaningful credit improvement last year.

Source: Fitch Ratings

UAE

Ras al Khaimah ratings affirmed

Fitch Ratings affirmed the Emirate of Ras al Khaimah's (RAK) long-term foreign and local currency Issuer Default Ratings (IDR) at 'A' with 'stable' outlooks. It also affirmed RAK's short-term foreign currency IDR at 'F1' and the Country Ceiling at 'AA+'. It said that RAK significantly strengthened its credit profile over the past year, as the budget moved back into surplus, the debt began to decline and the debt maturity profile benefited from proactive debt refinancing. It added that the budget, which includes all major state-owned enterprises, posted a surplus of 4.5% of GDP last year and expected the surplus to rise to 6% of GDP in 2011. It said that debt fell below 30% of GDP in 2010, as RAK financed its debt payments from the sale of non-core assets. It added that the combination of a budget surplus and asset sales, as RAK re-focuses on its core comparative advantages, will see debt decline to near 20% of GDP by the end of 2011, which is less than half the median debt level of 45% of GDP for 'A'-rated sovereigns.

Source: Fitch Ratings

BAHRAIN

Sovereign ratings downgraded on increased political and economic risks

Capital Intelligence downgraded Bahrain's long-term foreign and local currency to 'BBB+' from 'A' and lowered the country's short-term foreign and local currency ratings to 'A2' from 'A1'. It also assigned a 'negative' outlook to the ratings. It attributed the downgrades to the recent increase in political risks, which would have adverse consequences on the economic growth and public finances in the short-term and beyond. It added that the

weakening of fiscal flexibility over the past few years reduced the authorities' capacity to cope with external shocks. It considered that the increase in political risk and the likely damage to Bahrain's reputation as a liberal regional financial center would make medium-term growth prospects uncertain. It added that the authorities' capacity to cope with severe external shocks is limited due to modest reserves, a fixed exchange rate and an open capital account.

Source: Capital Intelligence

ARMENIA

Annual inflation at 11.5% in March

Armenia's inflation rate reached 11.5% in March on an annual basis, as well as 0.8% month-on-month and 5.2% since end-2010. Inflation was driven by a rise in food prices, which grew by 17.1% from March 2010 and by 8.6% from end-December, which led to a 13% annual rise and a 0.8% monthly increase in overall consumer goods prices. In comparison, prices of alcoholic beverages and tobacco increased by 0.7% annually but remained unchanged from the previous month, while non-food prices grew by 3.8% year-on-year and by 0.5% monthly. Further, service prices posted an 8.4% annual growth in March and a 0.9% rise from the previous month. The government has targeted inflation at 4%, with an upward or downward margin of 1.5% for 2011.

Source: National Statistical Service

BELARUS

Sovereign ratings lowered on increasing external vulnerabilities

Standard & Poor's downgraded Belarus' long-term foreign currency ratings to 'B' from 'B+', long-term local currency ratings to 'B+' from 'BB' and the country's transfer and convertibility assessment to 'B'. It affirmed the country's short-term local and foreign currency ratings at 'B' and assigned a 'negative' outlook to the long-term ratings. It attributed its action to the country's negative external financing trends. It considered that monetary and expansionary fiscal policies contributed to Belarus' current account deficit of 15% of GDP in 2010 and expected the deficit to remain in double digits through 2013. It also noted that banks' external borrowing exposed both the banking sector and the government to higher external funding costs and greater difficulty in securing funding. Further, it forecast the debt's growth at between 5% of GDP and 6% of GDP per year. In parallel, Moody's Investors Service downgraded Belarus' foreign and local currency bond ratings to 'B2' and it assigned a negative outlook to the ratings. It also lowered the country's foreign currency bond ceiling to 'B1', foreign currency bank deposit ceiling to 'B3' and local currency bond and deposit ceilings to 'Ba1'. It attributed the downgrade to the country's significant near-term external financing gaps as well as to the medium-term difficulties to modify the current growth model that is funded through external debt.

Source: Standard & Poor's, Moody's Investors Service

BANKING

QATAR

Central Bank cuts deposit, lending and repo rates

The Central Bank of Qatar (CBQ) reduced its overnight deposit rate by 50 bps to 1%, its overnight lending facility by 50bps to 5%, and its repurchase rate by 55bps to 5%. The deposit rate was previously cut by 50bps to 1.5% in August 2010 following a cumulative 315bps easing since August 2007, while this is the first time that the repo and lending rates change since July 2006. The CBQ did not cut lending and repo rates in 2009 and 2010 when other GCC countries did. Qatar is the only country in the GCC maintaining a large positive spread to the U.S. Federal Funds Rate, and it has the largest spread between overnight deposit and overnight lending rates in the GCC. The move is aimed at encouraging private sector credit growth, as the latter is minimal despite abundant liquidity and large capitalization of banks by the sovereign, with overall credit growth driven by lending to the public sector. Also, the cut in the overnight deposit rates reduces the attractiveness of non-resident deposits being placed in the banking sector, with deposit rates in Qatar now closer to the average deposit rates in the GCC. Further, the cut in policy rates is expected to have an overall slight negative impact on net interest margins for Qatari banks.

Source: Deutsche Bank, Merrill Lynch, EFG Hermes

NIGERIA

AMCON issues \$11bn bailout bonds, banks start recapitalization process

The Asset Management Corporation of Nigeria (AMCON), the state-owned company set up to buy non-performing loans from banks, completed the issuance of NGN1.7trn, or \$11bn, in bonds. AMCON issued the three-year bonds in three tranches. The first NGN1.15trn tranche is to be swapped for consideration bonds that were launched in December to absorb bad loans from 21 banks before AMCON won regulatory approval to issue tradable bonds. The second NGN20.7bn tranche was issued via a book building and was heavily oversubscribed, while the third NGN535bn tranche was issued to acquire additional NPLs from lenders. AMCON bought NPLs from 21 of the country's 24 banks at end-2010 as part of measures to boost the industry after a 2008 debt crisis threatened it with collapse. The Central Bank of Nigeria (CBN) bailed out 9 banks with NGN620bn in August 2009 and fired the chief executives of eight lenders. The CBN said it will target a NPLs ratio of 5% across the industry from now on, compared to pre-AMCON existing levels of 50%.

In parallel, three of the rescued banks have already announced their recapitalization plans. Union Bank signed an agreement with the African Capital Alliance Consortium to invest \$750m in the bank, while Access Bank and Intercontinental Bank agreed to merge. Further, Afribank Nigeria announced that it had signed a Memorandum of Understanding with Vine Capital Partners Limited and Phoenix Acquisition Company for a \$300m capital injection. Other rescued banks, which include Oceanic, Bank PHB, FinBank and Spring Bank, are expected to announce their recapitalization plans soon.

Source: Bloomberg, Thomson Reuters, Byblos Research

SAUDI ARABIA

Private sector lending up 6.3% year-on-year

Figures issued by the Saudi Monetary Agency (SAMA) show that total assets of commercial banks reached SAR 1,434bn at the end of February 2011, constituting a 0.5% increase month-on-month and a 4.4% rise from a year earlier. Lending to the private sector increased by 0.9% month-on-month in February and by 6.3% from February last year to SAR 789bn. The February credit growth was mainly driven by medium- and long-term loans, which grew 2.3% month-on-month and 1.6% month-on-month, respectively, and accounted for 84% of the incremental credit growth. The upward trend in lending is expected to continue, mainly driven by higher demand for consumer credit as the social spending will improve the liquidity position and disposable income of households. Also, corporate lending is forecast to pick up due to liquidity and public support to the infrastructure sector, mainly the real estate and construction sector following the approval of the mortgage law. In parallel, customer deposits totaled SAR 997bn at end-February, increasing by 0.9% from end-January, and by 8.2% from a year earlier. Private sector deposits were the main contributor to deposit growth during February, growing by 2% month-on-month, while public sector deposits fell by 3%. The loans-to-deposits ratio was 79.1% at end-February relative to 80.6% a year earlier. The sector's aggregate net profits reached SAR 2.4bn in February, constituting a 2.8% month-on-month contraction. They totaled SAR 4.9bn in the first two months of the year.

Source: EFG Hermes, Shuaa Capital

ROMANIA

NPLs rise to 12%, banks post negative returns

The risk-weighted capital adequacy ratio of banks operating in Romania reached 14.7% at the end of 2010, unchanged from end-2009 but up from 13.8% at end-2008. Also, the banks' Tier One capital ratio was 13.8% at end-2010 relative to 13.4% at end-2009 and 11.8% at end-2008; while the leverage ratio was 7.9% at end-2010 compared to 7.6% at end-2009 and 8.1% at end-2008. The sector's liquid assets accounted for 60% of total assets at end-2010, up from 57.4% at end-2009 and 47.1% at end-2008. Further, the sector's customer deposits-to-loans decreased to 88.1% at end-2010 from 88.7% at the end of 2009 and 82% at end-2008. Liquid assets accounted for 144.6% of short-term liabilities at end-2010 compared to 132% at end-2009 but down from 230.5% at end-2008. Also, foreign currency deposits accounted for 36% of private sector domestic deposits compared to 38.8% at end-2009, while foreign currency loans accounted for 63% of private sector loans at end-2010 compared to 60% at end-2009. In parallel, the sector's non-performing loans reached 12% of total loans at end-2010, up from 8% at end of 2009 and 2.8% at end-2008. Further, the sector's net NPLs-to-capital rose to 15.7% at end-2010, compared to 11.3% at end-2009. The sector's return on assets was -0.1% in 2010 relative to 0.2% in 2009 and 1.6% in 2008; while their return on equity reached -1% in 2010, down from 2.9% in 2009 and 18% in 2008.

Source: Romanian National Bank



ENERGY / COMMODITIES

Oil declines below \$122 on fears of lower demand

Brent crude prices declined on April 7 to below \$122 a barrel on concern that rising prices will lower demand from the world's top oil consumers, the United States and China. Unrest in the MENA region continues to support prices, as investors fear the turmoil could hamper more supplies. Brent crude fell 54 cents to \$121.8 a barrel on April 7, after rising to a two-and-a-half year high above \$123 a day before. Also, U.S. crude futures declined 51 cents to \$108.3 a barrel on April 7, after touching \$109.2 on April 6, the highest level since September 2008. Saudi Arabia and the UAE have raised output to compensate for the supply loss from Libya but there has been no coordinated supply policy response from OPEC to contain higher prices. China, the world's second largest oil consumer, announced that it will increase retail gasoline and diesel prices by up to 5.5% to ensure that refiners produce enough to meet demand. In contrast, South Korea, the world's fifth largest crude oil importer, has put pressure on refiners to cut retail oil prices as part of its battle against inflation.

Source: Thomson Reuters

Syria announces bids for offshore drilling rights

Syria called on companies to submit bids for production sharing rights to explore offshore blocks by October 5, 2011. The country is currently struggling to stop a decline in crude oil output. Companies can bid for one or more of three auctioned blocks, which are located 5 kilometers off the Syrian coast. The three blocks cover a total area of 9,038 square kilometers extending over the cities of Tartous, Baniyas and Latakia. Syria is seeking foreign investment in energy development to help stabilize oil output this year at a rate of 386,000 barrels a day.

Source: Bloomberg

Kuwait plans to spend \$340bn on oil and gas infrastructure by 2030

The Kuwait Petroleum Corporation stated that the government is planning to spend up to \$340bn in oil and gas production during the next 20 years. In the next five years, KPC is planning to spend \$90bn on oil and gas projects. The country is leaning towards gas development to eliminate the need to burn increasing volumes of fuel oil and crude in power stations.

Source: The National

Petrochemicals industry in the Gulf to increase by 46% in 2015

The annual petrochemicals production of the Gulf states is expected to increase by around 46% to 155 million tons per year by 2015. The region's current production represents about 16% of the total 700 million tons worldwide petrochemicals output, to increase to 20% by 2015. Saudi Arabia is the region's largest producer, representing about 50% of the region's total petrochemical output, while Iran produces 27% and Qatar produces 9%.

Source: Gulf Petrochemicals and Chemicals Association

Base metals: Copper prices decline on stable demand from China

Three-month copper on the London Metal Exchange was unchanged at \$9,606 per metric ton. The metal gained 2.3% on April 6, the highest gain since March 23rd. Inventories in LME warehouses rose 17% in 2011, climbing to a nine-month high of 442,325 tons on April 5th. Also, copper stockpiles in Shanghai rose 23% from last year. Shanghai warehouses hold around 600,000 tons of refined metal, with a further 100,000 tons in southern ports, equivalent to about 11% of China's total annual usage.

Copper in London dropped to a three-month low of \$8,945 a ton on March 15 on concerns that economic growth in Japan will decline. Expectations that global copper supply will lag behind demand drove a 30% rally in 2010. Lead in London dropped 0.5% to \$2,805 a ton, zinc fell 0.3% to \$2,443.75 a ton. Nickel rose 1.7% to \$26,869 a ton, tin was up 0.6% to \$32,300 per ton, and aluminum gained 0.7% to \$2,688 a ton.

Source: Bloomberg

Precious metals: Gold reach record highs on higher demand

Gold futures reached a record high of \$1,463.7 an ounce on April 6 due to higher demand, on concerns about Libya, Japan and the European debt. Gold prices are in a multi-year uptrend due to safe-haven inflows, persistent U.S. dollar weakness, a reduction in sales by Central Banks and producer de-hedging. A steady acceleration in mine-supply growth is expected for the years ahead. Also, the rapid economic growth in Asia, China and India helped drive demand for gold. Both India and China dramatically increased their imports in 2010 and this year has also started on a strong footing. Accelerating inflation has boosted gold's appeal in both countries, while negative real interest rates and poor equity returns have diverted liquidity into the precious metal markets.

Further, some headwinds are expected for gold from rising real interest rates and the potential response from mine supply. However, higher rates will unlikely disrupt the rally in gold for the time being. The bulge in mine supply will not occur until 2014 and beyond, when prices are projected to peak to around \$2,107 per ounce.

Source: Standard Chartered, Bloomberg

Global Commodity Outlook			
(3-months LME, \$/ton)	2010	2011f	2012f
Aluminum	2,201	2,463	2,400
Copper	7,570	9,963	10,000
Lead	2,172	2,588	2,650
Nickel	21,913	25,250	23,000
Tin	20,448	31,375	30,000
Zinc	2,188	2,413	2,400
(Spot price, \$/ounce)			
Gold	1,227	1,460	1,650
Palladium	529	826	900
Platinum	1,613	1,925	2,050
Silver	20	34	25

Source: Standard Chartered



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BB	-9.9	16.1	2.9	7.4	2.0	3.2	3.4	1.8
	-	-	-	-	Stable								
Angola	B+	B1	B+	-	B	2.7	20.6	20.2	35.7	8.2	-	1.6	17.6
	Stable	Positive	Positive	-	Stable								
Egypt	BB	Ba3	BB	BB+	BB	-8.2	74.2	14.3	66.5	4.6	88.3	-2.0	3.3
	Negative	Negative	Negative	Negative	Stable								
Ethiopia					CCC	-1.5	-	-	257.5	-	-	-3.9	0.3
	-	-	-	-	Stable								
Ghana	B	-	B+	-	B	-10.8	-	34.9	50.0	-	-	-11.6	10.9
	Stable	-	Negative	-	Stable								
Ivory Coast	-	-	-	-	CCC	-0.2	-	50.1	111.2	-	-	6.8	1.8
	-	-	-	-	Stable								
Libya	BB	-	BB	-	BB	13.3	0	7.2	11.6	3.2	5.1	20.1	2.5
	Negative	-	Negative	-	Stable								
Mauritania	-	-	-	-	-	-4.5	88.5	69.8	128.4	-	1,220	-7.6	-1.3
	-	-	-	-	-								
Morocco	BBB-	Ba1	BBB-	BBB-	BB	-4.5	49.9	24.1	78.4	8.0	110.0	-5.3	0.9
	Stable	-	Stable	Stable	Stable								
Nigeria	B+	-	BB-	-	B	-7.9	14.1	5.0	14.2	0.7	-	13.0	0
	Stable	-	Negative	-	Stable								
Sudan	-	-	-	-	C	-3.7	71.4	57.4	343.6	-	3,780	-8.9	5.5
	-	-	-	-	Stable								
Tunisia	BBB-	Baa3	BBB-	BBB	BB	-2.8	43.0	46.3	101.0	11.7	195.2	-4.4	3.7
	Stable	Negative	Negative	Stable	Stable								
Middle East													
Bahrain	BBB	A3	A-	BBB+	BBB	-5.4	32.8	139.6	170.2	6.8	946.6	5.2	9.9
	Negative	Stable	Negative	Negative	Stable								
Iran	-	-	B+	BB-	B	0.4	21.7	5.6	19.9	2.7	21.3	4.2	0.8
	-	-	Stable	Stable	Stable								
Iraq	-	-	-	-	CC	-14.2	42.2	41.8	65.4	-	75.3	-14.4	1.4
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-6.3	63.0	19.2	44.8	4.8	48.6	-7.2	9.2
	Negative	Negative	-	Stable	Stable								
Kuwait	AA-	Aa2	AA	AA-	A	17.1	6.5	46.2	72.2	3.7	224.0	30.1	-8.7
	Stable	Negative	Stable	Stable	Stable								
Lebanon	B	B1	B	B	CCC	-8.7	139.0	160.3	243.4	14.7	212.2	-11.1	10.5
	Positive		Stable	Stable	Stable								
Oman	A	A2	-	A	A	5.3	5.7	15.4	22.6	-	63.7	5.8	3.9
	Stable	-	-	Stable	Stable								
Qatar	AA-	Aa2	-	AA-	A	10.8	27.2	80.6	139.3	10.0	512.3	15.6	5.0
	Stable	Stable	-	Stable	Stable								
Saudi Arabia	AA-	Aa3	AA-	AA-	BBB	1.9	12.9	22.6	40.5	2.4	22.7	6.7	7.7
	Stable	Stable	Stable	Stable	Stable								
Syria	-	-	-	BB-	B	-4.3	26.9	14.9	48.0	-	52.9	-3.9	2.7
	-	-	-	Stable	Stable								
UAE	-	Aa2	-	AA-	BB	-2.7	24.7	53.1	57.7	7.3	360.4	5.4	0.6
	-	-	-	Stable	Stable								
Yemen	-	-	-	B	CC	-5.5	45.8	21.4	70.5	-	139.6	-4.9	0.3
	-	-	-	Stable	Stable								

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Ba2	BB-	-	-	-4.8	44.8	38.4	402.7	-	194.2	-14.6	9.2
	-	-	Stable	-	-								
Bulgaria	BBB	Baa3	BBB-	-	BB	-1.8	16.2	109.2	122.3	21.2	393.2	-6.2	9.8
	Stable	Stable	Stable	-	Stable								
Kazakhstan	BBB	Baa2	BBB-	-	BB	-2.8	16.0	86.4	182.9	30.3	350.4	3.2	8.8
	Stable	-	Stable	-	Stable								
Romania	BB+	Baa3	BB+	BBB-	BB	-6.8	33.9	77.4	197.5	24.6	-	-5.5	3.8
	Negative	-	Stable	Negative	Stable								
Russia	BBB	Baa1	BBB	-	BBB	-5.6	9.3	31.9	124.7	13.4	99.2	4.5	-0.6
	Stable	Positive	Stable	-	Stable								
Turkey	BB	Ba2	BB+	BB	B	-4.1	44.4	41.3	187.3	39.7	-	-3.4	1.0
	Positive	Positive	Stable	Stable	Stable								
Ukraine	B+	B1	B	-	CCC	-5.5	39.2	79.0	164.9	35.9	330.0	-2.0	4.0
	Stable	Positive	Negative	-	Stable								

Sources: International Monetary Fund; Economist Intelligence Unit - The above figures are estimated for 2010



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25	15-Mar-11	No change	27-Apr-11
Eurozone	Refi Rate	1.25	07-Apr-11	Raise 25bps	N/A
UK	Bank Rate	0.50	10-Mar-11	No change	07-Apr-11
Japan	O/N Call Rate	0-0.10	15-Feb-11	No change	07-Apr-11
Australia	Cash Rate	4.75	01-Mar-11	No change	05-Apr-11
New Zealand	Cash Rate	2.50	10-Mar-11	No change	28-Apr-11
Switzerland	3 month Libor target	0.25	17-Mar-11	No change	16-Jun-11
Canada	Overnight rate	1.00	01-Mar-11	No change	12-Apr-11
Emerging Markets					
China	One-year lending rate	6.06	08-Feb-11	Raise 25bps	N/A
Hong Kong	Base Rate	0.50	15-Mar-11	No change	27-Apr-11
Taiwan	Discount Rate	1.75	31-Mar-11	Raise 12bps	Jun-11
South Korea	Base Rate	3.00	10-Mar-11	Raise 25bps	12-Apr-11
Malaysia	O/N Policy Rate	2.75	11-Mar-11	No change	05-May-11
Thailand	1D Repo	2.50	09-Mar-11	Raise 25bps	20-Apr-11
India	Reverse repo rate	6.75	17-Mar-11	Raise 25bps	03-May-11
UAE	Overnight repo rate	1.00	19-Dec-08	Cut 25bps	N/A
Saudi Arabia	Repo rate	0.25	16-Jun-09	Cut 25bps	N/A
Egypt	Overnight Deposit	8.25	24-Dec-09	No change	N/A
Turkey	Base Rate	6.25	23-Mar-11	No change	20-Oct-11
South Africa	Repo rate	5.50	24-Mar-11	No change	12-May-11
Kenya	Central Bank Rate	6.00	22-Mar-11	Raise 25 bps	May-11
Nigeria	Monetary Policy Rate	7.50	22-Mar-11	Raise 100 bps	May-11
Ghana	Prime Rate	13.50	Apr-11	No change	May-11
Angola	Rediscount rate	30.00	16-Jun-10	No change	N/A
Mexico	Target Rate	4.50	04-Mar-11	No change	15-Apr-11
Brazil	Selic Rate	11.75	09-Mar-11	Raise 50bps	20-Apr-11
Armenia	Refi Rate	8.25	04-Mar-11	Raise 50bps	N/A
Romania	Policy Rate	6.25	05-May-10	Raise 25bps	N/A
Bulgaria	Base Interest	0.19	01-Apr-11	Raise 1bps	N/A
Kazakhstan	Refi Rate	7.50	01-Apr-11	No change	N/A
Ukraine	Discount Rate	7.75	10-Aug-10	Cut 75bps	N/A
Russia	Refi Rate	8.00	28-Feb-11	No change	N/A



Economic Research & Analysis Department

Byblos Bank Group

P.O. Box 11-5605

Beirut - Lebanon

Tel: (961) 338 100

Fax: (961) 217 774

E-mail: research@byblosbank.com.lb

www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. 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 the Country Risk Weekly Bulletin 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
Abu Roummaneh Head Office
Al Chaalan - Amine Loutfi Hafez Str.
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240 / 1 / 2 / 3 / 4
Fax: (+ 963) 11 3348207
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 / 9
Fax: (+ 964) 66 2233458
E-mail: iraqbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Karada - Salman Faeq Street
Facing Al Sheruk Building
P.O.Box: 3085 Al Elweyah - Iraq
Phone: (+ 964) 1 7177493
(+ 964) 1 7177294
E-mail: aabelkader@byblosbank.com

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 6336400
Fax: (+ 971) 2 6338400
E-mail: byblosbankuae@byblosbank.com

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street
Yerevan, 37500 - Republic of Armenia
Phone: (+ 374) 10 530 362
Fax: (+ 374) 10 535 296

CYPRUS

Limassol Branch
1, Arch. Kyprianou / St. Andrew Street
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433 / 4 / 5
Fax: (+ 357) 25 367139
E-mail: bybloscyprus@byblosbank.com

BELGIUM

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

ENGLAND

London Branch
Berkeley Square House - Suite 5
Berkeley Sq.
GB - London W1J 6BS - United Kingdom
Phone: (+44) 207 493 35 37
Fax: (+44) 207 493 12 33
E-mail: byblos.europe@byblosbankeur.com

FRANCE

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 Ltd.
Khartoum - Sudan
El Amarat -Street 21
P.O.Box: 8121 El Amarat - Khartoum - Sudan
Phone: (+249) 183 566 444
Fax: (+249) 183 566 454
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
10-14 Bourdillon Road
Ikoyi, Lagos - Nigeria
Phone: (+ 234) 1 6653633
(+ 234) 1 8990799
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC
4, Avenue du Marche
C/Gombe, Kinshasa, Democratic Republic of Congo
Phone: (+ 243) 817 070701
(+ 243) 991 009001
E-mail: melamm@byblosbank.com.lb

