

LEBANON THIS WEEK

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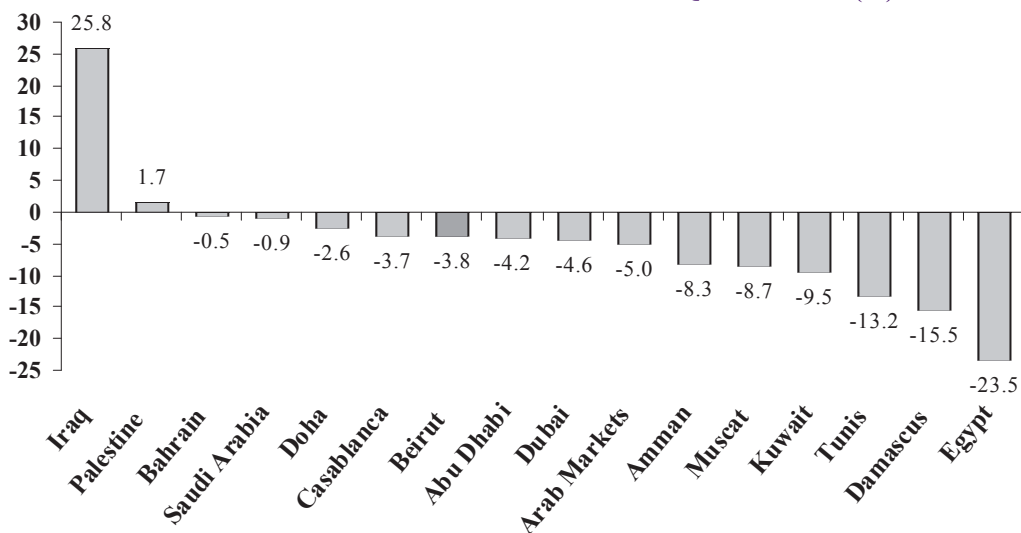
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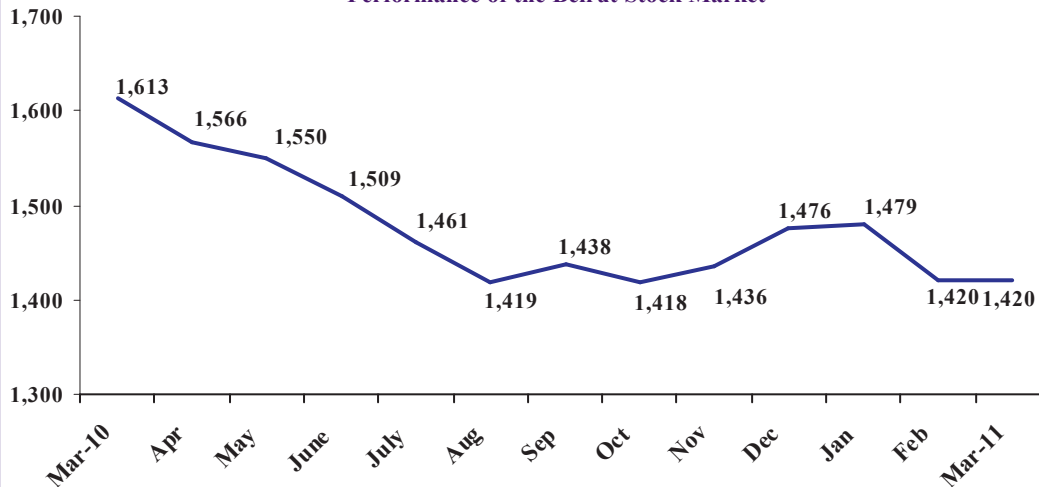
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Charts of the Week

Performance of Arab Stock Markets in the First Quarter of 2011 (%)



Performance of the Beirut Stock Market*



*BLOM Stock Index

Source: Local Stock Markets

Quote to Note

"The Lebanese economy's fundamental structures should be sustained by continued confidence in its banking system and faith in the Central Bank's ability to maintain the U.S. dollar peg."

Standard Chartered Bank, on the economy's strengths in times of political uncertainties

Number of the Week

5.5%: Average annual growth rate of Lebanon's per capita GDP in the last five years at constant prices, according to Fitch Ratings

Economic Indicators

\$m (unless otherwise mentioned)	2009	Jan 10	2010	Nov 10	Dec 10	Jan 11	% Change*
Exports	3,486	313	4,256	316	487	297	(5.11)
Imports	16,241	1,245	17,956	1,811	1,470	1,729	38.88
Trade Balance	(12,755)	(932)	(13,700)	(1,495)	(983)	(1,432)	53.65
Balance of Payments	7,899	(44)	3,326	(673)	1,243	(772)	1,654.55
Checks Cleared in LBP	11,122	1,088	13,519	1,079	1,278	1,206	10.85
Checks Cleared in FC	45,270	4,444	53,925	4,048	4,370	4,404	(0.90)
Total Checks Cleared	56,392	5,532	67,444	5,127	5,648	5,610	1.41
Budget Deficit/Surplus	(2,960)	(18)	(2,892)	(352)	(62)	(48)	169.03
Primary Balance	1,078	202	1,232	(32)	276	202	(0.17)
Airport Passengers	4,986,544	369,694	5,552,260	467,131	369,735	369,735	0.01

\$bn (unless otherwise mentioned)	Dec 2009	Jan 10	Oct 10	Nov 10	Dec 10	Jan 11	% Change*
BdL FX Reserves	25.66	26.78	28.20	27.74	28.60	28.30	5.68
<i>In months of Imports</i>	<i>18.6</i>	<i>21.5</i>	<i>18.9</i>	<i>15.3</i>	<i>19.4</i>	<i>16.3</i>	<i>(24.19)</i>
Public Debt	51.09	51.65	51.13	51.77	52.59	52.29	1.24
Net Public Debt	44.11	43.92	44.93	44.92	45.01	44.95	2.35
Bank Assets	115.25	116.52	126.65	127.57	128.93	128.41	10.20
Bank Deposits (Private Sector)	95.77	95.99	104.18	105.02	107.20	106.13	10.56
Bank Loans to Private Sector	28.37	29.36	34.39	34.92	34.93	35.31	20.27
Money Supply M2	34.16	34.77	39.31	39.31	39.40	37.12	6.76
Money Supply M3	82.08	82.43	90.57	91.00	92.15	91.57	11.09
LBP Lending Rate (%)	9.04	8.91	8.15	7.98	7.91	7.71	(120b.p.)
LBP Deposit Rate (%)	6.75	6.61	5.72	5.68	5.68	5.63	(98b.p.)
USD Lending Rate (%)	7.28	7.26	7.08	6.96	6.74	7.14	(12b.p.)
USD Deposit Rate (%)	3.05	3.04	2.81	2.80	2.80	2.84	(20b.p.)
%* Change in CPI**	4.20	4.96	6.92	6.07	6.19	6.92	196b.p.

* Year-on-Year; ** Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	18.58	1.75	374,172	15.52%
Solidere "B"	18.40	0.77	31,940	9.99%
Byblos Common	1.91	1.06	341,193	5.71%
Byblos Priority	1.91	1.06	271,343	3.29%
Byblos Pref. 08	104.00	0.00	0	1.74%
BLOM GDR	9.75	1.14	3,361	6.02%
BLOM Listed	9.00	(0.55)	27,587	16.16%
Audi GDR	7.48	1.08	101,020	5.85%
Audi Listed	7.12	(5.07)	39,210	2.73%
HOLCIM	17.41	2.11	410	2.84%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
May 2011	7.875	100.25	5.39
Mar. 2012	7.500	103.75	3.41
Sep. 2012	7.750	104.75	4.22
June 2013	8.625	108.63	4.45
Apr. 2014	7.375	108.00	4.50
Apr. 2015	10.00	117.63	5.11
Jan. 2016	8.500	112.75	5.43
Mar. 2017	9.000	116.25	5.73
Nov. 2018	5.150	97.13	5.62
Apr. 2021	8.250	114.75	6.25

Source: Byblos Capital Markets

	April 4-8	March 21-24	% Change	March 2011	March 2010	% Change
Total Shares Traded	1,230,661	19,312,396	(93.63)	12,555,873	8,084,842	55.30
Total Value Traded	\$10,336,715	\$76,467,878	(86.48)	\$72,891,528	\$59,053,649	23.43
Market Capitalization	\$11.97bn	\$12.05bn	(0.63)	\$12.09bn	\$12.25bn	(8.73)

Source: Beirut Stock Exchange (BSE)



Lebanon is 39th biggest exporter of commercial services in 2010

The World Trade Organization ranked Lebanon in 39th place worldwide in terms of exports of commercial services and in second place among Arab countries in 2010. Lebanon ranked ahead of Indonesia and behind Hungary worldwide, and ranked third after Egypt and Israel regionally. Lebanon ranks in 22nd place globally when excluding intra-trade among the 27 members of the European Union. Lebanon's global rankings were unchanged from 2009. Lebanon's exports of commercial services totaled \$18bn in 2010, increasing by around 6.7% year-on-year compared to an increase of 8% for global commercial services exports, when including intra-EU trade. Further, Lebanese exports of commercial services accounted for 0.5% of global commercial services exports in 2010, when including intra-EU trade, unchanged from 2009. Commercial services exports include travel, construction, insurance services, financial services, transport services, communication services, computer & information services, royalties & license fees, other business services, and personal, cultural & recreational services.

In parallel, the World Trade Organization ranked Lebanon in 28th place worldwide in terms of imports of commercial services when excluding intra-trade among the 27 members of the European Union. Lebanon ranked behind Saudi Arabia and UAE among Arab countries. Lebanon imported \$15bn worth of commercial services in 2010, constituting an increase of 5% year-on-year compared to growth of 9% for global imports of commercial services. Lebanese imports of commercial services accounted for 0.4% of global imports of commercial services in 2010 relative to around 0.5% in the previous year.

Public debt stable despite level of fiscal vulnerability

Barclays Capital's included Lebanon among 48 developed and emerging economies in its Fiscal Vulnerability Index for 2010. The index identifies public debt-related vulnerabilities of developed and emerging countries and is used to assess a country's fiscal strengths and weaknesses. The index is a composite of five equally-weighted categories that cover Solvency, External Financing Dependence, Fiscal Financing Needs & Debt Composition, Financial Sector Health, and Institutional Strength. In turn, each of the categories is composed of a sub-set of variables. The index assesses countries according to their standardized deviation from the mean, with higher scores indicating lesser fiscal vulnerability and lower scores indicating greater fiscal vulnerability. Lebanon received a score of -1.2 points compared to the global average of -0.03 points and the emerging markets' (EMs) average of -0.12 points.

In terms of Solvency, the survey used sustainable government debt-to-GDP benchmarks of 40% for EMs and 60% for advanced economies, and calculated the 'distance' between the sustainable debt ratio and the actual debt-to-GDP ratio of each economy. According to Barclays, Lebanon's 'distance' to debt sustainability is 94.5% of GDP, given that its debt-to-GDP ratio is about 134.7% of GDP. In other words, Lebanese authorities need to implement adjustment measures equivalent to 95% of GDP for the public debt to reach the target sustainability level of emerging markets. But it noted that Lebanon does not need to implement primary balance adjustment to stabilize its debt-to-GDP at current levels, reflecting the stability of the public debt and the substantial decline of the debt-to-GDP ratio in recent years. In comparison, the survey shows that Ireland needs to implement fiscal adjustment equivalent to 28.5% of GDP, followed by Spain with 23% of GDP, Greece with 17% of GDP, and Portugal with 13.5% of GDP for the debt of these economies to stabilize at current levels.

In terms of External Financing Dependence, the survey indicated that Lebanon has a current account deficit of 12.8% of GDP, the widest such deficit among the sample of 48 economies. But it noted that Lebanon's external debt-to-annual exports is 6.2%, a better ratio than that of Greece (29.5%), Ireland (20%), Italy (6.3%), Portugal (12.4%), Spain (11.5%), and Panama (9.4%). Also, the Fiscal Financing Needs & Debt Composition category estimates Lebanon's average fiscal deficit at 10.5% of GDP in 2010 and 2011. But it noted that local currency-denominated debt accounts for 56% of Lebanon's public debt, which is similar to the ratios of the Philippines and Hungary, and better than that of 19 economies in the sample.

Further, the Financial Sector Health category shows the ratio of Lebanese banking sector's capital adequacy ratio at 12.4%, better than Greece (11.7%), Portugal (10.3%), Tunisia (11.7%), Spain (12.2%), Italy (10.8%), Ireland (10.6%), France (10.2%), and China and Taiwan (10% each). It also showed that the Lebanese banking sector's loans-to-deposits ratio is the second lowest among the 48 banking sectors in the sample. Also, it said Lebanon's gross non performing loans are equivalent to 6% of total loans, which is better than the ratio of 12 developed and emerging economies. Finally, Lebanon had the third lowest score on the Institutional Strength category, and came ahead of only Venezuela and Pakistan. Barclays said it used this indicator to take into account a country's stage of development and the reliability of its institutions.

Exporters of Commercial Services in 2010

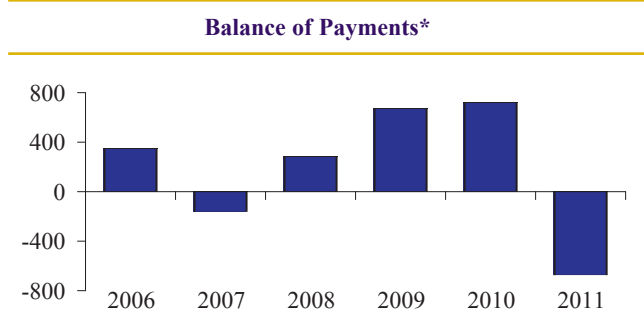
	Value (\$bn)	Global Rank*	Global Share*
Israel	24	20	0.9%
Egypt	24	21	0.9%
Lebanon	18	22	0.6%
Indonesia	17	23	0.6%
Mexico	16	24	0.6%
Ukraine	16	25	0.6%
South Africa	14	26	0.5%
Argentina	13	27	0.5%
Philippines	12	28	0.4%
Morocco	12	29	0.4%
Kuwait	11	30	0.4%
Croatia	11	31	0.4%
UAE	10	32	0.4%
Saudi Arabia	10	33	0.4%
Chile	10	34	0.3%
Cuba	9	35	0.3%

* Excluding intra-EU trade

Source: WTO, Byblos Research

Balance of payments posts deficit of \$669m in first two months of 2011

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$668.8m in the first two months of 2011 compared to a surplus of \$714.2m in the same period last year. The balance of payments posted a surplus of \$103.3m in February compared to a deficit of \$772.1m in January and a surplus of \$758.5m in February 2010. The February 2011 surplus was caused by a surplus of \$97.7m in the Central Bank's net foreign assets and a surplus of \$5.6m in those of banks and financial institutions. The cumulative deficit over the first two months of 2011 was caused by a deficit of \$270.2m in the Central Bank's net foreign assets and a deficit of \$398.4m in those of banks and financial institutions. The balance of payments posted cumulative surpluses of \$3.3bn in 2010, \$7.9bn in 2009 and \$3.5bn in 2008.



* in first two months of the year

Source: Central Bank

Completion of first phase of the Tripoli Special Economic Zone feasibility study

Caretaker Prime Minister Saad Hariri announced the completion of the first phase of the feasibility study for the establishment of the Tripoli Special Economic Zone (TSEZ). The study draws on best practices from special economic zones globally and in the Middle East, and takes into consideration particular circumstances that affect investors in Lebanon in general and in the North of the country in particular. Preliminary results indicated that the TSEZ has the potential to attract 120 companies and to create more than 9,000 jobs over the next 20 years. Launched in July 2010, the \$1.2m USAID-funded feasibility study is part of a wider development strategy that aims to strengthen Tripoli's economic role. PM Hariri stated that the development strategy will be based on three pillars, namely the free trade agreements with Syria, Jordan and Turkey; the expansion of the port of Tripoli and the construction of a railway that connects the city with the Syrian border; in addition to public private partnerships.

Fiscal deficit at 31% of expenditures in first two months of 2011

Figures released by the Finance Ministry show that the fiscal deficit reached \$549.5m in the first two months of 2011, up 184% from \$194m in the same period last year. The deficit was equivalent to 30.7% of total budget and Treasury expenditures compared to 12% in the same period of 2010. Overall government expenditures reached \$1.8bn, up 11% year-on-year, while total revenues decreased by 12.5% to \$1.24bn. Budgetary expenditures rose by 13.5% to \$1.7bn and included \$445m in outlays from previous years, while budget revenues contracted by 13.7% to \$1.2bn. Tax revenues improved by 2.2% year-on-year to \$1bn, of which 37%, or \$381m, were in VAT receipts that posted a 2.9% annual rise. Tax revenues accounted for 90% of budgetary revenues and for 84% of total Treasury and budget receipts.

The distribution of other tax revenues shows that customs revenues declined by 14.1% year-on-year to \$235m in the first two months of 2011, income & capital gains tax receipts grew by 18% to \$232.5m, revenues from property taxes improved by 17.3% to \$105m, and other tax receipts, mainly stamp fees, increased by 5.5% to \$53.5m. Further, the distribution of income tax revenues shows that taxes on wages & salaries accounted for 34.5% of total income tax receipts, followed by the tax on interest deposits with 37%, taxes on profits with 22%, and capital gains tax with 4.8%. Tax receipts on wages & salaries improved by 19% year-on-year, revenues from taxes on profits increased by 26.6%, income from the tax on interest rose by 11%, and revenues from capital gains tax grew by 14%. Also, the distribution of property taxes shows that revenues from real estate registration fees rose by 10.3% to \$83.9m, built property taxes increased by 36% to \$10.5m and revenues from inheritance tax grew by 87.6% to \$10.5m. In parallel, non-tax budgetary revenues dropped by 64.2% to \$114.4m, with revenues from government properties falling by 81% to \$48m and administrative fees & charges unchanged at \$53.7m. There were no receipts from telecommunications services in the first two months of the year.

Debt servicing decreased by 1.6% year-on-year to \$497m, and accounted for 27.8% of total expenditures and for 29.2% of budgetary spending. It absorbed 40% of overall revenues and 43.2% of budgetary receipts. Interest payment on domestic debt declined year-on-year by 4% to \$385m, while interest disbursement on foreign debt grew by 7.7% to \$112.5m. Repayment of principal on foreign debt increased by 116.5% to \$28m. Excluding debt servicing, the primary balance posted a deficit of \$27.4m, or 1.6% of budget expenditures compared to a surplus of \$352m, or 23.4% of budget spending in the same period last year. The overall primary balance posted a deficit of \$24.5m, or 1.4% of spending, relative to a surplus of \$324m or 20% of total expenditures in the first two months 2010.

Cleared checks up 1.4% to \$5.6bn in January 2011

The value of cleared checks totaled \$5.6bn in the first month of 2011, constituting an increase of 1.4% from January 2010. The value of cleared checks in Lebanese pounds rose year-on-year by 10.8% to the equivalent of \$1.2bn, while the value of cleared checks in U.S. dollars declined by 0.9% to \$4.4bn. The dollarization rate of cleared checks decreased from 80.3% to 78.5% year-on-year. Also, the value of returned checks in domestic and foreign currencies amounted to \$111m in January 2011, up 7.8% from \$103m in the same month last year.



Net public debt at \$45bn at end-February 2011

Lebanon's gross public debt reached \$52.1bn at the end of February 2011, constituting a decrease of 1% from end-2010, and an increase of 0.2% from end-February 2010. Domestic debt increased by 1% to \$31.1bn, while external debt decreased by 1.2% annually to \$21bn. Local currency debt accounted for 59.7% of gross public debt at end-February 2011 compared to 59.2% a year earlier, while foreign currency-denominated debt represented 40.3% of the total at the end of February relative to 40.8% a year earlier. The weighted interest rate on outstanding Treasury bills was 7.45%, while the weighted interest rate on Eurobonds was 7.29% at the end of February. Further, the weighted life on Eurobonds was 4.78 years, while that on Treasury bills was 661 days.

Commercial banks accounted for 52.6% of the local public debt at the end of February 2011 compared to 61.2% a year earlier. They were followed by the Central Bank with 30.9%, up from 22.6% at end-February 2010; while public agencies, financial institutions and the general public accounted for 16.5% of local debt, compared to 16.3% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.7% of the external debt, followed by multilateral institutions with 7.2%, foreign governments with 4.8%, and Paris II loans with 1.3%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 2.5% to \$45.3bn. In parallel, the gross market debt accounted for about 65% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Trade deficit widens by 31% to \$2.35bn in first two months of 2011

Total imports reached \$2.95bn in the first two months of 2011, constituting an increase of 20.2% from the same period last year; while aggregate exports decreased by 8.2% to \$601m, leading to a trade deficit of \$2.35bn, up 30.6% year-on-year. The coverage ratio reached 20.4% year-to-February compared to 26.7% in the same period of 2010. The trade deficit was \$914m in February 2011, up 6.8% from the same month last year. Imports averaged \$1.47bn and exports averaged \$301m on a monthly basis year-to-February, resulting in an average monthly trade deficit of \$1.2bn during the covered period.

The United States was the main source of imports with \$401m, or 14% of the total in the first two months; followed by China with \$236m (8%), Italy with \$224 (8%), France with \$205 (7%) and Germany with \$149m (5%). Imports from the U.S. rose by 26% year-on-year and from France by 3%, while imports from Germany dropped by 29%, from China by 13% and from Italy by 4% for the covered period. The UAE was the main export destination with \$59m, or 10% of the total; followed by Switzerland and Turkey with \$53m each (9% each), Saudi Arabia with \$48m (8%), Iraq with \$35m (6%) and Syria with \$29m (5%). Exports to Turkey rose by 39% and to Saudi Arabia by 17%; while exports to Switzerland declined by 36%, to Iraq by 21%, to Syria by 22% and to the UAE by 15%. Lebanon's main export was jewelry at \$167m, which represented 28% of total exports, followed by base metals with \$100m (17%), machinery and mechanical appliances with \$87m (14%), prepared foodstuff with \$52m (9%) and chemical products with \$46m (8%). Re-exports totaled \$37m in the first two months of 2011, up by 37% from the same period last year, while transit increased by 4% year-on-year to \$51m.

Industrial exports up 2% to \$491m in first two months of 2011

Figures released by the Ministry of Industry show that industrial exports totaled \$501m in the first two months of 2011, constituting an increase of 2% from \$491m in the same period last year. Industrial exports reached \$263m in February 2011, up by 10.6% from January 2011 and by 5.7% from February 2010. Pearls & precious or semi-precious stones accounted for \$102m, or 20%, of total industrial exports in the first two months of the year, followed by machinery and mechanical appliances with \$92.4m (18%), base metals & articles of base metals with \$85.4m (16.7%). Arab countries accounted for 40% of total industrial exports in February, followed by European countries with 20.5%. Industrial exports to Egypt dropped by 85% to \$2m in February 2011 from \$13.3m in the same month last year. In parallel, industrial imports reached \$35.5m in the first two months of the year, up 16.4% from the same period in 2010. Italy was the main source of such imports and accounted for 34.3% of total. It was followed by the U.S. with 15.8% and China with 14.5%. Further, imports of industrial equipment and machinery reached \$19m in February, up 13% year-on-year. Italy was the main source of imports of industrial equipments, accounting for 34% of total, followed by the U.S. with 15% and China with 14.5%.

Customs receipts down 13% to \$245m in first two months of 2011

Customs revenues reached \$245m in the first two months of 2011, down 13.4% from \$283m in the same period last year. Custom revenues totaled \$108.7m in February 2011 compared to \$136m in January 2011 and to \$136.6m in February 2010. The Port of Beirut continues to be the main point of customs receipts, accounting for 86.2% of the total during the covered period, and was followed by the Hariri International Airport with 7%, the Port of Tripoli with 4%, and the Masnaa crossing point with 2% of the total. Customs receipts from the value added tax totaled \$209.7m in the first two months of the year. The Port of Beirut accounted for 73% of such receipts, and was followed by the Hariri International Airport with 8.7%, the Port of Tripoli with 8.6%, and the Masnaa crossing point with 6.6% of the total. As such, overall custom receipts reached \$454.7m year-to-February, with the Port of Beirut accounting for 80% of the total, and was followed by the Hariri International Airport with 7.7%, the Port of Tripoli with 6%, and the Masnaa crossing point with 4% of the total. In addition, other entry points accounted for the balance, with the port of Saida for 1.6%, the port of Tyr for 0.1%, and the crossing points of Abboudieh, Arida and Kaa for 0.4%. Overall customs receipts reached \$205m in February 2011 when including revenues from the value-added tax that totaled \$96.5m in the same period.



Life premiums post 15% rise to \$357m in 2010

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon indicates that total life premiums reached \$356.7m in 2010, constituting an increase of 14.8% from \$310.6m in 2009 and compared to a growth rate of 7% in 2009. Life premiums totaled \$290m in 2008 and \$278m in 2007. Life insurance penetration was equivalent to 0.9% of GDP, while insurance density reached about \$89.2 per capita in 2010. Metlife ALICO maintained its market lead with \$70.7m in life premiums, equivalent to a 19.8% market share, down from 22.4% in 2009, 26.7% in each of 2008 and 2007 and from 34% in 2006. It was followed by Allianz SNA with \$40.8m, Bancassurance with \$37.5m, AROPE with \$36.5m, and LIA with \$24.8m as the top 5 providers of life insurers in Lebanon. Arabia Insurance registered the highest jump in the rankings from last year, moving from 15th to 7th place and posted the highest growth in life premiums among all insurers in the survey at 829% year-on-year. Bankers Assurances was the second best performer, as its life premiums jumped by 105% last year.

A total of 27 firms out of 33 providers of life insurance posted increases in their life premiums, as 15 posted double-digit growth rates, two firms registered a triple-digit rise in life premiums, and the rest had single-digit growth. Also, four firms saw a decline in their life premiums and the premiums of two firms were unchanged. Further, eight of the top 10 life insurers posted increases in their premiums. Byblos Bank's insurance affiliate ADIR registered a 14.5% rise in life premiums, posting the third best performance among the top 10 providers of life insurance and the second best among providers that are majority-owned by banks. In parallel, MEDGULF posted a 14.4% drop in its premiums, constituting the steepest fall among the top 10 firms, followed by LIA with a 10.3% decrease in life premiums.

The rankings of the six of the top 10 firms were unchanged from 2009, with ADIR improving by one spot to 6th place, MEDGULF declining from 6th to 8th place and SOGECAP Liban regressing from 9th to 8th place. Also, ARABIA moved from 15th spot to 7th place, while CLA's rank dropped from 9th to 11th place. The top 5 providers of life insurers maintained their rankings from last year. The survey said the top 10 life insurers in Lebanon accounted for 87% of the life market, while the top 20 providers of life insurance firms generated 98% of life premiums in 2010.

The top 5 life insurers in Lebanon accounted for 59% of the market in 2010 compared to 64.8% in 2009, 73% in 2008 and to 76.8% in 2007. Their aggregate premiums reached \$210.3m compared to \$201.4m in 2009, \$212.7m in 2008 and \$213.7m in 2007. *Al-Bayan's* survey shows that overall life and non-life premiums rose by 13% to \$1.17bn in 2010, compared to a growth rate of 17% in 2009, with life premiums accounting for 30.6% of the total. It said the top 10 insurers in Lebanon accounted for 64.7% of the combined life and non-life market, while the top 20 firms accounted for 86.4% of aggregate premiums in 2010, with MEDGULF leading all insurers with \$118.3m in total premiums, followed by Allianz SNA with premiums of \$94.8m. Overall insurance penetration was equivalent to approximately 3% of GDP, while insurance density reached about \$291 per capita in 2010.

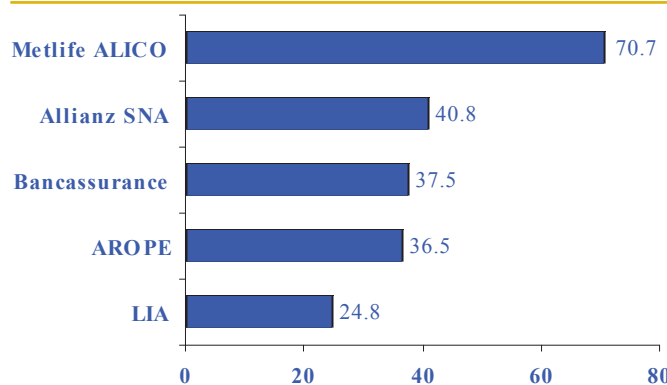
Launch of real estate private equity firm

Capstone Investment Group sal, a private equity firm focused on real estate investments in Lebanon, announced the official launch of its operations. The firm said it provides an integrated investment approach to private equity real estate investments and related financial advisory. It indicated that it identified an underserved niche market in Lebanon, as a lot of local and foreign investors who would like to invest in the real estate asset class look for firms that provide the integrated services to invest and partner with. It added that it focuses on developing prime residential, commercial, retail, hospitality and mixed-use properties; and identified a shortage of modern office space in the Beirut market currently. The firm has already raised funds and developed an upscale residential property in Achrafieh and intends to raise funds for and develop a modern office tower close to the Beirut Central District.

Bank Audi approves 2010 dividends

Bank Audi sal, one of Lebanon's top three banks, announced that its Ordinary General Assembly held on April 4, 2011 approved dividends distribution of \$4 per share for shareholders carrying Preferred Shares Series E; \$0.775 per share for shareholders carrying Preferred Shares Series D; and LP603 (\$0.40) per share for shareholders carrying common shares. As such, the bank's total dividend payout ratio was 43.7% for 2010, down from 45% in the previous year. Dividends will be paid net of a 5% withholding tax.

Life Premiums of the Top 5 Insurers in 2010 (\$m)

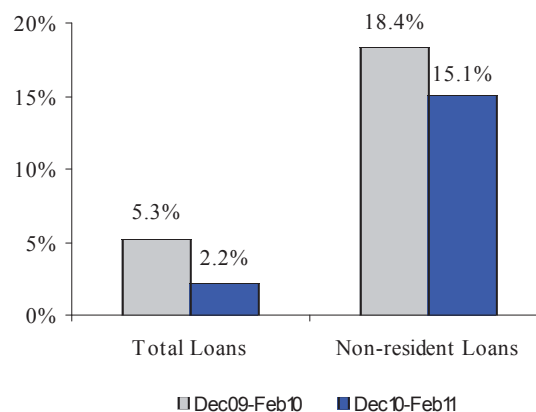


Source: *Al-Bayan*

Commercial banks' assets reach \$130bn at end-February 2011

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$130.1bn at the end of February 2011, constituting an increase of 0.9% from end-2010 and a rise of 10% from end-February 2010. Private sector deposits totaled \$106.8bn, regressing marginally by 0.4% from end-2010 and rising by 10% from a year earlier. Deposits in Lebanese pounds reached \$36.8bn, down 6.8% from end-2010 but up 4% year-on-year, while deposits in foreign currencies reached \$70bn and rose by 3.4% from the end of last year and by 13.5% from end-February 2010. Non-resident foreign currency deposits totaled \$15.5bn at end-February 2011, down 0.4% from end-2010 and up 12.6% year-on-year. Total private sector deposits decreased by \$1.1bn in January and increased by \$673m in February 2011. In parallel, deposits of non-resident banks reached \$5.7bn, up 27.2% from end-2010 and 10.5% year-on-year. The dollarization rate of deposits reached 65.6% at the end of February, up from 63.2% at end-2010 and 63.6% a year earlier.

Growth in Private Sector Loans (%)



Source: Association of Banks in Lebanon

Loans to the private sector totaled \$35.7bn, constituting an increase of 2.2% from end-2010 and up 19.5% year-on-year. Lending to the non-resident private sector reached \$5.3bn and rose by 15% from end-2010. The dollarization rate in private sector lending reached 80.3%, unchanged from end-2010 and compared to 83.8% a year earlier. In addition, claims on non-resident banks reached \$15.7bn at end-February, posting a slight decline of 0.6% from end-2010. Claims on the public sector stood at \$27.5bn, down 8.7% year-on-year and 6.1% from end-2010, and accounted for 43.5% of the banking sector's total claims. The ratio of private sector loans to deposits in foreign currencies stood at 40.9%, well below the Central Bank's limit of 70%, and slightly above the ratio of 40.5% a year earlier. In parallel, the same ratio in Lebanese pounds was 19.1%, up from 13.7% a year earlier. The ratio of total private sector loans to deposits stood at 33.4% compared to 30.8% a year earlier. The banks' aggregate capital base stood at \$9bn, up by 3.3% from end-2010 and 20.5% from \$7.43bn in February 2010.

Moody's assigns first-time ratings to CMA CGM

Moody's Investors Service assigned to the Lebanese-owned and France-based container shipping group CMA CGM a provisional corporate family rating (CFR) and default probability rating (PDR) of 'Ba3', with a 'stable' outlook. It said the ratings are 'provisional' because they are contingent on CMA CGM's successful conclusion of its financial restructuring and issuance of an \$800m bond by the end of March 2011.

The agency said the ratings reflect the current weakness of CMA CGM's credit metrics despite its strong business profile. It expected the company's still sizeable capital investment plan to limit its free cash flow generation and to keep credit metrics weak in the near future. It added that the ratings reflect the need for CMA CGM to reinforce its capital structure in order to meet the contrasting challenges of improving its financial profile through de-leveraging, and of making the necessary investments to maintain its current market share in a more mature operating environment. It noted that the entry of the Turkish holding firm Yildirim Group as a new shareholder represents the company's first step towards diversifying its capital structure, but considered this step to be insufficient on its own to achieve the required improvement. In parallel, Moody's indicated that the ratings reflect CMA CGM's strong business profile due to its leading market position gained from the firm's successful commercial and operational strategies and good cash flow generation. It added that the ratings are supported by the company's strong asset base, with a fleet market value of approximately \$4.9bn at the end of 2010.

Moody's indicated that the 'stable' outlook reflects its view that CMA CGM will have stabilized its capital structure and liquidity profile after the signing of the restructuring agreements with banks, the market recovery, and the agreement signed with the Yildirim Group. It also noted that the container shipping market is expected to have a satisfactory year in 2011. Therefore, the agency expected CMA CGM to perform relatively well in such conditions. But it ruled out a ratings upgrade in the short term, given that CMA CGM's immediate target will be to demonstrate its ability to maintain an adequate financial profile. CMA CGM is the third-largest container shipping company in the world; owns 360 ships and employs 16,400 people. It posted net profits of \$1.63bn on revenues of \$14.3bn in 2010.

Ratio Highlights

(in % unless specified)	2007	2008	2009	Change*
Nominal GDP ⁽¹⁾ (\$bn)	25.0	29.9	34.9	
External Debt / GDP	84.9	70.7	60.9	(980)
Local Debt / GDP	83.2	86.5	85.5	(100)
Total Debt / GDP	168.1	157.3	146.4	(1,090)
Total External Debt / GDP	194	172	169.2	(280)
Trade Balance / GDP	(36.0)	(42.3)	(36.5)	580
Exports / Imports	23.8	21.6	21.5	(10)
Budget Revenues / GDP	23.2	21.7	22.9	120
Budget Expenditures / GDP	33.4	24.5	24.8	30
Budget Balance / GDP	(10.2)	(2.7)	(1.9)	80
Primary Balance / GDP	2.9	2.0	3.1	110
BdL FX Reserves / M2	59.4	67.5	71.2	370
M3 / GDP	239.3	229.6	235.2	560
Bank Assets / GDP	329.0	315.2	330.2	1,500
Bank Deposits / GDP	269.1	260.1	274.4	1,430
Private Sector Loans / GDP	81.7	83.7	81.3	(240)
Dollarization of Deposits	77.3	69.6	64.5	(510)
Dollarization of Loans	86.4	86.6	84.0	(260)

* Change in basis points 08/09

(1) Based on Ministry of Finance Estimations and the International Monetary Fund

Source: Association of Banks in Lebanon, Byblos Research Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	Nov 2009	Oct 2010	Nov 2010	Change*	Risk Level
Political Risk Rating	57.0	58.5	58.5	▲	High
Financial Risk Rating	28.0	28.0	28.0	↔	High
Economic Risk Rating	35.5	35.5	35.5	↔	Low
Composite Risk Rating	60.2	61.0	61.0	▲	Moderate

Regional Average	Nov 2009	Oct 2010	Nov 2010	Change*	Risk Level
Political Risk Rating	64.9	64.5	64.4	▼	Moderate
Financial Risk Rating	42.0	42.3	42.3	▲	Very Low
Economic Risk Rating	34.8	38.2	38.0	▲	Low
Composite Risk Rating	70.8	72.5	72.3	▲	Low

*year-on-year

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B1	NP	Stable	B2		Stable
Fitch	B	B	Stable	B		Stable
S&P	B	B	Stable	B	B	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	D-		Stable
EIU		B	Stable

Source: Rating agencies

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