

LEBANON THIS WEEK

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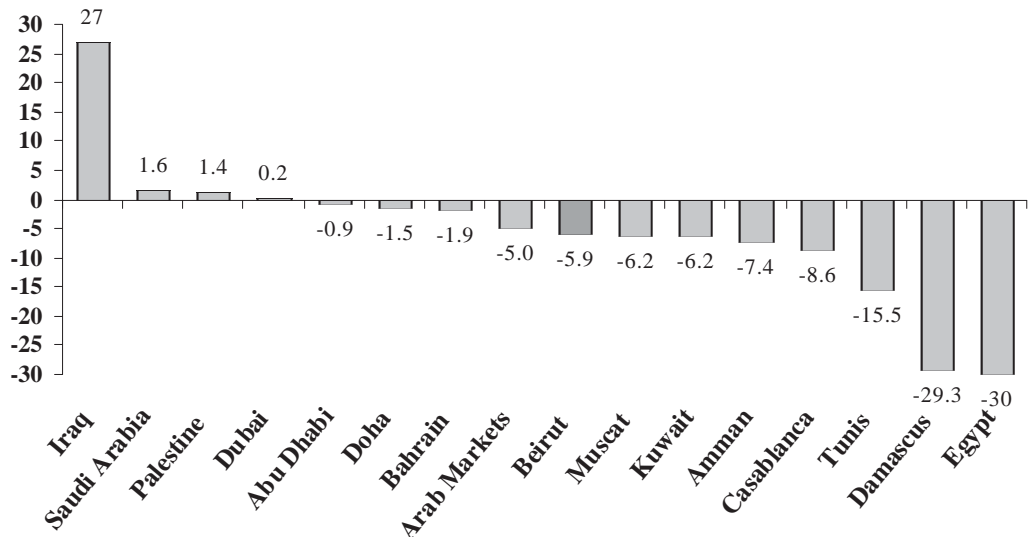
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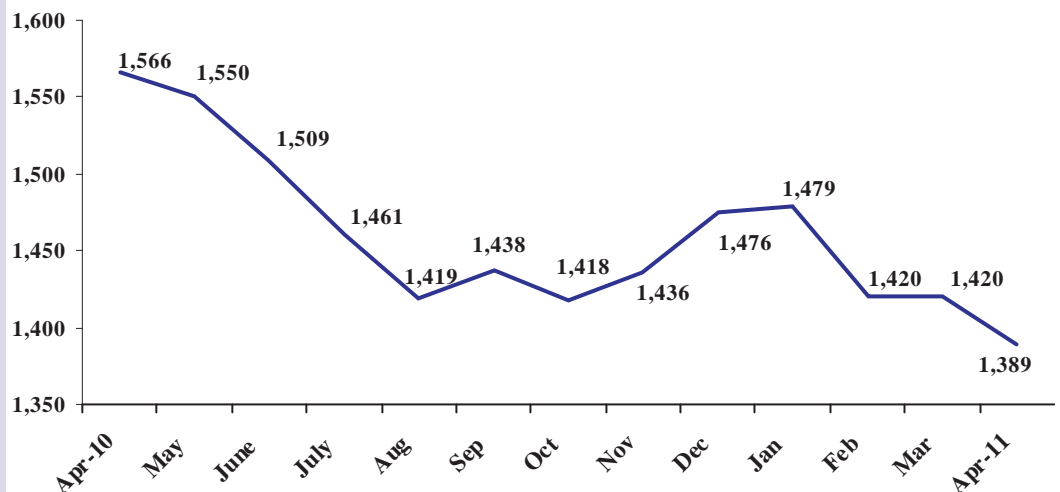
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Charts of the Week

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



Performance of the Beirut Stock Market



Source: Local Stock Markets, Byblos Research

Quote to Note

"The political standoff will likely delay further structural reforms aimed at tackling the public debt and the adoption of a budget."

Global investment bank Merrill Lynch, on the increasing costs to the economy in the absence of a government

Number of the Week

69: Lebanon's rank among 139 countries in terms of human, cultural and natural resources related to the travel and tourism industry, according to the World Economic Forum

Economic Indicators

\$m (unless otherwise mentioned)	2009	Feb 10	2010	Dec 10	Jan 11	Feb 11	% Change*
Exports	3,486	342	4,256	487	297	304	(11.11)
Imports	16,241	1,026	17,956	1,470	1,729	1,218	18.71
Trade Balance	(12,755)	(864)	(13,700)	(983)	(1,432)	(914)	5.79
Balance of Payments	7,899	759	3,326	1,243	(772)	104	(86.30)
Checks Cleared in LBP	11,122	966	13,519	1,278	1,206	1,172	21.33
Checks Cleared in FC	45,270	3,929	53,925	4,370	4,404	4,094	4.20
Total Checks Cleared	56,392	4,895	67,444	5,648	5,610	5,266	7.58
Budget Deficit/Surplus	(2,960)	(176)	(2,892)	(62)	(48)	(501)	184.55
Primary Balance	1,078	123	1,232	276	202	(266)	(316.26)
Airport Passengers	4,986,544	339,237	5,552,260	369,735	369,735	307,134	(9.46)

\$bn (unless otherwise mentioned)	Dec 2009	Feb 10	Nov 10	Dec 10	Jan 11	Feb 11	% Change*
BdL FX Reserves	25.66	26.88	27.74	28.60	28.30	28.42	5.73
<i>In months of Imports</i>	18.6	26.20	15.3	19.4	16.3	23.33	(10.94)
Public Debt	51.09	51.98	51.77	52.59	52.29	52.08	0.19
Net Public Debt	44.11	44.20	44.92	45.01	44.95	45.31	2.51
Bank Assets	115.25	118.27	127.57	128.93	128.41	130.06	9.97
Bank Deposits (Private Sector)	95.77	97.07	105.02	107.20	106.13	106.80	10.02
Bank Loans to Private Sector	28.37	29.87	34.92	34.93	35.31	35.70	19.52
Money Supply M2	34.16	35.42	39.31	39.40	37.12	37.03	4.55
Money Supply M3	82.08	83.75	91.00	92.15	91.57	92.01	9.86
LBP Lending Rate (%)	9.04	8.83	7.98	7.91	7.71	7.71	(112b.p.)
LBP Deposit Rate (%)	6.75	6.42	5.68	5.68	5.63	5.63	(79b.p.)
USD Lending Rate (%)	7.28	7.26	6.96	6.74	7.14	7.01	(25b.p.)
USD Deposit Rate (%)	3.05	2.99	2.80	2.80	2.84	2.90	(9b.p.)
%* Change in CPI**	4.20	6.07	6.07	6.19	6.92	5.09	(98b.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"	18.25	(0.38)	79,112	15.38%
Solidere "B"	18.22	(0.49)	16,369	9.99%
Byblos Common	1.81	(5.73)	100,050	5.85%
Byblos Priority	1.81	(5.73)	1,500	3.32%
Byblos Pref. 08	104.00	0.00	0	1.75%
BLOM GDR	9.29	(1.17)	15,000	5.83%
BLOM Listed	8.80	0.00	17,846	15.88%
Audi GDR	7.45	(1.19)	3,000	5.93%
Audi Listed	7.00	2.94	21,330	19.89%
HOLCIM	17.45	0.00	210	2.86%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
May 2011	7.875	100.06	5.18
Mar. 2012	7.500	103.00	3.89
Sep. 2012	7.750	104.94	3.88
June 2013	8.625	108.75	4.24
Apr. 2014	7.375	108.13	4.38
Apr. 2015	10.00	117.25	5.13
Jan. 2016	8.500	112.88	5.36
Mar. 2017	9.000	116.56	5.64
Nov. 2018	5.150	96.75	5.69
Apr. 2021	8.250	114.50	6.26

Source: Byblos Capital Markets

	May 2-7	April 26-29	% Change	April 2011	April 2010	% Change
Total Shares Traded	280,752	5,115,166	(94.51)	18,453,479	26,726,767	(30.96)
Total Value Traded	\$2,585,007	\$5,115,166	(93.32)	\$94,089,158	\$84,719,626	11.06
Market Capitalization	\$11.88bn	\$11.91bn	(0.29)	\$11.91bn	\$13.01bn	(8.44)

Source: Beirut Stock Exchange (BSE)



Growth slows, deficit widens on political instability

The Institute of International Finance projected real GDP growth in Lebanon at 4% in 2011, constituting a deceleration from an estimated rate of 7% in 2010. It said that Lebanon has one of the longest traditions of democracy in the Arab world and has not witnessed the kind of internal calls for change taking place in other Arab countries. It noted, however, that the turmoil in the region, particularly in Syria, coupled with domestic political paralysis, is starting to affect the Lebanese economy. It indicated that Lebanon was plunged into renewed political crisis following the collapse of the government last January. It added that Prime Minister-designate Najib Miqati's efforts to form a new Cabinet have reached a stalemate that has been aggravated by the impact of regional events.

The IIF said domestic and regional events have taken a toll on the Lebanese economy, and expected tourist arrivals and foreign direct investment to decline significantly compared to 2010. It forecast tourism activity to slow down from 8.2% of GDP in 2010 to 7.8% of GDP this year, and for FDI to decline from nearly 13% of GDP last year to 7.2% of GDP in 2011. It added urgent structural reforms, such as addressing the bottlenecks in the energy, telecommunications, transportation and water sectors, will be postponed in the absence of a new government, which will jeopardize prospects for rapid medium-term growth. Also, it projected the fiscal deficit to widen from 7.5% of GDP in 2010 to 9.5% in 2011 due to weaker tax revenues, particularly taxes from property and gasoline, due to the slowdown in construction activity and a 50% reduction in the excise tax on gasoline in February.

In parallel, the IIF expressed confidence in the stability of the banking system and the exchange rate, adding that risks will remain minimal. It said the Central Bank's current level of foreign exchange reserves of \$30bn and its gold holdings valued at about \$13.5bn exceed the estimated GDP for 2010 and are equivalent to more than one year of import cover of goods and services. It added that Lebanon's public debt is intermediated mostly through domestic banks that have a vested interest in the stability of the system and are, therefore, willing to roll over their exposure to the sovereign.

Main Macroeconomic Indicators					
	2008	2009	2010E	2011F	2012F
Nominal GDP (\$bn)	29.9	34.2	38.6	41.6	46.4
Real GDP Growth (%)	9.3	8.6	7.0	4.0	5.7
Tourism, (% GDP)	7.5	8.1	8.2	7.8	8.5
FDI (% GDP)	11.2	13.0	12.9	7.2	9.2
CPI (% change, average)	6.4	3.1	4.4	6.2	4.0
Overall Balance (% of GDP)	(9.9)	(8.7)	(7.5)	(9.5)	(8.2)
Primary Balance (% of GDP)	1.1	2.6	3.5	0.4	1.5
Government Debt (% of GDP)	158	150	136	135	131
Gross reserves (\$bn)	20.2	29.1	31.5	29.7	29.0

Source: Institute of International Finance

Lebanese banks' capital adequacy ratio at 13.3% at end-2010, solvency ratio to be raised to 10%

Central Bank Governor Riad Salamé expressed confidence that the Lebanese banking sector will meet the Basel III requirements and added that the Central Bank is in discussions with commercial banks to raise their solvency ratio from 7% currently to 10% within the coming four years. In parallel, figures issued by the International Monetary Fund indicate that the capital adequacy ratio of Lebanese banks reached 13.3% at the end of 2010 relative to 13.7% a year earlier. In comparison, the CAR was 20.8% in the UAE, 19.5% in Jordan, 15% in Oman and 11.8% in Morocco. Further, the banking sector's capital-to-assets ratio reached 7.3% at the end of last year compared to 7.2% at end-2009. The same ratio was 16.6% in the UAE, 14% in Kuwait, 13.5% in Oman, 12.8% in Saudi Arabia, 11% in Jordan and 8.4% in Morocco. Also, the banking sector's gross non-performing loans were equivalent to 4.3% of total loans at end-2010, down from 6% a year earlier. Jordanian banks had a 7.9% NPL ratio at end-2010, followed by the UAE with 5.9%, Morocco with 4.8% and Oman with 3.3%. Further, Lebanese banks' provisions to NPLs were 62% at the end of 2010 relative to 64% a year earlier. They were 110% in Oman, 89% in the UAE, 70% in Morocco, and 46.4% in Jordan. In parallel, Lebanese banks' return on equity was 20.2% in 2010, up from 17% in 2009. In comparison, the ROE of banks in Morocco was 16%, in Saudi Arabia 13.3%, in Oman 12.7%, in Jordan 9%, and in the UAE 8.4%. Also, return on assets of Lebanese banks was 1.5% last year relative to 1.2% a year earlier. It was 1.8% in Oman, 1.7% in Saudi Arabia, 1.4% in the UAE, 1.3% in Morocco and 1.2% in Jordan.

Number of tourists down 13% in first quarter of 2011

The number of incoming tourists to Lebanon totaled 340,670 in the first quarter of 2011, constituting a decrease of 13.4% from 393,212 tourists in the same period last year, driven by annual declines in tourist arrivals of 14.3% in March, 17% in February and 7.6% in January. Arab tourists accounted for 33.4% of total visitors in the first quarter of the year, and were followed by visitors from Europe with 26%, Asia with 25.2%, the Americas with 9.6%, Africa with 3.2%, and Oceania with 2.3%. Tourists from Jordan accounted for 10.2% of total visitors in the first quarter of the year, followed by visitors from France with 6.5%, Iraq with 6.3%, Saudi Arabia with 4.8% and the U.S. with 4.7%. The number of tourists reached 135,691 in March 2011 compared to 158,411 in March 2010. Incoming tourists totaled 2.17 million in 2010, up 17% year-on-year.

Lebanon's brand perception improves in first quarter of 2011

The Nation Brand Perception Index (NBPI) ranked Lebanon in 174th place among 200 countries and territories around the world and in 9th place among 20 countries in the Middle East & North Africa region in the first quarter of 2011. Lebanon also came in 40th place among 46 upper-middle income countries (UMICs) included in the survey. Lebanon ranked in 181st place globally and in 17th place regionally in the fourth quarter of 2010. The NBPI analyzes international perceptions of a country's brand. It covers the tone, whether positive or negative, and frequency of mentions in the international media. It said the number of times a country is mentioned reflects the strength of the brand, but not necessarily its quality. The index is based on a quarterly analysis of millions of mentions of countries in hundreds of thousands of news articles in 38 prominent global media sources. The index scores rely both on the overall quality of the media coverage and the prominence of the country, determined by the number of country references or mentions. The improvement in Lebanon's rank was helped by the drop in the scores and rankings of 13 Arab countries. Bahrain posted the worst decline in the Arab world, dropping by 158 spots from the previous quarter; followed by Oman with a fall of 112 spots and Tunisia with a retreat of 92 places. Also, Libya posted the steepest decline in the regional scores with a drop of 40.7 points, followed by Bahrain with a decline of 30.6 points, and Tunisia with a 26.6 points decrease.

Globally, Lebanon ranked ahead of Cuba, Haiti and Sweden and came behind Israel, Belarus and Nigeria in the first quarter. It also ranked ahead of Cuba and Algeria, and behind Belarus and Albania among UMICs. Lebanon received a score of 43.2 points in the first quarter of 2011, below the global and UMICs averages of 50 points and 49.4 points respectively, but above the Arab average of 40.7 points and the MENA average of 39.6 points. Lebanon's score increased by 1% quarter-to-quarter and by 9% from the first quarter of 2010. Singapore had the best nation brand perception in the world with a score of 103.2 points and Libya the worst brand perception with a score of 6.4 points.

In parallel, Lebanon was the 51st most mentioned country in the international media in the first quarter of 2011, the 15th most mentioned country from the MENA region and the 9th most mentioned among UMICs. Globally, Lebanon was mentioned more than Qatar, Kuwait and Myanmar, and less than North Korea, the Czech Republic and Sri Lanka. It was also mentioned more than Cuba and Argentina and less than Turkey and Mexico among UMICs. Lebanon was mentioned 9,574 times in the international media, below the global average mentions of 19,795 times, the MENA average mentions of 28,982 times and the Arab average mentions of 23,222 times but above the UMICs' average mentions of 8,493 times. Lebanon's number of mentions in the first quarter of 2011 was higher than its 9,296 mentions in the preceding quarter and its 7,041 mentions in the first quarter of 2010.

Balance of payments posts deficit of \$399m in first quarter of 2011

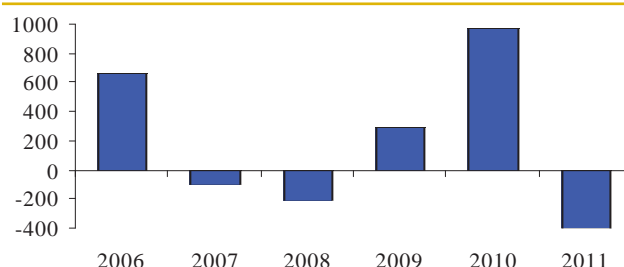
The Central Bank's preliminary figures show that Lebanon's balance of payments posted a deficit of \$399.2m in the first quarter of 2011 compared to a surplus of \$987.1m in the same period last year. The balance of payments posted a surplus of \$369.6m in March compared to surpluses of \$103.3m in February 2011 and \$263.9m in March 2010. The March 2011 surplus was caused by a surplus of \$65m in the Central Bank's net foreign assets and a surplus of \$204.6m in those of banks and financial institutions. The cumulative deficit over the quarter of 2011 was caused by a deficit of \$205.8m in the Central Bank's net foreign assets and a deficit of \$193.4m 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.

MENA Scores & Rankings in Q1-2011

	Scores	MENA Rank	Global Rank
Kuwait	72.4	1	4
Qatar	68.5	2	10
UAE	67.2	3	11
Turkey	55.0	4	32
Morocco	54.1	5	39
Jordan	50.8	6	84
Oman	49.1	7	140
Israel	45.3	8	173
Lebanon	43.2	9	174
Algeria	39.1	10	179
Saudi Arabia	38.9	11	180
Syria	34.8	12	184
Palestine	32.4	13	186
Egypt	29.9	14	188
Tunisia	23.7	15	192
Bahrain	23.3	16	193
Iran	23.1	17	194
Yemen	18.2	18	197
Iraq	17.3	19	199
Libya	6.4	20	200

Source: East West Communications, Byblos Research

Balance of Payments*



* in first quarter of the year

Source: Central Bank

Occupancy at Beirut hotels at 47%, room yields down 44% in first quarter

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 47% in the first quarter of 2011 compared to 69% in the same period last year. The occupancy rate at Beirut hotels was the 7th lowest among 21 markets in the region, while it was the 6th lowest in the first quarter last year. The survey said the average rate per room at Beirut hotels was \$206 in the first quarter of 2011, ranking the capital's hotels as the 10th most expensive in the region.

The average rate per room at Beirut hotels decreased by 17% year-on-year and posted the steepest decline among all markets in the region. The average rate per room in Beirut came above the regional average of \$195, which increased marginally by 0.2% from \$194 in the first quarter last year. Occupancy rates at Beirut hotels were 44% in January, 42% in February and 53% in March. Beirut hotels had occupancy rates of 64% in January, 76% in February, and 68% in March 2010.

Further, revenues per available room (RevPAR) were \$97 in Beirut in the first quarter of 2011, down from \$174 in the same period last year, and ranking it in 13th place in the region. Beirut's RevPAR was down 44% year-on-year, compared to a 14% decrease across the region. Beirut posted RevPARs of \$99 in January, \$84 in February and \$107 in March 2011 compared to RevPARs of \$160 in January, \$209 in February, and \$155 in March of last year. Dubai-Beach posted the highest average room rate in the region at \$382 and the highest RevPAR at \$329, while Dubai-Apartments posted the highest occupancy rate at 88% in the first quarter 2011.

Hotel Performance in first quarter of 2011

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai-Apartments	88	108	0.1
Dubai - Beach	86	329	9.5
Dubai - City	85	169	2.7
Dubai - Overall	85	218	5.9
Abu Dhabi	81	210	(0.3)
Makkah	77	161	12.1
Muscat	76	165	3.0
Al Ain	74	128	(8.5)
Doha	72	202	(7.9)
Jeddah	69	141	(6.6)
Riyadh	64	156	4.0
Kuwait	61	176	9.7
Madina	51	86	(2.7)
Amman	52	76	(10.4)
Beirut	47	97	(44.1)
Cairo-Pyramids	45	64	(28.0)
Sharm El Shaikh	40	26	(48.8)
Hurghada	39	18	(46.9)
Cairo -Overall	37	50	(44.0)
Cairo - City	36	48	(46.3)
Manama	33	86	(54.0)

Source: Ernst & Young, Byblos Research

Trade deficit up 8% to \$3.6bn, non-oil imports rise by 3.5% in the first quarter of 2011

Total imports reached \$4.6bn in the first quarter of 2011, constituting an increase of 4% from the same period last year, while aggregate exports decreased by 7% to \$955m, leading to a trade deficit of \$3.6bn, up 8% year-on-year. The first quarter deficit was the widest in nominal terms in five years. Imports of oil and mineral fuels increased by 8% year-on-year to nearly \$1.07bn, while non-hydrocarbon imports grew by 3.5% to \$3.5bn. The marginal rise of non-oil imports was mainly driven by higher imports of cereals due to the government's wheat subsidy and the expected increase in wheat prices that motivated traders to increase their cereals imports. The limited rise was also due to a significant contraction in the country's top imports such as vehicles and accessories, cranes, machinery & mechanical appliances, and aircraft engines. The coverage ratio reached 21% in the first quarter compared to 23.5% in the same period last year, while it reached 21.7% in March 2011 relative to 19.3% in March last year. The trade deficit was \$1.3bn in March 2011, down 18% from the same month last year. Imports averaged \$1.5bn and exports averaged \$318m on a monthly basis year-to-March, resulting in an average monthly trade deficit of \$1.21bn during the covered period.

In volume terms, imports reached 3.65 million tons in the first quarter of 2011, constituting a decrease of 3% from the same period last year, while exports contracted by 9% to 766,000 tons in the same period, leading to a trade deficit of 2.9 million tons, up 1% year-on-year. Imports of oil and mineral fuels decreased by 12% year-on-year to nearly 1.5 million tons, while non-hydrocarbon imports dropped by 25.4% annually to 2.2 million tons.

The United States was the main source of imports with \$539m or 12% of the total, followed by Italy with \$431m (9%), China with \$355m (8%), France with \$340m (7%) and Germany with \$367m (6%). Imports from Italy rose by 24% year-on-year, from France by 14% and from the U.S. by 13% while imports from Germany dropped by 15% and from China by 13% for the covered period. Switzerland was the main export destination with \$94m or 10% of the total, followed by the UAE with \$92m (10%), Saudi Arabia with \$72m (8%), Turkey with \$71m (7%), Iraq with \$56m (6%) and Syria \$50m (5%). Exports to Turkey rose by 23% and to Saudi Arabia increased by 18% while exports to Switzerland declined by 25%, to Iraq by 16%, to the UAE by 12% and to Syria by 10%. Lebanon's main export was jewelry at \$291m or 30% of total exports, followed by base metals with \$147m (15%), machinery and mechanical appliances with \$128m (13%), prepared foodstuff with \$88m (9%) and chemical products with \$69m (7%). Re-exports totaled \$52m in the first quarter, up 33.3% from \$39m in the same period last year.

Fiscal deficit up 92% at \$1.1bn in first quarter of 2011

Figures released by the Finance Ministry show that the fiscal deficit reached \$1.1bn in the first quarter of 2011, up 92.2% from \$571m in the same period last year. The deficit was equivalent to 37.8% of total budget and Treasury expenditures compared to 21.8% in the same period of 2010. Overall government expenditures reached \$2.9bn, up 11% year-on-year, while total revenues decreased by 11.5% to \$1.8bn. Budgetary expenditures rose by 13.9% to \$2.42bn and included \$597m in outlays from previous years, while budget revenues contracted by 12.5% to \$1.93bn. Tax revenues declined by 4.4% year-on-year to \$1.45bn, of which 35%, or \$514m, were in VAT receipts that posted a 0.6% annual decrease. Tax revenues accounted for 88% of budgetary revenues and for 82.3% of total Treasury and budget receipts.

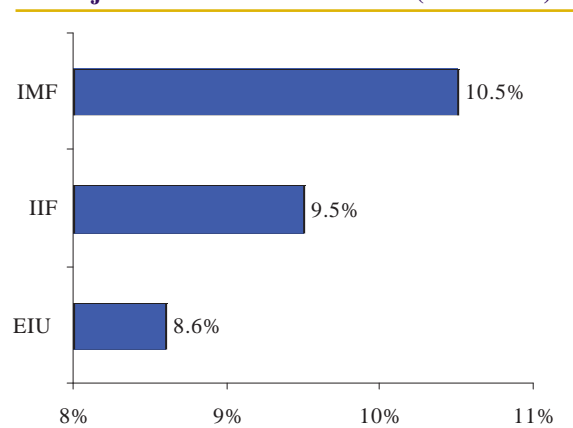
The distribution of other tax revenues shows that customs revenues declined by 19% year-on-year to \$356m, income & capital gains tax receipts grew by 6.6% to \$305m, revenues from property taxes improved by 5.2% to \$192m, and other tax receipts, mainly stamp fees, increased marginally by 0.5% to \$74m. Further, the distribution of income tax revenues shows that the tax on interest deposits accounted for 38.4% of total income tax receipts, followed by taxes on wages & salaries with 27.6%, taxes on profits with 27%, and capital gains tax with 5%. Income from the tax on interest rose by 8.5%, tax receipts on wages & salaries improved by 17% year-on-year, revenues from taxes on profits decreased by 6.5%, and revenues from capital gains tax grew by 11%. Also, the distribution of property taxes shows that revenues from real estate registration fees rose by 0.9% to \$128.3m, built property taxes increased by 8.2% to \$47m and revenues from inheritance tax grew by 41% to \$16.6m. In parallel, non-tax budgetary revenues dropped by 46% to \$202.5m, with revenues from government properties falling by 64.4% to \$96.4m and administrative fees & charges unchanged at \$53.7m. There were no receipts from telecommunications services in the first quarter of the year.

Debt servicing decreased by 1.6% year-on-year to \$912m, and accounted for 31.4% of total expenditures and for 33% of budgetary spending. It absorbed 50% of overall revenues and 54% of budgetary receipts. Interest payment on domestic debt declined by 3% to \$591m, while interest disbursement on foreign debt grew by 1.2% to \$321.2m. Repayment of principal on foreign debt increased by 31.4% to \$41m. Excluding debt servicing, the primary balance posted a deficit of \$111m, or 4% of budget expenditures compared to a surplus of \$471m, or 19.5% of budget spending in the same period last year. The overall primary balance posted a deficit of \$145m, or 5% of spending, relative to a surplus of \$386m or 15% of total expenditures in the first two months 2010.

Customs receipts down 19% to \$371m in first quarter of 2011

Figures released by the Customs Directorate indicated that customs revenues reached \$371.4m in the first quarter of 2011, down 18.6% from \$456.3m in the same period last year. Custom revenues totaled \$126.6m in March 2011 compared to \$108.7m in February 2011 and to \$173m in March 2010. The Port of Beirut continues to be the main point of customs receipts, accounting for 85.5% of the total during the first quarter, and was followed by the Hariri International Airport with 7.3%, the Port of Tripoli with 3.6%, and the Masnaa crossing point with 2.2% of the total. Customs receipts from the value added tax totaled \$337.6m in the first quarter of the year. The Port of Beirut accounted for 72.4% of such receipts, and was followed by the Hariri International Airport with 9.3%, the Port of Tripoli with 8.5%, and the Masnaa crossing point with 6.4% of the total. As such, overall custom receipts reached \$709m year-to-March, with the Port of Beirut accounting for 79.2% of the total, and was followed by the Hariri International Airport with 8.3%, the Port of Tripoli with 6%, and the Masnaa crossing point with 4.2% of the total. In addition, other entry points accounted for the balance, with the port of Saida for 1.7%, the crossing point of Abboudieh for 0.6%, and the port of Tyre and crossing points of Arida and Kaa for 0.2%. Overall customs receipts reached \$254.6m in March 2011 when including revenues from the value-added tax that totaled \$127.7m in the same period.

Projected Fiscal Deficit in 2011 (% of GDP)



Lebanon ranks 108th globally, first in Arab world in press freedoms

In its annual report on press freedoms in 196 countries, independent think tank Freedom House ranked Lebanon in 108th place globally and first among 20 Arab countries in 2011. Lebanon also came in 30th place among the upper middle-income countries (UMICs) included in the survey. Lebanon ranked in 115th place globally and in second place regionally in the 2010 survey. The survey assesses the degree of print, broadcast, and Internet freedom across the world. The 2011 ratings are based on an assessment of the legal, political and economic environments in which journalists worked in 2010. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. Lebanon, along with Kuwait, Mauritania and Egypt, were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 15 countries came in the 'Not Free' category.

Globally, Lebanon tied with Mauritania, Sierra Leone and Indonesia, ranked immediately ahead of Bangladesh, Kenya and Turkey, and came behind Nigeria and Ecuador. Lebanon also ranked ahead of Turkey and Colombia and behind Argentina and Albania among UMICs. Lebanon received a score of 53 points in the 2011 survey, better than the 55 points it received in 2010 and the 56 points received in 2009. Lebanon's score was also better than the Arab average of 71.6 points but worse than the global and UMICs' averages of 47.4 points and 46.8 points, respectively.

The report said that the number of people worldwide with access to free and independent media declined to its lowest level in over a decade in 2010. Freedom House noted that the MENA region posted the steepest decline in press freedoms among all regions. It added that Egypt's press freedom status was downgraded to 'Not Free' from 'Partly Free' due to a severe crackdown preceding the November 2010 parliamentary elections. The survey classified 68 countries in the 'Free' category accounting for 35% of the total, 65 countries in the 'Partly Free' category (33%), and 63 countries in the 'Not Free' category (32%). It also concluded that 15% of the global population is 'Free', whereas 42% is 'Partly Free' and 43% is 'Not Free'.

Consumer Price Index up 5.8% annually in February

The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 5.8% in February 2011 from February 2010. Prices of clothing and footwear increased by 27.3%, followed by water, electricity, gas & other fuels (+14%), restaurants & hotels (+7%), transportation (+6.9%), education (+6.7%), food & non-alcoholic beverages (+6.3%), recreation & entertainment (+2.4%), miscellaneous goods & services (+2%), furnishings & household equipment (+1%) and alcoholic beverages & tobacco (+0.5%). In parallel, prices of health care regressed by 0.8%, while housing prices and communication remained unchanged year-on-year. Imported inflation accounts for about 70% of inflation in the country. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports.

The Consumer Price Index increased by 0.6% in February 2011 from end-2010. Prices of transportation increased by 2.2%, followed by water, electricity, gas & other fuels (+2%), restaurants & hotels (+0.8%), food & non-alcoholic beverages (+0.4%), furnishings & household equipment, health care and recreation & entertainment (+0.3%) and miscellaneous goods & services (+0.2%). In parallel, prices of clothing and footwear regressed by 0.5%, while housing prices, education, communication, alcoholic beverages remained unchanged month-to-month.

Press Freedom Rankings & Ratings for 2011

	Rating	Arab Rank	Global Rank
Lebanon	53	1	108
Mauritania	53	1	108
Kuwait	57	3	124
Algeria	62	4	138
Jordan	63	5	141
Egypt	65	5	146
Qatar	66	7	156
Iraq	68	8	150
Morocco	68	8	150
Oman	71	10	156
UAE	71	10	156
Bahrain	72	12	159
Djibouti	73	13	160
Sudan	78	14	168
Palestine	83	15	177
Saudi Arabia	83	15	177
Yemen	83	15	177
Syria	84	18	181
Tunisia	85	19	184
Libya	94	20	191

Source: Freedom House

Byblos Bank to pay \$114m in dividends, payout ratio at 64%

The Ordinary General Assembly of Byblos Bank sal held on May 5, 2011 approved the Bank's proposed distribution of \$113.5m in dividends for 2010, representing a payout ratio of 64% on a consolidated basis. The Bank will pay LBP 200 per share for holders of Common Shares; LBP 200 per share and 4% of the share's nominal value (LBP 46.2 per share) for holders of Priority Shares; and \$8 per share for holders of Preferred Shares Class 2008 and Preferred Shares Class 2009. The shares' dividends will be paid starting May 11, 2011 net of a 5% distribution tax. Also, the Bank will pay LBP 200 per share in US dollars for GDR holders starting May 18, 2011 through Bank of New York Mellon after deducting the 5% tax. Further, Byblos Bank's Priority Shares have been automatically converted into Common Shares on the date of the Assembly. As such, Byblos Bank has now 565,515,040 Common Shares, 2,000,000 Preferred Shares Class 2008, 2,000,000 Preferred Shares Class 2009, and 1,309,078 GDRs listed on the Beirut Stock Exchange. In parallel, the Assembly approved the Bank's plan to issue a 10-year \$150m bond that will carry an annual coupon rate of 7% to be paid semi-annually. The bond will be listed on the Beirut Stock Exchange as well as on the Luxembourg or another international stock market. Further, the Assembly approved the election of Mr. Alain Tohmé, Deputy General Manager at Byblos Bank, to the Board of Directors.

Byblos Bank sal declared consolidated net profits of \$178.4m in 2010, constituting an increase of 22.5% from \$145.6m in 2009. Total assets reached \$15.3bn at the end of 2010, constituting a rise of 12.6% from end-2009, while net loans & advances to customers increased by 18% to \$3.76bn at end-2010. Customers' deposits totaled \$11.8bn, up 16% from end-2009. The Bank's total equity reached \$1.6bn at end-2010, up 25.4% from a year earlier. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

BankMed approves 2010 dividends

BankMed sal, one of Lebanon's top 10 banks, announced that its Ordinary General Assembly held on March 31, 2011 approved dividends distribution of \$7.75 per share for shareholders carrying Series 1 Preferred Shares. Dividends will be paid net of a 5% withholding tax. BankMed posted net profits of \$105.6m in 2010, up 16.5% from 2009. Its total assets reached \$11.2bn at end-2010, constituting a 5.7% rise from end-2009, while loans & advances to customers increased by 21.2% year-on-year to \$2.88bn. Customer deposits totaled \$7.8bn at end-2010, constituting an increase of 9.2% from a year earlier.

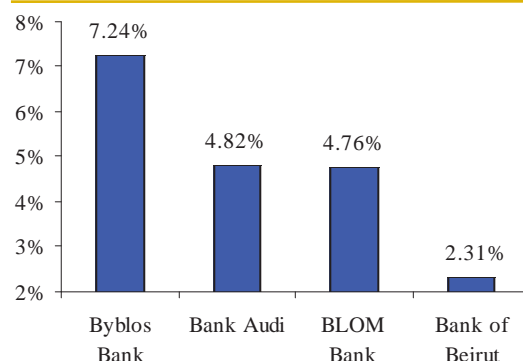
Moody's assigns definitive ratings to CMA CGM

Moody's Investors Service changed from 'provisional' to 'definitive' CMA CGM's 'Ba3' corporate family rating (CFR) and default probability rating (PDR), as well as the 'B2' senior unsecured bond rating on the firm's \$909.3m equivalent notes. It said all ratings have a 'stable' outlook. The agency assigned the ratings last month on a 'provisional' basis because they were contingent on CMA CGM's successful conclusion of its financial restructuring and issuance of an \$800m bond by the end of March 2011. The issue was successful and consisted of \$475m of dollar-denominated senior notes that mature in 2017 and carry a coupon rate of 8.5%, and €325m of euro-denominated notes that mature in 2019 and carry a coupon rate of 8.875%. CMA CGM is a Lebanese-owned and France-based container shipping group.

Moody's attributed the ratings' change to 'definitive' to its review of the final documentation of the issued notes; and confirmation that, following the agreement on restructuring principles with its lenders, CMA CGM will be able to cancel any default under its existing financing arrangements and harmonize the financial covenants consistent with its current financial position. It noted that CMA CGM is now committed under the restructuring terms to several actions intended to keep leverage under control and to improve liquidity, such as a cash flow sweep mechanism and selling a portion of its interest in certain assets.

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. Moody's indicated that the 'stable' outlook reflects its view that CMA CGM has stabilized its capital structure and liquidity profile after the signing of the restructuring agreements with the banks, the market recovery, and the agreement signed with the Yildirim Group. CMA CGM is the third-largest container shipping company in the world; operates 360 ships and employs 16,400 people. It posted net profits of \$1.63bn in 2010 on revenues of \$14.3bn in 2010.

Gross Dividend Yield on Common Shares*



* for closing prices at end-2010

Source: Beirut Stock Exchange, Banks' releases

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	Dec 2009	Nov 2010	Dec 2010	Change*	Risk Level
Political Risk Rating	57.0	58.5	58.5	▲	High
Financial Risk Rating	28.0	28.0	28.5	▲	High
Economic Risk Rating	35.5	35.5	32.5	▼	Moderate
Composite Risk Rating	60.2	61.0	59.7	▼	High

Regional Average	Dec 2009	Nov 2010	Dec 2010	Change*	Risk Level
Political Risk Rating	64.7	64.4	64.5	▼	Moderate
Financial Risk Rating	42.1	42.3	42.2	▲	Very Low
Economic Risk Rating	35.2	38.0	38	▲	Low
Composite Risk Rating	70.9	72.3	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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