



LEBANON THIS WEEK

In This Issue

Economic Indicators.....1
Capital Markets.....1
Lebanon in the News.....2

Cost of sending remittances to Lebanon drops in first quarter of 2011

Approval of first project financing under initiative for energy efficiency

Customs receipts down 20% to \$490m in first four months of 2011

Fiscal deficit up 105% at \$1.4bn in first four months of 2011

Trade deficit up 6% to \$6.1bn in first four months of 2011

Central Bank issues new measures for money dealers

IFC to promote sustainable energy

Italy to provide €0.8m for the use of renewable energy, UNDP to help develop municipal capacity

Lebanon bans the import of vegetable products from the EU

Public-sector salaries and benefits up 24% in first quarter of 2011

Corporate Highlights6

ADIR rating reaffirmed at 'A'

Commercial banks' assets reach \$134bn at end-April 2011

Stock market activity down 78% to \$306m in first five months of 2011

Banque Libano-Française posts \$34m in first quarter profits

Crédit Libanais profits at \$26m in first quarter

BBAC's profits up 2.7% to \$13.2m in first quarter of 2011

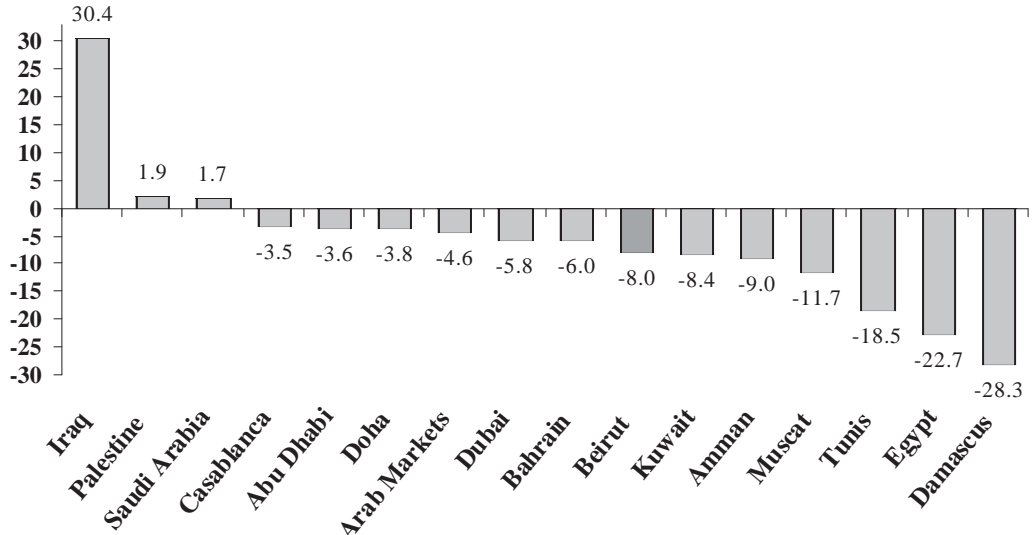
Ratio Highlights.....8

Risk Outlook.....8

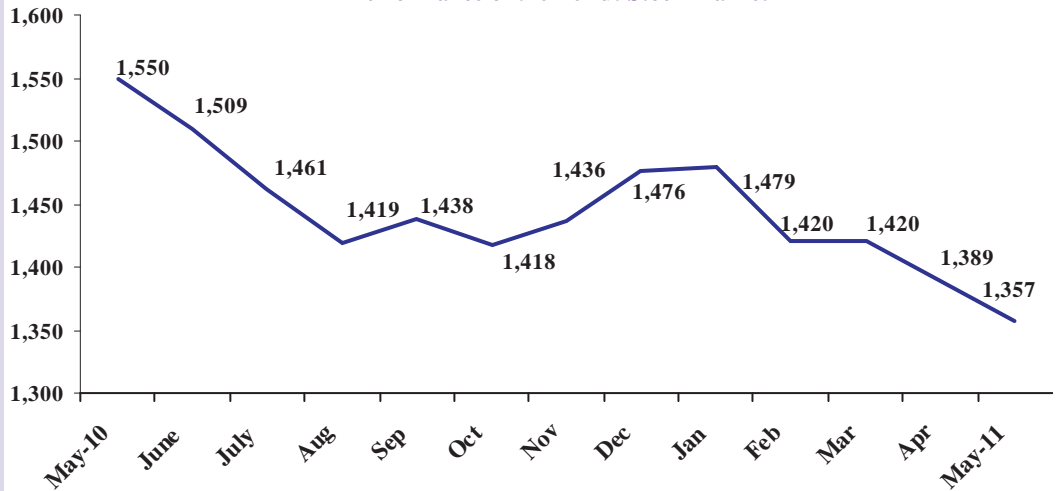
Ratings & Outlook.....8

Charts of the Week

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



Performance of the Beirut Stock Market



Source: Local Stock Markets, Byblos Research

Quote to Note

"I don't see that it will take a longer time."

Prime Minister-designate Najib Miqati, estimating in an interview with Bloomberg that he will form a government before the end of August 2011

Number of the Week

55: Lebanon's rank among 139 countries in terms of price competitiveness in the travel and tourism industry, according to the World Economic Forum

Economic Indicators

\$m (unless otherwise mentioned)	2009	Mar 10	2010	Jan 11	Feb 11	Mar 11	% Change*
Exports	3,486	374	4,256	297	304	354	(5.35)
Imports	16,241	1,934	17,956	1,729	1,218	1,631	(15.67)
Trade Balance	(12,755)	(1,560)	(13,700)	(1,432)	(914)	(1,277)	(18.14)
Balance of Payments	7,899	264	3,326	(772)	104	270	2.27
Checks Cleared in LBP	11,122	1,187	13,519	1,206	1,172	1,301	9.60
Checks Cleared in FC	45,270	5,302	53,925	4,404	4,094	4,798	(9.51)
Total Checks Cleared	56,392	6,489	67,444	5,610	5,266	6,099	(6.01)
Budget Deficit/Surplus	(2,960)	(377)	(2,892)	(48)	(501)	(548)	45.36
Primary Balance	1,078	62	1,232	202	(266)	(120)	(293.55)
Airport Passengers	4,986,544	363,742	5,552,260	369,735	307,134	247,795	(4.38)
\$bn (unless otherwise mentioned)	Dec 2009	Mar 10	Dec 10	Jan 11	Feb 11	Mar 11	% Change*
BdL FX Reserves	25.66	27.17	28.60	28.30	28.42	28.54	5.04
<i>In months of Imports</i>	18.6	14.04	19.4	16.3	23.33	17.40	23.93
Public Debt	51.09	51.46	52.59	52.29	52.08	52.59	2.20
Net Public Debt	44.11	44.40	45.01	44.95	45.31	45.61	2.73
Bank Assets	115.25	119.91	128.93	128.41	130.06	132.49	10.49
Bank Deposits (Private Sector)	95.77	98.14	107.20	106.13	106.80	108.15	10.20
Bank Loans to Private Sector	28.37	30.71	34.93	35.31	35.70	36.43	18.63
Money Supply M2	34.16	36.23	39.40	37.12	37.03	37.14	4.55
Money Supply M3	82.08	84.96	92.15	91.57	92.01	92.76	9.86
LBP Lending Rate (%)	9.04	8.69	7.91	7.71	7.71	7.73	(96b.p.)
LBP Deposit Rate (%)	6.75	6.11	5.68	5.63	5.63	5.63	(48b.p.)
USD Lending Rate (%)	7.28	7.01	6.74	7.14	7.01	7.24	23b.p.
USD Deposit Rate (%)	3.05	2.86	2.80	2.84	2.90	2.82	(4b.p.)
%* Change in CPI**	4.20	5.04	6.19	6.92	5.09	6.94	190b.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"	18.17	(0.38)	89,982	15.45%
Solidere "B"	18.01	(0.50)	47,020	9.95%
Byblos Common	1.73	(1.14)	243,187	5.29%
Byblos Pref. 08	100.00	0.00	1,000	1.70%
Byblos Pref. 09	100.00	0.00	3,123	1.70%
BLOM GDR	8.89	(2.31)	9,680	5.59%
BLOM Listed	8.60	(0.12)	2,683,728	15.72%
Audi GDR	7.53	0.40	106,823	6.31%
Audi Listed	7.00	(0.57)	93,103	20.74%
HOLCIM	17.50	(0.11)	2,753	2.90%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Aug. 2011	7.500	100.75	1.61
Mar. 2012	7.500	102.63	3.40
Sep. 2012	7.750	104.63	3.56
June 2013	8.625	108.38	4.06
Apr. 2014	7.375	108.50	4.00
Apr. 2015	10.00	116.50	5.11
Jan. 2016	8.500	112.38	5.31
Mar. 2017	9.000	116.38	5.55
Nov. 2018	5.150	96.50	5.65
Apr. 2021	8.250	114.38	6.21

Source: Byblos Capital Markets

	May 30- June 3	May 23-27	% Change	May 2011	May 2010	% Change
Total Shares Traded	3,300,065	1,265,242	160.82	6,771,576	16,963,146	(60.08)
Total Value Traded	\$28,380,161	\$20,302,062	39.79	\$62,013,242	\$149,074,321	(58.04)
Market Capitalization	\$11.76bn	\$11.82bn	(0.47)	\$11.69bn	\$12.84bn	(8.96)

Source: Beirut Stock Exchange (BSE)



Cost of sending remittances to Lebanon drops in first quarter of 2011

Figures issued by the World Bank show that the cost of sending remittances from the United States to Lebanon reached 12.6% in the first quarter of 2011 for a \$200 transfer, constituting a decline from 13.1% in the third quarter of 2010 and from 13.2% in the first quarter of last year. Also, the cost of sending \$500 from the U.S. to Lebanon reached 5.53% in the first quarter of 2011, down from 5.7% in the third quarter of 2010 and from 5.74% in the first quarter of 2010. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending \$200 and \$500 from the U.S. to Lebanon is \$25.1 and \$27.7, respectively, down from \$26.4 and \$28.7, respectively, in the first quarter of 2010. The World Bank estimated remittance inflows to Lebanon at \$8.2bn in 2010.

Also, the cost of sending remittances from Germany to Lebanon reached 13.4% in the first quarter of 2011 for a transfer of €160, or about \$200, constituting a decrease from 15.66% in the third quarter of 2010. Also, the cost of sending €90, or about \$500, from Germany to Lebanon reached 6.9% in the first quarter of the year, down from 7.7% in the third quarter of 2010. In nominal terms, the cost of sending €160 and €90 from Germany to Lebanon costs €1.5 and €6.8 respectively.

In parallel, Lebanon ranked as the most expensive destination for sending \$200 from the U.S. among 24 countries with available data. It was the sixth most expensive for sending \$500. The data covered 11 countries in Latin & Central America, seven countries in East and Southeast Asia, three countries in the Caribbean, and two countries in Africa, in addition to Lebanon in the Middle East.

The World Bank indicated that the average cost of sending remittances through commercial banks to Lebanon was 17.1% and the average cost through MTOs was 6.2% in the first quarter of 2011. In comparison, the average cost to send remittances through commercial banks to Lebanon was 19.2% and the average cost through MTOs was 5.8% in the third quarter of last year; while the average cost through banks and MTOs was 19.2% and 12.1%, respectively, in the first quarter of 2010. MTOs accounted for 70% of all cash electronic transactions to Lebanon, followed by money dealers with 22.4% and commercial banks with 7.5% in 2009.

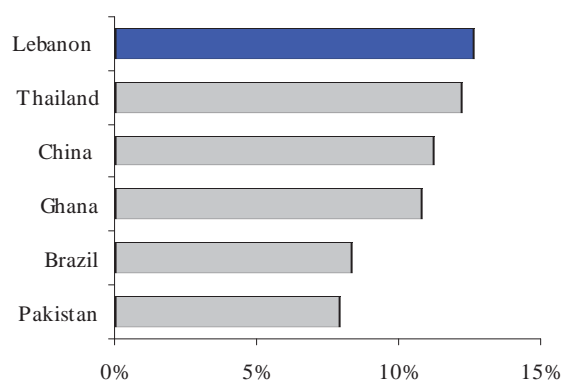
Approval of first project financing under initiative for energy efficiency

The Lebanese Center for Energy Conservation (LCEC) indicated that the Central Bank of Lebanon has recently approved the first project in energy efficiency under the National Energy Efficiency and Renewable Energy Action (NEEREA). The package consists of a loan of \$3m that carries an interest rate of 0.6% and has a repayment period of 3 years. Last year, the Central Bank launched NEEREA to support the financing of energy efficiency and renewable energy projects across Lebanon through commercial banks. The Central Bank said the initiative aims to have a positive impact on the purchasing power of Lebanese citizens and on the balance of payments, as Lebanon imports all of its energy needs. LCEC expects NEEREA will leverage more than \$100m of investments in the coming five years. Also, the United Nations Development Program (UNDP) is cooperating with the Central Bank to provide a complete funding mechanism that allows organizations from different sectors to implement models of energy conservation for the first time in Lebanon. Lebanon plans to raise the contribution of sustainable energy to 12% of its total energy demand by 2020. In parallel, the European Union has extended a grant of €1.9m to the Central Bank to subsidize interest rates and increase the repayment period of related projects, as well as €2.1m to the Kafalat Corporation to cover the risk of qualified projects during the repayment period.

Customs receipts down 20% to \$490m in first four months of 2011

Figures released by the Customs Directorate indicated that customs revenues reached \$490m in the first four months of 2011, down 20% from \$613m in the same period last year. Customs revenues totaled \$119m in April 2011 compared to \$127m in March 2011 and to \$157m in April 2010. The Port of Beirut continues to be the main point of customs receipts, accounting for 85.6% of the total during the first quarter, and was followed by the Hariri International Airport with 7.5%, the Port of Tripoli with 3.5%, and the Masnaa crossing point with 2.2% of the total. Customs receipts from the value added tax totaled \$451m in the first four months of the year. The Port of Beirut accounted for 73.3% of such receipts, and was followed by the Hariri International Airport with 9.7%, the Port of Tripoli with 7.6%, and the Masnaa crossing point with 6.6% of the total. As such, overall customs receipts reached \$941m year-to-April, with the Port of Beirut accounting for 79.7% of the total, and was followed by the Hariri International Airport with 8.6%, the Port of Tripoli with 5.5%, and the Masnaa crossing point with 4.3% of the total. In addition, other entry points accounted for the balance, with the port of Saida for 1.4%, the crossing point of Abboudieh for 0.4%, and the port of Tyre and crossing points of Arida and Kaa for 0.2%. Overall customs receipts reached \$232.6m in April 2011 when including revenues from the value-added tax that totaled \$113.8m in the same period.

Costliest destinations of remittances from the U.S.*



* For sending \$200

Source: World Bank, Byblos Research

Fiscal deficit up 105% to \$1.4bn in first four months of 2011

Figures released by the Finance Ministry show that the fiscal deficit reached \$1.4bn in the first four months of 2011, up 105.3% from \$681.3m in the same period last year. The deficit was equivalent to 35.5% of total budget and Treasury expenditures compared to 19.5% in the same period of 2010. Overall government expenditures reached \$3.94bn, up 12.5% year-on-year, while total revenues decreased by 10% to \$2.54bn. Budgetary expenditures rose by 15.3% to \$3.71bn and included \$601m in outlays from previous years, while budget revenues contracted by 11% to \$2.4bn. Tax revenues declined by 3.7% year-on-year to \$2.1bn, of which 36.5%, or \$764m, were in VAT receipts that posted a 0.9% annual decrease. Tax revenues accounted for 87.6% of budgetary revenues and for 82.4% of total Treasury and budget receipts.

The distribution of other tax revenues shows that customs revenues declined by 20.4% year-on-year to \$469m, income & capital gains tax receipts grew by 13% to \$441m, revenues from property taxes improved by 4.2% to \$250m, and other tax receipts, mainly stamp fees, were unchanged at \$105.5m.

Further, the distribution of income tax revenues shows that the tax on interest from bank deposits accounted for 33.7% of total income tax receipts, followed by taxes on wages & salaries with 33.3%, taxes on profits with 25.3%, and capital gains tax with 6.2%. Income from the tax on interest rose by 8.4%, tax receipts on wages & salaries improved by 17% year-on-year, revenues from taxes on profits increased by 16.8%, and revenues from capital gains tax contracted by 3.6%. Also, the distribution of property taxes shows that revenues from real estate registration fees regressed by 3.8% to \$168m, built property taxes increased by 6% to \$51.4m and revenues from inheritance tax grew by 81.2% to \$30.5m. In parallel, non-tax budgetary revenues dropped by 41.7% to \$295m, with revenues from government properties falling by 58.4% to \$157m and administrative fees & charges unchanged at \$113.8m. There were no receipts from telecommunications services in the first four months of the year.

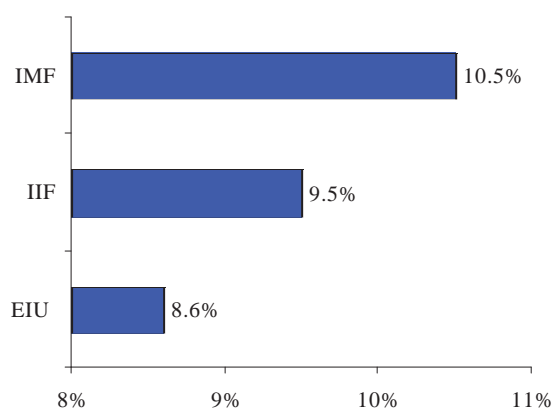
Debt servicing increased by 2.3% year-on-year to \$1.35bn, and accounted for 34.4% of total expenditures and for 36.5% of budgetary spending. It absorbed 53.2% of overall revenues and 56.7% of budgetary receipts. Interest payment on domestic debt declined by 2.3% to \$825.5m, while interest disbursement on foreign debt grew by 1.2% to \$527m. Repayment of principal on foreign debt increased by 75.8% to \$64m. Excluding debt servicing, the primary balance posted a surplus of \$93m, or 2.5% of budget expenditures compared to a surplus of \$1.25bn, or 45% of budget spending in the same period last year. The overall primary balance posted a surplus of \$18m, or 0.5% of spending, relative to a surplus of \$677.2m or 19.3% of total expenditures in the first four months 2010.

Trade deficit up 6% to \$6.1bn in first four months of 2011

Total imports reached \$6.1bn in the first four months of 2011, constituting an increase of 5.5% from the same period last year, while aggregate exports decreased by 2% to \$1.3bn, leading to a trade deficit of \$4.75bn, up 8% year-on-year. The increase in the value of imports is attributed to the rise in the import bill of energy products due to higher oil prices on global markets. The trade deficit was \$1.13bn in April 2011, up 7.3% from the same month last year. Imports averaged \$1.5bn and exports averaged \$332m on a monthly basis year-to-April, resulting in an average monthly trade deficit of \$1.2bn during the covered period. The coverage ratio reached 21.9% in the first four months compared to 23.55% in the same period last year, while it reached 25% in April 2011 relative to 23.8% in April last year.

The United States was the main source of imports with \$621m or 10% of the total, followed by Italy with \$615m (10%), China with \$500m (8%), France with \$462m (8%) and Germany with \$367m (6%). Imports from Italy rose by 32% year-on-year and from France by 16% while imports from Germany dropped by 13%, from China by 8% and from the U.S. by 2% during the covered period. Switzerland was the main export destination with \$136m or 10% of the total, followed by the UAE with \$123m (9%), Saudi Arabia with \$99m (7%), Turkey with \$89m (7%), Iraq with \$79m (6%) and Syria \$63m (5%). Exports to Saudi Arabia rose by 21% and to Turkey increased by 16% while exports to Switzerland declined by 19%, to Syria by 14%, to the UAE by 12% and to Iraq by 11%. Lebanon's main export was jewelry at \$434m or 33% of total exports, followed by base metals with \$192m (14%), machinery and mechanical appliances with \$169m (13%), prepared foodstuff with \$118m (9%) and chemical products with \$110m (8%). Re-exports totaled \$67m in the first four months, up 34% from \$50m in the same period last year.

Projected Fiscal Deficit in 2011 (% of GDP)



Source: Byblos Research

Central Bank issues new measures for money dealers

The Central Bank of Lebanon issued a set of circulars about the operations of money dealers in Lebanon in order to deter their usage for money laundering and terrorism financing, and to preserve the reputation of the sector.

Intermediary Circular 10727 modified Basic Circular 7933 dated September 27, 2001. The modifications stated that all money dealer institutions to be established after May 18, 2011 must establish anti-money laundering and terrorism financing (AML/TF) procedures; and must certify that all shareholders, the chairman and all members of the board of directors, and all persons involved in the direct or indirect management of the firm must have successfully passed training courses administered or approved by the Bank on AML/TF. The circular also prohibits money dealers from opening accounts in any bank in which the owners, partners, shareholders, members of the board of directors, or managers of the money dealer institution have personal bank accounts. It added that each money dealer should notify the Banking Control Commission (BCC) of the names of all the banks that it deals with; and prohibits dealers from depositing cash directly in their clients' accounts, as well as from accepting to represent third parties under any circumstances. It also prohibits money dealers from opening temporary accounts in exchange for cash.

Also, the circular stated that money dealers should appoint a Compliance Officer or Head of the Compliance Unit to make sure that the institutions are in compliance with the regulations and recommendations issued by the Central Bank, the BCC and the Special Investigation Commission, particularly the rules and regulations about AML/TF. It added that the Compliance Officer or the Head of the Compliance Unit should receive regular training in AML/TF; or receive a specialized degree such as the CAMS-Certified Anti-money Laundering Specialist. Further, bureaus have to appoint an internal auditor.

In parallel, Intermediary Circular 10726 modified Basic Circular 8024 dated January 11, 2002. The modifications stated that the capital of money dealing firms must not be less than LBP5bn, and that these institutions should retain an internationally-recognized auditing company. Also, money dealers must segregate the accounting of the shipments of cash and/or of precious metals, from the accounting of other operations. Further, the circular mandates all money exchange institutions and banks that ship bank notes or precious metals to or from Lebanon to provide the BCC and the Central Bank's Directorate of the Financial Markets with monthly financial statements detailing the number and volume of such shipments, as well as the number and volume of such shipments inside Lebanon that exceed \$10,000 per transaction. Further, Intermediary Circular 10728 that modified Basic Circular 6905 dated February 21, 1998 mandates money dealers to submit monthly, quarterly, semi-annual and annual financial statements to the BCC and the Central Bank's Directorate of the Financial Markets. There were 393 money dealers in Lebanon at the end of 2009, according to the latest available figures from the Central Bank.

IFC to promote sustainable energy

The International Finance Corporation (IFC), the private sector arm of the World Bank Group, launched a sustainable energy finance initiative in Lebanon that aims to develop financial products that help Lebanese companies use resources more efficiently and protect the environment. It estimated that high energy costs and unsustainable practices cost Lebanese businesses more than \$400m annually in lost profits, in addition to their negative impact on the local environment. The IFC indicated that the initiative aims at expanding access to finance for projects that will save energy and other resources, and promote the efficient use of energy. The project is also supported by Finland, the United Kingdom's Department for International Development, the Islamic Development Bank, and Banque Libano-Française. In parallel, the IFC indicated that it is providing support to the Lebanon Green Building Council's ARZ Building Rating System. The new rating system is a tool to encourage owners of commercial buildings in Lebanon to undertake renovations that save money and reduce greenhouse gas emissions.

Italy to provide €0.8m for the use of renewable energy, UNDP to help develop municipal capacity

The Ministry of Environment and the Italian embassy launched an initiative that aims to increase the use of renewable energies in Lebanon. The Italian embassy will provide €75,000 to finance the initiative, which will cover the cost of 900 solar heaters for 57 public buildings. The equipment aims to save 675 Megawatts per hour and will limit carbon emissions as well as provide hot water for 5,000 people. Public buildings that will receive solar water heaters include the public hospital in Baalbek, men's and women's prisons in Tripoli, women's prisons in Baabda and Zahlé, 33 Lebanese Red Cross centers, and several orphanages across the country. In parallel, the United Nations Development Program (UNDP) and the Ministry of Interior & Municipalities launched a project to develop municipalities' capacity in the local administration. The project will target recently elected municipal councils and members, and will develop the municipalities' capacities to better manage local resources and improve the quality of services provided to citizens.

Lebanon bans the import of vegetable products from the EU

The Ministry of Agriculture banned temporarily the import of vegetables from the European Union. It attributed the decision to the spread of the E-Coli bacteria in EU vegetable products, mainly in Germany. Lebanon imported \$716m in vegetables in 2010 that included \$113m from the EU, while it exported \$154m in vegetables, including \$8m to the EU. As such, Lebanon imported around 16% of its vegetables products from the EU last year.



Public-sector salaries and benefits up 24% in first quarter of 2011

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled \$704.5m in the first quarter of 2011, constituting an increase of 24% from \$568.5m in the same period last year. They represented the largest component of total primary spending and accounted for 36% of such expenditures during the covered period. The figures include basic salaries, indemnities, allowances, contributions to the civil servants cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges, and Parliament employees. The payments exclude retirement and end-of-service indemnities as well as salaries, wages and benefits of employees at public institutions.

Salaries and benefits of military personnel totaled \$518m and accounted for 73.5% of the total, followed by salaries of educational personnel with \$108m or 15.3% of the total, civil staff with \$72.3m (10.3%), and customs employees with \$6m (1%). Also, the Lebanese Army's salaries totaled \$350m year-to-March and represented 67.6% of military personnel salaries and benefits. It was followed by salaries of the Internal Security Forces with \$133.3m (25.7%), General Security Forces with \$26.5m (5%), and State Security Forces with \$8.6m (1.7%).

The ministry attributed the rise in the first quarter of the year to a 29% increase in basic salaries, an 8.5% rise in indemnities, and a 40% jump in allowances. It said basic salaries increased by \$112.7m to \$500m due to a rise of \$100m in payments to military personnel and an \$11.2m increase to public education personnel, which were partially offset by a \$8.6m decrease in payments to civil staff. It added that indemnities increased to \$33.8m due to an increase of \$2.6m in payments to civil staff and of \$0.6m to education personnel. Salaries, wages and related benefits paid to public sector employees totaled \$2.2bn and accounted for 26% of current expenditures in 2010.

ADIR rating reaffirmed at 'A'

Insurance rating agency i.e. Muhanna & co Rating Services reaffirmed the 'A' rating of ADIR Insurance sal, the insurance affiliate of the Byblos Bank Group. ADIR came in the 'secure' category, which includes insurers with a sound and balanced capacity to meet policyholders' obligations. The agency said the financial strength of ADIR is based on a good level of liquidity, good underwriting profitability, and average underwriting exposure. It noted that ADIR's liquidity ratio was 86.7% in 2010, almost unchanged from 86.6% in 2009, and compared to 83.1% in 2008 and 80.7% in 2007. Total reserves reached \$75.9m at end-2010, up from \$62m at end-2009 and \$45m at end-2008. ADIR's expense ratio was 23.3% in 2010, which is significantly lower than the market average of 45% and reflects the firm's good underwriting profitability in the market. Also, the firm's retention ratio was 69.5% in 2010 compared to 86.5% in 2009.

Further, ADIR posted net profits of \$4.2m in 2010, constituting an increase of 23.7% from \$3.4m in 2009 and relative to \$3.6m in 2008 and \$2.7m in 2007. Its shareholders' equity reached \$21.9m at end-2010, up 12% from \$19.6m at end-2009 and relative to \$18m at end-2008; while return on equity was 20.6% in 2010 compared to 18.8% in 2009. ADIR's profits and return on equity increased in four out of the last five years. The firm's gross premiums reached \$27m in 2010 relative to \$34.8m in 2009 and \$20m in 2008, with the non-life category accounting for 72% of the total in 2010, down from 79% in 2009. Claims totaled \$8.8m in 2010, down 4.2% from \$9.2m in 2009. Also, the level of underwriting exposure, which is the ratio of net premiums over total equity, improved from 154% in 2009 to 85.8% in 2010, almost similar to the market average of 85%. ADIR was one of 43 insurers that maintained their ratings in 2010, while 15 insurers were downgraded and 9 were upgraded in a universe of 70 rated insurers. Byblos Bank holds a 64% stake in ADIR and Natixis Assurances-France owns the remaining 36%.

Commercial banks' assets reach \$134bn at end-April 2011

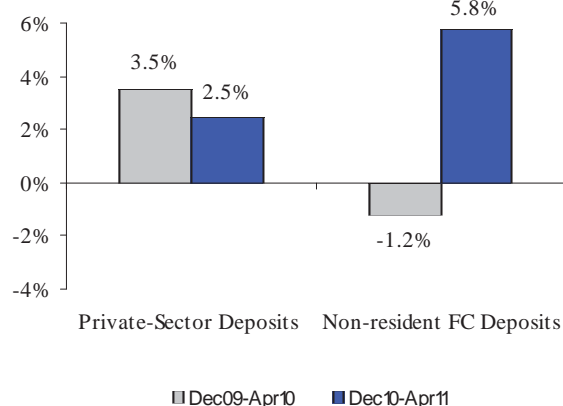
The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$133.8bn at the end of April 2011, constituting an increase of 3.8% from end-2010 and a rise of 10.9% from end-April 2010. Private sector deposits totaled \$109.9bn, increasing by 2.5% from end-2010 and rising by 10.9% from a year earlier. Deposits in Lebanese pounds reached \$37.2bn, down 5.7% from end-2010 but up 1.8% year-on-year, while deposits in foreign currencies reached \$72.7bn and rose by 7.4% from the end of last year and by 16.2% from end-April 2010. Non-resident foreign currency deposits totaled \$16.5bn at end-April 2011, up 5.8% from end-2010 and up 17.6% year-on-year. Total private sector deposits decreased by \$1.1bn in January, rose by \$673m in February and grew by \$1.34bn in March and \$1.79bn in April 2011. In parallel, deposits of non-resident banks reached \$6.8bn, up 50.8% from end-2010 and 29.9% year-on-year. The dollarization rate of deposits reached 66.2% at the end of April, up from 63.2% at end-2010 and at end-April 2010. Further, the average deposit rate in Lebanese pounds reached 5.64% in April compared to 6% a year earlier, while the same rate in US dollars was 2.84%, unchanged from April 2010.

Loans to the private sector totaled \$36.81bn at end-April, constituting an increase of 5.4% from end-2010 and up 18.6% year-on-year. Lending to the non-resident private sector reached \$5.48bn and rose by 18.7% from end-2010. The dollarization rate in private sector lending reached 80%, marginally down from 80.3% at end-2010 and compared to 82.9% a year earlier. The average lending rate in Lebanese pounds was 7.73% in April 2011 compared to 8.48% a year earlier, while the same average in US dollars was 7.05% compared to 7.1% in April 2010. In addition, claims on non-resident banks reached \$17.2bn at end-April, posting an increase of 8.3% from end-2010. Claims on the public sector stood at \$28.4bn, down 2.5% year-on-year and 3.2% 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 40.5%, well below the Central Bank's limit of 70%, and slightly above the ratio of 41.1% a year earlier. In parallel, the same ratio in Lebanese pounds was 19.8%, up from 14.5% a year earlier. The ratio of total private sector loans to deposits stood at 33.5% compared to 31.3% a year earlier. The banks' aggregate capital base stood at \$10bn, up by 8.4% from end-2010 and 19.2% from \$8.4bn in April 2010.

Stock market activity down 78% to \$306m in first five months of 2011

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 50.4 million shares in the first five months of 2011, constituting a decrease of 58% from the same period last year; while aggregate turnover amounted to \$306m, down 78% from a turnover of \$1.41bn in the first five months of 2010. Market capitalization decreased by 8.9% from end-May 2010 to \$11.7bn, of which 70.4% was in banking stocks and 25% in real estate stocks. The market liquidity ratio was 2.6% compared to 11% in the same period last year. Bank stocks accounted for 86.6% of aggregate trading volume in the first five months of the year, followed by real estate stocks with 13%. In terms of value of shares traded, banking stocks accounted for 58.4% of aggregate value, followed by real estate stocks with 39.6%. The average daily traded volume for the period was 514,110 shares for an average daily value of \$3.1m. The figures reflect decreases of 57% in volume and 78% in value year-on-year.

Growth in Private Sector Deposits (%)



Source: Association of Banks in Lebanon

Banque Libano-Française posts \$34m in first quarter profits

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$33.6m in the first quarter of 2011, constituting an increase of 26.3% from the same period last year. Net operating income rose by 18.4% to \$85.4m, with net interest income increasing by 15.2% to \$59m and non-interest receipts growing by 28.9% to \$27.3m year-on-year. Also, operating expenditures increased by 10.7% to \$43.8m, with staff expenses increasing by 9.5% to \$25.2m. Total assets reached \$13.3bn at end-March 2011, constituting a 14.4% rise from end-March 2010 and a 2.1% rise from end-2010, while loans & advances to customers increased by 27.8% year-on-year and by 4% from end-2010 to \$4.5bn. Customer deposits totaled \$11.36bn at end-March, constituting an increase of 1.8% from end-2010 and a growth of 19.3% from a year earlier.

Crédit Libanais profits at \$26m in first quarter

Crédit Libanais sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$25.8m in the first quarter of 2011, constituting an increase of 3% from March 2010. Net operating income rose by 9.6% year-on-year to \$62.3m, with net interest income increasing by 10% to \$46.6m and non-interest receipts increasing by 7.5% to \$16.8m year-on-year. Also, operating expenditures increased by 14.3% to \$32.7m, with staff expenses increasing by 11% to \$19m. Total assets reached \$10.2bn at end-March, constituting a 21% rise from end-March 2010, while loans & advances to customers increased by 29% year-on-year to \$2.6bn. Customer deposits totaled \$8.9bn at end-March, up 21% year-on-year. Crédit Libanais was acquired last August by the Cairo-based investment bank EFG Hermes.

BBAC's profits up 2.7% to \$13.2m in first quarter of 2011

BBAC sal, posted unaudited consolidated net profits of \$13.15m in the first quarter of 2011, constituting an increase of 2.7% from the same period last year. Net operating income rose by 8.4% in the first quarter of the year to \$33.3m, with net interest income increasing by 10.3% to \$24.5m and non-interest receipts declining by 2.6% to \$6.6m year-on-year. Also, operating expenditures increased by 15% to \$17.5m, with staff expenses increasing by 11.7% to \$10.5m. Total assets reached \$6.3bn at end-March 2011, constituting a 9.3% rise from end-March 2010 and a 1.4% rise from end-2010, while loans & advances to customers increased by 24.25% year-on-year and rose by 5.6% from end-2010 to \$1.4bn. Customer deposits totaled \$5.6bn at end-March, constituting an increase of 1.7% from end-2010 and a growth of 36.1% from a year earlier. The bank's shareholders' equity reached \$438m at end-March, down 2.75% in the first quarter of the year.

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	Feb 2010	Jan 2011	Feb 2011	Change*	Risk Level
Political Risk Rating	57.5	56.5	56.5	▼	High
Financial Risk Rating	28.0	28.5	28.5	▲	High
Economic Risk Rating	35.5	32.5	32.5	▼	Moderate
Composite Risk Rating	60.5	58.7	58.7	▼	High

Regional Average	Feb 2010	Jan 2011	Feb 2011	Change*	Risk Level
Political Risk Rating	64.7	63.6	62.6	▼	Moderate
Financial Risk Rating	42.1	42.3	42.2	▲	Very Low
Economic Risk Rating	35.7	38.1	38.0	▲	Low
Composite Risk Rating	71.2	72.0	71.4	▲	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



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

Lebanon This Week 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 Lebanon This Week 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: aabdelkader@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
European 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

UNITED KINGDOM

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

ADIR INSURANCE

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