

LEBANON THIS WEEK

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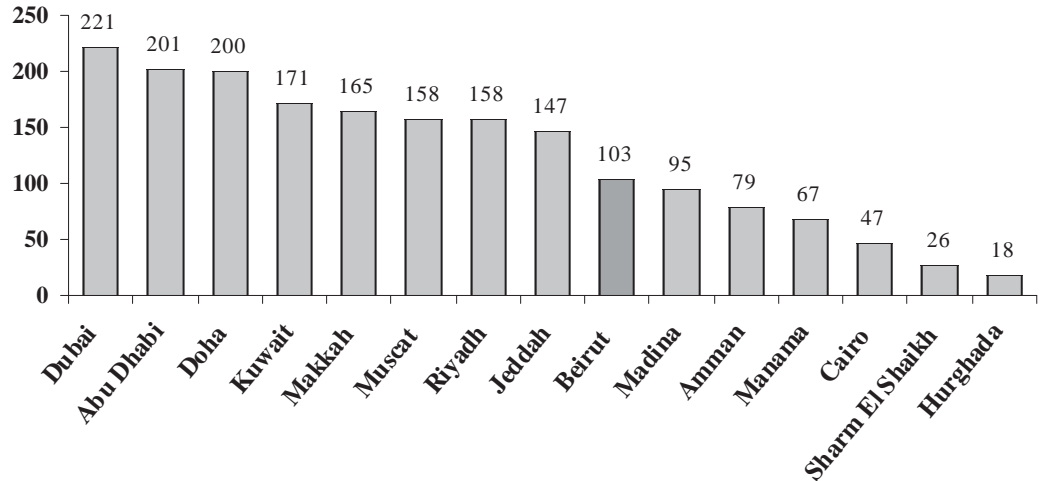
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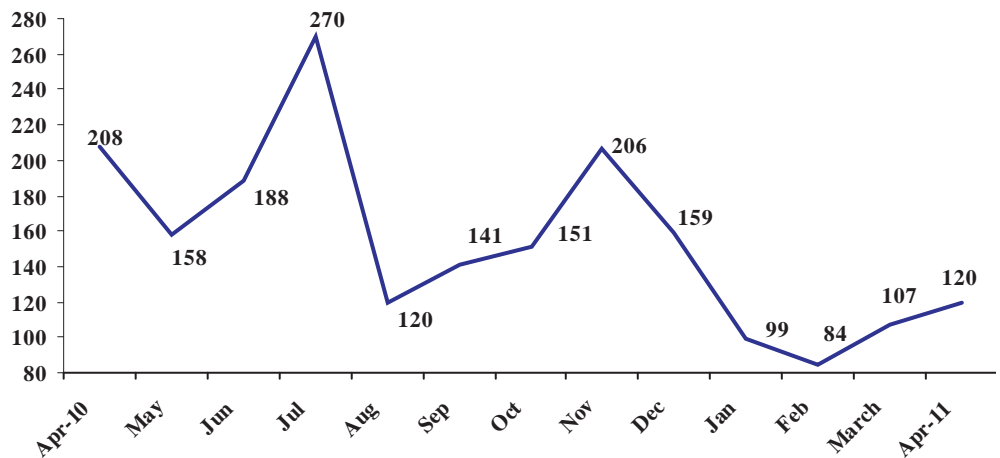
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Charts of the Week

Revenue Per Available Room at Hotels in Arab Cities in the First Four Months of 2011 (US\$)



Revenue Per Available Room at Hotels in Beirut (US\$)



Source: Ernst & Young, Byblos Research

Quote to Note

"Fiscal performance has deteriorated, with the economy continuing to slow down and political uncertainty still high."

Merrill Lynch, on the ongoing consequences of delays in the government's formation

Number of the Week

15.6%: Lebanon's current account deficit in percentage of GDP for 2011, as projected by the World Bank

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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	18.41	1.32	82,752	15.63%	Aug. 2011	7.500	100.88	0.91
Solidere "B"	18.30	1.61	22,313	10.10%	Mar. 2012	7.500	103.13	3.32
Byblos Common	1.73	0.00	62,952	5.28%	Sep. 2012	7.750	105.25	3.35
Byblos Pref. 08	100.00	0.00	800	1.70%	June 2013	8.625	109.13	3.88
Byblos Pref. 09	100.00	0.00	0	1.70%	Apr. 2014	7.375	109.00	3.98
BLOM GDR	8.90	0.11	7,000	5.58%	Apr. 2015	10.00	117.13	5.06
BLOM Listed	8.50	(1.16)	110,000	15.51%	Jan. 2016	8.500	113.25	5.22
Audi GDR	7.53	0.00	0	6.30%	Mar. 2017	9.000	117.13	5.49
Audi Listed	6.98	(0.29)	45,320	20.65%	Nov. 2018	5.150	97.75	5.52
HOLCIM	17.50	0.00	59,393	2.90%	Apr. 2021	8.250	115.19	6.17

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

Source: Byblos Capital Markets

	June 6-10	May 30- June 3	% Change	May 2011	May 2010	% Change
Total Shares Traded	408,224	3,300,065	160.82	6,771,576	16,963,146	(60.08)
Total Value Traded	\$4,699,663	\$28,380,161	39.79	\$62,013,242	\$149,074,321	(58.04)
Market Capitalization	\$11.78bn	\$11.76bn	(0.47)	\$11.69bn	\$12.84bn	(8.96)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 92nd globally, 11th in MENA region in country risk

In its quarterly survey of the country risk of 184 countries, *Euromoney* magazine ranked Lebanon in 92nd place worldwide and in 11th place among 20 countries in the Middle East & North Africa region in June 2011. Also, Lebanon came in 26th place among 45 upper middle income countries (UMICs) included in the survey. Lebanon ranked in 90th place globally and in 12th place regionally in the March 2011 survey. The survey evaluates individual country risk by assigning a weighting to six categories that cover Political Risks, Economic Performance, Access to Bank Finance & Capital Markets, Debt Indicators, Credit Ratings, and Structural Assessment.

Globally, Lebanon ranked ahead of Venezuela, Nigeria and Seychelles, and came behind Albania, Honduras and Argentina. It also ranked ahead of Seychelles and behind Albania among UMICs. Lebanon's rank on the Political Risks category regressed by 17 spots from last March, its ranking on the Economic Performance improved by one spot while its rankings on the remaining categories were unchanged.

In parallel, Lebanon received a score of 41.8 points, down 4% from 43.5 points in the March 2011 survey. Its score came below the global average of 44.55 points and lower than the MENA and Arab averages of 46.2 points and 43.9 points, respectively, as well as below the UMICs' average score of 42.1 points. Lebanon's score regressed on three of the six categories from last March while its score remained unchanged on the Debt Indicators, Credit Ratings and Access to Bank Finance & Capital Markets categories. Its score on Political Risks declined by 10%, followed by Structural Assessments with a 2.4% fall and Economic Performance with a 0.3% contraction.

Lebanon posted the fourth steepest drop in rankings and the 13th steepest fall in scores among MENA countries in the June 2011 survey. The decline in Lebanon's overall score and rank was driven primarily by the drop in the Political Risks score, as this category has a 30% weight in the overall score. The scores of two MENA countries improved, 17 regressed and one remained unchanged from March 2011, while the rankings of one country improved, 15 declined and four remained unchanged in the covered period.

Lebanon ranked ahead of Burkina Faso and behind Tanzania globally, while it came ahead of Algeria and behind Tunisia regionally on the Political Risks category. Also, it tied with Gambia and Seychelles, ranked ahead of Croatia and behind Nigeria worldwide, while it came ahead of Syria and behind Iraq regionally in Economic Performance. Further, it ranked ahead of Australia and behind Serbia globally, and ahead of all Arab countries on the Structural Assessment category. Finally, Lebanon tied with Dominica, ranked ahead of Tajikistan and behind Turkey globally, and came ahead of Algeria and behind Tunisia regionally on the Debt Indicators category.

MENA Countries Rankings & Scores

	Score	MENA Rank	Global Rank
Qatar	73.65	1	28
Kuwait	69.91	2	32
UAE	68.25	3	34
Israel	66.93	4	35
Oman	66.05	5	38
Saudi Arabia	62.76	6	41
Bahrain	57.26	7	55
Jordan	50.20	8	69
Morocco	49.42	9	73
Tunisia	46.15	10	79
Lebanon	41.80	11	92
Egypt	39.93	12	96
Algeria	39.29	13	100
Iran	32.34	14	125
Libya	32.33	15	127
Syria	32.18	16	128
Sudan	29.23	17	139
Iraq	28.63	18	141
Yemen	27.38	19	147
Mauritania	10.25	20	175

Source: *Euromoney*, *Byblos Research*

Country Risk Indicators for Lebanon June 2011

	Weighting (%)	Score	MENA Rank	Global Rank	MENA Avg Score	Global Avg Score
Political Risk	30	40.90	11	98	41.08	45.27
Economic Performance	30	45.00	12	96	47.97	43.50
Structurals Assessments	10	58.94	2	44	47.36	37.57
Debt Indicators	10	7.22	13	119	7.26	7.11
Credit Rating	10	1.46	13	109	3.90	3.33
Access to Bank Finance & Capital Markets	10	1.50	15	119	3.60	3.71

Source: *Euromoney June 2011*, *Byblos Research*



Deterioration of economic fundamentals and instability in Syria continue to affect outlook

JP Morgan indicated that Lebanon has a long history of resilient fundamentals during periods of political instability, but that the political crisis that engulfed the country since January 12 has taken its toll on economic growth, although some of this slowdown was expected. It said the coincident indicator points to real annualized growth below 1% in the first quarter of 2011 following a strong performance during the previous two years. It added that public finances deteriorated further with the primary budget balance falling into negative territory to post its largest deficit since 2000. It pointed out that total spending increased by more than 14% in March while revenues declined sharply in the first quarter, partly due to the refusal of the Telecommunications Ministry to transfer \$1.8bn in revenues to the Ministry of Finance. It noted that the net deterioration in the primary balance will likely increase external debt this year after a period of relative stability since 2006. It also noted that the increase in the dollarization rate of deposits this year to 65.8% at end-March was caused not only by the rise in political uncertainties, but also by the unchanged interest rate differential between dollar and Lebanese pound deposits, which means that interest rates on Lebanese pound deposits did not increase commensurately with the rise in tensions. JP Morgan added that the deterioration of economic fundamentals, along with ongoing political instability in Syria, will continue to weigh on the outlook.

In parallel, the Royal Bank of Scotland (RBoS) indicated that numerous signs point to the fact that the consumption and investment-driven growth during the post 2006 period is slowing down, which has led the IMF to reduce its economic projections to around 2.5% from an average rate of around 8.4% recorded over the last three years. It attributed the slowdown mainly to the political instability since the collapse of the Hariri government in January. Further, RBoS noted that the inability to form a Cabinet has negatively affected any potential progress on structural reforms. It expected the continued political uncertainty to also impact incoming levels of foreign direct investment, which had averaged about 11% of GDP, equivalent to 90% of the current account deficit, over the last three years. It considered that a wider current account deficit, due to lower tourism inflows, higher oil prices and lower official grants, could result in a 5% decline in Central Bank reserves from levels of around \$31.5bn at the end of January 2011.

Economic slowdown and rise in inflationary pressures affecting growth outlook

The Regional Economic Service of the French Ministry of Economy, Finance & Industry indicated that domestic instability, related to the collapse of the Hariri government and the delay in the formation of a new government, has reduced investments and consumption in Lebanon; with activity in the first quarter of the year confirming the economic slowdown that started at the end of 2010. It considered that the slowdown in economic activity is due to a deceleration in the key engines of growth. It noted that tourism is going through a significant decline following several years of strong and uninterrupted growth, while demand in the real estate sector has decreased by 26% and the volume of transactions has dropped by 20% in the first quarter of the year. It noted, however, that construction activity as such is ongoing, as developers are moving forward with their projects despite the political tensions and lower demand.

It considered that the socio-political turmoil taking place across the Arab world is negatively impacting confidence in the regional economy, which is detrimental to the domestic economy and specifically to the balance of payments. It said the balance of payments has posted a cumulative deficit so far in 2011, after five years of uninterrupted surpluses. It noted that the deceleration in economic activity is accompanied by a rise in inflationary pressures, which Lebanon had managed to contain since 2007. It said inflation reached 5.3% in 2010, while early estimates put inflation at 6.5% this year, but noted that this forecast could be understated. Also, the depreciation by 11% of the US dollar against the Euro in the first quarter of the year had an impact on the Lebanese economy, as most Lebanese imports are from the Eurozone, given that the fixed exchange rate of the Lebanese pound to the dollar results in significant imported inflation.

It added that global real prices of food and non-food commodities have been on the rise since October 2010 and are approaching the peak levels reached in the summer of 2008 prior to the eruption of the global financial crisis. This is compounded by global oil prices that increased in a few months from \$80 per barrel towards the end of 2010 to \$120 per barrel by the end of April 2011. It noted that Lebanon depends completely on international markets for its commodity and energy needs, which means that the rise in global prices has already affected significantly local prices.

It estimated that the growth outlook of the Lebanese economy can improve for this year with the formation of a new government, which would help restore stability and confidence. It stressed the importance of quickly forming a government, given that the three-month period from May to July is the major anchor of economic activity in the country and would be decisive for growth the rest of the year. It added that the Central Bank has the means to address the ongoing slowdown, as it can easily defend the stability of the currency and refinance the public debt.

Lebanon ranks 9th in the Middle East & Africa in expected visitors for 2011

The MasterCard Worldwide Index of Global Destination Cities for 2011 ranked Beirut in 9th position among 21 cities in the Middle East & Africa (ME&A) region in terms of the expected number of visitors this year. The index forecast a total of 1.7 million visitors to Lebanon this year, placing Beirut ahead of Tunis and behind Amman. The survey ranks destination cities in terms of the total number of international visitor arrivals and cross-border spending. It excludes from arrivals the number of returning residents after an overseas trip and transit passengers. Further, it projected at 13.9% the growth in the number of visitors to Lebanon in 2011, placing the country in 7th place in the region. Beirut ranked ahead of Tel Aviv and came behind Amman on the arrivals' growth rate. Beirut's number of visitor arrivals came below the region's average of 2.9 million visitors and its growth rate came below the region's average of 14.6%.

In parallel, the index estimated visitors' total spending in Lebanon at \$6.5bn in 2011, placing it in second place after Dubai. It expected visitors' spending to grow by 19.6% in 2011, constituting the 8th fastest growth rate in the ME&A region. Beirut came ahead of Johannesburg and behind Amman in the growth rate of visitor expenditures. Dubai ranked first in the ME&A region and in 9th place globally in the number of incoming visitors at 7.9 million, constituting the only Arab city to rank in the world's top 20 destination cities. MasterCard said that some of its forecasts will have to be revised following the upheaval in the MENA region.

Top 10 ME&A Destination Cities for 2011

	Expected Visitors (m)	Visitor Growth (%)
Dubai	7.9	17.3
Cairo	3.7	21.6
Johannesburg	3.0	9.9
Tel Aviv	2.7	13.8
Casablanca	2.5	5.5
Abu Dhabi	2.0	15.5
Nairobi	1.8	14.1
Amman	1.8	14.1
Beirut	1.7	13.9
Tunisia	1.7	19.9

Source: MasterCard, Byblos Research

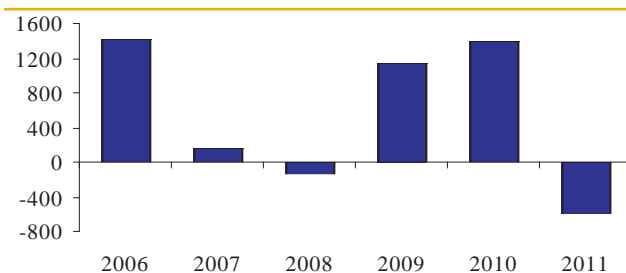
Telecom Ministry claims Shura Council suspended TRA prerogatives

Caretaker Telecommunications Minister Charbel Nahhas indicated that the Shura Council, Lebanon's highest legal authority, has officially suspended the prerogatives of the Telecommunications Regulatory Authority (TRA) until the Telecommunications Ministry sets new rules to organize the telecom sector in Lebanon. The minister claimed that the Shura Council issued a verdict suspending Telecommunications Law 431 that was issued in 2002. The TRA was established in 2002 under Law 431. The law stipulated that the TRA is the independent regulator of the telecom sector and the manager of all aspects related to the liberalization of the industry. TRA's mandate includes encouraging competition in the sector, ensuring market transparency, monitoring tariffs and preventing non-competitive behavior, acting as a mediator and arbitration organism, resolving disputes arising between licensees, preparing draft decrees and regulations, organizing concessions, issuing or withdrawing licenses; and supervising the execution of concessions and licenses. It is also in charge of establishing rules of interconnection and reviewing related contracts, and formulating technical standards and procedures for monitoring compliance with these standards. The decision comes amid a longstanding struggle between the ministry and the TRA over the latter's prerogatives, as ministry officials have resisted passing on the necessary powers to the TRA that would allow it to perform its duties, and even refused in many instances to implement TRA decisions on the grounds that it infringed on the ministry's authority.

Balance of payments posts deficit of \$598m in first four months of 2011

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$597.8m in the first four months of 2011 compared to a surplus of \$1.4bn in the same period last year. The balance of payments posted a deficit of \$198.6m in April compared to surpluses of \$269.6m in March 2011 and \$424.4m in April 2010. The April 2011 surplus was caused by a surplus of \$119.1m in the Central Bank's net foreign assets and a deficit of \$318m in those of banks and financial institutions. The cumulative deficit over the first four months of 2011 was caused by a deficit of \$86.1m in the Central Bank's net foreign assets and a deficit of \$511m 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.

Balance of Payments*



* in first four months of the year

Source: Central Bank

Net public debt at \$46bn at end-April 2011

Lebanon's gross public debt reached \$52.6bn at the end of April 2011, unchanged from end-2010, and constituting an increase of 2% from end-April 2010. Domestic debt increased by 4.4% to \$31.7bn, while external debt decreased by 1.4% annually to \$20.9bn. Local currency debt accounted for 60.2% of gross public debt at end-April 2011 compared to 60% a year earlier, while foreign currency-denominated debt represented 39.8% of the total at the end of April relative to 41.1% a year earlier. The weighted interest rate on outstanding Treasury bills was 7.43%, while the weighted interest rate on Eurobonds was 7.29% at the end of April. Further, the weighted life on Eurobonds was 4.61 years, while that on Treasury bills was 860 days.

Commercial banks accounted for 53.3% of the local public debt at the end of April 2011 compared to 60.2% a year earlier. They were followed by the Central Bank with 30.5%, up from 23% at end-April 2010; while public agencies, financial institutions and the general public accounted for 16.2% of local debt, compared to 16.8% a year earlier. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 86.4% of the external debt, followed by multilateral institutions with 7.3%, foreign governments with 4.9%, and Paris II loans with 1.4%. 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 3.1% to \$45.7bn. 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.

Opened letters of credits at \$5bn for imports and \$4.2bn for exports in 2010

Figures issued by the Central Bank indicate that the value of letters of credits opened to finance imports to Lebanon totaled \$5.1bn in 2010, constituting an increase of 21% from \$4.23bn in 2009. Opened LCs totaled \$1.24bn in the fourth quarter of 2010 compared to \$1.23bn in the same period of the previous year. Also, utilized credits for imports totaled \$4.9bn in 2010, up 20.8% from \$4.1bn in utilized credits last year. They accounted for 96.5% of opened LCs in 2010 compared to 96.7% 2009. In addition, outstanding import credits totaled \$937m at the end of 2010 compared to \$945.4m at end-September 2010 and \$877m at end-2009. Further, the aggregate value of inward bills for collection totaled \$2.25bn in 2010 compared to \$1.92bn in 2009. Outstanding bills for collection reached \$153.6m at end-2010 relative to \$157.7m at end-September 2010 and \$155.7m at end-2009.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon totaled \$4.2bn in 2010, constituting an increase of 25.8% from \$3.3bn in 2009. Utilized credits for exports totaled \$4.1bn in 2010, up 22.1% from \$3.4bn of utilized credits in 2009. Letters of credits opened for exports totaled \$940m, while utilized credits reached \$1.3bn in the fourth quarter of last year. Further, outstanding export credits totaled \$1.1bn at the end of 2010, up from \$1.2bn at end-2009 and compared to \$1.5bn at end-September 2010. The aggregate value of outward bills for collection totaled \$4.48bn in 2010, down 5.7% from \$4.75bn in 2009. The outstanding value of outwards bills for collection reached \$390.3m at end-2010 relative to \$357.6m at the end of September 2010 and \$279m at end-2009.

HOLCIM Liban to distribute dividends

The Ordinary General Assembly of HOLCIM Liban sal held on May 12, 2011 approved the distribution of dividends for 2010, equivalent to LBP2,220 (\$1.47) after tax. HOLCIM Liban posted net profits of \$18m in the first half of 2010 compared to \$29.2m in 2009. The company's net sales reached \$92.7m, compared to \$173m in 2009. HOLCIM Liban has 19.5 million shares listed on the Beirut Stock Exchange. Holcim's share price closed at \$17.5 on June 10, constituting an increase of 2.9% from end-2010.

Ciments Blancs announces dividends

The Ordinary General Assembly of Société Libanaise des Ciments Blancs sal held on May 26, 2011 approved the distribution of dividends for 2010, equivalent to LBP450 (\$0.3) per share after tax. Ciments Blancs, which is an affiliate of HOLCIM Liban, posted net profits of \$1.5m in the first half of 2010 compared to \$2.5m in 2009. The company generated sales worth \$7.5m in the first half of 2010 compared to \$13.2m in 2009. Ciments Blancs has 6 million bearer shares and 3 million nominal shares listed on the Beirut Stock Exchange. Ciments Blancs' bearer share price closed at \$2.8 on June 10, constituting an increase of 1.8% from end-2010.

Solidere announces General Assembly

The Board of Directors of Solidere sal invited its shareholders to its Ordinary General Assembly to be held on June 30, 2011. The agenda of the meeting includes hearing the Board of Directors and the auditors' reports for 2010, approving the financial statements of 2010, and granting clearance to the chairman and board members for their administrative duties during 2010. Solidere is the 61st largest Arab company in terms of market capitalization at end-2010. Solidere posted net profits of \$182.2m in 2009, down 0.8% from \$183.6m in 2008. Net consolidated revenues from land and real estate sales rose by 17.7% to \$241.6m in 2009 while net revenues from rental properties increased by 25.3% to \$27.2m, resulting in total net operating revenues of \$234m for the year, up 14.7% year-on-year. Solidere's consolidated assets totaled \$2.34bn in 2009, down 2.7% from end-2008. Solidere has 100 million Series A shares and 65 million Series B shares listed on the Beirut Stock Exchange. Its Series A share price closed at \$18.41 on June 10, constituting a decline of 0.7% from end-2010, while its Series B share price closed at \$18.3 on June 10, down 1.8% from end-2010.

Fransabank's ratings affirmed

Capital Intelligence affirmed Fransabank's Long- and Short-Term Foreign Currency Ratings of 'B' and 'B', respectively. It also affirmed the bank's Financial Strength Rating (FSR) at 'BB+' and the Support Level at '3'. It maintained the outlook for all the ratings at 'stable', adding that they continue to be restrained by Lebanon's sovereign ratings. It said the FSR reflects the bank's improving loan quality, comfortable liquidity, and increased profitability; but noted that the FSR remains constrained by sovereign risk factors, including a challenging operating environment and asset concentration from investment in Lebanese government paper and certificates of deposits issued by the Central Bank.

The agency indicated that the bank's risk management processes have improved in recent years as reflected by the decline in the non-performing loans ratio and improved loan-loss reserve coverage. It said strong economic growth over the last four years contributed to the fall in the bank's NPLs, in line with the banking sector. It noted that the overwhelming majority of the bank's assets remain in Lebanon, but that the slowly growing share of assets outside the country would diversify risk assets and revenue streams over time. Also, Capital Intelligence considered that the bank's liquidity position is comfortable and supported by a growing base of customer deposits. It noted, however, that a considerable proportion of liquid assets remains invested in Lebanese sovereign paper and Central Bank CDs. It expressed concern about this exposure, given the ongoing lack of fiscal reforms in the country and the government's large debt burden.

Banque Libano-Française posts \$22m in first quarter profits

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$22.3m 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 \$56.6m, with net interest income increasing by 15.2% to \$39.1m and non-interest receipts growing by 28.8% to \$18.1m year-on-year. Also, operating expenditures increased by 10.7% to \$29m, with staff expenses increasing by 9.5% to \$16.7m. Total assets reached \$8.8bn 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 \$3bn. Customer deposits totaled \$7.5bn 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 \$17m in first quarter

Crédit Libanais sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$17m in the first quarter of 2011, constituting an increase of 3% from March 2010. Net operating income rose by 9.5% year-on-year to \$41.4m, with net interest income increasing by 10% to \$30.9m and non-interest receipts increasing by 7.5% to \$11.1m year-on-year. Also, operating expenditures increased by 14.3% to \$21.7m, with staff expenses increasing by 10.8% to \$12.7m. Total assets reached \$6.8bn at end-March, constituting a 21.4% rise from end-March 2010, while loans & advances to customers increased by 28.8% year-on-year to \$1.7bn. Customer deposits totaled \$5.9bn at end-March, up 21.2% year-on-year. Crédit Libanais was acquired last August by the Cairo-based investment bank EFG Hermes.



Corporate Highlights

BBAC's profits up 2.7% to \$8.7m in first quarter of 2011

BBAC sal posted unaudited consolidated net profits of \$8.7m 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 \$22m, with net interest income increasing by 10.3% to \$16.2m and non-interest receipts declining by 2.6% to \$4.4m year-on-year. Also, operating expenditures increased by 15% to \$11.6m, with staff expenses increasing by 11.7% to \$7m. Total assets reached \$4.2bn 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 24.2% year-on-year and rose by 5.6% from end-2010 to \$916m. Customer deposits totaled \$3.7bn at end-March, constituting an increase of 1.7% from end-2010 and a growth of 10.4% from a year earlier. The bank's shareholders' equity reached \$290.5m at end-March, down 5.5% in the first quarter of the year.

Lebanese bank freezes assets in compliance with UN resolutions

The North Africa Commercial Bank sal (NACB) froze assets belonging to the Libyan regime, in compliance with United Nations Security Council resolutions 1970 and 1973. The two resolutions stipulate that member states should freeze funds, other financial assets and economic resources on their territories that are owned or controlled, directly or indirectly, by the Libyan regime. The Libyan Foreign Bank holds 99.5% of NACB's shares. Last week, the Lebanese-Canadian Bank sal stated that it has frozen the assets of Tunisia's former first lady Leila Trabelsi Ben Ali and some of her relatives. The banks did not disclose the amount or nature of the frozen assets.

Local food industry has 20% market share

The Syndicate of Lebanese Food Industries indicated that the food industry is one of the few sectors in Lebanon that achieve high value-added and uses a large amount of agricultural raw materials produced locally. It added that there are about 150 large Lebanese companies in the sector, in addition to hundreds of factories with less than 5 workers each. It explained that the major obstacle that the sector faces is the high cost of production. It noted that the share of locally-produced goods is around 20% of the total value of food imports to Lebanon.

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



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