



LEBANON THIS WEEK

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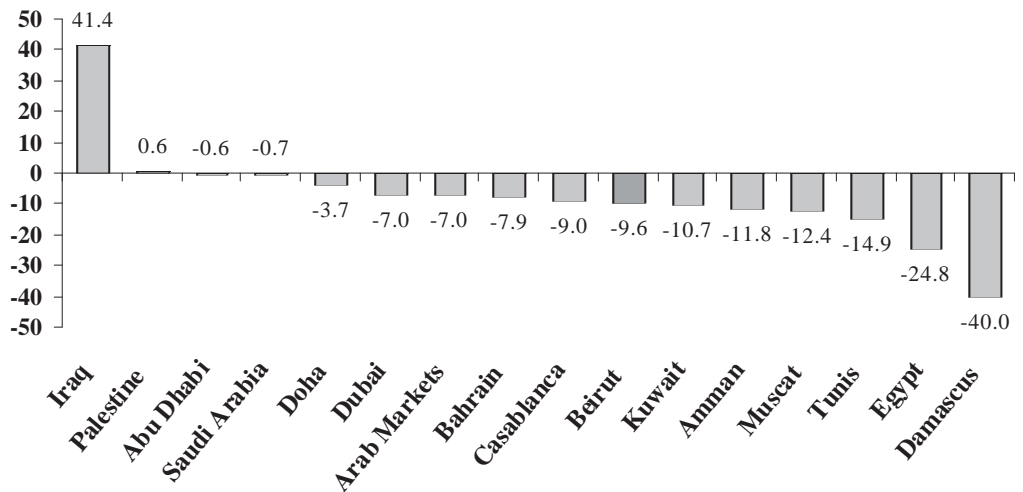
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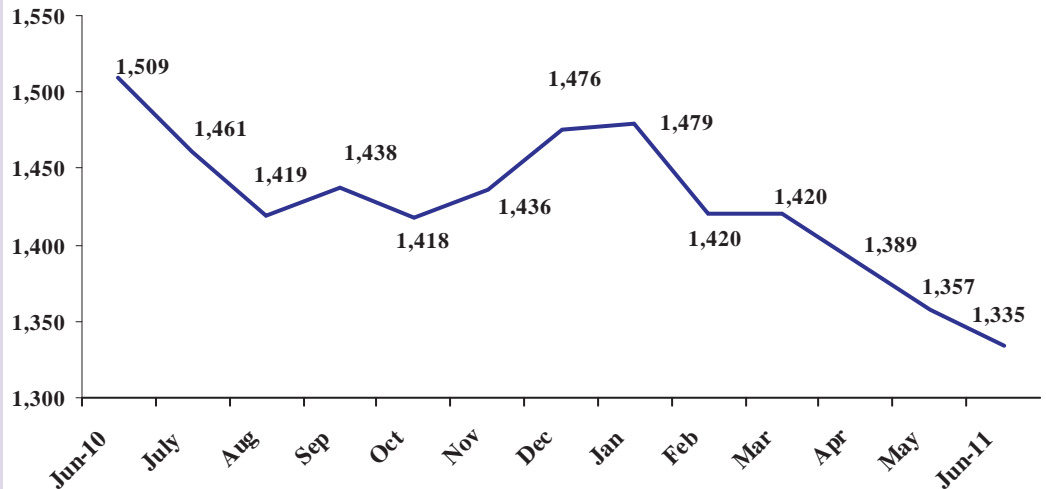
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Charts of the Week

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



Performance of the Beirut Stock Market



Source: Local Stock Markets, Byblos Research, Dow Jones Indices

Quote to Note

"The recent formation of a new government may, at the margin, create some positive momentum for Lebanon's credit."

Barclays Capital, on the possible impact of the Cabinet's formation on the country's external debt

Number of the Week

137: Lebanon's rank out of 138 countries in terms of the government's prioritizing information and communication technology, according to the World Economic Forum

Economic Indicators

\$m (unless otherwise mentioned)	2009	Apr 10	2010	Feb 11	Mar 11	Apr 11	% Change*
Exports	3,486	328	4,256	304	354	375	14.33
Imports	16,241	1,377	17,956	1,218	1,631	1,501	9.01
Trade Balance	(12,755)	(1,049)	(13,700)	(914)	(1,277)	(1,126)	7.34
Balance of Payments	7,899	424	3,326	104	270	(199)	(146.93)
Checks Cleared in LBP	11,122	1,058	13,519	1,172	1,301	1,160	9.64
Checks Cleared in FC	45,270	4,615	53,925	4,094	4,798	4,485	(2.82)
Total Checks Cleared	56,392	5,673	67,444	5,266	6,099	5,645	(0.49)
Budget Deficit/Surplus	(2,960)	(110)	(2,892)	(501)	(548)	(301)	173.64
Primary Balance	1,078	291	1,232	(266)	(120)	163	(43.99)
Airport Passengers	4,986,544	438,328	5,552,260	307,134	347,795	466,640	6.46
\$bn (unless otherwise mentioned)	Dec 2009	Apr 10	Dec 10	Feb 11	Mar 11	Apr 11	% Change*
BdL FX Reserves	25.66	27.32	28.60	28.42	28.54	28.76	5.27
<i>In months of Imports</i>	18.6	14.04	19.4	23.33	17.40	19.16	36.47
Public Debt	51.09	51.49	52.59	52.08	52.59	52.61	2.18
Net Public Debt	44.11	44.34	45.01	45.31	45.61	45.72	3.11
Bank Assets	115.25	120.64	128.93	130.06	132.49	133.80	10.91
Bank Deposits (Private Sector)	95.77	99.13	107.20	106.80	108.15	109.93	10.89
Bank Loans to Private Sector	28.37	31.04	34.93	35.70	36.43	36.81	18.59
Money Supply M2	34.16	36.72	39.40	37.03	37.14	37.48	2.07
Money Supply M3	82.08	85.75	92.15	92.01	92.76	94.20	9.85
LBP Lending Rate (%)	9.04	8.48	7.91	7.71	7.73	7.73	(75b.p.)
LBP Deposit Rate (%)	6.75	6.00	5.68	5.63	5.63	5.64	(36b.p.)
USD Lending Rate (%)	7.28	7.10	6.74	7.01	7.24	7.05	(5b.p.)
USD Deposit Rate (%)	3.05	2.84	2.80	2.90	2.82	2.84	0b.p.
%* Change in CPI**	4.20	4.46	6.19	5.09	6.94	6.56	210b.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"	17.66	(2.27)	100,118	15.27%
Solidere "B"	17.54	(1.37)	22,737	9.95%
Byblos Common	1.71	(1.75)	162,976	5.34%
Byblos Pref. 08	100.00	0.00	3,000	1.77%
Byblos Pref. 09	100.00	0.00	0	1.77%
BLOM GDR	8.80	(2.27)	29,828	5.62%
BLOM Listed	8.48	0.00	0	16.13%
Audi GDR	7.50	(2.13)	70,873	6.40%
Audi Listed	7.00	(1.29)	43,558	21.31%
HOLCIM	16.50	(2.97)	2,289	2.76%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Aug. 2011	7.500	100.35	2.39
Mar. 2012	7.500	103.13	3.03
Sep. 2012	7.750	105.00	3.34
June 2013	8.625	109.13	3.74
Apr. 2014	7.375	108.88	3.96
Apr. 2015	10.00	117.63	4.86
Jan. 2016	8.500	114.25	4.95
Mar. 2017	9.000	117.50	5.39
Nov. 2018	5.150	98.25	5.44
Apr. 2021	8.250	115.75	6.08

Source: Byblos Capital Markets

	June 27-July 1	June 20-25	% Change	June 2011	June 2010	% Change
Total Shares Traded	498,983	492,811	1.25	2,792,846	5,167,659	(45.96)
Total Value Traded	\$5,164,891	\$6,556,605	(21.23)	\$34,880,478	\$47,678,154	(26.84)
Market Capitalization	\$11.30bn	\$11.43bn	(1.16)	\$11.33bn	\$12.50bn	(9.37)

Source: Beirut Stock Exchange (BSE)



Growth revised downward to between 1.1% and 3% for 2011, economic outlook depends on political developments in the second half of the year

The Institute of International Finance revised downward its real GDP growth forecast for Lebanon from 4% last January to between 1.1% and 3% for 2011, and added that growth prospects will depend on political developments in the second half of the year. It considered that the extent of economic rebound in the second half of the year will depend on the stance of the international community regarding the degree of cooperation of the current Cabinet with the Special Tribunal for Lebanon; the course of the uprising in Syria; and the improvement of ties with GCC countries, particularly with Saudi Arabia.

The IIF said real GDP growth decelerated sharply in the first half of this year due to domestic political tensions following the collapse of the Hariri government in January, as well as the rise in geopolitical risks in the region, particularly the uprising in Syria. It estimated that real growth decelerated from 9.2% in the first half of 2010 to 0.8% in the first half of this year, as most proxy indicators of economic activity posted significant declines in the first 5 months of the year. It said private investment declined by 4.2%, and exports of goods & services decreased by 6.3% in constant prices. It estimated that construction fell by 12% and tourism by 10% in real terms in the first half of 2011 relative to the same period last year. It noted that construction and tourism were the main engines of the strong growth registered in the past four years, accounting for more than half of real GDP growth.

The IIF assigned a 70% probability that economic growth will be limited to 1.1% this year, based on the assumptions of a difficult relationship between the new Cabinet and the international community, cool relations between Lebanon and the GCC countries, and continued instability in Syria. Under this scenario, it assumed that FDI, construction and the number of tourist arrivals would recover only marginally in the second half the year compared with the same period last year. This would result in real GDP growth of 1.3% in the second half of the year.

In parallel, the IIF assigned a 30% probability that growth will reach 3% this year, assuming the Cabinet reaches an arrangement with the international community about the recent decisions of the UN-backed tribunal; ties between the current Cabinet and the Saudi authorities improve; and Syria becomes stable. It considered that FDI, construction and the number of tourist arrivals would grow significantly in the second half of the year under this scenario. As a result, it expected real GDP to grow by 5.1% in the second half of the year. The weighted average growth of the two scenarios would result in a real GDP growth forecast of 1.8% for the full year.

Further, it anticipated the fiscal deficit to widen this year under both scenarios, and despite the probability of transferring \$1.2bn in telecom receipts to the Treasury. It forecast the primary balance to post a slight surplus of 0.9% of GDP and for the fiscal deficit to reach 9.5% under the first growth scenario. It expected public revenues to contract by 2.5%, with tax revenues declining by 4.7% and non-tax revenues improving by 3% due to the transfer of telecom receipts. But it warned that the primary balance would post a deficit of 2.6% of GDP and the fiscal deficit would widen to 13% of GDP without telecom transfers. Under the second growth scenario, and when including telecom receipts, it projected the primary balance to post a surplus of 1.9% of GDP and the fiscal deficit to reach 8.4% of GDP. It expected public revenues to grow by 2.2%, with tax revenues declining by 0.3% and non-tax revenues improving by 8.7% in this case. It said the primary balance would post a deficit of 1.7% of GDP and the fiscal deficit would widen to 12% of GDP without telecom transfers.

The IIF indicated that the political stalemate following the collapse of the Hariri government, and the widening of the fiscal deficit in the first half of this year, have raised Lebanon's risk premium. It noted that this could lead to more challenging conditions for the authorities to finance the large fiscal deficit. It added that Lebanon cannot afford populist policies advocated by some ministers in the new coalition, given the country's debt burden and large fiscal deficit. As such, it urged the various political parties that form the new government to cooperate and support efforts to fight tax evasion, strengthen tax administration, reduce waste in government spending, rehabilitate Electricité du Liban, reform the telecom sector, and strengthen the rule of law.

Main Economic Indicators	2009 2010E 2011F 2012F			
	Real GDP growth (%)	8.5	7.0	1.8
Number of tourist arrivals (% change)	38.9	17.1	(10)	18
CPI, % change, average	3.1	4.4	5.2	3.5
Fiscal deficit, incl. telecom*, (% of GDP)	(8.5)	(5.4)	(9.5)	(7.6)
Fiscal deficit, excl. telecom, (% of GDP)	(12.4)	(9.1)	(13.1)	(11.1)
Government debt (% of GDP)	150	136	136	130
Current account balance (% of GDP)	(21.5)	(14.9)	(15.5)	(12.3)
Gross FDI (% of GDP)	12.7	12.8	7.0	10.8
Gross reserves (\$bn)	29.1	31.5	28.9	30.4
Nominal GDP (\$bn)	34.9	28.8	41.6	45.4

* Includes transfer of balance of telecom receipts for 2010 and full receipts for 2011

Source: Institute of International Finance

	Sources of Growth (% change)			
	Scenario A		Scenario B	
	H2	Year	H2	Year
Private consumption	2.8	2.3	4.4	3.3
Public consumption	12.4	12.4	12.4	12.4
Private investment	(1.4)	(2.8)	2.9	(0.7)
Public investment	20.0	14.3	20.0	14.3
Exports of GNFS	(3.7)	(4.0)	3.3	(1.5)
Imports of GNFS	2.8	1.1	4.3	1.9

Source: Institute of International Finance

Lebanon has least competitive cellular market in the Arab world

The Cellular Competition Intensity Index for 2011 ranked Lebanon in 19th place among 19 countries in the Arab world, unchanged from 2010 but down from 15th place in 2007 and 11th place in 2006. The index rates the intensity level of competition in the region's cellular markets by comparing the state of every market relative to the other markets. The index, designed by the Arab Advisors Group, takes into account 9 categories, with each category assigned a weight based on its importance as an indicator of competitive behavior. The categories include the number of licensed and expected operators in 2011, the number of working operators, the market share of the largest operator, the number of prepaid plans, the number of post-paid plans, the availability of smart phone plans, the availability of corporate offers, the availability of 3G services, and the availability of international long distance competition. The survey added the availability of smart phones packages to the 2011 index, in line with the increased adoption of mobile broadband and smart phone usage in the MENA region, which contributes to the overall competitiveness in a country.

Lebanon received a score of 33.8%, way below the regional average of 58.14%, but up from 31.2% in 2010. The Arab Advisors Group considered Saudi Arabia to have the most competitive cellular market in the region, as it has four operational and licensed operators and offers 19 prepaid plans and 23 postpaid plans, while it benefits from the availability of smart phone plans, corporate offers, 3G services and international long distance competition. The rankings of Algeria, Bahrain, Saudi Arabia and Mauritania improved from 2010; those of Egypt, Iraq, Kuwait, Libya, Lebanon, Morocco, Oman, Palestine, Qatar, Syria, Tunisia and the UAE were unchanged; while the rankings of Jordan, Sudan, and Yemen regressed year-on-year.

Cellular Competition Intensity Index 2011

	Score (%)	Rank
Saudi Arabia	76.01	1
Jordan	75.37	2
Palestine	69.61	3
Oman	69.52	4
Egypt	68.18	5
Morocco	64.72	6
Iraq	64.32	7
Tunisia	63.23	8
Bahrain	61.25	9
Algeria	61.17	10
Yemen	58.61	11
Mauritania	57.07	12
Sudan	55.68	13
Kuwait	54.58	14
Qatar	48.24	15
UAE	47.17	16
Syria	42.18	17
Libya	33.97	18
Lebanon	33.80	19

Source: Arab Advisors Group

Lebanon ranks third as exporter and 14th as importer in terms of export credit insurance contracts

Figures issued by the Arab Investment & Export Credit Guarantee Corporation (Dhaman) indicate that Lebanon ranked third among 11 Arab countries in the value of overall export credit insurance contracts signed in 2010, unchanged from 2009. Dhaman provides insurance coverage to Arab and non-Arab investments in its member countries against non-commercial risks, as well as insurance against commercial and non-commercial risks for inter-Arab and worldwide Arab export credits. As an exporter, Lebanon signed \$71.3m worth of export credit insurance contracts in 2010, accounting for 9.3% of the total value of such contracts in Arab countries. Lebanon signed \$77m, or 13% of the total value of such contracts in 2009. Lebanon ranked ahead of Kuwait with \$65.1m (8%), Egypt with \$55.4m (7.2%), Bahrain with \$10m (1.3%), the UAE with \$9.99 (1.3%), Syria with \$9.85m (1.28%), Jordan with \$4.1m (0.54%), Algeria with \$3.6m (0.47%) and Oman with \$3.6m (0.47%). Also, Lebanon signed \$5m worth of investment insurance contracts with Dhaman last year as an exporter of FDI.

In parallel, Lebanon ranked in 14th place among 16 Arab importing countries with \$8.4m worth of export credit insurance contracts signed in 2010, representing 1.4% of the total value of such contracts in Arab countries. Lebanon ranked in 13th place with \$5m worth of such contracts signed in 2009. Lebanon ranked behind Sudan whose credit insurance contracts reached \$104.6m, or 13.6% of the total followed by the UAE with \$91.8m (12%), Saudi Arabia with \$54.56m (7.1%), Syria with \$54.1m (7%), Kuwait with \$51.3m (6.7%), Jordan with \$44.6m (5.8%), Qatar with \$33.6m (4.4%), Egypt with \$27.2m (3.5%), Libya with \$25.5m (3.3%), Bahrain with \$25m (3.3%), Morocco with \$18m (2.3%), Tunisia with \$17.9m (2.3%) and Oman with \$13m (1.7%). It ranked ahead of Yemen and Algeria only. Also, Lebanon received \$10m of Dhaman-insured foreign direct investment last year.

Further, Lebanon ranked in 13th place among 16 Arab countries in terms of total current contracts with \$16.8m as at end-2010, of which \$10m relate to current investment contracts and \$6.8m to current export credit contracts. Lebanon ranked in 14th place with \$20.7m of such contracts as at end-2009. Current contracts represent the value of insurance contracts whether executed or not for a country as a destination of imports and investments. Lebanon's total current contracts accounted for 1.7% of overall current contracts of Arab importing countries. Further, Lebanon accounted for 3.2% of current investment contracts and for 1.2% of current export credit contracts. Finally, Lebanon ranked in ninth place among 16 Arab countries in terms of total outstanding commitments, which represents the value of investments executed for investment guaranteed contracts and the value of shipments executed but not yet repaid under export credit insurance contracts. Lebanon's total outstanding commitments reached \$2.8m, accounting for 0.6% of the total.

Lebanon's food imports at 6.8% of GDP, food bill at 40% of export revenues

The United Nations Economic and Social Commission for Western Asia (ESCWA) estimated food imports to Lebanon accounted for 6.8% of GDP on average in the 2003-2007 period, compared to 4.7% of GDP for the ESCWA region and 2% of GDP worldwide. Lebanon was the third highest food importer in the region, behind Jordan where food imports account for 12.2% of GDP and Yemen with 8.3% of GDP over the covered period. Further, ESCWA estimated the ratio of Lebanon's total exports to its food imports at 2.4, the second lowest such ratio among ESCWA member countries, and below the global average ratio of 11.3. The ratio reflects a nation's ability to finance its food imports from its total export revenues. The ESCWA said that a country that is a substantial net food importer but whose food bill takes a small percentage of its total exports is less vulnerable than a country that is a net food exporter but whose total food bill takes a large percentage of its export receipts. It noted that Lebanon's food bill accounts for 40% of its export revenues, making it, along with Palestine with a 90% ratio, the most vulnerable ESCWA countries in this category.

Also, it said Lebanon's cereal yield is 2,619 kilograms per hectare, compared to the 2,302 kg per hectare for the ESCWA region and 3,292 kg per hectare globally. Accordingly, Lebanon has the fifth highest cereal yield among ESCWA members, behind Egypt, Saudi Arabia, Qatar and Oman. Further, Lebanon's cereal land reached 0.016 hectares per capita, the fifth highest in the region behind Sudan, Syria, Egypt and Saudi Arabia.

In parallel, it estimated Lebanon's renewable freshwater per capita at 1,172 cubic meters, compared to 246 cubic meters in the ESCWA region and 6,480 cubic meters globally. It noted that Lebanon's irrigated land stood at 31% of the country's crop land compared to 55% for ESCWA members and 26% globally. Further, it estimated the use of fertilizers in Lebanon at 146,700 mg per hectare relative to 187,600 mg per hectare in the ESCWA region and 192,400 mg per hectare worldwide. Also, ESCWA indicated that Lebanon's actual arable land reached 306,000 hectares, with an additional 269,000 hectares of potential arable land.

Wine consumption in Lebanon up 10% to 4.7 million bottles in 2010

The International Wine and Spirit Research (IWSR) indicated that the consumption of local and foreign wine in Lebanon reached 4.72 million bottles in 2010, constituting an increase of 9.5% from the previous year. It said that wine consumption in Lebanon accounted for 26% of total alcohol consumption in the country last year, compared to a 59% market share for spirits, and a 15% share for beer & cider. It added that consumption of local and foreign wines increased by 11.2% annually over the 2006-2010 period, exceeding the annual growth rate of 8.3% for spirits consumption over the covered period. Further, the IWSR indicated that consumption of Lebanese wines grew by 12% annually during the 2006-2010 period, while that of foreign wines increased by 5.8% during the same period of time. It also noted that around 3.6 million bottles of local wine were sold last year, accounting for over 75% of total wine sales in Lebanon, according to *lecommercedulevant.com*. The UK-based IWSR is a provider of data and market intelligence on the global wines and spirits markets.

Central Bank foreign assets down 2.4% to \$30bn in first half of 2011

The Central Bank's interim balance sheet reached \$66.1bn at the end of June 2011 compared to \$62.6bn at the end of 2010 and to \$58.2bn at end-June 2010. Assets in foreign currencies decreased by 2.4% in the first half of the year to \$29.9bn from \$30.6bn at the end of 2010. Assets in foreign currencies increased by \$87m in April, \$118.7m in March, while they declined by \$93.8m in June, \$544.4m in May, \$247.8m in February and \$64.6m in January 2011. This resulted in an aggregate decrease of nearly \$745m in the first half, with declines of \$193.6m in the first quarter and of \$551.2m in the second quarter of 2011. Further, assets in foreign currencies decreased by \$490.7m, or 1.6%, year-on-year.

The value of the Central Bank's gold reserves increased by 7% in the first half of 2011 and by 21.4% year-on-year to \$13.9bn, reaching a new all-time high due to the rise in global gold prices. Its securities portfolio increased by 17% in the first half and by 30.5% annually to \$11.2bn. Loans to the local financial sector rose by \$506.5m, or 67.2% year-to-June to \$1.26bn, due primarily to a loan extended to a small Lebanese bank. Further, deposits of the financial sector rose by \$2.46bn, or 5.8%, in the first half of the year and by \$4.45bn or 11% annually to \$45.2bn, reflecting the slowdown in capital inflows into the banking sector; while deposits of the public sector declined by 14.5% year-to-June and by 8.7% year-on-year to \$5.3bn. Assets in foreign currencies increased by \$2.3bn in 2010, \$8.6bn in 2009 and \$7.34bn in 2008.

Association of Banks elects new Board of Directors

The General Assembly of the Association of Banks in Lebanon elected a new Board of Directors to a two-year term. The board members are Dr. Francois Bassil, Chairman & General Manager of Byblos Bank sal; Mr. Saad Azhari, Chairman & General Manager of BLOM Bank sal; Mr. Raymond Audi, Chairman & General Manager of Bank Audi sal; Dr. Joseph Torbey, Chairman & General Manager of Crédit Libanais; Dr. Tanal Sabbah, Chairman & General Manager of the Lebanese-Swiss Bank; Nadim Kassar (FransaInvest), Farid Raphael (Banque Libano-Française), Mohammad Hariri (BankMed), Antoun Sehnaoui (SGBL), Ghassan Assaf (Bank of Beirut & the Arab Countries), Selim Sfeir (Bank of Beirut), and Abdel-Razzak Achour (Fenicia Bank). In turn, the new board elected Dr. Joseph Torbey as the Association's President, Mr. Saad Azhari as Vice President, Mr. Raymond Audi as Secretary General and Dr. Tanal Sabbah as Treasurer.

Stock market activity down 77% to \$341m in first half of 2011

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 53.2 million shares in the first half of 2011, constituting a decrease of 57% from the same period last year; while aggregate turnover amounted to \$341m, down 77% from a turnover of \$1.46bn in the first six months of 2010. Market capitalization decreased by 9.4% from end-June 2010 to \$11.3bn, of which 71% was in banking stocks and 26% in real estate stocks. The market liquidity ratio was 3% compared to 11.7% a year earlier. Bank stocks accounted for 85.3% of aggregate trading volume in the first half of the year, followed by real estate stocks with 14.3%. In terms of value of shares traded, banking stocks accounted for 56.9% of aggregate value, followed by real estate stocks with 41%. The average daily traded volume for the period was 443,131 shares for an average daily value of \$2.8m. The figures reflect decreases of 57% in volume and 77% in value year-on-year.

RYMCO's profits down 81% to \$0.4m in 2010

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) declared net profits of \$0.4m in 2010, constituting a decline of 80.7% from \$2.1m in 2009. Sales revenues (net of discounts) totaled \$170.7m, posting a 14.2% decrease year-on-year. General and administrative expenses increased by 3.8% to \$5.7m, while marketing expenses increased by 6.1% to \$1.6m and salaries increased by 9.5% to \$8.2m in 2010. RYMCO's total assets and total equity amounted to \$156.5m and \$52.2m at the end of 2010, respectively, compared to \$137.2m and \$51.8m at the end of 2009. Annualized earnings per share stood at 1.5 cents compared to 7.7 cents in 2009. RYMCO is the only car retailer listed on the Beirut bourse.

BLC Bank's net income up 14% to \$9.3m in first quarter of 2011

BLC Bank sal, one of Lebanon's listed banks, announced unaudited net profits of \$9.3m in the first quarter of 2011, up 13.8% from the same period last year. Net interest income rose by 55.3% to \$21.5m, while net fee & commission receipts increased by 50.4% to \$3.7m and net interest gains on trading portfolio posted a loss of \$40,000 in the first quarter of 2011 compared to gains of \$113,000 in the same period last year. General administrative expenses increased by 72% to \$5.5m and staff costs rose by 45.3% to \$9.1m year-on-year. Total assets reached \$3.9bn at end-March 2011 up 27.2% from end-2010; while loans & advances to customers increased by 81.3% to \$1.2bn over the same period. The bank held \$64.6m in assets acquired in satisfaction of loans at end-March 2011, slightly up from \$63.8m at end-2010. Customer deposits totaled \$3.3bn, an increase of 26.5% from end-2010. In August 2007, Fransabank acquired 97.52% of BLC Bank sal from the Qatari Supreme Council for Economic Affairs. It then sold a majority stake in BLC to the Maurice Sehnaoui Group in April 2008.

Solidere reschedules General Assembly

The Board of Directors of Solidere sal, the Lebanese Company for the Development and Reconstruction of the Beirut Central District, rescheduled its Annual General Assembly that was planned on June 30, 2011 to August 1, 2011 due to the lack of quorum. 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, Lebanon's largest firm in terms of market capitalization, posted net profits of \$196.4m in 2010, up 7.8% from \$182.2m in 2009. Revenues from land and real estate sales rose by 10.5% to \$337.2m in 2010, while revenues from rental properties increased by 51.4% to \$41.2m year-on-year. Also, income from services increased 164% annually to \$8.3m in 2010. Further, the firm recorded total net operating revenues of \$272.2m, up 16.4% year-on-year. Solidere stated that its consolidated assets totaled \$2.53bn and increased by 8.2% from end-2009, as inventory of land and projects in progress totaled \$1.1bn at end-2010 slightly down from \$1.11bn a year earlier.

Banque BEMO announces dividends for preferred shares

Banque BEMO sal, one of Lebanon's listed banks, announced that its Ordinary General Assembly held on May 28, 2011 approved the distribution of \$1.6m in dividends for holders of preferred shares. The dividends are equivalent to LBP12,060, or \$8 per preferred share. Banque BEMO posted net profits of \$8.4m in 2010, constituting an increase of 7.3% from the previous year. Total assets reached \$1.21bn at end-2010, down 0.5% from end-2009 and customer loans & advances rose by 13.9% to \$471.4m. Customer deposits grew by 4% year-on-year to \$996.2m at end-2010.

BBAC raises capital, announces dividends

BBAC sal, one of Lebanon's top 10 banks, announced that its Ordinary General Assembly approved the distribution of dividends equivalent to LBP110 or \$0.073 per share in 2010, constituting a 10% increase from 2009. Also, the bank raised its capital by LBP 72bn to LBP 149bn from LBP77bn to support the bank's domestic and international expansion plan. 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. 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.

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	Mar 2010	Feb 2011	Mar 2011	Change*	Risk Level
Political Risk Rating	58.5	56.5	55.5	▼	High
Financial Risk Rating	28.0	28.5	28.5	▲	High
Economic Risk Rating	35.5	32.5	32.5	▼	Moderate
Composite Risk Rating	61.0	58.7	58.2	▼	High

Regional Average	Mar 2010	Feb 2011	Mar 2011	Change*	Risk Level
Political Risk Rating	64.9	62.6	60.7	▼	Moderate
Financial Risk Rating	42.2	42.2	41.9	▼	Very Low
Economic Risk Rating	36.8	38.0	37.6	▲	Low
Composite Risk Rating	71.9	71.4	70.1	▼	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

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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