

LEBANON THIS WEEK

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Bank of Beirut to distribute dividends for 2011

Companie du Casino du Liban announces dividends

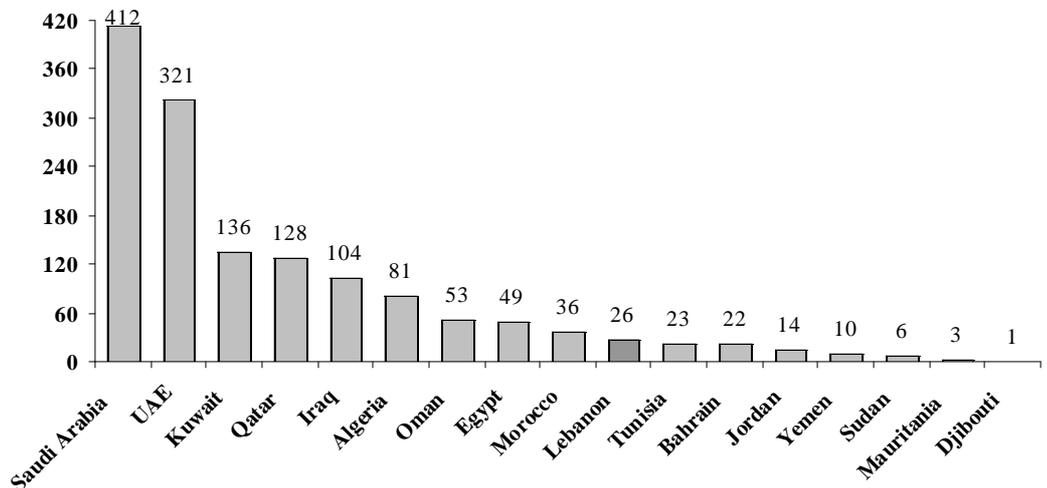
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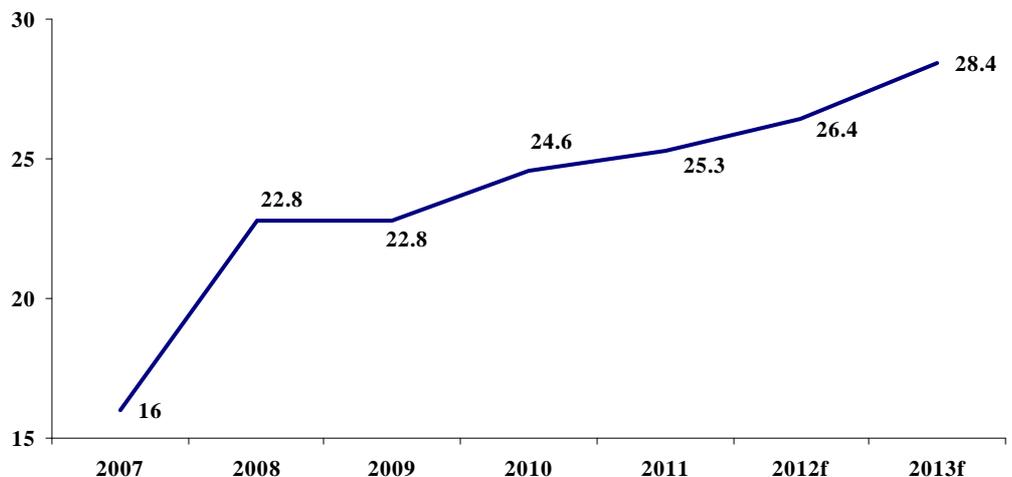
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Charts of the Week

Projected Exports of Goods and Services from Arab Countries in 2012 (\$bn)



Exports of Goods and Services from Lebanon (\$bn)



Source: International Monetary Fund - April 2012, Byblos Bank

Quote to Note

"The inclusion of these receipts in the budget figures is somewhat controversial, given that the actual cash does not reach the Ministry of Finance until the end of the year and only after certain deductions have been made."

Citigroup, on the practice of including telecommunications receipts in monthly fiscal results, even though the actual receipts are not transferred to the Finance Ministry's account

Number of the Week

129: Lebanon's rank among 142 countries on the political and regulatory environment for information and communication technology, according to the World Economic Forum/INSEAD's Networked Readiness Index for 2012

Economic Indicators

\$m (unless otherwise mentioned)	2010	Jan 11	2011	Nov 11	Dec 11	Jan 12	% Change*
Exports	4,256	297	4,276	347	338	348	17.17
Imports	17,956	1,729	20,170	1,579	1,665	1,454	(15.91)
Trade Balance	(13,700)	(1,432)	(15,894)	(1,232)	(1,327)	(1,106)	(22.77)
Balance of Payments	3,326	(772)	(1,996)	(559)	692	(290)	(62.44)
Checks Cleared in LBP	13,519	1,206	14,251	1,042	1,370	1,246	3.32
Checks Cleared in FC	53,925	4,404	57,852	4,506	5,094	4,665	5.93
Total Checks Cleared	67,444	5,610	72,103	5,548	6,464	5,911	5.37
Budget Deficit/Surplus	(2,894)	(48)	(2,342)	(436)	(391)	(176)	262.69
Primary Balance	1,231	202	1,662	(95)	(73)	33	(83.65)
Airport Passengers	5,512,435	369,735	5,596,034	471,120	441,214	424,741	14.88

\$bn (unless otherwise mentioned)	Dec 2010	Jan 11	Oct 11	Nov 11	Dec 11	Jan 12	% Change*
BdL FX Reserves	28.60	28.30	30.51	30.82	30.82	30.74	8.62
<i>In months of Imports</i>	<i>19.46</i>	<i>16.37</i>	<i>12.17</i>	<i>19.52</i>	<i>18.51</i>	<i>21.14</i>	<i>29.17</i>
Public Debt	52.59	52.31	54.22	54.05	53.64	53.65	2.56
Net Public Debt	45.01	44.95	45.78	46.10	46.35	46.54	3.54
Bank Assets	128.93	128.41	139.54	139.43	140.58	142.85	11.25
Bank Deposits (Private Sector)	107.20	106.13	114.19	114.15	115.72	116.69	9.95
Bank Loans to Private Sector	34.93	35.31	39.22	39.60	39.38	40.51	14.73
Money Supply M2	39.40	37.12	37.90	38.42	38.90	39.09	5.31
Money Supply M3	92.15	91.57	96.26	96.32	97.23	97.49	6.46
LBP Lending Rate (%)	7.91	7.71	7.27	7.31	7.38	7.19	(52b.p.)
LBP Deposit Rate (%)	5.68	5.63	5.60	5.59	5.63	5.60	(3b.p.)
USD Lending Rate (%)	6.74	7.14	7.10	6.99	7.02	6.99	(15b.p.)
USD Deposit Rate (%)	2.80	2.84	2.82	2.84	2.83	2.87	3b.p.
%* Change in CPI**	6.19	6.92	3.14	3.89	4.27	4.47	(245b.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"	13.52	1.96	295,348	12.91%
Solidere "B"	13.55	3.12	79,302	8.41%
Byblos Common	1.60	(0.62)	423,215	5.49%
Byblos Pref. 08	100.00	(0.99)	15,370	1.91%
Byblos Pref. 09	101.00	0.00	9,902	1.93%
BLOM GDR	7.61	(4.16)	70,556	5.37%
BLOM Listed	7.69	(0.77)	10,823	15.78%
Audi GDR	6.25	(0.79)	529,521	5.97%
Audi Listed	6.15	2.84	47,808	20.51%
HOLCIM	18.00	5.94	1,042	3.35%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Sep. 2012	7.750	100.13	7.37
June 2013	8.625	107.00	2.55
Apr. 2014	7.375	107.63	3.39
Jan. 2015	5.875	104.50	4.12
Apr. 2015	10.00	117.50	3.82
Jan. 2016	8.500	114.25	4.35
Mar. 2017	9.000	118.35	4.78
Nov. 2018	5.150	100.50	5.06
Apr. 2021	8.250	118.50	5.61
Nov. 2026	6.600	102.50	6.34

Source: Byblos Bank Capital Markets

	April 23-27	April 17-20	% Change	March 2012	March 2011	% Change
Total Shares Traded	1,516,912	684,445	121.63	5,403,251	12,601,873	(57.12)
Total Value Traded	\$13,381,656	\$10,447,775	28.08	\$31,601,350	\$72,865,526	(56.63)
Market Capitalization	\$10.48bn	\$10.40bn	0.78	\$10.84bn	\$12.09bn	(10.39)

Source: Beirut Stock Exchange (BSE)



Consumer confidence in Lebanon drops to record low in fourth quarter of 2011

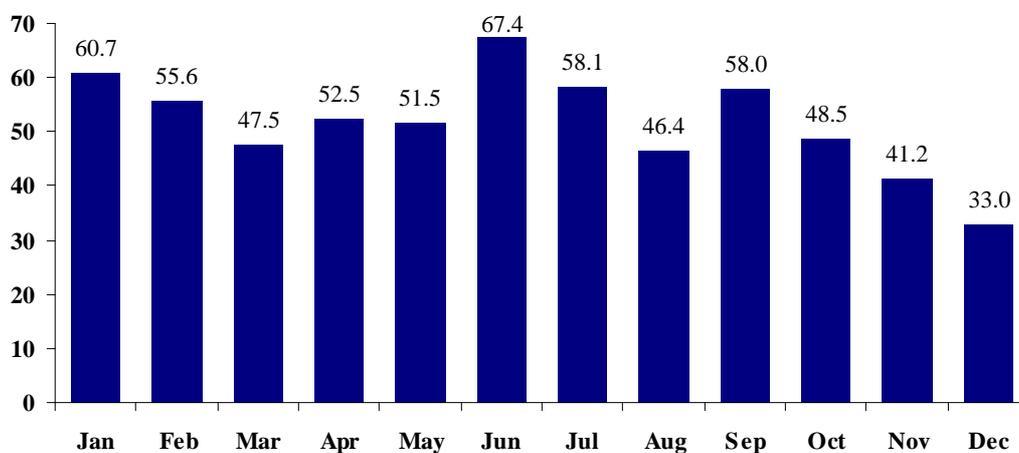
The level of consumer confidence in Lebanon declined markedly in the fourth quarter of 2011, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index in October, November and December. The index reached 48.5 in the October 2011 survey, constituting a drop of 16.4% from 58 in September. It further declined by 15% in November to 41.2, which was followed by a contraction of nearly 20% in December to 33. The Byblos Bank/AUB Consumer Confidence Index outcome for December was the lowest since the start of the index's calculation in July 2007. Also, the index averaged 40.9 during the fourth quarter of 2011, its lowest reading in 18 quarters. As a result, the Byblos Bank/AUB Consumer Confidence Index posted an average monthly value of 51.7 in 2011, constituting its lowest level on a calendar basis since the start of index's calculation, as the index contracted by 29% last year compared to a decline of 24.7% in 2010 and an increase of 18.5% in 2009.

The analysis of the results indicates that the escalating Syrian crisis and the dispute over the minimum wage and salary adjustment issue were the main factors affecting the confidence of Lebanese consumers during the fourth quarter of 2011. The increase in the cost of living and the deterioration in the quality of basic day-to-day public services also affected consumer sentiment. Also, The Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index moved in the same direction as the Byblos Bank/AUB Consumer Confidence Index during the fourth quarter of 2011. The results also revealed that the near-term expectations of consumers were consistently higher than their views of their current conditions during the fourth quarter of 2011, in line with past trends. They further show that male consumers displayed a relatively higher level of confidence than their female counterparts; consumers aged between 21 and 29 years had a higher level of confidence than other age brackets; and consumers with household income above \$2,000 per month had a higher level of confidence than those earning less. Moreover, private sector employees continued to post a higher level of confidence than the unemployed, the self-employed and public sector employees. In addition, consumers from the North posted the highest confidence level across administrative districts, or mohafaza, followed by Mount Lebanon, Beirut, the South and the Bekaa. Further, Christian consumers continued to have the highest level of confidence among religious affiliations, in line with past trends, and were followed by Sunni, Druze and Shiite consumers.

In parallel, the results show that the December survey posted the highest percentage of pessimistic respondents since the start of the survey in terms of personal financial conditions, business conditions, and personal borrowing plans. The analysis revealed that 23 out of 26 sub-categories of the Byblos Bank/AUB Consumer Confidence Index posted record lows during the fourth quarter of 2011.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation, in line with leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index, which covers the current economic and financial conditions of Lebanese consumers, and the Byblos Bank/AUB Expectations Index, which addresses their outlook over the coming six months. In addition, the data segregates the index based on age, gender, income, profession, administrative district, and religious affiliation. The index has been calculated on a monthly basis since July 2007, with January 2009 as its base month. It is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon.

Monthly Byblos Bank/AUB Consumer Confidence Index in 2011



Source: Byblos Research and AUB, based on surveys conducted by Statistics Lebanon

Lebanon is 76th deepest market globally in bank account penetration, 11th deepest in new loans extended in 2011

Figures issued by the World Bank show that 37% of Lebanese above 15 years old had an individual or a joint account at the end of 2011 at a formal financial institution, which is defined as a commercial bank, credit union, cooperative, post office or microfinance institution. Lebanon's account penetration rate ranks in 76th place among 148 countries globally, in 25th place among 39 upper-middle income countries (UMICs), and in third place among 12 countries in the Middle East and North Africa (MENA) region. Globally, Lebanon tied with Ecuador, ranked ahead of India and Argentina, and came behind the Dominican Republic and Angola. It also tied with Ecuador, ranked ahead of Algeria, and came behind the Dominican Republic among UMICs; while it came behind only Morocco and Iran in the MENA region. Lebanon's bank account penetration is lower than the global penetration rate of 50% and the UMIC's penetration rate of 57%, but is more than twice the MENA region's penetration rate of 18%.

On a gender basis, 50% of Lebanese males and 26% of Lebanese females above 15 years of age had an individual or a joint bank account at the end of 2011. The account penetration rate of Lebanese females was the 77th highest globally, 28th largest among UMICs, and third highest regionally. The share of females in Lebanon with an account or a joint account is lower than the global and the UMICs' averages of 47% and 53%, respectively, but is twice as high as the MENA region's rate of 13%. Similarly, Lebanese males' bank account penetration rate is lower than the global rate of 55% and the UMICs' rate of 62%, but is more than twice the MENA region's rate of 23%.

In parallel, 17% of Lebanese above 15 years old had a savings account at a bank. Lebanon ranks in 54th place globally, in 10th place among UMICs and in second place in the MENA region in this category. Globally, Lebanon tied with Hungary, Saudi Arabia, Bangladesh, Mozambique, Zimbabwe and Bolivia, ranked ahead of Angola and Ghana, and came behind Haiti and Poland. It also ranked ahead of the Dominican Republic and behind Costa Rica among UMICs, while it came behind only Iran in the MENA region. The share of Lebanese who had savings at a financial institution in the past year was lower than the global figure of 22% and the UMICs' share of 24%, but significantly higher than the MENA region's savings rate of 5%.

Further, 11% of Lebanese above 15 years of age took a new loan from a formal financial institution last year. Lebanon ranked in 47th place globally, in 14th place among UMICs and in third place regionally in terms of new loans penetration. Globally, Lebanon tied with 11 countries, ranked ahead of Singapore and Taiwan, and came behind Serbia and Colombia. It tied with Malaysia, Ecuador and Macedonia, ranked ahead of Panama, and came behind Serbia among UMICs. The share of Lebanese borrowing from a bank last year was higher than the global figure of 9%, the UMICs' share of 8% and that of the MENA region of 5%. Also, 12% of Lebanese above 15 years of age took a new loan from family or friends last year, which ranks Lebanon in 114th place globally, in 31st place among UMICs and in last place in the MENA region.

In parallel, the World Bank indicated that 11% of Lebanese adults utilized a credit card in 2011, which ranks Lebanon in 63rd place globally, in 19th place among UMICs, and in second place regionally in terms of credit card usage. Also, 6% of Lebanese adults had an outstanding mortgage, constituting the 45th largest share globally, the 6th highest among UMICs, and the third largest in the MENA region. According to the World Bank, 8% of Lebanese adults paid personally for their healthcare coverage last year, the 15th highest share globally, the 10th highest among UMICs and the third highest regionally.

Rent-to-own draft law to increase home ownership access for low income individuals

The Cabinet approved a rent-to-own draft law that would allow low-income individuals in Lebanon to own houses without having to put down payments. The draft law is a result of cooperation between the Public Corporation for Housing (PCH) representing the government, commercial banks, and the private sector. The rent-to-own draft law authorizes real estate transactions whereby a property is rented in exchange for yearly or monthly payments, and would allow the renter the option to eventually own the property. The law would exempt the renter from a down payment, which is a standard condition of banks to extend a regular mortgage. The draft law also provides incentives to developers to build properties dedicated for rent-to-own. The incentives include exemptions from construction permit fees, and exemptions from insurance fees in case the developer takes out a loan to build the property. Other incentives consist of waiving stamp fees on all documents and transactions related to building the property; and waving all stamp fees for rent-to-own contracts between landlords and tenants. Also, commercial banks that extend loans to the developers will be able to use their reserve requirements based on a proportion to be determined by the Central Bank of Lebanon. The draft law is awaiting the approval of the Parliament. The government approved the draft law and passed it to Parliament. The Parliament's Justice and Administration Committee discussed the draft law, but Parliament has yet to ratify it on the grounds that it might be voted as a package that would include the amendments to the rental law.

Share of adult population with an account at a formal financial institution (%)

	All Adults	Women
Iran	74	62
Morocco	39	27
Lebanon	37	26
Algeria	33	20
Tunisia	32	25
Jordan	25	17
Syria	23	20
West Bank & Gaza	19	10
Djibouti	12	9
Iraq	11	8
Egypt	10	7
Yemen	4	1

Source: World Bank

Occupancy at Beirut hotels at 66%, room yields up 44% in first quarter of 2012

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 66% in the first quarter of 2012 compared to 47% in the same quarter last year. The occupancy rate at Beirut hotels was the 11th highest among 21 markets in the region, while it was the seventh lowest in the first quarter last year. Occupancy rates at Beirut hotels were 60% in January, 64% in February and 74% in March 2012 compared to 44% in January, 42% in February and 53% in March 2011.

The survey said the average rate per room at Beirut hotels was \$210 in the first quarter of 2012, ranking the capital's hotels as the 12th most expensive in the region. The average rate per room at Beirut hotels increased by 1.7% year-on-year, and posted the eighth highest increase among all markets in the region. The average rate per room in Beirut came above the regional average of \$189.1, which dropped by 2.4% from \$193.7 in the same period last year.

Further, revenues per available room (RevPAR) were \$140 in Beirut in the first quarter of 2012, up from \$99 in the same period last year, and ranking it in 11th place in the region. Beirut's RevPAR increased 44.1% year-on-year, compared to an increase of 4.5% across the region, and posted the second highest increase in the region after Amman with a rise of 48.7%. Beirut posted RevPARs of \$139 in January, \$131 in February and \$149 in March 2012 compared to \$99 in January, \$84 in February and \$107 in March 2011. Dubai-Beach posted the highest average room rate in the region at \$406 and the highest RevPAR at \$341, while Dubai-Apartments posted the highest occupancy rate at 94% in the first quarter of 2012.

Hotel Performance in first quarter of 2012

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai Apartments	94	124	14.7
Dubai City	90	192	11.7
Makkah	88	190	17.5
Dubai Overall	88	242	9.0
Dubai Beach	83	341	2.8
Abu Dhabi	81	174	(16.0)
Amman	80	114	48.7
Muscat	79	169	2.7
Jeddah	79	182	26.4
Madina	72	123	43.6
Beirut	66	140	44.1
Doha	66	175	(16.4)
Riyadh	63	150	(3.2)
Sharm Shaikh	59	27	5.9
Al Ain	59	89	(17.4)
Cairo Pyramids	55	68	6.8
Kuwait	55	150	(16.3)
Hurghada	52	16	(11.7)
Manama	40	90	7.4
Cairo Overall	37	41	(19.4)
Cairo City	34	36	(24.9)

Source: Ernst & Young, Byblos Research

Tax revenues in Lebanon are vulnerable to economic cycles in remittance-sending countries

The International Monetary Fund indicated that remittance inflows constitute a channel that transmits external shocks to domestic public finances. As such, it said that public finances in Lebanon would be vulnerable to a slowdown in the economic activity of remittance-sending countries. It estimated that GCC economies and North America account for about 70% and 10% of remittance inflows to Lebanon, respectively. The IMF said that remittances to Lebanon tend to be spent on consumption of both imported and domestically produced goods, rather than on investment. It added that remittances are not directly taxed, but that they have an indirect effect on tax revenues through their impact on private aggregate demand. It noted that, by affecting consumption and imports, remittance inflows would affect the size of tax receipts.

A simulation by the IMF showed that a contraction of 0.26% in the economic activity of remittance-sending countries to Lebanon in 2009 would explain about 20% of the change in the primary fiscal balance. It considered that the change in total tax revenues due to the economic slowdown in 2009 would represent a sizable share of the deterioration of Lebanon's primary fiscal balance. The simulation revealed that the contraction in remittance-sending countries' real GDP led to a net decline in remittances to Lebanon by 0.84% in 2009. In turn, this decline reduced Lebanon's total tax revenues by 0.27% of GDP. It specified that the fiscal impact of remittances is more pronounced for sales tax revenues, which dropped by 0.22% of GDP, than for trade tax revenues, which fell by 0.05% of GDP according to the simulation.

In parallel, the simulation showed that a recovery in real GDP growth of 3.88% in remittance-sending countries during 2010 would have led to an increase of 12.4% in remittances to Lebanon. It revealed that the recovery in the sending countries led to an increase in Lebanon's total tax revenues by 0.23% of GDP, which includes an increase of 0.18% of GDP in sales tax revenues and a rise of 0.06% of GDP in trade tax receipts.

Raising tobacco taxes would increase government revenues by 52% and reduce smoking

A simulation conducted by the AUB Tobacco Control Research Group estimated that raising taxes on domestic and imported tobacco would increase government revenues by 52% and help reduce consumption substantially. It indicated that total spending on the consumption of imported cigarettes, local cigarettes and water-pipe tobacco totaled \$553m in 2010 and included \$512m spent on 307 million packs of imported cigarettes. It added that the Lebanese government currently derives around \$230m per year in tobacco tax revenues, excluding profits accrued by the national public tobacco production and trade monopoly (Regie). It noted that the receipts are affected by cross-border smuggling, which is estimated at 15% of revenues. It said that government revenues from tobacco taxation come mainly from ad-valorem excise, customs, and value-added taxes. Further, taxes currently constitute 30% to 50% of the retail price in Lebanon, which is much lower than the 70% to 80% share in upper middle income countries (UMICs). It noted that there is substantial room for increasing the price of tobacco products, given that the average price of an imported pack of cigarettes costs \$1.6 in Lebanon compared to \$2.5 per pack in UMICs and \$5 per pack in high income countries.

The simulation showed that raising tobacco taxation by 140% would generate \$127m in additional public revenues, which would constitute an increase of 52% from current receipts. The results also show that for every 10% increase in imported cigarette prices, the quantity consumed would drop by 2.2%. Further, in line with international findings, the study revealed that raising tobacco taxes would lower local cigarette consumption by 92%, reduce imported cigarette consumption by 7%, and diminish water-pipe tobacco consumption by 26%. It noted that the 52% rise in revenues would take place even under an extreme scenario of a tripling in cross-border smuggling activity.

It noted that the tax hikes would include raising ad-valorem excise tax by 50%, as well as enacting a new per pack excise tax that consists of LBP250 per pack on local cigarettes, LBP1,500 per pack on imported cigarettes, and LBP500 per pack on water-pipe tobacco packs. Under this scenario, prices of imported cigarettes would increase from an average LBP2,500 per pack to LBP4,750 per pack, which would align them with international prices; while tax share would increase from the current 50% to 73% of retail prices for imported cigarettes. The study concluded that higher tobacco taxes said that adopting these measures would be in line with Lebanon's International commitment to the Framework Convention on Tobacco Control.

Consumer Price Index up 4% annually in March

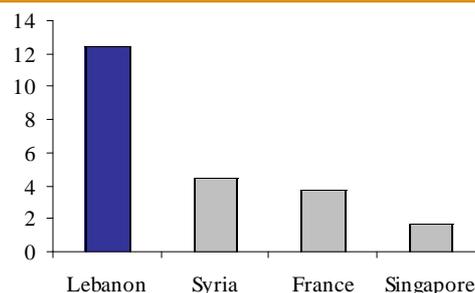
The Central Administration of Statistics' Consumer Price Index indicates that inflation increased by 4% in March 2012 from March 2011. Prices of alcoholic beverages & tobacco increased by 11.3%, followed by education (+7.5%), transportation (+6.6%), food & non-alcoholic beverages (+6.3%), recreation & entertainment (+5.2%), restaurants & hotels (+4.7%), miscellaneous goods & services (+3.1%), water, electricity, gas & other fuels (+2.9%), clothing & footwear (+2.7%), health care (+2.3%) and furnishings & household equipment (+2.2%). In parallel, housing prices and communication prices remained unchanged. Imported inflation accounts for about 70% of inflation in the country, as Lebanon has an import-based economy. Lebanon imports most of its energy needs and the value of imports historically has been equivalent to about five times that of exports.

The Consumer Price Index increased by 0.7% in March 2012 from February 2012. Prices of transportation increased by 3.2%, followed by food & non-alcoholic beverages (+0.8%), water, electricity, gas & other fuels (+0.6%), clothing & footwear (+0.5%), alcoholic beverages & tobacco and furnishings & household equipment each (+0.3%), restaurants & hotels (+0.2%), health care and recreation & entertainment and miscellaneous goods & services each (+0.1%). Further, the cost of housing, communication and education remained unchanged month-on-month. The Consumer Price Index grew by 3.4% year-on-year in February 2012 and by 3.1% year-on-year in December 2011.

Construction permits up 4.1% in first two months of 2011

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits issued in the first two months of 2012 reached 2.2 million square meters, constituting an increase of 4.1% from 2.1 million square meters in the same period last year. Construction permits totaled 1.3 million square meters in February 2012, up 6.7% year-on-year from 1.2 million square meters in February 2011. In parallel, cement deliveries reached 584,000 tons in the first two months of 2012, a decrease of 8.2% from 636,000 tons in the same period last year. Cement deliveries reached 321,000 tons in February 2012, up 9.2% from 294,000 tons in February 2011.

Consumption of Cigarette Packs*



* Per person, per month

Source: AUB Tobacco Control Research Group

Cleared checks up 4%, returned checks increase by 14% in first two months of 2012

The value of cleared checks reached \$11.3bn in the first two months of 2012, constituting an increase of 4.2% from the same period of 2011. The value of cleared checks in Lebanese pounds rose by 0.8% to the equivalent of \$2.4bn, while the value of cleared checks in US dollars increased by 5.2% to \$8.9bn. The dollarization rate of cleared checks increased to 78.8% from 78.1% in the same period last year. Also, the value of returned checks in domestic and foreign currency amounted to \$239,000 in the first two months of 2012, up 14.4% from the same period last year. In parallel, the number of cleared checks totaled 2.1 million checks in the first two months of 2012, up 3.7% from the same period of 2011. Also, the number of returned checks totaled 46,000 checks and rose by 9.5% in the covered period.

Treasury transfers to Electricité du Liban up 275% in January 2012

Figures released by the Finance Ministry show that Treasury transfers to the money-losing state-owned utility Electricité du Liban (EdL) totaled \$235.5m in January 2012, constituting an increase of 275% from the same month last year. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to Algerian energy conglomerate Sonatrach accounted for \$232.8m, or 99% of transfers in the covered month; while EdL's debt servicing represented \$2.7m or 1% of the total. The ministry attributed the increase in transfers to a \$171m rise in payments for fuel and gas oil purchases. It said that payments for fuel and gas oil purchases posted a 279% increase in the first month of the year, reflecting a 51% rise in average oil prices according to which the payments were made, as well as a 50% rise in the volume of gas oil supplied by KPC and Sonatrach. It indicated that EdL contributed just 2% of the total oil bill in January 2012, the lowest share since 2008 and compared to 5% in the same month last year.

Corporate Highlights

Byblos Bank's profits at \$39m in first quarter of 2012

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, declared consolidated net profits of \$38.63m in the first quarter of 2012, constituting an increase of 0.2% from \$38.56m in the same period last year. Net interest income reached \$59.4m, down 21.5% year-on-year, while net fees & commission income increased by 11.2% to \$25.1m. As a result, operating income rose by 7.5% year-on-year to \$118.7m.

Total assets reached \$16.8bn at end-March 2012, constituting a rise of 1% from the end of 2011 and of 5.3% from end-March 2011; while net loans & advances to customers rose by 0.5% from end-2011 and by 6.9% from end-March 2011 to \$4bn at end-March 2012. Customers' deposits totaled \$13bn, increasing by 2.2% from end-2011 and by 6.9% from end-March 2011. The Bank's total equity reached \$1.66bn at end-March 2012, up 0.4% from end-2011. Earnings per common ordinary share rose by 4.9% to LBP 76.9, equivalent to \$0.05 per share. Also, the Bank's Capital Adequacy Ratio stood at 13.6% according to Basel II criteria. In parallel, net non-performing loans represented 1.08% of gross loans, with the coverage ratio reaching 123.7% when accounting for collective provisions. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Aggregate profits of listed banks rise 3% in first quarter of 2012

Financial results issued by five banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$240.7m in the first quarter of 2012, constituting an increase of 2.7% from \$234.4m in the same period last year compared to growth of 13% in the first quarter of 2011. The average year-on-year change net profits of the five banks contracted by 7.5% in the first three months of 2012, primarily caused by a decline in Banque BEMO's net profits of 53.6% year-on-year. This constituted a decrease from the average growth in net profits of 3.8% in 2011, and from the average growth in net profits of 17.3% in the first quarter of 2011. The aggregate net interest income of the five banks reached \$372.4m in the first quarter of 2012, up 2.5% from \$363.3m in the same period last year, while their total net fees and commission income increased by 7.4% to \$118.6m year-on-year. Total operating income of the listed banks reached \$681.9m in the first quarter of 2012, up 17% from \$582.7m in the same period last year.

In parallel, the aggregate assets of the five banks rose by 0.6% from end-2011 and by 2.8% from end-March 2011 to \$80.2bn, while their total loans, excluding loans to related parties, increased by 1.7% from end-2011 and by 4.6% from end-March 2011 to \$22.1bn. Also, the banks' customer deposits rose by 0.2% from end-2011 and by 2.8% from end-March 2011 to reach \$66.1bn. BLOM Bank posted the lowest loans-to-deposits ratio at 27.6% compared to 27.2% at end-March 2011, followed by Byblos Bank with a ratio of 30.9% unchanged from end-March 2011, Bank Audi with 35.9% from 34.4% at end-March 2011, Bank of Beirut with 43.8% from 44.8% a year earlier, and Banque BEMO with a 48.1% ratio unchanged from end-March 2011.

Results of Listed Banks for First Quarter of 2012					
	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$38.6m	\$84.1m	\$94.5m	\$22.0m	\$1.4m
% Change*	0.2%	2.5%	4.5%	8.8%	(53.6%)
Total Assets	\$16.76bn	\$23.77bn	\$28.66bn	\$9.56bn	\$1.48bn
% Change**	1.0%	2.6%	(0.3%)	(1.7%)	(3.0%)
Loans (1)	\$4.02bn	\$5.66bn	\$8.68bn	\$3.18bn	\$0.56bn
% Change**	0.5%	1.6%	3.1%	(0.5%)	1.4%
Deposits (1)	\$12.99bn	\$20.50bn	\$24.20bn	\$7.26bn	\$1.16bn
% Change**	2.2%	1.9%	(1.7%)	(2.0%)	4.0%

*Year-on-year

**Change from end-2011

(1) Customer Loans and Deposits, excluding related parties' Loans and Deposits

BLOM Bank announces dividends for 2011

BLOM Bank sal announced that its Ordinary General Assembly held on April 19, 2012 approved dividends distribution of \$0.7 per share for shareholders carrying 2011 Preferred Shares, LBP675 (\$0.45) per share for shareholders carrying common shares, and LBP675 (\$0.45) per share for shareholders carrying GDRs. Dividends on preferred shares will be paid starting April 26, 2012 net of a 5% distribution tax; those on common shares starting on April 27 and those of GDRs starting on May 4th. BLOM Bank posted unaudited consolidated net profits of \$331.5m in 2011, almost unchanged from the previous year. Total assets reached \$23.2bn at end-2011, constituting a 3.7% rise from end-2010, while loans & advances to customers increased by 7.6% year-on-year to \$5.6bn. Customer deposits totaled \$20.2bn at end-2011, up 3.6% from end-2010.

Banque Libano-Française declares dividends for 2011

Banque Libano-Française sal announced that its Ordinary General Assembly held on April 25, 2012 approved dividends distribution of \$8 per share for shareholders carrying Preferred Shares Series 2 and \$7 per share for shareholders carrying Preferred Shares Series 3. The dividends will be paid starting April 28, 2012 net of a 5% distribution tax. BLF posted unaudited consolidated net profits of \$62.9m in 2011, constituting a decrease of 20.8% from 2010. Total assets of the bank reached \$10.16bn at end-2011, constituting a 17.3% rise from end-2010, while loans & advances to customers increased by 15.5% year-on-year to \$3.3bn. Customer deposits totaled \$8.6bn at end-2011, up 18.7% from end-2010.

Bank of Beirut to distribute dividends for 2011

Bank of Beirut sal announced that its Ordinary General Assembly held on April 12, 2012 approved the distribution of dividends for 2011. The bank will pay \$52.5m to the holders of common shares and preferred shares, equivalent to a 57% payout ratio. The bearers of Common Shares will receive at total of \$21.8m, equivalent to \$0.43 per share. Also, the bank will distribute \$9m to the holders of Preferred Shares Series D and \$4.8m the holders of Preferred Shares Series E. It will also distribute \$6m to holders of Preferred Shares Series F, \$8.4m to holders of Preferred Shares Series G, and \$2.5m to holders of Preferred Shares Series H.

Companie du Casino du Liban announces dividends

The Companie du Casino du Liban sal (CCL) approved the distribution of \$35 per share in dividends for 2011, subject to a 5% distribution tax, compared to \$155 per share in 2010. CCL's shares, which are traded in the over-the-counter market, are currently sold at \$540 per share compared to about \$380 per share in 2009. In parallel, CCL announced that it has transferred around \$243m in revenues to the Ministry of Finance, given that the latter receives 40% of the company's annual revenues under a 30-year management contract. The CCL's transfers to the Ministry of Finance totaled \$140m in 2010. Intra Investment Company sal, the government-controlled investment firm, owns 51% of CCL.

Ratio Highlights

(in % unless specified)	2009	2010	2011	Change*
Nominal GDP ⁽¹⁾ (\$bn)	34.7	37.1	39.1	
External Debt / GDP	61.3	55.4	53.5	(190)
Local Debt / GDP	86.0	86.3	83.7	(260)
Total Debt / GDP	147.2	141.8	137.2	(460)
Total External Debt / GDP	176.1	167.0	163.2	(380)
Trade Balance / GDP	(36.8)	(36.9)	(40.7)	(380)
Exports / Imports	21.5	23.7	21.2	(250)
Budget Revenues / GDP	24.3	22.7	22.7	(5)
Budget Expenditures / GDP	32.8	30.6	27.2	(342)
Budget Balance / GDP	(8.5)	(7.9)	(6.0)	191
Primary Balance / GDP	3.1	3.2	4.3	105
BdL FX Reserves / M2	74.0	77.1	78.8	172
M3 / GDP	236.5	248.4	248.7	30
Bank Assets / GDP	332.1	347.5	359.5	1,200
Bank Deposits / GDP	276.0	289.0	296.0	695
Private Sector Loans / GDP	81.8	94.2	100.7	650
Dollarization of Deposits	64.5	63.2	65.9	270
Dollarization of Loans	84.0	80.3	78.4	(190)

* Change in basis points 10/11

(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	July 2010	June 2011	July 2011	Change*	Risk Level
Political Risk Rating	59.5	55.5	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	61.5	58.2	58.2	▼	High

Regional Average	July 2010	June 2011	July 2011	Change*	Risk Level
Political Risk Rating	64.7	59.9	59.8	▼	Moderate
Financial Risk Rating	42.1	42.0	42.1	↔	Very Low
Economic Risk Rating	38.3	36.6	36.8	▼	Low
Composite Risk Rating	72.5	69.3	69.4	▼	Moderate

*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 Ratings	B	B	Stable	B		Stable
Standard & Poor's	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-		Negative
EIU		B	Stable

Source: Rating agencies



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