

► ECONOMY

p.2 ► Commercial banks witness a strong lending growth in the first four months of 2010

The Lebanese banking sector continued to post solid performance over the first four months of this year, in line with the healthy economic activity in the country, with commercial banks' loans growing by 9.4% over that period.

Also in this issue:

- p.2 ► Balance of payments surplus at record high of US\$ 1,403 million in the first four months of 2010
- p.2 ► Tourism activity up 30% in the first four months of 2010
- p.3 ► Tax-free purchases up by 27% in the first four months of 2010
- p.3 ► Kafalat guarantees up by 42% in the first four months of 2010

► SURVEYS

p.4 ► Alpha banks net profits up by 31% in the first quarter of 2010

Top Lebanese banks registered strong growth in performance in the first quarter of 2010, with a strong rise in profits in a period where regional banks still face challenges in earning power. This positive trend is the continuation of the one witnessed last year, when the Lebanese banking sector has shown resilience to the global financial crisis within the context of an increased confidence from Lebanese residing abroad and GCC nationals.

► CORPORATE NEWS

p.5 ► Crédit Libanais' net profits up by 21% to US\$ 16.6 million in the first quarter of 2010

Crédit Libanais reported net profits of US\$ 16.6 million in the first quarter of 2010, up by 20.6% from US\$ 13.8 million in the first quarter of 2009.

Also in this issue:

- p.5 ► IBL Bank's total assets up by 11% to US\$ 2.9 billion at end-March 2010
- p.5 ► BBAC's net profits up by 25% to US\$ 8.5 million in the first quarter of 2010

► MARKETS IN BRIEF

p.6 ► Slow activity and stable mood govern all Lebanese capital markets

Activity was weak in all Lebanese capital markets during this week. On the equity market, trading activity was limited to US\$ 10 million, while share prices remained unchanged, as shown by a very tiny decline in the BSE price index of 0.02% to close at 143.04. In parallel, slow activity was observed on the Eurobond market during this week, with a modest foreign offer that was met with a local demand. All in all, bond prices decreased slightly while the average spread widened by seven basis points to 246 basis points on the back of a rise in Lebanese yields and a fall in benchmark yields, as fears about hefty write-downs by European banks sparked new worries about global economic recovery and unleashed demand for safe-haven debt instruments. On the foreign exchange market, FC-to-LP conversions persisted this week, yet in slower volumes relative to the previous week. A commercial demand for the green currency was observed in the interbank market, with the LP/US\$ interbank rate ranging between LP 1,501.00 and LP 1,501.50. On the other hand, the Central Bank of Lebanon intervened twice this week as a buyer of the US Dollar at the lower end of its intervention bracket LP 1,501.00.

► ECONOMY

Commercial banks witness a strong lending growth in the first four months of 2010

The Lebanese banking sector continued to post solid performances over the first four months of this year, in line with the healthy economic activity in the country. Measured by the consolidated assets of banks operating in Lebanon, total bank activity grew by 4.7% in the first four months of 2010, moving from US\$ 115.3 billion at end-December 2009 to US\$ 120.6 billion at end-April 2010, a progression about two times higher than that the average growth recorded over the previous eight years.

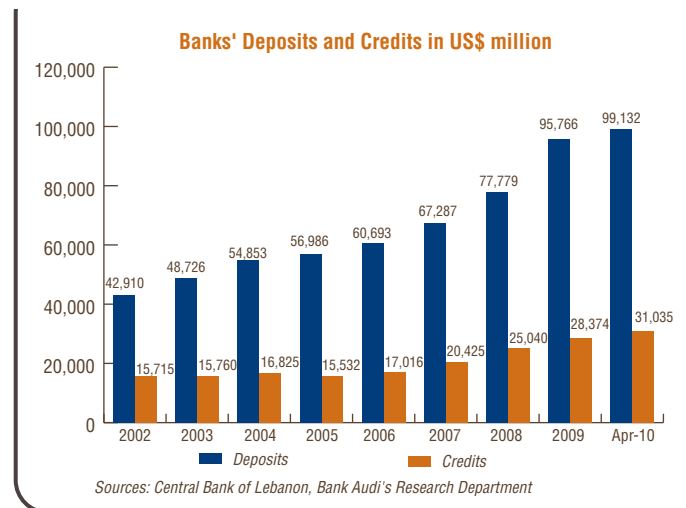
Banking sector activity remains driven by customer deposits, which account for 82% of total bank balance sheet. Customer deposits grew by US\$ 3.4 billion, or 3.5% in the covered period, moving from US\$ 95.8 billion at end-December 2009 to US\$ 99.1 billion at end-April 2010 within the context of favorable domestic conditions and healthy capital inflows in the first four months of 2010. The analysis of customer deposits by type reveals that the rise in this year's first four months is attributed to Lebanese residents, whose deposits at Lebanese banks progressed by US\$ 3.6 billion over the period, while those of non-residents retreated slightly by US\$ 0.2 billion.

The analysis of deposits' growth by its different components reveals that growth was mainly triggered by local currency deposits that progressed by US\$ 2,482 million over the covered period, thus accounting for 73.7% of the total rise, while deposits in foreign currency posted a positive albeit more moderate US\$ 884 million rise. As a result, the deposit dollarization ratio continues on its downward path, reaching 63.2% at end-April 2010, its lowest level in nearly a decade.

Meanwhile, lending activity continued along the same upward trend witnessed since the beginning of the year, within the context of relatively improved global credit conditions in a year of gradual recovery across the region's economies and healthy activity in the domestic market. Banks' loans, consisting of loans to the Lebanese economy or to regional corporates booked in Lebanon, grew by a healthy 9.4% over the first four months of the year, which is about 2.9 times higher than the average growth recorded over the past eight years. Bank loans moved from US\$ 28.4 billion at end-December 2009 to US\$ 31.0 billion at end-April 2010.

While LP loans grew by US\$ 771 million between December 2009 and April 2010, more than twice higher than during last year's corresponding period, FC loans continued to drive lending activity in Lebanon, accounting for 71.0% of total

loan growth during the first four months of the year (a US\$ 1,890 million increase). Consequently, the loan dollarization ratio persisted at previous periods' levels, reaching 82.9% at end-April 2010. Within the context of dynamic corporate banking policies, loans to non-residents booked in Lebanon rose by US\$ 592 million in the first four months of the year, while the remaining bulk was attributed to resident lending (+US\$ 2,069 million) within the context of a fast growing economy with rising domestic lending opportunities.



Balance of payments surplus at record high of US\$ 1,403 million in the first four months of 2010

Figures released by the Central Bank of Lebanon show that Lebanon's cumulative balance of payments, which mirrors net foreign assets in the country, registered a surplus of US\$ 1,402.5 million in the first four months of 2010, up by 23.4% from US\$ in the same period of 2009. This surplus is a record high for Lebanon when compared to the same period of previous years, bearing in mind that the continuous improvement in Lebanon's balance of payments is one of the main factors of the sustained economic growth in the country.

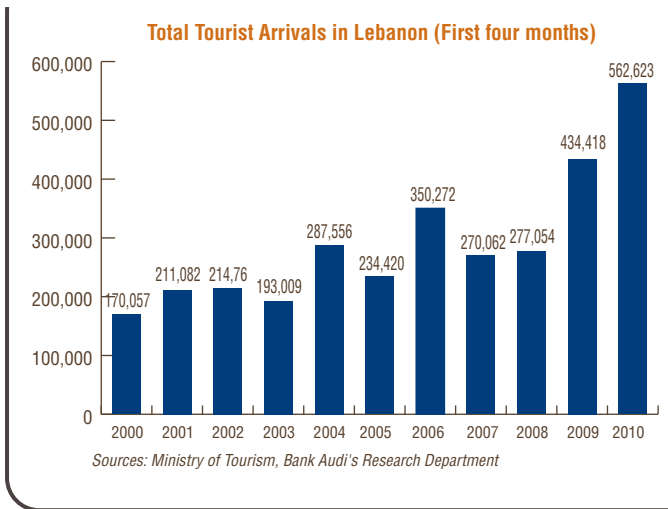
The cumulative surplus in the first four months of 2010 is the result of a rise of US\$ 1,955.4 million in net foreign assets of the Central Bank, which more than offset the decline of US\$ 552.9 million in those of banks and financial institutions. On a monthly basis, the balance of payments registered a surplus of US\$ 424.4 million in April 2010 as a result of a rise of US\$ 177.7 million in net foreign assets of the Central Bank, combined with a rise of US\$ 246.7 million in those of banks and financial institutions.

Tourism activity up 30% in the first four months of 2010

Figures released by the Ministry of Tourism indicate that the sector's activity has grown during the first four months of 2010 compared to the same period last year. Indeed, the

number of tourists visiting Lebanon saw an annual increase of 29.5% in the first four months of 2010 to reach 562,623 compared to 434,418 during the same period of last year. This year-on-year progress continues the significant rise in overall tourism activity throughout the year 2009, resulting from the stable political situation and the strong resilience of the Lebanese economy to the global financial crisis. Moreover, the number of tourists that visited the country in the first four months of 2010 reached a record high when compared to the same period of previous years.

The distribution of tourists by origin in the first four months of 2010 indicates that the majority of visitors were from Arab countries with 43.2% of aggregate visitors, followed by visitors from Europe with 24.0%, visitors from Asia with 20.0%, visitors from the Americas with 9.0%, visitors from Oceania with 2.1%, and visitors from Africa with 1.6%. In terms of individual countries, Jordan accounted for the majority of visitors in the first four months of 2010 with 80,170 (14.2% of the total), followed by Iran with 73,577 (13.1%), then Saudi Arabia with 49,027 (8.7%), and France with 34,558 (6.1%).



Tax-free purchases up by 27% in the first four months of 2010

Figures released by Global Blue, previously known as Global Refund, reveal that tax-free purchases have reported an increase of 27% in the first four months of this year relative to the same period of 2009. This increase can be attributed to the ten-year record figures of tourist inflows in addition to the stable political situation.

The distribution of expenditures of tourists in Lebanon by country of origin shows that the majority of visitors to Lebanon were Arabs as aggregate spending of nationals from Saudi Arabia, and then the United Arab Emirates (UAE) accounted for 23% and 12%, respectively. They were

followed by nationals from Kuwait and Egypt with 9% each and finally Syrians with 8%.

In terms of the year-on-year variation of spending of Arab nationals in the first four months of 2010, the countries of which citizens' expenditures posted a yearly progress were: Syria (8%), Qatar (4%), and Saudi Arabia (1%). Decreases were recorded from Kuwaiti nationals with 12%, Jordanians with 8%, and Emirati nationals with 2%. On the other hand, the outlays from the French rose by 8%, those of Americans edged up by 6%, while expenditures of Nigerians remained unchanged.

Kafalat guarantees up by 42% in the first four months of 2010

Figures released by the Kafalat Corporation indicate that loans extended to small and medium sized companies under the guarantee of Kafalat totaled LP 89.8 billion or US\$ 59.6 million in the first four months of 2010, up by 41.5% from the same period of the previous year. The aggregate number of guarantees amounted to 507, up by 61.5% from 314 guarantees in the first four months of 2009. However, the average value per guarantee decreased over the said period of 2010 by 12.4% to reach LP 177.1 million, or US\$ 117,506.

Agriculture captured the lion's share in extended guarantees in the first four months of this year, with 246 guarantees, or 48.52% of total guarantees. Industry came in next with 185 guarantees, or 36.49% of the total, followed by tourism with a total of 59 guarantees, or 11.64%, specialized technologies with 10 guarantees, or 1.97%, and handicrafts with 7 guarantees, or 1.38% of the total. As for the distribution of guarantees by area, Mount Lebanon accounted for the majority of distributed guarantees with 198 guarantees, or 39.05% of the total, followed by the Bekaa with 118 guarantees (23.27%), the North with 73 guarantees (14.40%), the South with 51 guarantees (10.06%), Nabatieh with 47 guarantees (9.27%) and Beirut with 20 (3.94%).

During April 2010, total value of extended guarantees attained LP 20.0 billion (US\$ 13.3 million) versus LP 19.2 billion (US\$ 12.7 million) during the same month of the previous year, equivalent to a progress of 4.3%.

Kafalat is a state-sponsored organization that provides financial guarantees for loans up to US\$ 200,000 earmarked for the set up and expansion of small and medium-sized companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

Week
23
May 31 - Jun 6
2010

► SURVEYS

Alpha banks net profits up by 31% in the first quarter of 2010

Top Lebanese banks registered strong growth in performance in the first quarter of 2010, with a strong rise in profits in a period where regional banks still face challenges in earning power. This positive trend is the continuation of the one witnessed last year, when the Lebanese banking sector has shown resilience to the global financial crisis within the context of an increased confidence from Lebanese residing abroad and GCC nationals.

The growth in assets and net profits is seen in the results of the Alpha report for the first quarter of 2010, issued by Bankdata Financial Services, which shows the performances and positioning of the first 12 banks operating in Lebanon, i.e those banks with deposits above US\$ 2 billion. The total assets of the Alpha banks' group grew by 24.7% in the first quarter of 2010 compared to the previous year, driven by a growth in total deposits of 23.6%, while loans rose by 24.9%.

The aggregate net profits of alpha banks reported US\$ 339.1 million in the first quarter of 2010, growing by 30.6% relative to the first quarter of 2009. A significant discrepancy between the net earnings growth of the best performer and that of the least performer is noted over the first quarter of 2010, as the former was at 75.1% while the latter was at -29.9% over the period.

The 30.6% net income growth was driven by a healthy 22.3% rise year-on-year in net operating income, against a lower 15.3% rise in total operating expense and a 30.7% increase in income tax. Going further in details, the growth in net operating income was driven by a 9.1% growth in interest income, along with a notable 56.5% growth in non-interest income. The latter growth actually reflects the strong macroeconomic growth witnessed in the country. Non-interest income incorporates income from commissions on LCs and LGs, credit card fees, income from FX trading and income from capital markets activities. Thus, a growth on earnings received from the aforementioned operations is clearly in line with the overall economic expansion witnessed in Lebanon in the first quarter of 2010. Moreover, this 56.5% growth of non-interest income is becoming increasingly significant as it somehow reduces the vulnerability to adverse interest rate evolutions, keeping in mind that its share out of operating income went up by 7.9%, moving to 36.6% at end-March 2010, from 28.7% at end-March 2009.

The solid banking position in the first quarter of 2010 was underlined by a strong quantity effect which offset the negative price effect. The overall net spread went down by 24 basis points, moving from 2.07% at end-March 2009 to 1.83% at end-March 2010. This contraction in interest mar-

gins is due to the significant reference interest rate cuts that took place across the globe, providing a low return on Treasury uses of Lebanese banks. But the adverse price effect was more than compensated by a favorable quantity effect given the fact that the Alpha banks' balance sheet expanded by 24.7% in the first quarter of 2010 relative to the first quarter of 2009.

Looking at the geographic growth of Alpha banks, it is clear that the expansion is ongoing, in spite of such banks implementing cautious measures amidst the crisis. The number of branches totaled 895 branches at end-March 2010, up by 8 branches from end-2009 and by 48 branches from end-March 2009. Moreover, the number of staff employed by those banks increased in line with the wider coverage as it reached 21,075 employees, up by 1.7% relative to end-2009 and 9.8% relative to end-March 2009. This is being reported despite the fact that banks are trying to control their expenses as much as possible within important cost control measures. Within the context of cost cutting efforts, the cost-to-income ratio declined by 3.2% in the first quarter of 2010, from 52.6% to 49.4%, bearing witness to a slight improvement in efficiency. Indeed, this contraction is due to the fact that the year-on-year rise in net operating income of Alpha banks surpassed that of total expenses.

It is worth noting that the healthy growth in net profits in the first quarter of 2010 led to an improvement in return ratios. Specifically, the net return on average equity moved up by 0.4% year-on-year, from 11.8% in the first quarter of 2009 to 12.2% at in the first quarter of 2010. As for the net return on average assets, it went up by 0.07%, moving from 1.06% in the first quarter of 2009 to 1.13% in the first quarter of 2010. Finally, the ranking of Alpha banks by assets, deposits, loans, equity and net profits in the first quarter of 2010 shows that Bank Audi ranked first in all criteria followed by BLOM Bank while Byblos Bank ranked third according to most of these criteria.

Alpha Banks' Rankings as at end-March 2010 (in US\$ million)

(in US\$ million)	Assets		Deposits		Loans		Equity		Net Profits	
	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume	Rank	Volume
Bank Audi -										
Audi Saradar Group	1	26,830	1	23,222	1	7,540	1	2,246	1	80.2
BLOM Bank	2	21,123	2	18,325	2	4,297	2	1,785	2	73.6
Byblos Bank	3	14,367	3	11,166	4	3,400	3	1,323	3	31.4
BankMed	4	11,310	5	8,765	3	3,603	5	1,100	5	23.0
Fransabank	5	10,892	4	8,993	5	2,447	4	1,112	4	29.5
Banque Libano-Française	6	7,733	6	6,320	6	2,356	7	717	8	17.6
Bank of Beirut	7	7,162	7	4,967	7	1,784	6	812	7	19.9
Crédit Libanais	8	5,573	8	4,858	10	1,351	8	444	9	16.6
Lebanese Canadian Bank	9	5,301	9	4,583	8	1,490	10	381	10	13.3
SGBL	10	5,151	10	3,639	9	1,404	9	395	6	20.2
BBAC	11	3,823	11	3,354	11	737	11	299	11	8.5
IBL Bank	12	2,903	12	2,504	12	375	12	200	12	5.2

Source: Bankdata Financial Services wll

► CORPORATE NEWS

Crédit Libanais' net profits up by 21% to US\$ 16.6 million in the first quarter of 2010

Crédit Libanais reported net profits of US\$ 16.6 million in the first quarter of 2010, up by 20.6% from US\$ 13.8 million in the first quarter of 2009. Interest margin rose by 10.4% from US\$ 25.5 million in the first quarter of 2009 to US\$ 28.1 million in the first quarter of 2010, while non-interest income rose from US\$ 7.8 million in the first quarter of 2009 to US\$ 10.4 million in the first quarter of 2010. Subsequently, operating income increased by 15.7% to reach US\$ 38.5 million in the first quarter of 2010.

Total operating expenses increased by a yearly 15.6% to US\$ 19.0 million in the first quarter of 2010, of which staff expenses reached US\$ 11.4 million, up by 12.4% from the first quarter of 2009. The bank's cost-to-income ratio stood at 49.3% in the first quarter of 2010.

Total assets amounted to US\$ 5.6 billion at end-March 2010, up by 1.6% from US\$ 5.5 billion at year-end 2009. Customer deposits totaled US\$ 4.9 billion, up by 0.7% from US\$ 4.8 billion at year-end 2009. Loans increased by 4.8% to reach US\$ 1.4 billion at end-March 2010. The ratio of loans to deposits was 27.8% at end-March 2010, compared to 26.8% at year-end 2009.

The bank's shareholders' equity amounted to US\$ 443.7 million at end-March 2010, up by 4.9% from US\$ 423.2 million at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 8.0% at end-March 2010.

The bank's net return on average assets amounted to 1.2% in the first quarter of 2010, while its net return on average equity reached 14.5% over the same period.

IBL Bank's total assets up by 11% to US\$ 2.9 billion at end-March 2010

IBL Bank reported net profits of US\$ 5.2 million in the first quarter of 2010, against US\$ 7.4 million in the first quarter of 2009. Interest margin reached US\$ 10.7 million in the first quarter of 2010, against US\$ 11.9 million in the first quarter of 2009, while non-interest income rose from US\$ 1.5 million in the first quarter of 2009 to US\$ 1.8 million in the first quarter of 2010. Consequently, operating income stood at US\$ 12.5 million in the first quarter of 2010, against US\$ 13.4 million in the first quarter of 2009.

Total operating expenses amounted to US\$ 5.5 million in the first quarter of 2010, up by a yearly 11.9%, of which staff expenses reached US\$ 3.1 million, up by 18.6% from the first quarter of 2009. The bank's cost-to-income ratio stood at 43.9% in the first quarter of 2010.

Total assets rose by 10.6% to attain US\$ 2.9 billion at end-March 2010, from US\$ 2.6 billion at year-end 2009. Customer deposits totaled US\$ 2.5 billion, up by 5.5% from US\$ 2.4 billion at year-end 2009. Loans increased by 33.5% to reach US\$ 375.1 million at end-March 2010. The ratio of loans to deposits was 15.0% at end-March 2010.

The bank's shareholders' equity amounted to US\$ 200.4 million at end-March 2010, up by 3.8% from US\$ 193.1 million at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 6.9% at end-March 2010.

The bank's net return on average assets amounted to 0.8% in the first quarter of 2010, while its net return on average equity reached 10.1% over the same period.

BBAC's net profits up by 25% to US\$ 8.5 million in the first quarter of 2010

BBAC reported net profits of US\$ 8.5 million in the first quarter of 2010, up by 24.9% from US\$ 6.8 million in the first quarter of 2009. Interest margin rose by 2.9% from US\$ 14.3 million in the first quarter of 2009 to US\$ 14.7 million in the first quarter of 2010, while non-interest income rose from US\$ 1.1 million in the first quarter of 2009 to US\$ 4.5 million in the first quarter of 2010. Subsequently, operating income increased by 25.0% to reach US\$ 19.2 million in the first quarter of 2010.

Total operating expenses increased by a yearly 9.8% to US\$ 10.1 million in the first quarter of 2010, of which staff expenses reached US\$ 6.2 million, up by 10.7% from the first quarter of 2009. The bank's cost-to-income ratio stood at 52.6% in the first quarter of 2010.

Total assets amounted to US\$ 3.8 billion at end-March 2010, up by 2.2% from US\$ 3.7 billion at year-end 2009. Customer deposits totaled US\$ 3.4 billion, up by 2.0% from US\$ 3.3 billion at year-end 2009. Loans increased by 8.5% to reach US\$ 737.3 million at end-March 2010. The ratio of loans to deposits was 22.0% at end-March 2010, compared to 20.7% at year-end 2009.

The bank's shareholders' equity amounted to US\$ 298.8 million at end-March 2010, up by 4.1% from US\$ 287.0 million at year-end 2009. Subsequently, the bank's equity to assets ratio stood at 7.8% at end-March 2010.

The bank's net return on average assets amounted to 0.9% in the first quarter of 2010, while its net return on average equity reached 11.1% over the same period.

Week
23
May 31 - Jun 6
2010

► CAPITAL MARKETS

Money Market: Overnight rate stable at 2.75%

LP Liquidity remained quite abundant on the money market during this week, which translated into stability in the overnight rate at 2.75%.

As to short-term Certificates of Deposits, the Central Bank of Lebanon sold LP 287 billion that were distributed as follows: LP 75 billion in the 45-day category and LP 212 billion in the 60-day category. Accordingly, subscriptions totaled LP 1,723 billion since the beginning of the year 2010 and were distributed as follows: LP 336 billion in the 45-day category and LP 1,387 billion in the 60-day category. Interest rates remained unchanged, standing at 3.57% and 3.85% on the 45-day and 60-day categories respectively.

On the monetary aggregates level, figures for the week ending 20th of May 2010 indicated an increase of LP 123 billion in local currency deposits, as a result of a growth of LP 170 billion in LP time deposits and a LP 47 billion decline in LP demand deposits week-on-week. Deposits in foreign currencies rose by US\$ 32 million. These weekly variations compare to an average weekly increase of LP 203 billion for LP deposits since the beginning of the year 2010, and an average weekly rise of US\$ 37 million in foreign currency deposits. Within this context, LP money supply (M2) expanded by LP 42 billion during the week ending 20th of May 2010, as compared to an average weekly increase of LP 202 billion since the beginning of the year 2010. In addition, total money supply in its large sense (M4) widened by LP 47 billion week-on-week, as compared to an average weekly increase of LP 277 billion since the beginning of the year 2010.

On a cumulative basis, money supply in its large sense (M4) widened by LP 5,501 billion since the beginning of the year 2010. This is the result of an increase in local currency denominated time deposits of LP 4,207 billion, a rise in foreign currency deposits of LP 1,213 billion (the equivalent of US\$ 805 million), a decline in money supply (M1) of LP 239 billion, and a growth in Treasury bills held by the public of LP 320 billion since the beginning of the year 2010.

Interest rates	4/6/10	28/5/10	31/12/09
Overnight rate	2.75%	2.75%	3.00% ↔
7 days rate	2.86%	2.86%	3.10% ↔
1 month rate	3.31%	3.31%	3.52% ↔
45-day CDs	3.57%	3.57%	3.77% ↔
60-day CDs	3.85%	3.85%	4.03% ↔

Treasury Bills Market: Further yield drops

On the secondary Treasury bills market, market players traded medium-term to long-term papers in tiny volumes during this week.

As to the primary market, the preliminary results of this week's auction (June 3 2010) showed that the average yield on the one-year category dropped by 18 basis points to reach 5.00%, while the average yield on the two-year category fell by 12 basis points to hit 5.46%, and the average yield on the three-year category declined by 14 basis points to reach 6.06%. It is worth mentioning that the Central Bank of Lebanon allowed commercial banks to subscribe to 15% of their accepted bids in the one-year category, while it allowed public institutions to subscribe to 5% of their bids in the same category. In addition, it allowed banks to subscribe to 15% of their accepted bids in the two-year category. As to the three-year category, the Central Bank allowed commercial banks to subscribe to 10% of their accepted bids and it allowed public institutions to subscribe to 5% of their bids in the same category.

On the other hand, the Central Bank of Lebanon released this week the auction results for value date May 27, 2010 which showed that total subscriptions amounted to LP 195 billion, and were distributed as follows: LP 19 billion in the three-month category, LP 52 billion in the six-month category and LP 124 billion in the five-year category. These compare to maturities of LP 146 billion, resulting in a nominal surplus of LP 49 billion.

Treasury bills	4/6/10	28/5/10	31/12/09
3-month	4.00%	4.00%	4.55% ↔
6-month	4.81%	4.81%	5.72% ↔
1-year	5.00%	5.18%	5.73% ↓
2-year	5.46%	5.58%	6.32% ↓
3-year	6.06%	6.20%	7.10% ↓
5-year	6.48%	6.48%	7.74% ↔
Nom. Subs. (LP billion)		195	500
Short-term (3&6 mths)		71	-
Medium-term (1&2 yrs)		-	49
Long-term (3 yrs)		-	451
Long-term (5 yrs)		124	-
Maturities		146	232
Nom. Surplus/Deficit		49	268

Foreign Exchange Market: US\$ 125 million growth in BDL's foreign assets

The foreign exchange market continued this week to see ongoing conversions in favor of the Lebanese Pound, yet in

lower volumes relative to the previous week. Commercial banks used part of their surpluses in US Dollar to meet commercial demand for the green currency in the interbank market at a rate hovering between LP 1,501.00 and LP 1,501.50. In parallel, the Central Bank of Lebanon intervened twice this week as a buyer of the green currency surpluses at the lower end of its intervention bracket (LP 1,501.00).

On the other hand, the Central Bank's latest bi-monthly balance sheet ending May 31, 2010 showed a rise in foreign assets of US\$ 125 million during the second half of May to hit US\$ 30.2 billion at end-May 2010. Accordingly, BDL's foreign assets covered 82.2% of LP money supply at end-May 2010, with this coverage ratio rising to 112.6% when accounting for gold reserves estimated at US\$ 11.2 billion. In addition, the Central Bank's foreign assets covered 20.7 months of imports. These ratios show the Central Bank's strong ability to defend the currency peg.

Exchange rates	4/6/10	28/5/10	31/12/09
LP/US\$	1,507.5	1,507.5	1,507.5 ↔
LP/£	2,211.95	2,195.67	2,389.24 ↓
LP/¥	16.25	16.53	16.34 ↑
LP/SF	1,307.80	1,310.76	1,451.33 ↑
LP/Can\$	1,453.15	1,440.10	1,436.12 ↓
LP/Euro	1,840.21	1,874.27	2,159.95 ↑

Stock Market: No change in prices

Activity remained slow on the equity market during this week. The total trading value was limited to US\$ 10.4 million. Share prices stayed almost stable week-on-week, as shown by a very tiny decline in the BSE price index of 0.02% to close at 143.04.

In details, Solidere shares accounted for 62% of activity this

Audi Indices for BSE	4/6/10	28/5/10	31/12/09
<i>22/1/96=100</i>			
Market Cap. Index	508.57	508.66	505.10 ↓
Trading Vol. Index	76.62	1,005.93	115.58 ↓
Price Index	143.04	143.07	144.04 ↓
Change %	-0.02%	-0.03%	0.91% ↓
Market Cap. \$m	12,065	12,067	11,983 ↓
No. of shares traded	601,461	4,780,434	248,012 ↓
Value Traded \$000	10,401	109,280	6,434 ↓
o.w. : Solidere	6,483	105,712	2,055 ↓
Banks	3,862	3,469	4,375 ↑
Others	56	99	4 ↓

week, with a trading value of US\$ 6.5 million. Solidere "A" share price remained stable at US\$ 23.24, while Solidere "B" share price edged up by 0.8% to US\$ 23.28.

As to banking stocks, they accounted for 37% of activity this week, registering a total trading value of US\$ 3.9 million. In details, Bank Audi's "listed" share price rose by 1.7% to US\$ 8.35, while Bank Audi's GDR price declined by 0.8% to close at US\$ 8.73. BLOM's "listed" share price decreased by 1.6% to US\$ 92.00, while BLOM's GDR price retreated slightly this week by 0.1% to US\$ 92.90. Byblos Bank's "listed" share price rose by 0.5% to US\$ 1.86, while Byblos Bank's "priority" share price declined by 3.2% to US\$ 1.81. BEMO's share price increased by 2.2% to US\$ 4.60. Among the industrial shares, Holcim's share price declined by 1.1% to US\$ 13.11.

As compared to other emerging stock markets, the BSE reported lower performance this week, as shown by a 0.8% increase in the Morgan Stanley Capital International Emerging Market Free Index (MSCI EM). Likewise, the BSE performed lower than other Arabian and GCC equity markets, as reflected by a 1.1% rise in the Morgan Stanley Capital International Arabian Markets Index (MSCI Arabian Markets) and a 1.0% progress in the Morgan Stanley Capital International GCC Countries Index (MSCI GCC Countries Index).

Bond Market: Slow activity prevails

The Eurobond market was marked by a slow activity this week. Some modest foreign offer appeared that was met by local demand. Bond prices declined slightly, as shown by a five basis points increase in the average yield to reach 4.63%, while the average spread widened by seven basis points to 246 basis points, on the back of a rise in Lebanese yields and a decrease in benchmark yields.

For instance, the average yield on five-year US Treasury bills declined from 2.17% last week to 2.13% this week as fears of hefty writedowns by European banks sparked new worries about global economic recovery and unleashed demand for safe-haven bonds.

Eurobonds Indicators	4/6/10	28/5/10	31/12/09
Total tradable size \$m	17,817	17,834	17,704 ↓
o.w.: Sovereign bonds	17,347	17,364	17,134 ↓
Average Yield	4.63%	4.58%	5.31% ↑
Average Spread	246	239	290 ↑
Average Life	4.82	4.84	4.57 ↓
Yield on US 5-year note	2.13%	2.17%	2.62% ↓

Week
23
May 31 - Jun 6
2010

ARAB STOCK MARKETS INDICES:

	4-Jun-10	28-May-10	31-Dec-09	Weekly change	End-year-to-date change
Lebanon	143.0	143.1	144.0	0.0%	-0.7%
Jordan	133.5	135.5	149.9	-1.5%	-11.0%
Egypt	808.8	789.6	784.9	2.4%	3.0%
Saudi Arabia	383.0	373.8	389.3	2.5%	-1.6%
Qatar	605.1	594.6	611.1	1.8%	-1.0%
UAE	199.4	208.2	229.3	-4.2%	-13.0%
Oman	837.7	847.6	837.2	-1.2%	0.1%
Bahrain	282.0	290.9	331.9	-3.1%	-15.1%
Kuwait	611.6	616.2	554.5	-0.7%	10.3%
Morocco	417.2	412.0	417.0	1.3%	0.0%
Tunisia	1,158.2	1,174.3	1174.1	-1.4%	-1.3%
Arabian Markets	470.7	465.3	470.5	1.1%	0.0%

Sources: MSCI Barra, Bank Audi's Research Department

INTERNATIONAL MARKET INDICATORS:

	4-Jun-10	28-May-10	31-Dec-09	Weekly change	End-year-to-date change
EXCHANGE RATES					
YEN/\$	92.37	91.03	92.46	1.5%	-0.1%
\$/£	1.448	1.454	1.589	-0.4%	-8.9%
\$/Euro	1.192	1.236	1.432	-3.6%	-16.8%
STOCK INDICES					
DOW JONES INDUSTRIAL AVERAGE	9,931.97	10,136.63	10,548.51	-2.0%	-5.8%
S&P 500	1,064.88	1,089.41	1,126.42	-2.3%	-5.5%
NASDAQ	2,219.17	2,257.04	2,291.28	-1.7%	-3.1%
CAC 40	3,455.61	3,515.06	3,935.50	-1.7%	-12.2%
Xetra Dax	5,938.88	5,946.18	5,957.43	-0.1%	-0.3%
FT-SE 100	5,126.00	5,188.43	5,397.90	-1.2%	-5.0%
NIKKEI 225	9,901.19	9,762.98	10,546.44	1.4%	-6.1%
COMMODITIES					
GOLD OUNCE	1,219.00	1,213.81	1,095.70	0.4%	11.3%
SILVER OUNCE	17.37	18.35	16.83	-5.3%	3.2%
BRENT CRUDE (barrel)	70.99	72.96	77.66	-2.7%	-8.6%
LEADING INTEREST RATES (%)					
1-month Libor	0.35	0.35	0.23	0.00	0.12
US Prime Rate	3.25	3.25	3.25	0.00	0.00
US Discount Rate	0.75	0.75	0.50	0.00	0.25
US 10-year Bond	3.21	3.30	3.84	-0.09	-0.63

The content of this publication is provided as general information only and should not be taken as an advice to invest or engage in any form of financial or commercial activity. Any action that you may take as a result of information in this publication remains your sole responsibility. None of the materials herein constitute offers or solicitations to purchase or sell securities, your investment decisions should not be made based upon the information herein.

Although Bank Audi Sal Audi Saradar Group considers the content of this publication reliable, it shall have no liability for its content and makes no warranty, representation or guarantee as to its accuracy or completeness.

CONTACTS
Treasury and Capital Markets

Micky Chebli (01) 977419 micky.chebli@banqueaudi.com
Emile Shalala (01) 977622 emile.shalala@banqueaudi.com

Private Banking

Toufic Aouad (01) 329328 toufic.aouad@audisardarpb.com

Corporate Banking

Khalil Debs (01) 977229 khalil.debs@asib.com

Research

Marwan Barakat (961-1) 977409 marwan.barakat@banqueaudi.com
Jamil Naayem (961-1) 977406 jamil.naayem@banqueaudi.com
Salma Saad Baba (961-1) 977346 salma.baba@banqueaudi.com
Rana Helou (961-1) 964763 rana.helou@banqueaudi.com
Lea Korkmaz (961-1) 964904 lea.korkmaz@banqueaudi.com
Fadi Kanso (961-1) 977470 fadi.kanso@banqueaudi.com
Nathalie Ghorayeb (961-1) 964047 nathalie.ghorayeb@banqueaudi.com
Lélia Tamer Badro (961-1) 977575 lelia.badro@banqueaudi.com