



LEBANON THIS WEEK

In This Issue

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

Macroeconomic risks still high

Coincident Indicator continues to reflect economic stagnation

Lebanon's external debt posts 19th highest return in emerging markets, 11th highest in the Middle East & Africa

Balance of payments posts deficit of \$31m in January 2014

Lebanon ranks 87th globally, fourth among Arab countries in readiness for decentralization

Value of cleared checks up 6%, returned checks up 1% in January 2014

Annual household expenditures in Lebanon at \$20,749, rent absorbs 17% of total spending

Net public debt at \$53.5bn at end-January 2014

Foreigners own 0.4% of Lebanon's land-surface as at September 2013

Lebanon represented in *Forbes* magazine's list of world billionaires

Corporate Highlights7

Kafalat loan guarantees up 17% to \$19m in first two months of 2014

Commercial banks' assets reach \$164bn at end-January 2014

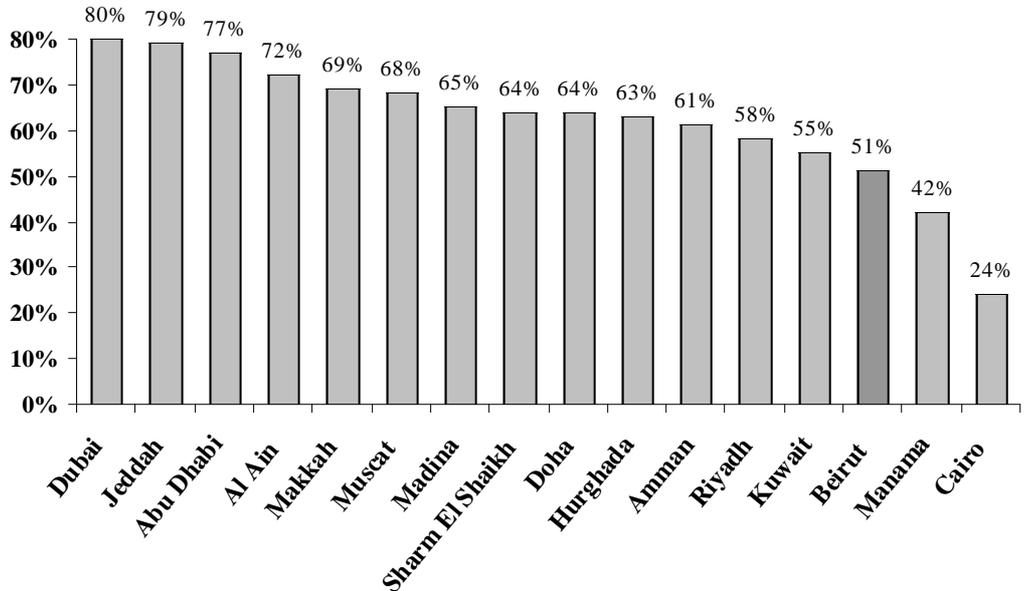
Healthcare firm raises funds through securitization

First National Bank's net income at \$25.5m in 2013

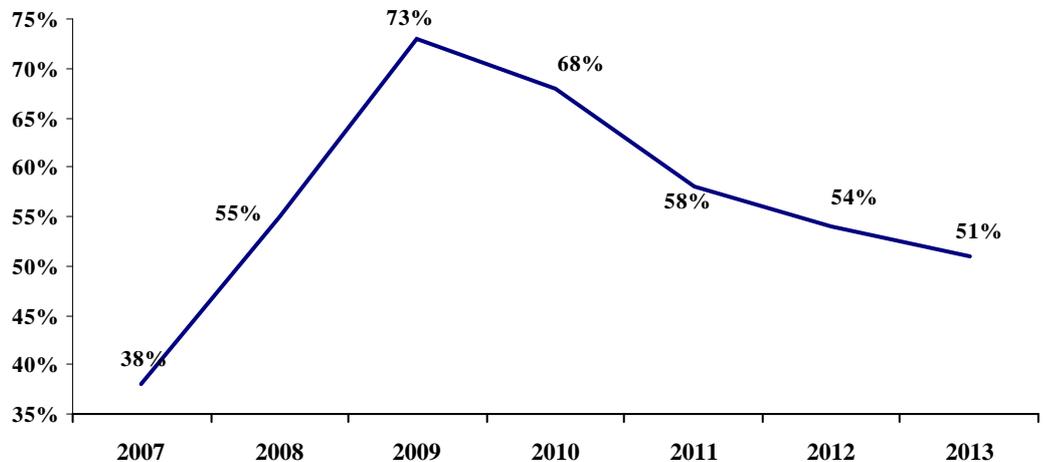
Ratio Highlights.....8
Risk Outlook.....8
Ratings & Outlook.....8

Charts of the Week

Hotel Occupancy Rates at Hotels in Arab Cities in 2013 (%)



Hotel Occupancy Rates at Hotels in Beirut (%)



Source: EY, Byblos Bank

Quote to Note

"Owing to slow growth, continued political uncertainty and delayed fiscal reforms, we expect Lebanon's fiscal deficit to expand to 11 percent of GDP in 2014."

Moody's Investor Services, forecasting a wider fiscal deficit for the third year in a row

Number of the Week

\$32.25bn: The Central Bank of Lebanon's gross foreign currency reserves at the end of January 2014

Economic Indicators

\$m (unless otherwise mentioned)	2012	Oct 12	Jul 13	Aug 13	Sep 13	Oct 13	% Change*
Exports	4,486	440	260	279	288	391	(11.14)
Imports	21,281	1,774	1,718	1,828	1,565	1,757	(0.96)
Trade Balance	(16,795)	(1,334)	(1,438)	(1,549)	(1,277)	(1,366)	2.40
Balance of Payments	(1,538)	(97)	(575)	(223)	504	(794)	718.56
Checks Cleared in LBP	14,976	1,353	1,513	1,354	1,473	1,516	12.05
Checks Cleared in FC	56,044	4,732	4,938	4,495	4,513	4,698	(0.72)
Total Checks Cleared	69,787	6,085	6,451	5,849	5,986	6,214	2.12
Budget Deficit/Surplus	(3,925)	(617.49)	(171.51)	(551.43)	(668.16)	(228.92)	(62.93)
Primary Balance	(109.87)	(215.20)	82.10	(382.69)	(262.33)	233.07	-
Airport Passengers	5,960,414	473,046	581,605	727,086	539,297	524,741	10.93

\$bn (unless otherwise mentioned)	Dec 2012	Oct 12	Jul 13	Aug 13	Sep 13	Oct 13	% Change*
BdL FX Reserves	29.97	29.46	31.27	31.00	32.03	31.86	8.13
<i>In months of Imports</i>	<i>16.02</i>	<i>16.61</i>	<i>18.20</i>	<i>16.96</i>	<i>20.47</i>	<i>18.13</i>	<i>9.18</i>
Public Debt	57.69	56.64	60.23	60.50	62.39	62.44	10.24
Net Public Debt	49.12	48.38	51.14	51.74	52.15	52.50	8.50
Bank Assets	151.88	149.38	157.81	158.56	159.26	160.63	7.53
Bank Deposits (Private Sector)	125.00	122.60	131.18	131.38	131.26	132.10	7.75
Bank Loans to Private Sector	43.45	42.76	45.17	45.57	45.88	46.50	8.75
Money Supply M2	43.62	42.31	44.18	44.42	44.49	44.72	5.69
Money Supply M3	104.71	102.43	107.33	108.28	108.49	109.02	6.44
LBP Lending Rate (%)	7.47	7.31	7.13	7.24	7.36	7.59	28b.p
LBP Deposit Rate (%)	5.46	5.43	5.43	5.47	5.37	5.44	1b.p
USD Lending Rate (%)	7.05	7.15	7.02	7.16	6.95	6.85	(30b.p)
USD Deposit Rate (%)	2.94	2.87	2.89	2.91	2.91	2.94	7b.p
%* Change in CPI**	3.66	7.75	3.15	3.81	4.81	5.04	(271b.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"	13.17	(2.80)	53,597	11.71%
Solidere "B"	12.84	(4.11)	20,919	7.42%
Byblos Common	1.63	(2.40)	1,293,355	5.21%
Byblos Pref. 08	101.50	0.00	0	1.81%
Byblos Pref. 09	101.50	0.00	0	1.81%
BLOM GDR	9.14	0.00	0	6.01%
BLOM Listed	9.00	0.00	8,000	17.21%
Audi GDR	6.60	0.00	15,000	6.02%
Audi Listed	6.51	0.15	679,716	20.25%
HOLCIM	14.89	0.00	0	2.58%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr. 2014	7.375	100.30	3.88
Jan. 2015	5.875	101.94	3.51
Apr. 2015	10.00	107.25	3.34
Jan. 2016	8.500	107.75	4.11
Mar. 2017	9.000	112.00	4.69
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	112.88	5.97
Nov. 2026	6.600	100.13	6.57

Source: Byblos Bank Capital Markets

	Mar 3-7	Feb 24-28	% Change	Feb 2014	Feb 2013	% Change
Total Shares Traded	2,096,350	2,603,881	(19.49)	6,037,763	1,491,134	304.91
Total Value Traded	\$7,999,020	\$12,133,092	(34.07)	\$43,140,999	\$12,994,109	232.0
Market Capitalization	\$11.24bn	\$11.30bn	(0.49)	\$11.30bn	\$10.94bn	3.30

Source: Beirut Stock Exchange (BSE)



Macroeconomic risks still high

Regional investment bank EFG Hermes ranked Lebanon in 10th place among 11 Arab countries on its Macroeconomic Heatmap for 2014, constituting a drop from ninth place in both 2012 and 2013, a decline from seventh place in 2011 and a fall from eighth place in 2010. Lebanon ranked ahead of only Egypt on the 2014 Macroeconomic Heatmap, reflecting the ongoing political and economic challenges in both countries. The heatmap provides a holistic snapshot and points of comparison across the region, and reflects changes to growth forecasts and economic indicators affected by recent political developments. It is a composite of 17 variables grouped in four broad categories of indicators that are Growth Outlook Indicators with a 35% weight, Other Key Macroeconomic Indicators (30%), Socioeconomic Indicators (25%), and Stock Market Investability (10%). In 2011, EFG Hermes changed the weighting of the categories to take into account greater political risks and changes in socioeconomic fundamentals, which are of increased importance for investors. It also assigned scores to individual variables in each category ranging between 68 and 100 points for the 'strongest' score, between 34 and 67 points for the 'middle' category, and between zero and 33 points for the 'weakest'.

Lebanon received a score of 52.9 points on a maximum possible score of 100. EFG Hermes considered that the formation of the new government in February is a positive step towards a relatively more stable political environment, mainly in the context of deteriorating security condition in the past few months. But it anticipated that this is not likely to significantly stimulate economic activity given the substantial political risks. It forecast the Lebanese economy to expand by less than 2% in real terms this year compared to growth of 1.5% last year. It noted that macroeconomic risks remain contained due to continued capital inflows and the adequate level of foreign currency reserves.

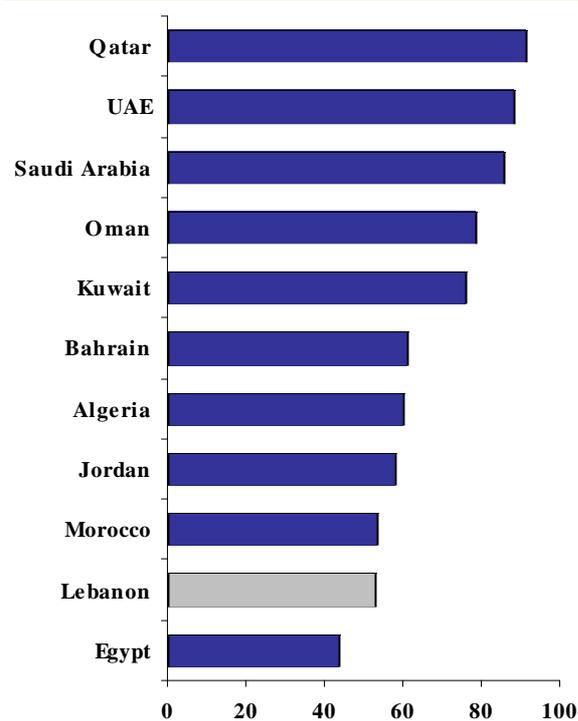
EFG Hermes placed Lebanon's economic growth rate in the 'weakest' category, along with Egypt and Morocco, but it came in the 'middle' category in terms of its positioning in the global economy, along with Algeria, Bahrain and Jordan. Lebanon also came in the 'weakest' category along with Algeria, Bahrain, Egypt, Jordan and Kuwait in terms of investment implementation. Further, Lebanon came in the 'strongest' category for its annual growth in private sector credit and foreign currency reserves relative to GDP, as well as for its annual average exchange rate change against the US dollar. However, it came in the 'weakest' segment for its fiscal and current account balances relative to GDP, as well as for its short-term external debt and current account balance as a percentage of foreign reserves.

Also, EFG Hermes placed Lebanon in the 'low' category in terms of stock market breadth and depth, along with Algeria, Bahrain, Jordan, Oman and Qatar; while it classified it in the 'high' category in terms of foreign investors' access, along with Bahrain, Egypt, Jordan and Oman. Also, it considered the stock market's corporate governance and regulatory framework to be at a 'medium' level, similar to Bahrain, Egypt, Jordan, Morocco, Qatar, Saudi Arabia and the UAE. In parallel, EFG Hermes considered that Lebanon has a 'low' level of government stability and effectiveness, along with Algeria, Bahrain, Egypt and Kuwait. It also pointed out that Lebanon has 'high' socioeconomic risks along with Algeria, Bahrain, Egypt and Jordan, as well as 'high' geopolitical risks along with Bahrain.

Coincident Indicator continues to reflect economic stagnation

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 267.9 points in December 2013 compared to a record high of 278.8 in November 2013 and 262.5 in December 2012. The Coincident Indicator, an average of 8 weighted economic indicators, fell by 3.9% month-on-month and rose by 2.1% year-on-year in December 2013. The indicator averaged 264.7 in the 12 months ending December 2013, compared to 264.3 in the 12 months ending November 2013 and 256.6 in the 12 months ending December 2012. As a result, the average coincident indicator rose by 0.2% month-on-month and by 3.2% year-on-year, which reflects economic stagnation. In parallel, the indicator improved 11 times and regressed 10 times in the month of December since 1993. It averaged 256.6 in 2012, 255.7 in 2011, 249.5 in 2010 and 225.9 in 2009.

Macroeconomic Heatmap for 2014



Source: EFG Hermes, Byblos Research

Lebanon's external debt posts 19th highest return in emerging markets, 11th highest in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted returns of 2.21% in the first two months of 2014, constituting the 19th highest return among 35 markets in the Eastern Europe, the Middle East & Africa (EMEA) region as well as the 34th highest return among the 63 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon underperformed the EMEA region's returns of 2.54% and the overall emerging markets returns of 2.25%, but it outperformed the 0.61% returns posted by sovereigns rated 'BB' and lower during the covered period.

Further, Lebanon's external debt posted the 11th highest return among 18 countries in the Middle East & Africa region in the covered period, ahead of the Namibia (+1.62%), Jordan (+0.99%), Angola (+0.84%), Senegal (+0.41%), Nigeria (-1.01%), Ghana (-1.51%) and Zambia (-2.39%). It was outperformed by Egypt (+8.35%), Tunisia (+6.85%), Bahrain (+6.49%), Morocco (+4.91%), Turkey (+4.54%), Rwanda (+4.29%), Gabon (+3.29%), Ivory Coast (+2.79%), South Africa (+2.77%) and Iraq (+2.64%). In US dollar terms, Lebanon's external debt posted returns of 2.19% in the first two months of 2014, constituting the 19th highest in the EMEA region and 34th highest among emerging markets.

In parallel, Lebanon's external debt posted returns of 1.27% in February 2014, and constituted the 23rd highest return in the EMEA region and the 44th highest return in emerging markets during the covered month. Lebanon underperformed the EMEA returns of 2.43%, those of emerging markets of 3.35%, and the 4.26% returns of sovereigns rated 'BB' and lower for the same month.

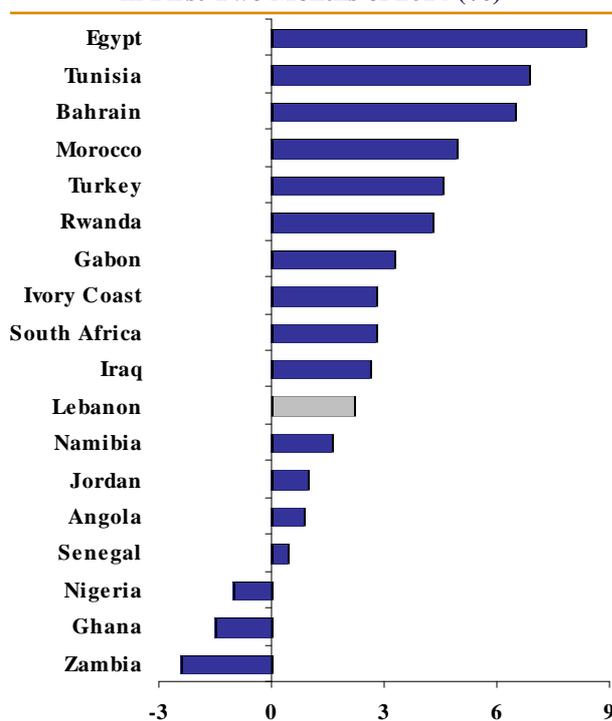
Further, Lebanon's external debt posted the 13th largest return in the Middle East & Africa region in February 2014. It outperformed Jordan (+0.92%), Gabon (+0.27%), Zambia (+0.23%), Nigeria (-0.32%) and Ghana (-0.35%). It was outperformed by Turkey (+3.84%), South Africa (+3.64%), Tunisia (+3.42%), Bahrain (+3.34%), Morocco (+3.29%), Iraq (+3.24%), Egypt (+3.02%), Senegal (+2.94%), Namibia (+2.91%), Rwanda (+2.36%), the Ivory Coast (+1.88%) and Angola (+1.81%).

Merrill Lynch indicated that the spread on Lebanese Eurobonds ended February 2014 at 399 basis points, constituting the ninth widest spread in the EMEA region and the 20th widest among emerging markets. It was wider than the EMEA spread of 293 basis points as well as the emerging markets' overall spread of 326 basis points at end-February 2014. Lebanon has a weight of 3.81% on Merrill Lynch's Sovereign Plus Debt Index, the third highest in the EMEA universe and the eighth highest among emerging economies. Lebanon accounted for 7.4% of allocations in the EMEA region.

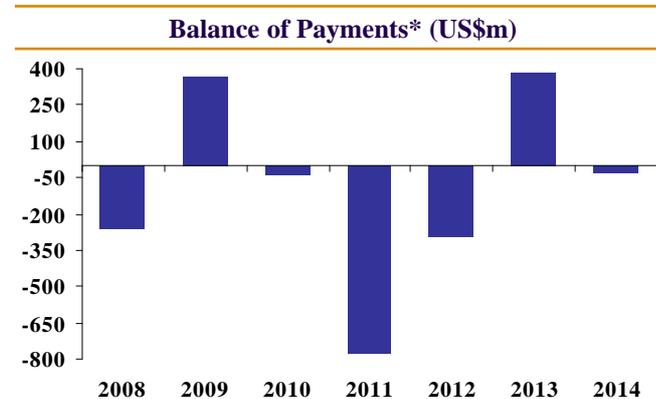
Balance of payments posts deficit of \$31m in January 2014

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$31.3m in January 2014 compared to surpluses of \$533.9m in December 2013 and \$382.5m in January 2013. The January 2014 deficit was caused by a deficit of \$634m in the net foreign assets of banks and financial institutions that was partly offset by a surplus of \$602.7m in those of the Central Bank. The balance of payments posted deficits of \$1.13bn in 2013, \$1.54bn in 2012 and \$2bn in 2011; while it posted surpluses of \$3.32bn in 2010 and \$7.9bn in 2009.

External Debt Performance in Middle East & Africa in First Two Months of 2014 (%)



Source: Merrill Lynch, Byblos Research



* in the month of January of each year

Source: Central Bank of Lebanon

Lebanon ranks 87th globally, fourth among Arab countries in readiness for decentralization

The World Bank's Government Closeness Index ranked Lebanon in 87th place among 158 countries worldwide, in fourth place among 18 Arab countries and in 26th place among 37 upper middle-income countries (UMICs) included in the survey. The index measures a local government or administration's closeness to its people, whereby a local government or municipality is defined as closer to its people if it covers a small geographical area and population, enjoys home rule and cannot be arbitrarily dismissed by higher-level governments. The index also measures a system's readiness for overall decentralization. The Index is a composite of three sub-indices that are Political Decentralization, Fiscal Decentralization, and Administrative Decentralization. It also incorporates the relative importance and security of the existence of local governments. The three sub-indices are adjusted to capture the actual closeness of local governments to people, as administrative districts vary widely in population, area and diversity of preferences of residents. The countries included in the index represent 98% of global GDP, and 99% of the world's population.

Globally, Lebanon is considered to be more ready for decentralization than Senegal, Ghana and Sri Lanka and less ready than Guatemala, Azerbaijan and Belize; while it is better prepared than Morocco, Tunisia and Iraq and less prepared than the West Bank & Gaza, the UAE and Sudan among Arab countries. Also, Lebanon is more ready for decentralization than Costa Rica, Malaysia and Seychelles and behind Azerbaijan, Venezuela and Mexico among UMICs. Lebanon received a score of 0.2 points on the Government Closeness Index, below the global average of 2.5 points and the UMIC's average of 1.21 points, but similar to the Arab average.

Lebanon ranked ahead of Mauritius and Moldova and behind Latvia and Jamaica globally on the Political Decentralization Sub-Index. Political decentralization is assessed using several criteria such as direct popular elections of council members and the executive head, recall provisions for elected officials, popular participation in local elections, and the contestability and competition in local elections. Lebanon ranked ahead of Morocco and Tunisia and behind Iraq and Djibouti among Arab countries, while it came ahead of Mauritius and Jamaica and behind Azerbaijan and Chile among UMICs.

Also, Lebanon came ahead of Tanzania and Panama and behind Guinea and Sudan globally on the Fiscal Decentralization Sub-Index. This category assesses a local government's fiscal autonomy through expenditure autonomy, tax autonomy and the legal empowerment for local borrowing. Lebanon ranked ahead of Syria and Jordan and behind Sudan and Algeria among Arab countries, while came ahead of Panama and Macedonia and behind Gabon and Jamaica among UMICs.

Further, Lebanon ranked ahead of Iran and Afghanistan and behind Angola and Burkina Faso globally on the Administrative Decentralization Sub-Index. The category measures local administrative autonomy that includes, among others, the ability of local governments to hire and fire and set terms of employment of local employees. Lebanon came ahead of Libya and Saudi Arabia and behind Bahrain and Syria regionally; while it came ahead of Libya and Mauritius and behind Algeria and Cuba among UMICs.

Arab Countries' Rankings and Scores

Country	Score	Arab Rank	Global Rank
Palestine	1.61	1	52
UAE	1.33	2	58
Sudan	0.32	3	80
Lebanon	0.20	4	87
Morocco	0.15	5	92
Tunisia	0.08	6	102
Iraq	0.07	7	103
Algeria	0.05	8	110
Egypt	0.04	9	114
Libya	0.04	10	115
Jordan	0.04	11	116
Syria	0.03	12	120
Kuwait	0.02	13	123
Qatar	0.02	14	129
Yemen	0.01	15	132
Mauritania	0.01	16	147
Saudi Arabia	0.01	17	150
Oman	0.01	18	152

Source: World Bank, Byblos Research

Components of the Government Closeness Index for Lebanon

Sub-Indices	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Average Score	Arab Average Score	UMIC Average Score
Political Decentralization	93	4	22	0.50	0.48	0.33	0.52
Fiscal Decentralization	103	4	28	0.21	0.33	0.17	0.33
Administrative Decentralization	120	12	27	0.06	0.30	0.17	0.29

Source: World Bank, Byblos Research

Value of cleared checks up 6%, returned checks up 1% in January 2014

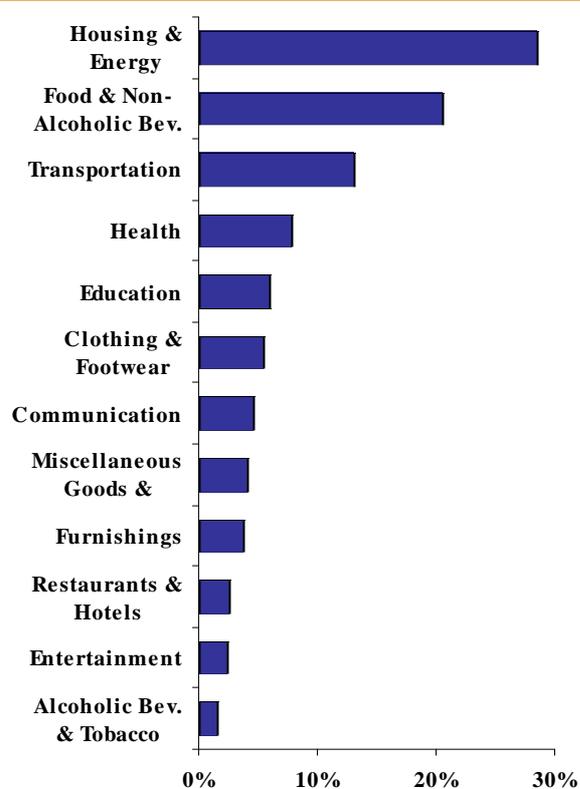
The value of cleared checks reached \$6.3bn in January 2014, constituting an increase of 5.8% year-on-year, compared to increases of 0.5% in January 2013 and of 5.4% in January 2012. The value of cleared checks in Lebanese pounds rose by 15% annually to the equivalent of \$1.5bn in January 2014, while the value of cleared checks in US dollars increased by 3.1% to \$4.8bn. The dollarization rate of cleared checks decreased to 76.1% from 78% in January 2013. Also, the value of returned checks in domestic and foreign currency grew by 0.8% year-on-year to \$125m in January 2014, relative to annual increases of 1.6% in January 2013 and of 9.9% in January 2012. In parallel, the number of cleared checks totaled 1.1 million checks in January 2014, up 1.1% from the same month last year. Also, the number of returned checks totaled 21,500 checks, down 2.3% from January 2013.

Annual household expenditures in Lebanon at \$20,749, rent absorbs 17% of total spending

The Central Administration of Statistics' (CAS) National Household Budget survey for 2012 shows that the average household spending in Lebanon totaled \$20,749 in 2012 compared to \$12,764 in 2004, and grew at a compound annual growth rate (CAGR) of 6.3% during the 2004-12 period. Households' average spending on housing, water, electricity, gas & other fuels absorbed \$5,913 or 28.5% of total expenditures in 2012; followed by food & non-alcoholic beverages at \$4,266 (20.6%); transportation at \$2,719 (13.1%); healthcare at \$1,623 (7.8%); education at \$1,215 (5.9%); clothing & footwear at \$1,118 (5.4%); communication at \$948 (4.6%); miscellaneous goods & services at \$829 (4%); furnishings, household equipment & maintenance at \$774 (3.7%); restaurants & hotels at \$534 (2.6%); recreation, amusement & culture at \$477 (2.3%); and alcoholic beverages & tobacco at \$332 (1.6%).

Spending on rent, that included actual and imputed rents, absorbed 16.6% of total spending; followed by fuel & lubricants for personal transport equipments (5.2%); meat (4.9%); electricity (4.6%); telephone & telefax services (4.3%); pharmaceutical products (4.1%); garments (4%); motor cars (3.5%); vegetables and liquid fuel (3.3% each); bread & cereals (2.9%); milk & cheese (2.6%); restaurants & hotels services (2.5%); tuition fees for post secondary education (2.3%); tuition fees for kindergarten and primary levels (1.9%); hospital services and appliances, articles & products for personal body care (1.8% each); fruits (1.7%); tuitions fees for secondary education (1.6%); and tobacco and maintenance & repair of personal transport equipment (1.5% each). As such, the 21 sub-categories absorbed on average about 76% of total spending by a household in Lebanon in 2012.

Main Household Spending Categories (%)



Source: Central Administration of Statistics, Byblos Research

Further, the average annual household spending is the highest in Mount Lebanon at \$21,599, followed by Northern Lebanon (\$21,468), Beirut (\$21,301), South Lebanon (\$19,164) and the Bekaa (\$18,244). The average annual spending per household in the Bekaa and in South Lebanon was below the average household spending in Lebanon.

In parallel, the survey indicated that the average spending per person in Lebanon totaled \$5,118 in 2012 compared to \$3,012 in 2004, and grew at a CAGR of 6.8% during the 2004-12 period. The average individual spending on housing, water, electricity, gas & other fuels was \$1,459 in 2012. It was followed by spending on food & non-alcoholic beverages (\$1,052), transportation (\$671), healthcare (\$400), education (\$300), clothing & footwear (\$276), communication (\$234), miscellaneous goods & services (\$204), furnishings, household equipment & maintenance (\$191), restaurants & hotels (\$132), recreation, amusement & culture (\$118), and alcoholic beverages & tobacco (\$82). The survey's fieldwork was conducted between end-September 2011 and October 2012, and covered a sample size of 2,746 households across Lebanon.

Net public debt at \$53.5bn at end-January 2014

Lebanon's gross public debt reached \$63.94bn at the end of January 2014, constituting a rise of 0.7% from the end of 2013 and an increase of 10.1% from end-January 2013. Domestic debt totaled \$37.8bn at end-January, rising by 1.2% from end-2013 and increasing by 12.6% annually; while external debt stood at \$26.1bn, nearly unchanged from end-2013 and increased by 6.7% from a year earlier. Local currency debt accounted for 59.1% of gross public debt at end-January 2014 compared to 57.8% a year earlier, while foreign currency-denominated debt represented 40.9% of the total at end-January 2014 relative to 42.2% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.85%, while the weighted interest rate on Eurobonds was 6.5% at the end of January 2014. Further, the weighted life on Eurobonds was 5.52 years, while that on Treasury bills was 1,245 days.

Commercial banks accounted for 59% of the total public debt at the end of January 2014 compared to 53.8% a year earlier. They were followed by the Central Bank with an 18.8% share relative to 22.5% at end-January 2013; public agencies, financial institutions and the general public with 12.3% relative to 11.5% a year earlier; bilateral and multilateral loans with 3.7% of the total debt compared to 4.4% a year earlier; while the remaining 6.2% debt was held by other parties relative to 7.8% of the total at end-January 2013. Residents held 90.1% of the total public debt at end-January 2014 relative to 87.8% a year earlier; while non-residents held 9.9% of the total at end-January 2014 compared to 12.2% at end-January 2013. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 7.9% to \$53.46bn. In parallel, the gross market debt accounted for about 64% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Foreigners own 0.4% of Lebanon's land-surface as at September 2013

Figures released by the Ministry of Finance indicate that the aggregate land-surface owned by foreigners in Lebanon totaled 36.6 million square meters as at September 2013, equivalent to about 0.35% of Lebanon's land-surface. Non-Lebanese individuals owned 19.4 million square meters or 53.1% of the total as at September 2013, while foreign companies or organizations have 17.2 million square meters or 46.9%.

Non-Lebanese individuals and companies own 5.9 million square meters in the district of Aley as at September 2013, equivalent to 16% of the total surface area acquired by foreigners in Lebanon. It is followed by the districts of Metn with 5.7 million square meters (15.4%), Baabda with 5 million square meters (13.7%), the Chouf with 2.8 million square meters (7.5%), Baalbeck with 2.3 million square meters (6.3%), Zahlé with 2.2 million square meters (6.1%), Saida with 1.7 million square meters (4.7%), Tripoli with 1.67 million square meters (4.5%), Jbeil with 1.45 million square meters (4%) and Marjayoun with 1.3 million square meters (3.6%).

In parallel, 67,638 foreign individuals and companies own land in Lebanon, and include 55,777 individuals and 11,861 firms or organizations. Further, there are 13,497 non-Lebanese individuals and companies that own real estate in the district of Beirut as at September 2013, or 20% of the total number of foreign individuals or firms that have land in Lebanon. It is followed by the districts of Baabda with 10,185 foreigners (15.1%), Aley with 9,965 (14.7%), Metn with 8,636 (12.8%), Saida with 4,902 (7.2%), Keserouan with 4,213 (6.2%), Chouf with 4,006 (5.9%), Tripoli with 13,361 (5%), Zahlé with 2,378 (3.5%) and Batroun with 1,539 (2.3%).

Lebanon represented in *Forbes* magazine's list of world billionaires

Forbes magazine's annual survey of the world's billionaires for 2014 included six persons from Lebanon, unchanged from the 2013 survey, consisting of four family members of the late Prime Minister Rafiq Hariri and two members of the Mikati family. The survey ranked Prime Minister Najib Mikati and his brother Taha Mikati in 520th place, down from 384th place in 2013, with an estimated fortune of \$3.1bn each relative to \$3.5bn in the 2013 survey. They were followed by Mr. Bahaa Hariri in 796th place with a fortune of \$2.2bn, down from 613th place and \$2.4bn in last year's survey. Former Prime Minister Saad Hariri ranked in 1154th place with an estimated fortune of \$1.5bn, down from 792nd place and \$1.9bn in the 2013 survey. Also, Mr. Ayman Hariri and his brother Mr. Fahd Hariri came in 1372nd place, down from 1088th place in 2013, while their net worth regressed to \$1.2bn each from \$1.35bn each in last year's survey.

Forbes said the Mikati brothers founded the telecommunications firm Investcom in 1982 and sold most of their stake to South Africa's MTN Group in 2006 for \$3.6bn in cash and stocks, but they remain MTN's single largest shareholder through their holding company M1 Group. The Beirut-based M1 Group has also investments in real estate, jet leasing, and in apparel company Façonnable. It has a stake in the U.K. supermarket chain J Sainsbury and has invested in a Lebanese agricultural commodities company that is developing an alfalfa farm in Sudan. In parallel, it said that Mr. Bahaa Hariri has massive investments in Jordan and his real estate holding company Horizon Group is developing, in partnership with the Jordanian government, part of downtown Amman into a new commercial and residential area. He is also majority owner of Global Express, a logistics company. It noted that former PM Saad Hariri is the Chairman and CEO of Saudi Oger, while Mr. Ayman Hariri is involved in running the company. It added that Oger's other interests include telecommunications through its major stake in Turk Telekom, and banking through its shares in several Middle Eastern banks. It pointed out that Mr. Fahd Hariri is an architect and develops residential buildings in Beirut.

The aggregate fortune of the six Lebanese included on the 2014 *Forbes* list fell by 12% to \$12.3bn. The wealthiest man in the Middle East is Saudi Prince al-Waleed bin-Talal who ranked in 30th place globally with an estimated net worth of \$20.4bn relative to \$20bn in the 2013 survey. The richest man in the world is Mr. Bill Gates with an estimated fortune of \$76bn. The number of billionaires in the 2014 list reached an all-time high of 1,645 individuals compared to 1,426 billionaires in the 2013 survey, while their aggregate net worth reached a record high of \$6.4 trillion, up from \$5.4 trillion in 2013. Also, the number of women billionaire on the 2014 list reached a record high of 172 women, up from 138 in the 2013 survey. Also, about two-thirds of the billionaires built their own fortunes, 13% inherited them and 21% have been adding on to fortunes they received.

Billionaires of Lebanese descent on <i>Forbes</i> ' 2014 list of the world's richest people					
Name	Rank	Worth (\$bn)	Trend	Source	Country
Carlos Slim Helu	2	72.0	down	Telecom	Mexico
Joseph Safra	55	16.0	up	Banking	Brazil
Moise Safra	796	2.2	down	Banking	Brazil
Joe Jamail Jr.	1092	1.6	up	Law	USA
Alfredo Harp Helu & Family	1154	1.5	unchanged	Banking	Mexico

Source: *Forbes Magazine*, *Byblos Research*

Kafalat loan guarantees up 17% to \$19m in first two months of 2014

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$18.5m in the first two months of 2014, up 17% from \$15.8m in the same period last year. The number of loan guarantees totaled 136 year-to-February compared to 115 in the same period last year. The average loan size reached \$135,800 compared to \$137,288 in the first two months of 2013. Mount Lebanon accounted for 36.8% of guarantees, followed by the Bekaa with 25%, the South & Nabatieh with 19.1%, the North with 14.7% and Beirut with 4.4%. The agricultural sector accounted for 52.2% of total guarantees, followed by industry with 35.3%, tourism with 8.1%, specialized technologies with 2.9%, and handicraft with 1.5%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to \$400,000 earmarked for the set up and expansion of small and medium-size 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. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the interest that accrues during the grace period.

Commercial banks' assets reach \$164bn at end-January 2014

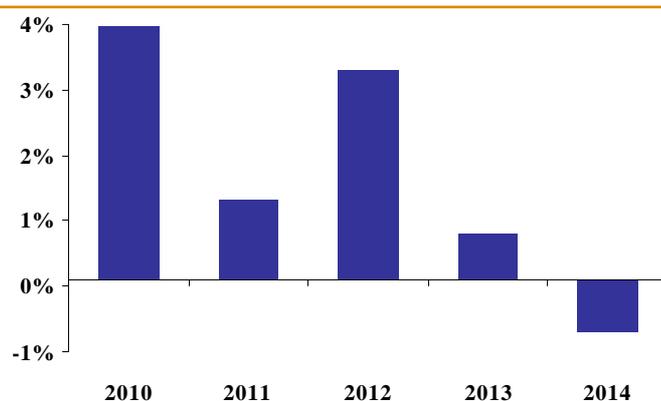
The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$164.4bn at the end of January 2014, constituting a marginal decrease of 0.2% from the end of 2013 and a rise of 7.4% from end-January 2013. Private sector deposits totaled \$134.9bn, decreasing by 1% from end-2013 but increasing by 7.4% from end-January 2013. Deposits in Lebanese pounds reached \$46.4bn and rose by 0.6% from end-2013 and by 4.8% from end-January 2013; while deposits in foreign currencies totaled \$88.4bn, constituting a decrease of 1.8% from end-2013 and an increase of 8.8% from a year earlier. Non-resident foreign currency deposits totaled \$23.8bn at the end of January 2014, declining by 5.1% from the end of 2013 and growing by 13.7% year-on-year. Total non-resident deposits reached \$27.2bn at the end of January 2014 and dropped by 4.5% from end-2013, but they increased by 11.9% from a year earlier. Total private sector deposits decreased by \$1.3bn in January 2014, while they rose by \$3.1bn in December 2013 and by \$558m in January 2013. In parallel, deposits of non-resident banks reached \$5.2bn at the end of January 2014 and increased by 4.3% from end-2013 but they declined by 16.2% from a year earlier. The dollarization rate of deposits reached 65.6% at the end of January 2014 relative to 66.1% at end-2013 and 64.7% a year earlier. Further, the average deposit rate in Lebanese pounds reached 5.48% at end-January 2014 relative 5.43% a year earlier, while the same rate in US dollars was 2.95%, up from 2.88% in January 2013.

Loans to the private sector totaled \$47bn, constituting a decrease of 0.7% from end-2013 and a rise of 7.6% from a year earlier. Lending to the resident private sector totaled \$41.4bn and decreased by 0.3% from end-2013 but increased by 8.5% year-on-year, while credit to the non-resident private sector reached \$5.7bn and fell by 3.4% from end-2013 relative to a rise of 1.7% from end-January 2013. The dollarization rate in private sector lending regressed to 76.2% at end-January 2014 from 77.5% a year earlier. The average lending rate in Lebanese pounds was 7.39% in January 2014 compared to 7.32% a year earlier, while the same average in US dollars was 6.82% compared to 6.98% in January 2013. In addition, claims on non-resident banks reached \$12.5bn at end-January 2014, posting a decrease of 10.1% from end-2013 and of 12% from a year earlier. Claims on the public sector stood at \$38bn, constituting a marginal increase of 0.8% from end-2013 and a rise of 21.8% year-on-year. The ratio of private sector loans-to-deposits in foreign currencies stood at 40.5%, well below the Central Bank's limit of 70%, and compared to 41.7% a year earlier. In parallel, the same ratio in Lebanese pounds was 24.2%, up from 22.2% at the end of January 2013. The ratio of total private sector loans-to-deposits was 34.9% compared to 34.8% a year earlier. The banks' aggregate capital base stood at \$14.3bn, up by 0.5% month-on-month and by 12.9% from \$12.6bn in January 2013.

Healthcare firm raises funds through securitization

Dima Healthcare sal, a distributor of medical supplies and equipments, raised \$14m through a revolving securitization transaction to mainly support its business expansion. The transaction is backed by a portfolio of trade receivables from hospitals, pharmacies, clinics, corporations and medical doctors. The securitization fund, DHC Healthcare SIF, represents the first trade receivables securitization deal in the Lebanese healthcare sector. The fund consists of the issuance of 4.5-year notes that were offered and subscribed by institutional investors. The Fund will continuously purchase new receivables for a three-year revolving period. The issuance was subscribed by Banque BEMO sal, Allianz SNA, BBAC sal, First National Bank sal, BlomInvest Bank, FFA Private Bank, CreditBank, BIT bank, and BEMO Europe Banque Privée. Dima Healthcare sal is a leading distributor of medical supplies and equipment, pharmaceuticals, and turnkey maintenance solutions in the Lebanese market. The deal was structured, arranged and lead managed by BSEC, the securitization subsidiary of Banque BEMO sal.

Private Sector Lending Growth* (% Change)



* in the month of January of each year

Source: Association of Banks in Lebanon, Byblos Research

First National Bank's net income at \$25.5m in 2013

First National Bank, one of Lebanon's top 13 banks, announced unaudited consolidated net profits of \$25.5m in 2013, up 30.4% from \$19.6m in 2012. Total operating income rose by 17.2% year-on-year to \$78.9m, with net interest income decreasing by 3.1% to \$52.2m and net fees & commissions receipts rising by 39.4% to \$7.4m. Net operating income rose by 20.6% year-on-year to \$76.9m. Total operating expenditures increased by 14.2% year-on-year to \$46.6m in 2013, with staff expenses increasing by 13.3% to \$28.4m and administrative expenses rising by 21.2% to 15.9m. Also, the bank's return on average assets reached 0.74% in 2013, relative to 0.63% a year earlier; while its return on average equity was 10.59% last year relative to 9.52% in 2012. The cost-to-income ratio regressed to 59% in 2013 from 60.5% in 2012.

In parallel, total assets reached \$3.55bn at end-2013, constituting a growth of 5% from end-2012; while loans & advances to customers, excluding loans & advances to related parties, rose by 5.3% year-on-year to \$884.2m. Also, customer deposits, excluding deposits from related parties, totaled \$2.85bn at end-2013, constituting an increase of 11.6% from a year earlier. The loans-to-deposits ratio regressed to 30.2% at end-2013 from 32.4% at end-2012. The bank's shareholders' equity totaled \$249.7m at end-2013, up 7.6% from end-2012.

Ratio Highlights

(in % unless specified)	2011	2012	2013	Change*
Nominal GDP (\$bn)	40.1	42.5	44.3	
Public Debt in Foreign Currency / GDP	52.2	57.4	61.1	370
Public Debt in Local Currency / GDP	81.6	78.4	82.7	430
Gross Public Debt / GDP	133.9	135.7	143.9	820
Total Gross External Debt / GDP	169.0	169.9	172.7	280
Trade Balance / GDP	(34.7)	(34.6)	(32.8)	180
Exports / Imports	27.9	27.6	27.0	(60)
Fiscal Revenues / GDP	23.3	22.1	20.9	(120)
Fiscal Expenditures / GDP	29.1	31.4	32.1	70
Fiscal Balance / GDP	(5.9)	(9.3)	(11.2)	(190)
Primary Balance / GDP	4.1	(0.3)	(2.5)	(220)
Gross Foreign Currency Reserves / M2	79.2	69.4	70.6	120
M3 / GDP	242.5	244.7	248.9	420
Commercial Banks Assets / GDP	350.6	357.4	367.6	1,020
Private Sector Deposits / GDP	288.6	294.1	302.3	820
Private Sector Loans / GDP	98.2	102.2	106.4	420
Private Sector Deposits Dollarization Rate	65.9	64.8	65.7	90
Private Sector Lending Dollarization Rate	78.4	77.6	76.5	(110)

* Change in basis points 12/13

Source: Institute of International Finance, Association of Banks in Lebanon, International Monetary Fund, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	June 2012	May 2013	June 2013	Change*	Risk Level
Political Risk Rating	54.5	53.0	53.0	▼	High
Financial Risk Rating	35.0	33.5	33.5	▼	Moderate
Economic Risk Rating	34.0	28.5	28.5	▼	High
Composite Risk Rating	61.7	57.5	57.5	▼	High

Regional Average	June 2012	May 2013	June 2013	Change*	Risk Level
Political Risk Rating	59.9	58.5	58.4	▼	High
Financial Risk Rating	41.9	41.2	41.0	▼	Very Low
Economic Risk Rating	37.0	36.4	36.7	▼	Low
Composite Risk Rating	69.4	68.0	68.0	▼	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	Negative	B1		Negative
Fitch Ratings	B	B	Negative	B		Negative
Standard & Poor's	B-	B	Negative	B-	B	Negative
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative
EIU		CCC	

Source: Rating agencies



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

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
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 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya - Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra - Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

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 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., 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
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

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