



LEBANON THIS WEEK

In This Issue

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

Economic growth to remain below potential over near term, respect of constitutional deadlines to help confidence

Telecommunications Ministry reduces tariffs

Spending on social safety nets in Lebanon equivalent to 1% of GDP annually, sixth highest among Arab countries

Tourism Ministry launches tourism promotional campaign

Coincident Indicator stagnates in March 2014

Occupancy rate at Beirut hotels at 39%, room yields down 35% in first quarter of 2014

Opened letters of credits at \$1.5bn for imports and \$650m for exports in first quarter of 2014

Construction permits up 11% in first four months of 2014

Perception of media freedoms in Lebanon deteriorates

Lebanon ranks third among Arab countries in Facebook user penetration

Beirut Stock Exchange to adopt new trading platform

Consumer Price Index almost unchanged in April 2014

Corporate Highlights7

Byblos Bank's ratings affirmed, outlook 'stable'

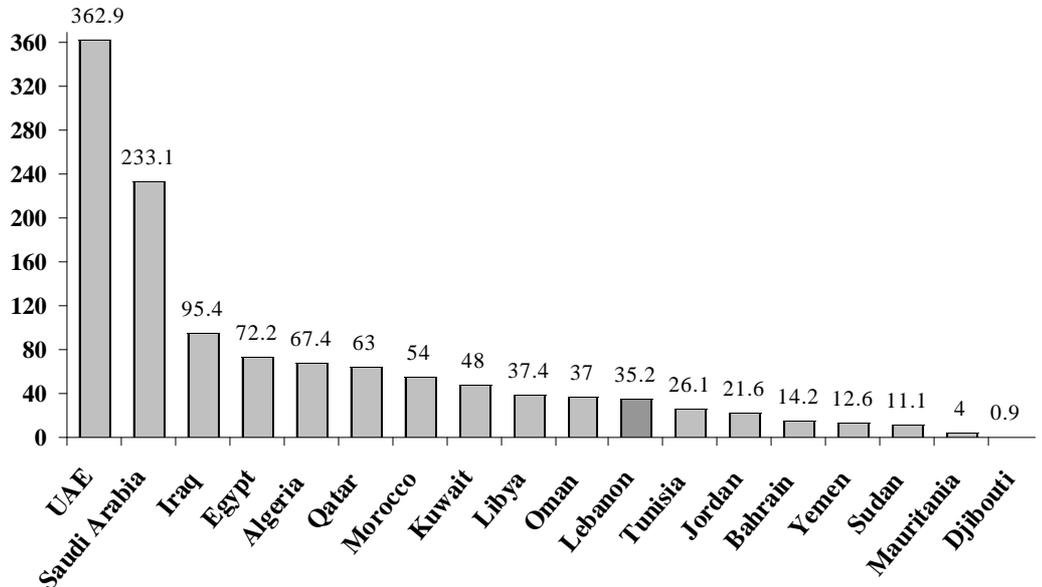
Balance sheet of financial institutions up 14% in first quarter of 2014

Balance sheet of investment banks down 1% in first quarter of 2014

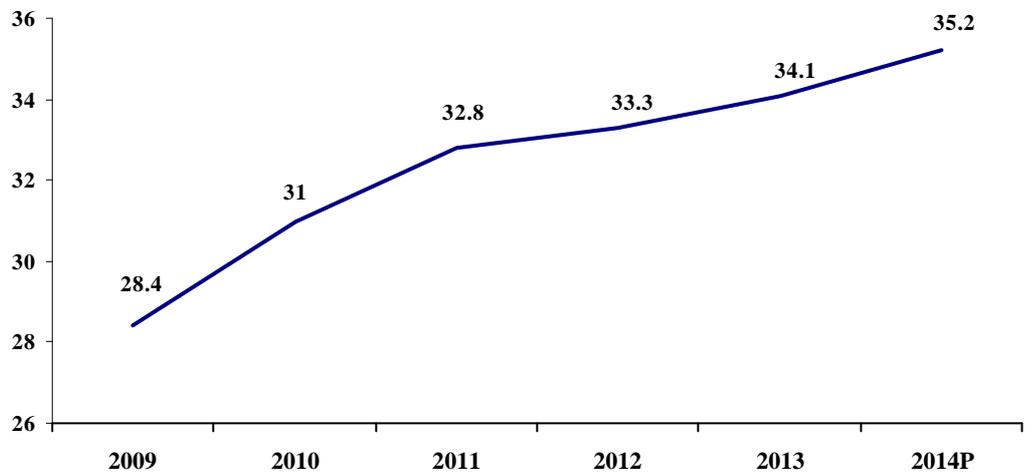
Ratio Highlights.....8
Risk Outlook8
Ratings & Outlook.....8

Charts of the Week

Projected Imports of Goods & Services to Arab Countries in 2014 (US\$bn)



Imports of Goods & Services to Lebanon (US\$bn)



Source: International Monetary Fund - May 2014, Byblos Bank

Quote to Note

"Inefficient and insufficient electricity provision is a major impediment to growth."

The International Monetary Fund, on a key obstacle to economic activity in Lebanon

Number of the Week

67%: Percentage of youth respondents in Lebanon who consider that the current generation is more likely to start a business than previous ones, according to an opinion poll conducted in January 2014 by public relations firm ASDA'A Burson-Marsteller

Economic Indicators

\$m (unless otherwise mentioned)	2012	Dec 12	Sep 13	Oct 13	Nov 13	Dec 13	% Change*
Exports	4,486	381	288	391	263	243	(36.22)
Imports	21,281	1,871	1,565	1,757	1,772	1,797	(3.96)
Trade Balance	(16,795)	(1,490)	(1,277)	(1,366)	(1,509)	(1,554)	4.30
Balance of Payments	(1,538)	312	504	(794)	(192)	534	71.15
Checks Cleared in LBP	14,976	1,337	1,473	1,516	1,451	1,562	16.83
Checks Cleared in FC	56,044	4,670	4,513	4,698	4,584	4,728	1.24
Total Checks Cleared	69,787	6,007	5,986	6,214	6,035	6,290	4.71
Budget Deficit/Surplus	(3,925)	(132.36)	(668.16)	(228.92)	(126.15)	(137.58)	3.94
Primary Balance	(109.87)	134.56	(262.33)	233.07	340.22	171.23	27.26
Airport Passengers	5,960,414	495,760	539,297	524,741	407,869	510,367	2.95
\$bn (unless otherwise mentioned)	Dec 2012	Dec 12	Sep 13	Oct 13	Nov 13	Dec 13	% Change*
BdL FX Reserves	29.97	29.97	32.03	31.86	31.78	31.70	5.77
<i>In months of Imports</i>	16.02	16.02	20.47	18.13	17.93	17.64	10.13
Public Debt	57.69	57.69	62.39	62.44	63.26	63.46	10.01
Net Public Debt	49.12	49.12	52.15	52.50	52.75	53.18	8.28
Bank Assets	151.88	151.88	159.26	160.63	161.92	164.82	8.52
Bank Deposits (Private Sector)	124.99	124.99	131.26	132.10	133.15	136.21	8.97
Bank Loans to Private Sector	43.45	43.45	45.88	46.50	46.81	47.38	9.05
Money Supply M2	43.17	43.17	44.49	44.72	45.05	45.60	5.63
Money Supply M3	104.01	104.01	108.49	109.02	109.34	111.16	6.87
LBP Lending Rate (%)	7.07	7.07	7.36	7.59	7.01	7.29	22b.p
LBP Deposit Rate (%)	5.41	5.41	5.37	5.44	5.47	5.44	3b.p
USD Lending Rate (%)	6.87	6.87	6.95	6.85	6.88	6.88	1b.p
USD Deposit Rate (%)	2.86	2.86	2.91	2.94	2.97	2.95	9b.p
%* Change in CPI**	4.68	4.68	4.81	5.04	4.96	3.89	(79b.p)

* Year-on-Year; ** Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	13.18	(0.98)	126,091	11.98%	Jan 2015	5.875	101.35	3.69
Solidere "B"	13.13	(0.53)	38,948	7.76%	Apr 2015	10.000	106.13	3.11
Byblos Common	1.58	(1.94)	103,903	5.16%	Jan 2016	8.500	107.75	3.59
Byblos Pref. 08	100.00	0.00	31,595	1.82%	Mar 2017	9.000	112.13	4.37
Byblos Pref. 09	100.80	0.80	6,079	1.83%	Nov 2018	5.150	100.75	4.96
BLOM GDR	9.27	0.00	11,886	6.23%	May 2019	6.000	103.50	5.19
BLOM Listed	8.77	0.80	13,742	17.13%	Mar 2020	6.375	104.80	5.40
Audi GDR	6.40	(1.39)	784	5.96%	Apr 2021	8.250	114.75	5.63
Audi Listed	6.09	0.00	19,371	19.36%	Oct 2022	6.100	100.88	5.97
HOLCIM	14.80	0.00	0	2.62%	Nov 2026	6.600	101.63	6.41

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

Source: Byblos Bank Capital Markets

	May 19-23	May 12-16	% Change	Apr 2014	Apr 2013	% Change
Total Shares Traded	370,918	500,772	(25.93)	1,817,870	4,184,711	(56.56)
Total Value Traded	\$6,998,060	\$9,819,191	(28.73)	\$17,838,999	\$28,430,668	(37.25)
Market Capitalization	\$11.00bn	\$11.00bn	0.07	\$11.05bn	\$10.07bn	9.76

Source: Beirut Stock Exchange (BSE)



Economic growth to remain below potential over near term, respect of constitutional deadlines to help confidence

Standard & Poor's projected Lebanon's real GDP growth at 1.5% in 2014 compared to an estimated growth rate of 1% in 2013. It considered that a significant recovery in economic activity and an improvement in macroeconomic fundamentals are not likely to materialize in the near term. It expected the Syrian conflict to continue to negatively affect Lebanon's growth prospects, given that economic activity is highly sensitive to fluctuations in consumer and business confidence. It noted that the tourism and financial sectors, as well as trade, services and foreign direct investment are not likely to rebound over the medium term, which would keep annual real GDP growth rates below their 4% potential. The agency added that the divisions within Lebanon's political class continue to obstruct macroeconomic and fiscal policy-making. But it considered that holding presidential elections on time, followed by the timely formation of a new coalition government and organizing the parliamentary elections in November would stimulate domestic and investor confidence. Further, it pointed out that the inefficient electricity system constitutes an obstacle to sustainable growth and that installed generating capacity covers only about 60% of demand. It noted that the timeliness and quality of official economic data in Lebanon are limited, with the most recent available official annual national accounts data covering the year 2011.

S&P considered that the slowdown in economic activity as well as the electricity sector are negatively affecting the country's public finances. It pointed out that the absence of a ratified budget since 2005 has diminished the accountability, predictability and flexibility of fiscal policy. It projected the fiscal deficit at 9.5% of GDP in 2014, unchanged from 2013, reflecting weak public revenue growth and little expenditure flexibility. It expected the primary budget balance to remain in deficit during the 2014-15 period, which highlights the lack of fiscal space. It forecast government spending to increase slightly this year, driven by rising demand for public services associated in part to the large influx of Syrian refugees. It noted that debt servicing is equivalent to nearly 8.5% of GDP and absorbs 40% of public revenues, while transfers to Electricité du Liban exceed 4% of GDP annually. It added that the cost of the proposed public-sector wage increase is equivalent to 2.5% of GDP. Further, it forecast the public debt level to rise to 146.8% of GDP in 2014 from 143.5% of GDP in 2013, reflecting the wide fiscal deficit and the deficit in the primary budget balance. It considered that Lebanese authorities should not take for granted the banking sector's willingness to rollover maturing Eurobonds. It noted that banks reduced their exposure to the sovereign in recent periods, which obliged the Central Bank to subscribe to government debt.

In parallel, S&P indicated that the Central Bank's substantial foreign currency reserves mitigate the country's external imbalances and allow it to maintain confidence in the Lebanese pound. It noted that foreign currency reserves, including gold, reached \$45.6bn at the end of February 2014 and covered 33% of the private sector's deposits. It estimated Lebanon's total narrow net external assets at 74% of current account receipts (CARs) at end-2013. It defined narrow net external assets as the stock of foreign and local currency public- and private-sector borrowings from non-residents, minus liquid external asset. It expected Lebanon to remain in a narrow net foreign asset position in coming years. Also, it projected Lebanon's gross external financing needs at 100% of CARs and usable reserves in 2014 compared to 93% in 2013. It defined a country's gross external financing needs as the sum of its CARs, short-term external debt at the end of the previous year, non-resident deposits at the end of the preceding year and long-term external debt maturing within the year. It noted that the Syrian crisis is significantly affecting Lebanon's external accounts through lower trade activity and declining tourism revenues and foreign capital inflows. It projected Lebanon's current account deficit to widen to 16.3% of GDP in 2014 from 14.8% of GDP in 2013.

Telecommunications Ministry reduces tariffs

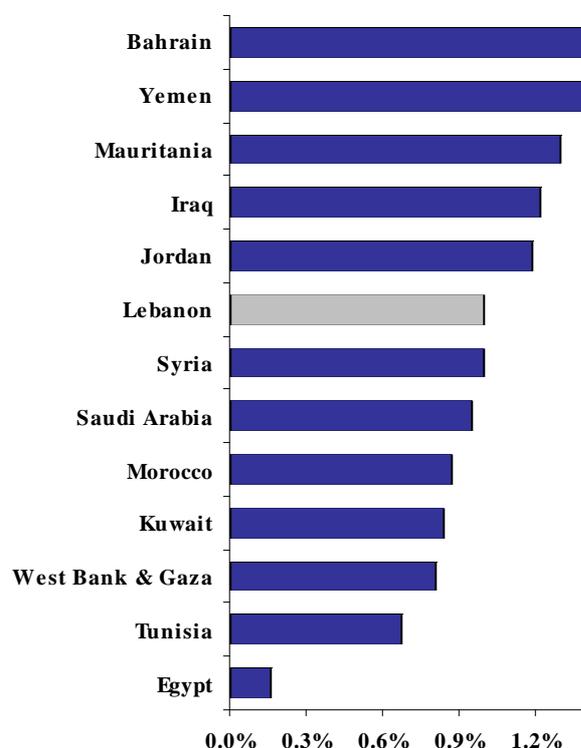
The Ministry of Telecommunications announced that it would lower the tariffs on mobile phone services starting from June 1, 2014 and on other phone services starting from the beginning of July. The ministry reduced call tariffs for prepaid mobile subscribers by 30.6% from \$0.36 per minute to \$0.25 and lowered the cost of text messaging by 44.4% from \$0.09 per message to \$0.05. Also, post-paid mobile subscribers would receive an extra 60 minutes of call time as part of their \$15 monthly subscription fee. Further, the ministry doubled or tripled subscribers' mobile 3G capacity, but maintained current prices unchanged, which effectively amounts to a reduction in rates. As such, users would get a 500 megabytes (Mb) mobile Internet 3G bundle instead of a 150 Mb for a \$10 monthly subscription fee, they will receive a 1,500 Mb bundle instead of 750 Mb for a \$19 monthly payment, and will get 5,000 Mb instead of a 1,500 Mb bundle for a \$29 monthly fee. In parallel, the ministry noted that it will substantially decrease the monthly subscription fees on fixed broadband Internet subscriptions. In particular, it said that the DSL Internet service's monthly price for the 2 Mb per second and 40 gigabytes (GB) download plan would decrease by 88% to LBP24,000 (\$16), while the cost of the 4 Mb per second and 50 GB download plan would drop by 81.1% to LBP50,000 (\$33). Also, the ministry noted that it introduced a new bundle of 2 Mb per second with an unlimited download plan for a monthly subscription fee of LBP75,000 (\$50). Further, the ministry canceled the LBP50,000 (\$33) one-off installation fee for fixed phone lines and reduced the basic monthly fee to \$6 from \$8.

Spending on social safety nets in Lebanon equivalent to 1% of GDP annually, sixth highest among Arab countries

Figures compiled by the World Bank estimated the amount that the Lebanese government spends on social safety nets to be equivalent to 1% of GDP annually. It indicated that Lebanon's allocation to its social safety nets is below the annual average of 1.6% of GDP spent by governments in developing and emerging countries and is lower than the median country spending of 1.2% of GDP per year. But it noted that government spending on social safety nets in Lebanon is in line with the annual average spending on such services in the Middle East & North Africa region. In comparison, spending on social safety nets in high-income developing countries is at 1.9% of GDP, that in UMICs stands at 1.8% of GDP, spending in lower middle-income countries reaches 1.5% of GDP and that in low-income countries is 1.1% of GDP.

Public expenditures on social safety nets in Lebanon is the 63rd highest among 107 developing and emerging countries, the 29th highest among 38 upper-middle income countries (UMICs), and the sixth highest among 13 Arab countries. Globally, public spending on social safety net in Lebanon is similar to that in the Gambia and in Syria, is higher than that in Azerbaijan (0.97% of GDP), Saudi Arabia (0.95% of GDP) and Burkina Faso (0.9% of GDP), and is lower than that in Kazakhstan (1.04% of GDP), Pakistan (1.02% of GDP) and Uruguay (1.01% of GDP). Also, the amount that the Lebanese government spends on social safety nets is higher than that in Azerbaijan, Colombia (0.83% of GDP), Fiji and Mexico (0.78% of GDP each), Thailand (0.72% of GDP), China (0.7% of GDP), Tunisia (0.67% of GDP), Peru (0.47% of GDP) and Malaysia (0.29% of GDP) among UMICs. Regionally, it was similar to spending by the Syrian government, and lower than what is spent by Bahrain (1.45% of GDP), Yemen (1.44% of GDP), Mauritania (1.3% of GDP), Iraq (1.22% of GDP) and Jordan (1.19% of GDP).

Spending on Social Safety Nets (% of GDP)



Source: World Bank, Byblos Research

Tourism Ministry launches tourism promotional campaign

The Ministry of Tourism launched the 'Live Love Lebanon' campaign that aims at promoting tourism in Lebanon during 2014. The campaign is mainly a guide to Lebanon's most prominent tourist destinations and includes different programs and packages for various Lebanese regions. The programs cover culture, adventures, nature, wine, beaches, and festivals. Also, the ministry established a new website to promote the packages and programs, while the campaign will use social media to actively promote tourism. The ministry initiated the 'Live Love Lebanon' campaign in collaboration with civil society representatives, the private sector and Middle East Airlines.

The tourism sector, a main driver of economic activity in the country, has suffered over the past three years from deteriorating domestic security conditions, political uncertainties and regional turmoil, as well as from the lack of any comprehensive strategy to place Lebanon on the regional or global tourism maps. As a result, the number of incoming tourists to Lebanon totaled 1.27 million in 2013, constituting a decrease of 6.7% from about 1.37 million tourists in 2012, a decline of 23% from 1.66 million tourists in 2011 and a drop of 41.2% from 2.2 million tourists in 2010. Overall, the travel & tourism sector's total contribution to economic output in Lebanon fell by 2.6% in real terms in 2013, following declines of 10.2% in 2012 and 17.2% in 2011 and compared to increases of 10.5% in 2009 and 21.9% in 2010.

Coincident Indicator stagnates in March 2014

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 271.8 points in March 2014 compared to 272.5 in February 2014 and 273.9 in March 2013. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by a marginal 0.3% month-on-month and by 0.8% year-on-year in March 2014. The indicator averaged 266.1 in the 12 months ending March 2014, compared to 266.2 in the 12 months ending February 2014 and 259.1 in the 12 months ending March 2013. As a result, the average coincident indicator remained almost unchanged month-on-month but rose by 2.7% year-on-year, which continues to reflect the economic slowdown. In parallel, the indicator improved 12 times and regressed 10 times in the month of March since 1993. It averaged 225.9 in 2009, 249.5 in 2010, 255.7 in 2011, 256.6 in 2012 and 264.7 points in 2013.

Occupancy rate at Beirut hotels at 39%, room yields down 35% in first quarter of 2014

EY's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 39% in the first quarter of 2014, down from 56% in the same quarter last year and compared to an average rate of 66.4% in 16 Arab markets. The occupancy rate at Beirut hotels was the second lowest in the region in the covered quarter, while it was the third lowest in the first quarter of 2013. Cairo posted the lowest occupancy rate of 27% in the covered period. Also, the occupancy rate at hotels in Beirut fell by 17 percentage points year-on-year, constituting the steepest decrease among the 16 Arab markets, and relative to an average increase of 0.6 percentage points for the region. Occupancy rates at Beirut hotels were 36% in January, 42% in February and 41% in March 2014; compared to 50% in January, 60% in February and 59% in March 2013.

The average rate per room at Beirut hotels was \$156 in the first quarter of 2014, ranking the capital's hotels as the 12th most expensive in the region. The average rate per room at Beirut hotels decreased by 6.9% year-on-year and posted the sixth steepest decline among all markets in the region better than only Hurghada (-24.2%), Makkah (-16.6%), Abu Dhabi and Sharm El Shaikh (-8.5% each) and Madina (-7.6%). The average rate per room in Beirut came below the regional average of \$189.1, which decreased by 1% from the same quarter of 2013.

Further, revenues per available room (RevPAR) were \$62 in Beirut in the first quarter of 2014, down from \$95 in the same quarter of 2013, and came in 13th place in the region, higher than only Sharm El Shaikh (\$27), Cairo (\$23) and Hurghada (\$17). Beirut's RevPAR fell by 34.5% year-on-year and posted the steepest decrease among Arab markets. Beirut posted RevPARs of \$60 in January, \$65 in February and \$62 in March 2014; compared to \$87 in January, \$101 in February and \$99 in March 2013. Kuwait posted the highest average room rate in the region at \$359, while Muscat and Dubai posted the highest occupancy rate of 88% each, and Dubai posted the highest room yield of \$286 in the first quarter of 2014.

Opened letters of credits at \$1.5bn for imports and \$650m for exports in first quarter of 2014

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$1.53bn in the first quarter of 2014, constituting a decrease of 17.8% from \$1.86bn in the same quarter of 2013. Further, utilized credits for imports reached \$1.65bn in the first quarter of 2014, down 7.2% from \$1.78bn in the same quarter last year. They accounted for 107.6% of opened LCs in the covered quarter compared to 95.4% in the first quarter of 2013. Also, outstanding import credits totaled \$947.8m at end-March 2014 compared to \$1.24bn at end-March 2013. Further, the aggregate value of inward bills for collection totaled \$478.8m in the first quarter of 2014, constituting an increase of 30.6% from \$366.7m in the same quarter last year. Outstanding bills for collection reached \$168.9m at end-March 2014 relative to \$151.5m at end-March 2013.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached \$650.1m in the first quarter of 2014, constituting a decrease of 39.5% from the same quarter of 2013. Further, utilized credits for exports reached \$643.9m in the covered quarter, constituting a decline of 35.1% from \$992.7m of used credits in the first quarter of 2013. Outstanding export credits reached \$1.25bn at end-March 2014, down from \$1.48bn at end-March 2013. The aggregate value of outward bills for collection totaled \$394.4m in the first quarter of the year, reflecting a drop of 10.9% from \$442.7m in the same quarter of 2013. The outstanding value of outward bills for collection reached \$458.1m at end-March 2014 relative to \$447m a year earlier.

Construction permits up 11% in first four months of 2014

Figures released by the order of Engineers of Beirut & Tripoli show that the number of construction permits reached 5,813 in the first four months of 2014, constituting a rise of 3.2% from 5,633 in the same period of last year and compared to a 0.7% increase in the first four months of 2013. Mount Lebanon accounted for 43.1% of the number of construction permits in the covered period, followed by South Lebanon with 16.9%, Nabatieh with 12.9%, the North with 12.4%, the Bekaa with 9.6% and Beirut with 5.1%. Further, the surface area of construction permits issued in the first four months reached 4.6 million square meters (sqm), constituting an increase of 10.7% from the same period of last year and compared to decreases of 12.2% in the first four months of 2013 and 9.7% in the same period of 2012. Mount Lebanon accounted for 2 million sqm or 44.2% of total construction permits in the covered period. It was followed by the North with 867,085 sqm (18.7%), South Lebanon with 532,861 sqm (11.5%), Beirut with 465,851 sqm (10.1%), Nabatieh with 371,147 sqm (8%) and the Bekaa with 346,332 sqm (7.5%). In parallel, cement deliveries totaled 1.2 million tons in the first quarter of 2014 and rose by 7.3% annually relative to an increase of 13.7% in the same quarter last year and a drop of 4.2% year-on-year in the first quarter of 2012.

Hotel Performance in First Quarter of 2014

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Muscat	88	199	8.2
Dubai	88	286	3.0
Makkah	84	143	(4.1)
Madina	83	156	2.2
Abu Dhabi	82	178	(9.7)
Jeddah	77	208	7.7
Riyadh	71	158	7.5
Doha	70	167	0.7
Al Ain	70	102	(1.1)
Hurghada	65	17	(22.5)
Amman	61	97	5.0
Sharm El Shaikh	55	27	(14.8)
Kuwait	52	188	(0.7)
Manama	51	105	4.7
Beirut	39	62	(34.5)
Cairo	27	23	(9.4)

Source: EY, Byblos Research

Perception of media freedoms in Lebanon deteriorates

A survey conducted in 2013 by opinion polling and consulting firm Gallup on media freedoms in 132 countries shows that 61% of Lebanese respondents considered that the media in Lebanon has a lot of freedom, compared to 68% of participants in the 2012 survey and 74% of respondents in the 2011 survey. In parallel, 63% of participants worldwide reported that the media in their country has a lot of freedom.

The share of respondents who perceived that the media in Lebanon has a lot of freedom was the 71st highest worldwide in the 2013 survey, while it was the 64th highest in the 2012 survey and the 46th highest in the 2011 survey. The perception of media freedoms in Lebanon was similar to the share of respondents in Azerbaijan, Cameroon, Liberia, Malaysia, Northern Cyprus and Sri Lanka. Also, the share of Lebanese who said that the media in their country has a lot of freedom was the fourth highest among 12 Arab countries included in the 2013 survey, while it was the sixth highest in the 2012 survey and the third highest in the 2011 survey. It was lower than the perception of media freedoms in Tunisia (83%), Egypt (74%) and Jordan (64%) in 2013.

In parallel, 38% of survey participants said that the Lebanese media does not have a lot of freedom, up from 30% in the 2012 survey and 24% in the 2011 survey. The percentage of respondents who said that the media in Lebanon does not have a lot of freedom was the 22nd highest worldwide in the 2013 survey, while it was the 40th highest in 2012. Also, it was the fifth highest among Arab states in the 2013 survey. It was lower than the share of survey's respondents who said that the media does not have a lot of freedom in Syria (56%), Palestine (53%), Mauritania (49%) and Iraq (40%).

The survey's results are based on telephone and face-to-face interviews with approximately 1,000 adults per country that were conducted in 132 countries and territories in 2013. The survey in Lebanon was conducted through face-to-face interviews with 1,000 adults between May 28 and July 10, 2013.

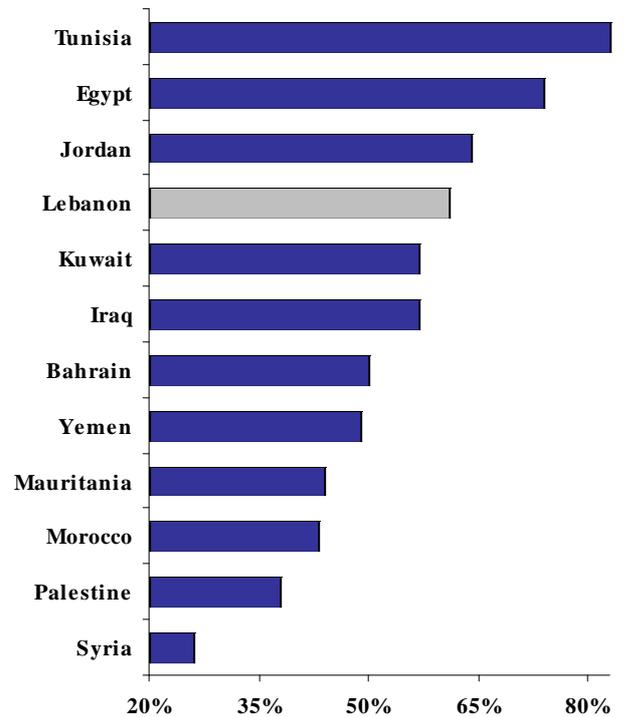
Lebanon ranks third among Arab countries in Facebook user penetration

Figures issued by the Dubai-based Mohammed bin Rashid School of Government indicate the Facebook usage penetration rate in Lebanon, or the ratio of the social networking site's users to the total population, was 43% at the end of 2013 compared to 23.1% at the end of 2010, and relative to the Arab average penetration rate of 18.5%. Lebanon tied with Kuwait and Jordan in third place among 22 Arab countries in usage penetration, behind the UAE (54%) and Qatar (47%). It had the fourth highest penetration rate in 2010 behind the UAE, Bahrain and Qatar.

Further, the total number of new Facebook users in Lebanon stood at 273,520, the 13th highest in the Arab world. In addition, 72% of Facebook users in Lebanon navigate the platform in English, 13% of them use the Arabic language and 4% utilize the French language, while the remaining 11% use other languages to navigate the site.

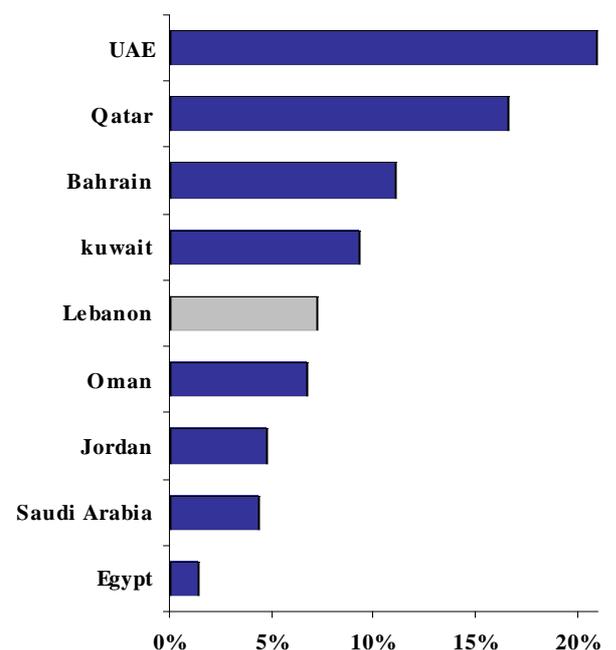
In parallel, the LinkedIn usage penetration rate in Lebanon, or the ratio of the business social networking site's users to the total population, was 7.2% at the end of 2013. LinkedIn's penetration rate in Lebanon was the fifth highest among Arab countries, and came lower than the UAE (20.9%), Qatar (16.6%), Bahrain (11%) and Kuwait (9.3%). The survey was conducted online between March and May 2013 and covered 3,804 respondents from 22 Arab countries.

% of Respondents who Say Country has a "Lot of Media Freedom"



Source: Gallup, Byblos Research

LinkedIn Penetration Rate (% of population)



Source: Mohammed bin Rashid School of Government, Byblos Research

Beirut Stock Exchange to adopt new trading platform

The Beirut Stock Exchange (BSE) and Euronext signed an agreement to provide the BSE with Euronext's new Universal Trading Platform, UTP-Hybrid. The new multi-asset class and multi-currency trading platform provides complex functions for low-latency markets. The new platform would replace the NSC trading platform, given that Euronext would stop providing support for the NSC platform in 2015. The new system would improve the BSE's technical performance, increase market transparency, and raise trading capacity and speed. The BSE indicated that the system would be implemented within two years. Euronext signed similar agreements with the Muscat Securities Market, the Amman Stock Exchange and the Tunis bourse. Euronext is the primary exchange in the Eurozone, while UTP-Hybrid is the core technology that Euronext uses to operate its single order book model throughout Europe. Euronext is a wholly-owned subsidiary of the Intercontinental Exchange Group (ICE).

Consumer Price Index almost unchanged in April 2014

The Central Administration of Statistics' (CAS) Consumer Price Index for Lebanon decreased by a marginal 0.1% in April 2014 from March 2014 compared to a month-on-month increase of 1.6% in March 2014. The prices of clothing & footwear increased by 6.7% month-on-month in April 2014, followed by transportation costs (+0.5%), miscellaneous goods & services and housing, water, electricity, gas & other fuels (+0.1% each); while healthcare costs fell by 2.1%, followed by food and non-alcoholic beverages (-1.4%), and communication, restaurants & hotels and furnishing & household equipment (-0.1% each). Further, the cost of education, recreation & entertainment, and alcoholic beverages & tobacco were unchanged month-on-month in April 2014. The prices of water, electricity, gas & other fuels fell by 0.3% month-on-month, while imputed and actual rents remained unchanged from the preceding month.

Regionally, the CPI increased by 0.2% month-on-month in the Bekaa region in April 2014. It decreased by 0.9% in Nabatieh, followed by the South (-0.7%), the North (-0.4%) and Beirut (-0.1%); while the CPI in Mount Lebanon remained unchanged from the previous month. Prices of food & non-alcoholic beverages fell by 2.5% in the South, followed by the North (-2%), the Bekaa (-1.6%), Beirut (-1.3%), and Nabatieh and Mount Lebanon (-1% each). The cost of furnishing & household equipment rose by 0.3% month-on-month in Nabatieh and by 0.1% in each of Beirut and the Bekaa, while it regressed in all other regions. Also, the cost of housing, water, electricity, gas & other fuels increased by 0.4% in Mount Lebanon and by 0.2% in the North, while it declined in all other regions. The price of alcoholic beverages and tobacco fell by 1.8% in Nabatieh, while it either rose or remained unchanged in all other regions.

Byblos Bank's ratings affirmed, outlook 'stable'

Capital Intelligence affirmed Byblos Bank's long- and short-term foreign currency ratings at 'B' and 'B', respectively. It also affirmed the Bank's Financial Strength Rating (FSR) at 'BBB-'. It maintained the Support Level at '3', given the high likelihood of official support in case of need due to Byblos Bank's systemic importance. It said the outlook on all the ratings is 'stable' and noted that the ratings continue to be restrained by the sovereign ratings of Lebanon.

The agency pointed out that Byblos Bank's ratings are supported by its improved asset quality, sound capital adequacy, comfortable liquidity level and good domestic franchise. It said that the Bank has increased its customer deposits at a moderately high rate in 2013 despite strong competition, mainly due to its strong franchise. It indicated that Byblos Bank has good access to capital markets, which has allowed it to diversify its sources of funding a lot more significantly than most Lebanese banks. It said that the Bank's loan asset quality has improved and stands at a relatively good level. It indicated that the Bank's decrease in profitability, mainly from the decline in the net interest margin, from translation losses and from high dividend payouts, has kept common equity capital nearly unchanged for the past three years. It pointed out that the Bank's ratings are constrained by factors such as the exposure to the sovereign, country risk and slow economic growth. It noted that Byblos Bank follows a universal banking model, offers services in commercial and retail banking through one of the largest branch networks in Lebanon, and operates in 11 locations abroad.

Balance sheet of financial institutions up 14% in first quarter of 2014

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,443bn, or \$1.62bn, at the end of March 2014, constituting an increase of 13.7% from end-2013 and a rise of 22.3% from end-March 2013. Liabilities to the private sector reached \$265m, constituting an increase of 1.1% from end-2013 and a decrease of 6.8% from a year earlier. Further, commitments to the financial sector totaled \$845m at the end of March 2014, reflecting a rise of 26.2% from the end-2013 and an increase of 46% from the same month of last year.

On the assets' side, financial institutions' operations with commercial banks reached \$541m at the end of March 2014, down by 3.9% from end-2013 and up by 5.7% from end-March 2013. Lending to the private sector totaled \$737.6m, constituting a marginal decrease of 0.8% from end-2013 and a rise of 6.5% from the same month of 2013. Also, investments in government securities totaled \$354m as at end-March 2014 and increased by 190.5% from end-2013 and by 195.3% from end-March 2013. Further, the aggregate capital account of financial institutions reached \$409.3m at the end of March 2014, reflecting an increase of 3.4% from end-2013 and a rise of 13.1% from the same month of the preceding year. There were 54 financial institutions in Lebanon with a total of 69 branches as of September 2013.

Balance sheet of investment banks down 1% in first quarter of 2014

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP5,982bn, or \$4bn, at the end of March 2014, constituting a marginal decrease of 0.5% from the end of 2013 and nearly unchanged from end-March 2013. Private sector deposits reached \$2bn at end-March 2014, increasing by 1.3% from end-2013 and regressing by 6.2% from a year earlier. Resident deposits in foreign currencies reached \$940.5m, followed by resident deposits in Lebanese pounds at \$692.2m and non-resident deposits in foreign currencies at \$261.3m. Also, commitments to the financial sector totaled \$553.7m at the end of March 2014, reflecting a drop of 7.4% from end-2013 and a rise of 2.7% from a year earlier.

On the assets' side, investment banks' operations with commercial banks reached \$1.7bn at the end of March 2014, down by 11.8% from end-2013 and by 0.6% from end-March 2013. Also, lending to the private sector totaled \$1.2bn, constituting a rise of 3.7% from end-2013 and an increase of 5% year-on-year. Investments in government securities totaled \$654.9m at the end of March 2014, representing an increase of 32.7% from end-2013 and a decrease of 8.6% from a year earlier. Further, the aggregate capital account of investment banks reached \$973.9m at the end of March 2014, constituting a decrease of 2.6% from end-2013 and an increase of 1.1% from a year earlier. There were 17 investment banks operating in Lebanon with a total of 22 branches as at September 2013.

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	59.0	160
Public Debt in Local Currency / GDP	81.6	78.4	84.4	600
Gross Public Debt / GDP	133.9	135.7	143.4	770
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	372.4	1,500
Private Sector Deposits / GDP	288.6	294.1	307.7	1,360
Private Sector Loans / GDP	98.2	102.2	107.0	480
Private Sector Deposits Dollarization Rate	65.9	64.8	66.1	130
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	Aug 2012	July 2013	Aug 2013	Change*	Risk Level
Political Risk Rating	53.5	53.0	52.5	▼	High
Financial Risk Rating	35.0	33.5	33.5	▼	Moderate
Economic Risk Rating	34.0	28.5	28.5	▼	High
Composite Risk Rating	61.2	57.5	57.2	▼	High

Regional Average	Aug 2012	July 2013	Aug 2013	Change*	Risk Level
Political Risk Rating	59.7	58.3	58.2	▼	High
Financial Risk Rating	41.2	41.3	41.3	▼	Very Low
Economic Risk Rating	36.3	36.6	36.2	▼	Low
Composite Risk Rating	68.6	68.1	67.8	▼	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	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	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