



# LEBANON THIS WEEK

## In This Issue

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

Modest improvement in consumer confidence in Lebanon in first half of 2014 stalled by negative developments

Lebanese banking sector has similar level of vulnerability as sectors in Saudi Arabia, Canada and Germany

Number of real estate transactions up 2% in first seven months of 2014

Treasury transfers to Electricité du Liban down 15% in first two months of 2014

Lebanon is 110th biggest exporter, 73rd largest importer in 2013

Agriculture Ministry signs cooperation agreements with Italian NGOs

Information Technology sector trails ME&A region in terms of risks-rewards

Telecom reforms improve sector's performance

Lebanese businesses are more likely to hire, banking sector attracts top talent

## Corporate Highlights .....7

Stock market activity up 46% to \$289m in first eight months of 2014

Car sales up 7% in first seven months of 2014

MetLife's rating affirmed, outlook 'stable'

Banque de L'Habitat's net profits up 2% to \$16m in 2013

Bank Audi to raise capital by issuing common shares

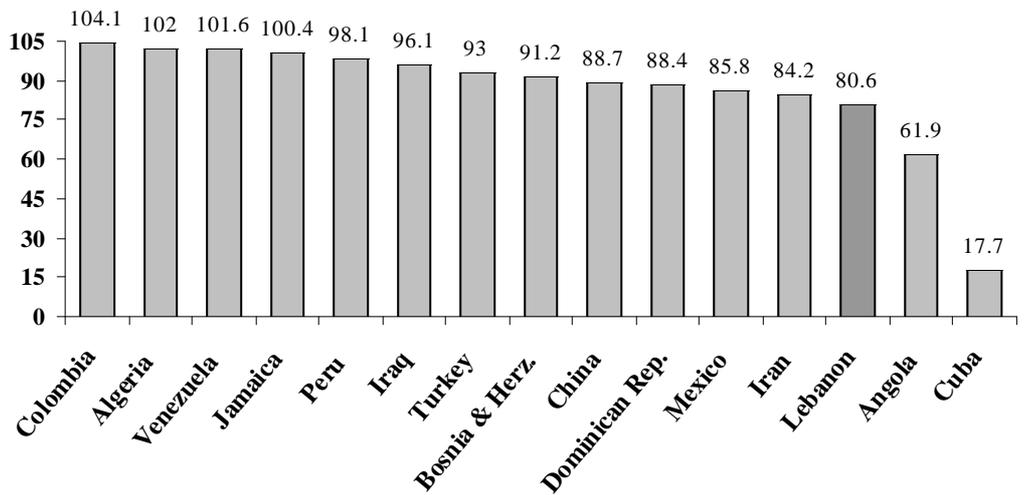
## Ratio Highlights.....9

## Risk Outlook .....9

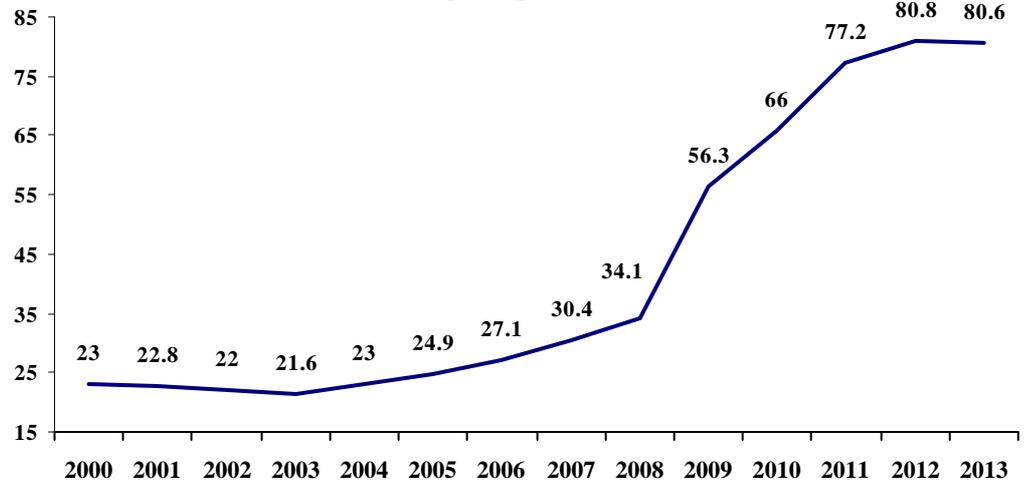
## Ratings & Outlook.....9

## Charts of the Week

Mobile Cellular Penetration Rate among select Upper-Middle Income Countries at end-2013 (Subscriptions per 100 inhabitants)



Mobile Cellular Penetration Rate in Lebanon (Subscriptions per 100 inhabitants)



Source: International Telecommunication Union, Byblos Bank

## Quote to Note

"The banking regulatory system is transparent and consistent with international norms."

*The United States Department of Commerce, on the Lebanese banking sector's commitment to global standards*

## Number of the Week

**\$33.85bn:** The Central Bank's gross foreign currency reserves at the end of June 2014

## Economic Indicators

<b>\$m (unless otherwise mentioned)</b>	<b>2013</b>	<b>Feb 13</b>	<b>Nov 13</b>	<b>Dec 13</b>	<b>Jan 14</b>	<b>Feb 14</b>	<b>% Change*</b>
Exports	3,936	381	263	243	244	253	(33.60)
Imports	21,228	1,791	1,772	1,797	1,873	1,732	(3.29)
Trade Balance	(17,292)	(1,410)	(1,509)	(1,554)	(1,629)	(1,479)	(4.89)
Balance of Payments	(1,128)	(92)	(192)	534	(31)	194	-
Checks Cleared in LBP	17,047	1,213	1,451	1,562	1,502	1,410	16.24
Checks Cleared in FC	55,321	4,353	4,584	4,728	4,783	4,369	0.37
Total Checks Cleared	72,368	5,566	6,035	6,290	6,285	5,779	3.82
Budget Deficit/Surplus	(4,220)	(279.91)	(463.41)	(238.09)	(119.34)	(125.38)	55.21
Primary Balance	(239.68)	(130.13)	2.97	70.72	142.38	23.91	-
Airport Passengers	6,265,470	403,968	407,869	510,367	450,476	376,106	(6.90)

<b>\$bn (unless otherwise mentioned)</b>	<b>Dec 2013</b>	<b>Feb 13</b>	<b>Nov 13</b>	<b>Dec 13</b>	<b>Jan 14</b>	<b>Feb 14</b>	<b>% Change*</b>
BdL FX Reserves	31.71	30.34	31.78	31.71	32.25	33.40	10.08
<i>In months of Imports</i>	<i>17.64</i>	<i>16.94</i>	<i>17.94</i>	<i>17.64</i>	<i>17.22</i>	<i>19.29</i>	<i>13.87</i>
Public Debt	63.46	58.08	63.26	63.46	63.94	64.99	11.90
Net Public Debt	53.18	49.95	52.75	53.18	53.47	53.91	7.92
Bank Assets	164.82	153.97	161.92	164.82	164.43	166.01	7.82
Bank Deposits (Private Sector)	136.21	126.30	133.15	136.21	134.86	135.71	7.45
Bank Loans to Private Sector	47.38	43.95	46.81	47.38	47.04	47.39	7.83
Money Supply M2	45.60	43.62	45.05	45.60	45.74	46.05	5.57
Money Supply M3	111.16	104.71	109.34	111.16	110.93	111.67	6.65
LBP Lending Rate (%)	7.29	7.47	7.01	7.29	7.39	7.14	(4bps)
LBP Deposit Rate (%)	5.44	5.46	5.47	5.44	5.48	5.51	1bps
USD Lending Rate (%)	6.88	7.05	6.88	6.88	6.82	6.96	(1bps)
USD Deposit Rate (%)	2.95	2.94	2.97	2.95	2.95	2.96	1bps
%* Change in CPI**	3.89	4.42	4.96	3.89	2.52	0.86	(81bps)

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

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

Sources: ABL, BdL

## Capital Markets

<b>Most Traded Stocks on BSE</b>	<b>Last Price (\$)</b>	<b>% Change*</b>	<b>Total Volume</b>	<b>Weight in Market Capitalization</b>	<b>Sovereign Eurobonds</b>	<b>Coupon %</b>	<b>Mid Price \$</b>	<b>Mid Yield %</b>
Solidere "A"	12.62	(0.63)	79,705	11.53%	Jan 2015	5.875	100.80	3.62
Solidere "B"	12.52	(1.26)	39,220	7.43%	Apr 2015	10.000	104.00	3.63
Byblos Common	1.62	0.00	62,117	5.32%	Jan 2016	8.500	106.25	3.79
Byblos Pref. 08	101.00	0.00	520	1.84%	Mar 2017	9.000	112.50	3.80
Byblos Pref. 09	100.50	0.00	0	1.84%	Nov 2018	5.150	101.50	4.75
BLOM GDR	9.35	0.00	62,800	6.31%	May 2019	6.000	104.00	5.03
BLOM Listed	8.75	0.11	77,230	17.18%	Mar 2020	6.375	105.60	5.19
Audi GDR	6.30	(3.08)	61,670	5.90%	Apr 2021	8.250	115.88	5.36
Audi Listed	6.27	2.79	1,040,806	20.03%	Oct 2022	6.100	102.50	5.71
HOLCIM	15.00	3.45	10,213	2.67%	Nov 2026	6.600	103.25	6.22

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

Source: Byblos Bank Capital Markets

	<b>Aug 25-29</b>	<b>Aug 18-22</b>	<b>% Change</b>	<b>Aug 2014</b>	<b>Aug 2013</b>	<b>% Change</b>
<b>Total Shares Traded</b>	3,456,537	2,882,296	19.92	6,941,456	1,136,561	510.74
<b>Total Value Traded</b>	\$14,171,758	\$20,099,867	(29.49)	\$42,076,299	\$13,445,987	212.93
<b>Market Capitalization</b>	\$10.95bn	\$10.93bn	0.14	\$10.95bn	\$10.40bn	5.32

Source: Beirut Stock Exchange (BSE)



### Modest improvement in consumer confidence in Lebanon in first half of 2014 stalled by negative developments

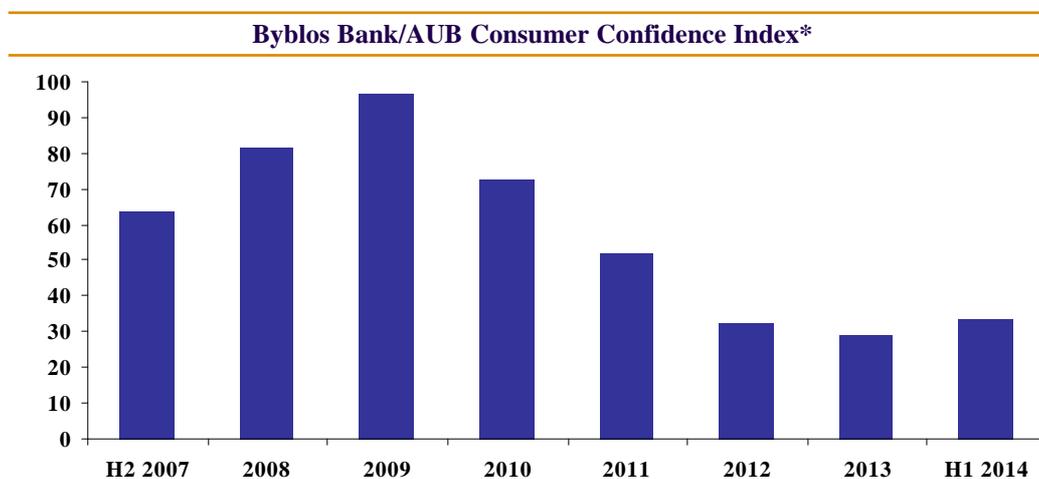
The level of consumer confidence in Lebanon improved in relative terms in the first half of 2014, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index for the first and second quarters of the year. The Index improved marginally in January and February, picked up pace in March and April, and regressed in May and June 2014. The Index grew by 9.9% in the first quarter to an average of 31 and rose by another 15% to an average of 35.7 in the second quarter of the year. The results reflect the Index's first consecutive quarterly increases since the first and second quarters of 2011. Also, the Index posted an average monthly value of 33.4 during the first half of 2014, reflecting an increase of 16.5% from the second half of 2013.

The formation of a new Cabinet in mid-February after more than 10 months of political deadlock and the confidence vote it received in Parliament in March, along with the concrete results of a 'security plan' launched across the country in April, combined to positively affect the confidence of Lebanese households in the first half of the year. The main factors that stalled the modest improvement of consumer sentiment during the covered period were the repeated failure of the Lebanese Parliament to elect a President by the May 25 constitutional deadline and the ensuing presidential vacuum, along with security breaches in the Bekaa and, particularly, in Beirut in June 2014. Despite the Index's quarterly improvement, the results of the first and second quarters of 2014 remained consistent with the ongoing trend of very low household confidence that has prevailed since the first quarter of 2012. As such, the first half results constituted the fourth lowest level on a semi-annual basis since the start of the Index's calculation.

The Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index increased in relative terms in the first half of 2014. The analysis of the results reveals that the near-term expectations of consumers were generally lower than their views of their prevailing conditions during the first half of 2014. This shows that Lebanese consumers were more pessimistic about the future than they were about present circumstances.

The results also show that male consumers posted a relatively higher level of confidence than their female counterparts did, while consumers in the 21 to 29 year-old bracket displayed a higher level of confidence than citizens in other age brackets during the first half of 2014. Also, households with an income of \$2,500 or more per month had a higher level of confidence than those earning less. Moreover, private sector employees displayed a higher level of confidence than the self-employed, students, public sector employees and housewives in the first half of the year. In addition, consumers in Mount Lebanon were the least pessimistic across administrative districts, or *mohafaza*, in the first half of the year, followed by consumers in the North, the South, Beirut and the Bekaa. Further, Druze consumers had a higher level of confidence in the first half of 2014 than Lebanese of other religious affiliations, and were followed by Christian, Sunni and Shiite consumers.

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



\* Monthly average Index for the period

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



### **Lebanese banking sector has similar level of vulnerability as sectors in Saudi Arabia, Canada and Germany**

In its semiannual risk assessment of 110 banking systems in advanced and emerging economies, Fitch Ratings placed Lebanon's banking sector among 73 banking systems with a "low level of potential vulnerability", coming in the highest category on Fitch's Macroprudential Indicator (MPI).

The MPI tries to identify the build-up of potential stress in banking systems due to a specific set of circumstances. It aims to highlight potential systemic stress that could materialize up to three years after an early warning is first indicated. As such, it identifies instances of rapid real credit growth over successive two-year periods, along with growth in real property prices, an appreciation in the real exchange rate or a rise in real equity prices. Its assessment is based on three years of annual data, divided into two overlapping two-year periods, with a trigger in either period relevant to a country's MPI score. It said that an MPI score of '1' denotes low potential vulnerability, while a score of '2' reflects moderate vulnerability and a score of '3' denotes a high level of vulnerability to potential systemic stress.

Fitch maintained Lebanon's MPI score unchanged from its October 2013 assessment. In October 2013, Fitch upgraded Lebanon's score to '1' from a previous score of '2' due to a sharper-than-expected slowdown in credit growth in 2012. This constituted the second consecutive upgrade for Lebanon's MPI score, as the agency upgraded the country's MPI score from '3' in August 2012 to '2' in January 2013. As such, Lebanon, along with Bahrain, Cape Verde, Egypt, Israel, Kuwait, Morocco, Namibia, Nigeria, Oman, Saudi Arabia, the Seychelles, South Africa, Tunisia and the UAE had an MPI score of '1' in the Middle East & Africa region. Other countries in this category included Canada, Denmark, Germany, Japan and the United States.

In parallel, the agency indicated that Lebanon's banking sector was among 18 banking systems that had a Banking System Indicator (BSI) of 'b'. The BSI is a measure of intrinsic banking system quality or strength, derived from Fitch's Viability Ratings for banks. It deliberately excludes potential support from shareholders or governments since the objective is to highlight systemic weakness that might trigger the need for such support. The BSI is a simple weighted average of bank Viability Ratings for at least two-thirds of banks in any banking system.

Lebanon came in the 'b' category along with Egypt, Tunisia and Nigeria in the Middle East & Africa region, as well as with Armenia, Ecuador and Kazakhstan, among others, worldwide. Fitch said that the typical level of banking strength in developed countries is either 'a' or 'bbb' with only three sectors at 'aa' and four sectors at 'b' or lower; while that of emerging markets is weaker and is distributed evenly across categories 'bbb', 'bb' and 'b'. Lebanon, the Dominican Republic, Egypt, Greece, Ireland, Kazakhstan, Nigeria, Portugal, Slovenia, Tunisia and Vietnam were the only countries with an MPI score of '1' and a BSI Strength of 'b'.

### **Number of real estate transactions up 2% in first seven months of 2014**

Figures released by the Ministry of Finance indicate that the total number of real estate transactions reached 39,020 in the first seven months of 2014, constituting an increase of 2.3% from 38,127 deals in the same period of last year. In comparison, the number of real estate transactions dropped by 5.2% in the first seven months of 2013 and declined by 8.8% in the same period of 2012. Also, the aggregate value of real estate transactions totaled \$5.1bn in the first seven months of 2014, constituting a rise of 9.7% from \$4.7bn in the same period last year. The value of real estate deals was \$4.8bn in the first seven months of 2012 and \$4.5bn in the same period of 2011. In parallel, the average value per real estate transaction increased by 7.2% year-on-year to \$130,778 in the first seven months of 2014 relative to average values of \$122,022 in the same period of 2013 and \$119,082 in the first seven months of 2012.

There were 572 real estate transactions executed by foreigners in the first seven months of 2014, down 20.3% from 718 deals in the same period last year, and compared to an annual decrease of 6.3% in the first seven months of 2013 and an increase of 5.2% in the same period of 2012. In parallel, the number of real estate transactions by foreigners accounted for 1.5% of total real estate deals in the first seven months of 2014 relative to 1.9% in each of the first seven months of 2013 and 2012.

### **Treasury transfers to Electricité du Liban down 15% in first two months of 2014**

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban totaled \$245.7m in the first two months of 2014, constituting a decrease of 15% from \$289.1m in the same period of 2013. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to Algerian energy conglomerate Sonatrach totaled \$238.3m, or 97% of transfers in the covered period, while EdL's debt servicing represented \$7.4m or 3% of the total. It attributed the decrease in transfers to a drop of \$38.3m, or 13.8%, in payments to KPC and Sonatrach during the covered period and to a decline of \$5.1m or 41% in debt servicing year-on-year. In parallel, the ministry said that the decrease in payments to KPC and Sonatrach reflects a 22% year-on-year fall in the quantity of imported gas oil, given that imports of fuel oil increased by 20% annually and the average oil price according to which the payments were made was unchanged. Also, it pointed out that EdL contributed just 1.9% of repayments to the two oil suppliers during the covered period compared to 3.4% in the same period last year. EdL transfers accounted for 16.2% of primary expenditures in the first two months of 2014, down from 19.4% in the same period of 2013. They constitute the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.3% of GDP in 2012 and to 4.6% of GDP in 2013.



### Lebanon is 110th biggest exporter, 73rd largest importer in 2013

Figures issued by the World Trade Organization indicate that Lebanon ranked in 110th place among 204 countries around the world and in 16th place among 19 Arab countries in terms of merchandise exports in 2013. Lebanon's global rank regressed by three spots from 2012, while its rank among Arab countries decreased by one spot year-on-year. Lebanon also ranked in 35th place among 55 Upper Middle Income Countries (UMICs) in 2013, regressing by one spot from 34th place in 2012. Globally, Lebanon exported more than Tanzania, Iceland and Namibia and less than El Salvador, Cuba and Papua New Guinea. Also, it exported more than Namibia, Macedonia and Mauritius, and less than Cuba, Bosnia & Herzegovina and Botswana among UMICs. Lebanon had higher exports than only Mauritania, Syria and Djibouti among Arab countries. Lebanon's exports regressed by 7.9% year-on-year compared to an increase of 2.2% for world exports, a rise of 2.4% for UMICs' exports and a decline of 0.4% for the exports of Arab countries. Lebanese exports accounted for 0.03% of global exports, for 0.1% of total UMICs' exports and for 0.4% of aggregate Arab exports in 2013. Also, Lebanese exports posted a compound annual growth rate (CAGR) of 3% between 2008 and 2013.

Further, Lebanon ranked in 73rd place globally and in 12th place among Arab countries in terms of merchandise imports in 2013. Lebanon's global rank increased by one spot from 2012, while its rank among Arab economies remained unchanged year-on-year. Lebanon also ranked in 24th place among UMICs in 2013, up by one spot from 25th place in 2012. Globally, Lebanon had higher imports than Panama, Jordan and Croatia, and lower imports than Tunisia, Angola and Luxemburg. It also had more imports than Panama, Jordan and Serbia, and less than Tunisia, Angola and Libya among UMICs. Regionally, Lebanon had higher imports than only Jordan, Bahrain, Yemen, Sudan, Syria, Mauritania and Djibouti. Imports to Lebanon increased by a marginal 0.4% year-on-year, compared to a rise of 1.5% for world imports, an increase of 4.9% for UMICs' imports and a growth of 6.4% for Arab imports. Lebanese imports accounted for 0.1% of global imports, for 0.5% of total UMICs imports and for 2.5% of aggregate Arab imports in 2013. Also, Lebanese imports posted a CAGR of 5.6% between 2008 and 2013.

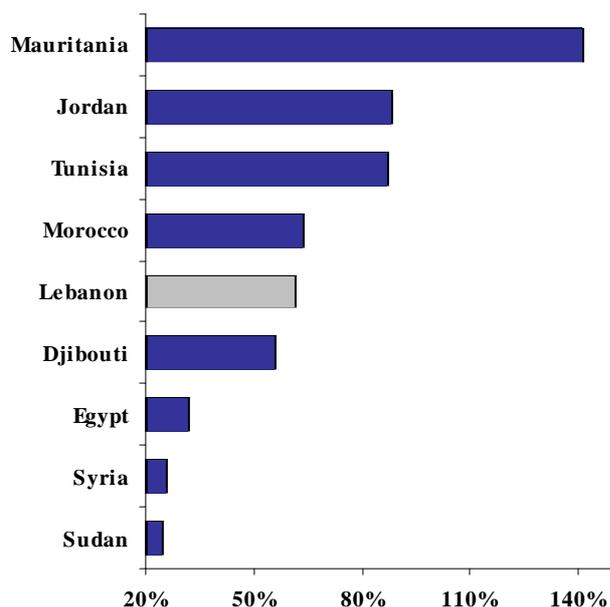
In parallel, Lebanon ranked in 86th place globally and in 14th place among Arab countries in terms of the combined value of exports and imports in 2013. Lebanon came in 84th place globally and in 14th place among Arab economies in 2012. Also, it came in 30th place among UMICs in 2013, down from 29th place in 2012. Globally, Lebanon had higher terms of trade than the Dominican Republic, Côte d'Ivoire and Uzbekistan, and lower terms of trade than Guatemala, Sri Lanka and Turkmenistan. It also ranked ahead of the Dominican Republic, Cuba and Bosnia & Herzegovina, and came behind Turkmenistan, Costa Rica and Jordan among UMICs. Regionally, Lebanon ranked ahead of only Yemen, Sudan, Syria, Mauritania and Djibouti. Lebanon's trade volume amounted to \$27.2bn in 2013 compared to \$27.6bn in 2012, reflecting a drop of 1.3% compared to a rise of 1.9% in global trade activity, a growth of 3.6% in UMICs trade and an increase of 2.2% in Arab trade. Lebanon's trade activity accounted for 0.07% of global trade, for 0.3% of total UMICs trade and for 1.2% of aggregate Arab trade in 2013.

### Agriculture Ministry signs cooperation agreements with Italian NGOs

The Ministry of Agriculture signed cooperation agreements with three Italian non-governmental organizations (NGOs). It signed the first agreement with the Institute for University Cooperation Onlus (ICU) to implement the Adaptation to Climate Change (ACCBAT) project. The €0.9m project aims to improve water demand management in the irrigation process by introducing new technologies and best agricultural practices. The project intends to use treated sewage waters for the irrigation of fruit-bearing trees, and will be implemented in the Bekaa town of Ablah. ACCBAT is an EU-funded project that is part of a wider €5m plan to optimize the management of water resources in several Mediterranean countries.

Also, the ministry signed the second agreement with the NGO Local Action Group to execute the Green Energy for Green Companies (GREEN ECO) project. The €0.42m project will conduct preliminary studies to assess the feasibility of green energy usage by farmers and will introduce the concept of renewable energy practices. GREEN ECO will be implemented in Mount Lebanon, the Bekaa and the South. The ministry inked the third agreement with the AVSI foundation to improve the quality of education in agricultural technical schools affiliated with the ministry. The €0.7m joint project aims to strengthen students' agricultural-related skills and to establish a modern curriculum, among others. The AVSI foundation is involved in more than 100 cooperation projects in 39 developing countries. The projects are financed by the EU.

### Imports and Exports of Oil Importing Countries in 2013 (% of GDP)



Source: WTO, IMF, IIF, Byblos Research

### Information Technology sector trails ME&A region in terms of risks-rewards

Business Monitor International ranked Lebanon in 11th place among 13 countries in the Middle East and Africa (ME&A) region on its Information Technology (IT) Risks/Rewards Ratings (RRR) for the fourth quarter of 2014. Lebanon's rank improved by one spot from 12th place in the preceding quarter, but regressed by one notch from 10th place in the fourth quarter of 2013. Lebanon received a score of 42 points, unchanged from the third quarter of the year, but was significantly lower than its score of 47.2 points in the first quarter of 2013. Lebanon's rank came below the region's average score of 54 points.

The RRR is a weighted average of the 'Rewards' sub-rating that has a weight of 70% and the 'Risks' sub-rating that has a weight of 30%. The sub-ratings cover risks and rewards on the industry and country levels. The 'Rewards' sub-rating evaluates the size and the growth potential of a country's IT market as well as the country's broader economic and socio-demographic characteristics that impact the development of the IT industry. The Industry Rewards category has a weight of 65% and the Country Rewards category has a weight of 35%. The 'Risks' sub-rating assesses specific threats to the IT sector as well as risks related to the domestic political and economic profile that could affect the realization of expected returns in the IT industry. The Industry Risks category has a weight of 40% and the Country Risks category has a weight of 60%. Ratings are on a scale from zero to 100, with a score of 100 reflecting the highest rating.

BMI ranked Lebanon in 11th place on the Industry Rewards category, reflecting a larger consumer market than only Oman and Bahrain. Lebanon received a score of 35 points on this category, unchanged from the preceding quarter, but significantly lower than its score of 46.7 points in the same quarter last year. Also, Lebanon's score was considerably lower than the ME&A's average of 48.7 points. BMI indicated that the country's overall IT sector is held back by underdeveloped high-speed broadband networks, which slow down the uptake of internet-reliant services such as cloud computing. Further, Lebanon came in last place on the Industry Risks category in the fourth quarter of 2014 and received a score of 20 points compared to a regional average of 48.8 points. Lebanon's score was unchanged from the preceding quarter and from its score in the fourth quarter of 2013.

In parallel, Lebanon came in eighth place on the Country Rewards category, ahead of South Africa, Ghana, Nigeria, Egypt and Kenya. Lebanon received a score of 65 points on this category relative to the regional average of 64.6 points. Lebanon's score was unchanged from the preceding quarter and from its score in the fourth quarter of 2013. Also, Lebanon came in 12th place on the Country Risks category, better than only Kenya. It received a score of 42.9 points compared to the ME&A's average of 56.5 points. Lebanon's score was unchanged from the preceding quarter, but came slightly higher than its score of 42.2 points in the fourth quarter of 2013. BMI indicated that rising regional political and security uncertainties constitute the main source of concerns for investors in the IT sector in Lebanon.

### Telecom reforms improve sector's performance

The Ministry of Telecommunications indicated that telecom-related reforms implemented since February 2014, when the current Cabinet started its term, improved the sector's indicators. It noted that the fixed-line penetration rate increased from 63% in January 2014 to a current rate of 73%, as the number of fixed-line subscriptions rose from 769,000 subscriptions to 892,000 subscriptions. It added that the number of mobile phone subscriptions rose from 3.88 million subscriptions at the beginning of the year to 4.12 million subscriptions at the end of June 2014. In addition, it said that the number of subscriptions to 3G services increased to 2.427 million at end-June 2014 from 2.036 million in January 2014. Also, the number of subscriptions to such services was equivalent to 58.9% of total mobile phone subscriptions at end-June 2014, up from 52.5% at the beginning of the year. The ministry pointed out that telecom revenues doubled from \$44m in January 2014 to \$88m in June 2014, in line with the growth in the number of subscribers. Further, it noted that the operating cost of mobile networks reached \$24m in June 2014, constituting a decline of 38.5% from \$39m in January 2014.

The Telecom Ministry lowered the tariffs on mobile phone services in June 2014. It 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, postpaid mobile subscribers started receiving an extra 60 minutes of call time as part of their \$15 monthly subscription fee. In parallel, it doubled or tripled subscribers' mobile 3G capacity, but maintained current prices unchanged, which effectively amounts to a reduction in rates. Further, the Ministry revoked on May 5, 2014 the decision taken by the previous Cabinet that obliged mobile phone owners to register their phone's International Mobile Equipment Identity (IMEI) number in order to access the national networks.

### IT Risk/Reward Ratings in Q4 2014

Country	Score	Rank
Qatar	69.4	1
Israel	68.6	2
UAE	65.4	3
Kuwait	63.7	4
Saudi Arabia	61.5	5
South Africa	55.1	6
Bahrain	51.7	7
Nigeria	49.7	8
Oman	49.2	9
Egypt	45.3	10
<b>Lebanon</b>	<b>42.0</b>	<b>11</b>
Ghana	41.2	12
Kenya	39.5	13

Source: Business Monitor International

### Lebanese businesses are more likely to hire, banking sector attracts top talent

A survey conducted by regional job portal Bayt.com indicates that employers in Lebanon are more likely to hire staff in the coming three months as well as in the coming 12 months than they did at the beginning of the year. The survey covered a sample of 2,279 adults who are 18 years or older in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Pakistan, Saudi Arabia, Syria, Tunisia, and the UAE. The survey was conducted online between June 10 and July 31, 2014, and covered a sample of 173 respondents in Lebanon.

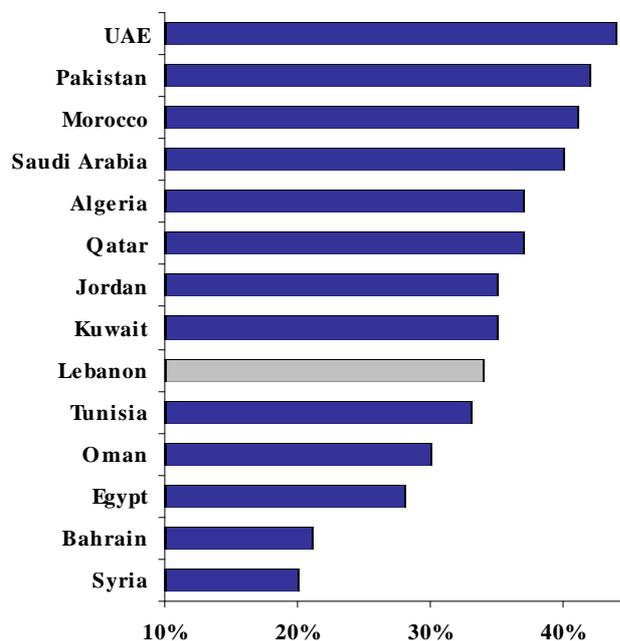
Results of the survey show that 34% of respondents in Lebanon plan to "definitely hire" in the next three months compared to 27% of respondents who were planning to do the same in the February 2014 survey. In comparison, 36% of respondents in the region are planning to "definitely hire" in the next three months. Hiring expectations of firms in Lebanon were the sixth lowest among 14 economies covered by the survey, and came higher than expectations in Tunisia (33%), Oman (30%), Egypt (28%), Bahrain (21%) and Syria (20%). Hiring expectations of firms in Lebanon were the fifth lowest among 14 economies in the February 2014 survey.

Further, 27% of respondents in Lebanon said they are "likely to recruit" in the next three months, similar to the share of participants who had the same opinion in the February 2014 survey. In comparison, 26% of responding firms across the region are "likely to recruit" in the next three months. The share of respondents in Lebanon who are "likely to recruit" was the sixth highest in the region, but came lower than that in Tunisia (33%), Saudi Arabia (31%), Jordan and Egypt (30% each) and Syria (28%). Lebanon had the fourth highest percentage of respondents in the region who were "likely to recruit" in the February 2014 survey.

However, 15% of responding firms in Lebanon do not plan to recruit new employees in the coming three months compared to 20% of responding firms that did not plan to recruit in the February 2014 survey. In comparison, only 12% of respondents across the region do not plan to recruit in the coming three months. The share of respondents in Lebanon who do not plan to recruit new employees in the coming three months was the second highest in the region, with only Syria having a higher share of 31%.

In parallel, results of the survey show that employers in Lebanon look mostly for candidates with the ability to manage a team, followed by candidates with sales & marketing experience, mid-level experience of three to seven years, administrative experience, and computer skills. Further, employers in Lebanon considered that the most important requirement for a job candidate is to have good communication skills in English and Arabic, followed by the ability to work under pressure, being flexible and a team player, being creative, and having good negotiation skills. The survey shows that respondents in Lebanon think that the banking and finance sector is attracting the top talent in the country, followed by advertising, construction, tourism & hospitality, the recreation & entertainment sector and business consultancy. The survey's results for Lebanon are mitigated by the fact that the sample size is not representative enough and that the survey was conducted via the Internet, which is not the most reliable methodology for opinion polling.

Percentage of respondents who plan to definitely recruit in the next three months



Source: Bayt.com, Byblos Research

### **Stock market activity up 46% to \$289m in first eight months of 2014**

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 40.4 million shares in the first eight months of 2014, constituting an increase of 38.6% from the same period of 2013; while aggregate turnover amounted to \$289.1m, up 45.9% from a turnover of \$198.1m in the first eight months of 2013. Market capitalization increased by 5.3% from end-August 2013 to \$10.95bn, of which 77.8% was in banking stocks, followed by real estate stocks with 19%, industrial stocks with 2.9% and trading stocks with 0.3%. The market liquidity ratio was 2.6% compared to 1.9% in the first eight months of 2013. Banking stocks accounted for 87.4% of aggregate trading volume in the first eight months of the year, followed by real estate stocks with 12.2%, trading with 0.3% and industrial stocks with 0.1%. Also, banking stocks accounted for 69.6% of the aggregate value of traded shares, followed by real estate stocks with 22.2%, and trading and industrial stocks with 0.2% each. The average daily traded volume for the period was 252,500 shares for an average daily value of \$1.8m. The figures reflect increases of 39.5% in volume and 46.8% in value year-on-year.

### **Car sales up 7% in first seven months of 2014**

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that 22,004 new passenger cars were sold in the first seven months of 2014, constituting an increase of 7.2% from 20,521 cars sold in the same period last year. Korean cars accounted for 43.1% of total sales, followed by Japanese cars with a 33% share, European automobiles with 17.8%, American vehicles with 4.6%, and Chinese cars with 1.5%. The number of Japanese cars sold rose by 38.1% year-on-year, constituting the highest rise in new car sales; while the number of new Chinese cars sold declined by 19% from the same period last year, followed by American vehicles with a 12.8% fall, European automobiles with a 4.1% decrease and Korean cars with a 1.3% drop in sales. Kia is the leading brand in the Lebanese market with 5,177 cars sold in the first seven months of 2014, followed by Hyundai with 4,310, Nissan with 2,913 cars sold, Toyota (2,555), Renault (769), Mitsubishi (627) and Chevrolet (511). In parallel, 1,333 new commercial vehicles were sold in the first seven months of 2014, constituting a drop of 3.5% from 1,381 vehicles sold in the same period of last year and a decrease of 3.3% from 1,379 vehicles sold in the first seven months of 2012.

The number of new vehicles sold by the country's top five distributors reached 17,244 in the first seven months of 2014 and accounted for 74% of new vehicles sold. NATCO sal sold 5,177 vehicles in the covered period, equivalent to 22.2% of the total, followed by Century Motor Co. sal with 4,409 (18.9%), Rasamny Younis Motor Co. sal with 3,180 (13.6%), Boustany United Machineries sal with 2,796 (12%), and Bassoul Heneine sal with 1,682 (7.2%). The AIA indicated that the combined number of registered new and imported used cars stagnated in the first seven months of 2014 compared to the same period of 2013, while it decreased by 8.2% from the first seven months of 2012. It said that the luxury car segment accounted for only 3.5% of total new registered cars. It reiterated that about 90% of new cars sold were small automobiles that cost on average about \$11,000 each.

### **MetLife's rating affirmed, outlook 'stable'**

Fitch Ratings affirmed MetLife's long-term Issuer Default Rating (IDR) at 'A', with a 'stable' outlook. It also affirmed the Insurer Financial Strength (IFS) rating of the company's main subsidiaries at 'AA-'. MetLife, through its subsidiaries and affiliates, is a global provider of insurance, annuities and employee benefits programs. It acquired American Life Insurance Company (ALICO) in 2010. MetLife Alico is the largest provider of life insurance products in Lebanon.

The agency indicated that the ratings reflect the company's strong balance sheet fundamentals, excellent financial flexibility and very strong market positioning in several major insurance product lines and markets. It added that the firm has a strong risk-adjusted capitalization and favorable liquidity profile. It noted that the firm's very strong brand name and its large and diverse distribution capabilities provide it with significant competitive advantages. However, Fitch expressed concerns about MetLife's above average investment risk and exposure to the variable annuity business, as well as about macroeconomic challenges associated with the ongoing low interest rate environment.

MetLife Alico announced audited net profits of \$33.2m for the fiscal year ending in November 2013, constituting a rise of 9.6% from net earnings of \$30.3m in the same period of 2012. Its audited balance sheet for Lebanon shows total assets of \$554.7m at end-November 2013, up 4.4% from a year earlier. *Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked MetLife Alico in first and 11th place in 2013 in terms of life and non-life premiums, respectively. The firm's life premiums reached \$75m and non-life premiums amounted to \$27.3m, constituting increases of 2.5% and 1.2%, respectively. It had an 18% share of the life market and a 2.8% share of the local non-life market.

### **Banque de L'Habitat's net profits up 2% to \$16m in 2013**

Banque de L'Habitat sal posted audited net profits of \$16.1m in 2013, constituting an increase of 2.3% from \$15.7m in 2012. Net operating income grew by 4.5% year-on-year to \$25.4m in 2013, with net interest income rising marginally by 0.7% to \$22.9m and net fees & commissions receipts increasing by 14.4% to \$2.5m year-on-year. Total operating expenditures rose by 9.4% to \$6.7m in 2013, with staff expenses growing by 7.8% to \$4.9m and general & administrative expenses increasing by 21.1% year-on-year to \$1.5m. Banque de L'Habitat's return on average assets reached 2.5% in 2013 relative to 2.4% in 2012; while its return on average equity was 10.3% last year, down from 11% in 2012. Further, the cost-to-income ratio increased to 26.5% in 2013 from 24.7% in the preceding year.

In parallel, total assets reached \$643.7m at the end of 2013, constituting a marginal decrease of 0.2% from \$644.9m at end-2012; while loans & advances to customers, excluding loans & advances to related parties, increased by 3.9% year-on-year to \$501.1m. Also, customer deposits, excluding deposits from related parties, totaled \$140.8m at end-2013 and grew by 7.5% from a year earlier. The bank's shareholders' equity rose by 8.5% year-on-year to \$162.1m at end-2013. Commercial banks own 80% of Banque de l'Habitat and the government holds the balance of 20%. The bank extends long-term loans in Lebanese pounds to buy a house, build new residences, and renovate a home, as well as to finance housing cooperatives.

### **Bank Audi to raise capital by issuing common shares**

Bank Audi sal, one of Lebanon's listed banks, announced that it is raising its capital by LBP64.95bn (\$43.1m) to LBP525.77bn or \$348.8m, through the issuance of 50,000,000 common shares at a nominal value of LBP1,299 (\$0.86) per share. The issue premium would equal about \$5.14 per share, which is the difference between the \$6 per share issue price and the US dollar correspondence of the nominal value per share. The capital increase consists of offering preemptively 40 million shares to existing shareholders pro rata to the number of common shares held by each; and to allocate the remaining 10 million shares to new investors or to existing shareholders. The newly shares will be listed on the Beirut Stock Exchange.

In parallel, subscribers to the new shares are entitled to receive three warrants per common share. The holders of such warrants have the right to purchase shares in Bank Audi's wholly-owned Turkish subsidiary Odeabank at an exercise price of \$0.95 per share within a 30-day period in the first half of 2019. The strike price attached to the warrant could be adjusted in case the par or nominal value of Odeabank's shares change. The warrants are detachable and tradable. The Bank's Extraordinary General Assembly approved the capital increase on August 26, 2014. Following the issuance of new common shares, Bank Audi's capital would consist of 399,749,204 in common shares; 1,250,000 Series "E" Preferred Shares; 1,500,000 Series "F" Preferred Shares; 1,500,000 Series "G" Preferred Shares; and 750,000 Series "H" Preferred Shares.

## 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	58.9	150
Public Debt in Local Currency / GDP	81.7	78.3	84.3	600
Gross Public Debt / GDP	133.9	135.7	143.2	750
Total Gross External Debt / GDP	169.2	170.0	176.7	670
Trade Balance / GDP	(39.7)	(39.5)	(39.0)	50
Exports / Imports	21.2	21.1	18.6	(250)
Fiscal Revenues / GDP	23.3	22.1	21.3	(80)
Fiscal Expenditures / GDP	29.1	31.3	30.8	(50)
Fiscal Balance / GDP	(5.9)	(9.2)	(9.5)	(30)
Primary Balance / GDP	4.2	(0.3)	(0.5)	(20)
Gross Foreign Currency Reserves / M2	79.2	69.4	69.6	20
M3 / GDP	242.6	244.6	250.8	620
Commercial Banks Assets / GDP	350.7	357.2	371.9	1,470
Private Sector Deposits / GDP	288.7	294.0	307.3	1,330
Private Sector Loans / GDP	98.3	102.2	106.9	470
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](mailto:research@byblosbank.com.lb)**  
**[www.byblosbank.com](http://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