



# LEBANON THIS WEEK

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Consumer Price Index up 1% year-on-year in November 2014

Trade deficit widens by 0.4% to \$16bn in first 11 months of 2014, exports down by 18%

Average value of real estate transaction nearly unchanged at \$126,378 in first 11 months of 2014

Value of cleared checks up 3%, returned checks up 2% in first 11 months of 2014

Tourist arrivals up 5% in first 10 months of 2014, but still down 19% from same period of 2011

Industrial exports down 9% to \$2.1bn in first eight months of 2014

Public-sector salaries and benefits up 2% in first five months of 2014

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Stock market activity up 76% to \$661m in 2014

Commercial banks' assets reach \$172.2bn at end of November 2014

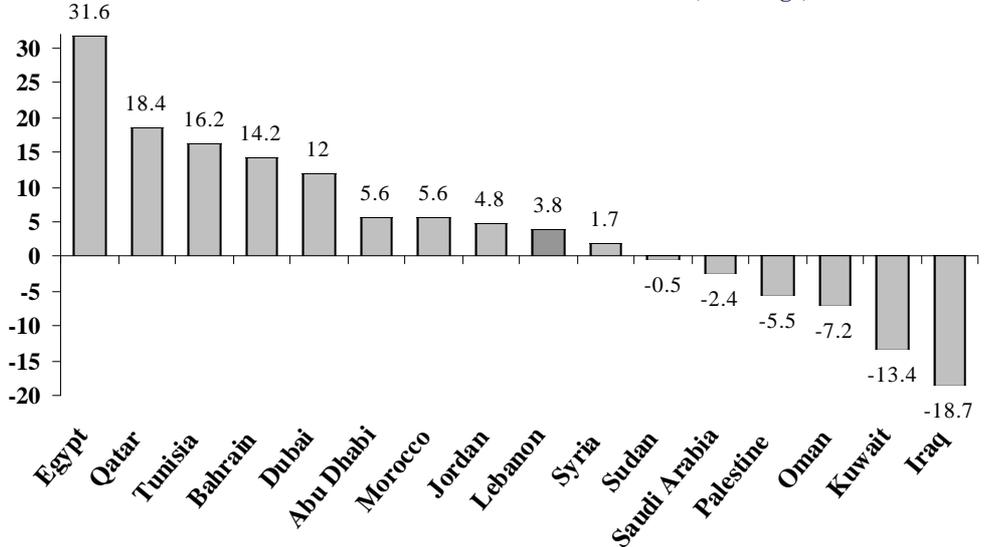
FNB Group completes acquisition of financial advisory firm

Banque Libano-Française to raise capital by issuing preferred shares

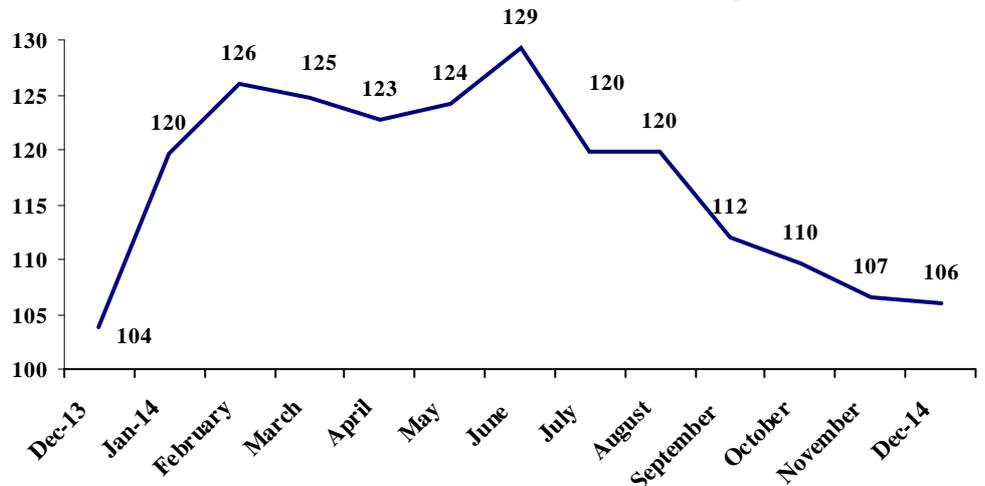
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## Charts of the Week

Performance of Arab Stock Markets in 2014 (% change)



Performance of the Beirut Stock Exchange\*



\* Banque du Liban Market Value Weighted Index average monthly values  
 Source: Local Stock Markets, Dow Jones Indices, Banque du Liban, Byblos Bank

## Quote to Note

"Waiting for a more favorable external and domestic environment is not a viable strategy."

*The International Monetary Fund, on the mounting economic costs of the political class's inaction despite increasingly challenging economic conditions*

## Number of the Week

**109:** Lebanon's rank out of 156 countries on the regulatory climate for investing in oil & gas, according to the Frasier Institute's 2014 Global Petroleum Survey

## Economic Indicators

| <b>\$m (unless otherwise mentioned)</b> | <b>2013</b> | <b>Aug 13</b> | <b>May 14</b> | <b>June 14</b> | <b>July 14</b> | <b>Aug 14</b> | <b>% Change*</b> |
|---|-------------|---------------|---------------|----------------|----------------|---------------|------------------|
| Exports                                 | 3,936       | 279           | 308           | 278            | 276            | 285           | 2.15             |
| Imports                                 | 21,228      | 1,828         | 1,676         | 1,567          | 1,657          | 2,120         | 15.97            |
| Trade Balance                           | (17,292)    | (1,549)       | (1,368)       | (1,289)        | (1,381)        | (1,835)       | 18.46            |
| Balance of Payments                     | (1,128)     | (223)         | 520           | (561)          | (85)           | (564)         | 152.91           |
| Checks Cleared in LBP                   | 17,047      | 1,354         | 1,619         | 1,518          | 1,454          | 1,558         | 15.09            |
| Checks Cleared in FC                    | 55,321      | 4,495         | 5,058         | 4,807          | 4,694          | 4,973         | 10.63            |
| Total Checks Cleared                    | 72,368      | 5,849         | 6,677         | 6,325          | 6,148          | 6,531         | 11.67            |
| Budget Deficit/Surplus                  | (4,220)     | (551.43)      | (170.31)      | (187.36)       | 238.07         | (318.75)      | (42.20)          |
| Primary Balance                         | (239.68)    | (382.69)      | 316.5         | 133.93         | 513.55         | (141.93)      | (62.91)          |
| Airport Passengers                      | 6,265,470   | 727,086       | 511,556       | 610,170        | 641,830        | 814,800       | 12.06            |

| <b>\$bn (unless otherwise mentioned)</b> | <b>2013</b>  | <b>Aug 13</b> | <b>May 14</b> | <b>June 14</b> | <b>July 14</b> | <b>Aug 14</b> | <b>% Change*</b> |
|--|--------------|---------------|---------------|----------------|----------------|---------------|------------------|
| BdL FX Reserves                          | 31.71        | 31.00         | 33.26         | 33.85          | 35.14          | 33.09         | 6.76             |
| <i>In months of Imports</i>              | <i>17.65</i> | <i>16.96</i>  | <i>19.84</i>  | <i>21.60</i>   | <i>21.21</i>   | <i>15.61</i>  | <i>(7.95)</i>    |
| Public Debt                              | 63.46        | 60.50         | 65.08         | 65.71          | 65.62          | 65.86         | 8.86             |
| Net Public Debt                          | 53.18        | 51.73         | 54.92         | 55.17          | 55.17          | 55.59         | 7.46             |
| Bank Assets                              | 164.82       | 158.56        | 168.85        | 169.57         | 169.74         | 170.33        | 7.42             |
| Bank Deposits (Private Sector)           | 136.21       | 131.38        | 138.85        | 140.35         | 141.32         | 141.52        | 7.71             |
| Bank Loans to Private Sector             | 47.38        | 45.57         | 48.62         | 49.18          | 49.38          | 49.74         | 9.16             |
| Money Supply M2                          | 45.60        | 44.42         | 46.81         | 46.89          | 47.28          | 47.48         | 6.88             |
| Money Supply M3                          | 111.16       | 108.28        | 114.19        | 114.97         | 115.58         | 115.62        | 6.79             |
| LBP Lending Rate (%)                     | 7.29         | 7.24          | 7.48          | 7.45           | 7.36           | 7.21          | (3bps)           |
| LBP Deposit Rate (%)                     | 5.44         | 5.47          | 5.50          | 5.49           | 5.54           | 5.51          | 4bps             |
| USD Lending Rate (%)                     | 6.88         | 7.16          | 7.04          | 6.97           | 6.96           | 6.96          | (20bps)          |
| USD Deposit Rate (%)                     | 2.95         | 2.91          | 3.01          | 2.98           | 3.02           | 3.13          | 22bps            |
| %* Change in CPI**                       | 3.89         | 3.81          | 0.63          | 1.19           | 1.54           | 0.81          | (300bps)         |

\* 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"                     | 11.47                  | 2.32             | 21,978              | 10.13%                                 | Jan 2015                   | 5.875           | 100.00              | 5.72               |
| Solidere "B"                     | 11.23                  | (1.32)           | 3,400               | 6.45%                                  | Apr 2015                   | 10.000          | 102.25              | 2.47               |
| Byblos Common                    | 1.66                   | 3.75             | 240,874             | 5.27%                                  | Jan 2016                   | 8.500           | 105.25              | 3.29               |
| Byblos Pref. 08                  | 102.00                 | 0.00             | 0                   | 1.80%                                  | Mar 2017                   | 9.000           | 110.50              | 3.98               |
| Byblos Pref. 09                  | 102.10                 | 0.00             | 0                   | 1.80%                                  | Nov 2018                   | 5.150           | 101.13              | 4.83               |
| BLOM GDR                         | 9.80                   | 0.48             | 3,000               | 6.40%                                  | May 2019                   | 6.000           | 103.75              | 5.03               |
| BLOM Listed                      | 8.80                   | 0.00             | 57,900              | 16.71%                                 | Mar 2020                   | 6.375           | 105.63              | 5.12               |
| Audi GDR                         | 6.73                   | 2.12             | 723,524             | 6.87%                                  | Apr 2021                   | 8.250           | 115.25              | 5.35               |
| Audi Listed                      | 6.10                   | 0.83             | 201,000             | 21.54%                                 | Oct 2022                   | 6.100           | 102.25              | 5.74               |
| HOLCIM                           | 15.25                  | 0.00             | 743                 | 2.63%                                  | Nov 2026                   | 6.600           | 103.50              | 6.18               |

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

Source: Byblos Bank Capital Markets

|                              | <b>Dec 29 - Jan 2</b> | <b>Dec 22-26</b> | <b>% Change</b> | <b>Dec 2014</b> | <b>Dec 2013</b> | <b>% Change</b> |
|------------------------------|-----------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total Shares Traded</b>   | 1,266,419             | 5,484,059        | (76.91)         | 10,832,896      | 3,186,671       | 239.94          |
| <b>Total Value Traded</b>    | \$7,138,327           | \$32,351,378     | (77.94)         | \$69,469,519    | \$30,056,050    | 131.13          |
| <b>Market Capitalization</b> | \$11.32bn             | \$11.23bn        | 0.80            | \$11.22bn       | \$10.55bn       | 6.42            |

Source: Beirut Stock Exchange (BSE)



### Lebanon's net wealth per adult at \$30,604, two-thirds of population has net wealth below \$10,000

Global investment bank Credit Suisse estimated the net wealth per adult in Lebanon at \$30,604 at the end of June 2014, down 1.2% from \$30,968 at end-June 2013 and relative to a peak of \$35,615 at the end of 2007. Lebanon's net wealth per adult grew at a CAGR of 3.6% from \$20,414 at end-2000 to \$31,310 at end-2012. It was the 51st highest globally, the seventh highest among UMICs and the eighth highest among Arab countries at end-June 2014. Credit Suisse defines the net wealth per adult as the sum of a person's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. Credit Suisse provided annual data for the period between 2000 and 2012, and semi-annual figures for 2013 and 2014.

Globally, Lebanon's net wealth per adult was higher than that of Slovakia (\$28,630), Poland (\$27,731) and Costa Rica (\$27,606), and lower than that of Mexico (\$35,234), Libya (\$32,669) and Hungary (\$30,895). It was lower than only that of the Seychelles (\$60,962), Turkmenistan (\$40,625), Mauritius (\$38,857), Mexico, Libya and Hungary among UMICs. Regionally, it was lower than only that of Qatar (\$156,096), Kuwait (\$122,688), the UAE (\$121,021), Oman (\$49,217), Bahrain (\$48,522), Saudi Arabia (\$38,579) and Libya.

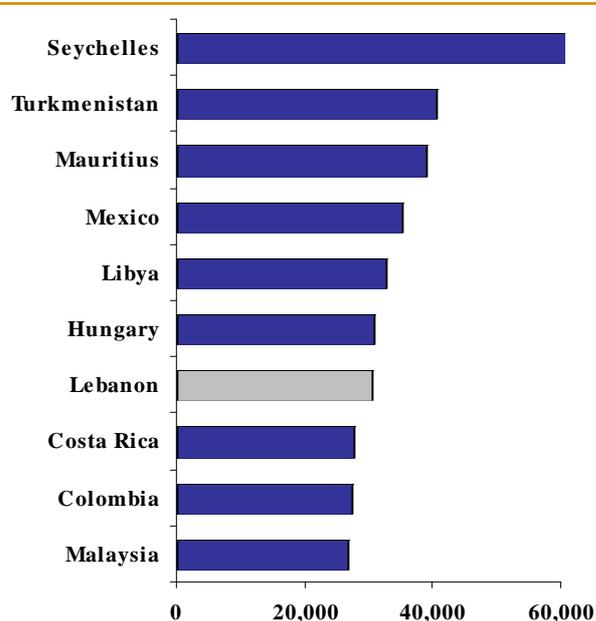
Lebanon's financial assets per adult stood at \$21,918 at the end of June 2014, up marginally by 0.7% from \$21,758 a year earlier and compared to a peak of \$24,103 at the end of 2007. They grew at a CAGR of 4.5% from \$12,875 at the end of 2000 to \$21,857 at the end of 2012. Lebanon's financial wealth per adult was the 41st highest globally at end-June 2014, the second highest among UMICs and the sixth highest among Arab countries. Globally, it was higher than that of Saudi Arabia (\$20,645), South Africa (\$19,761) and Hungary (\$19,604), and are lower than that of Oman (\$22,655), the Seychelles (\$23,584) and the Czech Republic (\$25,121). It was lower than only that of the Seychelles among UMICs, while it was less than the financial wealth per adult in Qatar (\$101,945), the UAE (\$85,424), Kuwait (\$67,769), Bahrain (\$33,198) and Oman among Arab countries.

In parallel, Lebanon's non-financial assets per adult stood at \$19,474 at the end of June 2014, up 3.1% from \$18,883 a year earlier and compared to a peak of \$20,930 at the end of 2010. They grew at a CAGR of 3.7% from \$11,971 at the end of 2000 to \$18,578 at the end of 2012. Lebanon's non-financial assets per adult were the 54th highest globally, the ninth highest among UMICs and the eighth highest among Arab countries at end-June 2014. Globally, they were higher than that of Poland (\$18,898), Peru (\$18,640) and Turkey (\$18,373), and lower than that of Slovakia (\$19,647), Mexico (\$21,209) and Costa Rica (\$21,258). They were lower than that of the Seychelles (\$40,915), Turkmenistan (\$34,298), Libya (\$26,734), Mauritius (\$25,182), Colombia (\$23,412), Dominica (\$21,538), Costa Rica and Mexico among UMICs. Regionally, they were lower than that of the UAE (\$79,836), Kuwait (\$79,487), Qatar (\$73,324), Bahrain (\$32,821), Oman (\$31,480), Libya (\$26,734) and Saudi Arabia (\$23,985).

Further, Lebanon's debt per adult reached a peak of \$10,788 at the end of June 2014, up 11.5% from \$9,673 a year earlier. It grew at a CAGR of 6.2% from \$4,432 at the end of 2000 to \$9,125 at the end 2012. It was the 36th highest globally, the highest among UMICs and the fifth highest among Arab countries at end-June 2014. Globally, it was higher than that of Slovenia (\$10,036), the Czech Republic (\$8,501), Croatia (\$8,196), and lower than that of Estonia (\$11,597), Bahrain (\$17,497) and Greece (\$19,106). Regionally, it was lower than that of the UAE (\$44,239), Kuwait (\$24,569), Qatar (\$19,173) and Bahrain.

In parallel, Credit Suisse indicated that 64.3% of Lebanese adults had a net wealth below \$10,000 as at the end of June 2014, 32.4% have a net wealth between \$10,000 and \$100,000, 3% of Lebanese have an aggregate net wealth between \$100,000 and \$1m, and 0.3% of Lebanese have a total net wealth that exceeds \$1m.

Net Wealth Per Adult in Top 10 UMICs (US\$)



Source: Credit Suisse, Byblos Research

### Cost of mobile broadband in Lebanon is 55th highest globally, fourth highest among Arab countries

The International Telecommunication Union (ITU) indicated that the cost of postpaid handset-based mobile-broadband for a minimum of 500 Megabytes in Lebanon was equivalent to 2.51% of its gross national income (GNI) in 2013, or \$20.64 per month. It constituted the 55th highest cost among 144 countries, the fourth highest among 13 Arab countries and the 10th highest among 39 upper middle-income countries (UMICs). It was lower than the global average of 8.9% of GNI per capita, the UMICs' average of 2.7% of GNI and the Arab average of 4.4% of GNI. Austria has the least expensive postpaid handset-based mobile-broadband in the world at 0.13% of GNI per capita, and Qatar has the cheapest service among Arab countries at 0.23% of GNI per capita. Also, the cost of prepaid handset-based mobile-broadband for a minimum of 500 MB in Lebanon was equivalent to 2.51% of its GNI, or \$20.64 per month, which is the 72nd highest cost globally, the eighth highest among Arab countries and the 17th highest among UMICs. It was lower than the global average of 9.5% of GNI per capita, the UMICs' average of 3% of GNI and the Arab average of 4.9% of GNI. Norway has the least expensive postpaid handset-based mobile-broadband in the world at 0.1% of GNI per capita, and Qatar has the cheapest service among Arab countries at 0.31% of GNI per capita.

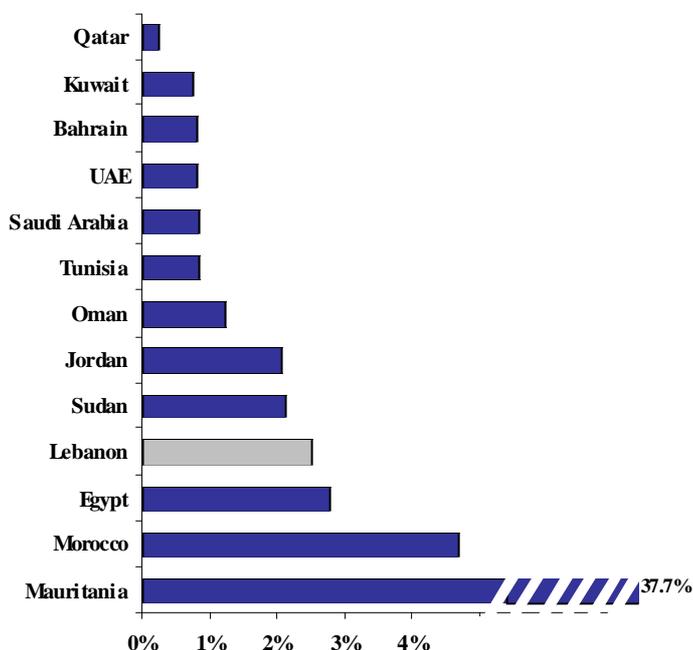
In parallel, the cost of postpaid computer-based mobile-broadband for a minimum of one Gigabyte in Lebanon was equivalent to 3.83% of the country's GNI per capita in 2013, or \$31.5 per month, which is the 59th most expensive globally, the fourth costliest regionally and the 11th most expensive among UMICs. It was lower than the global average of 10.6% of GNI per capita and the Arab average of 5.5% of GNI, but higher than the UMICs' average of 2.8% of GNI. Austria has the least expensive postpaid computer-based mobile-broadband for a minimum of one GB in the world at 0.13% of GNI per capita, and Qatar has the cheapest service among Arab countries at 0.23% of GNI per capita. Further, the cost of prepaid computer-based mobile-broadband for a minimum of one GB in Lebanon absorbed 3.83% of the country's GNI per capita, or \$31.5 per month, which is the 74th most expensive globally, the sixth costliest regionally and the 16th most expensive among UMICs. It was lower than the global average of 15.7% of GNI per capita, the UMICs' average of 4.6% of GNI and the Arab average of 5.6% of GNI. Austria has the least expensive prepaid computer-based mobile-broadband in the world at 0.13% of GNI per capita and Qatar has the cheapest service among Arab countries at 0.39% of GNI per capita per month.

In parallel, the cost of fixed broadband in Lebanon was equivalent to 2.13% of the country's GNI per capita, or \$17.51 per month in 2013, constituting the 97th highest share globally, the 31st highest among UMICs and the seventh highest among Arab countries. It was lower than the global average of 35.8% of GNI per capita, the UMICs' average of 5.7% of GNI and the Arab average of 4.1% of GNI. In comparison, Macao has the least expensive fixed broadband in the world at 0.32% of GNI per capita and Kuwait has the cheapest service among Arab countries at 0.37% of GNI per capita.

### Customs receipts down 6% to \$1.3bn in first 11 months of 2014

Figures released by the Lebanese Customs Administration indicate that customs revenues reached \$1.29bn in the first 11 months of 2014, constituting a decrease of 6.4% from \$1.37bn in the same period of 2013. The Port of Beirut continues to be the main source of customs receipts as it accounted for about 87.7% of the total in the first 11 months of 2014. It was followed by the Hariri International Airport with 7.5%, the Port of Tripoli with 3.2%, the Port of Saida and the Masnaa crossing point with 0.8% each, and the Port of Tyre with 0.1%. Customs receipts from the value-added tax totaled \$1.25bn in the first 11 months of 2014, reflecting a decrease of 2.7% from \$1.29bn in the same period of 2013. The Port of Beirut accounted for 81.6% of such receipts, followed by the Hariri International Airport with 10.8%, the Port of Tripoli with 4.1%, the Masnaa crossing point with 2.3%, the Port of Saida with 0.9%, while the Port of Tyre and the Abboudieh and Arida crossing points had a 0.1% share each. As such, overall customs receipts reached \$2.5bn in the first 11 months of 2014, with the Port of Beirut accounting for 84.7% of the total, followed by the Hariri International Airport with 9.1%, the Port of Tripoli with 3.6%, the Masnaa crossing point with 1.5%, the Port of Saida with 0.8% and the Port of Tyre with 0.1%.

### Cost of postpaid handset-based mobile-broadband for a minimum of 500 Megabyte (% of GNI)

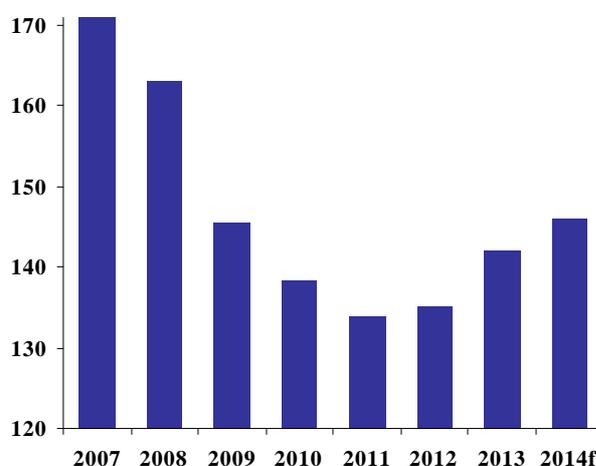


Source: International Telecommunication Union, Byblos Research

### Finance Ministry to rely on foreign currency borrowing and extending debt maturities over the medium term

The Ministry of Finance unveiled its Medium Term Debt Management Strategy for the 2014-16 period. It indicated that managing the debt would require the government to rely increasingly on foreign-currency borrowing between 2014 and 2016 in order to finance maturing debt and the cost of debt servicing during the covered period. It stipulates that about 30% of the government's annual borrowing needs would be in foreign currency, while the remaining amount would be sourced from the domestic market. Further, the management strategy will prioritize the extension of debt maturities, which would lengthen the average time to maturity and the average time to re-fixing the debt portfolio beyond the current level of 4.3 years. The ministry said that extending debt maturities is costly, but it would provide protection against higher interest rates, a risk that Lebanon cannot afford under current circumstances. The ministry pointed out that its debt strategy could require the ratification of additional laws to allow more borrowing in foreign currency, given the lack of an approved budget. The strategy takes into account Lebanon's macroeconomic framework, including the elevated public debt level, as well as the country's high annual foreign financing needs and the limited absorptive capacity of the domestic market.

Public Debt-to-GDP Ratio (%)



Source: Institute of International Finance, Byblos Research

### Central Bank details mechanism of new \$1bn stimulus package

The Central Bank of Lebanon issued Intermediate Circular 382 on December 10, 2014, which amends Basic Circular 23 dated March 7, 1996 and details the mechanism of the 2015 stimulus package. The circular stipulates that the Central Bank will roll over the unutilized amount of the LBP2,210bn, or \$1.47bn, in financial facilities that it provided to banks in 2013, as well as the unutilized sums of the LBP1,400bn, or \$928.7m, in facilities that it granted to banks in 2014. It will add LBP1,500bn, or \$995m, as part of the 2015 stimulus package. The Central Bank will extend the loans to domestic banks on a first-come first-served basis at an interest rate of 1% per year. The financial facilities will allow banks operating in Lebanon to extend loans to clients at reduced interest rates.

The circular allowed banks to extend up to LBP900bn, or 60% of the 2015 stimulus package, in housing loans. The circular also stipulates that loans under the new stimulus have to finance new projects or to fund the development of existing ones, and cannot be used to refinance existing projects, to repay loans, or to buy shares or participations. It specified that the facilities can be used to finance the working capital of a company, which was prohibited under the mechanism of the previous two stimulus packages. Loans extended under the Central Bank's 2015 package would finance mortgages, environmentally friendly projects, projects in productive sectors, education, and research & development. The Central Bank indicated that banks would not benefit from reductions in reserve requirements on these loans. Governor Salamé announced in mid-October 2014 the Central Bank's third stimulus package since 2013. He said that the Bank would closely monitor the inflation rate to make sure that the injected liquidity would not lead to inflationary pressure and would not drain foreign currency reserves. He noted that the two stimulus packages contributed up to 50% of economic growth in the country in 2013 and 2014, and expected the upcoming package to yield a real GDP growth rate of 2% in 2015.

### Cabinet approves release of \$1.3m for New Entrants to Work program

The Lebanese Cabinet approved the release of \$1.3m to co-fund the first phase of a pilot program that aims to improve the employment prospects of first-time job seekers in Lebanon. The total cost of the New Entrants to Work (NEW) program is \$4.1m and is co-financed by a grant from the World Bank, the Lebanese Government and the private sector. The NEW program, which was approved by Council of Ministers in August 2012, will take about 30 months to be fully implemented. The National Employment Office will manage the program under the supervision of the Ministry of Labor, with technical and financial assistance from the World Bank. The NEW program offers first-time job seekers a 24-month on-the-job training in a private-sector firm, along with training on life skills, counseling and placement services. Also, employers who hire first time job seekers will receive a wage subsidy of 10% of the participants' wage for a period of 12 months, and will be reimbursed for 24 months for social security contributions paid to the National Social Security Fund.

The program aims to improve the employment prospects of first-time job seekers through the combination of financial incentives for employers, targeted training for workers, and job placement. The specific outcomes of the NEW program include breaking initial barriers in the transition from school to work, improving the skills of 1,600 first time job seekers through developing their job searching, teamwork and soft skills; and linking the training content with the requirements of the private sector. The NEW program has a clear eligibility and selection criteria for both participants and employers. It will be based on cost-efficient procedures of registration, enrollment, payment, and monitoring systems.



### Occupancy rate at Beirut hotels at 51%, room yields down 5% in first 11 months of 2014

EY's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 51% in the first 11 months of 2014, down from 52% in the same period of 2013 and compared to an average rate of 62.2% in 12 Arab markets. The occupancy rate at Beirut hotels was the fourth lowest in the region during the covered period, while it was the third lowest in the first 11 months of 2013. Cairo City posted the lowest occupancy rate of 34% in the first 11 months of 2014, followed by Kuwait City and Manama with an occupancy rate of 48% for each. Also, the occupancy rate at hotels in Beirut fell by one percentage point year-on-year, constituting, along with Dubai, the fourth steepest decrease among 12 Arab markets, and relative to an average increase of 2.5 percentage points for the region. The occupancy rate at Beirut hotels was 36% in January, 42% in February, 41% in March, 52% in April, 63% in May, 67% in June, 36% in July, 60% in August, 56% in September, 59% in October and 51% in November 2014. In comparison, it was 50% in January, 60% in February, 59% in March, 64% in April, 59% in May, 55% in June, 40% in July, 48% in August, 35% in September, 49% in October and 47% in November 2013.

The average rate per room at Beirut hotels was \$162 in the first 11 months of 2014, ranking the capital's hotels as the second least expensive in the region. The average rate per room at Beirut hotels decreased by 3.5% year-on-year and posted the fourth steepest decline among all markets in the region relative to Makkah (-18%), Madina (-6.4%) and Abu Dhabi (-4.5%). The average rate per room in Beirut came below the regional average of \$210.2 that posted a decrease of 0.7% from the same period of 2013.

Further, revenues per available room (RevPAR) were \$83 in Beirut in the first 11 months of 2014, down from \$88 in the same period of 2013, and came in 11th place in the region, higher than only Cairo City (\$31). Beirut's RevPAR fell by 4.9% year-on-year and posted the third steepest decrease among Arab markets relative to contractions of 14.1% in Makkah and 11.5% in Kuwait City. Beirut posted RevPARs of \$60 in January, \$65 in February, \$62 in March, \$82 in April, \$97 in May, \$120 in June, \$62 in July, \$104 in August, \$89 in September, \$100 in October and \$83 in November 2014. In comparison, RevPARs were \$87 in January, \$101 in February, \$99 in March, \$108 in April, \$102 in May, \$101 in June, \$65 in July, \$84 in August, \$55 in September, \$83 in October and \$78 in November 2013. Kuwait City posted the highest average room rate in the region at \$299, while Dubai posted the highest room yield of \$216 and had the highest occupancy rate of 79% in the first 11 months of 2014.

### Consumer Price Index up 1% year-on-year in November 2014

The Central Administration of Statistics' Consumer Price Index rose by 0.9% between November 2013 and November 2014. Prices of clothing & footwear increased by 18.5%, followed by alcoholic beverages & tobacco (+8.6%), the cost of education (+4.5%), housing costs (+3.9%), prices of restaurants & hotels (+3.4%), food & non-alcoholic beverages (+3.2%), recreation & entertainment (+2.3%), furnishings & household equipment (+1.8%), miscellaneous goods & services (+1.7%) and healthcare costs (+1.2%). In parallel, communication costs fell by 24%, transportation costs, and water, electricity, gas & other fuels regressed by 3.9% each year-on-year.

Further, the CPI regressed by 0.4% in November 2014 from the previous month, relative to an increase of 0.2% in October 2014. The prices of alcoholic beverages & tobacco increased by 2.3% month-on-month in November 2014, followed by food & non-alcoholic beverages (+0.8%), restaurants & hotels (+0.5%) and furnishings & household equipment (+0.1%); while transportation costs fell by 3.1% month-on-month, followed by clothing & footwear (-1.5%), housing, water, electricity, gas & other fuels (-1%), communication costs (-0.3%) and recreation & entertainment (-0.1%). Further, the prices of miscellaneous goods & services, education and healthcare costs remained unchanged month-on-month. Also, imputed, new and old rents were unchanged from the preceding month. In parallel, the Fuel Price Index regressed by 7.3% in November 2014 from the previous month, while the Education Price Index remained nearly unchanged month-on-month.

The CPI decreased by 0.9% month-on-month in the Bekaa region, by 0.7% in Nabatieh, by 0.5% in the South, by 0.4% in each of Beirut and Mount Lebanon and by 0.2% in the North. Prices of food & non-alcoholic beverages rose by 2% in the North, by 1.5% in the South, by 1.3% in the Bekaa, by 1.1% in Nabatieh and by 0.4% in Mount Lebanon; while they fell by 0.1% from the previous month in Beirut. The price of housing, water, electricity, gas & other fuels, as well as transportation and communication costs regressed across all regions; while healthcare costs remained unchanged month-on-month in all regions. Also, the prices of clothing & footwear increased by 2% in Nabatieh, while remained nearly unchanged in the North, and decreased across all the other regions in November 2014.

#### Hotel Performance in First 11 Months of 2014

|               | Occupancy Rate (%) | RevPAR (US\$) | RevPAR % change |
|---------------|--------------------|---------------|-----------------|
| Dubai         | 79                 | 216           | (1.2)           |
| Jeddah        | 76                 | 210           | 7.6             |
| Doha          | 71                 | 168           | 14.2            |
| Abu Dhabi     | 78                 | 154           | (3.0)           |
| Kuwait City   | 48                 | 146           | (11.5)          |
| Madina        | 75                 | 144           | 8.5             |
| Riyadh        | 66                 | 143           | 12.7            |
| Makkah        | 60                 | 133           | (14.1)          |
| Manama        | 48                 | 99            | 13.4            |
| Amman         | 60                 | 98            | 1.6             |
| <b>Beirut</b> | <b>51</b>          | <b>83</b>     | <b>(4.9)</b>    |
| Cairo City    | 34                 | 31            | 47.2            |

Source: EY, Byblos Research

### **Trade deficit widens by 0.4% to \$16bn in first 11 months of 2014, exports down by 18%**

Total imports reached \$18.8bn in the first 11 months of 2014, constituting a decrease of 3% from the same period of 2013; while aggregate exports declined by 17.7% to \$3bn, leading to a trade deficit of \$15.8bn, up by 0.4% year-on-year. The widening of the deficit was due to a decrease of \$653.3m in exports year-on-year, given that imports fell by \$586.8m. The coverage ratio reached 16.1% in the first 11 months of 2014 compared to 19% in the same period of 2013, while it reached 17.8% in November 2014 relative to 14.8% in November 2013. The value of imported oil & mineral fuels declined by 2.2% year-on-year to \$4.6bn, and that of non-hydrocarbon imports dropped by 3.3% to \$14.3bn. Oil & mineral fuels accounted for 24.2% of total imports in the covered period compared to a share of 24% in the same period of 2013.

In volume terms, imports reached 14.1 million tons in the first 11 months of 2014, constituting a decrease of 2.8% from the same period of 2013; while exports posted a 21% decline to 2.1 million tons, leading to a trade deficit of 12.1 million tons in the covered period, up by 1.2% year-on-year. Imports of oil & mineral fuels increased by 4.5% year-on-year to 6.8 million tons, while non-hydrocarbon imports decreased by 8.7% annually to 7.4 million tons. Imported oil & mineral fuels accounted for 48% of total imports in the covered period compared to a share of 44.5% in the same period of 2013.

China was the main source of imports with \$2.3bn or 12.1% of the total in the first 11 months of 2014, followed by Italy with \$1.5bn (8.1%), France with \$1.2bn (6.4%), Germany with \$1.15bn (6.1%), the United States with \$1.13bn (6%), Russia with \$780m (4.1%) and Greece with \$731m (3.9%). Imports from Greece surged by 32.1% annually, those from China grew by 10.3% and those from Germany rose by 0.8%; while imports from the United States dropped by 20.7%, those from France regressed by 13.4%, imports from Russia fell by 5.5% and those from Italy declined by 3.3%.

Further, Saudi Arabia was the main export destination of Lebanese merchandise with \$345.5m or 11.4% of the total, followed by South Africa and the UAE with \$291m each (9.6% each), Iraq with \$235.3m (7.7%), Syria with \$220.7m (7.3%), Turkey with \$135m (4.4%) and Jordan with \$118.1m (3.9%). Exports to Syria dropped by 55.1% year-on-year, those to South Africa declined by 26.8%, exports to Turkey regressed by 21.1%, those to Jordan fell by 10.3%, exports to Iraq decreased by 7% and those to the UAE fell by 6%; while exports to Saudi Arabia rose by 6.6% annually in the first 11 months of 2014.

Lebanon's main export product was jewelry at \$510.5m or 16.8% of the total, followed by prepared foodstuff with \$465.7m (15.3%), machinery & mechanical appliances with \$406.2m (13.4%), chemical products with \$346.6m (11.4%), base metals with \$345.7m (11.4%), and paper & paperboard with \$195m (6.4%). Re-exports totaled \$380.6m in the first 11 months of 2014 compared to \$219.2m in the same period of 2013.

### **Average value of real estate transaction nearly unchanged at \$126,378 in first 11 months of 2014**

Figures released by the Ministry of Finance indicate that the total number of real estate transactions reached 63,725 in the first 11 months of 2014, constituting an increase of 2.8% from 61,996 deals in the same period of 2013. In comparison, the number of real estate transactions dropped by 5.4% in the first 11 months of 2013 and by 10.4% in the same period of 2012. Also, the aggregate value of real estate transactions totaled \$8.1bn in the first 11 months of 2014, constituting a rise of 2.9% from \$7.83bn in the same period of 2013. The value of real estate deals was \$7.75bn in the first 11 months of 2012 and \$7.66bn in the same period of 2011. In parallel, the average value of real estate transaction was nearly unchanged at \$126,378 in the first 11 months of 2014 relative to \$126,290 in the same period of 2013 and compared to \$118,217 in the first 11 months of 2012.

There were 1,020 real estate transactions executed by foreigners in the first 11 months of 2014, down 7.7% from 1,105 deals in the same period of 2013, and compared to annual decreases of 7.7% in the first 11 months of 2013 and 7.9% in the same period of 2012. In parallel, the number of real estate transactions by foreigners accounted for 1.6% of total real estate deals in the first 11 months of 2014 relative to 1.8% in the same period of 2013.

### **Value of cleared checks up 3%, returned checks up 2% in first 11 months of 2014**

The value of cleared checks reached \$68.3bn in the first 11 months of 2014, constituting an increase of 3.4% from the same period of 2013, and compared to a rise of 1.6% in the first 11 months of 2013 and to a decrease of 1% in the same period of 2012. The value of cleared checks in Lebanese pounds rose by 7% annually to the equivalent of \$16.57bn in the first 11 months of 2014, while the value of cleared checks in US dollars increased by 2.3% to \$51.76bn. The dollarization rate of cleared checks decreased to 75.8% from 76.6% in the first 11 months of 2013. Also, the value of returned checks in domestic and foreign currencies rose by 1.6% year-on-year to \$1.4bn in the first 11 months of 2014, compared to an annual rise of 2.4% in the same period of 2013 and to an annual increase of 5.6% in the first 11 months of 2012. In parallel, the number of cleared checks totaled 11.9 million checks in the first 11 months of 2014, down by 2.1% from the same period of 2013. Also, the number of returned checks totaled 233,000 checks in the covered period, down 5.2% from 246,100 in the first 11 months of 2013.

### **Tourist arrivals up 5% in first 10 months of 2014, but still down 19% from same period of 2011**

The number of incoming tourists to Lebanon totaled 1,132,607 in the first 10 months of 2014, constituting an increase of 4.8% from 1,080,374 tourists in the same period last year, a decline of 3.9% from 1,178,959 tourists in the first 10 months of 2012 and a drop of 19.1% from 1,400,711 tourists in the same period of 2011. European tourists accounted for 33.7% of total visitors in the first 10 months of 2014 and were followed by visitors from Arab countries with 33.2%, the Americas with 17%, Asia with 8.2%, Africa with 4.1% and Oceania with 3.8%. Also, tourists from Iraq accounted for 13.2% of total visitors in the covered period, followed by visitors from France with 9.1%, the United States with 8.6%, Canada with 5.9%, Jordan with 5.5% and Germany with 5.3%. The number of visitors from countries in Oceania increased by 14% year-on-year in the first 10 months of 2014, followed by visitors from Arab countries (+10.9%), the Americas (+7.4%) and Europe (+2.5%); while the number of tourists from African countries decreased by 13.6% from the first 10 months of 2013, followed by visitors from Asian countries (-5.7%). Further, the number of visitors from Turkey declined by 39% annually, followed by visitors from Venezuela with a 26.8% decrease and Jordan with a 6.8% drop. In parallel, the number of tourists from Iraq rose by 26.3% annually, followed by visitors from Italy with a 12.2% increase, Germany (+11.7%), the United States (+10.8%), Canada (+9.7%), Sweden (+8.8%), Egypt (+8%), Kuwait (+7.6%), the UAE (+7.5%), Saudi Arabia (+7.3%), Brazil (+2.8%), France (+1.9%) and England (+0.9%).

### **Industrial exports down 9% to \$2.1bn in first eight months of 2014**

Figures released by the Ministry of Industry show that industrial exports totaled \$2.1bn in the first eight months of 2014, constituting a decrease of 9.2% from \$2.3bn in the same period of 2013. Industrial exports reached \$275.9m in August 2014, up by 5.4% from \$261.8m in July 2014 and by 6% from \$260.2m in August 2013. Machinery and mechanical appliances accounted for \$489.3m, or 23.1% of total industrial exports in the first eight months of 2014, followed by chemical products with \$357m (16.9%) and prepared foodstuffs with \$352.5m (16.6%). Arab countries were the destination of 52% of Lebanese industrial exports in August 2014, followed by Asian economies with 20%, European countries with 13.8%, African economies with 11% and countries in the Americas with 2.5%. On a country basis, Saudi Arabia was the main destination of such exports and accounted for 11.6% of the total in August 2014, followed by Iraq with 10.6%, Bangladesh with 10% and the UAE with 8.8%. In August, 14 Arab countries, 10 African economies, nine European states, seven Asian countries and two economies in the Americas imported \$1m or more each in industrial products from Lebanon. Overall, Lebanon exported its industrial products to 44 European countries, 41 African economies, 29 Asian states, 28 countries in the Americas, 19 Arab economies and eight markets in Oceania in August 2014.

In parallel, industrial imports reached \$193.2m in the first eight months of 2014, down 11% from the same period of 2013. Italy was the main source of such imports and accounted for 23% of the total in the covered period, followed by China with 18.5% and Germany with 16.6%. Further, imports of industrial equipment and machinery reached \$23m in August 2014, decreasing by 0.8% year-on-year. Italy was the main source of imports of industrial equipment in August and accounted for 26.1% of the total, followed by China with 22.5% and Germany with 14.5%.

### **Public-sector salaries and benefits up 2% in first five months of 2014**

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled \$1.2bn in the first five months of 2014, constituting an increase of 2% from the same period of 2013. They represented the largest component of total primary spending and accounted for 31% of such expenditures in the first five months of 2014, compared to a share of 28% in the same period of 2013. The figures include basic salaries, indemnities, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges and Parliament employees. The payments exclude retirement and end-of-service indemnities, as well as salaries, wages and benefits of employees at public institutions. Salaries and benefits of military personnel reached \$768.8m and accounted for 64.5% of the total, followed by the public-sector education personnel with \$242.8m (20.4%), civil staff with \$126.7m (10.6%), government contribution to the employees' cooperative with \$42.5m (3.6%) and customs employees with \$10.6m (0.9%). The distribution of military personnel salaries and benefits shows that the Lebanese Army's salaries totaled \$464.3m in the first five months of 2014 and represented 60.4% of the military personnel's salaries and benefits. They were followed by salaries of the Internal Security Forces with \$236.2m (30.7%), General Security Forces with \$53.1m (6.9%), and State Security Forces with \$15.9m (2.1%).

The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a \$21.9m rise in basic salaries, a \$2m surge in allowances and a \$2m increase in other payments to public-sector employees, which were partly offset by a \$4m drop in indemnities. The rise in basic salaries reflects a \$27.9m increase in the basic salaries of military personnel, which was partly offset by a \$3.3m decline in payments to civil service personnel and a \$2.7m decrease in the basic salaries of the public-sector education. Overall, other expenses increased by 3.4% year-on-year to \$61m in the first five months of 2014, basic salaries rose by 2.6% to \$878.9m and allowances surged by 1.1% to \$181.1m; while indemnities fell by 6.3% to \$59.7m.

### Stock market activity up 76% to \$661m in 2014

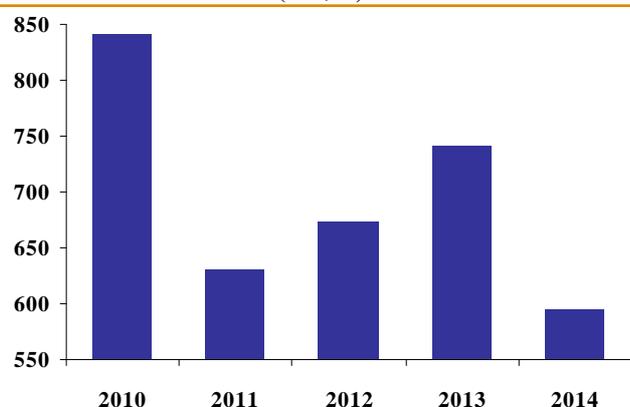
Figures released by the Beirut Stock Exchange indicate that total trading volume reached 96.8 million shares in 2014, constituting an increase of 88.3% from 2013; while aggregate turnover amounted to \$661.4m, up 76.3% from a turnover of \$375.2m in 2013. Market capitalization increased by 6.4% from end-2013 to \$11.22bn, of which 80.1% was in banking stocks, followed by real estate stocks with 16.7%, industrial stocks with 2.9% and trading stocks with 0.3%. The market liquidity ratio was 5.9% compared to 3.6% in 2013. Banking stocks accounted for 92.3% of aggregate trading volume in 2014, followed by real estate stocks with 7.5%, trading with 0.2% and industrial stocks with 0.1%. Also, banking stocks accounted for 82.6% of the aggregate value of traded shares, followed by real estate stocks with 13.7%, and trading and industrial stocks with 0.1% each. The average daily traded volume for the period was 396,682 shares for an average daily value of \$2.7m. The figures reflect increases of 84.4% in volume and 72.7% in value year-on-year. The Beirut Stock Exchange's market capitalization was equivalent to 23.6% of GDP at the end of 2014 compared to 23.4% of GDP at end-2013 and to 24.2% of GDP at end-2012.

### Commercial banks' assets reach \$172.2bn at end of November 2014

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$172.2bn at the end of November 2014, constituting an increase of 4.5% from the end of 2013 and a rise of 6.4% from end-November 2013. Private sector deposits totaled \$142.74bn, increasing by 4.8% from the end of 2013 and by 7.2% from a year earlier. Deposits in Lebanese pounds reached \$49bn and rose by 6.2% from end-2013 and by 7.1% from end-November 2013; while deposits in foreign currencies totaled \$93.7bn, constituting a rise of 4.1% from the end of 2013 and an increase of 7.2% from a year earlier. Non-resident foreign currency deposits totaled \$25.9bn at the end of November 2014, increasing by 3.1% from end-2013 and growing by 9% year-on-year. Total non-resident deposits reached \$29.68bn at the end of November and rose by 4.2% from end-2013 and by 9.5% from a year earlier. Total private sector deposits decreased by \$1.3bn in January but increased by \$848.4m in February, by \$843.8m in March, by \$1.6bn in April, by \$650.7m in May, by \$1.5bn in June, by \$965.8m in July, by \$200.3m in August, by \$508.1m in September, by \$13.3m in October and by \$705.1m in November 2014. In comparison, they rose by \$558m in January, by \$744.9m in February, by \$1.8bn in March, by \$2bn in May, by \$1.2bn in June, by \$203m in August, by \$739m in October and by \$1.1bn in November 2013, but declined by \$11.3m in April, by \$87.6m in July and by \$21.9m in September 2013. In parallel, deposits of non-resident banks reached \$5.53bn at the end of November 2014 and increased by 10.4% from end-2013 and by 8.9% from a year earlier. The dollarization rate of deposits reached 65.7% at the end of November, down from 66.1% at end-2013 and was unchanged from a year earlier. Further, the average deposit rate in Lebanese pounds was 5.55% in November 2014 relative to 5.47% in the same month of 2013, while the same rate in US dollars was 3.1% compared to 2.97% in November 2013.

Loans to the private sector reached \$50.5bn at the end of November 2014, constituting an increase of 6.6% from the end of 2013 and a rise of 7.9% from a year earlier. In nominal terms, credit to the private sector rose by \$3.13bn in the first 11 months of 2014 relative to an increase of \$3.36bn in the same period of 2013. Lending to the resident private sector totaled \$45.1bn, growing by 8.6% from the end of 2013 and by 9.1% year-on-year; while credit to the non-resident private sector reached \$5.44bn, decreasing by 7.4% from end-2013 and by 1.3% from end-November 2013. The dollarization rate in private sector lending regressed to 75.6% at the end of November 2014 from 76.5% a year earlier. The average lending rate in Lebanese pounds was 6.96% in November 2014 compared to 7.01% in the same month of 2013, while the same average in US dollars was 7.01%, up from 6.88% in November 2013. In addition, claims on non-resident banks reached \$10.6bn at the end of November 2014, posting decreases of 24.2% from end-2013 and of 14.9% from a year earlier. In parallel, claims on the public sector stood at \$37.3bn at the end of November, down by 1% from the end of 2013 and by 0.6% year-on-year. The ratio of private sector loans-to-deposits in foreign currencies stood at 40.7%, well below the Central Bank's limit of 70%, and compared to 40.9% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.1% at end-November 2014, up from 24.1% at the end of November 2013. The ratio of total private sector loans-to-deposits was 35.4% compared to 35.2% a year earlier. The banks' aggregate capital base stood at \$15.48bn, up by 9% from \$14.2bn at end-2013 and by 9.9% from \$14.1bn at end-November 2013.

### Average Monthly Growth of Private Sector Deposits\* (US\$m)



\*in the first 11 months of each year

Source: Association of Banks in Lebanon, Byblos Research

### **FNB Group completes acquisition of financial advisory firm**

First National Bank (FNB) sal, one of Lebanon's top 12 banks, announced that it has completed the acquisition of a 95.5% share of the financial advisory firm Corporate Finance House Group (CFH) for about \$11.9m. The firm's former owners will retain the remaining 4.5% of the firm. The deal, which was originally announced in early 2013, was approved by the Central Bank of Lebanon. CFH will continue to operate as a separate legal entity and will have its own board of directors. Established in 1998, the Beirut-based CFH provides specialized financial advisory services for debt and equity private placements, mergers and acquisitions, debt restructuring, family office advisory, leveraged buyouts, divestments, and IPOs. In addition, CFH is engaged in private equity and real estate fund management.

FNB's unaudited consolidated net profits reached \$18.9m in the first nine months of 2014, down by 4.3% from \$19.8m in the same period of 2013. Its assets totaled \$3.82bn at the end of September 2014, constituting a rise of 7.7% from end-2013, while loans & advances to customers grew by 2.2% from end-2013 to \$905.4m. Also, customer deposits totaled \$3.12bn at the end of September 2014, constituting an increase of 9.3% from end-2013. The FNB Group includes investment bank Middle East Capital Group and consumer finance firm Capital Finance Company.

### **Banque Libano-Française to raise capital by issuing preferred shares**

Banque Libano-Française sal announced plans to raise its Tier One Capital by LBP10bn (\$6.63m) through the issuance of 1,000,000 Series 4 Preferred Shares. The issue price is \$100 per share, of which LBP10,000 (\$6.63) is par value and the remaining \$93.37 constitutes the issue premium. The Series 4 Preferred Shares will carry an annual dividend of 7% of the issue price. BLF expects to issue the preferred shares by April 2015 and does not intend to list them on the Beirut Stock Exchange. The capital increase awaits the approval of the bank's Extraordinary General Assembly to be held on January 9, 2015. The dividends will be paid net of a 5% withholding tax, as the bank will reimburse the holders of Series 4 Preferred Shares for the difference between the 10% withholding rate and the rate for which the shares would be taxed if they were listed on the Beirut Stock Exchange. The preferred shares are non-cumulative, perpetual and subject to a call option by the bank. BLF has the option to call the shares within 60 days after the Ordinary General Assembly meet to approve the financials for fiscal year 2019, and annually thereafter, at a callable price of \$100 per share plus any declared but unpaid dividends. The bank would have to redeem a minimum of 20% of the outstanding Series 4 shares in case it decides to exercise its call option.

Banque Libano-Française posted unaudited consolidated net profits of \$73.8m in the first nine months of 2014, constituting a decrease of 3.4% from the same period last year. Total assets reached \$11.1bn at the end of September 2014, and increased by 0.4% from end-2013; while loans & advances to customers, excluding loans & advances to related parties, rose by 9.6% from end-2013 to \$3.9bn. Customer deposits, excluding deposits from related parties, totaled \$9.5bn at end-September 2014, and increased by 1.9% from end-2013.

## Ratio Highlights

| (in % unless specified)                    | 2012   | 2013   | 2014   | Change* |
|--|--------|--------|--------|---------|
| Nominal GDP (\$bn)                         | 43.0   | 45.0   | 47.5   |         |
| Public Debt in Foreign Currency / GDP      | 56.7   | 58.0   | 54.1   | (389)   |
| Public Debt in Local Currency / GDP        | 77.4   | 83.0   | 86.9   | 389     |
| Gross Public Debt / GDP                    | 134.1  | 141.0  | 141.0  | (5)     |
| Total Gross External Debt / GDP            | 168.2  | 173.8  | 176.4  | 260     |
| Trade Balance / GDP                        | (39.1) | (38.4) | (37.1) | 134     |
| Exports / Imports                          | 21.1   | 18.5   | 15.9   | (260)   |
| Fiscal Revenues / GDP                      | 21.9   | 20.9   | 20.8   | (10)    |
| Fiscal Expenditures / GDP                  | 31.0   | 30.3   | 32.0   | 170     |
| Fiscal Balance / GDP                       | (9.1)  | (9.4)  | (11.1) | (170)   |
| Primary Balance / GDP                      | (0.3)  | (0.5)  | (0.3)  | 20      |
| Gross Foreign Currency Reserves / M2       | 69.4   | 69.5   | 68.8   | (73)    |
| M3 / GDP                                   | 241.9  | 247.0  | 246.9  | (11)    |
| Commercial Banks Assets / GDP              | 353.2  | 366.3  | 364.5  | (177)   |
| Private Sector Deposits / GDP              | 290.7  | 302.7  | 302.3  | (37)    |
| Private Sector Loans / GDP                 | 101.1  | 105.3  | 107.0  | 172     |
| Private Sector Deposits Dollarization Rate | 64.8   | 66.1   | 65.7   | (40)    |
| Private Sector Lending Dollarization Rate  | 77.6   | 76.5   | 75.6   | (90)    |

\* Change in basis points 13/14

Source: 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               | Mar 2013 | Feb 2014 | Mar 2014 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 53.0     | 52.0     | 52.0     | ▲       | High       |
| Financial Risk Rating | 35.0     | 38.0     | 38.0     | ▼       | Low        |
| Economic Risk Rating  | 34.0     | 27.0     | 27.0     | ▲       | High       |
| Composite Risk Rating | 61.0     | 58.5     | 58.5     | ▲       | High       |

| Regional Average      | Mar 2013 | Feb 2014 | Mar 2014 | Change* | Risk Level |
|-----------------------|----------|----------|----------|---------|------------|
| Political Risk Rating | 58.6     | 58.4     | 58.3     | ▲       | High       |
| Financial Risk Rating | 41.6     | 40.4     | 40.5     | ▲       | Very Low   |
| Economic Risk Rating  | 36.3     | 35.9     | 35.9     | ▲       | Low        |
| Composite Risk Rating | 68.2     | 67.4     | 67.3     | ▲       | Moderate   |

\*year-on-year change in risk tolerance

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              | B2               | NP | Negative | B2             |    | 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

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**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)**

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# BYBLOS BANK GROUP

## LEBANON

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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

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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

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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

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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

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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

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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

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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

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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

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Dora Highway - Aya Commercial Center  
P.O.Box: 90-1446  
Jdeidet El Metn - 1202 2119 Lebanon  
Phone: (+ 961) 1 256290  
Fax: (+ 961) 1 256293