

## LEBANON THIS WEEK

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Central Bank's foreign assets up 2% to \$38.5bn in first quarter of 2015

Number of new construction permits down 27% in first two months of 2015, surface area down 19%

Value of cleared checks down 8%, returned checks up 28% in first two months of 2015

New industrial licenses up 39% in 2014

Public-sector salaries and benefits up by 8% in first nine months of 2014

### Corporate Highlights .....8

Commercial banks' assets reach \$177bn at end of February 2015

Stock market activity up 109% to \$250m in first quarter of 2015

BLOM Bank's dividend payout ratio at 42% for 2014

New car sales down 3% in first quarter of 2015

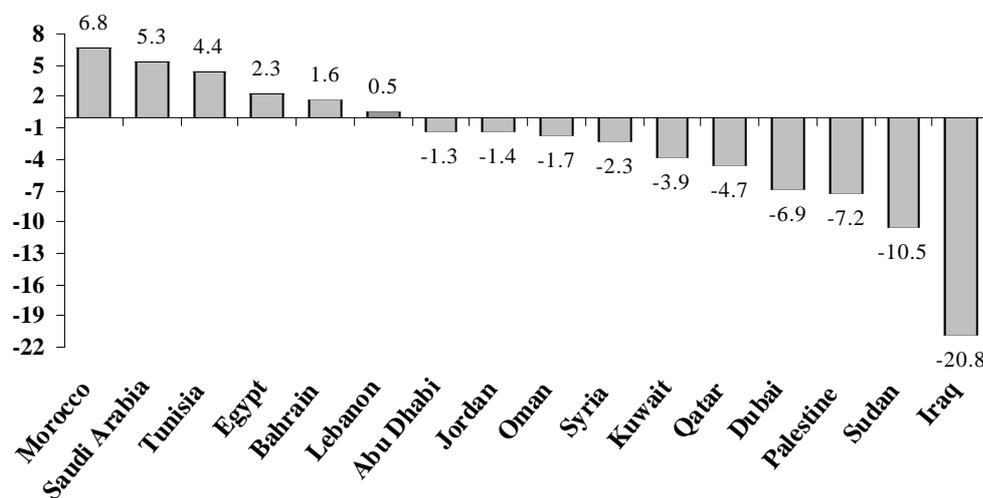
Launch of \$15m fund to support entrepreneurs

CMA CGM's net profits at \$584m in 2014

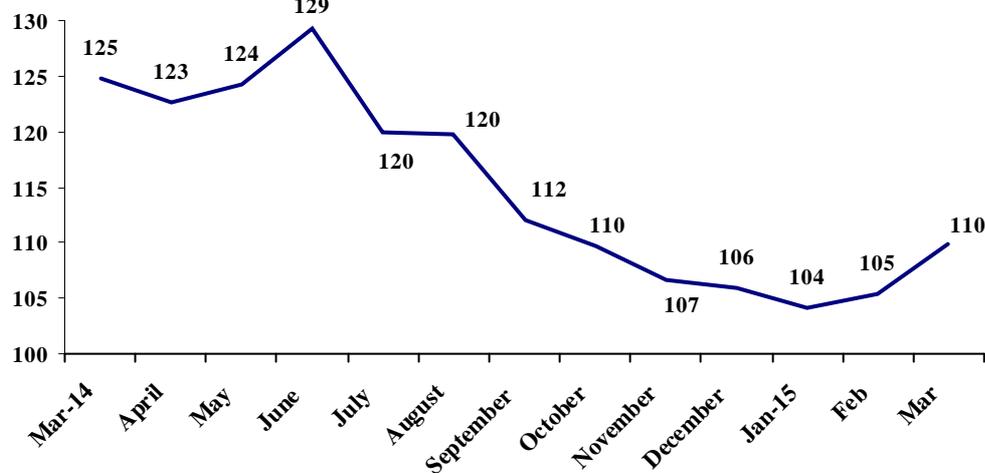
Bank Audi's dividend payout ratio at 54.3% for 2014

### Charts of the Week

Performance of Arab Stock Markets in First Quarter of 2015 (% 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

"This is likely to have a positive impact on consumer and investor confidence."

*The World Bank, on the potential impact of the ongoing dialogue between rival political parties in the country*

### Number of the Week

**15%:** Rate of the new capital gains tax on real estate transactions that the Ministry of Finance included in the 2015 draft budget

## Lebanon in the News

<b>\$m (unless otherwise mentioned)</b>	<b>2013</b>	<b>Dec 13</b>	<b>Sep 14</b>	<b>Oct 14</b>	<b>Nov 14</b>	<b>Dec 14</b>	<b>% Change*</b>
Exports	3,936	243	282	279	248	268	10.29
Imports	21,228	1,797	1,671	1,724	1,393	1,649	(8.24)
Trade Balance	(17,292)	(1,554)	(1,389)	(1,445)	(1,145)	(1,381)	(11.13)
Balance of Payments	(1,128)	534	131	(566)	(424)	(116)	-
Checks Cleared in LBP	17,047	1,562	1,553	1,587	1,415	1,599	2.37
Checks Cleared in FC	55,321	4,728	4,852	4,730	4,367	4,692	(0.76)
Total Checks Cleared	72,368	6,290	6,405	6,317	5,782	6,291	0.02
Budget Deficit/Surplus	(4,220)	(238.09)	(564.21)	(216.28)	(585.95)	23.00	-
Primary Balance	(239.68)	70.72	(84.64)	258.98	(100.54)	281.94	298.6
Airport Passengers	6,265,470	510,367	640,546	549,726	427,403	573,229	12.32

<b>\$bn (unless otherwise mentioned)</b>	<b>2013</b>	<b>Dec 13</b>	<b>Sep 14</b>	<b>Oct 14</b>	<b>Nov 14</b>	<b>Dec 14</b>	<b>% Change*</b>
BdL FX Reserves	31.71	31.71	32.34	33.09	33.87	32.40	2.19
<i>In months of Imports</i>	<i>17.65</i>	<i>17.65</i>	<i>19.35</i>	<i>19.19</i>	<i>24.32</i>	<i>19.65</i>	<i>11.36</i>
Public Debt	63.46	63.49	65.97	66.21	66.64	66.56	4.84
Net Public Debt	53.18	53.21	55.89	56.23	56.71	57.30	7.69
Bank Assets	164.82	164.82	171.34	171.27	172.21	175.70	6.60
Bank Deposits (Private Sector)	136.21	136.21	142.02	142.04	142.74	144.43	6.03
Bank Loans to Private Sector	47.38	47.38	49.95	50.10	50.51	50.90	7.42
Money Supply M2	45.60	45.60	47.90	47.82	48.07	48.69	6.78
Money Supply M3	111.16	111.16	116.07	116.02	116.47	117.68	5.87
LBP Lending Rate (%)	7.29	7.29	7.08	7.29	6.96	7.49	20bps
LBP Deposit Rate (%)	5.44	5.44	5.51	5.58	5.55	5.56	12bps
USD Lending Rate (%)	6.88	6.88	6.94	6.95	7.01	6.97	9bps
USD Deposit Rate (%)	2.95	2.95	3.04	3.12	3.10	3.07	12bps
Consumer Price Index**	3.89	3.89	1.24	(0.27)	0.48	(1.66)	-

\* Year-on-Year

\*\* Year-on-Year percentage change

Note: bps i.e. basis point

Source: Association of Banks in Lebanon, Banque du Liban, Byblos Research

## 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"	11.02	(0.54)	76,613	9.42%	Apr 2015	10.000	99.95	13.83
Solidere "B"	11.12	0.91	15,315	6.18%	Jan 2016	8.500	103.38	3.83
Byblos Common	1.74	0.58	46,333	5.35%	Mar 2017	9.000	108.38	4.39
Byblos Pref. 08	102.50	0.00	0	1.75%	Nov 2018	5.150	101.25	4.76
Byblos Pref. 09	102.40	0.00	150	1.75%	May 2019	6.000	102.88	5.21
BLOM GDR	10.05	0.00	0	6.35%	Mar 2020	6.375	104.75	5.26
BLOM Listed	9.80	0.00	8,000	18.01%	Apr 2021	8.250	113.75	5.52
Audi GDR	6.60	0.00	2,569	6.56%	Oct 2022	6.100	102.38	5.71
Audi Listed	6.25	(3.85)	100,020	21.36%	Jun 2025	6.250	100.58	6.17
HOLCIM	16.25	1.56	250	2.71%	Nov 2026	6.600	103.88	6.13

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

Source: Byblos Bank Capital Markets

	<b>Apr 13-17</b>	<b>Apr 6-10</b>	<b>% Change</b>	<b>Mar 2015</b>	<b>Mar 2014</b>	<b>% Change</b>
<b>Total Shares Traded</b>	273,950	115,681	137	10,015,512	8,071,585	24.08
<b>Total Value Traded</b>	\$2,797,948	\$1,100,861	154	\$74,663,510	\$42,927,320	73.93
<b>Market Capitalization</b>	\$11.70bn	\$11.80bn	(0.85)	\$11.94bn	\$11.13bn	7.24

Source: Beirut Stock Exchange (BSE)



### Expatriates' remittances to Lebanon revised upwards to \$8.9bn in 2014, 10th highest among developing economies

The World Bank revised upwards its estimate of expatriates' remittance inflows to Lebanon to \$8.9bn in 2014 from an October 2014 estimate of \$7.67bn. It also revised upwards its figure for remittance inflows to Lebanon to \$7.86bn in 2013 from \$7.55bn earlier, while it revised downward its estimate for such inflows to \$6.73bn in 2012 from \$6.92bn previously. As such, remittance inflows increased by 13.2% in 2014 and rose by 16.8% in 2013.

Lebanon posted the second highest growth among the 15 largest recipients of remittances in developing economies last year, behind only Pakistan (+16.6%). In comparison, remittance inflows to developing countries rose by 4.4%, flows to Arab countries increased by 7.5% and inflows to Upper Middle Income Countries (UMICs) grew by 5.7% in 2014. The World Bank attributed the increase in remittance inflows to Lebanon in 2014 in part to remittances sent to Syrian refugees in Lebanon, as well as to better economic activity in the main countries hosting Lebanese expatriates such as the United States.

Lebanon was the 14th largest recipient of remittances in the world and the 10th largest recipient among 125 developing economies in 2014. Also, it was the second largest recipient of remittances among 16 Arab countries and the third largest among 50 UMICs.

Globally, Lebanon received more remittances than Indonesia (\$8.55bn), Italy (\$7.71bn) and Ukraine (\$7.59bn), and less than Vietnam (\$12bn), Belgium (\$11.3bn) and Spain (\$11bn). It was a larger recipient of remittances than Indonesia, Ukraine and Sri Lanka (\$7.04bn), and a smaller recipient than Pakistan (\$17.06bn), Bangladesh (\$15bn) and Vietnam among developing economies. Also, remittance inflows to Lebanon were lower than only inflows to Egypt (\$19.61bn) among Arab countries and less than flows to China (\$64.14bn) and Mexico (\$24.87bn) among UMICs.

Remittance inflows to Lebanon accounted for 1.5% of the global inflow of remittances in 2014, compared to 1.4% in 2013 and 1.3% in 2012. They represented 2% of aggregate remittances to developing economies last year, up from 1.9% in 2013; while they accounted for 17% of remittance inflows to Arab countries in 2014 relative to 16.1% in 2013. Further, they represented 5.6% of remittance flows to UMICs in 2014, up from 5.2% in 2013.

Further, expatriates' remittances to Lebanon were equivalent to 17.8% of GDP in 2014, the 11th highest such ratio in the world, with Tajikistan (41.5% of GDP), the Kyrgyz Republic (30.3% of GDP), Nepal (29.9% of GDP) and Liberia (26% of GDP) as the largest recipients relative to the size of their economies. Expatriates' remittances to Lebanon were equivalent to 16.5% of GDP in 2013 and 15.3% of GDP in 2012. The World Bank estimated remittance inflows to Arab countries at \$52.5bn, equivalent to about 2% of the region's GDP last year.

### Net public debt at \$58bn at end-February 2015

Lebanon's gross public debt reached \$69.2bn at the end of February 2015, constituting an increase of 4% from the end of 2014 and a rise of 6.5% from \$65bn at end-February 2014. Domestic debt totaled \$41.7bn at end-February 2015, rising by 1.7% from end-2014 and by 8% year-on-year; while debt in foreign currency stood at \$27.6bn, constituting an increase of 7.7% from the end of 2014 and a rise of 4.4% from a year earlier. Local currency debt accounted for 60.2% of gross public debt at the end of February 2015 compared to 59.4% a year earlier, while foreign currency-denominated debt represented the balance of 39.8% relative to 40.6% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.9% and that on Eurobonds was 6.41% at the end of February 2015. Further, the weighted life on Eurobonds was 5.96 years, while that on Treasury bills was 1,228 days.

Commercial banks held for 50.4% of the local public debt at the end of February 2015 compared to 52.7% a year earlier. They were followed by the Central Bank with 32.7%, up from 30% at end-February 2014; while public agencies, financial institutions and the public accounted for 16.8% of local debt compared to 17.3% at the end of February 2014. In parallel, Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 91.7% of foreign-currency denominated debt, followed by foreign governments with 4.3%, multilateral institutions with 3.8%, and Paris II loans with 0.2%. The net public debt, which excludes public sector deposits at the Central Bank and at commercial banks from overall debt figures, increased by 7.6% year-on-year to \$58bn. In parallel, the gross market debt accounted for about 65% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

**Top 15 Recipients of Remittance Inflows in Developing Economies in 2014**

Country	US\$bn	Growth Rate	% of GDP
India	70.39	0.6%	3.4%
China	64.14	7.8%	0.6%
Philippines	28.40	6.4%	10.0%
Mexico	24.87	8.0%	1.9%
Nigeria	20.92	0.2%	3.6%
Egypt	19.61	10.0%	6.8%
Pakistan	17.06	16.6%	6.8%
Bangladesh	14.97	8.0%	8.1%
Vietnam	12.00	9.1%	6.4%
<b>Lebanon</b>	<b>8.90</b>	<b>13.2%</b>	<b>17.8%</b>
Indonesia	8.55	12.3%	1.0%
Ukraine	7.59	-21.5%	5.8%
Sri Lanka	7.04	9.6%	9.4%
Morocco	6.96	1.2%	6.4%
Nepal	5.87	5.8%	29.9%

Source: World Bank, IMF, Byblos Research

### Lebanon slips in ICT readiness globally and among Arab countries

The World Economic Forum/INSEAD Business School's Networked Readiness Index for 2015 ranked Lebanon in 99th place among 143 countries worldwide and in 11th place among 15 Arab countries. Lebanon also came in 29th place among 37 upper-middle income countries (UMICs) included in the survey. In comparison, Lebanon ranked in 97th place globally and in 10th place regionally in the 2014 survey. The index reflects the factors that drive a country's networked readiness, which is the capacity of countries to benefit in full from new information and communication technologies (ICT) in their competitiveness strategies and their citizens' daily lives. The index is a composite of four sub-indices that cover the environment for ICT, the readiness of a society to use ICT, the actual usage by the main stakeholders, and the impact that ICT generates on the economy and society. Scores are calculated on a scale of one to seven, with seven indicating a better performance in terms of ICT readiness.

Globally, Lebanon's network readiness was better than that of Honduras, Ghana and Namibia, and trailed the readiness of Iran, Laos and the Kyrgyz Republic. Lebanon also ranked ahead of only Namibia, Venezuela, Botswana, Suriname, Algeria, Gabon, Libya and Angola among UMICs. Lebanon received a score of 3.5 points, down from 3.64 points in 2014 and 3.53 points in 2013. Its score came lower than the global average of 4.1 points as well as the Arab and the UMIC's averages of 3.9 points each. Lebanon's score was also lower than the Gulf Cooperation Council (GCC) countries' average score of 4.8 points but higher than the average score of non-GCC Arab countries of 3.4 points.

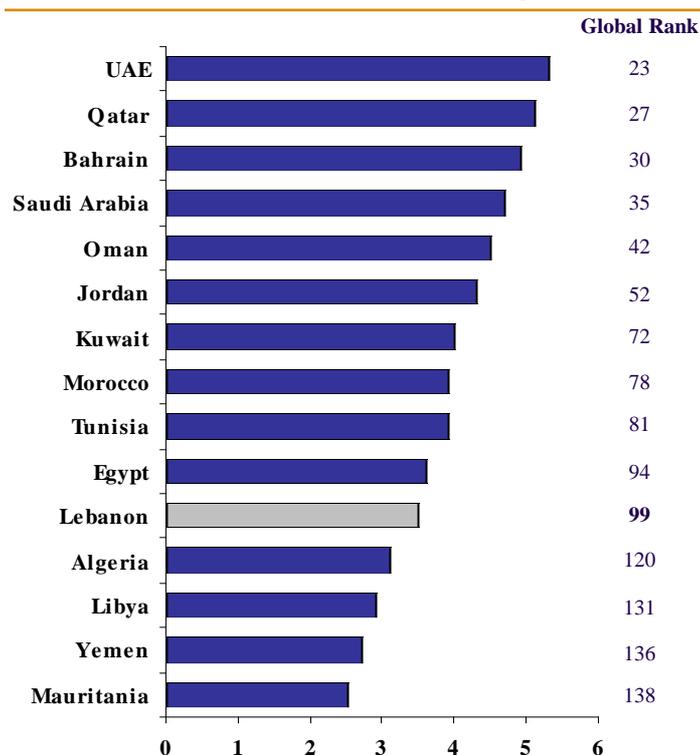
Lebanon ranked ahead of Malawi and Honduras, and came behind Mali and Uganda on the Environment Sub-Index. This category assesses the extent that a country's market conditions and regulatory framework support entrepreneurship, innovation, and high levels of ICT uptake. Regionally, Lebanon ranked ahead of only Egypt, Libya, Algeria, Yemen and Mauritania. It also ranked ahead of Brazil and behind Tunisia among UMICs.

Also, Lebanon ranked ahead of Guyana and Bangladesh, and came behind Indonesia and Algeria on the Readiness Sub-Index. This category measures the degree of a society's preparedness to make good use of an affordable ICT infrastructure. Regionally, Lebanon ranked ahead of only Yemen and Mauritania. It also ranked ahead of only South Africa, the Dominican Republic, Gabon, Namibia, Botswana and Angola among UMICs.

Further, Lebanon came ahead of Albania and Jamaica, and ranked behind El Salvador and Rwanda on the Usage Sub-Index. This category assesses the efforts of individuals, businesses, and the government to increase their capacity to use ICT, as well as their actual use in their day-to-day activities with other agents. Regionally, Lebanon ranked ahead of only Egypt, Algeria, Mauritania, Yemen and Libya. It also ranked ahead of Albania and behind Tunisia among UMICs.

Finally, Lebanon came ahead of Cambodia and Mozambique, and ranked behind Paraguay and Iran on the Impact Sub-Index. This category measures the broad economic and social impacts accruing from ICT to boost competitiveness and well-being. It also reflects the transformation towards an ICT- and technology-savvy economy and society. Regionally, Lebanon ranked ahead of only Algeria, Mauritania, Yemen and Libya. It also ranked ahead of Suriname, Gabon, Algeria, Angola and Libya among UMICs. Singapore has the highest networked readiness globally, while Chad is the least ready worldwide.

Arab Countries Scores & Rankings



Source: World Economic Forum, INSEAD, Byblos Research

Lebanon's Rankings & Scores on the Components of the 2015 Networked Readiness Index

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Environment Sub-Index	107	10	29	3.5	4.1	3.9	3.8
Readiness Sub-Index	98	13	31	4.1	4.6	4.4	4.6
Usage Sub-Index	86	10	24	3.6	3.9	3.9	3.7
Impact Sub-Index	117	11	32	2.9	3.8	3.5	3.5

Source: World Economic Forum, INSEAD, Byblos Research



### IMF projects real GDP growth in Lebanon at 2.5% in 2015, 29th slowest growth rate in emerging economies

The International Monetary Fund projected Lebanon's real GDP growth at 2.5% in 2015, unchanged from its forecasts in October 2014 and January 2015. In comparison, it forecast real GDP growth rates of 2.7% for the MENA region, 4% for the region's oil-importing economies and 3.9% for the Mashreq economies; as well as growth rates of 4.3% in emerging & developing economies and of 3.5% for the global economy in 2015. The Fund indicated that domestic political instability and spillovers from the conflict in Syria continue to weigh on economic activity in Lebanon. Lebanon's projected growth rate in 2015 would make it the fourth slowest-growing economy among 19 countries in the MENA region, faster than only Kuwait (1.7%), Iraq (1.3%) and Iran (0.6%), and relative to a contraction of 2.2% in Yemen. Lebanon would also be the 48th slowest-growing economy in the world in 2015 when excluding contracting economies, while it would be the 29th slowest-growing economy among emerging & developing economies.

The Fund forecast the average inflation rate in Lebanon at 1.1% in 2015 relative to 6.2% for the MENA region, 7% for oil-importing economies and 8.9% for the Mashreq region. Lebanon's average inflation rate would be the second-lowest in the MENA region.

Lebanon's inflation rate averaged 4.8% in 2013 and 1.9% in 2014. Further, it projected Lebanon's current account deficit at 22.2% of GDP in 2015 compared to deficits of 2% of GDP for the MENA region, 4.2% of GDP for oil-importing economies and 6.2% of GDP for the Mashreq countries. Lebanon's current account deficit for 2015 would be the 11th widest globally, while it would be the third widest in the MENA region, narrower than the deficits in Libya (-52.8% of GDP) and Djibouti (-28.7% of GDP). Lebanon posted current account deficits of 26.7% of GDP in 2013 and 24.9% of GDP in 2014.

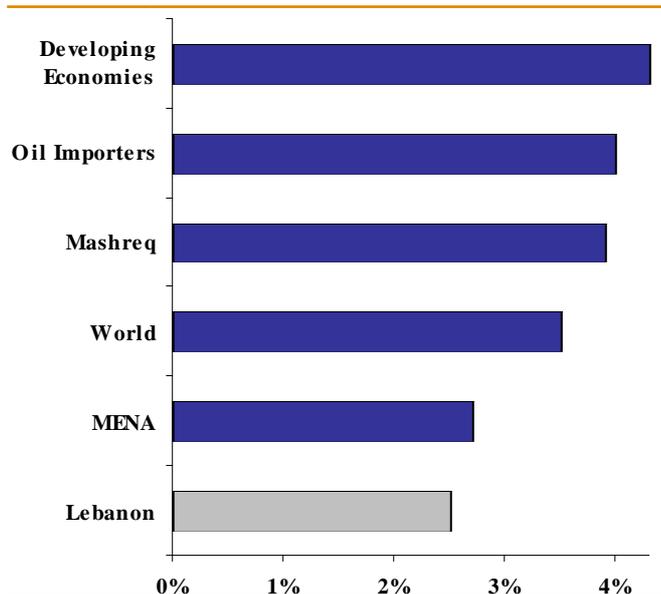
### Balance of payments posts deficit of \$433m in first two months of 2015

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$432.8m in the first two months of 2015 compared to a surplus of \$162.4m in the same period last year. The balance of payments posted a deficit of \$152.6m in February 2015 compared to a deficit of \$280.2m in January 2015 and to a surplus of \$193.7m in February 2014. The February 2015 deficit was caused by a deficit of \$619.3m in the net foreign assets of banks and financial institutions, which was partly offset by a surplus of \$466.7m in those of the Central Bank. The cumulative deficit over the first two months of 2015 was caused by a deficit of \$1.26bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of \$823.9m in those of the Central Bank. The balance of payments posted surpluses of \$7.9bn in 2009 and \$3.3bn in 2010, and deficits of \$2bn in 2011, \$1.5bn in 2012, \$1.1bn in 2013 and \$1.4bn in 2014.

### Coincident Indicator down 4% in January 2015

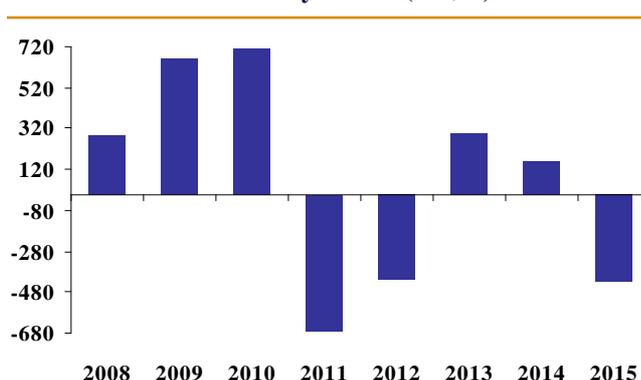
The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 269.9 points in January 2015 compared to 292.5 in December 2014 and 280.3 in January 2014. The Coincident Indicator, an average of 8 weighted economic indicators, declined by 7.7% month-on-month and by 3.7% year-on-year in January 2015. The indicator averaged 272.3 in the 12 months ending January 2015, compared to 273.2 in the 12 months ending December 2014 and 266.1 in the 12 months ending January 2014. As a result, the average coincident indicator decreased by 0.3% month-on-month and improved by 2.3% year-on-year. In parallel, the indicator improved 11 times and regressed 11 times on a monthly basis in the month of January since 1994. It averaged 249.5 in 2010, 255.7 in 2011, 256.6 points in 2012 and 264.7 points in 2013.

Projected Real GDP Growth in 2015 (%)



Source: International Monetary Fund, April 2015

Balance of Payments\* (US\$m)



\*in the first two months of each year

Source: Central Bank of Lebanon

### Fiscal deficit at 28% of expenditures and 8.3% of GDP in 2014 when excluding transfers of telecom arrears

Figures released by the Finance Ministry show that the fiscal deficit reached \$3.1bn in 2014 and narrowed by 27.2% from \$4.2bn in 2013. The deficit was equivalent to 22% of total budget and Treasury expenditures compared to 31% of overall spending in 2013. Overall government expenditures reached \$14bn and increased by 2.3% from 2013, while total revenues rose by 15.5% to \$10.9bn. Budgetary expenditures increased by 15.1% to \$12.3bn last year and included \$2.1bn in transfers to Electricité du Liban and \$821.4m in outlays from previous years, while budget revenues rose by 10.1% to \$9.8bn. Tax revenues grew by 2.7% to \$6.9bn in 2014, of which 31.8%, or \$2.2bn, were in VAT receipts that remained flat year-on-year. Tax revenues accounted for 70.5% of budgetary revenues and for 63.3% of total Treasury and budgetary receipts. The Ministry of Telecommunications transferred \$2bn in 2014 in telecom receipts to the Treasury compared to \$1.4bn in 2013. The Telecom Ministry's transfers included \$853m in arrears for the 2010-13 period and \$1.2bn in realized telecom surplus in 2014. When excluding arrears, receipts from telecom services fell by \$271.1m or by 19% year-on-year. In addition, when excluding arrears, public revenues rose by 6.4% to \$10bn, while the fiscal deficit narrowed by 7% to \$3.9bn in 2014, which is equivalent to 28.1% of expenditures.

The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains increased by 11.7% to \$1.9bn in 2014; revenues from customs regressed by 5.4% to \$1.4bn; receipts from property taxes rose by 3.6% to \$825.7m; revenues from taxes on goods & services grew by 4.8% to \$337.7m; and other tax receipts, mainly stamp fees, increased by 4.5% to \$328.2m. Further, the distribution of income tax revenues shows that receipts from taxes on profits accounted for 40% of total income tax receipts in 2014, followed by the tax on interest deposits with 25.4%, taxes on wages & salaries with 23%, and the capital gains tax with 9.4%. Receipts from the tax on profits increased by 14.9%, income from capital gains rose by 13.1%, revenues from the taxes on wages & salaries grew by 9.5%, and receipts from the tax on interest deposits rose by 7.7%.

Also, the distribution of property taxes shows that revenues from real estate registration fees increased by 2.3% to \$574.7m in 2014, receipts from built property taxes grew by 21.3% to \$144.4m and revenues from the inheritance tax regressed by 8% to \$106.6m. In parallel, non-tax budgetary receipts rose by 33.2% to \$2.9bn, with revenues from government properties increasing by 39% to \$2.3bn and administrative fees & charges growing by 11.3% to \$447.5m. Receipts from telecom services accounted for 86.7% of income from government properties and for 69.7% of non-tax revenues. Excluding telecom arrears, non-tax budgetary receipts regressed by 6.1% to \$2bn, with revenues from government properties falling by 12.1% to \$1.5bn

In parallel, debt servicing totaled \$4.4bn in 2014, up 10% from 2013. It accounted for 31.4% of total expenditures and for 35.7% of budgetary spending, and it absorbed 40.3% of overall revenues and 44.8% of budgetary receipts. Interest payments on domestic debt rose by 17.8% from 2013 to \$2.6bn last year, while interest disbursements on foreign debt grew by 0.3% to \$1.6bn. Also, the repayment of principal on foreign debt increased marginally by 0.6% to \$191.3m. Excluding debt servicing, the primary budget balance posted a surplus of \$1.9bn in 2014, or 15.4% of budget expenditures, compared to a surplus of \$2.2bn, or 20.7% of budget spending in 2013. The overall primary balance posted a surplus of \$1.3bn or 9.4% of spending in 2014, relative to a deficit of \$239.7m or 1.8% of total expenditures in 2013. Excluding telecom arrears, the overall primary surplus narrowed to \$454m or 3.3% of spending in 2014.

Fiscal Results in 2014		
	Including All Telecom Receipts	Excluding Transfers of Telecom Arrears
	% of GDP	% of GDP
Budget revenues	20.6%	18.8%
Tax revenues	14.5%	14.5%
Non-tax revenues	6.1%	4.3%
<i>of which Telecom revenues</i>	4.2%	2.4%
Budget expenditures	25.8%	25.8%
<b>Budget Surplus/Deficit</b>	<b>(5.2%)</b>	<b>(7%)</b>
<b>Budget Primary Surplus</b>	<b>4%</b>	<b>2.2%</b>
Treasury receipts	2.3%	2.3%
Treasury expenditures	3.6%	3.6%
Total Revenues	22.9%	21.1%
Total Expenditures	29.4%	29.4%
<b>Total Deficit</b>	<b>(6.5%)</b>	<b>(8.3%)</b>
<b>Total Primary Surplus/Deficit</b>	<b>2.8%</b>	<b>1%</b>

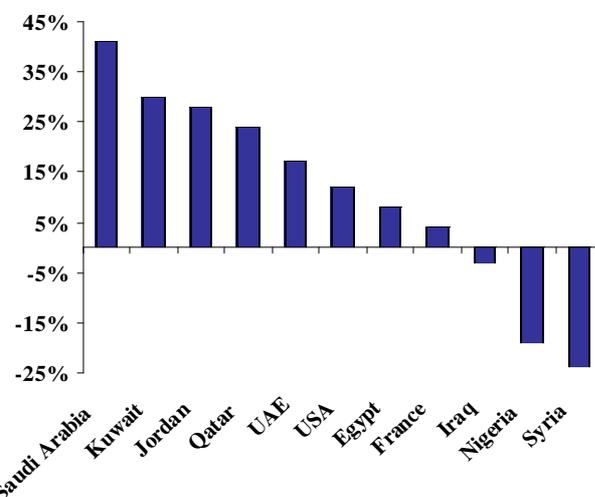
Source: Ministry of Finance, Institute of International Finance, Byblos Research

### Tourism spending in Lebanon up 11% annually in first quarter of 2015

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that total spending by tourists in Lebanon increased by 11% in the first quarter of 2015 from the same quarter in 2014. Visitors from Saudi Arabia accounted for 16% of total tourist expenditures in the covered quarter, followed by visitors from the UAE with 14%, Egypt with 7%, Kuwait with 6%, France with 5%, Syria, Jordan and Nigeria with 4% each, and Iraq, Qatar and the United States with 3% each. Beirut attracted 82% of total spending in the first quarter of 2015, followed by the Metn area with 12%, Baabda with 3% and the Keserwan region with 2%. Fashion & clothing accounted for 71% of total spending in the first quarter of 2015, followed by watches & jewelry with 15%, home & garden products and department stores with 3% each, consumer electronics & household appliances with 2% and souvenirs & gifts with 1%.

Spending by visitors from Saudi Arabia increased by 41% year-on-year in the first quarter of 2015, followed by those from Kuwait (+30%), Jordan (+28%), Qatar (+24%), the UAE (+17%), the United States (+12%), Egypt (+8%) and France (+4%). In contrast, spending by visitors from Syria contracted by 24% year-on-year, followed by those from Nigeria (-19%) and Iraq (-3%). Spending on souvenirs & gifts rose by 32% from the first quarter of 2015, followed by fashion & clothing (+13%), watches & jewelry (+9%) and at department stores (+4%); while spending on consumer electronics & household appliances regressed by 12% and that on home & garden products decreased by 7% year-on-year. Also, the total number of refund transactions by visitors in the first quarter of 2015 rose by 6% annually. The number of refund transactions by visitors from Saudi Arabia rose by 43% year-on-year, followed by Qatar (+33%), Iraq (+18%), Jordan (+14%), Kuwait (+8%), Egypt (+6%) and the UAE (+4%). In contrast, the number of refund transactions by visitors from Syria decreased by 39% in the first quarter of the year, followed by Nigeria (-20%), the U.S. (-6%) and France (-4%).

**Total Spending by Visitors in First Quarter of 2015 (Percentage Change)**



Source: Global Blue, Byblos Research

### Airport passengers up 9% in first quarter of 2015

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 1,374,824 in the first quarter of 2015, constituting a rise of 9.3% from the same quarter last year. The total number of arriving passengers increased by 11.9% year-on-year to 662,327 in the first quarter 2015, compared to a drop of 6.2% in the same quarter of 2014 and a rise of 6.2% in the first quarter of 2013. Also, the number of departing passengers rose by 7.1% year-on-year to 708,838 in the first quarter of 2015 relative to a decline of 10% in the same period of 2014 and an increase of 16.3% in the first quarter of 2013. In parallel, the airport's aircraft activity rose by 3% year-on-year to 14,469 take-offs and landings in the first quarter of 2015, compared to a marginal decrease of 0.9% in the first quarter of last year and a drop of 4% in the same quarter of 2013. The HIA processed 18,567 metric tons of cargo in the first quarter of 2015 that consisted of 18,446 tons of freight and 121.4 tons of mail.

### Central Bank's foreign assets up 2% to \$38.5bn in first quarter of 2015

The Central Bank's interim balance sheet reached \$88.8bn at the end of March 2015, constituting increases of 3.7% from \$85.7bn at the end of 2014 and 10.6% from \$80.3bn at the end of March 2014. Assets in foreign currencies reached \$38.5bn at the end of March 2015, constituting an increase of 1.6% from \$37.9bn at end-2014 and a rise of 6% from \$36.3bn at end-March 2014. Assets in foreign currencies decreased by \$1.9m in January and by \$410.6m in March, while they rose by \$1bn in February 2015. This resulted in an aggregate increase of \$612.4m in the first quarter of 2015. Further, assets in foreign currencies rose by \$2.2bn from end-March 2014.

The value of the Central Bank's gold reserves contracted by 0.2% in the first quarter of 2015 and by 8.4% year-on-year to \$10.9bn. The value of gold reserves reached a peak of \$16.7bn at the end of August 2011. The Central Bank's securities portfolio increased by 13% in the first quarter of 2015 to \$15.8bn. Further, deposits of the financial sector rose by \$1.8bn, or by 2.7%, in the first quarter of the year and by \$9.5bn, or 16% annually to \$69.3bn; while deposits of the public sector increased by \$1.7bn, or 27.4% year-to-March and were nearly unchanged year-on-year at \$7.7bn. Assets in foreign currencies decreased by \$445.1m in 2013, and increased by \$8.3bn in 2009, by \$2.3bn in 2010, by \$1.63bn in 2011, by \$3.5bn in 2012 and by \$2.6bn in 2014.

### **Number of new construction permits down 27% in first two months of 2015, surface area down 19%**

The Orders of Engineers & Architects of Beirut and of Tripoli issued 1,966 new construction permits in the first two months of 2015, constituting a decrease of 26.8% from 2,685 permits in the same period of 2014 and relative to a 7.7% rise in the first two months of 2014. Mount Lebanon accounted for 43.2% of newly issued construction permits in the first two months of 2015, followed by South Lebanon with 17.1%, Nabatieh with 12.6%, the North with 9.9%, the Bekaa with 8.7% and Beirut with 6.6%. The remaining 1.9% represent permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

Further, the surface area of construction permits granted in the first two months of 2015 reached 1,811,307 square meters (sqm), constituting a drop of 18.6% from the same period of 2014 and compared to a rise of 20.1% in the first two months of 2014. Mount Lebanon accounted for 923,819 sqm or 51.3% of total construction permits in the covered period. It was followed by the South with 213,488 sqm (11.9%), the North with 211,108 sqm (11.7%), Nabatieh with 145,833 sqm (8.1%), the Bekaa with 141,253 sqm (7.8%) and Beirut with 95,441 sqm (5.3%). The remaining 80,365 sqm, or 4.4%, reflect the surface area of permits that were issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

### **Value of cleared checks down 8%, returned checks up 28% in first two months of 2015**

The value of cleared checks reached \$11.1bn in the first two months of 2015, constituting a decrease of 7.6% from the same period of 2014, and compared to increases of 3.9% in the first two months of 2014 and 1.5% in the same period of 2013. The value of cleared checks in Lebanese pounds fell by 1.8% annually to the equivalent of \$2.8bn, while the value of cleared checks in US dollars declined by 9.4% to \$8.2bn in the first two months of 2015. The dollarization rate of cleared checks decreased to 74.3% from 75.8% in the first two months of 2014. Also, the value of returned checks in domestic and foreign currency grew by 28% year-on-year to \$297m in the first two months of 2015, relative to a decrease of 3.3% in the same period of 2014 and an increase of 0.4% in the first two months of 2013. In parallel, there were two million cleared checks in the first two months of 2015, down 5.1% from the same period last year. Also, there were 42,300 returned checks in the covered period, up 6% from 39,900 in the first two months of 2014.

### **New industrial licenses up 39% in 2014**

The Ministry of Industry issued 578 new licenses for industrial establishments in 2014, constituting an increase of 39.3% from 415 licenses in 2013. The ministry issued 258 licenses in the first half of 2014, up by 23% from the same period of 2013; and granted 320 licenses in the second half, a rise of 56% from the same period of 2013. It issued 126 licenses in the first quarter, 132 licenses in the second quarter, 153 licenses in the third quarter and 167 licenses in the fourth quarter of 2014. Construction licenses accounted for 43.3% of issued licenses in 2014, followed by construction & investment licenses with 16.1% and investment licenses with 15.2%.

Mount Lebanon had 343 new licenses in 2014, or 59.3% of the total, followed by the Bekaa with 121 licenses (20.9%), the North with 45 licenses (7.8%), the South with 35 licenses (6.1%), Nabatieh with 32 licenses (5.5%) and Beirut with two licenses (0.3%). Also, the food processing sector accounted for 143 licenses or 24.7% of the total; followed by construction materials with 129 licenses (22.3%); metal products & electrical appliances with 50 licenses (8.7%); the chemicals industry with 45 licenses (7.8%), rubber & plastics with 42 licenses (7.3%); mining & quarrying products with 35 licenses (6.1%); the furniture & wood sector with 27 licenses (4.7%); and the publishing, printing & media industry with 26 licenses (4.5%).

### **Public-sector salaries and benefits up by 8% in first nine months of 2014**

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled \$2.2bn in the first nine months of 2014, constituting an increase of 7.5% from the same period of 2013. They represented the largest component of total primary spending and accounted for 32% of such expenditures in the first nine 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 employees at the Parliament. 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 \$1.4bn and accounted for 62% of the total, followed by personnel in public education with \$492.2m (22%), civil staff with \$224.2m (10%), government contribution to the employees' cooperative with \$118.7m (5.3%) and customs employees with \$18.6m (0.8%). The distribution of salaries and benefits of military personnel shows that the Lebanese Army's salaries totaled \$874.3m in the first nine months of 2014 and represented 63% of the military personnel's salaries and benefits. Salaries of the Internal Security Forces followed with \$403.3m (29.1%), General Security Forces with \$84.2m (6.1%) and State Security Forces with \$26.5m (1.9%).

The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a \$96.2m rise in basic salaries, an increase of \$36.5m in other payments and a \$29.2m expansion in allowances. They were offset in part by a \$2m drop in indemnities. The rise in basic salaries reflects a \$51.1m increase in the basic salaries of military personnel and a \$48.4m growth in the basic salaries of the public education sector, which were partly offset by a \$2.7m decrease in payments to civil service personnel. Overall, basic salaries grew by 6.2% year-on-year to \$1.6bn in the first nine months of 2014, other payments increased by 32.7% to \$148m and allowances expanded by 10% to \$324.4m, while indemnities fell by 1.9% to \$103.5m.



### Commercial banks' assets reach \$177bn at end of February 2015

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$176.6bn at the end of February 2015, constituting a marginal increase of 0.5% from the end of 2014 and a rise of 6.4% from end-February 2014. Private sector deposits totaled \$144.7bn, growing by 0.2% from the end of 2014 and rising by 6.6% from a year earlier. Deposits in Lebanese pounds reached \$50.1bn and rose by 1.1% from end-2014 and by 7.1% from end-February 2014; while deposits in foreign currency totaled \$94.6bn, constituting a drop of 0.3% from the end of 2014 and an increase of 6.4% from a year earlier. Non-resident foreign currency deposits totaled \$26.5bn at the end of February 2015 and were nearly unchanged from end-2014, while they grew by 10.7% year-on-year. Aggregate non-resident deposits reached \$30.4bn at the end of February and rose by 0.3% from end-2014 and by 11.6% from a year earlier. Total private sector deposits decreased by \$274m in January and increased by \$577.8m in February 2015 compared to a drop of \$1.3bn in January and a rise of \$848.4m in February 2014. In parallel, deposits of non-resident banks reached \$6bn at the end of February 2015 and increased by 3.1% from end-2014 and by 10.6% from a year earlier. The dollarization rate of deposits reached 65.4% at the end of February 2015, down from 65.7% at end-2014 and 65.5% at end-February 2014. Further, the average deposit rate in Lebanese pounds was 5.58% in February 2015 relative to 5.51% in the same month of 2014, while the same rate in US dollars was 3.13% compared to 2.96% in February 2014.

Loans to the private sector reached \$50.6bn at the end of February 2015, constituting a drop of 0.6% from the end of 2014 and a rise of 6.8% from a year earlier. In nominal terms, credit to the private sector regressed by \$338.3m in January and increased by \$37.1m in February 2015, compared to a decrease of \$341m in January and an increase of \$345.6m in February 2014. Lending to the resident private sector totaled \$45.4bn, nearly unchanged from the end of 2014, and increased by 8.6% year-on-year; while credit to the non-resident private sector reached \$5.2bn and regressed by 5.5% from end-2014 and by 6.8% from end-February 2014. The dollarization rate in private sector lending regressed to 75.2% at the end of February 2015 from 76% a year earlier. The average lending rate in Lebanese pounds was 7.18% in February 2015 compared to 7.14% in the same month of 2014, while the same average in US dollars was 7.05%, up from 6.96% in February 2014. In addition, claims on non-resident banks reached \$11.7bn at the end of February 2015, posting a drop of 4.2% from end-2014 and a decline of 6.6% from a year earlier. In parallel, claims on the public sector stood at \$38.7bn at the end of February 2015, up by 3.6% from the end of 2014 and by 1.6% year-on-year. The ratio of private sector loans-to-deposits in foreign currency stood at 40.2%, well below the Central Bank's limit of 70% and compared to 40.5% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.1% at end-February 2015, up from 24.3% at the end of February 2014. The ratio of total private sector loans-to-deposits was 35% nearly unchanged from 34.9% a year earlier. The banks' aggregate capital base stood at \$15.7bn, nearly unchanged from end-2014 and up by 10.1% from \$14.3bn at end-February 2014.

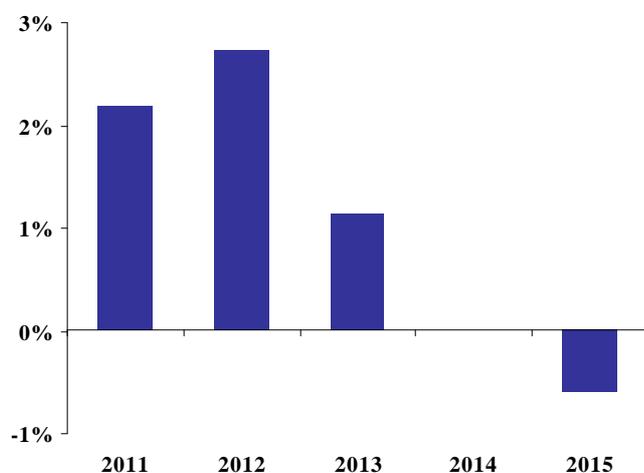
### Stock market activity up 109% to \$250m in first quarter of 2015

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 34.8 million shares in the first quarter of 2015, constituting an increase of 100% from the same quarter of 2014; while aggregate turnover amounted to \$249.8m, up 109.3% from a turnover of \$119.4m in the first quarter of 2014. Market capitalization increased by 7.2% from end-March 2014 to \$11.94bn, with banking stocks accounting 81.7% of the total, followed by real estate shares (15.3%), industrial equities (2.7%) and trading stocks (0.3%). The market liquidity ratio was 2.1% compared to 1.1% in the first quarter of 2014. Banking stocks accounted for 94.3% of aggregate trading volume in the first quarter of the year, followed by real estate equities with 5.5% and trading shares with 0.1%. Also, banking stocks represented 91.2% of the aggregate value of shares traded, followed by real estate equities with 8.7%, and trading and industrial stocks with 0.1% each. In parallel, the average daily traded volume for the period was 570,824 shares for an average daily value of \$4.1m. The figures reflect increases of 96.7% in volume and 105.8% in value year-on-year.

### BLOM Bank's dividend payout ratio at 42% for 2014

BLOM Bank announced that its Ordinary General Assembly held on April 15, 2015 approved the distribution of dividends for 2014. The bank will distribute \$153.6m in gross dividends to the holders of common shares, preferred shares and GDRs, which is equivalent to a payout ratio of 42%. The bearers of common shares and GDRs, will receive a total of \$139.6m, equivalent to LBP1,000 (\$0.66) per share. Also, the bank will pay a gross dividend of \$0.7 (LBP1,055) per share to the holders of the 2011 Preferred Shares. The dividends will be paid net of a 5% withholding tax. Dividends on preferred shares will be paid starting April 22 and those on common shares and GDRs starting April 23, 2015. BLOM Bank posted unaudited consolidated net profits of \$365.4m in 2014.

### Private Sector Lending Growth\* (% Change)



\* in the first two months of each year

Source: Association of Banks in Lebanon, Byblos Research

### **New car sales down 3% in first quarter of 2015**

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that 7,542 new passenger cars were sold in the first quarter of 2015, constituting a drop of 3.3% from 7,796 cars in the same quarter of 2014. Consumer purchased 2,436 new cars were sold in January, 2,143 vehicles in February and 2,965 cars were sold in March 2015. Korean cars accounted for 39.7% of total sales in the first quarter of 2015, followed by Japanese cars with a 38.1% share, European automobiles with 17.6%, American vehicles with 3.7% and Chinese cars with 0.8%. The number of Japanese cars sold rose by 52% year-on-year; while the number of American vehicles declined by 24.8% from the same quarter last year, sales of Chinese cars dropped by 23.7%, European car sales declined by 9.9% and those of Korean cars regressed by 6.6%. Kia is the leading brand in the Lebanese market with 1,531 cars sold in the first quarter of 2015, followed by Toyota with 1,300 cars sold, Hyundai (1,040), Nissan (743), Suzuki (317), Mitsubishi (234) and BMW (231). In parallel, 504 new commercial vehicles were sold in the first quarter of 2015, down by 11% from 566 vehicles in the same period last year.

The AIA attributed the drop in the sale of new passenger cars to the Central Bank's decision to impose a minimum down payment of 25% of the car value on auto loans, as well as to the challenging domestic economic, political and security conditions. The number of registered new and imported cars during the first quarter of 2015 regressed by 3.8% from the same quarter of 2014 and by 6% from the first quarter of 2013. The AIA 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-engine automobiles that cost \$15,000 or less each. The number of new vehicles sold by the country's top five distributors reached 5,522 in the first quarter of 2015 and accounted for 68.6% of new vehicles' total sales. NATCO sal sold 1,531 vehicles, equivalent to 19% of the total, followed by Boustany United Machineries sal with 1,373 vehicles (17.1%), Century Motor Co. sal with 1060 (13.2%), Rasamny Younis Motor Co. sal with 853 (10.6%) and Bassoul Heneine sal with 705 (8.8%).

### **Launch of \$15m fund to support entrepreneurs**

The United States Agency for International Development (USAID), in partnership with the Beirut-based Berytech Foundation launched the Insure & Match Capital fund (IM Capital) to support entrepreneurs in Lebanon. The \$15m initiative is funded by USAID's Middle East North Africa Investment Initiative (MENA II) over a five-year period, and is managed by Insure & Match Capital Holding sal, a fully owned subsidiary of the Berytech Foundation. IM Capital offers support through matching capital, equity guarantee as well as technical assistance to a qualified early stage businesses (QESBs). It provides investment tools and support directly to QESBs, or indirectly through qualified early stage investors that include angel investors, venture capital funds, as well as incubators and accelerators. IM Capital aims to improve access to finance, competitiveness and revenue growth for startups and developing companies in Lebanon. The MENA II initiative aims to support skilled and innovative Lebanese entrepreneurs who are struggling to secure capital.

### **CMA CGM's net profits at \$584m in 2014**

The Lebanese-owned and France-based container shipping group CMA CGM declared consolidated net profits of \$584m in 2014, constituting a rise of 43.2% from net earnings of \$408m in 2013. The rise in profits was driven by a reduction in net financing costs to \$222m in 2014 from \$445m in 2013, due in part to the positive impact of the euro-US dollar exchange rate. The firm's core earnings before interest and taxes (EBIT), excluding disposals and impairment charges, totaled \$973m in 2014 and rose by 28.8% from the preceding year. Also, CMA CGM's revenues reached \$16.7bn last year, reflecting a rise of 5.3% from 2013, with transported volumes increasing by 8.1% to 12.2 million twenty-foot equivalent units (TEUs). The firm's return on invested capital, which measures how well the company is using its money to generate returns, decreased from 10.3% in 2013 to 9.9% in 2014. In addition, the firm's core operating margin, improved to 5.8% in 2014 from 4.8% in the preceding year. In parallel, the firm's adjusted net debt amounted to \$2.9bn at the end of 2014, down by 21.5% from a year earlier, due in part to a stronger cash position. Also, the company's gearing ratio, which measures the firm's financial leverage, regressed to 55% at the end of 2014 from 77% a year earlier. CMA CGM is the third largest container shipping company in the world. It currently operates a fleet of 445 vessels and serves more than 400 ports around the world. In December 2014, Moody's Investors Service affirmed CMA CGM's 'B2' corporate family rating, 'B2-PD' probability of default rating and 'Caa1' senior unsecured rating, and revised the outlook from 'stable' to 'positive' on all the ratings due to the company's improved financial profile.

### **Bank Audi's dividend payout ratio at 54.3% for 2014**

Bank Audi sal, one of Lebanon's listed banks, announced that its Ordinary General Assembly held on April 7, 2015 approved the distribution of dividends for 2014. The bank will distribute gross dividends of \$190.1m to the holders of common shares, preferred shares and GDRs, equivalent to a total dividend payout ratio of 54.3%. The bearers of common shares and GDRs will receive a total of \$159.7m, equivalent to LBP603 (\$0.4) per share. Also, the bank will pay a gross dividend of \$6 per share to holders of Preferred Shares Series E, Preferred Shares Series F and Preferred Shares Series G; while it will disburse \$6.5 per share to the holders of Preferred Shares Series H. The dividends on GDRs, preferred and common shares will be paid starting April 15, 2015 net of a 5% withholding tax. Bank Audi posted unaudited consolidated net profits of \$350.3m in 2014.



## Ratio Highlights

(in % unless specified)	2012	2013	2014	Change*
Nominal GDP (\$bn)	43.3	46.2	48.2	
Public Debt in Foreign Currency / GDP	56.3	56.6	53.1	(346)
Public Debt in Local Currency / GDP	76.9	80.9	85.0	413
Gross Public Debt / GDP	133.2	137.4	138.1	68
Total Gross External Debt / GDP**	166.8	168.7	173.1	440
Trade Balance / GDP	(38.8)	(37.4)	(35.6)	178
Exports / Imports	21.1	18.5	16.2	(238)
Fiscal Revenues / GDP	22.1	18.5	20.8	40
Fiscal Expenditures / GDP	30.7	29.3	29.3	-
Fiscal Balance / GDP	(8.6)	(9.0)	(8.5)	50
Primary Balance / GDP	(0.3)	(0.5)	1.4	-
Gross Foreign Currency Reserves / M2	69.4	69.5	66.5	(299)
M3 / GDP	240.2	240.6	244.1	354
Commercial Banks Assets / GDP	350.8	356.8	364.5	776
Private Sector Deposits / GDP	288.7	294.8	299.6	482
Private Sector Loans / GDP	100.4	102.6	105.6	304
Private Sector Deposits Dollarization Rate	64.8	66.1	65.7	(43)
Private Sector Lending Dollarization Rate	77.6	76.5	75.6	(98)

\* Change in basis points 13/14

\*\*Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks

Source: Association of Banks in Lebanon, International Monetary Fund, Institute of International Finance, 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	Apr 2013	Mar 2014	Apr 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	Apr 2013	Mar 2014	Apr 2014	Change*	Risk Level
Political Risk Rating	58.6	58.3	58.3	▲	High
Financial Risk Rating	41.5	40.5	40.7	▲	Very Low
Economic Risk Rating	36.3	35.9	36.1	▲	Low
Composite Risk Rating	68.2	67.3	67.5	▲	Moderate

\*year-on-year change in risk

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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