

LEBANON THIS WEEK

In This Issue

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

Beirut is ninth most expensive city in the world for expatriate housing

Utilized credits by private sector at \$57bn at end-2014, advances against real estate account for 34% of total

Cost of sending remittances to Lebanon increases in first quarter of 2015

Subsidized interest loans to productive sectors up 29% in 2014

Government approves tender conditions for management contracts of mobile phone networks

Commercial activity slows down in fourth quarter of 2014

Lebanon ranks 118th globally, third in Arab world on press freedoms

Lebanese citizens are 103rd happiest people in the world, 13th happiest in MENA region

Corporate Highlights7

Byblos Bank's net profits up 7% to \$33m in first quarter of 2015

Stock market activity up 90% to \$260m in first four months of 2015

SGBL declares dividends for 2014

Bank of Beirut's dividend payout ratio at 40.6% for 2014

Aggregate profits of listed banks up 10% in first quarter of 2015

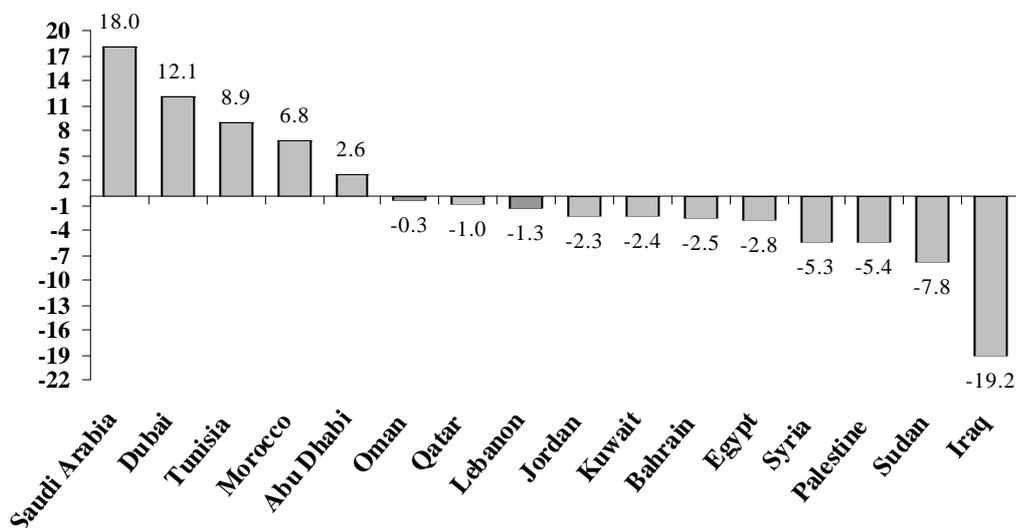
Fitch affirms Holcim's ratings, outlook 'stable'

Gross premiums of motor insurance segment up 2% to \$327m in 2013

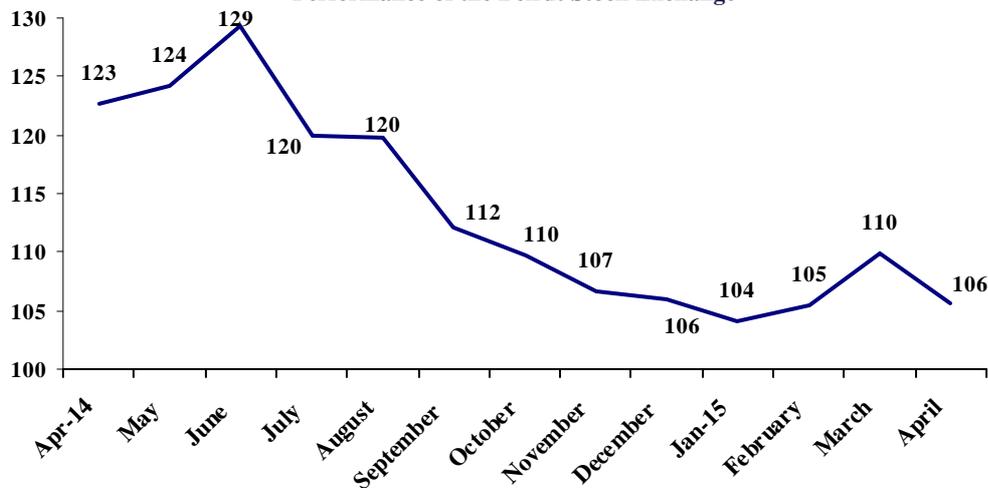
Ratio Highlights.....10
Risk Outlook10
Ratings & Outlook.....10

Charts of the Week

Performance of Arab Stock Markets in First Four Months 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

"Lebanon's economy is weighed down by the political impasse and spillovers from the conflict in Syria."

The International Monetary Fund, on the main causes of economic slowdown in the country

Number of the Week

91%: Percentage of firms in Lebanon that use private power generators due to the unreliable supply from the state-owned Electricité du Liban, according to the World Bank

Lebanon in the News

\$m (unless otherwise mentioned)	2013	Dec 13	Sep 14	Oct 14	Nov 14	Dec 14	% Change*
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

\$bn (unless otherwise mentioned)	2013	Dec 13	Sep 14	Oct 14	Nov 14	Dec 14	% Change*
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

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	11.13	0.00	72,906	9.63%
Solidere "B"	11.15	0.90	9,639	6.27%
Byblos Common	1.76	0.57	45,652	5.47%
Byblos Pref. 08	101.10	0.00	0	1.75%
Byblos Pref. 09	102.60	0.00	0	1.77%
BLOM GDR	9.65	(2.82)	5,340	6.17%
BLOM Listed	9.30	0.00	19,270	17.29%
Audi GDR	6.61	0.15	10,988	6.65%
Audi Listed	6.20	1.64	40,271	21.44%
HOLCIM	16.25	0.00	0	2.74%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2016	8.500	103.19	3.86
Mar 2017	9.000	108.50	4.24
Nov 2018	5.150	101.25	4.76
May 2019	6.000	103.25	5.10
Mar 2020	6.375	105.00	5.19
Apr 2021	8.250	114.00	5.46
Oct 2022	6.100	102.50	5.64
Jun 2025	6.250	101.50	6.05
Nov 2026	6.600	104.00	6.11
Feb 2030	6.650	103.25	6.31

Source: Byblos Bank Capital Markets

	Apr 27-30	Apr 20-24	% Change	Apr 2015	Apr 2014	% Change
Total Shares Traded	223,016	307,232	(27.41)	1,018,275	1,817,870	(43.99)
Total Value Traded	\$2,869,600	\$3,208,251	(10.56)	\$10,508,586	\$17,838,999	(41.09)
Market Capitalization	\$11.56bn	\$11.53bn	0.29	\$11.56bn	\$11.05bn	4.61

Source: Beirut Stock Exchange (BSE)



Beirut is ninth most expensive city in the world for expatriate housing

EuroCost International's annual survey on house rental prices for 2015 ranked Beirut in ninth place globally compared to 10th place in 2014, seventh place in 2013, eighth place in 2012, 10th place in each of 2011 and 2010 and 28th place in 2009. Beirut remained the most expensive city in the Middle East for expatriate housing in the 2015 survey, unchanged since the 2010 survey. The survey evaluates the average rental cost of two- and three-bedroom apartments for expatriates, and converts the average rent per location to euros. It said the data reflects the local rental market for expatriates and, therefore, differs from the rental market for the local population in terms of price level and evolution.

The survey considered Beirut to be more expensive than San Francisco, Juba in South Sudan and Zurich, and less costly than Moscow, Singapore and Geneva. Beirut and Doha were the only cities from the Middle East among the 20 most expensive cities globally in terms of expatriate housing. Doha was the second most expensive Middle Eastern city and ranked in 17th place worldwide. Beirut's rank rose by one spot year-on-year, constituting, along with New York, Zurich and Beijing, the seventh highest increase in ranking among the top 20 most expensive locations worldwide. Doha became the world's 20 most expensive cities for the first time in the 2015 survey, while Paris exited the list. The rankings of 10 cities increased, seven declined and three remained unchanged from the 2014 survey.

Hong Kong is the most expensive rental city for expatriates in Asia & Oceania; London has the highest house rental prices among European cities; New York is the most expensive city for expatriate housing in the Americas; while Luanda in Angola is the costliest rental city for expatriates in Africa.

EuroCost International added that the locations selected for the survey are residential areas frequented by expatriates. It noted that it only includes residential units that are of very high quality, as multinationals are aware that housing is a crucial component of expatriates' comfort and satisfaction and, therefore, seriously take into consideration their staff's living conditions. London remained the most expensive rental city in the world for expatriates in 2015.

Utilized credits by private sector at \$57bn at end-2014, advances against real estate account for 34% of total

Figures issued by the Central Bank show that utilized credits by the private sector from commercial banks and financial institutions totaled \$57.3bn at the end of 2014, constituting an increase of 8.4% from \$52.9bn at the end of 2013. The distribution of credits by type shows that advances against real estate totaled \$19.7bn and accounted for 34.3% of total private sector utilized credits at the end of 2014. They were followed by overdrafts with \$15.9bn (27.7%), advances against personal guarantees with \$10.5bn (18.3%), advances against cash collateral or bank guarantees with \$7.2bn (12.6%), advances against other real guarantees with \$2.8bn (4.8%), and advances against financial values with \$1.3bn (2.3%).

Trade & services accounted for \$19.5bn or 34% of utilized credits at the end of 2014, followed by personal credits with \$16.5bn (28.8%), construction with \$9.6bn (16.7%), industry with \$6.2bn (10.8%), financial intermediaries with \$3.4bn (6%) and agriculture with \$659.4m (1.1%), while other sectors accounted for the remaining \$1.5bn (2.6%). Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 43% of overall trade & services credits, followed by real estate services with 21.5%, retail with 15.9%, hotels & restaurants with 8.8%, transport & storage with 7%, and educational services with 3.7%.

Personal credits attracted 75.6% of loan beneficiaries, followed by trade & services with 13.3% of beneficiaries, industry with 3.6%, construction with 1.7%, agriculture with 1%, and financial intermediaries with 0.7%, while other sectors attracted the remaining 4.1%. The aggregate number of loan beneficiaries grew by 7.3% year-on-year to 499,445, while 74.8% of beneficiaries had loans ranging from LBP5m to LBP100m by the end of 2014. Beirut and its suburbs accounted for 76.9% of bank credits and for 54.8% of beneficiaries. It was followed by Mount Lebanon with 11.4% of credits and 17.5% of beneficiaries; South Lebanon with 4.5% of credits and 9.8% of beneficiaries; North Lebanon with 4.1% of credits and 10.7% of beneficiaries; and the Bekaa with 3.1% of credits and 7.2% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$96.6bn at the end of 2014, reflecting a rise of 7.8% from \$89.7bn at the end of 2013. They included endorsement & guarantees at \$88.4bn, or 91.5% of the total, followed by letters of undertaking at \$2.9bn (3%) and commitment on notes at \$2.4bn (2.5%).

Ranking of Most Expensive Rental Cities

	2015	2014
London	1	1
Hong Kong	2	4
Tokyo	3	3
New York	4	5
Luanda	5	8
Moscow	6	2
Singapore	7	6
Geneva	8	7
Beirut	9	10
San Francisco	10	15
Juba	11	9
Zurich	12	13
Shanghai	13	12
Sydney	14	11
Mumbai	15	17
Washington	16	19
Doha	17	23
Seoul	18	18
Beijing	19	20
Osaka	20	16

Source: EuroCost, Byblos Research

Cost of sending remittances to Lebanon increases in first quarter of 2015

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 5.29% in the first quarter of 2015, constituting an increase from 5.26% in the fourth quarter of 2014 and a decline from 5.41% in the first quarter of 2014. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$26.4 in the first quarter of 2015 and \$26.3 in the preceding quarter. Lebanon is the eighth most expensive destination for sending \$500 from the U.S. among 30 countries with available data. The World Bank indicated that the average cost of sending \$500 in remittances from the United States through commercial banks to Lebanon was 8.5% and the average cost through MTOs was 3.15% in the first quarter of 2015.

Further, the cost of sending remittances from Canada to Lebanon reached 7.83% in the first quarter of 2015 for a transfer of CAD500 relative to 7.88% in the fourth quarter of 2014 and 5.52% in the first quarter of 2014. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD39.13 in the first quarter of 2015 relative to CAD39.39 in the preceding quarter. Lebanon is the second most expensive destination for sending CAD500 from Canada among 12 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon was 7.59% in the first quarter of 2015 compared to 6.88% in the fourth quarter of 2014 and 6.82% in the first quarter of 2014. In nominal terms, the cost of sending AUD500 from Australia to Lebanon was AUD37.96 in the first quarter of 2015 relative to AUD34.38 in the previous quarter. Lebanon is the fifth most expensive destination for sending AUD500 from Australia among 14 countries with available data.

In parallel, the cost of sending remittances from Germany to Lebanon reached 7.53% in the first quarter of 2015 for a transfer of €345, down from 8.1% in the fourth quarter of 2014 and 8.44% in the first quarter of 2014. In nominal terms, the cost of sending €345 from Germany to Lebanon was €25.98 in the first quarter of 2015 relative to €27.94 in the previous quarter.

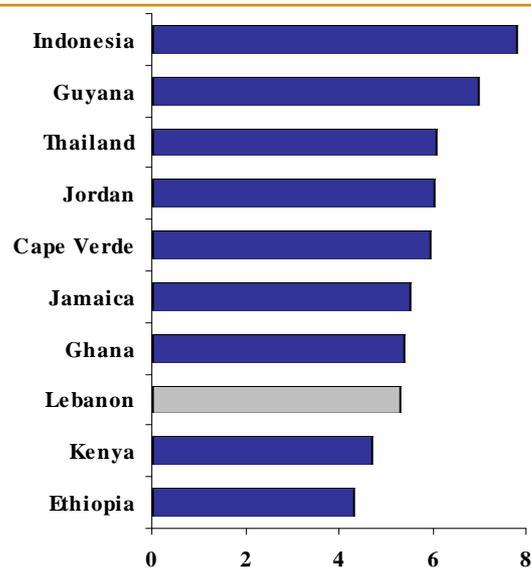
Subsidized interest loans to productive sectors up 29% in 2014

Figures released by the Central Bank show that the amount of subsidized interest loans extended to productive sectors in Lebanon totaled \$677.3m in 2014, constituting an increase of 28.5% from \$527m in 2013. The industrial sector was the beneficiary of \$360.1m in subsidized interest loans, equivalent to 53.2% of the total, followed by tourism with \$198.2m (29.3%) and agriculture with \$119m (17.6%). The cumulative amount of subsidized interest loans to productive sectors in Lebanon amounted to \$6.1bn between 1997 and 2014.

Subsidized medium & long-term loans amounted to \$557.2m in 2014, equivalent to 82.3% of the total. The industrial sector accounted for 53.7% of subsidized medium & long-term loans, followed by tourism with 32.4% and agriculture with 13.9%. The program was established in the first quarter of 1997 and consists of a 5% to 7% subsidy on the interest charged on loans extended in foreign currency to productive sectors.

Also, subsidized interest loans guaranteed by the Kafalat Corporation totaled \$111.6m, or 16.5% of the total, in 2014. The industrial sector received 47.1% of Kafalat-backed subsidies, followed by agriculture with 37% and tourism with 15.9%. Kafalat provides financial guarantees for loans of up to \$400,000 for small and medium-sized enterprises in productive sectors. In parallel, subsidized interest loans granted by leasing companies reached \$8.6m in 2014, or 1.3% of the total, and were extended in full to the industrial sector.

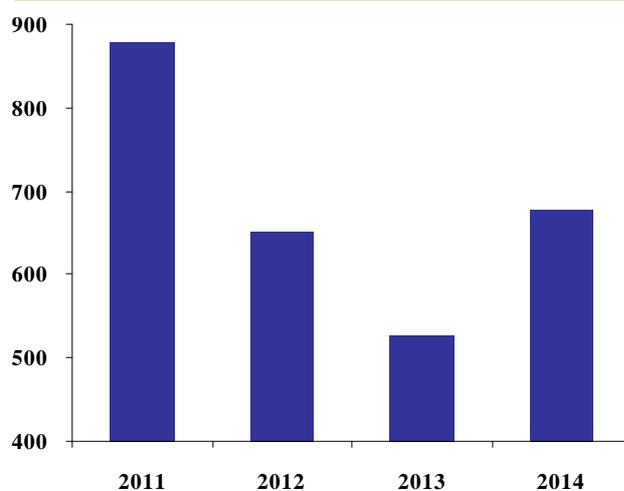
Costliest Destinations of Remittances from the United States*



*Cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Subsidized Interest Loans* (US\$m)



Source: Central Bank, Byblos Research

Government approves tender conditions for management contracts of mobile phone networks

The Cabinet approved the terms and conditions of a public tender to award new management contracts of the two state-owned mobile phone networks Mobile Interim Company 1 (MIC 1) and Mobile Interim Company 2 (MIC 2). In 2013, the Ministry of Telecommunications announced plans to launch the tender but, since then, the government has repeatedly renewed contracts of current mobile phone operators Global Telecom Holding and Zain. The bidding process is expected to be completed by the end of 2015, with the new management contracts ranging from three to five years.

In parallel, the Cabinet extended until the end of 2015 the management contracts of Global Telecom Holding and Zain, which operate the state-owned mobile phone networks MIC 1 and MIC 2, respectively. The government previously extended the management contracts of the two firms for a period of one year that started on February 1, 2012. Upon the contracts' expiration at the end of January 2013, the government extended the deals for one month to decide what to do and then extended them until the end of June 2013. It further extended both firms' contracts four times until the end of September 2013, and then until the end of 2013, the end of March 2014 and the end of June 2014. The ministry renewed the management contracts of both companies on a monthly basis from end-June 2014 until the end of October 2014. It then extended the deals until May 2015. Zain has been running MIC 2 since June 2004 under the brand Touch, and Global Telecom Holding has been managing MIC 1 since January 2008 under the Alfa brand.

Figures released by Alfa and Touch show that there were four million mobile phone subscriptions in Lebanon at the end of June 2014, the latest available figures. Touch has 2.1 million mobile phone subscriptions, representing a 53% market share, while Alfa has 1.9 million subscriptions and a 47% share.

Commercial activity slows down in fourth quarter of 2014

The Central Bank's quarterly business survey of opinions shows that the volume of commercial sales decreased quarter-on-quarter during the fourth quarter of 2014, with the balance of opinions standing at -3 compared to +8 during the preceding quarter and to -14 during the fourth quarter of 2013. The business survey reflects the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions was the lowest in Beirut & Mount Lebanon at -10, followed by the Bekaa (-8), the North (-3) and the South (+36). The survey shows that the balance of opinions for the sales volume of food items was +10 in the fourth quarter of 2014 relative to +15 in the preceding quarter and to +6 in the same quarter of 2013.

The balance of opinions about the sales of inter-industrial goods was -12 in the fourth quarter compared to +16 in the preceding quarter and to -20 in the fourth quarter of 2013; while it was -7 for non-food products, relative to -1 in the third quarter of 2014 and to -21 in the fourth quarter of 2013. Also, the balance of opinions for inventory levels in all commercial sub-sectors was -3 in the fourth quarter of 2014 compared to +4 in the preceding quarter and to -6 in the fourth quarter of 2013. Opinions about the level of inventories were the highest in Beirut & Mount Lebanon where they reached +12, followed by the North (-15), the Bekaa (-17) and the South (-37). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator.

Commercial Activity: year-on-year evolution of opinions				
Aggregate results	Q4-11	Q4-12	Q4-13	Q4-14
Sales volume	-5	-13	-14	-3
Number of employees	1	-3	-6	0
Inventories of finished goods	-2	1	-6	-3
Q4-14 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-10	-3	36	-8
Inventories of finished goods	12	-15	-37	-17

Source: Central Bank business survey for fourth quarter of 2014



Lebanon ranks 118th globally, third in Arab world in press freedom

In its 2015 report on press freedoms in 199 countries, independent think tank Freedom House ranked Lebanon in 118th place globally and in third place among 20 Arab countries. Lebanon also came in 32nd place among 54 upper middle-income countries (UMICs) included in the 2015 survey. Lebanon's global rank regressed by six spots from the 2014 survey, and its regional rank dropped by one spot from second place year-on-year.

The survey assesses the degree of print, broadcast, and Internet freedoms across the world. The 2015 ratings are based on an assessment of the legal environment where the media operates; political influences on reporting and access to information; and economic pressures on content and the dissemination of news in 2014. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. A country's numerical rating is the sum of the Legal Environment and Economic Environment categories that each ranges between zero and 30, and the Political Environment category that varies between zero and 40. Lebanon, along with Tunisia, Mauritania, and Kuwait were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 16 countries came in the 'Not Free' category.

Globally, Lebanon's level of press freedoms was similar to that in Colombia, the Maldives, Moldova and Nepal; while it came higher than in Uganda, Kenya and Macedonia, and lower than in Bangladesh, Somaliland and Tanzania. Lebanon received a rating of 55 points, relative to a rating of 53 points in the 2014 and 2013 surveys, which reflects a deterioration in the country's press freedom level. Also, Lebanon's rating was better than the Arab average of 70.75 points, the Gulf Cooperation Council (GCC) countries' average rating of 73.8 points and the non-GCC Arab countries' average of 69.4 points, but it was worse than the global average of 48.6. Lebanon's rating was the lowest since 2010, due to a significant increase in libel cases against journalists in 2014. The survey indicated that penalties included jail time and large fines for journalists, and that several publications faced multiple lawsuits from the same dissatisfied party. Also, it said that the rulings from the Court of Publications last year reflected a bias against the media, with political motives behind many cases.

Lebanon tied with Afghanistan, Kuwait and Kyrgyzstan, ranked ahead of Algeria and the Central African Republic, and came behind Pakistan and Armenia on the Legal Environment category. This category evaluates the laws and regulations that influence media content as well as the government's use of these laws and legal institutions to restrict the media's ability to operate.

Also, Lebanon tied with nine other countries that include Brazil, Greece and Macedonia, ranked ahead of Armenia and Singapore, and came behind Côte d'Ivoire and India on the Political Environment category. This category measures political pressures and control on media content, including access to information sources, news diversity, harassment or violence against journalists or facilities, and censorship.

Finally, Lebanon tied with eight other countries that include Senegal, Greece and Turkey, ranked ahead of Croatia and Indonesia and came behind Benin and the Dominican Republic on the Economic Environment category. This category assesses economic influences over media content, such as the structure of media ownership, the transparency and concentration of ownership, the cost of establishing a media outlet, corruption and bribery, and the extent that the economic situation in a country impacts the development and sustainability of the media.

Press Freedom Rankings & Ratings

	Rating	Arab Rank	Global Rank
Tunisia	48	1	93
Mauritania	50	2	103
Lebanon	55	3	118
Kuwait	59	4	127
Algeria	61	5	135
Morocco	66	6	145
Jordan	66	6	145
Qatar	67	8	148
Oman	71	9	158
Iraq	72	10	159
Libya	73	11	161
Egypt	73	11	161
Djibouti	75	13	166
UAE	76	14	169
Yemen	78	15	171
Sudan	81	16	176
Saudi Arabia	83	17	180
West Bank & Gaza	84	18	183
Bahrain	87	19	188
Syria	90	20	190

Source: Freedom House, Byblos Research

Categories of the 2015 Press Freedom Index for Lebanon

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Legal Environment	142	3	37	20	14.6	23.25	15.6
Political Environment	108	3	28	21	19.4	28.0	20.7
Economic Environment	89	1	26	14	14.6	19.5	14.7

Source: Freedom House, Byblos Research

Lebanese citizens are 103rd happiest people in the world, 13th happiest in MENA region

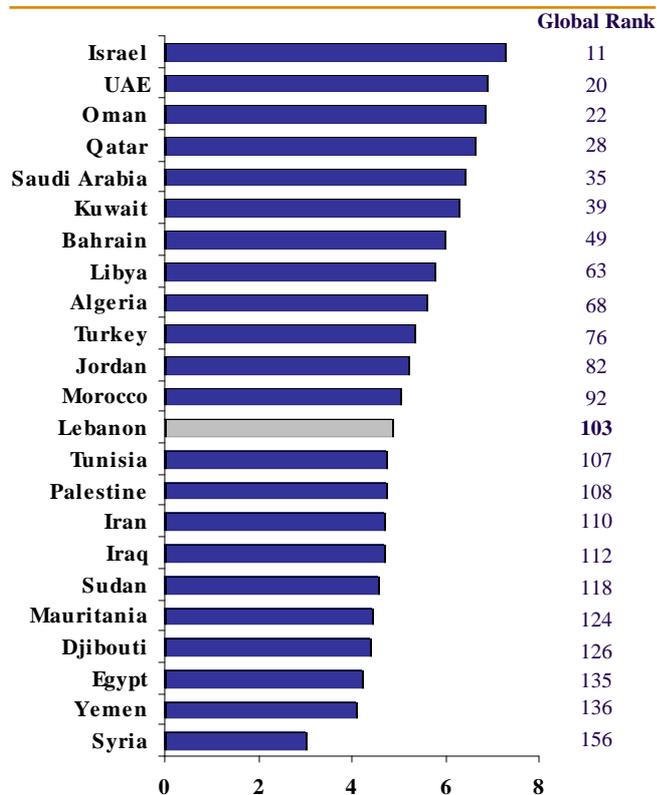
The United Nations Sustainable Development Solutions Network's survey on the level of happiness in 158 countries worldwide ranked Lebanon as the 103rd happiest country globally and the 13th happiest nation among 23 countries in the Middle East & North Africa (MENA) region. The UN's measure of happiness is based on annual polls conducted by opinion polling and consulting firm Gallup between 2012 and 2014, with the results converted into a numerical score for each country. Respondents were asked to evaluate their current lives by imagining life as a ladder, with the best possible life for them as a 10, and the worst possible life as zero. The poll typically interviews 1,000 respondents per country in each year's survey.

Lebanon came in 78th place among 135 countries in the world on data covering the 2005-07 period. Lebanon's rank would drop by 13 spots when using countries that have data for both the 2005-07 and the 2012-14 periods, which would constitute, along with Ghana and Yemen, the 24th steepest decline globally. Lebanon was one of 58 nations globally and one of six countries in the MENA region to post a decrease in their level of happiness between the 2005-07 survey and the 2012-14 survey.

Globally, Lebanese citizens are considered to be happier than the citizens of Hungary, Honduras and Tajikistan, but less happy than the citizens of Mongolia, Swaziland and Greece. Lebanon received a score of 4.839 points for the 2012-14 period, down from 4.931 points between 2010 and 2012 and 5.071 points during the 2005-07 period.

The decomposition of happiness in Lebanon shows that GDP per capita explains around 21% of Lebanese citizens' overall happiness, followed by expectations of a healthy life with 18%, social support or having someone to count on in times of trouble (17%), freedom to make life choices (6%), generosity or donating money to a charity (5%), and perceptions of corruption (1%). The citizens of Switzerland were the happiest worldwide, while those of Togo remained the least happy globally.

MENA Countries Rankings & Scores



Source: United Nations, Byblos Research

Byblos Bank's net profits up 7% to \$33m in first quarter of 2015

Byblos Bank sal, one of the top banking and financial services groups in Lebanon, declared unaudited net profits of \$32.8m in the first quarter of 2015, constituting an increase of 6.7% from \$30.7m in the same quarter of 2014. Net interest income reached \$63m in the first quarter of this year and grew by 12.8% from \$55.8m in the same quarter of 2014; while net fees & commissions income stood at \$20.7m relative to \$23.9m in the first quarter of last year. Net operating income totaled \$105m in the first quarter of 2015, reflecting a rise of 6.5% from \$98.6m in the same quarter of 2014. Total assets reached \$19bn at the end of March 2015, nearly unchanged from the end of 2014. Net loans & advances to customers totaled \$4.7bn at the end of March, a decrease of 0.8% from end-2014. They included net loans & advances to related parties of \$18.1m that declined by 2.9% from end-2014.

Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's net non-performing loans, or NPLs net of specific provisions and reserved interest, were equivalent to 1.2% of net loans at the end of March 2015. Also, the NPL coverage ratio, including collective provisions, was 116.7% at the end of March. The Bank's capital adequacy ratio stood at 16.7% at end-2014 according to Basel III criteria, which is significantly above the minimum regulatory requirements of 11.5% for 2014 and 12% for 2015, and one of the highest such ratios in the Lebanese banking sector.

The Bank's deposits totaled \$15.67bn at the end of March 2015, nearly unchanged from the end of 2014. They included deposits from related parties of \$214m that rose by 3.1% from end-2014. The Bank's shareholders' equity totaled \$1.7bn at the end of March 2015, reflecting a rise of 1% from end-2014. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Stock market activity up 90% to \$260m in first four months of 2015

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 35.8 million shares in the first four months of 2015, constituting an increase of 86.4% from the same period of 2014; while aggregate turnover amounted to \$260.3m, up 89.7% from a turnover of \$137.2m in the first four months of 2014. Market capitalization increased by 4.6% from end-April 2014 to \$11.56bn, with banking stocks accounting 80.8% of the total, followed by real estate shares (15.9%), industrial equities (3%) and trading stocks (0.3%). The market liquidity ratio was 2.3% compared to 1.2% in the first four months of 2014. Banking stocks accounted for 93.4% of aggregate trading volume in the first four months of the year, followed by real estate equities with 6.4% and trading shares with 0.1%. Also, banking stocks represented 89.9% of the aggregate value of shares traded, followed by real estate equities with 10%, and trading and industrial stocks with 0.1% each. In parallel, the average daily traded volume for the period was 453,652 shares for an average daily value of \$3.3m. The figures reflect increases of 88.8% in volume and 92.1% in value year-on-year.

SGBL declares dividends for 2014

Société Générale de Banque au Liban sal (SGBL) announced that its Ordinary General Assembly held on April 24, 2015 approved the distribution of dividends for 2014. The bank will pay gross dividends of \$775 per share to the holders of Preferred Shares Series 2010, \$700 per share to the holders of Preferred Shares Series 2012 and Preferred Shares Series 2013. The dividends will be paid net of a 10% withholding tax until May 7, 2015. SGBL's share capital consists of 56,535 common shares, 10,000 preferred shares Series 2010, 12,500 preferred shares Series 2012 and 15,000 preferred shares Series 2013.

SGBL posted unaudited consolidated net profits of \$155.2m in 2014, constituting a rise of 13.1% from 2013. Total assets reached \$15bn; while loans & advances to customers, excluding loans & advances to related parties, totaled \$3.6bn at end-2014. Customer deposits, excluding deposits from related parties, reached \$11.3bn at end-2014.

Bank of Beirut's dividend payout ratio at 40.6% for 2014

Bank of Beirut sal announced that its Ordinary General Assembly held on April 24, 2015 approved the distribution of dividends for 2014. The bank will allocate a gross dividend payment of LBP107.5bn or \$71.3m, to the holders of common and preferred shares, which is equivalent to a 40.6% payout ratio. The bearers of common shares will receive a total of LBP50bn, or \$33.2m, equivalent to LBP900 or \$0.6 per share. Also, the bank will pay \$2 per share to the holders of Preferred Shares Series E and Preferred Shares Series F, \$2.36 per share to the holders of Preferred Shares Series G, \$1.75 per share to the holders of Preferred Shares Series H, and \$1.69 per share to the holders of Preferred Shares Series I. In addition, the bank will pay \$0.26 per share in to the holders of Priority Shares Series 2014. The dividends will be paid from May 1 until May 12, 2015 net of a 5% withholding tax for publicly-listed shares and net of a 10% tax for shares that are not publicly listed.

Bank of Beirut sal announced audited net profits of \$175.8m in 2014. Its assets reached \$14.9bn at end-2014; while loans & advances to customers, including loans & advances to related parties, totaled \$4.2bn at the end of 2014. Also, customer deposits, including deposits from related parties, reached \$11.1bn at the end of the year.



Aggregate profits of listed banks up 10% in first quarter of 2015

Financial results issued by the six banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$279.2m in the first quarter of 2015, constituting a rise of 9.6% from net earnings of \$254.8m in the same period last year. Further, the banks' aggregate pre-tax profits grew by 9.4% year-on-year to \$345.1m in the first quarter of 2015. The aggregate net interest income of the six banks reached \$525m in the first quarter of 2015, up 12.2% from \$467.7m in the same quarter of 2014; while their receipts from total net fees and commission increased by 3.2% year-on-year to \$137.4m. The total operating income of the listed banks reached \$794.4m in the first quarter of 2015, up by 10.3% from \$720m in the same quarter last year.

In parallel, the aggregate assets of the publicly-listed banks regressed by 0.9% from the end of 2014 and increased by 6.2% from end-March 2014 to \$109.7bn; while their total loans, including those to related parties, dropped by 2.7% from end-2014 and rose by 6.2% from a year earlier to \$34.6bn. Also, total deposits, including those from related parties, decreased by 1.4% from end-2014 and increased by 6% from the end of March 2014 to \$91bn.

The six banks' aggregate loans-to-deposits ratio stood at 38% at the end of March 2015, down from 38.5% at end-2014 and up from 37.9% at end-March 2014. BLOM Bank had the lowest loans-to-deposits ratio at 28.7% compared to 28.3% at end-March 2014; followed by Byblos Bank with a ratio of 29.9% at end-March 2015 relative to 30.7% a year earlier, Bank of Beirut with 37%, up from 35.9% at end-March 2014; BLC Bank with 45.4% at end-March 2015 compared to 44.7% a year earlier; Bank Audi with 46.9%, down from 47.3% at end-March 2014; and Banque BEMO with 54.1% compared to 52.2% a year earlier. Further, the banks' collective cost-to-income ratio regressed to 50.3% in the first quarter of 2015 from 50.8% in the same quarter last year, with BLOM Bank posting the lowest cost-to-income ratio among listed banks at 41.2% in the first quarter of 2015.

Results of Listed Banks in First Quarter 2014						
	Byblos	BLOM	Audi	BoB	BEMO	BLC
Net Profits (\$m)	32.8	91.2	100.0	40.55	3.14	11.55
% Change*	6.7%	4.2%	16.6%	10.2%	15.2%	2.5%
Total Assets (\$bn)	18.96	28.09	41.46	14.46	1.50	5.28
% Change**	-0.4%	0.4%	-1.2%	-3.1%	1.4%	-1.7%
Loans (\$bn)	4.69	6.91	16.44	4.02	0.66	1.89
% Change**	-0.8%	0.1%	-4.3%	-3.7%	1.9%	-2.5%
Deposits (\$bn)	15.67	24.08	35.05	10.86	1.21	4.16
% Change**	-0.3%	0.3%	-2.1%	-4.1%	-0.3%	-2.9%

*Year-on-year

**Change from end-2014

Source: Banks' financial statements, Byblos Research

Fitch affirms Holcim's ratings, outlook 'stable'

Fitch Ratings affirmed the long-term Issuer Default Ratings (IDR) of the Swiss-based building materials company Holcim Ltd at 'BBB', with a 'stable' outlook. It also affirmed the firm's short-term rating at 'F2'. Holcim Ltd is the parent company of Holcim Liban sal and holds a 52.1% stake in the Lebanese firm. The agency attributed its ratings' affirmation to Holcim's leading market position and to its expectation that the company's financial profile would remain in line with its 'BBB' rating. It added that the firm's IDR reflects its strong market position in cement, aggregates and concrete, as well as its wide geographical diversification. Fitch noted that the company's leverage metrics have deteriorated due in part to currency fluctuations. However, it expected the company's credit metrics to improve over the next 18 months due to a reduction in capital expenditures.

Further, the agency indicated that the intended merger between Holcim and the French industrial company Lafarge would create the world's largest building materials company. It said that the resulting entity from the merger, LafargeHolcim, would hold the biggest market positions in cement, aggregates and ready-mix products, and would benefit from the individual companies' complementary assets base in Latin America, Africa and the Middle East. Fitch noted that Holcim has prevailed over major obstacles in its merger process with Lafarge.

Holcim Liban sal posted net profits of \$9.4m in the first half of 2014, constituting an increase of 15.2% from \$8.1m in the same period of 2013. The firm's sales totaled \$93.2m in the first half of the year. Holcim's gross profits margin reached 30.7% relative to 26.7% in the same period of 2013. The firm's assets totaled \$269.2m at end-June 2014 relative to \$292.1m at end-2013; while its shareholders' equity was \$221.7m at end-June 2014 compared to \$212.3m at the end of 2013. Holcim's share price on the Beirut Stock Exchange closed at \$16.25 on April 30, 2015, constituting a rise of 6.6% from \$15.25 at end-2014.

Gross premiums of motor insurance segment up 2% to \$327m in 2013

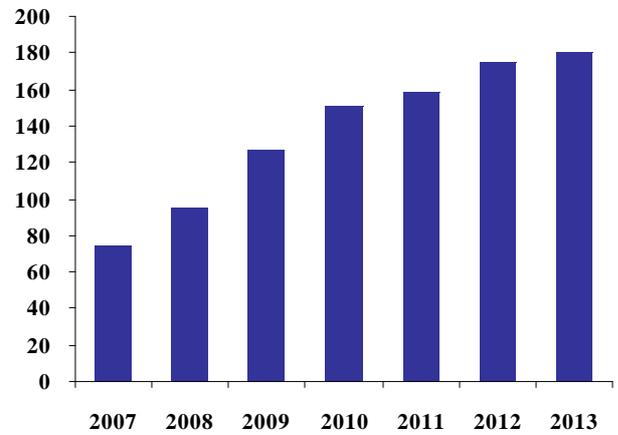
Figures released by the Insurance Control Commission (ICC) show that gross written premiums in the motor insurance segment rose by 2.4% to \$326.8m in 2013, with the 'Non-Compulsory Motor' line accounting for 83.6% of the category's aggregate premiums and the 'Compulsory Motor' line representing 16.4% of the total. The motor insurance segment accounted for 33% of total non-life premiums in 2013, the second largest share behind health insurance.

The written premiums of the 'Non-Compulsory Motor' section rose by 2.8% to \$273.3m in 2013, with the top five companies generating premiums equivalent to 42.1% of the category's total. Paid claims in the 'Non-Compulsory Motor' line increased by 2.8% to \$164.9m in 2013, and the number of claims rose by 16% to 421,638 during the year. In parallel, the 'Non-Compulsory Motor' section posted a net loss of \$4.8m in 2013 relative to a net loss of \$2.2m in 2012.

The loss ratio, or the ratio of claims incurred to earned gross premiums, of the 'Third Party Liability' segment of the 'Non-Compulsory Motor' line was 72% in 2013; the commission ratio, or the ratio of acquisition cost to earned gross premiums, reached 27%; the expense ratio, or the ratio of other general expenses to earned gross premiums, was 17%; and the reinsurance ratio, or the ratio of net reinsurance income to earned gross premiums, reached 3% in 2013. As such, the average technical combined loss ratio, which is the aggregate ratio of the above four ratios, reached 119% in 2013.

In parallel, the written premiums in the 'Compulsory Motor' line rose marginally by 0.7% to \$53.5m in 2013, with the top five companies generating premiums equivalent to about 50% of the line's total premiums. Paid claims in the 'Compulsory Motor' section increased by 13.6% to \$15.9m in 2013, and the number of claims decreased by 0.7% to 7,224 in 2013. The loss ratio of the 'Compulsory Motor' segment was 60%, the commission ratio reached 25%, the expense ratio was 17% and the reinsurance ratio reached 4% in 2013. As such, the average combined loss ratio for the 'Compulsory Motor' line reached 117% in 2013.

Motor Insurance Paid Claims (US\$m)



Source: Insurance Control Commission

Ratio Highlights

(in % unless specified)	2012	2013	2014	Change*
Nominal GDP (\$bn)	42.9	45.4	47.5	
Public Debt in Foreign Currency / GDP	56.8	57.5	53.9	(362)
Public Debt in Local Currency / GDP	77.6	82.3	86.2	397
Gross Public Debt / GDP	134.5	139.8	140.1	35
Total Gross External Debt / GDP**	166.8	168.7	173.1	440
Trade Balance / GDP	(39.2)	(37.8)	(36.2)	163
Exports / Imports	21.1	19.1	16.1	(295)
Fiscal Revenues / GDP	22.1	20.4	22.6	217
Fiscal Expenditures / GDP	30.7	29.3	29.0	-35
Fiscal Balance / GDP	(8.6)	(9.0)	(6.4)	262
Primary Balance / GDP	(0.3)	(0.5)	2.7	321
Gross Foreign Currency Reserves / M2	69.4	69.5	66.5	(299)
M3 / GDP	242.5	244.8	247.7	290
Commercial Banks Assets / GDP	354.0	363.0	369.9	685
Private Sector Deposits / GDP	291.4	300.0	304.1	404
Private Sector Loans / GDP	101.3	104.4	107.2	279
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 Metrics

Lebanon	May 2013	Apr 2014	May 2014	Change*	Risk Level
Political Risk Rating	53.0	52.0	52.0	▲	High
Financial Risk Rating	33.5	38.0	38.0	▼	Low
Economic Risk Rating	28.5	27.0	27.0	▲	High
Composite Risk Rating	57.5	58.5	58.5	▼	High

Regional Average	May 2013	Apr 2014	May 2014	Change*	Risk Level
Political Risk Rating	58.5	58.3	58.3	▲	High
Financial Risk Rating	41.2	40.7	40.6	▲	Very Low
Economic Risk Rating	36.4	36.1	36.0	▲	Low
Composite Risk Rating	68.0	67.5	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

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

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

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

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

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

BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

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

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

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

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

CYPRUS

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

ADIR INSURANCE

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