

LEBANON THIS WEEK

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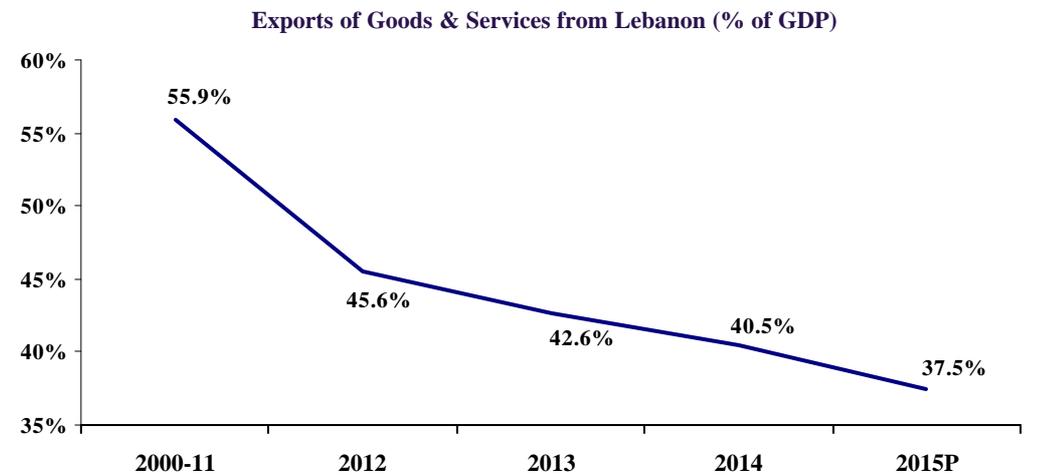
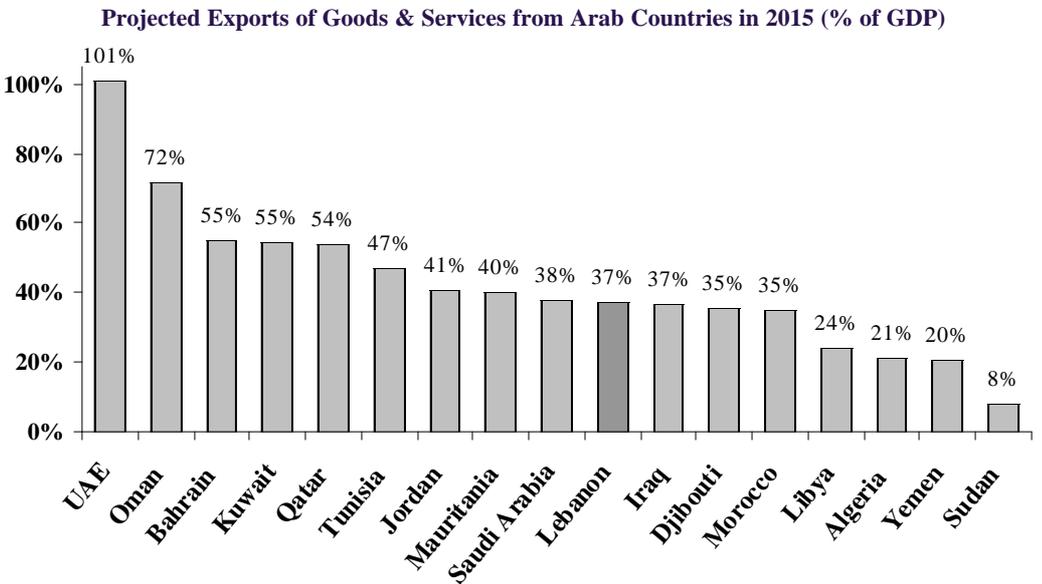
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Charts of the Week



Source: International Monetary Fund, May 2015, Byblos Bank

Quote to Note

"One-off, technical and unsustainable measures, rather than policy actions, helped improve the fiscal balance in 2014."

The World Bank, on the reasons behind the narrowing of the fiscal deficit in 2014

Number of the Week

23: Number of times the Lebanese Parliament convened and failed to elect a President

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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	11.51	2.31	172,259	9.87%	Jan 2016	8.500	103.25	3.49
Solidere "B"	11.52	3.41	116,833	6.42%	Mar 2017	9.000	108.25	4.28
Byblos Common	1.75	2.34	28,500	5.39%	Nov 2018	5.150	101.00	4.83
Byblos Pref. 08	102.60	0.00	0	1.76%	May 2019	6.000	103.25	5.09
Byblos Pref. 09	102.60	0.00	531	1.76%	Mar 2020	6.375	104.50	5.30
BLOM GDR	10.00	0.00	123,060	6.34%	Apr 2021	8.250	113.50	5.53
BLOM Listed	9.50	2.15	126,118	17.51%	Oct 2022	6.100	102.50	5.68
Audi GDR	6.55	(0.15)	15,103	6.53%	Jun 2025	6.250	101.38	6.06
Audi Listed	6.19	0.32	7,489	21.21%	Nov 2026	6.600	103.50	6.17
HOLCIM	16.18	10.37	2,475	2.71%	Feb 2030	6.650	102.88	6.35

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

Source: Byblos Bank Capital Markets

	May 11-15	May 4-8	% Change	Apr 2015	Apr 2014	% Change
Total Shares Traded	657,479	657,479	(4.75)	1,018,275	1,817,870	(43.99)
Total Value Traded	\$6,535,436	\$6,535,436	11.59	\$10,508,586	\$17,838,999	(41.09)
Market Capitalization	\$11.66bn	\$11.53bn	1.21	\$11.56bn	\$11.05bn	4.61

Source: Beirut Stock Exchange (BSE)



IMF warns from increasing economic vulnerabilities, calls for credible reforms

In the concluding statement of its Article IV Consultation for Lebanon, the International Monetary Fund indicated that policy inertia is taking a growing toll on the Lebanese economy and is threatening its resilience in the context of new challenges and the large number of Syrian refugees in the country. It pointed out that the domestic political paralysis, along with regional tensions, are undermining confidence, and that the Syrian crisis continues to dominate the country's near- and long-term prospects.

The Fund said that Lebanon's economic activity remains subdued due to domestic and regional uncertainty. It projected real GDP growth to be modest in 2015, but it noted that the growth rate would be slower without the impact of lower global oil prices. It did not anticipate a strong rebound in the tourism, real estate and construction sectors, the country's traditional growth drivers. It expected the inflation rate to reach about 3% by the end of 2015, following a sharp decline in 2014 from lower oil prices and other one-off factors. It considered that the country's economic model is based on confidence. It said that sizeable deposit inflows, which are driven by foreign investors' confidence and by the large Lebanese Diaspora, have helped fund the wide fiscal and current account deficits. But it noted that the growth rate of deposit inflows has been slowing, which requires a decisive change in policies in order to strengthen confidence. It called on policymakers to find common ground to overcome the current policy paralysis.

In parallel, the IMF anticipated public finances to continue to deteriorate in 2015 in the absence of decisive actions. It noted that the primary balance shifted to a surplus of 2.5% of GDP in 2014 due to the delays in payments and to exceptionally high transfers of telecom receipts. It forecast the primary surplus to narrow to about 1.3% of GDP in 2015 and the public debt level to remain at 132% of GDP. It called on authorities to look beyond the temporary impact of lower oil prices on public finances and to deliver a credible policy mix that would address fiscal imbalances and reduce the public debt level. It indicated that a sustained and balanced fiscal adjustment is crucial to avoid additional increases in the public debt level and a worsening of risks and vulnerabilities, given that global and domestic conditions are likely to be less favorable in the foreseeable future. It cautioned that ignoring the need for fiscal adjustment is risky and costly, and would continue to crowd out essential spending on public investment and social programs. It said that the reliance on deposit inflows to fund the debt burden exacerbates the economy's exposure to sudden swings in confidence and deepens the linkage between the sovereign and banks. It expected interest rates to increase along with global rates, and projected debt service payments to rise to about 12% of GDP and to absorb 40% of total spending over the medium term.

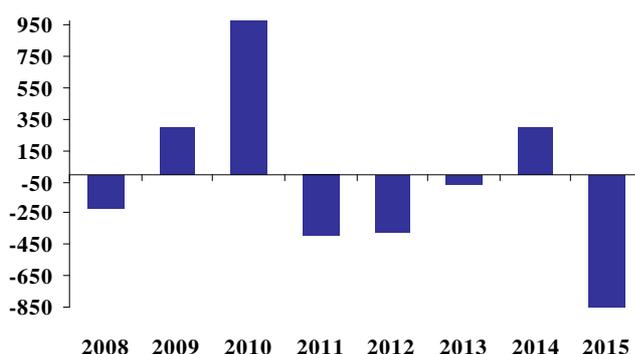
The Fund considered that a proper adjustment strategy should help increase revenues, especially through better tax collections, and should allocate more spending to capital projects and social programs. It said that reforming the state-owned and money-losing Electricité du Liban (EdL) is an urgent priority, given that the country's inefficient power supply is a major obstacle to growth. It considered that reducing public spending on an ad hoc basis is not a lasting strategy to narrow the fiscal deficit. It noted that the reported increase in arrears could result in future government obligations and could further undermine economic activity. Further, the IMF called on authorities to ratify the 2015 budget, which would anchor confidence as it would be the first approved budget in 10 years, and because it would provide a powerful signal of political will and accountability. It pointed out that a fiscal adjustment would reduce the financial and institutional burden on the Central Bank and would ultimately promote interest rate flexibility.

In parallel, the Fund called on authorities to implement reforms that promote stronger and more inclusive growth, such as reforming the electricity sector and ratifying long-pending legislation, including the new Petroleum Tax Law, the Exploration & Production Agreement for the oil & gas sector, and the Public Private Sector Partnership framework law to attract private investment. Further, it said that public services in Lebanon limit the economy's ability to respond to new opportunities and to provide an environment in which dynamic and innovative firms can grow.

Balance of payments posts deficit of \$850m in first quarter of 2015

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$850.2m in the first quarter of 2015 compared to a surplus of \$301.4m in the same quarter last year. The balance of payments posted a deficit of \$417.4m in March 2015 compared to a deficit of \$152.6m in February 2015 and a surplus of \$139m in March 2014. The March 2015 deficit was caused by a deficit of \$942m in the net foreign assets of banks and financial institutions, which was partly offset by a surplus of \$524.7m in those of the Central Bank. The cumulative deficit over the first quarter of 2015 was caused by a deficit of \$2.2bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of \$1.3bn 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.

Balance of Payments* (US\$m)



*in the first quarter of each year
Source: Central Bank of Lebanon

Nearly half of Lebanese adults have an account at a financial institution, less than 2% made a transaction through a mobile phone

Figures issued by the World Bank show that 46.9% of Lebanese above 15 years old had an individual or a joint account at a formal financial institution at the end of 2014, up from 37% of adult Lebanese at the end of 2011. The Bank defines a formal financial institution as a commercial bank, credit union, cooperative, post office or microfinance institution. Lebanon's account penetration rate ranks in 78th place among 144 countries globally, in 27th place among 40 upper-middle income countries (UMICs), and in third place among nine developing countries in the Middle East & North Africa (MENA) region. Globally, Lebanon's bank account penetration rate is higher than that of Ecuador, Uruguay and Uganda, and lower than that of Argentina, Belize and Kosovo. Lebanon's bank account penetration is lower than the global penetration rate of 61.5% and the UMIC's penetration rate of 70.5%, but is more than three-time the MENA region's penetration rate of 14.2%.

On a gender basis, 62.4% of Lebanese males and 33% of Lebanese females who are 15 years or older had an individual or a joint bank account at the end of 2014, relative to 49.4% and 26%, respectively, at the end of 2011. The share of females in Lebanon with an account or a joint account is lower than the global and the UMICs' averages of 58.1% and 67.3%, respectively, but is more than three times the MENA region's rate of 9.2%. Similarly, Lebanese males' bank account penetration rate is lower than the global rate of 65% and the UMICs' rate of 73.6%, but is more than three times the MENA region's rate of 19.2%.

In parallel, 4% of Lebanese adults who have an account at a financial institution made a transaction from their account using a mobile phone in 2014. Transactions include making payments, purchases, or sending or receiving money. The share of Lebanese adults who made a mobile phone transaction in 2014 was the 16th lowest among 128 countries globally, the eighth lowest among 37 UMICs and the second lowest among seven developing countries in the MENA region. It was higher than Bulgaria (3.8%), Togo (3%) and Nicaragua (2.9%) and lower than Argentina and Angola (4.1% each) and Jamaica (4%). Also, it was higher than only Jordan (2.6%) in the region. The share of Lebanese adult who made a financial transaction from their account using a mobile phone in 2014 was lower than the global average (15.8%), the UMICs' average (16.2%), and the average of developing MENA countries (7.2%).

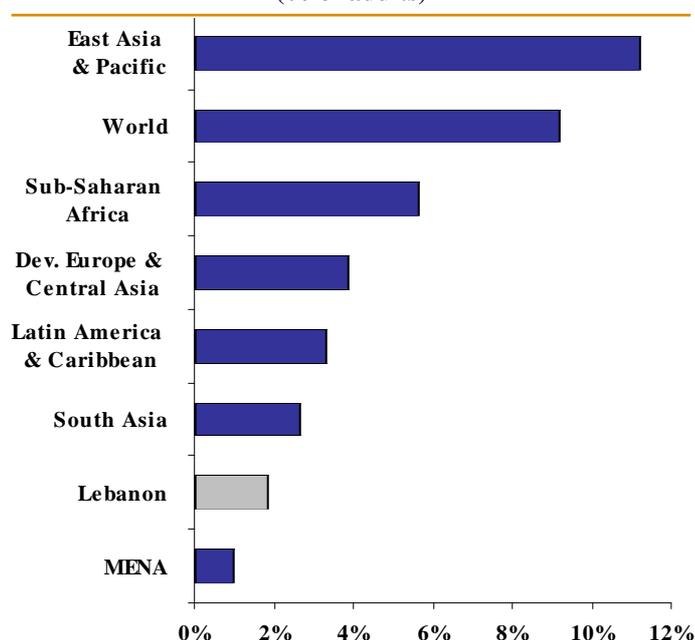
Overall, 1.8% of Lebanese who are 15 years or older made a financial transaction using a mobile phone. Also, 2.5% of Lebanese in the 15 to 24 year-old bracket used their accounts to make a transaction through their mobile phones, while 1.6% of Lebanese aged 25 and above utilized their accounts for the same reason.

Net public debt at \$59bn at end-March 2015

Lebanon's gross public debt reached \$69.4bn at the end of March 2015, constituting an increase of 4.3% from the end of 2014 and a rise of 6.6% from \$65.2bn at end-March 2014. Domestic debt totaled \$42bn at end-March 2015, rising by 2.4% from end-2014 and by 8.2% year-on-year; while debt in foreign currency stood at \$27.5bn, constituting an increase of 7.2% from the end of 2014 and a rise of 4.1% from a year earlier. Local currency debt accounted for 60.4% of gross public debt at the end of March 2015 compared to 59.5% a year earlier, while foreign currency-denominated debt represented the balance of 39.6% relative to 40.5% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.91% and that on Eurobonds was 6.42% at the end of March 2015. Further, the weighted life on Eurobonds was 5.89 years, while that on Treasury bills was 1,231 days.

Commercial banks held for 49.2% of the local public debt at the end of March 2015 compared to 52.6% a year earlier. They were followed by the Central Bank with 34.2%, up from 30% at end-March 2014; while public agencies, financial institutions and the public accounted for 16.7% of local debt compared to 17.4% at the end of March 2014. In parallel, Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 91.8% of foreign-currency denominated debt, followed by foreign governments with 4.2%, multilateral institutions with 3.7%, 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 7.7% year-on-year to \$58.5bn. 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.

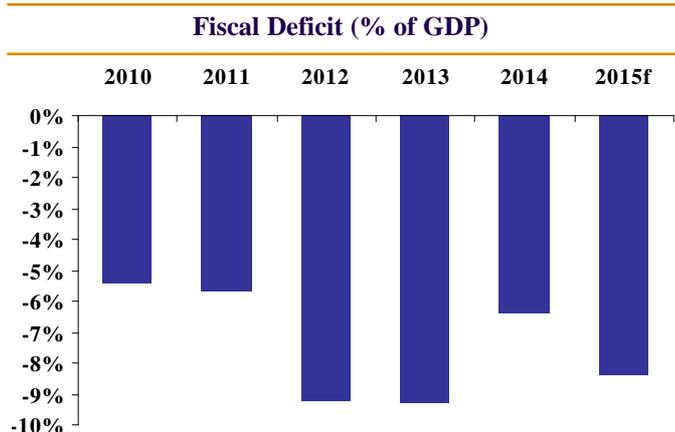
Mobile Phone Usage for Financial Transactions in 2014
(% of adults)



Source: World Bank, Byblos Research

Draft budget for 2015 projects fiscal deficit at 32% of expenditures, equivalent to 8.6% of GDP

The Ministry of Finance issued the 2015 draft budget that shows expenditures at \$14.6bn, which would constitute an increase of 4.6% from the realized fiscal results in 2014; and revenues of \$10bn, down 8.2% from reported revenues in 2014. The 2015 fiscal deficit would widen by 50% to reach \$4.6bn and would be equivalent to 31.6% of overall spending. According to the Ministry of Finance, expenditures would be equivalent to 27.4% of GDP and revenues to 18.7% of GDP based the ministry's projections of a real GDP growth rate of 2.5% and a nominal GDP of \$53.3bn in 2015. But when using the nominal GDP figure of the Institute of International Finance, expenditures would account for 29% of GDP and revenues would be equivalent to 19.9% of GDP. The ministry estimated the deficit at 8.6% of GDP in 2015 relative to 6.2% of GDP in 2014, but the deficit would widen to 9.2% of GDP this year from 6.4% of GDP in 2014 based on IIF figures.



Source: Institute of International Finance, Byblos Research

On the expenditures side, the ministry forecast current expenditures at \$13.3bn in 2015, equivalent to 91.1% of total expenditures. They would account for 24.9% of GDP, according to the Finance Ministry, and for 26.5% of GDP when using the estimated GDP of the IIF. Spending on public-sector wages, salaries and end-of-service allocations would total \$4.8bn and would represent 35.7% of current spending in 2015. It would be followed by debt servicing at \$4.4bn (32.8%), transfers at \$2.6bn (19.5%) and other spending at \$1.6bn (11.9%). According to the Ministry of Finance, spending on public-sector wages, salaries and end-of-service allocations would be equivalent to 8.9% of GDP in 2015, followed by debt servicing (8.2% of GDP), transfers (4.9% of GDP) and other expenditures (3% of GDP). Transfers to Electricité du Liban would total \$1.4bn, equivalent to 2.6% of GDP, and would absorb 10.3% of current spending. The ministry estimated capital expenditures at \$1.3bn this year, equivalent to 8.9% of total expenditures or 2.4% of GDP. The ministry indicated that it did not include the cost of the public-sector salary scale and wage increase in the 2015 draft budget. On the revenues side, the draft budget assumed that tax receipts would total \$7.7bn and non-tax revenues would reach \$2.3bn. Tax revenues would be equivalent to about 14.4% of GDP when using ministry data and to 15.3% of GDP based on IIF figures.

Coincident Indicator down 3.5% year-on-year in first two months of 2015

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 263.3 points in February 2015 compared to 269.9 in January 2015 and 272.5 in February 2014. The Coincident Indicator, an average of 8 weighted economic indicators, declined by 2.4% month-on-month and by 3.4% year-on-year in February 2015. The indicator averaged 271.6 in the 12 months ending February 2015, compared to 272.3 in the 12 months ending January 2015 and 266.2 in the 12 months ending February 2014. As a result, the average coincident indicator fell by 0.3% month-on-month and rose by 2% year-on-year. Also, the indicator averaged 266.6 in the first two months of 2015, down 3.5% from 276.4 in the first two months of 2014. In parallel, the indicator improved 10 times and regressed 13 times on a monthly basis in the month of February since 1993. It averaged 249.5 in 2010, 255.7 in 2011, 256.6 points in 2012, 264.7 points in 2013 and 273.2 points in 2014.

Finance Ministry announces series of reforms

The Ministry of Finance announced a series of reform measures that will be implemented in most departments under its jurisdiction in order to improve the ministry's efficiency, reduce red tape and limit corruption practices. The reforms consist of launching a new call center that would simplify transactions conducted by taxpayers and encourage them to report perceived corruption at public administrations. Also, the ministry plans to create an electronic platform that allows citizens to initiate and follow up on their transactions electronically, and which would reduce the person-to-person interactions between citizens and the public sector employees. Further, the ministry intends to establish an internal control commission to improve the ministry's internal governance. It will also strengthen existing procedures in order to prevent the registration of dummy companies. In addition, the ministry intends to improve tax compliance and reduce tax evasion, as well as to promote the rotation of employees among various departments in order to develop talent and expertise. The ministry plans to establish a direct link between the customs and tax administrations to exchange a range of information in order to improve tax and fee collections. It also aims to modernize the ministry's internal IT audit unit to improve risk management, in line with international standards.

The ministry considered that these reform measures aim to improve Lebanon's rank in terms of ease of doing business, and increase tax compliance that would eventually increase public revenues. The World Bank/International Finance Corporation Doing Business 2015 report ranked Lebanon in 104th place among 189 countries worldwide in terms of ease of doing business. Also, Lebanon ranked in 136th place among 175 countries worldwide on Transparency International's Corruption Perception Index for 2014. In parallel, the ministry warned that Lebanon could lose more than \$600m worth of soft loans from the World Bank if Parliament does not ratify them in the near term. It added that Lebanon's losses could reach more than \$1.2bn over the coming three years if Parliament does not convene and legislate.

Opened letters of credits at \$1.32bn for imports and \$855m for exports in first quarter of 2015

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$1.32bn in the first quarter of 2015, constituting a decrease of 13.7% from \$1.53bn in the first quarter of 2014. Further, utilized credits for imports reached \$1.27bn in the first quarter of 2015, down by 23% from \$1.65bn in the same quarter last year. They accounted for 96.1% of opened LCs in the covered quarter compared to a 107.6% share in the first quarter of 2014. Also, outstanding import credits amounted to \$969.3m at end-March 2015 compared to \$947.8m at end-March 2014. Further, the aggregate value of inward bills for collection reached \$396m in the first quarter of 2015, constituting a decrease of 17.3% from \$478.8m in the same quarter last year. Outstanding bills for collection reached \$141.8m at the end of March 2015 relative to \$169m at end-March 2014.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached \$855.1m in the first quarter of 2015, constituting an increase of 31.5% from \$650.1m in the same quarter of 2014. Further, utilized credits for exports reached \$616.1m in the covered quarter, down by 4.3% from \$644m of used credits in the first quarter of 2014. Outstanding export credits reached \$1.32bn at end-March 2015, up from \$1.25bn at end-March 2014. The aggregate value of outward bills for collection amounted to \$434.8m in the first quarter of the year, constituting an increase of 10.3% from \$394.4m in the same quarter of 2014. The outstanding value of outwards bills for collection reached \$554.2m at end-March 2015 relative to \$458.1m a year earlier.

Construction and public work activity deteriorates in fourth quarter of 2014

The Central Bank's quarterly business survey shows that construction activity regressed during the fourth quarter of 2014, as the balance of opinions stood at -23, compared to -5 in the preceding quarter and to -20 in the same quarter of 2013. The balance of opinions indicates that construction activity was the lowest in the Bekaa at -66, followed by Beirut & Mount Lebanon (-31), the South (-13) and the North (+28). The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for public works stood at -27 in the fourth quarter of 2014, compared to -9 in the preceding quarter and to -16 in the fourth quarter of 2013. Opinions about the level of public works were the lowest in the Bekaa (-48), followed by Beirut & Mount Lebanon (-25), the North (-20) and the South (+20).

In parallel, the balance of opinions for the portfolio of projects was -36 in the fourth quarter of 2014 relative to -22 in the preceding quarter and to -14 in the same quarter of 2013. The balance of opinions about the portfolio of projects was the lowest in the Bekaa at -66, followed by Beirut & Mount Lebanon (-39), the North (-16) and the South (+6). Also, the balance of opinions for general construction activity was -22 in the fourth quarter of 2014, compared to -7 in the preceding quarter and to -20 in the fourth quarter of 2013. Further, the balance of opinions for construction costs reached +16 in the covered quarter compared to +31 in the preceding quarter and to +18 in the same quarter of 2013. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Construction and Public Work Activity: evolution of opinions				
Aggregate results	Q4-11	Q4-12	Q4-13	Q4-14
General activity	-7	-21	-20	-23
Construction	-7	-19	-20	-22
Public work	-13	-14	-16	-27
Portfolio of projects	-13	-25	-14	-36
Construction costs	32	31	18	16
Investments (% of yes)	35%	39%	35%	36%

Source: Central Bank Business Survey for Fourth Quarter 2014

Byblos Bank approves \$107m in dividends for 2014, payout ratio at 61%

The Ordinary General Assembly of Byblos Bank held on May 15, 2015 approved the Bank's proposed distribution of \$107.2m in dividends for common and preferred shares for 2014, representing a payout ratio of 61.1%. The Bank will pay LBP200 (\$0.13) per share to holders of common shares; and would allocate \$8 per share for holders of Preferred Shares Class 2008 and Preferred Shares Class 2009. The dividends will be paid starting on May 22, 2015 net of a 5% withholding tax. Also, the Bank will pay LBP200 per share in US dollars for GDR holders starting May 27, 2015 through the Bank of New York Mellon after deducting the withholding tax and other expenses. Byblos Bank has 565,515,040 common shares and GDRs, 2,000,000 Preferred Shares Class 2008, and 2,000,000 Preferred Shares Class 2009 listed on the Beirut Stock Exchange. In parallel, the Assembly approved the appointment of Mr. Yves Jacquot to the Board of Directors.

Byblos Bank declared audited consolidated net profits of \$175.7m in 2014, constituting a rise of 12.5% from \$156.2m in 2013. Total assets reached \$19bn at end-2014, and grew by 3% from the end of 2013; while net loans & advances to customers rose by 4.8% year-on-year to \$4.7bn at end-2014. Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. Customers' deposits totaled \$15.5bn and increased by 6.5% from end-2013. The bank's net non-performing loans, or NPLs net of specific provisions and reserved interest, were equivalent to 0.94% of net loans at the end of 2014. Also, the NPL coverage ratio, including collective provisions, was 120% at the end of 2014. The bank's capital adequacy ratio stood at 16.5% at end-June 2014 according to Basel III criteria, which is significantly above the minimum regulatory requirements of 11.5% for 2014 and one of the highest such ratios in the Lebanese banking sector. The bank's return on average assets improved from 0.88% in 2013 to 0.94% in 2014; while its return on average common equity rose from 9.8% in 2013 to 11.07% in 2014. The Byblos Bank Group has a direct presence in Syria, Sudan, Iraq, the United Arab Emirates, the Democratic Republic of Congo, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom, and Cyprus.

Kafalat loan guarantees down 29% to \$25m in first four months of 2015

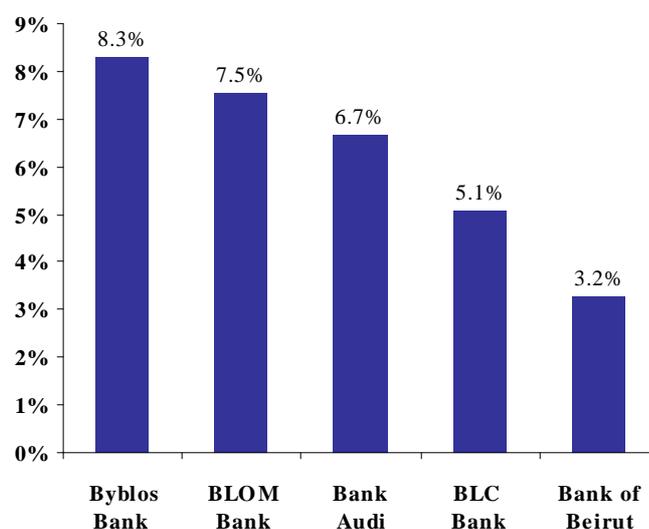
Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$25m in the first four months of 2015, constituting a decline of 28.5% from \$35m in the same period of 2014. Kafalat provided 180 loan guarantees year-to-April 2015, down 34.1% from 273 in the same period of 2014. The average loan size reached \$138,924 during the covered period compared to \$128,191 in the first four months of 2014. Mount Lebanon accounted for 43.3% of the total number of guarantees, followed by the Bekaa with 19.4%, the South and the North with 12.2% each, Nabatieh with 8.3% and Beirut with 4.4%. The agricultural sector accounted for 46.7% of the total number of guarantees, followed by the industrial sector with 36.7%, tourism with 8.9%, handicraft with 5% and specialized technologies with 2.8%. Kafalat is a state-sponsored organization that provides financial guarantees for loans of up to \$400,000 earmarked for the setup and expansion of small- and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the interest that accrues during the grace period.

BankMed approves dividend payments for 2014

BankMed, one of Lebanon's top 10 banks, announced that its Ordinary General Assembly held on May 14, 2015 approved the distribution of preferred shares dividends for 2014. The bank will allocate a gross dividend payment of \$6.75 per share for shareholders carrying Preferred Shares Series 2 and \$6.5 per share for holders of Preferred Shares Series 3. The dividends will be paid starting on May 21, 2015 net of a 10% withholding tax. There are currently 2,250,000 Preferred Shares Series 2 and 1,500,000 Preferred Shares Series 3 outstanding.

BankMed posted unaudited consolidated net profits of \$133.5m in 2014 relative to \$128.1m in 2013. Total assets reached \$15.43bn at the end of 2014, with loans & advances to customers, excluding loans & advances to related parties, at \$4.56bn. Further, customer deposits, excluding deposits from related parties, totaled \$11.42bn at end-2014.

Gross Dividend Yield on Common Shares*



* for closing market prices at end-2014

Source: Beirut Stock Exchange, Banks' releases, Byblos Research

New car sales nearly unchanged in first four months of 2015

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that 10,741 new passenger cars were sold in the first four months of 2015, constituting a drop of 0.4% from 10,789 cars in the same period of 2014. Consumers purchased 2,436 new cars in January, 2,141 vehicles in February, 2,966 cars in March and 3,198 vehicles in April 2015. Japanese cars accounted for 38.7% of total sales in the first four months of 2015, followed by Korean cars with a 34.8% share, European automobiles with 20.6%, American vehicles with 5.2% and Chinese cars with 0.7%. The number of American cars sold rose by 19.5% year-on-year, European vehicles sold increased by 17.6% and Japanese cars sold improved by 14.3%; while the number of Chinese vehicles sold declined by 53.8% from the same period last year and sales of Korean cars dropped by 19.5%. Kia is the leading brand in the Lebanese market with 2,089 cars sold in the first four months of 2015, followed by Toyota with 1,867 cars sold, Hyundai (1,651), Nissan (1,081), Suzuki (406) and Renault (370). In parallel, 678 new commercial vehicles were sold in the first four months of 2015, down by 5.3% from 716 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 four months of 2015 regressed by 1% from the same period of 2014 and by 6.5% from the first four months 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 7,969 in the first four months of 2015 and accounted for 69.8% of new vehicles' total sales. NATCO sal sold 2,089 vehicles, equivalent to 18.3% of the total, followed by Boustany United Machineries sal with 1,977 vehicles (17.3%), Century Motor Co. sal with 1,687 (14.8%), Rasamny Younis Motor Co. sal with 1,229 (10.8%) and Bassoul Heneine sal with 987 (8.6%).

Ciment de Sibline announces dividends for 2014

Ciment de Sibline sal, Lebanon's third largest cement producer, announced that its Ordinary General Assembly held on April 30, 2015 approved the distribution of dividends for 2014. The company will pay gross dividends of LBP233, or \$0.15 per share, to its common shareholders. The dividends will be paid net of a 10% withholding tax starting on June 1, 2015.

Ciment de Sibline's total assets reached \$182.7m at the end of 2014, constituting a rise of 10.8% from \$164.9m at end-2013. The firm's current assets reached \$96.7m, of which \$44.9m were in cash and \$36m were in inventory. Property, plant and equipment dropped by 7.1% from end-2013 to \$80.5m at the end of 2014. In parallel, the firm's short-term liabilities rose by 11.9% to \$30.6m at end-2014, while its long-term liabilities declined by 8.4% year-on-year to \$11.5m. Ciment de Sibline's current ratio, which is a measure of the company's ability to meet its short-term obligations, reached 3.16 times at the end of 2014 compared to 2.64 times at end-2013. Shareholders' equity rose by 12.5% from end-2013 to \$140.7m at the end of 2014.

BLC Bank declares dividends for 2014

BLC Bank sal, one of Lebanon's listed banks, announced that its Ordinary General Assembly held on May 12, 2015 approved the distribution of dividends for 2014. The bank will allocate a gross dividend payment of LBP130 or \$0.086 per share to the holders of common shares, equivalent to a dividend yield of 5.1%. Also, the bank will pay \$7 per share to the holders of Preferred Shares Class A and Preferred Shares Class B, and \$6.75 per share to the holders of Preferred Shares Class C.

The dividends on preferred share will be paid from May 16, 2015 onwards and those on common shares will be paid five days following the Central Bank's approval. The dividends will be paid net of a 5% withholding tax. The bank currently has 51,033,333 common shares; 400,000 Preferred Shares Class A; 550,000 Preferred Shares Class B and 350,000 Preferred Shares Class C listed on the Beirut Stock Exchange.

BLC Bank's consolidated net profits were \$44m in 2014 relative to \$42.1m in 2013. Total assets reached \$5.4bn at the end of 2014, with loans & advances to customers at \$1.93bn at end-2014. Further, customer deposits totaled \$4.3bn at end-2014. BLC Bank is part of the Fransabank Group. BLC Bank's listed share price on the Beirut Stock Exchange closed at \$1.7 on May 15, 2015, unchanged from end-2014.

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

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