

LEBANON THIS WEEK

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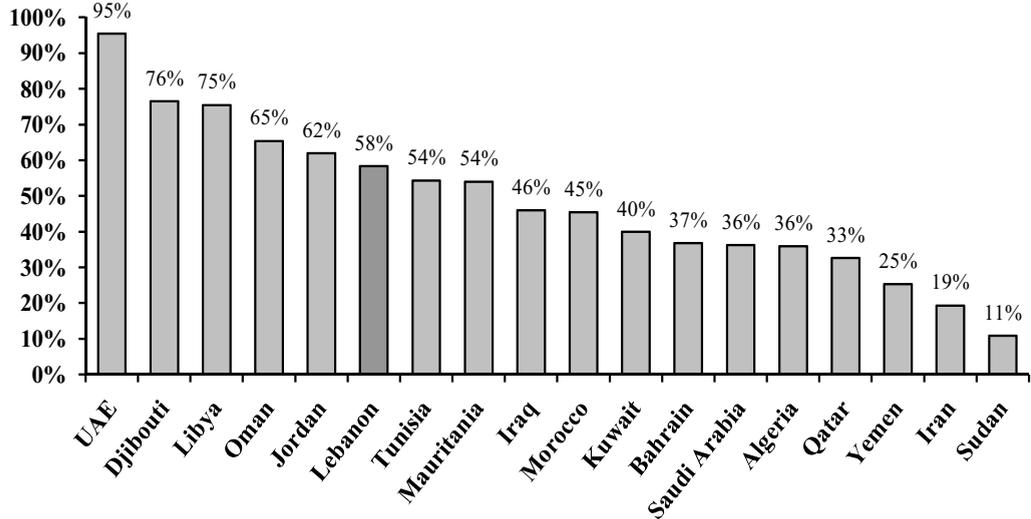
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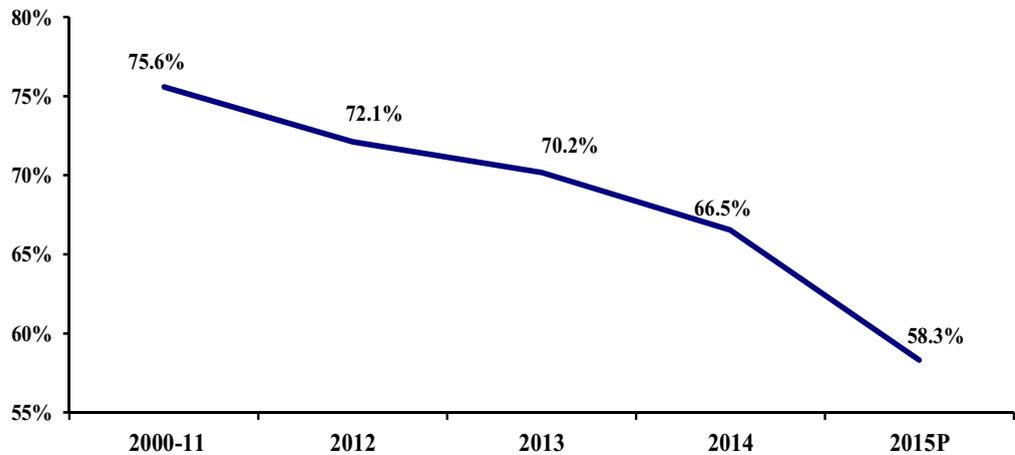
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Charts of the Week

Projected Imports of Goods & Services to MENA Countries in 2015 (% of GDP)



Imports of Goods & Services to Lebanon (% of GDP)



Source: International Monetary Fund, May 2015, Byblos Bank

Quote to Note

"National and external accounts, fiscal, and social and labor-market statistics remain weak, undermining economic decision making, transparency, and policy effectiveness."

The International Monetary Fund, on the effects of Lebanon's inadequate statistical output

Number of the Week

2.2%: Estimated year-on-year real GDP growth rate in the first quarter of 2015, according to the Institute of International Finance

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"	11.50	(0.09)	138,711	9.96%
Solidere "B"	11.41	(0.95)	47,526	6.42%
Byblos Common	1.62	(7.43)	163,906	5.04%
Byblos Pref. 08	100.20	(2.34)	37,834	1.74%
Byblos Pref. 09	100.30	(2.24)	28,379	1.74%
BLOM GDR	10.00	0.00	42,460	6.40%
BLOM Listed	9.50	0.00	71,647	17.69%
Audi GDR	6.55	0.00	0	6.59%
Audi Listed	6.12	(1.13)	4,529	21.19%
HOLCIM	16.18	0.00	0	2.74%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2016	8.500	103.43	3.08
Mar 2017	9.000	108.25	4.23
Nov 2018	5.150	101.00	4.83
May 2019	6.000	103.25	5.09
Mar 2020	6.375	104.50	5.30
Apr 2021	8.250	113.50	5.53
Oct 2022	6.100	102.63	5.66
Jun 2025	6.250	101.38	6.07
Nov 2026	6.600	103.75	6.14
Feb 2030	6.650	103.00	6.33

Source: Byblos Bank Capital Markets

	May 18-22	May 11-15	% Change	Apr 2015	Apr 2014	% Change
Total Shares Traded	641,089	626,226	2.37	1,018,275	1,817,870	(43.99)
Total Value Traded	\$12,345,313	\$7,292,973	69.28	\$10,508,586	\$17,838,999	(41.09)
Market Capitalization	\$11.54bn	\$11.66bn	(1.03)	\$11.56bn	\$11.05bn	4.61

Source: Beirut Stock Exchange (BSE)



More than one third of Lebanese adults borrowed money in 2014, 13% borrowed from family and friends

Figures issued by the World Bank show that 34.8% of Lebanese who are 15 years or older borrowed money, individually or jointly, from available sources in 2014. The survey covers borrowing from commercial banks, financial institutions, family members, friends, or private informal lenders, among other sources. The share of Lebanese who borrowed money in 2014 was the 103rd highest among 143 countries globally, the 26th highest among 40 upper-middle income countries (UMICs), and the fifth highest among nine developing countries in the Middle East & North Africa (MENA).

Globally, the share of adults in Lebanon who borrowed money in 2014 was higher than that in Afghanistan (34.6%) and Egypt and Tunisia (34.1% each), and lower than that in Poland (35.4%), Lithuania (35.2%) and Slovakia (35%). It was higher than that in Tunisia and lower than that in China (36.3%) among UMICs. The share of Lebanese who borrowed money in 2014 was lower than the global share of 42.4%, the UMICs' share of 37.7% and the MENA region's share of 45.7%. On a gender basis, 37.5% of Lebanese males and 32.4% of Lebanese females who are 15 years or older borrowed money in 2014. The share of Lebanese female borrowers last year was lower than the global average of 40.5%, the UMICs' average of 35.8% and the MENA region's average of 45.8%. Similarly, the share of Lebanese male borrowers in 2014 was lower than the global share of 44.3%, the UMICs' share of 39.6% and the MENA region's share of 45.6%.

In parallel, 15.57% of Lebanese who are 15 years or older borrowed money from a bank or another type of financial institution in 2014, up from 11.3% of Lebanese adults in 2011. Borrowing from banks or financial institutions excludes the use of credit cards. The share of Lebanese adults who borrowed money from financial institutions in 2014 was the 40th highest globally, the ninth highest among UMICs, and the second highest among developing countries in the MENA region. Globally, the share of adults in Lebanon who borrowed money from banks and financial institutions in 2014 was higher than that in Colombia (15.56%), Myanmar (15.52%) and the UAE (15.45%), and lower than that in Belgium (15.76%), Uganda (15.7%) and Chile (15.63%). Further, the share of Lebanese adults who borrowed from financial institutions in 2014 was higher than the global average (10.7%), the UMICs' average (10.4%) and the average of developing MENA countries (5.6%).

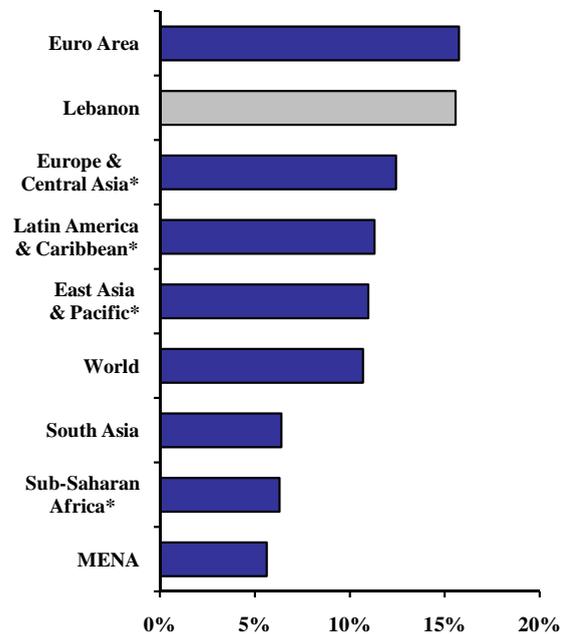
Also, 12.9% of adult Lebanese borrowed money from family or friends in 2014, up from 12% in 2011, while 4.4% of Lebanese above 15 years old borrowed money from a private informal lender in 2014, up from 2.2% in 2011. Further, 14.9% of Lebanese who are 15 years or older borrowed from a store by using installment credit or buying on credit in 2014, up from 5.9% of Lebanese adults in 2011.

In parallel, 5.9% of Lebanese who are 15 years or older borrowed money for health or medical purposes in 2014, lower than the global average (12.2%), the UMICs' average (9.4%) and the average of developing MENA countries (16.3%). Also, 3.4% of adult Lebanese borrowed money to pay for education or school fees last year, lower than the global average (7.7%), the UMICs' average (6.1%) and the average of developing MENA countries (8.2%). The survey's sample excluded certain areas in Lebanon, which host around 10% of the population, for security reasons. Excluded zones were replaced by areas from within the same governorate.

Association of Banks amends reference rates on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to decrease the Beirut Reference Rate (BRR) in US dollars to 6.11% in June 2015 from 6.14% currently. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009 as the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the BRR in Lebanese pounds to 8.7% in June from the current rate of 8.72%. The BRR in US dollars and Lebanese pounds was adopted in March and May 2009, respectively. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks and the profitability of banks to the prime lending rate.

Percentage of Lebanese adults who Borrowed Money from Banks and Financial Institutions in 2014



*developing countries only

Source: World Bank, Byblos Research

Consumer Price Index down 3.7% year-on-year in April 2015

The Central Administration of Statistics' Consumer Price Index declined by 3.5% in the first four months of 2015 from the same period last year. Also, the CPI decreased by 3.7% in April 2015 from April 2014. Actual rent increased by 9.2% in April year-on-year, followed by the prices of clothing & footwear (+5.8%), those of alcoholic beverages & tobacco (+4.8%), the cost of education (+4.5%), prices at restaurants & hotels and imputed rent (+2.2% each), miscellaneous goods & services (+1.6%) and furnishings & household equipment (+1.4%). The distribution of actual rent shows that old rents rose by 20.2% year-on-year in April 2015, while new rents increased by 2.1% annually during the covered month. In contrast, communication costs fell by 23.8% in April 2015, followed by water, electricity, gas & other fuels (-15.4%), transportation costs (-12.1%), healthcare costs (-4.6%), prices of food & non-alcoholic beverages (-0.9%) and the cost of recreation & entertainment (-0.1%).

Further, the CPI decreased by 0.5% in April 2015 from the preceding month, relative to a month-on-month increase of 1.2% in March 2015. Imputed rent increased by 0.6% month-on-month in April 2015, followed by actual rent (+0.4%), the prices of miscellaneous goods & services (+0.3%), alcoholic beverages & tobacco (+0.2%), and transportation costs and prices at restaurants & hotels (+0.1% each). In contrast, the cost of water, electricity, gas & other fuels decreased by 1.7% month-on-month, followed by healthcare costs (-1.5%), food & non-alcoholic beverages prices (-1.3%), prices of clothing & footwear (-0.8%), and the costs of recreation & entertainment and furnishings & household equipment (-0.1% each). The cost of education and that of communication were unchanged month-on-month. Also, the Fuel Price Index dropped by 2.2% month-on-month in April 2015, while the Education Price Index was unchanged from March 2015.

In parallel, the CPI decreased by 1.2% month-on-month in the Bekaa region, by 1% in each of the South and the North, by 0.7% in Nabatieh, by 0.3% in Beirut and by 0.2% in Mount Lebanon. In addition, the cost of housing, water, electricity, gas & other fuels increased by 0.3% in Mount Lebanon and decreased across all other regions. Transportation costs rose by 0.5% in the North and by 0.1% in each of Mount Lebanon and the South, but declined by 0.1% in each of the Bekaa region and Nabatieh; while they were unchanged month-on-month in Beirut. Also, the prices of clothing & footwear increased by 5.3% in Nabatieh, by 0.3% in Beirut and by 0.1% in Mount Lebanon; while they decreased by 5.4% in the South, by 4.4% in the Bekaa region and by 0.6% in the North. The prices of food & non-alcoholic beverages and healthcare costs decreased across all regions. Also, the cost of education and communication costs were unchanged across all regions in April 2015.

Occupancy rate at Beirut hotels at 54%, room yields up 36% in first four months of 2015

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 54% in the first four months of 2015, up from 42% in the same period of 2014 and compared to an average rate of 66.7% in 11 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fourth lowest in the region in the covered period, while it was the second lowest in the first four months of 2014. Cairo posted the lowest occupancy rate of 47% in the first four months of 2015, followed by Manama (51%) and Amman (53%). Also, the occupancy rate at hotels in Beirut rose by 12 percentage points year-on-year, constituting the second highest increase among the 11 Arab markets, behind only Cairo (+16%), and relative to an average rise of 1.8 percentage points for the region. Occupancy rates at Beirut hotels were 50% in January, 55% in February, 54% in March and 56% in April 2015, compared to 36% in January, 41% in February, 40% in March and 51% in April 2014.

The average rate per room at Beirut hotels was \$173 in the first four months of 2015, ranking the capital's hotels as the third least expensive in the region, relative to Amman (\$154) and Cairo (\$102). The average rate per room at Beirut hotels rose by 6.2% year-on-year and posted the fourth highest growth rate among all markets in the region, as it underperformed only Cairo (+33.2%), Madina (+13.8%) and Doha (+10.3%). The average rate per room in Beirut came below the regional average of \$213.5, which increased by 1.3% from the same period of 2014.

Further, revenues per available room (RevPAR) were \$94 in Beirut in the first four months of 2015, up from \$69 in the same period of 2014, and came in ninth place in the region, higher than only Amman (\$83) and Cairo (\$48). Beirut's RevPAR surged by 35.6% year-on-year and posted the second highest increase among Arab markets, relative to a growth rate of 98.6% in Cairo. Beirut posted RevPARs of \$92 in January, \$93 in February, \$91 in March and \$99 in April 2015, compared to \$64 in January, \$68 in February, \$57 in March and \$88 in April 2014. Further, Dubai posted the highest average rate per room in the region at \$303, the highest occupancy rate at 86% and the highest room yield at \$262 in the first four months of 2015.

Hotel Sector Performance in First Four Months of 2015

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai	86	262	(7.9)
Doha	76	200	18.5
Jeddah	74	191	(0.7)
Abu Dhabi	82	187	3.1
Kuwait	58	158	(6.7)
Madina	82	157	15.0
Riyadh	71	155	(3.9)
Manama	51	98	(5.3)
Beirut	54	94	35.6
Amman	53	83	(18.2)
Cairo	47	48	98.6

Source: EY, Byblos Research

Majority of Lebanese moderately satisfied with current salary

A survey conducted by regional job portal Bayt.com indicated that 53% of surveyed Lebanese said they are moderately satisfied with their current salary; 44% of respondents were not satisfied; and 3% of participants expressed a high level of satisfaction about their present salary. In comparison, 49% of persons surveyed across the Arab world expressed moderate satisfaction with their salary, 46% of respondents were not content, and 4% were highly satisfied. Further, the survey indicated that 63% of persons polled in Lebanon consider that their take-home pay is lower than their counterparts at other firms in the same industry, 23% believe that their salary package is competitive with the market and 2% think that their income is higher than their counterparts in the same sector. It noted that 42% of Lebanese do not save any part of their monthly income, 34% save less than 15% of their take-home pay, and 23% save more than 15% of their monthly income. The survey covered a sample of about 12,158 professionals in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE. The survey, which was conducted between March 30 and April 6, 2015, covered a sample of 320 respondents in Lebanon.

In parallel, the survey indicated that 51% of polled Lebanese indicated that they did not get a raise in 2014, while 19% of respondents said that they received a salary increase of up to 5%, and 13% said that their annual raise ranged between 6% and 10%. Also, 3% of participants indicated that they received a pay raise between 11% and 15%, and 9% of respondents stated that their annual raise exceeded 15% in 2014. Further, the survey found that 33% of respondents in Lebanon do not expect to receive a pay raise in 2015, followed by 18% of participants who anticipate a raise of 1% to 5%, 13% who expect a raise of 6% to 10%, and 5% of respondents who anticipate a raise of between 11% and 15%. In addition, 14% of respondents expect a raise of more than 15%.

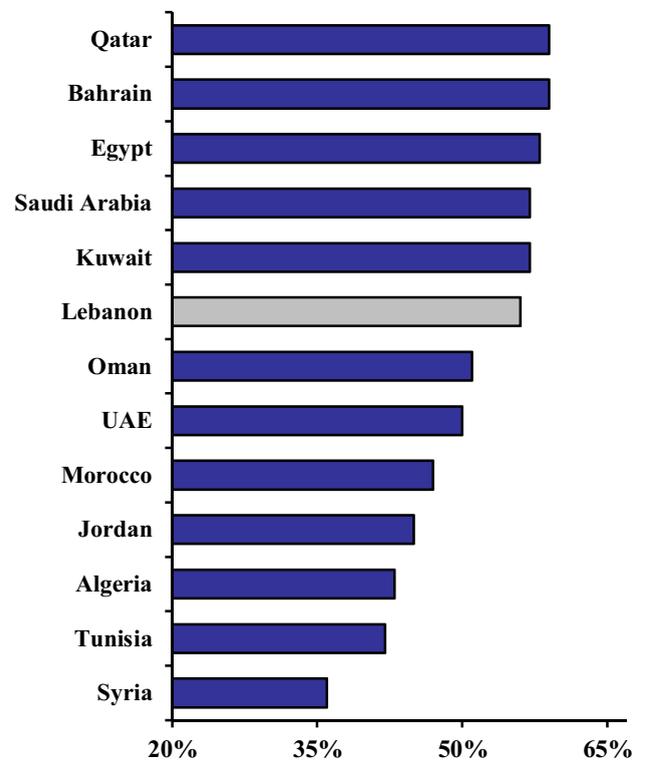
Further, the survey pointed out that 38% of respondents consider that salaries in Lebanon are stagnating, 36% said that salaries are increasing, and 16% acknowledged that salaries are decreasing. It said that 79% of Lebanese who consider that salaries in Lebanon are rising attributed the increase to inflation and to the high cost of living, while 72% of respondents who consider that salaries in Lebanon are decreasing attributed the decline to weak economic activity. Indeed, 87% of respondents said that the cost of living increased in Lebanon last year due to an increase in the cost of food & beverages (80% of participants), a rise in education and entertainment costs (51% of respondents each), an increase in rents (50% of respondents), and a rise in the cost of utilities (49% of participants). The survey's results for Lebanon are mitigated by the fact that the sample size is not representative enough and that the survey was conducted via the Internet, which is not the most reliable methodology for opinion polling.

Value of real estate transactions down 21% to \$2.2bn in first four months of 2015

Figures released by the Ministry of Finance indicate that the number of real estate transactions totaled 17,816 in the first four months of 2015, constituting a decrease of 19.2% from 22,038 deals in the same period of 2014. In comparison, the number of real estate transactions rose by 8.9% in the first four months of 2014 and dropped by 8.6% in the same period of 2013. Also, the aggregate value of real estate transactions reached \$2.2bn in the first four months of 2015, constituting a drop of 21% from \$2.8bn in the same period of 2014. In comparison, the value of real estate deals totaled \$2.3bn in the first four months of 2013 and \$2.5bn in the same period of 2012.

In parallel, the average value per real estate transaction dropped by 2.3% year-on-year to \$125,702 in the first four months of 2015, relative to an average value of \$128,603 in the same period of 2014 and \$113,586 in the first four months of 2013. Further, there were 427 real estate transactions executed by foreigners in the first four months of 2015, increasing by 33.4% from 320 deals in the same period of 2014, and compared to an annual drop of 6.4% in the first four months of 2014 and a decline of 16% in the same period of 2013. The number of real estate transactions by foreigners accounted for 2.4% of total real estate deals in the first four months of 2015, up from 1.5% in the same period last year and from 1.7% in the first four months of 2013.

% of Respondents who are Satisfied with Current Salary*



*moderately and highly satisfied

Source: Bayt.com, Byblos Research

Central Bank tightens reporting standards

The Central Bank of Lebanon issued Intermediate Circular 388 on May 2, 2015, which amends Basic Circular 75 dated October 26, 2000 about the Central Office of Credit Risk. The Central Bank tightened the credit reporting standards to the Central Office of Credit Risk, as it asked banks and financial institutions in Lebanon to report on a monthly basis the details of credit lines extended to their clients that exceed LBP5m or \$3,317, down from LBP10m or \$6,633 previously. The decision will come into effect in June 2015. Further, the circular indicated that the Central Bank will further tighten reporting standards, as it will gradually reduce the maximum amount that is exempt from reporting to LBP1m or \$663.3.

In parallel, the circular defined the loan portfolio of clients. First, it specified that retail loans include consumption loans, such as car, students and education loans, in addition to revolving credits and housing loans. Second, it said that portfolio loans of small- and medium-sized enterprises consist of loans extended to liberal professions, such as to doctors, engineers and lawyers to finance their businesses. They also include loans to individual establishments (sole proprietorship) or companies with annual revenues of \$5m or less. Also, they include loans extended to individuals to finance their own investments, provided that the settlement of the loan is paid from the revenues generated by companies they own and that the annual revenues of these companies do not exceed \$5m. Third, it stipulated that loans extended to companies cover loans to individual establishments (sole proprietorship) or to firms with annual revenues of \$10m or more, as well as to insurance companies regardless of their size. Also, they include loans extended to individuals to finance their own investments, provided that the settlement of the loans is paid from the revenues of companies they own and that the annual revenues of these companies should be \$5m or more. Fourth, it noted that loan portfolios to the public sector include credit extended to the central government, local authorities and public institutions.

Revenues through Port of Beirut down 2% to \$51m in first quarter of 2015

Figures released by the Port of Beirut show that the port's overall revenues were \$50.7m in the first quarter of 2015, down by 1.6% from \$51.5m the same quarter of 2014. The Port of Beirut handled an aggregate freight of 1.81 million tons in the covered quarter, down by 15.5% from 2.1 million tons in the first quarter of 2014. Imported freight amounted to 1.63 million tons in the covered quarter and accounted for 90% of the total, while the remaining 0.18 million tons, or 10%, were export cargo. A total of 425 ships docked at the port in the first quarter of 2015 compared to 509 vessels in the same quarter of 2014.

In parallel, revenues generated through the Port of Tripoli reached \$3.6m in the first quarter of 2015, constituting a rise of 9.3% from \$3.3m in the same quarter last year. Further, the Port of Tripoli handled an aggregate weight of 310,415 tons of freight in the covered quarter, constituting an increase of 23.9% from 250,534 tons in the first quarter of 2014. Imported freight amounted to 297,982 tons and accounted for 96% of the total, while the remaining 12,433 tons, or 4%, were export cargo. A total of 123 vessels docked at the port in the first quarter of 2015, constituting a rise of 0.8% from 122 ships in the same quarter of 2014.

Treasury transfers to Electricité du Liban down 12% to \$1.5bn in first nine months of 2014

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled \$1.5bn in the first nine months of 2014, constituting a decline of 11.5% from \$1.7bn in the same period of 2013. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled \$1.47bn, or 98.7% of transfers in the covered period, while EdL's debt servicing represented the balance of \$19.3m, or 1.3% of the total. It attributed the decrease in transfers to a drop of \$172.4m, or 10.5%, in payments to KPC and Sonatrach during the covered period, as well as to a decline of \$21.9m, or 53.1%, in debt servicing.

In parallel, the ministry said that the decrease in payments to KPC and Sonatrach reflects a 22% year-on-year decline in the quantity of imported gas oil and a 0.4% drop in oil prices at the time when the oil contracts were executed, which were partly offset by a 16% increase in the quantity of imported fuel oil. Also, it pointed out that EdL contributed 3.4% of the repayments to the two oil suppliers during the covered period compared to 2.5% in the first nine months of 2013. EdL transfers accounted for 21.2% of primary expenditures in the first nine months of 2014, down from 22.3% in the same period of 2013. They constitute the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.1% of GDP in 2012, 4.3% of GDP in 2013 and 4.2% of GDP in 2014.

Régie expands production capacity of tobacco factory

La Régie Libanaise des Tabacs & Tombacs (RLTT) announced that it upgraded its tobacco factory in eastern Beirut for a total cost of \$17m. The upgrade aims to increase the firm's revenues by \$40m per year. The new factory has the capacity to raise production from 12,000 packs of cigarettes per month to 35,000 packs. The factory's production capacity is expected to cover about 40% of domestic cigarette consumption. It includes a laboratory equipped with the needed tools to monitor the product's physical and chemical quality. RLTT indicated that it obtained a license to manufacture leading international tobacco brands.

Transfers from RLTT to the Treasury reached LBP115bn, or \$76.3m, in the first 10 months of 2014 relative to LBP95bn (\$63m) in 2013, LBP100bn (\$66.3m) in 2012 and LBP40bn (\$26.5m) in 2011. RLTT began to generate higher revenues when the Ministry of Finance imposed in October 2011 an additional charge of LBP250 (\$0.17) to the retail price of a pack of cigarettes. RLTT has the exclusive right to import tobacco leaves and tobacco products, export tobacco leaves and tobacco products, and produce tobacco products in Lebanon.

Corporate Highlights

ADIR's net profits up 16% to \$10m in 2014

ADIR Insurance sal, the insurance affiliate of the Byblos Bank Group, announced audited net profits of \$10.2m in 2014, constituting an increase of 15.9% from net earnings of \$8.8m in 2013. Its audited balance sheet shows total assets of \$226.1m at the end of 2014, a rise of 12.8% from \$200.3m a year earlier. On the assets side, general company investments reached \$94.9m and increased by 10.6% from \$85.8m at the end of 2013. They included \$26.3m in fixed income investments, \$11.7m in cash & cash equivalents and \$52.7m in blocked bank deposits and deposits with maturity of more than three months, of which \$2.9m in bank deposits blocked in favor of the Economy Ministry as guarantees.

Also, unit-linked contract investments totaled \$101.9m at the end of 2014 and rose by 15.6% from \$88.2m a year earlier. They included \$46.3m in fixed income investments, \$40.3m in cash & similar investments, and \$15.4m in placements in mutual funds. Unit-linked investments in fixed income instruments rose by 8.3%, cash & similar investments grew by 25.6%, and placements in mutual funds increased by 14.9% year-on-year. Reinsurance share in technical reserves for the life and non-life categories amounted to \$17.8m and \$3m, respectively, constituting year-on-year increases of 15.4% and 24.5%, respectively.

On the liabilities side, unit-linked technical reserves reached \$99.1m at the end of 2014, reflecting a rise of 16.9% from \$84.7m at end-2013. Also, technical reserves for the life segment grew by 14.1% year-on-year to \$27.2m, while technical reserves for the non-life category reached \$31.6m at end-2014 and increased by 2.3% from a year earlier. Non-life technical reserves included unearned premium reserves of \$22.5m that dropped by 5.8%, and outstanding claims reserves of \$3.8m that increased by 21.5%. They also included premium deficiency reserves of \$2.8m that rose by 7.6%, and \$2.1m in reserves incurred but not reported that increased by 119.7% year-on-year. Provisions for risks and charges reached \$1.7m and rose by 46.5% from the previous year. Further, the debt for funds held under reinsurance treaties reached \$18.1m at end-2014, constituting an increase of 16% from \$15.6m at end-2013. Also, the firm's shareholders' equity totaled \$40.3m at end-2014 and rose by 17% from \$34.4m a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked ADIR in sixth and 15th place in 2014 in terms of life and non-life premiums, respectively. The firm's life premiums grew by 5.3% year-on-year to \$35.7m, while its non-life premiums decreased by 1.3% to \$19.6m in 2014. It had an 8% share of the life market and a 1.9% share of the local non-life market. Overall, ADIR ranked in 11th place in terms of life and non-life premiums in 2014.

Balance sheet of investment banks up 2% in first quarter of 2015

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,333bn, or \$4.2bn at the end of March 2015, constituting a rise of 2.1% from the end of 2014 and an increase of 5.9% from end-March 2014. Private sector deposits totaled \$2bn at the end of March 2015, and rose by 1.9% from end-2014 and by 3.5% from a year earlier. Resident deposits in foreign currencies stood at \$953m, followed by resident deposits in Lebanese pounds at \$733.7m, non-resident deposits in foreign currencies at \$289.1m and non-resident deposits in Lebanese pounds at \$65.1m. Liabilities to the public sector reached \$189.7m at the end of March 2015, constituting a rise of 1.8% from the end of 2014 and a drop of 6% from the same month last year. Also, commitments to the financial sector totaled \$621.5m at the end of March 2015, reflecting a drop of 2.4% from end-2014 and a rise of 12.2% from a year earlier.

On the assets side, investment banks' cash balance and deposits at commercial banks reached \$2bn at end-March 2015, up by 6.1% from end-2014 and by 18.1% from end-March 2014. Also, lending to the private sector totaled \$1.3bn, constituting a drop of 3.4% from end-2014 and an increase of 6.8% year-on-year. Investments in government securities totaled \$551.1m at end-March 2015, up by 0.6% from end-2014 and down by 15.9% from a year earlier. Further, the aggregate capital account of investment banks reached \$1.2bn at the end of March 2015, constituting an increase of 4.5% from end-2014 and a rise of 22% from end-March 2014. There were 16 investment banks operating in Lebanon with a total of 21 branches as at December 2014.

Moody's upgrades CMA CGM's ratings on improving liquidity position

Moody's Investors Service upgraded the corporate family rating of the Lebanese-owned and France-based container shipping group CMA CGM to 'B1' from 'B2'. It also raised the firm's probability of default rating to 'B1-PD' from 'B2-PD' and the company's senior unsecured bond ratings to 'B3' from 'Caa1'. It said that the ratings have a 'stable' outlook. The agency attributed the upgrade to the company's continued robust operating performance and improving financial profile. It added that the firm maintained adequate liquidity, supported by a large cash cushion. It expected these trends to continue in 2015 despite the prevailing challenging market conditions in the container shipping segment, due to sustained volume growth, lower bunker prices and cost containment efforts.

Moody's indicated that CMA CGM's corporate family rating is supported by its leading market position and geographic diversification, and by its low capital investment commitments relative to its main competitors, as well as by the flexibility of its fleet, its operating efficiency and its strong asset base. It pointed out that the ratings are constrained by the high cyclicality in the container shipping market, as well as by the company's high leverage. It noted that the strong competition between the main market players limits CMA CGM's ability to recover increases in certain operating costs, mainly bunker costs; while the high reliance of the container shipping segment on short-term contracts limits the predictability of the firm's revenues.



Banque Libano-Française exercises call option on preferred shares

Banque Libano-Française sal (BLF) redeemed and cancelled 1,000,000 Series 2 Preferred Shares on May 22, 2015 at a price of \$100 per share. The shares were issued in January 2010 and carried an annual dividend rate of 8% of the issue price. BLF gave priority to Series 2 holders to subscribe to the newly issued 1,500,000 Series 4 Preferred Shares.

The Series 4 Preferred Shares were issued in April 2015 and are redeemable, non-cumulative and perpetual. The issue price is \$100 per share, of which LBP10,000 (\$6.63) is par value and the remaining \$93.37 constitute the issue premium. The Series 4 shares carry an annual dividend rate of 7% of the issue price. The dividends will be paid net of a 5% withholding tax, as the bank will reimburse the holders of Series 4 Preferred Shares for the difference between the 10% withholding rate and the rate at which the shares would be taxed if they were listed on the Beirut Stock Exchange. BLF has the option to call the shares within 60 days after the Ordinary General Assembly meets to approve the financials for fiscal year 2019, and annually thereafter, at a callable price of \$100 per share plus any declared but unpaid dividends. The bank would have to redeem a minimum of 20% of the outstanding Series 4 shares in case it decides to exercise its call option.

BLF posted unaudited consolidated net profits of \$102.1m in 2014. Its assets reached \$11.3bn at end-2014; while loans & advances to customers, excluding loans & advances to related parties, rose by 11.2% from end-2013 to \$4bn at the end of 2014. Also, customer deposits, excluding deposits from related parties, totaled \$9.4bn at end-2014, up by 0.5% year-on-year.

Top five freight forwarders' import activity down 7% in first quarter of 2015

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders through the port reached 77,224 20-foot equivalent units (TEUs) in the first quarter of 2015, constituting a decline of 7.1% from 83,150 TEUs in the same quarter last year. They accounted for 61.2% of the total import freight forwarding market and for 92.4% of imports to the Lebanese market during the covered quarter.

Mediterranean Shipping Company (MSC) handled 24,834 TEUs in imports in the first quarter of 2015, equivalent to a 19.7% share of the total freight forwarding import market. It was followed by Sealine Group with 17,026 TEUs (13.5%), Merit Shipping with 16,407 TEUs (13%), Metz Group with 12,712 TEUs (10.1%) and Gezairy Transport with 6,245 TEUs (4.9%). Further, Metz Group registered the highest growth in import shipping among the top five freight forwarders at 1.5% year-on-year, while Gezairy Transport posted the steepest decline at 27.4%

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 14,497 TEUs in the first quarter of 2015, constituting a decrease of 4.4% from 15,168 TEUs in the same quarter last year. They accounted for 12% of the total export freight forwarding market and for 98.5% of exported Lebanese cargo during the first quarter of 2015. Sealine Group handled 4,978 TEUs of freight in the first quarter of this year, equivalent to 33.8% of the Lebanese cargo export market. It was followed by Merit Shipping with 4,620 TEUs (31.4%), Metz Group with 3,041 TEUs (20.7%), MSC with 1,094 TEUs (7.4%) and Gezairy Transport with 764 TEUs (5.2%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 22.5% year-on-year, while MSC posted the steepest drop of 19.3%.

Launch of international accelerator program

Banque du Liban and the United Kingdom government launched the UK Lebanon Tech Hub (UKLTH), which aims to support Lebanese technology start-ups and to provide them with global market access. The two-year international accelerator program will offer, in its first phase, one-on-one mentorship and business support from international entrepreneurs and experts to help 45 Lebanese start-ups develop growth plans to compete in global markets. Phase two of the program will include 15 companies only and aims to help them implement their internationalization plans over a period of 10 months, while mainly operating from the London tech scene.

The UKLTH is supported by the UK-based PA Consulting Group and was created in response to Banque du Liban Intermediate Circular 331 that was issued in August 2013. The circular authorized commercial banks operating in Lebanon to invest up to 3% of their private funds in the capital of start-up firms in the knowledge economy, with a 10% limit per firm of this percentage. Intermediate Circular 331 also stipulates that the Central Bank of Lebanon would guarantee 75% of banks' investments into start-up companies or in local venture capital funds targeting the knowledge economy.



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	June 2013	May 2014	June 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	June 2013	May 2014	June 2014	Change*	Risk Level
Political Risk Rating	58.4	58.3	58.0	▲	High
Financial Risk Rating	41.0	40.6	40.6	▲	Very Low
Economic Risk Rating	36.7	36.0	36.1	▲	Low
Composite Risk Rating	68.0	67.5	67.4	▲	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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