

LEBANON THIS WEEK

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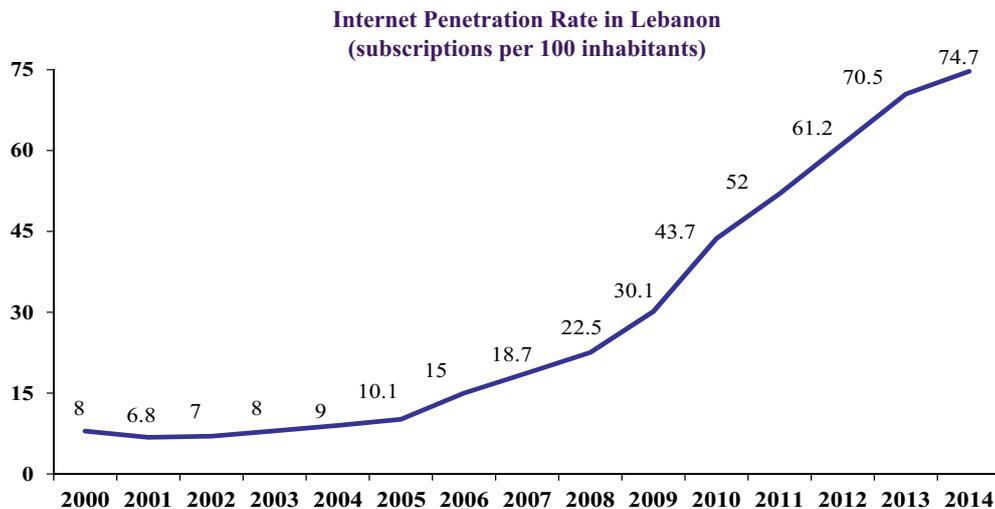
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Charts of the Week



Source: International Telecommunication Union, Byblos Research

Quote to Note

"Data weaknesses impede both decision-making and economic and social analysis."

The World Bank, on the opportunity cost of Lebanon's weak statistical capacity

Number of the Week

\$34.1bn: The Central Bank's gross foreign currency reserves at the end of June 2015

Lebanon in the News

\$m (unless otherwise mentioned)	2014	Jun 14	Mar 15	Apr 15	May 15	Jun 15	% Change*
Exports	3,313	278	257	235	342	281	1.08
Imports	20,494	1,567	1,509	1,444	1,486	1,690	7.85
Trade Balance	(17,181)	(1,289)	(1,252)	(1,209)	(1,144)	(1,409)	9.31
Balance of Payments	(1,408)	(561)	(417)	136	189	(794)	41.59
Checks Cleared in LBP	18,143	1,518	1,579	1,550	1,564	1,593	4.94
Checks Cleared in FC	56,348	4,807	4,322	4,158	4,424	4,504	(6.30)
Total Checks Cleared	74,491	6,325	5,901	5,708	5,988	6,097	(3.60)
Budget Deficit/Surplus	(4,632)	(187.36)	(391.66)	(85.53)	(167.04)	(38.90)	(79.24)
Primary Balance	1,970	133.93	(22.84)	42.17	281.74	289.34	116.04
Airport Passengers	6,567,647	610,170	476,739	598,055	544,388	591,890	(3.00)

\$bn (unless otherwise mentioned)	2014	Jun 14	Mar 15	Apr 15	May 15	Jun 15	% Change*
BdL FX Reserves	32.40	33.85	34.53	33.77	34.10	34.11	0.77
<i>In months of Imports</i>	<i>18.97</i>	<i>21.60</i>	<i>22.88</i>	<i>23.38</i>	<i>22.95</i>	<i>20.18</i>	<i>(6.56)</i>
Public Debt	66.58	65.71	69.44	69.46	69.37	69.02	5.04
Net Public Debt	57.31	55.17	58.51	58.97	59.28	59.46	7.78
Bank Assets	175.70	169.57	176.95	179.40	179.03	180.08	6.20
Bank Deposits (Private Sector)	144.43	140.35	145.46	147.50	147.89	148.58	5.86
Bank Loans to Private Sector	50.90	49.18	51.14	51.43	51.37	51.74	5.21
Money Supply M2	48.69	46.89	49.44	50.01	50.26	50.59	7.90
Money Supply M3	117.68	114.97	118.06	119.75	120.04	120.46	4.77
LBP Lending Rate (%)	7.49	7.45	6.94	7.10	7.11	7.12	(33bps)
LBP Deposit Rate (%)	5.56	5.49	5.57	5.61	5.56	5.51	2bps
USD Lending Rate (%)	6.97	6.97	7.16	7.08	7.04	7.03	6bps
USD Deposit Rate (%)	3.07	2.98	3.12	3.16	3.14	3.16	18bps
Consumer Price Index**	0.59	1.19	0.00	(0.17)	(0.13)	(0.38)	-

* 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 %
BLOM Listed	9.40	(1.05)	196,441	18.13%	Jan 2016	8.500	101.93	3.34
Audi GDR	5.97	(0.33)	114,610	6.22%	Mar 2017	9.000	107.00	4.29
Solidere "A"	10.24	(6.48)	96,283	9.19%	Nov 2018	5.150	101.25	4.72
BLOM GDR	9.70	(3.00)	96,200	6.43%	May 2019	6.000	102.75	5.18
Solidere "B"	10.29	(4.37)	61,505	6.00%	Mar 2020	6.375	103.00	5.61
Audi Listed	5.98	(0.33)	19,194	21.44%	Apr 2021	8.250	111.50	5.82
Byblos Common	1.61	(1.83)	14,608	5.19%	Oct 2022	6.100	100.88	5.95
Byblos Pref. 08	100.50	(0.50)	6,150	1.80%	Jun 2025	6.250	100.75	6.15
Byblos Pref. 09	100.70	(1.27)	3,153	1.81%	Nov 2026	6.600	101.00	6.47
HOLCIM	14.51	(5.04)	417	2.54%	Feb 2030	6.650	101.00	6.54

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

Source: Byblos Bank Capital Markets

	August 24-28	August 17-21	% Change	July 2015	July 2014	% Change
Total Shares Traded	663,771	465,918	42.47	3,371,034	3,616,820	(6.81)
Total Value Traded	\$7,940,334	\$4,825,652	64.54	\$28,058,062	\$19,622,207	42.99
Market Capitalization	\$11.15bn	\$11.34bn	(1.69)	\$11.44bn	\$10.94bn	4.58

Source: Beirut Stock Exchange (BSE)



Greenfield FDI from Lebanon at \$7.2bn between January 2003 and May 2015, Iraq attracts 52% of FDI

Figures released by fDi Markets show that the cumulative value of outward greenfield foreign direct investment (FDI) from Lebanon totaled \$7.2bn between January 2003 and May 2015. Lebanon was the seventh largest source of greenfield FDI in nominal terms among 19 Arab countries during the covered period, behind the UAE (\$297.4bn), Bahrain (\$68.4bn), Kuwait (\$66.5bn), Qatar (\$47.5bn), Saudi Arabia (\$41.4bn) and Egypt (\$19.8bn). The value of outward greenfield FDI from Lebanon accounted for 1.3% of the aggregate amount of greenfield FDI from Arab countries between January 2003 and May 2015. The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation, but exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border greenfield investments across the world, and is owned by the Financial Times Group.

On a country level, Iraq was the main destination of greenfield FDI from Lebanon with \$3.7bn or 51.8% of the total, followed by the UAE with \$1.17bn (16.2%), Syria with \$283m (3.9%), Sudan with \$228m (3.2%), Egypt with \$163m (2.3%), Jordan with \$146m (2%), the United Kingdom with \$137m (1.9%), Albania with \$130m (1.8%), Turkey with \$125m (1.7%) and China with \$111m (1.5%) as the top 10 destinations of Lebanese investments.

Further, Lebanese firms invested in 159 greenfield projects outside Lebanon between January 2003 and May 2015. Lebanon was the seventh largest source of greenfield FDI projects among 19 Arab countries, behind the UAE (2,456 projects), Saudi Arabia (526 projects), Kuwait (412 projects), Qatar (301 projects), Bahrain (206 projects) and Egypt (164 projects). Also, the number of greenfield FDI projects from Lebanon accounted for 3.4% of such projects from Arab countries over the covered period. In parallel, 77 Lebanese companies invested in 114 greenfield FDI projects in Arab countries between January 2003 and May 2015 for a total of \$6.1bn. Iraq, the UAE and Syria accounted for 51% of the number of projects and for 85.4% of their value.

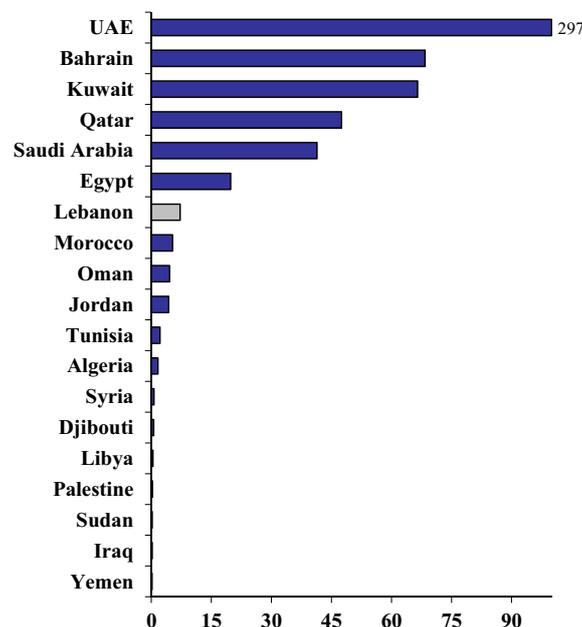
Make Oil AG was the top Lebanese firm investing in greenfield investment projects outside Lebanon with \$3bn or 41.7% of the total between January 2003 and May 2015. It was followed by Solidere with \$753m (10.5%), Al-Murad Company with \$500m (6.9%), Byblos Bank with \$292m (4.1%), Investcom Holding with \$272m (3.8%), BLOM Bank with \$266m (3.7%), Bank Audi with \$200m (2.8%), Bank of Beirut with \$179m (2.5%), Patchi with \$170m (2.4%) and Seyouri Group with \$146m (2%); while other Lebanese companies invested \$1.4bn (19.8%) in 96 greenfield projects outside Lebanon over the covered period.

Central Bank to launch economic stimulus package for 2016

Central Bank Governor Riad Salamé announced that the Bank is working on a financial package of about \$1bn to stimulate economic activity in Lebanon in 2016 amid domestic political tensions, security challenges and spillovers from the Syrian crisis. He added that the Bank could increase the size of the stimulus to as much as \$1.5bn in case of need. The new economic stimulus package would represent the Bank's fourth package since 2013, following the LBP2,210bn or \$1.47bn package in 2013, the LBP1,200bn (\$800m) in 2014 and the LBP1,500bn (\$1bn) package in 2015.

Under the planned stimulus package, the Central Bank would extend loans to commercial banks on a first-come first-served basis at an interest rate of 1% per year. In turn, the financial facilities will allow banks operating in Lebanon to extend loans to their clients at reduced interest rates of up to 6% per year. The stimulus package for 2016 is expected to be in line with previous packages, where loans are extended to finance mortgages, innovative projects, renewable energy projects, education, research & development ventures, as well as other productive sectors of the economy.

Greenfield FDI Outflows from Arab countries* (US\$bn)



*between January 2003 and May 2015

Source: fDi Markets, Byblos Research

Lebanon's electricity consumption at 3,499 kilowatt-hours per capita, higher than global and MENA levels

Figures issued by the World Bank about Lebanon's environmental profile show that the urban population accounts for 87.5% of the country's total population, compared to a 60.1% share in the Middle East and North Africa (MENA) region, a 61.8% share in upper middle-income countries (UMICs), and a 53% share worldwide. The figures indicate that agricultural land in Lebanon represents 72% of the country's land area, substantially higher than the MENA average of 23%, the UMICs' ratio of 44% and the global rate of 38%. It noted that Lebanon's agricultural productivity, measured by value-added in 2005 US dollar terms, is \$39,595 per worker, which is significantly higher than the UMICs' and the global agricultural productivity levels of \$1,160 and \$1,193 per worker, respectively.

Further, the World Bank's figures show that forests account for 13.4% of Lebanon's land areas, compared to rates of 2.4% in MENA countries, 29.1% in UMICs and 31% globally. It noted that the forestation rate averaged 0.4% annually between 2000 and 2011 compared to a rate of 0.1% in the MENA region and a deforestation rate of 0.1% globally. The Bank added that nationally-protected territories in Lebanon represent just 0.6% of the country's overall surface area, while they account for 6.1% of overall land in the MENA region, for 16.1% of land in UMICs and for 14.3% of land globally. In parallel, the World Bank said that the production of fisheries in Lebanon totals 5,100 metric tons and accounts for 0.12% of overall production in the MENA region. The capture of fisheries in Lebanon grew by an annual average rate of 4.4% between 1990 and 2013, relative to a growth rate of 3% in MENA countries, of 1.6% in UMICs and of 0.4% worldwide. The Bank added that aquaculture in Lebanon grew by an annual average rate of 12.8% during the 1990 and 2013 period, compared to an annual average growth rate of 12.6% in MENA countries, of 8.9% in UMICs and of 7.9% globally.

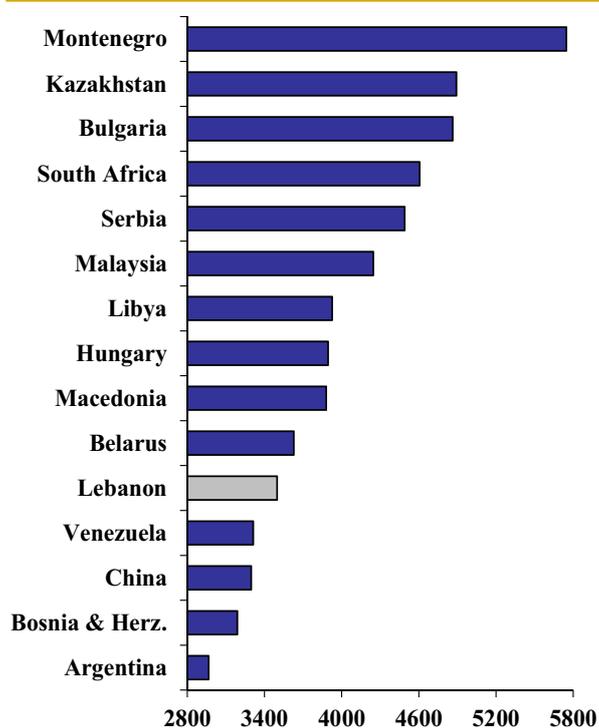
In parallel, the World Bank indicated that Lebanon's energy use per capita is 1,449 kilograms of oil equivalent, compared to an average of 1,376 kg of oil equivalent in MENA countries, of 1,893 kg of oil equivalent in UMICs, and of 1,890 kg of oil equivalent globally. It added that Lebanon consumes 3,499 kilowatt-hours of electricity per capita, higher than the average consumption of MENA countries (1,696 KWh per capita), of UMICs (2,932 KWh per capita) and of the world (3,045 KWh per capita). Also, 95.1% of electricity generated in Lebanon uses fossil fuel compared to 91.7% in MENA countries, 74.7% in UMICs and 67% worldwide; while only 4.9% of electricity produced in Lebanon is generated by hydropower, relative to 5.5% in MENA countries, 20% in UMICs and 15.6% globally. Further, Lebanon emits 4.7 metric tons of carbon dioxide per capita compared to 3.9 metric tons per capita emitted by MENA countries, 5.4 metric tons per capita by UMICs and 4.9 metric tons per capita released globally.

Value of real estate transactions down 14% to \$4.4bn in first seven months of 2015

Figures released by the Ministry of Finance indicate that the number of real estate transactions totaled 33,796 in the first seven months of 2015, constituting a decrease of 13.6% from 39,094 deals in the same period of 2014. In comparison, the number of real estate transactions rose by 2.5% in the first seven months of 2014 and dropped by 5.2% in the same period of 2013. Also, the aggregate value of real estate transactions reached \$4.4bn in the first seven months of 2015, constituting a drop of 14.4% from \$5.1bn in the same period of 2014. In comparison, the value of real estate deals totaled \$4.7bn in the first seven months of 2013 and \$4bn in the same period of 2012.

In parallel, the average value per real estate transaction reached \$129,390 in the first seven months of 2015, down by 1% from an average value of \$130,659 in the same period of 2014 and relative to \$122,022 in the first seven months of 2013. Further, there were 788 real estate transactions executed by foreigners in the first seven months of 2015, increasing by 36.6% from 577 deals in the same period of 2014, compared to an annual drop of 19.6% in the first seven months of 2014 and a decline of 6.3% in the same period of 2013. The number of real estate transactions by foreigners accounted for 2.3% of total real estate deals in the first seven months of 2015 compared to 1.5% of total deals in the same period last year and to 1.9% of total deals in the first seven months of 2013.

Electric Power Consumption*
(kilowatt-hours per capita)



*Top 15 Upper Middle Income Countries
Source: World Bank, Byblos Research

Lebanon's banking sector indicators favorable compared to emerging markets

Merrill Lynch estimated total credit extended to the resident private sector in Lebanon to be equivalent to 89.4% of GDP as of June 2015, higher than the Emerging Europe, Middle East & Africa region's (EEMEA) ratio of 45% of GDP and Latin America's ratio of 42.5% of GDP, but lower than Asia's ratio of 125.2% of GDP. Lebanon has the ninth highest credit-to-GDP ratio among 56 emerging markets, the second highest such ratio in the EEMEA region and the highest ratio among 12 Arab countries included in the survey. Also, Merrill Lynch estimated the non-performing loans ratio (NPL) in the Lebanese banking sector at 4%, lower than the EEMEA's ratio of 5.6%, and compared to NPL ratios of 3% for Latin America and 1.8% for Asia. The Lebanese banking sector has the 24th lowest NPL ratio among 53 banking sectors, the 11th lowest ratio in the EEMEA region and the fifth lowest ratio among Arab countries.

Further, Merrill Lynch estimated the money supply in Lebanon to be equivalent to 231% of GDP, significantly higher than Asia's ratio of 130.3% of GDP, Latin America's rate of 65.3% of GDP and the EEMEA's ratio of 49.7% of GDP. Also, Lebanon has the third highest level of money supply relative to its GDP among 57 emerging markets, behind only Hong Kong (497.9% of GDP) and Taiwan (232.3% of GDP).

In parallel, Merrill Lynch noted that foreign claims reported to the Bank of International Settlement (BIS) against Lebanese banks are equivalent to 2.8% of GDP compared to 1.6% of GDP for the EEMEA region, 2% of GDP in Latin America, and 4.2% of GDP for Asia. The Lebanese banking sector has the 24th highest ratio of foreign claims of BIS-reporting banks among 57 banking sectors, the 13th highest ratio in the EEMEA region and the fifth highest in the Arab world. Further, Merrill Lynch estimated the annual private sector credit growth in Lebanon at 8.4%, higher than the EEMEA's rate of 6%, but lower than Latin America's growth rate of 12.2% and Asia's rate of 8.9%. As such, Lebanon had the 28th highest annual private sector credit growth rate among 52 emerging markets, the 16th highest in the EEMEA region and the seventh highest rate among Arab countries.

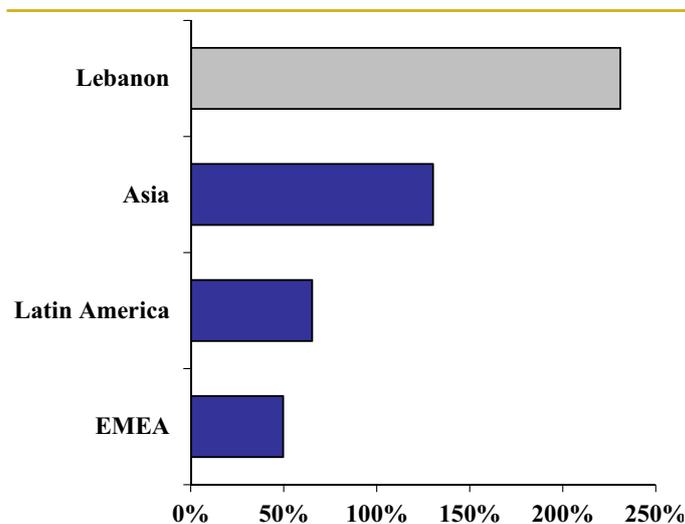
Merrill Lynch indicated that the capital-to-assets ratio of the Lebanese banking sector stood at 7.6%, compared to the EEMEA's ratio of 11.3%, Latin America's ratio of 10.5% and Asia's ratio of 9.5%. It also estimated the capital adequacy ratio of the Lebanese banking sector at 13%, relative to the EEMEA's ratio of 17.2%, Asia's ratio of 16.4% and Latin America's ratio of 15.1%.

Opened letters of credits at \$2.7bn for imports and \$1.4bn for exports in first half of 2015

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$2.7bn in the first half of 2015, constituting a decrease of 15% from \$3.2bn in the first half of 2014. Further, utilized credits for imports reached \$2.6bn in the first half of 2015, down by 15.5% from \$3.1bn in the first half of 2014. They accounted for 95% of opened LCs in the covered period compared to a 95.5% share in the first half last year. Also, outstanding import credits amounted to \$5.8bn in the first half of 2015 compared to \$6.1bn in the first half of 2014. Further, the aggregate value of inward bills for collection reached \$745.2m in the first half of 2015, constituting a decrease of 17.2% from \$900.1m in the first half of last year. Outstanding bills for collection reached \$852.2m in the first half of 2015 relative to \$967.2m in the same period last year.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached \$1.4bn in the first half of 2015, constituting a decrease of 10% from \$1.6bn in the same period of 2014. Further, utilized credits for exports reached \$1.3bn in the covered period, down by 4.6% from \$1.4bn of used credits in the first half of 2014. Outstanding export credits reached \$7.2bn in the first half of 2015, down from \$7.7bn in the first half of 2014. The aggregate value of outward bills for collection amounted to \$936.8m in the first half of the year, constituting an increase of 5.7% from \$886.3m in the same period of 2014. The outstanding value of outward bills for collection reached \$3.4bn in the first half of 2015 relative to \$2.8bn a year earlier.

Money Supply as of June 2015 (% of GDP)



Source: Merrill Lynch, Byblos Research

Ministry of Finance to issue new Eurobond

The Cabinet approved the issuance of a new Eurobond worth \$1.3bn to cover the government's financing needs in foreign currency for the remainder of 2015. As such, the Ministry of Finance indicated that it expects to issue the Eurobond in September 2015. The new issue would follow the \$2.2bn dual-tranche Eurobond issuance under the Republic of Lebanon's Global Medium Term Note Program in February 2015. In parallel, the Finance Ministry indicated that it plans to execute an early exchange offer on the \$750m Eurobond that matures in January 2016, but that this will be contingent on market conditions.

Lebanon's gross public debt reached \$69bn at the end of June 2015, constituting an increase of 3.7% from the end of 2014 and a rise of 5% from \$65.7bn at end-June 2014. Domestic debt totaled \$42.4bn at the end of June 2015, rising by 3.5% from end-2014 and by 7% year-on-year; while debt in foreign currency stood at \$26.6bn, constituting an increase of 4% from the end of 2014 and a rise of 2.1% from a year earlier. Local currency debt accounted for 61.4% of gross public debt at the end of June 2015. The weighted interest rate on outstanding Eurobonds was 6.48% at the end of June 2015, with a weighted life of 5.79 years.

Economic activity stagnates in first half of 2015

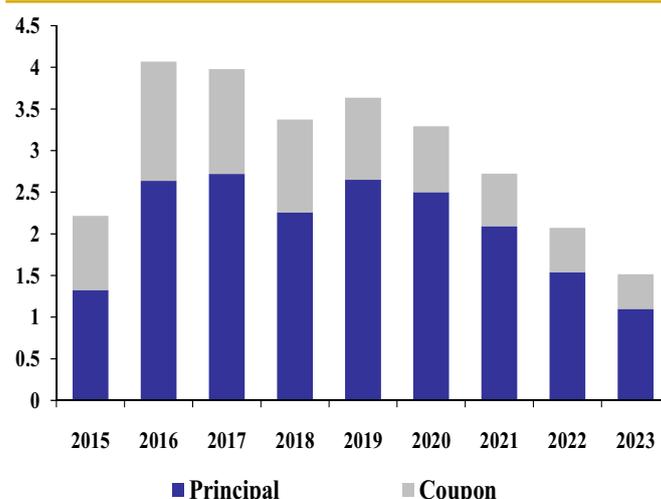
The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 277.7 points in June 2015 compared to 285 in May 2015 and 273.4 in June 2014. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 2.6% month-on-month but increased by 1.6% year-on-year in June 2015. The indicator averaged 277.3 in the first half of 2015, down 0.2% from 277.8 in the same period of 2014. Also, the indicator averaged 277.9 in the 12 months ending June 2015, compared to 272.6 in the 12 months ending May 2015 and 268.7 in the 12 months ending June 2014. As a result, the average coincident indicator remained relatively unchanged month-on-month, while it grew by 1.6% year-on-year. In parallel, the indicator improved 12 times and regressed 11 times on a monthly basis in the month of June since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.6 points in 2012, 264.7 points in 2013 and 273.2 points in 2014.

Start of renewable energy project

The Lebanon Oil Installations (LOI), a governmental body in charge of maintaining the Zahrani and Tripoli refineries, indicated that it began the first phase of the solar photovoltaic farm project at the Zahrani Oil Installations (ZOIL) in southern Lebanon. The project aims to generate one megawatt of electricity at the Zahrani facility and to provide additional production to the state-owned Electricité du Liban through net-metering, which links the flow of electricity from the renewable energy source to the grid. The cost of the project is estimated at more than \$1.5m and will be financed from LOI's internally generated funds.

The LOI mandated an international consortium to design, supply and implement the solar photovoltaic farm project. The consortium is formed of the Lebanon-based Middleware Data Systems (Ecosys), Entreprises A. R. Hourié sal and the German-based Kaco new energy. The project's construction work is expected to be completed by the middle of March 2016 on a surface area of up to 10,000 square meters. Launched in September 2014, the Solar Photovoltaic Farm project falls under the Lebanese government's strategic commitment to develop renewable energy production capacity, with the aim of generating 12% of total electricity supply from renewable energy by 2020.

Redemption Profile of Eurobonds (US\$bn)

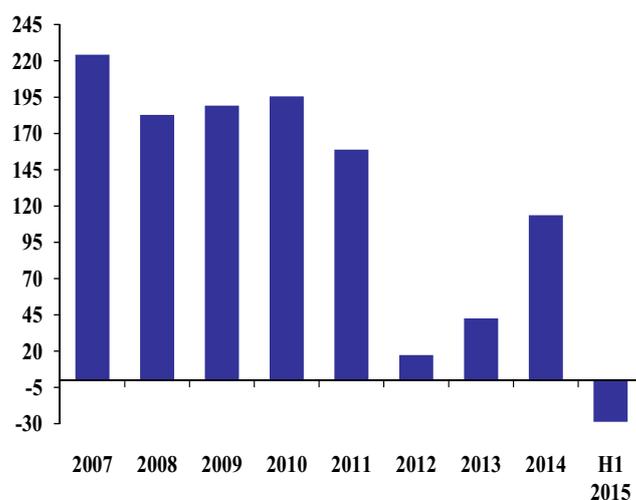


Source: Ministry of Finance, Byblos Research

Solidere's net losses at \$29m in first half of 2015

Solidere, The Lebanese Company for the Development and Reconstruction of Beirut Central District sal, announced consolidated unaudited net losses of \$28.7m in the first half of 2015 relative to net profits of \$0.63m in the same period of 2014. The results show that the drop in earnings was due to the firm taking provisions of \$50.5m for losses on sales contracts. The consolidated results reflect Solidere's standalone financials and those of its subsidiaries, which include Solidere International Limited, BCD Cinemas sal, Beirut Waterfront Development sal, Beirut Real Estate Management and Services sal, and ASB - Downtown sal. Solidere's net operating revenues reached \$37.2m in the first half of 2015, up by 57.5% from the same period last year; while the company's general and administrative expenses were nearly unchanged year-on-year at \$18.7m during the covered period. The firm's consolidated revenues from land sales reached \$26.4m in the first half of 2015, up 4.1 times from \$6.4m in the same period last year; while earnings from properties rented rose by 2.7% year-on-year to \$28.2m. Also, income generated from services rendered was \$2.9m during the covered period, down by 19% from \$3.6m in the first half of 2014. In parallel, the firm's total cost of revenues reached \$21.8m in the first half of the year and increased by 21% from the same period of 2014.

Solidere Net Profits (US\$m)



Source: Solidere Financial Statements

Solidere's consolidated assets reached \$2.9bn at the end of June 2015 and decreased by 2% from end-2014, with the inventory of land and projects in progress at \$1.13bn. The firm's bank overdrafts and short & medium term facilities reached \$557.9m at end-June 2015, up by 1.7% from \$548.6m at the end of 2014. Shareholders' equity stood at \$2bn at the end of June 2015, down by 1.4% from end-2014. Solidere is Lebanon's third largest listed firm in terms of market capitalization as at the end of August 2015. The price of Solidere A shares closed at \$10.24 per share on August 28, 2015, reflecting a drop of 9.5% from the end of 2014, while Solidere B shares closed at \$10.29, constituting a decrease of 9.3% from end-2014.

Balance sheet of investment banks up 4% in first half of 2015

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,440.4bn, or \$4.3bn at the end of June 2015, constituting a rise of 3.8% from the end of 2014 and an increase of 3.9% from end-June 2014. Private sector deposits totaled \$2.1bn at the end of June 2015, and rose by 3.1% from end-2014 and by 2.2% from a year earlier. Resident deposits in foreign currencies stood at \$966.3m, followed by resident deposits in Lebanese pounds at \$754.3m, non-resident deposits in foreign currencies at \$278.4m and non-resident deposits in Lebanese pounds at \$65.7m. Liabilities to the public sector reached \$183.3m at the end of June 2015, constituting a drop of 1.6% from the end of 2014 and a drop of 1.7% from end-June 2014. Also, commitments to the financial sector totaled \$652.8m at the end of June 2015, reflecting an increase of 2.6% from end-2014 and a rise of 1.2% from a year earlier.

On the assets side, investment banks' cash balance and deposits at commercial banks reached \$2.1bn at end-June 2015, up by 10.5% from end-2014 and by 11.6% from end-June 2014. Also, lending to the private sector totaled \$1.3bn, constituting a drop of 3.4% from end-2014 and an increase of 3% year-on-year. Investments in government securities totaled \$531.1m at end-June 2015, down by 3% from end-2014 and by 8.3% from a year earlier. Further, the aggregate capital account of investment banks reached \$1.2bn at the end of June 2015, constituting an increase of 8.6% from end-2014 and a rise of 17.2% from end-June 2014. There were 16 investment banks operating in Lebanon with a total of 21 branches as of March 2015.

RYMCO's profits up 113% \$3.2m in first half of 2015

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) declared non-consolidated net profits of \$3.2m in the first half of 2015, reflecting an increase of 113% from \$1.5m in the same period last year. The firm's standalone sales revenues (net of discounts) totaled \$112.9m, constituting an increase of 44.2% year-on-year; while sales net of expenses, or 'garage income', increased by 10% to \$2.3m. On a non-consolidated basis, RYMCO's total operating charges grew by 13.6% to \$8.3m in the first half of 2015. The firm's salaries, wages and related charges rose by 14.2% to \$3.6m in the covered period, while general and administrative expenses declined by 3.1% to \$2.7m and advertising & selling expenses increased by 26.4% to \$0.94m.

The firm's standalone assets reached \$160.5m at end-June 2015, constituting a rise of 16.7% from \$137.6m a year earlier. The company's inventory of cars and spare parts reached \$47.2m at end-June, constituting an increase of 17% year-on-year. In parallel, RYMCO's shareholder's equity totaled \$50.2m at end-June 2015, constituting a rise of 0.5% from the same period last year. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at \$3.23 on August 28, 2015, unchanged from end-2014.



EFG Hermes' net income down 6% to \$48m in first half of 2015

Regional investment bank EFG Hermes declared consolidated net income of EGP359m, or about \$47.5m in the first half of 2015, down by 5.9% from a net profit of EGP381.6m in the same period of 2014. The Group's net profits after deducting tax and minority interest (NPAT) reached EGP261.4m, or about \$34.5m in the first half of 2015, reflecting a decrease of 14.8% from EGP306.7m in the same period of 2014. Investment banking operations generated a NPAT of EGP116m or 44.4% of the Group's total NPAT, while commercial banking activity by Crédit Libanais posted a NPAT of EGP145m or 55.6% of the total in the first half of 2015. EFG Hermes said that investment banking operations weighed negatively on the Group's profitability in the first half of 2015. It noted that the overall decline in investment banking revenues was mainly due to lower brokerage and asset management income, in addition to lower receipts generated from capital markets and Treasury operations. In parallel, total operating expenses of the investment banking segment decreased by 13.1% year-on-year to EGP331m in the first half of 2015 due to lower staff expenses. The Group's net operating profit margin was 41% in the first half of 2015, down from 43% in the same period of 2014. EFG Hermes indicated that its total consolidated assets reached EGP84.46bn, or about \$11.1bn, at the end of June 2015 relative to EGP75.66bn at end-2014.

EFG Hermes Holding SAE holds a 65% stake in Crédit Libanais sal. The Lebanese bank posted unaudited net profits of \$35.4m in the first half of 2015, constituting a rise of 30.2% year-on-year. The bank's return on average assets reached 0.8% on an annualized basis in the first half of 2015 relative to 0.6% in the same period of 2014; while its return on average equity was 10.3% in the covered period compared to 8.3% in the first half of 2014. The bank's cost-to-income ratio, including extraordinary items, decreased to 56.3% at end-June 2015 from 62.7% a year earlier. Its total assets reached \$9.55bn at the end of June 2015 and increased by 4.3% from end-2014; while loans to customers stood at \$2.9bn, up 2% from end-2014. The bank's deposits reached \$8.1bn at the end of June 2015 and increased by 4.6% from the end of 2014.

Banque de L'Habitat's net profits up 12% to \$18m in 2014

Banque de L'Habitat sal posted audited net profits of \$18m in 2014, constituting an increase of 12.2% from \$16.1m in 2013. Net operating income grew by 12% year-on-year to \$28.4m in 2014, with net interest income rising by 11.5% to \$25.5m and net fees & commissions receipts increasing by 26.3% year-on-year to \$3.2m. Total operating expenditures rose by 9.7% to \$7.4m in 2014, with staff expenses growing by 8.9% to \$5.3m and general & administrative expenses increasing by 14% year-on-year to \$1.7m. Banque de L'Habitat's return on average assets reached 2.7% in 2014 relative to 2.5% in 2013; while its return on average equity was 10.6% last year, compared to 10.3% in 2013.

In parallel, total assets reached \$717.9m at the end of 2014, constituting an increase of 11.9% from \$641.7m at end-2013; while housing loans increased by 10.4% year-on-year to \$552.1m. The bank's distribution of housing loans show that Beirut accounted for 19% of the total number of loans extended in 2014, followed by the South (18%), the North (16%), Aley & Chouf (13%), the Bekaa (11%), Jbeil & Keserwan (9%), the Metn (8%) and Baabda (6%). Also, customer deposits, excluding deposits from related parties, totaled \$155.3m at end-2014 and grew by 10.3% from a year earlier; while loans from banks & financial institutions and repurchase agreements rose by 14.4% to \$369.4m. The bank's shareholders' equity rose by 9.1% year-on-year to \$176.8m at end-2014. Commercial banks own 80% of Banque de L'Habitat and the government holds the balance of 20%. The bank extends long-term loans in Lebanese pounds to buy a house, build new residences, and renovate a home, as well as to finance housing cooperatives.

Soft opening of Grand Hills hotel

Five-star hotel Grand Hills re-opened unofficially its doors in July as "the Grand Hills, a Luxury Collection Hotel & Spa", with the official opening scheduled for September 2015. The hotel is owned by Mouawad Village Broumana sal and is managed by Starwood Hotels & Resorts. It underwent 19 months of renovation work and signed a management agreement with Starwood in 2014 to introduce Starwood's first Luxury Collection Hotel in Lebanon. The renovated resort consists of 164 rooms and residential suites, as well as four restaurants, three bars, three indoor and outdoor pools, an EvianSPA, a fitness center, a retail gallery, in addition to conference and events facilities. Starwood is a global owner, operator and franchisor of over 105 hotels, resorts and residences in 30 different countries. It currently operates the Four Points by Sheraton Le Verdun in Beirut.

Credit Bank's net income at \$26m in 2014

Credit Bank sal announced audited consolidated net profits of \$25.8m in 2014, constituting an increase of 42.3% from net earnings of \$18.1m in 2013. Net operating income increased by 18.8% year-on-year to \$86.1m in 2014, with net interest income increasing by 14% to \$60.3m and net fees & commissions receipts dropping by 17.8% to \$12.4m. Total operating expenditures increased by 8.7% to \$55.9m, with staff expenses rising by 9% to \$30.1m and general & administrative expenses growing by 8.8% year-on-year to \$22.8m. The bank's cost-to-income ratio dropped to 58.7% in 2014 from 67.5% in 2013.

In parallel, total assets reached \$3bn at end-2014, constituting a 13.5% increase from \$2.6bn a year earlier; while loans & advances to customers, excluding loans & advances to related parties, increased by 13.8% year-on-year to \$1.5bn. Also, customer deposits, excluding deposits to related parties, totaled \$2.6bn at the end of 2014, and grew by 14.1% from a year earlier. The loans-to-deposits ratio regressed marginally to 57% at end-2014 from 57.2% a year earlier. Further, the bank's shareholders' equity grew by 1.3% year-on-year to \$210.2m at end-2014.



Ratio Highlights

(in % unless specified)	2012	2013	2014	Change*
Nominal GDP (\$bn)	41.0	44.2	48.4	
Public Debt in Foreign Currency / GDP	59.4	59.1	52.9	(620)
Public Debt in Local Currency / GDP	81.2	84.6	84.7	13
Gross Public Debt / GDP	140.6	143.7	137.7	(607)
Total Gross External Debt / GDP**	163.9	163.8	165.4	160
Trade Balance / GDP	(40.9)	(38.9)	(35.6)	333
Exports / Imports	21.1	19.1	16.1	(295)
Fiscal Revenues / GDP	22.9	21.3	22.5	116
Fiscal Expenditures / GDP	32.5	30.9	28.9	(204)
Fiscal Balance / GDP	(9.6)	(9.6)	(6.4)	320
Primary Balance / GDP	(0.3)	(0.5)	2.7	325
Gross Foreign Currency Reserves / M2	69.4	69.5	66.5	(299)
M3 / GDP	253.5	251.7	243.4	(838)
Commercial Banks Assets / GDP	370.2	373.3	363.4	(992)
Private Sector Deposits / GDP	304.7	308.5	298.7	(979)
Private Sector Loans / GDP	105.9	107.3	105.3	(204)
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	July 2013	June 2014	July 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	July 2013	June 2014	July 2014	Change*	Risk Level
Political Risk Rating	58.3	58.0	57.9	▲	High
Financial Risk Rating	41.3	40.6	41.0	▲	Very Low
Economic Risk Rating	36.6	36.1	36.2	▲	Low
Composite Risk Rating	68.1	67.4	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

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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