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August 31 - September 5, 2015

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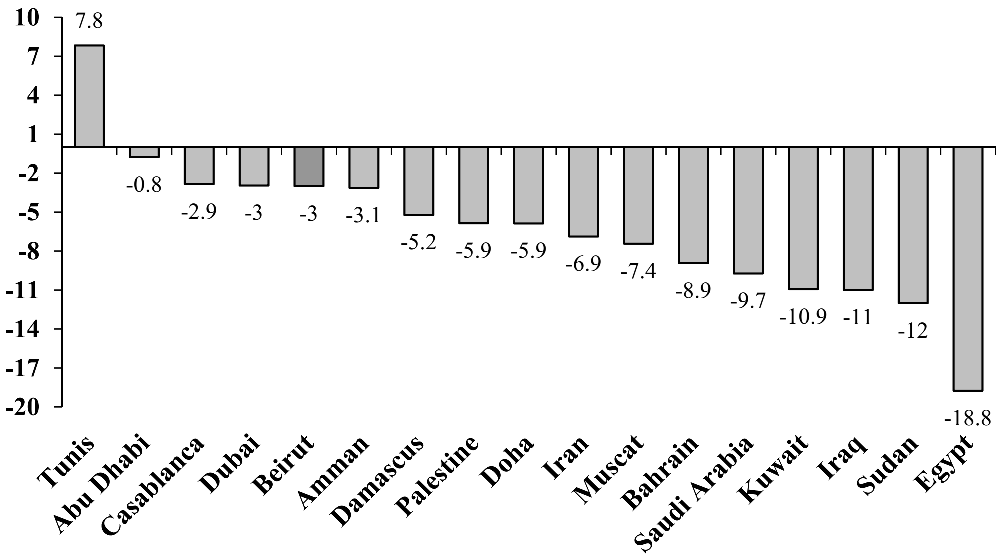
LEBANON THIS WEEK

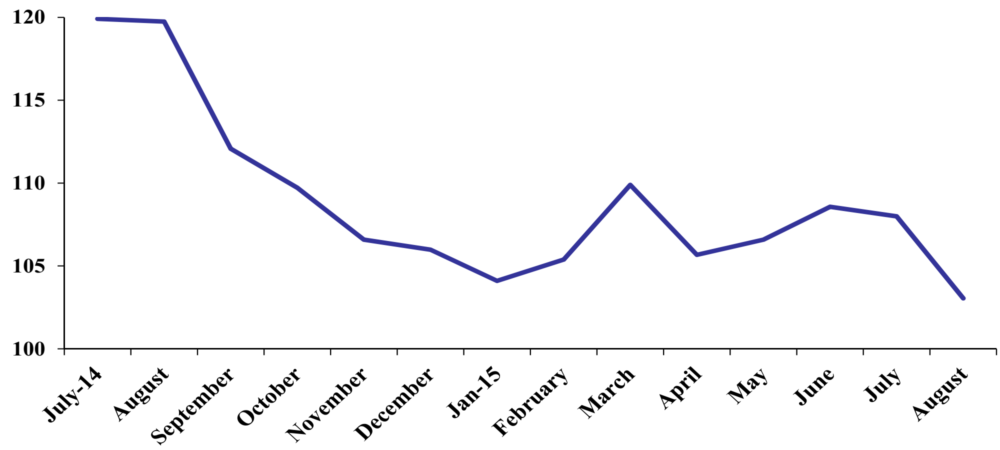
In This Issue

Charts of the Week

Performance of MENA Stock Markets in the First Eight Months of 2015 (% change)



Performance of the Beirut Stock Exchange*



** Banque du Liban Market Value Weighted Index average monthly values*
Source: Local Stock Markets, Dow Jones Indices, Banque du Liban, Byblos Bank

Quote to Note

"Administrative decentralization, if properly designed, could be a means to restore the link between elected policy-makers and voters/consumers of public services."

The World Bank, on a key benefit of administrative decentralization in Lebanon

Number of the Week

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

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
In months of Imports	*18.97*	*21.60*	*22.88*	*23.38*	*22.95*	*20.18*	*(6.56)*
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
BLOM GDR	9.70	0.00	150,656	6.41%
HOLCIM	14.99	3.31	111,000	2.62%
BLOM Listed	9.40	0.00	75,200	18.07%
Solidere "A"	10.20	(0.39)	71,060	9.12%
Audi GDR	6.00	0.50	54,165	6.24%
Byblos Common	1.64	1.86	17,436	5.27%
Solidere "B"	10.39	0.97	9,639	6.04%
Byblos Pref. 09	100.60	(0.10)	3,042	1.80%
Byblos Pref. 08	100.50	0.00	1,510	1.80%
Audi Listed	5.99	0.17	1,229	21.41%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Jan 2016	8.500	101.93	3.31
Mar 2017	9.000	107.00	4.28
Nov 2018	5.150	101.25	4.72
May 2019	6.000	102.75	5.62
Mar 2020	6.375	103.00	5.61
Apr 2021	8.250	111.75	5.77
Oct 2022	6.100	100.88	5.95
Jun 2025	6.250	100.75	6.15
Nov 2026	6.600	101.50	6.41
Feb 2030	6.650	101.50	6.49

Source: Byblos Bank Capital Markets

	Aug 31- Sep 5	August 24-28	% Change	August 2015	August 2014	% Change
Total Shares Traded	498,887	663,771	(24.84)	2,758,559	6,941,456	(60.26)
Total Value Traded	$5,661,879	$7,940,334	(28.69)	$36,050,573	$42,076,299	(14.32)
Market Capitalization	$11.18bn	$11.15bn	0.32	$11.17bn	$10.95bn	1.97

Source: Beirut Stock Exchange (BSE)

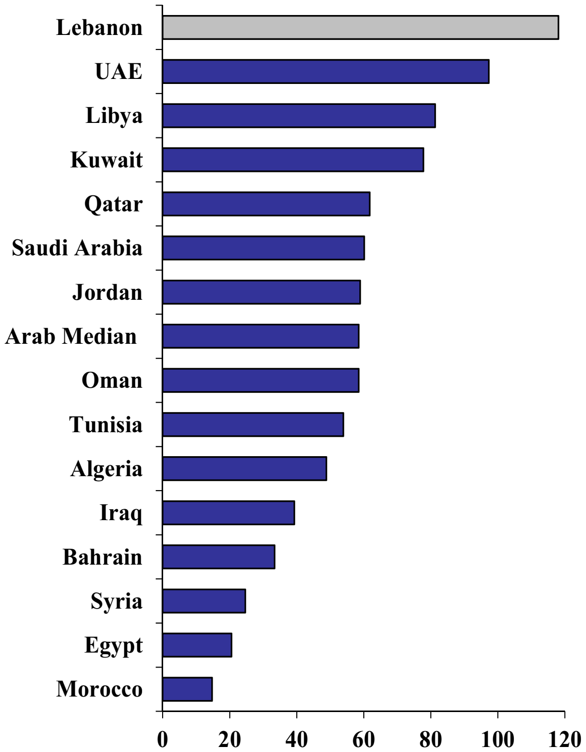
Lebanon has highest postpaid cellular package rate in Arab world

A survey about the cellular market in the Arab world by telecommunications research firm Arab Advisors Group indicated that Lebanon had the third highest postpaid cellular connection fees among 15 Arab countries as of May 2015. Lebanon's cellular postpaid connection fee averages $55 and is lower than the average connection fees in Saudi Arabia ($60.15) and Kuwait ($56.67), while it is substantially higher than the Arab average of $26.74 and the Arab median of $15.3. Also, the minimum connection fee in Lebanon is $55, highest in the Arab world. The survey covers 39 cellular operators and their rates in Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE. It ranked countries based on prevailing cellular rates, including applicable taxes, as of May 2015. The survey also classified each country based on the cellular average connection fees and rates compared to the country's GDP per capita and to the average GDP per capita in the Arab world. As such, a country can fall in the "high cost", "fair cost" or "low cost" category. Lebanon came in the "high cost" category, along with Jordan, Tunisia and Iraq.

In parallel, Lebanon's postpaid cellular and Internet average package rate came at $118.1 per month, highest in the Arab world and well above the Arab average rate of $56.6 and the region's median of $58.50. Lebanon came in the "high cost" category, along with Libya, Jordan and Oman. The packages take into consideration on-net and off-net local voice minutes and mobile Internet usage.

In terms of usage, the average fee of the "light usage" postpaid package is $48.1 per month in Lebanon, which, along with Qatar, is the second highest rate in the Arab world and is higher than the region's average rate of $32.8 and the Arab median of $32.6 per month. The light package consists of 250 to 300 local minutes and 300 megabytes (MB) of Internet usage per month. The average "light usage" fee in Lebanon is lower than only in Kuwait ($56.7).

Postpaid cellular package rates in Arab Countries (US$)



Source: Arab Advisors Group, Byblos Research

In addition, the average fee of the "medium usage" postpaid package is $68.7 per month in Lebanon, which, along with Qatar, is the third highest in the region and is higher than the Arab average rate of $51.9 and the median of $56.7 per month. The medium package consists of 500 local minutes and 500MB of Internet usage per month. The average "medium usage" fee in Lebanon is lower than the fees in the UAE ($95.3) and Kuwait ($72.2).

Ministry of Finance to corporatize Beirut Stock Exchange

The Ministry of Finance formally asked the Cabinet to approve a plan to convert the state-owned Beirut Stock Exchange (BSE) into a Lebanese joint-stock company named the Beirut Stock Exchange sal. The request constitutes the third attempt by the Finance Ministry to proceed with the corporatization of the BSE. The process falls under Law no. 161 dated August 2011 that regulates capital markets in Lebanon. The law stipulates that the government should convert the BSE into a joint-stock company within one year after the establishment of the Capital Markets Authority (CMA). However, the deadline to complete the conversion is currently overdue by two years as the CMA was established in 2012. The law also stipulates for the government to orporatize the Beirut Stock Exchange sal within one year its establishment through a public or private offering to private sector investors. The joint-stock company's stock offering would need the Cabinet's approval based on a Ministry of Finance proposal, and following consultations with the CMA board of directors.

Value of cleared checks down 7%, returned checks up 8% in first seven months of 2015

The value of cleared checks reached $40.2bn in the first seven months of 2015, constituting a decrease of 7.1% from the same period of 2014, compared to increases of 3.1% in the first seven months of 2014 and of 1.8% in the same period of 2013. The value of cleared checks in Lebanese pounds rose by 1.5% year-on-year to the equivalent of $10.6bn, while the value of cleared checks in US dollars declined by 9.9% annually to $29.6bn in the first seven months of 2015. The dollarization rate of cleared checks decreased to 73.6% from 75.9% in the first seven months of 2014.

Also, the value of returned checks in domestic and foreign currency grew by 8.4% year-on-year to $919m in the first seven months of 2015, relative to decreases of 3.2% in the same period of 2014 and of 1.5% in the first seven months of 2013. In parallel, there were 7.2 million cleared checks in the first seven months of 2015, down by 3.7% from the same period last year. Also, there were 136,700 returned checks in the covered period, down by 4.1% from 142,600 in the first seven months of 2014.

Occupancy rate at Beirut hotels at 56%, room yields up 24% in first seven 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 56% in the first seven months of 2015, up from 47% in the same period of 2014 and compared to an average rate of 62.5% in 12 Arab markets included in the survey. The occupancy rate at Beirut hotels was the sixth lowest in the region in the covered period, while it was the second lowest in the first seven months of 2014. Manama posted the lowest occupancy rate of 46% in the first seven months of 2015, followed by Cairo (47%), Kuwait City (51%), and Makkah and Amman (53% each). Also, the average occupancy rate at hotels in Beirut rose by nine percentage points year-on-year, constituting the second highest increase among the 12 Arab markets, behind only Cairo (+16%), and relative to an average rise of 0.8 percentage points for the region. Occupancy rates at Beirut hotels were 50% in January, 55% in February, 54% in March, 56% in April, 61% in May, 57% in June and 56% in July 2015, compared to 36% in January, 41% in February, 40% in March, 51% in April, 61% in May, 68% in June and 35% in July 2014.

Hotel Sector Performance in First 7 Months of 2015

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Dubai	79	208	(5.8)
Jeddah	77	215	5.9
Madina	77	165	21.4
Abu Dhabi	76	145	(0.9)
Doha	71	176	8.1
Riyadh	64	138	(6.9)
Beirut	**56**	**101**	**23.7**
Amman	53	83	(18.9)
Makkah	53	131	11.4
Kuwait	51	139	(3.9)
Cairo	47	51	101.6
Manama	46	90	12.1

Source: EY, Byblos Research

The average rate per room at Beirut hotels was $179 in the first seven months of 2015, ranking the capital's hotels as the third least expensive in the region, relative to Amman ($155) and Cairo ($108). The average rate per room at Beirut hotels rose by 5.4% year-on-year and posted, along with Jeddah, the fifth highest growth rate among all markets in the region, as it underperformed only Cairo (+32.3%), Makkah (+27.9%), Madina (+21.5%) and Doha (+6.8%). The average rate per room in Beirut came below the regional average of $213.1, which rose by 3.4% from the same period of 2014.

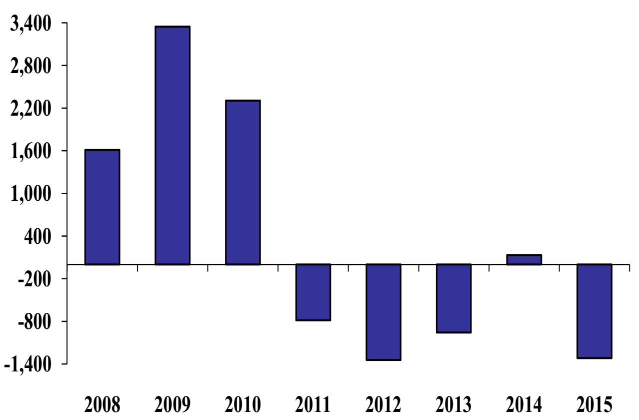
Further, revenues per available room (RevPAR) were $101 in Beirut in the first seven months of 2015, up from $81 in the same period of 2014, and came in ninth place in the region, higher than Manama ($90), Amman ($83) and Cairo ($51). Beirut's RevPAR surged by 23.7% year-on-year and posted the second highest increase among Arab markets, relative to a growth rate of 101.6% in Cairo. Hotels in Beirut posted RevPARs of $92 in January, $93 in February, $91 in March, $99 in April, $111 in May, $104 in June and $113 in July 2015, compared to $64 in January, $68 in February, $57 in March, $88 in April, $103 in May, $125 in June and $65 in July 2014. Further, Jeddah posted the highest average rate per room in the region at $279 and the highest room yield at $215, while Dubai posted the highest occupancy rate at 79% in the first seven months of 2015.

Balance of payments posts deficit of $1.3bn in first seven months of 2015

Central Bank figures show that Lebanon's balance of payments posted a deficit of $1.32bn in the first seven months of 2015 compared to a surplus of $131m in the same period last year. The balance of payments posted a surplus of $2.4m in July 2015 compared to deficits of $794.3m in June 2015 and of $84.7m in July 2014. The July 2015 surplus was caused by a surplus of $37.5m in the net foreign assets of the Central Bank, and was partially offset by a deficit of $35.1m in those of banks and financial institutions.

The cumulative deficit over the first seven months of 2015 was caused by a deficit of $3.18bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of $1.87bn 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 seven months of each year*
Source: Central Bank of Lebanon

Average stay at hotels and furnished apartments in Lebanon at three nights per person in 2014

A survey conducted by the Ministry of Tourism show that 625,685 persons used hotels and furnished apartments in Lebanon and spent 1,992,768 nights in such facilities in 2014, leading to an average stay of 3.18 nights per person last year. The results show that Arab nationals, including Lebanese citizens, accounted for 55.8% of the total number of guests in 2014 and for 64.7% of aggregate nights spent at surveyed hotels and furnished apartments in Lebanon. The ministry estimated the total amount spent in the hotel sector at $119m, or $60 per night, in 2014 based on data collected from 209 hotels and 82 furnished apartment facilities across Lebanon. It indicated that the 2014 figures are not comparable with those of previous years, given that the number of surveyed hotels and furnished apartments changes each year.

Length of Stay of Top 10 Countries in 2014

	Total Nights	Average Night per Person
Syria	371,840	4.63
Lebanon	**291,523**	**3.57**
Iraq	232,095	3.74
France	129,768	2.78
Jordan	113,221	3.20
United States	90,916	2.78
Egypt	89,854	3.04
Saudi Arabia	72,494	3.82
Germany	71,954	2.88
England	51,799	2.25

Source: Ministry of Tourism, Byblos Research

The distribution of guests by nationality indicates that there were 81,688 clients from Lebanon, representing 13.1% of total clients in 2014. They were followed by 80,250 guests from Syria (12.8%), 62,085 from Iraq (9.9%), 46,654 from France (7.5%), 35,355 from Jordan (5.7%), 32,752 from the United States (5.2%), 29,592 from Egypt (4.7%), 24,948 from Germany (4%), 23,071 from England (3.7%) and 18,975 clients from Saudi Arabia (3%). Further, Syrian citizens accounted for 18.7% of total nights spent at surveyed hotels and furnished apartments in Lebanon in 2014, followed by Lebanese at 14.6% of the total, Iraqis (11.6%), French (6.5%), Jordanians (5.7%), Americans (4.6%) and Egyptians (4.5%).

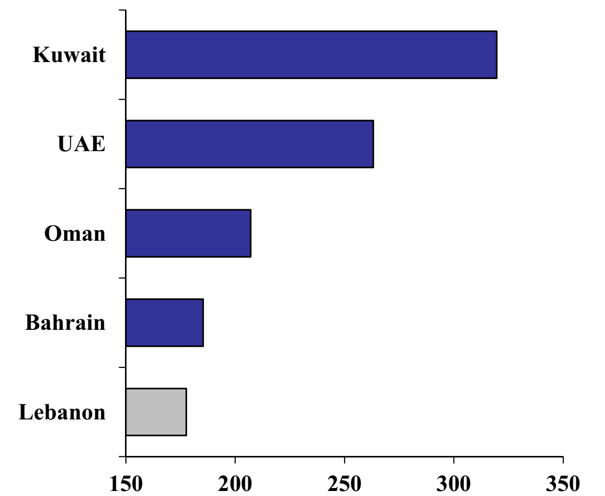
In parallel, Syrian nationals stayed an average of 4.63 nights at surveyed hotels and furnished apartments in Lebanon last year, the highest usage per night among Arab nationalities. They were followed by Palestinian clients (3.87 nights), as well by guests from Saudi Arabia (3.82 nights), Iraq (3.74 nights), Morocco (3.61 nights), Lebanon (3.57 nights), Qatar (3.39 nights), Jordan (3.2 nights), Djibouti (3.17 nights), Egypt (3.04 nights), Kuwait (3.01 nights), the UAE (2.79 nights), Oman (2.69 nights), Tunisia (2.56 nights), Algeria (2.48 nights), Bahrain (2.45 nights), Mauritania (2.44 nights), Yemen (2.38 nights), Libya (2.34 nights) and Sudan (2.16 nights).

In parallel, the average length of stay per person for non-Arab visitors shows that nationals from Dominica stayed 17.12 nights, followed by clients from Trinidad & Tobago (14.2 nights), Georgia (8.16 nights), Belarus (6.9 nights), Moldova (6.85 nights), Kyrgyzstan (6.23 nights), Gabon (5.47 nights), Uzbekistan (5.42 nights) and Estonia (5.18 nights).

Average amount per payment card transaction at $177

Figures released by global research provider Market Research indicates that payments cards in Lebanon, which consist of debit, credit and charge cards, reached 1.8 million at the end of 2013 and grew at a compound annual rate (CAGR) of 3.4% between 2009 and 2013. The survey shows that the aggregate value of transactions of payment cards reached LBP15.5 trillion or $10.3bn in 2013, and posted a CAGR of 12.1% between 2009 and 2013. The survey attributed the increase in the number and usage of payment cards in Lebanon to the rise in consumer awareness about electronic payments and the adoption of advanced payment technologies. Further, it indicated that the average value per transaction in Lebanon was $177.6 in 2013, fifth highest in the Middle East and North Africa (MENA) region. Lebanon came behind Kuwait ($319.6), the UAE ($263.1), Oman ($207.1) and Bahrain ($185.3). The survey added that Lebanon's card penetration rate was 0.4 cards per inhabitant in 2013, the ninth highest in the MENA region. It came behind Iran with a penetration rate of 2.4 cards per inhabitant, the UAE (2), South Africa and Kuwait (1.3 each), Israel (1.1), Oman (1), Bahrain (0.8) and Saudi Arabia (0.7).

Average amount per payment card transaction* (US$)



**Top 5 Arab Countries*
Source: Market Research, Byblos Research

In parallel, Market Research pointed out that the frequency of use of payment cards in Lebanon was 31.9 transactions per card, which is the seventh highest frequency among MENA countries. The utilization of payment cards in Lebanon was lower than in Israel with 131.2 transactions per card, Saudi Arabia (95.3), Kuwait (47.4), Iran (46.5), the UAE (43.1) and Nigeria (38.2). Further, it noted that the market for prepaid cards is growing rapidly and reached 107,702 in 2013. It expected the number of prepaid cards in Lebanon to increase to 2.3 million cards by 2018 and to exceed the number of debit, credit and charge cards in circulation. It said that prepaid cards offer facilities such as online payments for utility bills and online shopping, and facilitates the flow of remittances.

Jewelry and furniture sectors to get support from UNIDO

The United Nations Industrial Development Organization (UNIDO) indicated that it selected the jewelry cluster in the Bourj Hammoud area and the furniture cluster in Tripoli as part of its project “Development of Clusters in Cultural and Creative Industries in the Southern Mediterranean”. It said that it selected the two clusters based on a series of criteria that include the sectors' growth potential. The UNIDO defines a cluster as a group of firms that produce similar goods and services, and that are supported by specialized institutions that are located close to each other. It said that the selected clusters in Lebanon are comprised of about 500 workshops in the jewelry sector in the Bourj Hammoud area, and about 300 firms in the furniture sector in Tripoli. But it indicated that only 50 companies from each cluster would directly benefit from the project, while the rest would benefit indirectly since they belong to the same value chain.

The UNIDO pointed out that it is currently finalizing detailed action plans for each cluster. It expects to provide five main technical services that consist of capacity building in business management skills, vocational technical training, product development and improvement of the design, marketing and branding activities, as well as support for access to European markets. It indicated that the furniture cluster is currently preparing some prototypes to be sent to the French company Habitat, a retailer of household furnishings. It also noted that firms in the jewelry cluster are currently working on design sketches and are conducting a pilot test under a sub-contract for an Italian jewelry designer.

The objective of the project is to strengthen the formal private sector and to promote regional cooperation among the Southern Mediterranean countries of Lebanon, Algeria, Egypt, Jordan, Morocco, Palestine and Tunisia. The €5.6m project is funded by the European Union (€5m) and the Italian Development Cooperation (€0.6m). UNIDO will implement the project in coordination with the Ministry of Industry and the Association of Lebanese Industrialists. The project will extend from June 2014 until the end of 2017.

Public-sector salaries and benefits up 8% in January 2015

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled $257.4m in January 2015, constituting an increase of 7.8% from the same month last year. They represented the largest component of total primary spending and accounted for 36% of such expenditures in January 2015 compared to 26% in January 2014. The figures include basic salaries, indemnities, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges and employees at the Parliament. The payments exclude retirement and end-of-service indemnities, as well as salaries, wages and benefits of employees at public institutions. Salaries and benefits of military personnel reached $184.4m and accounted for 71.6% of the total, followed by educational personnel with $43.1m (16.8%), civil staff with $27.9m (10.8%) and customs employees with $2m (0.8%). The distribution of military personnel salaries and benefits shows that the Lebanese Army's salaries totaled $124m in January 2015 and represented 67.3% of the military personnel's salaries and benefits. They were followed by salaries of the Internal Security Forces with $45.1 (24.5%), General Security Forces with $11.9m (6.5%) and State Security Forces with $3.3m (1.8%).

The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a rise of $23.9m in allowances, an expansion of $2.7m in basic salaries and a rise of $0.7m in indemnities. They were offset in part by a $10m drop in other payments given to non-military bodies such as bonuses. The rise in basic salaries reflects a $4m increase in the basic salaries of military personnel and a $0.7m rise in payments to civil service personnel, which was partly offset by a $1.3m decrease in the basic salaries of the public education sector. Overall, basic salaries grew by 1.5% year-on-year to $178.4m in January 2015, allowances increased by 65.5% to $60.4m and indemnities expanded by 5.6% to $12.6m, while other payments decreased by 71.4% to $4m.

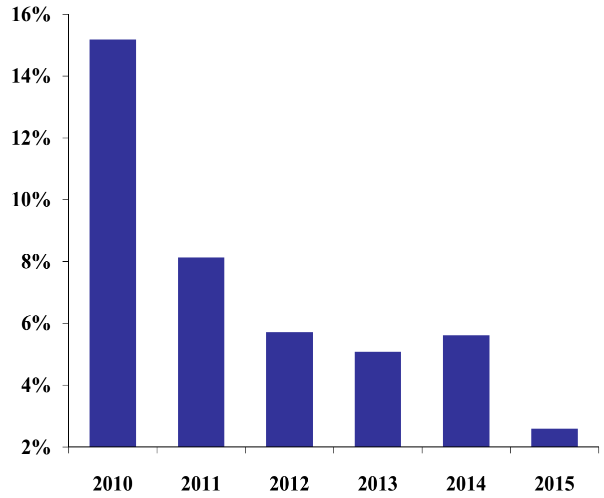
Stock market activity up 43% to $414m in first eight months of 2015

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 50.9 million shares in the first eight months of 2015, constituting an increase of 26% from 40.4 million shares traded in the same period of 2014; while aggregate turnover amounted to $414.4m, up by 43.3% from a turnover of $289.1m in the first eight months of 2014. Market capitalization increased by 2% from end-August 2014 to $11.2bn, with banking stocks accounting for 81.7% of the total, followed by real estate shares (15.1%), industrial equities (2.9%) and trading stocks (0.3%). The market liquidity ratio was 3.7% compared to 2.6% in the first eight months of 2014. Banking stocks accounted for 89.9% of aggregate trading volume in the first eight months of this year, followed by real estate equities with 9.5%, industrial shares with 0.5% and trading stocks with 0.1%. Also, banking stocks represented 85.8% of the aggregate value of shares traded, followed by real estate equities with 13.3% and industrial stocks with 0.8%. In parallel, the average daily traded volume for the period was 312,384 shares for an average daily value of $2.5m. The figures reflect increases of 25.3% in volume and 42.5% in value year-on-year.

Commercial banks' assets reach $180bn at end of July 2015

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached $179.9bn at the end of July 2015, reflecting increases of 2.4% from the end of 2014 and of 6% from end-July 2014. Private sector deposits totaled $148.4bn, growing by 2.7% from the end of 2014 and by 5% from a year earlier. Deposits in Lebanese pounds reached $52bn and rose by 5.1% from the end of 2014 and by 8.5% from end-July 2014; while deposits in foreign currency totaled $96.4bn, up by 1.5% from the end of 2014 and by 3.2% from a year earlier. Non-resident foreign currency deposits totaled $26.8bn at the end of July 2015 and increased by 1.5% from end-2014 and by 4.7% from a year earlier. The aggregate amount of non-resident deposits reached $31.2bn at the end of July and rose by 2.8% from end-2014 and by 6.7% from a year earlier. Total private sector deposits increased by $577.8m in February, by $731.7m in March, by $2bn in April, by $393.4m in May and by $689.9m in June, while they dropped by $274m in January and by $188.4m in July 2015. In comparison, deposits decreased by $1.3bn in January, and rose by $848.4m in February, by $843.8m in March, by $1.6bn in April, by $650.7m in May, by $1.5bn in June and by $965.8m in July 2014. As such, total private sector deposits grew by $4bn in the first seven months of 2015 compared to an increase of $5.1bn in the same period of 2014. Resident private sector deposits rose by $3.1bn in the covered period relative to a growth of $4.4bn in the first seven months of 2014; while non-resident deposits grew by $857.7m in the first seven months of 2015 compared to a rise of $731m in the same period last year. In parallel, deposits of non-resident banks reached $6.3bn at the end of July 2015, constituting increases of 8.2% from end-2014 and of 19% from a year earlier. The dollarization rate of deposits reached 64.9% at the end of July 2015, down from 66.1% a year earlier. Further, the average deposit rate in Lebanese pounds was 5.58% in July 2015, unchanged from the same month of 2014, while the same rate in US dollars was 3.17% compared to 3.02% in July 2014.

Resident Private Sector Lending Growth* (% Change)



** in the first seven months of each year*
Source: Association of Banks in Lebanon, Byblos Research

Loans to the private sector reached $52.1bn at the end of July 2015, constituting increases of 2.3% from the end of 2014 and of 5.4% from a year earlier. In nominal terms, credit to the private sector rose by $1.16bn in the first seven months of 2015 relative to an increase of $2bn in the same period of 2014. Lending to the resident private sector grew by $1.18bn in the first seven months of 2015 relative to a rise of $2.33bn in the same period of 2014; while credit to the non-resident private sector regressed by $17.9m in the covered period compared to a drop of $333m in the first seven months of 2014. Lending to the resident private sector totaled $46.5bn, up by 2.6% from the end of 2014 and by 6.2% from the end of July 2014; while credit to the non-resident private sector reached $5.5bn and declined by 0.3% from end-2014 and by 0.6% from the end of July 2014. The dollarization rate in private sector lending regressed to 74.7% at the end of July 2015 from 75.9% a year earlier. The average lending rate in Lebanese pounds was 6.9% in July 2015 compared to 7.36% in the same month of 2014, while the same average in US dollars was 7.09% relative to 6.96% in July 2014. In addition, claims on non-resident banks reached $10.8bn at the end of July 2015, representing decreases of 11.4% from end-2014 and of 10.1% from a year earlier. In parallel, claims on the public sector stood at $37.9bn at the end of July 2015, up by 1.4% from the end of 2014 and by 0.4% year-on-year. The ratio of private sector loans-to-deposits in foreign currency stood at 40.3%, well below the Central Bank's limit of 70% and compared to 40.1% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.3% at end-July 2015, up from 24.8% at the end of July 2014. The ratio of total private sector loans-to-deposits was 35.1% relative to 34.9% a year earlier. The banks' aggregate capital base stood at $16.4bn, up by 4% from end-2014 and by 8.7% from $15.1bn at end-July 2014.

Holcim's net profits down 78% to $2m in first half of 2015

Cement producer Holcim Liban sal posted unaudited net profits of $2m in the first half of 2015, constituting a decrease of 78.3% from net earnings of $9.4m in the same period of 2014. The firm's sales totaled $66.7m in the first half of the year, down by 28.5% from $93.2m in the same period of 2014. Its gross profits margin reached 28% in the first half of 2015 relative to 30.7% in the same period of 2014. Holcim's assets totaled $275.1m at the end of June 2015, constituting a decrease of 3% from $283.7m at end-2014; while its shareholders' equity was $227.2m at end-June 2015 relative to $225.2m at the end of last year. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 3.21x at the end of June 2015, up from 2.59x at end-2014 but down from 3.68x at end-June 2014. The company's debt-to-equity ratio was 21.1% at end-June 2015, down from 26% at the end of 2014 and from 21.4% at end-June 2014. In parallel, the firm's return on assets reached 1.5% on an annualized basis in the first half of 2015 relative to 7% in the same period of 2014; while its return on equity was 1.8% on an annualized basis in the covered period relative to 8.5% in the first half of 2014. The firm is engaged in the production and sale of cement and other related services. Holcim's share price closed at $14.99 on September 4, constituting a decrease of 1.7% from $15.25 at end-2014.

Ciments Blancs' net income up 28% in first half of 2015

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim Liban sal, declared net profits of $2.2m in the first half of 2015, constituting an increase of 27.7% from net earnings of $1.7m in the same period last year. The company generated total sales of $6.1m in the first half of this year compared to $7.9m in the same period of 2014. The firm's gross profit margin reached 41.9% in the first half of 2015 relative to 37% in the same period of 2014. Ciments Blancs' assets totaled $23.5m at the end of June 2015, constituting an increase of 5.8% from $22.2m at end-2014, while its shareholders' equity reached $19.8m at end-June 2015, up by 12.3% from $17.6m at the end of 2014. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 3.14x at the end of June 2015 compared to 1.9x at the end of 2014 and to 2.27x at end-June 2014. Also, the company's debt-to-equity ratio reached 18.9% at end-June 2015 relative to 26.3% at the end of 2014 and to 26% a year earlier. In parallel, the firm's return on assets increased to 18.4% on an annualized basis in the first half of 2015 relative to 14.3% in the same period of 2014; while its return on equity was 21.9% on an annualized basis relative to 18% in the first half of 2014. The company is engaged in the production and sale of white cement. The price of Ciments Blancs' bearer shares closed at $3.5 on September 4, 2015, down by 6.7% from $3.75 at the end of 2014, while the price of Ciments Blancs' nominal shares closed at $3.1 on September 4, up by 12.7% from $2.75 at end-2014

CMA CGM's net profits at $574m in first half of 2015

The Lebanese-owned and France-based container shipping group CMA CGM declared consolidated net profits of $573.6m in the first half of 2015, up 2.8 times from $203.9m in the same period of 2014. The firm posted net earnings, including non-controlling interests, of $413.3m in the first quarter and $160.3m in the second quarter of 2015. Its revenues reached $8.12bn in the first half of the year, almost unchanged from $8.14bn in the same period last year. In parallel, the company's operating expenses dropped by 4.7% year-on-year to $7.23bn in the covered period, mainly due to a 33.3% decrease in bunkers and consumables. The firm's core earnings before interest and taxes (EBIT) totaled $748.4m in the first half of 2015 and rose by 91.3% from $391.2m in the same period last year. Also, the company's consolidated assets reached $14.7bn at the end of June 2015, up by 2.4% from $14.4bn at end-2014. Its property and equipments rose by 2.6% from end-2014 to $7.36bn at end-June, with vessels accounting for $6.2bn or 84.5% of the total, followed by containers at $520.9m (7.1%), and land and buildings at $504.7m (6.9%).

In parallel, the firm's core EBIT margin improved from 4.9% in the second quarter of 2014 to 7.9% in the second quarter of 2015. CMA CGM's return on invested capital, which measures how well the company is using its money to generate returns, increased from 7.9% in the second quarter of 2014 to 14% in the same quarter of 2015. Also, the company's gearing ratio, which measures the firm's financial leverage, increased to 47% at the end of June 2015. CMA CGM is the third largest container shipping company in the world. It currently operates a fleet of 467 vessels and serves more than 400 ports around the world. In June 2015, Moody's Investors Service affirmed CMA CGM's 'B1' corporate family rating, 'B2-PD' probability of default rating and 'B3' senior unsecured rating, and revised the outlook from 'stable' to 'positive' on all the ratings due to the company's improved financial profile.

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

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