

LEBANON THIS WEEK

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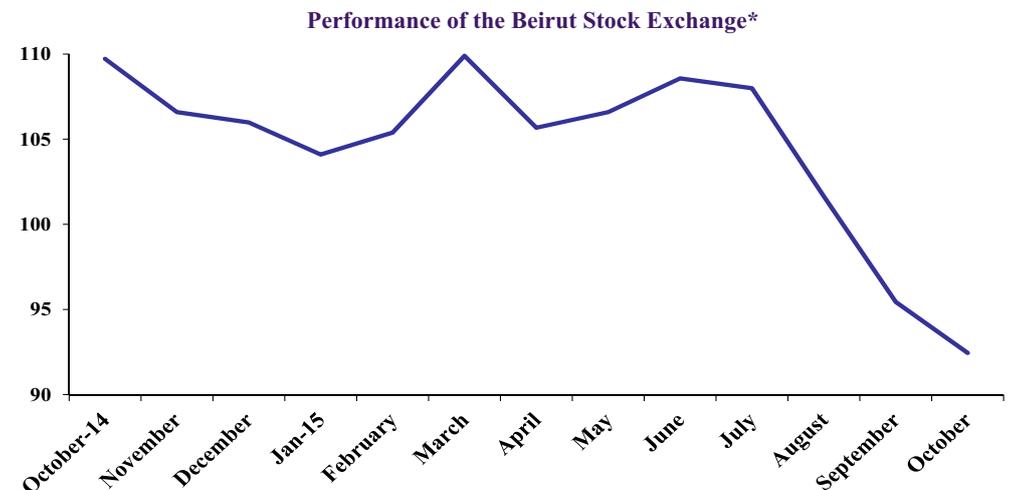
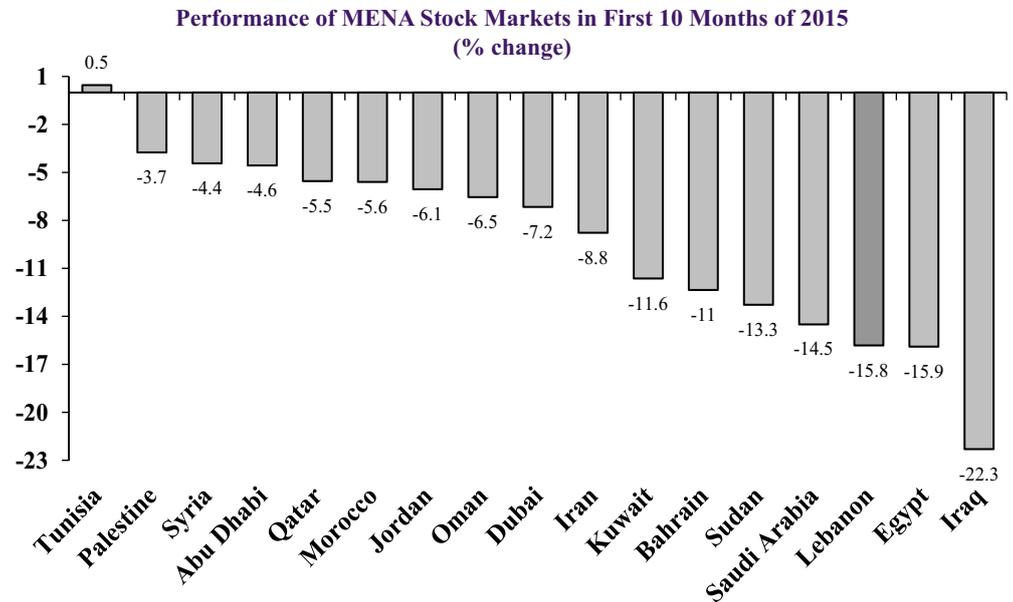
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* Banque du Liban Market Value Weighted Index average monthly values

Source: Local Stock Markets, Dow Jones Indices, Capital Markets Authority, Byblos Bank

Quote to Note

"The banking system has a relatively conservative business model, is well-supervised, and enjoys a relatively stable funding base with significant buffers."

The International Monetary Fund, on the strength of the Lebanese banking sector

Number of the Week

1.34%: The spread between the weighted average cost of funds and the weighted return on the uses of funds in US dollars at commercial banks in Lebanon as at September 2015, according to the Association of Banks in Lebanon

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
BLOM Listed	9.45	0.00	3,585,014	18.99%
BLOM GDR	9.58	(0.42)	142,590	6.62%
Solidere "A"	8.20	(14.49)	118,244	7.67%
Audi GDR	5.95	(0.34)	82,551	6.47%
Byblos Common	1.60	0.00	56,034	5.38%
Solidere "B"	8.36	(10.97)	38,437	5.08%
Audi Listed	5.94	0.00	29,639	22.20%
HOLCIM	15.15	0.00	20,378	2.76%
Byblos Pref. 08	100.50	0.30	15,870	1.88%
Byblos Pref. 09	100.90	0.50	1,026	1.89%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2016	8.500	100.75	4.33%
Mar 2017	9.000	105.58	4.72%
Nov 2018	5.150	100.00	5.15%
May 2019	6.000	101.25	5.60%
Mar 2020	6.375	102.50	5.71%
Apr 2021	8.250	110.25	6.01%
Oct 2022	6.100	99.75	6.15%
Jun 2025	6.250	99.50	6.32%
Nov 2026	6.600	100.50	6.54%
Feb 2030	6.650	98.88	6.77%

Source: Byblos Bank Capital Markets

	Nov 2-6	Oct 26-30	% Change	October 2015	October 2014	% Change
Total Shares Traded	4,116,516	1,484,187	117.36	3,521,768	6,765,726	(47.95)
Total Value Traded	\$40,636,020	\$9,693,159	319.22	\$28,446,467	\$49,594,656	(42.64)
Market Capitalization	\$10.7bn	\$10.89bn	(1.73)	\$10.89bn	\$11.27bn	(3.40)

Source: Beirut Stock Exchange (BSE)



Lebanon's net wealth per adult at \$30,207, two-thirds of population have net wealth below \$10,000

Global investment bank Credit Suisse estimated the net wealth per adult in Lebanon at \$30,207 at the end of June 2015, down 1.7% from \$30,733 at end-June 2014 and relative to a peak of \$35,946 at the end of 2007. Lebanon's net wealth per adult grew at a compound annual growth rate (CAGR) of 3.1% from \$20,695 at the end of 2000 to \$30,901 at the end of 2013. It was the 49th highest among 174 countries globally, the third highest among 46 upper middle-income countries (UMICs) and the seventh highest among 19 Arab countries at end-June 2015. Credit Suisse defines the net wealth per adult as the sum of a person's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. It provided annual data for the period between 2000 and 2013, and semi-annual figures for 2014 and 2015.

Globally, the net wealth per adult in Lebanon was higher than that in Costa Rica (\$29,862), Libya (\$28,628) and Mexico (\$25,949), and lower than that in Estonia (\$35,503), Mauritius (\$33,770) and Hungary (\$30,796) among countries with a GDP of \$10bn or more. It was lower than only in Turkmenistan (\$44,915) and Mauritius among UMICs. Regionally, net wealth per adult in Lebanon was lower than that in Qatar (\$156,986), the UAE (\$144,377), Kuwait (\$113,419), Oman (\$50,362), Bahrain (\$49,163) and Saudi Arabia (\$39,481).

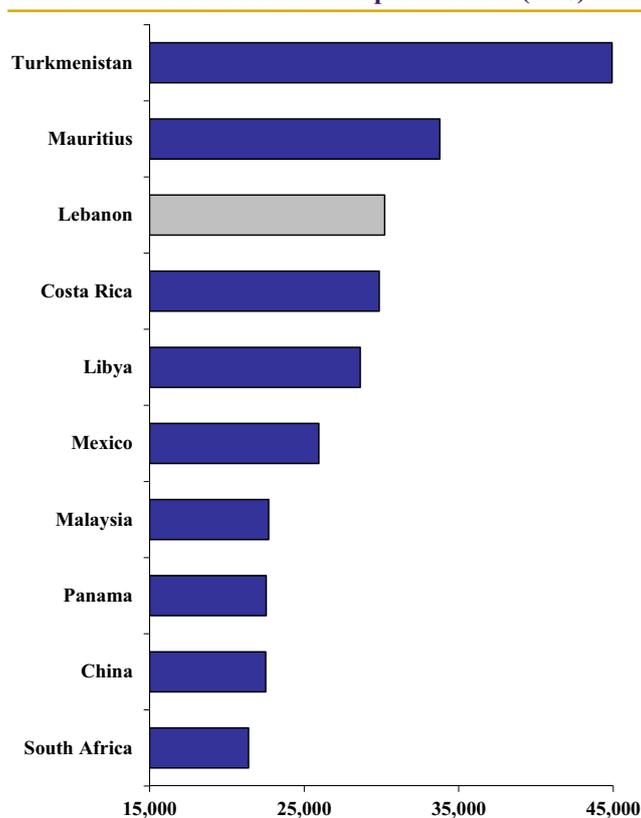
The value of financial assets per adult in Lebanon stood at \$22,443 at the end of June 2015, up by a marginal 0.3% from \$22,372 a year earlier and compared to a peak of \$24,690 at the end of 2007. It grew at a CAGR of 4.1% from \$13,276 at the end of 2000 to \$22,249 at the end of 2013. Lebanon's financial wealth per adult was the 40th highest globally at end-June 2015, the highest among UMICs and the sixth highest among Arab countries. Globally, it was higher than that in Saudi Arabia (\$21,314), South Africa (\$18,653) and Hungary (\$17,533), and lower than that in Estonia (\$24,513), Oman (\$23,346) and the Czech Republic (\$22,666). Regionally, it was lower than the financial wealth per adult in Qatar (\$101,983), the UAE (\$88,117), Kuwait (\$61,530), Bahrain (\$33,463) and Oman.

Also, the value of non-financial assets per adult in Lebanon stood at \$20,462 at the end of June 2015, up 3.5% from \$19,769 a year earlier and compared to a peak of \$20,930 at the end of 2010. They grew at a CAGR of 3.8% from \$11,971 at the end of 2000 to \$19,515 at the end of 2013. Lebanon's non-financial assets per adult were the 51st highest globally, the sixth highest among UMICs and the eighth highest among Arab countries at end-June 2015. Globally, they were higher than those of Mexico (\$18,565), Peru (\$18,136) and Colombia (\$18,020), and lower than those of Costa Rica (\$22,883), Mauritius (\$22,758) and Estonia (\$21,218). They were lower than those of Turkmenistan (\$37,915), Libya (\$23,560), Costa Rica and Mauritius among UMICs. Regionally, they were lower than those of the UAE (\$103,491), Kuwait (\$75,939), Qatar (\$75,629), Bahrain (\$33,793), Oman (\$32,451), Saudi Arabia (\$24,888) and Libya.

Further, the debt per adult in Lebanon reached a peak of \$12,697 at the end of June 2015, up by 11.3% from \$11,409 a year earlier. It grew at a CAGR of 6.9% from \$4,552 at the end of 2000 to \$10,862 at the end 2013. It was the 35th highest globally, the highest among UMICs and the fifth highest among Arab countries at end-June 2015. Globally, it was higher than that in Estonia (\$10,229), Slovenia (\$8,367) and Chile (\$7,573), and lower than that in Malta (\$19,828), Bahrain (\$18,094) and Greece (\$14,742). Regionally, it was lower than that in the UAE (\$47,231), Kuwait (\$24,050), Qatar (\$20,626) and Bahrain.

In parallel, Credit Suisse indicated that 66.7% of Lebanese adults had a net wealth below \$10,000 as at the end of June 2015, 30.2% had a net wealth between \$10,000 and \$100,000, 2.8% of Lebanese had an aggregate net wealth between \$100,000 and \$1m, and 0.3% of Lebanese have a total net wealth that exceeds \$1m.

Net Wealth Per Adult in Top 10 UMICs (US\$)



Source: Credit Suisse, Byblos Research

Lebanon ranks 98th globally, eighth in Arab region on prosperity index

The Legatum Institute's 2015 Prosperity Index ranked Lebanon in 98th place among 142 countries around the world, in 33rd place among 36 upper middle-income countries (UMICs) and in eighth place among 15 Arab countries. Lebanon's rank improved by three spots from 101st place in the 2014 survey, but was unchanged from the 2013 survey and regressed by 13 spots from 2012. In addition, Lebanon came in 85th place among 110 countries worldwide in 2015 when keeping the same set of countries since 2009, up five spots from 90th position in 2009.

The Legatum Institute uses a broad definition of prosperity to include both material wealth and the quality of life. It considers that a country's governance, the freedom of its citizens and strong social bonds are as important as its economic performance. The data covers 89 variables grouped in eight sub-indices that are the Economy, Entrepreneurship & Opportunity, Governance, Education, Health, Safety & Security, Personal Freedom and Social Capital, each identified as a foundation of prosperity. The rankings are based on the simple average of the scores of the eight sub-indices for each country.

Globally, Lebanon had a higher level of prosperity than India, Senegal and Rwanda, and a lower level than Laos, Algeria and Tunisia. It was more prosperous than only Iran, Iraq and Angola among UMICs. The survey noted that Lebanon has shown a small but sustained improvement across the tracked variables since 2009.

In parallel, Lebanon ranked ahead of Sierra Leone, Mali and Honduras, and came behind Russia, Kazakhstan and Bosnia & Herzegovina on the Governance Sub-Index. This category measures a country's performance on the effectiveness and accountability of the government, fair elections and political participation, and the rule of law. Lebanon ranked ahead of only Egypt, Mauritania, Iraq, Yemen, Syria and Sudan in the Arab world; while it came ahead of only Paraguay, Belarus, Iran, Angola and Iraq among UMICs.

Also, Lebanon ranked ahead of Trinidad & Tobago, Rwanda and the Dominican Republic, and came behind Laos, Romania and Guatemala on the Economy Sub-Index. This category measures a country's performance in macroeconomic policies, economic satisfaction and expectations, foundation for growth, and financial sector efficiency. Regionally, Lebanon ranked behind Kuwait, the UAE, Saudi Arabia, Morocco and Algeria. It also ranked ahead of the Dominican Republic and Bulgaria, and came behind Peru and Romania among UMICs.

Further, Lebanon came ahead of Egypt, Guatemala and El Salvador, and ranked behind Belize, Namibia and Sri Lanka on the Entrepreneurship & Opportunity Sub-Index. This category measures a country's performance in its entrepreneurial environment, innovative activity, and access to opportunity. Regionally, Lebanon ranked behind only the UAE, Kuwait, Saudi Arabia, Tunisia, Jordan and Morocco. It also ranked ahead of only Paraguay, Iran, Bosnia & Herzegovina, Algeria, Iraq and Angola among UMICs.

Prosperity Index 2015		
	Arab Rank	Global Rank
UAE	1	30
Kuwait	2	36
Saudi Arabia	3	42
Morocco	4	79
Jordan	5	88
Algeria	6	96
Tunisia	7	97
Lebanon	8	98
Egypt	9	110
Djibouti	10	120
Mauritania	11	121
Iraq	12	123
Sudan	13	134
Yemen	14	135
Syria	15	136

Source: Legatum Institute, Byblos Research

Components of the 2015 Prosperity Index for Lebanon				
Sub-Index	Global Rank	Change in Rank	Arab Rank	UMIC Rank
Economy	71	+4	6	16
Entrepreneurship & Opportunity	86	+5	7	30
Governance	109	-2	9	31
Education	89	0	7	30
Health	59	+5	4	13
Security & Safety	99	+3	9	27
Personal Freedom	124	-14	7	30
Social Capital	123	+3	12	33

Source: Legatum Institute, Byblos Research



Lebanon lacks processes for public participation in budget preparation

The International Budget Partnership's Open Budget survey for 2015 provided information about the level of participation by civil society and members of the public in budget processes, and about the strength of the legislative and audit institutions responsible for overseeing the management of public funds. It grouped the information in three categories that are Public Participation, Oversight by the Legislature and Oversight by Supreme Audit Institutions (SAIs). It assigned each country a score between zero and 100, with 100 representing the best performance.

Lebanon came in 85th place among 102 countries worldwide, in 26th place among 30 upper middle-income countries (UMICs) and in fifth place among 11 Arab countries on the Public Participation category. This category evaluates the extent to which the executive, legislature and supreme audit institutions provide space for public participation in the budget process. Globally, Lebanon tied with China, Macedonia, Myanmar and Nicaragua, ranked ahead of Mali and Niger, and came behind Cambodia and Egypt. Further, it tied with China and Macedonia, and ranked ahead of only Iraq and Algeria among UMICs, while it came ahead of Iraq, Morocco, Algeria, Sudan, Qatar and Saudi Arabia regionally. Lebanon posted a score of six points on this category, lower than the global average of 25.4 points, the UMIC average of 24.9 points and the Arab region's average of 7.1 points. The survey noted that Lebanon was one of 82 countries worldwide that had a weak public participation level.

Further, Lebanon came in 94th place globally, in 25th place among UMICs and in eighth place among Arab countries on the Oversight by the Legislature category. This category examines the legislature's involvement in the budget process prior to the submission of the executive's budget proposal, its access to research and analytical capacity, its amendment powers and the time to discuss amendments before approving the budget proposal, and the extent to which the executive can circumvent the legislature in making changes to the enacted budget during its implementation. Globally, Lebanon tied with Turkey and Namibia, while it ranked ahead of only Malaysia, China, Egypt, Fiji, Qatar and Saudi Arabia. Lebanon posted a score of 17 points on this category, lower than the global average of 48.1 points, the UMIC average of 43.1 points and the Arab average of 20.9 points. The survey noted that Lebanon was among 45 countries worldwide with a weak legislative strength.

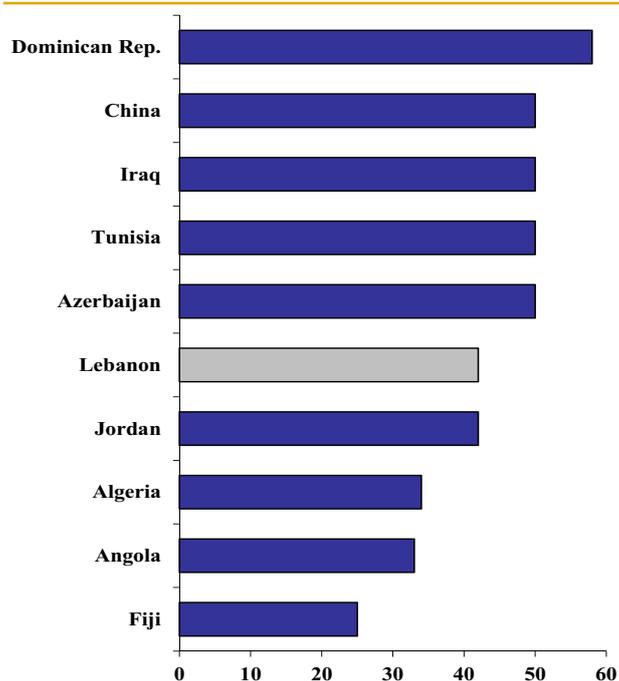
Finally, Lebanon ranked in 81st place globally, in 26th place among UMICs and in third place among Arab countries on the Oversight by SAIs category. This category assesses the independence of the SAI from the executive branch, the availability of an independent quality control system to assess the quality of produced audit reports, and the extent to which the SAI has adequate resources to fulfill its mandate. Globally, Lebanon tied with Kyrgyzstan, Malawi, Nicaragua, Jordan, Mozambique, Benin and Egypt, while it came ahead of Algeria and Saudi Arabia and behind China and Iraq. It also tied with Jordan and ranked ahead of Algeria, Angola and Fiji among UMICs, while it tied with Jordan and came behind only Tunisia and Iraq in the region. Lebanon posted a score of 42 on this category, lower than the global average of 65.1 and the UMIC average of 70.97, but higher than the Arab region's average of 32.82. The survey noted that Lebanon was among 29 countries that recorded a limited level of SAI strength.

Airport passengers up 10% in first 10 months of 2015

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 6,124,010 in the first 10 months of 2015, constituting a rise of 10% from the same period last year. The total number of arriving passengers rose by 9.4% year-on-year to 2,974,496 in the first 10 months of 2015, compared to increases of 5.9% in the same period of 2014 and of 4.7% in the first 10 months of 2013. Also, the number of departing passengers rose by 9.9% year-on-year to 3,119,560 in the first 10 months of 2015, relative to increases of 2.6% in the same period of 2014 and of 8.3% in the first 10 months of 2013.

In parallel, the airport's aircraft activity rose by 6.1% year-on-year to 57,513 take-offs and landings in the first 10 months of 2015, compared to an increase of 2.6% in the first 10 months of last year and a decrease of 0.8% in the same period of 2013. Middle East Airlines had 20,194 flights in the first 10 months of 2015, accounting for 35.1% of total aircraft movement at the HIA. It was distantly followed by Egypt Air with 2,184 flights, or 3.8% of the total, Turkish Airlines with 2,064 flights and Qatar Airways with 2,050 flights (3.6% each), Iraqi Airways with 1,827 flights and Fly Dubai with 1,818 flights (3.2% each). In parallel, the HIA processed 76,791 metric tons of cargo in the first 10 months of 2015 that consisted of 76,387 tons of freight and 403 tons of mail.

Oversight by Supreme Audit Institutions in bottom 10 UMICs



Source: International Budget Partnership, Byblos Research

Finance Ministry places \$1.6bn in Eurobonds

The Ministry of Finance issued a \$1.6bn triple-tranche Eurobond under the Republic of Lebanon's Global Medium Term Note Program. The new issuance consists of \$1.28bn in new cash to cover the government's debt service payments in foreign currency for the second half of 2015, and \$318m in voluntary debt exchange of the \$750m Eurobond that matures on January 19, 2016. The first series consists of a nine-year \$500m Eurobond that matures in November 2024 and that carries an annual coupon rate of 6.25%. The second series is a 13-year \$500m Eurobond that matures in November 2028 and that carries an annual coupon rate of 6.65%, while the third series consists of a 20-year \$600m Eurobond that matures in November 2035 and that carries an annual coupon rate of 7.05%. All coupons are paid on a semi-annual basis.

The issuance followed the \$2.2bn dual-tranche Eurobond issued in February 2015 and constituted the second time that the Lebanese government tapped the Eurobond market this year. As such, the ministry met its needs in foreign currency for 2015 and started the refinancing process of its obligations for 2016.

The Ministry of Finance indicated that the cash portion of the newly-issued Eurobond was oversubscribed by 113% of the amount requested. It added that local investors, including commercial banks, subscribed to about 90% of the issuance, while foreign banks and financial institutions subscribed to the balance of 10%. Also, the ministry pointed out that 42.4% of the \$750m Eurobond was exchanged, which means that it still needs to cover the \$432m of the January 2016 maturity. Standard & Poor's and Fitch Ratings rate the sovereign at 'B-' and 'B', respectively. But based on the Credit Default Swaps market, Lebanon's implied sovereign rating stood at 'B+' on November 5, 2015.

Net public debt at \$60.4bn at end-September 2015

Lebanon's gross public debt reached \$68.7bn at the end of September 2015, constituting an increase of 3.2% from the end of 2014 and a rise of 4.1% from \$66bn at end-September 2014. Domestic debt totaled \$42.5bn at the end of September 2015, rising by 3.9% from end-2014 and by 6.4% year-on-year; while debt in foreign currency stood at \$26.2bn, constituting increases of 2.2% from the end of 2014 and of 0.6% from a year earlier. Local currency debt accounted for 61.9% of gross public debt at the end of September 2015 compared to 60.6% a year earlier, while foreign currency-denominated debt represented the balance of 38.1% relative to 39.4% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.93% and that on Eurobonds was 6.44% as at September 2015. Further, the weighted life on Eurobonds was 5.67 years, while that on Treasury bills was 1,228 days.

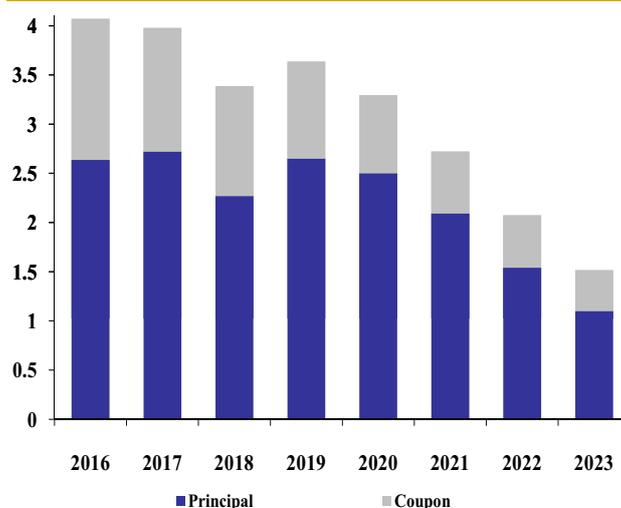
Commercial banks held 47.5% of the local public debt at the end of September 2015 compared to 51.7% a year earlier. They were followed by the Central Bank with 35.7%, up from 31.2% at end-September 2014; while public agencies, financial institutions and the public accounted for 16.8% of local debt compared to 17.1% at the end of September 2014. In parallel, Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 91.8% of foreign-currency denominated debt, followed by foreign governments with 4.3%, multilateral institutions with 3.7%, and Paris II loans with 0.2%. The net public debt, which excludes public sector deposits at the Central Bank and at commercial banks from overall debt figures, increased by 8% year-on-year to \$60.4bn. In parallel, the gross market debt accounted for about 65% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

Value of cleared checks down 8%, returned checks up 1% in first nine months of 2015

The value of cleared checks reached \$51.8bn in the first nine months of 2015, constituting a decrease of 7.8% from the same period of 2014, and compared to increases of 4.5% in the first nine months of 2014 and of 1.6% in the same period of 2013. The value of cleared checks in Lebanese pounds rose by 1.7% year-on-year to the equivalent of \$13.8bn, while the value of cleared checks in US dollars declined by 10.8% annually to \$38bn in the first nine months of 2015. The dollarization rate of cleared checks regressed from 75.9% in the first nine months of 2014 to 73.4% in the same period this year.

Also, the value of returned checks in domestic and foreign currency grew by 1.1% year-on-year to \$1.1bn in the first nine months of 2015, relative to decreases of 1.4% in the same period of 2014 and of 0.2% in the first nine months of 2013. In parallel, there were 9.3 million cleared checks in the first nine months of 2015, down by 4.5% from the same period last year. Also, there were 174,400 returned checks in the covered period, down by 7.3% from 188,100 in the first nine months of 2014.

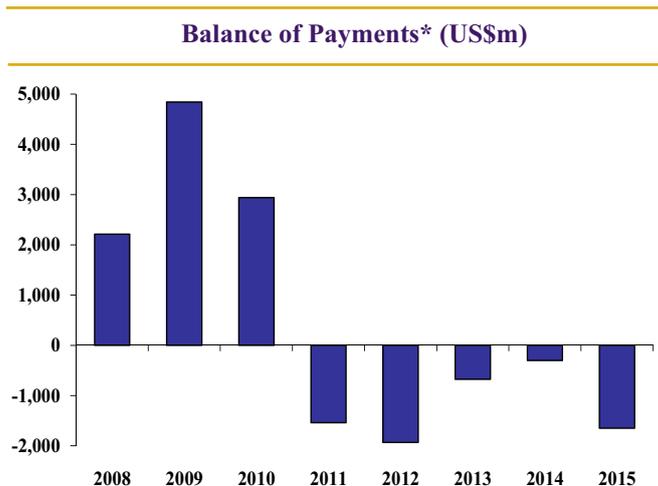
Redemption Profile of Eurobonds (US\$bn)



Source: Ministry of Finance, Byblos Research

Balance of payments posts deficit of \$1.77bn in first nine months of 2015

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$1.77bn in the first nine months of 2015 compared to a deficit of \$301.8m in the same period last year. The balance of payments posted a deficit of \$121.8m in September 2015 compared to a deficit of \$332m in August 2015 and a surplus of \$131.1m in September 2014. The September 2015 deficit was caused by a deficit of \$301.1m in the net foreign assets of the Central Bank, and was partially offset by a surplus of \$179.3m in those of banks and financial institutions. The cumulative deficit over the first nine months of 2015 was caused by a deficit of \$2.9bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of \$1.16bn 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.



**in the first nine months of each year*

Source: Central Bank of Lebanon

Treasury transfers to Electricité du Liban down 49% to \$316m in first quarter of 2015

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled \$315.5m in the first quarter of 2015, constituting a drop of 48.7% from \$615.1m in the same quarter last year. The ministry indicated that transfers to EdL for 2015 are calculated on a cash basis, as it also adjusted the 2014 figures for comparison reasons. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled \$308.5m, or 97.8% of transfers in the covered quarter, while EdL's debt servicing represented the balance of \$7m, or 2.2% of the total. It attributed the decline in transfers to a decrease of \$299m, or 49.2%, in payments to KPC and Sonatrach during the covered quarter as well as to a drop of \$0.7m, or 8.7%, in debt servicing.

The ministry said that the decline in payments to KPC and Sonatrach reflects a 50.4% year-on-year decrease in oil prices at the time the oil contracts were executed, a 12.5% drop in the quantity of imported fuel oil as well as a 7.2% decline in the quantity of imported gas oil. Also, it pointed out that EdL contributed 1.9% of the repayments to the two oil suppliers in the first quarter of 2015 compared to 2.2% in the same quarter of 2014. EdL transfers accounted for 14.2% of primary expenditures in the first quarter of the year compared to 25.8% in the first quarter of 2014. They constituted 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, and to 4.3% of GDP in each of 2013 and 2014.



ADIR's financial strength rating affirmed at 'A', net profits up 16% in 2014

Insurance rating agency i.e. Muhanna & co Rating Services affirmed at 'A' the Financial Strength Rating of Adonis Insurance & Reinsurance Co. sal (ADIR), a subsidiary of the Byblos Bank Group. It said that ADIR's financial strength is supported by its good level of underwriting exposure. It noted that the firm's level of underwriting exposure, which is measured by the ratio of net premiums over total equity, was 63.3% in 2014, reflecting the good capital position of the company in the market.

The agency indicated that the firm's liquidity ratio was 81.9% in 2014; while its reserves reached \$121.3m at the end of 2014, nearly unchanged from \$121.2m at end-2013. Also, the company's retention rate, which is measured by the ratio of net premium written over gross premium written, reached 79.9% in 2014 and came higher than the market average rate of 78%. Further, ADIR's ratio of net premium receivables-to-gross direct premium rose to 8.3% in 2014 from 7.4% in 2013, which reflects the company's good collection of receivables in the market.

ADIR posted net profits of \$10.2m in 2014, constituting an increase of 16% from \$8.8m in 2013. The firm's shareholders' equity reached \$40.3m at the end of 2014, up 17% from \$34.4m at end-2013; while its return on equity was 26.8% in 2014 relative to 27.2% in 2013. Gross premiums reached \$31.9m in 2014 relative to \$31.2m in 2013, while its claims totaled \$9.6m, up from \$9m in 2013.

Venture capital firm raises \$30m for ICT fund

The venture capital firm Middle East Venture Partners Holding sal (MEVP) announced the second closing of the Middle East Venture Fund II (MEVF II), with \$30.7m in investor commitments. MEVF II expects to conduct a final closing on November 11, 2015. The Fund invests between \$500,000 and \$3m in first round financing in 12 early-stage technology and mobile businesses that operate in the Middle East & North Africa region's Information & Communication Technology (ICT) sector.

MEVF II has so far executed nine investments for an aggregate amount of \$8.6m. The fund invested in YouGotAGift.com, an online marketplace specializing in digital gift cards in the Middle East. It also provided equity funding to Lamsa, an Arabic digital library tailored for children seven years old or younger; to The Luxury Closet, an online marketplace that sells pre-owned luxury items at a discount; and to Altibbi, a digital medical content platform that offers several online medical services in Arabic. Further, it injected funds in RoundMenu, the only Arabic website and mobile restaurant discovery platform with restaurant delivery services; and invested in Schedul, a management platform and marketplace for the beauty and health industry; in FishSishMe, an online marketplace for water activities; as well as in MENACommerce, a big data analytics platform for the retail market.

MEVF II's limited partners include Zain Group, the Kuwaiti mobile telecommunications company; the Choueiry Group, a media representation group in the Middle East; and Mr. Osman Sultan, Chief Executive Officer of UAE telecom operator du, among others. MEVP has invested in 28 technology companies since 2010 and has about \$120m in assets under management. It invests in the early and growth stages of innovative companies.

Banque Libano-Française issues one million new nominal shares

Banque Libano-Française sal (BLF) indicated that it transferred LBP10bn (\$6.63m) from its free reserves to its capital account to cover the value of one million new nominal shares that it issued gratis to existing shareholders. BLF issued the new shares that have a par value of LBP10,000 (\$6.63) each in order to offset the cancelled Series 2 Preferred Shares. The operation was executed to keep unchanged the capital and book value per share. The 1,000,000 Series 2 Preferred Shares were redeemed and cancelled on May 22, 2015 at a price of \$100 per share. The new shares will not be listed on the Beirut Stock Exchange, in line with previous issuances.

BLF posted unaudited consolidated net profits of \$55.5m in the first half of 2015. Its assets reached \$11.3bn at the end of June 2015, nearly unchanged from end-2014; while loans & advances to customers, excluding loans & advances to related parties, declined by 3.7% from end-2014. Also, customer deposits, excluding deposits from related parties, totaled \$9.3bn at end-June 2015, down by 0.7% from end-2014.

Italy grants €2m to support renewable energy project

The Ministry of Energy & Water signed a Memorandum of Understanding with the Italian government to establish a mini-hydro power plant on the Jouz River in Tannourine. The plant would supply about 2.8 million kilowatt hours of clean energy to the Tannourine Governmental Hospital. The €2m project will be fully funded by a grant from the Italian government, with €1.9m earmarked for the project's execution and €0.1m for specialized technical assistance. The ministry will be in charge of implementing the project, while the selection of companies that will carry out the plan will take place through a tendering process.

The initiative, which is expected to be completed by 2017, aims to contribute to the capacity development of the renewable energy sector in Lebanon. The project is part of the national strategy focused on energy efficiency and climate protection, through which Lebanon aims to have 12% of its energy consumption from renewable energy sources by 2020. The share of hydropower in Lebanon is currently estimated at about 5% of the total energy mix.

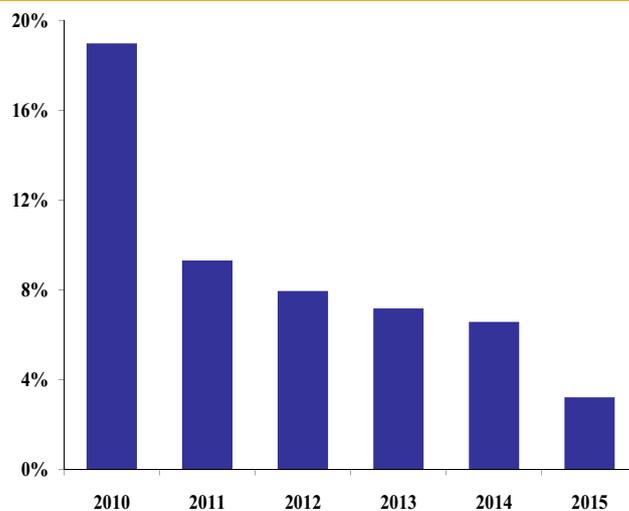
Commercial banks' assets reach \$181bn at the end of September 2015

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$181.3bn at the end of September 2015, constituting an increase of 3.2% from the end of 2014 and a rise of 5.8% from end-September 2014. Private sector deposits totaled \$149.1bn, growing by 3.2% from the end of 2014 and by 5% from a year earlier. Deposits in Lebanese pounds reached \$52.8bn and rose by 6.5% from the end of 2014 and by 8.5% from end-September 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 \$26.4bn at the end of September 2015 and regressed by 0.2% from end-2014 but rose by 2.5% from a year earlier. The aggregate amount of non-resident deposits reached \$30.7bn at the end of September and rose by 1.4% from end-2014 and by 4.2% 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, by \$689.9m in June and by \$1.2bn in August, while they regressed by \$274m in January, by \$188.4m in July and by \$514.1m in September 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, by \$965.8m in July, by \$200.3m in August and by \$508.1m in September 2014.

As such, total private sector deposits grew by \$4.7bn in the first nine months of 2015 compared to an increase of \$5.8bn in the same period of 2014. Resident private sector deposits rose by \$4.3bn in the covered period relative to a growth of \$4.8bn in the first nine months of 2014; while non-resident deposits grew by \$436.5m in the first nine months of 2015 compared to a rise of \$1bn in the same period last year. In parallel, deposits of non-resident banks reached \$6.3bn at the end of September 2015, constituting increases of 8.2% from end-2014 and of 16.2% from a year earlier. The dollarization rate of deposits reached 64.6% at the end of September 2015, down from 65.7% a year earlier. Further, the average deposit rate in Lebanese pounds was 5.57% in September 2015, relative to 5.51% in the same month of 2014, while the same rate in US dollars was 3.14% compared to 3.04% in September 2014.

Loans to the private sector reached \$52.6bn at the end of September 2015, constituting increases of 3.4% from the end of 2014 and of 5.3% from a year earlier. In nominal terms, credit to the private sector rose by \$1.7bn in the first nine months of 2015 relative to an increase of \$2.6bn in the same period of 2014. Lending to the resident private sector grew by \$1.45bn in the first nine months of 2015 relative to a rise of \$2.72bn in the same period of 2014; while credit to the non-resident private sector increased by \$256.1m in the covered period compared to a drop of \$158.5m in the first nine months of 2014. Lending to the resident private sector totaled \$46.8bn, up by 3.2% from the end of 2014 and by 5.9% from the end of September 2014; while credit to the non-resident private sector reached \$5.8bn and rose by 4.6% from end-2014 and by 1.2% from the end of September 2014. The dollarization rate in private sector lending regressed to 74.6% at the end of September 2015 from 75.9% a year earlier. The average lending rate in Lebanese pounds was 7.08% in September 2015, unchanged from the same month of 2014, while the same average in US dollars was 7.19% relative to 6.94% in September 2014. In addition, claims on non-resident banks reached \$10.3bn at the end of September 2015, representing decreases of 15.2% from end-2014 and of 9.4% from a year earlier. In parallel, claims on the public sector stood at \$37.4bn at the end of September 2015, nearly unchanged from the end of 2014 and down by 0.5% year-on-year. The ratio of private sector loans-to-deposits in foreign currency stood at 40.8%, well below the Central Bank's limit of 70% and compared to 40.6% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.3% at end-September 2015, up from 24.8% at the end of September 2014. The ratio of total private sector loans-to-deposits was 35.3% relative to 35.2% a year earlier. The banks' aggregate capital base stood at \$16.3bn, up by 3.5% from end-2014 and by 5.2% from \$15.5bn at end-September 2014.

Resident Private Sector Lending Growth* (% Change)



* in the first nine months of each year

Source: Association of Banks in Lebanon, Byblos Research

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	Aug 2013	July 2014	Aug 2014	Change*	Risk Level
Political Risk Rating	52.5	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	57.2	58.5	58.5	▼	High

Regional Average	Aug 2013	July 2014	Aug 2014	Change*	Risk Level
Political Risk Rating	58.2	57.9	57.7	▲	High
Financial Risk Rating	41.3	41.0	40.9	▲	Very Low
Economic Risk Rating	36.2	36.2	36.1	▲	Low
Composite Risk Rating	67.8	67.5	67.3	▲	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	Negative	B-	B	Negative
Capital Intelligence	B	B	Negative	B	B	Negative

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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