

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1
Capital Markets.....1
Lebanon in the News.....2

Lebanon ranks 83rd globally in terms of Nation Brand Value

Distribution of \$800m in telecom proceeds to municipalities and federations of municipalities

Fitch Ratings affirms Lebanon's sovereign ratings at 'B', outlook 'negative'

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

Slow economic activity in first nine months of 2015

Lebanon's external debt posts 31st lowest return in emerging markets, 10th highest in the Middle East & Africa

Finance Ministry asks taxpayers to settle tax on income from foreign equity and bonds

Revenues through Port of Beirut up 11% to \$204m in first 10 months of 2015

Financial conditions of Syrian refugees regress

Industrial activity still low in second quarter of 2015

Corporate Highlights6

Byblos Bank opens branch in Sulaymaniah

New car sales up 4% in first 11 months of 2015

Kafalat loan guarantees down 18% to \$85m in first 11 months of 2015

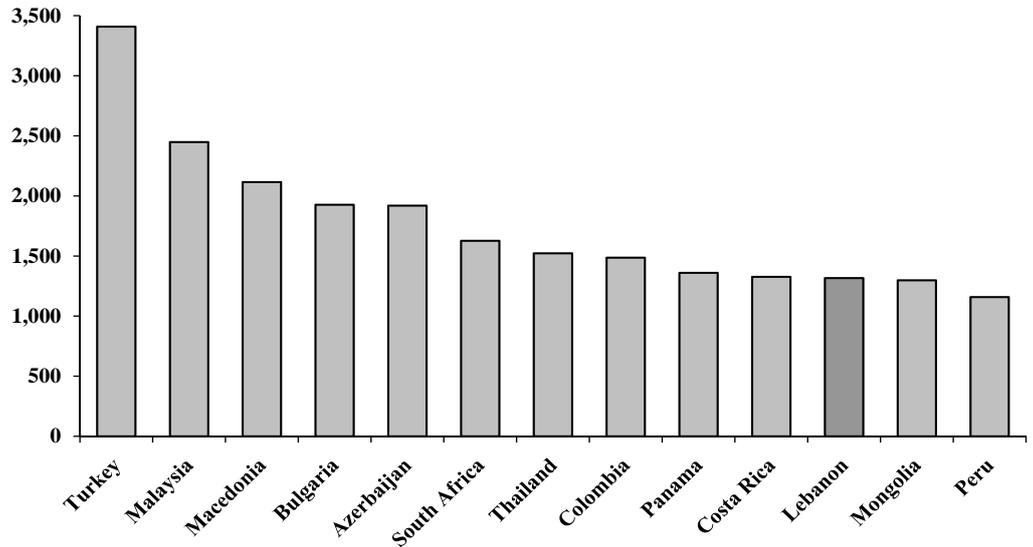
Top five freight forwarders' import activity down 2.4% in first 10 months of 2015

BBAC's net earnings at \$37m in first nine months of 2015

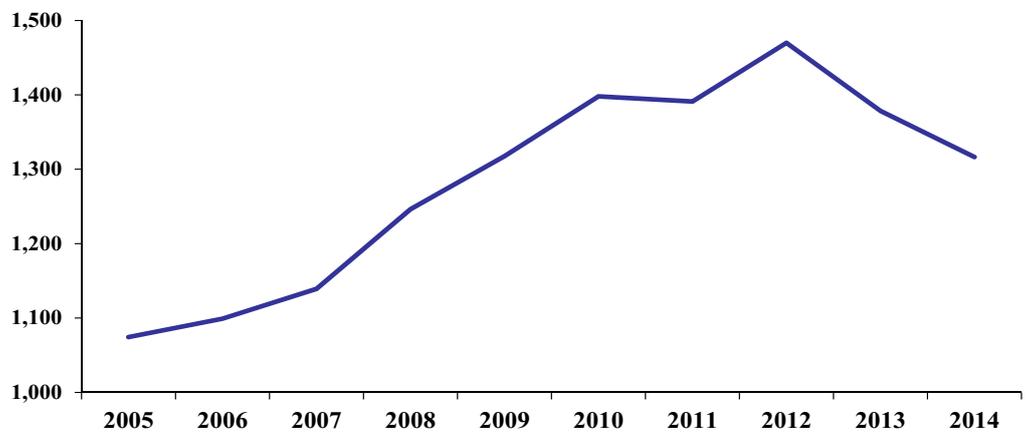
Ratio Highlights.....8
Risk Outlook8
Ratings & Outlook.....8

Charts of the Week

Penetration Rates of Deposit Accounts in Selected Upper Middle-Income Countries at end-2014
(Number of deposit accounts at commercial banks per 1000 adults)



Penetration Rates of Deposit Accounts in Lebanon
(Number of deposit accounts at commercial banks per 1000 adults)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"Monetary policy has been one of the few effective countercyclical policy tools during the ongoing period of sluggish growth."

The World Bank, on the impact of policy measures taken by the Central Bank of Lebanon

Number of the Week

44.4%: Level of financial literacy rate among adults in Lebanon, according to Standard & Poor's Global Financial Literacy Survey

Lebanon in the News

\$m (unless otherwise mentioned)	2014	Sep 2014	June 2015	July 2015	Aug 2015	Sep 2015	% Change*
Exports	3,313	282	281	218	219	243	(13.83)
Imports	20,494	1,671	1,690	1,527	1,479	1,434	(14.18)
Trade Balance	(17,181)	(1,389)	(1,409)	(1,309)	(1,260)	(1,191)	(14.25)
Balance of Payments	(1,408)	131	(794)	2	(332)	(122)	-
Checks Cleared in LBP	18,143	1,553	1,593	1,484	1,597	1,587	2.18
Checks Cleared in FC	56,348	4,852	4,504	3,979	4,294	4,151	(14.45)
Total Checks Cleared	74,491	6,405	6,097	5,463	5,891	5,738	(10.42)
Budget Deficit/Surplus	(3,073)	(564.21)	(64.56)	(72.97)	(131.05)	(619.44)	9.79
Primary Balance	1,307	(84.64)	289.34	198.84	119.82	(121.58)	43.65
Airport Passengers***	6,567,647	640,698	594,221	791,162	893,708	750,290	17.11

\$bn (unless otherwise mentioned)	2014	Sep 2014	June 2015	July 2015	Aug 2015	Sep 2015	% Change*
BdL FX Reserves	32.40	32.34	34.11	33.65	32.77	32.02	(0.97)
<i>In months of Imports</i>	<i>18.97</i>	<i>19.35</i>	<i>20.18</i>	<i>22.04</i>	<i>22.15</i>	<i>22.33</i>	<i>15.40</i>
Public Debt	66.58	66.00	69.02	69.19	68.89	68.72	4.12
Net Public Debt	57.31	55.92	59.46	59.56	59.91	60.40	8.02
Bank Assets	175.70	171.34	180.08	179.91	181.62	181.34	5.84
Bank Deposits (Private Sector)	144.43	142.02	148.58	148.39	149.63	149.11	4.99
Bank Loans to Private Sector	50.90	49.95	51.74	52.06	52.41	52.61	5.33
Money Supply M2	48.69	47.90	50.59	50.74	51.08	51.54	7.61
Money Supply M3	117.68	116.07	120.46	120.82	121.52	122.08	5.18
LBP Lending Rate (%)	7.49	7.08	7.12	6.90	6.89	7.08	-
LBP Deposit Rate (%)	5.56	5.51	5.51	5.58	5.61	5.57	6bps
USD Lending Rate (%)	6.97	6.94	7.03	7.09	7.12	7.19	25bps
USD Deposit Rate (%)	3.07	3.04	3.16	3.17	3.19	3.14	10bps
Consumer Price Index**	0.59	1.24	(0.38)	(1.11)	1.02	(0.64)	-

* Year-on-Year ** Year-on-Year percentage change

***includes arrivals, departures, transit

Note: bps i.e. basis points

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Audi Listed	6.00	1.69	397,901	21.60%
Solidere "A"	10.46	(8.81)	135,277	9.42%
Solidere "B"	10.34	(9.38)	64,039	6.05%
BLOM GDR	9.72	1.04	31,660	6.47%
Byblos Common	1.64	0.00	25,854	5.31%
Audi GDR	6.05	0.83	21,429	6.33%
BLOM Listed	9.40	0.00	14,547	18.20%
Byblos Pref. 09	100.60	(1.08)	2,052	1.81%
HOLCIM	14.60	(2.47)	450	2.57%
Byblos Pref. 08	101.50	0.40	105	1.83%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2016	8.500	100.00	8.22
Mar 2017	9.000	105.25	4.67
Nov 2018	5.150	100.00	5.15
May 2019	6.000	100.00	6.00
Mar 2020	6.375	101.50	5.97
Apr 2021	8.250	109.50	6.13
Oct 2022	6.100	98.75	6.33
Jun 2025	6.250	98.75	6.44
Nov 2026	6.600	98.75	6.76
Feb 2030	6.650	97.25	6.96

Source: Byblos Bank Capital Markets

	Dec 7-11	Nov 30- Dec 4	% Change	November 2015	November 2014	% Change
Total Shares Traded	770,449	770,449	(5.73)	5,993,797	3,438,292	74.32
Total Value Traded	\$8,695,677	\$8,695,677	(32.35)	\$57,995,042	\$25,146,027	130.63
Market Capitalization	\$11.23bn	\$11.23bn	(1.12)	\$11.19bn	\$11.29bn	(0.91)

Source: Beirut Stock Exchange (BSE)

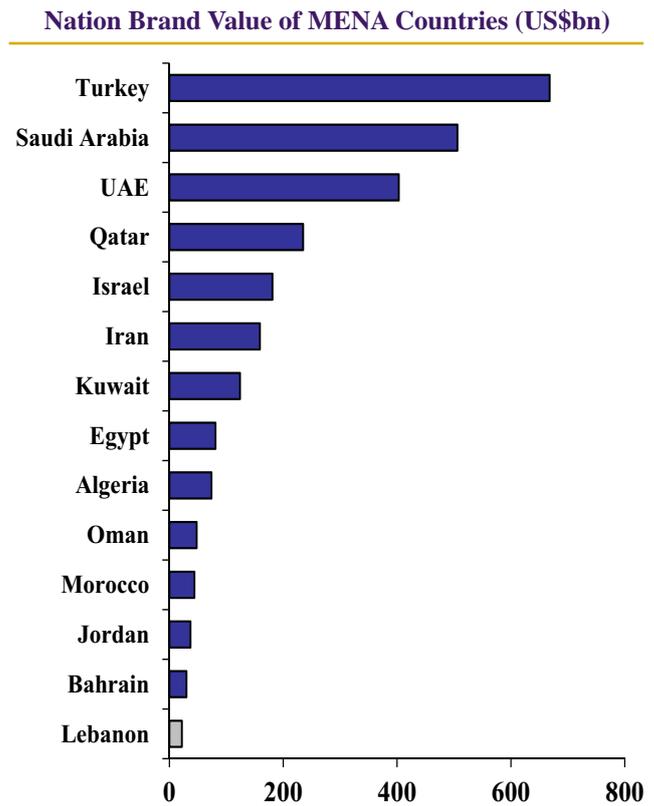


Lebanon ranks 83rd globally in terms of Nation Brand Value

Brand Finance's Nation Brands 2015 Index ranked Lebanon in 83rd place among 100 countries in terms of its nation brand value and in last place among 14 countries in the Middle East & North Africa (MENA) region. Lebanon also came in 20th place among 24 upper middle-income countries (UMICs) included in the survey. The index measures the strength and value of the nation brand of 100 leading countries based on the "royalty relief mechanism" methodology that is used to value the world's largest companies. A nation's brand valuation is based on five-year forecasts of the sales revenues of all brands in each country, with the country's gross domestic product used as a proxy for total revenues. In turn, the country's post-tax brand revenues are discounted to a net present value to calculate the brand value. Brand Finance is a brand valuation and strategy consultancy firm.

The survey estimated Lebanon's brand value at \$21.7bn for 2015, up by 1% from 2014 and relative to a brand value of \$28bn in 2013. Globally, Lebanon had a higher nation brand value than Bolivia (\$19bn), Estonia (\$17bn) and Cambodia (\$16bn), and a lower brand value than Ghana, Tanzania and Ethiopia (\$23bn each). Also, Lebanon's brand value was higher than only Albania and Botswana (\$9bn each), and Mauritius and Jamaica (\$8bn each) among UMICs. The United States has the world's most valuable nation brand with a value of \$19.7 trillion, while Jamaica has the lowest brand value globally at \$8bn.

In parallel, Lebanon's brand strength rating was upgraded to 'A' from 'A-' on the 2015 Brand Strength Index, reflecting a strong brand position. The survey rates each country's brand strength by the performance of the Investment, Goods & Services, and Society pillars. The pillars are based on four sub-pillars that are Tourism, Market, Governance and People & Skill, which are calculated by using several metrics. The index has a scale of 18 ratings that range from 'AAA+' to 'D', with a score of 'AAA+' reflecting the strongest nation brand. Globally, the strength of Lebanon's brand is similar to that of Italy, Mexico, Russia, Vietnam, Kenya, Morocco, Peru, Colombia, Romania, Botswana and Croatia. Further, Lebanon has a stronger nation brand than only Iran and Egypt ('A-' each) and Algeria ('BBB') among MENA economies. Singapore has the strongest nation brand worldwide, while the UAE has the strongest brand in the MENA region.



Source: Brand Finance, Byblos Research

Distribution of \$800m in telecom proceeds to municipalities and federations of municipalities

The Ministry of Interior & Municipalities announced the distribution of LBP1,200bn, or \$796m, to Lebanese villages, municipalities and federations of municipalities according to three decrees previously approved by the Cabinet.

First, Decree 2338 stipulates the distribution of LBP6bn, equivalent to \$4m, from the Independent Municipal Fund to villages that do not have their own municipalities. The funds were accumulated between January 2010 and May 2014 from levies of mobile phone fees and revenues. These resources would be allocated towards roads' lightening, maintenance and cleaning. Villages in Mount Lebanon would receive the equivalent of \$1m or 25.6% of the total, followed by those in North Lebanon with \$0.9m (22.4%), Baalbek with \$0.8m (19.6%), Akkar with \$0.6m (16.1%), the South with \$0.3m (7.7%), the Bekaa with \$0.2m (5.5%) and Nabatieh with \$0.1m (3.1%).

Second, Decree 2339 stipulates the distribution of LBP667bn, or \$442.5m, with \$398.2m allocated to municipalities and \$44.2m to federations of municipalities. Municipalities would be allocated \$318.6m based on the number of residents in each municipality and \$79.6m would be disbursed based on the collection of landline fees on behalf of each municipality during 2013. Also, the distribution to the federations of municipalities would be based on the number of registered citizens in each federation.

Third, Decree 2341 stipulates the allocation of LBP527bn, equivalent to \$349.6m, in revenues from the Independent Municipal Fund that were earmarked for distribution in 2014. It indicates that \$292.3m, or 83.6% of the total, would be allocated to municipalities, followed by \$42m (12%) to federations of municipalities and \$15.4m (4.4%) to the Independent Fund for Civil Defense.



Fitch Ratings affirms Lebanon's sovereign ratings at 'B', outlook 'negative'

Fitch Ratings affirmed Lebanon's long-term foreign and local currency Issuer Default Ratings (IDR) and short-term foreign currency IDR at 'B'. It also affirmed at 'B' the ratings on Lebanon's senior unsecured foreign and local currency bonds, and maintained the outlook on the long-term IDRs at 'negative'. Further, it affirmed the Country Ceiling at 'B'.

The agency indicated that Lebanon's sovereign ratings are constrained by political risks that have worsened due to the ongoing war in Syria, as well as by the country's very weak public finances and low economic performance. It noted that the high political risks are a key driver of the 'negative' outlook on the sovereign ratings. It added that Lebanon has been operating without a president since May 2014, along with a paralyzed Parliament and Cabinet. It expected the political deadlock to persist as long as the conflict in Syria continues. In contrast, it pointed out that the ratings are supported by Lebanon's strong external liquidity, resilient banking sector and other structural strengths, such as the high income levels and human development indicators.

Fitch pointed out that spillovers from the Syrian war have severely affected Lebanon's economic performance and prospects. It projected Lebanon's real GDP growth to remain subdued at 1.2% in 2015 despite the drop in global oil prices and the Central Bank's financial stimulus packages. It did not expect a significant improvement in the country's growth prospects before the end of the war in Syria. Further, it estimated the public debt level at 131% of GDP in 2015, the fourth highest among Fitch-rated sovereigns. It noted that high debt levels resulted in an exceptionally elevated debt servicing cost that absorbs almost 40% of the government revenues. It anticipated the wide structural deficits due to the lack of fiscal reforms and elevated current expenditures, which would increase the public debt stock.

The agency indicated that the banking system has attracted in previous years sufficient deposits to meet the government's financing needs and to ensure a moderate growth in lending to the private sector. However, it pointed out that the growth in deposits has decelerated in 2015. In parallel, the agency indicated that Lebanon has strong external liquidity buffers despite the wide current account deficit that it estimates at 17% of GDP in 2015. It noted that the country's assets in foreign currency reached \$42bn at the end of September 2015, supported by deposit flows from the Lebanese Diaspora. In addition, it said that Lebanon's GDP per capita and broader human development indicators are well above similarly-rated peers and are more in line with the median of 'BBB'-rated sovereigns. It noted that the government has a perfect track record of public debt repayment.

Fitch noted that it does not currently anticipate developments that would lead to an upgrade of the sovereign ratings. It indicated that it would downgrade the ratings if domestic political or security conditions deteriorate, in case of a reversal of the banking sector's willingness or ability to continue funding the government, or if the public debt's dynamics significantly worsen. The agency added that it could revise the outlook to 'stable' in case of growing confidence in the sustainability of the domestic political situation, a decrease in overall security risks associated with the Syrian conflict and continuing resilience of Lebanon's financing model.

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

Lebanon's gross public debt reached \$69bn at the end of October 2015, constituting an increase of 3.7% from the end of 2014 and a rise of 4.2% from \$66.2bn at end-October 2014. Domestic debt totaled \$42.9bn at the end of October 2015, rising by 4.8% from end-2014 and by 6.6% year-on-year; while debt in foreign currency stood at \$26.1bn, constituting increases of 1.9% from the end of 2014 and of 0.5% from a year earlier. Local currency debt accounted for 62.2% of gross public debt at the end of October 2015 compared to 60.8% a year earlier, while foreign currency-denominated debt represented the balance of 37.8% relative to 39.2% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.94% and that on Eurobonds was 6.44% in October 2015. Further, the weighted life on Eurobonds was 5.58 years, while that on Treasury bills was 1,234 days.

Commercial banks held 47.1% of the local public debt at the end of October 2015 compared to 51% a year earlier. They were followed by the Central Bank with 36.1%, up from 31.7% at end-October 2014; while public agencies, financial institutions and the public accounted for 16.8% of local debt compared to 17.2% a year earlier. In parallel, Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 91.9% of foreign-currency denominated debt, followed by foreign governments with 4.2%, multilateral institutions with 3.7% and Paris II loans with 0.2%. The net public debt, which excludes public sector deposits at the Central Bank and at commercial banks from overall debt figures, grew by 7.4% year-on-year to \$60.4bn at end-October 2015. 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.

Slow economic activity in first nine months of 2015

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 271.5 points in September 2015 compared to 266.6 in August 2015 and 264.3 in September 2014. The Coincident Indicator, an average of eight weighted economic indicators, increased by 1.8% month-on-month and by 2.7% year-on-year in September 2015. The indicator averaged 274.1 in the first nine months of 2015, up 0.9% from 271.6 in the same period of 2014. Also, the indicator averaged 275 in the 12 months ending September 2015, compared to 274.4 in the 12 months ending August 2015 and 271.8 in the 12 months ending September 2014. As a result, the average coincident indicator grew marginally by 0.2% month-on-month and by 1.2% year-on-year. In parallel, the indicator regressed 12 times and improved 11 times on a monthly basis in the month of September 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.

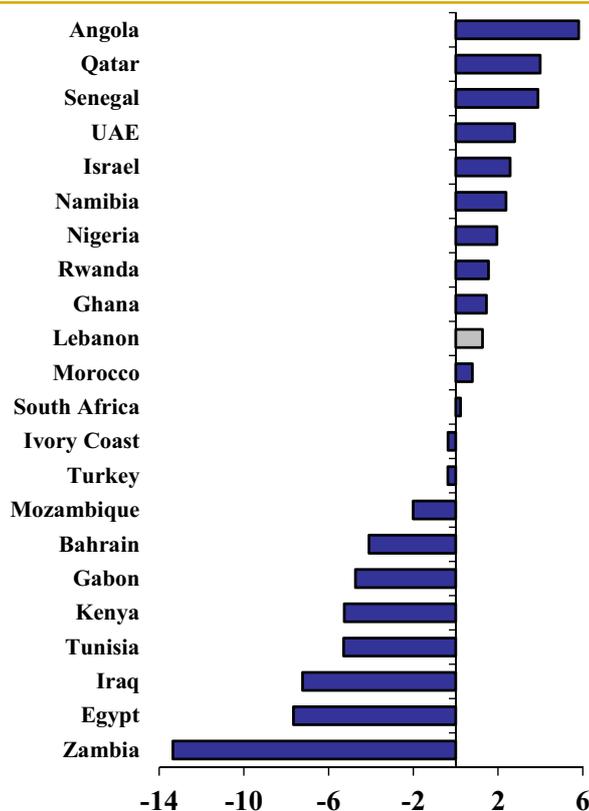
Lebanon's external debt posts 31st lowest return in emerging markets, 10th highest in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted returns of 1.27% in the first 11 months of 2015, constituting the 15th lowest return among 38 markets in the Central & Eastern Europe and the Middle East & Africa (CEEMEA) region, as well as the 31st lowest return among the 70 emerging markets included in Merrill Lynch's External Debt EM Sovereign Index. Lebanon underperformed the overall emerging markets return of 2.01% during the covered period. Further, Lebanon's external debt posted the 10th highest return among 22 countries in the Middle East & Africa region in the first 11 months of 2015, behind Angola (+5.81%), Qatar (+3.99%), Senegal (+3.89%), the UAE (+2.78%), Israel (+2.57%), Namibia (+2.38%), Nigeria (+1.95%), Rwanda (+1.55) and Ghana (+1.45%).

In parallel, Lebanon's external debt posted returns of -1.8% in November 2015, constituting the fifth lowest return in the CEEMEA region and the eighth lowest return in emerging markets during the covered month. Lebanon underperformed the overall emerging markets return of -0.31% in November 2015.

Further, Lebanon's external debt posted the fourth lowest return in the Middle East & Africa region in November 2015. It outperformed only Egypt (-6.76%), Tunisia (-3.88%) and Bahrain (-3.55%); while it underperformed Zambia (+3.79%), Angola (+2.12%), the Ivory Coast (+1.49%), Rwanda (+0.46%), Ghana (+0.31%), Senegal (+0.3%), Israel (+0.1%), Nigeria (-0.34%), Gabon (-0.39%), South Africa (-0.53%), Iraq (-0.69%), Kenya (-0.83%), Turkey (-0.88%), Qatar (-0.95%), Morocco (-1.04%), the UAE (-1.2%) and Namibia (-1.28%).

External Debt in First 11 Months of 2015



Source: Merrill Lynch, Byblos Research

Merrill Lynch indicated that the spread on Lebanese Eurobonds ended November 2015 at 478 basis points, constituting the 20th widest spread in the CEEMEA region and the 29th widest among emerging markets. It was wider than the emerging markets' overall spread of 317 basis points at the end of November 2015. Lebanon has a weight of 3.4% on Merrill Lynch's External Debt EM Sovereign Index, the fourth largest weight in the CEEMEA universe and the ninth biggest among emerging economies. Lebanon accounted for 6.1% of allocations in the CEEMEA region.

Finance Ministry asks taxpayers to settle tax on income from foreign equity and bonds

The Ministry of Finance asked taxpayers to settle their taxes on income generated from their holdings of foreign equity and bonds as per the Lebanese Income Tax Law. It noted that non-compliant parties would risk being subject to fines. It added that the income generated from foreign equity and bonds held by foreign and Lebanese moral and physical persons residing in Lebanon is subject to the movable capital tax. The ministry indicated that the movable capital tax is withheld twice a year, in July for the first half of the year and in January for the second half. It added that if the income generated from foreign equity and bonds is transferred abroad, then the holders of these instruments must report these revenues personally to the Finance Ministry before the month of March of each year. The Finance Ministry asked banks, financial institutions and financial intermediaries operating in Lebanon to inform their clients about their obligations to settle the tax on their holdings of foreign equity and bonds.

Revenues through Port of Beirut up 11% to \$204m in first 10 months of 2015

Figures released by the Port of Beirut show that the port's overall revenues were \$203.7m in the first 10 months of 2015, up by 10.6% from \$184.1m in the same period of 2014. The Port of Beirut handled an aggregate freight of 6.8 million tons in the covered period, down by 1.7% from 6.9 million tons in the first 10 months of 2014. Imported freight amounted to 5.9 million tons in the first 10 months of the year and accounted for 86.7% of the total, while the remaining 0.9 million tons, or 13.3%, consisted of export cargo. A total of 1,477 ships docked at the port in the first 10 months of 2015 compared to 1,658 vessels in the same period of 2014.

In parallel, revenues generated through the Port of Tripoli reached \$11.3m in the first 10 months of 2015, constituting a rise of 20.3% from \$9.4m in the same period last year. The Port of Tripoli handled an aggregate weight of 1.5 million tons of freight in the covered period, constituting an increase of 54.1% from one million tons in the first 10 months of 2014. Imported freight amounted to 1.2 million tons and accounted for 79.9% of the total, while the remaining 0.3 million tons, or 20.1%, were export cargo. A total of 726 vessels docked at the port in the first 10 months of 2015, constituting a rise of 55.8% from 466 ships in the same period of 2014.



Financial conditions of Syrian refugees regress

A survey commissioned by the United Nations High Commissioner for Refugees (UNHCR), the World Food Program (WFP) and the United Nations Children's Fund (UNICEF) indicated that Syrian refugees face severe restrictions in accessing the Lebanese labor market, while their assets and savings are increasingly being depleted, their personal debt is rising and they must fulfill specific and costly requirements to renew their legal stay in Lebanon. The survey is part of the 2015 Vulnerability Assessment for Syrian Refugees in Lebanon. The data was collected from 4,105 Syrian refugee households across Lebanon. The survey was conducted between May and June 2015 for quantitative analysis, and discussion groups were held to gather qualitative information.

The survey shows that Syrian refugee households have spent on average \$493 per month in 2015, down from \$762 in 2014. It noted that their spending on food accounts for 45% of their total expenditures in 2015, while spending on rent represents 19% of the total. It added that almost one-third of households spend on average \$400 in excess of their monthly income. Also, it indicated that a Syrian refugee spends an average of \$107 per month in 2015, reflecting a 22% decrease from \$138 in 2014, with individual spending dropping to \$73 per month in Hermel and \$78 in Zahlé.

The survey estimated the average per capita monthly income of Syrian refugees at \$203, when taking into account respondents that reported having received an income in the 30 days before the survey. It noted that the average per capita monthly income becomes \$165 when including non-workers. It indicated that one-third of households did not include a member who worked in the 30 days prior to conducting the survey, relative to 26% in 2014.

The survey showed that Syrian refugee households have become more reliant on food vouchers and borrowing to secure their necessities than they were in 2014. It noted that 54% of households have cited food vouchers as their primary source of income in 2015, compared to 40% in 2014, while 15% of households have relied on informal and formal loans as the main source of support, up from 5% in 2014. Also, 15% of households said that revenues from non-agricultural casual labor is their main source of income, relative to 30% in 2014, while 9% of respondents noted that compensation received from skilled work is their main source of support compared to 14% in 2014. Further, 48% of Syrian refugees purchase their food using vouchers, 30% of refugees pay for food from their own funds and 18% buy food on credit or financed them through borrowing.

In parallel, 89% of surveyed Syrian households indicated that they have borrowed money or received credit to complement their income in 2015, up from 81% in 2014. The survey noted that indebted households have accumulated an average of \$842 in debt in 2015, up from \$674 in 2014, with refugees in Beirut and Mount Lebanon owing on average \$1,151 per household. The survey said that households borrow money to buy food, followed by paying rent and covering expenses. It noted that 58% of households reported that they are living in apartments and independent houses, with 16% of them having difficulties in paying the rent. It estimated the average monthly rent that Syrian refugees pay at \$164 in 2015 down from \$205 in 2014 and \$246 in 2013, with rents reaching a high of \$237 in Beirut and Mount Lebanon.

Industrial activity still low in second quarter of 2015

The Central Bank's quarterly business survey shows that industrial production was almost unchanged in the second quarter of 2015, as the balance of opinions stood at -10 compared to -15 in the first quarter of 2015 and to -9 in the second quarter of 2014. The balance of opinions was the lowest in Beirut & Mount Lebanon at -30, followed by the Bekaa (-10), the North (+12) and the South (+39). The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for overall demand for industrial goods stood at -17 in the second quarter of 2015 compared to -20 in the preceding quarter and to -9 in the same quarter of 2014. The balance of opinions about demand for industrial goods was the lowest in Beirut & Mount Lebanon at -38, followed by the Bekaa (-10), the North (+4) and the South (+30).

In parallel, the balance of opinions for the volume of investments in the industrial sector stood at +2 in the second quarter of 2015 compared to -14 in the preceding quarter and to -3 in the same quarter of 2014. The balance of opinions about the volume of investments was the lowest in Beirut & Mount Lebanon at -10, followed by the South (+9), the Bekaa (+11) and the North (+14). Also, the balance of opinions for foreign demand of industrial goods stood at -16 during the second quarter of 2015 compared to -20 in the preceding quarter and to -22 in the second quarter of 2014. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Industrial Activity: Evolution of opinions				
Aggregate results	Q2-12	Q2-13	Q2-14	Q2-15
Production	-11	-5	-9	-10
Total demand	-11	-9	-9	-17
Foreign demand	-19	-13	-22	-16
Volume of investments	+9	+3	-3	+2
Inventories of finished goods	-6	-8	-12	-6
Inventories of raw material	-5	-3	-10	-6
Registered orders	-11	-11	-15	-13

Source: Central Bank Business Survey for Second Quarter 2015

Byblos Bank opens branch in Sulaymaniah

Byblos Bank sal, one of the top banking and financial services groups in Lebanon, opened a new branch in Sulaymaniyah in December 2015, constituting its fourth branch in Iraq and its second branch in the Kurdistan Region of Iraq (KRI). Also, Byblos Bank is the first non-Iraqi bank to have a direct presence in the KRI's governorate of Sulaymaniah. The Sulaymaniah branch will offer corporate, consumer and correspondent banking services, as well as trade finance such as import and export letters of credit, letters of guarantee, and documentary collection, among other services. Byblos Bank is the only Lebanese bank to have four branches in Iraq. The Iraqi branches' operations are centralized at the Group's head office in Beirut. Byblos Bank started its operations in Iraq in May 2007 through a branch in Erbil, the capital of Kurdistan, making it the first Lebanese bank to establish a direct presence in the Iraqi market at the time. It also opened its Baghdad branch in February 2010, becoming the first Lebanese bank with a direct presence in the Iraqi capital. It further expanded in March 2012 with the opening of a branch in the Iraqi city of Basra.

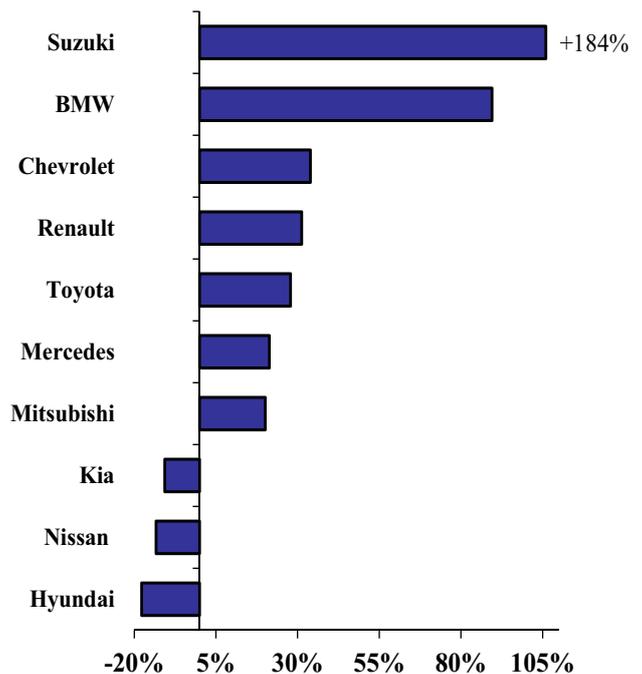
Byblos Bank sal declared unaudited net profits of \$113.1m in the first nine months of 2015 relative to \$112.8m in the same period of 2014. The Bank's aggregate assets reached \$19.3bn at the end of September 2015 and grew by 1.6% from end-2014; while net loans & advances to customers stood at \$4.7bn at the end of September 2015. Also, the Bank's deposits totaled \$16.2bn at the end of September 2015, up by 2.8% from the end of 2014. Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's net non-performing loans, or NPLs net of specific provisions and reserved interest, were equivalent to 1.2% of net loans at the end of September 2015. The Bank's capital adequacy ratio stood at 17.6% at end-June 2015 according to Basel III criteria, significantly above the minimum regulatory requirement of 12% for 2015, and is one of the highest such ratios in the Lebanese banking sector. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

New car sales up 4% in first 11 months of 2015

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that dealers sold 35,921 new passenger cars in the first 11 months of 2015, constituting a rise of 4.1% from 34,522 cars sold in the same period of 2014. Consumers purchased 2,436 new cars in January, 2,141 automobiles in February, 2,966 cars in March, 3,198 vehicles in April, 3,481 cars in May, 3,825 automobiles in June, 4,241 cars in July, 3,603 vehicles in August, 3,279 automobiles in September, 3,641 cars in October and 3,110 vehicles in November 2015. Japanese automobiles accounted for 38.6% of total sales in the first 11 months of 2015, followed by Korean cars with a 34.5% share, European automobiles (20.5%), American vehicles (5.8%) and Chinese cars (0.7%). The number of American vehicles sold rose by 24.4% year-on-year, sales of Japanese cars grew by 18.3% and European cars sold increased by 16.8%; while the number of new Chinese vehicles sold dropped by 51.4% year-on-year and sales of Korean cars regressed by 13.6%. Kia is the leading brand in the Lebanese market with 6,941 cars sold in the first 11 months of 2015, followed by Toyota with 5,779 in new car sales, Hyundai (5,391), Nissan (3,704), Renault (1,579) and Suzuki (1,291). In parallel, 2,117 new vehicles that are used from commercial purposes were sold in the first 11 months of 2015, down marginally by 0.5% from 2,127 vehicles in the same period last year.

The AIA indicated that the slow increase in the sale of new passenger cars during the first 11 months of 2015 is due to the challenging domestic economic, political and security conditions in the country. The AIA reiterated that the majority of new cars sold are small-engine automobiles with a low selling price. The number of new vehicles sold by Lebanon's top five distributors reached 26,493 in the first 11 months of 2015 and accounted for 69.6% of new car sales. NATCO sal sold 6,941 vehicles, equivalent to 18.2% of the total, followed by Boustany United Machineries sal with 6,160 vehicles (16.2%), Century Motor Co. sal with 5,505 (14.5%), Rasamny Younis Motor Co. sal with 4,346 (11.4%) and Bassoul Heneiné sal with 3,541 (9.3%).

Sales of Top 10 Car Brands in First 11 Months of 2015



* from the first 11 months of 2014

Source: AIA, Byblos Research

Kafalat loan guarantees down 18% to \$85m in first 11 months of 2015

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$85m in the first 11 months of 2015, constituting a decline of 17.7% from \$103.3m in the same period of 2014. Kafalat provided 617 loan guarantees year-to-November 2015, down by 22.5% from 796 guarantees in the first 11 months of 2014. The average loan size reached \$137,717 during the covered period compared to \$129,750 in the first 11 months of last year. Mount Lebanon accounted for 38% of the total number of guarantees, followed by the Bekaa with 21.4%, the South with 13%, the North with 12.8%, Nabatieh with 8.3% and Beirut with 6.7%. The agricultural sector accounted for 47.5% of the total number of guarantees, followed by the industrial sector with 36%, tourism with 10.1%, handicraft with 3.4% and specialized technologies with 3.1%. Kafalat is a state-sponsored organization that provides financial guarantees for loans of up to \$400,000 earmarked for the setup and expansion of small- and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the interest that accrues during the grace period.

Top five freight forwarders' import activity down 2.4% in first 10 months of 2015

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 283,891 20-foot equivalent units (TEUs) in the first 10 months of 2015, constituting a decline of 2.4% from 290,734 TEUs in the same period last year. The top five freight forwarders accounted for 60.4% of the total import freight forwarding market and for 90.3% of imports to the Lebanese market during the covered period. Mediterranean Shipping Company (MSC) handled 99,730 TEUs in imports in the first 10 months of 2015, equivalent to a 21.2% share of the total freight forwarding import market. It was followed by Sealine Group with 63,257 TEUs (13.5%), Metz Group with 48,544 TEUs and Merit Shipping with 48,403 TEUs (10.3% each), and Gezairy Transport with 23,957 TEUs (5.1%). Further, Metz Group registered the highest growth in import shipping among the top five freight forwarders at 21.7% year-on-year, while Merit Shipping posted the steepest decline at 24.9%.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 74,164 TEUs in the first 10 months of 2015, constituting an increase of 36.7% from 54,242 TEUs in the same period last year. The five freight forwarders accounted for 16% of the total export freight forwarding market and for 97.3% of exported Lebanese cargo during the first 10 months of 2015. Merit Shipping handled 28,009 TEUs of freight in the first 10 months of the year, equivalent to 36.7% of the Lebanese cargo export market. It was followed by Metz Group with 19,883 TEUs (26.1%), Sealine Group with 18,174 TEUs (23.8%), MSC with 4,525 TEUs (5.9%) and Gezairy Transport with 3,573 TEUs (4.7%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 114% year-on-year, while Sealine Group posted the only decline at 2.3%.

BBAC's net earnings at \$37m in first nine months of 2015

BBAC Bank sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$37.2m in the first nine months of 2015, constituting a rise of 15.2% from the same period last year. Net operating income increased by 8.2% year-on-year to \$94.3m, with net interest income increasing by 5.8% to \$64.7m and net fees & commissions receipts rising by 16.4% year-on-year to \$18.9m. Non-interest income accounted for 35.8% of total income, up from 33% in the same period last year; with net fees & commissions representing 52.4% of non-interest earnings, down from 54.2% in the first nine months of 2014. Further, the bank's interest margin was 1.6% in the first nine months of 2015 compared to 1.65% in the same period last year; while its spread reached 1.54%, relative to 1.6% in the first nine months of 2014. Total operating expenditures increased by 2.4% to \$50.1m, with staff expenses rising by 1.2% to \$30.3m. Also, the bank's return on average assets was 0.89% in September 2015 on an annualized basis relative to 0.84% in September 2014; while its return on average equity increased to 10.81% on an annualized basis from 10.16% in September 2014. The cost-to-income ratio was 49.7% in the first nine months of the year, down from 53.7% in the same period last year.

In parallel, total assets reached \$5.7bn at end-September 2015, constituting an increase of 4.9% from end-2014 and of 12.3% from a year earlier. Loans & advances to customers, excluding loans & advances to related parties, rose by 7.9% from end-2014 and by 12.5% from a year earlier to \$1.6bn. Also, customer deposits, excluding deposits from related parties, totaled \$5bn at the end of September, and increased by 8.1% from end-2014 and by 12.3% from a year earlier. The loans-to-deposits ratio was 30.88% at end-September 2015 relative to 30.85% a year earlier. In parallel, the bank's shareholder equity rose by 5.6% from the end of 2014 to \$471.1m at end-September 2015.



Ratio Highlights

(in % unless specified)	2013	2014	2015f	Change*
Nominal GDP (\$bn)	46.1	48.2	49.8	
Public Debt in Foreign Currency / GDP	56.7	53.1	55.2	205
Public Debt in Local Currency / GDP	81.0	85.0	85.0	(1)
Gross Public Debt / GDP	137.7	138.1	140.1	204
Total Gross External Debt / GDP**	163.8	165.1	162.4	(270)
Trade Balance / GDP	(37.5)	(35.6)	(33.5)	217
Exports / Imports	18.5	16.2	15.3	(83)
Fiscal Revenues / GDP	20.4	22.6	20.9	(161)
Fiscal Expenditures / GDP	29.6	28.9	28.5	(43)
Fiscal Balance / GDP	(9.2)	(6.4)	(7.6)	(118)
Primary Balance / GDP	(0.5)	2.7	2.1	(61)
Gross Foreign Currency Reserves / M2	69.5	66.5	66.8	30
M3 / GDP	241.0	244.1	246.9	284
Commercial Banks Assets / GDP	357.4	364.4	368.8	435
Private Sector Deposits / GDP	295.4	299.6	303.2	367
Private Sector Loans / GDP	102.7	105.6	107.2	161
Private Sector Deposits Dollarization Rate	66.1	65.7	64.6	(109)
Private Sector Lending Dollarization Rate	76.5	75.6	74.6	(92)

* Change in basis points 14/15

**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, Institute of International Finance, International Monetary Fund, World Bank, 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	Feb 2014	Jan 2015	Feb 2015	Change**	Risk Level
Political Risk Rating	52.0	53.5	54.5	▼	High
Financial Risk Rating	38.0	39.0	39.0	▼	Low
Economic Risk Rating	27.0	33.0	33.0	▼	Moderate
Composite Risk Rating	58.5	62.8	63.3	▼	Moderate

MENA Average*	Feb 2014	Jan 2015	Feb 2015	Change**	Risk Level
Political Risk Rating	58.1	57.8	57.9	▲	High
Financial Risk Rating	40.7	40.1	40.1	▲	Very Low
Economic Risk Rating	35.5	35.1	34.8	▲	Moderate
Composite Risk Rating	67.1	66.5	66.4	▲	Moderate

*excluding Lebanon

**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



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 7518 8100
Fax: (+ 44) 20 7518 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