



## LEBANON THIS WEEK

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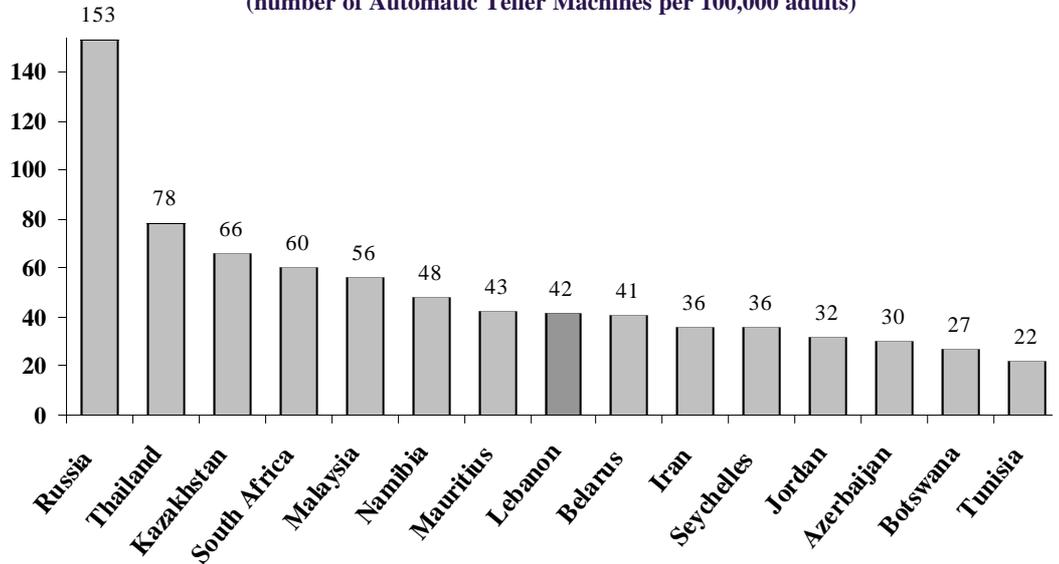
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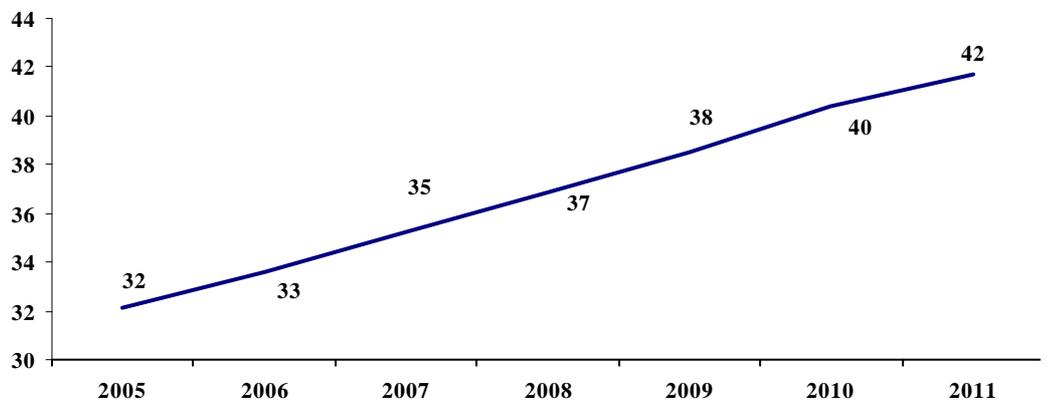
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### Charts of the Week

**ATMs' Penetration Rate in Select Upper-Middle Income Countries in 2011**  
 (number of Automatic Teller Machines per 100,000 adults)



**ATMs' Penetration Rate in Lebanon**  
 (number of Automatic Teller Machines per 100,000 adults)



Source: International Monetary Fund, Byblos Bank

### Quote to Note

"Fiscal imbalances limit the government's capacity to stimulate the economy."

*Moody's Investors Service, on the opportunity cost resulting from the government's high borrowing needs*

### Number of the Week

**50%:** percentage of Lebanese who do not have a clear plan for their monthly income and expenditures, according to a World Bank survey

## Economic Indicators

<b>\$m (unless otherwise mentioned)</b>	<b>2010</b>	<b>Jul 11</b>	<b>2011</b>	<b>May 12</b>	<b>Jun 12</b>	<b>Jul 12</b>	<b>% Change*</b>
Exports	4,256	415	4,276	355	345	317	(23.61)
Imports	17,956	1,679	20,170	1,645	1,713	1,739	3.57
Trade Balance	(13,700)	(1,264)	(15,894)	(1,290)	(1,368)	(1,422)	12.50
Balance of Payments	3,326	(307)	(1,996)	(82)	(23)	(322)	4.89
Checks Cleared in LBP	13,519	1,218	14,251	1,196	1,283	1,311	7.64
Checks Cleared in FC	53,925	5,939	57,852	4,746	4,766	5,150	(13.29)
Total Checks Cleared	67,444	7,157	72,103	5,942	6,049	6,461	(9.72)
Budget Deficit/Surplus	(2,894)	67.1	(2,342)	(50)	8.1	(36.01)	(153.67)
Primary Balance	1,231	314	1,662	300	281	158.69	(49.53)
Airport Passengers	5,512,435	702,265	5,596,034	438,570	545,379	640,615	(8.78)

<b>\$bn (unless otherwise mentioned)</b>	<b>Dec 2010</b>	<b>Jul 11</b>	<b>Mar 12</b>	<b>May 12</b>	<b>Jun 12</b>	<b>Jul 12</b>	<b>% Change*</b>
BdL FX Reserves	28.60	28.91	30.99	29.57	29.26	29.64	2.54
<i>In months of Imports</i>	<i>19.46</i>	<i>17.22</i>	<i>17.99</i>	<i>17.98</i>	<i>17.08</i>	<i>17.05</i>	<i>(1.00)</i>
Public Debt	52.59	52.80	54.08	55.12	55.25	55.44	5.01
Net Public Debt	45.01	45.50	46.91	47.17	47.10	47.28	3.91
Bank Assets	128.93	136.88	144.73	144.86	145.90	145.51	6.30
Bank Deposits (Private Sector)	107.20	112.14	118.22	118.90	119.94	119.75	6.79
Bank Loans to Private Sector	34.93	38.34	41.00	41.89	41.70	41.49	8.21
Money Supply M2	39.40	36.84	40.04	41.74	41.00	41.19	11.81
Money Supply M3	92.15	94.65	98.94	99.96	100.36	100.50	6.18
LBP Lending Rate (%)	7.91	7.33	7.16	7.34	7.44	7.24	(9b.p.)
LBP Deposit Rate (%)	5.68	5.59	5.46	5.49	5.45	5.45	(14b.p.)
USD Lending Rate (%)	6.74	7.03	7.06	7.12	7.15	7.19	16b.p.
USD Deposit Rate (%)	2.80	2.86	2.83	2.83	2.78	2.84	(2b.p.)
%* Change in CPI**	6.19	6.28	4.40	6.36	4.72	4.72	(156b.p.)

\* Year-on-Year; \*\* Consumer Price Index

Note: b.p. i.e. basis point

Sources: ABL, BdL

## Capital Markets

<b>Most Traded Stocks on BSE</b>	<b>Last Price (\$)</b>	<b>% Change*</b>	<b>Total Volume</b>	<b>Weight in Market Capitalization</b>
Solidere "A"	12.21	(0.33)	86,678	12.16%
Solidere "B"	12.20	(0.81)	35,095	7.90%
Byblos Common	1.51	1.34	38,497	5.41%
Byblos Pref. 08	102.60	0.00	1,500	2.04%
Byblos Pref. 09	103.70	0.10	11,344	2.07%
BLOM GDR	7.80	0.00	10,500	5.74%
BLOM Listed	7.64	0.00	0	16.36%
Audi GDR	5.84	0.69	500	5.90%
Audi Listed	5.50	2.80	566,920	19.16%
HOLCIM	15.56	0.32	300	3.02%

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

<b>Sovereign Eurobonds</b>	<b>Coupon %</b>	<b>Mid Price \$</b>	<b>Mid Yield %</b>
June 2013	8.625	104.56	0.94
Apr. 2014	7.375	107.38	2.05
Jan. 2015	5.875	104.00	3.93
Apr. 2015	10.00	114.25	3.84
Jan. 2016	8.500	112.38	4.29
Mar. 2017	9.000	116.50	4.75
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	115.94	5.82
Nov. 2026	6.600	101.83	6.40

Source: Byblos Bank Capital Markets

	<b>Nov 5-9</b>	<b>Oct 29-Nov 2</b>	<b>% Change</b>	<b>Oct 2012</b>	<b>Oct 2011</b>	<b>% Change</b>
<b>Total Shares Traded</b>	774,136	184,068	320.57	3,246,713	2,253,871	44.05
<b>Total Value Traded</b>	\$6,451,525	\$3,337,027	93.33	\$24,752,559	\$17,474,040	41.65
<b>Market Capitalization</b>	\$10.04bn	\$9.98bn	0.59	\$9.96bn	\$10.45bn	(4.71)

Source: Beirut Stock Exchange (BSE)



### Lebanon is 109th biggest exporter, 74th largest importer in 2011

Figures issued by the World Trade Organization indicate that Lebanon ranked in 109th place among 195 countries around the world and in 17th place among 19 Arab countries in terms of merchandise exports in 2011. Lebanon's global ranking regressed by three spots, while its regional ranking was unchanged from 2010. Globally, Lebanon ranked ahead of Paraguay, Iceland and El Salvador and came behind Kenya, Bosnia and Herzegovina, and Botswana. Lebanon's exports increased by 12.8% year-on-year compared to an increase of 19.5% for world exports and a rise of 31.6% for the exports of Arab countries included in the survey. Lebanese exports accounted for 0.03% of global exports and for 0.5% of aggregate Arab exports in 2011.

Further, Lebanon ranked in 74th place globally and in 11th place among Arab countries in terms of merchandise imports in 2011. Lebanon's global ranking increased by two spots, while its ranking was unchanged among Arab economies. Globally, Lebanon ranked ahead of Sri Lanka, Serbia and Jordan, and came behind Panama, Angola and Croatia. Regionally, Lebanon ranked ahead of Syria, Jordan and Bahrain and came behind Oman, Tunisia and Kuwait. Lebanese imports increased by 12.4% year-on-year, compared to a rise of 19.2% for world imports and an increase of 17.5% for Arab imports. Lebanese imports accounted for 0.1% of global imports and for 2.8% of aggregate Arab imports in 2011.

In parallel, Lebanon ranked in 83rd place globally and in 12th place among Arab countries in terms of the combined value of exports and imports in 2011. Lebanon came in 80th place globally and in 14th place among Arab economies in 2010. Globally, Lebanon ranked ahead of Jordan, the Dominican Republic, and Syria and came behind Costa Rica, Guatemala and Ghana. Regionally, Lebanon ranked ahead of Jordan, Syria and Libya and came behind Bahrain, Tunisia and Morocco. Lebanon's trade volume amounted to \$26.4bn in 2011 compared to \$23.5bn in 2010, reflecting an increase of 12.5% compared to a rise of 19.4% in global trade activity and an increase of 25.9% in Arab trade. Lebanon's trade activity accounted for 0.07% of global trade and for 1.3% of aggregate Arab trade in 2011.

### Lebanon's advertising expenditures to contract by 10% in 2012

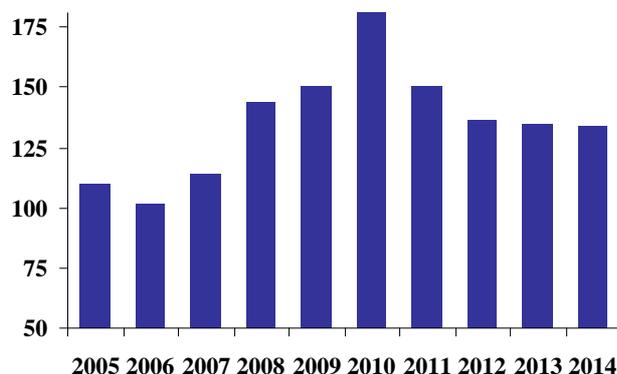
The annual survey of the global advertising market by *ArabAd* magazine and Zenith Optimedia projected advertising expenditures in Lebanon at \$136m in 2012 at current prices, constituting a decrease of 9.8% from \$150.7m in 2011 and compared to a contraction of 16.6% in 2011 and a growth of 20.1% in 2010. Lebanon's advertising expenditures are projected to post a Compound Annual Growth Rate (CAGR) of -5.9% during the 2010-14 period relative to a CAGR of 6.5% during the 2005-09 years. In comparison, the survey forecast advertising expenditures in the MENA region to grow by 1% in 2012 and to post a CAGR of -2% during the 2010-14 period. Total advertising expenditures in Lebanon would account for 3.2% of the aggregate ad spending in the Middle East & North Africa region in 2012, compared to a 3.6% share in 2011.

Further, the survey projected television to attract \$53.3m in total ad expenditures in Lebanon in 2012, constituting a decrease of 9.5% from \$58.9m in the previous year. Also, it forecast ad spending in newspapers to drop by 5% year-on-year to \$28.6m in 2012, outdoor billboards to decrease by 19.2% to \$27.3m, and ad spending in magazines to regress by 10.1% to \$9.8m; while it expected cinemas and radio ad expenditures to remain unchanged from last year at \$11.6m and \$5.5m, respectively. In parallel, it forecast television ads to account for 39.2% of advertising expenditures in 2012, followed by newspapers with 21%, outdoor billboards (20%), cinemas (8.5%), magazines (7.2%) and radio (4%). The survey indicated that cinema advertising expenditures are forecast to rise by a CAGR of 15% during the 2010-14 period; while radio ads would post a CAGR of -0.7% during the same period, followed by magazine ads (-5.8%), newspaper ads (-6.3%), TV ads (-7.1%), and outdoor ads expenditures (-8.5%).

### Mobile broadband penetration at 17.2% at end-May 2012

Figures issued by the Ministry of Telecommunications indicate that mobile broadband penetration increased to 17.2% at end-May 2012 from 6.7% at end June 2011. The ministry added that the number of mobile broadband subscribers reached 722,000 at end-May 2012, constituting an increase of 158% from 280,000 subscribers at end-June 2011. It claimed that the average speed of mobile broadband increased by 18 times from 70 kilobytes at end-June 2011 to 1.2 megabytes at end-May 2012, and that mobile broadband prices declined by 40% during the covered period. In parallel, it pointed out that fixed broadband penetration per household grew to 24% at end-May 2012 from 20% at end-June 2011. It noted that number of DSL subscribers totaled 240,000 at the end of May, constituting an increase of 20% from 200,000 subscribers at end-June 2011. It claimed that the average speed of fixed broadband increased by 15 times from 40 kilobytes at end-June 2011 to 60 megabytes at end-May 2012. According to the ministry, DSL Internet prices fell by 80% during the covered period. Further, it said that the number of fixed telephone subscribers reached 854,000 at end-April 2012 compared to 850,000 subscribers at end-2011 and 691,000 subscribers at end-2007.

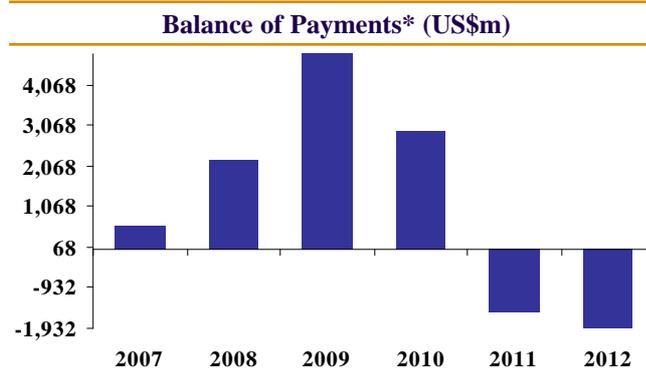
Advertising Expenditures in Lebanon at Current Prices (US\$m)



Source: ArabAd, Zenith Optimedia

### Balance of payments posts deficit of \$1.9bn in first nine months of 2012

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$1.93bn in the first nine months of 2012 compared to a deficit of \$1.54bn in the same period last year. The balance of payments posted a deficit of \$92.2m in September compared to a deficit of \$496.7m in August 2012 and a deficit of \$301.7m in September 2011. The September 2012 deficit was caused by a deficit of \$261.9m in the net foreign assets of the Central Bank and was partly offset by a surplus of \$170m in those of banks and financial institutions. The cumulative deficit over the first nine months of 2012 was caused by a surplus of \$767.9m in the Central Bank's net foreign assets and a deficit of \$2.7bn in those of banks and financial institutions. The balance of payments posted a deficit of \$2bn in 2011 and surpluses of \$3.3bn in 2010, \$7.9bn in 2009 and \$3.5bn in 2008.



\* in the first nine months of each year

Source: Central Bank of Lebanon

### Net public debt at \$48bn at end-September 2012

Lebanon's gross public debt reached \$56bn at the end of September 2012, constituting a rise of 4.5% from the end of 2011 and an increase of 3.1% from end-September 2011. Domestic debt totaled \$33.2bn at end-September, rising by 1.5% from end-2011 and decreasing by 0.4% annually; while external debt stood at \$22.8bn, up by 9.1% from end-2011 and by 8.6% from a year earlier. The rise in external debt was caused by a swap operation in June when the Finance Ministry issued three new Eurobonds totaling \$2bn that were used for early redemption and cancellation of Lebanese pound-denominated Treasury bills held by the Central Bank of Lebanon. Local currency debt accounted for 59.3% of gross public debt at end-September 2012 compared to 61.4% a year earlier, while foreign currency-denominated debt represented 40.7% of the total at the end of September relative to 38.6% a year earlier. The weighted interest rate on outstanding Treasury bills was 6.65%, while the weighted interest rate on Eurobonds was 6.84% at the end of September. Further, the weighted life on Eurobonds was 5.70 years, while that on Treasury bills was 974 days.

Commercial banks accounted for 51.8% of the local public debt at the end of September 2012 compared to 52.2% a year earlier. They were followed by the Central Bank with 32.1%, down from 32.3% at end-September 2011; while public agencies, financial institutions and the general public accounted for 16.1% of local debt compared to 15.5% in September 2011. Eurobond holders, foreign private sector loans and special T-bills in foreign currencies accounted for 88.8% of the external debt, followed by multilateral institutions with 5.8%, foreign governments with 4.6%, and Paris II loans with 0.8%. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased annually by 4.4% to \$47.8bn. In parallel, the gross market debt accounted for about 64% 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.

### Cabinet appoints board of Petroleum Authority

The Cabinet appointed the board of directors of the Petroleum Sector Authority for a six-year term. The board members are Mr. Assem Abou Brahim who is the authority's president and who will head the unit responsible for quality, health and the environment; Mr. Wissam al-Thahbi who will be in charge of the economic and financial affairs unit; Mr. Wissam Chbat who will head the geological and geophysical studies unit; Mr. Gaby Daaboul who will be in charge of the legal unit, Mr. Nasser Hoteit who will head the technical affairs unit; and Mr. Walid Nasr who will preside over the strategic planning unit. The authority's presidency will rotate between the board members every year according to alphabetical order.

Citigroup indicated earlier that the current Cabinet has struggled to exploit Lebanon's potential offshore gas reserves due to political turmoil. But it noted that the appointment of the PSA would enable Lebanon to hold its first round of bidding for exploration blocks. The Energy Ministry indicated that recent seismic surveys of half of Lebanon's Exclusive Economic Zone, excluding areas that are subject of territorial dispute between Lebanon and Israel, suggest the presence of up to 12 trillion cubic feet of gas. In parallel, the United States Geological Survey (USGS) estimates that the Levant Basin Province has a mean of 1.7 billion barrels of recoverable oil and a mean of 122 trillion cubic feet of recoverable gas. The Levant Basin Province encompasses approximately 83,000 square kilometers of the eastern Mediterranean area off the coasts of Lebanon, Syria, Cyprus and Israel. The USGS stressed that the estimates represent technically-recoverable oil and gas resources, and are not estimates of economically-recoverable resources.

### Revenues through the Port of Beirut up 5% to \$2bn in first nine months of 2012

Figures released by the Port of Beirut show that overall receipts generated through the port reached \$2bn in the first nine months of 2012, constituting a rise of 4.6% from \$1.9bn in the same period last year. Customs receipts through the port totaled \$1bn in the first nine months of the year, up 4.2% from \$984m in the same period of 2011; while receipts from the value-added tax grew by 4.7% to \$882.5m. Also, the port's overall revenues grew by 8% year-on-year to \$128.6m in the first nine months of 2012. Further, the Port of Beirut handled an aggregate weight of 5.3 million tons of freight in the first nine months of 2012, up by 6.2% from 5 million tons in the same period last year. Import freight accounted for 88.4% of the weight, while the remaining 11.6% was export cargo. A total of 1,586 ships docked the port in the first nine months of 2012, constituting a decrease of 3.8% from 1,648 ships in the same period last year.

In parallel, overall revenues generated through the Port of Tripoli reached \$85.9m in the first nine months of 2012, constituting a drop of 26.6% from \$117m in the same period last year. Customs receipts through the port reached \$25.9m in the covered period, down 21.9% from \$33.2m in the same period last year; while receipts from the value-added tax reached \$52.3m and dropped by 31% from \$75.9m in the first nine months of 2011. The port's revenues declined 3.7% to \$7.7m in the first nine months of 2012 from \$7.9m in the same period of 2011. Further, the Port of Tripoli handled an aggregate weight of 918,517 tons of freight in the first nine months of 2012, down by 24% from 1.2 million tons in the same period last year. A total of 358 ships docked the port in the first nine months of 2012, constituting a decrease of 9.4% from 395 ships in the same period last year.

### Term savings attract 87% of customer deposits

Figures issued by the Central Bank about the distribution of bank deposits show that term savings was the preferred type of account for resident and non-resident depositors in Lebanese pounds as well as in foreign currencies at the end of March 2012. Term saving deposits accounted for \$47.9bn, or 82.1% of resident deposits in foreign currencies and were followed by checking and current accounts with \$8.6bn (14.7%), sight saving accounts with \$1.5bn (2.5%) and other creditor accounts with \$389.2m (0.7%). Further, term saving accounts attracted \$35.2bn, or 92.8%, of resident deposits in Lebanese pounds, followed by checking and current accounts with \$2.2bn (5.8%) and sight saving accounts with \$467.9m (1.2%). Non-residents also favored term saving accounts, which totaled \$16.4bn and accounted for 86.5% of their foreign currency deposits, and reached \$2.9bn, or 97.4%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled \$102.4bn at end-March 2012, accounting for 86.6% of deposits in Lebanese pounds and foreign currencies.

In parallel, Beirut and its suburbs accounted for 69.1% of private sector deposits and for 49.2% of depositors. It was followed by Mount Lebanon with 13.2% of deposits and 17.3% of beneficiaries; South Lebanon with 6.5% of deposits and 11.7% of beneficiaries; North Lebanon with 6.1% of deposits and 13.8% of depositors; and the Bekaa with 5.1% of deposits and 7.9% of beneficiaries.

### Industrial activity down in first quarter of 2012

The Central Bank's quarterly business survey indicated that industrial production retreated during the first quarter of 2012, with a balance of opinion standing at -24, compared to -11 during the preceding quarter and to -21 during the same quarter of 2011. The balance of opinions was the lowest in the Bekaa at -31, followed by the North (-26), Beirut & Mount Lebanon (-24) and the South (-6). The business survey reflects the opinions of enterprise managers on the evolution of their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinion for overall demand for industrial goods stood at -24 in the first quarter of 2012 compared to -14 in the preceding quarter and -29 during the same quarter of 2011. Opinion about the overall demand for industrial goods was lowest in the Bekaa where it reached -31, followed by Beirut & Mount Lebanon (-29), the South (-16) and the North (-11). Further, the balance of opinion for the volume of investments in industrial goods stood at -4 in the first quarter of 2012 compared to +2 in the preceding quarter and +4 during the same quarter of 2011. Opinion about the volume of investments was the lowest in the North where it reached -31, followed by the South (-17), Beirut & Mount Lebanon (-11) and the Bekaa (+39). Also, the balance of opinion for foreign demand contracted to -25 during the first quarter of 2012, compared to -12 in the preceding quarter and -13 in the same quarter of 2011. The balance of opinion 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	Q1-09	Q1-10	Q1-11	Q1-12
Production	4	20	-21	-24
Total demand	0	15	-29	-24
Foreign demand	-7	8	-19	-25
Volume of investments	13	19	4	-4
Inventories of finished goods	4	9	-9	-11
Inventories of raw material	-2	1	0	-7
Registered orders	-7	6	-24	-16

Source: Central Bank Business Survey Q1-12



### Lebanon ranks 122nd globally, eighth among Arab countries in gender gap

The World Economic Forum ranked Lebanon in 122nd place among 135 countries on its Global Gender Gap Index for 2012, and in eighth place among 14 Arab countries. It also ranked Lebanon in 31st place among 33 upper-middle income countries (UMICs) included in the survey. Lebanon ranked in 118th place globally, in eighth place among 15 Arab countries and in 29th place among 32 UMICs in the 2011 survey. The index ranks countries according to gender equality rather than women's empowerment, and aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Attainment.

Globally, Lebanon ranked ahead of Nepal, Turkey and Oman, and came behind Jordan, Algeria and Mauritania. It also ranked ahead of Turkey and Iran, and came behind Algeria and Fiji among UMICs. Lebanon received a score of 0.6030 points, lower than the global, the UMIC and the MENA averages of 0.6842 points, 0.6791 points and 0.6046 points respectively, but slightly above the Arab average 0.5989 points. Lebanon's score regressed slightly from 0.6083 in the 2011 survey.

Lebanon ranked ahead of Jordan and Oman, and came behind Egypt and India on the Economic Participation & Opportunity Sub-Index. This category covers the participation, remuneration, and advancement gaps between men and women in the work environment. It ranked ahead of Turkey and behind Fiji among UMICs, and came ahead of Jordan and behind Egypt in the Arab world.

Also, Lebanon ranked ahead of South Africa and Peru, and came behind China and Azerbaijan on the Educational Attainment Sub-Index. This category captures the gap between women's and men's current access to education, through ratios of women to men in primary-, secondary- and tertiary-level education. Lebanon ranked ahead of South Africa and behind Azerbaijan among UMICs, and came ahead of Saudi Arabia and behind Jordan in the Arab world.

Further, Lebanon ranked first worldwide, along with 31 other countries that include Finland, France, Latvia and Mauritania, on the Health & Survival Sub-Index. The category measures the differences between women's and men's health as reflected by the gap between women's and men's healthy life expectancy and by the sex ratio at birth.

Also, Lebanon tied with Belize, ranked ahead of only Brunei Darussalam, Qatar and Saudi Arabia, and came behind Kuwait on the Political Empowerment Sub-Index. This category captures the ratio of women to men in ministerial-level and parliamentary positions, in addition to the number of years of females in executive office. Lebanon ranked last among UMICs, and came ahead of only Qatar and Saudi Arabia in the Arab world.

#### Global Gender Gap Index 2012

Country	Overall Score	Arab Rank	Global Rank
UAE	0.6392	1	107
Kuwait	0.6320	2	109
Bahrain	0.6298	3	111
Qatar	0.6264	4	115
Mauritania	0.6129	5	119
Algeria	0.6112	6	120
Jordan	0.6103	7	121
<b>Lebanon</b>	<b>0.6030</b>	<b>8</b>	<b>122</b>
Oman	0.5986	9	125
Egypt	0.5975	10	126
Morocco	0.5833	11	129
Saudi Arabia	0.5731	12	131
Syria	0.5626	13	132
Yemen	0.5054	14	135

Source: World Economic Forum, Byblos Research

#### Components of the Global Gender Gap Index

Category	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Average Score	Arab Average Score	UMIC Average Score
Economic Participation & Opportunity	125	7	30	0.4425	0.6426	0.4346	0.6150
Educational Attainment	86	6	27	0.9802	0.9521	0.9369	0.9877
Health & Survival	1	1	1	0.9796	0.9712	0.9700	0.9716
Political Empowerment	131	12	33	0.0099	0.1711	0.0544	0.1422

Source: World Economic Forum, Byblos

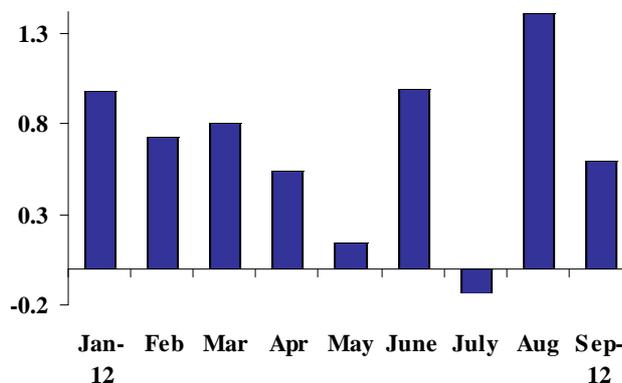
### Kafalat loan guarantees down 12% to \$119m in first 10 months of 2012

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$119m in the first 10 months of 2012, down 12% from \$135.2m in the same period last year. The number of loan guarantees totaled 881 in the first 10 months of 2012 compared to 1,063 in the same period last year. The average loan size reached \$135,096 compared to \$127,223 in the first 10 months of 2011. Mount Lebanon accounted for 41.2% of guarantees, the followed by the South & Nabatieh with 21.9%, the Bekaa with 16.7%, the North with 13.9%, and Beirut with 6.5%. The industrial and the agriculture sectors accounted for 38% each of total guarantees, followed by tourism with 18.8%, handicraft with 3.8%, and specialized technologies with 1.5%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to \$400,000 earmarked for the set up 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.

### Commercial banks' assets reach \$148bn at end-September 2012

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$148.4bn at the end of September 2012, constituting an increase of 5.5% from end-2011 and a rise of 7.2% from end-September 2011. Private sector deposits totaled \$121.8bn, increasing by 5.2% from end-2011 and rising by 7.4% from a year earlier. Deposits in Lebanese pounds reached \$42.9bn and rose by 8.7% from end-2011 and by 12.1% year-on-year; while deposits in foreign currencies totaled \$78.9bn and increased by 3.4% from end-2011 and by 5% from end-September 2011. Non-resident foreign currency deposits totaled \$19.7bn at the end of September 2012, up 6.3% from end-2011 and by 10.5% from a year earlier. Total non-resident deposits reached \$23bn at end-September 2012 and grew by 8.1% from end-2011 and by 12.6% from a year earlier. Total private sector deposits increased by \$590m in September, \$1.4bn in August, \$985.4m in June, \$141.3m in May, \$533m in April, \$806.7m in March, \$725.7m in February and by \$976m in January 2012, while they decreased by \$130m in July. In comparison, deposits rose by \$440m in September, \$813m in August, \$656.7m in July, \$1bn in June, \$539m in May, \$1.8bn in April, \$1.3bn in March and \$673m in February, while they declined by \$1.1bn in January 2011. In parallel, deposits of non-resident banks reached \$6.1bn in September, as they increased by 4.9% from end-2011 and declined by 6.8% year-on-year. The dollarization rate of deposits reached 64.8% at the end of September, down from 66.3% a year earlier. Further, the average deposit rate in Lebanese pounds reached 5.43% in September relative 5.58% a year earlier; while the same rate in US dollars was 2.83%, down from 2.84% in September 2011.

Private Sector Deposit Change (US\$bn)



Source: Association of Banks in Lebanon

Loans to the private sector totaled \$42.3bn at end-September, constituting an increase of 7.4% from end-2011 and a rise of 9.1% from a year earlier. Lending to the resident private sector totaled \$36.9bn and increased by 8% from end-2011, while lending to the non-resident private sector reached \$5.3bn and rose by 3.8% from end-2011. The dollarization rate in private sector lending reached 77.5% in September compared to 79% a year earlier. The average lending rate in Lebanese pounds was 7.3% in September 2012 compared to 7.37% a year earlier, while the same average in US dollars was 7.16% compared to 6.92% in September 2011. In addition, claims on non-resident banks reached \$13.4bn at end-September, posting a decrease of 8.7% from end-2011. Claims on the public sector stood at \$30bn, constituting an increase of 0.5% from a year earlier and of 2.7% from end-2011. The ratio of private sector loans-to-deposits in foreign currencies stood at 41.5%, well below the Central Bank's limit of 70%, and compared to 40.8% a year earlier. In parallel, the same ratio in Lebanese pounds was 22.2%, slightly up from 21.2% a year earlier. The ratio of total private sector loans to deposits was 34.7% compared to 34.2% a year earlier. The banks' aggregate capital base stood at \$11.9bn, up by 14.6% from \$10.4bn in September 2011.

### Balance sheet of investment banks posts 13% decrease year-on-year at end-March 2012

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,253bn, or \$4.14bn, at the end of March 2012, constituting a decrease of 0.7% from the end of 2011 and a drop of 13% from a year earlier. Private sector deposits reached \$2.3bn at end-March, down by 1.5% from end-2011 and by 19% from end-March 2011. Resident deposits in foreign currencies reached \$1.03bn, followed by resident deposits in Lebanese pounds at \$858.6m and non-resident deposits in foreign currencies at \$308.4m. Also, commitments to the financial sector reached \$540.2m at the end of March 2012, representing a drop of 3.3% from end-2011 and a decrease of 12% year-on-year. On the assets' side, investment banks' operations with commercial banks reached \$1.9bn at the end of the first quarter, down 20.2% from end-March 2011. Also, lending to the private sector reached \$1.15bn, constituting an increase of 8% year-on-year. Investments in government securities totaled \$729.6m at end-March, down by 8.2% from end-2011 and by 19.4% from a year earlier. Further, the aggregate capital account of investment banks reached \$864.3m at the end of March 2012, constituting an increase of 14% from a year earlier. There are 16 investment banks operating in Lebanon with a total of 21 branches.

### **RYMCO's profits at \$3m in first nine months of 2012**

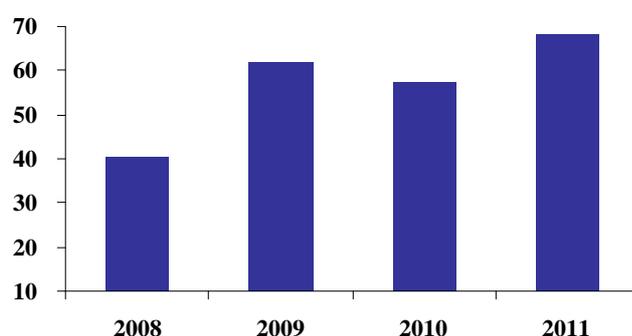
Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) declared net profits of \$2.9m in the first nine months of 2012 compared to net income of \$0.2m in the same period last year. Sales revenues (net of discounts) totaled \$122m, posting a 7.8% increase year-on-year; while net earnings from servicing and repairs, or 'garage income', decreased by 6.5% to \$3m. General and administrative expenses declined by 5.1% to \$3.4m, while advertising & selling expenses decreased by 17.3% to \$1.3m, and overall operating charges rose by 4.1% to \$10.4m. RYMCO's total assets and total equity amounted to \$117.9m and \$51.3m at the end of September 2012, respectively, compared to \$123.1m and \$52.4m a year earlier. The company's inventory of cars and spare parts reached \$31.8m, constituting a decrease of 14.1% year-on-year. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at \$2.2 on November 9, down 12% year-to-date.

### **Paid claims up 39%, loss ratio at 30% in 2011 for life insurance segment**

Figures released by the Association of Insurance Companies in Lebanon (ACAL) show that the aggregate net profits from the life category of insurance companies operating in Lebanon reached \$68.3m in 2011, constituting an increase of 18.5% from \$57.7m in 2010 and compared to profits of \$61.9m in 2009 and \$40.4m in 2008. Net income from the life category accounted for 61.3% of the insurance sector's aggregate net profits in 2011 relative to 65% in 2010 and 82.4% in 2009. Life premiums and similar revenues increased by 9.9% to \$358.2m in 2011 and represented 30% of total insurance premiums and similar revenues. Written premiums from the life category rose by 8% to \$369.4bn in 2011 and accounted for 29.7% of the sector's total written premiums, while net premiums from the life category increased by 7.9% to \$352.1m and represented 36.3% of the sector's aggregate net premium. Also, net investment income reached \$64.1m last year, up 10.2% from the preceding year. In parallel, the life segment's paid claims increased by 38.8% to \$106.7m in 2011 and accounted for 17.5% of the insurance sector's aggregate paid claims last year; while overall claim expenses rose by 39.7% to \$109.1m in 2011. Further, net reinsurance expenses reached \$15.5m in 2011, down 0.35% from \$15.5m in 2011; while ceded premiums fell by 0.5% to \$54.2m and paid reinsurance benefits dropped by 16.3% to \$10.1m. Also, general insurance expenses increased by 11.1% to \$76.2m in 2011, as brokerage expenses rose by 5.9% to \$32.8m and administration costs increased by 11.8% to \$30.5m in 2011.

In parallel, the loss ratio of the life category, or the ratio of claims incurred to earned gross premiums, was 30.5% in 2011 compared to 24% in 2010 and to 50.3% for the sector's overall ratio last year. Also, the commission ratio for the life category, or the ratio of acquisition cost to earned gross premiums, reached 11.3% at end-2011 relative to 11.1% at end-2010 and to 16.6% for the sector last year. Further, the life segment's reinsurance ratio, or the ratio of net reinsurance income to earned gross premiums, increased to 4.3% in 2011 from 4.8% in 2010 and was above the insurance sector's ratio of 2.2%. The expense ratio, or the ratio of other general expenses to earned gross premiums, stood at 10% in 2011 relative to 9.9% in 2010 compared to the insurance sector's ratio of 13%. Finally, the combined ratio of the life category, which is the aggregate ratio of the above four ratios, was 56.1% in 2011 compared to 49.85% in 2010, and relative to the insurance sector's ratio of 84.9%.

**Net Profits of the Life Insurance Segment (US\$m)**



Source: Association of Insurance Companies in Lebanon

## Ratio Highlights

(in % unless specified)	2009	2010	2011	Change*
Nominal GDP <sup>(1)</sup> (\$bn)	34.7	37.1	39.1	
External Debt / GDP	61.3	55.4	53.5	(190)
Local Debt / GDP	86.0	86.3	83.7	(260)
Total Debt / GDP	147.2	141.8	137.2	(460)
Total External Debt / GDP	176.1	167.0	163.2	(380)
Trade Balance / GDP	(36.8)	(36.9)	(40.7)	(380)
Exports / Imports	21.5	23.7	21.2	(250)
Budget Revenues / GDP	24.3	22.7	22.7	(5)
Budget Expenditures / GDP	32.8	30.6	27.2	(342)
Budget Balance / GDP	(8.5)	(7.9)	(6.0)	191
Primary Balance / GDP	3.1	3.2	4.3	105
BdL FX Reserves / M2	74.0	77.1	78.8	172
M3 / GDP	236.5	248.4	248.7	30
Bank Assets / GDP	332.1	347.5	359.5	1,200
Bank Deposits / GDP	276.0	289.0	296.0	695
Private Sector Loans / GDP	81.8	94.2	100.7	650
Dollarization of Deposits	64.5	63.2	65.9	270
Dollarization of Loans	84.0	80.3	78.4	(190)

\* Change in basis points 10/11

(1) Based on Ministry of Finance Estimations and the International Monetary Fund

Source: Association of Banks in Lebanon, Byblos Research Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

## Risk Outlook

Lebanon	Feb 2011	Jan 2012	Feb 2012	Change*	Risk Level
Political Risk Rating	56.5	55.5	55.5	▼	High
Financial Risk Rating	28.5	35.0	35.0	▲	Low
Economic Risk Rating	32.5	34.0	34.0	▲	Moderate
Composite Risk Rating	58.7	62.2	62.2	▲	Moderate

Regional Average	Feb 2011	Jan 2012	Feb 2012	Change*	Risk Level
Political Risk Rating	62.6	60.5	60.4	▼	Moderate
Financial Risk Rating	42.2	42.3	42.2	↔	Very Low
Economic Risk Rating	38.0	37.1	37.3	▼	Low
Composite Risk Rating	71.4	69.9	70.0	▼	Low

\*year-on-year

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	B1	NP	Stable	B2		Stable
Fitch Ratings	B	B	Stable	B		Stable
Standard & Poor's	B	B	Negative	B	B	Negative
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		B	Stable

Source: Rating agencies



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