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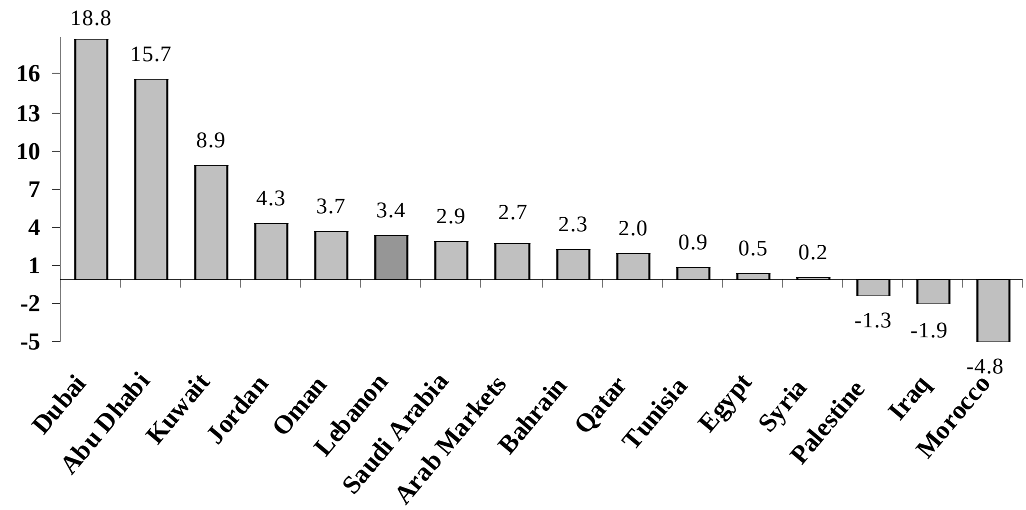
LEBANON THIS WEEK

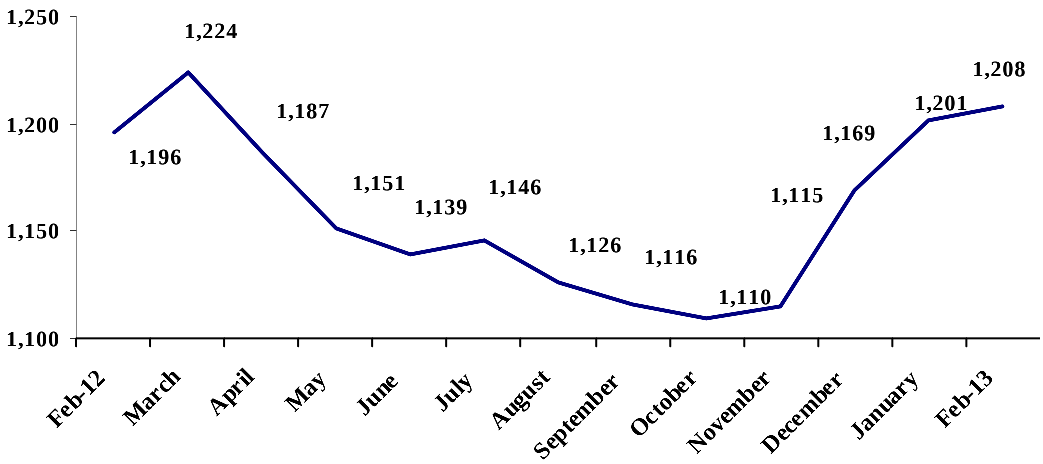
In This Issue

Charts of the Week

Performance of Arab Stock Markets in the first two months of 2013 (% change)



Performance of the Beirut Stock Exchange



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

Quote to Note

"We do not expect the pay scale to pass before at least the formation of a new government after the June elections."

Citigroup, on the prospects of the controversial adjustment of the public-sector salary scale

Number of the Week

$4.1bn: Increase in the nominal size of the public debt in 2012, compared to rises of $1.1bn in 2011 and $1.5bn in 2010, according to the Ministry of Finance

Economic Indicators

$m *(unless otherwise mentioned)*	2010	Oct 11	2011	Aug 12	Sep 12	Oct 12	% Change*
Exports	4,256	351	4,276	339	471	441	25.64
Imports	17,956	1,782	20,170	1,782	1,629	1,774	(0.45)
Trade Balance	(13,700)	(1,431)	(15,894)	(1,443)	(1,158)	(1,333)	(6.85)
Balance of Payments	3,326	(590)	(1,996)	(497)	(92)	(97)	(83.56)
Checks Cleared in LBP	13,519	1,233	14,251	1,233	1,233	1,353	9.73
Checks Cleared in FC	53,925	5,126	57,852	4,657	4,580	4,732	(7.69)
Total Checks Cleared	67,444	6,359	72,103	5,890	5,813	6,085	(4.31)
Budget Deficit/Surplus	(2,894)	(118.4)	(2,342)	(320.35)	(569.85)	(617.49)	421.34
Primary Balance	1,231	280.4	1,662	(143.82)	(138.20)	(215.20)	(176.74)
Airport Passengers	5,512,435	444,389	5,596,034	624,525	542,920	470,190	5.81

$bn *(unless otherwise mentioned)*	Dec 2010	Oct 11	Jul 12	Aug 12	Sep 12	Oct 12	% Change*
BdL FX Reserves	28.60	30.51	29.64	29.54	29.99	29.46	(3.44)
In months of Imports	*19.46*	*12.17*	*17.05*	*16.57*	*18.41*	*16.61*	*36.45*
Public Debt	52.59	54.26	55.44	55.69	56.07	56.60	4.32
Net Public Debt	45.01	45.83	47.28	47.82	47.83	48.35	5.50
Bank Assets	128.93	139.54	145.51	147.05	148.36	149.38	7.05
Bank Deposits (Private Sector)	107.20	114.19	119.75	121.16	121.75	122.60	7.36
Bank Loans to Private Sector	34.93	39.22	41.49	41.72	42.29	42.76	9.02
Money Supply M2	39.40	37.90	41.19	41.63	41.81	42.31	11.64
Money Supply M3	92.15	92.26	100.50	101.08	101.50	102.43	11.02
LBP Lending Rate (%)	7.91	7.27	7.24	7.27	7.30	7.31	(4b.p.)
LBP Deposit Rate (%)	5.68	5.60	5.45	5.51	5.43	5.43	(17b.p.)
USD Lending Rate (%)	6.74	7.10	7.19	7.26	7.16	7.15	5b.p.
USD Deposit Rate (%)	2.80	2.82	2.84	2.84	2.83	2.87	5b.p.
%* Change in CPI**	6.19	3.14	4.72	5.85	8.26	8.86	572b.p.

** Year-on-Year; ** Consumer Price Index*
Note: b.p. i.e. basis point
Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	12.48	1.63	57,383	11.48%
Solidere "B"	12.39	0.98	36,296	7.41%
Byblos Common	1.60	(3.03)	86,323	5.29%
Byblos Pref. 08	102.30	0.00	0	1.88%
Byblos Pref. 09	104.00	0.00	0	1.91%
BLOM GDR	8.50	0.71	34,350	5.78%
BLOM Listed	8.10	0.00	0	16.01%
Audi GDR	6.80	(1.45)	10,917	6.38%
Audi Listed	6.74	(0.15)	2,617	21.68%
HOLCIM	16.50	4.10	115	2.96%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
June 2013	8.625	102.19	1.08
Apr. 2014	7.375	105.50	2.32
Jan. 2015	5.875	104.50	3.36
Apr. 2015	10.00	113.50	3.40
Jan. 2016	8.500	111.88	4.43
Mar. 2017	9.000	116.00	4.62
Nov. 2018	5.150	100.50	5.05
Apr. 2021	8.250	115.88	5.77
Nov. 2026	6.600	103.50	6.22

Source: Byblos Bank Capital Markets

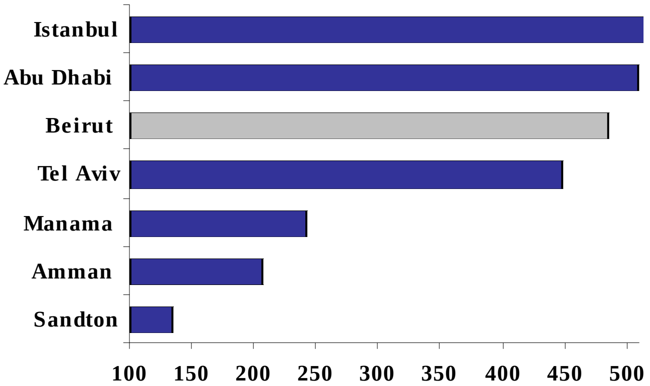
	Feb 25 - Mar 1	Feb 18 - 22	% Change	Feb 2013	Feb 2012	% Change
Total Shares Traded	230,001	468,284	(50.88)	1,491,134	3,288,030	(54.65)
Total Value Traded	$1,899,997	$3,867,947	(50.88)	$12,994,112	$28,733,270	(54.78)
Market Capitalization	$10.88bn	$10.87bn	0.02	$10.94bn	$10.57bn	3.44

Source: Beirut Stock Exchange (BSE)

Beirut has 24th most expensive office space worldwide, third most expensive in Middle East & Africa region

The 2013 survey of the world's most expensive office locations in 63 cities around the world by property consultants Cushman & Wakefield ranked Beirut as the 24th most expensive city worldwide and the third most expensive among seven cities in the Middle East & Africa region included in the rankings. Beirut was the 23rd most expensive city globally and the third most expensive in the region in the 2012 survey. The study evaluates key office locations in 63 countries and includes in its annual rankings the location with the most expensive occupancy cost in each country. It said the occupancy costs reflect rent in addition to local taxes and service charges. Lebanon is represented by Beirut's Central Business District (CBD).

Most Expensive Office Locations by Country in the Middle East & Africa in 2012 (€, per sqm)



Source: Cushman & Wakefield , Byblos Research

Globally, the office occupancy cost in Beirut was less expensive than in Ho Chi Minh City in Vietnam, Amsterdam in the Netherlands and Abu Dhabi in the UAE, and was considered to be more expensive than in Taipei in Taiwan, Jakarta in Indonesia and Tel Aviv in Israel. The cost of office space in Beirut's CBD was €485 per square meter per year in 2012, higher than the global average of €387 per sqm, the Arab cities' average of €360 per sqm and the average of €373.6 per sqm for cities in the Middle East & Africa. The cost of office space in Beirut was €492 per square meter per year in 2011, €427 per square meter per year in 2010, and €380 per sqm in 2009. In parallel, Cushman & Wakefield indicated that the rent for net internal office areas in Beirut was €421.6 per square meter in 2012, constituting a decrease of 1.5% from €428.2 per sqm in 2011. It noted that regional instability led many businesses to either postpone their location decisions regarding Lebanon, or to renew their local leases annually rather than for longer terms. It added that sustained demand for high-quality space kept prime rents in Beirut generally unchanged last year. The net internal area rent in Beirut's CBD was higher than the average of €201.4 in 13 locations in the Middle East & Africa and the average of €313.3 per sqm in five Arab cities.

Energy Ministry signs contracts to build three new power plants

The Ministry of Energy & Water announced that it signed a $348m contract with a consortium composed of the Danish firm BWSC and the German company Man Diesel to build new power plants in the areas of Jiyyeh and Zouk. It said that the contract stipulates the construction of two plants that would run on both fuel oil and natural gas, with a maximum capacity of 272 megawatts for each. It anticipated that the construction works would take 15 to 18 months. In parallel, the ministry announced that a consortium composed of the U.S.'s General Electric and the Greek firm JP Avax won the bid to build a 450 megawatts plant in Deir Amar for a total cost of $494m. Last year, the ministry suspended the construction of a power plant in Deir Ammar, as the Spanish-Lebanese consortium Abener-BUTEC that initially won the bid accepted to reduce its price by only $97m rather than by the $160m requested by the ministry. The ministry claimed at the time that the $160m reduction would have matched the $502m allocated by the government for the project. Both projects are part of a comprehensive plan that aims to raise power production in Lebanon to 4,000 Megawatts by 2014 and 5,000 Megawatts starting in 2015, with a target for round-the-clock electricity supply by 2014. The plan also stipulates improving the transmission and distribution network, restructuring tariffs, and reducing technical losses. The Cabinet approved an amended version of the electricity plan in September 2011 to raise electricity production by 700 Megawatts during the 2011-2014 period. As a result, the ministry launched last year tender projects worth $1.2bn to finance the production, transport and distribution of 700 Megawatts of electricity. The amount includes $850.4m to build production plants, $247m for five transportation lines, $38.5m for 30 distribution lines, and $40m to be spent on studies and consulting.

Revenues through Port of Beirut up 4% to $2.7bn in 2012

Figures released by the Port of Beirut show that overall receipts generated through the port reached $2.7bn in 2012, constituting a rise of 3.7% from $2.6bn in 2011. Customs receipts through the port totaled $1.4bn in 2012, up 5% from $1.3bn in 2011; while receipts from the value-added tax grew by 1.3% to $1.4bn. Also, the port's overall income grew by 10% year-on-year to $174.7m in 2012. Further, the Port of Beirut handled an aggregate weight of 7.2 million tons of freight in 2012, up by 8.2% from 6.7 million tons in 2011. Import freight accounted for 88.2% of the weight, while the remaining 11.8% was export cargo. A total of 2,125 ships docked the port in 2012, constituting a decrease of 1.9% from 2,167 ships a year earlier.

In parallel, overall revenues generated through the Port of Tripoli reached $113.4m last year, constituting a drop of 29.4% from $160.5m in 2011. Customs receipts through the port reached $36.3m in 2012, down 15.2% from $42.8m a year earlier; while receipts from the value-added tax reached $66.2m and dropped by 38.2% from $107.1m in 2011. The port's revenues declined 6.9% to $9.9m in 2012 from $9.5m a year earlier. Further, the Port of Tripoli handled an aggregate weight of 1.2 million tons of freight last year, down by 23.7% from 1.6 million tons in 2011. A total of 511 ships docked the port in 2012, constituting a decrease of 1.9% from 521 ships a year earlier.

Lebanon lacks process for public participation in budget's preparation

The International Budget Partnership's Open Budget survey for 2012 provided information on the extent to which civil society and members of the public can participate in budget processes, and on 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 Engagement, Legislative Strength and the Strength of Supreme Audit Institutions (SAIs).

Globally, Lebanon came in last place among 100 countries and tied with Benin, Cambodia, Chad, Equatorial Guinea, Iraq and Niger in the Public Engagement Category. This category evaluates the extent to which the executive, legislature, and supreme audit institutions provide space for public participation in budget processes. Lebanon received a score of zero on this category, which classifies it among countries that provide no opportunities at all for the public to engage in the budget process.

Strength of Audit Institutions

	Arab Rank	Global Rank
Iraq	1	52
Yemen	1	52
Saudi Arabia	3	65
Egypt	4	72
Lebanon	**5**	**79**
Algeria	6	86
Tunisia	7	87
Jordan	8	90
Morocco	8	90

Source: IBP, Byblos Research

Also, Lebanon came in 78th place and tied with Mozambique and Philippines, ranked ahead of Morocco, Yemen and Zambia, and came behind Slovakia, Venezuela and Tajikistan in the Legislative Strength 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 its powers to approve shifts of funds during budget implementation, supplemental budgets and contingency funds. Lebanon ranked ahead of Bulgaria, Argentina, and Namibia and came behind Azerbaijan, Venezuela and Bosnia & Herzegovina among 26 Upper Middle Income countries (UMICs), while it ranked behind Iraq, Egypt and Jordan among 10 Arab countries included in the survey. Lebanon received a score of 36 on this category, which classifies it among counties that have legislatures with "moderate" powers and capacity to actively engage in the budget process and fulfill their oversight responsibilities.

Finally, Lebanon ranked in 79th place and tied with six countries that include the Democratic Republic of Congo, Papua New Guinea and Benin; ranked ahead of Algeria, Azerbaijan and Kazakhstan; and came behind Turkey, Sri Lanka and Egypt in the SAIs Strength category. This category assesses the financial resources available to the SAI and the authority to determine its own budget, the availability of skilled audit personnel, the legal power to audit public finances, and the authority to remove the head of the SAI. Lebanon ranked ahead of Algeria, Kazakhstan and Azerbaijan, and came behind Turkey, Venezuela and Namibia among UMICs; while it came behind Egypt, Saudi Arabia, Yemen and Iraq among Arab countries. Lebanon received a score of 42 on this category, which classifies it among countries with "moderate" strength for its SAIs.

Components of the Open Budget Survey in 2012

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avge Score	Arab Avge Score	UMIC Avge Score
Public Engagement	93	8	26	0	19.5	5.6	18.9
Legislative Strength	78	4	20	36	51.9	31.7	50.1
Supreme Audit Institutions Strength	79	5	22	42	68.8	40.2	76.7

Source: International Budget Partnership, Byblos Research

Cabinet extends management contracts of mobile phone networks until the end of June

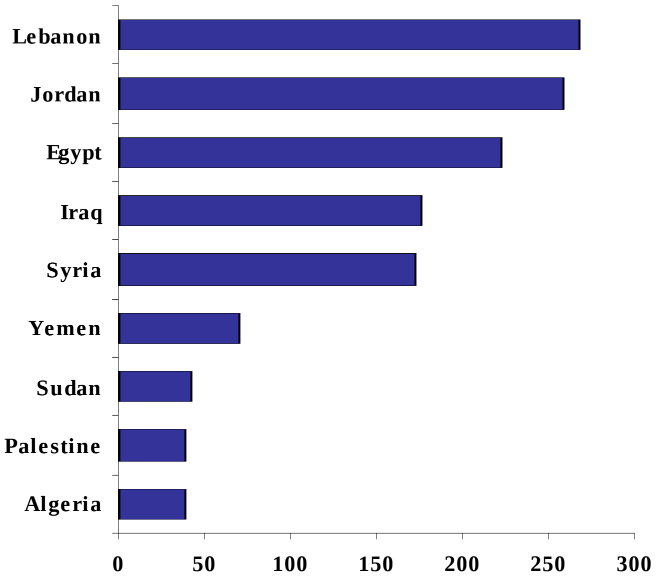
The Ministry of Telecommunications announced that the Cabinet extended the management contracts of Orascom Telecom and Zain, which operate Mobile Interim Company 1 (MIC 1) and Mobile Interim Company 1 (MIC 2), respectively, till the end of June 2013. The government previously extended the management contracts of the two firms for a period of one year that started on February 1, 2012. Upon the contracts' expiration at the end of January 2013, the government extended the deals for one month to decide what to do. Orascom Telecom has been managing MIC 1 since January 2008 and Zain has been running MIC 2 since June 2004. The two operators were receiving a total amount of $150m per year in management fees. In January 2008, the government said that the duration of both contracts was for one year renewable for one time only. But the contracts of both companies have been renewed annually since then. Touch and Alfa's collective income reached $1.6bn in 2011, of which $1.4bn were transferred as revenues to the Lebanese Treasury. Touch has a market share of 53% while Alfa accounts for the remaining 47%.

Lebanese investments in Dubai property at $268m in 2012

Figures released by the Government of Dubai's Land Department show that 367 Lebanese investors invested a total of AED984m, or $267.9m, in Dubai's property sector during 2012. The aggregate value of Lebanese investments accounted for 1.7% of total investments by GCC, Arab and foreign investors in Dubai's real estate last year, and for 20.1% of investments made by non-GCC Arab investors. Also, the total value of Lebanese investments in Dubai's property sector was the largest among non-GCC Arab investors last year. Further, the number of investors from Lebanon was the second highest among non-GCC Arab countries behind Jordan, which was represented by 382 investors. The number of Lebanese investors accounted for 2% of total investors in Dubai real estate and for 17.4% of investors from non-GCC Arab economies.

Total investments in Dubai's property sector by GCC, Arab and foreign investors reached AED58.7bn or $16bn in 2012. Foreign investors accounted for 61.4% of the total, followed by investors from GCC economies with 30.2% and non-GCC Arab investors with 8.3%. A total of 18,635 investors acquired real estate in Dubai last year, with foreigners accounting for 72.8% of the total, GCC countries for 15.8% and non-GCC Arab economies for 11.4%.

Non-GCC Arab Investments in Dubai property in 2012 (US$m)



Source: Dubai Land Department, Byblos Research

Central Bank makes minor modifications to stimulus package mechanism

The Central Bank of Lebanon issued Intermediate Circular 318 on February 25, 2013, which replaces Intermediate Circular 316 issued on January 14, 2013 that initially detailed the mechanism of the Bank's new financial facility. Intermediate Circular 318 stipulates that banks operating in Lebanon can benefit from financial facilities from the Central Bank totaling up to LBP2,210bn, or $1.47bn against guarantees from the beneficiary banks, relative to LBP2,200bn or $1.46bn in Intermediate Circular 316. The Bank will extend the loans on a first-come first-served, and fixed the interest rate on these facilities at 1% per year to be paid monthly by the beneficiary banks.

Intermediate Circular 318 stipulates that banks can take from the Central Bank advances equivalent to between 15% and 60% of loans extended to productive sectors, 60% of non-housing loans extended in local currency, 100% of loans to small- and medium-sized enterprises, 100% of loans that finance higher education, 150% of credits allocated in local currency for research and development, 150% of loans extended to finance investment projects in Lebanon, and between 30% and 150% of loans extended to finance environmentally-friendly projects. Also, it pointed out that banks are eligible for advances equivalent to between 60% and 100% of allocated housing loans. It noted that the amount of a single housing loan should not exceed LBP800m or $530,700, and that the beneficiary is not allowed to use other financial facilities to finance the acquired residential unit. It said that banks will have to charge their client a penalty if the latter sells a residential unit bought under the facility. It noted that a bank can extend under the program a total of LBP100bn or $63m in each of the first and second half of 2013.

According to Intermediate Circular 318, the Central Bank allocated LBP1,232bn or $817.2m to the housing sector, followed by environmentally-friendly projects with LBP533bn ($353.6m), productive sectors with LBP220bn ($146m), non-housing loans with LBP120bn ($79.6m), education loans with LBP50bn ($33.2m), research & development and investment projects with LBP22.5bn ($14.9m) each, and SMEs with LBP10bn ($6.6m). As such, housing loans would account for 55.7% of the total facility, followed by environmentally-friendly projects with 24.1%, productive sectors with 10%, non-housing loans with 5.4%, education with 2.3%, research & development and investment projects with 1% each and SMEs with 0.5%. Intermediate Circular 318 increased the amount allocated to environmentally-friendly projects by LBP90m, decreased the amount allocated to productive sectors by LBP90m, and allocated LBP10bn to SMEs.

Further, the circular stipulates that banks are obliged to abide by the interest rates fixed by the Central Bank for each type of loans and by the total amount that all banks are allowed to lend for each sector. The Central Bank indicated that banks would not benefit from reductions in reserve requirements for these loans.

Public-sector salaries and benefits up 24% in first 10 months of 2012

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled $2.4bn in the first 10 months of 2012, constituting an increase of 24% from the same period in 2011. They represented the largest component of total primary spending and accounted for 31% of such expenditures in the first10 months of 2012 compared to 32% in the same period of 2011. The figures include basic salaries, indemnities, allowances, contributions to the civil servants cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges and Parliament employees. The payments exclude retirement and end-of-service indemnities as well as salaries, wages and benefits of employees at public institutions. Salaries and benefits of military personnel totaled $1.4bn and accounted for 60.3% of the total, followed by educational personnel with $528m or 22% of the total, civil staff with $395.4m (16.5%), and customs employees with $29.2m (1.2%). Also, the Lebanese Army's salaries totaled $929.4m in the first ten months of 2012 and represented 64.1% of military personnel salaries and benefits. It was followed by salaries of the Internal Security Forces with $398.7m (27.5%), General Security Forces with $73m (5%), and State Security Forces with $49.1m (3.4%).

The ministry attributed the rise in salaries, wages and related benefits paid to public-sector employees to a $333.7m increase in basic salaries as the result of the 2012 cost-of-living adjustment and retroactive payments. It said that excluding such payments, basic salaries would have increased by 9% due in part to additional recruitment of internal security agents. Overall, allowances increased by 36.2% annually and basic salaries by 23.2%, while indemnities fell by 4.1% year-on-year. The breakdown of basic salaries shows a rise of $153.2m in payments to educational personnel, an increase of $139.3m in payments to military personnel, and a rise of $41.8m in payments to civil personnel. Also, allowances increased by $90.2m due to higher payments to the Army, the Internal Security Forces and the State Security Forces.

Budget revenues up 3.5% mainly due to 20% rise in tax receipts on wages & salaries and 30% jump in tobacco excise tax

Figures released by the Ministry of Finance show that budgetary revenues rose by 3.5% to $7.7bn in the first 10 months of 2012 and accounted for 95.4% of total budget & Treasury income, while Treasury receipts fell by 4.2% to $371.5m and represented the remaining 4.6%. Tax revenues rose by 5.1% to $5.9bn and accounted for 76.7% of total budget revenues, while non-tax receipts fell by 1.4% to $1.8bn and represented the remaining 23.3%.

The distribution of tax revenues shows that receipts from domestic taxes on goods & services totaled $2.2bn in the first 10 months and accounted for 37.3% of total tax revenues; followed by receipts from taxes on income; profits & capital gains tax with $1.6bn (26.2%); income from taxes on international trade with $1.2bn (21.1%); revenues from property taxes with $646.1m (10.9%); and other tax receipts, mainly stamp fees, with $272m (4.6%). Revenues from property taxes rose by 8.2% year-on-year; receipts from taxes on income, profits & capital gains tax grew by 6%; other tax receipts increased by 5.8%; revenues from domestic taxes on goods & services improved by 4.5%, and income from taxes on international trade increased by 3.3%.

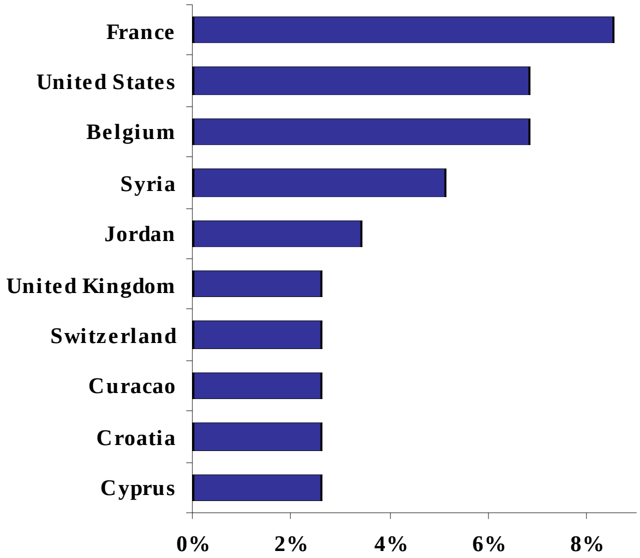
Further, the distribution of income tax revenues shows that the tax on profits accounted for 41.9% of total income tax receipts, followed by the tax on interest deposits with 23%, taxes on wages & salaries with 21.8%, and the capital gains tax with 11.8%. Income from capital gains tax grew by 22.6%, revenues from taxes on wages & salaries improved by 19.7%, while tax receipts on profits decreased by 0.1% and income from the tax on interest regressed by 1.7%. The distribution of property taxes shows that revenues from real estate registration fees increased by 4% to $461.7m and receipts from built property taxes grew by 32.2% to $100.2m. Also, VAT receipts accounted for 87.9% of total domestic taxes on goods & services, while excises represented 65% of taxes on international trade. Further, non-tax budgetary revenues regressed by 1.4% to $1.8bn, with revenues from government properties dropping by 4.3% to $1.4bn and administrative fees & charges growing by 8% to $306.5m. Based on the ministry's assumption, receipts from telecommunications services accounted for 85.2% of income from government properties and for 66.4% of non-tax revenues.

On the expenditures side, current expenditures increased by 12.3% to $9.3bn in the first 10 months of 2012, Treasury spending rose by 71.2% to $724.4m, capital outlays grew by 15.4% to $374.1m, and budget advances rose by 6.3% to $118.7m. Excluding debt servicing, current expenditures rose by $1.27bn, or by 25%, during the covered period to $6.42bn. The distribution of current spending shows that salaries & wages increased by 24% to $2.4bn, transfers to EdL rose by 31.2% to $1.9bn, and retirement & end-of-service compensations grew by 44% to $1bn, while debt servicing regressed by 6.6% to $3bn. Further, the distribution of capital expenditures shows that construction in progress accounted for 66.8% of the total, followed by maintenance with 23%, and equipment with 9%. Also, the distribution of Treasury spending shows that municipalities represented 56.5% of the total, followed by VAT refunds with 17.6%, and payments to public entities with 7.5%.

Central Bank lifts secrecy on 24 cases suspected of money laundering

The Special Investigation Commission (SIC) against money laundering and terrorism financing issued its 12th annual report detailing its activities in tracing dirty money in Lebanon in 2012. Established by the Central Bank of Lebanon as an independent legal entity, the commission's mandate is to investigate suspected money-laundering operations and to monitor compliance with the rules and procedures of the anti-money laundering law, Law 318, passed in April 2001 by the Lebanese Parliament. The report indicated that the SIC received 284 suspected cases in 2012, of which 185 cases, or 65.1%, were local cases and 99 cases, or 34.9%, were referred from abroad. The SIC referred to judicial authorities 116 suspected cases, while 93 cases are still pending and the remaining 75 cases did not fall within the framework of Law 318. As a result, authorities lifted the banking secrecy on 24 cases, of which one case was referred from foreign governments and organizations and 23 cases from domestic sources. The SIC investigated a total of 285 out of 335 cases in 2011, 189 out of 245 cases in 2010, 77 out of 202 suspected cases in 2009, 67 out of 226 cases in 2008, 54 out of 234 cases in 2007 and 70 out of 185 cases in 2006.

Top 10 foreign sources of money laundering cases reported to Lebanese authorities in 2012*



**% of total requests*
Source: Special Investigation Commission

Counterfeiting and forgery accounted for 12.3% of reported cases, followed by terrorism & transfer of funds with 5.7%, embezzlement of private funds with 5.3%, narcotics trade with 3.9%, embezzlement of public funds and organized crimes with 1.3% each, while the remaining 70.2% of cases were not categorized. In cases related to terrorism, local sources provided two names (one case), the United Nations supplied 17 names (seven cases), and financial investigative units provided six names (five cases). The SIC also examined a number of institutions to ensure compliance with Law 318. It covered 10 money remitters, equivalent to 90.9% of the total, 40 insurance companies (75.5%), nine brokerage firms (69.2%), 24 financial institutions (45.3%), 24 commercial banks (33.8%), and 118 money dealers (31.5%). Further, Europe was the main source of requests to Lebanese authorities, as it accounted for 42 requests, equivalent to 35.9% of the total, followed by the United Nations with 19.7%, the Middle East & the Arabian Gulf with 11.1%, North America and Latin America with 8.5% each, Asia with 7.7%, Africa with 5.1%, Australia with 2.6% and New Zealand with 0.9%.

Opened letters of credits at $6.45bn for imports and $4.25bn for exports in 2012

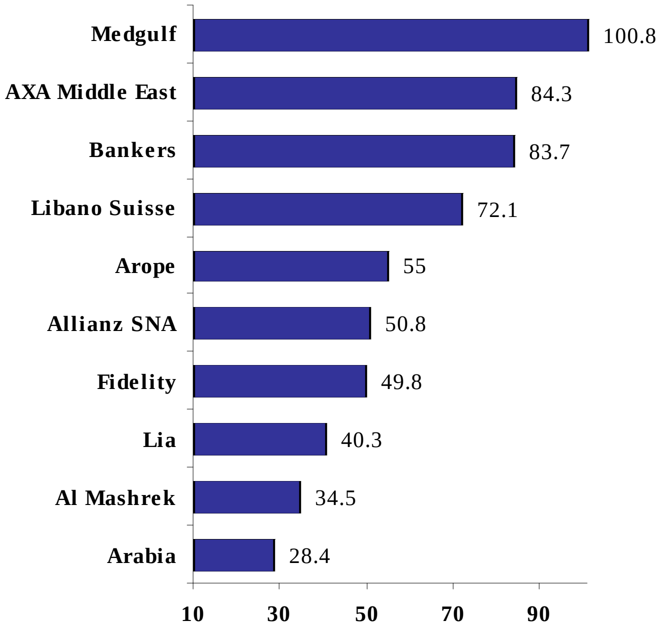
Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled $6.45bn in 2012, constituting an increase of 18.2% from $5.46bn in 2011. The value of LCs opened to finance imports reached $2.9bn in the first half of 2012 and $3.5bn in the second half of the year. Further, utilized credits for imports totaled $6.1bn in 2012, up 14.3% from $5.3bn in utilized credits in 2011. They accounted for 93.9% of opened LCs in 2012 compared to 97% in 2011. Utilized credits for imports totaled $2.8bn in the first half of 2012 and $3.3bn in the second half of the year. Also, outstanding import credits totaled $1.2bn at end-2012 compared to $932.5m at end-2011. Further, the aggregate value of inward bills for collection totaled $1.9bn in 2012, constituting a decrease of 8.3% from $2.1bn in 2011. The collective value of inward bills for collection reached $1.1bn in the first half of 2012 relative to $877m in the second half of the year. Outstanding bills for collection reached $156.2m at end-December 2012 relative to $167.6m at end-2011.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached $4.25bn in 2012, constituting an increase of 1.6% from $4.18bn in 2011. The value of documentary LCs opened to fund exports totaled $2.14bn in the first half and $2.11bn in the second half of 2012. Further, utilized credits for exports reached $3.8bn in 2012, up 3.5% from $3.7bn of used credits in 2011. Utilized credits for exports totaled $1.8bn in the first half of 2012 and $1.97bn in the second half of the year. Outstanding export credits totaled $1.44bn at end-2012, up from $1.24bn at end-December 2011. The aggregate value of outward bills for collection totaled $1.6bn in 2012, down 59.4% from $3.95bn in 2011. The collective value of outward bills for collection reached $895m in the first half of the year relative to $708.3m in the second half of 2012. The outstanding value of outwards bills for collection reached $473.1m at end-2012 relative to $504.1m at the end of 2011.

Total non-life premiums post 7% rise to $929m in 2012

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon shows that total non-life premiums generated in the Lebanese insurance market reached $928.6m in 2012, constituting an increase of 6.8% from $869.6m in 2011, and compared to growth rates of 7.5% in 2011, 12.3% in 2010, 22% in 2009 and 22.4% in 2008. The magazine attributed the slowdown in the growth of non-life premiums last year to the shift in consumers' preferences towards buying smaller and cheaper cars relative to luxury vehicles, reduced export volumes to Europe due to the ongoing Eurozone crisis, as well as to the decline in the number of individuals covered by medical insurance due to the substantial rise in medical premiums. Non-life premiums totaled $808.1m in 2010, $720m in 2009, $590.5m in 2008 and $482.7m in 2007. Non-life insurance penetration was equivalent to 2.2% of GDP, while insurance density was at about $211 per capita in 2012. MEDGULF maintained its first place with $100.8m in non-life premiums, followed by AXA Middle East with $84.3m, Bankers with $83.7m, Libano-Suisse with $72.1m and AROPE with $55m as the top 5 non-life insurers. Al Bahria registered the highest jump in the rankings from last year among the 46 insurers operating in Lebanon, improving by four spots to the 28th place, while it also posted the highest growth in premiums among all insurers in the survey at 92.7% year-on-year. Byblos Bank's insurance affiliate ADIR remained in 15th place with $20m in non-life premiums last year.

Non-Life Premiums of the Top 10 Insurers in 2012 ($m)



Source: Al-Bayan

There were 5 advances and 4 declines among the rankings of the top 20 insurers, while the rankings of the other 11 insurers were unchanged. The composition of the top 10 insurers changed slightly from 2011, with Arabia improving by one spot to 10th place and Assurex dropping from 10th to 11th place. Also, the rankings of two insurers changed among the top 10 firms, with AXA Middle East improving from third to second place and Bankers regressing from second to third place. In addition, all of the top 10 insurers posted increases in their non-life premiums, including four insurers that posted a double-digit rise. Libano Suisse and AXA Middle East recorded the biggest year-on-year increases at 26.9% and 17.8%, respectively, among the top 10 insurers; while Libano Suisse's non-life premiums had the highest annual growth among the top 20 insurers. The top 10 insurers controlled 64.6% of the market last year compared to 63.8% in 2011, 64.3% in 2010, 65% in 2009 and 64.4% in 2008; while the top 20 insurers represented 85.1% of premiums compared to 84.8% in 2011, 85.4% in 2010, 86% in 2009 and 85.3% in 2008. The aggregate non-life premiums of the top 10 insurers reached $599.7m in 2012 compared to $554.7m in 2011, $519.8m in 2010, $464.8m in 2009 and $380.4m in 2008.

Solidere to invest up to $200m on projects in 2013

Solidere sal, the Lebanese Company for the Development and Reconstruction of the Beirut Central District, announced that it plans to spend up to $200m on real estate projects in Lebanon this year. It indicated that it plans to complete a cinema and an entertainment complex in the Beirut Central District in 2013, and will spend as much as $80m on the construction of a retail project that will be part of the Beirut Souks. It noted that it would slow down the work on some projects in the event of further deterioration in the domestic political situation. Solidere said that it will fund the ongoing projects from its own revenues rather than resort to external financing. It added that it has $730m in cash & receivables and about $50m in recurring annual income. It revealed that it postponed the execution of new projects, including an office block, as the Syrian conflict has negatively affected demand for property in Lebanon. In parallel, Solidere International, the foreign arm of the company, noted that the 12 square kilometers Al-Zorah project in the Emirate of Ajman in UAE was downsized to about 40% of its original plan.

Solidere has a total of 393 development projects representing about 3.1 million square meters of built-up area were at various stages of development in the Beirut Central District. It said that 271 projects have been completed by the end of September 2012, 47 were under construction, 25 were awaiting permits, 24 were under study, 13 awaiting submission, seven were inactive and six were under restoration. Also, projects completed represented 1.4 million square meters of built-up area and accounted for 44.6% of the total. It was followed by projects under construction with a total of 527,561 sqm (17.2%), projects awaiting submission at 395,834 sqm (12.9%), projects awaiting permits reached 387,417 sqm (12.6%), projects under study covered 355,175 sqm (11.6%), while inactive projects represented 16,632 sqm (0.5%) and projects being restored consisted of 12,543 sqm (0.4%).

Corporate Highlights

Stock market activity down 52% to $28m in first two months of 2013

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 4.5 million shares in the first two months of 2013, constituting a decrease of 44.1% from the same period last year; while aggregate turnover amounted to $28.3m, down 51.8% from a turnover of $58.8m in the first two months of 2012. Market capitalization increased by 3.4% from end-February 2012 to $10.9bn, of which 77.2% was in banking stocks, followed by real estate stocks with 19%, industrial stocks with 3.2%, and 0.3% in each of fund stocks and trading stocks. The market liquidity ratio was 0.3% compared to 0.6% in the same period last year. Bank stocks accounted for 76.9% of aggregate trading volume in the first two months of 2013, followed by real estate stocks with 22.4%, trading stocks with 0.7% and industrial stocks with 0.1%. In terms of the value of shares traded, banking stocks accounted for 54.5% of aggregate value, followed by real estate stocks with 45.1%, trading stocks with 0.3% and industrial stocks with 0.1%. The average daily traded volume for the period was 111,657 shares for an average daily value of $0.71m. The figures reflect decreases of 45.5% in volume and 53% in value year-on-year.

Lebanon & Gulf Bank's profits up 2% to $18m in 2012

Lebanon & Gulf Bank sal announced unaudited consolidated net profits of $17.8m in 2012, constituting an increase of 2% from $17.5m in 2011. Net operating income rose by 10.5% year-on-year to $44.9m, with net interest income increasing by 55% to $29.7m and net fees & commissions receipts rising by 6.3% to $8.3m. Total operating expenditures increased by 12.7% to $24.1m, with staff expenses growing by 18.4% to $14.5m. The cost-to-income ratio rose to 50.3% in 2012 relative to 49% in the previous year. In parallel, total assets reached $2.4bn at end-2012, constituting an 11.2% rise from end-2011; while loans & advances to customers increased by 26.2% year-on-year to $908.9m. The bank's shareholders' equity rose by 8.2% year-on-year to $188.8m at end-2012. Customer deposits totaled $2.2bn at end-2012, constituting a rise of 12.1% from $1.9bn at end-2011. The loans-to-deposits ratio increased to 42.3% at end-2012 from 37.6% a year earlier and compared to 36.4% at end-2010.

EuroMena II acquires 20% stake in Egypt's Easy Group

The Beirut-based EuroMena II private equity fund announced that it has acquired a 20% stake in the Egypt-based Easy Group through a capital increase. EuroMena II indicated that the deal would help Easy Group strengthen its presence in the Egyptian market and expand its services in the GCC market and the MENA region. Easy Group is a manufacturer and distributor of wet wipes, natural hair removal and antiseptic products, and has a 45% market share in the Egyptian market. The fund added that it will assist Easy Group to mitigate the impact of the Egyptian pound's devaluation and work with its management team on strengthening operations in an effort to transform the group into a key regional strategic player in the fast-moving consumer goods industry. Further, the fund intends to use its expertise to improve Easy Group's governance and administrative functions, as well as to strengthen its corporate identity. The Beirut-based $90m EuroMena II fund is managed by the Capital Trust Group and invests in companies across the Middle East and North Africa. The fund's investment strategy focuses on diversified sectors such as healthcare, oil and gas services, banking and retail. The deal constitutes the fund's third investment in Egypt since the January 2011 revolution.

Moody's revises outlook on Citibank to 'stable', affirms ratings

Moody's Investors Service affirmed Citibank N.A.'s deposit rating at 'A3' and baseline credit assessment at 'baa3'. Also, it revised the ratings' outlook to 'stable' from 'negative'. It attributed the outlook revision to the successful management reorganization of Citigroup. It said that there was no interruption in Citigroup's efforts to improve the risk governance culture within the group given the CEO change and management reorganization. It added that improving the risk governance culture would result in incorporating risk considerations in business decisions and would improve the group's credit strength. But it noted that achieving a significant improvement in risk governance culture is a major credit challenge, given the complexity and reach of the group's global operations and its shareholders. Citibank established a presence in Lebanon the 1950s but closed its operations in the mid 1970s. It re-opened its fully-licensed branch in Beirut in 1996.

Ratio Highlights

(in % unless specified)	2010	2011	2012	Change*
Nominal GDP ($bn)	37.1	39.3	41.6	
Public Debt in Foreign Currency / GDP	55.5	53.2	58.7	550
Public Debt in Local Currency / GDP	86.2	83.2	80.2	(300)
Gross Public Debt / GDP	141.7	136.4	138.9	250
Total Gross External Debt / GDP	167.2	173.8	172.3	(150)
Trade Balance / GDP	(36.9)	(40.5)	(40.4)	10
Exports / Imports	23.7	21.2	21.1	(10)
Fiscal Revenues / GDP	24.8	23.7	22.8	(90)
Fiscal Expenditures / GDP	30.5	29.7	30.2	50
Fiscal Balance / GDP	(5.7)	(6.0)	(8.3)	(230)
Primary Balance / GDP	5.5	4.2	0.7	(350)
Gross Foreign Currency Reserves / M2	72.6	79.2	69.4	(980)
M3 / GDP	248.4	247.4	250.0	260
Commercial Banks Assets / GDP	347.3	357.4	365.6	820
Private Sector Deposits / GDP	289.0	294.4	300.5	610
Private Sector Loans / GDP	94.2	100.2	104.5	430
Private Sector Deposits Dollarization Rate	63.2	65.9	64.8	(110)
Private Sector Lending Dollarization Rate	80.3	78.4	77.6	(80)

** Change in basis points 11/12*
Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, Ministry of Finance, 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	Apr 2011	Mar 2012	Apr 2012	Change*	Risk Level
Political Risk Rating	55.5	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	58.2	62.2	62.2	↑	Moderate
Regional Average	**Apr 2011**	**Mar 2012**	**Apr 2012**	**Change***	**Risk Level**
Political Risk Rating	60.5	60.5	60.3	↓	Moderate
Financial Risk Rating	41.8	42.1	42.1	↑	Very Low
Economic Risk Rating	37.5	37.3	37.2	↓	Low
Composite Risk Rating	69.9	69.9	69.8	↓	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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