



LEBANON THIS WEEK

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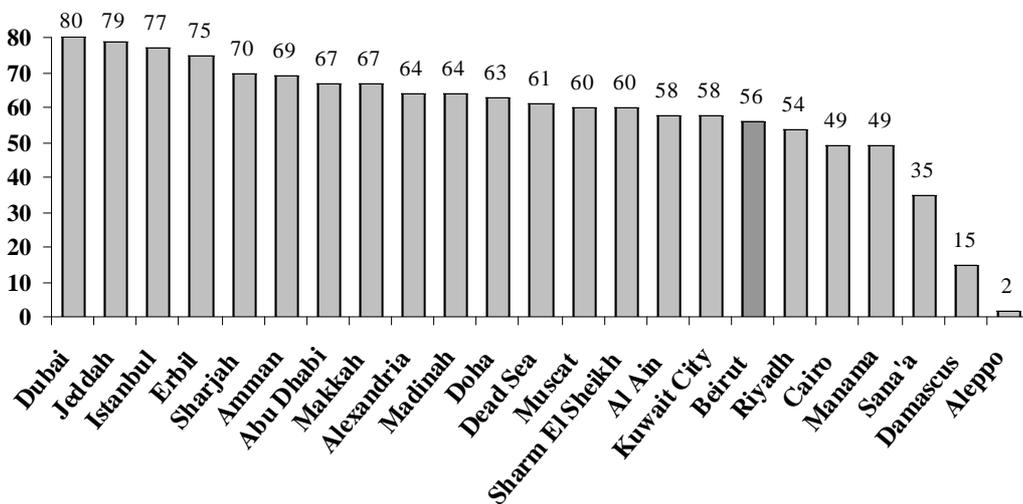
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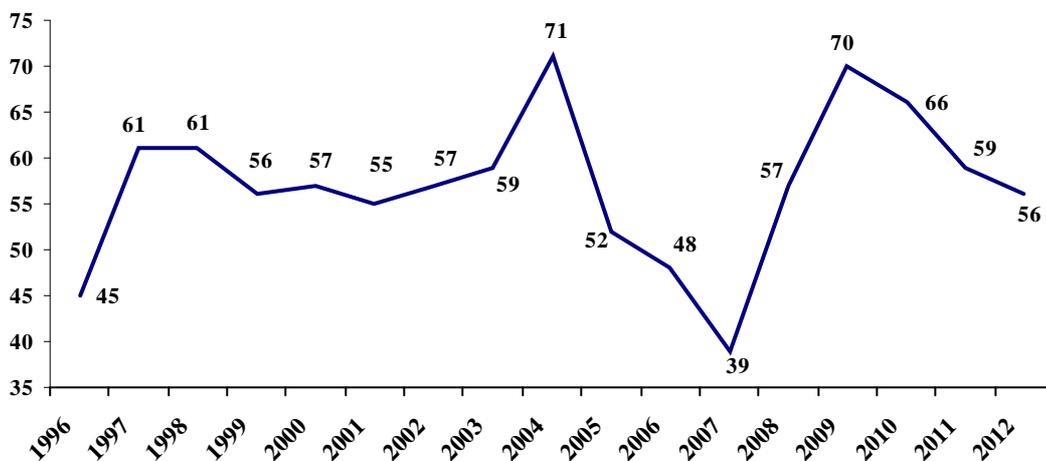
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Charts of the Week

Occupancy Rates at Hotels in Select MENA Cities in 2012 (%)



Occupancy Rates at Hotels in Beirut (%)



Source: HVS, Byblos Bank

Quote to Note

"There has not been any progress on any of the pending IPR legislative reforms, including amendments to Lebanon's patent and copyright laws."

The United States Trade Representative, on the lack of concrete parliamentary efforts to improve Lebanon's intellectual property rights environment

Number of the Week

1.52%: Spread between the weighted return on the uses of funds and the cost of funds in US dollar at commercial banks in Lebanon as at March 2013, according to the Association of Banks in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	2011	Jan 12	2012	Nov 12	Dec 12	Jan 13	% Change*
Exports	4,276	348	4,486	364	381	405	16.38
Imports	20,170	1,454	21,281	1,604	1,871	1,646	13.20
Trade Balance	(15,894)	(1,106)	(16,795)	(1,240)	(1,490)	(1,241)	12.21
Balance of Payments	(1,996)	(290)	(1,538)	179	312	383	(232.07)
Checks Cleared in LBP	14,251	1,246	14,976	1,287	1,337	1,305	4.77
Checks Cleared in FC	57,852	4,663	56,044	4,676	4,670	4,637	(0.56)
Total Checks Cleared	72,103	5,909	69,787	5,963	6,007	5,942	0.56
Budget Deficit/Surplus	(2,342)	(176.00)	(3,925)	(807.69)	(441.24)	(17.78)	(89.90)
Primary Balance	1,662	33.00	(109.87)	(369.47)	(174.33)	200.38	507.22
Airport Passengers	5,596,034	430,472	5,960,414	412,595	495,760	463,972	7.78

\$bn (unless otherwise mentioned)	Dec 2011	Jan 12	Oct 12	Nov 12	Dec 12	Jan 13	% Change*
BdL FX Reserves	30.82	30.74	29.46	29.79	29.97	30.96	0.72
<i>In months of Imports</i>	<i>18.51</i>	<i>21.14</i>	<i>16.61</i>	<i>18.57</i>	<i>16.02</i>	<i>18.81</i>	<i>(11.03)</i>
Public Debt	53.66	53.65	56.60	57.55	57.69	58.04	8.18
Net Public Debt	46.37	46.59	48.35	48.87	49.12	49.55	6.34
Bank Assets	140.58	142.85	149.38	150.38	151.88	153.11	7.18
Bank Deposits (Private Sector)	115.72	116.69	122.60	123.13	125.00	125.55	7.59
Bank Loans to Private Sector	39.38	40.51	42.76	42.94	43.45	43.72	7.93
Money Supply M2	38.90	39.09	42.31	42.67	43.17	43.28	10.71
Money Supply M3	97.23	97.49	102.43	102.89	104.01	104.13	6.81
LBP Lending Rate (%)	7.38	7.19	7.31	7.11	7.07	7.32	13b.p
LBP Deposit Rate (%)	5.63	5.60	5.43	5.38	5.41	5.43	(17b.p)
USD Lending Rate (%)	7.02	6.99	7.15	7.09	6.87	6.98	(1b.p)
USD Deposit Rate (%)	2.83	2.87	2.87	2.85	2.86	2.88	1b.p
%* Change in CPI**	4.27	4.47	7.75	6.97	4.68	4.32	(15b.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"	13.11	1.08	75,604	11.99%
Solidere "B"	13.10	2.42	41,952	7.79%
Byblos Common	1.56	(7.69)	86,029	5.13%
Byblos Pref. 08	101.00	(1.46)	7,680	1.85%
Byblos Pref. 09	101.00	(1.85)	14,311	1.85%
BLOM GDR	8.85	0.00	23,364	5.98%
BLOM Listed	8.40	0.00	30,257	16.51%
Audi GDR	6.75	0.00	0	6.30%
Audi Listed	6.56	(2.09)	24,524	20.98%
HOLCIM	16.12	4.00	3,400	2.88%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
June 2013	8.625	100.40	4.57
Apr. 2014	7.375	104.75	2.13
Jan. 2015	5.875	103.50	3.69
Apr. 2015	10.00	112.00	3.57
Jan. 2016	8.500	110.00	4.50
Mar. 2017	9.000	114.50	4.83
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	113.75	6.04
Nov. 2026	6.600	100.75	6.52

Source: Byblos Bank Capital Markets

	May 13-17	May 7-10	% Change	Apr 2013	Apr 2012	% Change
Total Shares Traded	513,304	1,170,281	(56.14)	4,184,711	3,868,312	8.18
Total Value Traded	\$7,856,390	\$5,073,079	54.86	\$28,430,668	\$35,454,787	(19.81)
Market Capitalization	\$10.94bn	\$11.05bn	(1.05)	\$11.07bn	\$10.50bn	5.40

Source: Beirut Stock Exchange (BSE)



Lebanon has 42nd lowest retail gasoline prices and 34th lowest diesel prices in the world

The 2013 GTZ fuel price survey of 167 countries ranked Lebanon as having the 42nd lowest retail gasoline prices worldwide and the 15th lowest among 22 countries in the Middle East & North Africa region. It also ranked Lebanon as having the 34th lowest retail diesel prices globally and the 15th lowest in the MENA region. The rankings are based on a crude oil price level of \$110 per barrel in mid-November 2012. In the previous survey which reflected crude oil price level of \$81 per barrel in mid-November 2010, Lebanon had the 70th lowest retail gasoline prices worldwide and the 17th lowest the MENA region. Lebanon also had the 30th lowest retail diesel prices globally and the 16th lowest in the region. The survey aims to highlight energy policies in developing countries as well as to help governments assess the relevance of their pricing policy and implement related reforms. GTZ is a Germany-based organization that works on sustainable development and socio-economic reforms worldwide.

The retail price of gasoline in Lebanon was \$1.11 per liter in mid-November 2012, lower than prices in Niger, Guatemala and Pakistan, and more expensive than gasoline prices in the Maldives, Cameroon, and Guyana. Also, the survey classified countries in four categories ranging from countries with 'very high gasoline subsidies', economies with 'gasoline subsidies', those with 'gasoline taxation', to countries with 'very high gasoline taxation'. Lebanon came in the category of countries with 'gasoline taxation' where gasoline retail prices range between the price level in the United States of \$0.97 per liter and that in Luxembourg of \$1.63 per liter. Other regional countries in the 'gasoline taxation' category include Jordan, Mauritania and Morocco. The reason the survey benchmarked prices with Luxembourg is that the country's gasoline prices in mid-November 2012 were the lowest among the 27 countries of the European Union where prices are subject to VAT, fuel taxes, as well as other country-specific duties and taxes.

Lebanon imports all of its fuel needs. In May 2004, the Lebanese government capped the retail price of gasoline at the prevailing level due to increasing oil prices in international markets at the time, which eroded the gasoline excise revenue base. The decision was introduced temporarily on the assumption that oil prices would decline shortly after, but they increased to historic highs until the global financial crisis led to the collapse of global oil prices. In January 2009, the Lebanese government adopted a new policy measure that restored the gasoline excise tax and fixed it at LL476.5 per liter or LBP9,530 per 20 liters for 95 octane gasoline, and at LBP474 per liter or LBP9,480 per 20 liters for 98 octane gasoline. As such, the government took the decision to fix the excise rate at the level prevailing in January 2009 and to allow domestic prices to move with international oil prices. In February 2012, and due to the increase in global oil prices at the time, the government reduced the excise tax on gasoline by LBP5,000 or \$3.3 per 20 liters. The decision constituted declines in the excise tax of 52.5% and 52.7% on 95 octane and 98 octane gasoline, respectively.

World Bank approves \$30m for social protection project

The World Bank's Board of Directors approved a Social Protection and Promotion Project (SPPP) for Lebanon that aims to increase access to basic services for poor and vulnerable segments of the Lebanese population and support opportunities to help them generate higher income, as well as to strengthen the capacity of the Ministry of Social Affairs at the central and local levels. The Bank extended a \$30m loan to Lebanon to fund the SPPP. The World Bank indicated that the SPPP will establish a national Community Social Development program that will provide financing through grants of up to \$50,000 to small community-based projects. It noted that the \$12.5m program will be fully financed through the loan. It indicated that \$9.1m will be earmarked to the Ministry of Social Affairs' 200 social development centers in order to improve their administrative and operational capacities. It added that \$6.7m will be allocated to Lebanon's National Poverty Targeting Program in order to expand its coverage from 93,900 beneficiaries to 160,700 beneficiaries over the next five years. Further, it said that \$2.1m will finance the establishment of a team that will be in charge of coordinating the SPPP over the next five years. The SPPP is in line with the goals of the World Bank's Lebanon Country Partnership Strategy (CPS) for 2011-2014, which gives priority to the development and improvement of Lebanon's weak and fragmented social safety net system. The project also supports the Ministry of Social Affairs' National Social Development Strategy.

Rankings by Least Expensive Retail Prices of Gasoline

	MENA Rank	Global Rank	Category
Libya	1	2	Very High Subsidies
Saudi Arabia	2	3	Very High Subsidies
Kuwait	3	5	Very High Subsidies
Bahrain	4	6	Very High Subsidies
Qatar	4	6	Very High Subsidies
Algeria	6	8	Very High Subsidies
Oman	7	9	Very High Subsidies
Iran	8	10	Very High Subsidies
Egypt	9	12	Very High Subsidies
UAE	10	14	Very High Subsidies
Yemen	11	16	Very High Subsidies
Sudan	12	21	Subsidies
Syria	13	23	Subsidies
Tunisia	14	28	Subsidies
Lebanon	15	42	Taxation
Morocco	16	86	Taxation
Mauritania	17	88	Taxation
Jordan	18	90	Taxation
Djibouti	19	122	Very High Taxation
Palestine	20	138	Very High Taxation
Israel	21	151	Very High Taxation
Turkey	22	167	Very High Taxation

Source: GTZ, Byblos Research

Moody's revises sovereign ratings' outlook to 'negative' on impact of Syrian conflict

Moody's Investors Service affirmed Lebanon's government bond rating at 'B1' and revised the outlook to 'negative' from 'stable'. It attributed the outlook revision to the negative impact of the ongoing conflict in Syria on the Lebanese economy, and to concerns that an escalation of the Syrian conflict would lead to further political instability in Lebanon.

It indicated that the performance of the Lebanese economy significantly deteriorated in the past two years as the Syrian crisis adversely affected investment inflows, exports and tourism receipts. It noted that, after four consecutive years of high GDP growth, Lebanon's real GDP growth slowed to between 1% and 2% in 2011 and 2012, which is below the average growth rate of similarly-rated countries. It considered that the low growth rates have not been enough to sustain the drop in the public debt-to-GDP ratio, as the debt level increased last year for the first time in six years after falling from 172% of GDP in 2006 to 126% of GDP in 2011. It forecast the fiscal deficit to range between 9% of GDP and 10% of GDP in each of 2013 and 2014, and for the debt-to-GDP ratio to continue to rise this year and next. It noted that Lebanon's debt level is currently the third-highest among rated sovereigns after Japan and Greece. Further, the agency considered that the Syrian conflict poses a key threat to the country's already weak political balance of power, as increased political polarization has paralyzed decision-making and the government's ability to approve capital expenditures.

In parallel, Moody's indicated that the sovereign ratings are supported by the Lebanese banking sector's resilience and its large foreign currency liquidity. It noted that, unlike similarly-rated countries, Lebanon benefits from a solid resident and non-resident depositor base, which helps the banks support the government's financing needs. Also, it said that the currency peg to the US dollar is central to financial stability, and has been supported by the increase in the Central Bank's foreign exchange reserves over the past decade, with the reserves rising by more than three times in the past six years to \$33bn, despite an annual average current account deficit of 11.9% of GDP since 2006. But it cautioned that a sudden deterioration in domestic politics would affect the financial sector, as the country's external position is heavily dependent on the risk perception of non-resident depositors. The agency indicated that it would downgrade the sovereign ratings in the event of a further deterioration of the main debt metrics or a worsening of domestic political turmoil.

Lebanon is third largest Arab market in number of new ads aired on local TV stations

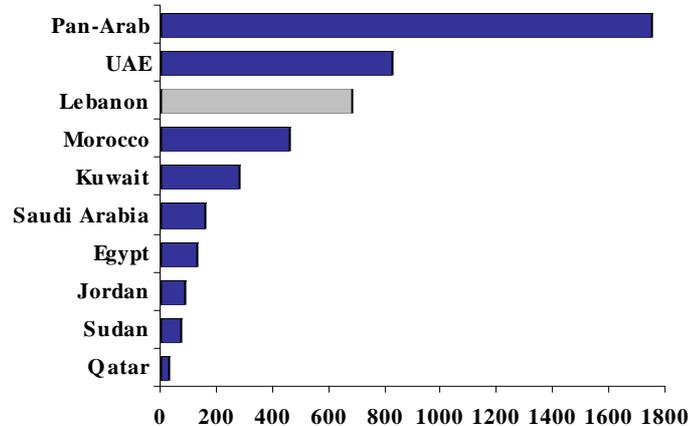
Figures released by market research agency MartPoint show that newly-produced television commercials (TVC) that were aired on Lebanese television stations totaled 682 in 2012, constituting a 17.6% increase from 580 TVC in 2011 and compared to 557 TVC in 2010. Lebanon ranked in third place among 14 Arab markets for most TVC aired in 2012, behind Pan Arab TV satellite stations with 1,749 TVC and the UAE with 824 TVC. Also, TVC aired on Lebanese television stations accounted for 15.1% of aggregate TVC aired in Arab markets last year relative to 14.1% in 2011 and 11.9% in 2010.

In parallel, the distribution of newly-produced TVC that were aired on Lebanese TV stations in 2012 shows that TVC in the Food category reached 144 commercials and accounted for 21.1% of the total; followed by the Health & Beauty category with 76 TVC (11.1%); the Drinks and Financial categories with 75 TVC each (11% each); and the Automotive segment with 48 TVC (7%).

Newly-produced TVC in the Health & Beauty category that were aired on Lebanese television stations rose by 52% annually, those in the Food category increased by 44%, those in the automotive category grew by 37.1% year-on-year, and those in the Drinks segment grew by 5.6% last year; while newly produced TVC in the Financial segment that were aired on Lebanese television stations fell by 14.8% from 2011

Also, Lebanon came in third place among 14 Arab markets in the most aired Food TVC in 2012, behind Pan Arab TV satellites with 338 TVC and the UAE with 147 TVC. Further, Lebanese television stations had the third-largest number of Health & Beauty commercials in the Arab world, behind only Pan Arab TV satellites with 219 TVC and the UAE with 171 TVC. Also, Lebanon came in second place in the most aired commercials for Drinks among Arab markets, behind only Pan Arab TV satellites with 162 TVC; while it came in first place in the most aired Financial commercials in the region. Lebanese television stations had the third-largest number of Automotive commercials among Arab markets, behind only the UAE with 58 TVC and Pan Arab TV satellites with 127 TVC.

Newly Produced TVC aired in Top 10 Arab Markets



Source: MartPoint, Byblos Research

Pharmaceuticals market at \$1.3bn in 2013, political instability and economic slowdown slow sector's growth

Business Monitor International revised downward its estimate for the size of Lebanon's pharmaceuticals market to \$1.3bn in 2012 from a previous estimate of \$1.5bn, and to \$1.2bn in 2011 from \$1.3bn previously. As a result, it changed the annual increase in the size of the pharmaceuticals market to 4.9% in 2012 from 11.8% previously and to 7.7% in 2011 from a previous estimate of 13%. It attributed the downward revision to the significant impact of political and economic instability and the war in Syria on pharmaceutical trade relations and on the access to medicines in Lebanon. Based on the new estimates, it indicated that Lebanon's per-capita spending on pharmaceutical products rose by 6.7% in \$291.2 in 2011 and by 4.1% to \$303.1 in 2012. It added that spending on pharmaceuticals was equivalent to 3.17% of GDP in 2011 and 3.04% of GDP in 2012, compared to previous estimates of 3.3% of GDP and 3.4% of GDP, respectively. Further, it noted that medicines represented around 46.8% of healthcare spending in Lebanon in 2011 and 42% in 2012.

Further, BMI lowered its long-term projections for Lebanon's pharmaceuticals market due to the ongoing wider macroeconomic and political instability, expectations of a slowdown in pharmaceutical imports over the medium-term due to the Syrian conflict, and to the revision of historical data. It downgraded its forecast for the size of Lebanon's pharmaceuticals market to \$1.4bn in 2013 from a previous estimate of \$1.8bn, which would constitute a growth rate of 5.7% from 2012 compared to a previous forecast of 10%. It also downgraded its long-term forecast, as it projected the market size to reach \$1.9bn in 2017 from \$2.4bn previously, which would lower the market's compound annual growth rate (CAGR) to 8.1% during the 2012-17 period from 10.1% previously. It forecast Lebanon's per-capita spending on pharmaceutical products at \$317.9 in 2013, and expected such spending to increase to \$431.4 in 2014 and to post a CAGR of 7.3% during the 2012-17 period. It also forecast spending on pharmaceuticals to be equivalent to 2.87% of GDP in 2013, 2.77% of GDP in 2014 and 2.67% of GDP in 2015, 2.56% of GDP in 2016 and 2.5% of GDP in 2017.

In parallel, BMI projected prescription medicines to represent around 73.5% of total market value this year. It attributed the high share of prescription medicines to the widespread use of patented drugs, which account for 63.4% of total spending on prescription drugs, and to the relatively high prices of generic drugs. But it expected cost-containment pressures and patent expirations to contribute to higher usage of non-patented medicines in the future. As such, it forecast the share of spending on prescription medicines to decline to 59.7% of total spending by 2017, as it projected expenditures on generic drugs to increase by a CAGR of 11.6% and spending on prescription medicines to rise by 8.5% during the 2012-17 period. However, BMI cautioned that the Syrian conflict would put at risk the expected shift to generic drugs' consumption over the medium- to long-term. Further, it projected medicines to represent around 40.4% of healthcare spending in Lebanon this year. It indicated that 70% of the Lebanese market consists of imported pharmaceuticals, and expected the market to remain almost entirely reliant on imports.

BMI considered that the sector's weaknesses include weak protection of intellectual property rights, counterfeiting, government drug pricing regulations that are hampering foreign direct investment, and an over-dependence on imports, which are leading to little reinvestment in the sector's development. However, it pointed out that the sector presents significant opportunities due to the growth potential of the patented medicines segment, the government's desire to encourage local production, and rising local demand for pharmaceutical products. In contrast, it said that the government's resistance to reforming domestic patent law, continued concerns over counterfeiting, parallel imports that are undercutting locally-manufactured products, price cuts on selected products, and domestic and regional unrest constitute the main threats to the sector's development.

Hotel occupancy rate at 52.6% in March 2013

Figures released by STR Global show that the occupancy rate at Beirut hotels reached 52.6% in March 2013, the average daily rate (ADR) stood at \$151.8, and the revenue per available room (RevPAR) amounted to \$79.9. STR said that the RevPAR at Beirut hotels regressed by 34.9% annually, the ADR fell by 21.4% from the same month last year, and the occupancy rate dropped by 17.2% year-on-year. It noted that Lebanon posted the steepest year-on-year contraction on the RevPAR and the ADR indicators, while it posted the second steepest contraction in occupancy rates in the Middle East & Africa region after Jordan (-17.7%).

The occupancy rate at hotels in the Middle East was 74.4% during March 2013 relative to 72.9% in March 2012, the ADR was \$227.5 up 8.7% from \$209.3 in March 2012, and the RevPAR was \$169.2 up 10.9% from \$152.6 in the same month last year. Also, the occupancy rate at hotels in North Africa was 53.2% in March 2013 relative to 47.7% in the same month last year; the ADR was \$86.5, down 0.8% from \$87.2 in the same month last year; and the RevPAR was \$46, up 10.7% from \$41.6 in March 2012.



Sources: Business Monitor International

Association of banks amends reference rates on US dollars and Lebanese pounds

The Association of Banks in Lebanon (ABL) recommended to its member banks to raise the Beirut Reference Rate (BRR) in US dollars to 5.91% starting in June from the current rate of 5.87% adopted at the beginning of May. The rate, considered as the reference rate for lending in foreign currency, replaced in 2009 the London Inter-Bank Offering Rate (LIBOR) since the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to decrease the BRR in Lebanese pounds to 8.51% starting in June 2013 from the current rate of 8.55% adopted at the beginning of May. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL indicated that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate.

Beirut and Byblos are top two favorite cities in Middle East

Condé Nast Traveller magazine's Readers' Choice Award for 2012 ranked Beirut and Byblos in first and second place, respectively, on its list of the top five cities in the Middle East region. The results are based on the answers of 46,476 readers from around the world who participated in the magazine's Internet-based survey. The readers voted on six factors that are a city's atmosphere & ambience, the friendliness of its residents, lodging, restaurants, culture & sites, and its shopping environment. Each factor is rated on a five-point scale of 'excellent', 'very good', 'good', 'fair' and 'poor'. The final score is the average percentage of 'excellent' and 'very good' ratings. Beirut received an overall score of 75.9 points on a scale of 100, while Byblos had an overall score of 74.6 points. They were followed by Dubai with 72.6 points, Tel Aviv with 71.2 points and Jerusalem with 70.6 points.

Byblos ranked in second place behind Jerusalem on the Atmosphere & Ambience factor, while Beirut came in third place and was followed by Tel Aviv and Dubai. Byblos received a score of 83.9 points and Beirut had a rating of 81.7 points on this category. Also, Byblos and Beirut tied in first place on the Friendliness of Residents factor. They received each a score of 79.4 points. Further, Beirut came in second place behind Dubai on the Lodging factor, while Byblos ranked in fifth place with scores of 71.7 points and 69.2 points, respectively.

In parallel, Beirut ranked in first place and Byblos came in fourth place on the Restaurants factor, with scores of 81.3 and of 74.5 points, respectively. Also, Byblos ranked in second place behind Jerusalem on the Culture & Sites factor, and was followed by Beirut in third place, Tel Aviv in fourth place and Dubai in the fifth spot. Byblos received a score of 88.9 points and Beirut had a score of 78.5 points on this category. Also, Beirut ranked in second place behind Dubai on the Shopping Environment factor, while Byblos came in fourth place.

Charleston received Readers' Choice Award for the best destination in the United States, Cape Town was the favorite destination in Africa, Florence topped all cities in Europe, and Bangkok was the best destination in Asia. Also, Vancouver won the award for the best destination in Canada, Sydney was the favorite destination in Australia & the Pacific, Buenos Aires was the best destination in Central & South America, and Gustavia was the favorite destination in the Caribbean & the Atlantic.

Finance Ministry and ABL to launch tax e-payment system

The Ministry of Finance and the Association of Banks in Lebanon announced that Lebanese citizens and companies would soon have the option to pay their taxes online, with the exception of customs and property taxes. They indicated that the launch of the electronic payment system aims to simplify and facilitate the current tax payment procedures. They said that taxpayers would be able to complete their tax transactions and payments 24 hours a day and seven days a week in total confidentiality. Taxpayers would use a special credit card issued by the Finance Ministry to settle their tax bill through the ministry's website or would have the option to process their taxes through the websites of Lebanese commercial banks. The e-payment system is part of the electronic government initiative and is meant to be time efficient, to reduce paperwork and to help reduce corruption.

Revenues through the Port of Beirut down 4% to \$641m in first quarter of 2013

Figures released by the Port of Beirut show that overall receipts generated through the port reached \$640.9m in the first quarter of 2013, constituting a decrease of 3.8% from \$665.9m in the same quarter last year. Customs receipts through the port totaled \$325.5m in the first quarter of the year, up 2% from \$319m in the same quarter of 2012; while receipts from the value-added tax declined by 13.7% to \$263.6m. Also, the port's overall revenues grew by 25.7% year-on-year to \$49.9m in the first quarter of 2013. Further, the Port of Beirut handled an aggregate weight of 1.9 million tons of freight in the first quarter of 2013, up by 17.6% from 1.6 million tons in the same quarter last year. Import freight accounted for 89.1% of the weight, while the remaining 10.9% was export cargo. A total of 522 ships docked the port in the first quarter of 2013, constituting an increase of 5.9% from 493 ships in the same quarter last year.

In parallel, overall revenues generated through the Port of Tripoli reached \$29.1m in the first quarter of 2013, constituting a drop of 15.3% from \$34.3m in the same quarter last year. Customs receipts through the port reached \$11.2m in the covered quarter, up 32.1% from \$8.5m in the same quarter last year; while receipts from the value-added tax reached \$14.9m and dropped by 34.1% from \$22.6m in the first quarter of 2012. The port's revenues regressed to \$3m in the first quarter of 2013 from \$3.3m in the same period last year. Further, the Port of Tripoli handled an aggregate weight of 287,770 tons of freight in the first quarter of 2013, down by 6.6% from 308,169 tons in the same quarter last year. A total of 129 ships docked the port in the first three months of 2013, constituting an increase of 35.8% from 95 ships in the same quarter last year.

Byblos Bank's ratings affirmed, outlook 'stable'

Fitch Ratings affirmed Byblos Bank's long-term Issuer Default Rating (IDR) at 'B' with a 'stable' outlook. It also affirmed the Bank's short-term IDR at 'B', Viability Rating at 'b', and the Support Rating at '5'. It said that the Bank's long-term rating is driven by its intrinsic strength as expressed by its Viability Rating. It added that the ratings take into account the Bank's strong domestic franchise, experienced management, resilient profitability, relatively sound asset quality, and strong deposit franchise. It noted that the ratings also reflect the Bank's exposure to the Lebanese sovereign through its large holding of government debt, as well as the difficult local and regional operating environments. It noted that the Bank's ratings are sensitive to economic and political developments in Lebanon and in the broader Arab region, and are correlated to changes in the sovereign ratings. Further, the agency indicated that the Lebanese authorities would have a high willingness to support the Bank in case of need, given its systemic importance to the banking sector and to the economy as a whole. But it noted that the authorities' ability to provide such support cannot be relied on, given the low level of the sovereign ratings. It added that the authorities would face difficulties in providing system-wide support for the banking sector, including Byblos Bank, if needed. Fitch said Byblos Bank is Lebanon's third-largest bank by assets, accounting for about 10% of the system's assets at the end of 2012. The bank offers a broad range of corporate, retail and investment banking services, supported by an extensive domestic branch network and international branches and subsidiaries.

Kafalat loan guarantees down 25% to \$34m in first four months of 2013

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$33.5m in the first four months of 2013, down 24.8% from \$44.5m in the same period last year. The number of loan guarantees totaled 243 year-to-April compared to 328 in the same period last year. The average loan size reached \$137,864 compared to \$135,751 in the first four months of 2012. Mount Lebanon accounted for 41.2% of guarantees, followed by the Bekaa with 21.8%, the South & Nabatieh with 19.3%, the North with 10.3%, and Beirut with 7.4%. The agricultural sector accounted for 37.5% of total guarantees, followed by industry with 35.4%, tourism with 19.3%, handicraft with 5.4%, and specialized technologies with 2.5%. 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.

Car sales up 7% in first four months of 2013

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that a total of 10,884 new passenger cars were sold in the first four months of 2013, constituting an increase of 7% from 10,169 cars sold in the same period last year. Korean cars accounted for 48.6% of total sales, followed by Japanese cars with a 23.1% share, European automobiles with 20.4%, American vehicles with 6%, and Chinese cars with 1.9%. Chinese cars posted the highest growth in sales with a 175.7% rise year-on-year, followed by Korean cars with a 13.7% increase, European cars with a 6.8% growth and American cars with a 5.2% rise. In parallel, Japanese cars posted a contraction in sales with an 8.3% drop year-on-year. Kia is the leading brand in the Lebanese market with 3,107 cars sold in the first four months of 2013, followed by Hyundai with 2,187, Nissan with 1,313 cars sold, Toyota (530), Chevrolet (345), Renault (301) and Volkswagen (278). In parallel, a total of 681 new commercial vehicles were sold in the first four months of 2013, down 10.6% from the 762 vehicles sold in the same period last year, but up 18% from the 577 vehicles sold in the same period of 2011.

Grand Hills Hotel to be rebranded as Starwood luxury resort

Five-star hotel Grand Hills Hotel & Spa announced that it will partner with Starwood Hotels & Resorts to introduce Starwood's first luxury resort in Lebanon. Starwood is a global owner, operator and franchisor of hotels, resorts and residences. It said that Grand Hills Hotel & Spa will undergo a complete renovation and will reopen in 2015 as the Grand Hills, a Luxury Collection Resort. Following the renovation, the resort will have 115 rooms and 53 suites, as well as three restaurants, two bars, three indoor and outdoor pools, a spa, a fitness center and a retail gallery. Also, the resort will offer extensive events and conference facilities including two ballrooms, an amphitheater and six meeting rooms. The Grand Hills Hotel & Spa, which started operations in 2000, is owned by Mouawad Village Broumana sal. It currently features 118 hotel rooms and 52 luxury furnished apartments, as well as restaurants and bars, a nightclub, an international spa, a gym, three swimming pools, banquet and conference facilities, and a shopping center. Starwood's Luxury Collection includes more than 85 hotels in 30 countries worldwide. Starwood currently operates two hotels in Lebanon, the Four Points by Sheraton Le Verdun in Beirut and the Four Points by Sheraton Bhamdoun.

Moody's affirms Allianz ratings at 'Aa3', outlook 'negative'

Moody's Investors Service affirmed Germany-based insurance group Allianz SE's Insurer Financial Strength (IFS) rating and debt ratings at 'Aa3', and maintained a 'negative' outlook on the ratings. It also affirmed the IFS ratings of the main Allianz subsidiaries at 'A2', and changed their outlook to 'negative' from 'stable'. The group fully owns Allianz-SNA, one of Lebanon's largest insurance firms. The agency attributed its decision to affirm the ratings to the group's solid financial profile, broad business diversification by geography and by product, good capitalization, financial flexibility and strong profitability. It said that the 'negative' outlook on the group's ratings reflects the risk of deterioration in its asset quality, its capital adequacy, and its profitability and financial flexibility due to the weakening of the credit quality and economic environment of the countries where Allianz operates. The group is active in both the non-life and life segments as well as in asset management. Allianz SNA generated total premiums of \$103.7m in 2012, including \$52.9m in life and \$50.8m in non-life premiums. It ranked in second and sixth place in the Lebanese insurance market in terms of life and non-life premiums, respectively, in 2012.

Moody's revises outlook on rated banks to 'negative'

Moody's Investors Service changed to 'negative' from 'stable' the outlook on the 'Ba3' long-term local currency deposit ratings of Bank Audi, BLOM Bank and Byblos Bank. It also changed to 'negative' from 'stable' the outlook on the three banks' 'B1' long-term foreign-currency deposit ratings; as well as on Bank Audi and BLOM Bank's 'Aa1.lb' long-term national-scale ratings (NSRs); and Byblos Bank's 'Aa2.lb' NSRs. The agency attributed the outlook revision on the banks' ratings to its earlier decision to change the outlook on Lebanon's sovereign rating to 'negative' from 'stable'.

It indicated that the main driver of the outlook revision is the adverse impact of the government's weakening creditworthiness on the credit profile of the banks, given their large holdings of government securities. It estimated BLOM Bank's sovereign exposure at 401% of its Tier One capital, that of Byblos Bank at 400% of Tier One capital, and that of Bank Audi at 332% of its Tier One capital at end-2012. It noted that the banks' high exposure to government securities and to the Central Bank's Certificates of Deposit, as well as their limited regional diversification, make them susceptible to event risk at the sovereign level.

Second, it said the outlook revision reflects the likelihood of further deterioration in the three banks' asset quality as a result of the weakening domestic and regional operating environment. It anticipated that increased political risks and a weakening domestic operating environment would continue to weigh on domestic economic sectors, which would increase the level of non-performing loans (NPLs). It added that the banks' foreign exposure, mainly to Syria, Egypt and Jordan, would also contribute to the growth in NPLs. Third, it pointed out that the negative outlook on the banks' local-currency deposit ratings reflects the risk of a further weakening of the government's capacity to support the banks, in case of need.

The agency indicated that it would downgrade the banks' ratings in the event a further weakening of the sovereign's creditworthiness, a deterioration of the banks' operating environment, and a decline in the banks' asset quality, profitability and capital metrics.

Balance sheet of financial institutions up 6% in first quarter of 2013

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP1,997bn, or \$1.3bn, at the end of March 2013, constituting an increase of 6.1% from end-2012 and a rise of 19.6% from end-March 2012. Liabilities to the private sector reached \$284.3m, increasing by 30.7% from end-2012 and by 8.8% from end-March 2012. Further, commitments to the financial sector totaled \$578.6m at the end of March 2013, representing a drop of 0.4% from the end of last year, and an increase of 26.7% from end-March 2012.

On the assets' side, financial institutions' operations with commercial banks reached \$512.1m at the end of March 2013, up 8.1% in the first quarter of the year and 23.8% from a year earlier. Lending to the private sector totaled \$692.6m, and increased by 8.7% from end-2012 and by 23.1% from end-March 2012. Also, investments in government securities totaled \$119.9m as at end-March 2013, decreasing by 12.8% in the first quarter of the year, but rising by 7.3% from end-March 2012. Further, the aggregate capital account of financial institutions reached \$361.9m at end-March 2013, constituting an increase of 1.9% from end-2012 and a rise of 13% from a year earlier. There were 53 financial institutions in Lebanon with a total of 58 branches as of June 2012.

Top five freight forwarders' activity up 22% in first quarter of 2013

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 76,843 20-foot equivalent units (TEUs) in the first quarter of 2013, constituting a rise of 22.3% from 62,847 TEUs in the same quarter last year. They accounted for 60.5% of the total import freight forwarding market during the covered quarter. Mediterranean Shipping Company (MSC) handled 26,795 TEUs in imports in the first quarter of the year, equivalent to 21.1% share of the total freight forwarding import market. It was followed by Sealine Group with 22,940 TEUs (18.1%), Merit Shipping with 14,510 TEUs (11.4%), Metz Group with 7,933 TEUs (6.2%) and Gezairy Transport with 4,665 TEUs (3.7%). Further, Gulf Agency registered the highest growth in import shipping among freight forwarders at 129.3% year-on-year, while MAERSK posted the steepest contraction at 99.1% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 14,499 TEUs in the first quarter of 2013, constituting an increase of 52.4% from 9,514 TEUs in the same quarter of 2012. They accounted for 98.8% of the total export freight forwarding market full with Lebanese cargo during the covered quarter. Sealine Group handled 7,742 TEUs of freight, equivalent to 52.7% share of the total freight forwarding export market. It was followed by Merit Shipping with 4,016 TEUs (27.4%), MSC with 1,642 TEUs (1.3%), Metz Group with 614 TEUs (0.5%) and Gezairy Transport with 485 TEUs (0.4%). Further, Sealine Group registered the highest growth in export shipping among all freight forwarders at 123.5% year-on-year, while El Fil Shipping posted the steepest drop of 50% year-on-year.

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	Negative	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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