



LEBANON THIS WEEK

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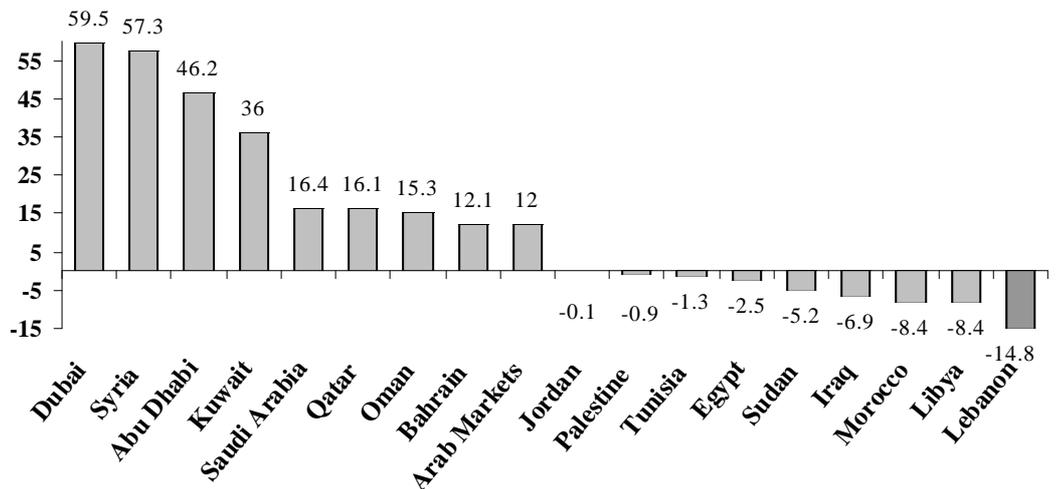
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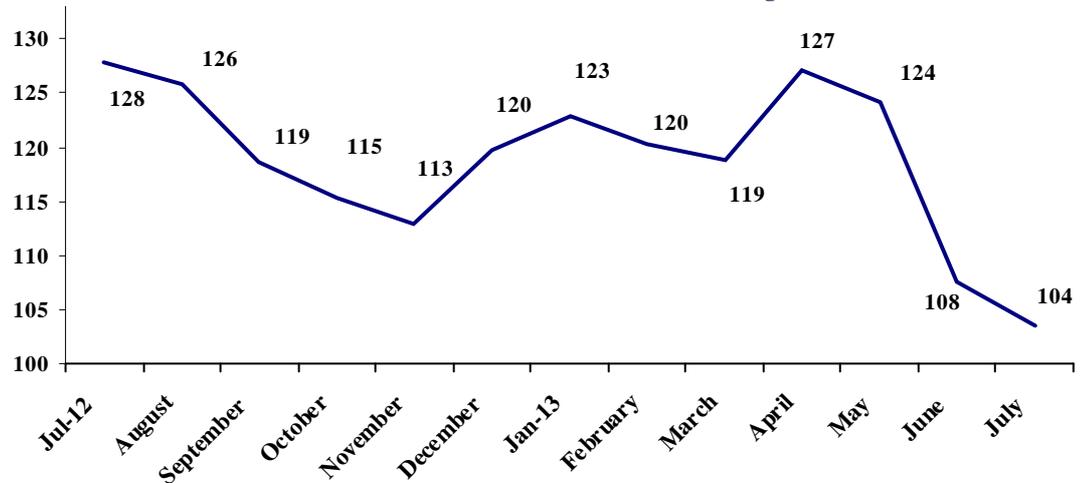
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Charts of the Week

Performance of Arab Stock Markets in First Seven Months of 2013 (% change)



Performance of the Beirut Stock Exchange*



* Banque du Liban Market Value Weighted Index average monthly values
 Source: Local Stock Markets, Dow Jones Indices, Banque du Liban, Byblos Bank

Quote to Note

"Lending demand, especially in the corporate sector, remains weak in Lebanon."

Regional investment bank EFG Hermes, on the impact of political instability and uncertainties on business and consumer sentiment

Number of the Week

31%: Percentage of respondents who trust or somewhat trust labor and professional unions in Lebanon, according to an opinion poll commissioned by the Arab Center for Research & Policy Studies and conducted by Statistics Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	2011	Mar 12	2012	Jan 13	Feb 13	Mar 13	% Change*
Exports	4,276	377	4,486	405	381	406	7.69
Imports	20,170	1,723	21,281	1,871	1,791	2,076	20.49
Trade Balance	(15,894)	(1,346)	(16,795)	(1,241)	(1,410)	(1,670)	24.07
Balance of Payments	(1,996)	51	(1,538)	383	(92)	(353)	n/a
Checks Cleared in LBP	14,251	1,191	14,976	1,305	1,213	1,286	7.98
Checks Cleared in FC	57,852	4,843	56,044	4,637	4,353	4,472	(7.66)
Total Checks Cleared	72,103	6,034	69,787	5,942	5,566	5,758	(4.57)
Budget Deficit/Surplus	(2,342)	(312.40)	(3,925)	(17.78)	(279.91)	(484.90)	55.22
Primary Balance	1,662	133.00	(109.87)	200.38	(130.10)	(75.10)	n/a
Airport Passengers	5,596,034	432,817	5,960,414	463,972	402,517	502,923	16.20

\$bn (unless otherwise mentioned)	Dec 2011	Mar 12	Dec 12	Jan 13	Feb 13	Mar 13	% Change*
BdL FX Reserves	30.82	30.99	29.97	30.96	30.34	30.36	(2.03)
<i>In months of Imports</i>	<i>18.51</i>	<i>17.99</i>	<i>16.02</i>	<i>18.81</i>	<i>16.94</i>	<i>14.62</i>	<i>(18.69)</i>
Public Debt	53.66	54.12	57.69	58.04	58.08	57.75	6.71
Net Public Debt	46.37	46.95	49.12	49.55	49.95	50.07	6.65
Bank Assets	140.58	144.73	151.88	153.11	153.97	155.44	7.40
Bank Deposits (Private Sector)	115.72	118.22	125.00	125.55	126.30	128.11	8.37
Bank Loans to Private Sector	39.38	41.00	43.45	43.72	43.95	44.70	9.02
Money Supply M2	38.90	40.04	43.17	43.28	43.62	43.76	9.29
Money Supply M3	97.23	98.94	104.01	104.13	104.71	105.85	6.98
LBP Lending Rate (%)	7.38	7.16	7.07	7.32	7.47	7.28	12b.p
LBP Deposit Rate (%)	5.63	5.46	5.41	5.43	5.46	5.44	(2b.p)
USD Lending Rate (%)	7.02	7.06	6.87	6.98	7.05	6.95	(11b.p)
USD Deposit Rate (%)	2.83	2.83	2.86	2.88	2.94	2.97	14b.p
%* Change in CPI**	4.27	5.10	4.68	4.32	3.66	9.17	407b.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"	11.30	(1.82)	52,982	10.71%
Solidere "B"	11.34	(1.39)	24,176	6.98%
Byblos Common	1.52	0.00	20,000	5.18%
Byblos Pref. 08	100.00	0.00	260	1.89%
Byblos Pref. 09	100.10	0.10	17,100	1.90%
BLOM GDR	8.65	0.00	0	6.06%
BLOM Listed	8.27	0.00	182,910	16.84%
Audi GDR	6.59	0.00	0	6.37%
Audi Listed	6.40	4.92	1,000	21.21%
HOLCIM	14.41	(8.51)	6,175	2.66%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr. 2014	7.375	102.88	3.12
Jan. 2015	5.875	102.25	4.25
Apr. 2015	10.00	109.75	4.06
Jan. 2016	8.500	108.00	4.28
Mar. 2017	9.000	112.50	5.17
Nov. 2018	5.150	98.88	5.40
Apr. 2021	8.250	112.25	6.22
Nov. 2026	6.600	99.50	6.66

Source: Byblos Bank Capital Markets

	July 29 - Aug 2	July 22-26	% Change	July 2013	July 2012	% Change
Total Shares Traded	516,927	378,172	36.69	7,014,320	9,494,611	(26.12)
Total Value Traded	\$8,908,364	\$3,622,070	145.95	\$30,195,961	\$62,270,730	(51.51)
Market Capitalization	\$10.56bn	\$10.51bn	0.46	\$10.56bn	\$10.25bn	3.01

Source: Beirut Stock Exchange (BSE)



Installed capacity for renewable energy at 283.5 megawatts, seventh highest in MENA region

Figures issued by the International Renewable Energy Agency (IRENA) and the Renewable Energy Policy Network for the 21st Century (REN21) show that the installed renewable energy capacity in Lebanon stood at 283.5 megawatts, the seventh highest capacity among 21 countries in the Middle East & North Africa region and the third highest among eight net oil-importing countries in the region. Lebanon accounts for 1.5% of the MENA region's aggregate installed renewable energy capacity of 19,383.2 megawatts, as well as for 9.7% of the total installed renewable energy capacity among net oil importers of 2,918.4 megawatts. Regionally, Lebanon's installed capacity is lower than Iran's capacity of 9,612.3 megawatts, Egypt with 3,385 megawatts, Morocco with 2,071 megawatts, Iraq with 1,867.5 megawatts, Syria with 1,151.8 megawatts, and Israel with 309 megawatts. Also, Lebanon's installed capacity is lower than that of Morocco and Israel among net oil importers.

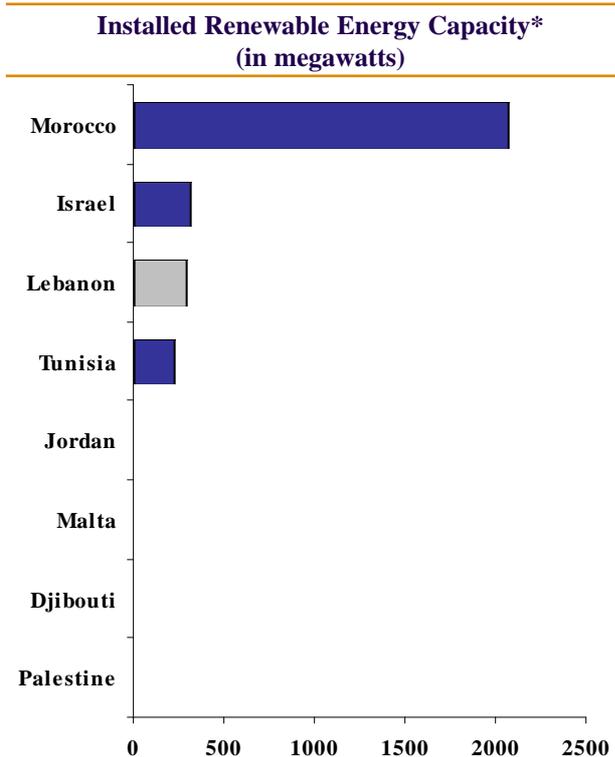
The distribution of Lebanon's installed renewable energy capacity shows that hydropower represents 282 megawatts or 99.5% of total installed capacity, followed by solar energy with one megawatt (0.3%) and wind energy with 0.5 megawatt (0.2%). The installed hydropower energy capacity in Lebanon accounts for 1.6% of the MENA region's aggregate hydropower capacity and is the sixth highest share in the MENA region. It is lower than that of Iran's hydrocarbon capacity of 9,500 megawatts (53.8%), Egypt with 2,800 megawatts (15.9%), Iraq with 1,864 megawatts (10.6%), Morocco with 1,745 megawatts (9.9%) and Syria with 1,151 megawatts (6.5%). Also, the installed hydropower energy capacity in Lebanon accounts for 13.4% of total installed capacity among net oil importers, the second highest share in the region after Morocco's share of 82.7%. Further, the installed solar energy capacity in Lebanon is the third lowest in the MENA region, similar to the capacity installed in Palestine and higher than Syria's capacity of 0.84 megawatt and that of Oman of 0.7 megawatt. Also, Lebanon is among eight countries in the region that have installed wind energy. But it has, along with Bahrain, the lowest installed capacity among them. Lebanon aims to produce 12% of its overall energy production through electrical and thermal energy by 2020.

In parallel, the installed solar water heating capacity in Lebanon totals 245 megawatts thermal and accounts for 3.9% of the MENA region's aggregate capacity of 6,296.5 megawatts thermal. Lebanon's installed solar water heating capacity is the fourth lowest in the region, and is higher than the capacity of Malta with 36 megawatts thermal, Algeria with 0.21 megawatt thermal, and Libya with 0.021 megawatt thermal. Also, Lebanon's total collector area, or the area that intercepts solar radiation, is 350,000 square meters and accounts for 3.9% of the region's aggregate area of 8,994,935 square meters. Lebanon's collector area is the fourth lowest in the MENA region, similar to Morocco's area, and bigger than that of Malta with 51,360 square meters, Algeria with 300 square meters and Libya with 30 square meters. There are 12 manufacturers of solar water heating equipment in Lebanon, in addition to 100 retailers and 105 installers.

Lebanon aims to produce 12% of its overall energy production through electrical and thermal energy by 2020. Also, Lebanon aims to produce between 115 megawatts and 165 megawatts from renewable energy sources by 2015, as well as to increase production to between 455 megawatts and 565 megawatts by 2020. Further, Lebanon aims to have 1.05 million square meters of collector area by 2020. Lebanon was one of 14 countries in the MENA region and one of the eight oil-importing economies that have a renewable energy strategy or plan; as well as one of seven countries in the region to have a net metering system for renewable energy.

World Bank extends \$6.4m loan in support of mobile Internet sector

The World Bank announced that it has approved a project to improve the mobile Internet environment in Lebanon. The \$6.4 million initiative, named Mobile Internet Ecosystem Project (MIEP), aims to support innovation and entrepreneurship in Lebanon's mobile Internet sector. The Bank noted that the project intends to raise the competitiveness of the domestic mobile Internet industry by improving entrepreneurial skills and providing technical training. It will also aim to strengthen digital skills and create new enterprises in the sector, which has the potential to be a driver of economic growth and to create jobs. The World Bank pointed out that beneficiaries from the project include software developers, firms in the Information & Communication Technology sector, industries where new software applications can improve productivity, university students and graduates, as well as mobile phone users in general. Part of the project will consist of identifying areas in need of improvement in order to help the government implement related reforms.



**in net oil-importing countries*

Source: IRENA, REN21, Byblos Research

Real GDP growth at 2% in 2013, second slowest economy in Middle East & Africa

Citigroup maintained its projection for real GDP growth in Lebanon at 2% in 2013 relative to growth of 4.7% in both the Middle East & Africa (ME&A) region and in emerging economies. It also forecast Lebanon's real GDP to grow by 4.5% in 2014 compared to 5.6% in the ME&A region and 5.1% in emerging economies. Lebanon's projected growth rate in 2013 would make it the second slowest economy in the ME&A region, faster than only Egypt (1.1%). It would also make it the 11th slowest economy among 50 emerging countries, which would place it ahead of Romania (1.6%), Poland (1.3%), Egypt (1.1%), Bulgaria (1%), Hungary (0.6%), Slovakia (0.5%), Ukraine (-0.1%), Venezuela (-0.5%), and Croatia and Czech Republic (-0.8% each).

Further, Citigroup forecast the annual average inflation rate in Lebanon at 5% in 2013, which would make it the 11th highest level in the ME&A region, compared to a 5.3% inflation rate in the ME&A region and a 4.7% rate for emerging economies. It also expected Lebanon's annual average inflation rate to remain at 5% in 2014 compared to 6% in the ME&A region and 4.7% in emerging economies.

In parallel, it projected Lebanon's current account deficit to widen to 15.9% of GDP in 2013 from a deficit of 14.8% of GDP in 2012, compared to surpluses of 6.1% of GDP for the ME&A region and 1.1% of GDP for emerging economies this year. Lebanon's projected current account balance for 2013 would post the second widest deficit among the 50 emerging market economies included in Citigroup's universe, behind only Mongolia with a projected deficit of 23.3% of GDP. Citigroup expected Lebanon's current account deficit to marginally widen to 16% of GDP in 2014 and to post the widest deficit in emerging markets next year, compared to surpluses of 4.3% of GDP for the ME&A region and 0.7% of GDP for emerging economies.

Also, Citigroup forecast Lebanon's fiscal deficit to widen to 10.2% of GDP this year from 8.8% of GDP in 2012, compared to deficits of 1.9% for the ME&A region and 2.4% of GDP for emerging economies. The deficit would be the second widest among emerging economies covered by the forecasts, behind only Egypt with a projected deficit of 12.7% of GDP for 2013. It also expected the country's fiscal deficit to reach 10.5% of GDP in 2014 relative to deficits of 3.8% of GDP for the ME&A region and 2.6% of GDP for emerging economies.

Mixed economic impact of Syrian refugees on host communities

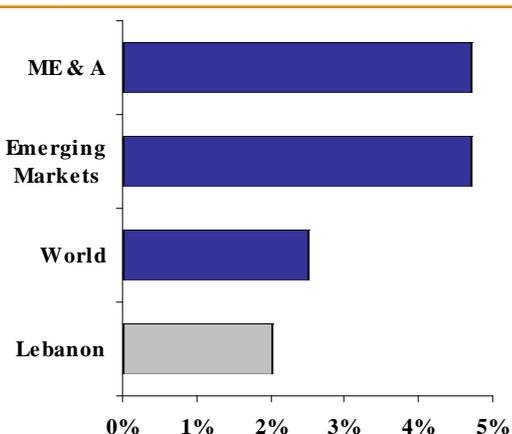
A qualitative survey conducted by non-governmental organization World Vision on the economic impact of Syrian refugees on certain regions in Lebanon shows that competition over jobs between Syrian refugees and Lebanese living in host communities is one of the biggest challenges that residents face. Respondents considered that Syrian refugees can afford to work for much lower wages, as they do not pay taxes because they are employed informally, as well as receive food vouchers and support for accommodation from donors and aid agencies. The data collected covered four areas across Lebanon that are Akkar, Zahlé and its surrounding areas, Bourj Hammoud & Nabaa, and the Burj el Brajneh Palestinian refugees camp. All four areas have higher than average poverty rates and very high numbers of Syrian refugees.

Further, residents of surveyed areas acknowledged a significant increase in food prices over the past 12 months, mainly due to a rise in demand from Syrian refugees and a flat supply. Also, host communities in the surveyed areas indicated that their local economy is being negatively affected by increased competition from Syrian businesses and cheaper smuggled goods from Syria.

In parallel, the survey revealed that some members of the host communities are benefiting economically from the influx of refugees. Respondents said that aid agencies were injecting cash into the local economy and creating job opportunities. They added that local businesses are benefiting from the availability of cheap labor, while landlords and landowners are generating significant revenues from renting their land or living space.

However, World Vision indicated that poor Lebanese workers are facing difficulties in finding work as a result of the increase in cheap labor, while the rising demand for rental accommodation is pushing rents up. As such, it said that the poorest and the most vulnerable members of host communities are the most affected by the high number of Syrian refugees, while a section of Lebanon's upper and middle class is benefiting from the refugee influx.

Projected Real GDP Growth in 2013 (%)



Source: Citigroup, July 2013

Lebanon has least competitive cellular market in the Arab world

The Cellular Competition Intensity Index for 2013 ranked Lebanon in last place among 19 countries in the Arab world, down from 18th place in 2012, and similar to its ranking in 2011 and 2010. Lebanon ranked in 15th place in 2007 and in 11th place in 2006.

The index uses a relative approach, as it rates the intensity level of competition in the region's cellular markets by comparing the state of every market relative to the other markets. As such, even if a market's absolute level of competition improved, its score on the index will also depend on how other markets developed during the same period of time. The index, designed by the Arab Advisors Group, takes into account nine categories, with each category assigned a weight based on its importance as an indicator of competitive behavior. The categories include the number of licensed and expected operators in 2013, the number of working operators, the market share of the largest operator, the number of pre-paid plans, the number of post-paid plans, the availability of smart phone plans, the availability of corporate offers, the availability of 3G services, and the availability of international long distance (ILD) competition.

Lebanon was among six countries that posted declines in their rankings from 2012, along with Algeria, Morocco, Oman, Syria and Tunisia. The rankings of Iraq, Libya, Bahrain, Mauritania and Sudan improved, while those of Egypt, Jordan, Kuwait, Palestine, Qatar, Saudi Arabia, the UAE and Yemen remained

unchanged. Also, Lebanon received a score of 40.71% in 2013, up from 38.84% in 2012 and 33.8% in 2011, but significantly below the regional average of 58.9%. Lebanon's score increased by 1.87 percentage points and posted the ninth largest increase regionally compared to a rise of 1.75 percentage points for the Arab average. Lebanon was among 15 Arab countries that posted increases in their score. The Arab Advisors Group considered that Saudi Arabia has the most competitive cellular market in the region, as it hosts four operational and licensed mobile network operators, in addition to one mobile virtual network operator. It also offers smart phone plans, corporate offers, 3G services and ILD competition.

Cellular Competition Intensity Index 2013		
	Score (%)	Rank
Saudi Arabia	76.58	1
Jordan	75.83	2
Palestine	71.55	3
Egypt	67.89	4
Iraq	66.03	5
Oman	64.28	6
Morocco	64.20	7
Bahrain	64.18	8
Tunisia	63.03	9
Sudan	59.01	10
Mauritania	58.28	11
Algeria	57.99	12
Yemen	56.38	13
Kuwait	54.32	14
UAE	48.68	15
Qatar	47.67	16
Libya	41.58	17
Syria	40.74	18
Lebanon	40.71	19

Source: Arab Advisors Group

Trade deficit down 2.6% to \$8.5bn in first half of 2013, volume of non-hydrocarbon imports up 2%

Total imports reached \$10.8bn in the first half of 2013, constituting a marginal decrease of 0.8% from the same period last year; while aggregate exports rose by 6.5% to \$2.3bn, leading to a trade deficit of \$8.5bn, down by 2.6% year-on-year. The narrowing of the deficit was caused by a decline of \$86m in imports and an increase of \$142m in exports from the first half of last year. The coverage ratio reached 21.4% in the first half of 2013 compared to 20% in the same period last year, while it reached 21.3% in June 2013 relative to 20.1% in June 2012. The value of imported oil & mineral fuels fell by 17.3% year-on-year to \$2.7bn, and that of non-hydrocarbon imports rose by 6.4% to \$8.1bn.

In volume terms, imports reached 7.4 million tons in the first half of 2013, constituting a decrease of 8% from the same period last year; while exports posted a 36.1% rise to 1.6 million tons, leading to a trade deficit of 5.9 million tons in the first half of 2013, down by 15.3% year-on-year. Imports of oil & mineral fuels fell by 16.7% year-on-year to 3.6 million tons, while non-hydrocarbon imports increased by 2% annually to 3.8 million tons.

China was the main source of imports with \$953.1m or 8.8% of the total in the first half of 2013, followed by the United States with \$887.8m (8.2%), Italy with \$833.8m (7.7%), France with \$758.6m (7%), Russia with \$653.4m (6.1%), Germany with \$647.4m (6%) and Turkey with \$596.3m (5.5%). Imports from Russia surged by 242% annually, those from Turkey increased by 20.4%, those from China grew by 12.5% and those from Germany rose by 10.3%; while imports from the United States dropped by 43.2%, those from France fell by 3.5% and those from Italy contracted by 1.5%. Syria was the main export destination with \$391.1m or 17% of the total, followed by South Africa with \$300.4m (13%), Saudi Arabia with \$200.1m (8.6%), the UAE with \$169.3m (7.3%), Switzerland with \$125.6m (5.4%), Iraq with \$122m (5.3%) and Turkey with \$104m (4.5%). Exports to Syria surged by 209.7% year-on-year in the first half of 2013, those to Iraq grew by 45.2%, those to Turkey increased by 25% and those to Saudi Arabia rose by 6%, while exports to Switzerland dropped by 50.5%, those to South Africa fell by 26% and those to the UAE decreased by 12%.

Lebanon's main export was jewelry at \$537.5m or 23.2% of the total, followed by mineral products with \$318.4m (13.8%), base metals with \$307.3m (13.3%), machinery & mechanical appliances with \$264.6m (11.4%), prepared foodstuff with \$224.6m (9.7%) and chemical products with \$182.3m (7.9%). Re-exports totaled \$123m in the first half of the year compared to \$125m in the same period last year.



Airport passengers up 5% in first seven months of 2013

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 3,557,209 in the first seven months of 2013, constituting an increase of 4.5% from the same period last year. The total number of arriving passengers grew by 2.3% year-on-year to 1,733,498 in the first seven months of 2013, compared to an annual rise of 6.4% in the same period of 2012 and a drop of 1.5% year-on-year in the first seven months of 2011. Also, the number of departing passengers rose by 9.5% year-on-year to 1,813,651 in the first seven months of 2013, relative to an annual increase of 11.4% in the same period of 2012 and a rise of 2.1% year-on-year in the first seven months of 2011. In parallel, the airport's aircraft movements dropped by 3% to 35,599 take-offs and landings in the first seven months of 2013, compared to an annual rise of 1.8% in the same period of 2012 and a drop of 2.7% year-on-year in the first seven months of 2011. The HIA processed 61,511 metric tons of cargo in the first seven months of 2013 that consisted of 61,047.4 metric tons of freight and 463.6 metric tons of mail.

Construction and public work activity declines in fourth quarter of 2012

The Central Bank's quarterly business survey indicated that construction activity continued to regress during the fourth quarter of 2012, as the balance of opinions stood at -19, compared to -10 during the preceding quarter and -7 during the same quarter of 2011. The balance of opinions shows that construction activity was the lowest in the South at -25, followed by Beirut & Mount Lebanon (-22), the North (-19) and the Bekaa (-8). 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 opinions for public works stood at -14 in the fourth quarter of 2012 compared to +6 in the preceding quarter and -13 in the same quarter of 2011. Opinions about the level of public works were the lowest in Beirut & Mount Lebanon at -25, followed by the North (-22), the South (+20) and the Bekaa (+21).

In parallel, the balance of opinions for the portfolio of projects dropped to -25 relative to -14 during the preceding quarter and relative to -13 in the same quarter of 2011. The balance of opinions on the portfolio of projects was the lowest in Beirut & Mount Lebanon at -30, followed by the North (-28), the South (-12) and the Bekaa (-7). Also, the balance of opinions for general construction activity was -21 during the fourth quarter of 2012, compared to -3 in the preceding quarter and -7 in the same quarter of 2011. Further, the balance of opinion for construction costs reached +31, down from +38 in the preceding quarter and compared to +32 in the fourth quarter of 2011. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Construction and Public Work Activity: evolution of opinions				
Aggregate results	Q4-09	Q4-10	Q4-11	Q4-12
General activity	29	-2	-7	-21
Construction	29	5	-7	-19
Public work	-2	-19	-13	-14
Portfolio of projects	10	-2	-13	-25
Construction costs	46	46	32	31
Investments (% of yes)	37%	39%	35%	39%

Source: Central Bank Business Survey in fourth quarter 2012

Term savings attract 87% of customer deposits at end-2012

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 December 2012. As such, term saving deposits accounted for \$49.4bn, or 82% of resident deposits in foreign currencies. They were followed by checking and current accounts with \$9.2bn (15.3%), sight saving accounts with \$1.4bn (2.4%) and other creditor accounts with \$184.3m (0.3%). Further, term saving accounts attracted \$37.6bn, or 92.5%, of resident deposits in Lebanese pounds, followed by checking and current accounts with \$2.5bn (6.2%) and sight saving accounts with \$493.7m (1.2%). Non-residents also favored term saving accounts, which totaled \$17.9bn and accounted for 86.2% of their foreign currency deposits, and reached \$3.2bn, or 97.2%, of their Lebanese pound deposits. Term saving deposits in all currencies totaled \$108.2bn at end-2012, accounting for 86.5% of deposits in Lebanese pounds and foreign currencies.

In parallel, Beirut and its suburbs attracted 69.1% of private sector deposits and for 48% of depositors. It was followed by Mount Lebanon with 13.4% of deposits and 17.6% of beneficiaries; South Lebanon with 6.5% of deposits and 11.7% of beneficiaries; North Lebanon with 6% of deposits and 14.3% of depositors; and the Bekaa with 5% of deposits and 8.4% of beneficiaries.

Byblos Bank's profits at \$76m in first half of 2013, primary liquidity at 66% of deposits

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, declared consolidated net profits of \$75.9m in the first half of 2013 relative to \$80.4m in the same period of 2012. Net interest income reached \$119.4m compared to \$125m in the first half of 2012; while net fees & commission income stood at \$42.7m relative to \$46.7m in the same period last year. Net operating income reached \$195.7m in the first half of the year compared to \$217m in the same period of 2012. The Bank's cost-to-income ratio declined to 43.7% in the first half of 2013 from 47.8% in the same period last year.

Total assets reached \$17.6bn at end-June 2013, constituting a rise of 3.2% from the end of 2012 and an increase of 5.9% from end-June 2012; while net loans & advances to customers were nearly unchanged at \$4.1bn at end-June 2013. Net loans & advances to related parties stood at \$10.4m at end-June 2013, down 1.3% from end-2012. The Bank allocated in the first half of 2013 provisions for credit losses of \$48.1m that consist of \$27.4m in specific provisions and \$20.7m in collective provisions. Also, the coverage ratio reached 118% when accounting for specific and collective provisions and reserved interest. The Bank's net non-performing loans, which represent NPLs net of specific provisions and reserved interest, reached 1.2% of net loans at the end of June 2013.

Customers' deposits totaled \$13.9bn and increased by 5% from end-2012, while deposits from related parties reached \$159.5m at end-June 2013. The Bank's primary liquidity, representing dues from central banks and commercial banks, totaled \$9.2bn and was equivalent to 65.7% of total deposits at the end of June 2013, which is one of the highest liquidity levels in the Lebanese banking sector. The Bank's total equity reached \$1.56bn at end-June 2013. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Stock market activity down 37% to \$185m in first seven months of 2013

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 28 million shares in the first seven months of 2013, constituting a decrease of 28.8% from the same period last year; while aggregate turnover amounted to \$184.7m, down 36.6% from a turnover of \$291.5m in the first seven months of 2012. Market capitalization increased by 3% from end-July 2012 to \$10.56bn, of which 79% was in banking stocks, followed by real estate stocks with 17.7%, industrial stocks with 3%, and trading stocks with 0.4%. The market liquidity ratio was 1.7% compared to 2.8% in the same period last year. Banking stocks accounted for 81.7% of aggregate trading volume in the first seven months of the year, followed by real estate stocks with 15%, and trading and industrial stocks with 1.7% each. Also, banking stocks accounted for 70.1% of the aggregate value of shares traded, followed by real estate stocks with 28.3%, industrial stocks with 1% and trading stocks with 0.6%. The average daily traded volume for the period was 197,249 shares for an average daily value of \$1.3m. The figures reflect decreases of 28.8% in volume and 36.6% in value year-on-year.

Banks and unions agree on new collective labor agreement

The Association of Banks in Lebanon and the Federation of Unions of Bank Employees announced that they have reached a deal on a new collective labor agreement (CLA). The new CLA would maintain the currently adopted payroll scheme and working hours, while it considerably raises the school and university tuition stipends, increases transportation remuneration, improves both marriage and childbirth gratifications, and raises tellers' allowances, among others. Further, the new agreement would raise banks' financial contribution towards their employees' medical treatment conducted at venues other than hospitals. In addition, the CLA indicated that employees with a minimum of 25 years of continuous employment and who claim their end-of-service indemnity from the National Social Security Fund will receive an additional financial compensation equivalent to five or six months of salary depending on the number of years of service. Also, banks will implement a post-retirement health coverage plan either through the establishment of a special purpose bank employee mutual fund or through private insurance companies.

BLC Bank approves issuance of preferred shares

The Extraordinary General Assembly of BLC Bank sal held on August 1st approved the issuance of 350,000 new preferred shares. The Series C Preferred Shares are non-cumulative, perpetual, redeemable, and subject to a call option by the bank at any time after the issue date. The issue price is \$100 per share of which LBP1,000 (\$0.66) is par value and the remaining \$99.3 constitute the issue premium. The bank will list the preferred shares on the Beirut Stock Exchange. Holders of the preferred shares will receive an annual dividend of 6.75% subject to a 5% withholding tax. The bank currently has 400,000 Series A Preferred Shares, 550,000 Series B Preferred Shares and 51,033,333 common shares outstanding. The new shares will result in a capital increase of LBP350m, or \$0.23m, to LBP154bn (\$102.2m).

BLC Bank posted net profits of \$8.8m in the first quarter of 2013, constituting an increase of 90% from net earnings of \$4.6m in the same quarter of 2012. Total assets reached \$5bn at end-March 2013 and regressed by 2% from \$5.1bn at end-2012; while loans & advances to customers grew by a marginal 0.4% to \$1.78bn at end-March 2013. Further, customer deposits totaled \$4.2bn at end-March 2013 and decreased by 2.6% from \$4.3bn at end-2012. The bank's total shareholders' equity rose by 2.4% year-on-year to \$382.8m at end-March 2013.

Corporate Highlights

Aggregate profits of listed banks down 5% in first half of 2013

Financial results issued by five banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$502.7m in the first half of 2013, constituting a decline of 4.8% from net earnings of \$528m in the same period last year and compared to a rise in net income of 10.5% in the first half of 2012. The decline in the bank's profits is due mainly to an 18% drop in Bank Audi's profits during the covered period. Further, the banks' aggregate pre-tax profits rose by 2.1% year-on-year to \$618.9m in the first half of 2013. In parallel, the banks' net profits reached \$262m in the second quarter of 2013 compared to \$240.6m in the preceding quarter and to \$293.7m in the second quarter of 2012. The aggregate net interest income of the five banks reached \$784.3m in the first half of 2013, up 4% from \$753.9m in the same period of 2012; while their total net fees and commission income decreased by 0.7% to \$231.9m year-on-year. Total operating income of the listed banks reached \$1.4bn in the first half of 2013, up 7.8% from \$1.3bn in the same period last year.

In parallel, the aggregate assets of the five banks increased by 3.9% from end-2012 and by 11.1% from end-June 2012 to \$89.5bn; while their total loans rose by 8.7% from end-2012 and by 18.2% from end-June 2012 to \$26.85bn. Also, the banks' total deposits rose by 4.5% from end-2012 and by 11.5% from end-June 2012 to \$75.44bn. The banks' collective loans to related parties dropped by 36.5% from end-2012 to \$195.1m, while the aggregate deposits from related parties rose by 5.2% from end-December 2012 to \$932.6m at end-June 2013.

Also, the five banks' aggregate loans-to-deposits ratio stood at 35.6% at end-June 2013, up from 34.2% at end-2012 and from 33.6% at end-June 2012. BLOM Bank posted the lowest loans-to-deposits ratio at 27.2% compared to 27.9% at end-June 2012; followed by Byblos Bank with a ratio of 29.2% relative to 30.9% at end-June 2012, Bank of Beirut with 38.8% relative to 41.4% at end-June 2012; Bank Audi with 43.6%, up from 36.7% at end-June 2012; and Banque BEMO with a 48.2% ratio, up from 48.1% at end-June 2012. Further, the banks' collective cost-to-income ratio stood at 44.5% in the first half of 2013 and increased from 43.4% in the same period last year. BLOM Bank posted the lowest cost-to-income ratio at 39% in the first half of 2013 compared to 36% at end-June 2012. It was followed by Byblos Bank with a ratio of 43.7%, down from 51% in the first half of the previous year; Bank Audi with 49.3%, up from 42.4% in the first half of 2012; Bank of Beirut with 51% relative to 53.5% in the first half of 2012, and Banque BEMO with a 69.5% ratio, down from 80.8% in the first half of last year.

Results of Listed Banks in First Half of 2013					
	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$75.9m	\$175.8m	\$188.0m	\$59.8m	\$3.1m
% Change*	(5.6%)	6.4%	(18.1%)	15.0%	334.3%
Total Assets	\$17.57bn	\$25.27bn	\$33.69bn	\$11.51bn	\$1.45bn
% Change**	3.2%	0.9%	7.6%	1.8%	(2.6%)
Loans	\$4.10bn	\$5.99bn	\$12.71bn	\$3.47bn	\$0.58bn
% Change**	(0.5%)	(0.6%)	21.9%	(1.4%)	(4.4%)
Deposits	\$14.06bn	\$22.05bn	\$29.16bn	\$8.95bn	\$1.21bn
% Change**	5.1%	1.3%	8.8%	0.1%	(3.5%)

*Year-on-year

**Change from end-2012

HOLCIM Liban announces dividends for 2012, payout ratio at 90%

The Ordinary General Assembly of HOLCIM Liban sal held on June 11, 2013 approved a gross dividend distribution of LBP24.4bn, or \$16.2m, to common shareholders for 2012. The dividends distribution is equivalent to LBP1,252 (\$0.83) per share and to a payout ratio of 90.1%. The dividends will be paid starting on July 26, 2013 net of a 5% withholding tax. HOLCIM Liban posted net profits of \$18m in 2012, constituting a decrease of 36.6% from \$28.3m in 2011. The firm's sales totaled \$186.8m in 2012, down 4.5% from \$195.6m in the previous year. HOLCIM's total assets reached \$280.8m at end-2012, constituting a decrease of 6.6% from \$300.6m at end-2011; while its shareholders' equity was \$206.7m at end-2012 relative to \$215.2m at the end of 2011. HOLCIM Liban has 19.5 million shares listed on the Beirut Stock Exchange. The firm is engaged in the production and sale of cement and other related services. HOLCIM's share price closed at \$14.41 on August 2nd, constituting a decrease of 8.5% from end-2012.

Metlife Alico's unit-linked investment contracts at \$349m

Metlife Alico, the largest provider of life insurance products in Lebanon, released its audited balance sheet for Lebanon that shows total assets of \$531.3m at end-November 2012, up 7.1% from \$496.2m from a year earlier. On the assets side, general company investments totaled \$163m and increased by 1.1% from end-November 2011. They included \$82.8m in fixed income investments; \$56.1m in blocked bank deposits and deposits with maturity of more than three months, of which \$7.5m blocked in favor of the Economy Ministry as guarantees; \$6.5m in cash and cash equivalent; \$10m in land and real estate; and \$6.3m in policy loans.

Also, unit-linked contract investments totaled \$349.3m at end-November 2012, constituting an increase of 9.5% from \$319.1m a year earlier. They included \$120m in fixed income investments, \$174.1m of placements in mutual funds, and \$55.3m in cash & similar investments. Unit-linked investment in fixed income instruments rose by 1.2%, investments in mutual funds rose by 5.5%, and cash & similar investments regressed by 55.4% year-on-year. Reinsurance share in technical reserves for the life and non-life categories amounted to \$5m and \$4.9m, respectively, constituting increases of 22.1% and 9.3%, respectively.

On the liabilities & shareholders' equity side, unit-linked technical reserves reached \$354.8m at end-November 2012, constituting a rise of 9.4% from \$324.2m a year earlier. Also, technical reserves for the life segment declined by 5.4% year-on-year to \$88.6m, while technical reserves for the non-life category reached \$25m at end-November 2012 and increased by 17.8% from a year earlier. Non-life technical reserves included unearned premium reserves of \$13.1m that rose by 14.2%, outstanding claims reserves of \$9.8m that grew by 30.5%, and \$1.8m in reserves incurred but not reported that regressed by 10.5% year-on-year. Shareholders' equity totaled \$30.3m at end-November 2012, nearly unchanged from a year earlier. Further, provisions for risks and charges reached \$1.3m and rose by 10.4% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Metlife Alico in first and 12th place in 2012 in terms of life and non-life premiums, respectively. The firm's life premiums reached \$73.2m and non-life premiums amounted to \$27m, constituting increases of 1.5% and 9.7%, respectively. It had a 18.7% share of the life market and a 2.9% share of the local non-life market.

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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