



## LEBANON THIS WEEK

### In This Issue

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

Lebanon ranks 111th globally, ninth among Arab countries on ease of doing business

Standard & Poor's downgrades sovereign ratings on deteriorating economic fundamentals and worsening public finances

Lebanon is seventh largest source of inter-Arab investments in 2012, Egypt is main destination

Economic growth to decelerate to 0.7% in 2013, fiscal deficit to widen to 11.3% of GDP

Public-sector salaries and benefits up 9% in first seven months of 2013

Lebanon ranks 98th globally, seventh in Arab region on prosperity index

Lebanon ranks 123rd globally, seventh among Arab countries in gender gap

Construction permits down 11% in first nine months of 2013

Rise in public spending is limiting Lebanon's capacity to absorb shocks

Coincident Indicator continues to reflect economic stagnation

Airport passengers up 5% in first nine months of 2013

Industrial exports up 12% to \$2.2bn in first eight months of 2013

### Corporate Highlights .....8

Aggregate profits of listed banks down 4% in first nine months of 2013

Fidelity posts net profits of \$4m in 2012

Byblos Bank's profits at \$114m in first nine months of 2013, primary liquidity at 64% of deposits

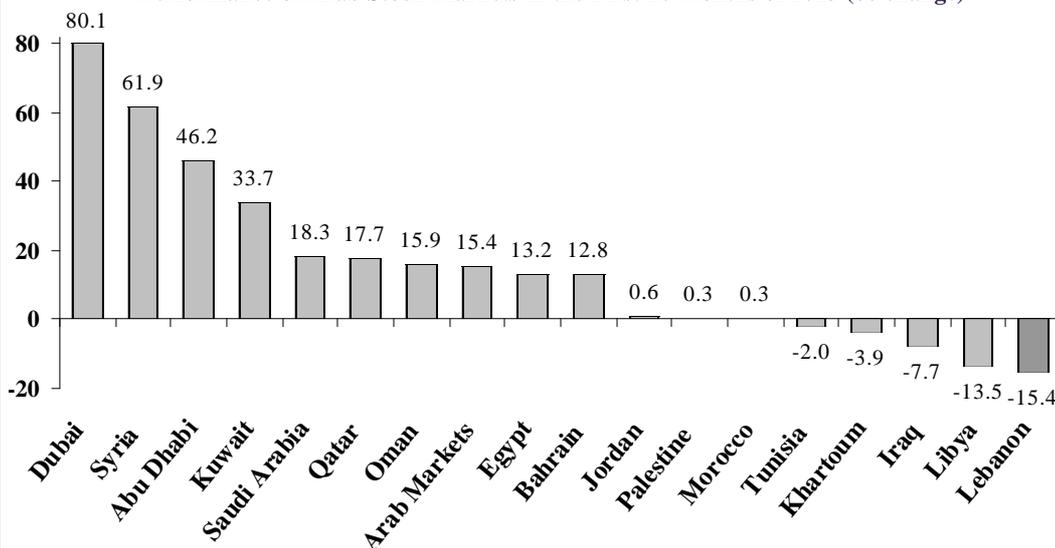
Stock market activity down 34% to \$237m in first 10 months of 2013

Moody's upgrades CMA CGM's ratings on improving liquidity position

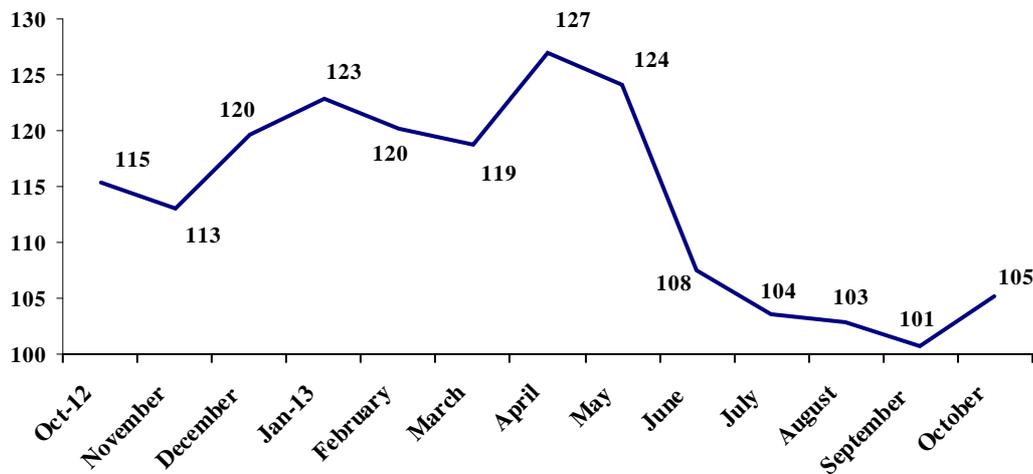
**Ratio Highlights.....10**  
**Risk Outlook.....10**  
**Ratings & Outlook.....10**

### Charts of the Week

Performance of Arab Stock Markets in the First 10 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

"The growth in overall remittances is being fuelled by a larger number of Lebanese emigrating."

*Citigroup, on one of the main reasons for the continuing high level of expatriates' remittance inflows to Lebanon*

### Number of the Week

**30%:** Share of the informal economy in Lebanon, as estimated by the Central Administration of Statistics

## Economic Indicators

<b>\$m (unless otherwise mentioned)</b>	<b>2012</b>	<b>Aug 12</b>	<b>May 13</b>	<b>Jun 13</b>	<b>Jul 13</b>	<b>Aug 13</b>	<b>% Change*</b>
Exports	4,486	339	364	348	260	279	(17.70)
Imports	21,281	1,782	1,797	1,634	1,718	1,828	2.58
Trade Balance	(16,795)	(1,443)	(1,433)	(1,286)	(1,438)	(1,549)	7.35
Balance of Payments	(1,538)	(497)	(131)	(233)	(575)	(223)	(55.13)
Checks Cleared in LBP	14,976	1,233	1,457	1,444	1,513	1,354	9.79
Checks Cleared in FC	56,044	4,657	4,526	4,523	4,938	4,495	(3.48)
Total Checks Cleared	69,787	5,890	5,983	5,967	6,451	5,849	(0.70)
Budget Deficit/Surplus	(3,925)	(320.35)	(113.72)	(275.88)	(171.51)	(551.43)	72.13
Primary Balance	(109.87)	(143.82)	309.14	(23.19)	82.10	(382.69)	166.09
Airport Passengers	5,960,414	624,516	514,520	570,903	580,099	725,903	16.23

<b>\$bn (unless otherwise mentioned)</b>	<b>Dec 2012</b>	<b>Aug 12</b>	<b>May 13</b>	<b>Jun 13</b>	<b>Jul 13</b>	<b>Aug 13</b>	<b>% Change*</b>
BdL FX Reserves	29.97	29.54	31.36	31.72	31.27	31.00	4.95
<i>In months of Imports</i>	<i>16.02</i>	<i>16.57</i>	<i>17.45</i>	<i>19.41</i>	<i>18.20</i>	<i>16.96</i>	<i>2.31</i>
Public Debt	57.69	55.69	59.18	60.01	60.23	60.50	8.64
Net Public Debt	49.12	47.82	50.71	50.90	51.14	51.74	8.19
Bank Assets	151.88	147.05	156.61	157.95	157.81	158.56	7.82
Bank Deposits (Private Sector)	125.00	121.16	130.05	131.27	131.18	131.38	8.44
Bank Loans to Private Sector	43.45	41.72	44.42	44.84	45.17	45.57	9.23
Money Supply M2	43.62	41.63	44.16	44.20	44.18	44.42	6.70
Money Supply M3	104.71	101.08	106.77	107.31	107.33	108.28	7.12
LBP Lending Rate (%)	7.47	7.27	7.35	7.87	7.13	7.24	(3b.p)
LBP Deposit Rate (%)	5.46	5.51	5.49	5.39	5.43	5.47	(4b.p)
USD Lending Rate (%)	7.05	7.26	6.97	6.97	7.02	7.16	(10b.p)
USD Deposit Rate (%)	2.94	2.84	2.90	2.86	2.89	2.91	7b.p
%* Change in CPI**	3.66	5.85	2.43	3.72	3.15	3.81	(204b.p)

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

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

Sources: ABL, BdL

## Capital Markets

<b>Most Traded Stocks on BSE</b>	<b>Last Price (\$)</b>	<b>% Change*</b>	<b>Total Volume</b>	<b>Weight in Market Capitalization</b>
Solidere "A"	11.13	(1.94)	43,677	10.50%
Solidere "B"	11.14	(0.80)	21,709	6.83%
Byblos Common	1.50	0.00	67,380	5.08%
Byblos Pref. 08	101.50	0.50	3,584	1.91%
Byblos Pref. 09	100.00	0.00	0	1.89%
BLOM GDR	8.55	0.59	14,780	5.96%
BLOM Listed	8.40	1.82	121,280	17.03%
Audi GDR	6.75	0.00	0	6.49%
Audi Listed	6.46	5.73	160,625	21.30%
HOLCIM	13.50	1.20	7,865	2.48%

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

<b>Sovereign Eurobonds</b>	<b>Coupon %</b>	<b>Mid Price \$</b>	<b>Mid Yield %</b>
Apr. 2014	7.375	101.75	3.35
Jan. 2015	5.875	101.75	4.35
Apr. 2015	10.00	108.00	4.33
Jan. 2016	8.500	108.00	4.64
Mar. 2017	9.000	111.75	5.16
Nov. 2018	5.150	98.25	5.56
Apr. 2021	8.250	111.50	6.29
Nov. 2026	6.600	98.75	6.75

Source: Byblos Bank Capital Markets

	<b>Oct 28 - Nov 1</b>	<b>Oct 21-25</b>	<b>% Change</b>	<b>Oct 2013</b>	<b>Oct 2012</b>	<b>% Change</b>
<b>Total Shares Traded</b>	574,829	227,140	153.07	2,166,463	3,246,713	(33.27)
<b>Total Value Traded</b>	\$7,498,093	\$11,649,496	(35.64)	\$23,954,302	\$24,752,559	(3.22)
<b>Market Capitalization</b>	\$10.61bn	\$10.47bn	1.32	\$10.53bn	\$9.96bn	5.79

Source: Beirut Stock Exchange (BSE)



### Lebanon ranks 111th globally, ninth among Arab countries on ease of doing business

The World Bank/International Finance Corporation Doing Business 2014 report ranked Lebanon in 111th place among 189 countries worldwide and in ninth place among 21 Arab countries in terms of ease of doing business. It ranked in 105th place globally and in ninth place regionally in the 2013 survey. Lebanon also came in 36th place among 51 Upper-Middle Income Countries included in the 2014 survey. The index is a composite of 10 sub-indices of business regulations that track the time and cost to meet government requirements in business start-up, expansion, operations and insolvency.

Globally, Lebanon had a better business environment than Ukraine, Papua New Guinea and the Marshall Islands, and a weaker business climate than Pakistan, Paraguay and the Philippines. It also ranked ahead of the Marshall Islands and Brazil, and came behind Grenada and Belize among UMICs. Lebanon had a less favorable business environment than the UAE, Saudi Arabia, Bahrain, Oman, Qatar, Tunisia, Morocco and Kuwait in the Arab world. The World Bank noted that Lebanon did not implement this year any reforms that would have improved its rankings on the Ease of Doing Business' indicators.

Lebanon tied with Japan, ranked ahead of Nigeria and Brazil, and came behind Tanzania and the Seychelles globally on the Starting a Business indicator. It came ahead of Djibouti and Sudan and ranked behind Jordan and Yemen regionally. Entrepreneurs need five steps to start a business in Lebanon compared to a global average of seven procedures, an average of eight procedures in Arab countries and an average of five steps in OECD economies. Also, it takes nine days to start a business in Lebanon compared a global average of 24.9 days, to an average of 19.6 days in the region and to an average of 11.3 days in OECD states. In parallel, Lebanon significantly reduced the time required to start a business in 2008 and simplified the process to start a business in 2009, but it increased the cost of starting a business in 2011. The World Bank did not register any reform to the process of starting a business in Lebanon since 2011.

Also, Lebanon ranked ahead of Saudi Arabia and Panama and came behind the Bahamas and Albania worldwide on the Enforcing Contracts indicator. It ranked ahead of Saudi Arabia and Algeria and came behind Bahrain and Kuwait in the Arab world. A firm in Lebanon requires 37 procedures and 721 days to enforce commercial contracts, compared to a global average of 38 procedures and 621.6 days, an average of 44 procedures and 659 days in the Arab world, and 31 procedures and 529 days in OECD economies. Further, enforcing a contract in Lebanon costs 30.8% of the claim compared to 35.1% worldwide, to 27.2% in the region and to 21% of the claim in OECD states.

Further, Lebanon tied with 20 other countries that include Italy, Portugal and Russia; while it ranked ahead of Bahrain and Qatar, and came behind Iran and Liberia globally on the Getting Credit indicator. This category measures the legal rights of lenders and borrowers, as well as the access and quality of available credit information. Regionally, Lebanon tied with Morocco and Tunisia, and ranked behind Saudi Arabia, the UAE, Oman and Egypt. Lebanon scored five out of six possible points on the Depth of Credit Information category, which is higher than the global average of 3.4 points.

Lebanon ranked ahead of Kuwait and Côte d'Ivoire, and came behind Bulgaria and Moldova globally on the Resolving Insolvency indicator; while it ranked ahead of Kuwait and the UAE and came behind Sudan and Oman in the region. Resolving insolvency in Lebanon takes three years and costs 15% of the value of the debtor's estate compared to a global average of 2.7 years and 16.2% of estate value, 3.1 years on average and 14% of estate value in the Arab countries, as well as 1.7 years and 9% of the value of the debtor's estate in OECD economies. The recovery rate in Lebanon is 32.4 cents on the dollar compared to a global average rate of 35.2 cents on the dollar, an average rate of 26.6 cents for the region, and 70.6 cents on the dollar in OECD jurisdictions.

#### Ease of Doing Business in 2014

Country	Arab Rank	Global Rank
UAE	1	23
Saudi Arabia	2	26
Bahrain	3	46
Oman	4	47
Qatar	5	48
Tunisia	6	51
Morocco	7	87
Kuwait	8	104
<b>Lebanon</b>	<b>9</b>	<b>111</b>
Jordan	10	119
Egypt	11	128
Yemen	12	133
West Bank & Gaza	13	138
Sudan	14	149
Iraq	15	151
Algeria	16	153
Comoro Islands	17	158
Djibouti	18	160
Syria	19	165
Mauritania	20	173
Libya	21	187

Source: World Bank Group, Byblos Research

#### Lebanon's Rankings by Category in 2014

Indicator	Arab Rank	Global Rank	Change in Rank
Starting a business	11	120	-4
Dealing with Construction permits	18	179	-3
Getting Electricity	6	51	-3
Registering Property	15	112	-4
Getting Credit	5	109	-4
Protecting Investors	5	98	-3
Paying Taxes	8	39	-3
Trading Across Borders	11	97	+1
Enforcing Contracts	11	126	-1
Resolving Insolvency	8	93	-5

Source: World Bank Group, Byblos Research

### Standard & Poor's downgrades sovereign ratings on deteriorating economic fundamentals and worsening public finances

Standard & Poor's downgraded Lebanon's long-term foreign and local currency sovereign credit ratings from 'B' to 'B-' and maintained a 'negative' outlook on the ratings. It also reduced the country's transfer and convertibility assessment from 'BB-' to 'B+' and the senior unsecured debt rating from 'B' to 'B-'. It affirmed the short-term ratings at 'B'. The agency attributed the downgrade to the slow but steady deterioration in Lebanon's macroeconomic fundamentals since the start of the Syrian crisis in early 2011, which, in turn, has negatively affected public finances and reversed the public debt's dynamics. It noted that economic activity continues to be weak for the third consecutive year due a domestic political environment that is not conducive to policy-making, and with the conflict in Syria continuing to depress potential growth drivers such as tourism, trade and investment. It added that the divisive political environment and the ongoing Syrian crisis would constrain the decision-making process of any new government.

S&P noted that the crisis is hurting Lebanon's already structurally weak public finances, as reflected by a decline in public revenues and an increase in expenditures. It attributed the rise in government spending to an increase in public-sector wages after a one-off cost-of-living adjustment in 2012, and to increased pension costs due to the growing number of pensioners. As such, it expected the fiscal deficit to widen from 9.3% of GDP in 2012 to 9.5% of GDP this year, and for the net public debt to rise from 116% at year-end 2012 to 120% of GDP this year and to reach 125% by 2015. It noted that the deterioration in the primary fiscal balance, which posted a deficit in 2012 for the first time since 2006, highlights the lack of fiscal space.

In parallel, S&P indicated that Lebanon's sovereign creditworthiness is supported by confidence in the Lebanese banking sector, which is the main source of funding for the government's deficits and for the stability of public finances. It noted that confidence in the Lebanese banking system remains intact despite regional turmoil and expected the banks' depositor base to remain resilient, as in previous crises and periods of high domestic instability. It considered the current growth rate of deposits to be sufficient to meet most of the government's borrowing needs without affecting lending to the private sector, especially with the weak state of the economy. It projected the country's gross external financing needs to increase from 88.4% of current account receipts plus usable reserves in 2013 to 89% in 2014 and 91% 2015.

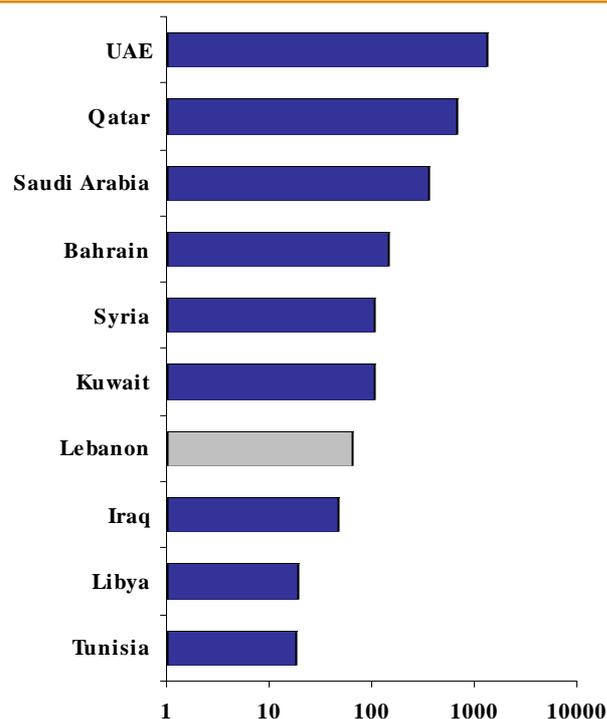
The agency indicated that the 'negative' outlook reflects its view that credit risks will remain significant as long as the Syrian conflict is unresolved. It cautioned that it could lower the ratings further if the political and economic situation deteriorates to the point where it would affect domestic deposit growth or external inflows to the banking system.

### Lebanon is seventh largest source of inter-Arab investments in 2012, Egypt is main destination

Figures released by the Arab Investment & Export Credit Guarantee Corporation (AIECGC) show that foreign direct investments from Lebanon in Arab countries reached \$62.3m in 2012, making Lebanon the seventh largest source of inter-Arab investments in 2012. The data covers only eight Arab countries that submitted data about capital flows in 2012. Investments from Lebanon accounted for 1.9% of aggregate inter-Arab investments in 2012. Egypt received \$31.2m and accounted for 50.1% of total Lebanese investments in the eight economies, which made it the largest destination of Lebanese direct investments last year. Algeria was the second-largest destination of Lebanese FDI in Arab countries with \$14.7m, or 23.6% of the total, followed by Morocco with \$13.2m (21.2%), Jordan with \$2.7m (4.3%) and Tunisia with \$0.5m (0.8%). The AIECGC said the figures may be underestimated as only eight Arab countries submitted data about capital flows in 2012. Inter-Arab investments from Lebanon would reach \$49.1m and increase by 69.3% from \$29m in 2011 when using data for the five Arab countries that submitted figures for 2011 and 2012.

In parallel, aggregate Arab investments in Lebanon totaled \$14.8bn during the 1995-2012 period, making Lebanon the fourth largest destination of inter-Arab investments during the covered years. But the aggregate figure of \$14.8bn did not cover 2009, 2010, 2011 and 2012, as Lebanese authorities did not submit figures for the four years to the AIECGC. Lebanon accounted for 8.1% of inter-Arab investments during the 18 years, the fourth highest share after Saudi Arabia (34.8%), Sudan (12.8%) and Egypt (9.2%).

Top Sources of Inter-Arab Investments in 2012 (US\$m)



Source: AIECGC, Byblos Research  
Note: Chart re-scaled using logarithmic scale

### Economic growth to decelerate to 0.7% in 2013, fiscal deficit to widen to 11.3% of GDP

The Institute of International Finance projected Lebanon's real GDP growth at 0.7% in 2013 compared to a growth rate of 1.1% in 2012 and 1.8% in 2011. It attributed the further deceleration in Lebanon's real GDP growth to spillovers from the Syrian crisis, the ongoing domestic political tensions and the deterioration in security conditions, which have adversely affected private investment and tourism activity. Lebanon's projected growth rate for 2013 would make it the second slowest-growing economy among 16 countries in the MENA region that the IIF covers, with Iran the only country to post a slower growth rate of 0.4% this year. The IIF expected the Syrian and Libya economies to contract by 12% and 4.3%, respectively, this year. Also, it projected the aggregate output loss of Lebanon from the impact of developments in the Arab world at \$8bn between 2011 and 2013, representing 5.6% of the cumulative losses of Syria, Egypt, Tunisia, Jordan and Lebanon. It noted that the subdued domestic activity between 2011 and 2013 has led to a further rise in Lebanon's unemployment rate.



Source: Institute of International Finance

In parallel, the IIF indicated that lower tax revenues due to slow economic activity and a continued increase in public spending have negatively affected the country's public finances. It added that political spillovers from the conflict in Syria and the influx of Syrian refugees continue to weigh on the fiscal deficit. It forecast the fiscal deficit to widen to 11.3% of GDP this year from 8.9% of GDP last year and for the primary fiscal deficit to deteriorate to 2.5% of GDP this year from a deficit of 0.3% of GDP last year. It expected the current account deficit to widen to 8.7% of GDP in 2013 from 4% of GDP in 2012. Also, it projected Lebanon's debt level to increase for the second consecutive year from 140% of GDP in 2012 to 143% of GDP in 2013. But it noted that the average spreads on five-year sovereign credit default swaps (CDS) for Lebanon reached a two-year low of 390 basis points in early October 2013, despite the increase in the country's debt level. Further, it said that the Lebanese banking system has shown remarkable resilience to regional tensions and to the continued slowdown in domestic economic activity, due to its depositor base and the stable remittance inflows from Lebanese Diaspora. It noted that the Lebanese pound remains stable and the foreign exchange reserves continue to increase.

In parallel, the IIF pointed out that Lebanon's main political challenges are to improve the security situation and to form a new government. It considered that a stable political environment, the implementation of structural reforms such as addressing the chronic problems in the electricity sector, and the recent discovery of large oil & gas reserves would move the economy to a sustainable higher growth path over the medium-term and help reduce the public debt to more sustainable levels. But it cautioned that a failure to implement near- and medium-term fiscal consolidation would worsen existing debt sustainability concerns.

### Public-sector salaries and benefits up 9% in first seven months of 2013

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled \$1.6bn in the first seven months of 2013, constituting an increase of 8.8% from the same period last year. They represented the largest component of total primary spending and accounted for 28% of such expenditures in the covered period compared to 29% in the same period last year. The figures include basic salaries, indemnities, allowances, contributions to 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 \$989.1m and accounted for 62% of the total, followed by educational personnel with \$342.3m or 21.5% of the total, civil staff with \$245.4m (15.4%), and customs employees with \$18.6m (1.2%). The distribution of military personnel salaries and benefits shows that the Lebanese Army's salaries totaled \$619.6m in the first seven months of the year and represented 62.6% of total military personnel salaries and benefits. They were followed by salaries of the Internal Security Forces with \$294.5m (29.8%), General Security Forces with \$57m (5.8%), and State Security Forces with \$17.9m (1.8%).

The ministry attributed the increase in salaries, wages and related benefits paid to public-sector employees to an increase of \$185.7m, or 18.2%, in basic salaries that reached \$1.2bn due to retroactive payments. It said that, excluding such payments from the two compared periods, basic salaries would have increased by 25.4% to \$1.2bn due the cost of living adjustment, the enlistment of new personnel and/or the promotion of current employees. The breakdown of basic salaries shows a rise of \$139.3m in payments to military personnel, an increase of \$49.1m in outlays to educational personnel and a decrease of \$2m in payments to civil personnel. Also, allowances declined by 15.6% from the same period last year to \$205m and other expenses, mainly composed of payments to employees of the Civil Servants Cooperative, fell by 24% to \$80.3m, while indemnities rose by 11.1% to \$86.2m year-on-year.

### Lebanon ranks 98th globally, seventh in Arab region on prosperity index

The Legatum Institute's 2013 Prosperity Index ranked Lebanon in 98th place among 142 countries around the world and in seventh place among 15 Arab countries. Lebanon also came in 33rd place among 37 upper-middle income countries (UMICs) included in the survey. Lebanon's rank fell by 13 spots from 85th place in the 2012 survey, constituting along with Tunisia and Ghana, the third steepest decline globally, ahead of only Montenegro and Malawi that posted decreases of 14 spots each. Globally, Lebanon ranked ahead of Algeria, Ghana and Iran and came behind Bosnia & Herzegovina, the Honduras and Armenia. Regionally, it came behind the UAE, Kuwait, Saudi Arabia, Morocco, Jordan and Tunisia; while it ranked ahead of only Algeria, Iran, Iraq and Angola among UMICs.

The index uses a broad definition of prosperity to include both material wealth and quality of life. It finds that the most prosperous nations in the world are not necessarily those that have only a high level of GDP, but are those that also have happy, healthy and free citizens. The data covers 89 variables grouped into eight sub-indices, each identified as a foundation of long-term prosperity. The rankings are based on the simple average of the scores of the eight sub-indices for each country.

Lebanon ranked in 93rd place globally, in 26th place among UMICs and in eighth place among Arab countries on the Economy Sub-Index. The sub-index measures a country's performance in four areas that are essential to promoting prosperity, namely macroeconomic policies, economic satisfaction and expectations, foundation for growth, and financial sector efficiency.

Lebanon's global rank fell by 30 spots from 63rd place in the 2012 survey, constituting, along with Tanzania, the third steepest decline globally, better than only Syria that dropped by 52 spots and Mali that regressed by 33 spots. Globally, Lebanon ranked ahead of Lithuania, Senegal and Botswana, and came behind Nepal, Iran and the Honduras. Regionally, Lebanon ranked behind Kuwait, the UAE, Saudi Arabia, Morocco, Algeria, Iraq and Tunisia. It also ranked ahead of Botswana and Namibia, and came behind Iran and Bulgaria among UMICs.

Also, Lebanon ranked in 83rd place globally, in 30th place among UMICs and in seventh place among Arab countries on the Entrepreneurship & Opportunity Sub-Index. The category measures a country's performance in its entrepreneurial environment, innovative activity, and access to opportunity. Lebanon's global rank fell by nine spots from 74th place in the 2012 survey, constituting the steepest decline globally. Globally, Lebanon came ahead of Kyrgyzstan, Guatemala and Egypt, and ranked behind Serbia, Morocco and Albania. Regionally, Lebanon ranked ahead of Egypt, Algeria, Sudan, Mauritania, Syria, Yemen, Iraq and Djibouti. It also ranked ahead of Venezuela, Bosnia & Herzegovina, Iran, Algeria, Namibia, Angola and Iraq among UMICs.

Further, Lebanon ranked in 104th place globally, in 30th place among the UMICs and in 10th place among Arab countries on the Governance Sub-Index. This category measures a country's performances on the effectiveness and accountability of the government, fair elections and political participation, and the rule of law. Lebanon's global rank improved by three spots from 107th place in the 2012 survey. Globally, Lebanon ranked ahead of Egypt, Uganda and Honduras, and came behind Algeria, Tanzania and Ecuador. Lebanon ranked ahead of only Egypt, Mauritania, Yemen, Sudan and Iraq in the Arab world; while it came ahead of only Azerbaijan, Bosnia & Herzegovina, Iran, Belarus, Venezuela, Angola and Iraq among UMICs. Norway was perceived as the most prosperous country globally, while Chad was considered to be the least prosperous country around the world.

Prosperity Index 2013		
	Arab Rank	Global Rank
UAE	1	28
Kuwait	2	33
Saudi Arabia	3	50
Morocco	4	82
Jordan	5	88
Tunisia	6	91
<b>Lebanon</b>	<b>7</b>	<b>98</b>
Algeria	8	99
Egypt	9	108
Djibouti	10	120
Syria	11	122
Mauritania	12	125
Sudan	13	128
Iraq	14	130
Yemen	15	136

Source: Legatum Institute, Byblos Research

Components of the 2013 Prosperity Index for Lebanon				
Sub-Index	Global Rank	Change in Rank	Arab Rank	UMIC Rank
Economy	93	-30	8	26
Entrepreneurship & Opportunity	83	-9	7	23
Governance	104	+3	10	30
Education	63	-	4	14
Health	72	+14	7	26
Security & Safety	87	-2	7	23
Personal Freedom	124	-10	6	29
Social Capital	125	-5	14	34

Source: Legatum Institute, Byblos Research

### Lebanon ranks 123rd globally, seventh among Arab countries in gender gap

The World Economic Forum ranked Lebanon in 123rd place among 136 countries and in seventh place among 14 Arab countries on its Global Gender Gap Index for 2013. It also ranked Lebanon in 35th place among 37 upper-middle income countries (UMICs) included in the survey. Lebanon's global rank has been on a downward trend since it was first included in the index in 2010, as it regressed from 116th place globally in 2010, to 118th place in 2011 and to 122nd place in 2012.

The index ranks countries according to gender equality rather than on women's empowerment, and aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Attainment.

Globally, Lebanon had a narrower gender gap than Algeria, Egypt and Benin, and a wider gap than Oman, Nepal and Turkey. It also ranked ahead of only Algeria and Iran among UMICs, and came only behind the UAE, Bahrain, Qatar, Kuwait, Jordan and Oman among Arab countries. Lebanon received a score of 0.6028 points, lower than the global and the UMICs' averages of 0.6750 points and 0.6856 points, respectively, but above the Arab average 0.5855 points. Lebanon's score remained unchanged from the 2012 survey, compared to a score of 0.608 in each of 2010 and 2011.

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

Also, Lebanon ranked ahead of Peru and Georgia, and came behind Germany and Azerbaijan on the Educational Attainment Sub-Index. This category captures the gap between women's and men's current access to education through ratios of women to men in primary-, secondary- and tertiary-level education. Lebanon ranked ahead of Peru and behind Azerbaijan among UMICs, while it came behind the UAE, Qatar, Kuwait, Jordan and Bahrain in the Arab world.

Further, Lebanon ranked first worldwide, along with 31 other countries that include Finland, France, and Brazil, on the Health & Survival Sub-Index. The category measures the differences between women's and men's health as reflected by the gap between women's and men's healthy life expectancy and by the sex ratio at birth. In parallel, Lebanon tied with Belize, and ranked ahead of only Brunei Darussalam and Qatar on the Political Empowerment Sub-Index. This category captures the ratio of women to men in ministerial-level and parliamentary positions, in addition to the number of years of females in executive office. Lebanon ranked last among UMICs, and came ahead of only Qatar in the Arab world.

#### Global Gender Gap Index 2013

Country	Overall Score	Arab Rank	Global Rank
UAE	0.6372	1	109
Bahrain	0.6334	2	112
Qatar	0.6299	3	115
Kuwait	0.6292	4	116
Jordan	0.6093	5	119
Oman	0.6053	6	122
<b>Lebanon</b>	<b>0.6028</b>	<b>7</b>	<b>123</b>
Algeria	0.5966	8	124
Egypt	0.5935	9	125
Saudi Arabia	0.5879	10	127
Morocco	0.5845	11	129
Mauritania	0.5810	12	132
Syria	0.5661	13	133
Yemen	0.5128	14	136

Source: World Economic Forum, Byblos Research

#### Components of the 2013 Global Gender Gap Index for Lebanon

Category	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Average Score	Arab Average Score	UMIC Average Score
Economic Participation & Opportunity	126	7	33	0.4420	0.6015	0.3842	0.6393
Educational Attainment	87	6	30	0.9796	0.9339	0.9174	0.9853
Health & Survival	1	1	1	0.9796	0.9575	0.9729	0.9547
Political Empowerment	133	13	36	0.0099	0.2110	0.0674	0.1633

Source: World Economic Forum, Byblos Research

### Construction permits down 11% in first nine months of 2013

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits issued in the first nine months of 2013 reached 9.67 million square meters, constituting a decrease of 10.6% year-on-year, compared to a drop of 13.2% in the same period last year and a decline of 5.2% in the first nine months of 2011. Mount Lebanon accounted for 4.1 million square meters or 45.6% of total construction permits in the covered period. It was followed by the North with 2 million square meters (20.6%), the Bekaa with 1.1 million square meters (11.1%), South Lebanon with 948,477 square meters (9.8%), Nabatieh with 771,451 square meters (8%), and Beirut with 469,364 square meters (4.9%). In parallel, cement deliveries totaled 3.7 million tons in the first eight months of 2013 and increased by 7.2% annually relative to a decrease of 8% in the same period of 2012 and an increase of 4.8% in the first eight months of 2011.

### **Rise in public spending is limiting Lebanon's capacity to absorb shocks**

The World Bank revised downward its projection for real GDP growth in Lebanon to 1.5% for each of 2013 and 2014 from its earlier forecasts of 2.3% and 4%, respectively. It attributed the change to continued political uncertainty and weaker-than-expected economic activity. It anticipated that spillovers from the Syrian crisis would continue to pose significant challenges to the Lebanese economy if the dynamics of the conflict remain unchanged over the near-term. But it pointed out that Lebanon's slow economic growth is in line with the economic stagnation across countries that have been affected by the Arab Spring.

In parallel, the World Bank indicated that the fiscal deficit continued to widen so far this year due to weak public revenues and higher spending. It noted that the anemic public revenues mainly reflect the deceleration in private consumption and investment. It forecast the fiscal deficit to widen from 8.7% of GDP in 2012 to 9.8% of GDP in 2013 and to 9.9% of GDP in 2014. It noted that the weak domestic activity and wider fiscal deficit have reversed the significant improvement in the country's debt dynamics that started in 2006 and lasted until 2011. It forecast the debt level to rise from 134.4% of GDP last year to 137.1% of GDP this year and to 141.2% of GDP next year. It cautioned that the reversal in the country's debt dynamics constitutes an important source of risk, as it makes Lebanon vulnerable to shifts in market sentiment.

The World Bank considered that the upside growth potential and the downside risks to Lebanon's economic outlook are broadly balanced. It noted that Lebanon's prospects would improve in the event of a faster-than-anticipated decrease in spillovers from the Syrian crisis. In parallel, it said that downside risks to the outlook include a further worsening in the security situation, continued domestic political deadlock, higher regional risks, a widening of the fiscal deficit and a rise in the debt level. It noted that Lebanon's fiscal space is limited given the irreversible increase in public spending, weak public revenues, the wide fiscal deficit and the elevated debt level. It added that the limited fiscal space has reduced the authorities' capacity to absorb shocks. Further, the Bank indicated that the authorities must address infrastructure bottlenecks in the electricity, water, transportation and telecommunication sectors in order to improve public service delivery, enhance growth and ease fiscal pressures.

### **Coincident Indicator continues to reflect economic stagnation**

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 244.8 points in August 2013 compared to 248.7 in July 2013 and 230 in August 2012. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 1.6% month-on-month and rose by 6.4% year-on-year in August 2013. The indicator averaged 261.2 in the 12 months ending August 2013, compared to 260 in the 12 months ending July 2013 and 257.5 in the 12 months ending August 2012. As a result, the average coincident indicator rose marginally by 0.5% month-on-month and increased by 1.4% year-on-year, which reflects economic stagnation. In parallel, the indicator improved 10 times and regressed 11 times in the month of August since 1993. The indicator reached an all-time high of 273.7 points in April 2012. It averaged 256.6 in 2012, 255.7 in 2011, 249.5 in 2010 and 225.9 in 2009.

### **Airport passengers up 5% in first nine months of 2013**

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 4,823,592 in the first nine months of 2013, constituting an increase of 5.3% from the same period last year. The total number of arriving passengers grew by 3.4% year-on-year to 2,305,066 during the covered period, compared to an annual rise of 5% in the same period of 2012 and an increase of 1.1% year-on-year in the first nine months of 2011. Also, the number of departing passengers rose by 8.5% year-on-year to 2,505,867 in the first nine months of 2013, relative to an annual increase of 8.8% in the same period of 2012 and a rise of 0.4% year-on-year in the first nine months of 2011. In parallel, the airport's aircraft movements dropped by 1.4% to 47,436 take-offs and landings in the first nine months of 2013, compared to an annual rise of 0.3% in the same period of 2012 and a drop of 2.8% year-on-year in the first nine months of 2011. The HIA processed 78,734.7 metric tons of cargo in the first nine months of 2013 that consisted of 78,158.8 metric tons of freight and 575.9 metric tons of mail.

### **Industrial exports up 12% to \$2.2bn in first eight months of 2013**

Figures released by the Ministry of Industry show that industrial exports totaled \$2.2bn in the first eight months of 2013, constituting an increase of 12.3% from \$1.9bn in the same period last year. Industrial exports reached \$218.8m in August 2013, down by 3.1% from \$225.7m in July 2013 but up by 6.9% from \$204.7m in August 2012. Base metals & articles of base metals accounted for \$383.2m, or 17.5% of total industrial exports in the first eight months of the year, followed by machinery & mechanical appliances with \$364.4m (16.7%), and mineral products with \$331.9m (15.2%). Arab countries accounted for 50.2% of total industrial exports in August, followed by African economies with 21.2%, European countries with 11.2% and Asian countries with 10.7%. In parallel, industrial imports reached \$217m in the first eight months of the year, up 7.7% from \$201.4m in the same period of 2012. Italy was the main source of such imports and accounted for 21.1% of the total. It was followed by Germany with 17.8% and China with 14.7%. Further, imports of industrial equipment and machinery reached \$23.1m in August 2013, down by about 20.8% from \$29.2m in the same month last year. Italy was the main source of imports of industrial equipments and accounted for 19.7% of total industrial imports during the covered month, followed by China with 18.6% and Germany with 12.4%.

### Aggregate profits of listed banks down 4% in first nine months of 2013

Financial results issued by five banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$734.3m in the first nine months of 2013, constituting a decline of 3.8% from net earnings of \$763.6m in the same period last year. The decline in the banks' profits is due mainly to a 15.5% drop in Bank Audi's profits during the covered period. Further, the banks' aggregate pre-tax profits decreased by 1.7% year-on-year to \$901.5m during the first nine months of 2013. The banks' net profits reached \$231.6m in the third quarter of 2013 compared to \$262m in the preceding quarter and to \$235.5m in the third quarter of 2012. The aggregate net interest income of the five banks reached \$1.2bn in the first nine months of 2013, up 4.4% from \$1.15bn in the same period of 2012; while their total net fees and commission income increased marginally by 0.2% to \$345m year-on-year. Total operating income of the listed banks reached \$2bn in the first nine months of 2013, up 2.7% from a year earlier.

In parallel, the aggregate assets of the five banks increased by 5.9% from end-2012 and by 11% from end-September 2012 to \$91.3bn; while their total loans rose by 14.2% from end-2012 and by 22.4% from end-September 2012 to \$28.23bn. Also, the banks' total deposits rose by 6.1% from end-2012 and by 11.3% from end-September 2012 to \$76.57bn. The banks' collective loans to related parties dropped by 34.8% from end-2012 to \$200.4m, while the aggregate deposits from related parties rose by 1.6% from end-2012 to \$900m at end-September 2013.

Also, the five banks' aggregate loans-to-deposits ratio stood at 36.9% at the end of September 2013 relative to 34.2% at end-2012 and 33.5% at end-September 2012. BLOM Bank posted the lowest loans-to-deposits ratio at 27.9% compared to 27.6% at end-September 2012; followed by Byblos Bank with a ratio of 29.6% relative to 31% at end-September 2012, Bank of Beirut with 38.9% relative to 39.6% a year earlier; Bank Audi with 46%, up from 37.2% at end-September 2012; and Banque BEMO with a ratio of 49.7% relative to 49.8% at end-September 2012. Further, the banks' collective cost-to-income ratio stood at 46.5% in the first nine months of 2013 and increased from 43.9% in the same period last year. BLOM Bank posted the lowest cost-to-income ratio at 36.9% in the covered period compared to 36.2% at end-September 2012. It was followed by Byblos Bank with a ratio of 46.1%, down from 50.1% in the same period last year; Bank of Beirut with a 50.6% ratio relative to 51.4% in the first nine months of 2012; Bank Audi with a ratio of 52.1%, up from 44.2% in the first nine months of 2012; and Banque BEMO with a 67.8% ratio, down from 76.2% in the first nine months of last year.

Results of Listed Banks in First Nine Months of 2013					
	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$113.6m	\$262.7m	\$261.3m	\$92.8m	\$3.94m
% Change*	(7.4%)	4.8%	(15.5%)	17.5%	115%
Total Assets	\$18.03bn	\$25.69bn	\$34.47bn	\$11.57bn	\$1.50bn
% Change**	6.0%	2.6%	10.1%	2.3%	0.8%
Loans	\$4.26bn	\$6.23bn	\$13.57bn	\$3.55bn	\$0.62bn
% Change**	3.4%	3.4%	30.1%	0.9%	1.1%
Deposits	\$14.41bn	\$22.31bn	\$29.47bn	\$9.14bn	\$1.24bn
% Change**	7.6%	2.4%	9.9%	2.2%	(0.9%)

\*Year-on-year

\*\*Change from end-2012

### Fidelity posts net profits of \$4m in 2012

Fidelity Assurance & Reinsurance Co. sal declared net profits of \$3.9m in 2012, constituting an increase of 239.4% from \$1.2m in 2011. Its audited balance sheet shows total assets of \$61.4m at the end of 2012, up 18.8% from \$51.7m at end-2011. On the assets side, general company investments totaled \$33.9m and increased by 25.6% from end-2011. They included \$7.4m in land and real estate investments; \$1.6m in investment in subsidiaries and associates; \$10.4m in cash & cash equivalents and \$12.5m in deposits with maturity of more than three months, with \$2.2m blocked in favor of the Economy Ministry as guarantees. Also, reinsurance's share in technical reserves for the life and non-life categories amounted to \$0.5m and \$2.8m, respectively, constituting increases of 27% and 10.8%, respectively.

On the liabilities & shareholder equity's side, technical reserves for the life segment increased by 26.9% year-on-year to \$5.8m, while technical reserves for the non-life category reached \$26.3m at end-2012 and increased by 8.8% from a year earlier. Non-life technical reserves included unearned premium reserves of \$19.6m that rose by 3.9%, outstanding claims reserves of \$6.1m that grew by 27.7%, and \$0.3m in reserves incurred but not reported that declined by 11.4% year-on-year. Shareholders' equity totaled \$14m at end-2012 and grew by 56.5% from a year earlier. Further, provisions for risks and charges reached \$0.8m and rose by 69% from a year earlier.

*Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked Fidelity Assurance & Reinsurance Co. sal in seventh and 15th place in 2012 in terms of non-life and life premiums respectively. The firm's non-life premiums reached \$49.8m and life premiums amounted to \$5.3m in 2012, constituting an increase of 5.8% and a decrease of 1.7%, respectively. It had a 5.4% share of the local non-life market and a 1.3% share of the life market.

### **Byblos Bank's profits at \$114m in first nine months of 2013, primary liquidity at 64% of deposits**

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, declared consolidated net profits of \$113.6m in the first nine months of 2013 relative to \$122.6m in the same period of 2012. Net interest income reached \$176.4m compared to \$191.2m in the first nine months of 2012; while net fees & commission income stood at \$67.6m relative to \$69.6m in the same period last year. Net operating income reached \$292.1m in the first nine months of the year compared to \$316.4m in the same period of 2012. The Bank's cost-to-income ratio declined to 46.1% in the first nine months of 2013 from 50.1% in the same period last year.

Total assets reached \$18bn at end-September 2013, constituting a rise of 6% from the end of 2012 and an increase of 6.7% from end-September 2012; while net loans & advances to customers rose by 3.4% from end-2012 to \$4.2bn at end-September 2013. Net loans & advances to related parties stood at \$11.2m at end-September 2013, up by 6.5% from end-2012. The Bank allocated \$54.5m in provisions for credit losses during the first nine months of 2013 that consist of \$38.8m in specific provisions and \$15.7m in collective provisions. The Bank's net non-performing loans, which represent NPLs net of specific provisions and reserved interest, reached 0.8% of net loans at the end of September 2013. Also, the NPLs' coverage ratio reached 121.4% when accounting for specific and collective provisions and reserved interest. The Bank's capital adequacy ratio stood at 14.62% at end-September 2013 according to Basel III criteria, which is above the 12% minimum regulatory requirement and one of the highest such ratios in the sector.

Customers' deposits totaled \$14.2bn and increased by 7.6% from end-2012, while deposits from related parties reached \$241.4m at end-September 2013. The Bank's primary liquidity, representing dues from central banks and commercial banks, totaled \$9.2bn and was equivalent to 64.1% of total customer deposits at the end of September 2013, which is one of the highest liquidity levels in the Lebanese banking sector. Further, immediate foreign currency liquidity place with banks rated "BBB" and above represented 25.8% of foreign currency deposits, compared to 15.3% for the Lebanese banking sector and to a minimum regulatory requirement of 10%. The Bank's total equity reached \$1.6bn at end-September 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 34% to \$237m in first 10 months of 2013**

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 33.2 million shares in the first 10 months of 2013, constituting a decrease of 29.1% from the same period last year; while aggregate turnover amounted to \$236.8m, down 33.9% from a turnover of \$358.1m in the first ten months of 2012. Market capitalization increased by 5.8% from end-October 2012 to \$10.53bn, of which 79.2% was in banking stocks, followed by real estate stocks with 17.6%, industrial stocks with 2.8%, and trading stocks with 0.4%. The market liquidity ratio was 2.2% compared to 3.6% in the same period last year. Banking stocks accounted for 81.3% of aggregate trading volume in the first ten months of the year, followed by real estate stocks with 15.9%, industrial stocks with 1.5% and trading stock with 1.4%. Also, banking stocks accounted for 71.6% of the aggregate value of shares traded, followed by real estate stocks with 27.1%, industrial stocks with 0.8% and trading stocks with 0.5%. The average daily traded volume for the period was 165,069 shares for an average daily value of \$1.2m. The figures reflect decreases of 27.7% in volume and 32.6% in value year-on-year.

### **Moody's upgrades CMA CGM's ratings on improving liquidity position**

Moody's Investors Service upgraded the corporate family rating of the Lebanese-owned and France-based container shipping group CMA CGM to 'B2' from 'B3'. It also raised the firm's probability of default rating to 'B2-PD' from 'B3-PD' and the company's senior unsecured bond ratings to 'Caa1' from 'Caa2'. It said that the ratings have a 'stable' outlook. It attributed the upgrade to the company's return to a more stable operating and financial profile following the completion of its restructuring. It noted that the company strengthened its liquidity position following an equity injection of \$150m and the sale of 49% of its terminal business for \$528m as part of its restructuring. It anticipated that the company would maintain a consolidated financial profile that is adequate with a 'B2' rating.

In parallel, the agency pointed out that the ratings are constrained by the high cyclicality in the container shipping market, as well as by the company's weak credit metrics due to its leveraged capital structure. It noted that the strong competition between the main market players limits CMA CGM's ability to recover increases in certain operating costs, mainly bunker costs; while the high reliance of the container shipping segment on short-term contracts limits the predictability of CMA CGM's revenues. It added that the ratings are supported by the firm's sound business profile, its low capital investment commitments relative to its main competitors, the flexibility of its fleet, its operating efficiency, and its strong asset base.

CMA CGM declared net profits of \$364m in the first half of 2013 compared to consolidated losses of \$79m in the same period last year. It generated revenues of \$7.9bn in the covered period, up 1.7% from \$7.8bn in the same period last year, with volumes carried up 4.9% to 5.6 million twenty-foot equivalent unit (TEU). CMA CGM group is the third largest container shipping company in the world. It operates a fleet of 414 vessels with a total capacity of 1.45 million TEU and serves more than 400 ports around the world.



## 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	Feb 2012	Jan 2013	Feb 2013	Change*	Risk Level
Political Risk Rating	55.5	53.0	53.0	▼	High
Financial Risk Rating	35.0	35.0	35.0	↔	Low
Economic Risk Rating	34.0	34.0	34.0	↔	Moderate
Composite Risk Rating	62.2	61.0	61.0	▼	Moderate

Regional Average	Feb 2012	Jan 2013	Feb 2013	Change*	Risk Level
Political Risk Rating	60.4	58.9	58.6	▼	High
Financial Risk Rating	42.2	41.7	41.6	▼	Very Low
Economic Risk Rating	37.3	36.2	36.3	▼	Low
Composite Risk Rating	70.0	68.4	68.2	▼	Moderate

\*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		CCC	

Source: Rating agencies

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