



LEBANON THIS WEEK

In This Issue

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

Public finances to continue weakening, banking sector playing crucial role in supporting economic activity

Byblos one of first cities to join Rockefeller's 100 Resilient Cities network

Lebanon ranks 40th globally, 15th in developing countries in terms of outstanding external debt

Association of Banks amends reference rates on US dollar and Lebanese pound lending

Occupancy rate at Beirut hotels at 51%, room yields down 25% in first 10 months of 2013

Number of real estate transactions down 5% in first 11 months of 2013

Airport passengers up 5% in first 11 months of 2013

Central Bank urges ratification of draft laws about cross-border money flows and tax information

Launch of long-term initiative to improve the management of water resources

Treasury transfers to Electricité du Liban up 5% in first eight months of 2013

Corporate Highlights6

Car sales up 2% in first 11 months of 2013

Top five freight forwarders' import activity up 21% in first 10 months of 2013

Lebanon & Gulf Bank's profits at \$18m in first nine months of 2013

Daily Star to raise capital by \$1m

Fransabank's net income down 1% to \$106m in first nine months of 2013

Profits of Delta banks up 52% to \$36m in 2012

Banque Libano-Française posts profits of \$76.4m in first nine months of 2013

Beirut Life's net profits at \$1.6m in 2012

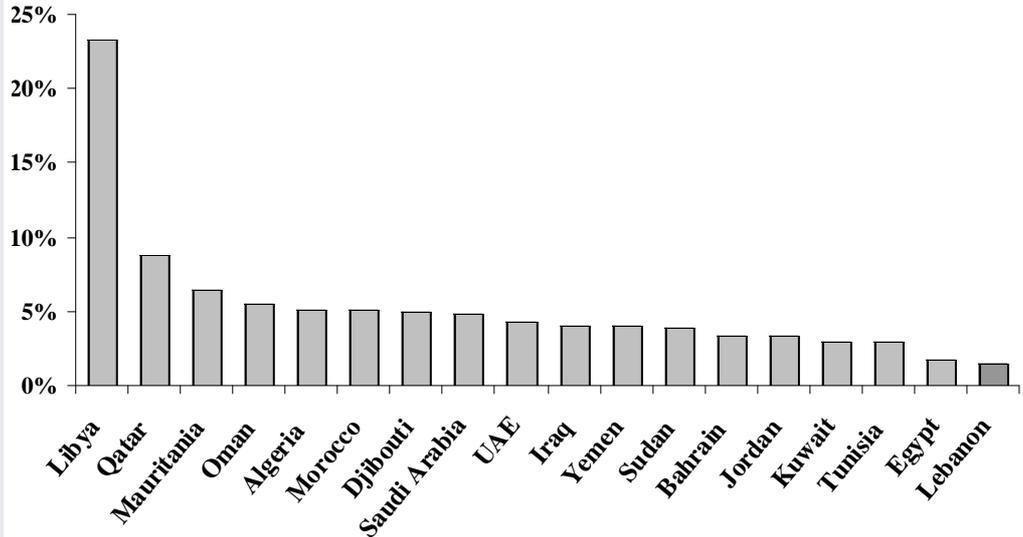
Ratio Highlights.....9

Risk Outlook.....9

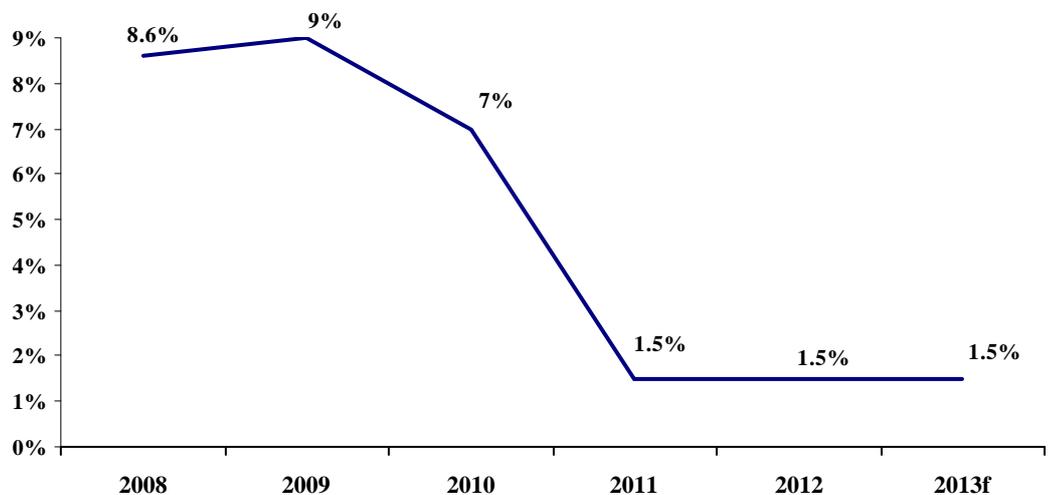
Ratings & Outlook.....9

Charts of the Week

Projected Non-Oil Real GDP Growth Rate of Arab Countries in 2013 (%)



Real GDP Growth Rate in Lebanon (%)



Source: International Monetary Fund - November 2013, Byblos Bank

Quote to Note

"Recovery hinges on improved security and a political consensus."

The Institute of International Finance, on the pre-conditions for the revival of economic activity in Lebanon

Number of the Week

1.48%: The spread between the cost of funds and the weighted return on the uses of funds in US dollar at commercial banks in Lebanon as at October 2013, according to the Association of Banks in Lebanon

Economic Indicators

\$m (unless otherwise mentioned)	2012	Sep 12	Jun 13	Jul 13	Aug 13	Sep 13	% Change*
Exports	4,486	471	348	260	279	288	(38.85)
Imports	21,281	1,630	1,634	1,718	1,828	1,565	(3.99)
Trade Balance	(16,795)	(1,159)	(1,286)	(1,438)	(1,549)	(1,277)	10.18
Balance of Payments	(1,538)	(92)	(233)	(575)	(223)	504	-
Checks Cleared in LBP	14,976	1,233	1,444	1,513	1,354	1,473	19.49
Checks Cleared in FC	56,044	4,580	4,523	4,938	4,495	4,513	(1.46)
Total Checks Cleared	69,787	5,813	5,967	6,451	5,849	5,986	2.98
Budget Deficit/Surplus	(3,925)	(569.85)	(275.88)	(171.51)	(551.43)	(668.16)	17.25
Primary Balance	(109.87)	(138.20)	(23.19)	82.10	(382.69)	(262.33)	89.82
Airport Passengers	5,960,414	546,784	571,831	581,605	727,086	539,297	(1.37)

\$bn (unless otherwise mentioned)	Dec 2012	Sep 12	Jun 13	Jul 13	Aug 13	Sep 13	% Change*
BdL FX Reserves	29.97	29.99	31.72	31.27	31.00	32.03	6.80
<i>In months of Imports</i>	<i>16.02</i>	<i>18.40</i>	<i>19.41</i>	<i>18.20</i>	<i>16.96</i>	<i>20.47</i>	<i>11.24</i>
Public Debt	57.69	56.10	60.01	60.23	60.50	62.39	11.22
Net Public Debt	49.12	47.83	50.90	51.14	51.74	52.15	9.03
Bank Assets	151.88	148.36	157.95	157.81	158.56	159.26	7.34
Bank Deposits (Private Sector)	125.00	121.75	131.27	131.18	131.38	131.26	7.89
Bank Loans to Private Sector	43.45	42.29	44.84	45.17	45.57	45.88	8.49
Money Supply M2	43.62	41.81	44.20	44.18	44.42	44.49	6.41
Money Supply M3	104.71	101.50	107.31	107.33	108.28	108.49	6.89
LBP Lending Rate (%)	7.47	7.30	7.87	7.13	7.24	7.36	6b.p
LBP Deposit Rate (%)	5.46	5.43	5.39	5.43	5.47	5.37	(6b.p)
USD Lending Rate (%)	7.05	7.16	6.97	7.02	7.16	6.95	(21b.p)
USD Deposit Rate (%)	2.94	2.83	2.86	2.89	2.91	2.91	8b.p
%* Change in CPI**	3.66	6.56	3.72	3.15	3.81	4.81	(175b.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	0.36	94,301	10.71%
Solidere "B"	11.19	(0.80)	69,913	6.89%
Byblos Common	1.57	1.29	21,692	5.35%
Byblos Pref. 08	100.50	0.00	0	1.91%
Byblos Pref. 09	101.10	0.00	0	1.92%
BLOM GDR	8.77	(0.34)	800	6.14%
BLOM Listed	8.25	0.00	365,150	16.81%
Audi GDR	6.50	(3.42)	16,200	6.28%
Audi Listed	6.20	(0.16)	243,695	20.55%
HOLCIM	14.37	(0.76)	2,462	2.66%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr. 2014	7.375	101.38	3.06
Jan. 2015	5.875	101.88	4.08
Apr. 2015	10.00	107.75	4.06
Jan. 2016	8.500	107.88	4.54
Mar. 2017	9.000	111.75	5.04
Nov. 2018	5.150	99.38	5.30
Apr. 2021	8.250	112.00	6.18
Nov. 2026	6.600	99.00	6.72

Source: Byblos Bank Capital Markets

	Dec 9-13	Dec 2-6	% Change	Nov 2013	Nov 2012	% Change
Total Shares Traded	826,800	196,641	320.46	15,046,249	1,823,939	724.93
Total Value Traded	\$7,473,307	\$3,416,347	118.75	\$108,272,444	\$17,978,278	502.24
Market Capitalization	\$10.55bn	\$10.57bn	(0.22)	\$10.63bn	\$10.01bn	6.29

Source: Beirut Stock Exchange (BSE)



Public finances to continue weakening, banking sector playing crucial role in supporting economic activity

Barclays Capital estimated Lebanon's real GDP growth at 1.2% in 2013 and projected it at 1.5% in 2014 compared to a growth rate of 1.5% in 2012. It said that economic activity continues to be severely affected by the ongoing conflict in Syria, mainly through weak domestic demand and a slowdown in service exports. It noted that tourist arrivals to Lebanon fell to their lowest level in the first nine months of the year since 2007, while investment in residential real estate continues to retreat. It said that there is little progress, if any, on breaking the current political deadlock and forming a new government. It cautioned from another political vacuum and prolonged paralysis in public institutions, given the fading chances of forming a new government and President Suleiman's expiring term in May 2014.

Further, it pointed out that Lebanon's public finances continue to weaken in the context of slowing economic activity and the prevailing policy stalemate. It forecast the fiscal deficit to widen from 8.9% of GDP in 2012 to 10.1% of GDP in 2013 and 11.2% of GDP in 2014. It cautioned that the widening fiscal deficit is not sustainable despite being in line with historical trends. It noted that public revenues have been on a downward trend so far this year, while public spending is posting double-digit increases. It attributed the expected deterioration in the fiscal deficit next year to higher spending related to the rising number of Syrian refugees, ongoing outlays from previous years and limited financial support from donors. It forecast the primary deficit to widen from 0.3% of GDP last year to 1.7% of GDP in 2013 and 2.5% of GDP in 2014. It noted that the widening of the primary and fiscal deficits would further increase public borrowing and would raise the public debt level from 139.5% of GDP in 2012 to 146% of GDP in 2013 and 148.4% of GDP in 2014. It expected the government to announce another Eurobond exchange deal to help roll over its maturing debt in 2014. It anticipated that authorities would increase their reliance on domestic sources to finance the widening deficits, which would put further upward pressure on local Treasury bond yields.

In parallel, Barclays Capital indicated that the Central Bank of Lebanon and domestic banks are playing a crucial role in supporting the economy's financing needs. It said that credit to the resident private sector continues to rise but a slower pace compared to last year. It noted that the Central Bank's \$1.46bn stimulus package has prevented a steeper decrease in lending to the private sector. It added that the banking sector's claim on the public sector rose by 20.5% year-on-year in September 2013, which led to an increase in the banks' sovereign exposure from 20.8% of their aggregate assets at the end of August 2013 to 22.7% of assets at the end of September 2013. It considered that the current level of exposure is still comfortable, but it cautioned that further deterioration in economic activity and wider fiscal deficits would put pressure on banks to increase their support for the sovereign.

Key Macroeconomic Indicators				
	2011	2012e	2013F	2014F
Activity				
Real GDP (% yoy)	1.5	1.5	1.2	1.5
CPI (% average)	5.0	6.6	6.3	4.5
External Sector				
Current account balance (\$bn)	(4.8)	(6.7)	(6.9)	(7.0)
Current account balance (% of GDP)	(12.4)	(16.2)	(15.8)	(15.5)
Net FDI (\$bn)	3.4	1.1	0.5	0.6
Gross external debt (% of GDP)	173.8	174.8	175.9	174.7
Foreign reserves (\$bn)	33.7	37.2	36.5	35.3
Public Sector				
Fiscal balance (% of GDP)	(6.1)	(8.9)	(10.1)	(11.2)
Primary balance (including grants) (% of GDP)	4.3	(0.3)	(1.7)	(2.5)
Gross public debt (% of GDP)	137.4	139.5	146.0	148.4

Source: Barclays Capital, December 2013

Byblos one of first cities to join Rockefeller's 100 Resilient Cities network

The U.S.-based Rockefeller Foundation, an independent non-profit organization, selected Byblos as one of 33 cities to join its newly established 100 Resilient Cities network. The cities were selected from nearly 400 applicants across six continents. Byblos was one of three chosen cities in the Middle East region, along with Ramallah in Palestine and Ashkelon in Israel. The Rockefeller Foundation committed \$100m to build urban resilience in cities around the world. The 100 Resilient Cities' Centennial Challenge application process required cities to submit their visions, needs and plans to build resilience, and particularly in addressing the needs of their poor and vulnerable citizens. Byblos was selected upon the recommendation of a panel of judges from around the world. Byblos will benefit from its membership in the network, while it will receive support to hire a Chief Resilience Officer who will oversee the development of the city's resilience strategy. In addition, Byblos will receive help to create a resilience plan, along with tools and resources for implementation.

Lebanon ranks 40th globally, 15th in developing countries in terms of outstanding external debt

Figures released by the Bank for International Settlements (BIS) show that Lebanon's external debt totaled \$36.4bn at the end of June 2013, ranking it in 40th place globally and in 15th place among developing countries. Lebanon also ranked in sixth place among 15 offshore centers and in second place among 28 countries in the Middle East & Africa region. The figure represents the outstanding amount of international debt securities issued by both public and private institutions residing in the country. Lebanon accounted for 0.2% of the world's and for 2.2% of developing countries' outstanding external debt. Globally, Lebanon ranked ahead of Malaysia, Qatar and the Czech Republic and came behind Hungary, Chile and the Philippines.

Lebanon's outstanding external debt increased by 4.6% in the first half of 2013 compared to an increase of 6% in the external debt of developing countries and a 3.7% rise in that of offshore centers; while it grew by 7.7% at end-June 2013 from end-March 2013 relative to a rise of 4.4% in the debt of developing countries and a 7.7% increase in their offshore centers. Further, Lebanon's outstanding external debt increased by 15.7% annually at end-June 2013 relative to an increase of 18% in the debt of developing countries and an 8.9% rise for offshore centers.

Lebanon accounted for 2% of offshore centers' total external debt, ranking behind the Cayman Islands, Hong Kong, Bermuda, Singapore and West Indies. Further, Lebanon accounted for 15.4% of international debt securities in the Middle East & Africa region, behind only the UAE with \$71bn. The outstanding amount of international debt securities in all offshore centers totaled \$1,777bn, while that of developing countries reached \$1,586.5bn as at end-June 2013. Lebanon's stock of external debt at end-June 2013 was above the average of \$18.7bn per country for developing countries.

In parallel, Lebanon's net debt issuance totaled \$1.6bn in the first half of the year, of which - \$0.9bn in the first quarter of 2013 and \$2.5bn in the second quarter of the year. Lebanon had the 29th highest net debt issuance in the first half of the year, higher than that of Panama, the Czech Republic and Colombia, and lower than that of Brazil, Slovakia and Curacao. Lebanon was also the third highest net issuer in the Middle East & Africa region in the covered period, behind only the UAE and Egypt with net issuance of \$5.4bn and \$1.6bn, respectively. Lebanon's net debt issuance in the first half of 2013 was higher than the global average net issuance of \$0.7bn, and the Middle East & Africa's net average issuance of \$0.6bn.

International Debt Securities as at June 2013		
Offshore centers	Outstanding Amount (\$bn)	Rank
Cayman Islands	1,229.1	1
Hong Kong SAR	143.7	2
Bermuda	99.1	3
Singapore	94.1	4
West Indies UK	51.6	5
Lebanon	36.4	6
Curacao	15.7	7
Panama	14.9	8
Bahamas	13.2	9
Bahrain	9.0	10

Source: Bank for International Settlements, Byblos Research

Top 10 ME&A	International Debt Securities (\$bn)		
	Outstanding Amount End-June 2013	Net Issuance First Half of 2013	Net Issuance First Half of 2012
UAE	70.99	5.41	0.40
Lebanon	36.37	1.63	2.63
Qatar	34.89	1.17	-1.08
South Africa	29.47	-2.83	0.65
Israel	25.89	-1.43	2.27
Saudi Arabia	9.32	0.67	1.75
Egypt	5.75	2.70	-
Morocco	4.21	0.75	-
Iraq	2.66	-	-
Tunisia	2.63	-0.44	-0.15

Source: Bank for International Settlements, Byblos Research

Association of Banks amends reference rates on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to increase the Beirut Reference Rate (BRR) in US dollars to 5.92 in January 2014 from 5.89% currently. The rate, considered as the reference rate for lending in foreign currency that replaced the London Inter-Bank Offering Rate (LIBOR) in 2009 as the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to increase the Beirut Reference Rate in Lebanese pounds to 8.57% in January from 8.48% currently. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks, and the profitability of banks to the prime lending rate.

Occupancy rate at Beirut hotels at 51%, room yields down 25% in first 10 months of 2013

Ernst & Young's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 51% in the first 10 months of 2013, down from 56% in the same period last year and compared to a rate of 62.1% in 16 Arab markets. The occupancy rate at Beirut hotels was the third lowest in the region in the covered period, while it was the fourth lowest in the first 10 months of 2012. Cairo and Manama posted the lowest- and second-lowest occupancy rates of 24% and 42%, respectively, in the first 10 months of this year. Occupancy rates at Beirut hotels were 49% in January, 60% in February, 58% in March, 65% in April, 59% in May, 55% in June, 40% in July, 47% in August, 34% in September, and 48% in October 2013; compared to 60% in January, 64% in February, 74% in March, 66% in April, 67% in May, 59% in June, 54% in July, 35% in August, 46% in September, and 39% in October 2012.

Also, the occupancy rate at hotels in Beirut fell by five percentage points year-on-year, constituting the sixth steepest decrease among 16 Arab markets, and relative to an average decrease of 2.7 percentage points (ppts) for the region. Cairo posted the steepest decrease of 16 percentage points in the region, followed by Amman with an 11 percentage points drop, Sharm El Shaikh with a fall of 10 percentage points, Hurghada with a nine percentage points decline and Makkah with a decrease of eight percentage.

E&Y indicated that the average rate per room at Beirut hotels was \$168 in the first 10 months of 2013, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 17.9% year-on-year and posted the steepest decrease among all markets in the region. The average rate per room in Beirut came below the regional average of \$196.1, which increased by 1.5% from the same period last year. Further, revenues per available room (RevPAR) were \$87 in Beirut in the first 10 months of the year, down from \$115 in the same period last year, and coming in 12th place in the region. Beirut's RevPAR fell by 24.9% year-on-year compared to a marginal increase of 0.1% across the region, and posted the second steepest decrease in the region. Cairo posted the steepest decrease of 36.5% in the first 10 months of the year. Beirut posted RevPARs of \$82 in January, \$97 in February, \$93 in March, \$106 in April, \$98 in May, \$101 in June, \$67 in July, \$86 in August, \$56 in September, and \$85 in October 2013; compared to \$139 in January, \$131 in February, \$149 in March, \$138 in April, \$134 in May, \$132 in June, \$112 in July, \$69 in August, \$85 in September, and \$74 in October 2012. Makkah posted the highest average room rate in the region at \$319 and the highest RevPAR at \$231, while Jeddah and Dubai posted the highest occupancy rate of 79% each in the first 10 months of 2013.

Number of real estate transactions down 5% in first 11 months of 2013

Figures released by the Ministry of Finance indicate that the total number of real estate transactions reached 61,996 in the first 11 months of 2013, constituting a decrease of 5.4% from 65,562 deals in the same period last year. In comparison, the number of real estate transactions declined by 10.4% in the first 11 months of 2012 and dropped by 8.8% year-on-year in the same period of 2011. Also, the aggregate value of real estate transactions totaled \$7.83bn in the first 11 months of 2013, constituting an increase of 4.6% from \$7.48bn in the same period last year. The value of real estate deals was \$8.29bn and \$7.66bn in the first 11 months of 2010 and 2011, respectively. In parallel, the average value per real estate transaction increased by 10.7% year-on-year to \$126,290 in the first 11 months of 2013, relative to an average value of \$114,117 in the same period of 2012 and \$104,578 in the first 11 months of 2011. There were 1,105 real estate transactions by foreigners in the first 11 months of 2013, constituting a decline of 7.7% from 1,197 deals in the same period last year, and compared to an annual decrease of 7.9% in the first 11 months of 2012 and a decline of 22% year-on-year in the same period of 2011.

Airport passengers up 5% in first 11 months of 2013

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 5,755,103 in the first 11 months of 2013, constituting an increase of 5.3% from the same period last year. The total number of arriving passengers grew by 4.4% year-on-year to 2,761,384 during the covered period, compared to an annual rise of 3% in the same period of 2012 and an increase of 1.6% year-on-year in the first 11 months of 2011. Also, the number of departing passengers rose by 7.4% year-on-year to 2,979,959 in the first 11 months of 2013, relative to an annual increase of 7.2% in the same period of 2012 and a rise of 0.8% year-on-year in the first 11 months of 2011. In parallel, the airport's aircraft movements dropped by 0.8% to 57,672 take-offs and landings in the first 11 months of 2013, compared to a decrease of 0.8% in the same period of 2012 and a decline of 3.3% year-on-year in the first 11 months of 2011. The HIA processed 97,332 metric tons of cargo in the first 11 months of 2013 that consisted of 96,614 metric tons of freight and 718 metric tons of mail.

Hotel Performance in First 10 Months of 2013			
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Saudi Arabia	79	222	10.1
Dubai-Overall	79	215	7.0
United Arab Emirates	76	154	9.3
Makkah	72	231	(8.7)
Al Ain	71	101	16.6
Oman	66	138	2.9
Madina	66	161	(4.1)
Sharm El Shaikh	65	35	1.7
Qatar	64	164	(2.6)
Hurghada	63	24	7.2
Jordan	61	97	(11.2)
Riyadh	58	129	1.4
Kuwait	57	168	4.8
Lebanon	51	87	(24.9)
Manama	42	87	12.2
Cairo-Overall	24	22	(36.5)

Source: Ernst & Young, Byblos Research

Central Bank urges ratification of draft laws about cross-border money flows and tax information

In the monthly meeting between the Central Bank and the Association of Banks in Lebanon (ABL), Governor Riad Salamé hoped that the Lebanese Parliament would ratify draft laws about cross-border money flows and the exchange of tax information, as the two laws meet the standards set by the Organization for Economic Cooperation and Development (OECD). He said that the OECD gave Lebanon until 2014 to ratify and implement both laws, adding that doing business with European correspondent bank would be contingent on the ratification of these laws. He noted that France recently endorsed a law that forbids French banks as of 2016 from doing business with countries that do not have these laws.

Further, Governor Salamé indicated that the Lebanese banking sector is growing and that banks are increasingly expanding abroad. He said that this requires the banks' foreign entities to apply the same rules and standards that their parent banks apply in Lebanon, especially concerning anti-money laundering measures, in order to preserve their reputation. He called on banks to implement sound banking operations, especially in the Iraqi market, as the Central Bank of Iraq expressed concerns about how some Lebanese banks are managing operations related to foreign currency auctions.

In parallel, Governor Salamé encouraged banks to get involved in the financing of the knowledge economy and of renewable energy sectors through the financial facilities provided by the Central Bank, especially that banks have a relatively low level of Treasury bills maturities in 2014 of about LBP 11 billion and can easily provide financing to these sectors. Further, Governor Salamé reiterated its call on banks to be flexible with companies that are facing difficulties in honoring their obligations, unless they have become non-viable entities.

Further, Governor Salamé hoped that public officials are aware about the importance of sovereign ratings, mainly since the recent downgrade by Standard & Poor's and the 'negative' outlook on the ratings by several agencies reflect the deterioration in the political situation and the lack of a functioning government. He noted that this is particularly important given that correspondent banks take into account the sovereign ratings as well as anti-money laundering measures and compliance when dealing with banks.

Launch of long-term initiative to improve the management of water resources

The Civic Influence Hub (CIH), an independent Lebanese civic society organization, announced Blue Gold, an initiative that aims to shift the amount of available water in Lebanon from a deficit of 73 million cubic meters in 2011 to surpluses of 500 million cubic meters by 2020 and one billion cubic meters by 2030. CIH considered that the mismanagement of water resources in Lebanon is mainly due to outdated laws, the lack reforms and an inefficient public sector. The Blue Gold plan stipulates the implementation of 40 initiatives by 2030 that include 13 initiatives that focus on increasing water supply, seven initiatives that aim to optimize water demand, six initiatives to improve water quality, and 14 initiatives to enhance water management efficiency. The first phase of the project consists of implementing 15 initiatives between 2015 and 2020 at a total cost of \$5bn. The 15 initiatives would allow Lebanon to meet the 5% annual increase in water demand and to achieve a surplus of 500 million cubic meters of useable water. The initiatives include the rehabilitation of the water network, the harvesting of rainwater, the installation of wastewater treatment solutions, the establishment of a remote national monitoring center, and the drafting of required laws, among others.

Blue Gold aims to raise awareness, encourage sustainable approaches to the management of the water sector, and create the proper platform for the private sector and Lebanese citizens to participate in the sector's development. It also aims to reduce the average annual water bill per household from \$700 currently to \$380. According to CIH, the private sector would be involved in the implementation of the Blue Gold project through public-private participation schemes that would finance water projects, increase efficiency and improve service quality. Also, the investment, construction, operation and maintenance of water systems and dams would be transferred to private companies through different forms of private sector participation. CIH cautioned that the deficit of available water would widen to 876 cubic meters by 2020 if the plan, along with government reforms, is not implemented. CIH considered that the Blue Gold initiative is more efficient than the government's plan that costs of \$7.4bn to meet water demand by 2020. CIH was established in April 2013 by a group of non-politically affiliated Lebanese businessmen and women. It is self-financed from equal contributions by each of its Board of Councilors.

Treasury transfers to Electricité du Liban up 5% in first eight months of 2013

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban totaled \$1.5bn in the first eight months of 2013, constituting an increase of 4.8% from \$1.4bn in the same period of 2012. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to Algerian energy conglomerate Sonatrach totaled \$1.5bn, or 97.3% of transfers in the covered period, while EdL's debt servicing represented \$41m or 2.7% of the total. It attributed the increase to a rise of \$78.9m, or 5.7%, in payments to KPC and Sonatrach, and to a decrease of \$9.8m or 19.2% in debt servicing during the covered period. It said that the increase in payments to KPC and Sonatrach reflects a 14% rise in imported gas oil, and a 4% decrease in imported fuel oil. It noted that the average international oil price used to make the payments was 2% lower from the same period last year. It pointed out that EdL contributed just 2.5% of repayments to the two oil suppliers during the covered period compared to 3.4% in the same period last year. EdL transfers accounted for 22.5% of primary expenditures in the first eight months, down from 24.9% in the same period of 2012. EdL transfers constitute the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending.

Car sales up 2% in first 11 months of 2013

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that a total of 32,695 new passenger cars were sold in the first 11 months of 2013, constituting an increase of 2% from 32,049 cars sold in the same period last year. Korean cars accounted for 45.2% of total sales, followed by Japanese cars with a 27.7% share, European automobiles with 19.6%, American vehicles with 5.4% and Chinese cars with 2.1%. Chinese cars posted the highest growth in sales with a 66.5% rise year-on-year, followed by Japanese cars with a 6.5% increase and Korean cars with a 1.9% rise. In parallel, American cars posted a 14.8% contraction in sales year-on-year, followed by European cars with a 2.3% decrease. Kia is the leading brand in the Lebanese market with 8,513 cars sold in the first 11 months of 2013, followed by Hyundai with 6,258 cars sold, Nissan with 4,491 cars, Toyota (1,914), Chevrolet (1,041), Renault (936) and Mitsubishi (863). In parallel, a total of 2,078 new commercial vehicles were sold in the first 11 months of 2013, up by 3.4% from 2,009 vehicles sold in the same period last year, and up by 10.9% from 1,874 vehicles sold in the first 11 months of 2011.

The AIA indicated that the combined number of registered new and imported used cars in the first 11 months of 2013 decreased by 6.2% from a year earlier. It said that about 90% of new cars sold during the covered period were small automobiles that cost about \$11,000 each. It noted that the trend towards buying smaller cars is due to the high price of gasoline, the lack of proper public transportation, and fierce competition among car dealers. It added that this translates into lower sales figures and, consequently, a decline in dealers' income.

Top five freight forwarders' import activity up 21% in first 10 months of 2013

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 291,988 20-foot equivalent units (TEUs) in the first 10 months of 2013, constituting a rise of 21.4% from 240,454 TEUs in the same period last year. They accounted for 64.3% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 98,760 TEUs in imports for the local market in the first 10 months of the year, equivalent to 21.8% share of the total freight forwarding import market. It was followed by Sealine Group with 79,079 TEUs (17.4%), Merit Shipping with 59,642 TEUs (13.1%), Metz Group with 35,288 TEUs (7.8%) and Gezairy Transport with 19,219 TEUs (4.2%). Further, Sealine Group registered the highest growth in import shipping among the top five freight forwarders at 34.8% year-on-year, while Gezairy Transport posted the slowest growth at 5.3% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 62,067 TEUs in the first 10 months of 2013, constituting an increase of 33.3% from 46,565 TEUs in the same period of 2012. They accounted for 98.3% of the total export freight forwarding market full with Lebanese cargo during the covered period. Sealine Group handled 31,701 TEUs of freight, equivalent to 50.2% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 17,846 TEUs (28.3%), Metz Group with 5,167 TEUs (8.2%), MSC with 5,081 TEUs (8%) and Gezairy Transport with 2,272 TEUs (3.6%). Further, Sealine Group registered the highest growth in export shipping among the top five freight forwarders at 78% year-on-year, while Gezairy Transport posted the steepest drop of 16% year-on-year.

Lebanon & Gulf Bank's profits at \$18m in first nine months of 2013

Lebanon & Gulf Bank, one of Lebanon's top 13 banks, announced unaudited consolidated net profits of \$17.8m in the first nine months of 2013, up 37.8% from the same period last year. Net operating income rose by 24.5% year-on-year to \$41m, with net interest income increasing by 42.9% to \$30.5m and net fees & commissions receipts rising by 12.2% to \$6.6m. Non-interest income accounted for 35.8% of total income, down from 36% in the first nine months of 2012, with net fees & commissions representing 39.1% of non-interest earnings relative to 49.3% in the first nine months of 2012. Further, the bank's interest margin was 1.68% in the first nine months of 2013 relative to 1.3% in the same period last year; while its spread increased to 1.62% from 1.26% in the first nine months of 2012. Total operating expenditures increased by 11.1% to \$20m, with staff expenses increasing by 5.9% to \$11.5m. Also, the bank's return on average assets reached 0.95% in September 2013 on an annualized basis, relative to 0.76% a year earlier; while its return on average equity was 11.9% on an annualized basis relative to 9.5% in September 2012. The cost-to-income ratio regressed to 42.2% in the first nine months from 54% in the same period last year.

In parallel, total assets reached \$2.6bn at end-September 2013, constituting an increase of 8.3% from end-2012 and a growth of 9.9% from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, increased by 10.2% from end-2012 and by 15.1% year-on-year to \$1bn. Also, customer deposits, excluding deposits from related parties, totaled \$2.3bn at end-September, growing by 6.7% from end-2012 and by 8.5% from a year earlier. The loans-to-deposits ratio increased to 43.7% at end-September 2013 from 41.2% a year earlier.

***Daily Star* to raise capital by \$1m**

The *Daily Star* sal, Lebanon's only English language daily newspaper, plans to raise its capital by LBP1.47bn (\$0.98m) to LBP1.5bn, or \$995,024, through the issuance of 1.47 million new nominal shares at a subscription price of LBP1,000 (\$0.66) per share. Holders of current shares will have the priority to subscribe to the new shares through either a cash payment and/or via a partial debt-to-equity swap. The firm's Extraordinary General Assembly will meet on December 30, 2013 to discuss the capital increase, among other topics.

Established in 1952, the newspaper published until the outbreak of Lebanon's conflict in 1975. It was re-launched in 1983 but had to close a year later due to the war. It then re-opened in 1996 but stopped publishing again in January 2009 after a Lebanese Court ruled it to be bankrupt. The court's decision was based on the newspaper's default on a \$1.7m loan from Standard Chartered Bank Plc. But the newspaper resumed publishing in the middle of February 2009 following various refinancing agreements with creditors and a change in majority ownership.

Fransabank's net income down 1% to \$106m in first nine months of 2013

Fransabank sal, one of Lebanon's top 13 banks, announced unaudited consolidated net profits of \$106.4m in the first nine months of 2013, down by 0.7% from the same period last year. Net operating income grew by 0.8% year-on-year to \$308.9m, with net interest income increasing by 2.1% to \$250.2m and net fees & commissions receipts rising by 0.9% year-on-year to \$41.7m. Non-interest income accounted for 22.5% of total income, up from 21.5% in the same period last year; with net fees & commissions accounting for 53.4% of non-interest earnings down from 57.8% in the first nine months of 2012. Further, the bank's interest margin was 2.36% in the first nine months of the year relative to 2.5% in the same period last year; while its spread fell to 2.23% from 2.35% in the first nine months of 2012. Total operating expenditures increased by 3.2% to \$182.8m, with staff expenses rising by 3.8% to \$115.1m. Also, the bank's return on average assets reached 0.88% in September 2013 on an annualized basis relative to 0.96% a year earlier; while its return on average equity was 9.16% on an annualized basis relative to 10.71% in September 2012. The cost-to-income ratio decreased to 52.7% in the first nine months from 53.3% in the same period last year.

In parallel, total assets reached \$16.4bn at end-September 2013, constituting a 4.1% rise from end-2012 and a 7.8% increase from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, grew by 8% from end-2012 and by 10.5% from a year earlier to \$5.1bn. Also, customer deposits, excluding deposits from related parties, totaled \$13.62bn at end-September 2013, constituting an increase of 6.2% from end-2012 and a rise of 9.1% from a year earlier. The loans-to-deposits ratio rose to 37.3% at end-September 2013 from 37.2% a year earlier.

Profits of Delta banks up 52% to \$36m in 2012

The audited consolidated net profits of the Delta Group of banks reached \$35.9m in 2012, constituting an increase of 52.3% from \$23.6m in 2011. The Delta Group consists of 18 banks with deposits under \$200m each. Total net operating income rose by 18.5% to \$125.6m in 2012, with aggregate net interest income increasing by 7.6% to \$74.9m and net fees & commissions receipts rising by 4.2% to \$44.2m year-on-year. Also, non-interest income accounted for 43.7% of total income in 2012, up from 42.3% in the preceding year; with net fees & commission earnings representing 74.8% of non-interest income last year, down from 81.8% in 2011. The interest spread increased to 2.92% in 2012 from 2.88% in the preceding year. Also, total operating expenditures increased by 8.4% year-on-year to \$85m in 2012, with staff expenses rising by 10.2% to \$45.9m. Further, the cost-to-income ratio increased to 62.9% last year relative to 64.1% in 2011. Net interest income accounted for 57% of total consolidated income in 2012, net commissions represented 33%, and other income accounted for the remaining balance of 10% last year.

The banks' total assets reached \$2.55bn at end-2012, constituting a decrease of 4.2% from end-2011. Loans accounted for 39% of total assets at end-2012, followed by liquid assets with 38%, portfolio securities with 16%, and fixed assets and other assets with 3% each. Further, aggregate loans & advances to customers rose by 8.1% from end-2011 to \$981.7m, while credit extended to related parties increased by 143.1% to \$0.7m at end-2012. Housing loans accounted for 48.5% of total net lending at the end of 2012 compared to 48.9% a year earlier. They were followed by corporate loans with 32.4% of the total compared to 34.4% a year earlier and retail lending with 7.6% relative to 8.1% at end-2011. Also, customer deposits totaled \$840.8m at end-2012, constituting a rise of 4.6% from end-2011; while deposits from related parties increased by 39.7% year-on-year to \$31.3m at end-2012.

In parallel, the banks' loans-to-deposits ratio increased to 111.9% at end-2012 from 109.1% a year earlier. The ratio of loans-to-deposits in local currency reached 223.2% at end-2012 compared to 228.1% at end-2011, while that in foreign currency was 73.3% at the end of 2012 relative to 69.6% a year earlier. Also, the banks' return on average assets reached 1.38% in 2012 relative to 0.96% a year earlier; while their return on average equity was 5.81% compared to 4.23% in 2011. Further, the net primary liquidity-to-deposits ratio reached 6.5% at end-2012, up from 2.4% at end-2011. The banks' doubtful loans-to-gross loans ratio regressed to 20.6% at end-2012 from 19% a year earlier. Also, the collective provisions-to-net loans ratio was 1.3% at end-2012, down from 1.5% from a year earlier. The banks' capital adequacy ratio stood at 37.8% at end-2012 according to Basel II criteria.

Banque Libano-Française posts profits of \$76.4m in first nine months of 2013

Banque Libano-Française sal, one of Lebanon's top 10 banks, posted unaudited consolidated net profits of \$76.4m in the first nine months of 2013, constituting an increase of 26.8% from the same period last year. Net operating income rose by 11.8% year-on-year to \$176.7m, with net interest income increasing by 2% to \$126.1m and net fees & commissions receipts rising by 4.4% to \$30m. Non-interest income accounted for 31.4% of total income, down from 31.7% in the first nine months of 2012; with net fees & commissions accounting for 49.2% of non-interest earnings. Further, the bank's interest margin was 1.74% in the first nine months of 2013 relative to 1.69% in same period of 2012; while its net spread increased to 1.69% from 1.64% in the same period last year. Total operating expenditures grew by 4.5% year-on-year to \$91.2m in the first nine months of 2013, with staff expenses increasing by 3.3% to \$53.4m. Also, the bank's return on average assets reached 0.97% at in September 2013 on an annualized basis, relative to 0.79% a year earlier; while its return on average equity was 11.68% on an annualized basis relative to 9.82% in September 2012. The bank's cost-to-income ratio dropped to 46.9% in the first nine month of 2013 relative to 47.6% in the same period last year.

In parallel, total assets reached \$10.54bn at end-September 2013, constituting a 2.8% rise from end-September 2012 and an increase of 0.8% rise from end-2012, while loans & advances to customers, excluding loans & advances to related parties, rose by 4.4% year-on-year and by 5.1% from end-2012 to \$3.5bn. Also, customer deposits, excluding deposits from related parties, totaled \$9bn at end-September, constituting an increase of 3.3% from a year earlier and a growth of 2.4% from end-2012. The loans-to-deposits ratio rose to 39% at end-September 2013 from 38.6% a year earlier.

Beirut Life's net profits at \$1.6m in 2012

Beirut Life sal declared net profits of \$1.6m in 2012, constituting an increase of 177.9% from \$0.6m in 2011. Its audited balance sheet shows total assets of \$6.9m at end-2012, up 79% from \$3.9m at end-2011. On the assets side, general company investments totaled \$6m and increased by 107% from end-2011. They included \$0.6m in fixed income investments; \$5.1m in cash & cash equivalents; as well as \$0.3m in blocked bank deposits and deposits with maturity of more than three months that were blocked in favor of the Economy Ministry as guarantees. Also, reinsurance share in technical reserves for the life category amounted to \$56,019, constituting a decrease of 23.3% from end-2011.

On the liabilities & shareholder equity's side, technical reserves for the life segment increased by 251.6% year-on-year to \$1.7m at end-2012. Life technical reserves included mathematical reserves of \$1.5m that rose by 322%, outstanding claims reserves of \$0.2m that increased by 64.6%, and \$6,633 in reserves incurred but not reported that dropped by 9.1% year-on-year. Shareholders' equity totaled \$4.6m at end-2012, up 53.2% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Beirut Life in 12h place in 2012 in terms of life premiums. The firm's life premiums reached \$5.8m, constituting an increase of 324.1% from a year earlier, while it had a 1.5% share of the local life market. The firm is owned by Bank of Beirut.

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	Mar 2012	Feb 2013	Mar 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	Mar 2012	Feb 2013	Mar 2013	Change*	Risk Level
Political Risk Rating	60.5	58.6	58.6	▼	High
Financial Risk Rating	42.1	41.6	41.5	▼	Very Low
Economic Risk Rating	37.3	36.3	36.4	▼	Low
Composite Risk Rating	69.9	68.2	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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