



LEBANON THIS WEEK

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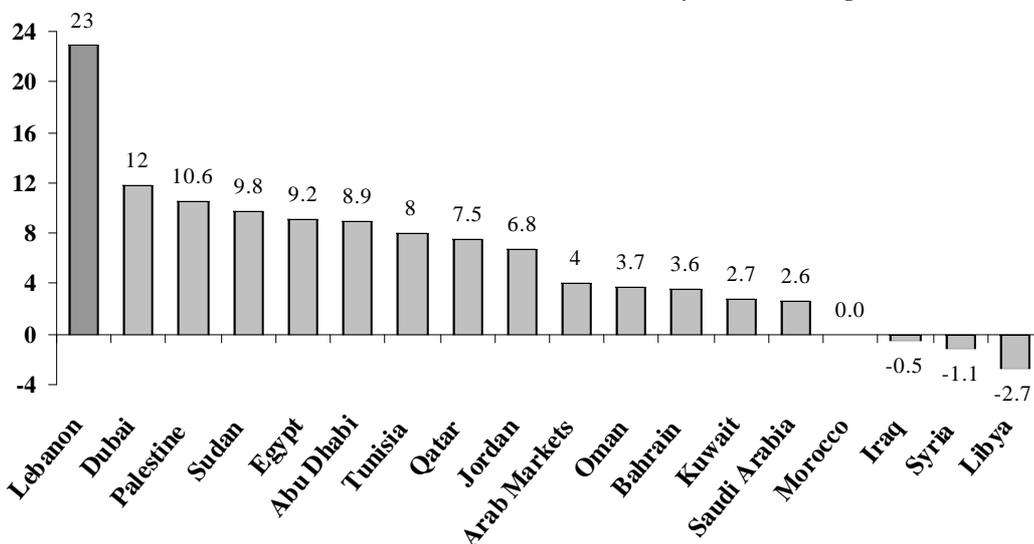
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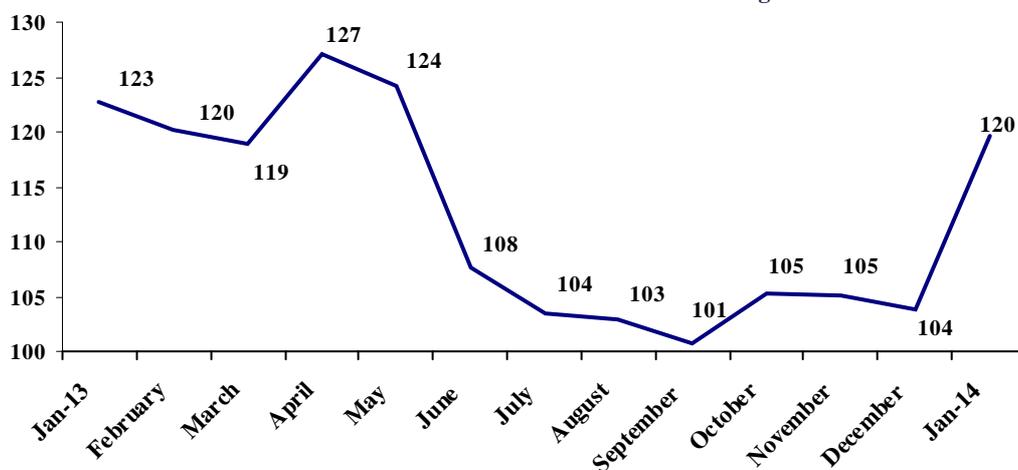
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Charts of the Week

Performance of Arab Stock Markets in January 2014 (% 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 deep-seated structural issues facing the Lebanese economy would weigh on the prospects for a quick return to high and sustainable growth in the months ahead."

The Institute of International Finance, on the outlook of the economy in light of the lack of structural reforms

Number of the Week

-3.2%: Gap between Lebanon's actual and potential real GDP growth rates in 2014, according to the World Bank

Economic Indicators

\$m (unless otherwise mentioned)	2012	Oct 12	Jul 13	Aug 13	Sep 13	Oct 13	% Change*
Exports	4,486	440	260	279	288	391	(11.14)
Imports	21,281	1,774	1,718	1,828	1,565	1,757	(0.96)
Trade Balance	(16,795)	(1,334)	(1,438)	(1,549)	(1,277)	(1,366)	2.40
Balance of Payments	(1,538)	(97)	(575)	(223)	504	(794)	718.56
Checks Cleared in LBP	14,976	1,353	1,513	1,354	1,473	1,516	12.05
Checks Cleared in FC	56,044	4,732	4,938	4,495	4,513	4,698	(0.72)
Total Checks Cleared	69,787	6,085	6,451	5,849	5,986	6,214	2.12
Budget Deficit/Surplus	(3,925)	(617.49)	(171.51)	(551.43)	(668.16)	(228.92)	(62.93)
Primary Balance	(109.87)	(215.20)	82.10	(382.69)	(262.33)	233.07	-
Airport Passengers	5,960,414	473,046	581,605	727,086	539,297	524,741	10.93

\$bn (unless otherwise mentioned)	Dec 2012	Oct 12	Jul 13	Aug 13	Sep 13	Oct 13	% Change*
BdL FX Reserves	29.97	29.46	31.27	31.00	32.03	31.86	8.13
<i>In months of Imports</i>	<i>16.02</i>	<i>16.61</i>	<i>18.20</i>	<i>16.96</i>	<i>20.47</i>	<i>18.13</i>	<i>9.18</i>
Public Debt	57.69	56.64	60.23	60.50	62.39	62.44	10.24
Net Public Debt	49.12	48.38	51.14	51.74	52.15	52.50	8.50
Bank Assets	151.88	149.38	157.81	158.56	159.26	160.63	7.53
Bank Deposits (Private Sector)	125.00	122.60	131.18	131.38	131.26	132.10	7.75
Bank Loans to Private Sector	43.45	42.76	45.17	45.57	45.88	46.50	8.75
Money Supply M2	43.62	42.31	44.18	44.42	44.49	44.72	5.69
Money Supply M3	104.71	102.43	107.33	108.28	108.49	109.02	6.44
LBP Lending Rate (%)	7.47	7.31	7.13	7.24	7.36	7.59	28b.p
LBP Deposit Rate (%)	5.46	5.43	5.43	5.47	5.37	5.44	1b.p
USD Lending Rate (%)	7.05	7.15	7.02	7.16	6.95	6.85	(30b.p)
USD Deposit Rate (%)	2.94	2.87	2.89	2.91	2.91	2.94	7b.p
%* Change in CPI**	3.66	7.75	3.15	3.81	4.81	5.04	(271b.p)

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

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

Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	13.27	(0.97)	136,102	12.01%
Solidere "B"	13.10	(1.28)	48,003	7.71%
Byblos Common	1.64	0.61	381,044	5.34%
Byblos Pref. 08	101.50	0.00	0	1.84%
Byblos Pref. 09	101.50	0.00	0	1.84%
BLOM GDR	8.85	0.11	64,500	5.92%
BLOM Listed	8.50	0.00	3,800	16.54%
Audi GDR	6.43	(1.08)	1,000	5.96%
Audi Listed	6.40	0.00	21,000	20.26%
HOLCIM	15.00	(5.63)	50	2.65%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr. 2014	7.375	101.19	1.15
Jan. 2015	5.875	102.00	3.70
Apr. 2015	10.00	107.38	3.76
Jan. 2016	8.500	107.75	4.32
Mar. 2017	9.000	111.88	4.86
Nov. 2018	5.150	98.88	5.42
Apr. 2021	8.250	112.00	6.16
Nov. 2026	6.600	99.63	6.64

Source: Byblos Bank Capital Markets

	Jan 27-31	Jan 20-24	% Change	Jan 2014	Jan 2013	% Change
Total Shares Traded	714,590	1,247,777	(42.73)	3,299,492	2,975,129	10.90
Total Value Traded	\$6,250,973	\$12,213,067	(48.82)	\$33,310,730	\$15,350,339	117.0
Market Capitalization	\$11.05bn	\$11.06bn	(0.09)	\$11.05bn	\$10.85bn	1.80

Source: Beirut Stock Exchange (BSE)



Lebanon's net wealth per adult at \$31,000, two-thirds of population has net wealth below \$10,000

Global investment bank Credit Suisse estimated the net wealth per adult in Lebanon at \$30,868 at end-June 2013, down 1.5% from \$31,323 at end-June 2012 and relative to a peak of \$35,615 at the end of 2007. Lebanon's net wealth per adult grew at a CAGR of 4.1% from \$20,414 at end-2000 to \$31,641 at end-2011. It was the 49th highest globally, the fifth highest among UMICs and the seventh highest among Arab countries at end-June 2013. Credit Suisse defines the net wealth per adult as the sum of a person's marketable value of financial and non-financial assets, with the latter including mainly real estate holdings, less aggregate personal debt. Credit Suisse provided annual data for the period between 2000 and 2011, and semi-annual figures for each of 2012 and 2013.

Globally, Lebanon's net wealth per adult was higher than that of Libya (\$28,397), Hungary (\$28,379) and Costa Rica (\$28,124), and lower than that of Estonia (\$33,701), Samoa (\$34,537) and Mexico (\$35,872). It was lower than only that of the Seychelles (\$60,003), Mauritius (\$37,308), Turkmenistan (\$36,570) and Mexico (\$35,872) among UMICs. Regionally, it was lower than only that of Qatar (\$153,294), the UAE (\$126,791), Kuwait (\$119,101), Oman (\$48,415), Bahrain (\$44,822), and Saudi Arabia (\$37,346).

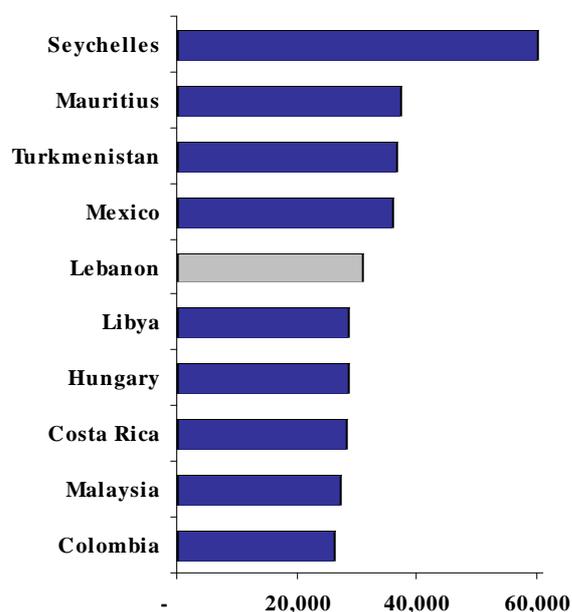
Lebanon's financial assets per adult stood at \$21,764 at the end of June 2013, almost unchanged from a year earlier and compared to a peak of \$24,103 at the end of 2007. It grew at a CAGR of 4.9% from \$12,875 at the end of 2000 to \$21,863 at the end of 2011. Lebanon's financial wealth per adult was the 41st highest globally at end-June 2013, the second highest among UMICs and the sixth highest among Arab countries. Globally, it was higher than that of Saudi Arabia (\$19,652), Mauritius (\$18,529) and Malaysia (\$17,726), and lower than that of Oman (\$22,219), the Seychelles (\$23,212) and Estonia (\$23,332). It was lower than only that of the Seychelles among UMICs, while it was less than the financial wealth per adult in Qatar (\$99,415), the UAE (\$83,377), Kuwait (\$64,918), Bahrain (\$29,422) and Oman among Arab countries.

Lebanon's non-financial assets per adult stood at \$18,962 at the end of June 2013, up 3.4% from \$18,340 a year earlier and compared to a peak of \$20,930 at the end of 2010. It grew at a CAGR of 3.8% from \$11,971 at the end of 2000 to \$18,039 at the end of 2011. It was the 55th highest globally, the 10th highest among UMICs and the eighth highest among Arab countries at end-June 2013. Globally, it was higher than that of Montenegro (\$18,081), Poland (\$17,919) and Hungary (\$17,380), and lower than that of Estonia (\$21,282), Dominica (\$20,761) and Slovakia (\$19,121). It was lower than that of the Seychelles (\$40,272), Turkmenistan (\$30,817), Mauritius (\$23,868), Turkey (\$23,485), Libya (\$23,239), Colombia (\$22,593), Costa Rica (\$21,657), Mexico (\$21,469) and Dominica (\$20,761) among UMICs. Regionally, it was lower than that of the UAE (\$86,320), Kuwait (\$77,815), Qatar (\$72,531), Bahrain (\$32,408), Oman (\$31,075), Saudi Arabia (\$23,556) and Libya.

Further, Lebanon's debt per adult reached a peak of \$9,858 at the end of June 2013, up 12.6% from \$8,754 a year earlier. It grew at a CAGR of 5.8% from \$4,432 at the end of 2000 to \$8,261 at the end of 2011. It was the 37th highest globally, the highest among UMICs and the fifth highest among Arab countries at end-June 2013. Globally, it was higher than that of the Czech Republic (\$8,396), Chile (\$8,129) and Croatia (\$7,373), and lower than that of Slovenia (\$9,950), Estonia (\$10,913) and Bahrain (\$17,007). Regionally, it was lower than that of the UAE (\$42,907), Kuwait (\$23,631), Qatar (\$18,652) and Bahrain.

In parallel, Credit Suisse indicated that 66.8% of adult Lebanese had a net wealth below \$10,000 as at end-June 2013, 29.8% have a net wealth between \$10,000 and \$100,000, 3.2% of Lebanese have a total net wealth between \$100,000 and \$1m, and 0.3% of Lebanese have a total net wealth that exceeds \$1m.

Net Wealth Per Adult in Top 10 UMICs (US\$)



Source: Credit Suisse, Byblos Research

More adults would like to leave Lebanon than move in

Figures released by opinion polling and consulting firm Gallup show that the Potential Net Migration Index (PNMI) in Lebanon was -4% during the 2010-12 period, compared to a global average of 13% and an average of 4% for the Middle East & North Africa region. Gallup defines the PNMI as the estimated number of adults who say that they would like to move permanently out of a country if the opportunity arose, subtracted from the estimated number of individuals who say that they would like to move into it, as a proportion of the total adult population. In the case of Lebanon, if all adults who desire to move in and out of Lebanon did so, Lebanon's adult population would decline by about 4%.

Lebanon's PNMI shifted from +15% during the 2007-09 period, and was among 21 countries worldwide and three countries in the MENA region to post substantial decreases in their PNMI. Lebanon posted the ninth steepest decline globally, similar to the decline in Greece's PNMI but not as steep as the contraction in the PNMI of Singapore (-99 percentage points), New Zealand (-50 percentage points), Canada (-40 percentage points), Ireland (-33 percentage points), Spain (-31 percentage points), Armenia (-28 percentage points), and France and Portugal (-22 percentage points each). Regionally, only Egypt and Syria posted significant declines in their PNMI as Egypt's PNMI worsened from -8% during the 2007-09 period to -13% during the 2010-12 period, while Syria's index deteriorated from -17% to -27%.

Also, Lebanon was among 110 countries globally to post a negative PNMI during the 2010-12 period, while it was among 30 countries that had a positive PNMI during the 2007-09 period. Lebanon's PNMI was the fifth lowest among countries that have a negative PNMI, similar to that of the Czech Republic, Montenegro, India and Uzbekistan, and higher than that in Uruguay (-1%), Jordan and Indonesia (-2% each), and Turkmenistan (-3%). Regionally, it was only higher than Jordan's index. In comparison, Lebanon's PNMI was the 21st highest globally during the 2007-09 period and the highest in the MENA region. The results are based on aggregate responses from multiple surveys based on telephone and face-to-face interviews that were conducted in 154 countries and territories from 2010 to 2012.

Trade deficit up 3% to \$17.3bn in 2013

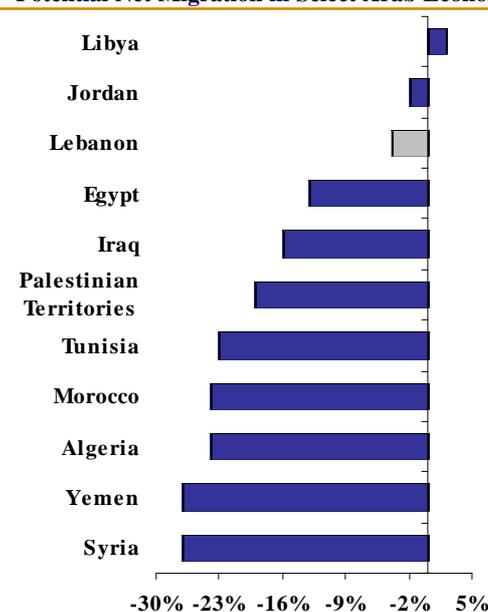
Total imports reached \$21.2bn in 2013, almost unchanged from the previous year; while aggregate exports fell by 12.2% to \$3.9bn, leading to a trade deficit of \$17.3bn, up 3% year-on-year. The deficit in 2013 reflects mainly a decline of \$547.2m in exports and a drop of \$51.3m in imports. The coverage ratio reached 18.5% in 2013 compared to 21.1% in 2012, while it reached 13.5% in December 2013 relative to 20.4% in December 2012. The value of imported oil & mineral fuels fell by 15.3% year-on-year to \$5.1bn, and that of non-hydrocarbon imports rose by 5.7% to \$16.1bn. Imported oil & mineral fuels accounted for 24.1% of total imports in 2013 compared to a share of 28.4% in 2012.

In volume terms, imports reached 15.9 million tons in 2013, constituting an increase of 1.6% from 2012; while exports posted a 6.7% rise to 2.8 million tons, leading to a trade deficit of 13.1 million tons in 2013, up by a marginal 0.5% year-on-year. Imports of oil & mineral fuels fell by 13.4% year-on-year to 7 million tons, while non-hydrocarbon imports increased by 17.8% annually to 8.8 million tons. Imported oil & mineral fuels accounted for 44.4% of total imports in 2013 compared to a share of 52.1% in 2012.

China was the main source of imports with \$2.3bn or 10.8% of the total in 2013, followed by Italy with \$1.8bn (8.4%), France with \$1.53bn (7.2%), the United States with \$1.50bn (7.1%), Germany with \$1.2bn (5.9%), Turkey with \$1.1bn (5.3%) and Russia with \$901m (4.2%). Imports from Russia surged by 113% annually, those from China grew by 28.8%, those from Turkey increased by 17.5% and those from Germany rose by 3.3%; while imports from the United States dropped by 36.8%, those from Italy fell by 2.2% and imports from France declined by 0.4%. Syria was the main export destination with \$523.6m or 13.3% of the total, followed by South Africa with \$397.9m (10.1%), Saudi Arabia with \$346.9m (8.8%), the UAE with \$331.7m (8.4%), Iraq with \$272.3m (6.9%), Turkey with \$182.8m (4.6%) and Switzerland with \$174.7m (4.4%). Exports to Syria surged by 77.9% year-on-year in 2013, those to Iraq grew by 28.8% and those to Turkey increased by 16.3%, while exports to Switzerland dropped by 68.1%, those to South Africa fell by 54%, those to the UAE decreased by 5.8%, and those to Saudi Arabia dropped by 3.4%.

Lebanon's main export was jewelry at \$769.7m or 19.6% of the total, followed by base metals with \$527.2m (13.4%), machinery & mechanical appliances with \$506.5m (12.9%), prepared foodstuff with \$452.6m (11.5%), mineral products with \$356.6m (9.1%), and chemical products with \$329.1m (8.4%). Re-exports totaled \$244m in 2013 compared to \$263m in 2012.

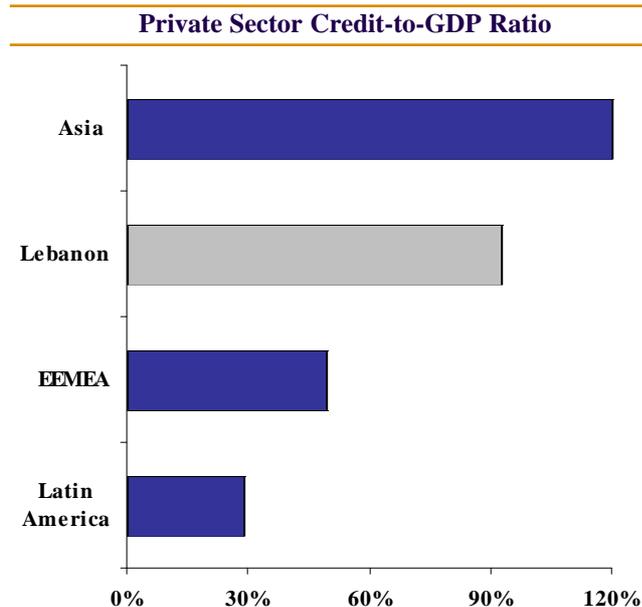
Potential Net Migration in Select Arab Economies



Source: Gallup, Byblos Research

Lebanon has eighth highest credit-to-GDP ratio among emerging markets

Merrill Lynch estimated credit to the resident private sector in Lebanon to be equivalent to 92.8% of GDP at the end of November 2013, higher than the Emerging Europe, the Middle East & Africa region's (EEMEA) ratio of 49.5% of GDP and Latin America's ratio of 29% of GDP, but lower than Asia's ratio of 119.8% of GDP. Lebanon has the eighth highest credit-to-GDP ratio among 53 emerging markets, the second highest such ratio in the EEMEA region behind Greece (116.5% of GDP) and the highest ratio among 12 Arab countries. Also, Merrill Lynch estimated the ratio of non-performing loans-to-gross loans in the Lebanese banking sector at 3.8%, lower than the EEMEA's NPL ratio of 7.3%, but higher than Latin America's NPL ratio of 2.4% and Asia's ratio of 1.8%. The Lebanese banking sector has the 23rd lowest NPLs ratio among 51 banking sectors, the seventh lowest ratio in the EEMEA region and the fourth lowest among Arab countries. Further, Merrill Lynch estimated money supply in Lebanon to be equivalent to 253% of GDP, significantly higher than Asia's ratio of 141.6% of GDP, the EEMEA's ratio of 48.3% of GDP and Latin America's rate of 42.8% of GDP. Also, Lebanon has the second highest level of money supply relative to its GDP among 55 emerging markets, behind only Hong Kong where money supply is equivalent to 456.2% of GDP.



Source: Merrill Lynch, November 2013

In parallel, Merrill Lynch noted that foreign claims reported to the Bank of International Settlement (BIS) against Lebanese banks are equivalent to 3.5% of GDP, similar to the ratio in Iraq and Qatar, higher than the EEMEA's ratio of 2.6% of GDP and that in Latin America of 2.2% of GDP, but lower than Asia's ratio of 4.8% of GDP. The Lebanese banking sector has the 24th highest ratio of foreign claims of BIS-reporting banks among 56 banking sectors, the 15th highest ratio in the EEMEA region and the fourth highest in the Arab world. Further, it estimated annual private sector credit growth in Lebanon at 9.7% based on year-on-year three-month moving average, which is higher than the EEMEA's rate of 6.7%, but lower than Latin America's growth rate of 16.8% and Asia's rate of 12.6%. Also, Lebanon had the 27th highest level of annual private sector credit growth among 52 emerging markets, the 13th highest in the EEMEA region, and the fourth highest rate among Arab countries.

Merrill Lynch estimated the capital-to-assets ratio of the Lebanese banking sector at 8.1%, similar to the ratio in Morocco, and lower than the EEMEA's ratio of 11.6%, Latin America's ratio of 10.4% and Asia's ratio of 9%. The Lebanese banking sector has the 10th lowest capital-to-assets ratio among 48 banking sectors, the seventh lowest such ratio in the EEMEA region and the second lowest one among Arab countries. Also, it estimated the capital adequacy ratio of the Lebanese banking sector at 11.6%, lower than the EEMEA's ratio of 17%, Latin America's ratio of 16% and Asia's ratio of 16.3%.

Customs receipts down 4% to \$1.5bn in 2013

Figures released by the Customs Directorate indicate that customs revenues reached \$1.5bn in 2013, constituting a decrease of 4% from \$1.56bn in 2012. The Port of Beirut continues to be the main point of customs receipts, as it accounted for 88.2% of the total in 2013, and was followed by the Hariri International Airport with 7.7%, the Port of Tripoli with 3.1%, the Masnaa crossing point with 0.5%, the Port of Saida with 0.4% and the Port of Tyre with 0.2%.

Customs receipts from the value-added tax totaled \$1.4bn in 2013, down 3.2% from \$1.5bn in 2012. The Port of Beirut accounted for 81.8% of such receipts, and was followed by the Hariri International Airport with 11.4%, the Port of Tripoli with 4%, the Masnaa crossing point with 2%, the Port of Saida with 0.6%, the Port of Tyre and the crossing points of Abboudieh and Arida with 0.1% each. As such, overall customs receipts reached \$2.9bn in 2013, with the Port of Beirut accounting for 85.1% of the total, followed by the Hariri International Airport with 9.5%, the Port of Tripoli with 3.5%, and the Masnaa crossing point with 1.2%. In addition, other entry points represented the balance, with the port of Saida accounting for 0.5% and the Port of Tyre for 0.1%.

Construction permits down 12% in 2013

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits issued in 2013 reached 12.9 million square meters, constituting a decrease of 12% year-on-year, compared to a drop of 10.8% in 2012 and a decline of 6.6% in 2011. Mount Lebanon accounted for 6.1 million square meters or 46.9% of total construction permits last year. It was followed by the North with 2.5 million square meters (19.5%), South Lebanon with 1.4 million square meters (10.7%), the Bekaa with 1.3 million square meters (10.3%), Nabatieh with one million square meters (7.8%), and Beirut with 615,050 square meters (4.8%). In parallel, cement deliveries totaled 5.5 million tons in the first 11 months of 2013 and increased by 10.4% annually relative to a decrease of 3.2% in the same period of 2012 and an increase of 5.7% in the first 11 months of 2011.



New industrial licenses up 19% in 2013

Figures released by the Ministry of Industry show that the ministry issued 415 new licenses for industrial establishments in 2013, constituting an increase of 18.9% from 349 licenses in 2012. The ministry issued 210 licenses in the first half of 2013, up 16.6% from 180 in the same period of 2012, and 205 licenses in the second half of last year, up by 21.3% from 169 in the same period of the preceding year. The ministry granted 26 licenses in January 2013, 13 in February, 44 in March, 41 in April, 30 in May, 56 in June, 22 in July, 38 in August, 39 in September, 36 in October, 29 in November and 41 licenses in December 2013. Construction & investment licenses accounted for 31.1% of new licenses last year, followed by construction licenses with 30.4%, and licenses for the transfer of previously-acquired licenses with 20%.

Further, Mount Lebanon attracted 240 new licenses in 2013, or 57.8% of the total, followed by the Bekaa with 65 (15.7%), South Lebanon with 39 licenses (9.4%), North Lebanon with 35 licenses (8.4%), Nabatieh with 26 (6.3%) and Beirut with 10 (2.4%). Also, the food processing sector accounted for 109 licenses, or 26.3% of the total, followed by construction materials with 69 licenses (16.6%), metal products & electrical appliances with 38 licenses (9.2%), primary metals with 29 licenses (7%), the chemicals industry with 27 licenses (6.5%), mining & quarrying products with 25 licenses (6%), rubber & plastics with 24 licenses (5.8%) and the furniture & wood industry with 22 licenses (5.3%).

Industrial exports up 6% to \$2.9bn in first 11 months of 2013

Figures released by the Ministry of Industry show that industrial exports totaled \$2.86bn in the first 11 months of 2013, constituting an increase of 6.4% from \$2.7bn in the same period of 2012. Industrial exports reached \$219.5m in November 2013, up by 0.4% from \$218.7m in October 2013 and down 10% from \$244m in November 2012. Base metals & articles of base metals accounted for \$496.6m, or 17.4% of total industrial exports in the first 11 months of the year, followed by machinery and mechanical appliances with \$470.5m (16.4%), and prepared foodstuffs with \$407.7m (14.2%). Arab countries accounted for 57.9% of total industrial exports in November, followed by African economies with 15.3%, Asian countries with 11.8% and European countries with 10.2%. In parallel, industrial imports reached \$280.1m in the first 11 months of the year, up 6.6% from \$262.8m in the same period of 2012. Italy was the main source of such imports and accounted for 22.5% of the total. It was followed by Germany with 15.8% and China with 15.1%. Further, imports of industrial equipment and machinery reached \$15.8m in November 2013, down by about 32.4% from \$23.4m in the same month in 2012. Italy was the main source of imports of industrial equipments and accounted for 26.6% of total industrial imports during the covered month, followed by China with 17.1% and Germany with 8.9%.

Byblos Bank's profits at \$157m in 2013, primary liquidity at 63% of deposits

Byblos Bank sal, one of the top 3 banking and financial services groups in Lebanon, declared consolidated net profits of \$157.1m in 2013 relative to \$167.3m in 2012. Net interest income reached \$238.1m compared to \$259.1m in the previous year; while net fees & commission income stood at \$90.8m relative to \$88m in 2012. Net operating income reached \$396.3m last year compared to \$412.9m in 2012. The Bank's cost-to-income ratio was 46.1% in 2013 relative to 45.9% in the previous year.

Total assets reached \$18.5bn at end-2013, constituting a rise of 8.6% from the end of 2012; while net loans & advances to customers grew by 9.5% year-on-year to \$4.5bn at end-2013. Net loans & advances to related parties stood at \$12.3m at end-2013, up by 17.3% from end-2012. The Bank allocated \$57.3m in provisions for credit losses during 2013 that consist of \$39.8m in specific provisions and \$17.5m in collective provisions. The Bank's net non-performing loans, which represent NPLs net of specific provisions and reserved interest, reached 1% of net loans at the end of 2013, all of which are fully covered when collective provisions are taken into account. Also, the NPLs' coverage ratio reached 118% when accounting for specific and collective provisions and reserved interest. The Bank's capital adequacy ratio stood at 14.74% at end-June 2013 according to Basel III criteria, which is above the 12% minimum regulatory requirement and one of the highest such ratios in the sector.

Customer deposits totaled \$14.7bn and increased by 10.2% from end-2012, of which deposits from related parties reached \$252.9m at end-December. The Bank's primary liquidity, representing dues from central banks and commercial banks, totaled \$9.3bn and was equivalent to 63% of total customer deposits at the end of 2013, which is one of the highest liquidity levels in the Lebanese banking sector. The Bank's total equity reached \$1.67bn at end-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 up 117% to \$33m in January 2014

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 3.3 million shares in January 2014, constituting an increase of 10.9% from the same month in 2012; while aggregate turnover amounted to \$33.3m, up 117% from a turnover of \$15.4m in January 2013. Market capitalization increased by 1.8% from end-January 2013 to \$11bn, of which 77% was in banking stocks, followed by real estate stocks with 19.7%, industrial stocks with 2.9%, and trading stocks with 0.3%. The market liquidity ratio was 0.3% compared to 0.1% in January 2013. Banking stocks accounted for 66% of aggregate trading volume in January 2014, followed by real estate stocks with 33.9% and industrial stocks with 0.1%. Also, banking stocks accounted for 56.5% of the aggregate value of shares traded, followed by real estate stocks with 43.4% and industrial stocks with 0.2%. The average daily traded volume for the month was 173,657 shares for an average daily value of \$1.75m. The figures reflect increases of 22.6% in volume and 139.8% in value year-on-year.

Holcim's net profits down 10% to \$8m in first half of 2013

Cement producer Holcim Liban sal posted net profits of \$8.1m in the first half of 2013, constituting a decrease of 10.4% from \$9.1m in the same period of the previous year. The firm's sales totaled \$88.8m in the first half of last year, down 1.1% from \$89.8m in the same period of 2012. The firm's gross profit margin reached 26.7% in the first half of 2013 relative to 27.2% in the same period of 2012. Holcim's total assets reached \$279.8m at end-June 2013, constituting a decrease of 0.4% from \$280.8m at end-2012; while its shareholders' equity was \$214.9m at end-June 2013 relative to \$206.7m at the end of 2012. The company's total loans and borrowings reached \$9.2m at the end of June, down 4.2% from \$9.6m at end-2012; while its banks' balance and cash rose by 57% from end-2012 to \$24.1m. The firm's current ratio reached 2.32x at end-June 2013, up from 1.74x at end-2012 and from 1.45x at end-June 2012. Total debt to equity ratio reached 4.7% at end-June 2013, down from 6.9% at the end of 2012 and from 12.6% at end-June 2012. Also, the firm's return on assets reached 5.8% on an annualized basis in June 2013 relative to 6.4% in 2012; while its return on equity was 7.6% on an annualized basis in June relative to 8.7% in 2012. The firm is engaged in the production and sale of cement and other related services. Holcim's share price closed at \$15 on January 31, 2014, constituting a decrease of 3.7% from end-2013.

Ciments Blancs' net income up 36% to \$1.6m in first half 2013

Société Libanaise des Ciments Blancs sal, an affiliate of Holcim Liban sal, declared net profits of \$1.6m in the first half of 2013, constituting an increase of 36% from net earnings of \$1.1m in the same period of 2012. The company generated total sales of \$7.1m in the first half last year compared to \$7.5m in the same period of 2012. The firm's gross profit margin reached 34.4% in the first half of 2013 relative to 25.5% in the same period of 2012. Ciments Blancs' total assets reached \$21.4m at the end of June 2013, increasing by 6.2% from \$20.2m at end-2012. Also, total equity reached \$17.6m at end-June 2013 and increased by 9.8% from \$16m at the end of 2012. The firm's current ratio reached 2.58x at end-June 2013, up from 1.91x at end-2012 and from 1.16x at end-June 2012. Also, the firm's return on assets reached 14.57% on an annualized basis in June 2013 relative to 12.67% in 2012; while its return on equity was 17.77% on an annualized basis in June relative to 15.97% in 2012. The price of Ciments Blancs' Bearer shares closed at \$3.5 on January 31, 2014, unchanged from end-2013, while the price of Ciments Blancs' nominal shares closed at \$3.24 on January 31 and remained unchanged year-to-date.

Aggregate profits of listed banks down 6% in 2013

Financial results issued by five banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$968.8m in 2013, constituting a decline of 5.9% from net earnings of \$1bn in 2012. The decline in the banks' profits is due mainly to a 20.6% drop in Bank Audi's profits during the covered year. Further, the banks' aggregate pre-tax profits decreased by 4.2% year-on-year to \$1.18bn in 2013. The banks' net profits reached \$234.5m in the fourth quarter of 2013 compared to \$231.6m in the third quarter, \$262m in the second quarter and \$240.6m in the first quarter of last year. The aggregate net interest income of the five banks reached \$1.64bn in 2013, up 6.3% from \$1.54bn in 2012; while their total net fees and commissions income increased by 1% to \$466.4m year-on-year. Total operating income of the listed banks reached \$2.7bn in 2013, nearly unchanged from the preceding year.

In parallel, the aggregate assets of the five banks increased by 10.9% year-on-year to \$95.87bn at end-2013; while their total loans grew by 22.4% from end-2012 to \$29.78bn. Also, the banks' total deposits rose by 10.8% year-on-year to \$79bn at end-2013. The banks' collective loans to related parties dropped by 39.1% from end-2012 to \$185.9m, while aggregate deposits from related parties rose by 14.3% year-on-year to \$1bn at end-2013.

Also, the five banks' aggregate loans-to-deposits ratio stood at 37.4% at the end of 2013 relative to 34.1% at end-2012. BLOM Bank posted the lowest loans-to-deposits ratio at 28.1% compared to 27.7% at end-2012; followed by Byblos Bank with a ratio of 30.6% relative to 30.8% at end-2012, Bank of Beirut with 36.6% relative to 38.4% a year earlier; Bank Audi with 47.3%, up from 38.9% at end-2012; and Banque BEMO with a ratio of 49.1% at end-2013 relative to 48.7% in the previous year. Further, the banks' collective cost-to-income ratio stood at 47.7% in 2013 and increased from 43.8% in the preceding year. BLOM Bank posted the lowest cost-to-income ratio at 36.8% in the covered year compared to 35.9% at end-2012. It was followed by Byblos Bank with a ratio of 46.1%, relative to 45.9% in the previous year; Bank of Beirut with a 47.5% ratio relative to 46.8% in 2012; Bank Audi with a ratio of 56.1%, up from 46.9% in the preceding year; and Banque BEMO with a 66.8% ratio, down from 70.7% in 2012.

Results of Listed Banks in 2013					
	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$157.1m	\$352.8m	\$304.6m	\$147.9m	\$6.43m
% Change*	(6.1%)	5.0%	(20.6%)	6.4%	73.2%
Total Assets	\$18.49bn	\$26.15bn	\$36.12bn	\$13.63bn	\$1.49bn
% Change**	8.6%	4.4%	15.4%	17.9%	(0.2%)
Loans	\$4.51bn	\$6.34bn	\$14.70bn	\$3.80bn	\$0.61bn
% Change**	9.5%	5.3%	41.0%	9.8%	0.4%
Deposits	\$14.75bn	\$22.57bn	\$31.09bn	\$10.37bn	\$1.25bn
% Change**	10.2%	3.6%	16.0%	15.2%	(0.4%)

*Year-on-year

**Change from end-2012

Group Matelec signs \$37m contract to rehabilitate power stations

The Ministry of Energy & Water signed a \$37m contract with the Lebanese Group Matelec to rehabilitate and improve the operations of 11 power plants across Lebanon. The contract stipulates that Matelec would extend the production capacity of six power plants in Lebanon that are Deir Ammar, Deir Nabouh, Zouk, Zahrani, Tyre, and Bsalim; while it would reinforce five other power plants.

The \$37m contract constitutes the second contract Matelec signed with the ministry. The ministry and Matelec signed a \$108m contract in December 2013 for the purchase and installation of three 220 kilovolt compressed gas-insulated substations for Electricité du Liban in each of the southern suburbs of Beirut, the El-Bahsas area near Tripoli, and in Achrafieh. Both contracts are part of a plan that aims to upgrade the transmission network across Lebanon and raise the country's electricity production. The ministry indicated that it has concluded all the required contracts and estimated that Lebanon's electricity production would increase by 810 Megawatts instead of the initially planned 700 Megawatts, for a total cost of \$1.1bn instead of the originally budgeted \$1.2bn. It anticipated all projects would be completed by 2016. Established in 1974, the Matelec Group specializes in power generation, transmission and distribution and is part of Doumet Electrical Holding, and employs more than 1,000 persons in the Middle East, Africa and Europe.

Insurers' return on assets at 3.4%, return on investment at 4.6% and return on equity at 13.6% in 2012

Figures released by the Insurance Control Commission (ICC) show that the aggregate assets of 52 insurance companies operating in Lebanon reached \$3.7bn at the end of 2012, constituting an increase of 10.5% from \$3.4bn at end-2011. The assets of the top 10 companies totaled \$2.7bn and accounted for 70.9% of aggregate assets. Insurers ranked between the 11th to 20th places had \$656.6m in assets (17.6%), followed by those in 21st to 30th place with \$266.1m (7.1%), and the remaining 22 companies with \$167.1m (4.5%). Insurance companies posted a combined annualized return on assets (ROA) of 3.4% in 2012, a marginal increase from 3.3% in 2011. Also, companies that were ranked in the first 10 spots had an ROA of 3.6% in 2012, firms in the 11th to 20th position posted an ROA of 3.8%, those ranked from 21st to 30th place posted a return of 2.4%, and the remaining 22 firms had an ROA of 0.3%. Further, the aggregate net income of insurance companies reached \$126.1m in 2012, constituting a rise of 12.3% from \$112.3m in 2011. The collective net earnings of the top 10 firms totaled \$94.6m and accounted for 75% of aggregate profits. Insurers ranked between the 11th and 20th place had \$24.7m in profits (19.6%), followed by those ranked in the 21st to 30th place with \$6.3m (5%), and the remaining 22 companies' collective income with \$0.6m (0.4%).

Insurers' cumulative investments reached \$2.7bn in 2012, constituting an increase of 10.4% from \$2.5bn in 2011. The investments of the top 10 firms totaled \$2.1bn in 2012 and accounted for 76.7% of aggregate investments. Firms ranked between the 11th to 20th places had \$411.8m in investments (15.1%), those in the 21st to 30th place with \$125.8m (4.6%), and the remaining 22 firms with \$99.4m (3.6%). The collective return on investments (ROI) of the insurance sector reached 4.6% in 2012, up from 4.5% in 2011. Also, companies ranked in the first 10 spots posted an ROI of 4.5% in 2012, firms in the 11th to 20th position had an ROI of 6%, those ranked from 21st to 30th place posted a return of 5% and the remaining 22 companies had an overall ratio of 0.6%.

In parallel, the shareholders' equity of the insurance sector reached \$925.8m in 2012, constituting a rise of 16.2% from \$797.1m in 2011. The top 10 firms' equity totaled \$561.1m and accounted for 60.6% of aggregate equity. Also, the shareholders' equity of firms ranked between the 11th to 20th places totaled \$217m (23.4%), followed by those ranked in the 21st to 30th place with \$85.5m (9.2%), and the remaining 22 companies with \$62.2m (6.7%). As such, the return on equity (ROE) of the insurance segment posted an annualized rate of 13.6% in 2012, down from 14.1% in 2011. Also, the top 10 ranked companies posted a combined ROE of 16.9%, firms in the 11th to 20th position had a combined ROE of 11.4%, those ranked from 21st to 30th place posted an overall ROE of 7.4% and the remaining 22 firms had a total ROE of 0.9%.

Jordan Ahli Bank's ratings affirmed

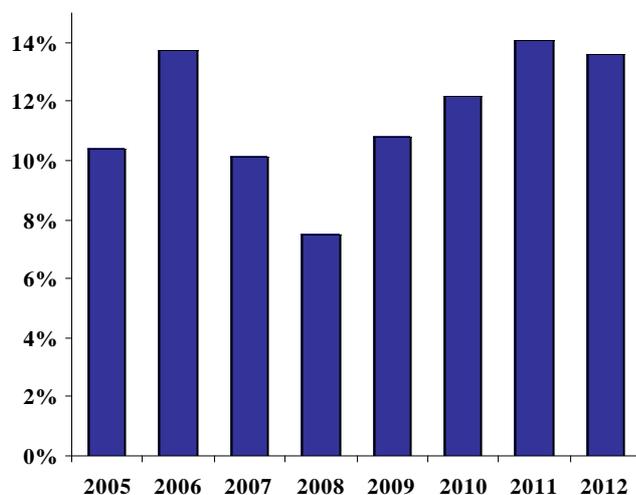
Capital Intelligence (CI) affirmed the Financial Strength Rating (FSR) of Jordan Ahli Bank (JAB) at 'BB' with a 'stable' outlook. It said that the bank's FSR is supported by its high liquidity, its improved loan-loss reserve cover for non-performing loans (NPLs), and the rebound in its capital adequacy ratio (CAR). But it noted that the rating is constrained by the bank's still high NPL ratio, below its peers' average profitability metrics, and the challenging domestic and regional operating environment. Also, CI maintained JAB's long-term foreign currency at 'BB-' with a 'stable' outlook and its short-term foreign currency rating at 'B'.

JAB is Jordan's fourth largest bank in terms of assets. It has a banking subsidiary in Lebanon, Al-Ahli International Bank, which operates nine branches in the country. JAB's major shareholders include the Mouasher family with a 25% stake, followed by Abraaj Capital (11%), Byblos Bank (10.3%) and Jordan Investor Centre, part of the Mouasher group of companies (6%). The bank's aggregate assets stood at JD2.6 billion, equivalent to \$3.7bn at the end of June 2013; while its total capital amounted to JD280m, equivalent to \$395m.

The agency anticipated that NPLs would increase in the near-term given the ongoing elevated credit risk in the Jordanian economy and the difficult regional geopolitical environment. But it considered that JAB's adequate operating profitability continues to provide a moderate degree of flexibility to build the necessary provisions.

Further, it said that JAB's sources of income are diversified and continue to support good levels of gross income generation. But it noted that the bank's large cost base and sustained provisioning have weighed on its profitability ratios, and resulted in a lower than the sector's return on average assets ratio. It pointed out that the bank has restored the CAR to the minimum statutory requirement. But it noted that the bank's capital-to-assets ratio remains below the sector's average, while its generous dividend policy continues to limit internal capital generation. It indicated that the bank has a strong liquidity position, as is the case with other Jordanian banks, reflecting the relatively low share of loans in total assets and a strong customer deposit base.

Return on Equity of Insurance Companies in Lebanon



Source: Insurance Control Commission, Byblos Research

Ratio Highlights

(in % unless specified)	2011	2012	2013	Change*
Nominal GDP (\$bn)	40.1	42.5	44.3	
Public Debt in Foreign Currency / GDP	52.2	57.4	61.1	370
Public Debt in Local Currency / GDP	81.6	78.4	82.7	430
Gross Public Debt / GDP	133.9	135.7	143.9	820
Total Gross External Debt / GDP	169.0	169.9	172.7	280
Trade Balance / GDP	(34.7)	(34.6)	(32.8)	180
Exports / Imports	27.9	27.6	27.0	(60)
Fiscal Revenues / GDP	23.3	22.1	20.9	(120)
Fiscal Expenditures / GDP	29.1	31.4	32.1	70
Fiscal Balance / GDP	(5.9)	(9.3)	(11.2)	(190)
Primary Balance / GDP	4.1	(0.3)	(2.5)	(220)
Gross Foreign Currency Reserves / M2	79.2	69.4	70.6	120
M3 / GDP	242.5	244.7	248.9	420
Commercial Banks Assets / GDP	350.6	357.4	367.6	1,020
Private Sector Deposits / GDP	288.6	294.1	302.3	820
Private Sector Loans / GDP	98.2	102.2	106.4	420
Private Sector Deposits Dollarization Rate	65.9	64.8	65.7	90
Private Sector Lending Dollarization Rate	78.4	77.6	76.5	(110)

* Change in basis points 12/13

Source: Institute of International Finance, Association of Banks in Lebanon, International Monetary Fund, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	May 2012	Apr 2013	May 2013	Change*	Risk Level
Political Risk Rating	55.0	53.0	53.0	▼	High
Financial Risk Rating	35.0	35.0	33.5	▼	Moderate
Economic Risk Rating	34.0	34.0	28.5	▼	High
Composite Risk Rating	62.0	61.0	57.5	▼	High

Regional Average	May 2012	Apr 2013	May 2013	Change*	Risk Level
Political Risk Rating	59.8	58.6	58.5	▼	High
Financial Risk Rating	41.8	41.5	41.2	▼	Very Low
Economic Risk Rating	37.4	36.3	36.4	▼	Low
Composite Risk Rating	69.5	68.2	68.0	▼	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	B1		Negative
Fitch Ratings	B	B	Negative	B		Negative
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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