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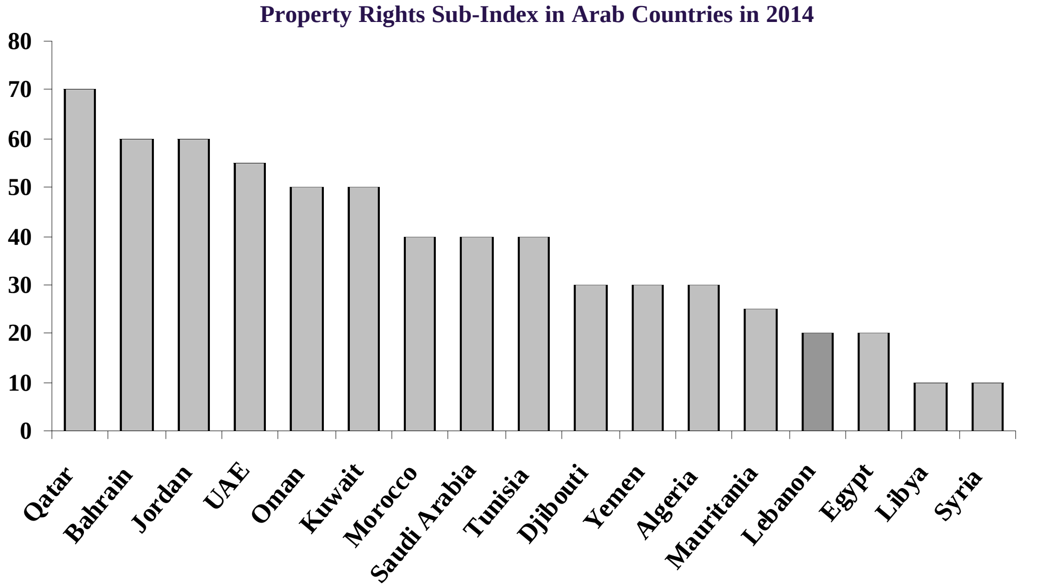
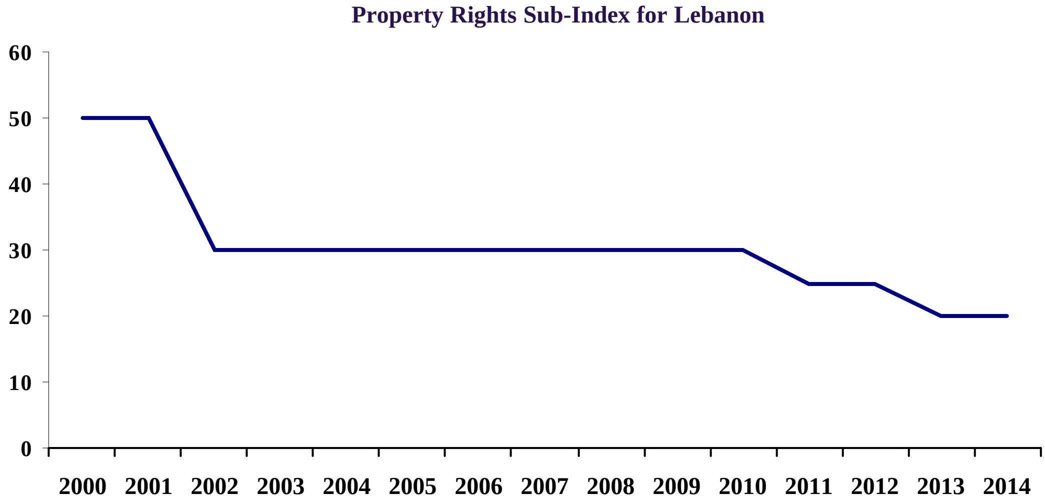
LEBANON THIS WEEK

In This Issue

Charts of the Week





Source: Heritage Foundation/Wall Street Journal, Byblos Bank

Quote to Note

"The solid and liquid financial system continues to mitigate risks."

Merrill Lynch, on the stabilizing role of the Lebanese banking system

Number of the Week

315: Number of days that were needed to form the new national unity Cabinet

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
In months of Imports	*16.02*	*16.61*	*18.20*	*16.96*	*20.47*	*18.13*	*9.18*
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"	13.01	1.56	61,724	11.81%
Solidere "B"	12.82	0.23	10,155	7.56%
Byblos Common	1.65	0.61	177,548	5.38%
Byblos Pref. 08	101.50	0.00	0	1.84%
Byblos Pref. 09	101.50	0.00	0	1.84%
BLOM GDR	8.90	0.00	10,000	5.97%
BLOM Listed	8.50	0.00	405,236	16.59%
Audi GDR	6.60	0.00	500	6.14%
Audi Listed	6.37	0.95	32,120	20.22%
HOLCIM	14.50	0.00	0	2.57%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Apr. 2014	7.375	100.95	1.12
Jan. 2015	5.875	102.00	3.61
Apr. 2015	10.00	107.50	3.47
Jan. 2016	8.500	107.63	4.31
Mar. 2017	9.000	112.00	4.77
Nov. 2018	5.150	99.25	5.33
Apr. 2021	8.250	112.50	6.07
Nov. 2026	6.600	99.75	6.63

Source: Byblos Bank Capital Markets

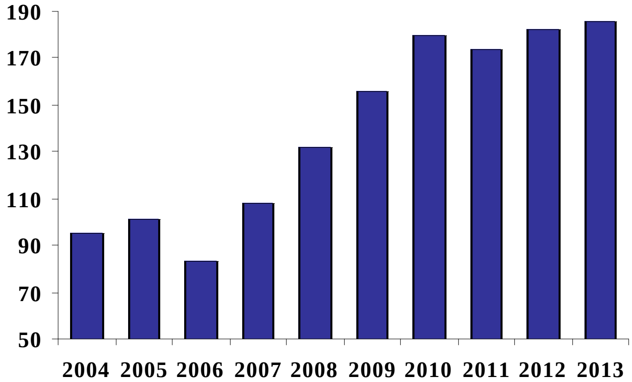
	Feb 10-13	Feb 3-7	% Change	Jan 2014	Jan 2013	% Change
Total Shares Traded	699,783	1,506,692	(53.56)	3,299,497	2,975,129	10.90
Total Value Traded	$5,209,540	$14,148,497	(63.18)	$33,310,730	$15,350,339	117.0
Market Capitalization	$11.02bn	$10.97bn	(0.44)	$11.05bn	$10.85bn	1.80

Source: Beirut Stock Exchange (BSE)

Advertising spending in Lebanon up 2% to $186m in 2013

The annual survey of the advertising market in the Arab world by *ArabAd* magazine and research firm IPSOS-STAT shows that real advertising expenditures in Lebanon totaled $185.5m in 2013, constituting a rise of 1.9% from $182m in 2012 and compared to an increase of 4.5% in 2012, a contraction of 3% in 2011 and increases of 15.4% in 2010 and 18.5% in 2009. Television attracted $75m, or 40.4% of advertising expenditures, followed by outdoor billboards with $46m (24.8%), newspapers with $30m (16.2%), radio and magazines with $14m each (7.5% each), online with $5.5m (3%) and cinemas with $1m (0.5%). Online advertising rose by 22% last year, outdoor billboard ads increased by 7%, TV ads improved by 5.6% and radio ads grew by 3.7%; while magazines ads regressed by 12.5% and newspapers ads contracted by 9.1%. Cinema ads remained unchanged year-on-year.

Real Advertising Expenditures in Lebanon ($m)



Source: ArabAd, Byblos Research

Solvid was the biggest individual spender on advertising in Lebanon, followed by Transmed, Vincenti & Fils, Nestlé, Khalil Fattal & Fils, L'Oréal Liban, Darwichi Co., Abi Ramia Brothers, BankMed, and Michel Najjar Est. Rasamny-Younis Motor Co. was the biggest spender on outdoor billboard ads last year, Solvid was the largest spender on TV ads, Le Charcutier spent the most on Radio ads, BankMed was the biggest spender on press ads and Samsung was the largest spender on cinema ads. Further, Buzz was the top advertised brand in all media, followed by XXL, Super Star Medicines, BankMed, Banque Libano-Française, Nescafé, Jane Nassar, Freez, Moukarzel jewelry and BLOM Bank. Samsung was the top advertised brand in cinemas and on outdoor billboards, BankMed was the most advertised in the press, Buzz was the top advertised brand on television and Le Charcutier was the most frequently promoted item on radio.

According to IPSOS-STAT, monitored advertising expenditures in Lebanon reached $1.5bn in 2013, up 21% from $1.23bn in 2012. Lebanon's monitored advertising expenditures accounted for 7.4% of total spending in Arab countries, the fifth highest such share. It said the discrepancy between monitored rates and actual figures continues, as monitored rates are 8 times larger than real advertising expenditures. It attributed this trend to big client discounts, inflated rate cards, big barter deals, as well as to a lack of transparency in the industry in reporting earnings. It noted that monitored ad spending on TV are 15.5 times larger than actual spending, followed by radio with a 3.8 ratio, outdoor billboards with a 3.6 ratio, magazines with a 3.2 ratio, newspapers at 1.8 times and cinema with a ratio of 1.2 ratio.

Average cost of an apartment in Beirut at $1.1m in 2013

Figures released by Property advisory firm RAMCO show that the average price of an apartment under construction in Beirut reached a record high of $1,091,412 in 2013, despite the ongoing stagnation in the real estate market and a slowdown in sales volume. The average cost per square meter of an apartment under construction in Beirut is $4,331, while the average size of an apartment is 252 square meters. RAMCO noted that the average size of an apartment in Beirut fell by 58 square meters between 2009 and 2013.

The Beirut Central District has the highest cost per square meter at $8,156, while its apartments have the largest size in Beirut at 323 square meters. As such, buying a typical apartment in the Beirut Central District would cost $2,634,388. The average cost of a square meter in an apartment under construction in Achrafieh is $4,204, while the average size of an apartment in the area is 248 square meters, leading to an average price of $1,042,592 per apartment. Also, the average cost per square meter of an apartment under construction in Westen Beirut is $4,143, while the average size of an apartment in the area is 240 square meters, leading to an average price of $994,320 per apartment.

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 decrease the Beirut Reference Rate (BRR) in US dollars to 5.94% in March 2014 from 5.96% 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 decrease the Beirut Reference Rate in Lebanese pounds to 8.55% in March from 8.58% 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.

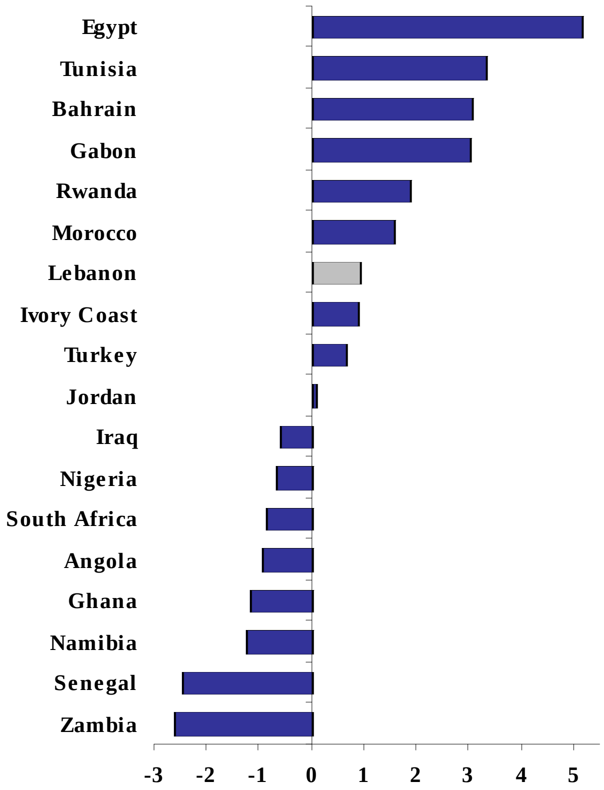
Lebanon's external debt posts 19th highest return in emerging markets, seventh highest in the Middle East & Africa

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted returns of 0.93% in January 2014, constituting the 12th highest return among 35 markets in the Eastern Europe, the Middle East & Africa (EMEA) region as well as the 19th highest return among the 63 emerging markets included in Merrill Lynch's Sovereign Plus Debt Index. Lebanon outperformed the EMEA region's returns of 0.1% and the overall emerging markets returns of -1.07% in January 2014. Also, Lebanon's external debt outperformed the -3.5% returns posted by sovereigns rated 'BB' and lower.

Further, Lebanon's external debt posted the seventh highest return among 18 countries in the Middle East & Africa region in the covered month, ahead of the Ivory Coast (+0.9%), Turkey (+0.67%), Jordan (+0.07%), Iraq (-0.59%), Nigeria (-0.69%), South Africa (-0.85%), Angola (-0.96%), Ghana (-1.17%), Namibia (-1.26%), Senegal (-2.46%) and Zambia (-2.62%). It was outperformed by Egypt (+5.17%), Tunisia (+3.31%), Bahrain (+3.05%), Gabon (+3.01%), Rwanda (+1.89%) and Morocco (+1.57%). In US dollar terms, Lebanon's external debt posted returns of 0.91% in January 2014, constituting the 10th highest in the EMEA region and 17th highest among emerging markets.

Merrill Lynch indicated that the spread on Lebanese Eurobonds ended January 2014 at 414 basis points, constituting the 12th widest spread in the EMEA region and the 24th widest among emerging markets. It was wider than the EMEA spread of 326 basis points as well as the emerging markets' overall spread of 364 basis points at end-January 2014. Lebanon has a weight of 3.9% on Merrill Lynch's Sovereign Plus Debt Index, the fourth highest in the EMEA universe and the ninth highest among emerging economies. Lebanon accounted for 7.6% of allocations in the EMEA region.

External Debt Performance in Midde East & Africa in January 2014 (%)



Source: Merrill Lynch, Byblos Research

Opened letters of credits at $6.7bn for imports and $3.5bn for exports in 2013

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled $6.69bn in 2013, constituting an increase of 3.7% from $6.45bn in 2012. The value of LCs opened to finance imports to Lebanon reached $1.86bn in the first quarter, $1.77bn in the second quarter, $1.49bn in the third quarter and $1.56bn in the fourth quarter of 2013. Further, utilized credits for imports reached $6.57bn in 2013, up 8.6% from $6.1bn in the preceding year. They accounted for 98.2% of opened LCs last year compared to 93.9% in 2012. Utilized credits for imports totaled $1.78bn in the first quarter, $1.73bn in the second quarter, $1.69bn in the third quarter and $1.37bn in the fourth quarter of 2013. Also, outstanding import credits totaled $1.1bn at end-2013 compared to $1.18bn at end-2012. Further, the aggregate value of inward bills for collection totaled $1.62bn in 2013, constituting a decrease of 15.7% from $1.92bn in the preceding year. The value of inward bills for collection totaled $366.7m, $456.3m, $397.4m and $402.2m in the first, second, third and fourth quarters of 2013, respectively. Outstanding bills for collection reached $161.4m at end-2013 relative to $156.2m at end-2012.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached $3.54bn in 2013, constituting a decrease of 16.5% from 2012. The value of documentary letters of credits opened to finance Lebanese exports totaled $1.1bn in the first quarter, $1bn in the second quarter, $608.6m in the third quarter and $831.5m in the fourth quarter of 2013. Further, utilized credits for exports reached $3.45bn in 2013, down 8.5% from $3.78bn of used credits in 2012. They totaled $992.7m, $1bn, $667m and $743.8m in the first, second, third and fourth quarters of 2013, respectively. Outstanding export credits reached $1.28bn at end-2013, up from $1.44bn at end-2012. The aggregate value of outward bills for collection totaled $1.38bn last year, down 13.9% from $1.6bn in 2012. They reached $442.7m, $333.8m, $293.9m and $310.2m in the first, second, third and fourth quarters of 2013, respectively. The outstanding value of outward bills for collection reached $450.7m at end-2013 relative to $473.1m at end-2012.

Occupancy rate at Beirut hotels at 51%, room yields down 21% in 2013

EY's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 51% in 2013, down from 54% in 2012 and compared to a rate of 62% in 16 Arab markets. The occupancy rate at Beirut hotels was the third lowest in the region last year, while it was the fourth lowest in 2012. Cairo and Manama posted the lowest and second-lowest occupancy rates of 24% and 42%, respectively, last 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, 48% in October, 47% in November and 52% in December 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, 39% in October, 38% in November and 52% in December 2012.

Also, the occupancy rate at hotels in Beirut fell by three percentage points year-on-year, constituting, along with Madina, the sixth steepest decrease among 16 Arab markets, and relative to an average decrease of 2.5 percentage points for the region. Cairo posted the steepest decrease of 15 percentage points in the region, followed by Sharm El Shaikh with an 11 percentage points fall, Hurghada with a 10 percentage points decline, Amman with an eight percentage points drop and Makkah with a fall of six percentage points.

Hotel Performance in 2013

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Dubai	80	223	5.9
Saudi Arabia	79	216	9.3
UAE	77	160	7.4
Al Ain	72	103	13.5
Makkah	69	216	(7.9)
Oman	68	144	3.7
Madina	65	152	(4.6)
Sharm El Shaikh	64	33	(5.6)
Qatar	64	163	(5.4)
Hurghada	63	23	(1.3)
Jordan	61	96	(8.4)
Riyadh	58	127	(2.4)
Kuwait	55	163	3.7
Lebanon	**51**	**87**	**(20.8)**
Manama	42	87	10.8
Cairo	24	21	(38.3)

Source: EY, Byblos Research

EY indicated that the average rate per room at Beirut hotels was $169 in 2013, ranking the capital's hotels as the 11th most expensive in the region. The average rate per room at Beirut hotels decreased by 15.7% year-on-year and posted the steepest decline among all markets in the region. The average rate per room in Beirut came below the regional average of $195.1, which increased by a marginal 0.6% from 2012.

Further, revenues per available room (RevPAR) were $87 in Beirut in 2013, down from $110 in 2012, and came in 12th place in the region. Beirut's RevPAR fell by 20.8% year-on-year compared to a marginal decrease of 0.6% across the region, and posted the second steepest decrease among Arab markets. Cairo posted the steepest decrease of 38.3% in 2013. 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, $85 in October, $80 in November and $94 in December 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, $74 in October, $67 in November and $96 in December 2012. Makkah posted the highest average room rate in the region at $309, while Dubai posted the highest occupancy rate of 80% and the highest room yield of $223 in 2013.

Revenues through Port of Beirut at $2.7bn in 2013

Figures released by the Port of Beirut show that overall receipts generated through the port reached $2.7bn in 2013, constituting a marginal decrease of 0.4% from 2012. Customs receipts through the port totaled $1.32bn in 2013, down 3.9% from $1.38bn in 2012; while receipts from the value-added tax reached $1.15bn, constituting a marginal decrease of 0.3% from 2012. Also, the port's overall revenues grew by 25.4% year-on-year to $219.1m in 2013. Further, the Port of Beirut handled an aggregate weight of 8.3 million tons of freight in 2013, up by 14.4% from 7.2 million tons in the preceding year. Import freight accounted for 87.5% of the weight, while the remaining 12.5% was export cargo. A total of 2,114 ships docked at the port in 2013 compared to 2,125 vessels in the previous year.

In parallel, overall revenues generated through the Port of Tripoli reached $113.3m in 2013, constituting a marginal drop of 0.1% from $113.4m in 2012. Customs receipts through the port reached $46.3m in 2013, up 24.2% from $37.3m in the previous year; while receipts from the value-added tax reached $56.4m and dropped by 14.7% from $66.2m in 2012. The port's revenues rose by 5.9% year-on-year to $10.5m in 2013. Further, the Port of Tripoli handled an aggregate weight of 1.3 million tons of freight in 2013, up 9.8% from 1.2 million tons in 2012. A total of 553 vessels docked at the port in 2013, constituting an increase of 8.2% from 511 ships in the preceding year.

Lebanon ranks 106th globally, fourth in MENA region in press freedom

In its 2014 survey on press freedoms in 180 countries, international organization Reporters Without Borders ranked Lebanon in 106th place worldwide and in fourth place among 23 countries in the Middle East & North Africa (MENA) region. In comparison, Lebanon came in 101st place globally and in third place regionally in the 2013 survey.

The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedom. The survey reflects press freedom in each country based on events between December 2012 and November 2013. The index calculation was based on answers to a questionnaire that covers six general criteria. The first criteria covers pluralism and measures the level of opinion diversity in the media; followed by media independence; environment and self-censorship, which analyses the environment in which journalists work; the legislative framework; the transparency of the institutions and procedures that affect the production of news and information; and the quality of the infrastructure that supports the production of news and information. Reporters Without Borders assigns index scores in ascending order, thereby the lower the score the higher press freedom is in a given country.

Globally, Lebanon has a higher level of press freedom than in Fiji, the Maldives and the Central African Republic, and a lower level of freedom than in Paraguay, Peru and Seychelles. Regionally, Lebanon has a lower level of press freedom than in Mauritania, Kuwait and Israel.

Press Freedom Index Rankings for 2014

	MENA Rank	Global Rank	Change in Rank*
Mauritania	1	60	8
Kuwait	2	91	-13
Israel	3	96	17
Lebanon	**4**	**106**	**-4**
Qatar	5	113	-2
UAE	6	118	-3
Algeria	7	121	5
Tunisia	8	133	6
Oman	9	134	8
Morocco	10	136	1
Libya	11	137	-5
Palestine	12	138	9
Jordan	13	141	-6
Iraq	14	153	-2
Turkey	15	154	1
Egypt	16	159	0
Bahrain	17	163	3
Saudi Arabia	18	164	0
Yemen	19	167	3
Djibouti	20	169	-1
Sudan	21	172	-1
Iran	22	173	2
Syria	23	177	0

** (-) reflects a deteriration in global rank*

Source: Reporters Without Borders, Byblos Research

Lebanon's rank regressed by four spots when covering countries that were included in both the 2013 and 2014 surveys, constituting the 33rd steepest drop. The decline in Lebanon's rank was the fourth steepest in the MENA region, ahead of Kuwait (-13 spots), Jordan (-6 spots) and Libya (-5 spots). Reporters Without Borders indicated that the media in Lebanon became more socially and politically polarized in 2013 due to the Syrian conflict, and added that Lebanese journalists are exposed to arbitrary detention and mistreatment. The ranks of 11 MENA countries improved, that of nine regressed and three remained unchanged year-on-year. Finland has the highest level of press freedom globally, while Eritrea has the lowest level of media freedom worldwide.

Foreign exchange market stable, growth in 2013 driven by stimulus package

Central Bank Governor Riad Salamé estimated Lebanon's real GDP growth at 2.5% in 2013, and considered that half of the growth was due to the $1.4bn stimulus package that the Central Bank launched at the start of 2013 and to the initiative to allow $400m from the banking sector to be invested in startups in the knowledge economy. He added that the banking sector's aggregate deposits exceed $143bn and that non-resident deposits are large enough to cover the deficit in the balance-of-payments. In parallel, Governor Salamé indicated that the Lebanese pound is stable and that the foreign exchange market is meeting its own demand. He noted that the Bank purchased between $150m and $160m in foreign currencies from the market in January 2014, which reflects the market's stability.

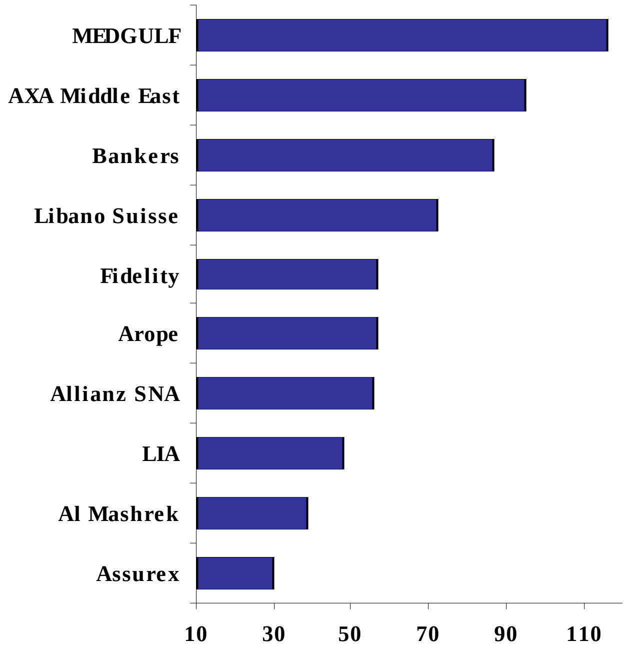
In parallel, he pointed out that the Central Bank launched an $800m stimulus package for 2014 that covers the same sectors and in the same proportions as last year's package, which means that the majority of the stimulus will be earmarked to the housing sector, with the balance going to new projects, environment-related projects, renewable energy, and research & development. He also stressed on the potential of the knowledge economy in Lebanon, as it will add value to the overall economy given Lebanon's human capital. Further, Governor Salamé considered that another downgrade of Lebanon's sovereign ratings constitutes a key concern for commercial banks. As such, the downgrade would affect their ratings and would force them to increase their weighted assets from 100% to 150%, which would require higher capital and would lead to an increase in funding costs. He added that negotiations for the purchase of some foreign banks' assets in Lebanon are ongoing.

Value of cleared checks up 2%, returned checks up 3% in 2013

The value of cleared checks reached $71bn in 2013, constituting an increase of 1.8% year-on-year, and compared to a decrease of 1.7% in 2012 and an increase of 5.3% in 2011. The value of cleared checks in Lebanese pounds rose by 13.8% annually to the equivalent of $17bn in 2013, while the value of cleared checks in US dollars regressed by 1.3% year-on-year to $55.3bn.The dollarization rate of cleared checks decreased to 77.9% from 80.3% in the preceding year. Also, the value of returned checks in domestic and foreign currency increased by 3.1% to $1.5bn in 2013, relative to a rise of 3.5% in 2012 and an increase of 2% in 2011. In parallel, the number of cleared checks totaled 13.2 million checks in 2013, up 1.2% from the previous year. Also, the number of returned checks totaled 269,000 checks, down by 3.6% from 279,000 in 2012.

Total non-life premiums post 6% rise to $983m in 2013

Non-Life Premiums of the Top 10 Insurers in 2013 ($m)



Source: Al-Bayan, Byblos Research

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon shows that total non-life premiums generated in the Lebanese insurance market reached $983m in 2013, constituting an increase of 5.9% from $928.6m in 2012, and compared to growth rates of 6.8% in 2012, 7.5% in 2011, 12.3% in 2010, 22% in 2009 and 22.4% in 2008. Non-life premiums totaled $869.6m in 2011, $808.1m in 2010, $720m in 2009, $590.5m in 2008 and $482.7m in 2007. Non-life insurance penetration was equivalent to 2.22% of GDP in 2013, compared to 2.18% in the previous year, while insurance density was at about $218.9 per capita in 2013 compared to $209.1 per capita in 2012. MEDGULF maintained its first place with $115.8m in non-life premiums, followed by AXA Middle East with $94.8m, Bankers with $86.2m, Libano-Suisse with $72.2m and Fidelity with $56.5m as the top 5 non-life insurers. Liberty registered the highest jump in the rankings from the previous year among the 47 insurers operating in Lebanon, improving by seven spots to the 22nd place, while it also posted the highest growth in premiums among all insurers in the survey at 62.9% year-on-year. Byblos Bank's insurance affiliate ADIR ranked in 14th place, up by one place compared to the previous year with $19.8m in non-life premiums in 2013.

There were 7 advances and 6 declines among the rankings of the top 20 insurers, while the rankings of the other 7 insurers were unchanged. The composition of the top 10 insurers changed slightly from 2012, with Assurex improving by one spot to 10th place and Arabia dropping from 10th to 12th place. Also, the rankings of four insurers changed among the top 10 firms, with Fidelity improving from seventh to fifth place and Assurex from 11th to 10th, and Arope regressing from fifth to sixth place and Allianz SNA from sixth to seventh place. In addition, all of the top 10 insurers posted increases in their non-life premiums, including five insurers that posted a double-digit rise. LIA and MEDGULF recorded the biggest year-on-year increases at 18.7% and 14.8%, respectively, among the top 10 insurers; while ALIG's non-life premiums had the highest annual growth among the top 20 insurers. The top 10 insurers controlled 66.4% of the market last year compared to 64.6% in 2012, 63.8% in 2011, 64.3% in 2010, 65% in 2009 and 64.4% in 2008; while the top 20 insurers represented 85% of premiums, unchanged from 2012 and compared to 84.8% in 2011, 85.4% in 2010, 86% in 2009 and 85.3% in 2008. The aggregate non-life premiums of the top 10 insurers reached $652.9m in 2013 compared to $599.7 in 2012, $554.7m in 2011, $519.8m in 2010, $464.8m in 2009 and $380.4m in 2008.

Balance sheet of financial institutions up 14% in 2013

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,150bn, or $1.43bn, at the end of 2013, constituting an increase of 14.2% from end-2012 and compared to a rise of 14% in 2012. Liabilities to the private sector reached $262.1m, constituting an increase of 20.5% from end-2012 and relative to a decrease of 4.1% in 2012. Further, commitments to the financial sector totaled $669.7m at the end of 2013, representing a rise of 15.2% from the end of 2012, and compared to an increase of 22.1% in 2012.

On the assets' side, financial institutions' operations with commercial banks reached $563.3m at the end of 2013, up 18.9% from end-2012 and compared to a rise of 11% in 2012. Lending to the private sector totaled $743.7m, constituting an increase of 16.7% from end-2012 and relative to a rise of 18.4% in 2012. Also, investments in government securities totaled $121.9m as at end-2013, down by 11.4% from end-2012, and compared to a rise of 29% in 2012. Further, the aggregate capital account of financial institutions reached $395.9m at the end of 2013, constituting an increase of 11.5% from end-2012 and relative to a rise of 14% in the preceding year. There were 53 financial institutions in Lebanon with a total of 68 branches as of June 2013.

Kafalat loan guarantees up 58% to $10.7m in January 2014

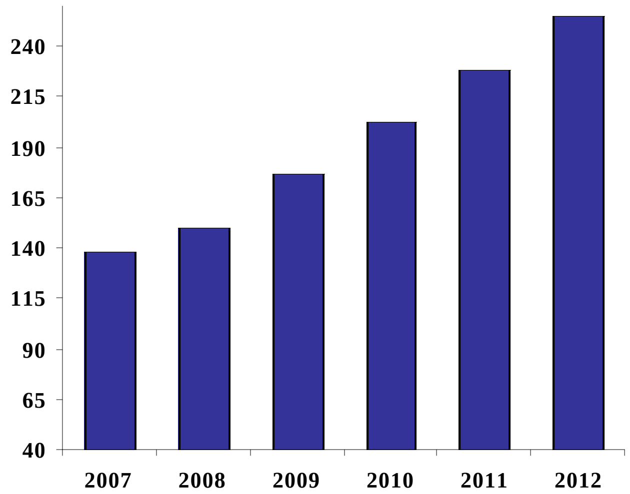
Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $10.7m in January 2014, constituting an increase of 57.7% from $6.8m in the same month of last year. The number of loan guarantees totaled 71 in January 2014 compared to 57 in January 2013. The average loan size reached $150,093 in January 2014 compared to $118,525 in January of last year. The agricultural sector accounted for 50.7% of total guarantees, followed by industry with 33.8%, tourism with 11.3%, specialized technologies with 2.8% and handicraft with 1.4%. Mount Lebanon accounted for 36.6% of guarantees, followed by the Bekaa with 26.8%, the South with 12.7%, the North with 11.3%, Beirut with 7% and Nabatieh with 5.6%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to $400,000 earmarked for the set up and expansion of small and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period. It also guarantees up to 90% of the loan amount for innovative startups and a similar percentage of the interest that accrues during the grace period.

Corporate Highlights

Net profits of health insurance branch down 35% to $13.3m in 2012, claims up 12% to $255.3m

Figures released by the Insurance Control Commission (ICC) show that the aggregate net profits of 42 insurance companies active in the health insurance segment in Lebanon reached $13.3m in 2012, constituting a decrease of 34.8% from $20.4m in 2011. The medical insurance segment posted a net profit margin of 3.6% in 2012, compared to a ratio of 6% in 2011 and relative to a 9.6% margin for the insurance sector. Further, gross written premiums from the health insurance category rose by 7% to $364.7m in 2012 and accounted for 27.6% of the sector's aggregate premiums. The 'individual' health segment's written premiums reached $151.2m in 2012 and accounted for 41.5% of the medical branch's aggregate premiums, while those of the 'group' category totaled $213.5m and accounted for 58.5% of the total. The medical insurance market is heavily concentrated as the top five companies underwrote 56% of health premiums for individuals and 66% for groups in 2012. MEDGULF led all insurers in the health insurance branch with premiums of $75.9m in 2012 and accounted for 20.8% of the health branch's aggregate premiums, followed by AXA Middle East with $43.3m (11.9%), Bankers with $42m (11.5%), Allianz SNA with $28.1 (7.7%), and Libano-Suisse with $26.6m (7.3%).

Net Profits from the Health Insurance Segment (US$m)



Source: Insurance Control Commission, Byblos Research

In parallel, paid claims totaled $255.3m in 2012, constituting a rise of 11.8% from $228.3m in 2011. Paid claims from the 'individual' segment reached $76.1m and accounted for 29.8% of aggregate health claims in 2012, while those of the 'group' section totaled $179.2m and accounted for 70.2% of the total in the same year. The number of paid claims totaled 811,398 in 2012, constituting a marginal decrease of 0.4% from 814,950 in 2011. Also, the number of policies in the health branch reached 219,006 in 2012, constituting an increase of 20.3% from 182,049 policies in 2011.

In parallel, the loss ratio, or the ratio of claims incurred to earned gross premiums, of the 'individual' segment of the medical insurance branch was 55% in 2012; the commission ratio, or the ratio of acquisition cost to earned gross premiums, reached 16%, and the expense ratio, or the ratio of other general expenses to earned gross premiums, was 14% in 2012. As such, the average technical combined loss ratio, which is the aggregate ratio of the above three ratios, reached 85% in 2012. Further, the loss ratio of the 'group' medical insurance segment was 88% in 2012; the commission ratio reached 6%, and the expense ratio was 12% in 2012. As such, the average technical combined loss ratio reached 106% in 2012.

Top five freight forwarders' import activity up 20% in 2013

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 348,806 20-foot equivalent units (TEUs) in 2013, constituting a rise of 20% from 290,557 TEUs in 2012. Mediterranean Shipping Company (MSC) handled 117,499 TEUs in imports for the local market in 2013, equivalent to 32.2% share of the total freight forwarding import market. It was followed by Sealine Group with 91,734 TEUs (25.1%), Merit Shipping with 71,298 TEUs (19.5%), Metz Group with 45,100 TEUs (12.4%) and Gezairy Transport with 23,175 TEUs (6.3%). Further, Metz Group registered the highest growth in import shipping among the top five freight forwarders at 24.7% year-on-year, while Gezairy Transport posted the slowest growth at 7.8% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 72,367 TEUs in 2013, constituting an increase of 29.4% from 55,911 TEUs in 2012. They accounted for 97.8% of the total export freight forwarding market full with Lebanese cargo in 2013. Sealine Group handled 36,042 TEUs of freight, equivalent to 48.7% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 20,736 TEUs (28%), Metz Group with 7,074 TEUs (9.6%), MSC with 6,007 TEUs (8.1%) and Gezairy Transport with 2,508 TEUs (3.4%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 115.8% year-on-year, while Gezairy Transport posted the steepest drop of 18.9% year-on-year.

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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