



LEBANON THIS WEEK

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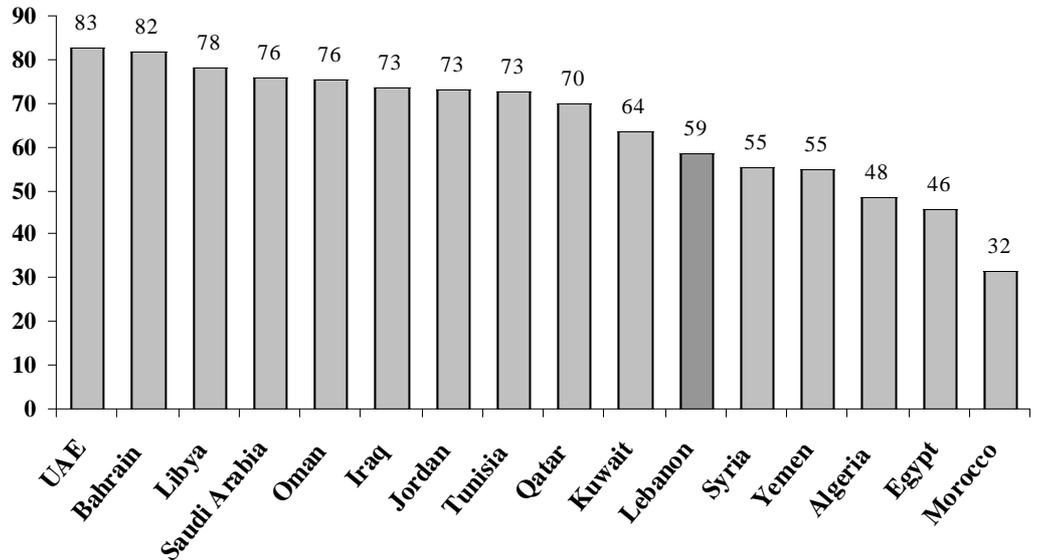
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Top five freight forwarders' import activity up 12% in January 2014

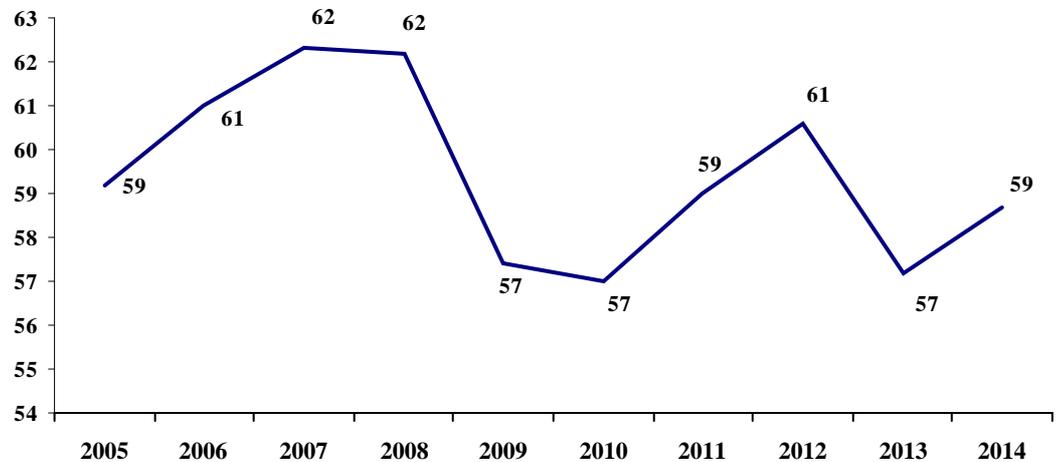
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Charts of the Week

Labor Freedom Index in Arab Countries in 2014



Labor Freedom Index for Lebanon



Source: Heritage Foundation/Wall Street Journal, Byblos Bank

Quote to Note

"Lebanon's political leadership does not seriously recognize the issues around the country's persistent budget deficit and ever-growing debt burden."

The Economist Intelligence Unit, on the fundamental obstacle to fiscal reforms

Number of the Week

65,000 sqm: Surface area of solar water heaters installed in Lebanon in 2013, according to the Lebanese Center for Energy Conservation

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"	13.02	(1.14)	78,327	11.59%
Solidere "B"	12.96	0.93	22,769	7.50%
Byblos Common	1.66	1.84	35,000	5.31%
Byblos Pref. 08	101.50	0.00	0	1.81%
Byblos Pref. 09	103.10	1.58	6,070	1.84%
BLOM GDR	9.05	(0.98)	26,750	5.95%
BLOM Listed	9.00	0.00	0	17.22%
Audi GDR	6.46	(2.12)	16,530	5.89%
Audi Listed	6.51	0.00	0	20.26%
HOLCIM	14.89	0.00	0	2.59%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr. 2014	7.375	100.20	4.46
Jan. 2015	5.875	101.94	3.47
Apr. 2015	10.000	107.25	3.25
Jan. 2016	8.500	107.75	4.07
Mar. 2017	9.000	112.00	4.67
Nov. 2018	5.150	100.00	5.15
Apr. 2021	8.250	113.00	5.97
Nov. 2026	6.600	100.25	6.57

Source: Byblos Bank Capital Markets

	Mar 10-14	Mar 3-7	% Change	Feb 2014	Feb 2013	% Change
Total Shares Traded	190,396	2,096,350	(90.92)	6,037,763	1,491,134	304.91
Total Value Traded	\$2,847,485	\$7,999,020	(64.40)	\$43,140,999	\$12,994,109	232.0
Market Capitalization	\$11.24bn	\$11.24bn	(0.08)	\$11.30bn	\$10.94bn	3.30

Source: Beirut Stock Exchange (BSE)



Lebanon among emerging market economies that are vulnerable to capital outflows

Standard & Poor's ranked Lebanon as the 15th most vulnerable country to capital outflows among 38 emerging markets, the seventh most exposed among 20 Upper-Middle Income Countries (UMICs), but the least vulnerable among three Arab countries included in the rankings. S&P used three indicators to capture the various aspects of external liquidity risks, which consist of a country's gross external financing needs as a percentage of the sum of current account receipts (CARs) and usable foreign exchange reserves; its external short-term debt by remaining maturity as a percentage of usable official foreign exchange reserves; and its combined current account and fiscal balance as a share of its GDP.

S&P projected Lebanon's gross external financing needs at 89% of its CARs and usable reserves in 2014. It defined external financing needs as current account payments plus short-term external debt by remaining maturity, including non-resident deposits. It noted that this indicator measures a country's external liquidity and captures all cross-border inflows and outflows, as well as the potential buffer provided by official exchange reserves. As such, Lebanon's gross external financing needs would be the 13th lowest among the 38 emerging markets in 2014, the lowest among the three Arab countries included in the study and the eighth lowest among the 20 UMICs. Globally, Lebanon's external funding requirements relative to CARs and usable reserves would be higher than those of Vietnam (88%) and Mexico and Argentina (85% each), but lower than those of Poland (92%) and Venezuela and Romania (90% each). Also, Lebanon's external funding requirements would be higher than those of Mexico, Argentina, Thailand (76%), Peru (72%), Angola (65%), Brazil (64%) and China (52%) among UMICs. Regionally, Lebanon's external funding needs would be lower than those of Egypt and Morocco with 106% of CARs and usable reserves each.



*Percentage of CARs and usable reserves

Source: Standard & Poor's, Byblos Research

In parallel, S&P forecast Lebanon's external short-term debt by remaining maturity at 75% of usable foreign currency reserves in 2014. It noted that a large stock of short-term debt by remaining maturity would leave an economy more susceptible to a sudden stop in capital inflows, especially if the central bank's foreign currency reserves are inadequate. As such, Lebanon's external short-term debt by remaining maturity would be the 20th highest among 38 emerging markets, the second highest among three Arab countries and the 11th highest among UMICs. Globally, Lebanon's external short-term debt relative to usable foreign currency reserves would be higher than that of Zambia (65%), Romania (63%) and Poland (61%), but lower than that of the Czech Republic and Serbia (81% each), and Indonesia (79%). Also, Lebanon's external short-term debt relative to usable foreign currency reserves would be higher than that of Romania, Argentina (48%), Colombia (45%), Thailand (33%), Mexico (32%), Peru (28%), China (24%), Angola (19%) and Brazil (18%) among UMICs. Regionally, Lebanon's external short-term debt level would be higher than that of Egypt (57%) and lower than that of Morocco (87%).

Also, S&P forecast Lebanon's combined current account and fiscal balance at -12.7% of GDP in 2014, which would make it the fourth highest under this indicator, better than only Ghana (-22.8% of GDP), Egypt (-16.1% of GDP) and Serbia (-13.2% of GDP). Lebanon's ratio would be the second widest among UMICs behind only Serbia as well as the second widest among Arab countries behind Egypt.

Central Bank updates regulatory framework for capital adequacy

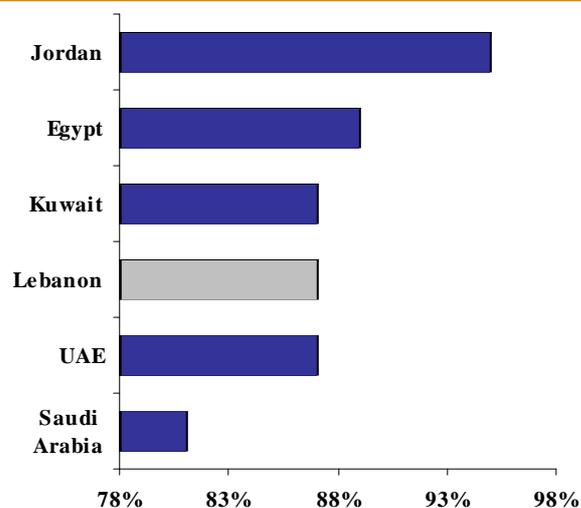
The Central Bank of Lebanon issued Intermediate Circular 358 on March 6, 2014, which modifies Basic Circular 44 dated March 25, 1998 about the capital adequacy regulatory framework for banks operating in Lebanon. The circular details the criteria that capital instruments must meet in order to be included in Common Equity Tier One Capital, in Additional Tier One Capital and in Tier Two Capital. It also specifies the criteria that would allow banks to include cash contributions in their Common Equity Tier One Capital or in their additional Tier One Capital.

In parallel, the circular stipulates that banks have until the end of 2015 to comply with the minimum capital adequacy ratios as well as with the capital conservation buffer. It mandated that a bank's Common Equity Tier One Ratio must reach a minimum of 7% by the end of 2014 and of 8% by the end of 2015; its Tier One Ratio has to be at least 9.5% by the end of 2014 and 10% by the end of 2015; and its Total Capital Ratio must reach a minimum of 11.5% by the end of 2014 and of 12% by the end of 2015. It noted that each ratio should include a Capital Conservation Buffer of 2% at end-2014 and of 2.5% at end-2015. The Central Bank did not amend the time-frame for banks to comply with the requirements that it issued in 2011.

Social networking sites accessed by 87% of Internet users in Lebanon in 2013

A survey conducted by opinion polling firm IPSOS-STAT shows that the Internet penetration rate in Lebanon was 61% in 2013, up from 56% in 2012, and compared to a penetration rate of 92% in the UAE, 82% in Saudi Arabia, 79% in Kuwait, 56% in Jordan and 44% in Egypt. Further, the survey indicated that the penetration rate of social networks, which is the number of Internet users who access social networking sites, reached 87% in Lebanon in 2013 relative to 76% in 2012, and compared to a penetration rate of 95% in Jordan, 89% in Egypt, 87% in each of the UAE and Kuwait and 81% in Saudi Arabia. Also, Facebook penetration in Lebanon, which is the number of Facebook users among social networks users, was 98% in 2013, unchanged from the preceding year, and compared to a penetration rate of 100% in Jordan, 99% in each of the UAE and Egypt, 93% in Saudi Arabia and 83% in Kuwait. In addition, Twitter penetration in Lebanon, which is the share of Twitter users among social networks users, was 28% in 2013 compared to 18% in 2012, and relative to a penetration rate of 57% in Saudi Arabia, 48% in Kuwait, 43% in the UAE, 35% in Egypt and 10% in Jordan. Further, the survey indicated that 68% of Internet users in Lebanon downloaded content last year, compared to 71% of users in Saudi Arabia, 66% in Egypt, 64% in the UAE, 55% in Jordan and 51% in Kuwait.

Social Networks Penetration among Internet Users



Source: IPSOS-STAT, Byblos Research

In parallel, the survey indicated that smartphone penetration in Lebanon, which is the share of smartphone owners among the total population, was 63% in 2013, well above the penetration rate of 36% in 2012. In comparison, smartphone penetration in Saudi Arabia stood at 79% last year, that in the UAE reached 72%, that in Kuwait was 69% and that in Egypt stood at 6%. Also, 85% of smartphone owners in Lebanon had mobile Internet on their device in 2013, up from 74% in 2012 and compared to a share of 90% in Kuwait, 84% in Saudi Arabia, 83% in the UAE and 68% in Egypt. The survey's results are based on face-to-face interviews with about 25,928 persons in Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, and the UAE. But IPSOS-STAT only published data for the first six countries. The survey was conducted throughout 2013 and covered a sample size of 2,500 persons in Lebanon.

Three percent of Parliament members in Lebanon are females, 11th lowest share globally

The United Nations Entity for Gender Equality & the Empowerment of Women (UN Women) and the Inter-Parliamentary Union (IPU) ranked Lebanon in 177th place among 189 countries worldwide in terms of females who are members of Parliament and in 15th place among 18 Arab countries. Lebanon also came in 49th place among 53 Upper-Middle Income Countries (UMICs). Females accounted for 3.1% of the members of the Lebanese Parliament as of January 1, 2014 compared to a global ratio of 22.2%, a ratio of 18.2% in Arab countries and a ratio of 23.2% in UMICs. Globally, Lebanon's ratio was similar to that of Belize and Iran, and higher than that of the Comoros Islands and Marshall Islands (3% each), Papua New Guinea (2.7%), Solomon Islands (2%), Oman (1.2%) and Yemen (0.3%), while Micronesia, Palau, Qatar and Vanuatu did not have females in their Parliaments. The ratio of females in the Lebanese Parliament was higher than that in the Marshall Islands and Palau among UMICs, while it was higher than that in Oman, Yemen and Qatar among Arab countries. Rwanda had the highest such ratio in the world, as females account for 63.8% of its Parliament as of January 2014.

In parallel, the survey indicated that Lebanon did not have any female in its Cabinet as of January 1, 2014, placing it in last place among 189 countries with available data, along with Bosnia & Herzegovina, Brunei Darussalam, Pakistan, San Marino, Saudi Arabia, Solomon Islands and Vanuatu. In comparison, 17.2% of Cabinet members in the world are females relative to a ratio of 8.7% in Arab countries and 15.3% in UMICs. The ratio of females in ministerial positions to the total number of ministries is the highest in Nicaragua at 57.1%. The new government that was formed in February 2014 has one female member among its 24 ministers, leading to a ratio of 4.2%.

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 5.93% in April 2014 from 5.94% currently. The rate, considered as the reference rate for lending in foreign currency that replaced the London Interbank 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 8.6% in April from 8.55% 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.

Finance Ministry announces managers for Eurobonds exchange offer

The Ministry of Finance announced that it mandated Byblos Bank sal, Bank Audi sal and Deutsche Bank AG as the Lead Managers for an offer to exchange \$882m worth of Eurobonds maturing in May 2014 and for the rollover of \$771m worth of bonds maturing in April 2014. It indicated that the bonds' new maturities would range between six and 12 years, while it has not disclosed the terms of the new issues. The ministry said that the offer will be launched on March 31st and would close by April 11, 2014.

Lebanon's gross public debt reached \$63.94bn at the end of January 2014, constituting a rise of 0.7% from the end of 2013 and an increase of 10.1% from end-January 2013. Domestic debt totaled \$37.8bn at end-January, rising by 1.2% from end-2013 and increasing by 12.6% annually; while external debt stood at \$26.1bn, nearly unchanged from end-2013 and increased by 6.7% from a year earlier. Local currency debt accounted for 59.1% of gross public debt at end-January 2014 compared to 57.8% a year earlier, while foreign currency-denominated debt represented 40.9% of the total at end-January 2014 relative to 42.2% a year earlier.

In November 2012, the Lebanese Republic completed successfully a voluntary debt exchange offer for all Eurobonds maturing in 2013 for new and longer-dated notes under its Global Medium-Term Note Program. A total of \$1.52bn in Eurobonds matured in 2013. The Republic issued a \$525m Eurobond that matures in November 2018 and carries a 5.15% fixed coupon rate. It also issued a \$500m Eurobond that matures in January 2023 with a coupon of 6%. Further, it issued a \$500m Eurobond that matures in November 2027 and carries a coupon of 6.75%.

Construction permits up 19% in first two months of 2014

Figures released by the order of Engineers of Beirut & Tripoli show that construction permits issued in the first two months of 2014 reached 2.2 million square meters, constituting an increase of 18.9% from a year earlier, and compared to a drop of 15.9% in the same period of 2013 and to a rise of 4.6% in the first two months of 2012. Mount Lebanon accounted for 958,308 square meters or 43.5% of total construction permits in the covered period. It was followed by the North with 440,939 square meters (20%), Beirut with 235,540 square meters and South Lebanon with 235,241 square meters (10.7% each), Nabatieh with 170,537 square meters (7.7%), and the Bekaa with 163,086 square meters (7.4%). In parallel, cement deliveries totaled 430,000 tons in January 2014 and rose by 28.7% annually relative to an annual increase of 27% in the same month of last year and a drop of 23.1% year-on-year in January 2012.

Airport passengers down 5% in first two months of 2014

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures, transit) totaled 826,582 in the first two months of 2014, constituting a decrease of 4.8% from the same period last year. The total number of arriving passengers dropped by 3.3% year-on-year to 380,399 in the first two months of 2014 compared to a rise of 5.9% in the same period of 2013. Also, the number of departing passengers dropped by 5.9% year-on-year to 443,963 in the first two months of the year relative to an annual increase of 10.4% in the first two months of 2013. In parallel, the airport's aircraft movements rose by 0.6% year-on-year to 9,255 take-offs and landings in the first two months of the year, compared to an annual drop of 5.6% year-on-year in the same period of 2013. The HIA processed 14,035 metric tons of cargo in the first two months of 2014 that consisted of 13,897 tons of freight and 139 tons of mail.

Revenues through Port of Beirut down 3% to \$225m in January 2014

Figures released by the Port of Beirut show that overall receipts generated through the port reached \$224.8m in January 2014, constituting a decrease of 2.8% from \$231.3m in the same month of last year. Customs receipts through the port totaled \$106.8m in January 2014, down 12.5% from \$122m in January 2013; while receipts from the value-added tax increased by 7.7% year-on-year to \$98.3m. Also, the port's overall revenues grew by 10.5% year-on-year to \$18.5m in January 2014. Further, the Port of Beirut handled an aggregate weight of 702,000 tons of freight in January 2014, up by 27% from 553,000 tons in January 2013. Import freight accounted for 90.6% of the weight, while the remaining 9.4% was export cargo. A total of 166 ships docked the port in January 2014, constituting an increase of 1.2% from 164 vessels in the same month of last year.

In parallel, overall revenues generated through the Port of Tripoli reached \$8.5m in January 2014, constituting a drop of 16.5% from \$10.1m in the same month of last year. Customs receipts through the port reached \$3.3m in the covered month, down 23% from \$4.3m in January 2013; while receipts from the value-added tax reached \$4.1m and dropped by 17.1% from \$4.9m in January 2013. The port's revenues improved by 17.6% year-on-year to \$1.1m in January 2014. Further, the Port of Tripoli handled an aggregate weight of 79,000 tons of freight in January 2014, down 18.9% from 97,465 tons in the same month of last year. A total of 45 vessels docked the port in January 2014, unchanged from January 2013.

Central Bank regulates lending to related parties

The Central Bank of Lebanon issued Basic Circular 132 on March 8, 2014 that regulates loans extended by a bank or financial institution to related parties. It indicated that related parties are board members, largest shareholders, general managers, deputy and assistant general managers, managers, executives in key administrative positions and their families, as well as institutions that are affiliated to each one of them and individuals and institutions that are guaranteed by each of the aforementioned parties. The circular maintained the limit of total credits extended by a bank or financial institution to related parties at 2% of shareholders' equity, of which 1% can be extended without restrictions. It noted that banks and financial institutions should take into account the principle of conflict of interest in the approval of the loans to related parties. It added that beneficiaries should not be involved in the approval process, management or follow-up of their credit file. Further, the circular stipulated that banks and financial institutions should have their own policy and procedures that govern their relationship with related parties. It noted that the policy and procedures should at least comply with the current circular and have to be approved by the board.

In parallel, the circular prohibited banks and financial institutions that are not compliant with liquidity and capital adequacy standards set by the Central Bank from extending credit to related parties. It also prohibited related parties to take loans or credit facilities from their foreign subsidiaries.

Industrial exports up 4% to \$3bn in 2013

Figures released by the Ministry of Industry show that industrial exports totaled \$3.1bn in 2013, constituting an increase of 4.2% from \$2.95bn a year earlier. Industrial exports reached \$215m in December 2013, down by 2.1% from \$219.5m in November 2013 and by 18.6% from \$264m in December 2012. Base metals & articles of base metals accounted for \$527.2m, or 17.1% of total industrial exports in 2013, followed by machinery and mechanical appliances with \$508m (16.5%), and prepared foodstuffs with \$452.8m (14.7%). Arab countries accounted for 56.7% of total industrial exports in December, followed by African economies with 13.9%, European countries with 12.9% and Asian countries with 10.6%. In parallel, industrial imports reached \$300.4m in 2013, up 4.3% from \$288.1m in 2012. Italy was the main source of such imports and accounted for 22.4% of the total. It was followed by China with 15.6% and Germany with 15.4%. Further, imports of industrial equipment and machinery reached \$20.3m in December 2013, down by about 20% from \$25.4m in the same month in 2012. China was the main source of imports of industrial equipments and accounted for 22.7% of total industrial imports during the covered month, followed by Italy with 20.1% and Germany with 10%.

Life premiums post 7% rise to \$417m in 2013

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon indicates that total life premiums generated in the Lebanese market reached \$417.3m in 2013, constituting an increase of 6.6% from \$391.6m in 2012 and compared to annual increases of 4% and 5.9% in 2011 and 2012, respectively. Life premiums generated in the Lebanese market totaled \$369.8m in 2011, \$355.8m in 2010, and \$311m in 2009. Life insurance penetration was equivalent to 0.94% of GDP in 2013, up from 0.92% of GDP in 2012; while insurance density was between \$93 and \$102.7 per capita in 2013 compared to density from \$88.2 to \$97.7 per capita in 2012, depending on the population count.

Metlife ALICO maintained its market lead with \$75m in life premiums, equivalent to an 18% market share and down from 18.7% in 2012, 19.5% in 2011 and 19.9% in 2010. It was followed by Allianz SNA with \$55.7m (13.3%), Bancassurance with \$54.2m (13%), AROPE with \$43.5m (10.4%), and LIA with \$41.4m (10%) as the top 5 firms among 34 providers of life insurance operating in Lebanon. Trust Life registered the highest jump in the rankings from 2012, moving from 28th to 24th place with premiums of \$0.83m in 2013. A total of 19 providers of life insurance posted increases in their life premiums, as 12 had double-digit growth rates, while seven companies posted single-digit growth. Also, 11 firms saw a decline in their life premiums, while the premiums of four firms were unchanged. Further, eight of the top 10 life insurers posted increases in their premiums.

Byblos Bank's insurance affiliate ADIR registered a 10.1% rise in life premiums, posting the fourth best performance among the top 10 providers of life insurance and the third best performance among providers that are majority-owned by banks. In parallel, MEDGULF posted an 8.7% drop in its premiums, constituting the steepest fall among the top 10 firms, followed by LIA with a 0.6% decline. The rankings of eight out of the top 10 firms were unchanged from 2012, while Arope improved by one spot to fourth place and LIA regressed by one spot to fifth place. The survey shows that the top 10 life insurers in Lebanon accounted for 87.3% of the life insurance market, while the top 20 firms generated 98% of life premiums in 2013. The top 5 life insurers in Lebanon accounted for 64.6% of the market in 2013 compared to 65% in 2012, 67.1% in 2011 and 59% in 2010. Their aggregate premiums reached \$269.7m in 2013 compared to \$254.3m in the previous year, \$248.1m in 2011 and \$210.3m in 2010.

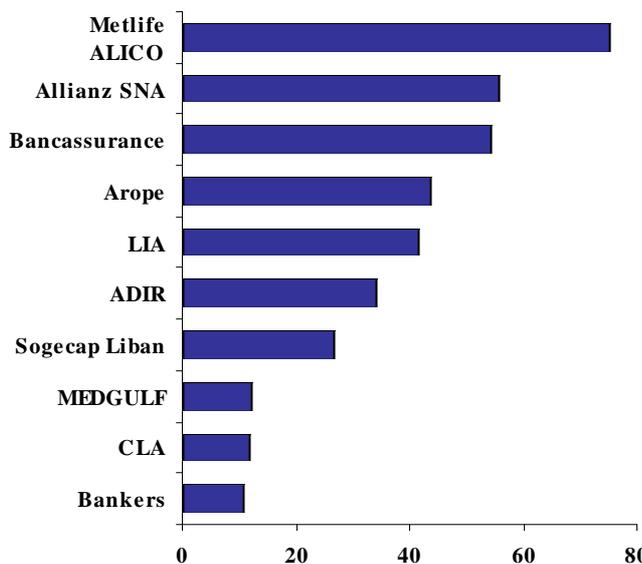
Further, *Al-Bayan's* survey shows that overall life and non-life premiums rose by 6.1% to \$1.4bn in 2013, compared to a growth rate of 6.5% in 2012, with life premiums accounting for 29.8% of the total. The top 10 insurers in Lebanon accounted for 66.1% of the combined life and non-life market, while the top 20 firms represented 85.9% of aggregate premiums in 2013. MEDGULF led all insurers with \$127.8m in total premiums, followed by Allianz SNA with premiums of \$111.1m and AXA Middle East with \$103.8m last year. Overall, insurance penetration was equivalent to approximately 3.2% of GDP relative to 3.3% of GDP in 2012; while insurance density reached between \$311.8 and \$344.7 per capita in 2013 compared to a density of between \$315.3 and \$349.1 per capita in 2012, depending on the size of the population.

Car sales up 4% in first two months of 2014

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that a total of 4,930 new passenger cars were sold in the first two months of 2014, constituting an increase of 4.4% from the 4,723 cars sold in the same period last year. Korean cars accounted for 41.8% of total sales, followed by Japanese cars with a 33% share, European automobiles with 19%, American vehicles with 4.8%, and Chinese cars with 1.4%. Japanese cars posted the highest growth in sales with a 52% rise year-on-year, while Korean cars posted a 6.6% drop in sales, followed by European automobiles with a 9.9% decrease, Chinese vehicles with a 23.7% decline and American cars with a 24.8% drop from the same period last year. Kia is the leading brand in the Lebanese market with 1,167 cars sold in the first two months of 2014, followed by Hyundai with 894, Toyota with 618 cars sold, Nissan (559), Renault (187), Mitsubishi (143), and Chevrolet (121). In parallel, a total of 376 new commercial vehicles were sold in the first two months of 2014, up 19.4% from 315 vehicles sold in the same period of last year and by 1.1% from 372 vehicles sold in the first two months of 2012.

The number of new vehicles sold by the country's top five distributors reached 3,860 in the first two months of 2014 and accounted for 72.7% of new vehicles sold. NATCO sal sold 1,167 vehicles in the covered period, equivalent to 22% of the total, followed by Century Motor Co. sal with 926 (17.5%), Boustany United Machineries sal with 689 (13%), Rasamny Younis Motor Co. sal with 647 (12.2%) and Bassoul Heneine sal with 431 (8.1%). The AIA indicated that the combined number of registered new and imported used cars in February 2014 decreased by 8.1% from January 2014, and by 2% year-on-year. It said that the luxury car segment accounted for only 2% of total new cars registered. It reiterated that about 90% of new cars sold were small automobiles that cost on average about \$11,000 each.

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



Source: *Al-Bayan*, Byblos Research

Automotive firm raise funds through securitization

Auto dealer Rasamny Younis Motor Company sal (RYMCO) raised about \$15m through a revolving securitization transaction of its new car inventory. The transaction constitutes the first vehicle-inventory securitization deal of its kind in the Middle East & North Africa region. The securitization fund, RYMCO SEC I MSF, issued two classes of notes, with \$12m in senior Class A having an expected weighted average life of 4 years, and \$3m worth of Class B notes that are subordinated to Class A notes and are retained by the company. Investors will receive an annual fixed coupon rate of 7%. In addition, the deal provides for a four-year replenishing period during which additional eligible assets could be financed through the structure, bringing the total expected financing provided to RYMCO over the life of the transaction to about \$250m. The deal represents the fourth time that RYMCO has tapped the securitization market. Established in 1957, RYMCO is the exclusive distributor in Lebanon of Nissan, Infiniti and GMC brands. The deal was structured and led by MedInvestment Bank sal (MIB), a wholly-owned subsidiaries of BankMed sal, while SaudiMed Investment Company acted as a technical advisor to MIB.

Launch of \$50m venture capital fund

The Beirut-based venture capital firm Middle East Venture Partners (MEVP) announced the launch of a \$50m venture capital fund named IMPACT that will be operational in April 2014. The fund plans to invest between \$1m and \$5m per firm in Lebanese knowledge-based startups, particularly in the Information and Communications Technology sector and in creative industries. The fund aims to encourage Lebanese expatriates as well as foreign entrepreneurs to start entrepreneurial ventures in Lebanon.

MEVP currently manages the Middle East Venture Partners Fund L.P and the Building Block Equity Fund SICAR and has recently invested \$1m in Fadel Partners, a provider of intellectual property management software and solutions. It also invested \$1m in Potential, a producer, organizer and provider of online and offline business learning programs; and a \$0.6m in Element^N/Apstrata, a mobile and web-based e-business technology and solutions. The fund also announced a \$0.5m investment in Lamsa, the first-of-its-kind digital e-content platform for children in the Arab world. Further, it made undisclosed investments in Instabug, which provides an instant bug reporting tool for mobile applications; and in Bnooki.com, a banking and insurance price comparator website. MEVP currently holds 19 investments in its portfolio, which includes Anghami, a web and mobile music streaming application; Shahiya, a food portal; Shawarmanji, a modern shawarma restaurant chain; and The Luxury Closet, an e-commerce platform for luxury fashion.

Top five freight forwarders' import activity up 12% in January 2014

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 27,581 20-foot equivalent units (TEUs) in January 2014, constituting a rise of 11.9% from 24,658 TEUs in the same month last year. They accounted for 59.9% of the total import freight forwarding market during the covered month. Mediterranean Shipping Company (MSC) handled 10,233 TEUs in imports for the local market in January 2014, equivalent to 22.2% share of the total freight forwarding import market. It was followed by Merit Shipping with 5,750 TEUs (12.5%), Sealine Group with 5,258 TEUs (11.4%), Metz Group with 3,227 TEUs (7%) and Gezairy Transport with 3,113 TEUs (6.8%). Further, Gezairy Transport registered the highest growth in import shipping among the top five freight forwarders at 160.3% year-on-year, while Sealine Group posted the steepest decline of 31.8% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 4,383 TEUs in January 2014, constituting an increase of 3.8% from 4,224 TEUs in the same month last year. They accounted for 97.7% of the total export freight forwarding market full with Lebanese cargo during the covered month. Sealine Group handled 1,762 TEUs of freight, equivalent to 39.3% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 1,261 TEUs (28.1%), Metz Group with 634 TEUs (14.1%), MSC with 572 TEUs (12.7%) and Gezairy Transport with 154 TEUs (3.4%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 432.8% year-on-year, while Sealine Group posted the steepest drop of 28.3% 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	59.0	160
Public Debt in Local Currency / GDP	81.6	78.4	84.4	600
Gross Public Debt / GDP	133.9	135.7	143.4	770
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	372.4	1,500
Private Sector Deposits / GDP	288.6	294.1	307.7	1,360
Private Sector Loans / GDP	98.2	102.2	107.0	480
Private Sector Deposits Dollarization Rate	65.9	64.8	66.1	130
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	June 2012	May 2013	June 2013	Change*	Risk Level
Political Risk Rating	54.5	53.0	53.0	▼	High
Financial Risk Rating	35.0	33.5	33.5	▼	Moderate
Economic Risk Rating	34.0	28.5	28.5	▼	High
Composite Risk Rating	61.7	57.5	57.5	▼	High

Regional Average	June 2012	May 2013	June 2013	Change*	Risk Level
Political Risk Rating	59.9	58.5	58.4	▼	High
Financial Risk Rating	41.9	41.2	41.0	▼	Very Low
Economic Risk Rating	37.0	36.4	36.7	▼	Low
Composite Risk Rating	69.4	68.0	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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