



LEBANON THIS WEEK

In This Issue

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

Lebanon ranks in 49th place globally, fourth in MENA region on the Rule of Law Index

Lebanon's CDS spreads tighten by 2.5% in first quarter of 2014

U.S. maintains Lebanon on Watch List of intellectual property rights violations

Lebanon ranks 112th globally, second in Arab world in press freedoms

Electricity subsidies and lack of regulations constrain the development of Lebanon's solar water heating market

Customs receipts down 14% to \$317m in first quarter of 2014

World Bank launches coincident and leading indicators for the Lebanese economy

Trade deficit widens by 7% to \$4.6bn in first quarter of 2014

Treasury transfers to Electricité du Liban equivalent to 4.6% of GDP in 2013

Slow construction and public work activity in third quarter of 2013

Coincident Indicator continues to reflect economic slowdown

Measures to combat mobile phone smuggling fail

Corporate Highlights9

Byblos Bank's profits at \$31m in first quarter of 2014, NPL ratio at 0.8% and capital adequacy ratio at 16.2%

Aggregate profits of listed banks up 1% in first quarter of 2014

Stock market activity up 55% to \$137m in first four months of 2014

MEA's net profits at \$63m in 2013

Moody's revises outlook on Holcim's ratings to 'negative' from 'stable'

Insurance premiums up 9% to \$1.4bn in 2013, claims and benefits paid at \$734m

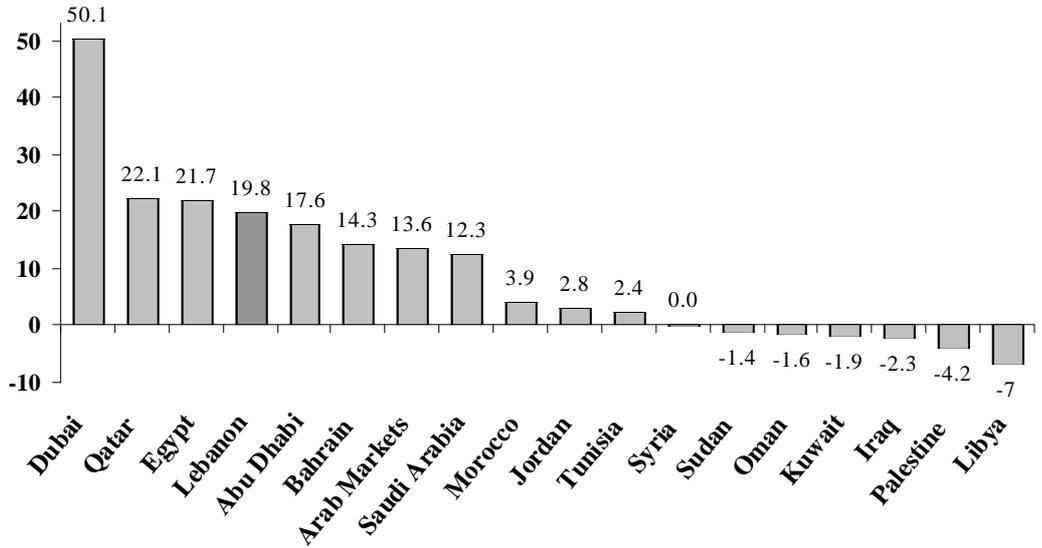
Ratio Highlights.....12

Risk Outlook12

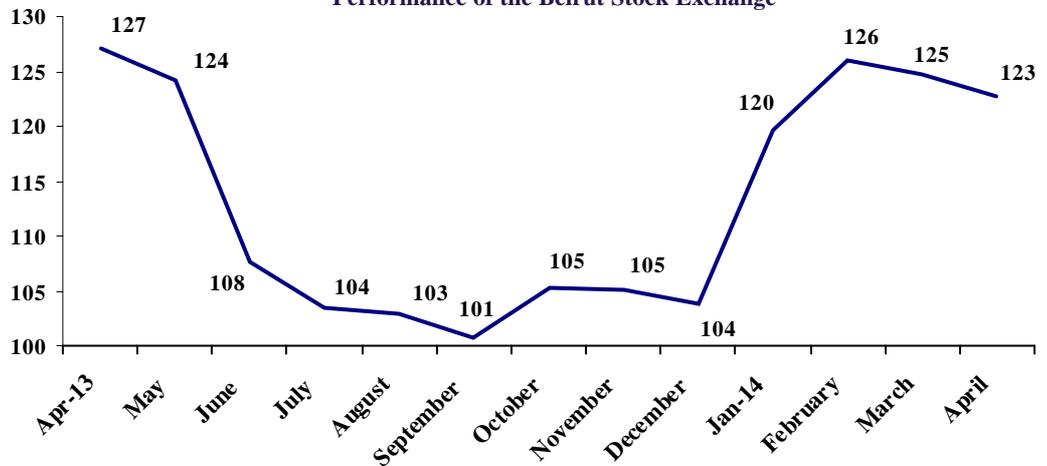
Ratings & Outlook.....12

Charts of the Week

Performance of Arab Stock Markets in First Four Months of 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 Syrian conflict continues to weigh heavily on Lebanon, with hampered confidence and added pressures to a deteriorating fiscal position, leaving growth flat in 2014."

The International Monetary Fund, on the ongoing impact of the Syrian crisis on the Lebanese economy

Number of the Week

61.7%: Percentage of respondents who say that the President of the Lebanese Republic has a high level of influence on the economy, according to an opinion poll conducted in March 2014 by market research firm Ipsos

Economic Indicators

\$m (unless otherwise mentioned)	2012	Dec 12	Sep 13	Oct 13	Nov 13	Dec 13	% Change*
Exports	4,486	381	288	391	263	243	(36.22)
Imports	21,281	1,871	1,565	1,757	1,772	1,797	(3.96)
Trade Balance	(16,795)	(1,490)	(1,277)	(1,366)	(1,509)	(1,554)	4.30
Balance of Payments	(1,538)	312	504	(794)	(192)	534	71.15
Checks Cleared in LBP	14,976	1,337	1,473	1,516	1,451	1,562	16.83
Checks Cleared in FC	56,044	4,670	4,513	4,698	4,584	4,728	1.24
Total Checks Cleared	69,787	6,007	5,986	6,214	6,035	6,290	4.71
Budget Deficit/Surplus	(3,925)	(132.36)	(668.16)	(228.92)	(126.15)	(137.58)	3.94
Primary Balance	(109.87)	134.56	(262.33)	233.07	340.22	171.23	27.26
Airport Passengers	5,960,414	495,760	539,297	524,741	407,869	510,367	2.95

\$bn (unless otherwise mentioned)	Dec 2012	Dec 12	Sep 13	Oct 13	Nov 13	Dec 13	% Change*
BdL FX Reserves	29.97	29.97	32.03	31.86	31.78	31.70	5.77
<i>In months of Imports</i>	16.02	16.02	20.47	18.13	17.93	17.64	10.13
Public Debt	57.69	57.69	62.39	62.44	63.26	63.46	10.01
Net Public Debt	49.12	49.12	52.15	52.50	52.75	53.18	8.28
Bank Assets	151.88	151.88	159.26	160.63	161.92	164.82	8.52
Bank Deposits (Private Sector)	124.99	124.99	131.26	132.10	133.15	136.21	8.97
Bank Loans to Private Sector	43.45	43.45	45.88	46.50	46.81	47.38	9.05
Money Supply M2	43.17	43.17	44.49	44.72	45.05	45.60	5.63
Money Supply M3	104.01	104.01	108.49	109.02	109.34	111.16	6.87
LBP Lending Rate (%)	7.07	7.07	7.36	7.59	7.01	7.29	22b.p
LBP Deposit Rate (%)	5.41	5.41	5.37	5.44	5.47	5.44	3b.p
USD Lending Rate (%)	6.87	6.87	6.95	6.85	6.88	6.88	1b.p
USD Deposit Rate (%)	2.86	2.86	2.91	2.94	2.97	2.95	9b.p
%* Change in CPI**	4.68	4.68	4.81	5.04	4.96	3.89	(79b.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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	12.95	0.23	57,698	11.69%	Jan 2015	5.875	101.50	3.67
Solidere "B"	13.01	0.31	31,399	7.64%	Apr 2015	10.000	106.25	3.41
Byblos Common	1.69	0.00	13,950	5.49%	Jan 2016	8.500	107.75	3.76
Byblos Pref. 08	103.50	1.97	2,250	1.87%	Mar 2017	9.000	111.88	4.55
Byblos Pref. 09	103.10	0.00	0	1.86%	Nov 2018	5.150	100.25	5.09
BLOM GDR	9.20	0.00	45,850	6.14%	May 2019	6.000	102.50	5.43
BLOM Listed	8.95	(0.56)	7,560	17.38%	Mar 2020	6.375	103.63	5.64
Audi GDR	6.37	2.74	65,104	5.90%	Apr 2021	8.250	113.50	5.85
Audi Listed	6.05	(0.82)	91,527	19.11%	Oct 2022	6.100	99.30	6.21
HOLCIM	15.49	4.52	520	2.73%	Nov 2026	6.600	100.13	6.59

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

Source: Byblos Bank Capital Markets

	Apr 28-May 2	Apr 22-25	% Change	Apr 2014	Apr 2013	% Change
Total Shares Traded	350,131	434,083	(19.34)	1,817,870	4,184,711	(56.56)
Total Value Traded	\$4,929,277	\$4,189,481	17.66	\$17,838,999	\$28,430,668	(37.25)
Market Capitalization	\$11.07bn	\$11.09bn	(0.14)	\$11.05bn	\$10.07bn	9.76

Source: Beirut Stock Exchange (BSE)



Lebanon ranks in 49th place globally, fourth in MENA region on the Rule of Law Index

The World Justice Project's Rule of Law Index for 2014 ranked Lebanon in 49th place among 99 countries around the world and in fourth place among seven countries in the Middle East & North Africa region. Lebanon also came in 14th place among 29 upper-middle income countries (UMICs) included in the survey. The index measures the implementation of the rule of law by aggregating 47 sub-factors into eight factors that are Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order & Security, Regulatory Enforcement, Civil Justice, and Criminal Justice. The scores and rankings of each factor and sub-factors are built from data collected from a general opinion poll and qualified respondents' questionnaires in each country. The general population poll covers only the three major urban areas in each country. The Lebanon survey covered 1,001 participants in Beirut, Tripoli and Sidon.

Globally, the implementation of the rule of law in Lebanon is better than that in Belarus, Mongolia and Morocco, and worse than that in Indonesia, Thailand and Sri Lanka. Also, the rule of law in Lebanon is more effective than that in Belarus, Serbia and Panama and less effective than that in Bulgaria, Jamaica and Thailand among UMICs. Lebanon received a score of 0.51 points, lower than the global average of 0.56 points, the MENA region's score of 0.53 points and the UMICs' average score of 0.52 points.

2014 Rule of Law Index*

Country	Score	UMIC Rank	Global Rank
Chile	0.68	1	21
Botswana	0.67	2	25
Romania	0.59	3	33
Macedonia	0.58	4	34
Malaysia	0.58	5	35
Jordan	0.57	6	38
Bosnia & Herz.	0.55	7	39
South Africa	0.55	8	40
Tunisia	0.55	9	41
Brazil	0.54	10	42
Bulgaria	0.53	11	44
Jamaica	0.53	12	45
Thailand	0.52	13	47
Lebanon	0.51	14	49
Belarus	0.51	15	50

*top 15 Upper Middle Income Countries

Source: World Justice Project, Byblos Research

Lebanon ranked ahead of Nepal and Morocco and came behind the UAE and Romania on the Constrains on Government Powers factor. This category measures the extent to which government and public sector officials are bound by the law. It also ranked ahead of Colombia and came behind Romania among UMICs, while it came behind Tunisia and the UAE in the region. Also, Lebanon ranked ahead of Mongolia and India and came behind Zambia and Côte d'Ivoire on the Absence of Corruption factor. It ranked ahead of only the Dominican Republic, Mexico, Peru and Venezuela among UMICs and in last place in the region on this factor.

Further, Lebanon ranked ahead of Peru and Egypt and came behind Albania and Nepal on the Open Government factor. This category measures the extent that society has clear, publicized, and stable laws; if administrative proceedings are open to public participation; and if official information is available to the public. Lebanon had a more transparent government than Peru and a less open government than Jamaica among UMICs, while it had a more transparent government than Egypt, Jordan and Iran in the MENA region. In addition, Lebanon came ahead of Russia and Kyrgyzstan and ranked behind Albania and Serbia on the Regulatory Enforcement factor, which measures the extent of fair and effective enforcement of regulations. It came ahead of only Russia, Argentina, the Dominican Republic, China and Venezuela among UMICs, while it ranked ahead of only Egypt in the region.

Components of the 2014 Rule of Law Index for Lebanon

Factors	Global Rank	MENA Rank	UMIC Rank	Lebanon Score	Global Average Score	MENA Average Score	UMIC Average Score
Constraints on Government Powers	44	3	9	0.57	0.57	0.51	0.50
Absence of Corruption	70	7	25	0.40	0.53	0.52	0.48
Open Government	62	4	19	0.44	0.50	0.44	0.47
Fundamental Rights	43	1	11	0.62	0.60	0.46	0.56
Order & Security	43	4	10	0.76	0.73	0.76	0.70
Regulatory Enforcement	66	6	24	0.44	0.53	0.52	0.50
Civil Justice	70	6	22	0.45	0.53	0.52	0.50
Criminal Justice	55	4	14	0.42	0.48	0.48	0.42

Source: World Justice Project, Byblos Research

Lebanon's CDS spreads tighten by 2.5% in first quarter of 2014

Figures released by CDS and bond pricing firm S&P Capital IQ show that the average spreads on five-year credit default swaps (CDS) for Lebanon ended the first quarter of 2014 at 385.2 basis points, tightening by 9.8bps from 395bps at the end of the fourth quarter of 2013, by 10.4bps from 395.6bps at the end of the third quarter of 2013, by 93.4bps from 478.6bps at the end of the second quarter and by 32.8bps from 418 bps at the end of the first quarter of 2013.

The firm noted that Lebanon's 5-year CDS spreads were the 10th widest among 74 countries during the first quarter of the year. They were tighter than only Argentina with 1,921bps, Venezuela (1,290bps), Ukraine (902.1bps), Pakistan (775.1bps), Greece (453.1bps), Egypt (448.8bps), El Salvador (412.5bps) and Cyprus (386.1bps). It said that Lebanon's CDS spreads tightened by 2.5% from the preceding quarter.

Further, S&P Capital IQ indicated that Lebanon ended the first quarter of 2014 with a five-year cumulative probability of default (CPD) of 24.6%, down from 25.15% at the end of the fourth quarter of 2013, 25.2% at the end of the third quarter of 2013, 29.6% at the end of the second quarter of 2013 and 26.3% at the end of the first quarter of 2013. Lebanon's CPD continued to improve since the end of the third quarter of 2013. It said the CPD quantifies the probability of an issuer being unable to honor its debt obligations over a given time period. It added that the CPD is a function of the market's recovery level, which varies according to several factors and distance to default. It calculates the CPD using an industry standard model and proprietary credit data.

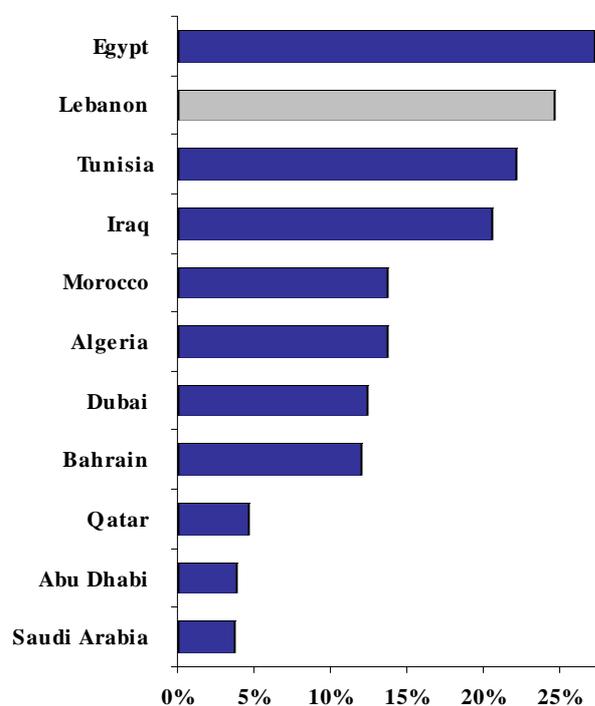
Lebanon's CPD at the end of March 2014 shows that Lebanese debt was the ninth riskiest globally, but it was less risky than the debt of Argentina (70.5%), Venezuela (58.9%), Ukraine (45.1%), Pakistan (42.8%), Cyprus (29%), Egypt (27.2%), Greece (26.7%) and El Salvador (25.9%). Lebanon, which had the 12th riskiest debt globally at the end of 2013, re-entered the list of the top 10 most risky sovereigns due to Portuguese CDS spreads tightening by 46% and Serbian spreads tightening by 18%. Norway, Sweden and the United States had the lowest CPD among the 74 sovereigns covered in the survey, with rates of 1.2%, 1.5% and 1.5%, respectively.

U.S. maintains Lebanon on Watch List of intellectual property rights violations

In its annual Special 301 review of the state of intellectual property rights (IPR) protection and enforcement around the world, the Office of the United States Trade Representative (USTR) maintained Lebanon on the Watch List for the ineffective and inadequate protection of intellectual property rights and for severe copyright problems, along with 26 other countries and jurisdictions. The USTR placed Lebanon on the Watch List in 1999 and then downgraded it to the more critical Priority Watch List in 2001 where it remained until 2007. It then upgraded Lebanon to the Watch List in 2008. The USTR also included 10 countries this year on its Priority Watch List. Countries from the Middle East & Africa on the 2014 Watch List are Egypt, Kuwait, Lebanon and Turkey, while Israel was removed from the Watch List and Algeria remained on the more critical Priority Watch List.

The USTR encouraged Lebanese authorities to make progress on pending IPR legislative reforms, including amendments to the patent and copyright laws and on efforts to accede to the World Intellectual Property Organization's Internet Treaties. It called on the Lebanese Parliament to ratify several additional IPR treaties that have been approved by the Cabinet, including the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Singapore Treaty on the Law of Trademarks, and the Patent Cooperation Treaty. Further, The USTR said that the proliferation of counterfeit pharmaceuticals that are manufactured, sold and distributed in Lebanon remains a concern. In parallel, it encouraged authorities to provide the country's Cyber Crime & Intellectual Property Rights Bureau *ex officio* authority, as well as to extend to all of its enforcement authorities adequate resources to carry out their enforcement functions.

Cumulative Probability of Default in the Arab World (at end-March 2014)



Source: S&P Capital IQ, Byblos Research

Lebanon ranks 112th globally, second in Arab world in press freedoms

In its 2014 report on press freedoms in 197 countries, independent think tank Freedom House ranked Lebanon in 112th place globally and in second place among 20 Arab countries. Lebanon also came in 30th place among 54 upper middle-income countries (UMICs) included in the 2014 survey. Lebanon's global rank remained unchanged from the 2013 survey, but its regional rank improved by one spot from third place year-on-year.

The survey assesses the degree of print, broadcast, and Internet freedoms across the world. The 2014 ratings are based on an assessment of the legal environment in which media operates; political influences on reporting and access to information; and economic pressures on content and the dissemination of news in 2013. It provides a numerical rating from zero as most free to 100 as least free for each country, and categorizes each country's level of press freedom as 'Free,' 'Partly Free,' or 'Not Free' based on its numerical rating. A country's numerical rating is the sum of the Legal and Economic Environment categories that each ranges between zero and 30, and the Political Environment category that varies between zero and 40. Lebanon, along with Mauritania, Tunisia, Algeria and Kuwait were the only Arab countries where the media was considered to be 'Partly Free', while the media in the remaining 15 countries came in the 'Not Free' category.

Globally, Lebanon's level of press freedoms is similar to that in Moldova and Tunisia; is higher than in Bangladesh, Colombia and Fiji and came lower than in Nicaragua, Niger and the Seychelles. Lebanon also tied with Tunisia, ranked ahead of Colombia, Fiji and the Maldives, and came behind

Bosnia & Herzegovina, Argentina and the Seychelles among UMICs. Lebanon received a score of 53 points, unchanged from its score in the 2013 survey, but worse than the 51 points it received in the 2012 survey. Lebanon's score was also better than the Arab average of 69.6 points, the Gulf Cooperation Council (GCC) countries' average score of 73.8 points and the non-GCC Arab countries' average of 67.8 points, but it was lower than the global and UMICs' averages of points 47.8 and 49.9 points, respectively.

Lebanon tied with eight other countries that included Senegal, Tanzania and Zambia, ranked ahead of Angola, Armenia and Pakistan, and came behind Paraguay, Kenya and Panama on the Legal Environment category. This category evaluates the laws and regulations that influence media content as well as the government's use of these laws and legal institutions to restrict the media's ability to operate. Lebanon came behind only Mauritania and Libya among Arab countries. It also tied with the Maldives, Tunisia and Fiji, ranked ahead of Angola, Algeria and Thailand, and came behind Mexico, Panama and Macedonia among UMICs.

Also, Lebanon tied with nine other countries that included Brazil, Côte d'Ivoire and the Philippines, ranked ahead of Nigeria, Tanzania and Singapore, and came behind Greece, India and Panama on the Political Environment category. This category measures political pressures and control on media content, including harassment or violence against journalists or facilities, and censorship. Regionally, it trailed only Mauritania and Tunisia, while it tied with Brazil, Argentina, the Maldives and Macedonia, ranked ahead of Algeria, Bosnia & Herzegovina and Malaysia, and came behind the Seychelles, the Dominican Republic and Panama among UMICs.

Finally, Lebanon tied with six other countries that included Mexico and Senegal, ranked ahead of Croatia, Indonesia and Nigeria, and came behind Turkey, Panama and the Dominican Republic on the Economic Environment category. This category assesses economic influences over media content, such as the structure of media ownership, the transparency and concentration of ownership and the extent that the economic situation in a country impacts the development and sustainability of the media. Lebanon ranked first among Arab countries, while it tied with Romania and Mexico, ranked ahead of Ecuador, Tunisia and Argentina, and came behind the Dominican Republic, Botswana and Turkey among UMICs.

Press Freedom Rankings & Ratings

	Rating	Arab Rank	Global Rank
Mauritania	48	1	95
Lebanon	53	2	112
Tunisia	53	2	112
Algeria	59	4	127
Kuwait	59	4	127
Libya	62	6	134
Morocco	66	7	147
Qatar	67	8	152
Egypt	68	9	155
Jordan	68	9	155
Iraq	69	11	157
Oman	71	12	161
Djibouti	75	13	164
UAE	76	14	167
Yemen	76	14	167
Sudan	81	16	176
West Bank & Gaza	82	17	179
Saudi Arabia	83	18	181
Bahrain	87	19	188
Syria	89	20	189

Source: Freedom House, Byblos Research

Categories of the 2014 Press Freedom Index for Lebanon

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Legal Environment	125	3	34	18	14.3	22.7	15.1
Political Environment	107	3	28	21	19.2	27.5	20.2
Economic Environment	91	1	27	14	14.4	19.4	14.6

Source: Freedom House, Byblos Research



Electricity subsidies and lack of regulations constrain the development of Lebanon's solar water heating market

The United Nations Environmental Program (UNEP) and the International Copper Association ranked Lebanon in second place in their evaluation of the solar water heating (SWH) market in five countries that received support under the Global Solar Water Heating project (GSWH). The objective of the GSWH project is to develop, strengthen and accelerate the growth of the SWH sector. It is a joint initiative by the UNEP and the United Nations Development Program (UNDP) and is funded by the Global Environmental Facility. A country's score is a weighted average of four parameters that are the SWH Support Framework, National Conditions, Financing and the Business Climate. Scores range between zero and five, with five reflecting the perfect outcome. Lebanon received a score of 3.4 points, lower than only India (3.64 points) and higher than Mexico (3.19 points), Chile (3.11 points) and Albania (2.56 points).

Lebanon tied with India in first place on the SWH Support Framework parameter, which covers government policies, regulations, and outreach efforts. It received a score of 1.33 points, compared to scores of 1.08 points for Mexico, 0.8 points for Albania and 0.6 points for Chile. The assessment indicated that Lebanon has SWH targets, provides financial incentives for system installation, has a SWH loan programs and has implemented a broad-based SWH outreach campaign. But it noted that the country lacks a national law that mandates the installation of SWH systems in new and existing buildings.

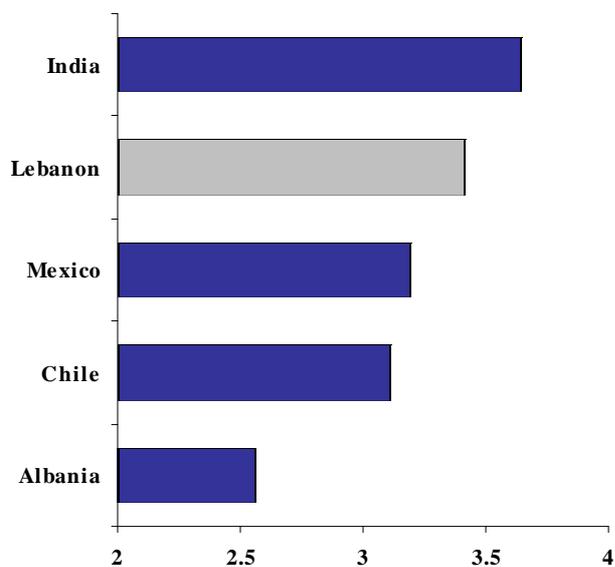
Also, Lebanon came in second place on the National Conditions parameter, which includes climactic and market factors. It received a score of 0.97 points, lower than Chile (1.01 points) and higher than India (0.89 points), Albania (0.82 points) and Mexico (0.59 points). The survey indicated that the average insolation in Lebanon is 1947 kilowatt hour per square meter per year and 5.34 kilowatt hour per square meter per day. It noted that the SWH penetration rate in Lebanon surged from 45 kilowatt thermal per 1,000 inhabitants in 2007 to 93 kilowatt thermal per 1,000 inhabitants in 2012. It added that about 14% of residential households in Lebanon currently have SWH systems. Further, it pointed out that the SWH market in Lebanon grew from 189 megawatt thermal in 2007 to 411 megawatt thermal in 2012, resulting in an average growth rate of 17% during the 2007-12 period. But it noted that electricity subsidies make solar heat less competitive compared to electricity.

Further, Lebanon came in second place on the Financing parameter, which evaluates macroeconomic conditions and access to capital. It received a score of 0.7 points, lower than Chile (0.73 points) and higher than Mexico (0.63 points), India (0.6 points) and Albania (0.48 points). Also, Lebanon came in last place on the Business Climate parameter, which takes into account the ease of doing business and the SWH business infrastructure. It received a score of 0.41 points, lower than India (0.82 points), Mexico and Chile (0.77 points each) and Albania (0.47 points). The report indicated that the market for solar thermal collectors in Lebanon has been historically dominated by foreign manufacturers, as the presence of relatively low cost imports in the market has made it challenging for domestic manufacturers to gain market share. It added that the country lacks a national installer program as well as an industry association.

Customs receipts down 14% to \$317m in first quarter of 2014

Figures released by the Customs Directorate indicate that customs revenues reached \$316.5m in the first quarter of 2014, constituting a decrease of 14.4% from \$369.8m in the same quarter last year. The Port of Beirut continues to be the main point of customs receipts, as it accounted for 87.1% of the total in the first quarter of 2014, and was followed by the Hariri International Airport with 8.4%, the Port of Tripoli with 3%, the Port of Saida with 0.9%, the Masnaa crossing point with 0.4% and the Port of Tyre with 0.1%. Customs receipts from the value added tax totaled \$332.7m in the first quarter of 2014, up 1.6% from \$327.3m in the same quarter of 2013. The Port of Beirut accounted for 82.4% of such receipts, and was followed by the Hariri International Airport with 11.1%, the Port of Tripoli with 3.5%, the Masnaa crossing point with 2%, the Port of Saida with 0.9% and the Port of Tyre and the crossing point of Abboudieh with 0.1% each. As such, overall customs receipts reached \$649.2m in the first quarter of 2014, with the Port of Beirut accounting for 84.7% of the total, followed by the Hariri International Airport with 9.8%, the Port of Tripoli with 3.2%, and the Masnaa crossing point with 1.2% and the Port of Saida with 0.9%. In addition, other entry points represented the balance.

Assessment of Solar Water Heating Market



Source: UNEP, Byblos Research

World Bank launches coincident and leading indicators for the Lebanese economy

The World Bank launched a Coincident Indicator and a Leading Indicator with the aim to improve the timeliness, accuracy and measurement of economic activity in Lebanon. It considered that Lebanon's weak economic statistics weigh on economic analysis and decision-making by businesses, investors and policy-makers. The Bank plans to publish the two indicators on a monthly basis with a time lag of between two to three months, but the current time lag is longer as the latest index figures stop at December 2013.

The World Bank developed the two indicators based on the methodology of the United States' National Bureau of Economic Research and Conference Board (NBER-CB). It noted that it used Lebanon's GDP components by sector to select the Coincident Indicator's 13 variables. The variables are private sector deposits with a weight of 17.1%, primary government spending (14.9%), administrative fees & charges (14.2%), lending to the private sector (13.3%), value-added tax revenues (12.8%), tobacco excise and cleared checks (6.3% each), cement deliveries (5.9%), broad money supply (M3) (4.4%), tourist arrivals (3.7%), real estate tax receipts (0.7%), and net exports of goods excluding energy imports (0.3%).

Further, the Bank indicated that its Leading Indicator would help detect early signs of turning points in business cycles and would help forecast Lebanon's real GDP growth for the next 12 months. It noted that it has developed the Leading Indicator based on a methodology similar, but not identical, to the NBER-CB approach. The nine components of the Leading Indicator are personnel cost with a weight of 24.1%, freight incoming at the Port of Beirut (22.7%), cement deliveries (15.8%), airport arrivals (15.65%), lending to the private sector (10.5%), capital expenditures (5.75%), the spread between local and Libor interest rates (5.05%), customs revenues (0.3%) and the Emerging Markets Bond Index Global spread (0.1%).

The World Bank pointed out that the results of its Coincident Indicator diverge from those of the Central Bank's Coincident Indicator. It said the Central Bank has been publishing its own indicator since 1993 but that it has not changed the weights of its eight variables since then. The Bank added that its indicator points to a deceleration in economic activity in the first 10 months of 2013 while that issued by the Central Bank reflects an improvement in economic activity. According to the World Bank, the Central Bank would have to adopt a different monetary policy if the ongoing economic slowdown continues in coming months. Based on its newly-issued indicators, the World Bank estimated real GDP growth in Lebanon at 0.9% in 2013 and projected it at 1.5% in 2014.

Trade deficit widens by 7% to \$4.6bn in first quarter of 2014

Total imports reached \$5.4bn in the first quarter of 2014, constituting a decrease of 2.1% from the same quarter last year; while aggregate exports declined by 35.2% to \$772m, leading to a trade deficit of \$4.6bn, up by 7% year-on-year. The widening of the deficit was caused by a decrease of \$419.7m in exports from the first quarter of 2013, as imports fell by \$116.9m year-on-year. The coverage ratio reached 14.3% in the first quarter of 2014 compared to 21.6% in the same quarter last year. The value of imported oil & mineral fuels fell by 4.5% year-on-year to \$1.5bn, and that of non-hydrocarbon imports dropped by 1.2% to \$3.9bn. Imported oil & mineral fuels accounted for 26.9% of total imports in the covered quarter compared to a share of 27.6% in the same quarter last year.

In volume terms, imports reached 4.1 million tons in the first quarter of 2014, constituting an increase of 7.7% from the same quarter last year; while exports posted a 46.7% decline to 0.4 million tons, leading to a trade deficit of 3.7 million tons in the first quarter of 2014, up by 21.6% year-on-year. Imports of oil & mineral fuels increased by 4.6% year-on-year to 2 million tons, while non-hydrocarbon imports increased by 10.7% annually to 2.1 million tons. Imported oil & mineral fuels accounted for 48% of total imports in the covered quarter compared to a share of 49.4% in the same quarter last year.

China was the main source of imports with \$672.6m or 12.5% of the total in the first quarter of 2014, followed by Italy with \$444.8m (8.2%), the United States with \$439.3m (8.1%), Germany with \$317.5m (5.9%), France with \$273.1m (5.1%), Greece with \$217.7m (4%) and Russia with \$193.6m (3.6%). Imports from China increased by 45.7% annually, those from Greece surged by 20.9%, those from Germany grew by 3.4% and those from Italy improved by 2.6%; while imports from Russia dropped by 48.5%, those from France fell by 24.1% and those from the United States declined by 23.8%.

South Africa was the main export destination with \$84.5m or 10.9% of the total, followed by Saudi Arabia with \$81m (10.5%), the UAE with \$72.6m (9.4%), Iraq with \$61.8m (8%), Syria with \$58.5m (7.6%), Jordan with \$30.1m (3.9%) and Turkey with \$25.2m (3.3%). Exports to Syria dropped by 74.4% year-on-year in the first quarter of 2014, those to South Africa declined by 55.5%, exports to Turkey dropped by 49.7%, those to the UAE fell by 14.5%, exports to Jordan decreased by 7.2% and those to Saudi Arabia regressed by 3.7%; while exports to Iraq rose by 10.1% annually.

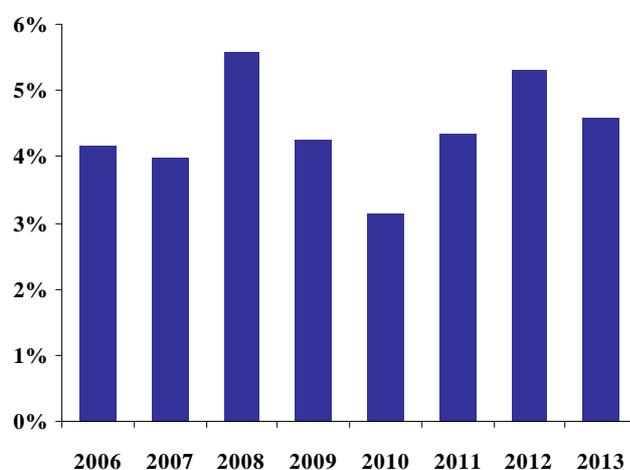
Lebanon's main export product was jewelry at \$143.2m or 18.6% of the total, followed by prepared foodstuff with \$127.9m (16.6%), machinery & mechanical appliances with \$103m (13.3%), base metals with \$85.3m (11%), chemical products with \$77.3m (10%) and paper & paperboard with \$47.8m (6.2%). Re-exports totaled \$88m in the first quarter of 2014 compared to \$57m in the same quarter last year.



Treasury transfers to Electricité du Liban equivalent to 4.6% of GDP in 2013

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban totaled \$2bn in 2013, constituting a decrease of 10.4% from \$2.3bn in 2012. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to Algerian energy conglomerate Sonatrach totaled \$1.98bn, or 97.9% of transfers last year, while EdL's debt servicing represented \$43.4m or 2.1% of the total. It attributed the decrease to a decline of \$57.1m, or 2.8%, in payments to KPC and Sonatrach, and a drop of \$30.9m or 41.6% in debt servicing year-on-year. It added that the drop in transfers reflects \$146m in non-recurrent payments that took place in 2012. The ministry said that the decrease in payments to KPC and Sonatrach reflects a 6% decline in imported fuel oil as well as lower average crude oil prices. It noted that the average international oil price used to make the payments was 4% lower from that in 2012. It pointed out that EdL contributed just 2.6% of repayments to the two oil suppliers in 2013 compared to 3.8% in 2012. EdL transfers accounted for 21% of primary expenditures in 2013, down from 23.8% in 2012. They constitute the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 4.6% of GDP in 2013 compared to 5.3% of GDP in 2012.

Treasury Transfers to EdL (% of GDP)



Source: Ministry of Finance, International Monetary Fund, Byblos Research

Slow construction and public work activity in third quarter of 2013

The Central Bank's quarterly business survey indicated that construction activity slightly improved during the third quarter of 2013 but remains at low levels, as the balance of opinions stood at -6, compared to -12 during the preceding quarter and -10 during the same quarter of 2012. The balance of opinions shows that construction activity was the lowest in Beirut & Mount Lebanon at -26, followed by the Bekaa (+4), the South (+13) and the North (+19). The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for public works stood at -8 in the third quarter of 2013 compared to -3 in the preceding quarter and +6 in the same quarter of 2012. Opinions about the level of public works were the lowest in Beirut & Mount Lebanon at -23, followed by the Bekaa (zero), the North (+8), and the South (+40).

In parallel, the balance of opinions for the portfolio of projects was -12 in the third quarter of 2013 relative to -6 during the preceding quarter, and compared to -14 in the same quarter of 2012. The balance of opinions on the portfolio of projects was the lowest in Beirut & Mount Lebanon at -21, followed by the Bekaa (-4), the North (-1) and the South (zero). Also, the balance of opinions for general construction activity was -8 during the third quarter of 2013, compared to -11 in the preceding quarter, and relative to -3 the third quarter of 2012. Further, the balance of opinions for construction costs reached +30 compared to +37 from the preceding quarter and +38 from the same quarter of 2012. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Construction and Public Work Activity: evolution of opinions				
Aggregate results	Q3-10	Q3-11	Q3-12	Q3-13
General activity	6	-3	-3	-8
Construction	11	2	-10	-6
Public work	-11	-12	6	-8
Portfolio of projects	5	-6	-4	-12
Construction costs	49	44	38	30
Investments (% of yes)	35%	32%	36%	36%

Source: Central Bank Business Survey in third quarter of 2013

Coincident Indicator continues to reflect economic slowdown

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 272.5 points in February 2014 compared to 280.3 in January 2014 and 270.6 in February 2013. The Coincident Indicator, an average of 8 weighted economic indicators, fell by 2.8% month-on-month but grew by a marginal 0.7% year-on-year in February 2014. The indicator averaged 266.2 in the 12 months ending February 2014, compared to 266.1 in the 12 months ending January 2014 and 258.3 in the 12 months ending February 2013. As a result, the average coincident indicator remained almost unchanged month-on-month but rose by 3.1% year-on-year, which continues to reflect economic slowdown. In parallel, the indicator improved 12 times and regressed 10 times in the month of February since 1993. It averaged 264.7 points in 2013, 256.6 in 2012, 255.7 in 2011, 249.5 in 2010 and 225.9 in 2009.

Measures to combat mobile phone smuggling fail

The Ministry of Telecommunications revoked a previous decision that obliged phone owners to register their phone's International Mobile Equipment Identity (IMEI) number in order to access the national networks. The measure, which was decided by the previous Cabinet and went into effect on June 1, 2013, will be revoked on May 5, 2014. The ministry considered that the previous decision did not achieve its initial goal of combating the smuggling of cellular phones into the country. It noted that the smuggling of mobile phones in Lebanon continued, while the rise in customs receipts from mobile phones' imports did not exceed \$8m in 2013 compared to the initial estimates of \$60m a year in additional revenues for the Treasury. Further, it said that forcing phone owners to register their IMEI complicated the process of switching mobile phones between users, of buying a new phone and of using the SIM card on another cellular phone. It noted that the decision led to complaints from tourists that had to register their phones at the airport in order to access the national networks. Further, the decision negatively affected mobile phone sales in the country and increased red tape. In parallel, the ministry indicated that Lebanese citizens will be able to start paying their fixed telephone lines and Internet bills online. Further, it pointed out that it would gradually start providing DSL services to several remote areas across Lebanon starting in the first week of May.

Byblos Bank's profits at \$31m in first quarter of 2014, NPL ratio at 0.8% and capital adequacy ratio at 16.2%

Byblos Bank sal, one of the top banking and financial services groups in Lebanon, declared consolidated net profits of \$30.7m in the first quarter of 2014 relative to \$34.5m in the same quarter last year. Net interest income reached \$55.8m compared to \$63.3m in the same quarter of 2013; while net fees & commission income stood at \$23.9m relative to \$22.7m in the first quarter of 2013. Net operating income reached \$98.6m in the first quarter of 2014, constituting a rise of 3.3% from \$95.4m in the same quarter last year. The Bank's cost-to-income ratio was 55.3% in the first quarter of the year relative to 48.4% in the same quarter of 2013.

Total assets reached \$18.6bn at end-March 2014, constituting a marginal rise of 0.5% from the end of 2013; while net loans & advances to customers grew by 1.6% from end-2013 to \$4.57bn at end-March. Net loans & advances to related parties stood at \$11.5m at end-March 2014, down by 6.4% from end-2013. The Bank's net non-performing loans, which represent NPLs net of specific provisions and reserved interest, reached 0.8% of net loans at the end of March 2014, all of which are fully covered when collective provisions are taken into account. Also, the NPLs' coverage ratio reached 122% when accounting for specific and collective provisions and reserved interest. The Bank's capital adequacy ratio stood at 16.2% at end-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 \$14.94bn and increased by 1.3% from end-2013, of which deposits from related parties reached \$155.2m at end-March. The Bank's shareholders' equity totaled \$1.67bn at end-March 2014. 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 55% to \$137m in first four months of 2014

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 19.2 million shares in the first four months of 2014, constituting an increase of 41% from the same period of 2013; while aggregate turnover amounted to \$137.2m, up 55% from a turnover of \$88.5m in the first four months of 2013. Market capitalization decreased by a marginal 0.2% from end-April 2013 to \$11.05bn, of which 77.4% was in banking stocks, followed by real estate stocks with 19.3%, industrial stocks with 3% and trading stocks with 0.3%. The market liquidity ratio was 1.2% compared to 0.8% in the first four months of 2013. Banking stocks accounted for 85.5% of aggregate trading volume in the first four months of the year, followed by real estate stocks with 14.4% and industrial stocks with 0.1%. Also, banking stocks accounted for 73.5% of the aggregate value of shares traded, followed by real estate stocks with 26.4% and industrial stocks with 0.1%. The average daily traded volume for the period was 246,496 shares for an average daily value of \$1.76m. The figures reflect increases of 44.6% in volume and 59% in value year-on-year.

Moody's revises outlook on Holcim's ratings to 'negative' from 'stable'

Moody's Investors Service affirmed the long- and short-term issuer ratings of the Swiss-based building materials company Holcim Ltd and its rated subsidiaries at 'Baa2' and 'P-2', respectively. It also revised the outlook on all ratings to 'negative' from 'stable'. Holcim Ltd is the parent company of Holcim Liban sal and holds a 52% stake in the Lebanese firm. The agency attributed the outlook revision to the company's plan to merge with French industrial company Lafarge. It said that Holcim will make a public offer for all Lafarge's outstanding shares with new Holcim shares through an exchange ratio of one-to-one. It anticipated that Holcim and Lafarge would be required to dispose of sizable assets in several countries in order to comply with requirements of antitrust authorities. It considered that the proceeds from the disposals would be used to reduce the debt at the merged group, which would mitigate the negative impact of the merger on Holcim's leverage given Lafarge's higher leverage. As such, it said that the 'negative' outlook on Holcim's ratings reflects the uncertainties about the timely execution and successful realization of the merger, mainly the successful sale of the identified assets, uncertainties regarding the price realization on the disposals, execution risks on the achievement of targeted synergies, and concerns that the relatively optimistic assumptions for future performance might not materialize. Moody's considered that the resulting business profile would provide a better resilience to cyclical movements in cement demand, but it noted that the merged company would remain exposed to the cyclical nature of the cement industry. It added that Lafarge's weaker capital structure and the execution risks from the complexity of the merger would negatively weigh on Holcim's ratings.

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 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.

Corporate Highlights

MEA's net profits at \$63m in 2013

National flag carrier Middle East Airlines (MEA) announced net profits of \$63m in 2013, constituting an increase of 2.4% from \$61.5m in 2012, but a decrease from \$63.3m in 2011, \$83.1m in 2010, \$107.3m in 2009 and \$91.8m in 2008. It attributed the increase in profits to the one-off gain from plane sales. But it noted that the number of passengers fell by 7% in the first quarter of 2014, reflecting the impact of the ongoing conflict in Syria on the tourism sector in Lebanon. It added that the number of tourists from the countries of the Gulf Cooperation Council declined sharply due to travel warnings. It cautioned that the number of passengers would further decline if domestic tensions do not ease. However, it anticipated that it would post a net income of about \$60m in 2014 reflecting some stabilization in domestic conditions. MEA indicated that it plans to increase long-haul flights as it added a second daily flight to London's Heathrow Airport. Also, MEA started to serve the Basra International Airport on March 30, 2014 and will open a route to Khartoum in Sudan this summer with two flights per week. It is not possible to independently verify the actual financial state of MEA, as it does not publish its detailed balance sheet or income statement.

MEA, which is 99% owned by the Central Bank of Lebanon, has a fleet of 17 modern Airbus planes, serves 33 destinations, and is part of the global airline alliance SkyTeam. It was planning to raise \$250m through an initial public offering of 25% towards the end of 2010, but the partial IPO was indefinitely postponed.

Aggregate profits of listed banks up 1% in first quarter of 2014

Financial results issued by five banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$243.5m in the first quarter of 2014, constituting a rise of 0.7% from net earnings of \$241.8m in the same quarter last year. Further, the banks' aggregate pre-tax profits grew by 1.7% year-on-year to \$302.4m in the first quarter of 2014. The aggregate net interest income of the five banks reached \$430.5m in the first quarter of 2014, up 12.8% from \$381.6m in the same quarter of 2013; while their total net fees and commission income increased by 12.9% to \$128.7m year-on-year. Total operating income of the listed banks reached \$681.3m in the first quarter of 2014, up 1.9% from \$668.3m in the same quarter last year.

In parallel, the aggregate assets of the five banks increased by 2.2% from end-2013 and by 10.3% from end-March 2013 to \$98bn; while their total loans, including those to related parties, rose by 2.3% from end-2013 and by 19.6% from end-March 2013 to \$30.67bn. Also, the banks' total deposits, including those from related parties, increased by 1.9% from end-2013 and by 10.2% from end-March 2013 to \$81.6bn.

Also, the five banks' aggregate loans-to-deposits ratio stood at 37.6% at end-March 2014, up from 37.4% at end-2013 and from 34.6% at end-March 2013. BLOM Bank posted the lowest loans-to-deposits ratio at 28.3% compared to 27.8% at end-March 2013; followed by Byblos Bank with a ratio of 30.7% relative to 29.4% at end-March 2013, Bank of Beirut with 35.9% relative to 38.6% at end-March 2013; Bank Audi with 47.3%, up from 40.3% at end-March 2013; and Banque BEMO with a 52.2% ratio, up from 49.9% at end-March 2013. Further, the banks' collective cost-to-income ratio stood at 50.6% in the first quarter of 2014 and increased from 46.4% in the same quarter last year. BLOM Bank posted the lowest cost-to-income ratio at 41% in the first quarter of 2014 compared to 35.8% at end-March 2013. It was followed by Bank of Beirut with 50.5% relative to 51% in the first quarter of 2013; Bank Audi with 55%, up from 51.9% in the first quarter of 2013; Byblos Bank with a ratio of 55.3%, up from 48.4% in the first quarter of the previous year; and Banque BEMO with a 67.1% ratio, down from 71.3% in the first quarter of last year.

Results of Listed Banks in First Quarter 2014

	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$30.7m	\$87.5m	\$85.8m	\$36.8m	\$2.73m
% Change*	(11%)	0.5%	0.3%	11.2%	77.1%
Total Assets	\$18.58bn	\$26.72bn	\$37.81bn	\$13.37bn	\$1.52bn
% Change**	0.5%	2.2%	4.5%	(1.8%)	2.5%
Loans	\$4.58bn	\$6.51bn	\$15.29bn	\$3.64bn	\$0.64bn
% Change**	1.6%	2.6%	3.9%	(4.0%)	5.5%
Deposits	\$14.94bn	\$23.01bn	\$32.32bn	\$10.14bn	\$1.23bn
% Change**	1.3%	1.9%	3.9%	(3.2%)	1.7%

*Year-on-year

**Change from end-2013



Insurance premiums up 9% to \$1.4bn in 2013, claims and benefits paid at \$734m

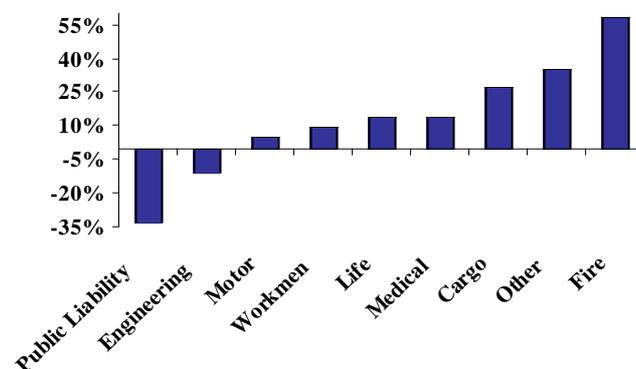
Figures released by the Association of Insurance Companies in Lebanon (ACAL) indicate that insurance premiums generated in Lebanon totaled \$1.42bn in 2013, constituting an increase of 8.5% from \$1.3bn in 2012. Insurance premiums reached \$382.3m in the first quarter, \$356.7m in the second quarter, \$333.2m in the third quarter and \$346.7m in the fourth quarter last year. Aggregate premiums increased by 20.4% in the first quarter of 2013 from the same quarter of 2012 and contracted by 1.8% annually in the second quarter, while they rose by 16.5% year-on-year in the third quarter and grew by 1.7% annually in the fourth quarter of 2013. Non-life premiums totaled \$1bn last year and rose by 7.9% from 2012, while life premiums reached \$414.9m and grew by 9.9% year-on-year.

Further, life insurance premiums accounted for 29.2% of the sector's aggregate premiums. They were followed by medical premiums with \$412.1m (29%), motor premiums with \$338.7m (23.9%), fire premiums with \$102.5m (7.2%), other categories with \$44.4m (3.1%), workmen's compensation with \$39.8m (2.8%), cargo with \$35.2m (2.5%), public liability with \$20.8m (1.5%) and engineering with \$10.5m (0.7%). Public liability premiums grew by 16% last year, medical and fire premiums rose by 12% each, life premiums and premiums from other categories grew by 10% each, workmen's compensation and motor premiums improved by 3% each; while engineering premiums contracted by 6% and cargo premiums remained unchanged from the preceding year.

In parallel, ACAL indicated that total benefits and claims paid by insurance companies stood at \$733.7m in 2013, constituting an increase of 10.7% from 2012. Benefits and claims paid for the non-life categories totaled \$572.4m and grew by 12.6% from 2012; while those in the life category amounted to \$161.3m in 2013 and increased by 13.7% annually. Medical claims totaled \$293.4m in 2013 and accounted for 40% of total claims, followed by motor claims with \$188.6m (25.7%), life claims with \$161.3m (22%), fire claims with \$42.8m (5.8%), workmen's claims with \$23.1m (3.1%), claims from other categories with \$9.3m (1.3%), cargo claims with \$8.1m (1.1%), public liability claims \$4.2m (0.6%), and engineering claims with \$2.9m (0.4%).

Further, unit-linked policies accounted for 56.6% of total life premiums and for 17.7% of the total number of life contracts in 2013, while life protection plans represented 43.4% of total life premiums and 82.3% of the total number of life contracts last year. ACAL noted that medical insurance premiums covering expatriates grew by 10% to \$10.7m last year, while medical insurance premiums covering Lebanese citizens rose by 12% at \$401.3m. Finally, it indicated that compulsory motor insurance premiums rose by 1% to \$56m in 2013, while non-compulsory motor insurance premiums increased by 4% to \$282.7m.

Change in Claims Paid in 2013



Source: Association of Insurance Companies in Lebanon, 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	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	Aug 2012	July 2013	Aug 2013	Change*	Risk Level
Political Risk Rating	53.5	53.0	52.5	▼	High
Financial Risk Rating	35.0	33.5	33.5	▼	Moderate
Economic Risk Rating	34.0	28.5	28.5	▼	High
Composite Risk Rating	61.2	57.5	57.2	▼	High

Regional Average	Aug 2012	July 2013	Aug 2013	Change*	Risk Level
Political Risk Rating	59.7	58.3	58.2	▼	High
Financial Risk Rating	41.2	41.3	41.3	▼	Very Low
Economic Risk Rating	36.3	36.6	36.2	▼	Low
Composite Risk Rating	68.6	68.1	67.8	▼	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	Stable	B-	B	Stable
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

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293