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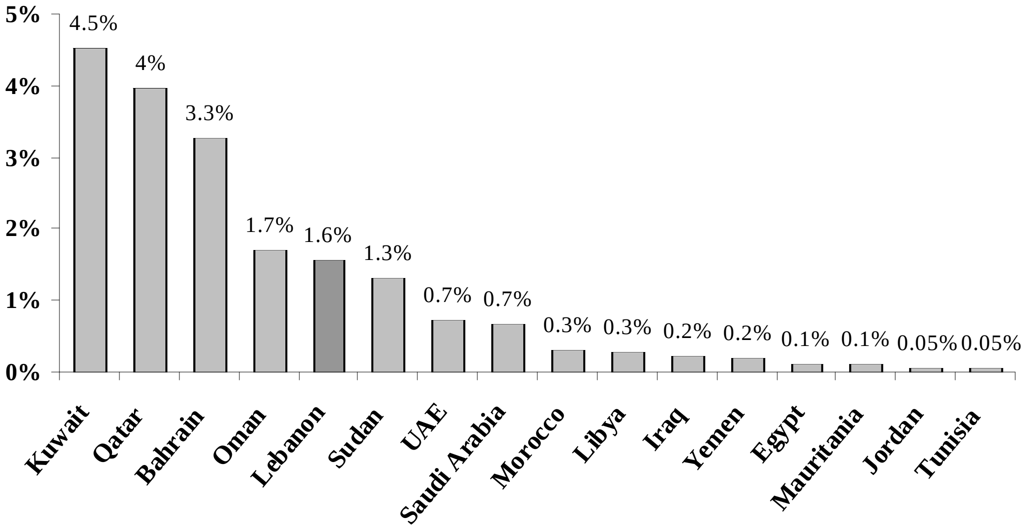
LEBANON THIS WEEK

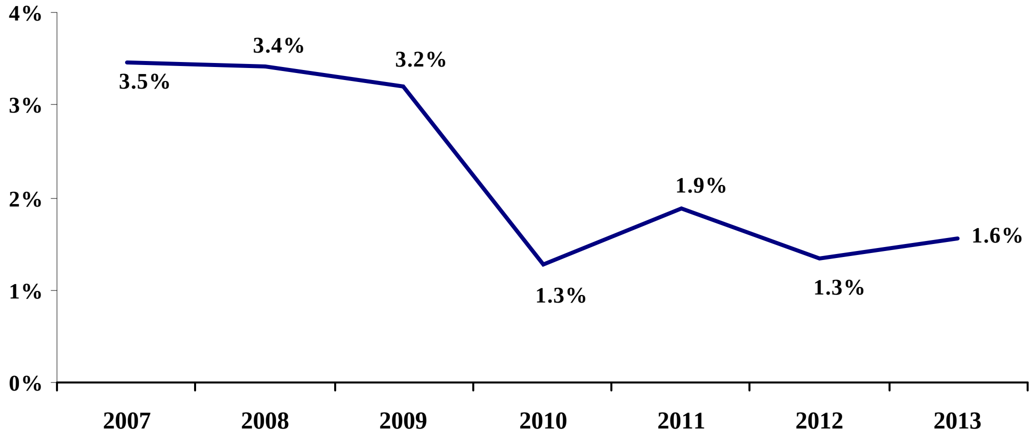
In This Issue

Charts of the Week

Foreign Direct Investment Outflows from Arab Countries in 2013 (% of GDP)



Foreign Direct Investment Outflows from Lebanon (% of GDP)



Source: UNCTAD, International Monetary Fund, Byblos Research

Quote to Note

"Protracted delays threaten to erode confidence in the government's ability to sustain international oil companies' interest in the hydrocarbons offering."

The Economist Intelligence Unit, on the potential impact of the Lebanese authorities' repeated postponement of the tender process for offshore oil & gas exploration

Number of the Week

13: Number of private equity deals in Lebanon during 2013, according to the Zawya Private Equity Monitor

Economic Indicators

$m *(unless otherwise mentioned)*	2013	Feb 13	Nov 13	Dec 13	Jan 14	Feb 14	% Change*
Exports	3,936	381	263	243	244	253	(33.60)
Imports	21,228	1,791	1,772	1,797	1,873	1,732	(3.29)
Trade Balance	(17,292)	(1,410)	(1,509)	(1,554)	(1,629)	(1,479)	(4.89)
Balance of Payments	(1,128)	(92)	(192)	534	(31)	194	-
Checks Cleared in LBP	17,047	1,213	1,451	1,562	1,502	1,410	16.24
Checks Cleared in FC	55,321	4,353	4,584	4,728	4,783	4,369	0.37
Total Checks Cleared	72,368	5,566	6,035	6,290	6,285	5,779	3.82
Budget Deficit/Surplus	(4,220)	(279.91)	(463.41)	(238.09)	(119.34)	(125.38)	55.21
Primary Balance	(239.68)	(130.13)	2.97	70.72	142.38	23.91	-
Airport Passengers	6,265,470	403,968	407,869	510,367	450,476	376,106	(6.90)

$bn *(unless otherwise mentioned)*	Dec 2013	Feb 13	Nov 13	Dec 13	Jan 14	Feb 14	% Change*
BdL FX Reserves	31.71	30.34	31.78	31.71	32.25	33.40	10.08
In months of Imports	*17.64*	*16.94*	*17.94*	*17.64*	*17.22*	*19.29*	*13.87*
Public Debt	63.46	58.08	63.26	63.46	63.94	64.99	11.90
Net Public Debt	53.18	49.95	52.75	53.18	53.47	53.91	7.92
Bank Assets	164.82	153.97	161.92	164.82	164.43	166.01	7.82
Bank Deposits (Private Sector)	136.21	126.30	133.15	136.21	134.86	135.71	7.45
Bank Loans to Private Sector	47.38	43.95	46.81	47.38	47.04	47.39	7.83
Money Supply M2	45.60	43.62	45.05	45.60	45.74	46.05	5.57
Money Supply M3	111.16	104.71	109.34	111.16	110.93	111.67	6.65
LBP Lending Rate (%)	7.29	7.47	7.01	7.29	7.39	7.14	(4bps)
LBP Deposit Rate (%)	5.44	5.46	5.47	5.44	5.48	5.51	1bps
USD Lending Rate (%)	6.88	7.05	6.88	6.88	6.82	6.96	(1bps)
USD Deposit Rate (%)	2.95	2.94	2.97	2.95	2.95	2.96	1bps
%* Change in CPI**	3.89	4.42	4.96	3.89	2.52	0.86	(81bps)

** 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"	12.62	(0.24)	109,935	11.46%
Solidere "B"	12.69	(0.24)	98,523	7.49%
Byblos Common	1.60	0.00	69,345	5.23%
Byblos Pref. 08	100.50	0.00	2,010	1.83%
Byblos Pref. 09	100.00	(0.99)	3,083	1.82%
BLOM GDR	9.35	0.00	2,486	6.28%
BLOM Listed	8.77	(0.34)	1,300	17.13%
Audi GDR	6.40	(3.03)	2,900	5.96%
Audi Listed	6.36	0.16	130,255	20.21%
HOLCIM	13.97	(1.50)	671	2.44%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Jan 2015	5.875	101.75	2.22
Apr 2015	10.000	105.25	2.97
Jan 2016	8.500	107.50	3.32
Mar 2017	9.000	112.00	4.19
Nov 2018	5.150	100.50	5.02
May 2019	6.000	103.75	5.12
Mar 2020	6.375	105.25	5.28
Apr 2021	8.250	115.13	5.53
Oct 2022	6.100	101.88	5.81
Nov 2026	6.600	102.00	6.36

Source: Byblos Bank Capital Markets

	July 14-18	July 7-11	% Change	June 2014	June 2013	% Change
Total Shares Traded	509,768	2,408,748	(78.84)	7,410,380	3,583,569	106.79
Total Value Traded	$4,709,657	$6,852,985	(31.28)	$57,889,844	$35,442,685	63.33
Market Capitalization	$11.01bn	$11.04bn	(0.26)	$11.21bn	$10.24bn	9.53

Source: Beirut Stock Exchange (BSE)

Beirut is 63rd most expensive city in the world, most expensive Arab city

Mercer Consulting's annual survey on the cost of living in 211 cities around the world ranked Beirut as the 63rd most expensive city worldwide and the most expensive among 19 Arab cities surveyed in 2014. It also considered Beirut to be the 14th most expensive city among the 50 cities in 38 Upper Middle Income Countries (UMICs) included in the survey. In comparison, Beirut was the 76th most expensive city worldwide and the second most expensive in the Arab world in 2013. The cost of living in Beirut increased relative to other cities, as its global rank rose by 13 spots in this year's survey, constituting the fourth largest rise among Arab cities behind Dubai (+23 spots), Casablanca (+18 spots) and Algiers (+15 spots).

The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment. The figures are derived from a survey conducted in March 2014. New York City is used as the base city for the index and all cities are compared against it. The survey is conducted annually to help multinational companies determine compensation allowances for their expatriate workers.

On a global basis, the cost of living in Beirut is similar to that in Madrid, and higher than in Rio de Janeiro, Yangon in Myanmar and Dubai; while Beirut has a lower cost of living than Frankfurt, Taipei in Taiwan and Los Angeles. Among UMICs, Beirut was considered to be more expensive than Rio de Janeiro, Chengdu in China and Tehran; while it was less costly than Sao Paulo, as well as Tianjin and Shenyang in China.

Beirut's ranking was mainly due to the high cost of unfurnished housing (lower than New York), personal leisure and sports (higher than New York), transportation cost (higher than New York) and the cost of utilities (higher than New York). Mercer indicated that it compares the cost of high-end items that are important to expatriates and their employers, such as upscale residential areas and entertainment venues.

Cost of Living Rankings in 2014

	Arab Rank	Global Rank
Beirut	**1**	**63**
Dubai	2	67
Abu Dhabi	3	68
Djibouti	4	101
Amman	5	103
Casablanca	6	107
Riyadh	7	111
Algiers	8	124
Kuwait City	9	147
Manama	10	150
Cairo	11	153
Khartoum	11	153
Doha	13	158
Rabat	14	163
Muscat	15	168
Damascus	16	171
Jeddah	17	175
Nouakchott	18	191
Tunis	19	202

Source: Mercer Consulting, Byblos Research

The survey shows that the rankings of 16 out of the 19 Arab cities increased in the 2014 survey. The survey included four non-Arab cities from the region, as Tel Aviv ranked in 18th place globally compared to 32nd place in the 2013 survey and Tehran came in 77th place relative to 53rd place last year. Also, Limassol ranked in 113th place compared to 127th place in last year's survey and Istanbul came in 135th place relative to 85th place in 2013. Luanda in Angola remained the world's most expensive city, while Karachi in Pakistan maintained its status as the least costly city worldwide.

Coincident Indicator continues to reflect economic slowdown

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 283.8 points in May 2014 compared to 285.1 in April 2014 and 272.7 in May 2013. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 0.5% month-on-month and increased by 4.1% year-on-year in May 2014. The indicator averaged 268.1 in the 12 months ending May 2014, compared to 267.2 in the 12 months ending April 2014 and 259.5 in the 12 months ending May 2013. As a result, the average coincident indicator rose by 0.4% month-on-month and by 3.3% year-on-year. Also, the indicator averaged 278.7 in the first five months of 2014 compared to 277.4 in the first four months of the year and 270.6 in the first five months of 2013. As a result, the average coincident indicator rose by 0.5% month-on-month and by 3% year-on-year during the covered period. In parallel, the indicator improved 8 times and regressed 14 times in the month of May since 1993. It averaged 225.9 in 2009, 249.5 in 2010, 255.7 in 2011 256.6 in 2012 and 264.7 points in 2013.

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

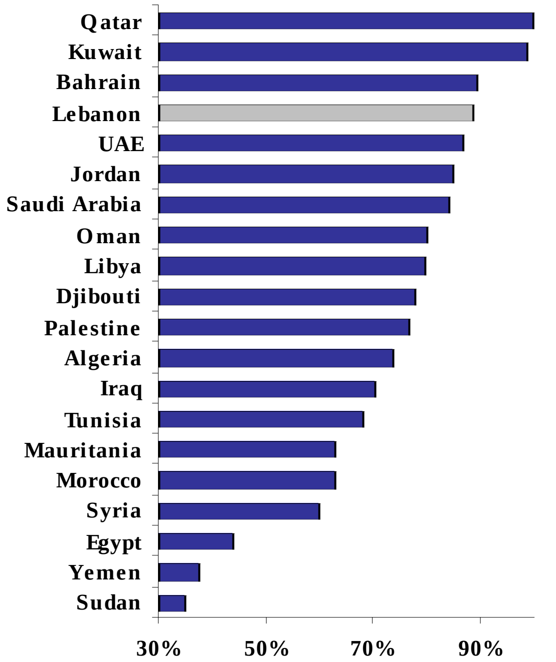
The Association of Banks in Lebanon (ABL) recommended to its member banks to increase the Beirut Reference Rate (BRR) in US dollars to 6.01% in August 2014 from 5.99% currently. The rate, considered as the reference rate for lending in foreign currency, replaced the London Inter-Bank Offering Rate (LIBOR) in 2009 as the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to increase the Beirut Reference Rate in Lebanese pounds to 8.66% in August from 8.61% currently. The Beirut Reference Rate in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks and the profitability of banks to the prime lending rate.

Lebanon's urbanization rate at 88.4% by 2020 and 89.6% by 2030, Beirut's population to reach 2.3 million in 2025

Figures released by the United Nations Department of Economic and Social Affairs projected Lebanon's urban population to represent 87.7% of the country's total population in 2014 and to increase to 87.8% in 2015, relative to urbanization levels of 83.1% in 1990, 86% in 2000 and 87.2% in 2010. Also, it forecast Lebanon's urbanization rate to increase to 88.4% in 2020, to 89.6% in 2030, to 90.7% in 2040 and to 91.7% in 2050. Lebanon's urbanization rate was the fourth highest among 20 Arab countries in 1990, 2000 and 2010, and is expected to remain the fourth largest by 2050. Kuwait, Qatar and Bahrain had higher urbanization levels than Lebanon between 1990 and 2010 and will still have higher such rates by 2050.

The United Nations projected Lebanon's urban population at 4.4 million in 2015, up from 2.2 million in 1990, 2.8 million in 2000 and 3.8 million in 2010. It forecast Lebanon's urban population to reach 4.3 million in 2020, 4.6 million by 2030, 4.8 million in 2040 and 4.9 million by 2050. Lebanon's urban population would account for 1.8% of the Arab countries' aggregate urban population by 2020 and for 1.2% of the total by 2050, relative to 2% in 2010. Further, Lebanon's urban population is projected to grow at a compound annual growth rate (CAGR) of 1.3% between 2010 and 2020, at a rate of 0.7% during the 2020-30 period, at a rate of 0.4% between 2030 and 2040 and at a CAGR of 0.1% during the 2040-50 period. In comparison, Lebanon's urban population grew by a CAGR of 2.2% between 1990 and 2000, the fifth slowest rate among Arab countries; while it grew at a CAGR of 3.1% during the 2000-10 period and posted the 10th fastest growth rate in the region.

Projected Urbanizatin Rate in 2020



Source: United Nations, Byblos Research

In parallel, the United Nations projected Beirut's population to reach 2.2 million in 2015, 2.25 million in 2020, 2.3 million in 2025 and 2.4 million in 2030, compared to 1.27 million in 1995, 1.8 million in 2005 and 2 million in 2010. Further, the United Nations forecast Beirut's population to grow at a CAGR of 2.3% during the 2010-15 period, at a CAGR of 0.2% during the 2015-20 years, a rate of 0.8% during the 2020-25 period and at a CAGR of 0.76% during the 2025-30 period. Beirut's population would grow at the 40th slowest rate among 107 Arab cities over the 2010-15 period, the third slowest rate between 2015 and 2020 and the slowest growth rate in the region during each of the 2020-25 and the 2025-30 periods. In comparison, Beirut's population grew at a CAGR of 3.2% between 1995 and 2000, a rate of 3.6% during the 2000-05 period and a CAGR of 2.3% between 2005 and 2010.

Slow construction and public work activity in fourth quarter of 2013

The Central Bank's quarterly business survey indicated that construction activity deteriorated during the fourth quarter of 2013, as the balance of opinions stood at -20, compared to -6 during the preceding quarter and -19 during the same quarter of 2012. The balance of opinions shows that construction activity was the lowest in the North at -28, followed by Beirut and Mount Lebanon (-27), the South (-19) and the Bekaa (+9). 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 -16 in the fourth quarter of 2013 compared to -8 in the preceding quarter and -14 in the same quarter of 2012. Opinions about the level of public works were the lowest in both Beirut & Mount Lebanon and the Bekaa at -30 each, followed by the South (zero) and the North (+29).

In parallel, the balance of opinions for the portfolio of projects was -14 in the fourth quarter of 2013 relative to -12 during the preceding quarter, and compared to -25 in the same quarter of 2012. The balance of opinions on the portfolio of projects was the lowest in the South at -31, followed by Beirut & Mount Lebanon (-23), the North (-20) and the Bekaa (+19). Also, the balance of opinions for general construction activity was -20 during the fourth quarter of 2013, compared to -8 in the preceding quarter, and relative to -21 in the fourth quarter of 2012. Further, the balance of opinions for construction costs reached +18 in the covered quarter compared to +30 in the preceding quarter and +31 in 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	Q4-10	Q4-11	Q4-12	Q4-13
General activity	-2	-7	-21	-20
Construction	5	-7	-19	-20
Public work	-19	-13	-14	-16
Portfolio of projects	-2	-13	-25	-14
Construction costs	46	32	31	18
Investments (% of yes)	39%	35%	39%	35%

Source: Central Bank Business Survey in fourth quarter of 2013

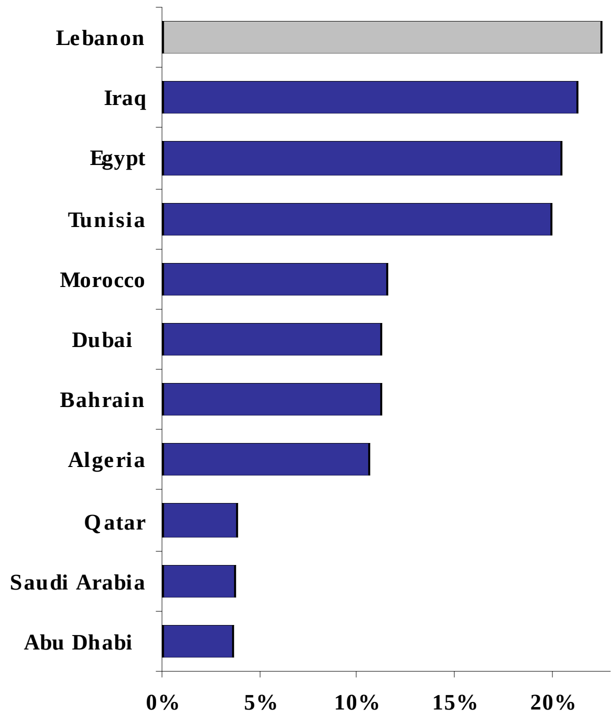
Lebanon's CDS spreads tighten by 9.6% in second quarter of 2014

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 second quarter of 2014 at 348.4 basis points. This reflects a tightening of 36.8bps from 385.2bps at the end of the first quarter of 2014, a narrowing of 46.6bps from 395bps at the end of 2013, and a decline of 130.2bps from 478.6bps at the end of the second quarter of 2013. Credit Default Swaps represent the cost of insuring government bonds against default and have become a reflection of perceived credit risk. As such, it cost around $348,400 a year at end-June to insure a notional $10m of Lebanese sovereign debt against default for five years, down from $478,600 a year earlier.

The firm noted that Lebanon's 5-year CDS spreads were the eighth widest among 74 countries during the second quarter of the year. They were tighter than Argentina's spreads of 1,966.2bps, Venezuela (931.7bps), Ukraine (778.5bps), Pakistan (615bps), Greece (464bps), El Salvador (405.7bps) and Cyprus (391.9bps). It said that Lebanon's CDS spreads tightened by 9.6% from the preceding quarter.

Further, S&P Capital IQ indicated that Lebanon ended the second quarter of 2014 with a five-year cumulative probability of default (CPD) of 22.5%, down from 24.6% at the end of the first quarter of 2014, from 25.15% at the end of 2013 and from 29.6% at the end of the second quarter of 2013. Lebanon's CPD has declined since the end of the third quarter of 2013. S&P Capital IQ said that 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.

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



Source: S&P Capital IQ, Byblos Research

Lebanon's CPD at the end of June 2014 shows that Lebanese debt was the eighth riskiest globally, but it was less risky than the debt of Argentina (67.1%), Venezuela (48.6%), Ukraine (41.6%), Pakistan (36.2%), Greece (34.2%), Cyprus (29.6%) and El Salvador (25.5%). S&P Capital IQ maintained Lebanon among the top 10 riskiest sovereigns for the second consecutive quarter. Norway, Sweden and the United States had the lowest CPD among the 74 sovereigns covered in the survey, with rates of 1.1%, 1.3% and 1.5%, respectively.

Corporate Highlights

Eight Lebanese banks among Top 1000 banks in the world, Byblos Bank posts highest Tier One capital-to-assets ratio

In its 2014 survey of the Top 1000 commercial banks in the world, *The Banker* magazine included eight Lebanese banks on the list, unchanged from last year, none of which ranked among the top 25 banks in the Middle East. The rankings are based on Tier One capital at year-end 2013 as defined by the Basel Bank for International Settlements. *The Banker* said the definition is stricter than total shareholders' equity and covers only the core of a bank's strength, namely the shareholders' equity available to cover actual or potential losses.

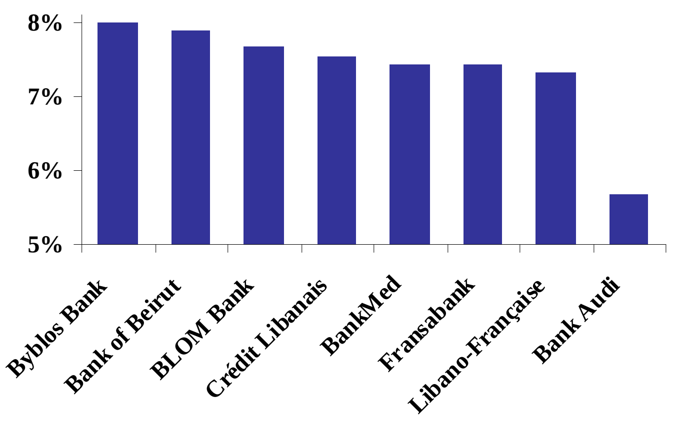
Byblos Bank's Tier One capital-to-assets ratio reached 7.7% at the end of 2013, posting the highest such ratio among Lebanese banks for the fifth consecutive year. It was followed by Bank of Beirut (7.6%), BLOM Bank (7.4%), Crédit Libanais (7.3%), BankMed and Fransabank (7.2% each), Banque Libano-Française (7.1%) and Bank Audi (5.6%). The Tier One capital-to-assets ratio of seven out of eight Lebanese banks outperformed the Top 1000 banks' aggregate ratio of 5.86% at end-2013.

The aggregate Tier One capital of the eight Lebanese banks totaled $10bn at the end of 2013, constituting a rise of 8.4% from end-2012. In comparison, the Tier One capital of the Top 1000 banks grew by 7.5%. In parallel, the cumulative pre-tax profits of the eight Lebanese banks reached $1.71bn in 2013, down by 2.4% from the preceding year, and compared to a 23% increase in the gross earnings of the Top 1000 banks. Further, the ratio of pre-tax profits-to-Tier One capital of the Lebanese banks reached 16.2% in 2013, down from 17.7% a year earlier, and compared to 13.9% for the Top 1000 banks and to 15.2% for Middle Eastern banks. The eight Lebanese banks accounted for 0.15% of the Tier One capital of the Top 1000 banks, for 0.13% of their total assets and for 0.2% of their aggregate pre-tax profits.

Bank Audi's Tier One capital reached $2bn at the end of 2013 and accounted for 20.3% of the aggregate Tier One capital of the eight Lebanese banks included in the survey. It was followed by BLOM Bank with $1.93bn or 19.2% of the total, Byblos Bank with $1.42bn (14.1%), Fransabank with $1.21bn (12.1%), Bank of Beirut with $1bn (10.3%), BankMed with $994.6m (9.9%), Banque Libano-Française with $790.7m (7.9%) and Crédit Libanais with $610.6m (6.1%).

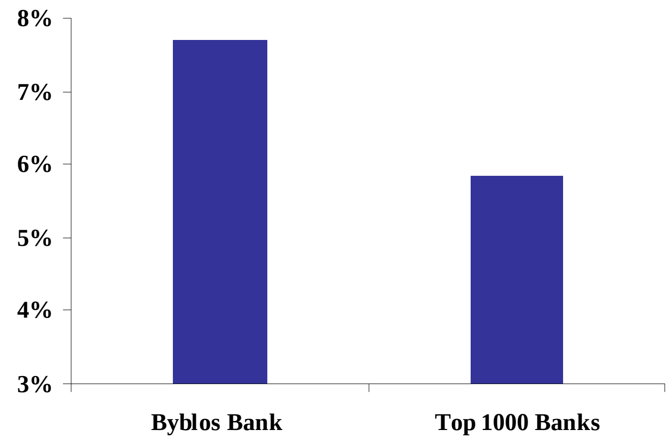
Bank Audi ranked in 400th place globally, followed by BLOM Bank in 419th place, Byblos Bank in 502nd place, Fransabank (552nd), Bank of Beirut (608th), BankMed (626th), Banque Libano-Française (726th) and Crédit Libanais (835th). Banque Libano-Française and BLOM Bank posted the steepest declines in the rankings, as they regressed by 21 and 20 spots, respectively.

Tier One Capital-to-Assets Ratio at end-2013 (%)



Source: The Banker Magazine, July 2014

Tier One Capital-to-Assets Ratio at end-2013 (%)



Source: The Banker Magazine, July 2014

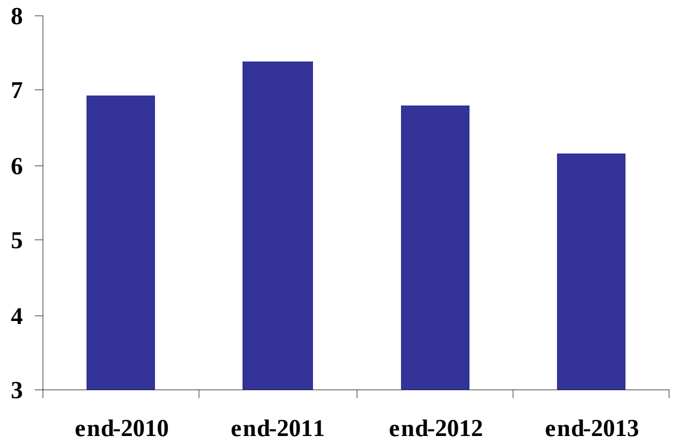
ACCBC acquires majority stake in National Beverage Company

The UAE-based Aujan Coca-Cola Beverages Company (ACCBC) announced that it has acquired an 80% stake in Lebanese firm National Beverage Company sal (NBC). The firms did not disclose the value of the deal. ACCBC acquired its stake from Transmed sal, a full-service consumer products distributor that retains a share in the company. The deal is expected to allow NBC to benefit from ACCBC's experience and economies of scale. NBC is a manufacturer and distributor of carbonated soft drinks, juices and mineral water in Lebanon. ACCBC was established in December 2011 through a $980m joint venture between the US-based Coca-Cola Company and the Saudi-based Aujan Industries. ACCBC produces soft drinks and other carbonated beverages, among other activities.

Foreign investments of financial sector at $6.1bn at end-2013, commercial banks account for 71% of long-term debt securities and for 25% of equity investments

Figures issued by the Central Bank show that the net investment portfolio of Lebanese banks and financial institutions in foreign debt and equity securities totaled $6.1bn at end-2013, constituting a decrease of 9.4% from $6.8bn at end-2012. Investments in long-term debt securities totaled $3.5bn at end-2013 and accounted for 56.9% of the total, followed by investments in equities with $2.6bn, or 41.9% of the total, while short-term debt securities reached $77.3m or 1.3% of the total. According to the Central Bank, the figures cover the net assets of resident financial institutions in tradable debt and equity instruments of non-resident issuers. They help provide a clearer picture about the flow of funds from Lebanon and, therefore, about the balance of payments.

Foreign Investments of Financial Secor (US$bn)



Source: Central Bank, Byblos Research

The distribution of investments by institutions indicates that commercial banks' net portfolio in foreign long-term debt securities totaled $2.5bn and accounted for 70.5% of total investments in such securities at end-2013. The figure includes banks' investment for their own account, on behalf of their clients and on a custodial basis. They were followed by medium and long-term banks with $790.3m (22.6%), insurance firms with $158.5m (4.5%) and financial institutions with $82.1m (2.4%). Commercial banks also represented 83.6% of investments in short-term debt securities, followed by medium and long-term banks with 8.2%, financial institutions with 4.5% and insurance companies with 3.8%. In parallel, financial institutions' net assets in equity securities totaled $1.1bn, accounting for 42.9% of total investments in such securities. They were followed by medium and long-term banks with $660m (25.6%), commercial banks with $652.7m (25.4%) and insurance companies with $154.8m (6%).

The distribution of investments by destination shows that the United States was the leading recipient of equity investments by financial institutions operating in Lebanon, as it reached $1.36bn or 52.9% of the total at end-2013. It was followed by Bahrain with $241.1m (9.4%), Luxembourg with $134.2m (5.2%), France with $125.4m (4.9%) and Jordan with $115.3m (4.5%), while other countries accounted for the remaining 23.2%. In parallel, the United Kingdom represented $564m, or 16.1% of investments in long-term debt securities, followed by the United States with $495.9m (14.2%), France with $431.2m (12.3%), the United Arab Emirates with $302m (8.6%), and the Netherlands with $163.4m (4.7%), while other countries accounted for the remaining 44%. Further, Qatar accounted for 55.2% of investments in short-term debt securities, followed by the United Arab Emirates with 18.3% and Australia with 9.8%.

Top five freight forwarders' import activity nearly unchanged in first five months of 2014

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 143,828 20-foot equivalent units (TEUs) in the first five months of 2014, constituting a marginal drop of 0.3% from 144,231 TEUs in the same period last year. They accounted for 60.7% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 48,336 TEUs in imports for the local market in the first five months of the year, equivalent to 20.4% share of the total freight forwarding import market. It was followed by Merit Shipping with 30,787 TEUs (13%), Sealine Group with 29,618 TEUs (12.5%), Metz Group with 19,660 TEUs (8.3%) and Gezairy Transport with 15,427 TEUs (6.5%). Further, Gezairy Transport registered the highest growth in import shipping among the top five freight forwarders at 66.9% year-on-year, while Sealine Group posted the steepest drop of 26% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 25,769 TEUs in the first five months of 2014, constituting a decrease of 12% from 29,272 TEUs in the same period of 2013. They accounted for 97.9% of the total export freight forwarding market during the covered period. Sealine Group handled 9,499 TEUs of freight, equivalent to 36.1% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 8,352 TEUs (31.7%), Metz Group with 4,334 TEUs (16.5%), MSC with 2,261 TEUs (8.6%) and Gezairy Transport with 1,323 TEUs (5%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 219.1% year-on-year, while Sealine Group posted the steepest drop of 35.8% year-on-year.

Allianz SNA's net profits up 49% to $7.3m in 2013

Allianz SNA sal announced audited net profits of $7.3m in 2013, constituting an increase of 48.9% from net earnings of $4.9m in 2012. Its audited balance sheet shows total assets of $387.8m at the end of 2013, constituting an increase of 9.6% from $353.9m at end-2012. On the assets side, general company investments totaled $309.1m and increased by 11.2% from a year earlier. They included $241.3m in fixed income investments that rose by 9.4% year-on-year, $21.9m in policy loans that increased by 12.3%, and $14.9m in cash and cash equivalent that rose by 46.7% from a year earlier. Also, $25.1m were in blocked bank deposits and deposits with maturity of more than three months, of which $2.1m were blocked in favor of the Economy Ministry as guarantees.

Unit-linked contracts investments totaled $22.9m at end-2013, constituting a marginal increase of 0.2% from $22.8m a year earlier. They included $20.5m of placements in mutual funds, $1.8m in cash & similar investments and $0.5m in fixed income investments. Unit-linked investment in mutual funds rose by 20.7%, cash & similar investments increased by 33.2%, and fixed income investments declined by 79.6% year-on-year. Reinsurance share in technical reserves for the life and non-life categories amounted to $1.8m and $8.7m, respectively, constituting increases of 12.3% and 10.8%, respectively.

On the liabilities side, unit-linked technical reserves reached $22.9m at end-2013 and rose marginally by 0.2% from $22.8m a year earlier. Also, technical reserves for the life segment increased by 14.5% year-on-year to $246.2m, while technical reserves for the non-life category reached $42.6m at end-2013 and decreased by 2.9% from a year earlier. Non-life technical reserves included unearned premium reserves of $17.5m that dropped by 18%, outstanding claims reserves of $17m that increased by 17% year-on-year, $4.1m in premium deficiency reserves that decreased by 18.7%, and $3.1m in reserves incurred but not reported that rose by 42.7% year-on-year. Provisions for risks and charges reached $1.5m and rose by 11.4% from the previous year. Also, the firm's shareholders' equity totaled $57.7m at end-2013, up by 2.9% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Allianz SNA in second and seventh place in 2013 in terms of life and non-life premiums, respectively. The firm's life premiums reached $55.7m and non-life premiums amounted to $55.5m, constituting increases of 5.3% and 9.1%, respectively. It had a 13.3% share of the life market and a 5.6% share of the local non-life market.

AXA Middle East posts net income of $5.2m in 2013

AXA Middle East sal announced audited net profits of $5.2m in 2013, constituting an increase of 26.8% from net earnings of $4.1m in 2012. Its audited balance sheet shows total assets of $90.2m at end-2013, up 4.5% from $86.4m at end-2012. On the assets side, general company investments totaled $36.5m and increased by 7.1% from end-2012. They included $27.5m in cash and cash equivalents that rose by 10.2% year-on-year, and $5.2m in subsidiaries and associates that remained unchanged from a year earlier, while $1.8m were in blocked bank deposits and deposits with maturity of more than three months, of which $1.7m were blocked in favor of the Economy Ministry as guarantees.

Also, receivables under insurance business reached $19.8m, down by 2% from end-2012, and receivables under reinsurance contracts totaled $1.5m, down by 44.2% from a year earlier; while other assets reached $7.1m and decreased by 2.9% year-on-year. Other assets included non-investment properties of $5.7m that dropped by 1.4% and operating fixed assets of $1.4m that decreased by 8.6% year-on-year. Reinsurance share in technical reserves for the life and non-life categories amounted to $3.5m and $10.2m at end-2013, respectively, constituting increases of 103.1% and 6.3%, respectively.

On the liabilities side, unit-linked technical reserves reached $1bn at end-2013 and rose by 40.6% from $0.7m at end-2012. Also, technical reserves for the life segment increased by 48.6% year-on-year to $12.1m, and those for the non-life category reached $35m at end-2013 and rose by 0.7% from a year earlier. Non-life technical reserves included unearned premium reserves of $27.2m that grew by 8%, outstanding claims reserves of $4.7m that declined by 45.5%, and $2.5m in reserves incurred but not reported that rose by 173.1% year-on-year. Provisions for risks and charges reached $2.5m and dropped by 2.9% from a year earlier. Also, the firm's shareholders' equity totaled $20.9m at end-2013, constituting an increase of 17.7% from $17.8m a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked AXA Middle East in 11th and second place in 2013 in terms of life and non-life premiums, respectively. The firm's life premiums reached $9m and non-life premiums amounted to $94.8m, constituting increases of 52% and 12.4%, respectively. It had a 2.2% share of the life market and a 9.6% share of the local non-life market.

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	58.9	150
Public Debt in Local Currency / GDP	81.7	78.3	84.3	600
Gross Public Debt / GDP	133.9	135.7	143.2	750
Total Gross External Debt / GDP	169.2	170.0	176.7	670
Trade Balance / GDP	(39.7)	(39.5)	(39.0)	50
Exports / Imports	21.2	21.1	18.6	(250)
Fiscal Revenues / GDP	23.3	22.1	21.3	(80)
Fiscal Expenditures / GDP	29.1	31.3	30.8	(50)
Fiscal Balance / GDP	(5.9)	(9.2)	(9.5)	(30)
Primary Balance / GDP	4.2	(0.3)	(0.5)	(20)
Gross Foreign Currency Reserves / M2	79.2	69.4	69.6	20
M3 / GDP	242.6	244.6	250.8	620
Commercial Banks Assets / GDP	350.7	357.2	371.9	1,470
Private Sector Deposits / GDP	288.7	294.0	307.3	1,330
Private Sector Loans / GDP	98.3	102.2	106.9	470
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

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