



LEBANON THIS WEEK

In This Issue

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

Lebanon is 77th largest market for U.S. exports, key exports include fuel, vehicles and machinery in 2013

Mobile cellular penetration trails global and Arab rates

Revenues through Port of Beirut down 7% to \$1.2bn in first half of 2014

IMF calls on banking sector to strengthen capital buffers and to keep deposit growth in single digits

Opened letters of credits at \$3.2bn for imports and \$1.6bn for exports in first half of 2014

Majority of fresh graduates in Lebanon claim there are few available jobs for them

Corporate Highlights6

Balance sheet of financial institutions up 23% in first half of 2014

Top five freight forwarders' import activity down 1% in first half of 2014

EFG Hermes' net income at \$53.5m in first half of 2014, Crédit Libanais' contribution to operating revenues slips

MetLife Alico's net income up 10% to \$33m in FY2013

RYMCO's consolidated net income up 64% to \$4m in 2013

Credit Financier Invest approves dividends for 2013

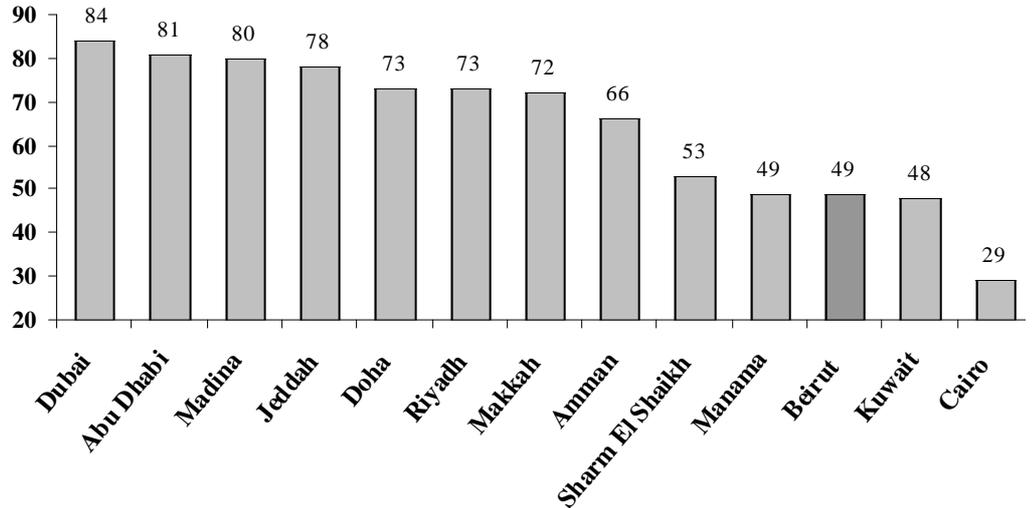
Banque de L'Industrie et du Travail's net profits at \$0.6m in 2013

Assurex's net profits at \$2m in 2013

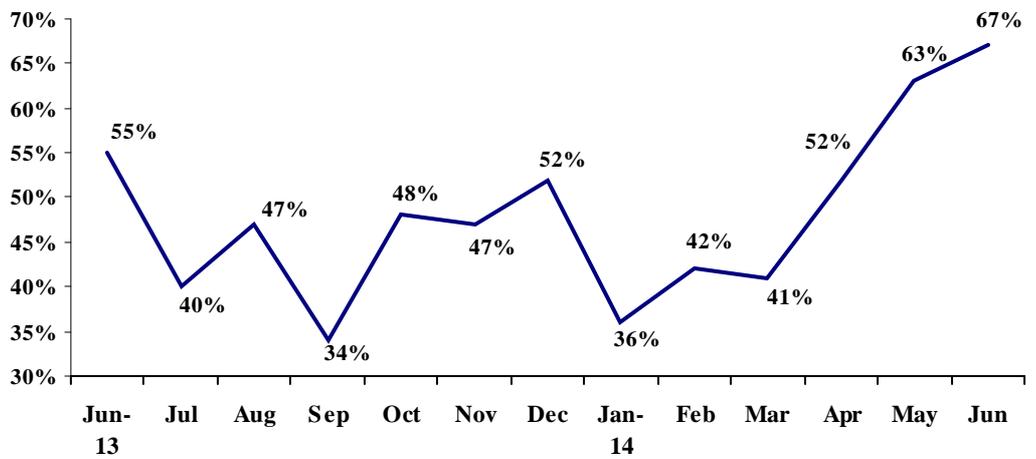
Ratio Highlights.....9
Risk Outlook9
Ratings & Outlook.....9

Charts of the Week

Occupancy Rates at Hotels in Arab Cities in the First Half of 2014 (%)



Occupancy Rates at Hotels in Beirut (%)



Source: EY, Byblos Bank

Quote to Note

"Increased private sector participation in infrastructure investment could lift Lebanon's growth potential."

The International Monetary Fund, on the importance of ratifying and implementing the Public-Private Partnership draft law

Number of the Week

10: Number of times the Lebanese Parliament has tried and failed to elect a new President

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
<i>In months of Imports</i>	<i>17.64</i>	<i>16.94</i>	<i>17.94</i>	<i>17.64</i>	<i>17.22</i>	<i>19.29</i>	<i>13.87</i>
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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	12.88	(1.08)	104,490	11.67%	Jan 2015	5.875	101.25	2.77
Solidere "B"	12.61	(3.22)	32,631	7.43%	Apr 2015	10.000	104.70	3.02
Byblos Common	1.63	1.87	70,401	5.31%	Jan 2016	8.500	107.25	3.23
Byblos Pref. 08	100.70	0.10	1,455	1.83%	Mar 2017	9.000	112.38	3.92
Byblos Pref. 09	100.50	0.00	63	1.82%	Nov 2018	5.150	101.25	4.82
BLOM GDR	9.35	0.00	10,000	6.26%	May 2019	6.000	103.90	5.07
BLOM Listed	8.75	0.00	10,000	17.05%	Mar 2020	6.375	105.50	5.22
Audi GDR	6.50	4.00	12,700	6.04%	Apr 2021	8.250	115.50	5.44
Audi Listed	6.35	5.66	26,150	20.13%	Oct 2022	6.100	102.25	5.75
HOLCIM	14.05	2.11	997	2.49%	Nov 2026	6.600	102.50	6.30

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

Source: Byblos Bank Capital Markets

	Aug 11-14	Aug 4-8	% Change	July 2014	July 2013	% Change
Total Shares Traded	304,235	289,156	5.21	3,616,820	7,014,320	(48.44)
Total Value Traded	\$4,194,306	\$3,445,240	21.74	\$19,622,207	\$30,195,961	(35.02)
Market Capitalization	\$11.03bn	\$10.92bn	1.02	\$10.94bn	\$10.56bn	3.57

Source: Beirut Stock Exchange (BSE)



Lebanon is 77th largest market for U.S. exports, key exports include fuel, vehicles and machinery in 2013

The United States Department of Commerce's 2014 Country Commercial Guide for Lebanon (CCG) indicated that Lebanon has many investment strengths that have encouraged foreign companies to set up offices in the country. It said that Lebanon's key advantages include a free-market economy, the absence of controls on the movement of capital and foreign exchange, a well developed banking system, a highly-educated labor force, good quality of life, and limited restrictions on investors. It added that Lebanon's economy follows a laissez-faire model and that the government's intervention in foreign trade is minimal. But it noted that some issues continue to cause frustration among local and foreign businessmen. It pointed out that impediments include red tape and corruption, arbitrary licensing decisions, complex customs procedures, archaic legislation, an ineffectual judicial system, high taxes and fees, flexible interpretation of laws, and weak enforcement of intellectual property rights. It expected the business climate to remain sensitive to domestic and regional political and security developments. It anticipated that spillovers from the Syrian crisis would continue to negatively impact domestic activity that is expected to remain below potential in the near-term.

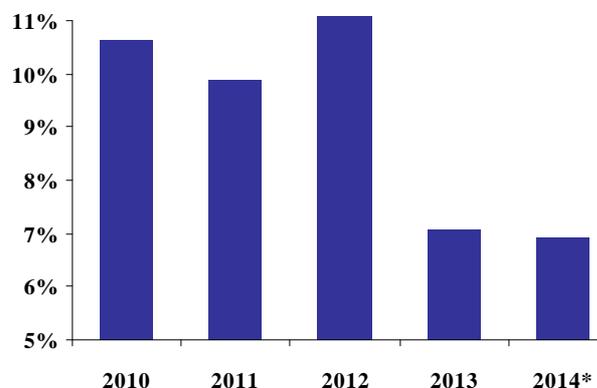
The U.S. Department of Commerce said that Lebanon was the 77th largest market for U.S. exports in 2013, while it was the 79th largest market in 2012. It added that the U.S. exported \$1.5bn worth of goods to Lebanon last year, accounting for 7.1% of total Lebanese imports, compared to U.S. exports of \$2.4bn or 11.2% of total imports in 2012. It noted that the U.S. was the fourth largest source of imports for Lebanon in 2013, behind China, Italy and France. It said that major U.S. exports to Lebanon in 2013 were mineral fuel & oil (\$607m), vehicles (\$241m), machinery & electrical instruments (\$170m), chemical products (\$162m), beverages & tobacco (\$64m) and vegetable products (\$47m). The Guide indicated that leading Lebanese sectors for U.S. exports and investment include commercial sectors, such as electrical power systems, the automobile sector, pharmaceuticals & drugs, medical equipment, safety & security, apparel and educational services, as well as agricultural sectors.

The CCG estimated the exports of U.S. electrical power systems to Lebanon at \$309m in 2013, constituting a rise of 56.1% from the preceding year. It noted that the increase reflects high local demand for renewable energy, mainly solar energy. It said that U.S. technology is well perceived in Lebanon due to its high quality and competitive value against European products. Further, it estimated U.S. automotive exports to Lebanon at \$234m in 2013, up by 14% from 2012. It also estimated the U.S. share of the local auto market at 15% in 2013, adding that demand for U.S. automotive products such as brakes, clutches, engine lubricants and safety accessories is increasing because of their quality advantage over foreign competitors. It projected U.S. automotive exports to Lebanon at \$230m in each of 2014 and 2015. In addition, U.S. agricultural exports to Lebanon totaled \$127m in 2013 and accounted for 4.3% of Lebanon's total agricultural imports.

Further, U.S. pharmaceutical exports to Lebanon increased by 1.9% to \$107m in 2013 and accounted for about 9.8% of the country's total pharmaceutical imports, while U.S. exports of medical equipment remained unchanged at \$75m in 2013 and had a 25.6% market share. The CCG said that U.S. pharmaceutical products have an advantage over European and Asian products in the biotechnology, high-tech, anti-cancer, and cardiovascular fields. It considered that the sustained demand for U.S. medical equipments reflects their high quality and the weakness of the dollar relative to the euro. It projected U.S. pharmaceutical exports to Lebanon to rise to \$108m in 2014 and to \$109m in 2015, while it forecast U.S. exports of medical equipment to remain unchanged at \$75m in each of 2014 and 2015.

In parallel, U.S. safety & security equipments to Lebanon rose by 1.3% to \$76m in 2013. The CCG expected such exports to remain at \$76m in each of 2014 and 2015, supported by high demand for internal security equipments. It noted that demand for security equipments includes surveillance systems, access control & alarm signaling equipment, metal detectors, x-ray & handheld scanners, fire-fighting & fire protection systems, safety & property security systems, and bank fraud & electronic security. In addition, U.S. apparel exports to Lebanon remained unchanged at \$9m in 2013 and accounted for 1.9% of the country's total apparel imports last year. The CCG projected such exports to remain at \$9m in each of 2014 and 2015. Further, It pointed out that Lebanon has one of the best educational systems in the Middle East with 191,788 students enrolled in universities throughout Lebanon and around 1,266 Lebanese students studying in the U.S. It said that the number of Lebanese students in the U.S. decreased by 7.7% during the 2012/2013 school year compared to 2011/2012 due to the increasing cost of education in the U.S.

U.S. Exports to Lebanon
(% of total Lebanese imports)



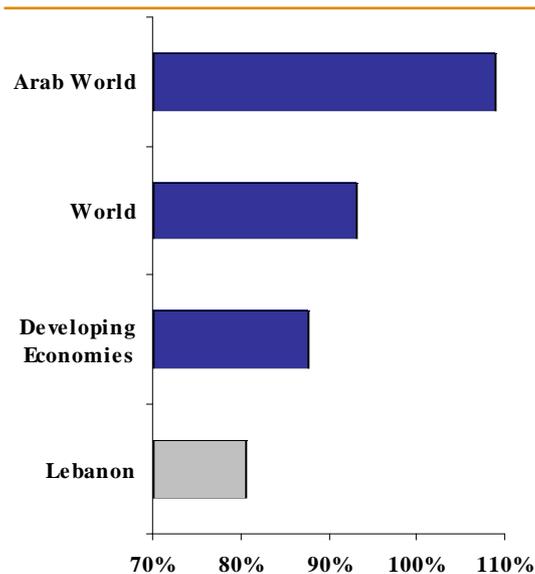
*First half of the year

Source: Lebanese customs, Byblos Research

Mobile cellular penetration trails global and Arab rates

Figures released by the International Telecommunication Union indicate that Lebanon ranked in 147th place among 206 countries at the end of 2013 in terms of mobile cellular penetration, which is the number of subscriptions to the service per 100 inhabitants. Lebanon's rank regressed by three spots from its rank in 2012 based on the same number of countries year-on-year. Lebanon also came in 15th place among 20 Arab countries and ranked in 48th place among 53 upper middle income countries (UMICs) included in the survey. Lebanon's rank was unchanged among Arab countries, while it regressed by two spots among UMICs from the previous year. On a global basis, Lebanon had a higher penetration rate than Canada, Uzbekistan and Palestine, and a lower rate than Puerto Rico, Iran and Mexico among economies with a GDP of \$10bn or more. Also, it ranked ahead of Angola and Cuba among UMICs that have a GDP of \$10bn or more. Lebanon had 80.6 mobile subscriptions per 100 inhabitants in 2013, constituting a marginal decrease from 80.8 subscriptions per 100 inhabitants in 2012. Lebanon's penetration rate was lower than the global average of 93.1 subscriptions per 100 inhabitants, the developing economies' average of 87.6 subscriptions per 100 inhabitants and the Arab average of 108.8 subscriptions per 100 inhabitants last year. Mobile cellular penetration in Lebanon grew by a compound annual growth rate (CAGR) of 18.8% during the 2008-13 period compared to a CAGR of 12.3% for developing economies and of 11.5% for Arab countries.

Mobile Cellular Penetration at end-2013



Source: ITU, Byblos Research

In parallel, Lebanon ranked in 99th place among 210 countries in terms of fixed telephone lines penetration last year, which represents the number of subscriptions to fixed telephone lines per 100 inhabitants. Lebanon also ranked in fifth place among 20 Arab countries and in 26th position among 54 UMICs. Lebanon's rank regressed by two spots from its rank in 2012. Also, Lebanon's rank was unchanged among Arab countries and regressed by two spots among UMICs year-on-year. On a global basis, Lebanon had a higher penetration rate than Puerto Rico, the Slovak Republic and Mexico, and a lower rate than Turkey, Chile and the Czech Republic among economies with a GDP of \$10bn or more. Also, it ranked ahead of Mexico, Malaysia and Ecuador and came behind Turkey, Azerbaijan and Macedonia among UMICs that have a GDP of \$10bn or more. Lebanon had 18.04 fixed telephone lines subscriptions per 100 inhabitants in 2013, down from 18.7 subscriptions per 100 inhabitants in 2012. Lebanon's penetration rate was higher than the global average of 16.2 subscriptions, the developing countries' average of 10.9 subscriptions per 100 inhabitants and the Arab average of 8.9 subscriptions per 100 inhabitants. Fixed telephone lines penetration in Lebanon grew by a CAGR of 0.1% during the 2008-13 period, compared to a CAGR of -3.2% for developing economies and -2.9% for Arab countries.

Revenues through Port of Beirut down 7% to \$1.2bn in first half of 2014

Figures released by the Port of Beirut show that overall receipts generated through the port reached \$1.2bn in the first half of 2014, constituting a decrease of 6.6% from the same period of 2013. Customs receipts through the port totaled \$577.1m in the first half of 2014, down 11.8% from \$654m in the same period of 2013; while receipts from the value added tax reached \$554.2m, down 1.6% from the first half of 2013. Also, the port's overall revenues totaled \$105.3m in the first half of 2014, down marginally by 0.6% from the same period of 2013. Further, the Port of Beirut handled an aggregate freight of 4.3 million tons in the first half of 2014, up by 3.9% from 4.1 million tons in the same period of last year. Import freight accounted for 89.4% of the total, while the remaining 10.6% was export cargo. A total of 1,001 ships docked at the port in the first half of 2014 compared to 1,058 vessels in the same period of 2013.

In parallel, overall revenues generated through the Port of Tripoli reached \$53.4m in the first half of 2014, constituting a drop of 7.2% from \$57.5m in the same period of 2013. Customs receipts through the port reached \$20.3m in the covered period, down 12% from \$23.1m in the first half of 2013; while receipts from the value-added tax reached \$27.1m and declined by 6% from \$28.8m in the first half of 2013. The port's revenues rose by 6.8% year-on-year to \$6m in the first half of 2014. Further, the Port of Tripoli handled an aggregate weight of 629,410 tons of freight in the first half of the year, constituting a decrease of 13.4% from 726,997 tons in the same period of 2013. A total of 263 vessels docked at the port in the first half of 2014, constituting a decrease of 1.1% from 266 ships in the same period last year.

IMF calls on banking sector to strengthen capital buffers and to keep deposit growth in single digits

The International Monetary Fund considered that a growth rate of about 8% for deposits at commercial banks would be sufficient to cover the economy's financing needs and would keep the Central Bank's foreign currency reserves at high levels through the reserve requirements channel. It called on banks to avoid a return to double-digit deposit growth rates that would generate high liquidity and would result in a higher cost for the Central Bank to absorb the excess liquidity. It said that banks could reduce local interest rates on dollar deposits, which would narrow the spread with global dollar rates, in order to slow down the growth in the deposit stock when needed.

In parallel, the Fund called on the banking sector to reduce over time its reliance on sovereign instruments to generate profits. It added that banks might need to downsize their balance sheet if the government's borrowing needs decline significantly and if regional opportunities remain limited. The sector's assets concentration shows that banks' placements with the Central Bank accounted for 33% of total assets at the end of 2013, which constitutes a decline from 34.6% and 33.6% at the end of 2012 and 2011, respectively. Also, banks' exposure to the government rose to 22.9% of assets at the end of 2013 from 20.5% at end-2012 and 20.8% at end-2011. The sector's return on assets reached 1% in 2013, unchanged from the preceding year and declined from 1.1% in 2011, while its return on equity was 11.9% last year and regressed from 12.8% in 2012 and 14.5% in 2011.

The IMF called on banks operating in Lebanon to strengthen further their capital buffers, given their large exposure to the sovereign. It welcomed the Central Bank's stricter requirements than those implied under Basel III. But it urged the supervisory authorities to have a consistent approach to banks' exposures to both the government and the Central Bank, in accordance with the Basel capital adequacy framework, given that the Central Bank reduced the risk weight on foreign currency deposits at the Central Bank from 100% to 50% and maintained a 100% risk weight on holdings of Lebanese government debt in foreign currency. The risk-weighted capital adequacy ratio of banks operating in Lebanon reached 12.2% at the end of 2013, constituting a decline from 13% at end-2012. Also, the sector's Tier-One capital ratio decreased to 11.4% at end-2013 from 12.1% a year earlier, but it increased from 11% at end-2011. The sector's liquid assets were equivalent to 22.7% of total assets at the end of 2013, down from 23.2% at end-2012 and unchanged from end-2011; while liquid assets were equivalent to 33.8% of short-term liabilities at end-2013 relative to 33.9% a year earlier and 32.5% at end-2011. Also, the sector's net open foreign currency position was equivalent to 11.8% of regulatory capital at the end of 2013 compared to 13.9% at end-2012 and 16.9% at end-2011.

Further, the IMF considered that the increase in loans under watch and the widespread use of overdrafts require tighter rules for the classification of non-performing loans (NPLs) and for the restructuring of loans. As such, it called on the Central Bank to improve loan classification and restructuring rules. The sector's NPLs were equivalent to 4% of total loans at the end of 2013, up from 3.8% in each of 2012 and 2011. Also, the sector's net NPLs-to-capital ratio rose from 5.2% at the end of 2011 and 2012 to 6.1% at the end of last year.

Opened letters of credits at \$3.2bn for imports and \$1.6bn for exports in first half of 2014

Figures issued by the Central Bank indicate that the value of letters of credits (LCs) opened to finance imports to Lebanon totaled \$3.2bn in the first half of 2014, constituting a decrease of 11.7% from \$3.6bn in the same period of 2013. The value of LCs opened to finance imports to Lebanon reached \$1.53bn in the first quarter and \$1.68bn in the second quarter of 2014. Further, utilized credits for imports reached \$3.1bn in the first half of 2014, down 12.5% from \$3.5bn in the same period of last year. They accounted for 95.5% of opened LCs in the covered period compared to 96.4% in the first half of 2013. Utilized credits for imports totaled \$1.65bn in the first quarter and \$1.42bn in the second quarter of the year. Also, outstanding import credits totaled \$1.16bn at end-June 2014 compared to \$1.23bn at end-June 2013. Further, the aggregate value of inward bills for collection totaled \$900.1m in the first half of 2014, constituting an increase of 9.4% from \$823m in the same period last year. The value of inward bills for collection totaled \$478.8m and \$421.3m in the first and second quarters of 2014, respectively. Outstanding bills for collection reached \$166.1m at end-June 2014 relative to \$151.2m at end-June 2013.

In parallel, the value of documentary letters of credits opened to finance exports from Lebanon reached \$1.6bn in the first half of 2014, constituting a decrease of 24.2% from the same period of 2013. The value of documentary letters of credits opened to finance Lebanese exports from Lebanon totaled \$650.1m in the first quarter and \$943.5m in the second quarter of 2014. Further, utilized credits for exports reached \$1.41bn in the covered period, constituting a decline of 31.2% from \$2.05bn of used credits in the first half of 2013. They totaled \$643.9m and \$763m in the first and second quarters of 2014, respectively. Outstanding export credits reached \$1.35bn at end-June 2014, down from \$1.41bn at end-June 2013. The aggregate value of outward bills for collection totaled \$886.3m in the first half of the year, reflecting a rise of 14.1% from \$776.4m in the same period of 2013. They reached \$394.4m and \$491.9m in the first and second quarters of the year, respectively. The outstanding value of outward bills for collection reached \$458m at end-June 2014 relative to \$415.9m a year earlier.

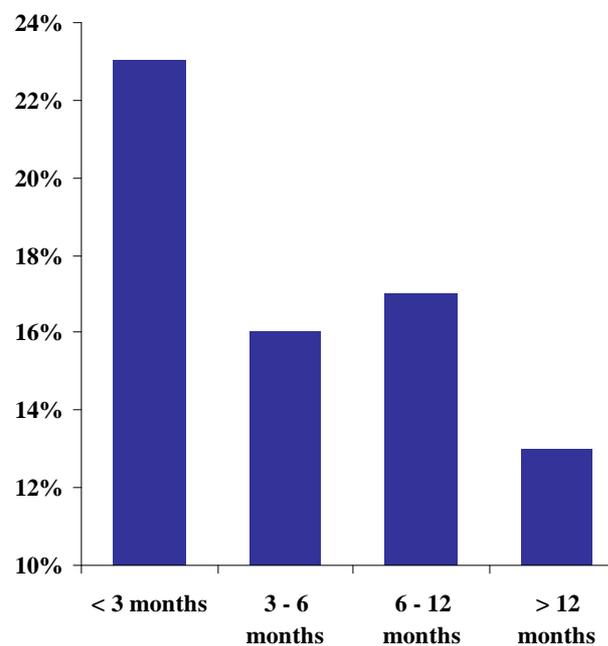
Majority of fresh graduates in Lebanon claim there are few available jobs for them

A survey conducted by regional job portal Bayt.com and market research agency YouGov indicated that 83% of fresh graduates in Lebanon considered the availability of jobs in Lebanon to be "low", compared to 60% of fresh graduates in Arab countries who shared similar views about the availability of work opportunities in their countries. The share of respondents in Lebanon who considered the availability of jobs in their country to be 'low' is the third highest among 13 Arab countries, lower than only Tunisia (87% of fresh graduates) and Jordan (85% of fresh graduates). In addition, 13% of Lebanese fresh graduates said that the availability of jobs in Lebanon is 'moderate' and none of them considered the availability of jobs in the country to be 'high'. The survey covered a sample of 1,586 adults who are 18 years or older in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE. The survey was conducted online between May 26 and June 26, 2014, and covered a sample of 115 respondents in Lebanon.

Further, 23% of fresh graduates in Lebanon expected to need less than three months to land their first employment or required three months or less to find their first job. Also, 16% of surveyed Lebanese anticipated that they would need between three and six months to get their first job or required the same period to find their first employment; 17% expected to spend or needed between six and 12 months to find their first job; while 13% of respondents expected to need more than a year to find work or required more than 12 months to get their first employment. In addition, 5% of respondents in Lebanon expected to land their first job directly through campus placements or landed their first employment through their university. The most common channels to find a job in Lebanon are online job sites, family & friends' networks, and direct applications to target companies. Further, fresh graduates in Lebanon considered that the lack of experience is the main challenge they face when searching for a job, followed by identifying where the employment opportunities exist, developing good interviewing skills, approaching the job search effectively and learning how to apply to relevant jobs.

In parallel, 29% of fresh graduates in Lebanon received or expected to receive a monthly salary between \$751 and \$1,000 in their first job, while 25% of respondents in Lebanon obtained or expected to obtain a monthly pay of \$1,001 to \$1,500 in their first employment. Also, 6% of fresh graduates in Lebanon received or expected to receive a monthly income between \$1,501 and \$2,000, and 10% of respondents obtained or expected to obtain a monthly salary of \$2,001 to \$3,000 in their first job. In addition, 20% of fresh graduates in Lebanon were paid or expected to be paid a monthly pay of less than \$750 and 3% received or expected to receive a monthly salary exceeding \$3,000 in their first job. The survey's results for Lebanon are mitigated by the fact that the sample size is not representative enough and that the survey was conducted via the Internet, which is not the most reliable methodology for opinion polling.

**Time Needed/Expected to Find First Job
(% of respondents)**



Source: Bayt.com, Byblos Research

Balance sheet of financial institutions up 23% in first half of 2014

Figures released by the Central Bank show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,653bn, or \$1.76bn, at the end of June 2014, constituting an increase of 23.4% from end-2013 and a rise of 26.8% from end-June 2013. Liabilities to the private sector reached \$319.4m, constituting an increase of 21.9% from end-2013 and a rise of 12.3% from a year earlier. Further, commitments to the financial sector totaled \$914.1m at the end of June 2014, reflecting a rise of 36.5% from end-2013 and an increase of 43.5% from end-June 2013.

On the assets' side, financial institutions' operations with commercial banks reached \$600.1m at the end of June 2014, up by 6.5% from end-2013 and by 15.3% from end-June 2013. Lending to the private sector totaled \$806.2m, constituting an increase of 8.4% from end-2013 and a rise of 8% from a year earlier. Also, investments in government securities totaled \$358.2m as at end-June 2014 and increased by 193.9% from end-2013 and by 197.8% from end-June 2013. Further, the aggregate capital account of financial institutions reached \$418.1m at the end of June 2014, reflecting an increase of 5.6% from end-2013 and a rise of 11% from a year earlier. There were 55 financial institutions in Lebanon with a total of 70 branches as of December 2013.

Top five freight forwarders' import activity down 1% in first half of 2014

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 175,827 20-foot equivalent units (TEUs) in the first half of 2014, constituting a drop of 0.6% from 176,813 TEUs in the same period last year. They accounted for 59% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 58,981 TEUs in imports for the local market in the first half of the year, equivalent to 19.8% share of the total freight forwarding import market. It was followed by Merit Shipping with 38,667 TEUs (13%), Sealine Group with 35,640 TEUs (12%), Metz Group with 23,625 TEUs (7.9%) and Gezairy Transport with 18,914 TEUs (6.3%). Further, Gezairy Transport registered the highest growth in import shipping among the top five freight forwarders at 70.7% year-on-year, while Sealine Group posted the steepest drop of 26.9% year-on-year.

In parallel, export shipping operations by the top five freight forwarders reached 31,127 TEUs in the first half of 2014, constituting a decrease of 16.4% from 37,223 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 11,316 TEUs of freight, equivalent to 35.6% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 10,608 TEUs (33.4%), Metz Group with 4,947 TEUs (15.6%), MSC with 2,621 TEUs (8.2%) and Gezairy Transport with 1,635 TEUs (5.1%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 192.2% year-on-year, while Sealine Group posted the steepest drop of 39.4% year-on-year.

EFG Hermes' net income at \$53.5m in first half of 2014, Crédit Libanais' contribution to operating revenues slips

Regional investment bank EFG Hermes declared consolidated net income of EGP381.6m, or around \$53.5m, in the first half of 2014, up 5.5 times from net profits of EGP69m in the same period last year. EFG Hermes' net profits after deducting tax and minority interest (NPAT) reached EGP306.7m or about \$43m in the first half, relative to a net loss of EGP39.2m in the same period of 2013. Investment banking operations generated a NPAT of EGP207m, while commercial banking activity by Crédit Libanais posted a NPAT of EGP100m in the first half of 2014. EFG said that investment banking grew by 84% year-on-year to EGP688m, while receipts from commercial banking decreased by 1% annually to EGP622m. The overall increase in income was mainly due to higher brokerage, investment banking and asset management revenues, in addition to higher receipts generated from capital markets and treasury operations. Total operating revenues reached EGP1.31bn in the first half of the year, up 31% annually. The investment banking segment generated net operating profits of EGP307m in the first half of 2014, compared to operating losses of EGP2m in the same period last year. The firm noted that revenues generated from the brokerage operations rose by 79% to EGP253m due to higher brokerage commissions, as trading volumes improved in most markets. Also, revenues from capital markets and treasury activities grew by 211% to EGP211m. In parallel, EFG Hermes indicated that its total consolidated assets reached EGP72.53bn, or \$10.17bn at the end of June 2014 relative to EGP67.37bn at end-2013. It added that Crédit Libanais accounted for about 47.5% of consolidated operating revenues in the first half of 2014, down from 62.7% in the same period last year and from 61.7% in 2013.

EFG Hermes Holding SAE holds a 65% stake in Crédit Libanais. The Lebanese bank posted net profits of \$27.2m in the first half of 2014, constituting a decrease of 19.8% from the same period of 2013. The bank's return on average assets reached 0.6% on an annualized basis in the first half of 2014, down from 0.9% in the same period last year; while its return on average equity was 8.3% on an annualized basis relative to 13.1% in the same period of 2013. The bank's cost-to-income ratio increased to 62.7% in the first half of the year from 56.7% in the same period last year. Its total assets reached \$8.66bn at end-June 2014, constituting a 3.6% increase from end-2013; while loans to customers stood at \$2.75bn at end-June, up 5.9% from end-2013. The bank's deposits totaled \$7.42bn at the end of June 2014 and increased by 3.6% from end-2013. The loan-to-deposit ratio rose to 37.1% at end-June 2014 from 34.5% a year earlier.

MetLife Alico's net income up 10% to \$33m in FY2013

MetLife Alico, the largest provider of life insurance products in Lebanon, announced audited net profits of \$33.2m for the fiscal year ending in November 2013, constituting a rise of 9.6% from net earnings of \$30.3m in the same period of 2012. Its audited balance sheet for Lebanon shows total assets of \$554.7m at end-November 2013, up 4.4% from a year earlier. On the assets side, general company investments totaled \$155.9m and decreased by 4.4% from end-November 2012. They included \$81.4m in fixed income investments; \$40.5m in blocked bank deposits and deposits with maturity of more than three months, of which \$8.5m were blocked in favor of the Economy Ministry as guarantees; \$16.4m in cash and cash equivalent; \$9.9m in land and real estate; and \$5.6m in policy loans.

Also, unit-linked contract investments totaled \$381m at end-November 2013, reflecting an increase of 9.1% from \$349.3m a year earlier. They included \$121.4m in fixed income investments, \$187.2m of placements in mutual funds and \$72.3m in cash & similar investments. Unit-linked investment in fixed income instruments rose by 1.2%, investments in mutual funds increased by 7.6%, and cash & similar investments grew by 30.9% year-on-year. Reinsurance share in technical reserves for the life and non-life categories amounted to \$4.5m and \$3.6m, respectively, constituting decreases of 9.9% and 26%, respectively.

On the liabilities side, unit-linked technical reserves reached \$387.3m at end-November 2013, constituting a rise of 9.2% from a year earlier. Also, technical reserves for the life segment declined by 11.1% year-on-year to \$78.7m, while technical reserves for the non-life category reached \$25.1m at end-November 2013 and increased by 0.3% from a year earlier. In parallel, shareholders' equity totaled \$33.2m at end-November 2013, up 9.6% from a year earlier. Further, provisions for risks and charges reached \$1.3m and dropped marginally by 0.4% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked MetLife Alico in first and 11th place in 2013 in terms of life and non-life premiums, respectively. The firm's life premiums reached \$75m and non-life premiums amounted to \$27.3m, constituting increases of 2.5% and 1.2%, respectively. It had an 18% share of the life market and a 2.8% share of the local non-life market.

RYMCO's consolidated net income up 64% to \$4m in 2013

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) announced consolidated audited net profits of \$3.8m in 2013, constituting a rise of 64.3% from net earnings of \$2.3m in 2012. The consolidated results reflect RYMCO's standalone financials and those of its subsidiaries, which include RYMCO Europe Holding sal, Lebanese Auto Agencies sal and RYMCO MENA Holding sal. In parallel, the firm's non-consolidated net profits reached \$4.6m last year, constituting a decline of 8.3% from \$5.1m in the previous year. The consolidated net earnings reported by the RYMCO Group for 2013 are about 18.6% lower than the net income reached on a standalone basis, partly due to recurring net losses from RYMCO Europe Holding. The firm's consolidated net sales totaled \$190.7m last year, up marginally by 0.3% from 2012; while its cost of sales declined by 1.2% year-on-year to \$163.2m. Also, RYMCO's other revenues reached \$7m in 2013, reflecting a drop of 18.8% from the preceding year. On the expenditures side, RYMCO's consolidated general and administrative expenses increased by 6.8% in 2013 to \$8.7m, while advertising & selling expenses rose by 7.2% year-on-year to \$4.8m. In addition, salaries, wages and related charges amounted to \$10.8m last year, constituting an increase of 7.9% from the preceding year. The firm's consolidated gross profit margin reached 14.5% in 2013 relative to 13.2% in 2012. Also, the firm's return on assets reached 2.4% in 2013 relative to 1.51% in 2012, while its return on equity was 7.28% last year relative to 4.38% in 2012.

RYMCO's consolidated total assets reached \$157.8m at end-2013, constituting an increase of 3.2% from \$153m a year earlier. In parallel, the firm's non-consolidated assets totaled \$145.6m at end-2013, up 7.6% from a year earlier. The company's consolidated inventories, which mostly consist of cars and spare parts, reached \$57.2m at end-2013, constituting a rise of 14.2% year-on-year. In parallel, the firm's current assets reached \$108.1m in 2013, equivalent to 69% of its total assets, while current liabilities totaled \$103m or 97.3% of total liabilities. As such, the firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.06x at end-2013 relative to 1.13x at end-2012. On a consolidated basis, RYMCO's total shareholder's equity totaled \$52m at end-2013, reflecting a decline of 1.1% from the preceding year. In parallel, total debt-to-equity ratio was 203.7% at end-2013, up from 191.2% a year earlier. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at \$3.4 on August 14, 2014, down by 2.9% from \$3.5 at end-2013.

Credit Financier Invest approves dividends for 2013

The Ordinary General Assembly of Credit Financier Invest sal (CFI) held on July 17, 2014 approved a gross dividend distribution of LBP2bn, or \$1.3m, to common shareholders for 2013. The dividend distribution is equivalent to LBP1,600 (\$1.06) per share and to a payout ratio of 82%. The dividends will be paid net of a 10% withholding tax. CFI posted consolidated audited net profits of \$1.6m in 2013, constituting an increase of 19.4% from \$1.4m in 2012. In parallel, the firm's net interest income rose by 24.7% year-on-year to \$0.4m, while its net fees & commissions receipts regressed by 7.4% to \$2.8m in 2013. Also, its return on assets reached 17.7% in 2013 relative to 17.2% a year earlier, while its return on equity was 21.77% relative to 20.4% in 2012. In parallel, the firm's total assets reached \$9.2m at end-2013, up by 16.1% from end-2012. Lebanon-based CFI provides online and offline trading services, investment advisory, portfolio management and other financial services. It is one of 55 financial institutions operating in Lebanon as at end-2013.



Banque de L'Industrie et du Travail's net profits at \$0.6m in 2013

Banque de L'Industrie et du Travail sal announced audited net profits of \$0.6m in 2013, down by 63.2% from \$1.6m in 2012. Total operating income grew by 2.1% year-on-year to \$13.6m in 2013, with net interest income increasing by 1.8% to \$12.5m and net fees & commissions receipts rising by 15.5% to \$0.8m. In parallel, the bank's total operating expenditures grew by 3.8% in 2013 to \$14.2m, with staff expenses unchanged at \$9.4m and administrative expenses increasing by 14.8% to \$4m. The significant decrease in net profits was due in large part to a 53.2% fall in the income generated from the sale of assets acquired in satisfaction of loans. The bank's return on average assets reached 0.1% in 2013 relative to 0.24% in the preceding year, while its return on average equity was 0.7% last year compared to 2% in 2012.

In parallel, total assets reached \$724.4m at the end of 2013, constituting a rise of 5% from end-2012; while loans & advances to customers, excluding loans & advances to related parties, rose by 11% year-on-year to \$201.1m. Also, customer deposits, excluding deposits from related parties, totaled \$550.8m at end-2013, reflecting an increase of 10% from a year earlier. The loan-to-deposit ratio reached 34.3% at end-2013 compared to 31.7% at end-2012. Shareholders' equity rose by 0.9% from end-2012 to \$80.7m at end-2013.

In July 2014, Banque de L'Industrie et du Travail sal and Near East Commercial Bank sal (NECB) announced their merger to form a new entity named BIT Bank sal. The shareholders of NECB will hold 51% of the new bank's capital, while the shareholders of Banque de L'Industrie et du Travail will hold the remaining 49%. BIT Bank's total capital will stand at \$200m. BIT Bank will have a total of 19 branches across the country that consist of Banque de L'Industrie et du Travail's 13 branches and NECB's six branches. The deal is subject to the approval of the Central Bank of Lebanon.

Assurex's net profits at \$2m in 2013

Assurex Insurance and Reinsurance sal announced audited net profits of \$2.2m in 2013, constituting an increase of 52.5% from net earnings of \$1.4m in 2012. Its audited balance sheet shows total assets of \$64.1m at the end of 2013, constituting an increase of 6.3% from \$60.3m at end-2012. On the assets side, general company investments totaled \$19.4m and increased marginally by 0.5% from a year earlier. They included \$11.4m in cash & cash equivalents that declined by 10.6%, \$3.2m in fixed income investments that rose by 78.5%, \$1.9m in land and real estate investments that fell by 2.2% from end-2012; and \$2.1m in blocked bank deposits and deposits with maturity of more than three months, of which 97.5% were blocked in favor of the Economy Ministry as guarantees. The share of reinsurance in technical reserves for the life and non-life categories amounted to \$1.9m and \$7.9m, respectively, constituting increases of 200.6% and 6.8%, respectively.

On the liabilities side, technical reserves for the life segment increased by 66% year-on-year to \$4.3m, while technical reserves for the non-life category reached \$25.4m at end-2013 and decreased by 6.7% from a year earlier. Non-life technical reserves included unearned premium reserves of \$17.8m that dropped by 2.2%, outstanding claims reserves of \$6.5m that fell by 15.4%, and \$0.6m in premium deficiency reserves that regressed by 40.9% year-on-year. Provisions for risks and charges reached \$1m and rose by 61.3% from the previous year. Also, the firm's shareholders' equity totaled \$25.5m at end-2013, up by 7.8% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Assurex in 18th and 10th place in 2013 in terms of life and non-life premiums, respectively. The firm's life premiums reached \$2m and non-life premiums amounted to \$29.5m, constituting increases of 6.8% and 4.2%, respectively. It had a 0.5% share of the life market and a 3% 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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