



LEBANON THIS WEEK

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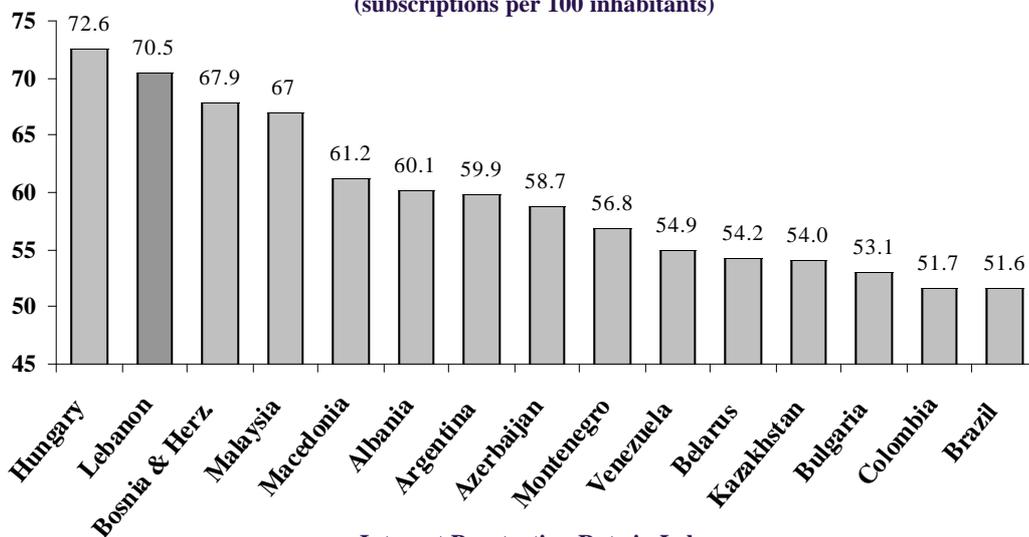
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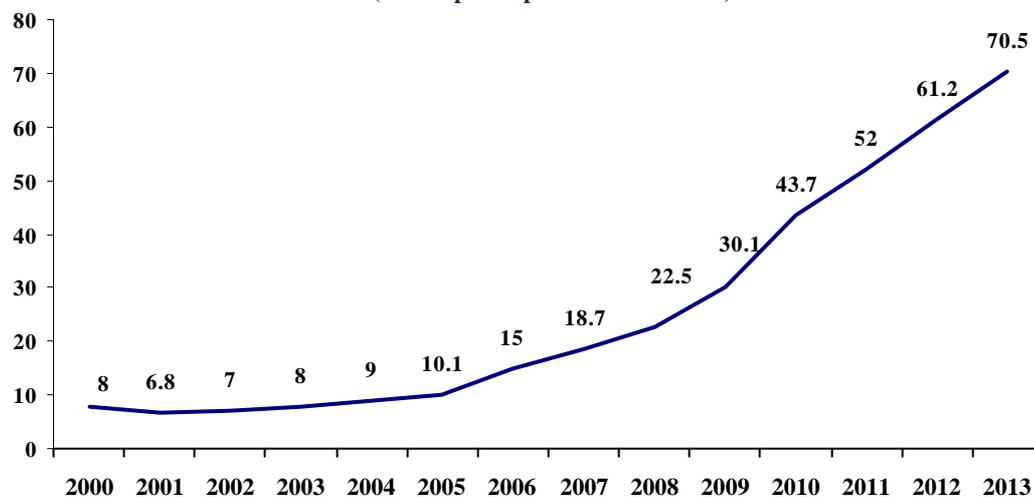
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Charts of the Week

Internet Penetration Rate among select Upper-Middle Income Countries at end-2013
(subscriptions per 100 inhabitants)



Internet Penetration Rate in Lebanon
(subscriptions per 100 inhabitants)



Source: International Telecommunication Union, Byblos Bank

Quote to Note

"Structural reforms are key to raising Lebanon's growth potential and improving labor market and social conditions."

The International Monetary Fund, on the accrued benefits of implementing much-delayed reforms

Number of the Week

143: Lebanon's rank out of 144 countries on the quality of electricity supply, according to the World Economic Forum's Global Competitiveness Index for 2014-15

Economic Indicators

\$m (unless otherwise mentioned)	2013	Mar 13	Dec 13	Jan 14	Feb 14	Mar 14	% Change*
Exports	3,936	406	243	244	253	275	(32.27)
Imports	21,228	2,076	1,797	1,873	1,732	1,792	(13.68)
Trade Balance	(17,292)	(1,669)	(1,554)	(1,629)	(1,479)	(1,517)	(9.16)
Balance of Payments	(1,128)	(353)	534	(31)	194	139	(139.38)
Checks Cleared in LBP	17,047	1,286	1,562	1,502	1,394	1,520	18.27
Checks Cleared in FC	55,321	4,472	4,728	4,783	4,279	4,671	4.45
Total Checks Cleared	72,368	5,758	6,290	6,285	5,673	6,191	7.53
Budget Deficit/Surplus	(4,220)	(484.93)	(238.09)	(119.34)	(125.38)	(595.29)	22.76
Primary Balance	(239.68)	(75.10)	171	142.38	23.91	(128.09)	70.57
Airport Passengers	6,265,470	502,923	510,367	450,476	376,106	430,979	(14.31)

\$bn (unless otherwise mentioned)	2013	Mar 13	Dec 13	Jan 14	Feb 14	Mar 14	% Change*
BdL FX Reserves	31.71	30.36	31.71	32.25	33.40	33.63	10.77
<i>In months of Imports</i>	<i>17.65</i>	<i>14.62</i>	<i>17.65</i>	<i>17.64</i>	<i>19.28</i>	<i>18.77</i>	<i>28.33</i>
Public Debt	63.46	57.79	63.46	17.22	64.99	65.20	12.74
Net Public Debt	53.18	50.09	53.18	53.47	53.91	54.37	8.54
Bank Assets	164.82	155.44	164.82	164.43	166.01	166.50	7.12
Bank Deposits (Private Sector)	136.21	128.11	136.21	134.86	135.71	136.55	6.59
Bank Loans to Private Sector	47.38	44.71	47.38	47.04	47.39	48.14	7.67
Money Supply M2	45.60	43.76	45.60	45.74	46.05	46.34	5.90
Money Supply M3	111.16	105.85	111.16	110.93	111.67	112.29	6.08
LBP Lending Rate (%)	7.29	7.28	7.29	7.39	7.14	7.26	(2bps)
LBP Deposit Rate (%)	5.44	5.44	5.44	5.48	5.51	5.48	4bps
USD Lending Rate (%)	6.88	6.95	6.88	6.82	6.96	6.87	(8bps)
USD Deposit Rate (%)	2.95	2.97	2.95	2.95	2.96	2.96	(1bps)
%* Change in CPI**	3.89	4.57	3.89	2.52	0.86	(0.23)	(480bps)

* 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"	12.01	(4.38)	66,031	11.11%
Solidere "B"	12.02	(4.68)	28,451	7.22%
Byblos Common	1.65	0.61	1,064,058	5.48%
Byblos Pref. 08	100.70	0.10	989	1.86%
Byblos Pref. 09	100.20	0.10	3,762	1.85%
BLOM GDR	9.37	0.21	13,334	6.40%
BLOM Listed	8.75	0.00	99,465	17.40%
Audi GDR	6.39	1.43	6,000	6.06%
Audi Listed	6.10	0.16	19,793,074	19.73%
HOLCIM	14.50	0.00	3,142	2.62%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2015	5.875	100.90	3.21
Apr 2015	10.000	103.88	3.64
Jan 2016	8.500	106.75	3.36
Mar 2017	9.000	112.50	3.75
Nov 2018	5.150	101.70	4.70
May 2019	6.000	104.10	5.01
Mar 2020	6.375	105.60	5.19
Apr 2021	8.250	116.00	5.34
Oct 2022	6.100	102.60	5.69
Nov 2026	6.600	103.50	6.19

Source: Byblos Bank Capital Markets

	Sep 8-12	Sep 1-5	% Change	Aug 2014	Aug 2013	% Change
Total Shares Traded	21,182,308	344,614	6046.68	6,941,456	1,136,561	510.74
Total Value Traded	\$132,372,788	\$3,513,192	3667.88	\$42,076,299	\$13,445,987	212.93
Market Capitalization	\$10.81bn	\$10.89bn	(0.66)	\$10.95bn	\$10.40bn	5.32

Source: Beirut Stock Exchange (BSE)



Vast majority of Lebanese consider current economic situation to be bad or very bad, only 20% think it will improve in next 12 months

A survey conducted by the U.S.-based opinion polling think tank Pew Research Center indicated that 56% of Lebanese consider that the current economic situation in Lebanon is 'very bad' and 35% think it is 'bad', compared to 9% who believe it is 'good'. The trend was similar to that in the 2013 survey when 57% of Lebanese respondents believed that the economic situation was 'very bad', while it deteriorated from the 2012 survey when 53% of respondents said the economy was 'very bad'. The survey was conducted between March and June 2014 on a sample of 1,000 Lebanese residents who are 18 years or older.

Overall, 91% of Lebanese respondents considered that the current economic situation in Lebanon is 'bad' or 'very bad', compared to 90% of respondents in the 2013 survey and 88% in the 2012 survey. In comparison, 64% of respondents in advanced countries, 59% of participants in emerging economies and 47% in developing countries had the same opinion about their local economy. The percentage of respondents in Lebanon who said that the current economic situation in the country is 'bad' or 'very bad' was the fifth highest among 44 countries covered in the survey, compared to 97% in Greece, 96% in Italy, and 93% in each of Spain and Ukraine. Regionally, 88% of Tunisians 77% of Palestinians, 76% of Egyptians and 61% of Jordanians considered that the current economic situation in their country is 'bad' or 'very bad'.

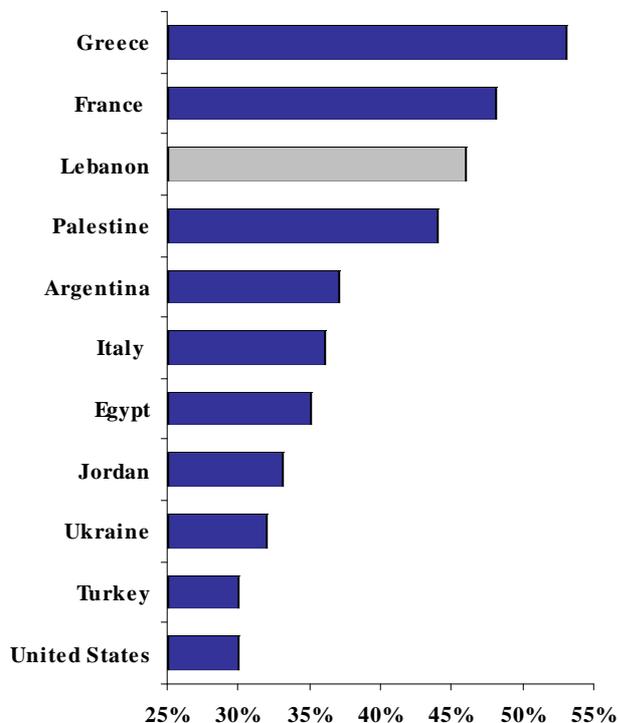
Further, the survey pointed out that 33% of Lebanese respondents expect the economic situation in the country to 'remain the same' in the next 12 months, 27% of participants said that it will 'somewhat worsen', 19% of participants think that it will 'worsen a lot', and 20% indicated it will 'improve'. As such, 46% of Lebanese respondents expect the economic situation in Lebanon to 'worsen' or 'worsen a lot' in the next 12 months, compared to 48% of respondents who had similar expectations in the 2013 survey and 45% of participants in the 2012 survey. In comparison, 29.5% of respondents in advanced countries, 18% of participants in emerging economies and 17% of respondents in developing countries had the same opinion about their local economy. Also, the percentage of respondents in Lebanon who expect the economic situation in the country to 'worsen' or 'worsen a lot' in the coming 12 months was the third highest globally, lower than Greece (53%) and France (48%) only. Regionally, 44% of Palestinians, 35% of Egyptians, 33% of Jordanians and 18% of Tunisians anticipated a worsening in their country's economic performance.

In parallel, 92% of survey participants in Lebanon considered the rise in prices to be a very big problem in the country, while 91% of respondents said that the lack of employment opportunities is a major economic problem, and 90% cited the public debt level as a major concern. The answers were largely unchanged from the 2013 survey. The survey is part of the Pew Research Center's Global Attitudes Project.

Coincident Indicator continues to reflect economic slowdown

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 273.4 points in June 2014 compared to 283.6 in May 2014 and 265.5 in June 2013. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 3.6% month-on-month and increased by 3% year-on-year in June 2014. The indicator averaged 268.7 in the 12 months ending June 2014, compared to 268.1 in the 12 months ending May 2014 and 259.9 in the 12 months ending June 2013. As a result, the average coincident indicator rose by 0.2% month-on-month and by 3.4% year-on-year. Also, the indicator averaged 277.8 in the first half of 2014 compared to 278.7 in the first five months of the year and 269.8 in the first half of 2013. As a result, the average coincident indicator dropped by 0.3% month-on-month and rose by 3% year-on-year during the covered period. In parallel, the indicator improved 12 times and regressed 10 times in the month of June 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.

Percentage of Respondents who think Economic Conditions will Deteriorate in the Near Term



Source: Pew Research Center, Byblos Research

Weak public finances are main source of exposure to increase in U.S. interest rates

Fitch Ratings indicated that Lebanon is among seven emerging market economies that are the most exposed to a tightening in U.S. monetary policy, in case the increase in U.S. interest rates would lead to a sharp drop in capital inflows to emerging markets. The other six countries are El Salvador, Jamaica, Hungary, Mongolia, Turkey and Ukraine. The agency based its assessment on 11 indicators that capture some of the potential vulnerabilities in a country's public finances, external finances and banking sector, with an emphasis on liquidity and funding exposures. The study covered the 15 largest emerging economies and 14 other emerging markets. It did not take into consideration the intrinsic specificities of each economy.

The agency considered that Lebanon's exposure to a rise in U.S. interest rate is mainly related to the state of the country's public finances, rather than to its banking sector or to its external finance situation. The agency's assessment of public finances covered the fiscal balance, the government's debt maturities, the level of public debt denominated in foreign currency and the level of public debt held by non-residents. It noted that Lebanon's fiscal deficit of 10.3% of GDP in 2013 is the second widest among the 29 emerging economies, while the government's debt maturities of 21.8% of GDP in 2013 are the second highest among the covered markets. It added that public debt denominated in foreign currency was equivalent to 58% of GDP in 2012, the third highest ratio behind Jamaica (78.4% of GDP) and El Salvador (59.6% of GDP).

Fitch considered that the banking sector does not represent a strong transmission channel to a potential shock to capital inflows. The agency evaluated the loans-to-deposits ratio, the real growth rate in lending to the private sector, and the level of private sector lending. It noted that the loans-to-deposits ratio in Lebanon was 38.5% in 2012, the lowest and most favorable among emerging economies. But lending to the private sector in Lebanon grew by 10.3% in real terms between 2008 and 2012, the 12th fastest growth rate among emerging markets. The level of risk on this indicator in Lebanon was similar to that in Kenya (+10.8%), Vietnam (+10.7%) and Mexico (+10.6%). Also, lending to the private sector was equivalent to 92.2% in 2012, the fifth highest among emerging markets.

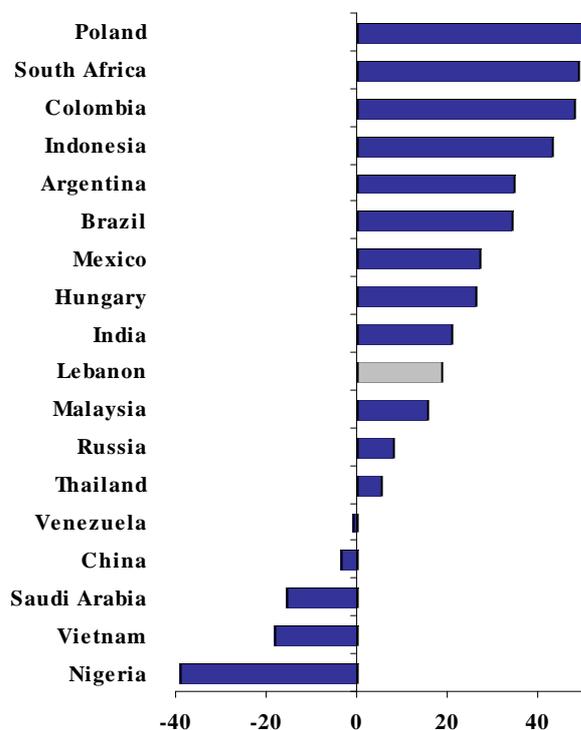
Fitch indicated that Lebanon's external finance indicators do not constitute a channel to a negative shock from higher U.S. rates. It assessed the current account balance plus net foreign direct investment relative to GDP, gross external financing needs as a percentage of foreign currency reserves, the liquidity ratio, and the level of net external debt. It said that Lebanon's net external debt reached -68% of GDP, the second most favorable level behind Saudi Arabia (-101% of GDP). Also, Lebanon's liquidity ratio of 173% in 2013 was the 10th most favorable among emerging economies, while its gross external financing needs were equivalent to 18.4% of foreign currency reserves, the ninth most favorable ratio among the covered economies. However, the current account balance plus net FDI in Lebanon was equivalent to -2.6% of GDP in 2013, the 11th least favorable ratio among emerging economies.

Revenues through Port of Beirut down 9% to \$1.4bn in first seven months of 2014

Figures released by the Port of Beirut show that overall receipts generated through the port reached \$1.4bn in the first seven months of 2014, constituting a decrease of 8.6% from the same period of 2013. Customs receipts through the port totaled \$680m in the first seven months of 2014, down 12.1% from \$773.7m in the same period of 2013; while receipts from the value-added tax reached \$642.3m, down 5.6% from the first seven months of 2013. Also, the port's overall revenues totaled \$122.3m in the first seven months of 2014, down by 3.5% from the same period of 2013. Further, the Port of Beirut handled an aggregate freight of 4.9 million tons in the first seven months of 2014, up by 2.3% from 4.8 million tons in the same period last year. Import freight accounted for 88.9% of the total, while the remaining 11.1% was export cargo. A total of 1,169 ships docked at the port in the first seven months of 2014 compared to 1,240 vessels in the same period of 2013.

In parallel, overall revenues generated through the Port of Tripoli reached \$64.6m in the first seven months of 2014, constituting a drop of 4.1% from \$67.4m in the same period of 2013. Customs receipts through the port reached \$24.5m in the covered period, down 10.6% from \$27.4m in the first seven months of 2013; while receipts from the value-added tax reached \$33.2m and declined by 0.8% from \$33.5m in the first seven months of 2013. The port's revenues rose by 6.4% year-on-year to \$6.9m in the first seven months of 2014. Further, the Port of Tripoli handled an aggregate weight of 692,283 tons of freight in the first seven months of the year, constituting a decrease of 16.1% from 825,185 tons in the same period of 2013. A total of 311 vessels docked at the port in the first seven months of 2014, constituting a decrease of 1% from 314 ships in the same period last year.

**Gross External Financing Needs
(% of foreign currency reserves)**



Source: Fitch Ratings, Byblos Research

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

The Association of Banks in Lebanon (ABL) recommended to its member banks to maintain the Beirut Reference Rate (BRR) in US dollars at 6.01% in September 2014, unchanged from the current rate. 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 maintain the Beirut Reference Rate in Lebanese pounds at 8.66% in September, unchanged from the current rate. 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.

Public-sector salaries and benefits up 3% in first two months of 2014

Figures issued by the Ministry of Finance show that salaries, wages and related benefits paid to public-sector employees totaled \$442.5m in the first two months of 2014, constituting an increase of 3.3% from the same period last year. They represented the largest component of total primary spending and accounted for 29% of such expenditures in the first two months of 2014, unchanged from the same period of 2013. The figures include basic salaries, indemnities, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly judges, religious judges and Parliament employees. The payments exclude retirement and end-of-service indemnities as well as salaries, wages and benefits of employees at public institutions. Salaries and benefits of military personnel reached \$287.2m and accounted for 64.9% of the total, followed by educational personnel with \$92.2m (20.8%), civil staff with \$49.8m (11.2%), government contribution to employees cooperative with \$9.3m (2.1%) and customs employees with \$4m (0.9%). The distribution of military personnel salaries and benefits shows that the Lebanese Army's salaries totaled \$166.5m in the first two months of 2014 and represented 58% of the military personnel's salaries and benefits. They were followed by salaries of the Internal Security Forces with \$92.9m (32.3%), General Security Forces with \$22.6m (7.9%), and State Security Forces with \$5.3m (1.8%).

The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a \$13.9m rise in basic salaries, a \$6m increase in allowances and a \$2.7m rise in other payments to public employees, which were offset by a \$6.6m drop in indemnities. The rise in basic salaries reflects a \$13.9m increase in the basic salaries of military personnel that was partly offset by a marginal decline of \$0.7m in payments to civil service personnel. Overall, basic salaries rose by 4.1% year-on-year to \$352.2m in the first two months of 2014, allowances increased by 14.1% to \$48.4m, other expenses expanded by 20% to \$15.9m and indemnities fell by 23.3% to \$21.9m.

Kafalat loan guarantees up 2% to \$76m in first eight months of 2014

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached \$76.1m in the first eight months of 2014, up 1.9% from \$74.7m in the same period last year. The number of loan guarantees totaled 584 year-to-August compared to 536 in the first eight months of 2013. The average loan size reached \$130,292 compared to \$139,330 in the same period of 2013. Mount Lebanon accounted for 43.8% of guarantees, followed by the Bekaa with 19%, the South with 11.3%, the North with 11.1%, Nabatieh with 10.3% and Beirut with 4.5%. The agricultural sector accounted for 48% of total guarantees, followed by industry with 34.8%, tourism with 11.3%, handicraft with 3.1% and specialized technologies with 2.9%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to \$400,000 earmarked for the setup and expansion of small- and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the interest that accrues during the grace period.

Car sales up 6% in first eight months of 2014

Figures released by the Association of Automobile Importers in Lebanon (AIA) indicate that 25,357 new passenger cars were sold in the first eight months of 2014, constituting an increase of 5.6% from 24,009 cars sold in the same period last year. Korean cars accounted for 42.7% of total sales, followed by Japanese cars with a 33% share, European automobiles with 18.2%, American vehicles with 4.6%, and Chinese cars with 1.5%. The number of Japanese cars sold rose by 31.9% year-on-year, constituting the highest rise in new car sales; while the number of new Chinese cars sold declined by 19.4% from the same period last year, followed by American vehicles with a 12.8% fall, Korean cars with a 3.1% drop and European automobiles with a 1.5% decrease in sales. Kia is the leading brand in the Lebanese market with 5,859 cars sold in the first eight months of 2014, followed by Hyundai with 4,976, Nissan with 3,243 cars sold, Toyota (3,012), Renault (894), Mitsubishi (723) and Chevrolet (613). In parallel, 1,544 new commercial vehicles were sold in the first eight months of 2014, constituting a rise of 0.7% from 1,534 vehicles sold in the same period of last year and an increase of 1.8% from 1,516 vehicles sold in the first eight months of 2012.

The number of new vehicles sold by the country's top five distributors reached 19,735 in the first eight months of 2014 and accounted for 73.4% of new vehicles sold. NATCO sal sold 5,859 vehicles in the covered period, equivalent to 21.8% of the total, followed by Century Motor Co. sal with 5,081 (18.9%), Rasamny Younis Motor Co. sal with 3,566 (13.3%), Boustany United Machineries sal with 3,288 (12.2%), and Bassoul Heneine sal with 1,941 (7.2%). The AIA indicated that the combined number of registered new and imported used cars stagnated in the first eight months of 2014 compared to the same period of 2013, while it decreased by 7.1% from the first eight months of 2012. It said that the luxury car segment accounted for only 3.5% of total new registered cars. It reiterated that about 90% of new cars sold were small automobiles that cost on average about \$11,000 each.

Top five freight forwarders' import activity down 2% in first seven months of 2014

Figures released by the Port of Beirut Authority show that overall import shipping operations by the top five freight forwarders reached 206,131 20-foot equivalent units (TEUs) in the first seven months of 2014, constituting a drop of 1.7% from 209,670 TEUs in the same period last year. They accounted for 58.9% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 69,214 TEUs in imports for the local market in the first seven months of the year, equivalent to 19.8% share of the total freight forwarding import market. It was followed by Merit Shipping with 44,748 TEUs (12.8%), Sealine Group with 41,811 TEUs (12%), Metz Group with 28,376 TEUs (8.1%) and Gezairy Transport with 21,982 TEUs (6.3%). Further, Gezairy Transport registered the highest growth in import shipping among the top five freight forwarders at 59.4% year-on-year, while Sealine Group posted the steepest drop of 27.2% year-on-year. In parallel, export shipping operations by the top five freight forwarders reached 36,865 TEUs in the first seven months of 2014, constituting a decrease of 16.7% from 44,250 TEUs in the same period of 2013. They accounted for 95.6% of the total export freight forwarding market during the covered period. Sealine Group handled 13,294 TEUs of freight, equivalent to 34.5% share of the total freight forwarding Lebanese cargo export market. It was followed by Merit Shipping with 12,481 TEUs (32.4%), Metz Group with 6,037 TEUs (15.7%), MSC with 3,125 TEUs (8.1%) and Gezairy Transport with 1,928 TEUs (5%). Further, Metz Group registered the highest growth in export shipping among the top five freight forwarders at 119.8% year-on-year, while Sealine Group posted the steepest drop of 40.2% year-on-year.

Holcim's net profits up 15% to \$9.4m in first half of 2014

Cement producer Holcim Liban sal posted net profits of \$9.4m in the first half of 2014, constituting an increase of 15.2% from \$8.1m in the same period of 2013. The firm's sales totaled \$93.2m in the first half of this year, up 4.9% from \$88.8m in the same period of 2013. The firm's gross profits margin reached 30.7% in the first half of 2014 relative to 26.7% in the same period of 2013. Holcim's total assets reached \$269.2m at end-June 2014, constituting a decrease of 7.8% from \$292.1m at end-2013; while its shareholders' equity was \$221.7m at end-June 2014 relative to \$212.3m at the end of 2013. The company's total loans and borrowings reached \$8.4m at the end of June, down 4.6% from \$8.8m at end-2013; while its banks' balance and cash fell by 74.2% from end-2013 to \$9.5m. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligation, reached 3.68x at end-June 2014, up from 1.91x at end-2013 and from 2.33x at end-June 2013. The total debt-to-equity ratio was 4.2% at end-June 2014, down from 4.5% at the end of 2013 and from 4.7% at end-June 2013. Also, the firm's return on assets reached 7% on an annualized basis in June 2014 relative to 7.5% in 2013; while its return on equity was 8.5% on an annualized basis in June relative to 10.3% in 2013. The firm is engaged in the production and sale of cement and other related services. Holcim's share price closed at \$14.5 on September 12, 2014, constituting a decrease of 6.9% from end-2013.

SGBL's net income at \$80m in first half of 2014

Société Générale de Banque au Liban (SGBL) sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$80.3m in the first half of 2014, up 33.7% from the same period last year. Net operating income grew by 21.4% year-on-year to \$176.1m, with net interest income increasing by 22% to \$131.7m and net fees & commissions receipts rising by 2% year-on-year to \$24.5m. Non-interest income accounted for 30.7% of total income, up from 27.3% in the same period last year; with net fees & commissions accounting for 41.9% of non-interest earnings, down from 58% in the first half of 2013. Further, the bank's interest margin was 2.06% in the first half of the year relative to 2.01% in the same period last year; while its spread rose to 1.97% from 1.92% in the first half of 2013. Total operating expenditures increased by 11% to \$79.5m, with staff expenses rising by 11.5% to \$42m. Also, the bank's return on average assets reached 1.2% in June 2014 on an annualized basis relative to 1.04% in June 2013; while its return on average equity was 14.9% on an annualized basis relative to 14.5% in June 2013. The cost-to-income ratio decreased to 41.7% in the first half of the year from 47.1% in the same period last year.

In parallel, total assets reached \$13.8bn at the end of June 2014, constituting a 5.9% rise from end-2013 and a 17.3% increase from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, grew by 11.3% from end-2013 and by 15.4% from a year earlier to \$3.4bn. Also, customer deposits, excluding deposits from related parties, totaled \$10.7bn at end-June 2014, constituting an increase of 5.3% from end-2013 and a rise of 15.2% from a year earlier. The loans-to-deposits ratio rose to 32.2% at end-June 2014 from 32.1% a year earlier. In parallel, the bank's shareholder equity rose by 3.2% from end-2013 to \$1.1bn at end-June 2014.

Bank of Beirut to exercise call option on Preferred Shares

The Extraordinary General Assembly of Bank of Beirut sal approved on September 8, 2014 the redemption and cancellation of 3,000,000 Series "F" Preferred Shares at a redemption price of \$25 per share. The Series "F" preferred shares were issued in July 2009 and are redeemable, non-cumulative and perpetual. The Series "F" shares carry an annual dividend rate of 8% of the issue price adjusted on a pro-rata basis, while the annual payment is contingent on the availability of sufficient declared net profits. Bank of Beirut expects to exercise its call option by the end of 2014, and will de-list at that time the Series "F" shares from the Beirut Stock Exchange. Following the redemption, Bank of Beirut's capital would consist of 50,467,400 in common shares; 2,400,000 Series "E" Preferred Shares; 3,570,000 Series "G" Preferred Shares; 5,400,000 Series "H" Preferred Shares' and 5,000,000 Series "I" Preferred Shares. In parallel, Bank of Beirut plans to increase its capital by issuing new Series "J" redeemable, non-cumulative and perpetual preferred shares to replace the Series "F" preferred shares. The Bank has not yet released the terms nor the timeframe of the new preferred share issuance.

Bank of Beirut posted unaudited consolidated net profits of \$77.9m in the first half of 2014 relative to \$69.1m in the same period last year. Total assets reached \$14bn at end-June 2014, while loans & advances to customers totaled \$3.9bn and customers' deposits stood at \$10.4bn at end-June 2014.

BBAC's net earnings down 7% to \$23m in first half of 2014

The Bank of Beirut and the Arab Countries (BBAC) sal, one of Lebanon's top 10 banks, announced unaudited consolidated net profits of \$23.3m in the first half of 2014, reflecting a decline of 6.9% from the same period last year. Net operating income grew by 3.1% year-on-year to \$59.9m, with net interest income increasing by 3.2% to \$40.3m and net fees & commissions receipts rising by 6.8% year-on-year to \$11.2m. Non-interest income accounted for 35.2% of total income, down from 36.7% in the same period last year; with net fees & commissions representing 51% of non-interest earnings, up from 46% in the first half of 2013. Further, the bank's interest margin was 1.64% in the first half of the year relative to 1.65% in the same period last year; while its spread declined to 1.58% from 1.6% in the first half of 2013. Total operating expenditures increased by 11.6% to \$32.8m, with staff expenses growing by 10.8% to \$20.1m. Also, the bank's return on average assets reached 0.91% in June 2014 on an annualized basis relative to 1.02% in June 2013; while its return on average equity was 10.79% on an annualized basis relative to 12.45% in June 2013. The cost-to-income ratio rose to 52.7% in the first half of the year from 47.6% in the same period last year.

In parallel, total assets reached \$5.1bn at end-June 2014, constituting a marginal decrease of 0.5% from end-2013 and an increase of 3.8% from a year earlier. Loans & advances to customers, excluding loans & advances to related parties, rose by 2.1% from end-2013 and grew by 6.9% from a year earlier to \$1.4bn. Also, customer deposits, excluding deposits from related parties, totaled \$4.4bn at the end of June 2014, constituting a marginal increase of 0.2% from end-2013 and a rise of 2.9% from a year earlier. The loans-to-deposits ratio rose to 30.4% at end-June 2014 from 29.2% a year earlier. In parallel, the bank's shareholder equity rose by 2.6% from the end of 2013 to \$425m at end-June 2014.

RYMCO's profits down 29% to \$1.5m in first half of 2014

Automobile dealer Rasamny Younis Motor Co. sal (RYMCO) declared non-consolidated net profits of \$1.5m in the first half of 2014, reflecting a decline of 28.8% from \$2.2m in the same period last year. The firm's standalone sales revenues (net of discounts) totaled \$78.3m, constituting an increase of 8.9% year-on-year; while net of expenses, or 'garage income', increased by 1.5% to \$2.1m. On a non-consolidated basis, RYMCO's general and administrative expenses rose by 11.5% to \$2.7m in the first half, while advertising & selling expenses dropped by 54.1% to \$0.74m, salaries, wages and related charges decreased by 4% to \$3.2m and overall operating charges fell by 9% to \$7.3m. The firm's standalone assets reached \$137.6m at end-June 2014, constituting a decline of 4.2% from \$143.7m a year earlier. The company's inventory of cars and spare parts reached \$40.3m at end-June, constituting a decrease of 24.7% year-on-year. In parallel, RYMCO's shareholder's equity totaled \$49.9m at end-June 2014, constituting a drop of 6.7% from the same period last year. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at \$3.4 on September 12, 2014, down by 2.9% from \$3.5 at end-2013.

Al Mashrek Insurance posts losses of \$3.2m in 2013

Al Mashrek Insurance and Reinsurance sal announced audited net losses of \$3.2m in 2013, relative to net profits of \$0.1m in 2012. Its audited balance sheet shows total assets of \$64.9m at the end of 2013, constituting an increase of 3.7% from \$62.6m at end-2012. On the assets side, general company investments totaled \$29.9m and decreased by 11.1% from a year earlier. They included \$15.3m in land and real estate investments; \$2.8m in cash and cash equivalents and \$1.8m investments in subsidiaries and associates. They also included \$5.2m in blocked bank deposits and deposits with maturity of more than three months, of which \$4.7m were blocked in favor of the Economy Ministry as guarantees. Also, reinsurance share in technical reserves for the life and non-life categories amounted to \$0.9m and \$4.8m, respectively, constituting increases of 29.5% and 5.1%, respectively.

On the liabilities side, technical reserves for the life segment rose by 16.6% year-on-year to \$2.9m, while technical reserves for the non-life category reached \$29.8m at end-2013 and increased by 16.6% from a year earlier. Non-life technical reserves included unearned premium reserves of \$19.4m that rose by 11.4%, outstanding claims reserves of \$7.4m that increased by 21.2% year-on-year, and \$0.9m in reserves incurred but not reported that grew by 66.3% year-on-year. Provisions for risks and charges reached \$1m and increased by 3% from the previous year. Also, the firm's shareholders' equity totaled \$17.6m at end-2013, down by 23.1% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Al Mashrek in ninth and in 20th place in 2013 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$38.4m, constituting an increase of 11.3% year-on-year; while life premiums reached \$1.4m, constituting a decrease of 6.7% from the previous year. It had a 3.9% share of the local non-life market and a 0.3% share of the 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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