



LEBANON THIS WEEK

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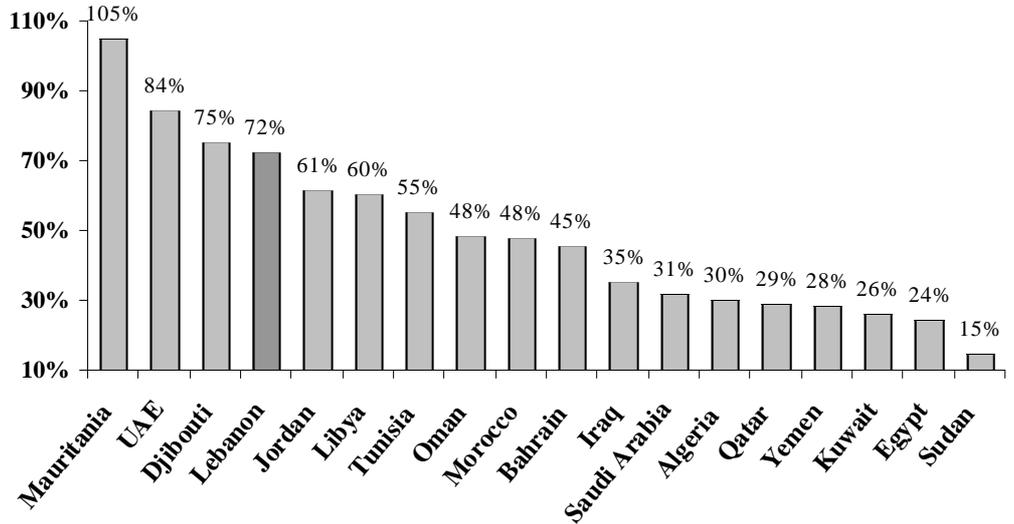
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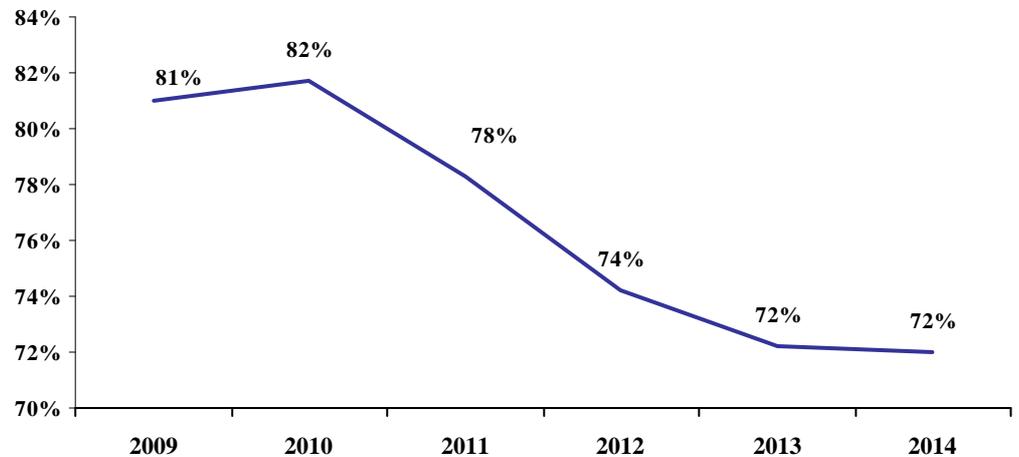
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Charts of the Week

Imports of Goods & Services of Arab countries in 2014 (% of GDP)



Imports of Goods & Services to Lebanon (% of GDP)



Source: International Monetary Fund, Byblos Bank

Quote to Note

"Economic policy-making will be hampered in the short term by the political impasse."

The Economist Intelligence Unit, on the opportunity cost of the presidential vacuum

Number of the Week

91: Lebanon's rank among 142 countries on the Entrepreneurship & Opportunity category of the Legatum Institute's 2014 Prosperity Index

Economic Indicators

\$m (unless otherwise mentioned)	2013	June 13	Mar 14	April 14	May 14	June 14	% Change*
Exports	3,936	348	275	300	308	278	(20.11)
Imports	21,228	1,634	1,791	1,641	1,676	1,567	(4.10)
Trade Balance	(17,292)	(1,286)	(1,516)	(1,341)	(1,368)	(1,289)	0.23
Balance of Payments	(1,128)	(233)	139	(45)	520	(561)	140.77
Checks Cleared in LBP	17,047	1,444	1,520	1,447	1,619	1,518	5.12
Checks Cleared in FC	55,321	4,523	4,671	4,545	5,058	4,807	6.28
Total Checks Cleared	72,368	5,967	6,191	5,992	6,677	6,325	6.00
Budget Deficit/Surplus	(4,220)	(275.89)	(595.29)	(379.21)	(170.31)	(187.36)	(32.09)
Primary Balance	(239.68)	(23.19)	(128.1)	91.02	316.5	133.93	-
Airport Passengers	6,265,470	571,831	430,979	542,544	511,556	610,170	6.70

\$bn (unless otherwise mentioned)	2013	June 13	Mar 14	April 14	May 14	June 14	% Change*
BdL FX Reserves	31.71	31.72	33.63	33.71	33.26	33.85	6.72
<i>In months of Imports</i>	<i>17.65</i>	<i>19.41</i>	<i>18.78</i>	<i>20.54</i>	<i>19.84</i>	<i>21.60</i>	<i>11.28</i>
Public Debt	63.46	60.02	65.15	64.86	65.08	65.71	9.48
Net Public Debt	53.18	50.90	54.37	54.67	54.92	55.17	8.39
Bank Assets	164.82	157.95	166.50	168.05	168.85	169.57	7.36
Bank Deposits (Private Sector)	136.21	131.30	136.55	138.20	138.85	140.35	6.89
Bank Loans to Private Sector	47.38	44.84	48.14	48.42	48.62	49.18	9.68
Money Supply M2	45.60	44.20	46.34	46.56	46.81	46.89	6.09
Money Supply M3	111.16	107.31	112.29	113.43	114.19	114.97	7.14
LBP Lending Rate (%)	7.29	7.87	7.26	7.18	7.48	7.45	(42bps)
LBP Deposit Rate (%)	5.44	5.39	5.48	5.47	5.50	5.49	10bps
USD Lending Rate (%)	6.88	6.97	6.87	6.92	7.04	6.97	-
USD Deposit Rate (%)	2.95	2.86	2.96	3.00	3.01	2.98	12bps
%* Change in CPI**	3.89	3.72	(0.23)	(0.03)	0.63	1.19	(253bps)

* 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"	11.65	2.64	91,091	10.32%	Jan 2015	5.875	100.28	3.49
Solidere "B"	11.73	3.53	63,836	6.75%	Apr 2015	10.000	103.05	2.23
Byblos Common	1.62	1.25	8,443	5.16%	Jan 2016	8.500	105.83	3.20
Byblos Pref. 08	101.30	0.30	3,804	1.79%	Mar 2017	9.000	111.25	3.84
Byblos Pref. 09	103.00	1.88	696	1.82%	Nov 2018	5.150	102.00	4.59
BLOM GDR	9.60	0.52	5,500	6.28%	May 2019	6.000	104.00	4.99
BLOM Listed	8.80	0.00	50,148	16.75%	Mar 2020	6.375	105.75	5.11
Audi GDR	6.35	(2.31)	70,744	5.76%	Apr 2021	8.250	115.50	5.34
Audi Listed	6.34	0.63	29,003	22.44%	Oct 2022	6.100	102.88	5.64
HOLCIM	15.00	0.00	416	2.59%	Nov 2026	6.600	103.88	6.14

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

Source: Byblos Bank Capital Markets

	Nov 24-28	Nov 17-21	% Change	Nov 2014	Nov 2013	% Change
Total Shares Traded	333,655	791,485	(57.84)	3,438,292	15,046,249	(77.15)
Total Value Traded	\$3,629,804	\$5,224,549	(30.52)	\$25,146,028	\$108,272,444	(76.78)
Market Capitalization	\$11.29bn	\$11.22bn	0.69	\$11.29bn	\$10.63bn	6.18

Source: Beirut Stock Exchange (BSE)



Lebanon has 36th highest barriers globally for investing in oil & gas exploration and production

The Fraser Institute's Global Petroleum Survey for 2014 showed that Lebanon had the 36th highest barriers for investments in oil & gas exploration and production among 156 countries and jurisdictions around the world, and the seventh highest barriers among 18 countries in the Middle East & North Africa. Lebanon also has the 12th highest barriers among 38 jurisdictions in 31 Upper Middle Income Countries (UMICs) included in the survey. Lebanon had the 69th highest barriers globally and the eighth highest in the MENA region in the 2013 survey. As such, Lebanon's rank regressed by 33 spots constituting the seventh steepest drop globally as well as the second drop among Arab countries behind only Kuwait with a fall of 35 spots.

The survey captures the opinions of oil & gas managers and executives about the level of investment barriers in oil & gas exploration and production in jurisdictions their companies are familiar with. The Policy Perception Index, which is the survey's underlying index, measures the extent of investment barriers by quantifying the answers of the survey's participants. The index is derived from 16 factors grouped in three sub-indices that are the Commercial Environment Index, the Regulatory Climate Index, and the Geopolitical Risk Index. Jurisdictions with the lowest score have lower barriers to investment in oil & gas exploration and production and a higher rank.

Globally, Lebanon has lower barriers to investing in oil & gas exploration and production than the U.S. Pacific-offshore region, Algeria and Mexico, and higher barriers than Tierra del Fuego in Argentina, Spain-Onshore and Mendoza in Argentina. Regionally, Lebanon has lower investment barriers than Algeria, Egypt, Syria, Libya, Iraq and Iran. Lebanon received a score of 73.7 points on the Policy Perception Index, worse than the global average of 55.5 points, the UMICs' average of 67.5 points, the MENA average of 63.5 points, and the Arab region's average of 61.7 points. Lebanon's score deteriorated by 21.4 points from 52.22 points in 2013, constituting the ninth steepest deterioration globally and the second largest in the MENA region.

In parallel, Lebanon came in 100th place globally and in ninth place in the region on the Commercial Environment Sub-Index. This category ranks jurisdictions based on five factors that are the government's requirements on royalty payments, production shares & licensing fees, as well as the taxation regime, trade barriers, quality of infrastructure and labor availability. The survey indicated that 69.3% of participants considered that the quality of the infrastructure in Lebanon is a deterrent to investment; 57.1% of respondents shared similar views about the country's taxation regime and 52.7% said the same about the government's requirements on royalty payments, production shares & licensing fees. Also, 50% of participants considered that the availability of labor in Lebanon is a deterrent to investment and 42.8% of respondents said the same about the country's trade barriers.

Further, Lebanon ranked in 109th place globally and in 12th place in the region on the Regulatory Climate Sub-Index. This category ranks jurisdictions according to investors' perceptions of the regulatory hurdles, including regulatory uncertainty and duplication, labor regulations, fairness and transparency of the legal system, enforcement of regulations, the cost of compliance, and environmental regulations. The survey pointed out that all participants in the survey consider that Lebanon's legal system is a deterrent to investment, 75% of respondents said the same about the country's regulatory uncertainty and duplication, and 58.8% of participants shared similar views about the country's administration or enforcement of regulations. Also, 57.1% of respondents said that the country's labor regulations deter investment, 46.6% shared similar views about the cost of compliance and 23.5% said the same about environmental regulations in Lebanon.

In parallel, Lebanon was the 149th riskiest jurisdiction globally and the 14th riskiest in the region on the Geopolitical Risk Sub-Index. The category focuses on political risks, and on the security of personnel and of physical assets. The survey found that 63.6% of respondents consider that the level of political stability in Lebanon is a strong deterrent to investment in the country's oil & gas sector, 18.2% label it as a mild deterrent and 9.1% said that they would not invest in the sector due to this factor. Overall, 90.9% of participants consider the level of political stability in Lebanon to be a deterrent to investment, which is the ninth highest percentage globally and the fifth highest in the region. Also, 91% of participants consider the security situation in Lebanon to be a strong or mild deterrent to investment, which is the ninth highest percentage globally and the fifth highest in the region.

Barriers to Investment in Oil & Gas Exploration and Production (lowest to highest barriers)

	Score	MENA Rank	Global Rank
UAE	31.83	1	28
Qatar	34.90	2	34
Oman	36.03	3	36
Jordan	38.70	4	45
Morocco	44.34	5	53
Bahrain	51.37	6	64
Tunisia	60.09	7	82
Mauritania	62.19	8	87
Israel	63.16	9	89
Kuwait	66.58	10	95
Yemen	70.82	11	111
Lebanon	73.66	12	121
Algeria	75.74	13	124
Egypt	83.08	14	136
Syria	83.53	15	138
Libya	85.43	16	144
Iraq	88.59	17	150
Iran	93.78	18	153

Source: Fraser Institute, Byblos Research

Occupancy rate at Beirut hotels at 51%, room yields down 6% in first 10 months of 2014

EY's benchmark survey of the Middle East hotel sector indicated that the average occupancy rate at hotels in Beirut was 51% in the first 10 months of 2014, down from 52% in the same period last year and compared to an average rate of 62.2% in 12 Arab markets. The occupancy rate at Beirut hotels was the fourth lowest in the region during the covered period, while it was the third lowest in the region in the first 10 months of 2013. Cairo City posted the lowest occupancy rate of 33% in the first 10 months of 2014, followed by Kuwait City and Manama with an occupancy rate of 48% each. Also, the occupancy rate at hotels in Beirut fell by one percentage point year-on-year, constituting, along with Dubai and Jeddah, the second steepest decrease among the 12 Arab markets, and relative to an average increase of 2.3 percentage points for the region. Occupancy rates at Beirut hotels were 36% in January, 42% in February, 41% in March, 52% in April, 63% in May, 67% in June, 36% in July, 60% in August, 56% in September and 59% in October 2014. In comparison, it was 50% in January, 60% in February, 59% in March, 64% in April, 59% in May, 55% in June, 40% in July, 48% in August, 35% in September and 49% in October 2013.

The average rate per room at Beirut hotels was \$163 in the first 10 months of 2014, ranking the capital's hotels as the third least expensive in the region. The average rate per room at Beirut hotels decreased by 3.6% year-on-year and posted the fourth steepest decline among all markets in the region relative to Makkah (-20.1%), Madina (-7.1%) and Abu Dhabi (-5.6%). The average rate per room in Beirut came below the regional average of \$209.5 that posted a decrease of 0.6% from the same period of 2013.

Further, revenues per available room (RevPAR) were \$83 in Beirut in the first 10 months of 2014, down from \$88 in the same period of 2013, and came in 11th place in the region, higher than only Cairo City (\$31). Beirut's RevPAR fell by 5.8% year-on-year and posted the third steepest decrease among Arab markets relative to contractions of 17.5% in Makkah and 6.7% in Kuwait City (-6.7%). Beirut posted RevPARs of \$60 in January, \$65 in February, \$62 in March, \$82 in April, \$97 in May, \$120 in June, \$62 in July, \$104 in August, \$89 in September and \$100 in October 2014. In comparison, RevPARs were \$87 in January, \$101 in February, \$99 in March, \$108 in April, \$102 in May, \$101 in June, \$65 in July, \$84 in August, \$55 in September and \$83 in October 2013. Kuwait City posted the highest average room rate in the region at \$306, Jeddah posted the highest room yield of \$213, and Dubai had the highest occupancy rate of 78% in the first 10 months of 2014.

Number of real estate transactions up 4% in first 10 months of 2014

Figures released by the Ministry of Finance indicate that the total number of real estate transactions reached 58,154 in the first 10 months of 2014, constituting an increase of 4.2% from 55,794 deals in the same period of last year. In comparison, the number of real estate transactions dropped by 5.6% in the first 10 months of 2013 and by 10.7% in the same period of 2012. Also, the aggregate value of real estate transactions totaled \$7.4bn in the first 10 months of 2014, constituting a rise of 7.6% from \$6.9bn in the same period last year. The value of real estate deals was \$7.1bn in the first 10 months of 2012 and \$6.8bn in the same period of 2011. In parallel, the average value per real estate transaction increased by 3.2% year-on-year to \$127,478 in the first 10 months of 2014 relative to average values of \$123,539 in the same period of 2013 and \$119,438 in the first 10 months of 2012. There were 901 real estate transactions executed by foreigners in the first 10 months of 2014, down 10.7% from 1,009 deals in the same period last year, and compared to annual decreases of 6.3% in the first 10 months of 2013 and 4.9% in the same period of 2012. In parallel, the number of real estate transactions by foreigners accounted for 1.5% of total real estate deals in the first 10 months of 2014 relative to 1.8% in the same period of 2013.

Coincident Indicator up 4% in first nine months of 2014

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 264.3 points in September 2014 compared to 265 in August 2014 and 247.2 in September 2013. The Coincident Indicator, an average of 8 weighted economic indicators, decreased by 0.3% month-on-month and increased by 6.9% year-on-year in September 2014. The indicator averaged 271.8 in the 12 months ending September 2014, compared to 270.4 in the 12 months ending August 2014 and relative to 261.5 in the 12 months ending September 2013. As a result, the average coincident indicator rose by 0.5% month-on-month and by 3.9% year-on-year. Also, the indicator averaged 271.6 in the first nine months of 2014 compared to 272.5 in the first eight months of the year and 262.1 in the first nine months of 2013. As a result, the average coincident indicator dropped by 0.3% month-on-month and increased by 3.6% year-on-year during the covered period. In parallel, the indicator improved 10 times and regressed 12 times on a monthly basis in the month of September 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.

Hotel Performance in First 10 Months of 2014

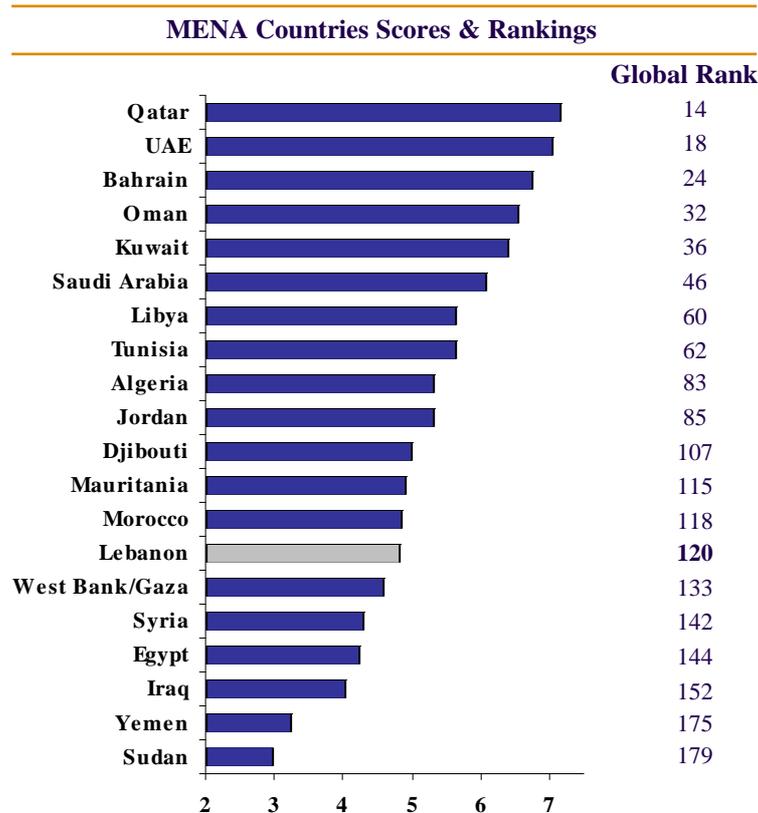
	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Jeddah	77	213	8.5
Dubai	78	211	(0.4)
Doha	70	164	13.3
Madina	77	148	8.5
Kuwait City	48	147	(6.7)
Abu Dhabi	77	146	(3.9)
Riyadh	65	140	8.7
Makkah	61	135	(17.5)
Amman	61	99	3.2
Manama	48	98	12.6
Beirut	51	83	(5.8)
Cairo City	33	31	42.5

Source: EY, Byblos Research

Lebanon ranks 120th globally, 14th in the Arab region for its economic growth environment

Global investment bank Goldman Sachs ranked Lebanon in 120th place among 183 countries worldwide on its Growth Environment Scores (GES) for 2013, down from 117th place in 2012 and from 68th place in 1997. Lebanon also ranked in 14th place among 20 countries and territories in the Arab region, down from 13th place in the preceding year and from sixth place in 1997. Additionally, Lebanon came in 44th place among the 51 Upper Middle Income Countries (UMICs) included in the survey, up from 45th place in 2012, but down from 17th place in 1997. Lebanon global rank fell by 52 spots between 1997 and 2013, the second steepest decline in the world, similar to Tonga and Kiribati and better than only Trinidad & Tobago (60 spots).

The GES are a composite measure of economic growth conditions in 183 countries that summarizes the overall growth environment and that ranks countries according to their ability to achieve their growth potential. It also captures features of the economic, political and institutional environment that affect productivity performance. The GES consist of 18 indicators grouped in six broad categories that are Macroeconomic Stability, Macroeconomic Conditions, Political Conditions, Human Capital, Technological Capabilities, and the Microeconomic Environment.



Source: Goldman Sachs, Byblos Research

Globally, Lebanon had a better growth environment than Laos, the Dominican Republic and Bolivia, and a less favorable growth climate than Jamaica, the Republic of Congo and Morocco among countries with a GDP of \$10bn or more. It also had a better growth climate than only the Dominican Republic, Iran, Venezuela, Cuba, Iraq and Angola among UMICs. Regionally, it had a more favorable growth environment than the West Bank & Gaza, Syria, Egypt, Iraq, Yemen and Sudan.

Lebanon received a score of 4.81 points in 2013, down from 4.83 points in the preceding year and from 4.56 points in 1997. Lebanon's score increased by 5.5% between 1997 and 2013, constituting the 14th lowest rise among 176 countries that posted increases in their score, as Grenada's score remained unchanged and the score of six countries fell between 1997 and 2013. Lebanon's score came below the Gulf Cooperation Council (GCC) countries' average score of 6.65 points, the UMICs' average score of 5.32 points and the Arab average score of 5.23 points. Also, its score came below the global average of 5.25 and the average score of emerging economies of 4.95 points, but was above the average score of non-GCC Arab countries of 4.62 points. Singapore had the best economic growth environment in the world, while Eritrea had the least favorable climate among countries included in the survey.

Surface area of new construction permits up 7% in first 10 months of 2014

Figures released by the order of Engineers of Beirut & Tripoli show that the number of new construction permits reached 14,227 in the first 10 months of 2014, constituting a marginal increase of 0.1% from 14,218 in the same period last year and relative to a 6.9% decline in the first 10 months of 2013. Mount Lebanon accounted for 43.3% of the number of newly-issued construction permits in the covered period, followed by South Lebanon with 17.1%, Nabatieh with 12.9%, the North with 11.9%, the Bekaa with 9.8% and Beirut with 5%.

Further, the surface area of construction permits issued in the first 10 months reached 11.6 million square meters (sqm), constituting an increase of 7.4% from the same period last year and compared to decreases of 9.6% in the first 10 months of 2013 and 12.8% in the same period of 2012. Mount Lebanon accounted for 5.4 million sqm or 46.7% of total construction permits in the covered period. It was followed by the North with 2 million sqm (17.4%), the South with 1.4 million sqm (11.9%), the Bekaa with 981,525 sqm (8.4%), Nabatieh with 936,496 sqm (8.1%) and Beirut with 882,943 sqm (7.6%). In parallel, cement deliveries totaled 4.2 million tons in the first nine months of 2014 and rose marginally by 0.1% annually, relative to an increase of 7.5% in the same period of last year and a drop of 5.8% year-on-year in the first nine months of 2012.

Industrial exports down 11% to \$1.8bn in first seven months of 2014

Figures released by the Ministry of Industry show that industrial exports totaled \$1.84bn in the first seven months of 2014, constituting a decrease of 11.1% from \$2.1bn in the same period last year. Industrial exports reached \$261.8m in July 2014, down by 5.9% from \$278.3m in June 2014 and by 1.6% from \$265.9m in July 2013. Machinery and mechanical appliances accounted for \$433.1m, or 23.5% of total industrial exports in the first seven months of the year, followed by prepared foodstuffs with \$313.1m (17%) and chemical products with \$289.9m (15.7%). Arab countries were the destination of 53.3% of Lebanese industrial exports in July 2014, followed by European economies with 15.6%, African countries with 10.5%, countries in the Americas with 10.1% and Asian economies with 9.6%. On a country basis, Saudi Arabia was the main destination of such exports and accounted for 11.7% of the total in July 2014, followed by the UAE with 11.5%, Iraq with 9% and Brazil with 7.5%. In July, 12 Arab countries, 12 European states, seven African economies, three Asian countries, three economies in the Americas and one country in Oceania imported \$1m or more each in industrial products from Lebanon. Overall, Lebanon exported its industrial products to 44 European countries, 41 African economies, 29 Asian states, 28 countries in the Americas, 19 Arab economies and eight markets in Oceania in July 2014.

In parallel, industrial imports reached \$170.3m in the first seven months of 2014, down 12.2% from the same period of 2013. Italy was the main source of such imports and accounted for 22.5% of the total in the covered period, followed by China with 18% and Germany with 17%. Further, imports of industrial equipment and machinery reached \$30.3m in July 2014, increasing by 8.8% year-on-year. Italy was the main source of imports of industrial equipment in July, and accounted for 26.6% of the total, followed by China with 15.3% and the United States with 8.8%.

Treasury transfers to Electricité du Liban down 19% in first five months of 2014

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled \$707.8m in the first five months of 2014, constituting a decrease of 18.7% from \$870.2m in the same period of 2013. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to Algerian energy conglomerate Sonatrach totaled \$698.6m, or 98.7% of transfers in the covered period, while EdL's debt servicing represented \$9.2m or 1.3% of the total. It attributed the decrease in transfers to a drop of \$144.8m, or 17.2%, in payments to KPC and Sonatrach during the covered period and to a decline of \$17.6m or 65.6% in debt servicing year-on-year. In parallel, the ministry said that the decrease in payments to KPC and Sonatrach reflects a 18% year-on-year fall in the quantity of imported gas oil, given that the quantity of imports of fuel oil was unchanged. Also, it pointed out that EdL contributed just 2.8% of the repayments to the two oil suppliers during the covered period compared to 2.3% in the same period last year. EdL transfers accounted for 18.6% of primary expenditures in the first five months of 2014, down from 21% in the same period of 2013. They constitute the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.3% of GDP in 2012 and to 4.6% of GDP in 2013.

Net profits of Syrian affiliates of Lebanese banks down by 6% in first nine months of 2014, banks post losses of \$14m when excluding unrealized foreign exchange gains on structural positions

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP10bn in the first nine months of 2014, constituting a decline of 6.3% from SYP10.7bn in the same period last year. In US dollar terms, the seven banks generated net profits of \$67.4m in the first nine months of 2014, a drop of 38% from \$108.6m in the same period last year. The US dollar figures reflect the prevailing official exchange rates during the covered period. The banks' net income was SYP1.4bn in the first quarter, SYP3.1bn in the second quarter and SYP5.5bn in the third quarter of 2014. The profits of Banque BEMO Saudi Fransi contracted by SYP832.8m, followed by a decrease of SYP749.8m in those of Bank Al-Sharq, the affiliate of Banque Libano-Française, and a drop of SYP172.6m in the net income of Fransabank Syria. In parallel, net earnings of Bank Audi Syria rose by SYP697.6m in the covered period, followed by Bank of Syria & Overseas with a growth of SYP596.2m, and an increase of SYP426.4m in the profits of Byblos Bank Syria. In parallel, the net earnings of Syria Gulf Bank, the affiliate of First National Bank, shifted from a gain of SYP15.9m in the first nine months of last year to a net loss of SYP625.5m in the same period of 2014. The aggregate net profits of the seven banks shift to a loss of SYP2.1bn, or \$14m, in the first nine months of 2014 when excluding the unrealized foreign exchange gains on structural positions.

The net interest income of the seven banks totaled SYP3.3bn in the first nine months of 2014, constituting a decrease of 16.8% from the same period last year; while their total net fees & commissions income regressed by 8.2% to SYP2.15bn. In US dollar terms, the banks' net interest income totaled \$22.2m in the first nine months of the year, down 45% from \$40.3m in the first nine months of 2013; while their net fees & commission income stood at \$14.5m, down 39.2% from \$23.8m in the same period last year. The seven banks' total operating income reached SYP18.6bn in the first nine months of 2014, constituting a drop of 48.3% year-on-year; while gross operating expenses totaled SYP8.8bn and declined by 68% from the same period last year. In US dollar terms, the banks' gross operating income totaled \$124.8m in the first three quarters of 2014, constituting a decrease of 65.8% from \$364.9m in the same period last year; while their operating expenses stood at \$58.8m, down 78.7% from \$276.6m in the first nine months of 2013.

In parallel, the banks' aggregate assets reached SYP460.7bn at the end of September 2014 and increased by 15.1% from end-2013. In US dollar terms, the assets of the seven banks rose from \$2.82bn at the end of 2013 to \$2.86bn at the end of September 2014, reflecting an increase of 1.3%. The assets of Banque BEMO Saudi Fransi increased by SYP22.9bn, followed by those of Bank of Syria & Overseas (+SYP11.8bn), Fransabank Syria (+SYP9.7bn), Syria Gulf Bank, (+SYP7.4bn), Bank Audi Syria (+SYP6.9bn) and Bank Al-Sharq (+SYP3.4bn). Also, the banks' loans totaled SYP88.4bn, or \$548.6m at end-September 2014, reflecting a marginal rise of 0.3% from the end of 2013. The growth in lending was mainly caused by a rise of SYP2.8bn in the loans of Fransabank Syria, followed by those of Banque BEMO Saudi Fransi (+SYP602.4m), Bank Al-Sharq (+SYP66m) and Bank Audi Syria (+SYP43.9m). It was partly offset by a contraction in the lending of Bank of Syria & Overseas (-SYP2.1bn), of Syria Gulf Bank (-SYP915.6m) and of Byblos Bank Syria (-SYP189.2m).

Also, the banks' customer deposits totaled SYP343.7bn at the end of September 2014, increasing by 18% from the end of 2013. In US dollar terms, customer deposits at the seven banks improved from \$2.06bn at the end of 2013 to \$2.13bn at the end of September 2014, constituting a rise of 3.7%. The increase was mainly prompted by a rise of SYP20.8bn in the deposits of Banque BEMO Saudi Fransi, followed by those of Bank of Syria & Overseas (+SYP9.3bn), Fransabank Syria (+SYP5.9bn), Byblos Bank Syria (+SYP5.1bn), Syria Gulf Bank (+SYP4.2bn), Bank Audi Syria (+SYP4.2bn) and Bank Al-Sharq (+SYP2.6bn). The ratio of the banks' loans-to-customer deposits stood at 25.7% at the end of September 2014 compared to 30.2% at the end of 2013. Also, the aggregate shareholders' equity of the banks reached SYP48.9bn, or \$303.5m, at the end of September 2014, an increase of 11.1% from end-2013.

Results of Affiliates of Lebanese Banks in Syria for Nine Months of 2014 (in US\$)

	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Bank Audi Syria	Fransabank Syria	Byblos Bank Syria	Syria Gulf Bank	Bank Al-Sharq
Net Profits	\$16.05m	\$9.04m	\$16.95m	\$19.65m	\$4.2m	(\$4.21m)	\$5.69m
Total Assets	\$0.87bn	\$0.64bn	\$0.38bn	\$0.32bn	\$0.28bn	\$0.23bn	\$0.13bn
% Change*	19.5%	12.8%	12.7%	22.7%	-3.5%	24.6%	19.5%
Loans	\$152m	\$46.3m	\$115.5m	\$67.1m	\$72.1m	\$64.7m	\$30.8m
% Change*	2.5%	-22.3%	0.2%	34.4%	-1.6%	-8.1%	1.3%
Customer Deposits	\$0.74bn	\$0.44bn	\$0.29bn	\$0.17bn	\$0.21bn	\$0.18bn	\$0.10bn
% Change*	21.0%	15.2%	9.9%	28.0%	17.5%	16.5%	19.0%

*Change from end-2013

Source: Banks' financial statements

Stock market activity up 72% to \$592m in first 11 months of 2014

Figures released by the Beirut Stock Exchange indicate that total trading volume reached 86 million shares in the first 11 months of 2014, constituting an increase of 78.2% from the same period of 2013; while aggregate turnover amounted to \$591.9m, up 71.5% from a turnover of \$345.1m in the first 11 months of 2013. Market capitalization increased by 6.2% from end-November 2013 to \$11.29bn, of which 79.7% was in banking stocks, followed by real estate stocks with 17.1%, industrial stocks with 2.9% and trading stocks with 0.3%. The market liquidity ratio was 5.2% compared to 3.2% in the first 11 months of 2013. Banking stocks accounted for 92.3% of aggregate trading volume in the first 11 months of the year, followed by real estate stocks with 7.4%, trading with 0.2% and industrial stocks with 0.1%. Also, banking stocks accounted for 82.2% of the aggregate value of traded shares, followed by real estate stocks with 13.7%, and trading and industrial stocks with 0.1% each. The average daily traded volume for the period was 385,459 shares for an average daily value of \$2.6m. The figures reflect increases of 75% in volume and 68.4% in value year-on-year.

Balance sheet of investment banks up 3% in first nine months of 2014

Figures released by the Central Bank show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,188bn, or \$4.1bn at the end of September 2014, reflecting increases of 3% from the end of 2013 and of 4.4% from end-September 2013. Private sector deposits totaled \$2bn at the end of September 2014, increasing by 4.2% from end-2013 and by 4% from a year earlier. Resident deposits in foreign currencies reached \$985.6m, followed by resident deposits in Lebanese pounds at \$690.2m and non-resident deposits in foreign currencies at \$283.6m. Also, commitments to the financial sector totaled \$645m at the end of September 2014, constituting a rise of 7.9% from end-2013 and an increase of 10.6% from a year earlier.

On the assets side, investment banks' cash balance and deposits at commercial banks reached \$2bn at the end of September 2014, up by 3.5% from the end of 2013 and by 14.4% from end-September 2013. Also, lending to the private sector totaled \$1.4bn, constituting a rise of 16.8% from end-2013 and an increase of 23.2% from a year earlier. Investments in government securities totaled \$431.7m at the end of September 2014, representing a drop of 12.5% from end-2013 and a decrease of 38.1% from a year earlier. Further, the aggregate capital account of investment banks reached \$1.13bn at the end of September 2014, constituting an increase of 12.6% from end-2013 and a rise of 12.5% from a year earlier. There were 16 investment banks operating in Lebanon with a total of 21 branches as at March 2014.

CMA CGM's net profits at \$201m in third quarter of 2014

The Lebanese-owned and France-based container shipping group CMA CGM declared net profits of \$201m in the third quarter of 2014 compared to consolidated profits of \$70m in the same quarter of 2013. Core earnings before interest and taxes (EBIT), excluding assets' transfer and depreciation, totaled \$248m in the third quarter of the year, decreasing by 8.6% year-on-year. Also, CMA CGM's revenues reached \$12.5bn in the first nine months of 2014, reflecting a rise of 4.3% from the same period of 2013, with transported volumes increasing by 7.4% to 9.1 million twenty-foot equivalent units (TEUs). The firm generated revenues of \$4.37bn in the third quarter of the year, up 6.4% from \$4.1bn in the same quarter last year, with volumes carried rising by 8.3% to 3.2 million TEUs. It indicated that it reduced its operating costs per TEU by 0.4% in the third quarter and the bunker consumption per TEU by 3.4% year-on-year. The firm's return on investment capital decreased from 10.3% in the third quarter of 2013 to 8.2% in the covered quarter, while its core operating margin regressed from 6.6% in the third quarter of 2013 to 5.7% in the covered quarter. CMA CGM is the third largest container shipping company in the world. It currently operates a fleet of 443 vessels and serves more than 400 ports around the world.

In May 2014, Standard & Poor's upgraded the long-term corporate credit rating of CMA CGM to 'B+' from 'B' with a 'stable' outlook. It also upgraded to 'B-' from 'CCC+' the company's senior unsecured notes. It attributed the upgrades to its reassessment of the company's financial policy to 'neutral' from 'negative'. It indicated that the company's leverage has substantially moderated and that its financial policy would maintain its credit ratios broadly in line with those projected under normal operating and financial conditions. It noted that CMA CGM's financial policy has shifted over the past two years towards more predictable and balanced growth strategies and acquisition plans. It expected the company to continue to reduce costs and to maintain a substantial cash balance in excess of \$1bn, which would be used to offset the volatility of the shipping industry.

Lebanon & Gulf Bank's net profits at \$21.6m in first nine months of 2014

Lebanon & Gulf Bank sal, one of Lebanon's top 14 banks, announced unaudited consolidated net profits of \$21.6m in the first nine months of 2014, constituting an increase of 21.1% from the same period last year. Net operating income rose by 18% year-on-year to \$48.4m, with net interest income increasing by 10.6% to \$33.7m and net fees & commissions receipts rising by 50% to \$10m. Non-interest income accounted for 32% of total income, down from 35.8% in the first nine months of 2013, with net fees & commissions representing 63% of non-interest earnings, up from 39.1% in the first nine months of 2013. Further, the bank's interest margin was 1.57% in the first nine months of 2014 relative to 1.68% in the same period last year; while its spread fell to 1.52% from 1.62% in the first nine months of 2013. Total operating expenditures increased by 9.6% to \$21.9m, with staff expenses rising by 11.2% to \$12.7m. Also, the bank's return on average assets was 0.97% in September 2014 on an annualized basis relative to 0.95% a year earlier; while its return on average equity regressed to 11.53% from 11.9% in September 2013. The cost-to-income ratio rose to 44.3% in the first nine months of the year from 42.2% in the same period last year.

In parallel, total assets reached \$3.2bn at the end of September 2014 and increased by 18.4% from end-2013 and by 23.5% from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, rose by 18.3% from end-2013 and by 25% year-on-year to \$1.25bn. Also, customer deposits, excluding deposits from related parties, totaled \$2.82bn at the end of September, growing by 19.4% from end-2013 and by 23% from a year earlier. The loans-to-deposits ratio increased to 44.4% at end-September 2014 from 43.7% a year earlier. Shareholders' equity rose by 1.4% from end-2013 to \$247.9m at the end of September 2014.

Fitch affirms Allianz ratings at 'AA-', outlook 'stable'

Fitch Ratings affirmed Germany-based insurance group Allianz SE's Insurer Financial Strength (IFS) rating and long-term Issuer Default Rating (IDR) at 'AA-', with a 'stable' outlook. It also affirmed the IFS ratings of the main Allianz subsidiaries at 'AA' with a 'stable' outlook. The group fully owns Allianz-SNA, one of Lebanon's largest insurance firms. The agency attributed its decision to the group's strong technical profitability, strong consolidated group capital position, broad diversification by geography and by product, and solid business position in its key markets. It added that the group's ratings benefit from an investment mix of sound credit quality. It noted that the group's supportive factors for the ratings are partly offset by the currently reduced profitability in its asset management subsidiary PIMCO, and by the challenging medium-term outlook for some of Allianz's life markets. Fitch expected Allianz's sound underwriting profitability from the non-life business to partly offset earnings from asset management that are likely to be under pressure in the rest of 2014 and during 2015. The group is active in both the non-life and life segments, as well as in asset management. Allianz SNA generated total premiums of \$111.1m in 2013 in the Lebanese market, consisting of \$55.7m in life and \$55.5m in non-life premiums. It ranked in second and seventh place in the Lebanese insurance market in terms of life and non-life premiums, respectively, in 2013. It had a 13.3% share of the life market and a 5.6% share of the local non-life market.

First National Bank's net income down 4% to \$19m in first nine months of 2014

First National Bank sal, one of Lebanon's top 14 banks, announced unaudited consolidated net profits of \$18.9m in the first nine months of 2014, down by 4.3% from the same period last year. Net operating income rose by 2.8% year-on-year to \$59.3m, with net interest income decreasing by 15.9% to \$34.4m and net fees & commissions receipts growing by 38.7% to \$5.8m. Non-interest income accounted for 22% of total income, up from 16.2% in the first nine months of 2013, with net fees & commissions representing 42.8% of non-interest earnings, down from 43.6% in the first nine months of 2013. Further, the bank's interest margin was 1.8% in the first nine months of 2014 relative to 2% in the same period last year; while the spread fell to 1.74% from 1.92% in the first nine months of 2013. Total operating expenditures increased by 7.9% to \$36.7m, with staff expenses rising by 4.6% to \$22.8m. Also, the bank's return on average assets was 0.68% in September 2014 on an annualized basis, relative to 0.77% a year earlier; while its return on average equity regressed to 9.79% from 10.91% in September 2013. The cost-to-income ratio rose to 59.6% in the first nine months of 2014 relative from 57.6% in the same period last year.

In parallel, total assets reached \$3.82bn at the end of September 2014, constituting an increase of 7.7% from end-2013 and a 9.7% rise from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, grew by 2.2% from end-2013 and by 2.7% year-on-year to \$904.7m. Also, customer deposits, excluding deposits from related parties, totaled \$3.1bn at end-September 2014, rising by 9.3% from end-2013 and by 13.7% from a year earlier. The loans-to-deposits ratio decreased to 28.6% at the end of September 2014 from 31.3% a year earlier. Further, shareholders' equity rose by 3.7% from end-2013 to \$259m at the end of September 2014.

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	Feb 2013	Jan 2014	Feb 2014	Change*	Risk Level
Political Risk Rating	53.0	52.0	52.0	▼	High
Financial Risk Rating	35.0	38.0	38.0	▲	Low
Economic Risk Rating	34.0	27.0	27.0	▼	High
Composite Risk Rating	61.0	58.5	58.5	▼	High

Regional Average	Feb 2013	Jan 2014	Feb 2014	Change*	Risk Level
Political Risk Rating	58.6	58.4	58.4	▼	High
Financial Risk Rating	41.6	40.7	40.4	▼	Very Low
Economic Risk Rating	36.3	35.8	35.9	▼	Low
Composite Risk Rating	68.2	67.5	67.4	▼	Moderate

*year-on-year

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B1	NP	Negative	B1		Negative
Fitch Ratings	B	B	Negative	B		Negative
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative
EIU		CCC	

Source: Rating agencies

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

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BYBLOS BANK GROUP

LEBANON

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

SYRIA

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

IRAQ

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

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

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

UNITED ARAB EMIRATES

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

ARMENIA

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

CYPRUS

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

BELGIUM

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

UNITED KINGDOM

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

FRANCE

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

SUDAN

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

NIGERIA

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

DEMOCRATIC REPUBLIC OF CONGO

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

ADIR INSURANCE

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