BLOMINVEST BANK SAL

Your Investment Reference

THE LEBANON BRIEF

ISSUE 848
Week of 09 – 14 December, 2013

ECONOMIC RESEARCH DEPARTMENT
Rashid Karame Street, Verdun Area
P.O.Box 11-1540 Beirut, Lebanon
T (01) 747802 F (+961) 1 737414
research@blominvestbank.com
www.blom.com.lb

TABLE OF CONTENTS

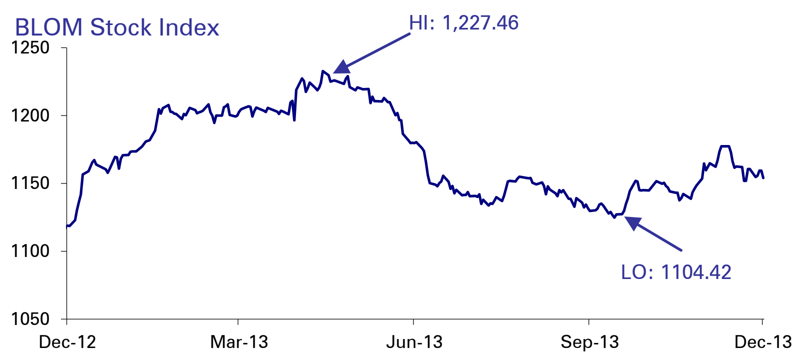
FINANCIAL MARKETS

Equity Market

Stock Market

	13/12/2013	6/12/2013	% Change
BLOM Stock Index*	1,151.31	1,154.06	-0.24%
Average Traded Volume	165,360	39,328	320.46%
Average Traded Value	1,494,662	683,270	118.75%

*22 January 1996 = 1000



The Beirut Stock Exchange (BSE) underwent a mixed performance over the week with the daily average volume reaching 165,360 shares worth $1,494,662 higher than last week's average daily volume of 39,328 shares worth $683,270.

The BLOM Stock Index (BSI) hovered between a higher band of 1,152 (on Thursday 12 December) and a lower band of 1,147.13 points (on Wednesday 11 December), to close at 1,151.31 points. The BSI registered a 0.24% weekly loss and a 1.52% year-to-date decline from December's 2012 level of 1,169.07 points. As for the market capitalization, it fell by $21.98M to reach $9.21B.

When comparing to regional and emerging markets, the Lebanese equity benchmark outperformed the MSCI Emerging Index that dropped by 0.69% to close by Friday at 991.52 points. The latter's weekly fall resulted from the depreciation of several emerging currencies such as the Japanese Yen, the Indian rupee and Indonesian Rupiah.

However, S&P Pan Arab Composite LargeMidCap index recorded a 1.69% weekly growth to 131.87 points, while the S&P AFE40 edged up by a weekly 1.86% to 63.64 points.

Dubai was the top performer this week as Emaar Properties' shares soared to a 63-Month high following the announcement of a joint-venture project with Dubai World Central, near the location of Dubai 2020 World Expo. In this context, Dubai bourse posted a 4.80% weekly gain. Investors were also bullish on the Egyptian stock exchange that ranked second with a 4.30% weekly progress. Positive sentiments were enhanced after the Egyptian Central Bank cut its core interest rates by 50 basis points each. The Tunisian stock exchange was the worst weekly performer posting a 1.09% loss.

Banking stocks weighed the most on the BSE's activity, grasping 74.79% of the total value traded. In details, BLOM GDR shares, Audi listed and GDRs declined 0.34%, 3.42% and 0.16% to close on Friday December 13, at $8.77, $6.50 and $6.20. However, Byblos common shares managed to post a 1.29% progress over the week to close at $1.57.

Banking Sector

	Mkt	13/12/2013	6/12/2013	%Change
BLOM (GDR)	BSE	$8.77	$8.80	-0.34%
BLOM Listed	BSE	$8.25	$8.25	0.00%
BLOM (GDR)	LSE	$8.65	$8.80	-1.70%
Audi (GDR)	BSE	$6.50	$6.73	-3.42%
Audi Listed	BSE	$6.20	$6.21	-0.16%
Audi (GDR)	LSE	$6.50	$6.50	0.00%
Byblos (C)	BSE	$1.57	$1.55	1.29%
Byblos (GDR)	LSE	$71.00	$71.00	0.00%
Bank of Beirut (C)	BSE	$19.00	$19.00	0.00%
BLC (C)	BSE	$1.95	$1.95	0.00%
Fransabank (B)	OTC	$28.00	$28.00	0.00%
BEMO (C)	BSE	$1.84	$1.84	0.00%

	Mkt	13/12/2013	6/12/2013	%Change
Banks' Preferred Shares Index *		105.10	105.17	-0.07%
BEMO Preferred 2006	BSE	$100.50	$100.50	0.00%
Audi Pref. E	BSE	$102.50	$102.50	0.00%
Audi Pref. F	BSE	$102.50	$102.50	0.00%
Byblos Preferred 08	BSE	$100.00	$100.00	0.00%
Byblos Preferred 09	BSE	$100.00	$100.00	0.00%
Bank of Beirut Pref. E	BSE	$100.50	$100.50	0.00%
Bank of Beirut Pref. I	BSE	$101.10	$101.10	0.00%
Bank of Beirut Pref. H	BSE	$26.00	$26.00	0.00%
BLOM Preferred 2011	BSE	$25.80	$26.00	-0.77%

* 25 August 2006 = 100

Real Estate

	Mkt	13/12/2013	6/12/2013	% Change
Solidere (A)	BSE	$11.30	$11.26	0.36%
Solidere (B)	BSE	$11.19	$11.28	-0.80%
Solidere (GDR)	LSE	$11.20	$11.17	0.27%

Manufacturing Sector

	Mkt	13/12/2013	6/12/2013	% Change
HOLCIM Liban	BSE	$14.37	$14.48	-0.76%
Ciments Blancs (B)	BSE	$3.25	$3.25	0.00%
Ciments Blancs (N)	BSE	$3.24	$3.24	0.00%

Funds

	Mkt	13/12/2013	6/12/2013	% Change
BLOM Cedars Balanced Fund Tranche “A”	-----	$6,940.54	$6,946.45	-0.09%
BLOM Cedars Balanced Fund Tranche “B”	-----	$5,035.29	$5,039.78	-0.09%
BLOM Cedars Balanced Fund Tranche “C”	-----	$5,271.39	$5,275.88	-0.09%
BLOM Bond Fund	-----	$9,724.12	$9,724.12	0.00%

Retail Sector

	Mkt	13/12/2013	6/12/2013	% Change
RYMCO	BSE	$3.50	$3.50	0.00%
ABC (New)	OTC	$33.00	$33.00	0.00%

Tourism Sector

	Mkt	13/12/2013	6/12/2013	% Change
Casino Du Liban	OTC	$480.00	$480.00	0.00%
SGHL	OTC	$7.00	$7.00	0.00%

BLOM Preferred Shares Index (BPSI) dropped by 0.07% to 105.10 points, triggered by the negative performance of Bank of Beirut (BoB) preferred shares. Accordingly, BoB preferred “I” revealed a 0.77% weelkly decline to $25.80, while the class “H” slipped by 0.38% to reach $25.90.

On the London Stock Exchange, BLOM GDR shares posted a 1.70% weekly drop to close at $8.65. Meanwhile, Solidere GDRs showed positive performance, inching 0.27% up to stand at $11.20.

Real estate stocks moved in seesaws over the five trading sessions as investors were undertaking a wait-and-see approach amid the domestic stalemate and the ongoing insecurities in the Northern area of Lebanon as well as the Syrian borders. Accordingly, Solidere shares, that took 24.76% of total value traded, displayed mixed performance with the class “A” inching 0.36% up to $11.30, while the class “B” dropped 0.80% to $11.19.

With respect to the manufacturing sector, HOLCIM shares closed at a lower level than last week, despite the consecutive gains revealed on Wednesday and Thursday. The industrial stock, which timidly contributed for a 0.45% of total weekly traded value, had an overall negative weekly performance as it lost 0.76% to $14.37.

Looking ahead, the activity on the BSE will probably remain muted ahead of Christmas and New Year holidays.

BLOMINVEST BANK SAL

Foreign Exchange Market

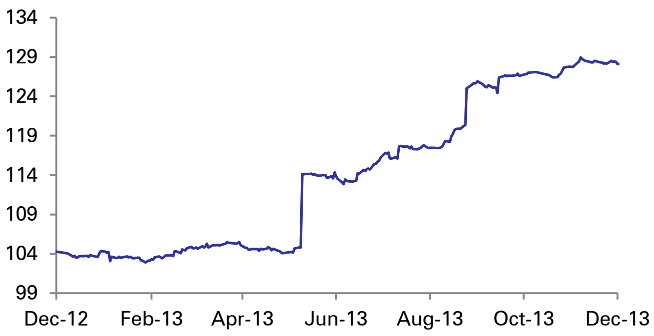
Lebanese Forex Market

	13/12/2013	6/12/2013	%Change
Dollar / LP	1,507.00	1,508.00	-0.07%
Euro / LP	2,072.81	2,060.30	0.61%
Swiss Franc / LP	1,695.73	1,682.48	0.79%
Yen / LP	14.56	14.75	-1.29%
Sterling / LP	2,462.20	2,465.97	-0.15%
NEER Index**	128.03	128.10	-0.05%

*Close of GMT 09:00+2
**Nominal Effective Exchange Rate; Base Year Jan 2006=100
**The unadjusted weighted average value of a country's currency relative to all major currencies being traded within a pool of currencies.

Demand for the US dollar slipped over the past week as the range at which banks exchanged the currency went from $/LP 1,506 -$/LP 1,510, with a mid-price of $/LP1, 508 to $/LP 1,505-$/LP 1,509 with a mid-price of $/LP 1,507. Foreign assets (excluding gold) at the Central Bank stood at $35.49B as of end November compared to $35.63B as of end October. Meanwhile, the dollarization rate of private sector deposits steadied at 65.7% in September.

Nominal Effective Exchange Rate (NEER)



The reluctance of the European Central Bank to push ahead with further monetary stimulus lifted the euro against the dollar for yet another week. The euro was also boosted by the fact that interbank lending rates rose to their highest in nearly sixteen months.

By Friday December 13th, 2013, 12:30 pm Beirut time, the euro closed at €/$ 1.38 up by a weekly 0.61%. As for the dollar-pegged LP, it depreciated to €/LP 2,072.81 from €/LP 2,060.30 recorded on December 12th. The Nominal effective exchange (NEER) slipped by 0.05% over the cited period to 128.03 points, while its year-to-date performance stood at 23.33%.

Money & Treasury Bills Market

Money Market Rates

	13/12/2013	6/12/2013	Change bps
Overnight Interbank	2.75	2.75	0
BDL 45-day CD	3.57	3.57	0
BDL 60-day CD	3.85	3.85	0

During the week ending 28th of November, broad Money M3 increased by LP216B ($143M), to reach LP 164,909B ($109.39B). M3 growth rate reached 6.35% on a year-on-year basis and 4.42% from end of December 2012. As for M1, it rose by LP178B ($118M) due to the downturn of LP53B ($35M) in currency in circulation and the LP231B ($153M) rise in demand deposits. Total deposits (excluding demand deposits) grew by LP38B ($25M), given the LP62B rise in term and saving deposits in domestic currency and the $16M fall in deposits denominated in foreign currencies. Over the above mentioned period, the broad money dollarization rate edged down from a previous 59.07% to reach 58.98%. According to the Central Bank, the overnight interbank rate stood at 2.75% at the end of September 2013.

Treasury Yields

	13/12/2013	6/12/2013	Change bps
3-M TB yield	4.39%	4.39%	0
6-M TB yield	4.87%	4.87%	0
12-M TB yield	5.08%	5.08%	0
24-M TB coupon	5.84%	5.84%	0
36-M TB coupon	6.50%	6.50%	0
60-M TB coupon	6.74%	6.74%	0

In the TBs auction held on December 5th, the Ministry of Finance raised LP100B ($66M) through the issuance of 3 months (3M), 6M and 5Y Treasury Bills. The highest demand was witnessed on the 6M bills, capturing 57% of total subscriptions, while the 3M bills and 5Y notes captured respective shares of 15% and 29%. The average discount rate for the 3M and 6M bills respectively stood at 4.39% and 4.87% while the coupon rate for the 5Y notes registered 6.74%, respectively. New subscriptions exceeded maturing T-bills by LP72B ($48M).

Eurobond Market

Eurobonds Index and Yield

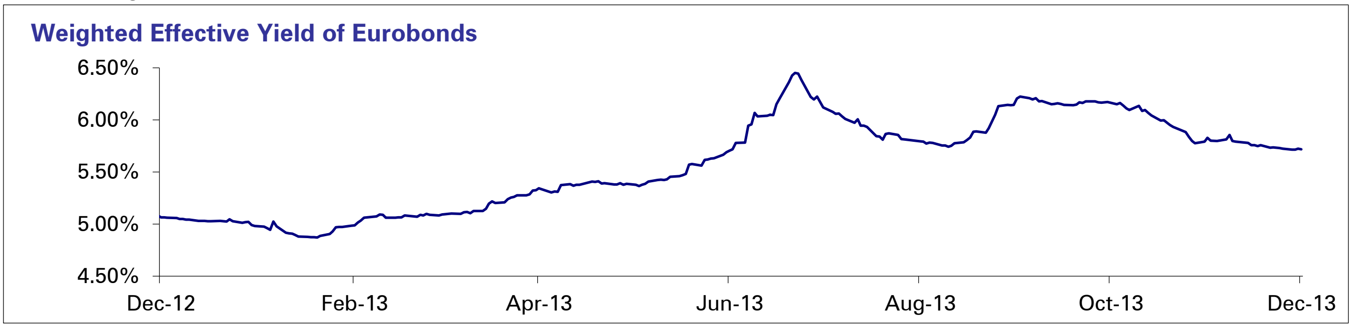
	12/12/2013	05/12/2013	Change	Year to Date
BLOM Bond Index (BBI)*	105.562	105.480	0.08%	-3.21%
Weighted Yield**	5.69%	5.72%	-3	67
Weighted Spread***	425	434	-9	-5

*Base Year 2000 = 100; includes US$ sovereign bonds traded on the OTC market
** The change is in basis points ***Against US Treasuries (in basis points)

Lebanese Government Eurobonds

Maturity - Coupon	12/12/2013 Price*	05/12/2013 Price*	Weekly Change %	12/12/2013 Yield	05/12/2013 Yield	Weekly Change bps
2014, Apr - 7.375%	101.13	101.16	-0.03%	3.97%	4.05%	-8
2014, May - 9.000%	102.03	101.97	0.06%	3.71%	4.07%	-37
2015, Jan - 5.875%	101.44	101.43	0.01%	4.51%	4.54%	-3
2015, Aug - 8.500%	106.24	106.26	-0.02%	4.53%	4.55%	-2
2016, Jan - 8.500%	107.55	107.60	-0.05%	4.69%	4.69%	0
2016, May - 11.625%	115.04	114.99	0.04%	4.94%	5.00%	-6
2017, Mar - 9.000%	111.26	111.24	0.01%	5.21%	5.23%	-2
2018, Jun - 5.150%	99.31	99.25	0.06%	5.32%	5.34%	-2
2020, Mar - 6.375%	101.68	101.40	0.28%	6.05%	6.10%	-5
2021, Apr - 8.250%	111.41	111.27	0.13%	6.28%	6.31%	-3
2022, Oct - 6.100%	97.24	97.16	0.08%	6.52%	6.53%	-1
2023, Jan - 6.00%	96.12	96.02	0.10%	6.57%	6.59%	-1
2024, Dec - 7.000%	102.06	102.06	0.00%	6.73%	6.73%	0
2026, Nov - 6.600%	98.31	98.25	0.06%	6.80%	6.80%	-1
2027, Nov - 6.75%	98.54	98.45	0.08%	6.91%	6.92%	-1

*Bloomberg Data



The Eurobonds market was relatively slow this week posting timid gains. The BLOM Bond Index (BBI) added a weekly 0.08% to 105.56 points, as demand was mainly concentrated on short term maturities. 5Y and 10Y yields on the Lebanese Eurobonds each dropped by weekly 2 basis points (bps) to reach 5.32% and 6.57%, respectively. The BBI was outpaced by the JP Morgan emerging markets' bond index performance that edged up by a weekly 0.98% to stand at 625.90 points.

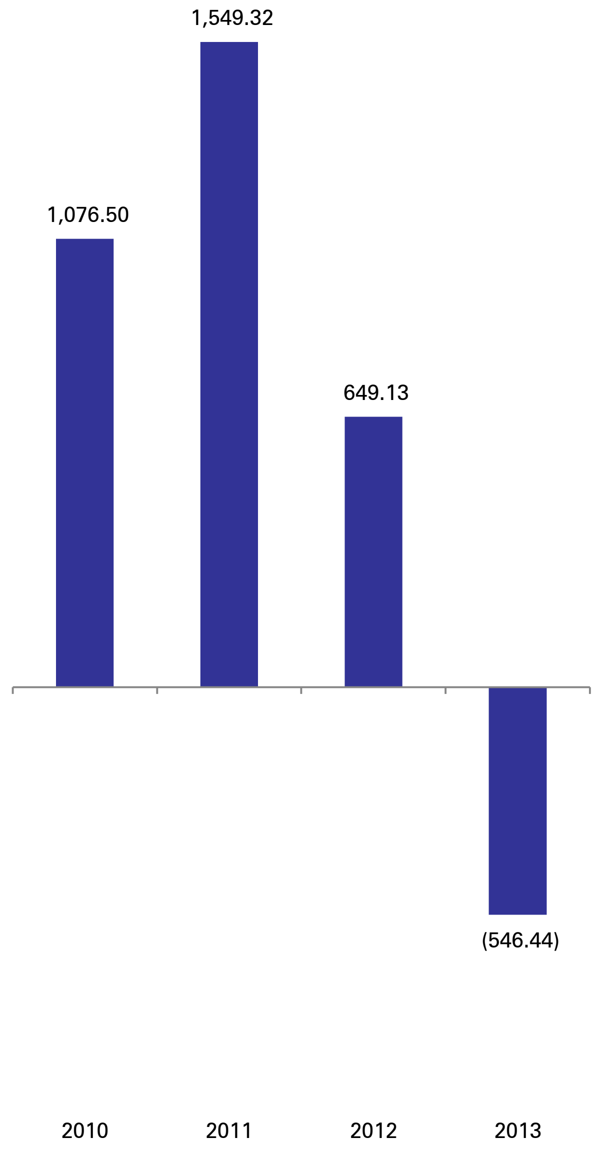
In the U.S, investors' expectations of the Fed starting the tapering of its financial stimulus, as soon as next week, were on the rise. Accordingly, 5Y and 10Y Treasury yields edged up by 6 bps and 1 bp to 1.55% and 2.89%, respectively. 5Y and 10Y spreads between the Lebanese Eurobonds and U.S benchmarks narrowed by 8 bps and 3 bps to stand at 377 bps and 368 bps, respectively.

Lebanon's credit default swap for 5 years (CDS) was last trading at 372-406 bps narrowing considerably from last week's 392-418 bps but comparing well to the 5Y spread between the Lebanese Eurobonds and their U.S benchmarks. In regional economies, Dubai's CDS contracted by an average of 14 bps to 213-223 bps, while Saudi Arabia's 5 Year CDS was trading at 53-60 bps compared to 59-65 bps the previous week. As for emerging markets, insurance premiums against state-debt default in Brazil tightened to 177-180 bps from its previous weekly quote of 202-205 bps, while Turkey's 5Y CDS narrowed to 196-200 bps from last week's quote of 212-214 bps.

ECONOMIC AND FINANCIAL NEWS

Primary Balance

By September (In $M)



Source: Ministry of Finance

Lebanon's Fiscal Deficit Surged to $3.29B by September

Lebanon's fiscal deficit expanded by 55.8% y-o-y to $3.29B during the first nine months of 2013 coupled with a primary deficit of $546.44M, compared to the primary surplus of $649.13M recorded in the same period last year. The slowdown in economic activity during 2013 had its impact on government revenues that dropped by an annual 2.2% to $7.03B by September this year, whereas government spending jumped by 11.6% to $10.32B.

On the budget level, inflows witnessed an overall decline of 3.7% to amount to $6.61B. Miscellaneous tax revenues stood at $2.45B compared to $2.49B for the first nine months of 2012. Customs revenues slipped by an annualized 3.5% to $1.07B, while VAT receipts slightly edged up by 0.12% y-o-y to $1.65B. Telecom transfers to the Ministry of Finance, accounting for 13.7% of total budget revenues, witnessed a 15.2% yearly slump to $904.53M.

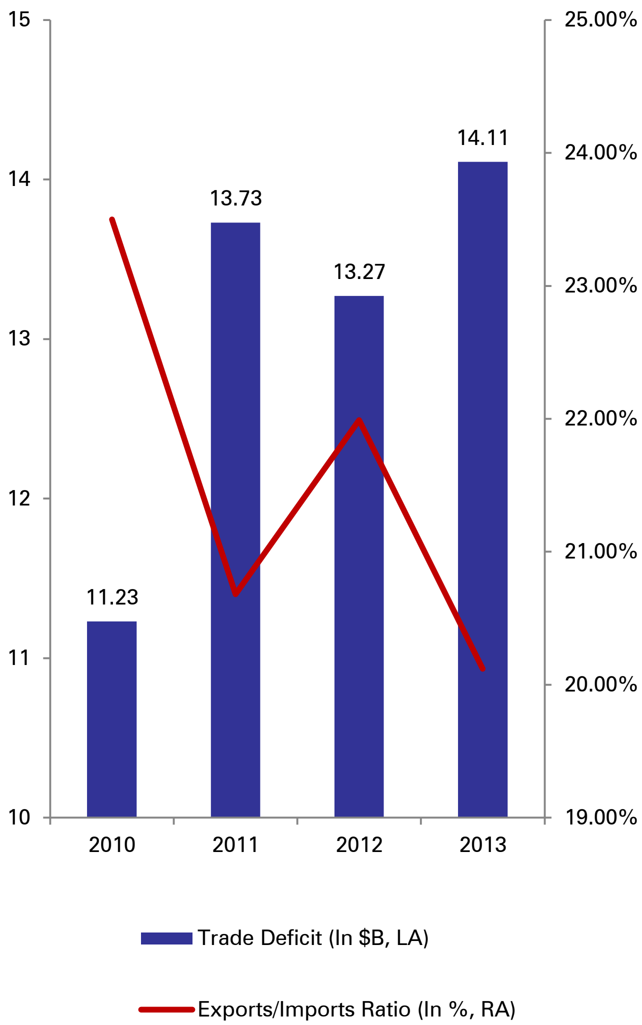
As for budget expenditures, they rose by a yearly 9.1% to stand at $8.13B. Budget outflows were mostly driven by the increase in salaries & wages and related benefits that jumped by almost 9%. Transfers to EDL declined by 3.05% to $1.69B probably on lower international oil prices. However, interest payments on domestic debt narrowed by 1.33% y-o-y to reach $1.62B by September 2013. In contrast, Interest payments on foreign debt showed an increase of 6.5% to $986.84M from last year's level of $926.93M. the latter's increase followed the issuance of $1.1B of Eurobonds on the 17th of April, of which $600M are reopening of 2023 and $500M reopening of 2027.

On the Treasury level, resources accounted for 6.0% of total revenues and grew by a yearly 28.3% to $421.05M. Treasury withdrawals surged 22.1% y-o-y to $2.19B. Within Treasury withdrawals, an unclassified "other" section showed a 24.9% yearly increase amounting for $1.64B, mostly including VAT refunds and Treasury advances for capital expenditures and transfers to National Social Security Fund (NSSF).
For the month of September alone, the government's fiscal balance recorded a deficit of $668.16M with a primary deficit of $262.33 compared to $569.85M fiscal deficit in September 2013 and a primary deficit of $138.20M.

Trade Balance Deficit Reaches $14.11B up to October 2013

Trade Deficit

Up to October (In $B)



Source: Lebanese Customs

The Lebanese trade balance deficit widened by 6.4% to $14.11B during the first ten months of this year compared to a deficit of $13.27B in the same period last year on account of higher imports and lower exports. Exports covered 20.12% of imports by October 2013 edging down from last year's ratio of 21.99%.

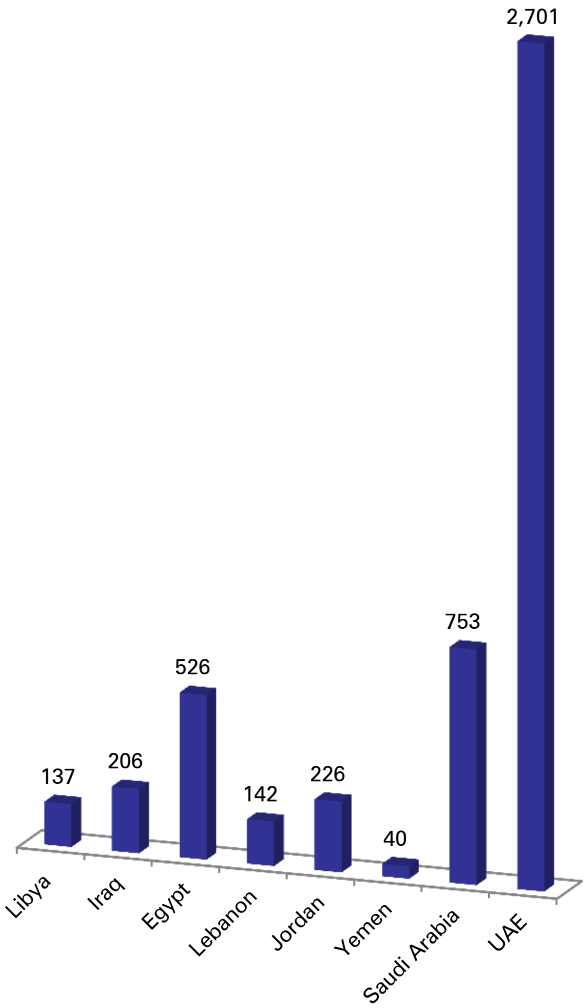
The Syrian refugees in Lebanon and the appreciation of the Euro led to an increase of 3.9% y-o-y of total imports that attained $17.66B up to October 2013. Mineral products ranked first among total imports accounting for 23.3% of the total at $4.12B, followed by machinery and electrical instruments at 12.5% (or $2.20B) and products of the chemical or allied industries at 8.3% (or $1.46B). Syria maintained its leading rank among countries that import from Lebanon with a 13.0% stake and was followed by South Africa and Iraq with respective shares of 10.8% and 9.9%.

Total exports reached $3.55B dropping by 4.9% y-o-y. Pearls/precious stones topped the list with 18.8% of total exports at $667.996M, while Base metals and articles of base metal came in second at 12.2% (or $432,288M).China remains at the top of the list of countries exporting to Lebanon with a value of $1.88B, accounting for 10.7% of total imports. Italy kept its second place with an 8.3% stake followed by the United States and France with respective shares of 7.6% and 7.2%.

For the month of October alone, Lebanon's trade deficit widened by 2.5% y-o-y to $1.37B compared to $1.33B registered in October 2012 as imports dropped by 0.9% and were outpaced by the 11.3% slump in exports.

BLOMINVEST BANK SAL

Number of Greenfield FDIs in Selected MENA countries



Source: World Bank

The World Bank: Lebanon Performed Better than Expected in terms of FDI

While Lebanon's Central Bank is gathering data on Foreign Direct Investments (FDI), the World Bank focused in its report titled: "Investing In Turbulent Times" issued in October on the relationship between political instability and FDI's inflows in the MENA region. The publication explains that almost two thirds of total FDIs in the MENA region shifted from oil importing countries in favor of regional oil exporters.

As for Lebanon, the report showed that the country's political stability worsened between Q4-2010 and Q4 2012 (the Arab Spring period) with an increasing corruption, a deteriorating business environment and government instability. However, the country performed better than the projected FDI potential as it continued to be perceived as a safe haven in times of crisis by the Lebanese Diaspora. One of the recent examples is the Cypriot crisis when Lebanese non-residents repatriated their deposits to Lebanon despite the political uprisings.

In addition, the World Bank highlighted that political stability is not the only factor controlling FDIs, noting that the quality of education, the innovation and technological readiness are major issues manipulating inflows.

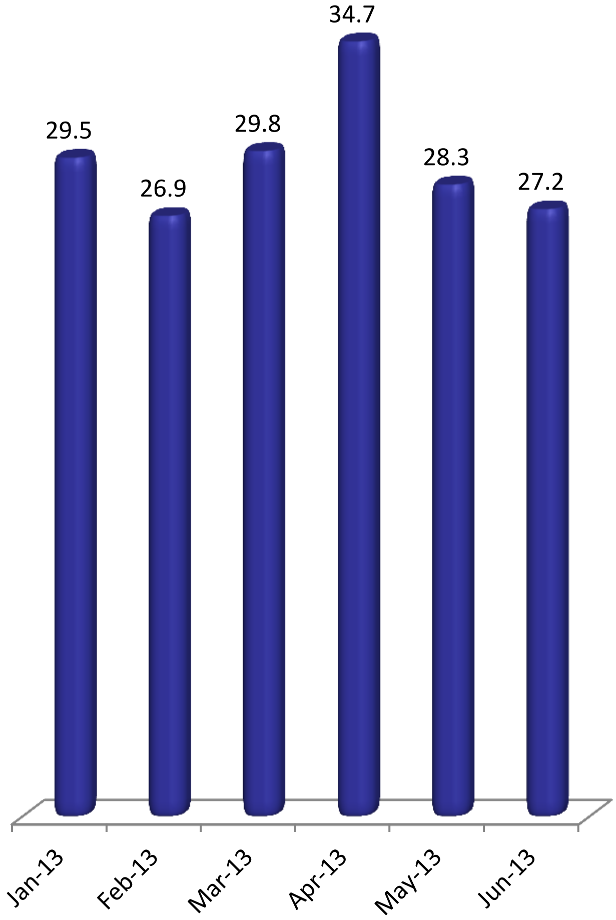
The report indicated that foreign firms in the MENA region grasped the lion share in term of developing new product lines and undertaking Research & Development investments. However, the highest gaps between the number of domestic and foreign projects were seen in Egypt, Lebanon and Algeria.

In terms of Greenfield FDIs, Lebanon received, during the period 2003-2012, the majority of investments from UAE (40% of the total) and other MENA countries (another 40% stake). Total number of Greenfield FDIs was 142 investments with total capital invested amounting around $10.00B and directly creating 30,000 jobs. Correspondingly, capital investment averaged $70.00M per project generating 211 new employments or 3,000 Jobs/$B invested.

As for the sectorial distribution, the World Bank's breakdown for Greenfield FDIs in Lebanon revealed that 54% of the total was concentrated in commercial services, 31% in Non-Tradable investments, while "Non-Oil Manufacturing" and "Resources and Oil Manufacturing" took respective stakes of 11% and 4%.

Byblos Bank / AUB Consumer Confidence Index Drops to 27.2 in June 2013

CCI Performance in 2013



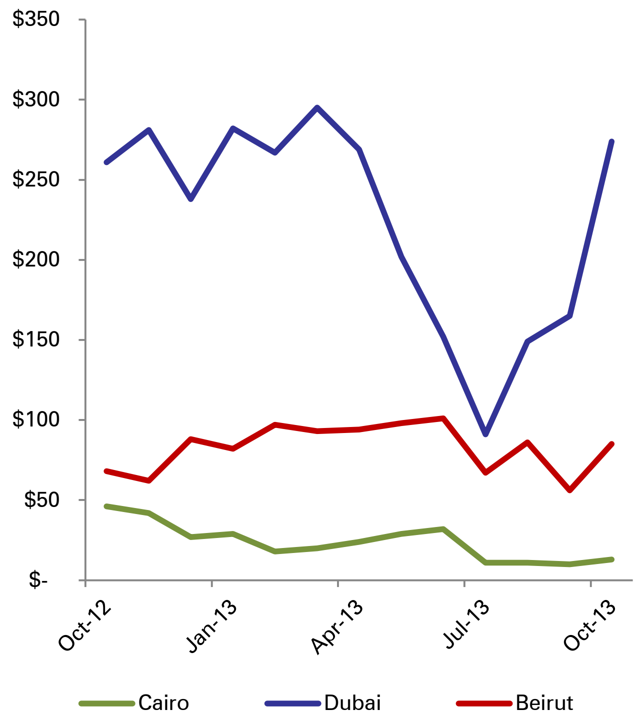
Source: Byblos Research and AUB

According to Byblos Bank and the American University of Beirut (AUB), the Consumer Confidence Index (CCI) in Lebanon tumbled to 27.2 in June this year compared to 28.3 in May. The index performance over the 1st quarter of 2013 showed an average of 28.8, while that of the 2nd quarter stood at 30.1. In fact, the publication explains that Byblos/AUB CCI revealed its lowest level on a semi-annual basis at 29.4. This drop is mainly attributed to the aggravating domestic pressures, the political stalemate and the regional uprisings.

The deteriorating index shows a weakening confidence in the Lebanese economy on both present and future circumstances. In this context, the sub-index "Present Situation Index" posted an all-time low during Q2 2013, while the "Expectations Index" displayed its second-lowest figure in Q1 2013. However, the first quarter of 2013 revealed the "Expectations Index" level below that of the "Present Situation Index", which means that consumers were more suspicious about the future conditions than they were about the actual situation.

In contrast, consumers changed behavior in the 2nd quarter on the Cabinet resignation, the designation of Tamam Salam for Premiership and positive expectations about the Cabinet formation. Male consumers were relatively more confident than females, the age bracket 21-29 year showed also the highest confidence level among other age ranges. In terms of household income breakdown, the higher level of confidence emerged of households with income above $2,000/month. The CCI was also measured by occupation, administrative districts and religious affiliations.

Revenue per Available Room Evolution



Source: Ernst and Young Middle East Benchmark report

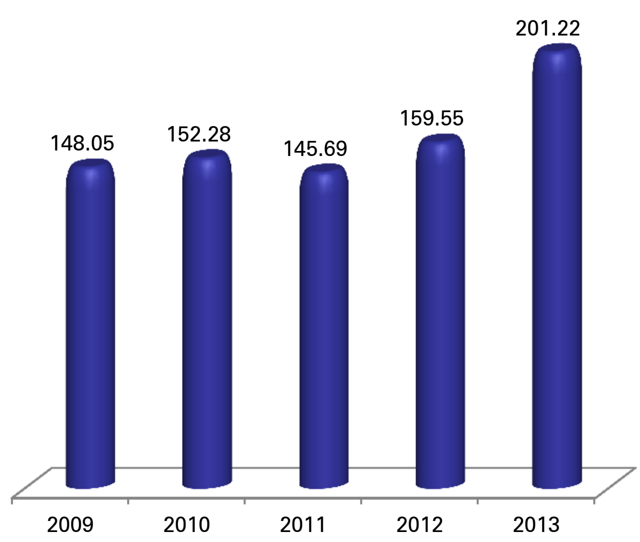
Beirut Hotel Occupancy Rate Falls to 51% during the First Ten Months of 2013

The Lebanese hospitality market continued to suffer of the local and regional instability spillovers that pushed away tourists' arrivals in 2013. According to Ernst and Young, Beirut's hotel occupancy decreased to 51% up to October 2013 compared to 56% recorded during the same period last year. In the Middle East region, Al Ain and Bahrain's hotel occupancy witnessed the highest yearly growths of 8 percentage points (pp) and 5 pp to 71% and 42%, respectively. Cairo and Amman were the biggest losers registering a year-on-year respective drops of 16pp and 11pp by September 2013 to stand at 24% and 61%, respectively. Dubai and Jeddah scored the highest occupancy rate among Middle East countries during the first ten months of 2013 at 80%. Abu Dhabi and Makkah followed with respective 76% and 72%.

With respect to revenue per available room (RevPAR) in Beirut, it declined 24.9% to $87 on a year on year basis by September 2013, the second highest fall after Cairo that showed a 36.5% drop to $22, the lowest RevPAr amongst the listed Middle East countries. In addition, the Average Daily Rate (ADR) in Beirut slid by 17.9% y-o-y to $168, while Cairo's ADR edged up by 3.6% to $85 by October 2013. For the month of October alone, Beirut's occupancy rate improved by 9 pp y-o-y to 48% compared to 39% registered in October 2012.

PoB Revenues

Up to November (In $M)



Source: PoB

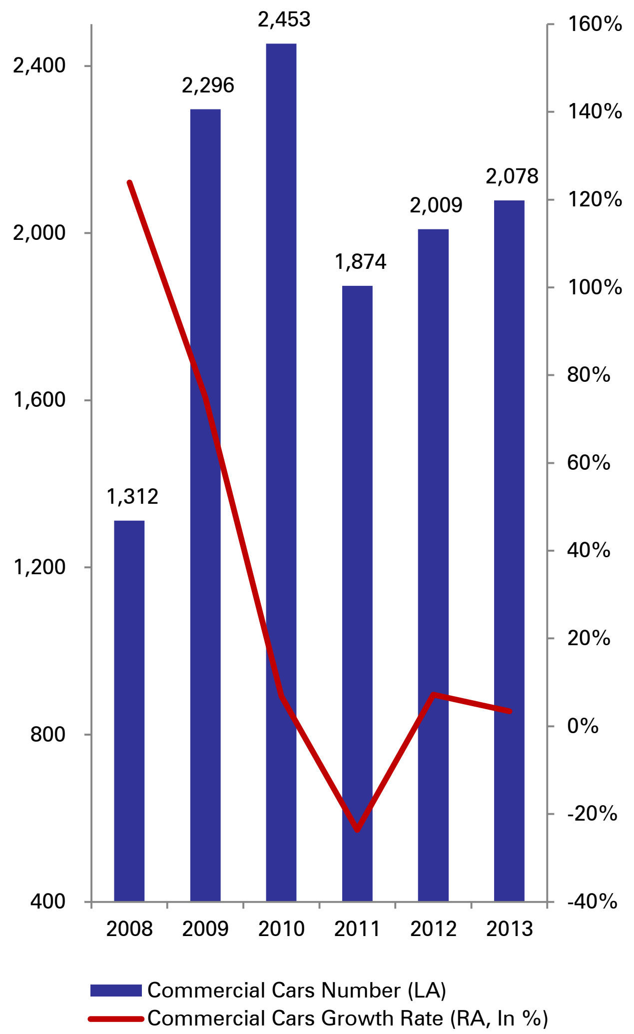
Revenues at Port of Beirut Hit $201.22M by November

Port of Beirut (PoB) kept on posting positive results unlike the sluggish performance of the majority of the other economic sectors. In this context, PoB revenues surged by a yearly 26.9% to reach $201.22M during the first eleven months of 2013. Container activity (including transshipment) increased by 7.2% y-o-y to 1,025,263 Twenty-Foot Equivalent Unit (TEU) by November compared to 956,440 TEU last year. Transshipment alone (TS) continued to decline, retreating by 12.2% to 329,832 TEU by November.

Container activity (excluding transshipment) amounted to 695,431 TEU up to November, up by 19.8% y-o-y. Imported and Exported merchandise passing through the port edged up by 14.0% y-o-y to 7.50M tons up to November. Meanwhile, the number of vessels docking at the port registered for the second consecutive month a 0.2% yearly slip to 1,952 units by November 2013. The core shipping companies at the PoB preserved their trend with MSC slightly increasing its transshipment volume by 3.8% y-o-y to 189,659 TEU and CMA CGM reducing it considerably by a yearly 24.0% to 121,963 TEU mainly due to the port congestion.

BLOMINVEST BANK SAL

Commercial Cars' Number Up to November



Source: Association of Car Importers in Lebanon

Car Sales Increase 2.1% y-o-y by November 2013

According to figures released by the Association of Car Importers in Lebanon (AIA) this week, the total number of registered new and imported used cars tumbled by 11% in November following the 8.2% slump in the number of registered imported used cars. As for registered new passenger and commercial vehicles, their number reached 3,155 cars in November 2013 compared to 2,955 vehicles a year earlier, increasing by a yearly 6.8%. Passengers" car sales edged up by 4.2% y-o-y to 2,974 cars, while commercial cars posted a 76.9% fall to 184 cars.

On a cumulative basis, the total number of registered new and imported used cars declined by an annual 6.2% by November 2013. This was mainly due to the decline in the number of registered imported used cars as registration of new passenger and commercial cars during the first eleven months of 2013 reached 34,771, rising 2.1% from the same period in 2012.

Besides the economic slowdown weighing over the automotive sector performance in 2013, car importers are suffering from a shift in market trend towards fuel-efficient cheap small cars. The AIA announced that luxurious cars accounted only for 2% of total new registered cars while 90% of the total represents small cars with reduced prices.

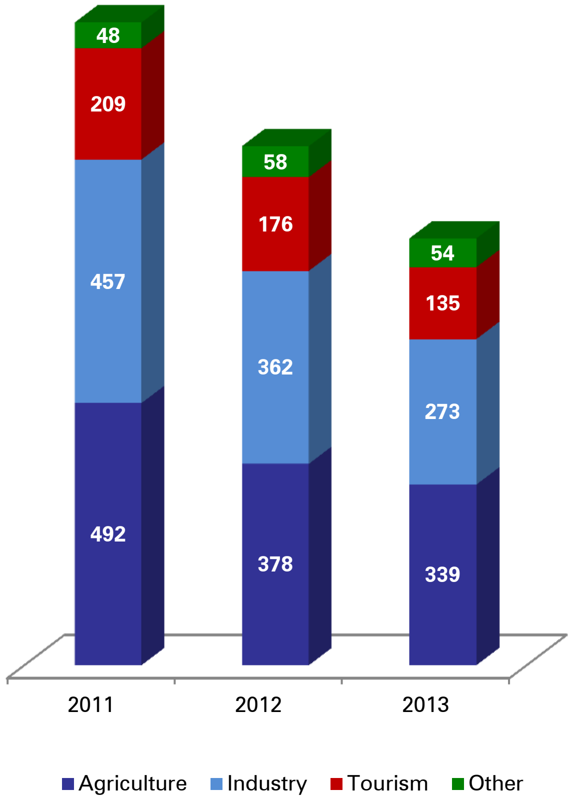
Demand for Chinese vehicles jumped to 681 sold cars, up by 66.5% from the same period last year as consumers are seeking lower cost and fuel efficient cars. Korean and Japanese cars had their sales rising by 1.9% and 6.5% as of November 2013 to 14,785 and 9,058 vehicles, respectively. In contrast, European cars showed an annualized 2.3% drop to 6,393 and American cars were the biggest losers by November 2013 as they tumbled 14.8% to 1,776.

In terms of market share, Korean cars are still grabbing the lion stake with a share of 45.2% of total car sales up to November followed by the Japanese and European vehicles with respective shares of 27.7% and 19.6%.

On the brands side, Car sales breakdown ranked Kia at the top with a 26.0% stake of the total, followed by Hyundai (19.1%) and Nissan (13.7%).

Furthermore, the top five distributors in Lebanon since year start according to their market share were respectively: NATCO SAL (24.5%), Century Motor Co (18.3%), RYMCO (14.2%), Bassoul Heneine (7.0%) and BUMC (6.7%).

Breakdown of Kafalat Guarantees by Sectors Up to November



Source: Kafalat

Value of Kafalat loans Stood at $108.09M by November

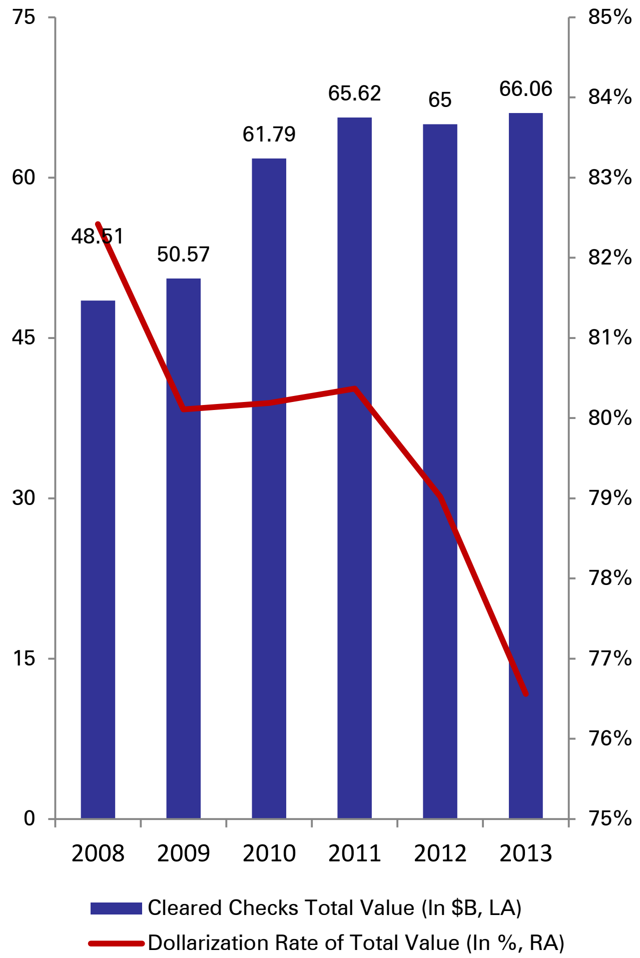
Loans guaranteed by Kafalat to the different economic sectors slipped by 0.4% y-o-y in November 2013 to reach $9.57M amid rising domestic developments and regional tensions. Kafalat provided 75 loans in November this year compared to 74 in the same month last year. Accordingly, the average amount per loan stood at $127,621 in November 2013, down from $129,870 last year.

On a cumulative basis, Kafalat issued 801 guarantees up to November 2013 compared to 974 guarantees for the same period in 2012, which represents a 17.8% y-o-y drop. Accordingly, Loans extended to small- and medium-size companies under the guarantee of Kafalat touched $108.09M up to November 2013, down by 16.8% from $129.94M in the same period last year.

In terms of sectors, the three largest beneficiaries of loans were the agricultural sector with a share of 42.32%, the industrial sector with a share of 34.08% and the tourism sector with a share of 16.85%. Security concerns weighed over investments in Lebanon's key sectors. In this context, the number of agricultural loans fell by 10.3% to 339 by November while the industrial and tourism loans registered further decreases of 24.6% and 23.3% to reach 273 and 135, respectively.

By geographical allocation, Mount Lebanon holds the highest concentration of loans with a share of 39.95% followed by 21.72% for the Bekaa region and 13.23% for the South. The number of Kafalat loans substantially tumbled in all geographical areas except for Bekaa region where it increased 5.5% to reach 174 guarantees. As for Mount Lebanon, Kafalat projects substantially dropped by an annualized 19.8% to 320 and by 19.7% in the South to 106.

Checks Activity up to November



Source: ABL

Cleared Checks Value Hits $66.06B by November 2013

Checks activity maintained the upward trend this year conversely to the other economic indicators. The number of checks cleared by Banque du Liban rose by 1.4% during the first eleven months of 2013 to reach 12.12M worth $66.06B compared to a total of 11.95M checks valued at $65.00B registered a year earlier. Both volume and value of checks denominated in foreign currencies preserved their dominance by November 2013, representing 70.5% and 76.6% of the total, respectively.

However, the national currency seems to be gaining some role as the dollarization rate of cleared checks declined with the volume and value of foreign currency checks edging down by 1.4% and 1.5% y-o-y to 8.54M checks and $50.58B, respectively. Accordingly, the dollarization rate of checks' value slipped to 76.56% compared to 79.02% recorded by November 2012.

Worth noting that the rate of defaults which is the number of returned checks from the total number of checks, slightly declined to 2.03%, from 2.15% in the same period last year, while the default rate for the value of checks increased to 2.32%, from 2.13% by October last year.

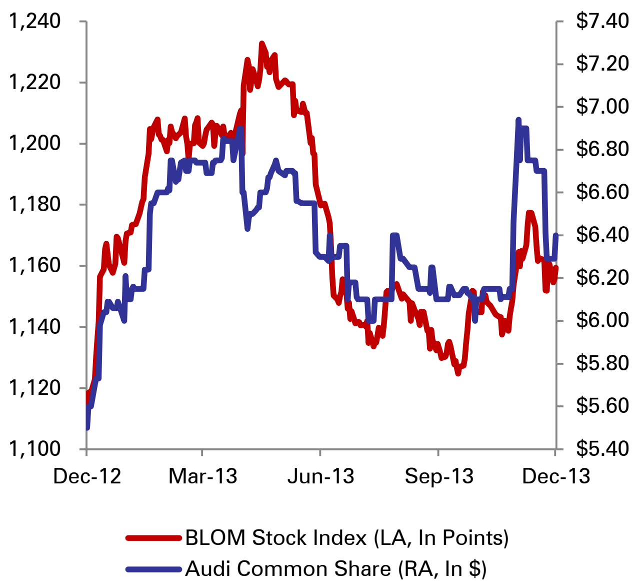
For the month of October alone, the value of cleared checks reached $6.03B, increasing by 1.2% from November 2012. In contrast, total volume of cleared checks retreated by a yearly 1.9% to stand at 1.09M compared to 1.11M recorded in November last year. Finally, the value of checks denominated in foreign currencies decreased by 2.0% y-o-y in November to reach $4.58B, while that of checks denominated in Lebanese pounds jumped by a yearly 12.8% in November 2013 to stand at $1.45B.

CORPORATE DEVELOPMENTS

Bank Audi Calls for an Extraordinary General Assembly

Bank Audi s.a.l. – Audi Saradar Group invites all common shareholders to attend an Extraordinary General Meeting to be held at 10:30 am on Friday December 27, 2013 at the Bank's Head Office located at Audi Plaza, Bab Idriss, Beirut Commercial Central District. The meeting's agenda concerns the introduction of a change in the company's name as well as amending the corresponding By-Laws.

Performance of Audi Listed Shares



Source: Beirut Stock Exchange, BLOMINVEST data

BLC Bank's Assets Steadied at $5.10B by end September

BLC Bank consolidated income statement revealed a net profit of $23.93M for the period ending September 2013 compared to $26.66M earned in the same period last year. The 1.2% progress in profit was mainly attributed to the respective increases of 9.6% and 1.3% in net interest income and net fee and commission income that respectively amounted to $78.22M and $13.85M as of September's end. Meanwhile, the bank's balance sheet unveiled total assets of $5.10B, equivalent to a slight 0.07% year-to-date (y-t-d) uptick. In fact, loans and advances to customers rose by 4.0% since year start to $1.85B. On the liabilities' side, customer's accounts at amortized cost declined by 1.2% since year-start to $4.24B. Total shareholders' equity jumped 12.2% y-t-d to $419.43M in September this year.

BLC's Assets and Liabilities (In 000's of USD)

	Dec-12	Sept-13	% change
Customer's Deposits	4,292,074	4,239,900	-1.2%
Net Loans & Advances to Customers	1,775,947	1,846,995	4.0%
Total Assets	5,094,402	5,098,027	0.07%
Shareholders' Equity	373,965	419,426	12.2%
Net Profit	23,655*	23,928	1.2%

(*): As of September 2012

Source: Company Data

BLOMINVEST BANK SAL

FOCUS IN BRIEF

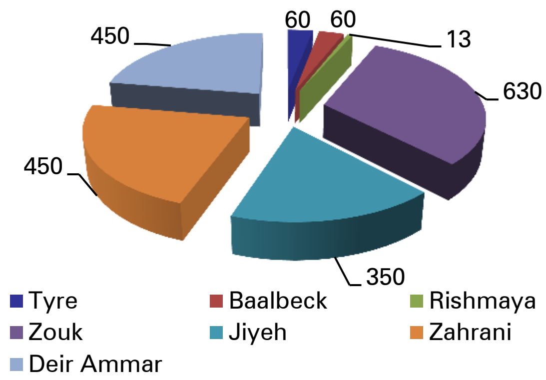
Lebanon: Challenges of the Energy Sector

Energy Sustainability Index Rankings and Balance Score 2013

	2011	2012	2013	Trend	Score
Energy Performance	108	113	121	↓	-
Energy Security	125	122	127	↓	D
Energy Equity	76	84	87	↓	C
Environmental Sustainability	84	87	89	↓	C

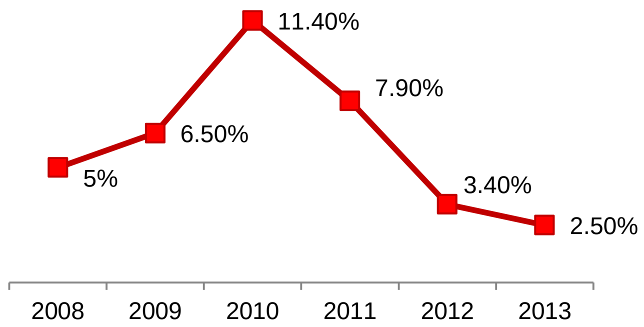
Source: World Energy

Generated Capacity of EDL's Power Plants (in Megawatts)



Source: Electricite du Liban

Contribution of EDL out of the Total Oil Bill (2013, Up to August)



Source: Ministry of Finance

Lebanon always faced serious and chronic issues in its energy sector. The country suffers from a poor endowment in domestic energy resources, subdued generation capacities along with a poor institutional and legal framework, factors which render proper power delivery a challenging task. In spite of the Ministry of Energy and Water's (MoEW) five-year reform plan, set to increase generated capacity and to ensure that 12% of total supply comes from renewable energies, the power sector is still far from reaching international quality standards.

Lebanon's precarious energetic status is portrayed by the results of international rankings. According to the World Energy Council, Lebanon ranked 109th out of 129 countries on the Energy Sustainability Index. The latter evaluates three main pillars: "Energy Security", "Energy Equity" and "Environmental Sustainability". In terms of energy security i.e the effective management of primary energy supply from domestic and external sources, the reliability of energy infrastructure, and the ability of participating energy companies to meet current and future demand, Lebanon was placed at the 127th spot. The accessibility and affordability of energy supply across the population has deteriorated over the past three years as rankings of energy equity fell from 76 in 2011 and 84 in 2012 to 87 in 2013. The development of energy supply from renewable and other low-carbon sources is underdeveloped and landed Lebanon the 89th spot in 2013.

On the Doing Business Index (DBI), issued by the World Bank, Lebanon's ranking on the pillar of getting electricity fell three places from 48 out of 189 economies in the 2013 edition to 51 in the 2014 edition.

According to the IMF, the energy sector has been a drag on the Lebanese economy with a negative value-added to GDP of -2.6% over the period 1998-2008. Although government subsidies for the sector rose from $1.7B in 2011 to an estimated $2.2B in 2012, service delivery remains precarious with recurrent power outages and malfunctions.

Electricite du Liban (EDL), the state-owned energy supplier falls short of meeting the entire electricity demand. Ever since 2003, the gap between EDL's electricity production and total electricity consumption has widened at a fast pace from 345 million kWh in 2003 to 7,815 million kWh in 2011. Across this period, electricity consumption grew by 22% to reach 12,397M kWh in 2011 while EDL's output drastically plummeted by 57% to reach 4,582M kWh in 2011. EDL's entire structure is in more jeopardy as time goes by as the company hasn't benefitted from any reform or investment for over 16 years now. The most pronounced yearly drop in EDL's production is surprisingly not after the Israeli attacks on power stations in 2006 (-2.3%) but rather in 2010 (-33.2%).

Lebanon's electricity prices are in the upper bracket when compared to those in the region but still fail to cover EDL's costs. In detail, prices for average consumption in Lebanon are higher than those in Libya, Egypt, Iraq and Bahrain. However, the tariff structure doesn't incorporate the fluctuations in international oil prices. The price/cost discrepancy is a chronic problem: Back in December 2009, the tariff structure was reported to have been based on an oil price of $25/barrel while the international price during that period surpassed the $70/barrel mark.

According to the Regional Center for Renewable Energy and Energy Efficiency (RCREE), tariffs in Lebanon are also one of the most segmented in the region. A step tariff structure is applied according to which the minimum price varies from $0.023 in the segment of 1-100 kwh/month to $0.132 for consumption surpassing the 501 kwh/month. Worth noting that when consumption exceeds the 501 kWh/month, Lebanon has the 3rd highest minimum price tag among RCREE member states after Jordan, Morocco and Tunisia.

EDL still has a long way to go in order to achieve true energetic efficiency. Indeed, EDL incurs high operational costs yet reaps a marginal return. In fact, due to technical losses not every unit of energy produced by EDL will be delivered to the end user as power networks consume or lose part of the produced energy. EDL's technical loss stood firmly at a high 15% from 2002 to 2007 compared to 8-10% internationally. The UNDP noted that reducing technical losses from 15% to 10% would free up 100 MW of capacity and would enable savings of $80M-$100M as the extra output will be billed to consumers. As for commercial losses which stem from uncollectible energy bills and illegal connections, they remain substantial despite falling from 29% in 2002 to 18% in 2007.

All of the installed power plants in Lebanon operate below capacity. According to the World Bank, EDL only satisfies 63% of peak demand. This has resulted in power outages of at least 3 hours per day in Beirut and up to 12 hours outside of Beirut. Unfortunately, even if the ageing power plants are rehabilitated, electricity rationing will still be an issue as demand is growing at a rapid pace.

Due to the above mentioned inefficiencies, government resources are being depleted due to the burdensome transfers to EDL, one of the three largest budget expenditures. The treasury transfers' share in GDP and in total budget expenditures increased from 3% and 12% in 2010 to 5% and 22% in 2012, respectively. The trend extends into 2013 as treasury transfers to EDL (Debt service and reimbursement of gas and fuel purchases) totaled $1.21B in the first seven months of 2013, and as EDL's contribution to the oil bill remained marginal, standing at 2.7% up to July 2013 as compared to 2.5% up to July 2012.

EDL's contribution to the oil bill has always been marginal. Hence, the ever-growing cost of gas oil and fuel oil imports rests on the shoulders of an already- indebted government. Up to August 2013, reimbursement of the two oil suppliers KPC and Sonatrach amounted to $1.47B, 6% higher than the same period last year. While EDL covered 3.4% of the oil bill in the first eight months of 2012, this share dropped to 2.5% in 2013.

In an attempt to boost the capacity feed, the MoEW entered into an agreement with the Turkish operator Karadeniz Holding. As per the $390M deal, two power ships docked in Lebanon, the first adding 205 MW to the grid and the second lifting this capacity to 270 MW. This agreement brought about repeated incidents of halted supply as both the MoEW and the Turkish company tossed blames the latter claiming that disruptions were caused by low fuel quality and the former demanding compensation for delivery delays. Regardless of the cause, power outage leaped from 3 hours to 9 hours even in Central Beirut.

With already weak baseline conditions, the Syrian crisis has created additional strain on the electricity system and shed light on its lack of resilience. The displaced will increase residential electricity load where refugees are being hosted in Lebanese households, are renting accommodation or staying in hotels. The World Bank estimates an increased demand due to the Syrian influx of 213 MW by December 2013 and 251 MW by the end of 2014. Given the average production cost of 23.69c/kWh, the government will need to disburse $170M in 2013 and $393M in 2014. Lebanese consumers will also bear extra costs in terms of lower supply levels: it is estimated that average available hours of power will drop from 18.32 hours/day to 16.5 hours/day in December 2013. Assuming that consumers will make up for this loss in power supply by paying for private generators, the direct cost would be of $206M in 2013 rising to $432M in 2014.

Even before the eruption of war in Syria, private generators were the Lebanese's go to source for power supply that EDL fails to deliver. In 2010, the MoEW estimated that 61% of Lebanese residences were equipped with a private generator with a total cost of $1.4B compared to $700M paid for EDL. A survey conducted by the American University of Beirut (AUB) in the Hamra region identified a total of 184 buildings, 109 diesel generators and a total fuel bill of approximately $120,000/month. If EDL had the means to provide the region with power and assuming a cost of electricity of $0.13/kWh, the equivalent energy could have been purchased from EDL at $44,000/month, resulting in a net loss of $76,000/month in the survey area. Losses will surely be inflated once indirect costs such as maintenance, capital outlays and health effects are taken into account.

Indeed, the use of private generators not only has financial repercussions but also raises environmental and health concerns (Heavy carbon dioxide emissions, carcinogen exposure, and air pollution). The private power sector runs on diesel generators, located in dense urban areas and running on high sulfur fuel. Developed countries being aware of the harmful impact of this type of fuel, encourage the use of ultra-low sulfur diesel which contains less than 0.0015% of sulfur. However, in Lebanon, the admissible dose of sulfur in Heavy Fuel Oil (HFO), the largest constituent of the Lebanese primary energy supply, is of 2.5%.

Lebanon still has a long way to go before it supplies environmentally friendly energy. Awareness towards the use of renewable energy amongst consumers and industrialists remains underdeveloped especially compared to international standards. In 2011, the share of renewables in gross electricity consumption recorded a marginal 5.53% but is still higher than 5.34% in 2010 and 4.52% in 2009. Over 90% of electricity generation is provided through thermal sources while a marginal share is a hydraulic one.

Nevertheless, several initiatives are in place to steer energy use onto a more sustainable path. In 2009, The Government of Lebanon signed a 5-year project with UNDP dubbed "The Country Program of Lebanon under the Global Solar Water Heating Market Transformation and Strengthening Initiative". While no progress report is available for 2013, results for 2011 show that solar installations stretched over an area of 43,500 m2 as compared to the ideal area initially set at 38,000 m2 with 12,197 solar water heaters installed in the residential sector alone. Developments in this sector are surely promising as the total market value for solar water heaters in Lebanon reached $18.13M in 2011. In 2012, the LCEC along with the Lebanese Standards Institution drafted a set of qualifications, matching those adopted in European States that should be respected by Lebanese companies providing solar water heaters.

The Central Bank of Lebanon (BDL) also sought to encourage the use of alternative energy resources. The National Energy Efficiency and Renewable Energy Action (NEEREA) is a national financing mechanism initiated by the Central Bank of Lebanon in 2010 in collaboration with the Ministry of Energy and Water, UNDP, and the Lebanese Center for Energy Conservation LCEC. NEEREA encourages the installation of Solar Water Heaters by offering loans with a 0% interest rate and a repayment period of 5 years.

The substantial yearly energy bill of $3.83B in 2009, the equivalent of 11% of GDP, is reason enough to bring energetic reform back to the forefront of the national agenda. Any reform plan must also seek to reduce Lebanon's dependency on imports (over 95%) and sensitivity to the fluctuations of international oil prices. The gateway to achieving these goals is the proper exploitation of the offshore gas and oil reserves. Oil and gas licensing rounds also need to fall into a proper conceptual legal framework. However, the UNDP highlights that with the current public procurement law, contracts are awarded purely by reference to price as legislation fails to specify non-price criteria. Furthermore, the local political deadlock and the dispute between Israel and Lebanon over the maritime borders represent major hurdles to the passing of oil and gas decrees.

Research Department:

Riwa Daou riwa.daou@blominvestbank.com
Mirna Chami mirna.chami@blominvestbank.com
Marwan Mikhael marwan.mikhael@blominvestbank.com

BLOMINVEST BANK S.A.L

Your Investment Reference