BLOMINVEST BANK SAL

Your Investment Reference

THE LEBANON BRIEF

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TABLE OF CONTENTS

FINANCIAL MARKETS

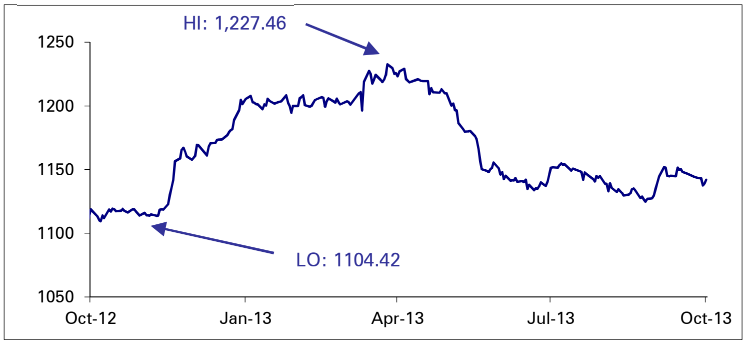
Equity Market

Stock Market

	25/10/2013	11/10/2013	% Change
BLOM Stock Index*	1,142.14	1,148.15	-0.52%
Average Traded Volume	171,777	54,618	214.51%
Average Traded Value	1,922,160	314,535	511.11%

*22 January 1996 = 1000

BLOM Stock Index



Lebanese and foreign investors' sentiment remains vulnerable towards the regional political unrest and the delay in the formation of a new cabinet in Lebanon. This attitude was mainly reflected on the Beirut Stock Exchange (BSE) during the past 2 weeks ending October 25, 2013 with the BLOM Stock Index (BSI), Lebanon's equity benchmark index, hovering between a lower band of 1,137points and a higher band of 1147 points. The BSI ended the two trading weeks at 1142.14 points, widening its year-to-date negative performance to 2.30%.

The average daily volume trade reached 171,777 shares valued at $1,922,160 up from 54,618 shares valued at $314,535 during the week of Oct 07-11. With respect to the market capitalization, it edged down by $48.09M to $9.14B.

Banking Sector

	Mkt	25/10/2013	11/10/2013	%Change
BLOM (GDR)	BSE	$8.50	$8.60	-1.16%
BLOM Listed	BSE	$8.25	$8.25	0.00%
BLOM (GDR)	LSE	$8.50	$8.49	0.12%
Audi (GDR)	BSE	$6.75	$6.49	4.01%
Audi Listed	BSE	$6.11	$6.15	-0.65%
Audi (GDR)	LSE	$6.75	$6.35	6.30%
Byblos (C)	BSE	$1.50	$1.50	0.00%
Byblos (GDR)	LSE	$71.00	$71.85	-1.18%
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	25/10/2013	11/10/2013	% Change
Banks' Preferred Shares Index *		104.80	104.55	0.24%
BEMO Preferred 2006	BSE	$101.00	$101.00	0.00%
Audi Pref. E	BSE	$101.50	$101.50	0.00%
Audi Pref. F	BSE	$101.00	$100.10	0.90%
Audi Pref. G	BSE	$100.00	$100.00	0.00%
Audi Pref. H	BSE	$100.00	$100.00	0.00%
Byblos Preferred 08	BSE	$101.00	$100.00	1.00%
Byblos Preferred 09	BSE	$100.00	$100.20	-0.20%
Bank of Beirut Pref. E	BSE	$26.00	$25.65	1.36%
Bank of Beirut Pref. I	BSE	$25.80	$25.80	0.00%
Bank of Beirut Pref. H	BSE	$26.00	$26.00	0.00%
BLOM Preferred 2011	BSE	$10.17	$10.17	0.00%

* 25 August 2006 = 100

Regarding equity markets in the region, they witnessed a mixed performance this week, with Egypt capturing the spotlights. The latter ended its two-week trading activity on a 4.12% gain, as the Egyptian bourse gained back investors' interest after the government announced recently its economic stimulus plan. In contrast, Qatar bourse posted the steepest drop over the past two weeks, declining by 0.73% on weak third quarter results. The BSE was the second loser with a 0.52% drop and was followed by the Tunisian bourse that dropped 0.26% mainly due to the rising skirmishes between Tunisian police and militants.

Compared to regional indices, Lebanon's BSI failed to beat the Morgan Stanley (MSCI) Emerging Index that rose 1.65% from the past two weeks level of 1,014.05 points to reach 1,030.82 points. S&P Pan Arab Composite Large Midcap Index and S&P AFE40 increased over the same period 1.48% and 1.05% to stand at 127.09 points and 61.45 points, respectively.

The banking sector grasped 95.02% of total traded value during the past two weeks, while the real estate sector that failed to maintain its dominance over the BSE, only contributed for a timid 4.84%. The industrial sector took the remaining 0.14% of total traded value.

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Real Estate

	Mkt	25/10/2013	11/10/2013	% Change
Solidere (A)	BSE	$11.35	$11.55	-1.73%
Solidere (B)	BSE	$11.23	$11.37	-1.23%
Solidere (GDR)	LSE	$11.10	$10.50	5.71%

Manufacturing Sector

	Mkt	25/10/2013	11/10/2013	% Change
HOLCIM Liban	BSE	$13.34	$14.98	-10.95%
Ciments Blancs (B)	BSE	$3.23	$3.23	0.00%
Ciments Blancs (N)	BSE	$3.24	$3.24	0.00%

Funds

	Mkt	25/10/2013	11/10/2013	% Change
BLOM Cedars Balanced Fund Tranche "A"	-----	$6,896.11	$6,917.89	-0.31%
BLOM Cedars Balanced Fund Tranche "B"	-----	$5,000.99	$5,034.20	-0.66%
BLOM Cedars Balanced Fund Tranche "C"	-----	$5,237.64	$5,254.18	-0.31%
BLOM Bond Fund	-----	$9,517.87	$9,517.87	0.00%

Retail Sector

	Mkt	25/10/2013	11/10/2013	% Change
RYMCO	BSE	$3.50	$3.50	0.00%
ABC (New)	OTC	$33.00	$33.00	0.00%

Tourism Sector

	Mkt	25/10/2013	11/10/2013	% Change
Casino Du Liban	OTC	$470.00	$470.00	0.00%
SGHL	OTC	$7.00	$7.00	0.00%

The performance of the banking stocks on the BSE was relatively better than the real estate sector. For Audi Bank, its GDR stock jumped on Friday by 4.01% to close at $6.75. In contrast, its listed stocks lost 0.65% to close at $6.11. BLOM GDR stocks followed suite, declining by 1.16% to $8.50. As for Byblos bank, its common stock traded over the past 2 weeks and recorded changes in price but ended the two weeks at $1.50.

The BLOM Preferred Shares Index (BPSI) edged up by 0.24% to reach 104.80 points. The preferred shares of Audi class "F" and those of Bank of Beirut class "E" rose by 0.90% and 1.36% to $101.00 and $26.00, respectively. As for Byblos Preferred shares, the class 08 posted a 1.00% gain over the past 2 weeks to close at $101.00, while the class 09 slipped by 0.20% to close at $100.00 over the same period.

On London Stock Exchange, shares of BLOM GDR and Audi GDR rose 0.12% and 6.3% to close at $8.5 and $6.75 respectively. Likewise, Solidere GDR shares surged 5.71% to end the week at $11.10.

In the real estate sector, both Solidere stocks setback over the past two weeks, edging more than 1% down each. Solidere Class A ended the period losing 1.73% to $11.35, while its B counterpart settled at $11.23, down by 1.23%.

Within the industrial sector, HOLCIM shares tumbled by 10.95% on a two-week basis, to close on Friday at $13.34.

Looking ahead, the activity on the Beirut Stock Exchange is expected to maintain the norm until awaited breakthrough in Lebanon's political deadlock.

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Foreign Exchange Market

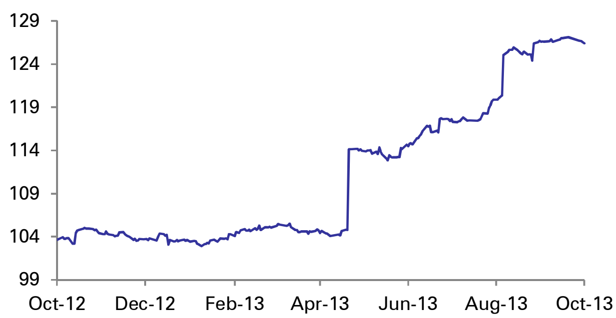
Lebanese Forex Market

	25/10/2013	11/10/2013	%Change
Dollar / LP	1,507.00	1,510.00	-0.20%
Euro / LP	2,083.82	2,045.23	1.89%
Swiss Franc / LP	1,690.21	1,660.06	1.82%
Yen / LP	15.52	15.33	1.24%
Sterling / LP	2,444.26	2,408.38	1.49%
NEER Index**	126.41	127.06	-0.51%

*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 on the US Dollar eased over the past two weeks as the range at which banks exchanged the currency went from $/LP1,508- $/LP1,512 with a mid-price of $/LP1,510 to $/LP1,505 -$/LP1,509, with a mid-price of $/LP1,507. Foreign assets (excluding gold) at the Central Bank stood at $35.74B as of end September compared to $36.15B as of end August. Meanwhile, the dollarization rate of private sector deposits went from 65.8% in July to 65.7% in August.

Nominal Effective Exchange Rate (NEER)



The euro climbed to a two-year peak against the dollar as investors are inclined to think the Fed's QE tapering may be delayed. Nevertheless, the euro's advance is not a reflection of an improvement in the Eurozone's economy. In fact, the concerns over monetary policy in the US simply outweighed the below-forecast PMI data of the Eurozone. Nonetheless, the latter PMI registered the fourth consecutive month of above-50 readings, keeping away the assumption of a halt in the Euro area's recovery. By Friday October 25, 2013, 12:30pm Beirut time, the euro closed at €/$ 1.38 up by a weekly 1.89%. As for the dollar-pegged LP, it depreciated to €/LP 2,083.82 from €/LP2,045.23 recorded on Friday October 11th. The Nominal effective exchange rate (NEER) slid by 0.51% over the cited period to 126.41 points, while its year-to-date performance stood at 21.77%.

Money & Treasury Bills Market

Between the week ending September 26 and the week ending October 10, broad Money M3 declined by LP189B ($126M), to reach LP 163,804B ($108.66B). M3 growth rate reached 6.74% on a year-on-year basis and 3.72% from end of December 2012. As for M1, it increased by LP283B ($188M) due to upturns of LP259B ($172M) in currency in circulation and LP24B ($16M) in demand deposits. Total deposits (excluding demand deposits) regressed by LP472.35B ($313.33M), given the LP102B upturn in term and saving deposits in domestic currency and the $381M fall in deposits denominated in foreign currencies. During the period 26 September - 10 October, the broad money dollarization rate slid from a previous 59.30% to reach 59.01%. According to the Central Bank, the overnight interbank rate stood at 2.75% at the end of August 2013.

Money Market Rates

	25/10/2013	11/10/2013	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

In the TBs auction held on October 17th, the Ministry of Finance raised LP162.48B ($107.78M) through the issuance of 1 Year (1Y), 2Y and 3Y Treasury Bills. The highest demand was witnessed on the 3Y bills, capturing 68% of total subscriptions, while the 1Y and 2Y notes captured respective shares of 26% and 7%. The average discount rate for the 1Y bills stood at 5.08% while the coupon rate for the 2Y and 3Y notes registered 5.84% and 6.50%, respectively. Maturing T-bills exceeded new subscriptions by LP10.40B ($6.9M).

Treasury Yields

	25/10/2013	11/10/2013	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

Eurobond Market

Eurobonds Index and Yield

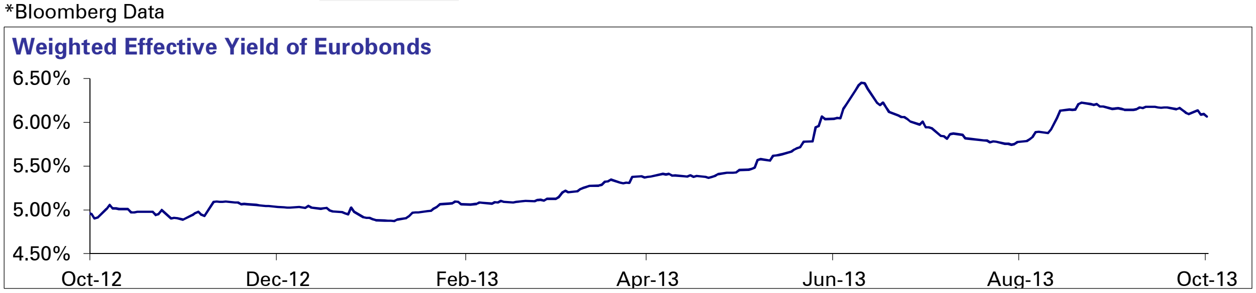
	24/10/2013	10/10/2013	Change	Year to Date
BLOM Bond Index (BBI)*	104.760	103.850	0.88%	-3.94%
Weighted Yield**	5.95%	6.11%	-16	93
Weighted Spread***	470	475	-5	40

*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	24/10/2013 Price*	10/10/2013 Price*	Weekly Change%	24/10/2013 Yield	10/10/2013 Yield	Weekly Change bps
2014, Apr - 7.375%	101.20	101.47	-0.27%	4.78%	4.43%	35
2014, May - 9.000%	102.29	102.52	-0.23%	4.52%	4.40%	12
2015, Jan - 5.875%	101.56	101.44	0.12%	4.54%	4.68%	-14
2015, Aug - 8.500%	106.30	106.30	0.00%	4.76%	4.84%	-7
2016, Jan - 8.500%	107.27	107.25	0.02%	5.02%	5.08%	-6
2016, May - 11.625%	115.25	114.75	0.43%	5.16%	5.43%	-27
2017, Mar - 9.000%	110.48	109.70	0.71%	5.58%	5.85%	-27
2018, Jun - 5.150%	97.75	96.88	0.90%	5.71%	5.92%	-22
2020, Mar - 6.375%	99.91	98.96	0.97%	6.39%	6.58%	-19
2021, Apr - 8.250%	109.92	107.91	1.86%	6.55%	6.88%	-33
2022, Oct - 6.100%	96.41	95.27	1.19%	6.64%	6.81%	-17
2023, Jan - 6.00%	95.40	93.98	1.51%	6.67%	6.89%	-21
2024, Dec - 7.000%	101.67	100.48	1.19%	6.78%	6.94%	-15
2026, Nov - 6.600%	97.85	96.47	1.43%	6.85%	7.01%	-16
2027, Nov - 6.75%	98.32	97.29	1.06%	6.94%	7.06%	-12

*Bloomberg Data



Lebanon's stressed political environment didn't deter investors from purchasing Lebanese Eurobonds as the country remained relatively stable on the security front. The Eurobonds market showed positive performance with the BLOM Bond Index (BBI) rising to a 2-month high on Friday 25 October, 2013. Correspondingly, the BBI edged up by 0.88% to 104.76 points, narrowing its year-to-date loss to 3.94%. Medium and long term maturities gained investors interest driving the 5Y and 10Y yields down by 21 basis points (bps) and 22 bps to 5.71% and 6.67%, respectively. Furthermore, the BBI increased at a slower pace than the JP Morgan emerging markets' bond index that rose 1.97% to reach 627.99 points. The latter's improvement was mainly due to the recovery of some Emerging Markets currencies such as the Indonesian Rupiah and the Malaysian Ringgit.

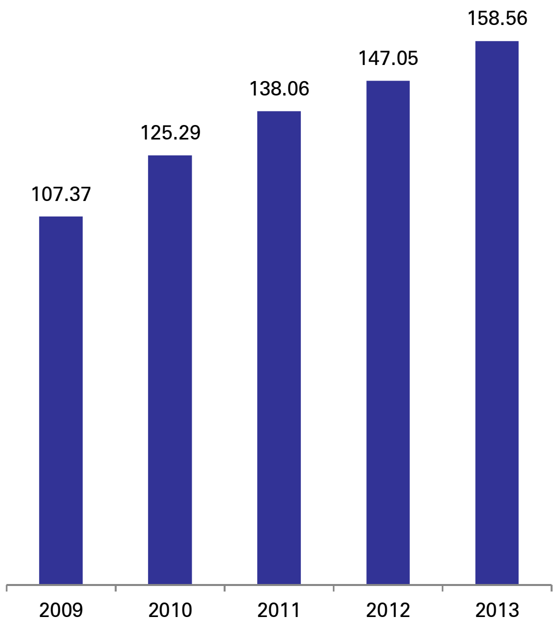
In the U.S, the gloomy economic situation that emerged after the fiscal stand-off coupled with forecasts of slower economic growth enhanced investors' expectations of the Fed delaying the tapering of its stimulus program until next year. Accordingly, demand for safe assets increased over the past two weeks, sending the 5Y and 10Y down by 12 bps and 18 bps to 1.32% and 2.53%. The 5Y and 10Y spreads between the Lebanese and U.S benchmarks broadened by 9 bps and 4 bps to 439 bps and 414 bps, respectively.

Lebanon's credit default swaps for 5 years (CDS) was last trading on Friday at 385-405 bps, barely moving from 384-404 bps two weeks earlier. The 5Y Lebanese CDS keeps on trading at lower levels than the 5Y spread between the Lebanese Eurobonds and their U.S comparable for the 7th week in a row. In regional economies, insurance premiums on sovereign debt widened by an average of 3 bps in Dubai to 198-208 bps and remained flat at 60-65 bps in Saudi Arabia. As for emerging economies, CDS quotes in Brazil and Turkey were last trading at 162-164 bps and 180-183 bps compared to their respective previous 124-126 bps and 166-169 bps quoted two weeks ago.

ECONOMIC AND FINANCIAL NEWS

Total Consolidated Assets of Commercial Banks

(In August, $B)

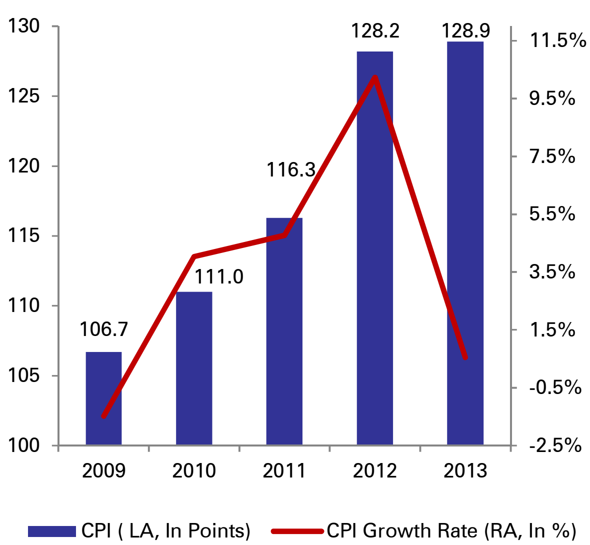


Source: BDL

Commercial Banks Consolidated Total Assets Grow to $158.56B in August

Commercial banks' total consolidated assets amounted to $158.56B by August, a 7.8% y-o-y growth. On a year-to-date basis, total assets grew by 4.4%, slightly similar to the rate of 4.6% recorded in the same period last year. The upturn in total assets is accredited to the respective 6.4% and 6.2% y-t-d growths of claims on the resident private sector and the public sector to $40.26B and $33.06B. By August, commercial banks' holdings of LBP denominated treasury bills (T-bills) stood at $17.21B, higher than $15.77B for foreign currencies denominated bonds. However, the latter grew by 20.5% since year-start compared to a 4.3% slip in the former, cementing the pattern of banks leaning towards holding Eurobonds. Meanwhile, foreign assets continued their downward trend, slipping by 5.1% to $24.84B by August. In detail, claims on the non-resident private and financial sectors were scaled down by 5.4% and 8.2% to $5.31B and $13.22B, respectively. Ever since the Arab Spring erupted, commercial banks' shielded their balance sheets from the risks posed by lending in the turbulent MENA economies. On the liabilities side, resident private sector deposits edged up by 4.1% since year start to $105.01B, as deposits in foreign currencies rose by 5% to $63.26B and those in local currency inched up by 2.7% to $41.75B. As for non-resident private sector deposits, they continued to grow significantly, advancing by 9.5% y-t-d to $26.38B. The dollarization rate of private sector deposits stood at 65.7%.

CPI Levels and Growth Rate Line in September



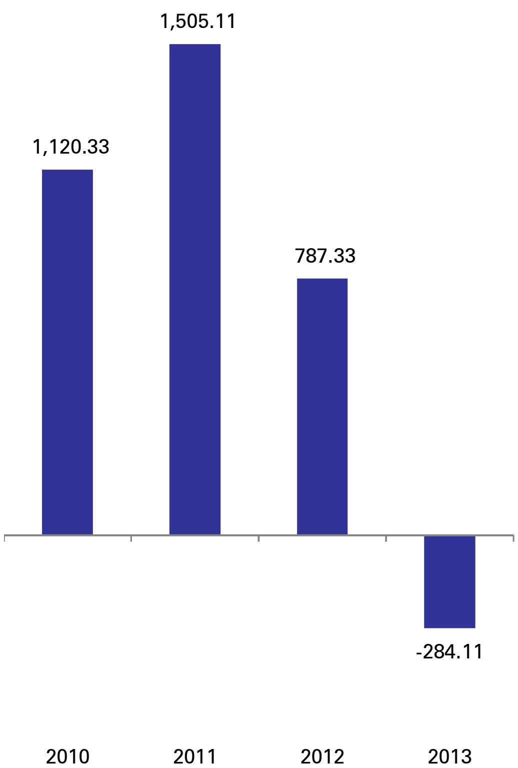
Source: Central Administration of Statistics

Consumer Prices Rise at a Slower Pace of 0.6% y-o-y in September

Lebanon's Consumer Price Index (CPI) rose at an annualized 0.6% in September, down from 1.3% in August according to the Central Administration of Statistics (CAS). The index reached 128.9 points, driven upward by higher food and education prices. Food & non-alcoholic beverages, and education costs that account for significant respective weights of 19.9% and 7.7% in the basket of the index went up, adding an annual 2.4% and 14.6% in September this year. All sub-indices witnessed a rise from a year earlier, except for "Clothing and footwear", "Water, electricity, gaz and other fuels" and "Transportation" that fell by annual 12.4%, 1.3% and 5.6%, respectively. The annual decrease in clothing and footwear, which represent a weight of 6.2% in the basket of the index, was mainly due to early discounts promoted by retailers as the sector has been suffering throughout the year mainly from the decline in the number of Arab tourists. "Water, electricity, gaz and other fuels" and "Transportation" also dropped, mainly due to lower oil prices over the period. On a monthly basis, inflation rate grew by 0.2%, with gains in all sub-indices offsetting a sole 2.5% m-o-m decline in "Clothing and Footwear" prices as demand for the sector's products was hit due to the decline in tourists' number.

Total Primary Balance

Up to August (In $M)



Source: Ministry of Finance

Lebanon's Fiscal Deficit Climbs to $2.62B up until August

Lebanon's fiscal deficit expanded by 76.0% y-o-y to $2.62B during the first eight months of 2013 coupled with a primary deficit of $284.11M, compared to the primary surplus of $787.33M recorded in the same period last year. The slowing down in economic activity during 2013 had its impact on government revenues that dropped by an annual 2.1% to $6.43B by August this year, whereas government spending jumped by 10.3% to $7.89B.

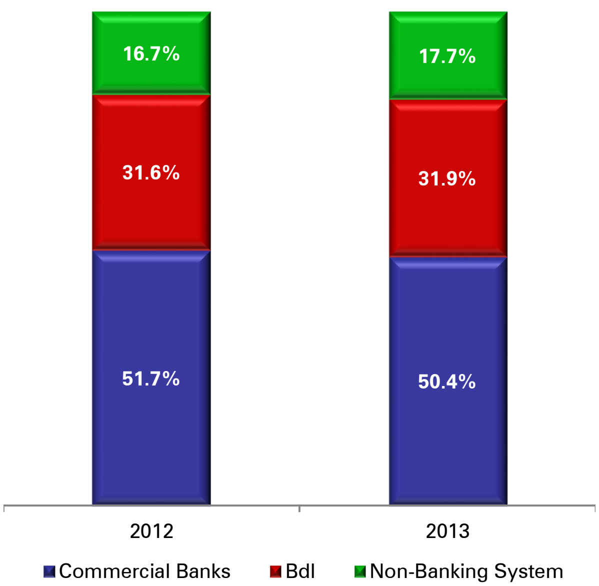
In brief, revenues worsened due to an overall decline of 3.6% in budget inflows to $6.04B. Miscellaneous tax revenues stood at $2.28B compared to $2.31B for the first eight months of 2012. Customs and VAT revenues were down by respective 2.8% and 0.1% y-o-y to reach $960.67M and $1.52B. Telecom transfers to the Ministry of Finance, accounting for 13.3% of total budget revenues, witnessed a 15.2% yearly slump to $801.61M. Treasury resources, accounting for 6.0% of total revenues, grew by a yearly 29.8% to $349.15M mainly due to Treasury deposits that edged up by 65.9% to reach $57.97M. Deposits are mainly revenues collected on behalf of public institutions, which when reimbursed are accounted for as expenditures.

On the government spending level, budget expenditures rose by a yearly 10.0% to stand at $7.27B, while treasury withdrawals surged 23.0% y-o-y to $1.79B. Budget outflows were mostly driven by the 4.8% rise in Transfers to EDL that reached $1.51B. Worth noting that the increase in salaries & wages and related benefits also jumped by more than 10%. In addition, debt service payments slid 4.8% y-o-y to $109.63M, with domestic debt narrowing by a yearly 3.1% to reach $1.36B. In contrast, interest payments on foreign debt showed an increase of 14.6% to $867.28M from last year's level of $756.92M. As for Treasury withdrawals, the sub-account "deposits" surged by an annual 69.3% to hit $78.52M during the first eight months of the year. Another unclassified "other" section showed a 31.3% yearly increase amounting for $1.30B, mostly including VAT refunds and Treasury advances for capital expenditures and transfers to National Social Security Fund (NSSF).

For the month of August alone, the government's fiscal balance recorded a deficit of $551.43M with a primary deficit of $382.69M compared to $320.36M fiscal deficit in August 2012 and a primary deficit of $143.82M.

Local Currency Debt by Type of Holder

By the end of July (In $B)



Source: ABL

Gross Public Debt Hits $60.23B in July

The Lebanese gross public debt reached $60.23B by the end of July, increasing by 8.6% y-o-y and by 4.4% on a year-to-date basis, according to the Association of Lebanese Banks (ABL) publication. The debt-to-GDP ratio stood at 142.83% at the end of June.

The local currency share of total debt retreated from 57.7% in December 2012 to 56.5% in July this year. The latter edged up by 2.3% since year start to reach $34.06B, recording a 5.0% y-o-y growth. Foreign currency (FC) debt, which accounted for the remaining 43.5% of total gross debt (compared to a stake of 42.3% in December 2012), rose by 7.3% y-t-d and 13.6% y-o-y to stand at $26.17B.

On a month-ago basis, the debt in foreign currency slightly added 0.1%, while that in Lebanese pounds inched up by 0.5%. The Net Public Debt which excludes the public sector deposits at the Commercial banks and BdL stood at $51.14B as of the end of July, increasing by 8.1% y-o-y and by 4.1% from end of December 2012.

The Lebanese banks held 50.4% of the local currency debt; BdL detained 31.9% while the 17.7% remaining were the non-banking system share, with the NSSF holding a large part of this share.

Breakdown of Salaries, Wages, & Related Benefits

(In $M)

	Basic Salaries		Total	
	2012 January -May	2013 January -May	2012 January -May	2013 January-May
Military Personnel	**445.77**	**538.64**	**645.44**	**738.97**
Army	275.95	345.61	402.65	472.97
Internal Security Forces	120.07	153.90	177.78	211.61
General Security Forces	22.55	29.85	31.18	41.13
State Security Forces	27.20	9.29	33.17	13.27
Education Personnel	**187.06**	**222.22**	**202.99**	**244.11**
Civil Personnel of which	**106.14**	**96.19**	**197.01**	**175.79**
Employees Cooperative	-	-	60.36	46.43
Customs Salaries	**-**	**-**	**15.92**	**13.93**
Total	**738.31**	**857.05**	**1,061**	**1,173**

Source: Ministry of Finance

Public Sector Wages Increase to $1.17B up to May

The evolution of salaries, wages and related benefits is rather important to track as they constitute the largest component of the government's primary spending. Their share in the latter stood at 28% up to May 2013 compared to 29% up to May 2012.

According to the Ministry of Finance, salaries, wages and related benefits increased by 11% year-on-year (y-o-y) to reach $1.17B in the first five months of 2013. This rise mainly stems from the $118.74M and $8.62M upturns in basic salaries and family indemnities, respectively. Meanwhile, other expenses, mainly composed of payments to employees of the Civil Servants Cooperative, registered a $13.27M year-on-year decline.

Basic salaries held the largest stake of 73% in total salary expenditures followed by a share of 15.27% for allowances, 5.4% for indemnities and 5.03% for other expenses mainly payments to the Civil Servants' Cooperative.

In detail, basic salaries (including all retroactive payments) posted a 16% y-o-y increase to $857.05M by May, due to cost of living adjustments and the enlistment of new recruits/promotion of current personnel.

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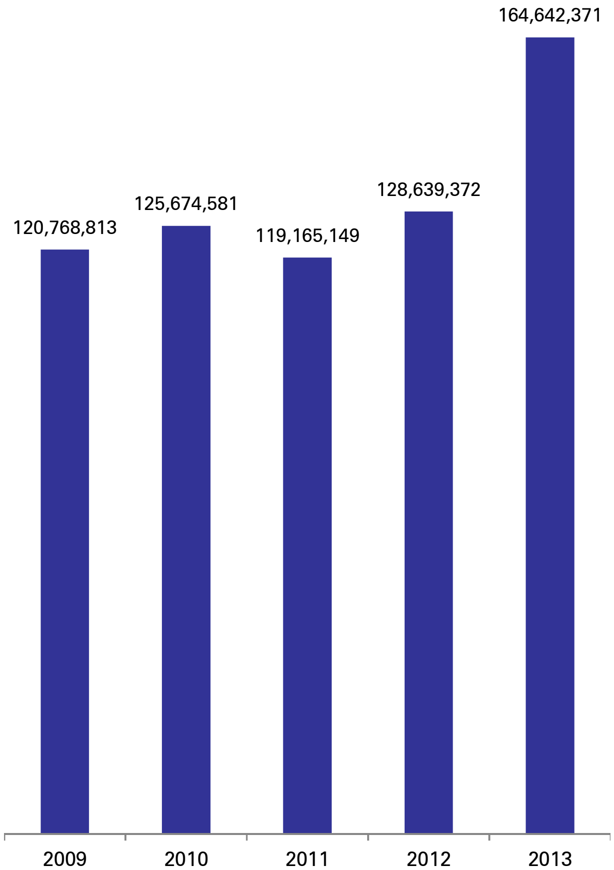
Port of Beirut Revenues Increase by 28% y-o-y to $164.64M up to September

Port of Beirut's Revenues

(Up to September, in $)



Source: Port of Beirut Statistics

The Port of Beirut (PoB) continues to thrive, be it in terms of revenues or handled containers, especially since it became an alternative hub for transporting goods into war-torn Syria.

PoB's revenues amounted to $164.64M up to September, a 28% year-on-year (y-o-y) increase accredited to hefty container activity. The latter (including transshipment) rose by 7% y-o-y to 851,542 TEU (Twenty-Foot Equivalent Unit) by September. However, this is due to the substantial flow of containers, which rose by 20.84% to 576,731 TEU as transshipment fell by 13.73% year-on-year to 274,811 TEU.

Activity of the two main shipping companies at the port maintained the same trend with MSC slightly upping its transshipment volume by 5.79% y-o-y to 163,999 TEU and CMA CGM reducing it considerably by 28.75% y-o-y to 95,514 TEU. Congestion at the port led the two lines to diminish their transshipment volumes, all while respecting the minimum levels agreed upon in their contract with the PoB.

Imported and Exported merchandise crossing through the port maintains its steady upward trend, growing by 15.70% to 6,178.4 thousand tons up to September.

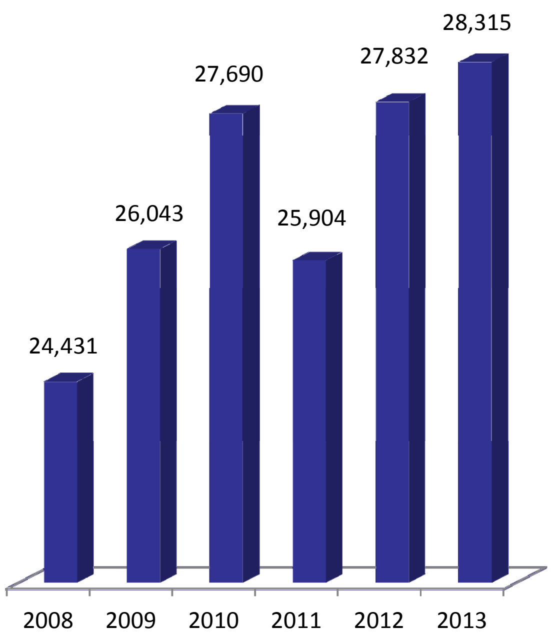
Meanwhile, the number of vessels docking at the port registered a marginal uptick of 0.19% to 1,589 units by September.

Looking ahead, the port's activity will grow further thanks to the $220M (of which $60M for new handling equipment) expansion project. The first phase was finalized on October 22nd. The investment, financed solely via the port's revenues, amplified container capacity to 1.5 Million TEUs/year compared to a previous capacity of 1.1 Million TEUs. Once fully completed, the port's enlargement will allow the container terminal to intake 2.1 Million TEUs/year, without the hurdles of congestion and delays.

New Car Registrations Increased by 1.7% y-o-y by September

Total Car Sales

Up to September



Source: The Association of Car Importers in Lebanon

According to figures released by the association of car importers in Lebanon (AIA), 2,772 new passenger and commercial vehicles were registered in September this year compared to 3,304 vehicles a year earlier, recording a yearly drop of 16.1%. Passengers' car sales tumbled 17.2% y-o-y to 2,592 cars, while commercial cars posted an increase of 3.4% y-o-y to 180 cars. As for imported used cars, their number witnessed a drop of 15.5% in September 2013 compared to the same period last year.

On a cumulative basis, registration of new passenger and commercial cars during the first nine months of 2013 reached 28,315, rising 1.7% from the same period in 2012. The total number of registered new and imported used cars has dropped by an annual 7% by September 2013.

Demand for Chinese vehicles increased to 517 sold cars, up by 67.9% from the same period last year as consumers are seeking lower cost and fuel efficient cars. Korean cars had their sales rising by 5.4% as of September 2013 to 12,341 vehicles from 11,714 year earlier.

In terms of market share, Korean cars are still grabbing the lion stake with a share of 46% of total car sales up to September followed by the Japanese and European vehicles with respective shares of 27% and 20%. On the brands side, Car sales breakdown ranked Kia at the top with a 27% stake of the total, followed by Hyundai (20%) and Nissan (13%).

Furthermore, the top five distributors in Lebanon since year start according to their market share are respectively: NATCO SAL (25%), Century Motor Co (19%), RYMCO (14%), Bassoul Heneine (7%) and BUMC (6%).

According to the AIA, the automotive sector is suffering from the economic slowdown that led to several declines in sales turnover of car importers. Worth mentioning that 90% of the registered cars are small cars with reduced prices revealing the shift of the market towards cheap fuel-efficient small cars.

Number of Kafalat Guarantees drops by 21.2% y-o-y to $86.96M by September

Breakdown of Kafalat Guarantees

	Up to September 2011	Up to September 2012	Up to September 2013
Loans Guaranteed	989	813	641
Total Value ($)	126,247,192	109,594,098	86,960,028
Average Value ($)	127,651	134,802	135,663

Source: Kafalat

Kafalat issued 641 guarantees up to September 2013 compared to 813 guarantees for the same period in 2012, which represents a 21.2% y-o-y drop. Accordingly, the value of guaranteed loans fell by 20.7% from $109.59M up to September 2012 to $86.96M up to September 2013. These downturns are inevitably going to weigh on Kafalat's profit, pulling it down to an expected $6M or $7M in 2013 compared to $9.5M in 2012. In terms of sectors, the three largest recipients of loans were the agricultural sector with a share of 40.56%, the industrial sector with a share of 34.95% and the tourism sector with a share of 17.00%. In fact, the regional uprisings and the local deadlock have taken their toll on these core sectors. Accordingly, the number of agricultural loans fell by 14% to 260 by September while the industrial and tourism loans registered further decreases of 28% and 31% to reach 224 and 109, respectively. By geographical allocation, Mount Lebanon holds the highest concentration of loans with a share of 39.78% followed by stakes of 21.53% in the Bekaa region and 12.79% in the South. While the number of Kafalat loans substantially fell by 23.7% to 255 in Mount Lebanon and by 19.6% to 82 in the South, it marginally rose by 3.8% in the Bekaa region to reach 138.

CORPORATE DEVELOPMENTS

Bank Audi's Net Profit Drops 15.5% y-o-y By September

Bank Audi published this week its consolidated financial statements as of September 30, 2013, revealing an 18.1% year-on-year (y-o-y) increase in its total assets to $34.47B. This surge mainly resulted of more than $4.5B growth in the assets of Audi fully owned Turkish subsidiary, Odeabank A.Ş, during the first nine months of the year. According to the Bank's publication, Odeabank posted a steady growth during the past three quarters of 2013 with its assets amounting for $6.6B by the end of September this year. Net loans and advances to customers rose by 31.5% since year-start and by an annual 48.7% to stand at $13.45B.

On the liabilities side, customer deposits rose by 10.1% year-to-date and by 18.6% y-o-y to reach $29.00B as of end-September. As for total shareholders' equity, it edged up by 2.6% since year start to reach $2.75B, up by 4.5% from the same period last year.

Meanwhile, the bank's profit amounted to $261.28M at end-September, falling by 15.5% compared to the same period last year. This decline resulted from the opening of a 20 branches' network in Turkey within the Bank's expansionary strategy. In detail, operating expenses surged 17.2% y-o-y to reach $422.06M by the end of September 2013, while operating income slightly dropped by an annual 0.6% to stand at $810.76M. It is worth noting that the net doubtful loans to gross loans ratio stood at 0.45% while the return on average common equity stood at 14.6%.

Audi's Financials Highlights

As of end September (In $M)

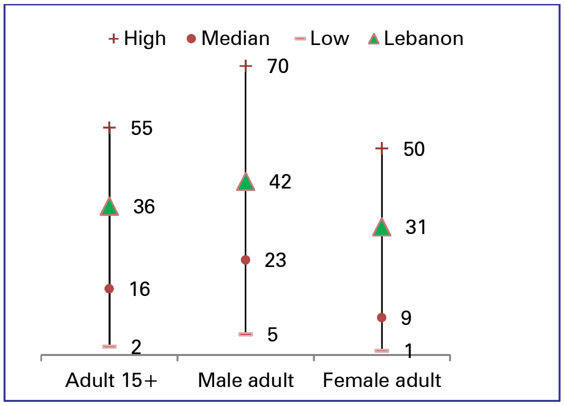
	Sep-13	Sep-12	%ch
Customer's deposits	28,997.08	24,457.33	18.6%
Net Loans & advances to customers	13,451.87	9,044.67	48.7%
Total Assets	34,469.79	29,181.84	18.1%
Total Shareholders' Equity	2,746.38	2,627.72	4.5%
Net Profit	261.28	309.39	-15.5%

Source: Bank Audi Official Website

FOCUS IN BRIEF

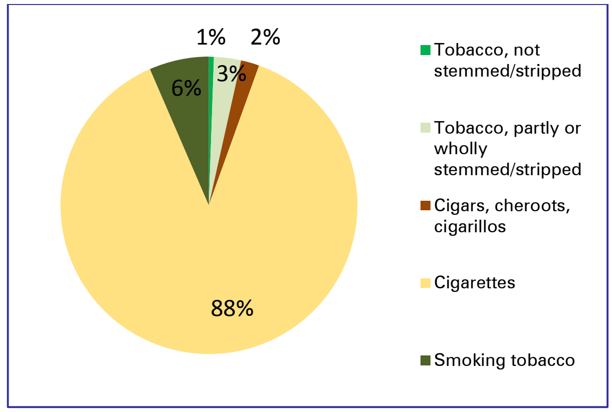
The Smoking and Trading of Tobacco in Lebanon

Daily smoked cigarettes across the world



Source: World Health Organization, 2009/2010 data

Breakdown of Tobacco Imports by September 2013



Source: Lebanese Customs

Ever since the industrial revolution popularized cigarettes, tobacco has been one multinational industry with unparalleled growths in the world, up until the scientific revelations in the mid 1900's started to expose its health threats. The lucrative commerce of tobacco clashed with its costs on health and economy, eventually leading states to tighten controls and regulations around this business. Governments levied more taxes to penalize tobacco companies and to recover part of their incurred expenditures on tobacco-related health issues, and societies waged campaigns to raise awareness against tobacco risks. These measures succeeded in slowing down tobacco consumption in developed countries but less impact was picked in developing ones.

Lebanon is a nation with one of the highest rates of smoking in the World. Be it the long dwell of the country in wars, the rule of social chaos, or the rebellion character associated with smoking, Lebanese adults ended up among the heaviest smokers in the world.

Although Lebanon signed and ratified the World Health Organization (WHO) framework convention on tobacco control ten years ago, WHO figures constantly show Lebanon at the top of charts in smoking topics. With an average of 36 cigarettes per capita[1] smoked daily, Lebanon ranks 7th in the world after Kiribati (55 cigarettes/day), Greece (49) Nauru (47), Austria (44) Papa New Guinea (41) and Bosnia (37).

In this area, Lebanese women closely match men. The smoking Lebanese ladies light up 31 cigarettes per day on average, a pack and half, making them the heaviest smokers in the region and the 6th in the world after Nauru (50 cigarettes/day), Austria (45), Kiribati (41), Greece (38) and Bosnia (32), based on 2009 WHO data. This is quite notable as women smokers in the world consume only 9 cigarettes per day on average.

As for Lebanese males, they rank 13th in the world, smoking an average of 2 packs daily, or 42 cigarettes, headed only by Tunisian males in the MENA region who smoke 51 cigarettes on average per day.

These high rates resulted in substantial exposure of youth to smoking. When in their own homes, 78.4% of Lebanese youth aged 13 to 15 years, are exposed to smoking, and when outside, 74.4% risk smoking effects. The alarming figures serve to show that Lebanon is the second highest in the World after Cyprus, in introducing smoking to its youth, according to WHO

[1] *Adult age, standardized, 15 and over*

2010 data. Youngsters in Lebanon smoke an average of 8.6 cigarettes per day, although it's probable that the application of law 174 banning smoking in enclosed public spaces has moderated the case since its implementation in September 2012.

While doing very well on the consumption level, Lebanon's tobacco industry is hardly lucrative. The production, manufacturing and trade of tobacco in Lebanon is regulated through the state-run monopoly, the Regie Libanaise des Tabacs et Tombacs. The Regie licenses farmers to plant tobacco, and subsidizes them for their crops. Around 40% are then used to produce local brands of cigarettes, of which the only survivor today is Cedars, while the rest is exported, at a net loss for the Regie.

The profitable aspect appears on other levels. Tobacco is a source of three classes of revenue for the government: excise tax returns, tariff revenue and revenue from value added tax. Revenues from tariffs are used to cover for the cost of subsidizing the farmers, noting that tobacco excises in 2012 totaled $342 million, up 27.55% from 2011's $268.31 million.

The tobacco trade operates at a net loss for the country, as Lebanon is a net importer of tobacco with a trade deficit reaching $318.50 million in 2012 and $186.84 million for the first 9 months of 2013. It appears that 2013 will witness a reduction in imports since annualized estimate show a deficit of $249.12 million, equivalent to a 21.78% decline.

Lebanon mainly exports raw leaf tobacco, grown in the South (57%), the Bekaa and the North. By September 2013, exports of $11.05 million were mainly directed to Bulgaria (58%), Belgium (16.8%), Egypt (8.8%) and Greece (7.2%).

On the other hand, imports of tobacco totaled $198.67 million by September 2013, namely originating from Germany (30.7%), Switzerland (24.5%), Turkey (18.8% and Poland (7.4%). Cigarettes represent the majority of tobacco imports, with almost $302 million imported during 2012, noting that they are subject to a high excise of 108%, VAT of 10% and Customs tariff of 5%.

Cigars, cheroots and cigarillos have a more selective demand. People who prefer to smoke the tightly-rolled bundle of dried and fermented tobacco accounted for imports of $6.3 million during 2012, which were subject to a much lower excise of 35%. Cuba remains the hottest supplier for this segment with $2.3 million of cigars and cigarillos coming from the Caribbean island by September 2013. Next in line to supply Lebanon with cigars and cigarillos are the Netherlands ($420k), the United States ($413k) and the Dominican Republic ($403k). Meanwhile, raw tobacco imports amounted to $10 million and smoking tobacco to $19 million by September 2013.

According to the World Health Organization (WHO), tobacco is the single greatest cause of preventable death globally. Direct and indirect costs of smoking are considerable, as smoking is related to nearly 30 different diseases, many of which are cardiovascular, respiratory and cancers. These costs affect smokers and past smokers in addition to increasing risks of diseases for second hand smokers. Health expenditures associated with these diseases have not been assessed in Lebanon but an estimate of 1.1% of 2008 GDP was calculated in an AUB paper[2]. To scale this figure, note that total expenditures on health amounted to 7.4% of GDP during that year. Other costs concern lost productivity, environmental degradation, and even pre-mature deaths due to smoking related diseases.

Finally, law 174 has significantly improved Lebanon's qualitative ratings on WHO's checklist of protection from tobacco smoke, but the full implementation of the law is yet to be completed. Particularly, the clause stipulating the coverage of 40% of the principal display areas of cigarette packages with health warnings, awaits application. Nevertheless, citizens are actively reporting non-compliance, and breaching agents are paying fines, even though the amounts and the settlements are sometimes contested. Hopefully, awareness will eventually gain sufficient room to moderate the risks of tobacco.

[2] *The economics of Tobacco in Lebanon: an estimation of the social costs of Tobacco consumption, April 2010*

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