BLOMINVEST BANK S.A.L

Your Investment Reference

THE LEBANON BRIEF

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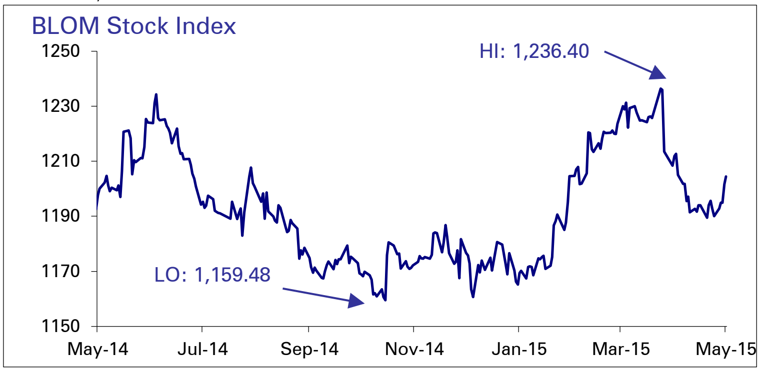
FINANCIAL MARKETS

Equity Market

Stock Market

	15/05/2015	08/05/2015	% Change
BLOM Stock Index*	1,204.52	1,190.03	1.22%
Average Traded Volume	125,245	131,496	-4.75%
Average Traded Value	1,458,594	1,307,087	11.59%

*22 January 1996 = 1000



The Lebanese Bourse recovered from a lackluster performance a week ago, where the BLOM Stock Index (BSI) registered a weekly increase of 1.22%% to 1,204.52 points, broadening its year-to-date gain to 2.93%.

As for the average daily traded volume, it went down to close at 125,245 shares worth $1,458,594 compared to 131,496 shares summing to $1,307,087 last week. In the same context, market capitalization expanded from $10.05B to $10.14B.

On a comparative scale, the BSI outpaced the S&P Pan Arab Composite Large-Mid-Cap Index, the S&P AFE 40 Index and the Morgan Stanley Emerging Markets Index (MSCI), which gained weekly 0.24%, 0.45% and 1.06%, respectively.

On the regional front, some GCC Bourses trailed despite oil prices rallying by 1.80% from May 8th. Egypt's stock market was the worst performer, declining by 5.02%, which was dragged by Telecom Egypt Co, whose price tumbled after its exclusion from MSCI Emerging Markets Index. Furthermore, Egypt's government lately finalized the tax regulation on capital gains and dividends (10%), causing investors to go on a frenzy. Dubai's bourse then followed, ticking down by 0.75% followed by Kuwait with a downturn of 0.63% weekly.

The main gainers in the region were Tunisia with a 2.41% increase during the week, followed by Qatar and Abu Dhabi with respective upturns of 1.90% and 1.65%, over the same period. Qatar's bourse might have improved considering that the Qatari government offered international oil and gas companies to compete for expansion and development of its offshore biggest oil field called the Al-Shaheen reservoir.

Back to Lebanon, the banking sector grasped 73.21% of total traded value, while the real estate sector contributed to the remaining 26.18%.

On the London Stock Exchange (LSE), Solidere shares gained 0.89% to settle at $11.35. In contrast, BLOM and Audi GDRs declined by 0.30% and 2.11% to $9.93 and $6.50, respectively.

Banking Sector

	Mkt	15/05/2015	08/05/2015	% Change
BLOM (GDR)	BSE	$10.00	$10.00	0.00%
BLOM Listed	BSE	$9.50	$9.30	2.15%
BLOM (GDR)	LSE	$9.93	$9.96	-0.30%
Audi (GDR)	BSE	$6.55	$6.56	-0.15%
Audi Listed	BSE	$6.19	$6.17	0.32%
Audi (GDR)	LSE	$6.50	$6.64	-2.11%
Byblos (C)	BSE	$1.75	$1.71	2.34%
Byblos (GDR)	LSE	$80.50	$80.50	0.00%
Bank of Beirut (C)	BSE	$18.40	$18.40	0.00%
BLC (C)	BSE	$1.70	$1.70	0.00%
Fransabank (B)	OTC	$27.00	$27.00	0.00%
BEMO (C)	BSE	$1.89	$1.89	0.00%

	Mkt	15/05/2015	08/05/2015	% Change
Banks' Preferred Shares Index *		104.92	105.78	-0.81%
Audi Pref. E	BSE	$102.20	$102.20	0.00%
Audi Pref. F	BSE	$100.30	$100.30	0.00%
Audi Pref. G	BSE	$100.00	$100.00	0.00%
Audi Pref. H	BSE	$100.50	$100.50	0.00%
Byblos Preferred 08	BSE	$102.60	$102.60	0.00%
Byblos Preferred 09	BSE	$102.60	$102.60	0.00%
Bank of Beirut Pref. E	BSE	$25.50	$26.50	-3.77%
Bank of Beirut Pref. I	BSE	$25.35	$26.00	-2.50%
Bank of Beirut Pref. H	BSE	$25.50	$26.50	-3.77%
BLOM Preferred 2011	BSE	$10.10	$10.15	-0.49%

* 25 August 2006 = 100

Real Estate

	Mkt	15/05/2015	08/05/2015	% Change
Solidere (A)	BSE	$11.51	$11.25	2.31%
Solidere (B)	BSE	$11.52	$11.14	3.41%
Solidere (GDR)	LSE	$11.35	$11.25	0.89%

Manufacturing Sector

	Mkt	15/05/2015	08/05/2015	% Change
HOLCIM Liban	BSE	$16.18	$14.66	10.37%
Ciments Blancs (B)	BSE	$3.75	$3.75	0.00%
Ciments Blancs (N)	BSE	$2.75	$2.75	0.00%

Funds

	Mkt	14/05/2015	07/05/2015	% Change
BLOM Cedars Balanced Fund Tranche “A”	-----	$7,540.90	$7,523.43	0.232%
BLOM Cedars Balanced Fund Tranche “B”	-----	$5,393.27	$5,380.87	0.230%
BLOM Cedars Balanced Fund Tranche “C”	-----	$5,727.37	$5,714.10	0.232%
BLOM Bond Fund	-----	$9,481.98	$9,481.90	0.00%

Retail Sector

	Mkt	15/05/2015	08/05/2015	% Change
RYMCO	BSE	$3.23	$3.23	0.00%
ABC (New)	OTC	$27.00	$27.00	0.00%

Tourism Sector

	Mkt	15/05/2015	08/05/2015	% Change
Casino Du Liban	OTC	$330.00	$330.00	0.00%
SGHL	OTC	$7.00	$7.00	0.00%

In the banking sector, BLOM listed and Byblos listed shares gained 2.15% and 2.34% to end the week at $9.50 and $1.75, respectively. Worth mentioning, that 95,065 BLOM listed shares were cross traded. Furthermore, Audi common shares up ticked weekly by 0.32% to settle at $6.19 while its GDR shares lost 0.15% to close at $6.55.

The BLOM Preferred Shares Index (BPSI) declined by 0.81% to 104.92 points, on the back of Bank of Beirut preferred shares classes “E” and “F” both edging down weekly by 3.77% to the same quote of $25.50, in addition to its preferred shares class “I” decreasing by 2.50% to close the week at $25.35. Moreover, BLC shares class “A” dropped by 3.85% to $100, over the same period as BLC announced that the ex-dividend date was on the 13th of May 2015.

The real estate sector experienced a positive performance, where Solidere classes “A” and “B” shares augmented by 2.31% and 3.41% to close the week at respective quotes of $11.51 and $11.52.

In the industrial sector, HOLCIM shares recovered during the week, from last week’s 9.78% fall, edging up by 10.37% to settle at $16.18.

Looking ahead, the stock market activity will rely on the ongoing cabinet budget discussions and the outcome of public sector wage hike. Notably, Lebanon’s Finance Minister warned against the possible loss of up to $1.2B in soft loans including $600M from the World Bank if the parliament doesn’t convene to approve the necessary laws.

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Foreign Exchange Market

Lebanese Forex Market

	15/05/2015	08/05/2015	%Change
Dollar / LP	1.1360	1.1233	1.13%
Euro / LP	1.5749	1.5480	1.74%
Swiss Franc / LP	0.9198	0.9246	-0.51%
Yen / LP	119.90	120.38	-0.40%
Sterling / LP	1.1360	1.1233	1.13%
NEER Index**	162.79	163.69	-0.55%

*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. The NEER represents the approximate relative price a consumer will pay for an imported good.

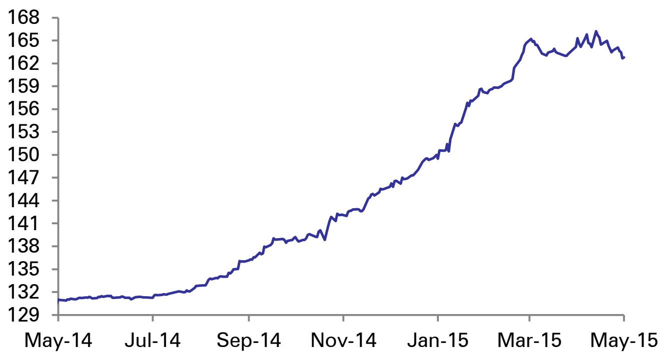
Demand for the dollar remained stagnant on the Lebanese Forex market during the week, as shown by the Lebanese pound's peg against the dollar, which maintained a quote of $/LP 1,510-1,514 with a mid-price of $/LP 1,512. Foreign assets (excluding gold) at the Central Bank decreased by a monthly 1.94%, from $38.48B by end-March to $37.73B by end-April. Meanwhile, the dollarization rate of private sector deposits stood at 65.25% in March 2015 compared to 65.71% in December 2014.

The Euro rallied by 1.13% against the dollar to €/$1.1360, considering the better position that Europe is in at this point in time. Athens did not default and funded their 750M Euro payment to the IMF, on Tuesday, by tapping into their Reserves (650M Euros). Despite the positive economic review of the US labor market for April, in which jobless claims registered the lowest level in five years, the dollar lagged behind the Euro for the 5th week running, bearing in mind that this is its longest losing streak since October 2013. Recent volatility in the US bond market amidst inflationary pressures and the uncertainty of when the Federal Reserve is going to hike interest rates might be the reason for the depreciating dollar.

Demand for gold improved during the week on the back of the mentioned depreciating dollar and the bullish trend in international oil prices. Since gold is usually seen as a hedge for inflation, the price of gold went up to $1,216.17/ounce from $1,185.98/ounce on the 8h of May 2015.

By Friday May 15th, 2015, 12:30 pm Beirut time, the dollar-pegged LP depreciated against the euro going from €/LP 1,693.37 on the 8th of May to €/LP 1,712.52. The Nominal effective exchange Rate (NEER) lost 0.55% to 162.79 points, narrowing its year-to-date gains to 10.50%.

Nominal Effective Exchange Rate (NEER)



Money & Treasury Bills Markets

Money Market Rates

	14/05/2015	07/05/2015	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

Treasury Yields

	14/05/2015	07/05/2015	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

During the week ending April 30th 2015, broad Money M3 surged by LP 1,594B ($1.06B), recording its largest weekly increase in more than three and a half years, to reach LP 179,950B ($119.37B) with a 5.24% year-on-year growth and a 1.4% year-to-date uptick. This was partly due to more than $600M expansion in foreign deposits, which may result in Lebanon registering a Balance of Payments surplus in April, for the first time this year. Similarly, M1 progressed by LP 494B ($327.99 M) due the LP 191B ($126.72M) and LP 303B ($201M) increases in money in circulation and demand deposits, respectively.

Total deposits (excluding demand deposits) went up by LP 1,099.24B ($729.18M), given the expansion of deposits denominated in foreign currencies by $603M and in term and saving deposits in domestic currency by LP 191B. Over the above mentioned period, the broad money dollarization rate experienced a downtick from 58.28% to 58.27%. According to the Central Bank, the overnight interbank rate remained constant at 2.75% at the end of March 2015.

In the TBs auction held on the 7th of May 2015, the Ministry of Finance raised LP 158B ($104.81M), through the issuance of bills maturing in 3M and 1Y, and 5Y notes. The highest demand was achieved on the 5Y notes, with an 84.81% share of total subscriptions. Meanwhile, the 3M and 1Y bills captured respective proportions of 3.80% and 11.39%. In addition, the 3M and 1Y bills yielded 4.39% and 5.08%, respectively, while the coupon rate of the 5Y notes stood at 6.74%.

Eurobond Market

Eurobonds Index and Yield

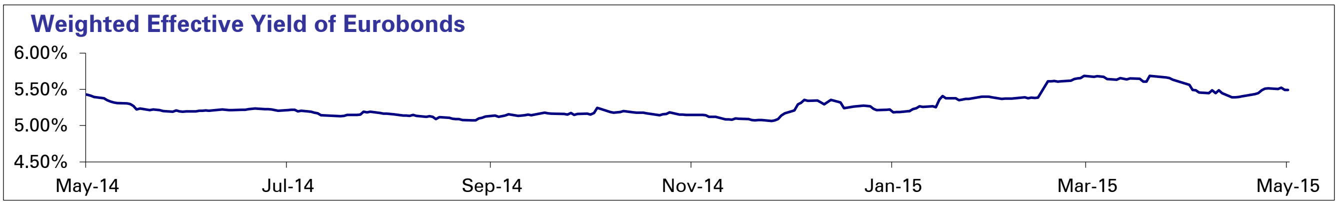
	14/05/2015	07/05/2015	Change	Year to Date
BLOM Bond Index (BBI)*	107.434	107.379	0.05%	1.28%
Weighted Yield**	5.49%	5.51%	-2	47
Weighted Spread***	395	392	3	-35

*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	14/05/2015 Price*	07/05/2015 Price*	Weekly Change%	14/05/2015 Yield	07/05/2015 Yield	Weekly Change bps
2016, Nov - 4.750%	100.52	100.53	-0.01%	4.38%	4.38%	0
2017, Mar - 9.000%	108.03	108.11	-0.07%	4.43%	4.43%	0
2017, Oct - 5.000%	101.12	101.13	-0.01%	4.50%	4.50%	0
2018, Jun - 5.150%	100.88	100.75	0.13%	4.84%	4.88%	5
2018, Nov - 5.150%	100.75	100.5	0.25%	4.91%	4.99%	8
2019, Apr - 5.500%	100.88	100.88	0.00%	5.25%	5.25%	0
2020, Mar - 6.375%	104	104.13	-0.12%	5.42%	5.39%	-3
2020, Apr - 5.800%	101.5	101.5	0.00%	5.45%	5.45%	0
2020, Jun - 6.150%	103	102.88	0.12%	5.47%	5.49%	3
2021, Apr - 8.250%	113.25	113.25	0.00%	5.59%	5.59%	1
2022, Oct - 6.100%	102	101.75	0.25%	5.76%	5.80%	4
2023, Jan - 6.000%	101.25	101	0.25%	5.79%	5.84%	4
2024, Dec - 7.000%	107	107	0.00%	6.02%	6.03%	0
2025, Jun - 6.250%	101	101	0.00%	6.06%	6.06%	0
2026, Nov - 6.600%	103.25	103.13	0.12%	6.20%	6.22%	1
2027, Nov - 6.750%	104.13	104.13	0.00%	6.27%	6.27%	0

- Mid Prices ; BLOMINVEST bank



There was some demand for medium and long term Lebanese Eurobonds this week following the poor performance of last week. However, the BLOM Bond Index (BBI) barely increased by a weekly 0.05% to 107.43 points. Nonetheless, the BBI managed to outperform the JP Morgan Emerging Markets' Bond Index, which remained at 686 points over the same period.

The yields on the 5Y and 10Y Lebanese notes declined by weekly 2 basis points (bps) and 1 bp to 5.22% and 6.02%, respectively. On the US level, the medium-term US Bond witnessed an encouraging correction at the expense of the long-term notes, as the yield on the 5Y benchmark notes edged down weekly by 4 bps to 1.51% while that of the 10Y recorded an increase of 5 bps 2.23%.

With the latest US positive economic review of jobless claims, which registered a record low since 2010, the possibility that the Federal Reserve would raise interest rates, by Q3 2015,is more likely bearing in mind the Federal Reserve has claimed that the latter raise will only happen when the labor market progresses. Despite that, demand for 5Y US notes went up while investor sentiment for long term debt securities waned due to inflationary pressure from the 15% increase in the price of oil since beginning of April. The increase of 5 bps in the US 10Y bonds brought up to 57 bps increase in the 10Y yield from this year's high in January.

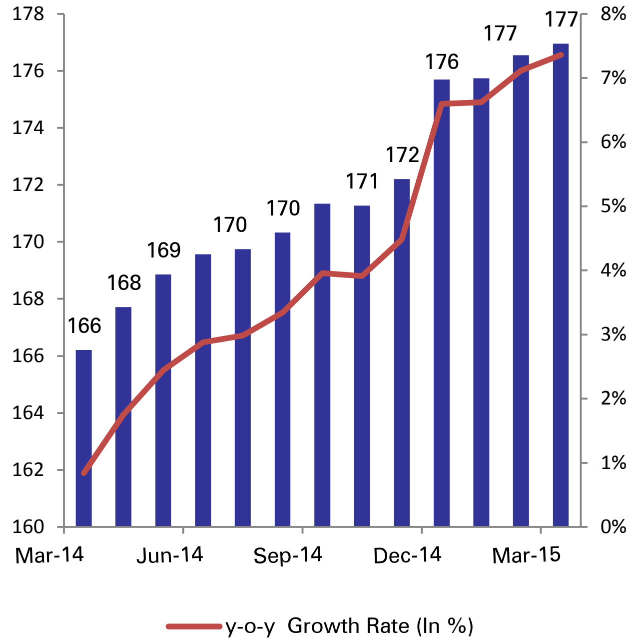
Accordingly, the spreads between the yields on the 10Y Lebanese bonds and their US counterpart narrowed by 6 bps to 379 bps while that of the 5Y slightly broadened by 2 bps to 371.

Lebanese 5Y Credit Default Swaps (CDS) drifted weekly from 372-396 bps to 370-397 bps. In regional economies, 5 year CDS quotes of Brazil and Turkey narrowed from 234 bps-237 bps and 221-224 bps in the previous week to 228-230 bps and 211-214 bps, respectively. In addition, Saudi's, Dubai's and Egypt's 5Y quotes remained at their previous quotes of 62-70 bps, 198-210 bps and 314-338 bps, respectively.

ECONOMIC AND FINANCIAL NEWS

Slow Down in the Growth of Commercial Bank Assets

Commercial Banks' Assets By March



Source: BdL

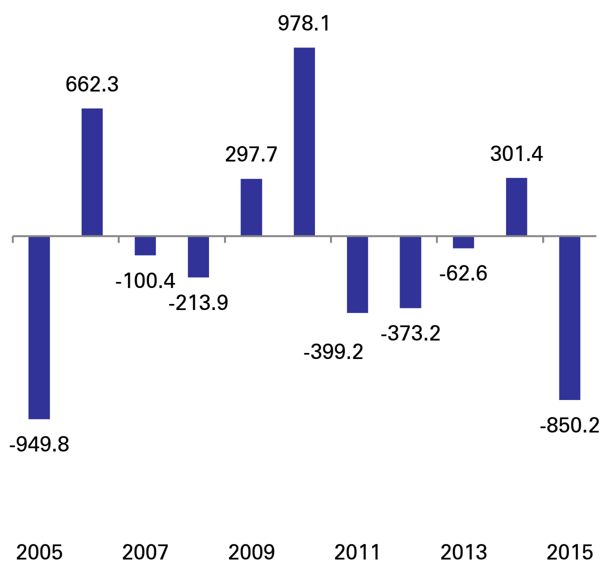
Total consolidated assets of commercial banks amounted to $176.95B by March, a 0.72% growth since year start, and an improvement of 6.47% year-on-year (y-o-y).

In terms of assets, total reserves, with a weight of 36.47%, grew by 1.02% year-to-date (y-t-d) to $65.54B by the third month of the year. Loans to the private sector, which constituted 28% of total assets, edged up by 0.48% y-t-d to $51.14B by March. This was due to the 2.13% increase in private sector loans denominated in local currency to $12.70B, over the same period. The improvement was partially offset by 0.05% downtick to $38.44B on the private sector loans denominated in foreign currency from the beginning of the year. In turn, the dollarization of private sector loans went from 75.56% to 75.16%. During the same period, claims on the public sector, constituting 22.01% of total assets, also augmented by 4.27% y-t-d to settle at $38.94B by the third month of the year. As a matter of fact, T-bills in local currency dipped by 0.79% to $20.77B while Eurobonds escalated by 10.84% y-t-d to $20.39B, by March. This might have been partly due to the $2.2B Eurobond issuance in February.

On the liabilities side, resident private sector deposits (64.79% weight of total liabilities) expanded by 0.46% since year start to $114.65B in Q1. This was on the back of a 1.96% y-t-d escalation of resident deposits in Lebanese Pounds to $46.56 while there was a decline of 0.54% in USD resident deposits to $68.09B by the third month of the year. In parallel by March, local currency deposits (resident and non-resident) improved by 2.07% y-t-d to $50.55B, while those denominated in foreign currency stayed relatively stable at $94.91B. Consequently the dollarization rate of resident and non-resident private sector deposits dipped from 65.71% in December 2014 to 65.25% as of End-March.

Lebanon's BoP Registered the Largest Q1 Deficit in a Decade at $850.2M

Balance of Payments in Q1



Source: BdL

With the ongoing presidential vacuum ever present, the economic growth had its toll on Lebanon's Balance of Payments (BoP) that recorded its largest deficit in 10 years of $850.2M in Q1, compared to a surplus of $301.4M, during the same period last year. This came despite a 23.12% year-on-year (y-o-y) surge in tourist numbers and the 25.91% fall in the trade deficit in Q1. The contraction could be attributed to the falling of Foreign Direct Investments (FDIs), especially in the real estate sector, from GCC economies following the slump in oil prices. Furthermore, there has been a reduction in US dollar value of remittances, illustrated by the average 17.39% annual Euro depreciation vs the Dollar by March, from European countries (knowing that these constitute around 17% of total remittances).

Up until March, Net Foreign Assets (NFA) of the Central Bank (BDL) grew by $1.35B y-o-y, while that of commercial banks dropped by $2.20B.

In March alone, Lebanon's BoP also recorded a deficit of $417M, compared to a lower deficit of $152.6M a month earlier, possibly on the back of a broadening trade deficit from $1.08B in February 2015 to $1.25B in March. NFAs of BDL increased by $524M while that of commercial banks declined by $942M, from the prior month.

IMF Says: "Policy Inertia Is Taking a Growing Toll on the Economy"

IMF Estimates for Lebanon

	2014	2015
Real GDP Growth	2.00%	2.50%
Nominal GDP ($B)	49.92	54.67
Inflation	1.85%	1.15%
Government revenue (% of GDP)	28.28%	28.77%
Government expenditure (% of GDP)	28.38%	28.77%
Gross Public Debt (% of GDP)	134.41%	131.82%

Source: IMF

In its concluding statement of the 2015 Article IV mission, the International Monetary Fund (IMF) stated that the indolent policy along with the continued presence of refugees weigh heavily on the Lebanese economy and affect the country's resilience.

The political deadlock, in addition to the vacant presidential position for almost a year now, is undermining confidence in the country. The IMF estimated growth in 2014 to be below its potential, at 2%, and projected a similar rate for 2015.

This is due to the economy's major drivers: tourism, construction and real estate, performing poorly during 2014, and are unlikely to recover in the short term. Moreover, inflation declined sharply in 2014 on the back of lower oil prices, however it should return to a trend rate of about 3% by end of 2015.

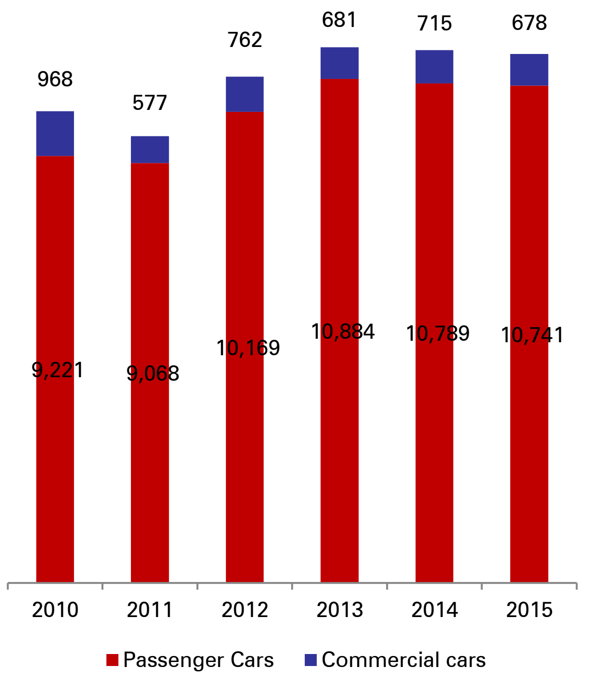
On the fiscal front, Lebanon recorded a primary surplus, in 2014, of about 2.5% of GDP, resulting from exceptionally high telecom revenues. Nevertheless, this balance is expected to deteriorate to 1.25% of GDP in 2015, with public debt standing at a high level of 132% of GDP.

After its findings, the IMF advised Lebanon to resolve the policy paralysis, based on increasing revenues and changing spending strategy. The proposed solution recommends a fair increase in taxation: introducing capital gains tax on real estate, increasing withholding tax on interest income and corporate income, increasing gasoline excises and removing VAT exemption on diesel. As for expenditures, more spending should be allocated to capital projects. Moreover, if the salary scale were implemented, it should be funded by credible revenue measures and without retroactive payments.

The IMF calls for implementing a wide range of structural reforms, like improving the electricity sector, labor market, public services, and data reliability.

Finally, passing a budget for 2015 would be a stepping stone in anchoring confidence in the Lebanese economy.

Breakdown of Passenger and Commercial Cars by April



Source: AIA

Number of Registered Cars Down Ticked 0.76% by April

According to the Association of Lebanese Car Importers, the number of newly registered commercial and passenger cars during the first 4 months of 2015 slipped by 0.76% year-on-year (y-o-y) to 11,418 cars despite the overlying factor that oil prices are on a bearish trend.

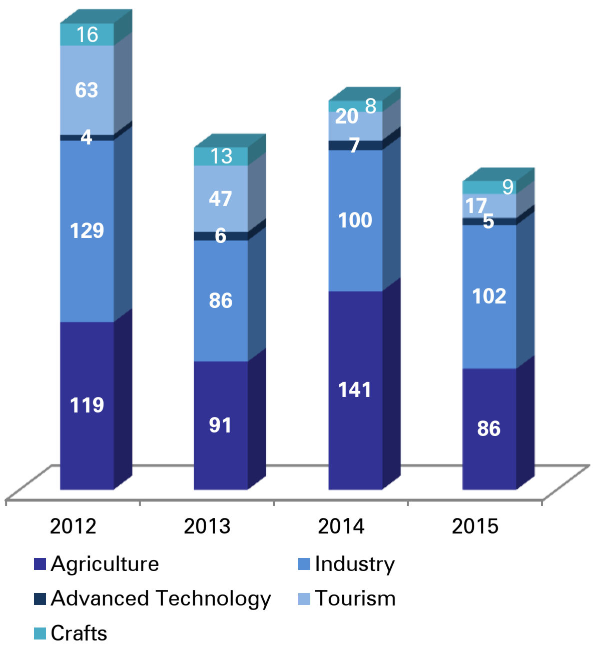
This was attributed to the 0.44% and 5.17% yearly declines in the number of newly registered passenger and commercial cars to 10,741 and 678, respectively. New commercial car registration might be falling due to hesitance of the commercial sector amid the presidential vacuum and political uncertainty in Lebanon.

Notably, there was a change in the market share of car importing-countries, due to the average 15% y-o-y depreciation of both the Japanese Yen and the Euro against the US dollar to Euro/Dollar 1.1198 and Dollar/Yen 119.38, respectively by End-April. For instance, Japanese cars were the most demanded cars in Lebanon in the first 4 months, with their share improving from 34.86% in 2014, to 39.82% in 2015. Meanwhile Korean cars lost their hold on the number one spot, going down from 40.88% to 33.09% in 2015. European cars maintained their third rank, however with a higher market share of 24.62%, compared 19.01% in 2014.

Looking at the car brand breakdown, Kia held the largest share of 19.45% of the total, followed by 17.38% for Toyota. Furthermore, Hyundai and Nissan respectively grasped shares of 15.37% and 10.64%.

In terms of sales per importer, Natco acquired the lion's share, with an 18.29%, followed by BUMC (17.31%), Century Motors (14.77%) and RymCo (10.76%).

Number of Guarantees by Sector up to April



Source: Kafalat

Kafalat Guarantees Shrank to $25.01M by April

The slowdown in economic activity had its toll on new projects guaranteed by Kafalat, as the number of guarantees given by Kafalat dropped in the first 4 months of 2015. Kafalat issued 180 guarantees worth $25.01M, compared to 276 guarantees worth $35.31M by April 2014. The average value per loan went up from $127,933 to $143,384.

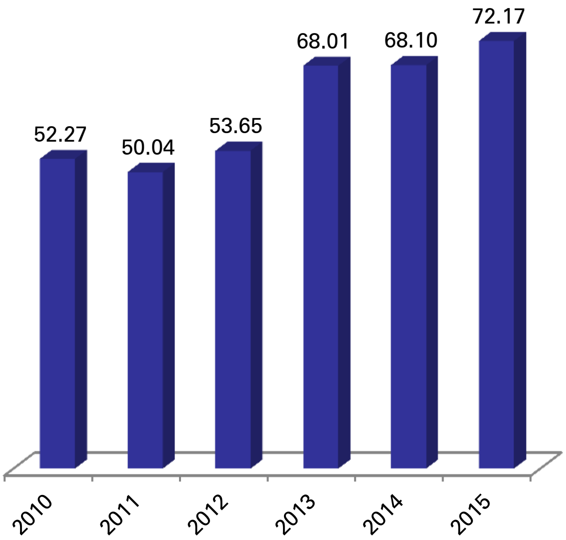
Although remaining in the top benefiting sectors from Kafalat, Agriculture (46.67%), Industry (36.67%), and Tourism (8.89%) saw their guarantees decrease from 141, 100 and 20 to 84, 66, and 16 guarantees, by April 2015.

As for the regional breakdown, Mount Lebanon kept grasping the majority of guarantees with a 43.33% share, followed by Bekaa (19.44%) the South (12.22%), and the North (12.22%). The number of guarantees in these regions decreased from 114, 58, 27, and 31 guarantees to 78 in Mount Lebanon, 35 in Bekaa and 22 guarantees in each of the South and the North.

In the month of April alone, Kafalat issued 39 guarantees worth $5.85M compared to 68 guarantees worth $8.51M in April 2014. Accordingly, average value per project grew from $125,177 to $150,017.

Exceptional Activity in the Port of Beirut in April

PoB Revenues by April ($M)



Source: PoB

Port of Beirut (PoB) experienced exceptional activity in the month of April as receipts surged by 10.50% year-on-year (y-o-y) to $21.47M (record high in a single month for the last 5 years). This might be due to the alleviating situation in the port regarding the fourth basin, the increase in international oil prices by 15% in April, in addition to problems associated with land transportation pushing up sea shipments on the expense of land.

The increase in revenues during April pushed up the total receipts of the port in the first four months of the year by 5.98% to $72.17M despite the poor performance of the first quarter. However the increase in the volume of activity during April was not enough to pull up the total performance of the first four months. Total container activity including transshipment (TEU+TS) declined by 8.62% y-o-y to 347,185 containers during Jan-Apr period. Container activity excluding transshipment downturned by 6.26% yearly to 225,812 twenty-foot equivalent unit (TEU) as well as TS movement falling by an annual 12.70% to 121,373 TEU, over the same period.

The total volume of merchandise (imported and exported) decreased by a yearly 13.66% to 2.45M tons. Imported cars declined by 0.81% to reach 31,133 cars. Furthermore, up until April 2015, the number of vessels that docked at the country's main port went down from 674 vessels in April 2014 to 564 vessels.

MSC and CMA CGM, the two major shipping companies operating in the port, experienced annual declines in transshipment activity of 17.18% and 15.51% to 62,633 TEU and 49,407 TEU, respectively.

Lebanon Ranked 94th Globally on the Travel and Tourism Competitiveness Index (TTCI)

Lebanon's Global Competitiveness Index Ranking 2013-2014

	Rank (out of 141)	Score (1-7)
Travel & Tourism Competitiveness Index (TTCI)	**94**	**3.35**
Enabling Environment	**93**	**4.24**
Business Environment	122	3.76
Safety and Security	130	3.81
Health and Hygiene	39	6.04
Human Resources and Labor Market	112	3.99
ICT Readiness	88	3.62
T&T Policy and Enabling Conditions	**88**	**3.96**
Prioritizations of Travel & Tourism	29	5.22
International Openness	97	2.5
Price Competitveness	59	4.84
Envirnomental Sustainablity	129	3.29
Infrastructure	**69**	**3.58**
Air Transport Infrastructure	80	2.46
Ground and Port Infrastructure	89	3.1
Tourist Service Infrastructure	33	5.18
Natural and Cultural Resources	**133**	**1.59**
Natural Resources	140	1.71
Cultural Rsources and Business Travel	84	1.47

Source: World Economic Forum

In its annual Travel and Tourism Competitiveness (TTC) 2013-2014 report, published under the theme "Growth through Shocks", the World Economic Forum ranked Lebanon 94th globally (Spain being 1st) out of 141 countries and 11th regionally. The estimated tourism accounted for 9.5% of World GDP in 2014 and provided 226 million direct and indirect jobs during the year.

The TTCI index is divided into four main categories; "Enabling Conditions", "Enabling Environment", "Travel & Tourism (T&T) Policy and Enabling Conditions" ,"Infrastructure" and the "T&T human, cultural, and natural resources". These sub-indices are further divided into 14 pillars which are in turn composed of numerous variables like property rights, price competitiveness, safety and security, health and hygiene, labor market and quality of the natural environment.

For instance, Lebanon ranked 93rd in "Enabling Environment" category. This is on the back of the country ranking a lowly 108 in Property Rights, in addition to "Safety and Security" being placed 130. However, Lebanon would have been ranked much lower if it weren't for its competitiveness in "Health and Hygiene", where it ranked 1st in "HIV Prevalence" and "Access to Improved Drinking Water". Meanwhile in "Qualification of the Labor Force", Lebanon ranked in the 97th position.

Lebanon retained the 88th place in the "T&T Policy and Enabling Conditions" category. It was good in terms of "Prioritization of T&T" and "Price Competitiveness", in which Lebanon respectively ranked 29th and 59th. Worth mentioning, that in "Prioritization of T&T", the country was placed first in a previous report published in 2013. On the contrary, Lebanon showed poor drive in regarding "Environmental Sustainability" ranking 129th out of 141 countries.

In "Infrastructure" category, Lebanon was placed 69th as it ranked in "Tourist Service and Infrastructure" at 33rd position and yet "Airport Infrastructure" pushed the ranking downwards, as it was placed in the 80th position.

Moreover, Lebanon ranked 133 in the "Natural and Cultural Resources" category. This was mainly due to the poor ranking to the country in the "Natural Resource" sub category at 140 out of 141 countries.

CORPORATE DEVELOPMENTS

BLC Announced Dividend Distribution

Dividends per Share

	Gross Dividend	Net Dividend
BLC Listed (after BdL Approval)	LBP 130	LBP 123.5
BLC Preferred "A"	$7	$6.65
BLC Preferred "B"	$7	$6.65
BLC Preferred "C"	$6.75	$6.41

Source: BSE News

After its Annual Ordinary General Assembly, held on the 12th of May 2015, BLC Bank declared dividend distribution as follows: $7/share for holders of preferred shares classes “A” and “B”, $6.75/shares for cls “C” holders, and LBP130/common share subject to the Approval of Banque du Liban (BdL).

After deducting the 5% distribution tax, dividends amount to $6.65/share for holders of preferred shares classes “A” and “B”, $6.41/preferred share class “C”, and LBP 123.5/listed share.

Worth noting that 13th of May would be the ex-dividend date, 15th of May the record date, and 16th of May dividend payment date for preferred shares classes “A”, “B” and “C”. Concerning BLC listed shares; dividend payment date would be 5 business days after the date of BdL Approval.

FOCUS IN BRIEF

2014 Fiscal Balance: Short-Term Improvement

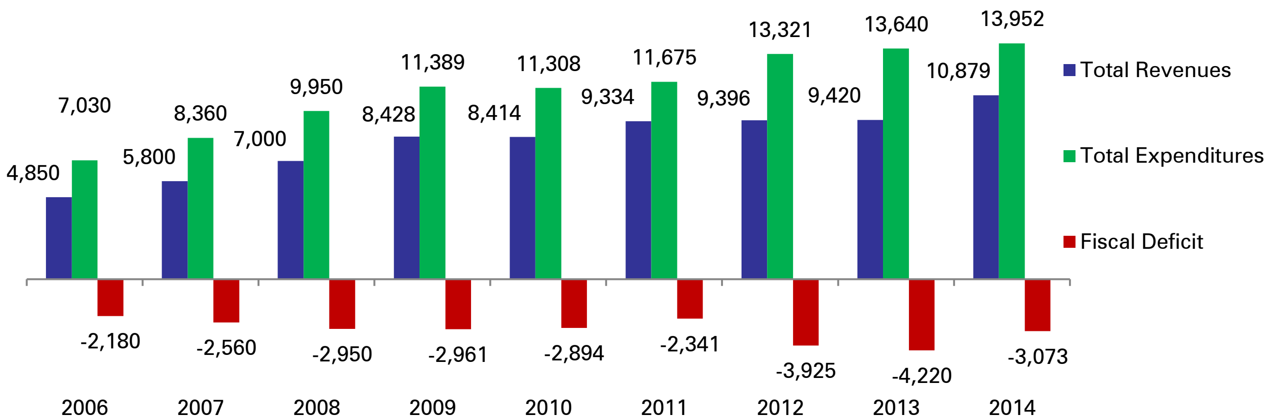
In June 2014, oil prices were slashed from a high of $112 to a low of $58 in December 2014. This bearish trend meant different things to the fiscal balances of oil importing countries and to those of oil exporting countries. For Saudi Arabia, the world's biggest oil exporter, the news meant the Kingdom might face its first fiscal deficit since 2011 while for Lebanon, the news raised hopes for a smaller fiscal deficit. According to Bank of America Merrill Lynch, "the fiscal deficit is likely to ease on lower oil prices but reform remains needed to decrease vulnerabilities".

The following lines depict the improvement witnessed in the Lebanese fiscal balance during the year 2014. However, this improvement might be short-lived as it stemmed from exceptional circumstances. In its latest concluding statement, the IMF noted that "Exceptional factors allowed for a welcome primary surplus in 2014, but without decisive action, fiscal deterioration will continue in 2015."

Overall Improvement in the Fiscal Balance

Lebanon's fiscal balance recorded a significant improvement in 2014. According to the Ministry of Finance, Lebanon's fiscal deficit narrowed by a yearly 27% to $3.07B in 2014. Total revenues grew by a yearly 15.48% to $10.88B and outpaced the 2% yearly growth in total expenditures to $13.95B. The primary balance, referring to the fiscal balance excluding debt service, recovered after two years of being in the red. Lebanon's primary balance stood at $1.31B in 2014 as compared to deficits of $239.68M in 2013 and $109.87M in 2012. The share of the fiscal deficit in the Gross Domestic Product (GDP) retracted from 9.3% in 2013 to 6.4% in 2014 and the share of the primary balance in GDP also recovered from a deficit of 0.53% in 2013 to a surplus of 2.73% in 2014.

Government Revenues, Expenditures and Fiscal Balance (In $M)



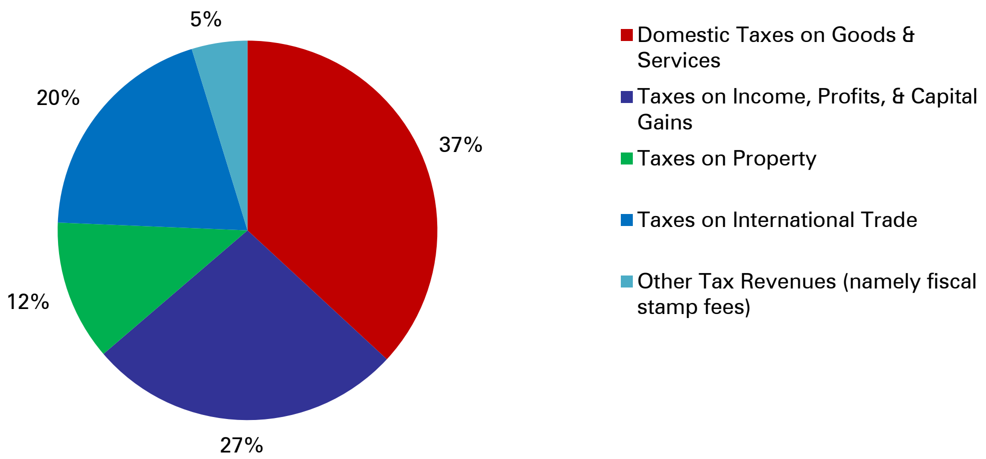
Source: Ministry of Finance

Revenues Registered Upturns across the Board

Both tax and non-tax revenues boosted total budget revenues in 2014. Budget revenues increased from $8.88B in 2013 to $9.78B in 2014, as tax revenues rose from $6.71B in 2013 to $6.89B in 2014 and as non-tax revenues increased from $2.17B in 2013 to $2.89B in 2014. Treasury receipts also grew from $541.30M in 2013 to $1.1B in 2014.

Tax Revenues: All on the Up at the Exception of Taxes on International Trade

Composition of Tax Revenues in 2014



Source: Ministry of Finance

The 2.69% growth in tax revenues to $6.89B in 2014 came on the back of upturns in:

- Taxes on domestic goods and services
- Taxes on income, profits and capital gains
- Taxes on property

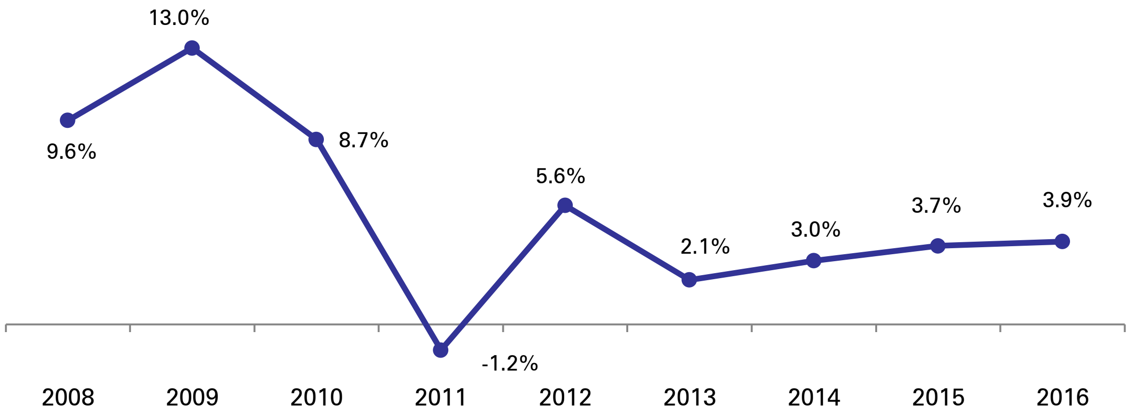
These upturns overshadowed the downturn in taxes on international trade.

Taxes on domestic goods and services

In 2014, the Value Added Tax (VAT) generated almost the same revenues as in 2013. The Value Added Tax (VAT) generated $2.19B in revenues in 2014 as compared to $2.18B in 2013. The fact that the VAT revenues remained almost steady can be explained by two things: first, the improved collection of VAT along with the adherence of new businesses to the VAT system; second, since the VAT is applied on both domestic and imported goods and since the value of collected customs' fees dropped in 2014, the small uptick in the VAT can be therefore linked to higher consumption of domestic goods.

However, the 2014 growth in VAT revenues pales in comparison with that of previous years, when the economy was expanding rapidly. The 0.2% upturn in VAT revenues is minor compared to double-digit growths of 11.8% in 2009 and 10.5% in 2010. The slowdown in growth, demand and consumption after 2010 lies behind the weaker evolution of VAT revenues. According to Business Monitor International, the real growth of private final consumption slumped from 8.7% in 2010 to -1.2% in 2011. After recovering from this low base, the real growth of private final consumption settled at a low floor reaching 3.0% in 2014.

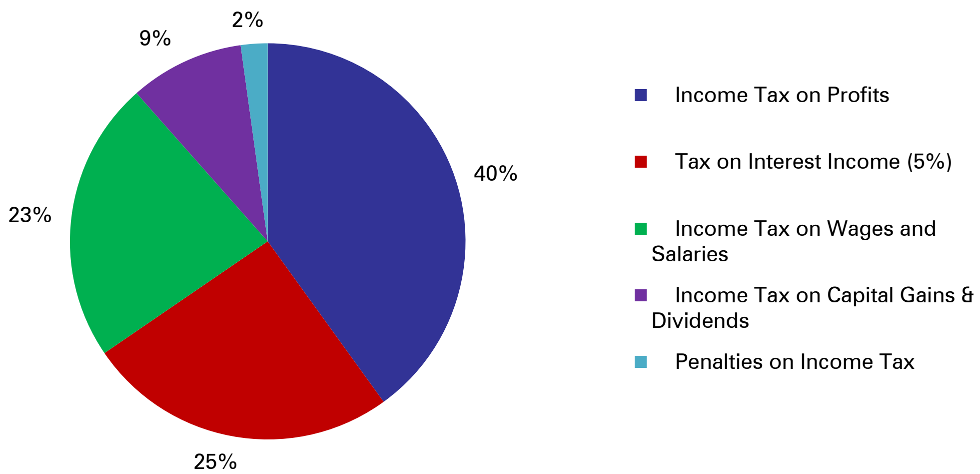
Real Year-on-Year Growth of Private Final Consumption



Source: Business Monitor International

Taxes on income, profits and capital gains

Composition of taxes on income, profits and capital gains



After falling in 2013, the income tax on profits recovered in 2014 due to the collection of some arrears (uncollected taxes from previous years) and to the administrative and compliance efforts led by the Ministry of Finance. The higher revenues generated by the income tax on profits came about due to these extraordinary collections which do not represent the current subdued economic backdrop.

Meanwhile, the 5% tax on interest income also generated higher revenues in 2014 as deposits in the Lebanese banking sector posted yet another robust growth of 6% in 2014 to $144.18B. Taxes on income, profits and capital gains also got a boost from increases in the income tax levied on wages and salaries, the income tax levied on capital gains and dividends and the penalties on the income tax. Taxes on property which include the built property tax and real estate registration fees also rose in 2014 because they concern projects that have started three to four years ago, when the real estate sector was still booming, and that are being delivered during 2014. Moreover, efforts in standardizing the valuation of properties and fighting corruption seem to be bearing fruit.

Taxes on international trade

However, taxes on international trade, which include customs, excise on tobacco and cars all registered decreases in 2014 since the overall value of imports declined by an annual 3.48% to $20.49B in 2014. In fact, the purchasing power of Lebanese consumers rose due to the appreciation of the US dollar against the euro and the low oil prices but it might also be that consumers continued to buy the same basket of imports with a lower price tag and directed their excess in purchasing power to domestic goods. The steering of excess purchasing power to domestic goods supports our above assessment of VAT receipts.

However, overall tax revenues have been subdued ever since economic growth started to slump back in 2011. Double-digit growth rates have gradually turned into either minor single-digit growth rates or into decreases. The few recoveries in growth posted by some category of tax revenues are merely a recovery from a low-base.

Annual Growth Rate of Tax Revenues

	2010	2011	2012	2013	2014
Tax Revenues	11%	-1%	3%	-1%	3%
Domestic Taxes on Goods & Services, of which:	10%	3%	2%	1%	1%
Value Added Tax	10.5%	3.3%	-0.7%	0.6%	0.2%
Taxes on Income, Profits and Capital Gains, of which	11%	18%	4%	-1%	12%
Income Tax on Profits	11%	28%	-3%	-3%	15%
Income Tax on Wages and Salaries	8%	20%	15%	12%	9%
Income Tax on Capital Gains and Dividends	19%	14%	22%	-22%	13%
Tax on Interest Income (5%)	13%	4%	-1%	2%	8%
Penalties on Income Tax	8%	80%	6%	16%	25%
Taxes on Property	34%	5%	4%	1%	4%
Taxes on International Trade	5%	-22%	3%	-4%	-5%

Non-Tax Revenues Boosted by One-Off Telecom Transfers

Non-tax revenues increased from $2.17B in 2013 to $2.89B in 2014. This improvement was due to upturns in the following revenues:

- Revenues from Casino du Liban
- Transfers from the Telecom Surplus
- Revenues from the Port of Beirut

The Telecom revenues are by far the largest government non-tax revenues. Telecom revenues amounted to $2.01B in 2014, up by a substantial 41% from 2013's $1.43B. The increase in telecom transfers in 2014 was the core element ensuring the recovery of the primary deficit and the resorbing of the overall fiscal deficit. This upturn is however short-lived as it came about due to exceptional one-off transactions: The Ministry of Telecom transferred $1.3B over the period January-August 2014 to the Ministry of Finance. The Ministry of Finance also cashed-in on accrued telecom revenues worth $0.4B for the period January-May 2014 on behalf of municipalities. Since these revenues have not been redistributed to municipalities, they contributed in boosting non-tax revenues.

Had it not been for the one-off telecom transfers, the fiscal deficit would have represented 7.6% of GDP rather than 6.4% and the primary surplus would have represented 1.52% of GDP as compared to the actual 2.73%.

Port of Beirut's transfers to the Treasury have increased in 2014. However, the increase is not due to higher Port revenues but rather to low transfers back in 2013, when large investment projects were carried out, as the Port's transfers to the Ministry of Finance represent what is left of the Port's revenues after accounting for its current and investment spending. Notably, government revenues from the Port of Beirut were the second largest constituent in the income from public institutions and government properties.

Total Expenditures Focused on Personnel Costs, Interest Payments and EDL Transfers

Total expenditures grew by a yearly 2.28% to reach $13.95B in 2014. Expenditures are mainly disbursed for Personnel Costs (salaries, wages, retirement and end of service indemnities) which represent 32% of total expenditures and which grew by a yearly 4% to reach $4.46B in 2014. Interest payments (on domestic and foreign debt) represent 30% of total expenditures while transfers to Electricité du Liban (EDL) constitute 15% of total expenditures.

Amongst these components, the largest yearly increase of 11% was registered in the value of interest payments which totaled $4.19B in 2014. This increase was mainly due to the 18% upturn in domestic interest payments to $2.61B and was due to a lesser extent to the 0.31% uptick in foreign interest payments to $1.58B. The value of domestic debt increased by an annual 9.7% to $40.96B in 2014 while foreign debt declined by an annual 2% to $25.61B. Interest payments on both domestic and foreign debt have increased more than the increase in the stock of debt while interest rates did not change. Therefore, the increase in interest payments may be due to the fact that banks are favoring long-term higher-yield debt instruments in the face of shrinking profit margins. Longer debt maturities are also serving the debt management strategy of the government that wants to lock interest rates for longer maturities before the expected increase in the Federal Reserve's rates and to reduce its refinancing risk in an unstable domestic political environment. The average maturity of Lebanon's Treasury-bills' portfolio was indeed extended from 1,048 days during July 2012 – June 2013 to 1,221 days in the period July 2013 – June 2014.

As for transfers to EDL, they increased in 2014 in spite of the slump in oil prices. The effect of lower oil prices has not been materialized in lower transfers to EDL since the transfers of 2014 correspond to a previous consumption period. An illustrative example: The January to August 2014 fuel oil bill is related to the consumption period August 2013 – April 2014, during which the slump in oil prices has not yet started. However, in the coming period, the effect of low oil prices is bound to be reflected in lower transfers to EDL.

The structure of the government's expenditures reveals the marginalization of capital expenditures. Current expenditures make up 96% of total expenditures while capital expenditures, excluding the foreign financed parts of the projects that are provided directly to the Council of Development and Reconstruction, make up only 4% of total expenditures. The importance of capital expenditures lies in the fact that they are destined for long-term investments aimed at boosting the country's infrastructure: Building roads, airports, water networks…etc. and hence increasing the potential gross domestic product of the economy.

However, with a large fiscal deficit and a substantial debt burden, the government may not have the necessary resources to boost capital spending. That is why Lebanon should resort to structures such as privatization, public-private partnerships (PPP) and Build-Operate-Transfer (BOT) where the private sector tends to the problem of lack of public funds by financing a given project in exchange for a stake in the future profits.

Overall, Lebanon's fiscal deficit tightened in 2014 but this was due to one-off transactions that boosted government revenues. If we were to seek a lasting improvement in the fiscal balance, reforms need to be implemented to steer government spending towards long-term productive investments that would boost economic growth which in turn will generate higher government revenues. However, implementing any kind of fiscal policy requires the political deadlock to be untangled. Due to political instability, the country has not been able to pass a budget for the past 10 years and problematic issues such as the passing of the new rent law (which experts believe may generate $1.2B in built property tax for the government), and the financing of the salary scale remain unresolved.

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