

SOVEREIGN CREDIT RATINGS AND THEIR EVOLUTION IN LEBANON

OVERVIEW OF CREDIT RATINGS AND DEBT OBLIGATIONS

- Credit ratings, in the wider sense, are ratings that are used to determine a debtor's ability to pay back its debt obligations (principal and interest) as well as its likelihood of default, by analyzing its capacity to re-service its debt. Behind all this, risk and the subsequent potential to make major losses, are the major motives behind the need to conduct risk assessments.
- Credit Rating Agencies (CRAs) are the entities responsible for assessing credit risk and assigning suitable ratings. They are part of a highly concentrated industry, with the "Big Three" CRAs— Moody's, S&P and Fitch Ratings — controlling approximately 95% of the business, of which the former two control 80%.
- Although the types of debtors and the debt instruments issued in the marketplace are wide ranging, this issue will only focus on Sovereign Debt issued by the Lebanese Government, otherwise known as Treasuries, and the evolution in their credit ratings. Although the "Big Three" are actively rating sovereign debt in Lebanon, this issue will prioritize the ratings of S&P and Moody's, since they make more regular assessments and hence, have greater data availability.

CREDIT RATINGS, THEIR SIGNIFICANCE AND KEY DETERMINANTS

- Table 1 shows a quick summary of the Credit Rating Categories for S&P and Moody's. Credit quality is rated through alphabetical scores, which are typically divided into investment and speculative grades.

TABLE1: Summary of Sovereign Ratings Categories for S&P and Moody's

Credit Quality		S&P		Moody's		
		Long Term	Short Term	Long Term	Short Term	
Investment Grade	Highest	AAA	A-1+	Aaa	P1	
	Very High	AA+		Aa1		
		AA		Aa2		
		AA-	Aa3			
	High	A+	A-1	A1		
		A		A2		
		A-		A3		
	Good	BBB+	A-2	Baa1		P1 OR P2
		BBB	A-3	Baa2		P2 OR P3
BBB-		Baa3		P3		
Speculative Grade	Speculative	BB+	B	Ba1	NOT PRIME	
		B		Ba2		
		BB-		Ba3		
	Highly Speculative	B+		B1		
		B		B2		
		B-		B3		
	Substantial Credit Risk	CCC+	C	Caa1		
		CCC		Caa2		
		CCC-		Caa3		
	Very High Level of Credit Risk	CC		Ca		
	Exceptionally High Levels of Credit Risk	C		C		
	Under Regulatory Supervision	R				
Selective/ Restricted Default	SD					
Default	D					

- Through their assignment of credit scores, CRAs play a significant influence on the allocation of funds and investment potential. Essentially, a credit rating has the following impact for issuers and hence, highlights the significance of maintaining sound credit ratings.

- Wider Access to Capital: A credit rating is a "credit passport" that provides access to both domestic and international pools of debt capital.

- Financing Flexibility: Research produced by rating agencies allows a wider market access and hence reduced funding costs, especially for higher rates issuers. It also allows rated issuers to enter the capital markets more frequently and more economically and to sell larger offerings at longer maturities.

- Market Stability: Research reports produced by CRAs help to maintain and stabilize investor confidence, especially during periods of market stress.

- Credit Ratings are usually assessed according to a wide range of variables, including economic, political and institutional, fiscal, monetary and external ones. Table 2 presents these variables according to S&P and Moody's Analysis.

TABLE2: Key Factors in Sovereign Credit Rating Analysis according to CRAs

	S&P	Moody's
Focus of Analysis	Analyzes sovereign performance over past economic and political cycles and looks at factors that suggest greater or lesser fiscal and monetary flexibility over the course of future economic cycles	Uses a multidisciplinary or "universal" approach to risk analysis, which aims to bring an understanding of all relevant risk factors and viewpoints to every rating analysis
Key Factors in Sovereign Credit Rating Analysis	Political Score Political and Security Risks, Institutional Effectiveness	Institutional Score Political Dynamics, Government Structure, Institutional & Public Policy Frameworks
	Economic Score Income and Economic Structure, Economic Performance, Growth Prospects	Economic Score Income and Economic Structure, Economic Performance
	Fiscal Score Fiscal Performance and Flexibility, Government Debt Burden	Fiscal Score Fiscal Performance, Government Debt Burden Profile
	Monetary Score Monetary Flexibility	Monetary, External Vulnerability and Liquidity Score Monetary Flexibility
	External Score External Liquidity and Debt Burden, International Investment Position	External Score External Liquidity and Debt Burden
	Default History	Default History

CREDIT RATINGS IN LEBANON

Building upon these key factors, a table depicting the evolution in the long and short term Sovereign Ratings on Foreign and Local Currencies in Lebanon since 2007 was compiled using data from S&P and Moody's. The factors resulting in an upgrade or downgrade in ratings were also noted.

In Lebanon, the sovereign rating on long term local and foreign currencies is essentially the same.

This is because the Lebanese Pound is pegged to the Dollar, which reduces exchange rate risk. Furthermore, Lebanon's sovereign debt ratings range between B and CCC+ for S&P and B1 to B3 for Moody's, that is, between the "speculative" range and being exposed to "substantial credit risk" in the former and the "Highly Speculative" range in the latter.

Table 3 and 4 show the evolution in the sovereign credit ratings by S&P and Moody's respectively, for both foreign and local currencies in both the long and short term.

TABLE3: S&P Sovereign Credit Ratings on Foreign and Local Currencies

		2007 H2	2008 H1 H2		2009 H2	2010 H2	2011 H1	2012 H1	2013 H2
Political and Institutional Factors	Difficulties: End of Presidential Term w/ no agreement on successor: Caretaker Government in Power	Downgrade due to political concerns: - No president yet elected.	Upgrade due to ease in political Tensions following Doha Agreement.		Upgrade reflects positive developments in political situation: - May elections provide stable outlook - New cross party consensus allowed PM to form a national unity Gvt	Positive outlook regarding political stability	Political instability as Hezbollah and Coalition allies withdraw from unity Gvt Caretaker Gvt is expected to struggle	Syrian Conflict spillover Rise in domestic tensions between pro and anti-Assad factions in Lebanon	Syrian Conflict spillover. Rise in Syrian Refugees
	Economic Factors (Economic, Fiscal, Monetary and External)	Political difficulties raise pressure on already risky public finances Affirmation in ratings however, reflects strong support of public finances by external regional/global powers	Concern that political situation may: - Delay needed structural reforms. - Shake confidence in financial sector & thus, bank ability to lend to Gvt. However, downgrade is cushioned by history of strong economic resilience & financial commitment from external powers		Political improvement - Reduction in risk of deposit withdrawal - Reduction in Gvt financing risk by banks	Upgrade reflects view that: - Public Finances and Banking system have proven resilient in the face of political turmoil and excellent resistance to Global Financial Crisis (GFC) over last 3 years.	Political stability: - Progress on structural reforms. But ratings constrained by: - High public debt burden - Large external imbalances - Risk in breakdown of Gvt consensus (following Special Int. Tribunal in early 2011)	Despite unstable security environment, affirmation ratings reflects Lebanon's political and macroeconomic resilience	Downgrade as Syrian crisis hit macroeconomic fundamentals: - Fall in public finances - Rise in debt:GDP - Fall in resources Ratings supported by confidence in banks which support: - Gvt needs for borrowing - Deposit inflows - Cash reserves
B	Positive				X	X	X	X	X
	Stable								
	Negative								
B-	Positive								
	Stable				X				X
	Negative	X							X
CCC+	Positive								
	Stable								
	Negative								
Short Term	B				X	X	X	X	X
	C	X	X	X	X	X	X	X	X

* Please note that the time series shown in the table is only taking into consideration the periods where Ratings Indices witnessed a change

TABLE3: Moody's Sovereign Credit Ratings on Foreign and Local Currencies

		2006	2008		2009		2010	2013
		H2	H1	H2	H1	H2	H1	H2
Political and Institutional Factors		Negative Outlook reflects ongoing deterioration in domestic political environment, which undermines Lebanon's ability to implement much needed economic reforms	Ongoing impasse over a replacement for the presidential vacancy and turbulent domestic political events	Signature of Doha Agreement in May has allowed country to gain momentum. Following 3 actions agreed: - Elect new president - Form Unity Government - Pass new electoral law		Upgrade in Outlook due to amelioration of the domestic political situation following the formation of a consensus government	Upgrade in Sovereign Ratings reflects amelioration of the domestic political situation following the formation of a consensus government in Nov 2009	Downgrade in Outlook reflects Impact of Syria's ongoing civil war on Lebanon, which is expected to lead to political instability at the domestic level
Economic Factors (Economic, Fiscal, Monetary and External)		Moody's has confidence in Lebanon since it believes: - GoL is willing to service massive debt burden - Lebanese Banking system is attractive to Depositors - GoL will continue to receive external financial support	Upgrade in Outlook due to resilience of Lebanon's public finances, despite political instability and Global Financial Crisis (GFC). In fact: - Improvement in GoL's repayment abilities - Strong financial commitment from external donors - Large stocks of Foreign Exchange and Gold - Massive Inflows of deposits despite GFC	Upgrade in Ratings due to: - Continued resilience of public finances to shocks. - Continued Attractiveness of Banking Sector by depositors, especially during GFC - Improvement in Lebanon's political and economic environment since the Doha Agreement	Upgrade in Ratings reflects: - Improvement in external liquidity - Resilience of public finances to shocks - Willingness and ability of resilient banking system to finance fiscal deficits - History of financial support from committed external donors	Upgrade in Outlook prompted by: - Continued Improvement in External Liquidity - Strengthened ability of the country's resilient banking system to finance fiscal deficits	Upgrade in Outlook reflects: - Continued Improvement in External Liquidity - Strengthened ability of the country's resilient banking system to finance fiscal deficits	Affirmation of B1 Rating, supported by: - Abundant foreign exchange liquidity in the Lebanese Banking system - Proven resilience of domestic banks, which continue to finance the government deficit - A sound creditor base However, the Syrian crisis in 2014 is expected to: - Suppress economic growth - Increase fiscal deficits - Increase the GoL's already high debt burden
	B1						X	X
	B2				X	X		
	B3	X	X	X	X			
Short Term	Not Prime	X	X	X	X	X	X	X

*Please note that the time series shown in the table is only taking into consideration the periods where Ratings Indices witnessed a change

In each case, the change in ratings is highly influenced by political and economic factors. In fact, several trends are observed:

- The domestic and regional political and security situations are a major determinant of ratings
- The concern that government's inability to finance its fiscal deficit and hence, service the debt burden, and the opposing belief that the government can reach out to the resilient banking sector who is always willing to finance the fiscal deficits, creates a leveling out in the rating scores.

- The large stock of foreign exchange and gold reserves being held by the Central Bank as well as the strong commitment from external donors in times of stress provide a protective cushion to ratings, as they are prevented from further down-grades

Given the importance of credit ratings on investor confidence and access to capital, Lebanon is in a vulnerable position should the variables affecting it in negative matter continue to deteriorate. In retrospect, maintaining a sound banking system and a large stock of foreign reserves and gold should continue to keep ratings in check.

MONTHLY ECONOMIC TRENDS:

• ECONOMIC FORECASTS

The **Coincident Indicator** — a compound index of a number of economic indicators published by BDL that estimates economic performance—saw a recovery in its figures in November 2013, by recording a YTD increase of 6.2% in the first eleven months of 2013 relative to the 1.8% fall attained in the first eleven months of 2012.

• REAL ESTATE

Real Estate figures showed a decline in 2013. The **Value of Real Estate Sales** fell by 5.1% in 2013 relative to the same 2012 while the **Number of Sale Transactions by foreigners and locals** fell by 7.7% and 7.2% respectively. This was mainly due to the uncertainty arising from the regional turmoil that has left a negative impact on investor and consumer sentiments at large.

• TOURISM

- For the third year running, **Number of Tourists** witnessed a fall in their figures from the peak attained in 2010. The number of tourists fell from 2,167,989 in 2010 down to 1,655,051, 1,365,845 and 1,274,362 in the same period in 2011, 2012 and 2013 respectively. Similarly, **Hotel Occupancy Rates** reached a low of 51% by November. This downturn continues to be the result of the local and regional situation deterring Arab tourists from visiting the country.

- The **Number of Arab tourists** also declined over this period, falling 55.1% from 894,724 in 2010 to 402,080 in 2013. As such, they now represent 31.6% of total tourists versus 41.3% in the same period of their peak year. Europeans on the hand, continued to hold the top spot, as they captured 34.1% share of tourists in 2013 relative to 25.3% in 2010.

- In addition, **Tourism Spending** fell 9% in 2013 relative to the previous year according to Global Refund. This compares to the year on year 6% drop attained in 2012.

• TRADE

- **Value of Imports** saw a 0.2% drop by the end of 2013 relative to 2012, to reach USD 21,230 Million while **Volume of Imports** rose by 1.6%. Removing the effects of oil imports however leads to a steeper rise in both the value and volume of imports, the former climbing by 5.5% while the latter rises by 14.0%.

- **Value of Exports** however saw a 9.4% decline in figures by the end of 2013, reaching USD 4,060 Million relative to the USD 4,483 Million attained a year earlier. This was mainly due to the sharp decline in jewelry exports, which fell 55.4% in 2013 relative to the same period in 2012, to make up only 17% of total exports compared to the 38% report-ed last year. The **Volume of Exports** however rose by 6.5%. This is mainly attributed to the 288% rise in the volume of mineral fuel oils, which now make up 12% of total exports compared to the 3% reported last year, as demand of oil products from Syria skyrocketed since the start of the conflict. In fact, value of exports to Syria rose 78% in 2013 relative to the previous year.

- As such, the **Value of the Trade Deficit** in 2013 showed a rise of 2.2% when oil products are included in the equation. Removing oil products however leads to a year on year surge in the trade deficit in 2013 so that it rises by 11.6% relative to 2012.

- The **Balance of Payments** even saw a net improvement in 2013, as its deficit fell to USD 1,130 Million from the USD 1,537 Million attained in the same period in 2012. This improvement came about despite the 2.2% rise in the trade deficit, as the 4.8% rise in **Capital Inflows** made up for the decline over the said period.

• BANKING

- **Private Sector Deposits** continued to grow in the first eleven months of 2013. Year to Date growth in 2013 specifically witnessed a slight improvement when compared to the YTD growth attained in 2012, given that the former reached 6.5% compared to 6.4% in the latter. Nevertheless, private sector deposits surpassed USD 133 Billion, accounting for 83% of total commercial bank assets by November 2013.

- **Foreign Assets** fell by 4.4% in the first eleven months of 2013 relative to the 1.1% rise observed in the same period a year earlier. The reduction was mainly the result of the continued plunge in the value of **Gold Reserves**, which fell 24.9% in the first eleven months of 2013 relative to the 10.7% rise witnessed in the same period in 2012.

Disclaimer:

The most recent month is highlighted for each of the following indicators:

- Coincidence Indicator: November 2013
- Real Estate: December 2013
- Tourism: December 2013
- Trade Statistics: December 2013
- Banking Sector Deposits: November 2013
- Foreign Assets: November 2013
- Gold Reserves: November 2013

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KEY ECONOMIC INDICATORS

JANUARY 2014 ISSUE

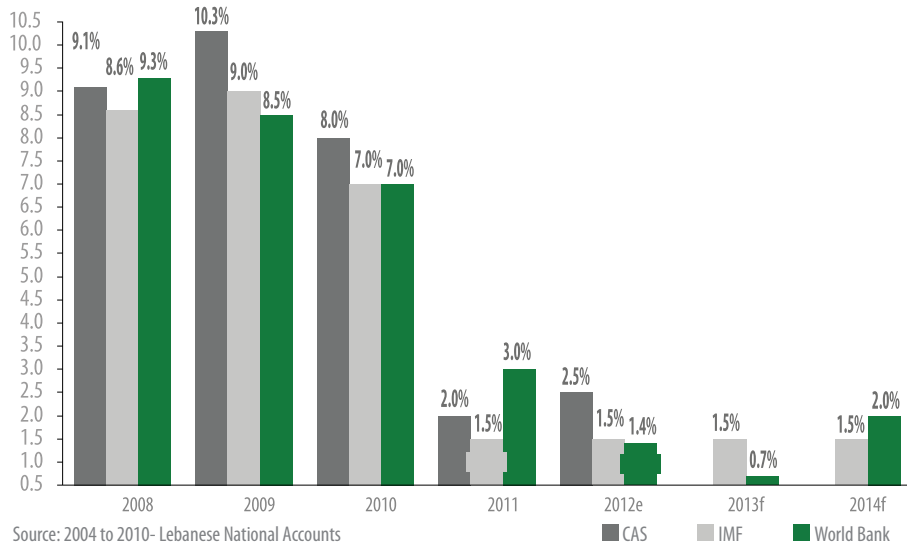
GENERAL INDICES	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
Nominal GDP (Billions USD)										
CAS	1	Jan-Dec	-	42.9		40.1	7.0%	38.0	35.1	28.8
IMF	2	Jan-Dec	43.5	41.3		39.0	5.9%	37.1	34.7	29.7
World Bank	3	Jan-Dec	-	42.9		40.1	7.0%	37.1	34.7	30.1
Real Economic Growth Rate (%)										
CAS	1	Jan-Dec	-	2.5%		2.0%		8.0%	10.3%	9.1%
IMF	2	Jan-Dec	1.5%	1.5%		1.5%		7.0%	9.0%	8.6%
World Bank	3	Jan-Dec	0.7%	1.4%		3.0%		7.0%	8.5%	9.3%
Coincidence Indicator (1993 =100)	4	Nov	278.8	260.8	6.9%	260.60	0.1%	266.7	242.7	209.8
<i>Growth in Coincident Indicator (%)</i>	4	YTD Nov	6.2%	-1.8%		2.0%		10.9%	15.8%	11.8%
Inflation Rate (%)	1	Jan-Dec	130.9	129.5	1.1%	117.6	10.1%	114.1	109.10	105.5
Electricity Production (Millions Kwh)	4	Jan-Nov	11,004	10,016	9.9%	11,481	-12.8%	11,460	10,919	10,213
Number of New Car Registrations	5	Jan-Dec	36,109	35,477	1.8%	32,455	9.3%	33,403	32,177	33,428
Number of Industrial Licenses	6	Jan-Dec	415	339	22.4%	375	-9.6%	-	-	-
LABOR										
Number of Renewed Work Permits given to Foreign Workers	7	Jan-Dec	-	137,034		123,975	10.5%	114,810	-	-
Number of 1st Time Work Permits given to Foreign Workers	7	Jan-Dec	-	53,985		60,981	-11.5%	45,005	-	-
CONSTRUCTION AND REAL ESTATE										
Cement Deliveries (000s Tons)	4	Jan-Nov	5,545	4,942	12.2%	5,104	-3.2%	4,827	4,578	3,930
Construction Permits area (000s of Sq m)	8	Jan-Dec	12,925	14,678	-11.9%	16,465	-10.9%	17,625	14,343	16,067
Total Number of New Permits	8	Jan-Dec	16,743	18,194	-8.0%	18,347	-0.8%	17,922	15,438	13,727
Total Value of Real Estate Sales (Millions of USD)	9	Jan-Dec	8,708	9,176	-5.1%	8,841	3.8%	9,479	6,955	6,481
Total Number of Property Sales, of which:	9	Jan-Dec	69,198	74,569	-7.2%	82,984	-10.1%	94,202	83,622	81,709
<i>Sales to Locals</i>	9	Jan-Dec	67,920	73,184	-7.2%	81,454	-10.2%	92,282	81,314	79,763
<i>Sales to Foreigners</i>	9	Jan-Dec	1,278	1,385	-7.7%	1,530	-9.5%	1,920	2,308	1,946

[1] Lebanese Central Administration of Statistics (CAS) [2] IMF Regional Economic Outlook Report, November 2013, [3] World Bank [4] Banque du Liban, [5] Association of Car Importers in Lebanon, [6] Ministry of industry, [7] Ministry of Labor [8] Order of Architects in Beirut and Tripoli, [9] Real Estate Directorate

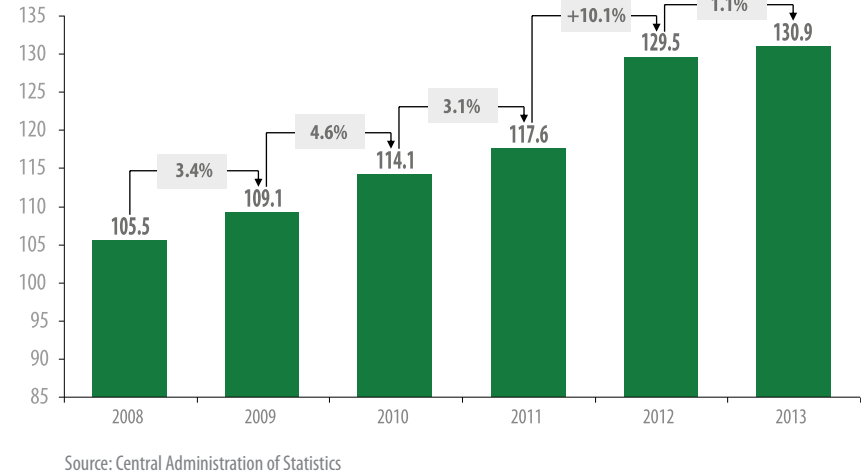
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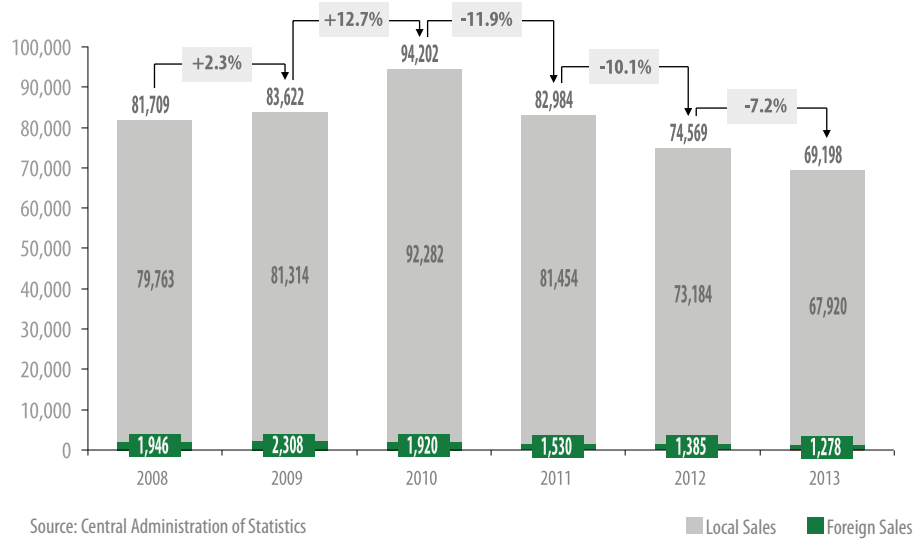
GDP GROWTH (IN PERCENTAGE; 2008-2013F)



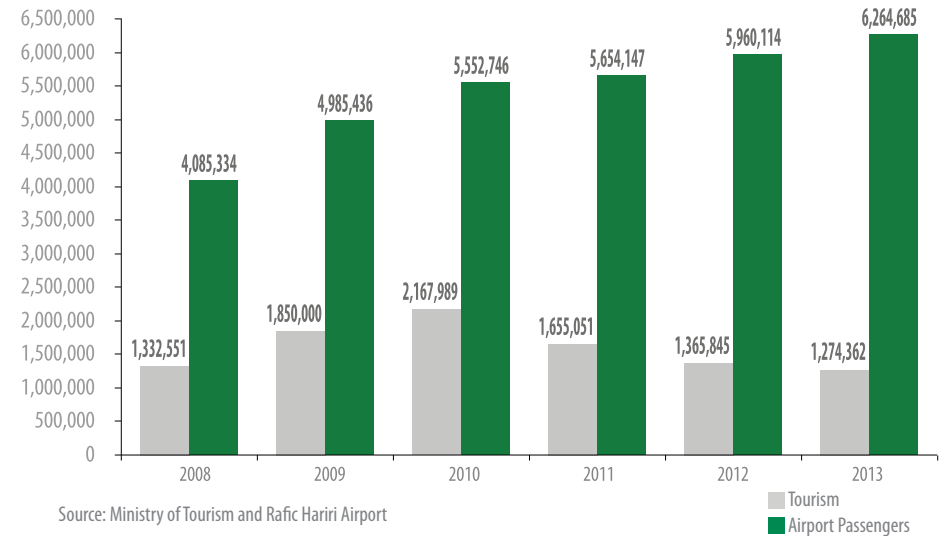
EVOLUTION IN CONSUMER PRICE INDEX (DEC 2007=100)



EVOLUTION OF THE NUMBER OF PROPERTY SALES (IN NUMBER OF SALES; 2008-2013)



EVOLUTION IN THE NUMBER OF TOURISTS AND AIRPORT PASSENGERS (2008-2013)



KEY ECONOMIC INDICATORS

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TRADE	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
Exports Value (Millions of USD), of which:	10	Jan-Dec	4,060	4,483	-9.4%	4,265	5.1%	4,253	3,486	3,480
Exports Volume (Millions of Tons)	10	Jan-Dec	2.77	2.60	6.5%	2.72	-4.4%	3.11	2.96	3.52
Imports Value (Millions of USD), of which:	10	Jan-Dec	(21,230)	(21,280)	-0.2%	(20,158)	5.6%	(17,963)	(16,241)	(16,137)
<i>Mineral Fuels and Oils</i>	10	Jan-Dec	5,000	5,892	-15.2%	4,469	31.8%	3,673	3,232	4,077
<i>Imports Value, excl Oil Products</i>	10	Jan-Dec	(16,230)	(15,388)	5.5%	(15,689)	-1.9%	(14,290)	(13,009)	(12,060)
Imports Volume (Millions of Tons), of which:	10	Jan-Dec	15.87	15.62	1.6%	15.05	3.8%	15.00	14.63	12.51
<i>Mineral Fuels and Oils</i>	10	Jan-Dec	5.56	6.58	-15.5%	5.55	18.6%	5.96	6.48	5.23
<i>Imports Value, excl Oil Products</i>	10	Jan-Dec	10.31	9.04	14.0%	9.50	-4.8%	9.04	8.15	7.28
Trade Deficit (Millions of USD)	10	Jan-Dec	(17,170)	(16,797)	2.2%	(15,893)	5.7%	(13,710)	(12,755)	(12,657)
Trade Deficit, excl Oil Products	10	Jan-Dec	(12,170)	(10,905)	11.6%	(11,424)	-4.5%	(10,037)	(9,523)	(8,580)
Industrial Exports (excluding Gold Ingots)	6	Jan-Nov	2,862	2,688	6.5%	3,044	-11.7%	2,920	2,295	-
Industrial Machinery	6	Jan-Nov	280	263	6.6%	228	15.2%	209	182	172
Capital Inflows (Millions of USD), of which:		Jan-Dec	15,990	15,260	4.8%	13,897	9.8%	17,035	20,654	16,118
Balance of Payments (Millions of USD)	4	Jan-Dec	(1,130)	(1,537)	-26.5%	(1,996)	-23.0%	3,325	7,899	3,461
Value of Transit Goods (Millions of USD)	10	Jan-Dec	459.5	344.3	33.5%	408.1	-15.6%	387.8	428.8	339.3
Port Activity (000s Tons of Goods)	11	Jan-Dec	8,269	7,333	12.8%	6,677	9.8%	6,470	6,324	5,746
Port Revenues (Millions of USD)	11	Jan-Dec	219.1	174.7	25.4%	158.8	10.0%	166.8	165.3	132.5
Total TEU (Twenty Foot Equivalent Unit) of which:	11	Jan-Dec	1,117,334	1,041,756	7.3%	1,034,249	0.7%	948,350	994,601	945,112
<i>TEU to Local Market</i>	11	Jan-Dec	758,058	634,969	19.4%	585,220	8.5%	599,433	591,190	527,209
<i>Transshipment</i>	11	Jan-Dec	359,276	406,787	-11.7%	449,029	-9.4%	348,917	403,411	417,903
TOURISM										
Number of Tourists	12	Jan-Dec	1,274,362	1,365,845	-6.7%	1,655,051	-17.5%	2,167,989	1,850,000	1,332,551
Hotel Occupancy Rates	13	Jan-Nov	51%	55%	-7.3%	58%	-4.4%	69%	73%	53%
Evolution in Tourism Spending	14	Jan-Dec			-9%		-6%			
Number of Airport Passengers (in Millions)	15	Jan-Dec	6.26	5.96	5.1%	5.65	5.4%	5.55	4.99	4.09

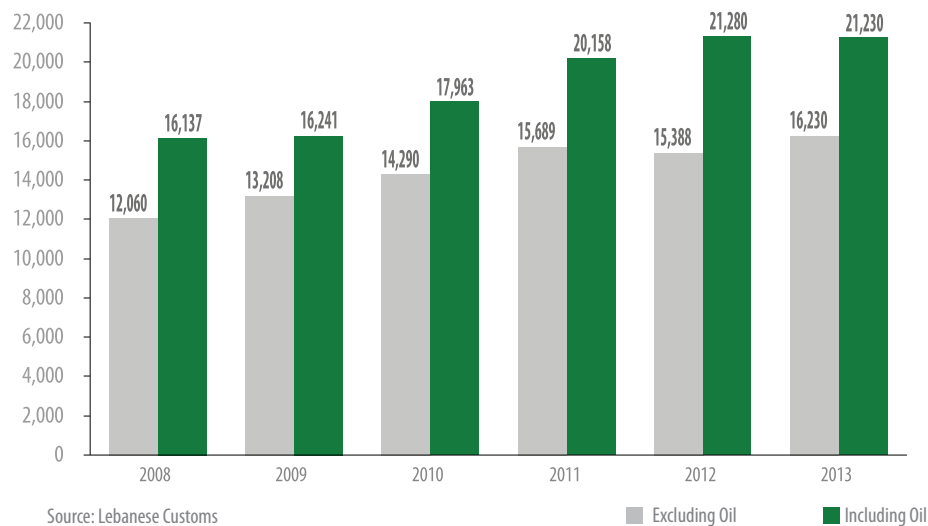
[10] Lebanese Customs at Ministry of Finance, [6] Ministry of Industry, [4] Banque du Liban, [11] Port of Beirut

[12] Ministry of Tourism, [13] Ernst and Young Hotel Benchmark Survey Report November 2013, [14] Global Blue [15] Rafic Hariri Airport

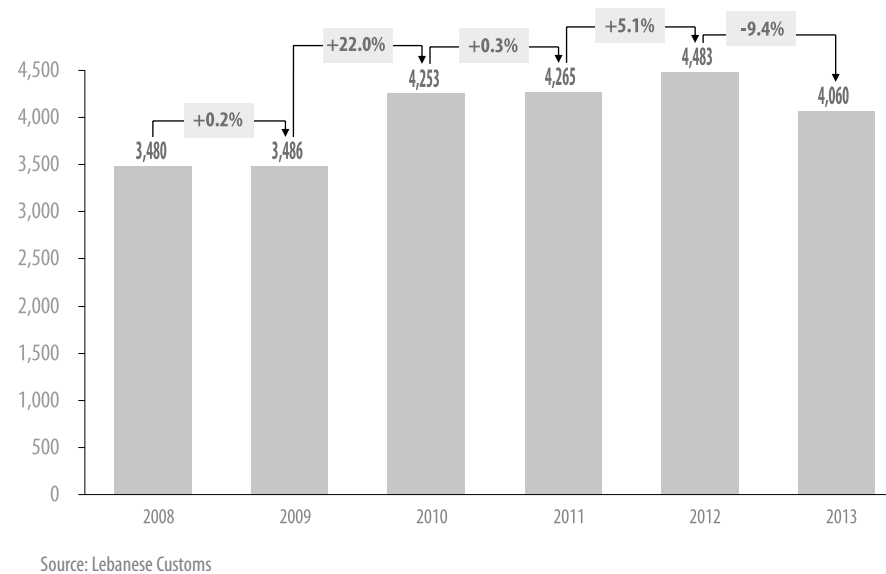
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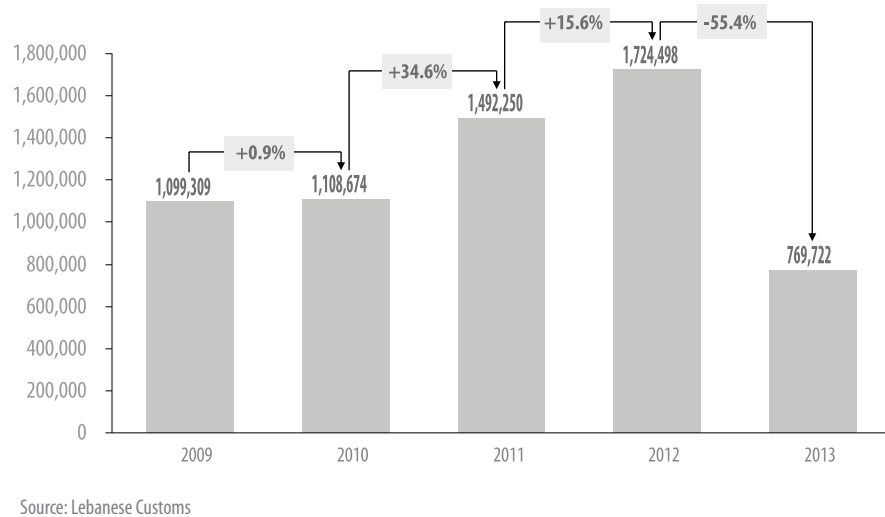
EVOLUTION OF IMPORTS (IN MILLIONS OF USD; 2008 TO 2013)



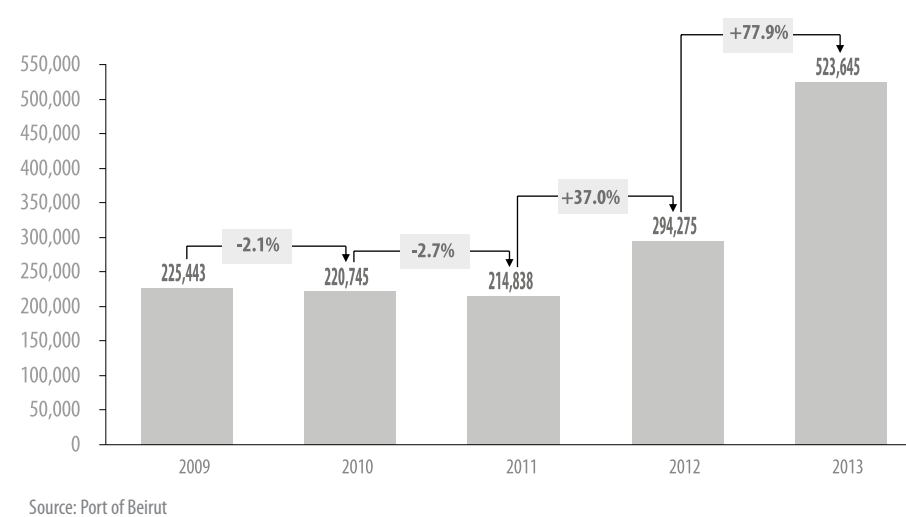
EVOLUTION OF EXPORTS (IN MILLIONS OF USD; 2008 TO 2013)



EVOLUTION OF JEWELRY EXPORTS (IN MILLIONS OF USD; 2008 TO 2013)



EVOLUTION OF EXPORTS TO SYRIA (IN MILLIONS OF USD; 2008 TO 2013)



KEY ECONOMIC INDICATORS

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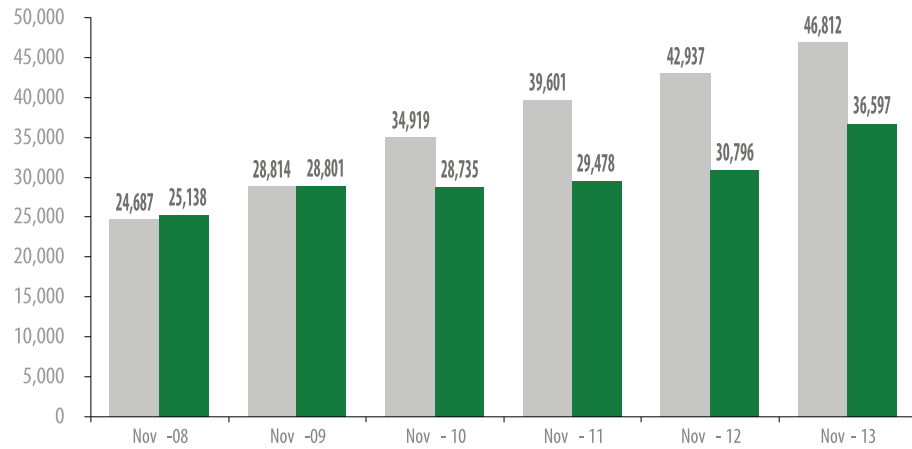
BANKING	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
Commercial Banks Indicators:										
Commercial Banking Assets (Millions USD)	4	Nov	161,916	150,382	7.7%	139,433	7.9%	127,572	113,570	91,758
<i>Growth in Commercial Banking Assets (%)</i>	4	YTD Nov	6.6%	7.0%		8.2%		10.7%	20.5%	11.6%
Private Sector Deposits (Millions USD)	4	Nov	133,151	123,124	8.1%	114,145	7.9%	105,015	94,063	75,598
<i>Growth in Private Sector Deposits (%)</i>	4	YTD Nov	6.5%	6.4%		6.5%		9.7%	20.9%	12.4%
Loans to the Private Sector (Millions of USD)	4	Nov	46,812	42,937	9.0%	39,601	8.4%	34,919	28,814	24,687
<i>Growth in Loans to the P.S (%)</i>	4	YTD Nov	7.7%	7.4%		13.4%		23.1%	15.1%	20.9%
BdL Indicators:										
Foreign Assets (Millions of USD), of which:	4	Nov	43,287	45,724	-5.3%	46,650	-2.0%	40,408	35,599	23,917
<i>Growth in Foreign Assets (%)</i>	4	YTD Nov	-4.4%	1.1%		12.1%		13.1%	41.9%	37.3%
Foreign Currency Reserves	4	Nov	31,784	29,786	6.7%	30,815	-3.3%	27,738	24,811	16,418
<i>Growth in Foreign Currency Reserves (%)</i>	4	YTD Nov	6.0%	-3.3%		7.8%		8.1%	45.4%	67.9%
Gold Reserves	4	Nov	11,503	15,937	-27.8%	15,835	0.6%	12,670	10,788	7,500
<i>Growth in Gold Reserves(%)</i>	4	YTD Nov	-24.9%	10.7%		21.7%		25.9%	34.3%	-1.8%
Lebanese Pound Deposit Rate (%)	4	Nov	5.47	5.38	1.7%	5.59	-3.8%	5.68	6.81	7.27
Lebanese Pound Lending Rate (%)	4	Nov	7.01	7.11	-1.4%	7.31	-2.7%	7.98	9.13	10.08
USD Deposit Rate (%)	4	Nov	2.97	2.85	4.2%	2.84	0.4%	2.80	3.07	3.47
USD Lending Rate (%)	4	Nov	6.88	7.09	-3.0%	6.99	1.4%	6.96	7.25	7.54
3-Month TB Yield (%)	4	Nov	4.44	4.43	0.2%	3.93	12.7%	3.93	4.64	5.18
6 Month TB Yield (%)	4	Nov	4.99	4.99	0.0%	4.50	10.9%	4.52	5.82	7.16
12 Month TB Yield (%)	4	Nov	5.35	5.35	0.0%	4.81	11.2%	4.81	5.99	7.66
36-Month TB Coupon (%)	4	Nov	6.61	6.61	0.0%	6.03	9.6%	6.03	7.35	9.24

[4] Banque du Liban

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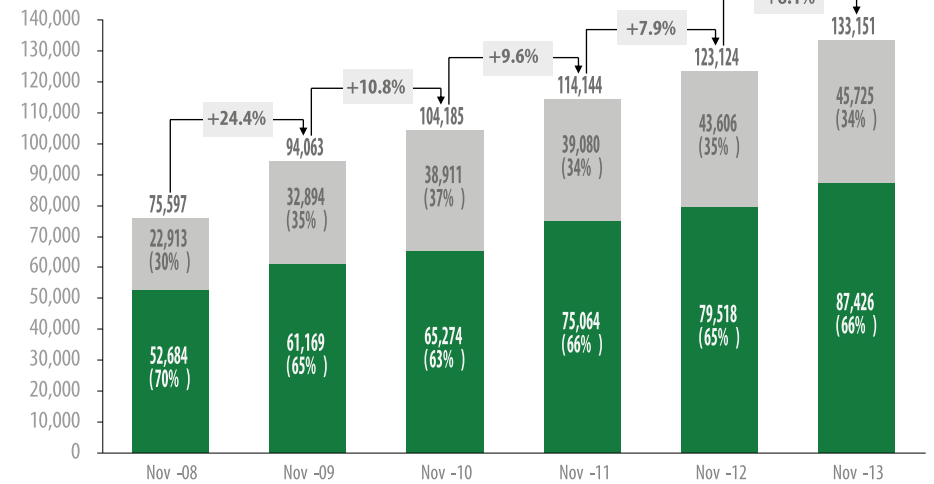
TOTAL LOANS TO THE PRIVATE (RESIDENT AND NON RESIDENT) AND PUBLIC SECTOR (MILLIONS OF USD; 2008-2013)



Source: Banque du Liban

■ Total Loans to the Private Sector
■ Total Loans to the Public Sector

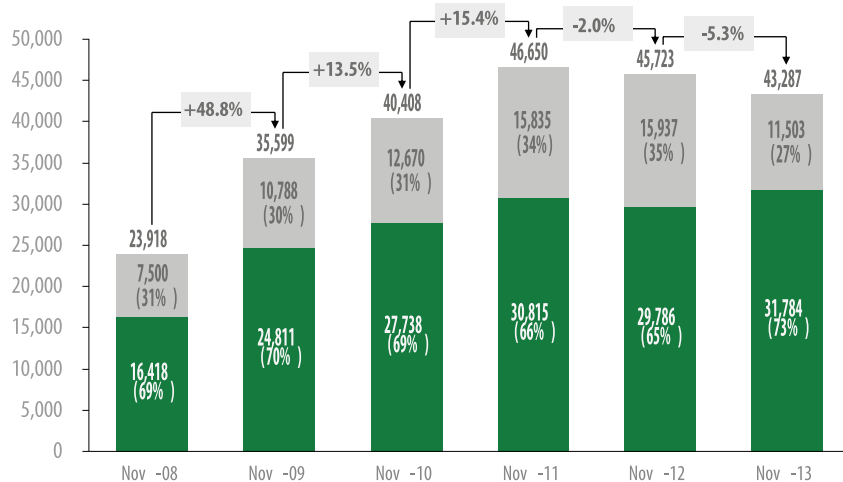
VALUE OF BANK DEPOSITS (LEBANESE AND FOREIGN CURRENCY) (IN MILLIONS USD; 2008-2013)



Note: Bank Deposits defined as Resident Private Sector Deposits (excluding Public Sector)
Source: Banque du Liban

■ Lebanese Deposits
■ Foreign Currency Deposits

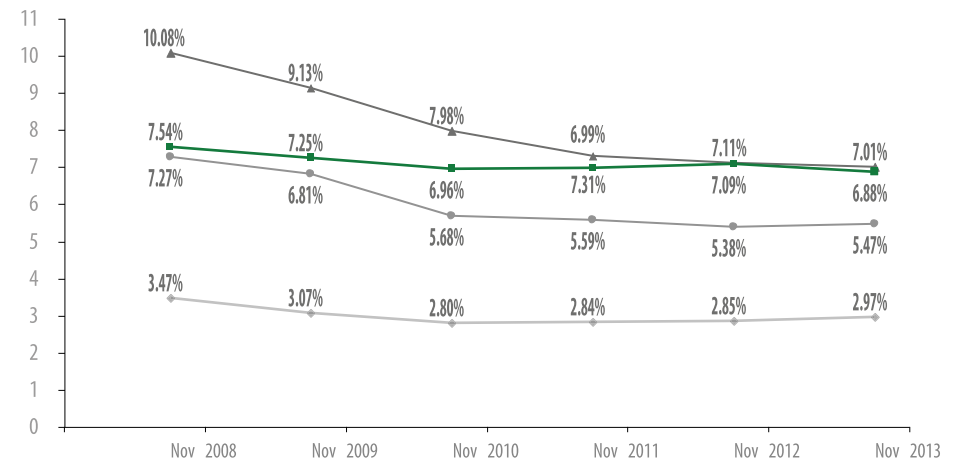
VALUE OF FOREIGN ASSETS HELD BY BDL (IN MILLIONS USD; 2008-2013)



Source: Banque du Liban

■ Gold
■ Foreign Currency

LBP AND USD DEPOSIT AND LOAN RATES (IN PERCENTAGE; 2008-2013)



Source: Banque du Liban

■ LBP Deposit ■ USD Deposit
■ LBP Loan ■ USD Loan



KEY ECONOMIC INDICATORS

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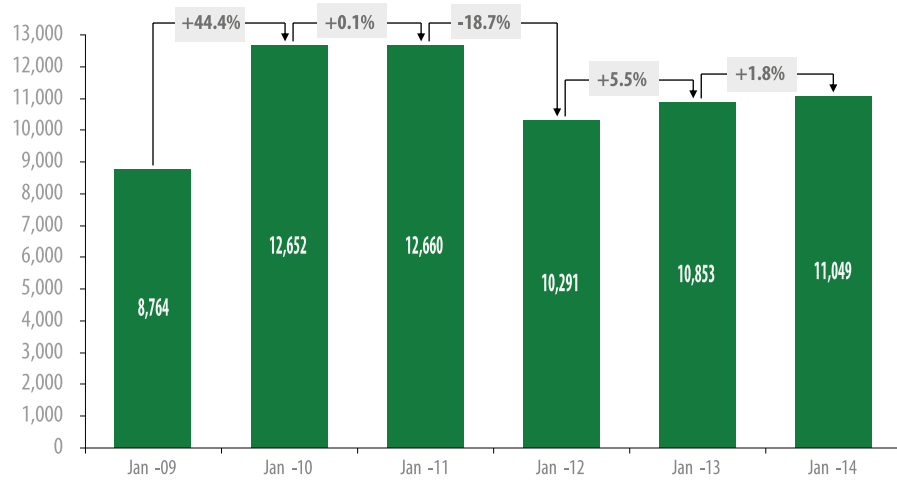
FINANCE	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
M3 Money Supply (Million USD)	4	Nov	109,338	102,894	6.3%	96,323	6.8%	90,998	81,039	67,078
<i>Growth in M3 Money (%)</i>	4	YTD Nov	5.1%	5.8%		4.5%		10.9%	18.0%	12.1%
Value of Kafalat Loans (Millions USD)	17	Jan-Dec	118.2	138.0	-14.3%	165.0	-16.4%	169.4	139.6	126.2
Number of Kafalat Loans	17	Jan-Dec	871	1,025	-15.0%	1,272	-19.4%	1,404	1,050	908
Value of Cleared Checks (Millions of USD)	4	Jan-Nov	66,064	64,996	1.6%	65,250	-0.4%	62,415	51,730	48,482
Number of Cleared Checks (in Millions)	4	Jan-Nov	12.12	11.97	1.3%	11.89	0.7%	12.25	11.08	10.52
FINANCE	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
Market Capitalization (Millions USD)	16	Jan	11,049	10,853	1.8%	10,291	5.5%	12,660	12,652	8,764
Value of Traded Shares (Millions of USD)	16	Jan	33.3	15.4	117.0%	30.1	-49.0%	47.6	961.7	40.9
Volume of Traded Shares (Millions of Shares)	16	Jan	3.3	3.0	10.9%	4.7	-36.7%	5.3	104.5	2.6
EXCHANGE RATE MARKETS	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
YoY USD-LBP Exchange Rate	18	Jan Close	1,502.5	1,502	0.0%	1,502	0.0%	1,507.5	1,501.0	1507.5
YoY EURO-USD Exchange Rate	19	Jan Close	1.3486	1.3567	-0.6%	1.3144	3.2%	1.3694	1.3971	na
YoY GBP-USD Exchange Rate	19	Jan Close	1.6439	1.5801	4.0%	1.571	0.6%	1.6014	1.6137	na
YoY USD-JPY Exchange Rate	19	Jan Close	102.04	91.08	12.0%	76.35	19.3%	82.04	89.92	na

[4] Banque du Liban [16] Beirut Stock Exchange, [17] Kafalat [18] BLOM Bank "Lebanon Brief" Reports, [19] Bloomberg.com - Interactive Currency Charts

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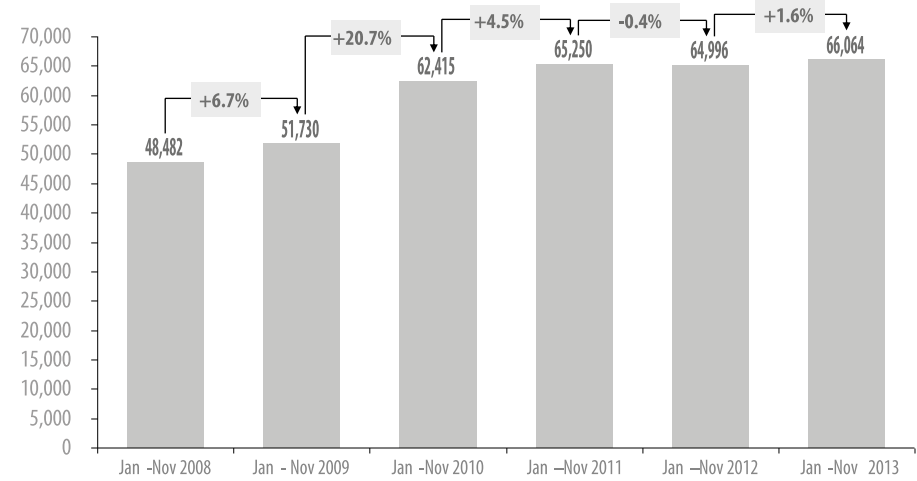


VALUE OF MARKET CAPITALIZATION (IN MILLIONS USD; 2008-2013)



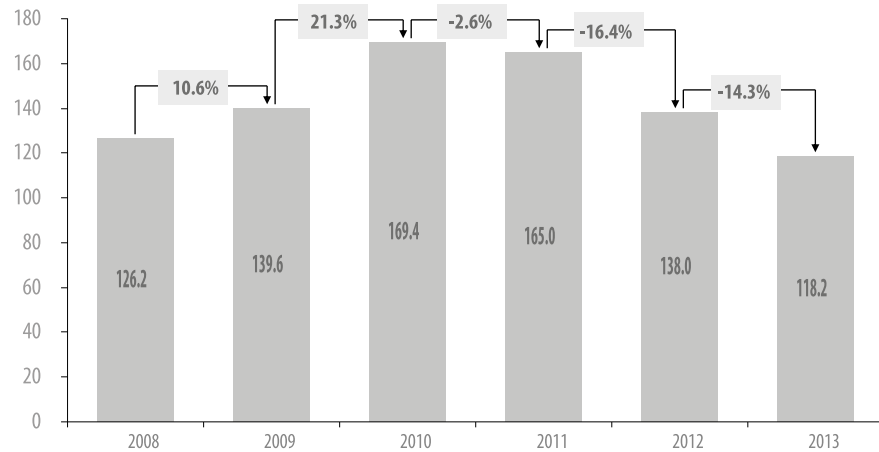
Source: Beirut Stock Exchange

EVOLUTION OF THE VALUE OF CLEARED CHECKS (IN MILLIONS USD; 2008-2013)



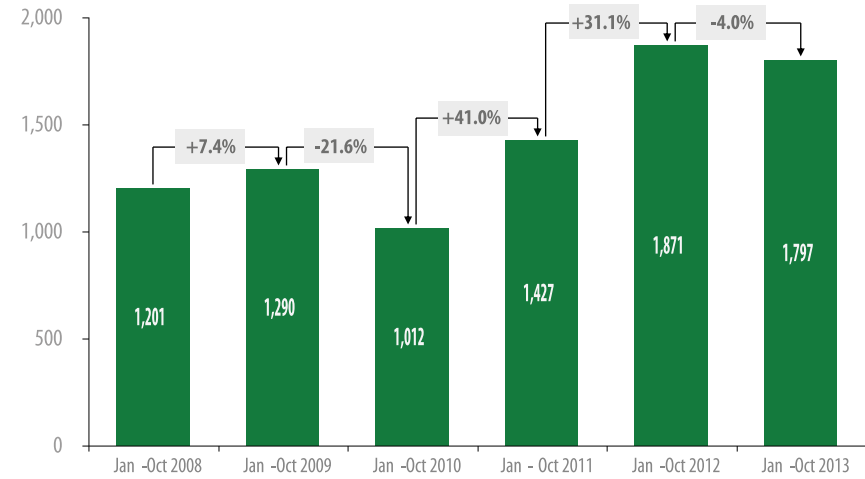
Source: Banque du Liban

EVOLUTION OF VALUE OF KAFALAT LOANS (IN MILLIONS USD; 2008-2013)



Source: Kafalat S.A.L

EVOLUTION OF EDL TRANSFERS (IN MILLIONS OF USD; 2008-2013)



Source: Banque du Liban



KEY ECONOMIC INDICATORS

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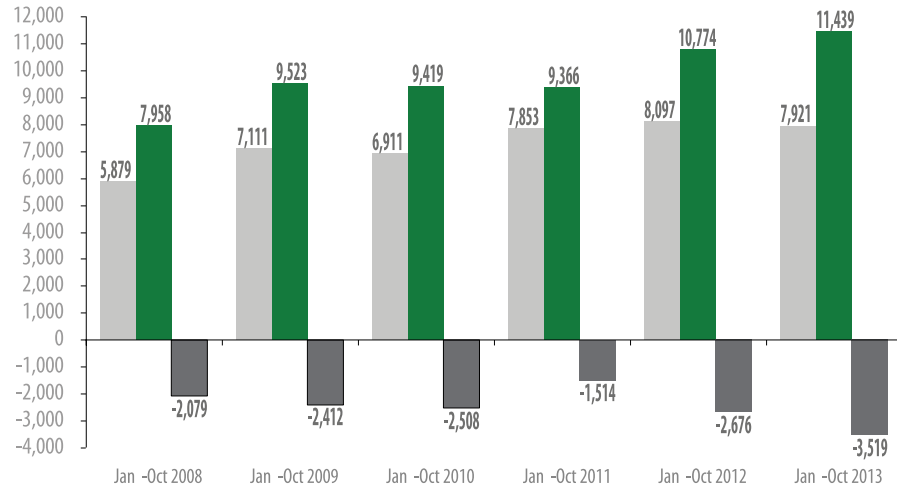
PUBLIC FINANCE [24]	Footnote	Period	2013	2012	2013/2012 % Δ	2011	2012/2011 % Δ	2010	2009	2008
Total Revenues (Million USD)	20	Jan-Oct	7,921	8,097	-2.2%	7,853	3.1%	6,911	7,111	5,879
Total Expenditures (Million USD)	20	Jan-Oct	11,439	10,774	6.2%	9,366	15.0%	9,419	9,523	7,958
Fiscal Balance (Million USD)	20	Jan-Oct	(3,519)	(2,676)	31.5%	(1,514)	76.8%	(2,508)	(2,412)	(2,079)
Total Primary Balance (Million USD)	20	Jan-Oct	(313)	434	-172.2%	1,830	-76.3%	959	904	892
Public Debt (Billions USD)	21	Jan-Nov	63.25	57.6	9.9%	54.1	6.5%	51.8	50.5	46.8
Budget Revenues (Millions USD), of which:	20	Jan-Oct	7,463	7,726	-3.4%	7,464	3.5%	6,541	6,759	5,465
Tax Revenues, of which:	20	Jan-Oct	5,861	5,925	-1.1%	5,638	5.1%	5,730	5,102	3,987
Misc Tax Rev	20	Jan-Oct	2,726	2,736	-0.4%	2,519	8.6%	2,302	1,935	1,713
Customs Rev	20	Jan-Oct	1,192	1,248	-4.5%	1,208	3.3%	1,566	1,480	788
VAT Rev	20	Jan-Oct	1,943	1,941	0.1%	1,912	1.5%	1,862	1,687	1,486
Non Tax Rev	20	Jan-Oct	1,603	1,801	-11.0%	1,826	-1.4%	811	1,657	1,478
Budget Expenditures (Millions of USD), of which:	20	Jan-Oct	8,973	8,376	7.1%	8,788	-4.7%	8,476	7,114	6,011
General Expenditures, of which:	20	Jan-Oct	5,767	5,265	9.5%	5,444	-3.3%	5,009	3,797	3,040
EdL	20	Jan-Oct	1,797	1,871	-4.0%	1,427	31.2%	1,012	1,290	1,201
Interest Payments, of which:	20	Jan-Oct	3,044	2,945	3.4%	3,152	-6.6%	3,287	3,163	2,778
Lebanese Lira Interest Payments	20	Jan-Oct	1,889	1,881	0.5%	1,989	-5.4%	2,111	1,953	1,606
Foreign Currency Interest Payments	20	Jan-Oct	1,155	1,065	8.5%	1,163	-8.5%	1,176	1,210	1,172
Principal Repayments	20	Jan-Oct	161	165	-2.5%	191	-13.6%	180	153	193
Treasury Revenues (Millions of USD)	20	Jan-Oct	457	372	23.0%	388	-4.2%	369	352	414
Treasury Expenditures (Millions of USD)	20	Jan-Oct	2,467	2,398	2.9%	578	314.6%	943	2,410	1,946
Budget Expenditures (Millions of USD) , of which:	22	Jan-Oct	10,469	9,906	5.7%	8,824	12.3%	8,570	8,444	7,329
Personnel Cost, of which:	22	Jan-Oct	3,533	3,690	-4.2%	2,844	29.7%	2,797	2,697	2,149
Salaries and Wages	22	Jan-Oct	2,316	2,403	-3.6%	1,938	24.0%	1,857	1,822	1,443
Retirement + End of Service	22	Jan-Oct	1,019	1,049	-2.9%	729	43.9%	772	707	598
Transfers to EdL	22	Jan-Oct	1,796	1,871	-4.0%	1,427	31.1%	1,012	1,290	1,201
Debt Service, of which:	22	Jan-Oct	3,205	3,110	3.0%	3,343	-7.0%	3,467	3,317	2,970
Lebanese Lira Interest Payments	22	Jan-Oct	1,889	1,881	0.5%	1,989	-5.4%	2,111	1,953	1,606
Foreign Currency Interest Payments	22	Jan-Oct	1,155	1,065	8.5%	1,164	-8.5%	1,176	1,211	1,172
Capital Expenditures	22	Jan-Oct	568	374	51.8%	324	15.6%	376	282	271
Treasury Expenditures (Millions of USD)	22	Jan-Oct	970	867	11.9%	541	60.2%	848	1,080	628

[20] Ministry of Finance- Fiscal Performance Sheet [21] Byblos Report Issue 337, [22] Public Finance Monitor

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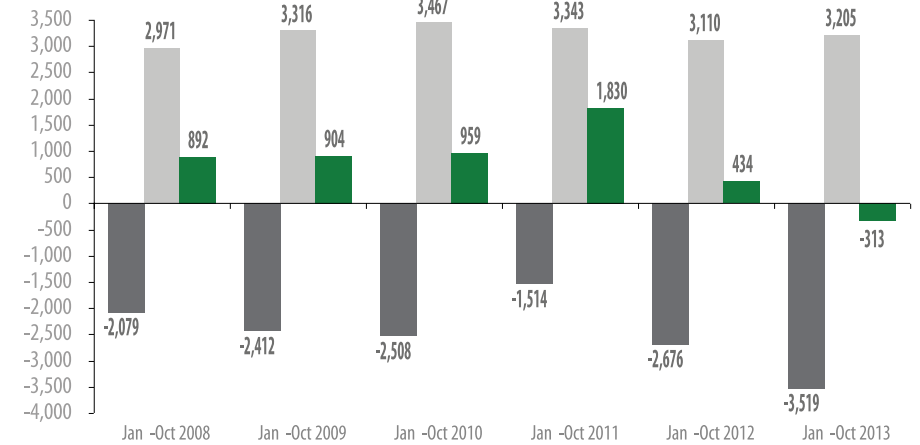
EVOLUTION OF TOTAL REVENUES, EXPENDITURES AND FISCAL BALANCE (IN MILLIONS USD; 2008-2013)



Source: Ministry of Finance

■ Revenues ■ Expenditures ■ Fiscal Balance

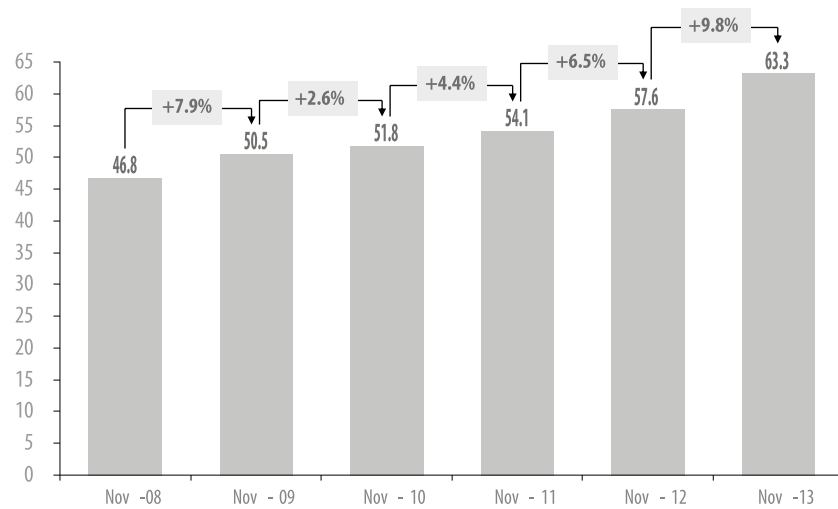
EVOLUTION OF THE FISCAL BALANCE, DEBT SERVICING AND PRIMARY BALANCE (IN MILLIONS USD; 2008-2013)



Source: Banque du Liban

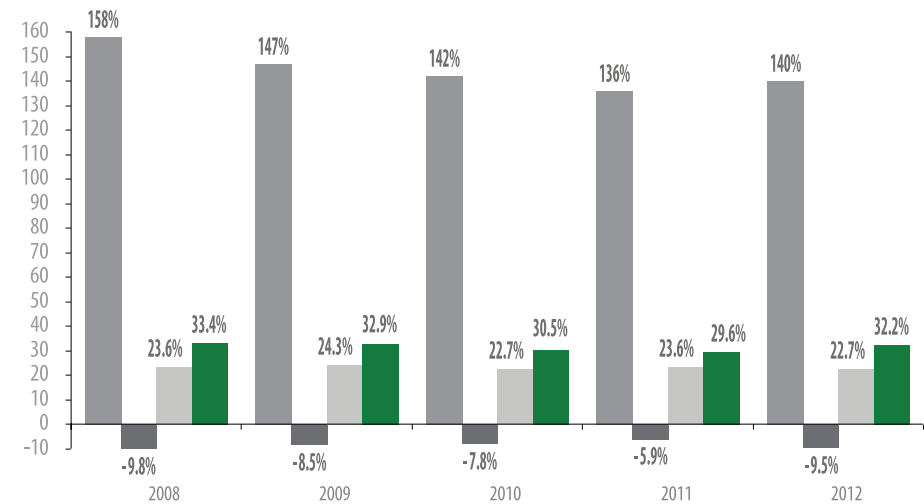
■ Debt Servicing ■ Fiscal Balance ■ Primary Balance

EVOLUTION OF GROSS PUBLIC DEBT (IN BILLIONS OF USD; 2008-2013)



Source: Banque du Liban

EVOLUTION OF DEBT/GDP, DEFICIT/GDP, REVENUES/GDP AND EXPENDITURES/GDP (IN PERCENTAGE; 2008-2012)



Source: Ministry of Finance

■ Debt/ GDP ■ Deficit/ GDP ■ Expenditures/ GDP ■ Revenues/ GDP

