



# Lebanomics

Lebanon's Dashboard of  
Economic Indicators

**2016**

► General Macroeconomic Indicators

	2013	2014	2015	2016
• <b>Population</b> (millions)	4.425	5.276	5.851	6.007
• <b>GDP</b>				
- Nominal GDP (billion LBP) <sup>1</sup>	71,755	75,186	76,581	78,377
- GDP per capita, PPP (current international dollar) <sup>2</sup>	17,576	18,075	18,277	18,525
- Real GDP growth rate <sup>1</sup>	2.5%	2.0%	1.0%	1.0%
- Inflation (end of period prices)	1.1%	-0.7%	-3.4%	-3.1%
• <b>Reserves</b> (million USD)				
- Gross foreign currency reserves	31,713	32,403	30,638	34,028
- Gold (end of period prices)	11,104	10,951	9,848	10,705
• <b>Public Finance</b> (billion LBP)				
- Government revenues	14,201	16,400	14,435	14,959
- Government expenditures	20,563	21,032	20,393	22,412
- Government surplus (deficit)	(6,235)	(4,632)	(5,958)	(7,453)
- Primary surplus (deficit)	(361)	1,970	1,092	31
- Government surplus (deficit) as a % of GDP	(8.9%)	(6.2%)	(7.8%)	(9.5%)
• <b>Government Debt</b> (billion LBP)				
- Gross government debt	95,710	100,356	106,015	112,911
- Gross debt as % of GDP <sup>3</sup>	133%	133%	138%	144%
• <b>Foreign Trade</b>				
- Total exports (billion LBP)	5,935	4,995	4,452	4,489
- Total imports (billion LBP)	32,013	30,904	27,248	28,208
- Trade surplus (deficit) as % of GDP	(24.1%)	(22.9%)	(19.7%)	(20.1%)
- Current account surplus (deficit) as a % of GDP <sup>1</sup>	(26.7%)	(28.1%)	(18.4%)	(16.0%)
• <b>Real Estate Indicators</b>				
- Cement deliveries (thousand tons)	5,831	5,517	4,808	5,013
- Construction permits issued (thousand sqm.)	12,925	13,541	12,340	12,234
- Real estate transactions (million USD)	8,708	8,952	8,006	8,500
• <b>Energy Indicators</b>				
- Electricity production (million kWh)	12,096	12,522	12,520	13,310
- Imports of petroleum derivatives (metric tons)	6,074,215	6,833,223	7,632,368	8,007,573
• <b>Beirut Airport Indicators</b> (number of passengers)				
- Arrivals	3,027,834	3,222,616	3,518,150	3,779,657
- Departures	3,219,409	3,332,322	3,687,878	3,821,994
• <b>Commerce</b>				
- Port of Beirut ship activity (number of vessels)	2,026	2,110	2,050	2,252
- Port of Beirut activity (thousands incoming, outgoing, transit tons)	7,291	8,281	8,216	8,770
- Beirut Airport activity (thousands arrivals, departures, transfers)	6,263	6,569	7,244	7,610
• <b>Remittances</b> (million USD)				
- Inflows	7,567	7,191	7,481	7,309
- Outflows	5,352	5,604	N/A	N/A
• <b>FDI Flows</b> (million USD)				
- Inward	2,661	2,907	2,353	2,564
- Outward	1,981	1,255	662	773

Note: Exchange rate of 1,507.5 LBP = 1 USD is used to convert between currencies

1. Values for 2014, 2015 and 2016 estimated by the IMF.  
 2. Values for 2013, 2014, 2015 and 2016 estimated by the IMF.  
 3. Values for 2016 estimated by the IMF.

Source: MoF, IMF, World Bank, BDL, Port of Beirut

Remittances inflows slightly lower in 2016 amid challenging macroeconomic conditions in countries where Lebanese expatriates reside. However, inward FDI increased with Lebanon the only country in the region that witnessed a positive FDI growth in 2016

## ► Breaking Down BDL Debt Swap:

### \* Context:

BDL's debt swap operations were initiated between May-November 2016 as a response to the decline in its foreign reserves which are necessary to maintain the stability of Lebanese Pound in the context of external account pressures, particularly from slower remittances and deposits sourced from neighboring countries. Financial inflows were also weighed by challenging domestic conditions as the lack of political consensus negatively affected investor sentiment. Trade deficit resulting from lower exports partly due to the closure of borders with Syria as well as subdued domestic economic activity weighing on the current account while weak capital flows led to a deficit in the balance of payments. The debt swap operations, which likely exceeded USD 12 billion, consisted of:

- Swapping local currency Treasury bonds (T-bills) held by the central bank with Eurobonds issued by the Ministry of Finance in the amount of USD 2 billion
- Acquiring T-bills held by Lebanese banks on the condition of subscribing in USD denominated Eurobonds and CDs at an equivalent amount. T-bills and future coupons were discounted at 0%, subject to a 50% haircut on future coupons in favor of the central bank
- In order to engage in this operation, Lebanese banks had to source USD liquidity from overseas operations and interbank or from selected clients offering them exceptional rates on term deposits

### \* Impact:

While the BDL's debt swap transactions succeeded in reinforcing the central bank's foreign assets to around USD 40 billion by November 2016, we highlight some of its immediate impacts on the banking sector and macro level:

- Banks benefited from non-recurrent income in LBP which they should use to strengthen their regulatory capital ahead of new BDL capital adequacy requirements raised to 14.5% by end of 2017 and 15.0% by end of 2018 from 14.0% in 2016 well above Basel III standards, and build provisions ahead of IFRS 9 implementation in January 2018 therefore minimizing the new requirements' impact on the bottom line
- Banks benefited from improved yields on their USD denominated assets raised from abroad now placed at BDL, although partly mitigated by rise in cost of deposits given likely shortage in f/x
- Government's cost of borrowing was reduced as maturing T-bills were swapped against Eurobonds amounting to USD 2 billion although we highlight higher exposure to exchange rate risk for the Ministry of Finance. In addition, the gains released by banks from BDL's scheme were transferred from the public sector to the private sector given its zero-sum gain nature. BDL balance sheet weakened on higher exposure to USD denominated debt
- Balance of payments registered a cumulative surplus of USD 332.0 million in November 2016 from a cumulative deficit of USD 1.8 billion in May 2016 on account of stronger deposit growth accelerating from 0.9% YTD at end of April 2016 to 5.0% YTD at end of November 2016
- LBP surplus to be absorbed as lending in local currency increases and as BDL offers banks improved terms to place their LBP liquidity in term-deposits until the Ministry of Finance issues LBP-denominated debt

### \* Changes in Net Foreign Assets turned positive for the first time since 2011 following BDL swap in mid-2016:

	Changes in Net Foreign Assets	Cumulative 2011-2015
2011	(1,996.2)	(9,423.1)
2012	(1,536.9)	
2013	(1,128.2)	
2014	(1,407.5)	
2015	(3,354.3)	

	Changes in Net Foreign Assets
2011-2015	(9,423.1)
2016	1,237.5

	Changes in Net Foreign Assets	Cumulative for 2016
Jan-May 2016	(1,760.7)	1,237.5
Jun-Dec 2016	2,998.2	

## ► Central Bank Balance Sheet

Billions LBP	2013	2014	2015	2016	YoY
<b>• Assets</b>					
- Gold	16,739	16,509	14,846	16,138	8.7%
- Foreign currencies	47,808	48,847	46,187	51,298	11.1%
- Claims on private sector	401	449	451	412	-8.8%
- Loans to banks and financial corporations	3,466	6,361	7,574	9,645	27.3%
- Claims on public sector	0	0	0	0	
- Securities portfolio	23,846	29,314	36,924	49,039	32.8%
- Fixed assets	379	342	331	327	-1.3%
- Exchange operations of financial instruments	0	0	17,379	17,379	0.0%
- Unclassified assets <sup>1</sup>	23,462	27,371	13,345	10,012	-25.0%
<b>Total Assets</b>	<b>116,100</b>	<b>129,194</b>	<b>137,037</b>	<b>154,249</b>	<b>12.6%</b>
<b>• Liabilities</b>					
- Currency in circulation outside BDL	3,983	4,254	4,706	5,285	12.3%
- Deposits of banks and financial corporations <sup>2</sup>	82,033	97,979	109,914	125,741	14.4%
- Liabilities to the private sector	50	68	80	46	-42.5%
- Public sector accounts	11,033	9,123	8,154	8,312	1.9%
- Valuation adjustment	8,426	8,146	6,401	7,707	20.4%
- Securities other than shares <sup>3</sup>	2,605	1,867	0	0	
- Foreign liabilities	328	325	321	320	-0.5%
- Special long-term liabilities	1,900	1,598	1,297	844	-34.9%
- Capital accounts	5,134	5,174	5,340	5,429	1.7%
- Unclassified liabilities <sup>4</sup>	608	661	824	565	-31.4%
<b>Total Liabilities</b>	<b>116,100</b>	<b>129,194</b>	<b>137,037</b>	<b>154,249</b>	<b>12.6%</b>

*Stronger f/x reserves following BDL debt swap which consisted in BDL acquiring T-Bills held by Lebanese banks, resulting in an increase in BDL's securities portfolio. In exchange, banks had to subscribe to USD denominated CDs issued by BDL as well as Eurobonds*

Note: Totals may be slightly off due to rounding

1. Unclassified assets include the following items: other debtor accounts, counterparty securities, accounts receivable, regularization account, inventory and fixed assets.
2. Includes investment banks and financial institutions.
3. Certificates of Deposit issued by BDL.
4. Unclassified liabilities include the following items: notes payable, other creditor accounts and regularization account.

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: BDL

## ► Commercial Banks' Balance Sheet

Billions LBP	2013	2014	2015	2016	YOY
<b>• Assets</b>					
<b>a. Reserves</b>	82,533	96,314	107,021	135,305	26.4%
i. Vault cash	576	607	693	693	0.0%
ii. Deposits with Central Bank	81,957	95,708	106,329	134,612	26.6%
<b>b. Claims on Resident Private Sector</b>	62,565	68,391	72,427	76,943	6.2%
i. Claims on private sector in LBP	16,757	18,749	20,573	23,607	14.7%
ii. Claims on private sector in foreign currencies	45,808	49,642	51,854	53,335	2.9%
<b>c. Claims on Public Sector</b>	56,786	56,308	56,984	52,344	-8.1%
<b>d. Foreign Assets</b>	40,137	36,470	35,870	34,824	-2.9%
<b>e. Fixed Assets</b> (land, buildings, vehicles, etc.)	5,921	6,575	7,361	7,857	6.7%
<b>f. Unclassified Assets</b>	526	806	716	726	1.5%
<b>Total Assets</b>	<b>248,468</b>	<b>264,863</b>	<b>280,378</b>	<b>307,999</b>	<b>9.9%</b>
<b>• Liabilities</b>					
<b>a. Total Resident Private Sector Deposits</b>	162,396	172,041	180,489	193,766	7.4%
i. Demand deposits in LBP of private sector	4,144	4,564	4,907	5,437	10.8%
ii. Time and saving deposits in LBP of private sector	60,328	64,278	68,678	71,467	4.1%
iii. Private Sector deposits in foreign currencies	97,924	103,199	106,904	116,861	9.3%
<b>b. Public Sector Deposits</b>	4,463	4,842	5,074	5,956	17.4%
<b>c. Non Resident Private Sector Deposits</b>	42,934	45,680	48,026	51,196	6.6%
<b>d. Non Resident Financial Sector Deposits</b>	7,555	8,795	9,864	9,467	-4.0%
<b>e. Other Financial Liabilities</b>	398	352	412	408	-0.8%
<b>f. Capital Accounts</b> (net result of international investment inflow)	21,410	23,719	25,153	27,498	9.3%
<b>g. Unclassified Liabilities</b>	9,313	9,434	11,383	19,708	73.1%
<b>Total Liabilities</b>	<b>248,468</b>	<b>264,863</b>	<b>280,378</b>	<b>307,999</b>	<b>9.9%</b>

Claims on resident private sector continued to rise, helped by i) BDL subsidized lending schemes targeting various sectors, which were also extended in 2016 and ii) excessive LBP liquidity following debt swap being mopped by higher LBP lending

Foreign assets of commercial banks continue to decline as banks shift their assets held at international banks to higher yielding CDs at BDL

Stronger deposit growth, particularly accelerating following BDL debt swap in mid-2016

YOY figures represent the percent difference between the most recent quarter as compared to the same quarter of the previous year.

Source: BDL

## ► Public Revenues

Billions LBP	2013	2014	2015	2016	YoY
<b>• Total Revenues (a+b)</b>	14,201	16,400	14,435	14,959	3.6%
<b>a. Treasury Receipts</b>	816	1,658	800	970	21.3%
<b>b. Budget Revenues (i+ii)</b>	13,385	14,742	13,635	13,989	2.6%
<b>i. Tax Revenues</b>	10,116	10,388	10,330	10,597	2.6%
- Taxes on income, profits & capital gains (including Income Tax on Profits, Wages and Salaries, Capital Gains and Dividends; Tax on Interest Income (5%); Penalties on Income Tax)	2,502	2,795	2,887	3,015	4.4%
- Taxes on property (including Built Property Tax, Real Estate Registration Fees)	1,201	1,245	1,179	1,224	3.8%
- Domestic taxes on goods & services (including Value Added Tax and Taxes on Goods and Services, especially Private Car Registration Fees and Passenger Departure Tax)	3,782	3,811	3,717	3,773	1.5%
- Taxes on international trade (including Customs; Excises on Gasoline, Tobacco and Cars)	2,158	2,042	2,064	2,117	2.6%
- Other tax revenue (namely fiscal stamp fees)	473	495	483	468	-3.1%
<b>ii. Non-tax Revenues</b>	3,269	4,354	3,305	3,392	2.6%
- Income from public institutions and gov't prop. (including non-financial public enterprises such as Casino du Liban, Port of Beirut, National Lottery and Telecoms; transfers from BDL; Property Income, namely rent from RHIA; other interests)	2,518	3,498	2,313	2,377	2.8%
- Administrative fees & charges (including fees for notaries, passports, public security, vehicle control, driving licenses and judicial fees; work permit fees; and more)	606	675	793	778	-1.9%
- Penalties and confiscations	9	11	28	42	50.0%
- Other non-tax revenues (mostly retirement deductibles)	136	170	171	194	13.5%

Note: Totals may be slightly off due to rounding

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: MoF

► Public Expenditures

Billion LBP	2013	2014	2015	2016	YoY
• Total Expenditures	20,563	21,032	20,393	22,412	9.9%
a. Current Expenditures	17,966	18,524	17,603	18,638	5.9%
i. Interest payments (including local and foreign currency debt)	5,714	6,314	6,722	7,185	6.9%
ii. Transfers to Électricité du Liban	3,056	3,157	1,711	1,397	-18.4%
ii. Other current expenditures (including personnel costs; foreign debt principal repayment; materials and supplies; and more)	9,196	9,053	9,170	10,056	9.7%
b. Capital Expenditures (including equipment and maintenance for ongoing infrastructure construction; and more)	987	883	888	1,079	21.5%
c. Budget Advances	233	263	228	323	41.7%
d. Customs Administration	40	47	56	98	75.0%
e. Treasury Expenditures	1,331	1,313	1,616	2,269	40.4%
f. Unclassified Expenditures	5	2	3	6	100.0%

Public expenditures rose in 2016 with higher current and capital expenditures. The significant increase in capital expenditures resulted from transfers to CDR and the Ministry of Public Work and Transport as well as payments for maintenance. However, current expenditures remain the major component of expenditures, representing more than 80% of government's total spending

Transfers to EDL continued to decline, benefiting from weaker oil prices

Note: Totals may be slightly off due to rounding

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: MoF

► Government Budget

Billion LBP	2015	2016	% Change
• Revenues	14,435	14,959	3.6%
• Expenditures	20,393	22,412	9.9%
• Fiscal surplus (deficit)	(5,958)	(7,453)	25.1%
• Primary surplus (deficit)	1,092	31	-97.2%

Fiscal deficit widened in 2016 while primary surplus nearly disappeared which reflects Lebanon's weakening fiscal position

Source: MoF

► Public Debt

Billion LBP	2013	2014	2015	2016	YoY
• Gross Government Debt (a+b)	95,710	100,356	106,015	112,911	6.5%
• Gross Government Debt as % of GDP	133%	133%	138%	143%	
<b>a. Domestic Currency Debt</b>	56,312	61,752	65,195	70,258	7.8%
<b>i. Central Bank</b> (including REPOs and loans to EDL to finance fuel purchases)	17,171	19,855	24,308	30,150	24.0%
<b>ii. Commercial banks</b>	29,905	31,468	29,878	29,581	-1.0%
<b>iii. Other local currency debt (T-Bills)</b>	9,236	10,429	11,009	10,797	-1.9%
<b>b. Foreign Currency Debt <sup>1</sup></b>	39,398	38,604	40,820	42,383	3.8%
<b>i. Bilateral, multilateral and foreign private sector loans</b>	2,606	2,752	2,479	2,507	1.1%
<b>ii. Paris II related debt</b> (Eurobonds and loans) <sup>2</sup>	2,338	1,743	1,182	631	-46.6%
<b>iii. Paris III related debt</b> (Eurobonds and loans) <sup>3</sup>	1,187	986	810	660	-18.5%
<b>iv. Market-issued Eurobonds</b>	32,688	32,584	35,846	38,063	6.2%
<b>v. Accrued interest on Eurobonds</b>	444	425	435	458	5.3%
<b>vi. Special T-Bills in foreign currency <sup>4</sup></b>	136	114	68	63	-7.4%
• Public Sector Deposits	15,495	13,965	13,227	14,268	7.9%
• Net Total Debt <sup>5</sup>	80,215	86,391	92,784	98,643	6.3%
• Gross Market Debt <sup>6</sup>	65,386	67,373	68,799	70,303	2.2%
• Gross Market Debt as % of Total Debt	68%	67%	65%	62%	-4.1%

Gross government debt continued to rise in 2016 with debt-to-GDP ratio reaching 144% by end of year, reflecting the deterioration in fiscal performance amid a contraction in GDP growth

The Ministry of Finance issued a private Eurobond placement for BDL in January 2016 in the amount of ~USD 432 million. In April 2016, Lebanon tapped international capital markets with a USD 1 billion dual-tranche Eurobond to replace maturing debt; the first tranche is due in April 2024 and the second tranche is due in April 2031

Note:  
 1. Figures for Dec 15– Dec 16 may differ from previously published data due to updated information regarding bilateral and multilateral loans in the DMFAS system.  
 2. Paris II related debt (Eurobonds and loans) including a Eurobond originally issued at USD 1,870 billion to BDL in the context of the Paris II conference.  
 3. Eurobonds issued to Malaysia as part of its Paris III contribution, IBRD loan, UAE loan, first and second tranches of the French loan received in February 2008.  
 4. Special T-Bills in Foreign currency (expropriation and contractor bonds).  
 5. Net debt is obtained by subtracting public sector deposits from gross government debt.  
 6. Gross market debt equals gross debt less the portfolios of the BDL, NSSF, bilateral and multilateral loans, Paris II and Paris III related debt.



## ► Domestic Debt by Maturity

Billion LBP	2013	2014	2015	2016	YOY
• 3 Month T-Bills	165	101	72	265	268.1%
• 6 Month T-Bills	935	564	470	435	-7.4%
• 12 Month T-Bills	1,009	1,195	801	2,345	192.8%
• Long-term bonds*	54,075	59,736	63,712	67,265	5.6%
• Loans	128	156	140	218	55.7%
• Total	56,312	61,752	65,195	70,528	8.2%

\* includes 24 month bonds and longer maturities

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: BDL

## ► Lebanon's Sovereign Credit Ratings

Credit Rating Agency	Rating
• S&P	<b>B-/ B Stable:</b> S&P affirmed Lebanon B-/B/ Stable in September 2017
• Moody's	<b>B3/Stable:</b> Moody's downgraded Lebanon's rating to B3 from B2 in August 2017 and changed the outlook to stable from negative. The downgrade reflects weak government's finance while the stable outlook came in the context of the formation of a new government and the emergence of a political consensus.
• Fitch	<b>B-/Stable:</b> Fitch affirmed Lebanon's B-/Stable in September 2017

Source: S&P, Moody's, Fitch

## ► Monetary Indicators

Billions LBP	2013	2014	2015	2016	YOY
• Currency in Circulation	3,408	3,647	4,014	4,592	14.4%
• M1 (Currency in circulation + sight deposits in LBP)	7,620	8,301	9,042	10,159	12.4%
• M2 (M1 + other deposits in LBP)	68,749	73,400	78,620	82,428	4.8%
• M3 (M2 + deposits in foreign currencies, other financial liabilities)	167,571	177,397	186,360	200,192	7.4%
• M4 (M3 + Treasury bills held by non-banking system)	176,807	187,826	197,369	210,989	6.9%

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: BDL

## ► External Sector and Balance of Payments

Billions LBP	2013	2014	2015	2016	YOY
• Exports (in Billions LBP)	6,121	4,996	4,452	4,489	+0.8%
• Imports (in Billions LBP)	32,014	30,904	27,259	28,208	+3.5%
• Trade Balance (in Billions LBP)	(26,078)	(25,909)	(22,806)	(23,719)	+4.0%
• Customs Revenues (in Billions LBP)	2,260	2,118	2,154	2,205	+2.4%
• Current Account (in Millions USD)	(11,241)	(11,602)	(8,051)	(9,759)	+21.7%
• Capital Account (in Millions USD)	1,593	1,402	1,833	1,611	-12.1%
• Financial Account (in Millions USD)	7,337	11,340	9,218	7,963	-13.6%
• Changes in Net Foreign Assets <sup>1</sup> (in Millions USD)	(1,128)	(1,408)	(3,354)	1,238	

Note: Exchange rate of 1,507.5 LBP = 1 USD is used to convert between currencies.

1. Changes in Net Foreign Assets of Financial Sector, based on the result of balance of payments

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: BDL

Trade deficit widened in 2016 as imports growth offset exports growth, with exports still weighed by closure of trade route through Syria

## ► Imports by Origin

Special Imports in Billions of LBP	2013	2014	2015	2016	YOY
• China	3,442,157	3,745,713	3,128,174	3,157,911	1.0%
• Italy	2,698,354	2,480,132	1,934,289	2,124,703	9.8%
• United States	2,262,610	1,849,989	1,544,763	1,785,582	15.6%
• Germany	1,872,798	1,895,037	1,843,437	1,750,896	-5.0%
• Greece	916,020	1,230,999	1,184,110	1,619,794	36.8%

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: Lebanese Customs

## ► Exports by Destination

Special Exports in Billions of LBP	2013	2014	2015	2016	YOY
• South Africa	600,071	447,923	293,329	947,430	-5.5%
• Saudi Arabia	523,027	569,194	537,648	402,126	-2.2%
• United Arab Emirates	500,133	482,532	471,658	359,916	-12.3%
• Syrian Arab Republic	789,656	364,945	316,325	299,898	-13.3%
• Iraq	410,578	385,965	338,654	243,845	-34.5%

YOY figures represent the percent difference between the most recent year as compared to the previous year.

Source: Lebanese Customs



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