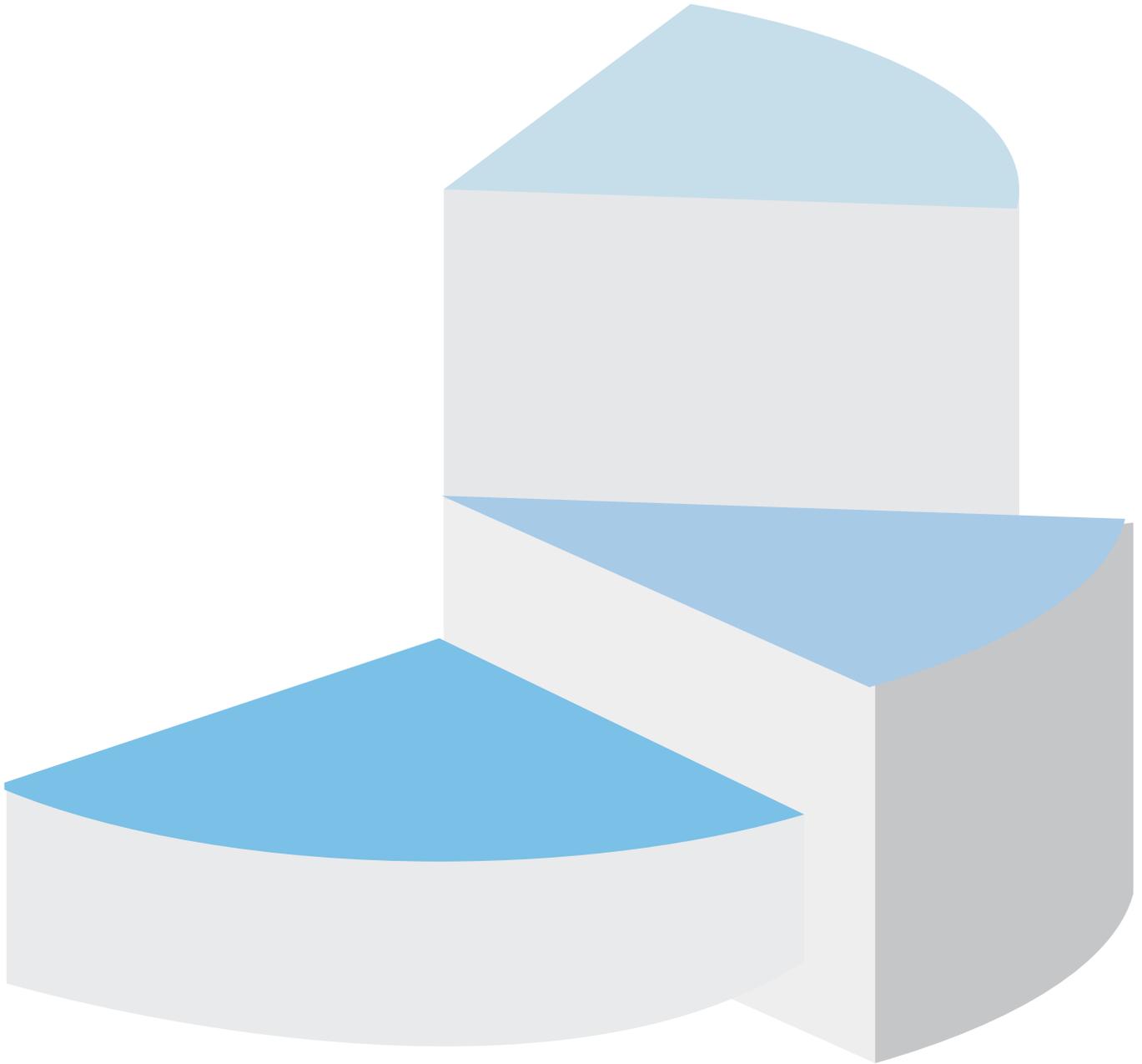


BEIRUT TRADERS
ASSOCIATION
BANKMED
INVESTMENT INDEX

INDEX METHODOLOGY



INTRODUCTION

The objective of the “Beirut Traders Association – BankMed Investment Index” is to give a snapshot of the investment activity in the commercial sector, which is the largest sector in the Lebanese economy. A practical approach has been devised, whereby a study on the wholesale trade sector is conducted on a quarterly basis keeping in mind that wholesalers operate upstream of the commercial value chain. The index includes the main retail goods and services sectors as defined in the official Ministry of Finance International Standard Industrial Classification (ISIC). The 30 sectors considered represent approximately 90% of the commercial activity, and are weighted as per the official value-added tax (VAT) returns of every sector in the year 2012.

This index consists of two components, backward and forward looking, respectively:

1. Turnover Component

The objective of the “Turnover Component” is to assess the amount of sales pushed through the trade pipeline of the domestic market: the output of the wholesaler being the input of the retailer. Companies are asked to provide the percent change / variation of their turnover for the quarter under analysis as compared to the same quarter of the previous year, as well as the preceding quarter of the same year,

Percentage change of turnover of current quarter compared to same quarter last year =

$$\left[\frac{\text{Turnover of the current quarter} - \text{turnover of same quarter last year}}{\text{Turnover of same quarter last year}} \right] \times 100$$

Percentage change of turnover of current quarter compared to previous quarter =

$$\left[\frac{\text{Turnover of the current quarter} - \text{turnover of previous quarter}}{\text{Turnover of previous quarter}} \right] \times 100$$

2. Intention to Invest Component

The objective of the “Intention to Invest Component” is to assess the investment appetite of wholesalers in the upcoming quarter.

Companies are asked to provide an indication, on a scale ranging from -3 to +3, of their intentions to invest or disinvest in their business in the coming quarter (with -3 indicating a definite intention to disinvest and +3 a definite intention to invest).

The sample of establishments was selected by Beirut Traders Association according to objective criteria taking into account the size and representativity of the establishment within its sector (based on 2012 turnover bracket) subject to the willingness of the establishment to commit to provide quarterly the percentage change of its turnover.

INDEX METHODOLOGY

1. Turnover Component

i. Each sampled establishment is assigned a weight (α_i) based on its relative turnover in 2012 compared to the turnover of the other establishments within the same activity sector (ISIC 6 digits).

ii. An aggregation is then done within each activity sector (ISIC 6 digits) to calculate a percentage change of turnover for this specific activity sector.

Percentage change of turnover per sector =

$$\sum_j (\alpha_j \times \text{percentage change of turnover per establishment})$$

iii. As many indices as the number of activity sectors (ISIC 6 digits) taken into account are then obtained.

Turnover Component per sector =

$$\text{Previous turnover component per sector} \times (1 + \text{percentage change of turnover per sector})$$

iv. ISIC level indices are then aggregated using weights (β_i) based on the cumulated VAT turnover for each activity sector as provided by the Ministry of Finance for 2012.

Turnover Component =

$$\sum_i (\beta_i \times \text{turnover component per sector})$$

This aggregation provides the “Turnover Component” of “Beirut Traders Association – BankMed Investment Index” for the quarter under analysis.

2. Intention to Invest Component

i. Each sampled establishment is assigned a weight (α_j) based on its relative turnover in 2012 compared to the turnover of the other establishments within the same activity sector (ISIC 6 digits).

ii. An aggregation is then done within each activity sector (ISIC 6 digits) to calculate an intention to invest component for this specific activity sector.

Intention to Invest component per sector =

$$\sum_j (\alpha_j \times \text{intention to invest component per establishment})$$

iii. ISIC level indices are then aggregated using weights (β_i) based on the cumulated VAT turnover for each activity sector as provided by the Ministry of Finance for 2012.

Intention to Invest Component =

$$\sum_i (\beta_i \times \text{intention to invest component per sector})$$

iv. This index is then normalized into the range [0 , 100] according to the following transformation:

Normalized Intention to Invest Component =

$$\left[\frac{\text{Intention to Invest Component} + 3}{6} \right] \times 100$$

This aggregation provides the Intention to Invest Component of “Beirut Traders Association – BankMed Investment Index” for the quarter under analysis.

DISCLAIMER

The material contained herein is being provided by BankMed, sal for information purposes only. It is not intended to be used as a research tool nor as a basis or reference for any decision. This information including any opinion (if any), is based on various available sources that are believed to be reliable but their accuracy cannot be guaranteed and may be subject to change without notice. BankMed, sal does not guarantee the accuracy, timeliness, continued availability or completeness of such information. All data contained herein are indicative. Neither the information provided nor any opinion expressed therein, constitutes a solicitation, offer, personal recommendation or advice. BankMed, sal does not assume any liability for direct, indirect, incidental or consequential damages resulting from any use of the information contained herein.