500 ISSUES+
Issue 547 | July 30 - August 4, 2018

BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

In This Issue

Economic Indicators.......................1
Capital Markets...............................1
Lebanon in the News.......................2

Lebanon has 18th highest level of gold reserves globally, second highest among Arab countries

Surface area of new construction permits down 18% in first half of 2018

Remittance inflows to Lebanon down 7% to $7.1bn in 2017, equivalent to 13% of GDP

Monetary policy continues to maintain market confidence and stability

External bonds post second highest return in emerging markets in July 2018

Lebanon ranks 65th globally, eighth among Arab countries in terms of FDI attractiveness

Balance of payments posts deficit of $208m in first half of 2018

Lebanon signs EUR49m financing agreements with Agence Française de Développement

Industrial exports up 6% to $857m in first four months of 2018

Corporate Highlights 7

Byblos Bank's net profits at $67m in first half of 2018

Stock market index down 16% in first seven months of 2018

RYMCO to distribute dividends for 2017, payout ratio at 31%

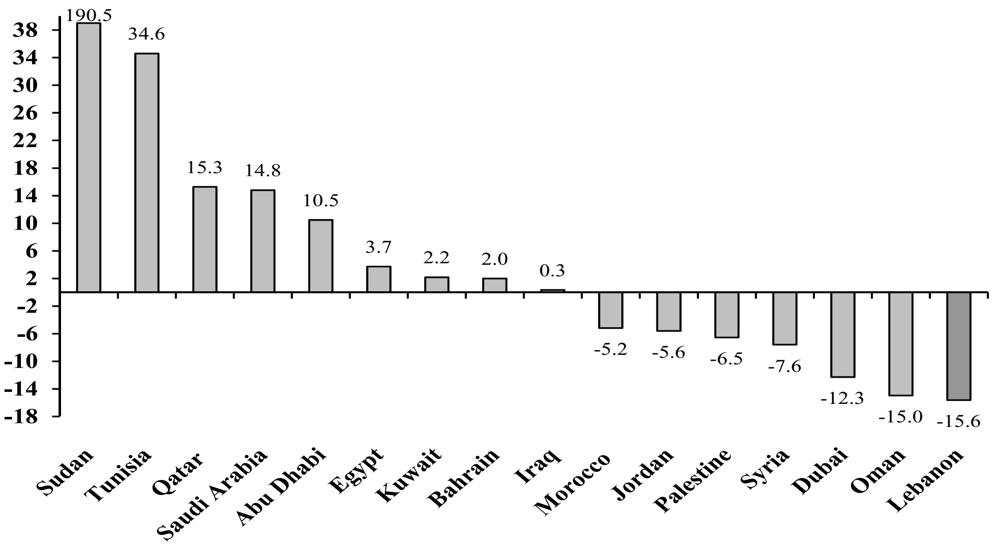
Aggregate net profits of listed banks up 7% to $688m in first half of 2018

Balance sheet of financial institutions down 5% in first half of 2018

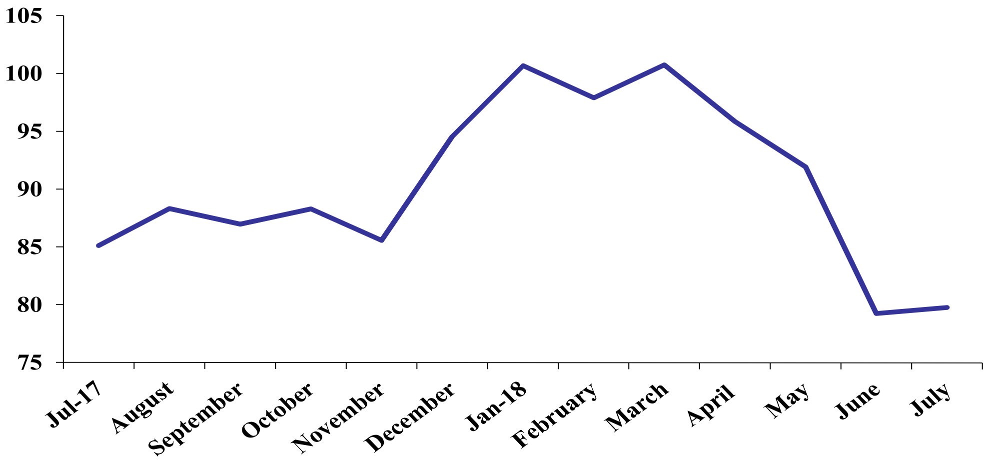
Ratio Highlights.................................9
Risk Outlook 9
Ratings & Outlook...........................9

Charts of the Week

Performance of Arab Stock Markets in First Seven Months of 2018 (% change)



Performance of the Beirut Stock Exchange*



**Capital Markets Authority Value Weighted Index end of month values*
Source: Local Stock Markets, Capital Markets Authority, S&P Dow Jones Indices, Arab Federation of Exchanges, Byblos Bank

Quote to Note

"The funds are contingent upon structural economic reforms in fiscal management, electricity tariffs, and transparent public procurement, among many others."

The U.S. Department of Commerce, on the reforms that Lebanon has to implement in order to unlock the $11.2bn in funds that donors pledged at the CEDRE conference

Number of the Week

$12.4bn: Lebanon's external current account deficit in 2017, according to Banque du Liban

Lebanon in the News

$m *(unless otherwise mentioned)*	2017	Feb 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	% Change*
Exports	2,844	226	229	251	283	248	9.73
Imports	23,130	1,648	1,726	2,278	1,705	1,436	-12.86
Trade Balance	(20,286)	(1,422)	(1,497)	(2,027)	(1,422)	(1,188)	-16.46
Balance of Payments	(156)	342	68	854	237	(80)	-123.32
Checks Cleared in LBP	21,677	1,676	1,880	2,131	1,733	1,686	0.59
Checks Cleared in FC	46,578	3,547	3,687	4,127	3,973	3,480	-1.89
Total Checks Cleared	68,255	5,223	5,567	6,258	5,706	5,166	-1.09
Budget Deficit/Surplus	(3,300.82)	(453.93)	(865.19)	(350.41)	(318.96)	(407.93)	-10.13
Budget Primary Balance	1,882.86	(189.09)	(119.74)	15.77	(46.38)	(145.03)	-23.30
Airport Passengers***	8,235,845	462,605	592,890	626,866	597,768	504,974	9.16

$bn *(unless otherwise mentioned)*	2017	Feb 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	% Change*
BdL FX Reserves	35.80	35.44	35.69	35.80	35.25	34.39	-2.97
In months of Imports	18.57	21.50	20.68	15.72	20.67	23.95	11.36
Public Debt	79.52	76.15	79.37	79.52	80.39	81.54	7.08
Bank Assets	219.86	204.93	216.21	219.86	219.86	223.07	8.85
Bank Deposits (Private Sector)	168.67	163.86	166.81	168.67	168.66	170.45	4.02
Bank Loans to Private Sector	60.32	56.49	59.55	60.32	59.69	59.03	4.49
Money Supply M2	52.48	54.96	51.96	52.48	52.88	53.44	-2.75
Money Supply M3	138.38	133.83	136.99	138.38	138.62	139.34	4.11
LBP Lending Rate (%)****	8.09	8.37	7.98	8.09	8.56	8.67	30bps
LBP Deposit Rate (%)	6.41	5.56	5.88	6.41	6.53	6.51	95bps
USD Lending Rate (%)	7.67	7.14	7.32	7.67	7.74	7.90	76bps
USD Deposit Rate (%)	3.89	3.57	3.80	3.89	3.91	3.96	39bps
Consumer Price Index**	4.40	4.90	4.80	5.00	5.60	5.20	30bps

** Year-on-Year ** Year-on-Year percentage change ***includes arrivals, departures, transit*
***** Starting January 2016, lending rates in Lebanese pounds are reported before any subsidy or facility from reserve requirements according to Intermediate Circular No 389, and as such they are not comparable year-on-year*
Note: bps i.e. basis points
Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	7.22	(2.83)	212,919	7.01%
BLOM Listed	10.10	(0.59)	78,915	21.08%
BLOM GDR	10.20	(0.97)	33,164	7.32%
Solidere "B"	6.99	(7.05)	19,589	4.41%
Audi GDR	5.18	(2.45)	10,000	6.03%
Audi Listed	5.11	0.59	5,050	19.83%
HOLCIM	16.00	0.44	2,000	3.03%
Byblos Pref. 08	87.00	2.35	1,000	1.69%
Byblos Common	1.48	0.00	-	8.12%
Byblos Pref. 09	89.45	0.00	-	1.74%

*Source: Beirut Stock Exchange (BSE); *Week-on-week*

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov 2018	5.15	99.75	6.03
May 2019	6.00	99.00	7.31
Mar 2020	6.38	97.13	8.33
Oct 2022	6.10	88.88	9.39
Jun 2025	6.25	83.38	9.62
Nov 2026	6.60	83.50	9.52
Feb 2030	6.65	80.88	9.40
Apr 2031	7.00	80.88	9.64
Nov 2035	7.05	80.50	9.35
Mar 2037	7.25	81.75	9.33

Source: Byblos Bank Capital Markets

	Jul 30-Aug 3	Jul 23-27	% Change	July 2018	July 2017	% Change
Total shares traded	373,587	269,286	38.7	2,161,984	5,916,251	(63.5)
Total value traded	$3,509,010	$3,136,871	11.9	$22,895,761	$59,216,017	(61.3)
Market capitalization	$10.30bn	$10.38bn	(0.71)	$10.35bn	$11.39bn	(9.1)

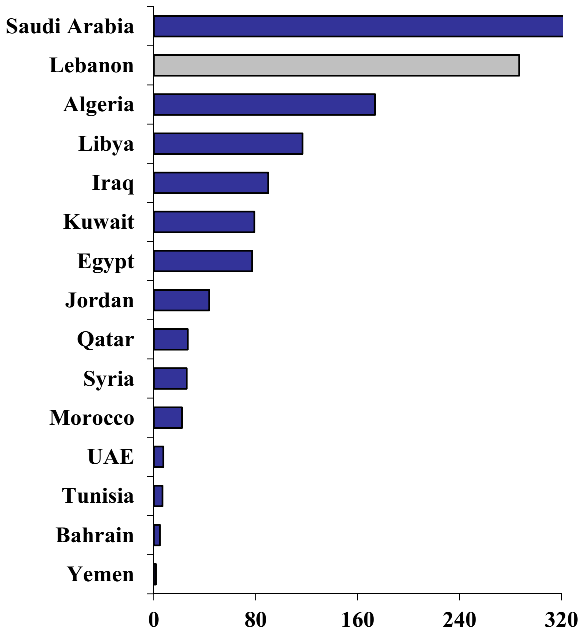
Source: Beirut Stock Exchange (BSE)

Lebanon has 18th highest level of gold reserves globally, second highest among Arab countries

Figures released by the World Gold Council show that Lebanon held 286.8 tons in gold reserves at the end of June 2018. As such, Lebanon ranked in 18th place in terms of gold holdings among 96 countries, as well as the International Monetary Fund, the West African Economic Monetary Union, the European Central Bank and the Bank for International Settlements. It also ranked in seventh place among 66 non-OECD countries and in second place among 15 Arab countries included in the survey. Globally, Lebanon had more gold reserves than Spain (281.6 tons), Austria (280 tons) and Turkey (240.2 tons); while it held fewer reserves than Saudi Arabia (323.1 tons), Kazakhstan (321.8 tons) and the United Kingdom (310.3 tons). Also, Lebanon ranked ahead of the Philippines (196.4 tons) and behind Kazakhstan among non-OECD countries. The United States is the top holder of gold in the world with 8,133.5 tons, while Suriname came in last place with 1.1 tons in gold reserves.

The value of Lebanon's gold reserves was $10.5bn at the end of June 2018, based on a price of $1,250.45 per troy ounce as published by the London Bullion Market Association. The value of Lebanon's gold holdings accounted for 22.3% of the Arab region's aggregate gold reserves, for 3.6% of the holdings of non-OECD countries and for 0.9% of global gold reserves at end-June 2018.

Gold Reserves in Arab Countries (in tons)*



**As of June 2018*
Source: World Gold Council, Byblos Research

Further, Lebanon's gold holdings were equivalent to 20.8% of the country's official assets in foreign currency plus gold reserves at the end of June 2018, which ranked Lebanon in 18th place globally, in seventh place among non-OECD countries and in first place among Arab countries. Globally, Lebanon's share of gold reserves out of its official foreign assets is higher than that of Finland (19.3%), Pakistan (18.2%) and Bolivia (17.7%); while it is smaller than that of Belarus (27.4%), Curacao & St. Maarten (26.8%) and the European Central Bank (26.2%). Also, Lebanon's share of gold holdings out of its official foreign assets is higher than that of Pakistan and lower than that of Curacao & St. Maarten among non-OECD countries. The gold reserves of the United States are equivalent to 74.5% of its total foreign exchange reserves, the highest share in the world, while Hong Kong's gold holdings account for 0.02% of its total foreign assets, the lowest such share globally.

Surface area of new construction permits down 18% in first half of 2018

The Orders of Engineers & Architects of Beirut and of Tripoli issued 7,152 new construction permits in the first half of 2018, down by 12.4% from 8,168 permits in the same period of 2017. In comparison, new construction permits declined by 6.2% year-on-year in the first half of 2017. Mount Lebanon accounted for 39.7% of newly-issued construction permits in the covered period, followed by the South with 19%, the Nabatieh area with 13%, the North with 12.2%, the Bekaa region with 9.2% and Beirut with 5.1%. The remaining 2% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

Further, the surface area of granted construction permits reached 5,023,143 square meters (sqm) in the first half of 2018, constituting a decrease of 17.8% from 6,107,743 sqm in the same period of 2017. In comparison, the surface area of granted construction permits declined by 4.9% year-on-year in the first half of 2017. Mount Lebanon accounted for 2,075,476 sqm, or 41.3% of the total, in the covered period. The North followed with 842,146 sqm (16.8%), then the South with 762,680 sqm (15.2%), the Bekaa region with 490,677 sqm (9.8%), the Nabatieh area with 455,140 sqm (9.1%) and Beirut with 183,412 sqm (3.7%). The remaining 213,612 sqm, or 4.3% of the total, represent the surface area of permits that were issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

The surface area of new construction permits issued for Beirut dropped by 57.8% year-on-year in the first half of 2018, followed by surface areas in Mount Lebanon (-19%), the Bekaa region (-14.2%), the North (-10.6%), the Nabatieh area (-9.9%) and the South (-8%). Also, the surface area of granted construction permits for regions located outside northern Lebanon fell by 18.8% year-on-year in the covered period. In parallel, cement deliveries totaled 1.92 million tons in the first five months of 2018, constituting a decline of 4.1% from 2.01 million tons in the same period of 2017, and relative to a drop of 2.7% in the first five months of 2017.

Remittance inflows to Lebanon down 7% to $7.1bn in 2017, equivalent to 13% of GDP

Figures released by Banque du Liban show that the inflows of expatriates' remittances to Lebanon totaled $7.1bn in 2017, constituting a decrease of 7% from $7.6bn in 2016. The figures include workers' remittances and the compensation of employees, according to the World Bank's definition of remittances.

Remittance inflows to Lebanon in 2017 reached their seventh highest level during the 2002-17 period, compared to a high of $7.6bn in 2016 and a low of $2.54bn in 2002. Remittance inflows to the country averaged $6.3bn annually between 2002 and 2017, but they increased from an annual average of $4.8bn during the 2002-07 period to a yearly average of $7.21bn between 2008 and 2017. Banque du Liban's figures are the only official data on remittance flows to and from Lebanon.

Also, the decrease in remittance inflows to Lebanon in 2017 constituted the steepest annual decline since 2010, when they regressed by 8.8%. In this context, remittance inflows decreased five times year-on-year and expanded three times in the 2010-17 period. Remittance inflows to Lebanon expanded at a compound annual growth rate (CAGR) of 7.1% during the 2002-17 period, as they posted a CAGR of 17.8% between 2002 and 2007 and a CAGR of -0.2% during the 2008-17 period.

Remittance inflows to Lebanon totaled $1.85bn in the first quarter of 2017, unchanged from the same quarter of 2016; $1.75bn in the second quarter, unchanged year-on-year; $1.78bn in the third quarter, down by 6.5% from the third quarter of 2016; and $1.7bn in the fourth quarter of last year, down by 19.3% from the same quarter of 2016.

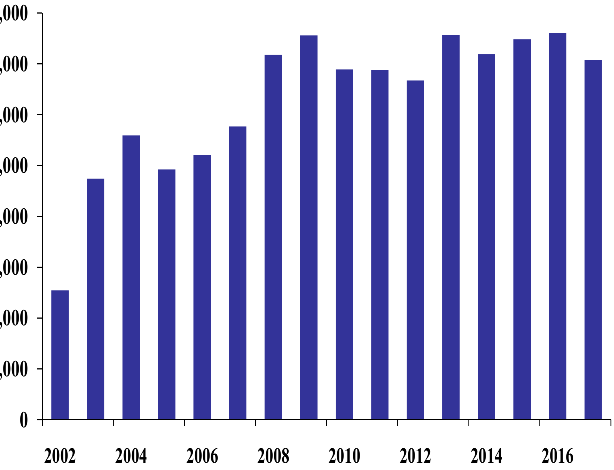
Further, remittance inflows to Lebanon were equivalent to 13.1% of GDP in 2017 compared to 14.8% of GDP in 2016, 17.9% of GDP in 2010 and 23.2% of GDP in 2007. Aggregate remittance inflows to Lebanon were equivalent to 17.8% of GDP between 2002 and 2017, as they were equivalent to 22.4% of GDP during the 2002-07 period and to 16.5% of GDP between 2008 and 2017.

In parallel, remittance outflows from Lebanon amounted to $4.45bn in 2017, up by 6.8% from $4.17bn in 2016, their fourth highest level during the 2002-17 period. They averaged $3.5bn annually during the 2002-07 period and $4.5bn yearly between 2008 and 2017, with a low of $2.5bn in 2002 and a high of $5.75bn in 2009.

Further, remittance outflows from Lebanon were equivalent to 8.2% of GDP in 2017, their second lowest level on record. Aggregate remittance outflows from Lebanon were equivalent to 11.7% of GDP between 2002 and 2017, as they were equivalent to 16.6% of GDP during the 2002-07 period and to 10.3% of GDP between 2008 and 2017.

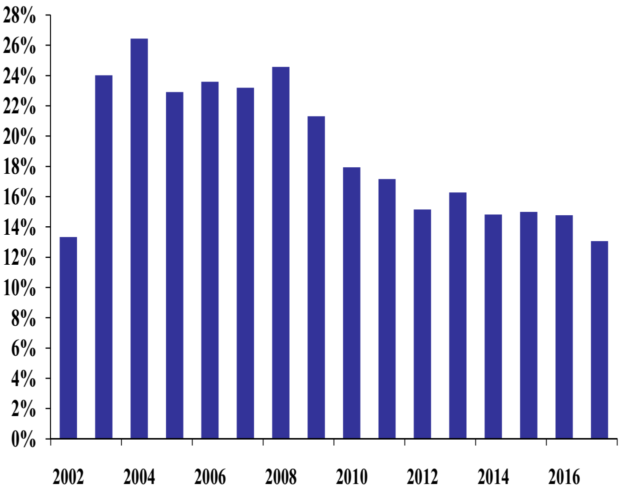
As such, net remittance inflows to Lebanon reached $2.6bn in 2017, constituting a decrease of 23.6% from $3.4bn in 2016, but representing their sixth highest level on record. They were equivalent to 4.8% of GDP in 2017, the fifth lowest level during the 2002-17 period.

Remittance Inflows to Lebanon ($m)



Source: Banque du Liban, Byblos Research

Remittance Inflows to Lebanon (% of GDP)



Source: Banque du Liban, National Accounts, IIF, Byblos Research

Monetary policy continues to maintain market confidence and stability

In its monetary policy review for 2017, Banque du Liban (BdL) indicated that it continued to maintain the stability of the Lebanese pound's peg to the US dollar as well as the stability of interest rates. Further, it protected the stability of the financial and banking sectors, as well as helped develop capital markets and improved liquidity management in the local market, among others.

First, BdL pointed out that it intervened in the domestic market to maintain the value of the exchange rate, which has been stable at LBP1,507.5 against the US dollar since September 9, 1999. The BdL's assets in foreign currency, which reached a record high of $42bn at the end of 2017, and its gold reserves, which amounted to about $12bn at the time, allowed it to preserve monetary stability. Also, BdL continued to conduct special operations with commercial banks in the country to attract long-term deposits in foreign currency and to accumulate foreign currency reserves. It noted that its measures allowed the markets to absorb the negative implications, including the limited capital flight, that resulted from the sudden resignation of Prime Minister Saad Hariri in November 2017. It added that its policies strengthened confidence in the financial and banking sectors, and among investors, amid the economic and political challenges of 2017.

Second, BdL indicated that it preserved the stability of interest rates within acceptable margins. It noted that its cooperation with the Ministry of Finance successfully maintained the level of the interest rates paid on Lebanese debt instruments in local and foreign currency throughout 2017. It added that, in order to contain the negative implications of PM Hariri's resignation, it conducted additional financial operations to motivate banks to attract long-term deposits in foreign currency and to deposit them at BdL against long-term deposits in Lebanese pounds. It noted that these measures helped to preserve the level of interest rate in US dollars and to contain its increase in Lebanese pounds. Also, it said that the interbank rate reached 125% in early November following PM Hariri's resignation, and then returned to its original rate of 4% by December 18, 2017. Third, BdL noted that it sought to limit the dollarization levels in the banking sector. In this context, the dollarization rate of deposits slightly increased to 68.7%, while the dollarization rate of loans regressed to 71% at the end of 2017, its lowest level on record.

In parallel, BdL pointed out that it continued with its non-conventional measures to stimulate the economy. It noted that 1,049 bank clients in the agricultural, tourism, industrial and specialized sectors benefited from $677.3m in subsidized loans in 2017. It added that the amount of loans to the real estate, commercial and productive sectors, which were financed through freeing the reserve requirements of commercial banks at BdL, increased by $102.2m in 2017 and reached a total of $434.5m at the end of the year. Further, BdL revealed that about 38,000 companies and individuals benefited from its stimulus packages since 2013. It noted that the aggregate amount of credit facilities that BdL extended to banks at an interest rate of 1% reached $1.03bn in 2017, while the amount of loans that commercial banks extended to clients under the stimulus package totaled $1.2bn last year. Also, it indicated that the aggregate value of subsidized loans to renewable energy projects reached $110.8m during the 2013-17 period. In addition, it pointed out that banks' financing to the knowledge economy under the BdL Intermediate Circular 331 totaled $21m in 2017.

Further, BdL indicated that it issued several circulars in order for the banking and financial sectors to continue complying with international regulations and standards. Specifically, BdL issued circulars that promote financial inclusion, prepare the banking sector for the introduction of international accounting standard IFRS 9, improve corporate governance, regulate the exchange of tax information, and improve the banks' protection against cybercrimes, among others.

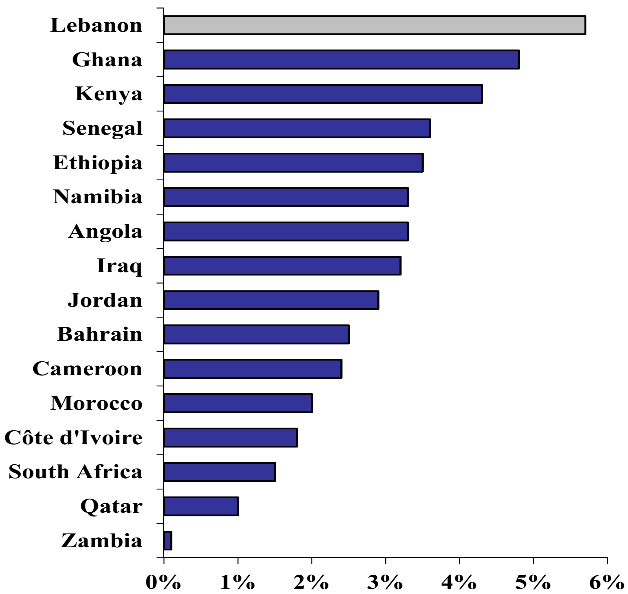
External bonds post second highest return in emerging markets in July 2018

Figures issued by Citi Research indicate that Lebanon's external sovereign debt posted a return of 5.7% in July 2018, constituting the second highest return among 48 emerging markets included in the Citi EM Sovereign Bond Index. Lebanon underperformed Pakistan (+8.1%), while it outperformed the emerging markets' return of 1.4%, the 'B'-rated sovereigns' return of 3.5% and the speculative grade sovereigns' return of 2.2% during the covered month.

Further, Lebanon's sovereign debt posted a return of -4.9% in the first seven months of 2018, constituting the sixth lowest return in emerging markets during the covered period. Also, Lebanon's sovereign debt posted the fourth lowest return among 16 countries in the Middle East & Africa region in the first seven months of 2018. Lebanon's sovereign debt return was higher than that of Cameroon (-6.6%), Senegal (-8.4%), Turkey (-11.5%), Argentina (-13.6%) and Zambia (-15.8%) in the covered period.

Lebanon underperformed the overall emerging markets' return of -4%, but outperformed the speculative grade sovereigns' return of -5.5% and the 'B'-rated sovereigns' return of -5.8% during the covered period.

External Sovereign Debt Performance in the Middle East & Africa in July 2018 (%)



Source: Citi Research, Byblos Research

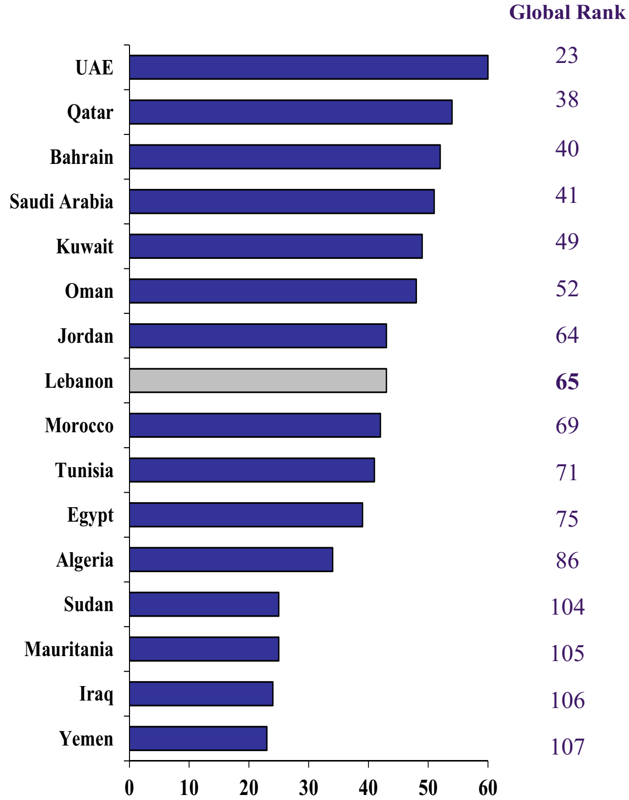
Lebanon ranks 65th globally, eighth among Arab countries in terms of FDI attractiveness

The 2018 Dhaman FDI Attractiveness Index ranked Lebanon in 65th place among 109 countries around the world and in eighth place among 16 Arab countries. In comparison, Lebanon ranked in 68th place globally in 2017, in 67th place in 2016, in 58th place worldwide in 2015 and in 56th place in the 2014 survey.

The index measures a country's capacity to attract foreign direct investment projects and to provide viable investment opportunities. It also highlights the strengths and weaknesses of a country's investment climate. The index is a composite of 57 variables that are grouped in 11 indicators that make up the three main pillars of the index, which are the Prerequisites Pillar, the Underlying Factors Pillar and the Positive Externalities Pillar. The index rates the FDI attractiveness level of each country on a scale from zero to 100, with a score of 100 reflecting the country with the highest capacity to attract FDI projects. The FDI Attractiveness Index score is the simple average of the scores of the three pillars for each country. The index is published by the Arab Investment & Export Credit Guarantee Corporation (Dhaman).

Lebanon's capacity to attract foreign direct investment projects is lower than the capacity of the UAE, Qatar, Bahrain, Saudi Arabia, Kuwait, Oman and Jordan in the Arab region, and is higher than the remaining Arab countries. Lebanon received a score of 43 points, which is below the global average score of 47.2 points, but higher than the Arab average of 40.9 points. Also, the country's score came below the Gulf Cooperation Council (GCC) countries' average of 52.3 points, but was better than the average of 33.9 points of non-GCC Arab countries.

FDI Attractiveness Index for 2018
Arab Countries Rankings & Scores



Source: Dhaman, Byblos Research

In parallel, Lebanon ranked in 10th place among Arab countries on the Prerequisites Pillar, which consists of four indicators that are macroeconomic stability, financial intermediation, the institutional environment and the business environment. Lebanon came ahead of only Egypt, Mauritania, Algeria, Iraq, Sudan and Yemen on this category.

Also, Lebanon came in eighth place among Arab economies on the Underlying Factors Pillar, which covers indicators about the country's human and natural resources, logistics performance, and information & communication technology sector. Lebanon ranked ahead of Morocco, Tunisia, Egypt, Algeria, Iraq, Yemen, Sudan and Mauritania on this category.

Further, Lebanon ranked in sixth place on the Positive Externalities Pillar, which consists of the economies of scale and technological advancement indicators. It came behind the UAE, Qatar, Bahrain, Kuwait and Saudi Arabia on this category.

Pillars of the 2018 Dhaman FDI Attractiveness Index

Pillars	Arab Rank	Lebanon Score	Global Avge Score	Arab Avge Score
Prerequisites Pillar	10	50	57.2	51.7
Underlying Factors Pillar	8	48	51.4	47.4
Positive Externalities Pillar	6	30	32.6	24.3

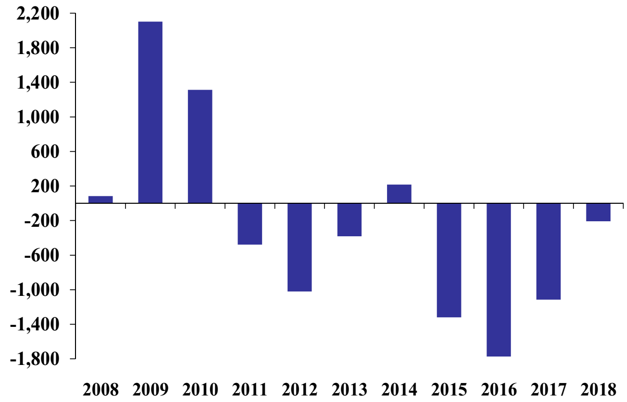
Source: Dhaman, Byblos Research

Balance of payments posts deficit of $208m in first half of 2018

Figures issued by Banque du Liban (BdL) show that Lebanon's balance of payments posted a deficit of $208.3m in the first half of 2018 compared to a deficit of $1.1bn in the same period of 2017. The balance of payments posted a deficit of $638.5m in June 2018 compared to a surplus of $1.2bn in May 2018 and a deficit of $758m in June 2017. The June 2018 deficit was caused by a decrease of $1.1bn in the net foreign assets of BdL, which was partly offset by an increase of $474.9m in those of banks and financial institutions. The cumulative deficit in the first half of 2018 was caused by a decrease of $2.4bn in the net foreign assets of banks and financial institutions, which was partly offset by an increase of $2.2bn in those of BdL.

The balance of payments posted surpluses of $7.9bn in 2009, $3.3bn in 2010 and $1.2bn in 2016, and deficits of $2bn in 2011, $1.5bn in 2012, $1.1bn in 2013, $1.4bn in 2014, $3.4bn in 2015 and $155.7m in 2017. The balance of payments posted a deficit of 0.3% of GDP in 2017, relative to a surplus of 2.5% of GDP in 2016 and deficits of 6.8% of GDP in 2015 and 2.9% of GDP in 2014.

Balance of Payments* (US$m)



**in the first half of each year*
Source: Banque du Liban

Lebanon signs EUR49m financing agreements with Agence Française de Développement

The Council for Development and Reconstruction signed a EUR34m loan agreement and a EUR15m grant agreement with the Agence Française de Développement to promote wastewater treatment in Northern Lebanon and improve living conditions in deprived areas across the country. The loan agreement, which has a maturity of 13 years and a grace period of eight years, will finance a pilot project for wastewater treatment in the Qadisha Valley and surrounding areas. Specifically, it aims to establish an integrated sewage network, pumping stations and treatment plants, as well as to mobilize the use of reed bed filters in the treatment of wastewater in the districts of Koura, Batroun, Al-Diniyeh and Becharri.

In parallel, the grant aims to improve the living conditions of the residents of the most disadvantaged areas in Lebanon, particularly in the Bekaa and Akkar regions, which host about 75% of Syrian refugees in Lebanon. Specifically, it aims to finance reforestation programs, rehabilitate infrastructure in rural areas, provide training on agricultural practices, and help promote economic opportunities to the most vulnerable populations. The Agence Française de Développement has signed over 30 financing agreements with Lebanon for an aggregate EUR1.1bn since 1999.

Industrial exports up 6% to $857m in first four months of 2018

Figures released by the Ministry of Industry show that industrial exports totaled $856.6m in the first four months of 2018, constituting an increase of 6.1% from $807m in the same period of 2017. Industrial exports reached $227.8m in April 2018, down by 4.4% from $238.4m in the preceding month, and up by 8.3% from $210.4m in April 2017.

Exports of chemical products totaled $162.6m and accounted for 19% of aggregate industrial exports in the first four months of 2018, followed by base metal exports with $151.6m (17.7%), foodstuffs & tobacco with $151m (17.6%), machinery & mechanical appliances with $138.2m (16.1%), plastics & rubber with $54.9m (6.4%) and paper & paperboard with $43.7m (5.1%). Arab countries were the destination of 48.5% of Lebanese industrial exports in the first four months of 2018, followed by European economies with 20.1%, Asian countries with 11.8%, African economies with 10.8%, countries in the Americas with 7.6%, and markets in Oceania with 0.7%.

On a country basis, the UAE was the main destination of Lebanese industrial exports and accounted for 8.7% of the total in the covered period, followed by Saudi Arabia with 8.2%, Iraq with 7.3%, Turkey with 6.7%, Qatar with 5.4% and Syria with 5%. In April 2018, 13 Arab states, 10 European economies, eight African countries, three economies in each of the Americas and Asia, and one country in Oceania imported $1m or more each of Lebanese industrial products.

In parallel, imports of industrial equipment and machinery reached $102.1m in the first four months of 2018, up by 46.1% from $69.9m in the same period of 2017. Italy was the main source of such imports and accounted for 38.5% of the total in the first four months of 2018, followed by Germany with 18.2% and China with 12.3%. Further, imports of industrial equipment and machinery amounted to $31.1m in April 2018, up by 72.5% from $18m in the same month of 2017. Italy was the main source of such imports with $14.3m and accounted for 45.9% of the total in the covered month, followed by Germany with $6m (19.2%) and China with $2.7m (8.7%).

Byblos Bank's net profits at $67m in first half of 2018

Byblos Bank sal declared unaudited net profits of $66.6m in the first half of 2018 compared to $66.3m in the same period of 2017. The Bank attributed the subdued growth in its net profits to Tax Law 64 that the Lebanese Parliament enacted last year and that resulted in the double taxation of the income of commercial banks in Lebanon. Byblos Bank reiterated its commitment to its conservative strategy that focuses on maintaining asset quality and preserving capital levels, among other objectives, rather than engaging in unnecessary risks to maximize returns over the short term.

The Bank's net interest income reached $150.2m in the first half of 2018, constituting an increase of 5.5% from $142.4m in the same period last year; while net fees & commissions income stood at $47.1m, up by 15.5% from $40.8m in the first half of 2017. The Bank's net operating income totaled $202.3m in the first half of 2018 and increased by 2.2% from $198m in the same period of 2017. In parallel, Byblos Bank's operating expenditures totaled $118.5m in the covered period compared to $115.2m in the first half of 2017, with personnel expenditures accounting for 59% of the total.

Also, the Bank's aggregate assets reached $23.75bn at the end of June 2018, growing by 4.8% from $22.7bn at end-2017 and by 9% from $21.8bn at the end of June 2017. Net loans & advances to customers totaled $5.5bn at the end of June 2018, expanding by 0.7% from end-2017 and by 4.2% from end-June 2017, while net loans & advances to related parties reached $15.9m. Byblos Bank maintained adequate provisioning, with a coverage ratio of 87.7% in the first half of 2018, while the Bank's non-performing loans ratio was 4.25% at end-June 2018. Further, the Bank's total customer deposits amounted to $18.1bn at the end of June 2018, increasing by 1.7% from end-2017 and by 2.7% from end-June 2017, while deposits from related parties stood at $275.9m. In parallel, the Bank's equity was $2.11bn at the end of June 2018 relative to $2.05bn at end-June 2017.

Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's Basel III capital adequacy remained above 18%, which significantly exceeds Banque du Liban’s regulatory requirement of 15% for end-2018, and is one of the highest such ratios in the Lebanese banking sector. The Bank also maintained a high level of immediate foreign-currency liquidity, equivalent to 15% of deposits in foreign currency at the end of June 2018, in the form of short-term placements with above investment-grade institutions, and at levels exceeding the local and international benchmarks.

Stock market index down 16% in first seven months of 2018

Figures released by the Beirut Stock Exchange (BSE) indicate that trading volume reached 60,683,990 shares in the first seven months of 2018, constituting an increase of 28.8% from 47,103,683 shares traded in the same period of 2017; while aggregate turnover amounted to $448.6m, up by 10.6% from a turnover of $405.5m in the first seven months of 2017. Market capitalization regressed by 9.1% from the end of July 2017 to $10.3bn, with banking stocks accounting for 84.7% of the total, followed by real estate equities (11.6%), industrial shares (3.1%) and trading firms' equities (0.3%). The market liquidity ratio was 4.3% in the covered period compared to 3.6% in the first seven months of 2017.

Banking stocks accounted for 82.2% of the aggregate trading volume in the first seven months of 2018, followed by real estate equities with 15.2%, industrial shares with 2.2% and trading stocks with 0.4%. Also, banking stocks represented 78.1% of the aggregate value of shares traded, followed by real estate equities with 17.6%, industrial stocks with 4.1% and trading stocks with 0.2%. The average daily traded volume for the period was 433,457 shares for an average daily value of $3.2m. The figures reflect a rise of 29.8% in volume and an increase of 11.4% in value year-on-year in the first seven months of the year. In parallel, the Capital Markets Authority's Market Value-Weighted Index for stocks traded on the BSE dropped by 15.6% in the first seven months of 2018, while the CMA's Banks Market Value-Weighted Index regressed by 15.1% in the covered period.

RYMCO to distribute dividends for 2017, payout ratio at 31%

The Ordinary General Assembly of automobile dealer Rasamny Younis Motor Co. sal (RYMCO) held on August 2, 2018 approved the distribution of LBP2.27bn, or $1.5m, in dividends to shareholders for 2017. The dividend distribution is equivalent to LBP83 ($0.06) per common share and represents a 30.8% payout ratio. The dividends will be paid starting in January 2019, net of a 10% withholding tax. The firm currently has 27,300,000 common shares that include 10,920,000 shares listed on the Beirut Stock Exchange.

RYMCO posted audited consolidated net profits of $4.9m in 2017, down 16.6% from net earnings of $5.8m in 2016. The firm's consolidated assets reached $176m at the end of 2017, down 14.4% from $205.6m at end-2016. The company's consolidated inventory, which mostly consists of cars and spare parts, totaled $52.5m at end-2017, constituting a decline of 26.6% from $71.5m at end-2016. The firm’s shareholders' equity reached $57m at the end of 2017 and increased by 6.2% from end-2016. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at $3.3 on August 3, 2018, up by 1.5% from $3.25 at the end of 2017.

Aggregate net profits of listed banks up 7% to $688m in first half of 2018

Financial results issued by the six banks listed on the Beirut Stock Exchange show that their aggregate net profits reached $687.9m in the first half of 2018, constituting an increase of 7.1% from net earnings of $642.2m in the same period of 2017. Further, the banks' aggregate pre-tax profits increased by 7.7% year-on-year to $855.8m in the first half of 2018. The net interest income of the six banks, including net interest on financial instruments, totaled $1.38bn in the covered period, up by 7% from $1.29bn in the first half of 2017; while their receipts from net fees & commissions declined by 2.4% year-on-year to $280.5m. Also, the total operating income of the listed banks reached $1.75bn in the first half of 2018 and declined by a marginal 0.6% from $1.76bn in the same period of 2017. Further, the banks' cost-to-income ratio decreased from 48.2% in the first half of 2017 to 46.3% in the first six months of 2018.

In parallel, the aggregate assets of the publicly-listed banks increased by 4% from end-2017 and by 6.4% from end-June 2017 to $130bn at the end of June 2018; while their total loans, including those to related parties, regressed by 4.8% from end-2017 and by 7.4% year-on-year to $35.5bn at end-June 2018. Also, total deposits, including those from related parties, decreased by 1.6% from end-2017 and by 4.8% from end-June 2017 to $95.2bn at end-June 2018, mainly due to a decline in deposits at Bank Audi. Further, the banks' aggregate equity, including subordinated notes, declined by 1.9% from end-2017 but rose by 5.8% from a year earlier to $13.1bn at the end of June 2018.

The six banks' aggregate loans-to-deposits ratio stood at 37.3% at the end of June 2018 compared to 38.6% at end-2017. BLOM Bank had the lowest loans-to-deposits ratio at 27.8%, down from 28.3% end-2017; followed by Byblos Bank with a ratio of 29.9% at the end of June 2018 compared to 30.3% at end-2017; BLC Bank with 39.7% at end-June 2018 compared to 40.8% at end-2017; Bank of Beirut with 42.3% at the end of June 2018 relative to 42.7%; Bank Audi with 46.5% at end-June 2018, down from 48.7% at end-2017; and Banque BEMO with 56% at the end of June 2018 relative to 55.2% at end-2017.

Results of Listed Banks in First Half of 2018

	Bank Audi	BLOM Bank	Byblos Bank	Bank of Beirut	BLC Bank	Banque BEMO
Net Profits ($m)	265.4	243.8	66.6	84.3	19.6	8.2
% Change*	24.7%**	4.4%	0.5%	-12.9%	-21.2%	3.6%
Total Assets ($bn)	44.9	34.6	23.8	18.8	5.9	2.0
% Change***	2.5%	6.3%	4.8%	2.4%	0.6%	15.2%
Loans ($bn)	14.6	7.4	5.5	5.7	1.6	0.8
% Change***	-10.6%	-1.4%	0.7%	-0.2%	-0.2%	0.8%
Deposits ($bn)	31.3	26.8	18.3	13.4	4.0	1.4
% Change***	-6.4%	0.6%	1.8%	0.5%	2.6%	-0.6%

** year-on-year;*
***the change excludes earnings from discontinued operations in the first half of 2017*
**** from end-2017*
Source: Banks' financial statements, Byblos Research

Balance sheet of financial institutions down 5% in first half of 2018

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon reached LBP2,400bn, or $1.59bn at the end of June 2018, constituting a decrease of 4.5% from LBP2,513bn, or $1.67bn, at end-2017, and a decline of 4.7% from LBP2,518bn or $1.67bn at end-June 2017.

On the assets side, claims on resident customers reached $667.8m at end-June 2018, down by 7.3% from the end of 2017, while claims on non-resident customers totaled $67.2m at end-June 2018 and increased by 73.6% from end-2017. In addition, claims on the resident financial sector reached $365.8m at end-June 2018, down by 16.5% from end-2017; while claims on the non-resident financial sector totaled $114.8m at the end of June 2018 and increased by 39% from end-2017. Also, claims on the public sector totaled $4.9m at end-June 2018, constituting a decline of 18.3% from end-2017; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached $139m at end-June 2018, up by 2% from end-2017. In parallel, currency and deposits with local and foreign central banks totaled $24.7m at the end of June 2018 and increased by 7.1% from $23.1m at end-2017.

On the liabilities side, deposits of resident customers totaled $172m at the end of June 2018, constituting an increase of 22.1% in the first half of 2018; while deposits of non-resident customers reached $35.9m at the end of June 2018, representing an increase of 39.2% from end-2017. Liabilities to the resident financial sector amounted to $376m at end-June 2018, down by 13% from end-2017; while those to the non-resident financial sector increased by 34.8% from end-2017 to $142.4m. Also, public sector deposits decreased by 70.8% in the first half of 2018 to $4.2m, while debt securities issued totaled $170m at end-June 2018 and regressed by 18% from end-2017. Further, the aggregate capital account of financial institutions amounted to $479.4m at the end of June 2018, constituting a decrease of 1.1% from end-2017, and a decline of 4.6% from end-June 2017.

Ratio Highlights

(in % unless specified)	2015	2016	2017e	Change*
Nominal GDP ($bn)	49.5	49.7	52.5	
Public Debt in Foreign Currency / GDP	54.7	56.6	57.9	1.30
Public Debt in Local Currency / GDP	87.4	94.1	93.6	(0.54)
Gross Public Debt / GDP	142.1	150.7	151.5	0.76
Total Gross External Debt / GDP	175.8	183.9	185.6	1.70
Trade Balance / GDP	(31.6)	(32.5)	(31.9)	0.60
Exports / Imports	15.9	15.6	14.5	(1.04)
Fiscal Revenues / GDP	19.3	20.0	22.1	2.17
Fiscal Expenditures / GDP	27.3	29.9	29.3	(0.62)
Fiscal Balance / GDP	(8.0)	(9.9)	(7.2)	2.79
Primary Balance / GDP	1.5	0.0	2.7	2.68
Gross Foreign Currency Reserves / M2	58.7	62.2	68.2	5.98
M3 / GDP	249.7	267.2	263.6	(3.61)
Commercial Banks Assets / GDP	375.7	411.1	418.8	7.69
Private Sector Deposits / GDP	306.2	327.0	321.3	(5.69)
Private Sector Loans / GDP	109.5	115.0	114.9	(0.16)
Private Sector Deposits Dollarization Rate	64.9	65.8	68.7	2.88
Private Sector Lending Dollarization Rate	74.8	72.6	71.0	(1.61)

**Change in percentage points 16/17*
***Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks*
Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, World Bank, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Metrics

Lebanon	Dec 2016	Nov 2017	Dec 2017	Change**	Risk Level
Political Risk Rating	55	54.5	55	↔	High
Financial Risk Rating	36.5	33.0	33.0	▲	Moderate
Economic Risk Rating	30.5	27.5	28.5	▲	High
Composite Risk Rating	61.0	57.5	58.25	▲	High

MENA Average*	Dec 2016	Nov 2017	Dec 2017	Change**	Risk Level
Political Risk Rating	57.6	58.0	58.2	▼	High
Financial Risk Rating	38.3	38.5	38.5	▼	Low
Economic Risk Rating	29.6	31.0	30.9	▼	Moderate
Composite Risk Rating	62.8	63.8	63.9	▼	Moderate

**excluding Lebanon*
***year-on-year change in risk*
Source: The PRS Group, Byblos Research
Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)
Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B3	NP	Stable	B3		Stable
Fitch Ratings	B-	B	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence Ratings	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Outlook
Moody's	Stable

Source: Moody's Investor Services

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island - Sky Tower - Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293