

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

Second Half 2017 Results and Analysis

Consumer Confidence Improves Modestly in Second Half of 2017

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HIGHLIGHTS

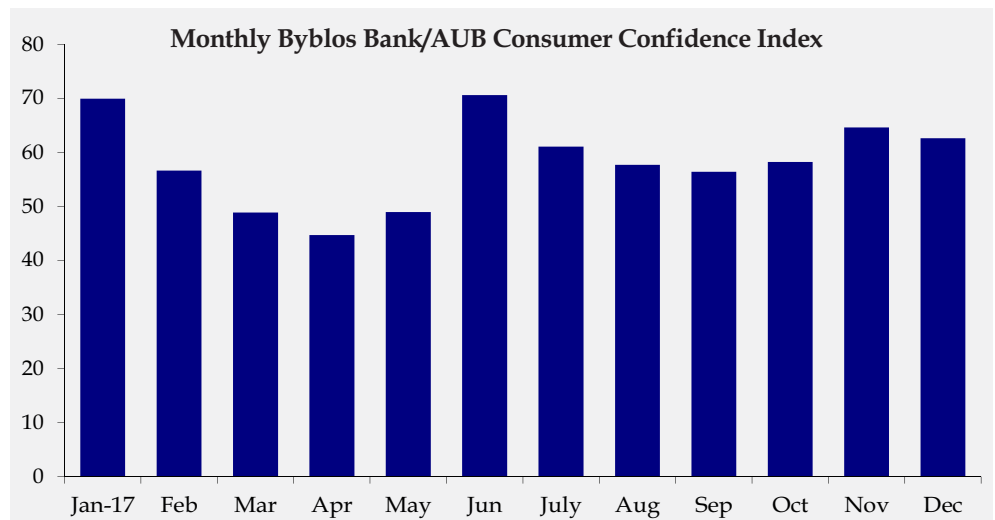
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 58.4 in the third quarter of 2017 and increased by 6.6% from the preceding quarter. The Index reached 61.8 in the fourth quarter of 2017 and grew by 5.9% from the preceding three months.
- The results of the third quarter of 2017 were the 15th highest since the Index's inception in July 2007, while the outcome of the fourth quarter was the 13th highest in 42 quarters.
- Consumer sentiment in the third quarter of 2017 was influenced by the Parliament's ratification of the tax law that raised taxes on consumption, income and profits, as well as by the across-the-board increase in the wages and salaries of public sector employees and workers.
- The withdrawal of Prime Minister Saad Hariri's resignation towards the end of November 2017 and the resumption of the proper functioning of the government in December were the key factors for the recovery in household sentiment during the fourth quarter of 2017.
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 60.1 in the second half of 2017, up by 6.2% from the first half of the year.
- The level of sentiment in the second half reflected a drop of 38.3% from the semi-annual peak registered in the first half of 2009, and an increase of 11.4% from the Index's monthly trend average score since the Index's inception.
- The near-term expectations of households were slightly higher than their views of their current conditions during the second half of 2017.
- Only 11.1% of surveyed Lebanese in the fourth quarter of 2017 expected their financial condition to improve in the coming six months.
- Consumers with a monthly income of \$2,500 or higher were more confident than citizens in lower income brackets in the second half of 2017.
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 58.4 in 2017 compared to an average of 39.7 in 2016. Still, the level of consumer sentiment in 2017 was 40% lower than the Index's peak score of 96.7 in 2009.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon improved during the third and fourth quarters of 2017, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The Index reached 61.1 in July 2017, down by 13.5% from 70.6 in the preceding month. It also decreased by 5.5% to 57.7 in August and regressed by another 2.2% to 56.4 in September 2017. Further, the Index posted a score of 58.3 in the October 2017 survey, up by 3.2% from the previous month. It then grew by 10.9% to 64.6 in November and regressed by 3.1% to 62.6 in December 2017.

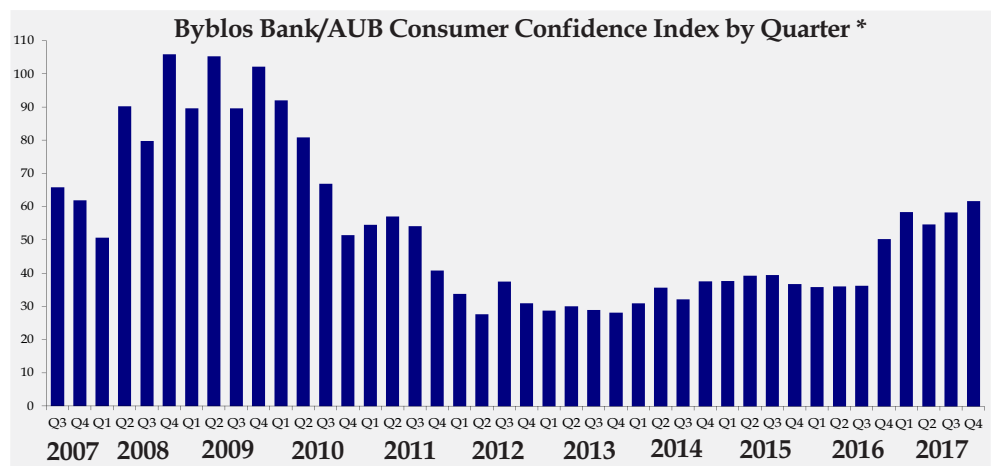
Consumer sentiment was highest in November during the second half of 2017



Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The Byblos Bank/ AUB Consumer Confidence Index averaged 58.4 in the third quarter of 2017, constituting an increase of 6.6% from 54.8 in the second quarter, while it grew by 5.9% to an average of 61.8 in the fourth quarter of 2017. The results of the third quarter of 2017 were the 15th highest since the Index's inception in July 2007, while the fourth quarter results posted their 13th highest quarterly reading in 42 quarters.

Consumer confidence improved modestly in the third and fourth quarters of 2017



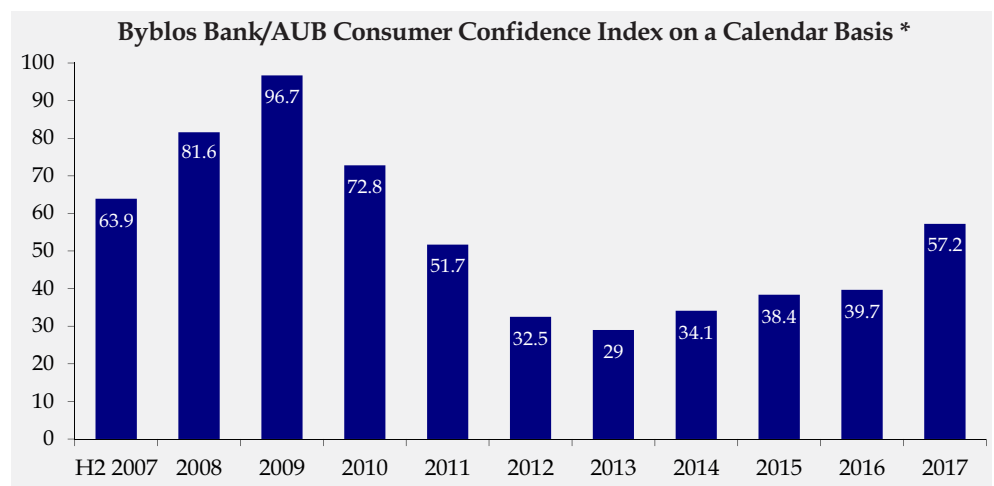
* average monthly score by quarter

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The level of sentiment during the third quarter of 2017 was influenced by the ratification of the tax law that raised taxes on consumption, income and profits, and increased fees on a large number of public services; as well as by the increase in public-sector wages and salaries. The steep decline of the Index in July, and its sustained retreat in August and September, show that the negative impact of the tax hikes on sentiment is a lot more significant than any potential positive impact of the public-sector wage increase. In parallel, the increase in confidence during the fourth quarter of 2017 was mainly due to the resolution of the crisis that was triggered by the sudden resignation of Prime Minister Saad Hariri in early November, as well as by the new political consensus about the policy of “non-intervention” of Lebanese parties in regional conflicts.

Further, the Index posted an average monthly value of 60.1 in the second half of 2017, constituting an increase of 6.2% from the first half of the year. The second-half results represented the Index's seventh-highest level in 21 semi-annual readings. They were also 11.4% higher than the Index's trend average score of 53.7 since July 2007, which marks the second time that the semi-annual results exceed the trend average since the first half of 2011. Still, the average monthly score of the second half of 2017 represented a decline of 38.3% from the peak of 97.5 registered in the first half of 2009.

Household sentiment remained significantly below the peak level of 2009



* average monthly score for the period

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

In addition, the Byblos Bank/AUB Consumer Confidence Index posted a monthly average of 58.4 in 2017, constituting an increase of 47.1% from an average of 39.7 in 2016. However, the level of consumer confidence in 2017 was 39.6% lower than the Index's peak score of 96.7 in full year 2009, while it was 7.2% higher than the Index's monthly trend average of 54.4 since its inception.

**Results of the Byblos Bank/AUB Consumer Confidence Index,
the Byblos Bank/AUB Present Situation Index
and the Byblos Bank/AUB Expectations Index**

| | Q3 2017 | | | Q4 2017 | | |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
| CCI* | 61.1 | 57.7 | 56.4 | 58.3 | 64.6 | 62.6 |
| Month-on-month change (%) | -13.5% | -5.5% | -2.2% | 3.2% | 10.9% | -3.1% |
| Year-on-year change (%) | 82.0% | 53.7% | 48.7% | 48.3% | 61.0% | -12.7% |
| PSI** | 59.3 | 54.4 | 55.9 | 56.2 | 63.4 | 60.4 |
| Month-on-month change (%) | -13.5% | -8.3% | 2.8% | 0.6% | 12.7% | -4.8% |
| Year-on-year change (%) | 81.6% | 47.6% | 41.4% | 41.6% | 56.8% | -7.1% |
| EI*** | 62.3 | 59.9 | 56.8 | 59.6 | 65.4 | 64.2 |
| Month-on-month change (%) | -13.5% | -3.8% | -5.3% | 5.0% | 9.8% | -2.0% |
| Year-on-year change (%) | 82.3% | 57.7% | 53.8% | 52.8% | 63.8% | -15.8% |

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

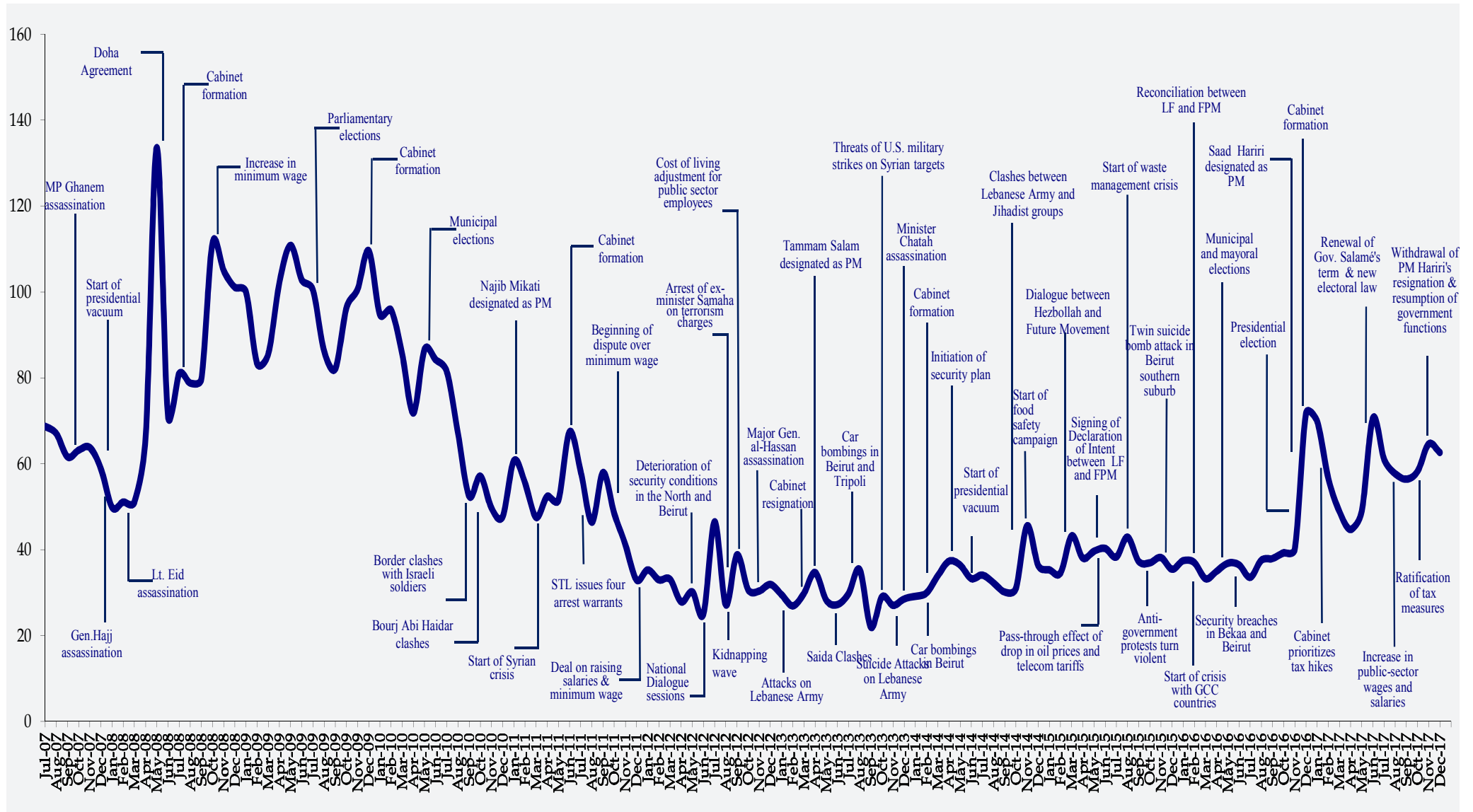
*** EI: Byblos Bank/AUB Expectations Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

METHODOLOGY

The Byblos Bank/ AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-Index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, administrative district, and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The survey has a margin of error of +/- 2.83%, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007 - December 2017)



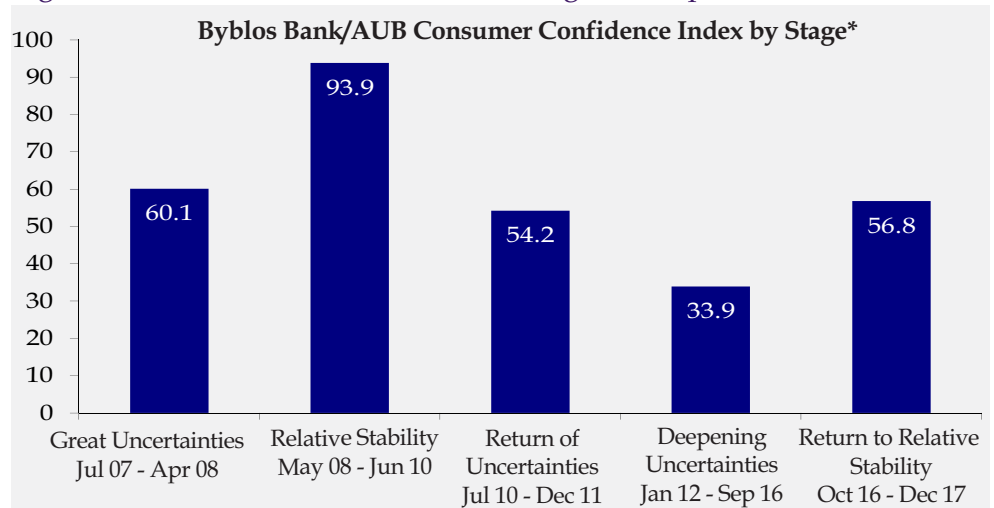
Source: Byblos Research

B -TIMELINE ANALYSIS

The results of the third and fourth quarters of 2017 supported the trend in consumer confidence that started towards the end of 2016 following the election of President Michel Aoun and the formation of a government of national unity, and continued during the first half of 2017 with the renewal of the term of Banque du Liban's Governor Riad Salamé and the approval of a new parliamentary electoral law. These developments reflected the breakthrough in the political climate that ushered a period of improved stability in the country, despite the November political crisis. We identified five distinct periods in the history of the Byblos Bank/ AUB Consumer Confidence Index: a period of Great Uncertainties, one of Relative Stability, a Return of Uncertainties phase, a period of Deepening Uncertainties, and a fifth of Return to Relative Stability.

The period of Return to Relative Stability extended into the third and fourth quarters of 2017

The first period started in July 2007 and ended in April 2008, with the Index averaging 60.1 during this timeframe. It was a "high risk" period dominated by security and political uncertainties. The second period extended from May 2008 to June 2010, and it was characterized by a significantly higher level of confidence, as the Index averaged 94 during the 26-month span. This timeframe was a "low risk" period that saw several positive political events that helped revive consumer confidence. The third period, which stretched from July 2010 to December 2011, saw the return of uncertainties and an increase in political risks, as the Index averaged 54.2 during the 18-month period. The fourth period started in January 2012, with the Index averaging 33.8 during the 54 months ending in June 2016. It was a "very high risk" period as political and institutional paralysis increased and security conditions deteriorated, which negatively weighed on consumer sentiment. The Index averaged 33.8 over the January 2012-September 2016 period, constituting the lowest level of consumer confidence over the five periods. The fifth period started in the fourth quarter of 2016 and extended into the first half of 2017. Several political developments, in addition to the stable security conditions, helped to improve consumer confidence, which led us to classify this timeframe as a period of "Return to Relative Stability". The results of the third and fourth quarters of 2017 extended the Return to Relative Stability period, as the Index averaged 56.8 during the October 2016-December 2017 period, constituting the third highest level of consumer confidence among the five periods.



* average monthly score for the period

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Byblos Bank/ AUB Present Situation Index increased by 9.7% in the third quarter of 2017 from the preceding quarter, while the Expectations Index improved by 4.8% in the covered quarter. In parallel, the Present Situation Index expanded by 6.2% in the fourth quarter of 2017 from the preceding quarter, and the Expectations Index grew by 5.7% quarter-on-quarter.

The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the third and fourth quarters of 2017, similar to the first and second quarters of 2017, and in line with all quarters in 2015 and 2016. Also, the gap between the Expectations Index and the Present Situation Index posted a positive spread of +5.6% in the third quarter of 2017, and was nearly unchanged at +5.2% in the fourth quarter of the year.

The Present Situation Index and the Expectations Index moved in the same direction in two out of the three months of the third quarter of 2017. The Present Situation Index decreased by 13.5% in July, declined by 8.3% in August and increased by 2.8% in September 2017, while the Expectations Index regressed by 13.5% in July, retreated by 3.8% in August and declined by 5.3% in September. Moreover, the Present Situation and Expectations indices averaged 56.5 and 59.7, respectively, in the third quarter of 2017, constituting their 12th- and 17th-highest quarterly readings, respectively, since the start of the Index's calculation.

In parallel, the two indices moved in the same direction during the fourth quarter of 2017. As such, the Present Situation Index posted an increase of 0.6% in October, a rise of 12.7% in November and a decrease of 4.8% in December 2017, while the Expectations Index improved by 5% in October, surged by 9.8% in November and regressed by 2% in December. In addition, the Present Situation and Expectations indices averaged 60 and 63.1, respectively, in the fourth quarter of 2017, constituting their 11th- and 15th-highest quarterly readings, respectively, in 42 quarters. Moreover, the Present Situation Index and the Expectations Index posted their fifth and eighth highest readings, respectively, out of the 21 semi-annual readings, during the second half of 2017.

Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation, a trend upheld in the third and fourth quarters of 2017, as the Expectations Index posted higher values than the Present Situation Index in each of the last six months of 2017. In fact, Lebanese consumers were more optimistic about the future than they were about present circumstances in 32 out of 42 quarters and in 91 out of 126 months between July 2007 and December 2017, representing a 72.2% monthly frequency of occurrence.

The results of the second half of 2017 reflect a minor shift in households' attitudes, as 11% of Lebanese polled in the covered period expected their financial conditions to improve in the coming six months, slightly up from 10.4% in the first half of the year and compared to 7.2% in the same period of 2016. In addition, 64.7% of respondents believed their financial situation will deteriorate in the coming six months, while 21.6% expected their financial conditions to remain the same.

The Expectations Index was higher than the Present Situation Index during the third and fourth quarters of 2017

D - GENERAL TRENDS

Consumer confidence in Lebanon improved in relative terms during the second half of 2017, as several factors led the level of household sentiment to increase in the third and fourth quarters of the year. However, the positive developments that materialized during the covered period did not fully translate into a sustained momentum in sentiment, as households' expectations and skepticism affected the trajectory of the Byblos Bank/ AUB Consumer Confidence Index in the second half of 2017. Moreover, confidence remained sensitive to political developments during the covered period, in line with the trend since the Index's inception in July 2007. In fact, political and security developments, whether they are positive or negative, have been the single most important factor to affect the confidence of Lebanese consumers in the past 42 quarters.

Household sentiment improved modestly in the second half of 2017

The level of consumer sentiment throughout the third quarter of 2017 was influenced by two parallel developments that are the Parliament's ratification of the tax law that raised taxes on consumption, income and profits, and increased fees on a large number of public services; as well as by the across-the-board increase in the wages and salaries of public sector employees and workers. However, the positive impact of the wage increase was limited to public sector employees, as the value of the sub-index for this segment of the population jumped by 72% in July and remained the highest among all occupational categories during the third quarter, while the confidence level of all other occupational categories regressed in July, August and September.

As such, the steep decline of the Byblos Bank/ AUB Consumer Confidence Index in July, and its sustained decrease in August and September, show that the massive tax hike will offset the much-hyped positive impact of the public-sector wage increase on consumption and, by extension, on economic activity. In fact, the results of the Index's survey reflected the prevailing skepticism of Lebanese households, as only 11% of the Lebanese polled in the third quarter of 2017 expected their financial condition to improve in the coming six months, while 66.6% of respondents believed that their financial situation would deteriorate. Also, 9.7% of the Lebanese surveyed in the third quarter of 2017 expected business conditions in Lebanon to improve in the coming six months, while 70.7% of respondents believed that business conditions will deteriorate.

The massive tax hikes halted the momentum in household sentiment in the third quarter

The spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index widened from +3 in July to +5.6 in August, but then contracted to +0.8 in September, its narrowest margin by far since the political breakthrough towards the end of 2016, which reflects the impact of the tax increase on consumers' outlook.

In parallel, the sudden resignation of Prime Minister Saad Hariri in early November 2017 was the main event that affected household sentiment in the fourth quarter of 2017. The shock resignation triggered a political crisis that reverberated across Lebanon, as rumors about the circumstances and consequences of the resignation had a negative impact on sentiment in the first three weeks of the month and risked a significant slide in the Index.

The withdrawal of PM Hariri's resignation improved household sentiment in the fourth quarter

However, the withdrawal of Prime Minister Hariri's resignation towards the end of November 2017 and the resumption of the proper functioning of the government in December were the key factors for the improvement in household sentiment during the fourth quarter of 2017. The withdrawal of Prime Minister Hariri's resignation ended the political crisis and eased the concerns of Lebanese households, as the Byblos Bank/ AUB Present Situation Index increased by nearly 13% and the Byblos Bank/ AUB Expectations Index improved by 10% in November, the highest increase for both indices since June 2017.

Households remain skeptical about their future financial and business conditions

Despite the resolution of the political crisis, the results of the Byblos Bank/ AUB Consumer Confidence Index's survey continued to reflect the prevailing skepticism of Lebanese households, as only 11.1% of the Lebanese polled in the fourth quarter of 2017 expected their financial condition to improve in the coming six months, while 63% of respondents believed that their financial situation will deteriorate in the near term. In addition, 9% of the Lebanese surveyed in December 2017 expected business conditions in Lebanon to improve in the coming six months, while 67.3% of respondents anticipated business conditions to deteriorate.

In parallel, the spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index remained narrow in the fourth quarter, as it reached +3.4 in October, +2 in November and +3.8 in December. Although the results constitute a relative improvement from September, they still reflect the fragile level of confidence and the ongoing skepticism of households.

The renewal of Governor Salamé's term was the single most important factor for confidence in 2017

Looking at the full year results, consumer confidence improved from a low base in 2016, with the Index's results constituting the fifth highest annual level since 2008. However, most of the increase occurred during the first quarter of 2017, as the Index rose by 16% in the first quarter, regressed by 6.3% in the second quarter, grew by 6.6% in the third quarter and expanded by 5.9% in the fourth quarter of 2017. Several positive factors influenced consumer sentiment in 2017, including the renewal of the term of Banque du Liban's Governor Riad Salamé in May, the approval of a new parliamentary electoral law in June and the withdrawal of Prime Minister Hariri's resignation in November. In contrast, the increase in the public sector's wages and salaries and the ratification of the tax increases, as well as the November political crisis, weighed negatively on the level of household sentiment.

The results of the Byblos Bank/ AUB Consumer Confidence Index for 2017 were mixed and have remained volatile, as the Index decreased in eight out of 12 months, reaching a low of 44.7 in April and a high of 70.6 in June.

The Index reached its highest level in June, due in particular to the renewal of Governor Salamé's term, but also to the approval of a new parliamentary electoral law. However, the positive impact of the law's ratification was likely due to citizens' relief that the debilitating and long-running bickering among political parties about the electoral law has finally ended, rather than to real expectations of imminent change in the political system. As such, the Index regressed in the following months, but continued to be at higher levels than in 2016.

The spread between the Byblos Bank/ AUB Expectations Index and the Byblos Bank/ AUB Present Situation Index remained positive in each month of 2017. The spreads ranged between a low of +0.8 in September and a high of +17.8 in January 2017, which reflects the fluctuation of consumers' outlook.

Improvement in consumer confidence in 2017 remains tentative at best

In this context, the increase in the level of sentiment in 2017 remains tentative at best, especially when compared to the 2008-10 levels. Lebanese households had high expectations at the beginning of the year that the new government will put the priorities and needs of citizens at the top of its agenda. Instead, the authorities' determination to increase taxes and fees, at the expense of households' day-to-day needs, exacerbated consumers' skepticism and added an unnecessary burden on the already stretched budgets of households, which halted the momentum in consumer sentiment that was developing towards the end of 2016.

Household confidence remains conditional on improving their economic well-being

Indeed, Lebanese households still consider that the political breakthrough that started towards the end of 2016 with the presidential elections, the formation of the Cabinet and the re-activation of Parliament, have not yet translated into concrete improvements in their quality of living and economic well-being.

As such, the 2017 results clearly show that Lebanese citizens still have low confidence in the seriousness of the government and political parties to bring about real stability and change, as well as to improve their living standards and provide a credible framework for economic opportunities.

E - CONSUMERS' NEAR-TERM OUTLOOK

Female consumers had a relatively more optimistic near-term outlook than their male counterparts in the third and fourth quarters of 2017. The average monthly reading of the Expectations Index was 62.2 for females compared to 57.2 for males in the third quarter of 2017, and reached 64.8 for females relative to 61.4 for males in the fourth quarter of the year.

Consumers between 40 and 49 years old were the most optimistic in the second half of 2017

Consumers who are in the 40 to 49 year-old bracket were more optimistic about the near term than consumers in the other age brackets during the third and fourth quarters of 2017, while consumers in the 50 to 59 year-old segment were the most pessimistic during the third and fourth quarters of the year.

Further, public-sector employees were the least pessimistic about economic prospects among occupational sub-categories in the third and fourth quarters of 2017, as the Expectations Index for this segment averaged 80 and 83, respectively. Conversely, unemployed consumers were the most pessimistic about the near future among all occupational categories in the third quarter of 2017, while students were the least optimistic during the fourth quarter of the year.

Higher income consumers were the least pessimistic in the third and fourth quarters of 2017

In parallel, consumers with a monthly income of \$2,500 or higher were more optimistic about future economic prospects than citizens in other income brackets during the second half of 2017. In contrast, consumers with a monthly income between \$750 and \$1,499 were the most pessimistic about the near future among all income categories during the covered period.

In addition, residents of North Lebanon and Mount Lebanon were more optimistic than their counterparts in other regions during the third quarter of 2017, while residents of Mount Lebanon were the most optimistic during the fourth quarter of the year. Conversely, consumers who reside in South Lebanon were more pessimistic about future prospects than those in other administrative districts during the third and fourth quarters of 2017.

Shiite citizens were the most pessimistic about future prospects in the second half of 2017

In terms of religious affiliation, Druze consumers were the least pessimistic about the country's near-term economic outlook in the third and fourth quarters of 2017, followed by Christians and Sunnis. Conversely, Shiite consumers were the most pessimistic about future prospects in the second half of 2017.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

Females continued to be more confident than males

The results of the Byblos Bank/ AUB Consumer Confidence Index show that female consumers registered a relatively higher level of confidence than their male counterparts during the third and fourth quarters of 2017. Females were more confident than males in four out of six months in the second half of 2017. However, male consumers were more confident than females in 69 out of 126 months since the Index's inception in July 2007, representing a 54.8% frequency of occurrence.

The confidence level of male consumers grew by 8.2% in the third quarter of 2017 and by 7.2% in the fourth quarter, while the level of sentiment among females increased by 5.2% in the third quarter and by 4.6% in the fourth quarter of the year. Male and female consumers posted average confidence levels of 57.7 and 59.1, respectively, during the third quarter of 2017 and confidence levels of 61.9 and 61.8, respectively, in the fourth quarter of the year. The third quarter results represent the 16th-highest level of male confidence in 42 quarters, while females registered their 15th-highest confidence level ever in the same quarter of 2017. Moreover, male and female consumers posted their 12th- and 13th-highest quarterly results, respectively, in the fourth quarter of 2017.

On a semi-annual basis, male and female consumers posted average confidence levels of 59.8 and 60.5, respectively, during the second half of 2017, relative to confidence levels of 55 and 58.2, respectively, in the first half of the year. As such, the confidence level of males increased by 8.7% and that of females grew by 3.8% during the second half of 2017. Moreover, male and female consumers registered their seventh highest semi-annual results in the second half of 2017.

On an annual basis, female consumers had a higher level of confidence than their male counterparts in 2017, representing the fourth such instance since the start of the Index's calculation. Also, female consumers were more confident than males in nine out of 12 months in 2017. However, male consumers were more confident than females in 69 out of 126 months since the Index's inception in July 2007, representing a 54.8% frequency of occurrence.

| Byblos Bank/AUB Consumer Confidence Index by Gender | | |
|---|------|--------|
| Month | Male | Female |
| Jul-17 | 59.6 | 62.6 |
| Aug-17 | 57.2 | 58.2 |
| Sep-17 | 56.3 | 56.5 |
| Av. Index Q3 2017* | 57.7 | 59.1 |
| Oct-17 | 55.9 | 60.6 |
| Nov-17 | 64.9 | 64.4 |
| Dec-17 | 64.9 | 60.4 |
| Av. Index Q4 2017* | 61.9 | 61.8 |

* average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

B - CONSUMER CONFIDENCE BY AGE

Consumers in the 21 to 29 year-old bracket posted a higher level of confidence than citizens in other age brackets in the third quarter of 2017, while those who are between 40 to 49 years old were the most optimistic in the fourth quarter of the year. In contrast, consumers who are in the 50 to 59 year-old bracket were the least confident among age segments during the covered quarters.

Older consumers are less optimistic than citizens in other age brackets

The level of sentiment among consumers who are between 30 and 39 years old increased by 10.2% in the third quarter of 2017, followed by citizens who are between 40 and 49 years old (+7.5%), consumers aged between 21 and 29 years (+7%) and citizens in the 50 to 59 year-old bracket (+4.9%); while the confidence level of consumers who are 60 years or older declined by 5.7% in the covered quarter. In parallel, the confidence level of citizens in the 40 to 49 year-old bracket improved by 10.3% in the fourth quarter of 2017, followed by consumers aged between 30 and 39 years (+8.5%), citizens who are 60 years or older (+7.1%) and consumers in the 21 to 29 year-old bracket (+6.3%); while the level of sentiment among citizens aged between 50 and 59 years dropped by 9% in the covered quarter.

On a semi-annual basis, consumers who are in the 40 to 49 year-old bracket had the highest level of confidence in the second half of 2017, constituting the third such occurrence in 21 semi-annual periods. They were followed by citizens in the 21 to 29 year-old bracket, then those who are in the 30 to 39 year-old bracket, consumers who are 60 years or older, and citizens who are in the 50 to 59 year-old bracket.

Consumers who are in the 21 to 29 year-old bracket were the most optimistic in July, September and December 2017. In addition, citizens in the 40 to 49 year-old bracket posted a higher level of confidence than those in other age segments in August, October and November 2017. Overall, consumers in the 40 to 49 year-old bracket were more confident in 2017 than other age groups, the first such occurrence since 2008. Generally, consumers aged between 21 and 29 years have been more confident than older consumers, as they posted the highest confidence level in 33 out of 42 quarters, which represents a 78.6% frequency of occurrence.

| Byblos Bank/AUB Consumer Confidence Index by Age | | | | | |
|--|-----------|-----------|-----------|-----------|---------|
| Month | 21-29 yrs | 30-39 yrs | 40-49 yrs | 50-59 yrs | ≥60 yrs |
| Jul-17 | 69.8 | 59.0 | 69.5 | 40.7 | 53.5 |
| Aug-17 | 64.9 | 51.5 | 70.3 | 41.1 | 55.0 |
| Sep-17 | 65.5 | 53.0 | 57.4 | 55.4 | 37.8 |
| Av. Index Q3 2017* | 66.7 | 54.5 | 65.8 | 45.8 | 48.7 |
| Oct-17 | 63.6 | 62.4 | 65.1 | 37.6 | 45.6 |
| Nov-17 | 75.4 | 59.4 | 79.3 | 42.1 | 54.9 |
| Dec-17 | 73.8 | 55.7 | 73.2 | 45.2 | 56.1 |
| Av. Index Q4 2017* | 70.9 | 59.2 | 72.5 | 41.6 | 52.2 |

* average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - CONSUMER CONFIDENCE BY OCCUPATION

Public sector employees posted a higher level of confidence than consumers in other occupational categories in the second half of 2017, constituting the first such occurrence in 21 semi-annual periods since the index's inception in July 2007. Also, public sector employees posted an average monthly confidence reading of 83.5 during the second half of 2017 compared to 47.4 in the first half of the year, triggered by the increase in their salaries and wages. In addition, the unemployed were the most pessimistic during the second half of 2017, constituting the 13th such instance in 21 semi-annual periods since the start of the index's calculation.

On a quarterly basis, public sector employees posted a higher level of confidence than consumers in other occupational categories in the third quarter of 2017, followed by the self-employed, private sector employees, students, housewives and the unemployed. Similarly, public sector employees had the highest level of confidence during the fourth quarter of 2017, followed by the self-employed, students, private sector employees, housewives and the unemployed.

Further, the sentiment of public sector employees improved by 88.3% in the third quarter of 2017, followed distantly by the self-employed (+6.3%), housewives (+3%) and the unemployed (+0.8%); while the confidence level of students regressed by 13% and that of private sector employees retreated by 6.6% in the covered quarter. During the fourth quarter of 2017, the confidence level of students grew by (+8.6%), followed by housewives (+5.4%), private sector employees (+4.8%), the self-employed (+4.7%) and public sector employees (+2%).

The optimism of public-sector workers jumped in the third quarter

In fact, the confidence level of public sector employees grew by 2.3 times and was the highest among other occupational categories in 2017, reflecting the impact of the increase in the public sector's wages and salaries. In contrast, the unemployed were the least confident among occupational categories in 2017, in line with the trends since 2014 and reflecting the persistent challenges that citizens continue to face to secure a job amid the ongoing economic stagnation in the country.

| Byblos Bank/AUB Consumer Confidence Index by Occupation | | | | | | |
|---|-------------------------|------------------------|---------------|---------|-----------|------------|
| Month | Private Sector Employee | Public Sector Employee | Self-employed | Student | Housewife | Unemployed |
| Jul-17 | 60.0 | 99.1 | 61.8 | 63.1 | 53.4 | 43.3 |
| Aug-17 | 57.9 | 64.9 | 58.1 | 56.8 | 52.5 | 44.7 |
| Sep-17 | 53.2 | 84.1 | 60.6 | 49.5 | 48.1 | 35.6 |
| Av. Index | | | | | | |
| Q3 2017* | 57.0 | 82.7 | 60.2 | 56.5 | 51.4 | 41.2 |
| Oct-17 | 59.9 | 101.1 | 57.5 | 54.6 | 52.7 | 43.0 |
| Nov-17 | 65.8 | 83.2 | 63.5 | 62.3 | 57.2 | 50.7 |
| Dec-17 | 53.6 | 68.6 | 67.9 | 67.2 | 52.6 | 55.5 |
| Av. Index | | | | | | |
| Q4 2017* | 59.8 | 84.3 | 63.0 | 61.4 | 54.1 | 49.7 |

* average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

D - CONSUMER CONFIDENCE BY INCOME

The results of the Byblos Bank/AUB Consumer Confidence Index show that consumers with an income of \$2,500 or more per month were more confident than citizens in lower income brackets in the third and fourth quarters of 2017. Conversely, citizens with a monthly income between \$750 and \$1,499 were the least confident among all income categories in the last two quarters of 2017.

The confidence level of consumers in the \$1,500 to \$2,499 per month income bracket grew by 10.3% in the third quarter of 2017 from the preceding quarter, followed by citizens who earn between \$750 and \$1,499 per month (+7.4%), consumers with a monthly income of \$2,500 or more per month (+6.7%), and citizens with an income of \$750 or less per month (+3.3%). Moreover, the sentiment of consumers who earn \$2,500 or more per month improved by 9.9% in the fourth quarter of 2017, followed by citizens with a monthly income of \$750 or less (+7.3%), consumers with an income between \$750 and \$1,499 per month (+6.9%) and citizens who earn between \$1,500 and \$2,499 per month (+1.3%).

Middle-income consumers were the most pessimistic in the third and fourth quarters of 2017

On a semi-annual basis, consumers with a monthly income of \$2,500 or more had the highest level of confidence among all income brackets in the second half of 2017. Consumer sentiment for this category posted an average reading of 84.3 in the second half of the year, up by 6.1% from 79.5 in the first half of the year. In addition, citizens with a household income of \$2,500 or higher held the highest level of confidence in all semi-annual readings in the second half of 2017.

On an annual basis, consumers with a monthly income of \$2,500 or more had a higher level of confidence than those in lower income brackets in 2017, in line with the results since 2014. In addition, consumers with a household income of \$2,500 or higher had the highest level of confidence in 44 out of 48 months, representing a 91.7% frequency of occurrence.

| Byblos Bank/AUB Consumer Confidence Index by Income* | | | | |
|--|--------|---------------|-----------------|----------|
| Month | <\$750 | \$750-\$1,499 | \$1,500-\$2,499 | ≥\$2,500 |
| Jul-17 | 54.6 | 53.5 | 69.3 | 88.9 |
| Aug-17 | 55.3 | 50.4 | 67.6 | 65.5 |
| Sep-17 | 45.1 | 47.8 | 70.6 | 86.6 |
| Av. Index Q3 2017** | 52.0 | 46.8 | 72.7 | 84.5 |
| Oct-17 | 55.2 | 50.4 | 63.0 | 83.8 |
| Nov-17 | 57.4 | 54.7 | 76.7 | 92.1 |
| Dec-17 | 53.8 | 57.0 | 70.4 | 89.1 |
| Av. Index Q4 2017** | 55.4 | 54.1 | 70.1 | 88.3 |

* monthly household income ** average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

E - CONSUMER CONFIDENCE BY GEOGRAPHICAL REGION

Households in Mount Lebanon were the most optimistic in the third and fourth quarters

The results of the Byblos Bank/ AUB Consumer Confidence Index show that residents of Mount Lebanon had a higher level of confidence relative to consumers in other regions in the third and fourth quarters of 2017. This is in line with the general trend since the Index's inception, where households in Mount Lebanon have posted the highest confidence level in 20 out of 42 quarters, representing a 47.6% frequency of occurrence. Conversely, residents in the Bekaa were the most pessimistic among all geographic regions in the third and fourth quarters of 2017, the 34th such quarterly occurrence since the index's inception in July 2007.

Consumer sentiment in the Bekaa area grew by 21.6% in the third quarter of 2017, posting the highest quarterly increase across regions, followed by that of residents in Mount Lebanon (+12.5%) and the North (+9.6%). In contrast, the confidence of consumers in Beirut regressed by 17.3% and that of residents in the South declined by 3.7% quarter-on-quarter. Further, the confidence level of consumers in the Bekaa area improved by 13.3% in the fourth quarter of 2017, followed by that of residents in the South (+12.5%), Beirut (+12.2%), the North (+2.9%) and Mount Lebanon (+2.4%).

Household sentiment in the Bekaa was the lowest across regions

Households in Mount Lebanon posted the highest level of confidence across geographical regions in the second half of 2017, followed by consumers in the North, residents of Beirut, citizens in the South and consumers in the Bekaa.

On an annual basis, residents of Mount Lebanon posted the highest level of confidence among geographical regions in 2017, in line with the results of 2013, 2015 and 2016. They were followed by residents in the North, then households in Beirut, in the South and in the Bekaa. Overall, consumers in Mount Lebanon held the highest level of confidence in 46 out of 126 months, representing a 36.5% frequency of occurrence, followed by consumers in the North with an incidence of 24.6%, households in the South with 22.2%, consumers in Beirut with 15.9% and households in the Bekaa with a frequency of 0.8%.

| Byblos Bank/AUB Consumer Confidence Index by Geographical Region | | | | | |
|--|--------|---------------|-------|-------|-------|
| Month | Beirut | Mount Lebanon | North | Bekaa | South |
| Jul-17 | 52.0 | 73.4 | 71.3 | 42.8 | 44.7 |
| Aug-17 | 46.8 | 71.0 | 64.4 | 43.5 | 41.3 |
| Sep-17 | 34.6 | 70.8 | 67.5 | 40.4 | 43.5 |
| Av. Index Q3 2017* | 44.5 | 71.7 | 67.7 | 42.3 | 43.2 |
| Oct-17 | 40.7 | 67.3 | 69.7 | 48.5 | 47.5 |
| Nov-17 | 62.8 | 75.9 | 68.6 | 51.6 | 47.0 |
| Dec-17 | 46.1 | 77.3 | 70.8 | 43.5 | 51.3 |
| Av. Index Q4 2017* | 49.9 | 73.5 | 69.7 | 47.9 | 48.6 |

* average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Shiite households were the least optimistic in the third and fourth quarters of 2017

The results of the Byblos Bank/AUB Consumer Confidence Index show that Druze consumers were the most optimistic among all religious affiliations in the third and fourth quarters of 2017, followed by Christians, Sunnis and Shiite citizens. In addition, the results of the fourth quarter constituted the 10th time since the Index's inception that Druze consumers post the highest level of confidence on a quarterly basis. However, Christians have posted the highest level of confidence in 23 out of 42 quarters. In parallel, Shiite citizens were the most pessimistic during the third and fourth quarters of the year. This is in line with the general trend as Shiite citizens have posted the lowest level of confidence in 27 out of 42 quarters, representing a 64.3% frequency of occurrence since the Index's inception in July 2007.

The confidence level of Druze households grew by 39.7% in the third quarter of 2017, posting the highest quarterly increase among religious affiliations, followed by that of Shiites (+10.7%) and Christians (+3.2); while the sentiment of Sunni households regressed by 3.8% in the covered quarter. In parallel, the confidence level of Shiite households grew by 16.3% in the fourth quarter of 2017, followed by that of Sunni households (+4.1%), Druze (+3.4%) and Christians (+3.2%).

On a monthly basis, Druze consumers were the most confident in each of the last six months of 2017. In contrast, Shiite consumers were the most pessimistic among all religious affiliations in each of the last six months of the year, in line with 69 other similar monthly instances since the Index's inception.

On an annual basis, Druze consumers posted the highest level of confidence among all religious affiliations in 2017, the third time since 2008, followed by Christians, Sunnis and Shiite consumers. In addition, Shiite consumers posted the lowest level of confidence in 2017, the seventh such incidence since 2008. Overall, Christians held the highest level of confidence in 55 out of 126 months since the Index's inception, representing a 43.7% frequency of occurrence, followed by Druze consumers with an incidence of 28.6%, Sunni citizens with 14.3% and Shiite consumers with a frequency of 13.5%.

| Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation | | | | |
|--|------------|--------|---------|-------|
| Month | Christians | Sunnis | Shiites | Druze |
| Jul-17 | 71.6 | 53.1 | 44.1 | 81.4 |
| Aug-17 | 66.1 | 52.9 | 41.0 | 78.8 |
| Sep-17 | 59.4 | 53.8 | 41.1 | 96.3 |
| Av. Index Q3 2017* | 65.7 | 53.3 | 42.0 | 85.5 |
| Oct-17 | 60.8 | 52.7 | 51.5 | 81.4 |
| Nov-17 | 72.1 | 60.0 | 48.9 | 86.7 |
| Dec-17 | 70.4 | 53.7 | 46.3 | 97.2 |
| Av. Index Q4 2017* | 67.8 | 55.4 | 48.9 | 88.4 |

* average monthly score

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

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