500 ISSUES+
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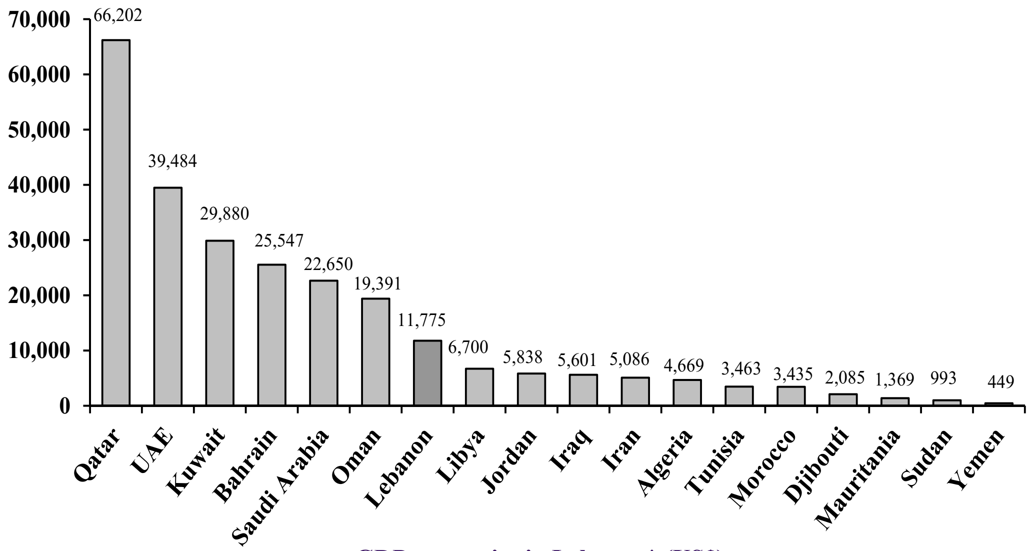
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

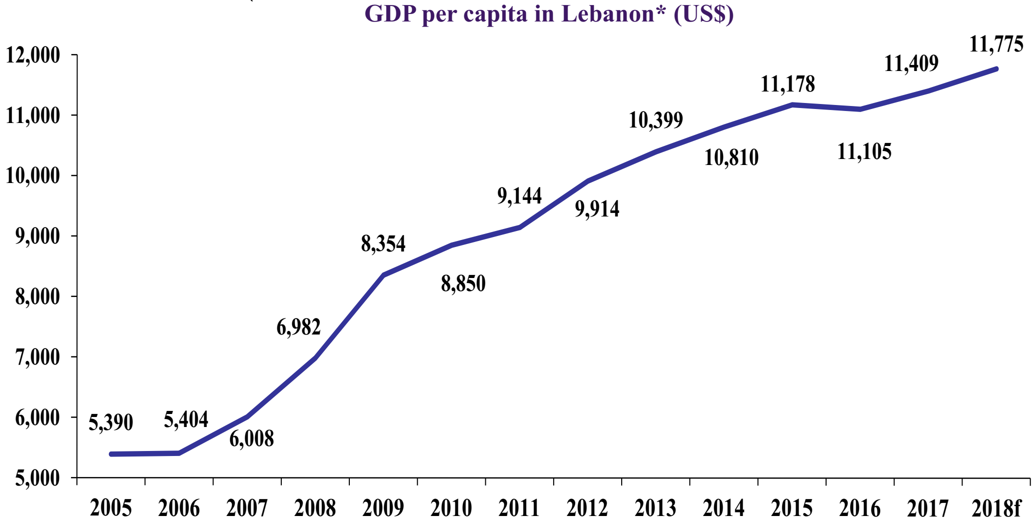
In This Issue

Charts of the Week

Projected GDP per capita in the Middle East & North Africa in 2018* (US$)



GDP per capita in Lebanon* (US$)



**in US dollars at current prices*
Source: International Monetary Fund - April 2018, Byblos Research

Quote to Note

"The Lebanese government must do its part too."

Tao Zhang, Deputy Managing Director of the International Monetary Fund at the CEDRE conference, on expectations by the donor community from Lebanese authorities to implement structural reforms

Number of the Week

$8.21bn: Lebanon's external current account deficit in the first nine months of 2017, according to Banque du Liban

Lebanon in the News

$m *(unless otherwise mentioned)*	**2017**	**Dec 2016**	**Sep 2017**	**Oct 2017**	**Nov 2017**	**Dec 2017**	**% Change***
Exports	2,844	244	210	251	229	251	2.70
Imports	19,582	1,536	1,297	1,690	1,726	2,278	48.3
Trade Balance	(16,739)	(1,292)	(1,087)	(1,439)	(1,497)	(2,027)	56.88
Balance of Payments	(156)	910	457	(888)	68	854	(6.16)
Checks Cleared in LBP	21,677	1,879	1,475	1,993	1,880	2,131	13.41
Checks Cleared in FC	46,578	3,880	3,010	4,147	3,687	4,127	6.37
Total Checks Cleared	68,255	5,759	4,485	6,140	5,567	6,258	8.67
Budget Deficit/Surplus	(3,300.82)	(513.35)	(651.25)	(273.18)	(865.19)	(350.41)	(31.74)
Primary Balance	1,882.86	(111.56)	(145.72)	166.63	(119.74)	15.77	-
Airport Passengers***	8,235,845	598,001	861,828	616,742	592,890	626,866	4.83

$bn *(unless otherwise mentioned)*	**2017**	**Dec 2016**	**Sep 2017**	**Oct 2017**	**Nov 2017**	**Dec 2017**	**% Change***
BdL FX Reserves	35.80	34.03	35.06	36.77	35.69	35.80	5.21
In months of Imports	18.57	22.15	27.03	21.76	20.68	6.15	(72.25)
Public Debt	79.52	74.90	78.16	78.47	79.37	79.52	6.17
Bank Assets	219.86	204.31	213.42	215.79	216.21	219.86	7.61
Bank Deposits (Private Sector)	168.67	162.50	169.09	169.40	166.81	168.67	3.80
Bank Loans to Private Sector	60.32	57.18	58.93	59.13	59.55	60.32	5.49
Money Supply M2	52.48	54.68	55.50	55.07	51.96	52.48	(4.02)
Money Supply M3	138.38	132.80	138.87	138.68	136.99	138.38	4.20
LBP Lending Rate (%)****	8.09	8.23	8.31	8.24	7.98	8.09	(14bps)
LBP Deposit Rate (%)	6.41	5.56	5.53	5.56	5.88	6.41	85 bps
USD Lending Rate (%)	7.67	7.35	7.53	7.39	7.32	7.67	32 bps
USD Deposit Rate (%)	3.89	3.52	3.65	3.72	3.80	3.89	37 bps
Consumer Price Index**	4.40	3.10	4.10	4.60	4.80	5.00	190 bps

** 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
Byblos Common	1.50	(9.64)	1,189,433	7.55%
Solidere "A"	8.53	3.39	137,929	7.59%
BLOM GDR	11.45	2.23	118,330	7.53%
Solidere "B"	8.38	2.07	87,559	4.85%
Audi GDR	5.75	0.00	27,863	6.13%
Audi Listed	5.75	0.00	19,341	20.45%
Byblos Pref. 09	100.00	(6.10)	6,582	1.78%
BLOM Listed	11.10	(0.80)	1,865	21.23%
HOLCIM	14.75	0.00	676	2.56%
Byblos Pref. 08	100.00	(2.15)	-	1.78%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov 2018	5.15	99.75	5.63
May 2019	6.00	99.88	6.12
Mar 2020	6.38	99.50	6.66
Oct 2022	6.10	95.38	7.34
Jun 2025	6.25	91.50	7.83
Nov 2026	6.60	90.50	8.16
Feb 2030	6.65	88.75	8.15
Apr 2031	7.00	89.00	8.41
Nov 2035	7.05	87.88	8.38
Mar 2037	7.25	89.00	8.42

Source: Byblos Bank Capital Markets

	Apr 23-27	Apr 16-20	% Change	March 2018	March 2017	% Change
Total shares traded	1,598,548	1,051,831	52.0	34,632,170	2,874,774	1104.7
Total value traded	$6,883,922	$7,227,960	(4.8)	$248,827,531	$30,759,439	708.9
Market capitalization	$11.24bn	$11.32bn	(0.67)	$11.85bn	$12.47bn	(5.0)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Remittance inflows to Lebanon down 2% to $5.4bn in first nine months of 2017

Figures released by Banque du Liban show that expatriates' remittance inflows to Lebanon totaled $5.38bn in the first nine months of 2017, constituting a decrease of 2.2% from $5.5bn in the same period of 2016. Remittance inflows to Lebanon reached $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; and $1.78bn in the third quarter of 2017, down by 6.3% from the third quarter of 2016. Banque du Liban's figures are the only official data on remittance flows to and from Lebanon.

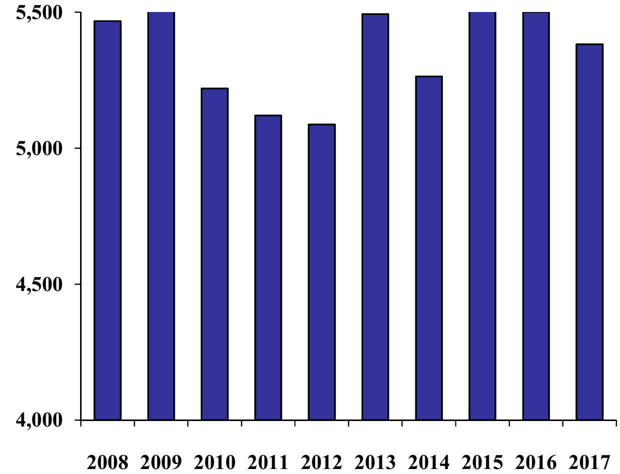
In addition, remittance inflows to Lebanon in the first three quarters of 2017 reached their sixth highest level for the first nine months of the year between 2002 and 2017. Remittance inflows to the country averaged $5.37bn during the first nine months of each year between 2008 and 2017, and reached a high of $5.58bn in the first nine months of 2015.

Further, remittance outflows from Lebanon amounted to $3.28bn in the first nine months of 2017, up by 6.3% from $3.1bn in the same period of 2016. Remittance outflows totaled $1.06bn in the first quarter, $1.08bn in the second quarter and $1.15bn in the third quarter of 2017. They averaged $3.33bn during the first nine months of each year between 2008 and 2017, with a high of $4.1bn in the first nine months of 2009. Overall, net remittance inflows to Lebanon reached $2.1bn in the first nine months of 2017, the fifth highest level since 2002, and represented a decrease of 13% from $2.4bn in the first nine months of 2016.

In parallel, the World Bank revised upward its estimate for expatriates' remittance inflows to Lebanon to $7.95bn in 2017 from an earlier forecast of $7.9bn. The World Bank's estimates are based on the original figures from BdL, which means that the Bank will likely update its estimate for 2017 to align it with BdL figures once the latter publishes the fourth quarter results. Based on the World Bank's current estimate, remittance inflows to Lebanon increased by 4.6% in 2017, following a growth of 1.7% in 2016. In comparison, remittance inflows to developing countries grew by 8.5%, those to upper middle-income countries (UMICs) increased by 8.1% and inflows to Arab countries expanded by 9.9% in 2017.

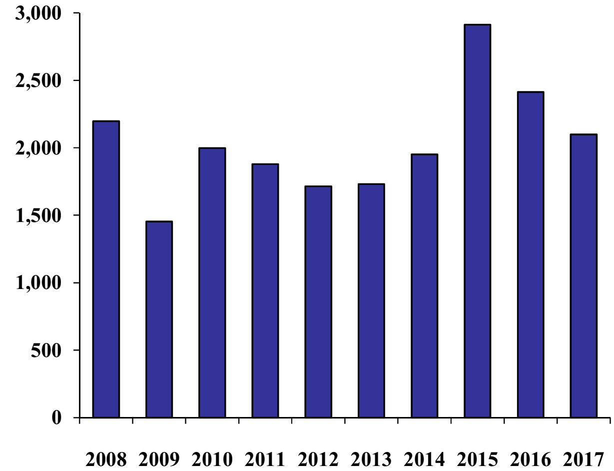
The World Bank's estimate would put remittance inflows to Lebanon at 15.5% of GDP in 2017, the 15th highest such ratio in the world and among developing countries, the fourth highest ratio among UMICs, and the second highest among Arab countries behind only Yemen (20.3% of GDP). In comparison, expatriates' remittances to Lebanon were equivalent to 15.1% of GDP in 2015 and to 15.3% of GDP in 2016.

Remittance Inflows to Lebanon* ($m)



**In first nine months of each year*
Source: Banque du Liban, Byblos Research

Net Remittance Inflows to Lebanon* ($m)

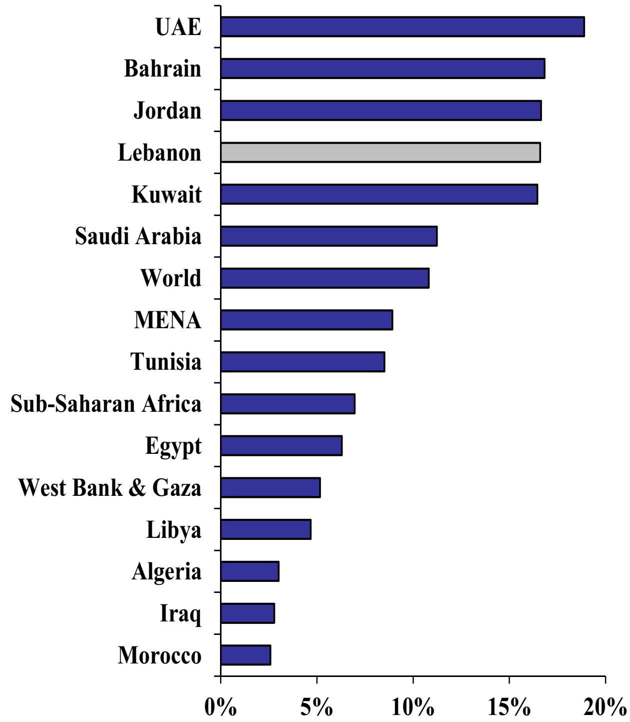


**In first nine months of each year*
Source: Banque du Liban, Byblos Research

More than one third of Lebanese adults borrowed money in 2017, 13% borrowed from family and friends

Figures issued by the World Bank show that 16.6% of Lebanese who are 15 years or older borrowed money from a bank or another type of financial institution in 2017, up from 15.6% of Lebanese adults in 2014. Borrowing from banks or financial institutions excludes the use of credit cards. In addition, 13.4% of Lebanese adults borrowed money from family or friends, while 3.9% of Lebanese above 15 years old borrowed money from private informal lenders in 2017. The survey covers borrowing from commercial banks, financial institutions, family members, friends, or private informal lenders, among other sources.

Share of Adults who Borrowed Money from Banks & Financial Institutions in 2017 (%)



Source: World Bank, Byblos Research

The share of Lebanese adults who borrowed money from financial institutions in 2017 was the 35th highest globally, the fourth highest among UMICs, and the sixth highest among countries in the Middle East & North Africa (MENA) region. Globally, the share of adults in Lebanon who borrowed money from banks and financial institutions in 2017 was higher than in Kuwait (16.5%), Bolivia and Slovenia (16.3% each), and lower than in each of Bahrain and Kenya (16.8% each) and Jordan (16.64%). Further, the share of Lebanese adults who borrowed from financial institutions in 2017 was higher than the global average of 10.8%, the UMICs' average of 9.9% and the average of MENA countries of 8.9%. On a gender basis, 20.4% of Lebanese males and 12.8% of Lebanese females who are 15 years or older borrowed money from financial institutions in 2017. The share of Lebanese females who borrowed from financial institutions last year was higher than the global average of 9.4%, the UMICs' average of 8.5% and the MENA region's average of 7.4%. Similarly, the share of Lebanese male borrowers in 2017 was higher than the global share of 12.3%, the UMICs' share of 11.4% and the MENA region's share of 10.4%.

Overall, 36.2% of Lebanese who are 15 years or older borrowed money, individually or jointly, from all sources in 2017, down from 38.9% in 2014. In parallel, 12.8% of Lebanese who are 15 years or older borrowed money from all sources in order to start, operate, or expand a business or a farm in 2017, higher than the global average of 11.2%, the UMICs' average of 11.1% and the average in MENA countries of 9.4%. Also, 4.5% of Lebanese adults borrowed money for health or medical purposes in 2017, lower than the global average of 9.6%, the UMICs' average of 8.1% and the average in MENA countries of 13.8%. Also, the survey's sample excluded certain areas in Lebanon, which host around 13% of the population, for security reasons. Excluded zones were replaced by areas from within the same governorate.

Consumer Price Index up 5.4% in first quarter of 2018

The Central Administration of Statistics' Consumer Price Index increased by 5.4% year on-year in the first quarter of 2018 compared to a growth of 4.8% in the same quarter of 2017. The CPI increased by 5.4% in March 2018 from the same month of 2017. The prices of clothing & footwear grew by 16.6% year-on-year in March 2018, followed by healthcare costs (+8.4%), recreation & entertainment costs (+7.9%), actual rents (+6.4%), transportation costs (+5.9%), the prices of water, electricity, gas & other fuels (+5.2%), prices of furnishings & household equipment (+4.5%), imputed rents and the cost of education (+4.2% each), the cost of food & non-alcoholic beverages (+3.7%), prices at restaurants & hotels (+3.4%), miscellaneous goods & services (+3.2%), prices of alcoholic beverages & tobacco (+2.2%) and communication costs (+1%). The distribution of actual rents shows that old rents grew by 10.2% annually in March 2018, while new rents increased by 3.8% year-on-year.

Further, the CPI grew by 0.8% in March 2018 from the preceding month compared to a month-on-month increase of 0.2% in February 2018. The prices of clothing & footwear increased by 9.9% month-on-month in March 2018, followed by healthcare costs (+3.7%), recreation & entertainment costs (+2.1%), transportation costs (+0.9%), actual rents (+0.7%), prices of food & non-alcoholic beverages (+0.2%), and prices at restaurants & hotels, miscellaneous goods & services, the prices of alcoholic beverages & tobacco, the cost of education and imputed rents (+0.1% each). In contrast, the prices of water, electricity, gas & other fuels declined by 1.1% month-on-month in March 2018, while communication costs and the prices of furnishings & household equipment regressed by 0.1% each in the covered month. The CPI increased by 1.4% month-on-month in the North, by 1.2% in the South, by 0.8% in Mount Lebanon, by 0.7% in Beirut, by 0.4% in Bekaa and by 0.3% in Nabatieh in the covered month. In parallel, the Fuel Price Index decreased by 2.9% month-on-month in March 2018, while the Education Price Index was nearly unchanged from the preceding month.

Lebanon in the News

U.S. maintains Lebanon on Watch List of intellectual property rights violations

In its annual 'Special 301' review of the state of intellectual property rights (IPR) protection and enforcement in U.S. trading partners around the world, the Office of the United States Trade Representative (USTR) kept Lebanon on the Watch List for the ineffective and inadequate protection of intellectual property rights and for severe copyright violations, along with 23 other countries and jurisdictions. The USTR placed Lebanon on the Watch List in 1999 and then downgraded it to the more critical Priority Watch List in 2001, where it remained until 2007. It then upgraded Lebanon to the Watch List in 2008, where it has remained since then. Lebanon, along with Egypt, Saudi Arabia and the UAE are the only countries from the Middle East & Africa region that are on the 2018 Watch List. Also, the USTR included 12 countries this year on its Priority Watch List, with Algeria and Kuwait being the only countries from the Middle East & Africa that are included in the list.

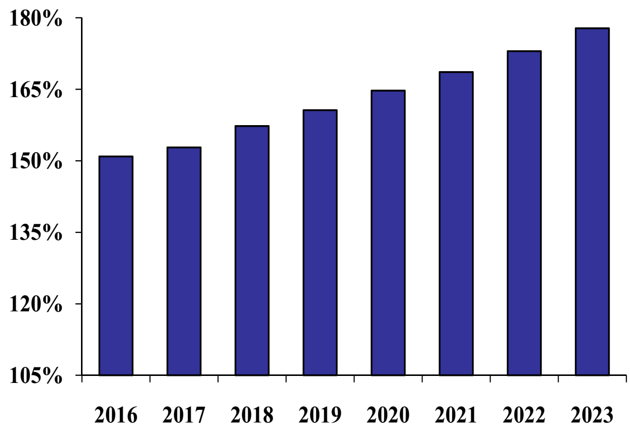
The USTR commended Lebanon's continued effort to promote intellectual property protection and enforcement in 2017, as well as Parliament's intention to pass intellectual property-related legislation. It also welcomed the Ministry of Economy & Trade's decision to start developing a national intellectual property strategy in coordination with the World Intellectual Property Organization.

However, the USTR considered that Lebanese authorities need to implement additional measures in order for Lebanon to be removed from the Watch List. First, it encouraged authorities to make progress on pending IPR legislative reforms, including amendments to the patent and copyright laws, as well as the ratification of draft laws about trademark and industrial designs. Second, it called on the Lebanese authorities to ratify and implement several IPR treaties, including the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, as well as the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. Also, it encouraged authorities to implement and ratify the Singapore Treaty on the Law of Trademarks, as well as to join the Patent Cooperation Treaty and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. Third, it urged authorities to commit additional resources for intellectual property protection and enforcement. It said that enforcement efforts in Lebanon have been slowly progressing, but that officials need more training to enhance their skills. In addition, it asked authorities to allocate financial and human resources to expand the capacity to store seized counterfeit goods by customs officials and to develop mechanisms to destroy such goods.

Gross public debt at $81.5bn at end-February 2018

Lebanon's gross public debt reached $81.5bn at the end of February 2018, constituting an increase of 2.5% from $79.5bn at end-2017 and a growth of 7.1% from $76.2bn at end-February 2017. In nominal terms, the gross public debt grew by $2bn in the first two months of 2018 relative to an increase of $1.3bn in the same period of 2017. Debt denominated in Lebanese pounds totaled $50.9bn at end-February 2018, up by 3.6% from the end of 2017 and by 6.6% from end-February 2017; while debt denominated in foreign currency stood at $30.6bn, constituting a growth of 0.7% from end-2017 and a rise of 7.9% from a year earlier. Local currency debt accounted for 62.5% of the gross public debt at the end of February 2018 compared to 62.7% a year earlier, while foreign currency-denominated debt represented the balance of 37.5% relative to 37.3% at end-February 2017. The weighted interest rate on outstanding Treasury bills was 6.64% and the rate on Eurobonds was 6.49% in February 2018. Further, the weighted life on Eurobonds was 6.91 years, while it was 1,394 days on Treasury bills.

Lebanon's Gross Public Debt* (% of GDP)



**Excluding reforms and Capital Investment Program*
Source: International Monetary Fund

Banque du Liban held 51.5% of the Lebanese pound-denominated public debt at the end of February 2018 relative to 40.1% a year earlier, while commercial banks held 34.4% of the local debt compared to 44.7% at end-February 2017. Also, public agencies, financial institutions and the public held 14.1% of the local debt at end-February 2018 relative to 15.2% a year earlier. Also, holders of Eurobonds and special T-bills in foreign currencies accounted for 92.7% of foreign currency-denominated debt holders at the end of February 2018, followed by multilateral institutions with 4.4% and foreign governments with 2.9%. Further, the gross market debt accounted for about 59% of the total public debt. Gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II related debt.

In parallel, S&P Global Ratings rates Lebanon's long-term foreign and local currency sovereign credit ratings at 'B-'. Also, the agency's Credit Default Swap Market Derived Signal Score, an indicator of risk appetite by foreign investors, shows that Lebanon's sovereign debt is considered by the market to have a 'B-' risk level as at April 26, 2018, which is similar to the S&P sovereign rating.

Banking sector deposits to grow by at least 6% in 2018

In the monthly meeting between Banque du Liban (BdL), the Banking Control Commission of Lebanon (BCCL) and the Association of Banks in Lebanon (ABL), Governor Riad Salamé reiterated that BdL continues to maintain its policy of exchange rate stability and that the foreign exchange market is stable. He said that commercial banks were able to extend the maturity of 50% of their deposits from an average of 40 days to 125 days, which would support the banks' liquidity. He expected deposits to grow by at least 6% this year if the current favorable environment persists. Further, he pointed out that BdL's new interest rate policy will be based on the level that interest rates reached in November 2017.

Further, the ABL reiterated that the tax the Lebanese government imposed on the banks' interbank operations and on their deposits at BdL does not conform with international practices around the world. Governor Salamé also noted that BdL disagrees with the Ministry of Finance's request to tax the subsidies that BdL provides to banks under the stimulus package for 2018. He added that BdL brought this issue to the attention of the Shuraa Council. Meanwhile, he noted that BdL will implement the existing law, which does not specify the withholding of the taxes on subsidies.

In parallel, Governor Salamé pointed out that the 2018 Budget Law allows the Finance Ministry to issue $6bn in Eurobonds that the latter will exchange for LBP8,000bn in Lebanese pound-denominated Treasury bonds from BdL's portfolio. He added that the ministry swapped in November 2017 $1.7bn in Eurobonds with Lebanese pound-denominated Treasury bills from BdL's portfolio, and that BdL still holds the Eurobonds. He considered that the swap operations changed the structure of the public debt but did not increase its debt stock. Further, Governor Salamé indicated that the swap operation would increase BdL's assets in foreign currency by about $6bn and that it could sell the acquired Eurobonds to foreign investors. He noted that there is foreign demand for Lebanon's sovereign Eurobonds and that foreign investors hold about $9bn in Lebanese Eurobonds. He added that BdL could borrow from international markets by using these Eurobonds as collateral. He announced that BdL is currently in the process of listing Certificates of Deposits (CDs) in US dollars on international markets. He considered that banks that acquire such CDs will improve their liquidity, as these instruments will be considered as Euro Certificates of Deposits (Euro CDs).

In parallel, Governor Salamé raised the issue of subsidized housing loans with the ABL. He asked banks to abide by the agreement between banks and BdL, which stipulates that banks that exceeded their individual quotas for mortgage loans subsidies in Lebanese pounds for 2018 have to commit to the subsidized housing loans that they already approved. He added that BdL will cover the interest subsidies from the banks' quota in the 2019 stimulus package. He pointed out that the size of the approved housing loans in excess of the quota does not exceed $300m, with an interest spread between subsidized and unsubsidized interest rates of about 3%, which means that banks will bear a cost of around $9m in 2018. He added that BdL does not have details about the housing loan package for limited-income citizens through the Public Corporation for Housing worth LBP1,100bn that the Finance Ministry and the Ministry of Social Affairs announced.

World Food Program assistance at $21m in January 2018

The World Food Program (WFP) indicated that it provided through an electronic card (e-card) system food and basic needs assistance to 636,134 vulnerable displaced Syrians in Lebanon in January 2018, relative to 634,878 Syrian individuals in November 2017. The WFP noted that it is implementing three modalities of food and basic needs assistance through its e-card system. It said that the "food" e-card provides $27 in food assistance each month to vulnerable individuals to buy food in any of the WFP-contracted outlets across Lebanon. It added that it introduced in September 2017 the "cash-for-food" e-card which gives e-card holders the choice of redeeming the monthly $27 in food assistance at any WFP-contracted outlet or withdrawing the amount from any automated teller machine (ATM) in the country. Further, it indicated that it introduced in October 2017 a "multipurpose cash for essential needs" (MPC) e-card, which provides a household allowance of $175 per month to spend on additional food expenses and other non-food essentials, in addition to the monthly $27 in food assistance per person, and which can only be withdrawn from ATMs.

The WFP provided a total of $21.4m through its three e-card systems in January 2018, constituting an increase of 8.1% from $19.8m in November 2017. Food e-cards accounted for $9.1m or 42.5% of total assistance in the covered month, down from $10.1m, followed by MPC e-cards with $7.9m (36.9%), up from $5.1m, and cash-for-food e-cards with $5.9m (27.6%) relative to $4.6m. The WFP said that food and basic needs assistance reached 111,691 Syrian households in January 2018, of which 23% were headed by a female, 75% were households with five year-old or younger children, and 13% were households with disabled members. It indicated that it provided assistance to 58,560 Syrian households, or 52.4% of assisted households, through its food e-card, followed by 30,476 households (27.3%) that benefited from the cash-for-food e-card, and 22,655 Syrian households (20.3%) that received the MPC e-card.

The WFP noted that households that received cash for food e-cards reported an average debt level of $1,016 in January 2018, up from $1,005 in November 2017; households that received food e-cards had an average debt level of $1,004 in January 2018, down from $1,144 in November 2017; while those that received MPC e-cards reported an average debt level of $884 in the covered month, nearly unchanged from $887 in November 2017.

Lebanon in the News

Fiscal deficit in 2018 budget projected at 9% of GDP

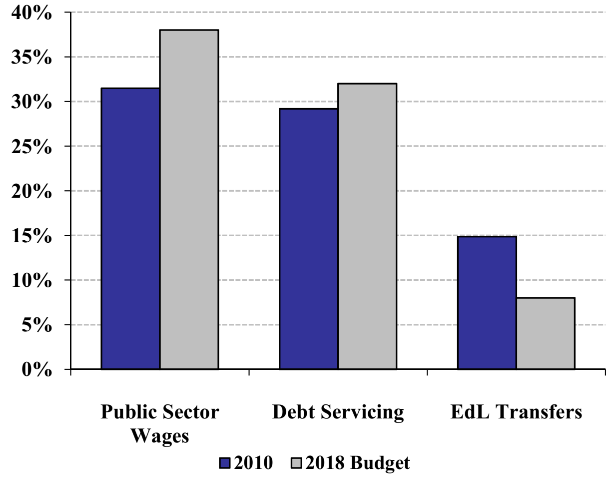
The 2018 Budget Law that the Lebanese Parliament enacted in March 2018 shows public expenditures at LBP23,891bn or $15.85bn, and revenues at LBP18,396bn or $12.4bn, leading to a fiscal deficit of LBP5,204bn or $3.45bn. However, when including Treasury transfers to Electricité du Liban (EdL) that are estimated at LBP2,100bn, or $1.4bn, public expenditures reach LBP25,991bn, or $17.2bn, up by 12% from actual spending of LBP23,186bn, or $15.4bn in 2017. Also, the projected revenues in the 2018 budget reflect a 6.6% increase from realized revenues of LBP17,524bn, or $11.62bn last year. As such, the fiscal deficit reaches LBP7,304bn or $4.85bn, equivalent to 28.1% of overall spending when including Treasury transfers to EdL, up from an actual deficit of LBP5,662bn ($3.76bn), or 24.4% of spending, in 2017. The deficit would widen from 7.3% of GDP in 2017 to 9% of GDP in 2018, with spending equivalent to 32.2% of GDP and revenues at 23.1% of GDP.

The breakdown of public spending for 2018, including transfers to EdL, shows that current expenditures amount to LBP23,821bn ($15.8bn), equivalent to 91.6% of total spending. As such, capital spending, which includes investing in infrastructure, land expropriation and the purchase of equipment, reaches LBP2,171bn ($1.4bn), or 8.4% of total expenditures. Further, spending on public-sector salaries, wages and benefits constitutes about 38% of total expenditures in 2018, followed by debt servicing (32%), capital outlays (8.4%) and transfers to EdL (8%), while other current expenditures represent the balance of 13%.

On the revenues side, the 2018 budget forecast tax receipts at LBP14,276bn ($9.5bn), up by 15.3% from LBP12,381bn ($8.2bn) realized in 2017, and non-tax revenues at LBP4,410bn ($2.9bn), up by 14.1% from LBP3,866bn ($2.6bn) in 2017. Receipts from the value-added tax would account for 21% of total revenues, followed by telecommunications revenues (11%), the excise tax (9%), the tax on profits (8%), the tax on interest rate deposits (7%), real estate registration fees and revenues from customs (5% each), and taxes on wages & salaries, administrative fees and receipts from stamp fees (4% each), while 22% of revenues are from other sources.

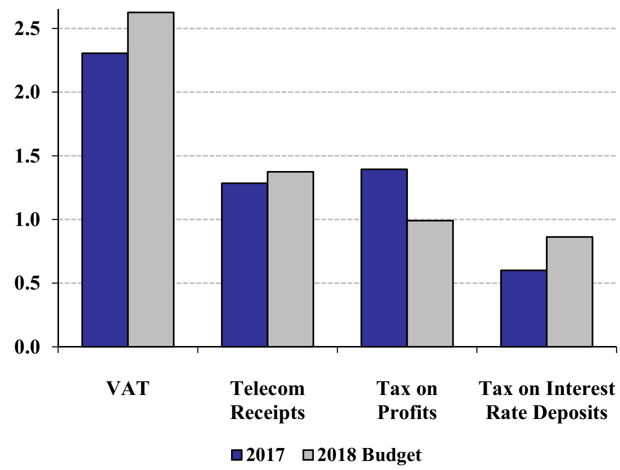
In parallel, the budget law included several tax exemptions and reductions. It reduced penalties by between 90% and 100% for taxpayers that have not filed and paid their taxes on time, provided that they settle within six months after the enactment of the budget law. Also, it provided incentives for companies to recruit Lebanese by exempting them from paying the related contributions to the National Social Security Fund. Further, it reduced from 6% to 3% the registration fee on purchased residential units of $250,000 or less, and from 6% to 5% the fee on units that are valued at more than $250,000, among other measures included in the budget.

Main Spending Components (% of Total Spending)



Source: Ministry of Finance, Byblos Research

Select Sources of Revenues ($bn)



Source: Ministry of Finance, Byblos Research

Ministry of Energy & Water receives 42 expressions of interest for construction of wind farms

The Ministry of Energy & Water received 42 expressions of interest (EOIs) from private companies for the construction of four wind energy farms with an aggregate capacity of between 200 and 400 megawatts (MW) in various sites in Lebanon. Each wind farm will have a power capacity of between 50 MW and 100 MW. Companies that submitted the EOIs include local and international companies and investors. The deadline for the submission of the EOIs expired on April 12, 2018. The ministry intends to evaluate the submitted EOIs in the next two months, and will issue a Request for Proposals (RFP) document thereafter, which specifies the criteria that companies have to meet about their past performance, technical capacity and financial eligibility, as well as the overall process and timeframe of building the wind farms.

Based on the results of the RFP documents, the ministry will select the companies that submitted the lowest bids and provided sound administrative, technical and environmental proposals. The selected companies will then sign a Power Purchase Agreement (PPA), which includes information about the starting date of the project, a timetable for the delivery of electricity, penalties for under-delivery, as well as payment and termination terms. The selected companies are expected to receive licenses to operate in 2019. Electricité du Liban, with the approval of the Ministry of Energy & Water, will contractually purchase the electricity produced by the four wind farms for a period of 20 years, subject to terms and conditions defined in the PPA agreement. The project contributes to the ministry's plan that aims to raise the share of renewable energy in electricity production in Lebanon to 12% in the 2021-25 period.

Number of new construction permits down 10% in first quarter of 2018

The Orders of Engineers & Architects of Beirut and of Tripoli issued 3,653 new construction permits in the first quarter of 2018, down by 9.6% from 4,043 permits in the same quarter of 2017. In comparison, new construction permits declined by 5.4% year-on-year in the first quarter of 2017. Mount Lebanon accounted for 39.4% of newly-issued construction permits in the first quarter of 2018, followed by the South with 19.3%, the Nabatieh area with 12.9%, the North with 12.2%, the Bekaa region with 9.3% and Beirut with 5%. The remaining 1.9% 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 2,669,877 square meters (sqm) in the first quarter of 2018, constituting a decrease of 15.1% from 3,144,753 sqm in the same quarter of 2017. In comparison, the surface area of granted construction permits declined by 3.9% year-on-year in the first quarter of 2017. Mount Lebanon accounted for 1,113,164 sqm, or 41.7% of the total, in the covered period. The North followed with 426,685 sqm (16%), then the South with 405,080 sqm (15.2%), the Bekaa region with 272,193 sqm (10.2%), the Nabatieh area with 225,229 sqm (8.4%) and Beirut with 129,076 sqm (4.8%). The remaining 98,450 sqm, or 3.7% 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 decreased by 21.8% year-on-year in the first quarter of 2018, followed by surface areas in Mount Lebanon (-18.8%), Nabatieh (-16.4%), the South (-8.5%) and the Bekaa (-7.4%), while the surface area of new construction permits issued for the North was unchanged year-on-year. Also, the surface area of granted construction permits for regions located outside northern Lebanon fell by 44.2% year-on-year in the covered quarter. In parallel, cement deliveries totaled 612,256 tons in the first two months of 2018, constituting a drop of 5.9% from 650,347 tons in the same period of 2017, and relative to a marginal increase of 0.2% in the first two months of 2017.

Treasury transfers to Electricité du Liban up 43% to $1.3bn in 2017

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled $1.33bn in 2017, constituting an increase of 43.3% from $926.9m in 2016. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled $1.26bn, or 94.5% of transfers, last year. It added that transfers to Electricity Syria stood at $62.3m, or 4.7% of total transfers, while EdL's debt servicing represented the balance of $10.1m, or 0.8% of the total. It attributed the rise in transfers mainly to an increase of $342m, or 37.4%, in payments to KPC and Sonatrach in 2017. Also, in September 2017, Lebanon started paying for its electricity imports from Syria. In contrast, EdL's debt servicing decreased by $3.5m, or 25.5%, last year.

The ministry said that the rise in payments to KPC and Sonatrach in 2017 reflects a 23.4% year-on-year increase in oil prices at the time the oil contracts were executed, and a rise of 15.5% in the quantity of imported fuel oil, which were partly offset by a decrease of 10.7% in the quantity of imported gas. Further, it pointed out that EdL contributed 2% of the repayments to the two oil suppliers last year, down from 5.6% in 2016. EdL transfers accounted for 13% of the government's primary expenditures in 2017, compared to 9.4% in the previous year. They constituted the third largest expenditures item after debt servicing and public sector salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.2% of GDP in 2012, 4.4% of GDP in each of 2013 and 2014, 2.3% of GDP in 2015, 1.9% of GDP in 2016, and 2.6% of GDP in 2017.

Lebanon ranks in 95th place globally, 10th place in Arab world on growth promise indicators

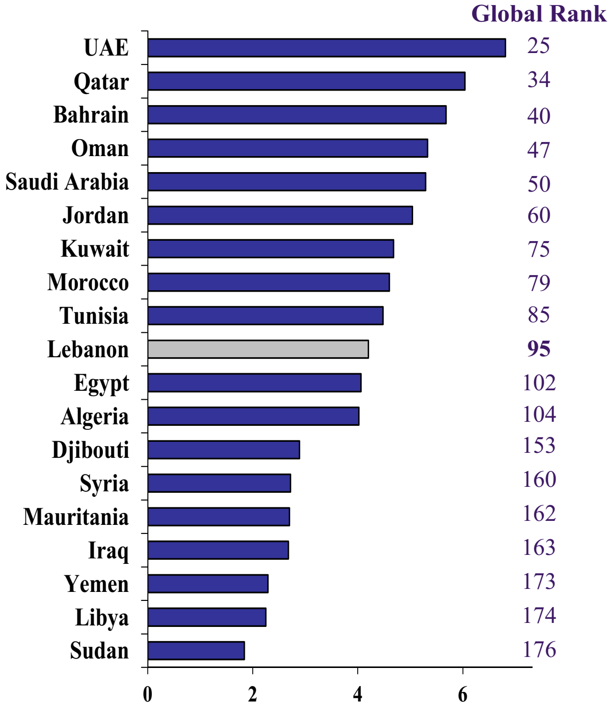
KPMG International ranked Lebanon in 95th place among 181 countries worldwide and in 10th place among 19 Arab countries on its Growth Promise Indicators (GPI) Index for 2018. Also, Lebanon came in 32nd place among 50 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank regressed by one spot from last year's survey.

The GPI Index is a measure of a country's long-term growth and productivity potential. A country's score is based on 15 individual categories grouped into five key indicators that are Macroeconomic Stability, Openness to Catch Up in Best Practice, Infrastructure Quality, Human Capital and Institutional Strength. KPMG assigned a score between zero and 10 to each country, with a higher score reflecting higher potential productivity.

Globally, Lebanon has a higher potential for future growth and productivity than India, the Dominican Republic and Iran, and a lower potential for growth and productivity than Peru, Sri Lanka and the Philippines among economies with a GDP of $10bn or more. Lebanon ranked ahead of the Dominican Republic, Iran and Ecuador, and came behind South Africa, Brazil and Peru among UMICs.

Lebanon received a score of 4.2 points on the 2018 index, which is below the global average of 4.5 points and the UMICs' average of 4.3 points, but is above the Arab region's average score of 4.1 points. Also, Lebanon's score is lower than the Gulf Cooperation Council (GCC) countries' simple average score of 5.6 points and higher than of non-GCC Arab countries of 3.6 points.

Growth Promise Indicators Index for 2018
Arab Countries Scores & Rankings



Source: KPMG, Byblos Research

Lebanon ranked ahead of Oman, Jamaica and Romania, while it came behind Ecuador, Thailand and Trinidad & Tobago globally on the Infrastructure Quality indicator. This category measures a country's quality of transport infrastructure, technology readiness and the availability of financial services. Lebanon ranked ahead of Jamaica, Romania and the Dominican Republic, and came behind South Africa, Thailand and Ecuador among UMICs; while it trailed only the UAE, Qatar, Bahrain and Saudi Arabia in the Arab region.

Also, Lebanon came ahead of the Dominican Republic, Mongolia and the Philippines, and ranked behind Morocco, Uzbekistan and Nicaragua on the Human Capital indicator. This category assesses the enrolment level in schools, the estimated rate of return on education, as well as the life expectancy in a country. Lebanon ranked ahead of the Dominican Republic, Paraguay and Jamaica, and came behind Ecuador, Macedonia and Venezuela among UMICs; while it came ahead of only Syria, Yemen, Libya, Iraq, Sudan, Mauritania and Djibouti regionally.

Further, Lebanon came ahead of Belarus, Bangladesh and Gabon, while it ranked behind Morocco, the Dominican Republic and Algeria on the Institutional Strength indicator. This category evaluates a country's regulatory quality, judicial independence, transparency of government policy-making, government effectiveness, corruption level and business rights. Lebanon ranked ahead of Belarus, Gabon and Bosnia & Herzegovina, and came behind Uganda, the Dominican Republic and Algeria among UMICs; while it came ahead of only Djibouti, Syria, Mauritania, Iraq, Yemen, Libya and Sudan among Arab countries.

Components of the 2018 Growth Promise Indicators Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Avge Score	Arab Avge Score	UMICs Avge Score
Macroeconomic Stability	178	17	49	0.3	5.5	4.6	5.6
Openness to Catch Up with Best Practice	23	3	3	7.8	4.5	4.6	4.5
Infrastructure Quality	59	5	14	4.2	3.7	3.3	3.5
Human Capital	96	12	33	4.5	4.8	4.2	4.9
Institutional Strength	126	12	40	4.0	5.0	4.5	4.5

Source: KPMG, Byblos Research

Trade deficit narrows by 6.7% to $2.6bn in first two months of 2018

The total value of imports reached $3.14bn in the first two months of 2018, constituting a decline of 3.4% from $3.25bn in the same period of 2017; while the aggregate value of exports rose by 16.7% year-on-year to $531.4m in the covered period. As such, the trade deficit narrowed by 6.7% to $2.61bn in the first two months of 2018 due to a year-on-year decrease of $110.9m in imports and an increase of $76.1m in exports.

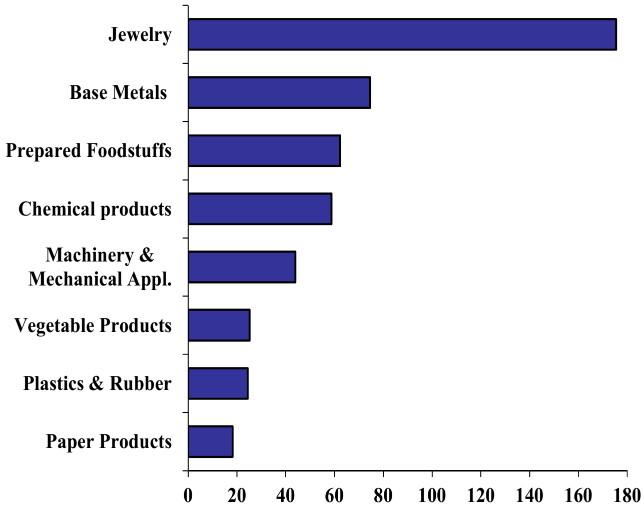
The value of imported oil & mineral fuels reached $523m in the first two months of 2018 and accounted for 16.7% of total imports in the covered period, compared to a share of 28.1% in the first two months of 2017. In volume terms, imports of oil & mineral fuels dropped by 54% to 1,033,296 tons in the covered period.

In addition, the rise in exports in the first two months of 2018 mainly reflects a growth of $65.7m, or 60%, in the value of exported jewelry, a rise of $23.5m, or 46%, in the value of exported base metals, and an increase of $11.7m, or 24.8%, in the value of exported chemical products; which were partly offset by a decline of $8.7m, or 12.2%, in the value of exported prepared foodstuff and a drop of $7.7m, or 64.8%, in the value of exported mineral products.

Further, the decline in imports mainly reflects a decrease of $390.1m, or 42.7%, in the value of imported mineral products, which was partially offset by a growth of $93.3m, or 33.2%, in the value of imported machinery & mechanical appliances, a rise of $64.3m, or 36.1%, in the value of imported base metals and an increase of $36m, or 11.2%, in the value of imported chemical products, among others.

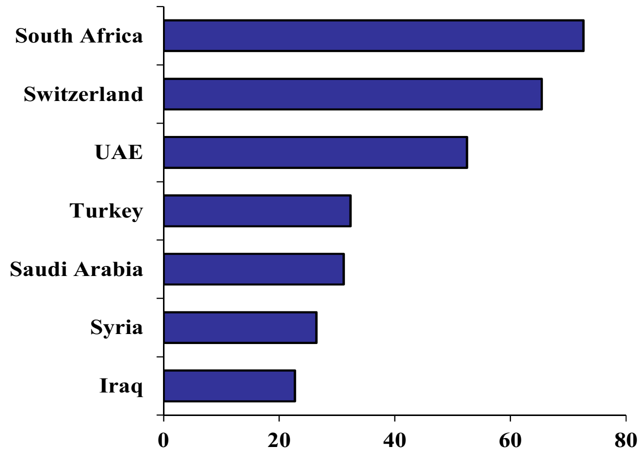
In parallel, exports to Turkey expanded by 87% year-on-year in the first two months of 2018, those to Switzerland grew by 86.4%, exports to the UAE increased by 48% and those to South Africa rose by 16.3%. In contrast, exported goods to Syria dropped by 49.4%, while those to Iraq declined by 7.8% and those Saudi Arabia decreased by 6% year-on-year in the covered period. Re-exports totaled $72.6m in the first two months of 2018 compared to $131.3m in the same period of 2017. Also, the Port of Beirut was the exit point for 44.7% of Lebanon's total exports in the first two months of 2018, followed by the Hariri International Airport (40.6%), the Port of Tripoli (8.4%), the Masnaa crossing point (4%) and the Port of Saida (1.3%).

Main Lebanese Exports* ($m)



**in the first two months of 2018*
Source: Lebanese Customs Administration, Byblos Research

Main Destinations of Lebanese Exports*($m)



**in the first two months of 2018*
Source: Lebanese Customs Administration, Byblos Research

Lebanon's main non-hydrocarbon imports were machinery & mechanical appliances that reached $374.2m in the first two months of 2018 and increased by 33.2% from the same period of 2017. Imports of chemical products followed at $358.7m (+11.2%), then vehicles, aircraft & vessels at $246.4m (-2%), base metals at $242.2m (+36.1%), jewelry at $241.7m (+7.8%) and prepared foodstuff at $226.7m (+1.7%). The Port of Beirut was the entry point for 69.7% of Lebanon's merchandise imports in the covered period, followed by the Hariri International Airport (20.7%) and the Port of Tripoli (7.1%).

China was the main source of imports with $392.5m, or 12.5% of the total, in the first two months of 2018, followed by Italy with $272.2m (8.7%), Greece with $236.2m (7.5%), Germany with $183.2m (5.8%), the United States with $152m (4.8%) and Egypt with $138.5m (4.4%). Imported goods from China grew by 37.4% year-on-year in the covered period, those from Italy rose by 35.6%, imports from Egypt increased by 6.9% and those from Germany improved by 6.4%. In contrast, imported goods from the United States dropped by 27.6%, while those from Greece decreased by 17.1% year-on-year in the first two months of 2018.

Lebanon ranks 100th globally, third among Arab countries in press freedom

In its 2018 survey about press freedom in 180 countries, international organization Reporters Without Borders ranked Lebanon in 100th place worldwide and in third place among 20 Arab countries. In comparison, Lebanon came in 99th place globally and in third place regionally in the 2017 survey, as well as in 98th place globally and in third place regionally in each of the 2015 and 2016 surveys.

The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedom. The index's calculation is based on answers to a questionnaire that covers seven general criteria, combined with quantitative data on abuses and acts of violence against journalists and media outlets during the covered period. The criteria assess the level of opinion diversity in the media, media independence, self-censorship and the work environment of journalists, the legislative framework, the transparency of the institutions and procedures that affect the production of news and information, the quality of the infrastructure that supports the production of news and information, as well as the level of violence and abuses during the surveyed period. Reporters Without Borders assigns index scores from zero to 100, with a lower score reflecting a higher level of press freedom in a given country.

Globally, Lebanon has a higher level of press freedom than in Ukraine, Brazil and Kuwait, and a lower level of freedom than in Kenya, Tunisia, and Mozambique among economies with a GDP of $10bn or more. Lebanon received a score of 31.15 points in the 2018 survey, constituting an improvement of 5.6% from 33.01 points in the 2017 survey. Lebanon's score was better than the global average score of 34.8 points and the average score of 49.7 points among Arab countries.

Press Freedom Index for 2018

	Score	Arab Rank	Global Rank	Change in Rank
Mauritania	29.09	1	72	-17
Tunisia	30.91	2	97	0
Lebanon	**31.15**	**3**	**100**	**-1**
Kuwait	31.91	4	105	-1
Qatar	40.16	5	125	-2
Oman	40.67	6	127	-1
UAE	40.86	7	128	-9
Jordan	41.71	8	132	6
Palestine	42.96	9	134	1
Morocco	43.13	10	135	-2
Algeria	43.13	11	136	-2
Iraq	56.56	12	160	-2
Egypt	56.72	13	161	0
Libya	56.79	14	162	1
Bahrain	60.85	15	166	-2
Yemen	62.23	16	167	-1
Saudi Arabia	63.13	17	169	-1
Djibouti	70.77	18	173	-1
Sudan	71.13	19	174	0
Syria	79.22	20	177	0

Source: Reporters Without Borders, Byblos Research

The level of press freedom in Lebanon places it, along with 62 other countries worldwide, in the "problematic" category. Also, Lebanon was among four Arab countries that came in the "problematic" category, while seven Arab states came in the "bad" category and the remaining nine sovereigns were in the "very bad" category.

In parallel, Lebanon was among 74 countries worldwide whose rank declined from the 2017 survey, while the rank of 72 countries improved, and that of 34 sovereigns was unchanged year-on-year. Also, Lebanon was among 13 Arab countries whose rank regressed, while the rank of three economies improved and that of four countries was unchanged from the 2017 survey. Norway has the highest level of press freedom globally, while North Korea has the lowest level of media freedom worldwide in the 2018 survey.

Byblos Bank's net profits at $28m in first quarter of 2018

Byblos Bank sal declared unaudited net profits of $27.9m in the first quarter of 2018 compared to $28.7m in the same quarter of 2017. The Bank attributed the decline 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 on engaging in unnecessary risks and maximizing returns over the short term.

The Bank's net interest income reached $72m in the first quarter of 2018, up by 0.7% from $71.5m in the same quarter last year; while net fees & commissions income stood at $24.6m, constituting an increase of 15.7% from $21.3m in the first quarter of 2017. Also, its net interest margin stood at 1.29% in the first quarter of 2018 compared to 1.39% in the same quarter of 2017. Further, the Bank's net interest income accounted for over 70% of total operating income, which reflects its aim to continuously grow and diversify its loan portfolio for individuals and businesses. The Bank's net operating income totaled $99.2m in the first quarter of 2018, up by 2.6% from $96.7m in the same period of 2017.

In parallel, Byblos Bank's operating expenditures totaled $60.7m in the covered quarter compared to $57m in the first quarter of 2017, with personnel expenditures accounting for 58.3% of the total. Operating expenses were equivalent to 1.06% of average total assets in the first quarter of 2018 relative to 1.09% in the same quarter of 2017, reflecting the Bank's ability to maintain cost under strict control.

Also, the Bank's aggregate assets reached $23.1bn at the end of March 2018, and grew by 1.9% from $22.7bn at end-2017 and by 8.5% from $21.3bn at the end of March 2017. Net loans & advances to customers totaled $5.5bn at the end of March 2018, and expanded by 1.8% from end-2017 and by 6.9% from end-March 2017, while net loans & advances to related parties reached $15.4m. The Bank's total customer deposits amounted to $17.9bn at the end of March 2018, and rose by 0.8% from end-2017 and by 4% from end-March 2017, while deposits from related parties stood at $248.9m. In parallel, equity stood at $2.2bn at the end of March 2018, and grew by 1.4% from end-2017 and by 3.6% from the end of March 2017.

Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's Basel III capital adequacy ratio was at 17.3% at the end of 2017, 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 March 2018, in the form of short-term placements with investment- and above investment-grade institutions, and at levels exceeding the local and international benchmarks.

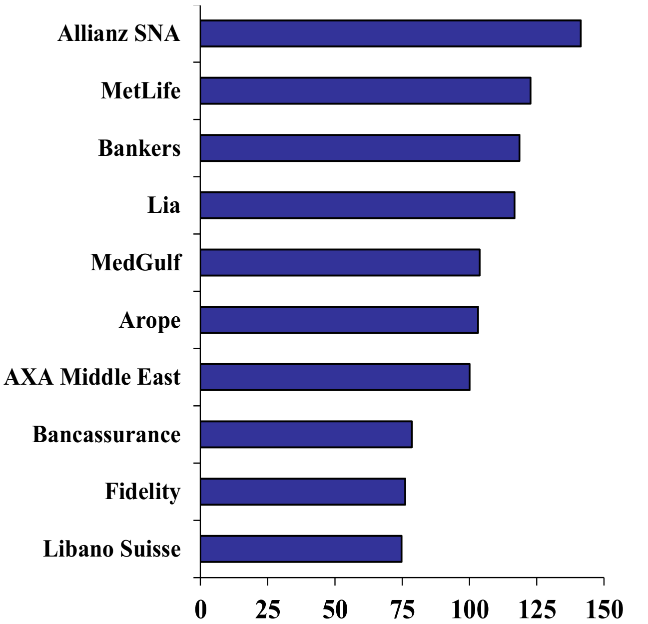
Life and non-life premiums up by 3% to $1.6bn in 2017

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon indicates that overall life and non-life premiums reached $1.64bn in 2017, constituting an increase of 3% from $1.59bn in the previous year and compared to a growth rate of 3.9% in 2016. Life premiums accounted for 31.8% of the overall life and non-life premiums in 2017 relative to 31.4% in 2016, while non-life premiums represented 68.2% of the total last year compared to 68.6% in 2016.

The composition of the top 20 insurers changed from 2016, as Securité Assurance moved to 20th place from 23rd place and replaced Capital Insurance & Reinsurance, which came in 21st place in 2017. In parallel, the composition of the top 10 life and non-life insurance providers was unchanged from 2016. Bankers moved up in the ranking from fourth to third place, LIA's rank improved from fifth to fourth place, MedGulf's rank regressed from third to fifth place, Libano Suisse declined from eighth to 10th place, Bancassurance moved up from ninth to eighth place and Fidelity's rank improved from 10th to ninth place.

The top five insurers in Lebanon accounted for 36.8% of the combined life and non-life markets in 2017 nearly unchanged from 36.9% in 2016, while the top 10 firms generated 63.3% of the overall premiums in 2017 compared to 63.6% in the previous year. In addition, the top 20 firms represented 87% of overall life and non-life premiums in 2017 relative to 86.2% in 2016. Allianz SNA led all insurers with $141.4m in combined life and non-life premiums in 2017, equivalent to 8.6% of the total, followed by MetLife ALICO with premiums of $122.8m (7.5%), Bankers with $118.6m (7.2%), LIA with $116.8m (7.1%) and MedGulf with $103.8m (6.3%).

Overall Life and Non-Life Premiums of Top 10 Insurers in 2017 ($m)



Source: Al-Bayan, Byblos Research

Corporate Highlights

Banque Libano-Française pays dividends for 2017

Banque Libano-Française (BLF) sal announced that its Ordinary General Assembly held on April 27, 2018 approved the distribution of dividends for 2017. The bank earmarked gross dividends of $7 (LBP10,553) per share for shareholders carrying Preferred Shares Series 4 and $6.625 (LBP9,987) for those carrying Preferred Shares Series 5. The dividends are paid net of a 5% withholding tax, as the bank reimburses the holders of preferred shares for the difference between the 10% withholding rate and the rate for which the shares would have been taxed had they been listed on the Beirut Stock Exchange. The bank will disburse the dividends on April 30, 2018. BLF has 1,500,000 Preferred Shares Series 4 and 1,500,000 Preferred Shares Series 5.

BLF posted unaudited consolidated net profits of $120.9m in 2017, up by 8.2% from net earnings of $111.7m in 2016. Its assets reached $13.6bn at the end of 2017, constituting an increase of 7.4% from a year earlier; while loans & advances to customers, excluding loans & advances to related parties, grew by 4.8% from end-2016 to $4.3bn. Also, customer deposits, excluding those from related parties, totaled $10.7bn at the end of 2017, and expanded by 5.2% from end-2016.

Lebanon & Gulf Bank's net profits at $40m in 2017

Lebanon & Gulf Bank (LGB) sal, one of Lebanon's top 15 banks in terms of deposits, announced unaudited consolidated net profits of $40m in 2017, constituting an increase of 12.8% from $35.4m in 2016. Net operating income rose by 16.9% to $89.1m last year, with net interest income dropping by 5.9% to $48.2m and net fees & commissions receipts decreasing by 2.7% year-on-year to $9.1m. Non-interest income accounted for 50% of total income in 2017, up from 38.4% in the previous year; with net fees & commissions representing 19% of non-interest earnings relative to 29.4% in 2016. Further, the bank's interest margin was 1.12% in 2017 relative to 1.37% in 2016, while its spread reached 1.09% compared to 1.33% in the preceding year. Total operating expenditures increased by 8.2% to $36.5m in 2017, with staff expenses growing by 13% to $22.3m and administrative & other operating expenditures regressing by a marginal 0.4% to $11.6m year-on-year. Also, the bank's return on average assets was 0.91% in 2017 relative to 0.92% in 2016; while its return on average equity reached 10.9% in 2017 compared to 10.57% in 2016. The bank's cost-to-income ratio stood at 37.9% in 2017, down from 40.6% in 2016.

In parallel, total assets reached $4.7bn at the end of 2017, up by 14.4% from $4.1bn at end-2016, while loans & advances to customers, excluding those to related parties, declined by 5.9% from end-2016 to $1.35bn. Also, customer deposits, excluding those from related parties, totaled $3.9bn at the end of 2017 and rose by 9.4% from end-2016. The loans-to-deposits ratio regressed from 40.5% at end-2016 to 34.8% at the end of 2017. Further, the bank's shareholders' equity reached $383.5m at end-2017, up by 9.5% from end- 2016.

Fransabank issues preferred shares

Fransabank sal announced that it raised its capital from LBP465bn to LBP472.5bn through the issuance of 375,000 new Series "F" Preferred Shares at a par value of LBP20,000 ($13.3) each. The bank's Extraordinary General Assembly validated and ratified the capital increase on December 22, 2017. The shares are redeemable, non-cumulative and perpetual, and have an issue price of $200 per share, of which LBP20,000 ($13.3) is par value and the remaining $186.7 is the issue premium. The preferred shares carry an annual dividend rate of 7% of the issue price, which will be paid net of a 10% withholding tax. The new shares were not listed on the Beirut Stock Exchange, in line with previous issuances. Further, the bank has the option to call the shares at any time if a regulatory event occurs, at a redemption price of $200 per share; or within 90 days after the Ordinary General Assembly meets in 2022 to approve the financials for fiscal year 2021, and annually thereafter, at a premium callable price of $207 per share plus any declared but unpaid dividends.

The bank's share capital currently consists of 21,925,000 common shares, 375,000 Series "C" Preferred Shares, 425,000 Series "D" Preferred Shares, 525,000 Series "E" Preferred Shares and 375,000 Series "F" Preferred Shares. Fransabank posted unaudited consolidated net profits of $179.5m in 2017. Its assets reached $22.07bn at the end of 2017; while loans & advances to customers, excluding loans & advances to related parties reached $6.5bn at end-2017. Also, customer deposits, excluding deposits from related parties, totaled $15.35bn at the end of 2017.

Ratio Highlights

(in % unless specified)	2015	2016	2017e	Change*
Nominal GDP ($bn)	49.5	49.7	53.1	
Public Debt in Foreign Currency / GDP	54.7	56.6	57.2	0.65
Public Debt in Local Currency / GDP	87.4	94.1	92.5	(1.59)
Gross Public Debt / GDP	142.1	150.7	149.8	(0.95)
Total Gross External Debt / GDP	175.8	183.9	185.6	1.70
Trade Balance / GDP	(31.6)	(32.5)	(31.5)	0.96
Exports / Imports	15.9	15.6	14.5	(1.04)
Fiscal Revenues / GDP	19.3	20.0	21.9	1.93
Fiscal Expenditures / GDP	27.3	29.9	29.0	(0.95)
Fiscal Balance / GDP	(8.0)	(9.9)	(7.1)	2.87
Primary Balance / GDP	1.5	0.0	2.7	2.65
Gross Foreign Currency Reserves / M2	58.7	62.2	68.2	5.98
M3 / GDP	249.7	267.2	260.6	(6.59)
Commercial Banks Assets / GDP	375.7	411.1	414.0	2.95
Private Sector Deposits / GDP	306.2	327.0	317.6	(9.32)
Private Sector Loans / GDP	109.5	115.0	113.6	(1.46)
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	Sep 2016	Aug 2017	Sep 2017	Change**	Risk Level
Political Risk Rating	54.5	55.5	55.5	▼	High
Financial Risk Rating	36.5	33.0	33.0	▲	Moderate
Economic Risk Rating	30.5	27.5	27.5	▲	High
Composite Risk Rating	60.75	58.0	58.0	▲	High

MENA Average*	Sep 2016	Aug 2017	Sep 2017	Change**	Risk Level
Political Risk Rating	57.6	57.8	57.8	▼	High
Financial Risk Rating	38.9	38.0	38.1	▲	Low
Economic Risk Rating	29.7	30.6	30.4	▼	Moderate
Composite Risk Rating	63.1	63.2	63.1	▶◀	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	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Outlook
Moody's	Stable

Source: Moody's Investors 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
Intersection of Muroor and Electra Streets
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