

LEBANON THIS WEEK

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Utilized credits by private sector at \$67bn at end-September 2017, advances against real estate account for 38% of total

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Stock market activity down 10% in 2017

Insurance premiums up 4% to \$1.25bn in first nine months of 2017, claims up 12.5% to \$739m

Net profits of Syrian affiliates of Lebanese banks at \$9m in first nine months of 2017 when excluding foreign exchange gains on structural positions

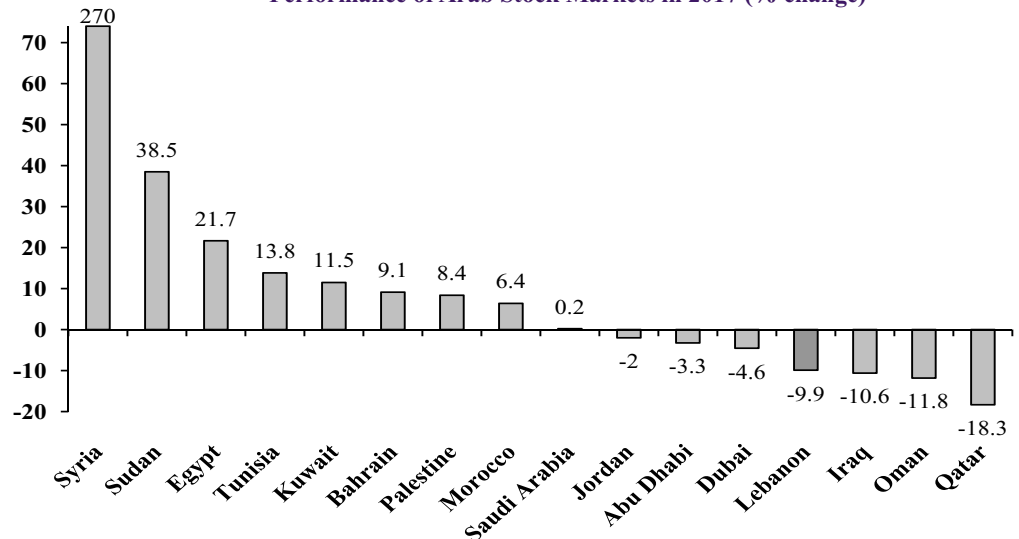
BankMed exercises call option on preferred shares and issues new ones

BLC Bank exercises call option on preferred shares and issues common shares

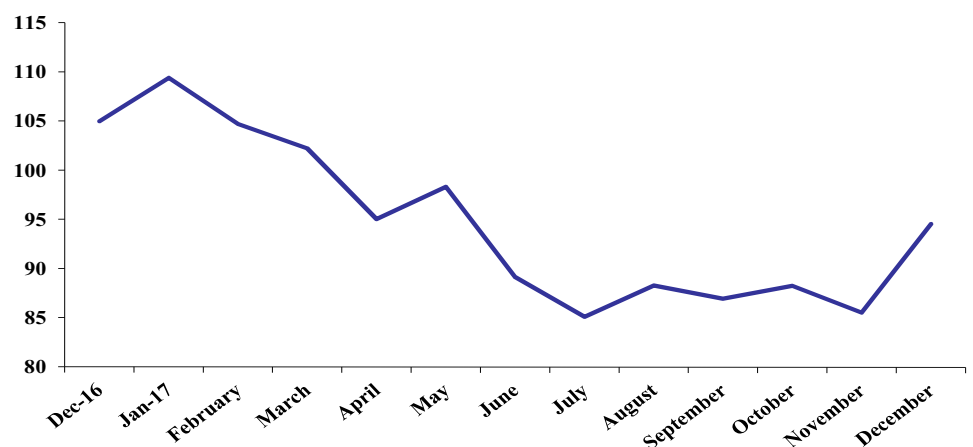
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Charts of the Week

Performance of Arab Stock Markets in 2017 (% change)



Performance of the Beirut Stock Exchange*



*Capital Markets Authority Value Weighted Index end of month values

Source: Local Stock Markets, Capital Markets Authority, Byblos Bank

Quote to Note

“Upgrading the country’s infrastructure could raise the potential growth of the economy.”

The Institute of International Finance, on the drag of key infrastructural bottlenecks on economic activity in Lebanon

Number of the Week

120: Lebanon’s rank out of 137 countries on the protection of intellectual property rights, according to the World Economic Forum’s Global Competitiveness Index for 2017-18

Lebanon in the News

| \$m (unless otherwise mentioned) | 2016 | Aug 2016 | May 2017 | Jun 2017 | Jul 2017 | Aug 2017 | % Change* |
|---|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Exports | 2,977 | 340 | 240 | 214 | 217 | 251 | (26.32) |
| Imports | 18,705 | 1,951 | 1,559 | 1,454 | 1,619 | 1,594 | (18.29) |
| Trade Balance | (15,728) | (1,610) | (1,320) | (1,240) | (1,402) | (1,343) | (16.59) |
| Balance of Payments | 1,238 | 1,788 | (592) | (758) | 100 | 368 | (79.40) |
| Checks Cleared in LBP | 19,892 | 1,616 | 1,769 | 1,681 | 1,845 | 1,869 | 15.66 |
| Checks Cleared in FC | 48,160 | 4,205 | 3,904 | 3,882 | 4,310 | 4,100 | (2.50) |
| Total Checks Cleared | 68,052 | 5,821 | 5,673 | 5,563 | 6,155 | 5,969 | 2.54 |
| Budget Deficit/Surplus | (3,667.15) | (452.21) | 550.56 | (496.83) | 31.76 | (513.46) | 13.54 |
| Primary Balance | 1,297.65 | (172.37) | 1,192.83 | (71.52) | 300.34 | (192.77) | 11.84 |
| Airport Passengers*** | 7,610,231 | 917,286 | 601,253 | 652,852 | 975,003 | 1,067,441 | 16.37 |

| \$bn (unless otherwise mentioned) | 2016 | Aug 2016 | May 2017 | Jun 2017 | Jul 2017 | Aug 2017 | % Change* |
|--|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| BdL FX Reserves | 34.03 | 35.67 | 32.75 | 33.89 | 33.04 | 34.03 | (4.59) |
| In months of Imports | 21.83 | 18.28 | 21.00 | 23.31 | 20.41 | 21.35 | 16.77 |
| Public Debt | 74.89 | 74.05 | 76.72 | 76.45 | 76.89 | 77.27 | 4.35 |
| Bank Assets | 204.31 | 195.77 | 206.89 | 208.16 | 208.48 | 209.39 | 6.95 |
| Bank Deposits (Private Sector) | 162.50 | 157.09 | 166.14 | 167.73 | 168.39 | 169.16 | 7.68 |
| Bank Loans to Private Sector | 57.18 | 56.38 | 57.87 | 58.42 | 58.61 | 58.67 | 4.07 |
| Money Supply M2 | 54.68 | 54.00 | 54.73 | 55.12 | 55.02 | 55.59 | 2.96 |
| Money Supply M3 | 132.80 | 128.15 | 136.11 | 137.51 | 138.01 | 138.92 | 8.41 |
| LBP Lending Rate (%)**** | 8.23 | 8.29 | 8.48 | 8.39 | 8.33 | 8.10 | (19bps) |
| LBP Deposit Rate (%) | 5.56 | 5.56 | 5.57 | 5.51 | 5.56 | 5.55 | (1bps) |
| USD Lending Rate (%) | 7.35 | 7.28 | 7.36 | 7.27 | 7.25 | 7.29 | 1bps |
| USD Deposit Rate (%) | 3.52 | 3.39 | 3.62 | 3.58 | 3.64 | 3.63 | 24bps |
| Consumer Price Index** | (0.80) | (0.80) | 4.30 | 3.50 | 3.10 | 5.10 | - |

* 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 | Sovereign Eurobonds | Coupon % | Mid Price \$ | Mid Yield % |
|----------------------------------|------------------------|------------------|---------------------|--|----------------------------|-----------------|---------------------|--------------------|
| Solidere "A" | 8.05 | 0.50 | 71,355 | 6.94% | Nov 2018 | 5.15 | 100.25 | 4.84 |
| Byblos Common | 1.59 | (0.63) | 59,401 | 7.75% | May 2019 | 6.00 | 100.75 | 5.42 |
| Solidere "B" | 7.94 | (0.50) | 46,108 | 4.45% | Mar 2020 | 6.38 | 101.00 | 5.87 |
| BLOM GDR | 12.70 | 0.00 | 25,484 | 8.09% | Oct 2022 | 6.10 | 98.38 | 6.50 |
| Audi Listed | 5.99 | 4.17 | 20,819 | 20.65% | Jun 2025 | 6.25 | 95.50 | 7.04 |
| BLOM Listed | 11.70 | 0.52 | 14,640 | 21.69% | Nov 2026 | 6.60 | 96.75 | 7.10 |
| HOLCIM | 14.50 | 0.28 | 10,000 | 2.44% | Feb 2030 | 6.65 | 94.25 | 7.37 |
| Byblos Pref. 09 | 104.90 | 3.86 | 1,900 | 1.81% | Apr 2031 | 7.00 | 96.38 | 7.43 |
| Audi GDR | 5.90 | 1.03 | 1,880 | 6.10% | Nov 2035 | 7.05 | 95.25 | 7.54 |
| Byblos Pref. 08 | 101.60 | 0.00 | - | 1.75% | Mar 2037 | 7.25 | 95.88 | 7.66 |

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

Source: Byblos Bank Capital Markets

| | Jan 2-5, 2018 | Dec 26-29, 2017 | % Change | December 2017 | December 2016 | % Change |
|------------------------------|----------------------|------------------------|-----------------|----------------------|----------------------|-----------------|
| Total shares traded | 259,597 | 786,565 | (67) | 11,929,343 | 17,811,981 | (33) |
| Total value traded | \$2,397,042 | \$7,498,572 | (68) | \$116,215,896 | \$121,409,329 | (4.3) |
| Market capitalization | \$11.60bn | \$11.47bn | 1.06 | \$11.47bn | \$11.90bn | (3.6) |

Source: Beirut Stock Exchange (BSE)



Cost of sending remittances from main sources declines in fourth quarter of 2017

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 5.93% in the fourth quarter of 2017, down from 6.06% in the third quarter of 2017 and unchanged from the fourth quarter of 2016. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$29.65 in the fourth quarter of 2017 relative to \$30.29 in the preceding quarter and unchanged from the fourth quarter of 2016. Lebanon is the seventh most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 6.16% in the fourth quarter of 2017 for a transfer of CAD500, down from 6.51% in the third quarter of 2017 and relative to 8.11% in the fourth quarter of 2016. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD30.79 in the fourth quarter of 2017 relative to CAD32.54 in the previous quarter and to CAD40.53 in the fourth quarter of 2016. Lebanon is the sixth most expensive destination for sending CAD500 from Canada among 15 countries with available data.

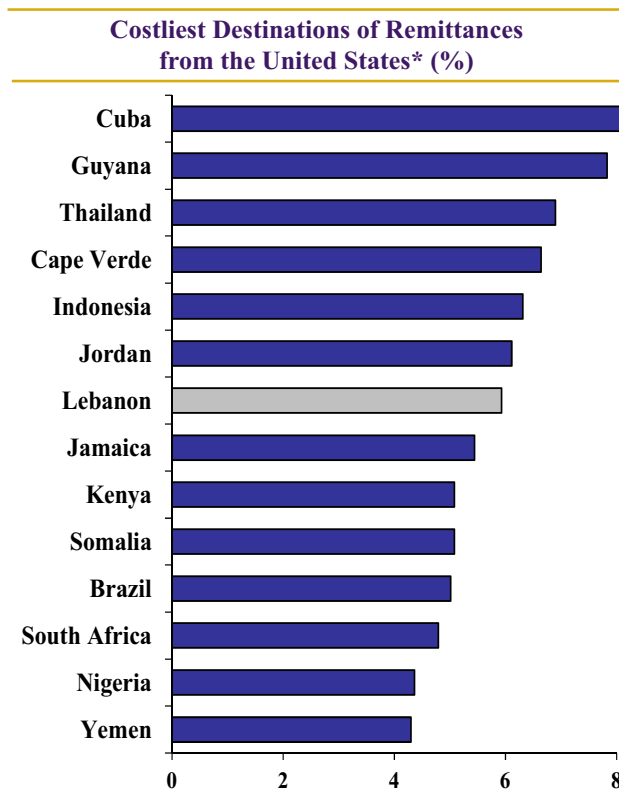
Also, the cost of sending remittances from Australia to Lebanon reached 7.32% in the fourth quarter of 2017 for a transfer of AUD500, down from 7.39% in the third quarter of 2017 and relative to 7.28% in the fourth quarter of 2016. The cost of sending AUD500 from Australia to Lebanon was AUD36.61 in the fourth quarter of 2017 relative to AUD36.97 in the preceding quarter and to AUD36.42 in the fourth quarter of 2016. Lebanon is the fifth most expensive destination for sending AUD500 from Australia among 16 countries with available data.

In addition, the cost of sending remittances from France to Lebanon was 7.15% in the fourth quarter of 2017 for a transfer of EUR345, down from 7.23% in the third quarter of 2017 and relative to 6.06% in the fourth quarter of 2016. In nominal terms, the cost of sending EUR345 from France to Lebanon was EUR24.66 in the fourth quarter of 2017 relative to EUR24.95 in the previous quarter and to EUR20.92 in the fourth quarter of 2016. Lebanon is the most expensive destination for sending EUR345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 8.79% in the fourth quarter of 2017 for a transfer of GBP300, down from 9.96% in the third quarter 2017 and relative to 10.52% in the fourth quarter of 2016. In nominal terms, the cost of sending GBP300 from the UK to Lebanon was GBP26.36 in the fourth quarter of 2017 relative to GBP29.88 in the preceding quarter and to GBP31.57 in the fourth quarter of 2016. Lebanon is the fifth most expensive destination for sending GBP300 from the UK among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 6.91% in the fourth quarter of 2017 for a transfer of EUR345, down from 8.1% in the third quarter of 2017 and relative to 8.24% in the fourth quarter of 2016. In nominal terms, the cost of sending EUR345 from Germany to Lebanon was EUR23.83 in the fourth quarter of 2017 relative to EUR27.95 in the previous quarter and EUR28.42 in the fourth quarter of 2016. Lebanon is the third most expensive destination for sending EUR345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.25% in the fourth quarter of 2017 for a transfer of SAR1,870, equivalent to \$500, down from 3.29% in the third quarter of 2017 and relative to 1.83% in the fourth quarter of 2016. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR42.08 in the fourth quarter of 2017 relative to SAR61.45 in the preceding quarter and to SAR34.29 in the fourth quarter of 2016. Lebanon is the third least expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.



* Cost of sending \$500 from the U.S.

Source: World Bank, Byblos Research

Vast majority of Lebanese believe environmental situation in the country deteriorated in past 10 years

A survey by the Arab Forum for Environment and Development (AFED) shows that 92% of Lebanese respondents consider that the state of the environment in Lebanon has deteriorated in the past 10 years. In parallel, 7.8% of surveyed participants believe that the environmental situation in Lebanon has not changed in the past 10 years, while 1% said that it has improved.

The survey, which was conducted between March and June 2017, aims to track environmental perceptions and attitudes of respondents in the Arab region. It is based on 20,160 respondents from Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Tunisia, the UAE, Syria and Yemen. The survey is part of AFED's report on the state of the environment in Arab countries, which highlights developments in selected priority areas, such as water, energy, green economy and environmental scientific research.

Further, 21.6% of Lebanese respondents believe that the government's inability to tackle environmental challenges is the main reason behind the deterioration in the environment, followed by limited government spending on the environment (19%), and non-compliance with environmental legislation (16.3%). Also, the survey pointed out that 29.3% of surveyed participants in Lebanon consider that waste management is the main environmental challenge in the country, followed by lake & sea pollution (18.4%), the quality of water resources (11.6%), pollution from hazardous waste (9.7%) and air quality (9%).

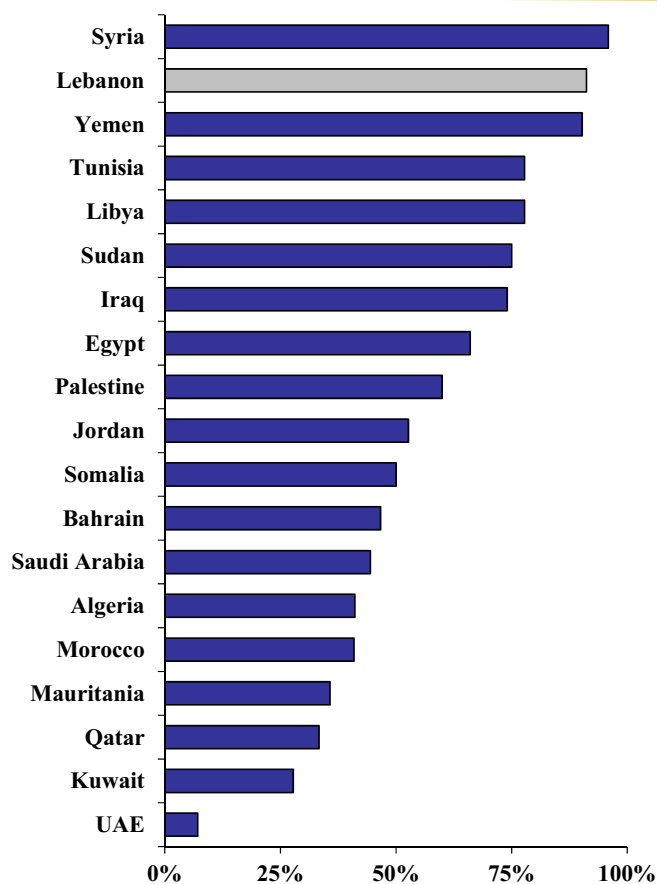
In parallel, the AFED indicated that Lebanon published 1,013 documents on environmental research between 1996 and 2015, ranking the country in 76th place worldwide and in ninth place among the 22 Arab countries in terms of published environmental research. Lebanon came behind Egypt with 8,397 documents, Saudi Arabia (5,849), Tunisia (3,412), Morocco (2,714), Algeria (2,460), Jordan (2,011), the UAE (1,784) and Kuwait (1,282) in the Arab region. Further, AFED ranked Lebanon in 70th place globally and in eight place regionally in terms of published research on waste management and disposal. Also, it ranked Lebanon in 69th place worldwide and in ninth place among Arab countries in published research on pollution.

Airport passengers up 8% in 2017

Figures released by the Beirut-Rafic Hariri International Airport show that 8,235,845 passengers utilized the airport (arrivals, departures and transit) in 2017, constituting an increase of 8.2% from 7,610,231 passengers in 2016. The number of arriving passengers grew by 8.6% year-on-year to 4,103,338 in 2017, compared to an increase of 7.5% in 2016 and to a rise of 9.1% in 2015. Also, the number of departing passengers grew by 8% year-on-year to 4,127,554 in 2017, relative to an increase of 3.6% in 2016 and to a rise of 10.6% in 2015.

In parallel, the airport's aircraft activity grew by 0.6% year-on-year to 71,171 take-offs and landings in 2017, compared to an increase of 2.7% in 2016 and to a growth of 6.6% in 2015. In addition, the HIA processed 96,929 metric tons of freight in 2017 that consisted of 56,285 tons of import freight and 40,644 tons of export freight. Middle East Airlines had 25,067 flights in 2017 and accounted for 35.2% of HIA's total aircraft activity.

Share of respondents who believe that environmental conditions in their country worsened in the past 10 years



Source: Arab Forum for Environment and Development, Byblos Research

Italy provides EUR0.5m to help establish industrial zones in Lebanon

The government of Italy provided a grant of EUR500,000 to the United Nations Industrial Development Organization (UNIDO), in order for the latter to continue to assist the Lebanese government in establishing industrial zones in the country. The funding will help UNIDO implement the second phase of the project “Supporting the Development of Industrial Zones in Lebanon”, in close coordination with the Ministry of Industry and the Council for Development & Reconstruction (CDR). The project aims to assist the Lebanese government to develop three industrial zones in Baalbek, Terbol in the Zahlé district and Joun in the Chouf area. During the second phase of the project, UNIDO noted that it would continue to provide technical assistance and advisory support to the Lebanese government for the development and management of the industrial zones.

Following the successful technical cooperation between UNIDO and the Lebanese government during the first phase of the project, UNIDO indicated that the European Investment Bank would provide a EUR52m loan to the Lebanese government in order to build the required infrastructure for the three industrial zones. It added that the Italian government would provide a soft loan of EUR7m to the Lebanese government in order to finance the construction of the three zones.

In January 2016, UNIDO and the Ministry of Industry launched the “Supporting the Development of Industrial Zones in Lebanon” project. In May 2017, UNIDO completed the feasibility studies, including the environmental and social impact assessments for the areas, which estimated the total cost of the development of the infrastructure of the three zones at around \$120m, and the number of jobs created through the project at between 27,000 and 31,000. The project is part of the 2015-18 UNIDO Country Program for Lebanon, which aims to expand the country’s industrial production, to support the development of industrial zone and the usage of energy efficiency among industrial small- and medium-sized enterprises, and to maintain food safety practices in the agro-industrial sector.

Consumer Price Index up 4.4% in first 11 months of 2017

The Central Administration of Statistics' Consumer Price Index increased by 4.4% year on-year in the first 11 months of 2017 compared to a decline of 1.2% in the same period of 2016. The CPI increased by 4.8% in November 2017 from the same month of 2016. The prices of clothing & footwear grew by 16.7% year-on-year in November 2017, followed by the cost of water, electricity, gas & other fuels (+8.9%), the prices of alcoholic beverages & tobacco (+7.6%), actual rents (+5.5%), transportation costs (+5.1%), the cost of furnishings & household equipment (+4.7%), imputed rents (+4.4%), the prices of food & non-alcoholic beverages (+4.2%), prices at restaurants & hotels (+3.9%), miscellaneous goods & services (+3.2%), recreation & entertainment costs and healthcare costs (+3.1% each), the cost of education (+3%) and communication costs (+0.8%). The distribution of actual rents shows that new rents increased by 4.1% annually in November 2017, while old rents grew by 7.1% from the same month of 2016.

Further, the CPI grew by 0.6% in November 2017 from the preceding month, following an increase of 1.4% in October 2017. The prices of clothing & footwear grew by 3% month-on-month in November 2017, followed by the cost of water, electricity, gas & other fuels and imputed rents (+1% each), transportation costs (+0.9%), actual rents (+0.6%), the prices of alcoholic beverages & tobacco (+0.5%), the cost of food & non-alcoholic beverages and miscellaneous goods & services (+0.2% each), and prices at restaurants & hotels, the cost of furnishings & household equipment and recreation & entertainment costs (+0.1% each). In parallel, communication, healthcare and education costs were unchanged in the covered month. The CPI grew by 0.9% month-on-month in Nabatieh in November 2017, by 0.5% in the South, by 0.4% in the Bekaa, and by 0.3% in each of Beirut, Mount Lebanon and the North. In parallel, the Fuel Price Index increased by 1.5% in November 2017, while the Education Price Index was unchanged from the previous month.

Number of new construction permits down 4% in first 11 months of 2017

The Orders of Engineers & Architects of Beirut and of Tripoli issued 15,294 new construction permits in the first 11 months of 2017, down by 3.8% from 15,894 permits in the same period of 2016. In comparison, new construction permits increased by 15.7% in the first 11 months of 2016. Mount Lebanon accounted for 35% of newly-issued construction permits in the first 11 months of 2017, followed by the South with 17.7%, the North with 17.3%, the Nabatieh area with 13.1%, the Bekaa region with 9.1% and Beirut with 4.5%. The remaining 3.3% 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 11,104,577 square meters (sqm) in the first 11 months of 2017, constituting a decrease of 2% from 11,329,975 sqm in the same period of 2016. In comparison, the surface area of granted construction permits increased by 0.6% year-on-year in the first 11 months of 2016. Mount Lebanon accounted for 4,425,369 sqm, or 39.9% of the total, in the covered period. The North followed with 1,985,690 sqm (17.9%), then the South with 1,503,396 sqm (13.5%), the Bekaa region with 1,031,925 sqm (9.3%), the Nabatieh area with 942,856 sqm (8.5%) and Beirut with 652,323 sqm (5.9%). The remaining 563,018 sqm, or 5.1% 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.

Also, the surface area of new construction permits issued for Beirut grew by 33.6% year-on-year in the first 11 months of 2017, while it rose by 20.7% for the North. In contrast, the surface area of new construction permits issued for Nabatieh decreased by 13.6%, followed by the Bekaa (-10.4%), Mount Lebanon (-9.1%) and the South (-6.5%). Also, the surface area of granted construction permits for regions located outside northern Lebanon increased by 18.5% year-on-year in the covered period. In parallel, cement deliveries totaled 4.3 million tons in the first 10 months of 2017, constituting a decrease of 3.4% from 4.4 million tons in the same period of 2016, and relative to a rise of 7.6% in the first 10 months of 2016.

Banque du Liban's foreign assets up 3% to \$42bn in 2017

Banque du Liban's (BdL) interim balance sheet totaled \$118.3bn at the end of 2017, constituting an increase of 1.1% from \$117bn at end-September 2017 and a rise of 15.6% from \$102.3bn at the end of 2016. Assets in foreign currency reached \$42bn at the end of 2017, representing a rise of 3.1% from \$40.7bn at the end of 2016 but a decline of 4.6% from \$44bn at end-September 2017.

Assets in foreign currency rose by \$335.2m in January, by \$362.2m in February, by \$2.3bn in June, by \$1.1bn in July, by \$711.7m in August, by \$1.2bn in September and by \$90.9m in December, while they declined by \$1.3bn in March, by \$829.6m in April, by \$481.1m in May, by \$545.5m in October and by \$1.6bn in November 2017. This resulted in an aggregate increase of \$1.3bn in 2017. In comparison, BdL's assets in foreign currency increased by \$3.6bn in 2016 and by \$2.6bn in 2014, while they declined by \$771m in 2015 and by \$445m in 2013.

In parallel, the value of gold reserves at BdL increased by 0.7% from the end of September 2017 and by 11.7% year-on-year to reach \$12bn at end-2017. The value of gold reserves reached a peak of \$16.7bn at the end of August 2011. Also, the securities portfolio of the BdL grew by 13.3% year-on-year to \$29.3bn at the end of 2017.

Further, deposits of the financial sector reached \$97.5bn at the end of 2017 and increased by \$2.1bn, or by 2.2%, from the end of September 2017, while they grew by \$13.3bn, or by 15.8%, from end-2016. In comparison, public sector deposits at BdL totaled \$5.9bn at the end of 2017 and declined by \$280.5m or 4.5% from end-September 2017, while they increased by \$384.85m or 7% year-on-year.

Value of cleared checks down 0.5%, returned checks down 4.4% in first 11 months of 2017

The value of cleared checks reached \$62bn in the first 11 months of 2017, constituting a marginal decrease of 0.5% from \$62.3bn in the same period of 2016. In comparison, the value of cleared checks regressed by 2% in the first 11 months of 2016 and by 6.9% in the same period of 2015. The value of cleared checks in Lebanese pounds grew by 8.5% year-on-year to the equivalent of \$19.5bn in the first 11 months of 2017, while the value of cleared checks in US dollars declined by 4.2% to \$42.4bn in the covered period. The dollarization rate of cleared checks regressed from 71.1% in the first 11 months of 2016 to 68.5% in the same period of 2017. Further, there were 11.1 million cleared checks in the first 11 months of 2017, down by 1.4% from 11.3 million in the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$1.29bn in the first 11 months of 2017 compared to \$1.34bn in the same period of 2016 and \$1.41bn in the first 11 months of 2015. This constituted a decrease of 4.4% year-on-year in the first 11 months of 2017 relative to a drop of 4.6% in the same period of 2016 and a decline of 2.2% in the first 11 months of 2015. Also, there were 210,829 returned checks in the covered period, up by 1.3% from 208,200 returned checks in the first 11 months of 2016.

World Food Program assistance totals \$965.5m since 2012

The United Nations' World Food Program (WFP) indicated that it supported through its programs a total of 698,243 individuals in Lebanon during November 2017. It noted that it assisted 629,500 Syrian refugees and 52,403 vulnerable Lebanese through the National Poverty Targeting Program, while the remaining 16,340 individuals were Palestinian refugees from Syria. The WFP said that it has injected \$965.5m directly into the Lebanese economy since 2012 through cash-based support.

The WFP pointed out that the electronic food voucher (E-card) system is its primary form of assistance. It noted that the E-card system has provided \$27 in food assistance each month since 2015 to vulnerable individuals to buy food in any of the 500 contracted outlets across Lebanon. But starting in September 2017, it gave E-card holders the choice of redeeming the food assistance at any WFP contracted outlet or withdrawing the amount from any automated teller machine (ATM) in the country. Also, the WFP indicated that, since October 2017, approximately 180,000 of the most vulnerable Syrian refugees have received a household allowance of \$175 per month to spend on additional food expenses and other non-food essentials, in addition to the \$27 in food assistance per person.

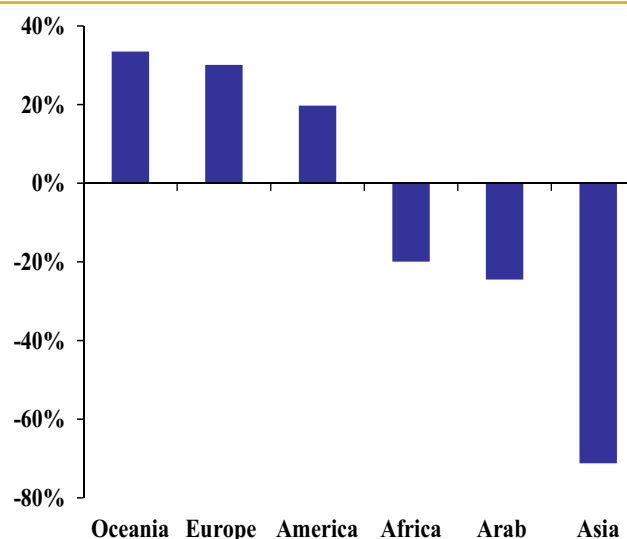
Further, the WFP indicated that it has been running, in collaboration with the United Nations International Children's Fund (UNICEF), a cash for education program by offering a monthly cash grant to 48,500 Syrian refugee children. It added that this program aims to cover the monthly costs associated with purchasing food for school meals, while UNICEF covers other indirect costs related to refugee families sending their children to school. In addition, the WFP aims to improve child nutrition through a snack program for 14,500 vulnerable Lebanese and displaced Syrian children at primary schools.

Tourist arrivals up 11% in first 11 months of 2017

The number of incoming visitors to Lebanon totaled 1,714,812 in the first 11 months of 2017, constituting an increase of 10.9% from 1,546,820 tourists in the same period of 2016 and a decline of 14.9% from 2,015,755 visitors in the first 11 months of 2010. Also, the number of incoming visitors reached 122,511 in November 2017, up by 0.6% from 121,725 in November 2016 and down by 25.2% from 163,833 in November 2010. Visitors from European countries accounted for 34.3% of the total in the first 11 months of 2017, followed by those from Arab economies with 30.6%, the Americas with 17.6%, Asia with 7.3%, Africa with 5.8% and Oceania with 4.4%. Further, tourists from Iraq accounted for 12.4% of total visitors in the covered period, followed by visitors from the U.S. (9.2%), France (8.8%), Canada (5.8%), Germany (5.3%), Jordan (4.9%), Egypt (4.4%), the United Kingdom (3.7%) and Saudi Arabia (3.6%).

In parallel, the number of visitors from Europe increased by 13.6% year-on-year in the first 11 months of 2017, followed by those from the Americas (+11.1%), Oceania (+10.7%), Asia (+10.3%), the Arab region (+9%) and African countries (+5.3%). On a country basis, the number of tourists from Saudi Arabia grew by 74.2% year-on-year in the first 11 months of 2017, followed by visitors from Kuwait (+73.9%), Brazil (+25.7%), Turkey (+17%), Italy (+14.3%), France (+13.6%), Sweden (+12.4%), the U.S. (+11.8%), Germany (+11.3%), the United Kingdom (+10.9%), Canada (+8.4%) and Jordan (+4.8%). In contrast, the number of visitors from the UAE fell by 6.2% year-on-year in the first 11 months of 2017, followed by visitors from Venezuela (-4.1%), Iraq (-3.8%) and Egypt (-2%).

Change in the Number of Tourist Arrivals from Main Sources in First 11 Months of 2017*



*from the same period of 2010

Source: Ministry of Tourism, Byblos Research

Coincident Indicator up 5.5% year-on-year in first 10 months of 2017

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, reached 306 points in October 2017 compared to 291.2 in September 2017 and 287.5 in October 2016. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 5.1% month-on-month and by 6.4% year-on-year in October 2017. The indicator averaged 302.8 in the first 10 months of 2017, up by 5.5% from 287.1 in the same period of 2016. Also, the indicator averaged 302.7 in the 12 months ending October 2017, compared to 301.1 in the 12-month period ending September 2017 and 288.8 in the 12 months ending October 2016. As a result, the 12-month average coincident indicator grew by 0.5% month-on-month and by 4.8% year-on-year. In parallel, the indicator improved 22 times, regressed twice and was unchanged once on a monthly basis in the month of October since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014, 278.6 points in 2015 and 289.5 points in 2016.

Industrial exports down by 4% to \$1.8bn in first nine months of 2017

Figures released by the Ministry of Industry show that industrial exports totaled \$1.82bn in the first nine months of 2017, constituting a decrease of 3.9% from \$1.9bn in the same period of 2016. Industrial exports reached \$167.6m in September 2017, down by 26.2% from \$227m in the preceding month and by 9.1% from \$184.3m in September 2016. Exports of machinery & mechanical appliances totaled \$356.8m and accounted for 19.6% of aggregate industrial exports in the first nine months of 2017, followed by prepared foodstuffs & tobacco with \$344.4m (18.9%), chemical products with \$308.4m (16.9%), base metals with \$244.6m (13.4%), plastics & rubber with \$111.4m (6.1%), paper & paperboard with \$110m (6%), and pearls & precious or semi-precious stones & metals with \$103.5m (5.7%). Arab countries were the destination of 55.1% of Lebanese industrial exports in the first nine months of 2017, followed by European economies with 14.1%, Asian countries with 12.9%, African economies with 11%, countries in the Americas with 5.2% and markets in Oceania with 0.6%. On a country basis, Saudi Arabia was the main destination of Lebanese industrial exports and accounted for 10.1% of the total in the first nine months of 2017, followed by the UAE with 10%, Iraq with 9.1%, Syria with 8.2%, Turkey with 4.7% and Jordan with 3.6%. In September 2017, 10 Arab states, eight European economies, five Asian economies, four African countries and two countries in the Americas imported \$1m or more each in Lebanese industrial products.

In parallel, imports of industrial equipment and machinery reached \$194.1m in the first nine months of 2017, up by 6.1% from \$183m in the same period of 2016. China was the main source of such imports and accounted for 22% of the total in the first nine months of 2017, followed by Italy with 20.4% and Germany with 14.2%. Further, imports of industrial equipment and machinery amounted to \$30.1m in September 2017, up by 85.4% from \$16.2m in the same month of 2016. Italy was the main source of such imports with \$6.3m and accounted for 21% of the total in the covered month, followed by Romania with \$5.6m (18.6%) and China with \$3.6m (12%).

Utilized credits by private sector at \$67bn at end-September 2017, advances against real estate account for 38% of total

Figures issued by Banque du Liban show that utilized credits by the private sector from commercial banks and financial institutions totaled \$66.9bn at the end of September 2017, constituting an increase of 4.2% from \$64.2bn at end-2016 and a growth of 5.3% from \$63.5bn at end-September 2016. Trade & services accounted for \$21.6bn or 32.3% of utilized credits at the end of September 2017, followed by personal credit with \$21.2bn (31.8%), construction with \$11.4bn (17.1%), industry with \$6.6bn (9.8%), financial intermediaries with \$3.4bn (5.1%) and agriculture with \$755.1m (1.1%), while other sectors represented the remaining \$1.9bn (2.8%). The distribution of credit by type shows that advances against real estate totaled \$25.3bn and accounted for 37.7% of private sector utilized credits at the end of September 2017. Overdrafts followed with \$18.6bn (27.7%), then advances against personal guarantees with \$12.2bn (18.2%), advances against cash collateral or bank guarantees with \$7.4bn (11%), advances against other real guarantees with \$2.3bn (3.4%) and advances against financial values with \$1.3bn (1.9%).

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 45.6% of overall trade & services credits, followed by real estate services with 18.7%, retail with 15.6%, hotels & restaurants with 7.5%, transport & storage with 7.2% and educational services with 5.4%. Personal credit accounted for 86.5% of loan beneficiaries, followed by trade & services with 9.2% of beneficiaries, industry with 2.4%, construction with 1.4%, agriculture with 1.1% and financial intermediaries with 0.5%, while other sectors attracted the remaining 3.2% of loan beneficiaries.

The aggregate number of loan beneficiaries grew by 3.1% from the end of 2016 and by 4% from end-September 2016 to 611,892 at end-September 2017; while 70.4% of beneficiaries had loans ranging from LBP5m to LBP100m at the end of September 2017. Beirut and its suburbs accounted for 75% of bank credits and for 53.4% of beneficiaries. Mount Lebanon followed with 12.7% of credits and 18.6% of beneficiaries, then South Lebanon with 4.7% of credits and 10.2% of beneficiaries, North Lebanon with 4.4% of credits and 10.8% of beneficiaries, and the Bekaa region with 3.2% of credits and 7.1% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$110bn at the end of September 2017, increasing by 1.6% from \$108.1bn at end-2016 and by 3.4% from \$106.3bn at end-September 2016. They included endorsement & guarantees of \$102.5bn, or 93.3% of the total, followed by letters of undertaking with \$2.9bn (2.6%) and commitments on notes with \$2.2bn (2%).

Commercial activity improves in third quarter of 2017

Banque du Liban's quarterly business survey of the opinions of business managers shows that the volume of commercial sales improved in relative terms during the third quarter of 2017, with the balance of opinions standing at -1 compared to -5 in the third quarter of 2016. Also, commercial activity improved quarter-on-quarter, as the balance of opinion was -4 in the second quarter of 2017. The business survey reflects the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions was the highest in the South at +35, followed by the North (-4), Beirut & Mount Lebanon (-6) and the Bekaa region (-7).

The survey shows that the balance of opinions about the sales of food items was +12 in the third quarter of 2017 relative to +6 in the preceding quarter and to +12 in the third quarter of 2016. Also, the balance of opinions about the sales of non-food products was -5 in the covered quarter compared to -10 in the previous quarter and to -11 in the same quarter of 2016; while it was -10 for inter-industrial goods relative to -8 in the preceding quarter and to -12 in the third quarter of 2016. Further, the balance of opinions for inventory levels in all commercial sub-sectors was +1 in the third quarter of 2017, compared to -6 in the previous quarter and to +2 in the third quarter of 2016. Opinions about the level of inventories were the highest in Beirut & Mount Lebanon as they reached +11, followed by the North by (-4), the Bekaa region (-9) and the South (-33). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator.

| Commercial Activity: year-on-year evolution of opinions | | | | |
|---|------------------------|-------|-------|-------|
| Aggregate results | Q3-14 | Q3-15 | Q3-16 | Q3-17 |
| Sales volume | +8 | -2 | -5 | -1 |
| Number of employees | +4 | -4 | -2 | -3 |
| Inventories of finished goods | +4 | -8 | +2 | +1 |
| Q2-17 Regional results | Beirut / Mount Lebanon | North | South | Bekaa |
| Sales volume | -6 | -4 | +35 | -7 |
| Inventories of finished goods | +11 | -4 | -33 | -9 |

Source: Banque du Liban business survey for third quarter of 2017

Stock market activity down 10% in 2017

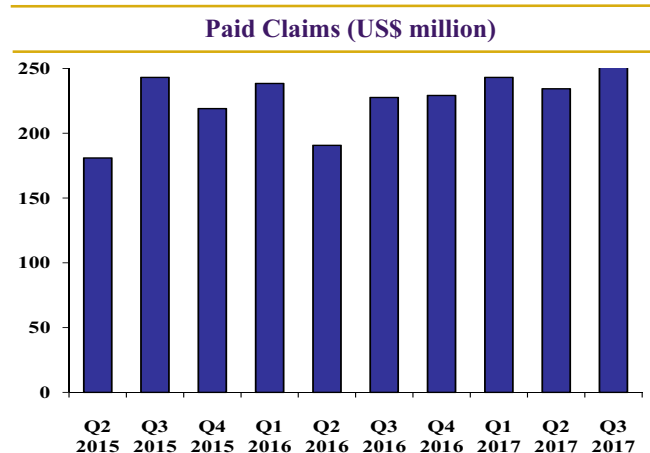
Figures released by the Beirut Stock Exchange (BSE) indicate that trading volume reached 86,989,317 shares in 2017, constituting a decrease of 27.8% from 120,472,402 shares traded in 2016; while aggregate turnover amounted to \$762.1m, down by 21.6% from a turnover of \$971.6m in 2016. Market capitalization dropped by 3.6% from the end of December 2016 to \$11.47bn, with banking stocks accounting for 85.6% of the total, followed by real estate shares (11.5%), industrial firms (2.6%) and trading stocks (0.3%). The market liquidity ratio was 6.6% last year compared to 8.2% in 2016.

Banking stocks accounted for 59.8% of the aggregate trading volume in 2017, followed by real estate equities with 35.5%, the stocks of trading firms with 3.6% and industrial shares with 1.1%. Also, banking stocks represented 63.3% of the aggregate value of traded shares, followed by real estate equities with 34%, industrial stocks with 1.4% and shares of trading firms with 1.3%. The average daily traded volume for the period was 359,460 shares for an average daily value of \$3.1m. The figures reflect year-on-year decreases of 27.2% and 20.9% in volume and in value, respectively. In parallel, the Capital Markets Authority's Market Value-Weighted Index for stocks traded on the BSE regressed by 9.9% in 2017, while the CMA's Banks Market Value-Weighted Index improved by 15.6% last year.

Insurance premiums up 4% to \$1.25bn in first nine months of 2017, claims up 12.5% to \$739m

Figures released by the Association of Insurance Companies in Lebanon (ACAL) indicate that insurance premiums generated in Lebanon totaled \$1.25bn in the first nine months of 2017, constituting an increase of 3.8% from \$1.2bn in the same period of 2016. Premiums reached \$445.9m in the first quarter, \$399.8m in the second quarter and \$400.5m in the third quarter of 2017.

Life insurance premiums totaled \$386.7m in the first nine months of 2017 and accounted for 31% of the sector's aggregate premiums. Medical insurance premiums followed with \$381.5m (30.6%), then motor insurance with \$275m (22.1%), fire premiums with \$85.2m (6.8%), workmen compensation with \$40.1m (3.2%), cargo premiums with \$25m (2%), public liability premiums with \$14.5m (1.2%) and engineering with \$7.2m (0.6%), while premiums from other categories amounted to \$31m and accounted for 2.5% of the total.



Source: ACAL, Byblos Research

ACAL noted that medical insurance premiums covering Lebanese citizens grew by 4% to \$370m in the first nine months of 2017, while premiums covering Lebanese expatriates increased by 9% year-on-year to \$11.5m. Also, non-compulsory motor premiums increased by 2% to \$229.8m in the first nine months of 2017, while compulsory motor premiums declined by 9% year-on-year to \$45.2m. The report shows that engineering premiums grew by 18% in the first nine months of 2017, posting the largest increase among all categories, followed by life premiums (+9%), cargo and public liability premiums (+5% each) and medical insurance premiums (+4%). In contrast, fire premiums decreased by 1%, while motor premiums and workmen compensation premiums were unchanged year-on-year in the first nine months of 2017.

Further, ACAL indicated that total benefits and claims paid by insurance companies stood at \$739m in the first nine months of 2017, constituting an increase of 12.5% from \$656.8m in the same period of 2016. Benefits and claims paid for the non-life categories reached \$488.1m in the covered period, constituting an increase of 3.6% from \$471.3m in the first nine months of 2016, while claims disbursed for the life insurance category amounted to \$251m and grew by 35.2% from \$185.5m in the same period of 2016.

Medical claims accounted for 35.2% of total claim payments in the first nine months of 2017, followed by life insurance claims (34%), motor claims (20.2%), fire claims (3.1%), workmen compensation claims (3%), cargo claims (0.9%), engineering claims (0.6%) and public liability claims (0.5%). Engineering claims surged by 122% in the first nine months of 2017, life insurance claims expanded by 35%, cargo claims increased by 9%, motor claims rose by 5%, while claims related to other categories grew by 120% year-on-year. In contrast, public liability claims declined by 14% in the covered period, fire claims decreased by 8%, workmen compensation claims fell by 2%, while medical claims were unchanged year-on-year. Further, protection with savings policies accounted for 64.4% of total life insurance premiums and for 23% of the number of life insurance contracts in the first nine months of 2017, while life protection plans represented 35.6% of total life insurance premiums and 77% of the total number of life contracts during the covered period.

Net profits of Syrian affiliates of Lebanese banks at \$9m in first nine months of 2017 when excluding foreign exchange gains on structural positions

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate unaudited net profits reached SYP4.5bn in the first nine months of 2017, constituting a decline of 91.5% from SYP53.4bn in the same period of 2016. The significant decrease in profits was mainly due to a SYP54.75bn drop in unrealized foreign exchange gains on structural positions from SYP55bn in the first nine months of 2016 to SYP226.9m in the first nine months of 2017. In US dollar terms, the net profits of the seven banks decreased by 92.4% from \$119.2m in the first nine months of 2016 to \$9.1m in the same period of 2017. The US dollar figures reflect the prevailing official exchange rate that depreciated from an average of SYP447.8 per US dollar in the first nine months of 2016 to an average of SYP498.6 per US dollar in the first nine months of 2017. The aggregate net income of the seven banks becomes SYP4.3bn, or \$8.6m, in the first nine months of 2017 when excluding foreign exchange gains on structural positions, compared to losses of SYP1.6bn, or \$3.6m, in the first nine months of 2016. The profits of Bank Audi Syria regressed by SYP11bn year-on-year in the first nine months of 2017, followed by a decline of SYP10.9bn in the earnings of Fransabank Syria, a decrease of SYP7.5bn in the income of Banque BEMO Saudi Fransi, a reduction of SYP6.3bn in the profits of Byblos Bank Syria, a drop of SYP5.5bn in the net earnings of Bank of Syria & Overseas, a reduction of SYP5bn in those of Bank Al-Sharq, the affiliate of Banque Libano-Française sal, and a decline of SY2.75bn in the profits of Syria Gulf Bank, the affiliate of First National Bank sal from the first nine months of 2016.

The net interest income of the seven banks totaled SYP10.7bn in the first nine months of 2017, up by 18.1% from SYP9bn in the same period of 2016; while their net fees & commission income decreased by 20.3% to SYP2.8bn. In US dollar terms, the banks' net interest income totaled \$21.4m in the first nine months of the year relative to \$20.2m in the first nine months of 2016; while their net fees & commission income stood at \$5.7m, down 28.4% from \$8m in the same period of 2016. The seven banks' operating income reached SYP15.4bn in the first nine months of 2017, constituting a 78% decrease from SYP69.9bn in the first nine months of 2016, while their operating expenses reached SYP8.9bn, down by 38.6% from the same period of 2016. In US dollar terms, the banks' operating income totaled \$30.9m in the first nine months of 2017 relative to \$156m in the same period of 2016; while their operating expenditures stood at \$17.9m, down by 44.8% from \$32.5m in the first nine months of 2016. The banks' operating income becomes SYP15.2bn in the first nine months of 2017 when excluding foreign exchange gains on structural positions, relative to SYP14.9bn in the same period of 2016.

In parallel, the banks' aggregate assets reached SYP869.7bn, or \$1.7bn, at the end of September 2017, and increased by 5.9% from SYP821bn, or \$1.65bn, at end-2016. The Syrian pound was stable at SYP498.6 per US dollar between end-August 2016 and end-September 2017. Also, the banks' total loans reached SYP109.8bn, or \$220.2m, at end-September 2017, up by 10.1% from SYP99.7bn, or \$200m, at the end of 2016.

Further, the banks' customer deposits totaled SYP528.1bn at the end of September 2017, constituting an increase of 9.3% from SYP483.3bn at the end of 2016. In US dollar terms, customer deposits at the seven banks reached \$1.06bn at the end of September 2017 compared to \$969.3m at the end of 2016. The ratio of the banks' loans-to-customer deposits stood at 20.8% at the end of September 2017 relative to 20.6% at end-2016. Also, the aggregate shareholders' equity of the banks reached SYP148.9bn, or \$298.7m, at the end of September 2017, constituting an increase of 3.8% from SYP143.4bn, or \$287.7m at end-2016.

Results of Affiliates of Lebanese Banks in Syria in First Nine Months of 2017 (\$USm)

| | Banque BEMO Saudi Fransi | Bank of Syria & Overseas | Bank Audi Syria | Fransabank Syria | Byblos Bank Syria | Syria Gulf Bank | Bank Al-Sharq |
|-------------------|---|---|--------------------------------|-----------------------------|----------------------------------|--------------------------------|--------------------------|
| Net Profits | \$4.29 | \$4.60 | \$1.25 | \$0.94 | \$0.26 | -\$2.74 | \$0.50 |
| Total Assets | \$521.1 | \$411.5 | \$242.0 | \$219.4 | \$160.4 | \$101.7 | \$88.2 |
| % Change* | 10.7% | 5.1% | 14.7% | -6.6% | 8.1% | -13.3% | 21.7% |
| Loans | \$77.5 | \$7.5 | \$22.4 | \$49.2 | \$26.7 | \$14.9 | \$22.1 |
| % Change* | 11.6% | -10.5% | -1.4% | 26.2% | 8.0% | -21.8% | 31.0% |
| Customer Deposits | \$397.8 | \$231.6 | \$111.1 | \$101.9 | \$91.9 | \$76.4 | \$48.6 |
| % Change* | 6.9% | 6.0% | 9.3% | 14.4% | 26.4% | -6.3% | 43.8% |

*Change from end-2016

Source: Banks' financial statements

BankMed exercises call option on preferred shares and issues new ones

BankMed redeemed and cancelled 2,250,000 Series "2" Preferred Shares at a redemption price of \$100 per share. Concurrently, the bank noted that it covered the LBP22.5bn (\$14.9m) deficit in the capital account from the redemption and cancellation of the Series "2" Preferred Shares through the issuance of 2,250,000 new common shares at a par value of LBP10,000 (\$0.66) per share that were distributed gratis to existing shareholders.

In parallel, BankMed raised its capital from LBP667.5bn (\$442.8m) to LBP793.5bn (\$460m) through the issuance of 2,600,000 new Series "4" Preferred Shares. The shares are redeemable, non-cumulative and perpetual, and have an issue price of \$100 per share, of which LBP10,000 (\$6.6) is par value and the remaining \$93.4 is the issue premium. The Series "4" Preferred Shares carry an annual dividend rate of 4% of the issue price in 2017 and of 7% of the issue price in 2018 and in subsequent years. The dividends will be paid net of a 10% withholding tax. The bank did not list the newly-issued shares on a stock exchange in line with previous issuances.

BankMed posted unaudited consolidated net profits of \$282.1m in the first nine months of 2017. The bank's total assets totaled \$17bn at the end of September 2017, with loans & advances to customers reaching \$4.77bn. The bank's deposits from customers stood at \$12.1bn at end-September 2017.

BLC Bank exercises call option on preferred shares and issues common shares

BLC Bank redeemed and cancelled 550,000 Series 'B' Preferred Shares at a premium call price of \$103 per share. The Series 'B' Preferred Shares were issued in November 2011, carried an annual dividend rate of 7% per share of the issue price and were redeemable, non-cumulative and perpetual. Concurrently, the bank noted that it covered the LBP550,000,000 (\$0.36m) deficit in the capital account from the redemption and cancellation of the Series 'B' Preferred Shares through the issuance of 550,000 new common shares at a par value of LBP1,000 (\$0.66) per share. The new shares were distributed gratis to existing shareholders in a proportion equivalent to the percentage of common shares they own, while the bank covered the cost of the newly-issued shares through an internal transfer from its general reserves account to its capital account. The bank's share capital currently consists of 213,650,000 common shares, of which 71,033,333 shares are listed on the Beirut Stock Exchange (BSE), as well as 350,000 Series 'C' Preferred Shares and 750,000 Series 'D' Preferred Shares, which are also listed on the BSE.

BLC Bank posted unaudited consolidated net profits of \$36.1m in the first nine months of 2017. Its assets reached \$5.92bn at the end of September 2017, with loans & advances to customers, excluding loans & advances to related parties, at \$1.95bn at end-September 2017. Also, customer deposits, excluding deposits from related parties, totaled \$4.81bn at the end of September 2017.

Ratio Highlights

| (in % unless specified) | 2014 | 2015 | 2016e | Change* |
|--|--------|--------|--------|---------|
| Nominal GDP (\$bn) | 50.0 | 51.1 | 52.0 | |
| Public Debt in Foreign Currency / GDP | 51.2 | 53.0 | 54.2 | 1.26 |
| Public Debt in Local Currency / GDP | 81.9 | 84.6 | 89.6 | 4.98 |
| Gross Public Debt / GDP | 133.1 | 137.6 | 144.0 | 6.42 |
| Total Gross External Debt / GDP** | 170.0 | 174.7 | 176.6 | 1.90 |
| Trade Balance / GDP | (34.4) | (29.5) | (30.0) | (0.47) |
| Exports / Imports | 16.2 | 16.6 | 16.1 | (0.49) |
| Fiscal Revenues / GDP | 21.8 | 18.7 | 19.1 | 0.30 |
| Fiscal Expenditures / GDP | 27.9 | 26.5 | 28.6 | 2.1 |
| Fiscal Balance / GDP | (6.1) | (7.7) | (9.5) | (1.8) |
| Primary Balance / GDP | 2.6 | 1.4 | 0.04 | (1.4) |
| Gross Foreign Currency Reserves / M2 | 66.5 | 58.7 | 62.7 | 3.94 |
| M3 / GDP | 235.4 | 241.9 | 250.0 | 8.11 |
| Commercial Banks Assets / GDP | 351.4 | 364.0 | 392.9 | 28.9 |
| Private Sector Deposits / GDP | 288.9 | 296.6 | 312.5 | 15.8 |
| Private Sector Loans / GDP | 101.8 | 106.1 | 108.7 | 3.85 |
| Private Sector Deposits Dollarization Rate | 65.7 | 64.9 | 65.0 | 0.10 |
| Private Sector Lending Dollarization Rate | 75.6 | 74.8 | 73.6 | (1.23) |

*Change in percentage points 15/16

**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 | Jan 2016 | Dec 2016 | Jan 2017 | Change** | Risk Level |
|-----------------------|----------|----------|----------|----------|------------|
| Political Risk Rating | 54.5 | 55 | 56 | ▼ | High |
| Financial Risk Rating | 36.5 | 36.5 | 33.0 | ▲ | Low |
| Economic Risk Rating | 30.5 | 30.5 | 27.5 | ▲ | Moderate |
| Composite Risk Rating | 60.75 | 61.0 | 58.25 | ▲ | High |

| MENA Average* | Jan 2016 | Dec 2016 | Jan 2017 | Change** | Risk Level |
|-----------------------|----------|----------|----------|----------|------------|
| Political Risk Rating | 57.7 | 57.6 | 57.8 | ▼ | High |
| Financial Risk Rating | 39.7 | 38.3 | 38.3 | ▲ | Low |
| Economic Risk Rating | 30.3 | 29.6 | 29.6 | ▲ | High |
| Composite Risk Rating | 63.8 | 62.8 | 62.8 | ▲ | 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 | Negative | 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 | Banks' Financial Strength | Banking Sector Risk | Outlook |
|-----------------|---------------------------|---------------------|----------|
| Moody's | E+ | | Negative |



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