500 ISSUES+
Issue 527 | February 19-24, 2018

BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

In This Issue

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

Goldman Sachs classifies Lebanon's Eurobonds as 'undervalued'

IMF encourages banks to strengthen their capital buffers

Confidence in Lebanese pound to remain strong, structural and fiscal reforms required

Revenues through Port of Beirut at $245m in 2017

Lebanon ranks 143rd globally, 13th among Arab countries on corruption index

Consumer Price Index up 5.6% in January 2018

Lebanon ranks 136th globally, second in the Arab world in political freedoms

Office space under construction in Beirut at 164,754 square meters, Ashrafieh accounts for 58% of total space

Lebanon ranks 31st globally, second to last among Arab countries in terms of food sustainability

Corporate Highlights 7

Non-life premiums up 2% to $1.1bn in 2017

Top five freight forwarders' import activity down 1% in 2017, export activity down 4%

Mobile phone operators launch $48m technology fund

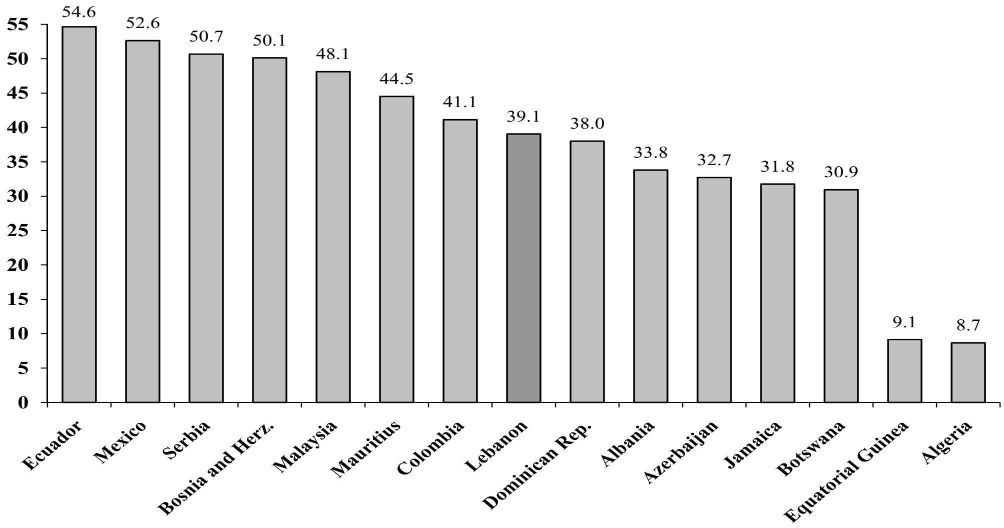
Net losses of Syrian affiliates of Lebanese banks at $28m in 2017 due to unrealized foreign exchange losses on structural positions

CMA CGM signs partnership agreement with incubator Smart ESA

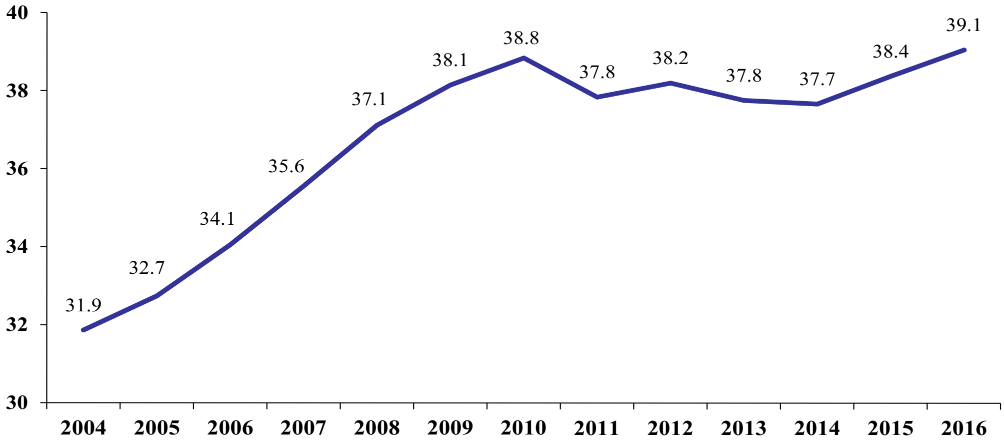
Ratio Highlights.............................9
Risk Outlook 9
Ratings & Outlook........................9

Charts of the Week

Upper Middle-Income Countries with Lowest ATM Penetration Rates at end-2016 (number of ATMs per 100,000 adults)



Commercial Banks' ATM Penetration Rates in Lebanon (number of ATMs per 100,000 adults)



**excluding countries with a GDP of $10bn or less*
Source: International Monetary Fund, Byblos Bank

Quote to Note

"The quality, frequency and timeliness of national accounts and balance of payments statistics needs to be improved."

The International Monetary Fund, on the need to upgrade Lebanon's statistical system

Number of the Week

121: Lebanon's rank out of 137 countries on the quality of its roads, according to the World Economic Forum's Global Competitiveness Index for 2017-18

Lebanon in the News

$m *(unless otherwise mentioned)*	**2016**	**Oct 2016**	**Jul 2017**	**Aug 2017**	**Sep 2017**	**Oct 2017**	**% Change***
Exports	2,977	257	217	251	210	251	(2.02)
Imports	18,705	1,479	1,619	1,594	1,297	1,690	14.26
Trade Balance	(15,728)	(1,222)	(1,402)	(1,343)	(1,087)	(1,439)	17.68
Balance of Payments	1,238	(680)	100	368	457	(888)	30.52
Checks Cleared in LBP	19,892	1,780	1,845	1,869	1,475	1,993	12.00
Checks Cleared in FC	48,160	4,216	4,310	4,100	3,010	4,147	(1.64)
Total Checks Cleared	68,052	5,996	6,155	5,969	4,485	6,140	2.41
Budget Deficit/Surplus	(3,667.15)	(163.91)	31.76	(513.46)	(651.25)	(273.18)	66.67
Primary Balance	1,297.65	281.60	300.34	(192.77)	(145.72)	166.63	(40.83)
Airport Passengers***	7,610,231	554,122	975,003	1,067,441	861,828	616,742	11.30

$bn *(unless otherwise mentioned)*	**2016**	**Oct 2016**	**Jul 2017**	**Aug 2017**	**Sep 2017**	**Oct 2017**	**% Change***
BdL FX Reserves	34.03	34.74	33.04	34.03	35.06	36.77	5.83
In months of Imports	21.83	23.49	20.41	21.35	27.03	21.76	(7.38)
Public Debt	74.89	74.52	76.89	77.27	78.15	78.47	5.31
Bank Assets	204.31	199.67	208.48	209.39	213.42	215.79	8.07
Bank Deposits (Private Sector)	162.50	157.70	168.39	169.16	169.09	169.40	7.42
Bank Loans to Private Sector	57.18	56.69	58.61	58.67	58.93	59.13	4.31
Money Supply M2	54.68	53.83	55.02	55.59	55.50	55.07	2.30
Money Supply M3	132.80	128.74	138.01	138.92	138.87	138.68	7.72
LBP Lending Rate (%)****	8.23	8.35	8.33	8.10	8.31	8.24	(11bps)
LBP Deposit Rate (%)	5.56	5.53	5.56	5.55	5.53	5.56	3bps
USD Lending Rate (%)	7.35	7.06	7.25	7.29	7.53	7.39	33bps
USD Deposit Rate (%)	3.52	3.43	3.64	3.63	3.65	3.72	29bps
Consumer Price Index**	(0.80)	9.60	3.10	5.10	4.10	4.60	(500bps)

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

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	8.47	1.56	164,169	7.22%
Byblos Common	1.62	0.00	157,531	7.81%
Solidere "B"	8.40	1.20	57,636	4.66%
Audi Listed	6.00	1.69	18,746	20.46%
BLOM GDR	12.51	(1.88)	10,005	7.88%
BLOM Listed	12.00	1.69	8,248	22.00%
Audi GDR	5.80	(2.19)	7,567	5.93%
HOLCIM	14.75	1.24	6,500	2.45%
Byblos Pref. 09	103.00	0.00	3,189	1.76%
Byblos Pref. 08	102.10	0.00	-	1.74%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Nov 2018	5.15	99.50	5.87
May 2019	6.00	99.25	6.63
Mar 2020	6.38	99.00	6.91
Oct 2022	6.10	95.63	7.23
Jun 2025	6.25	92.75	7.56
Nov 2026	6.60	92.88	7.73
Feb 2030	6.65	89.88	7.98
Apr 2031	7.00	91.88	8.01
Nov 2035	7.05	90.88	8.02
Mar 2037	7.25	91.50	8.13

Source: Byblos Bank Capital Markets

	Feb 19-23	Feb 12-16	% Change	January 2018	January 2017	% Change
Total shares traded	509,625	273,849	86.1	5,509,441	7,195,986	(23.4)
Total value traded	$4,252,221	$3,285,516	29.4	$45,845,113	$46,829,082	(2.1)
Market capitalization	$11.73bn	$11.66bn	0.56	$11.77bn	$12.21bn	(3.6)

Source: Beirut Stock Exchange (BSE)

Lebanon in the News

Goldman Sachs classifies Lebanon's Eurobonds as 'undervalued'

In its valuation of the sovereign credits of 56 emerging market countries, global investment bank Goldman Sachs indicated that Lebanon's Eurobonds that have a maturity of three to seven years are 'undervalued'. The bank used a model that estimates which sovereign bonds are 'undervalued', 'fair' or 'expensive' by comparing the difference between the actual spreads and its model-implied spreads. The difference between the actual spread of 445 basis points (bps) on Lebanon's Eurobonds and the Goldman Sachs' model-implied spread of 355 bps shows that the undervaluation is at 90 bps. The model-implied valuation metric is based on the current level of investor risk appetite, as well as on the current and expected future path of macroeconomic fundamentals in emerging markets. Goldman Sachs' valuations are as of February 19, 2018.

Lebanon's Eurobonds, along with those of Tunisia (41 bps), are the only 'undervalued' bonds among 21 'B'-rated sovereigns included in Goldman Sachs' universe. The bank noted that the actual spread on Lebanese Eurobonds is the third widest spread among the 21 'B'-rated and 56 emerging markets. In addition, Goldman Sachs considered as 'undervalued' the Eurobonds of two sovereigns in other rating categories. They consist of one 'AA'-rated country and one 'BBB'-rated sovereign.

In parallel, Goldman Sachs classified Lebanon's Eurobonds that have a maturity of seven to 12 years as 'undervalued'. The difference between the actual spread of 485 bps on Lebanon's Eurobonds and the Goldman Sachs' model-implied spread of 376 bps shows that the undervaluation is at 109 bps. Further, Lebanon's long-term Eurobonds were the only 'undervalued' bonds among 21 'B'-rated sovereigns. Goldman Sachs indicated that the actual spread on long-term Lebanese Eurobonds constituted the third widest spread across each of the 21 B-rated countries and 48 emerging markets. In comparison, it considered as 'undervalued' the Eurobonds of two sovereigns in other rating categories. They consist of one 'AA'-rated country and one 'BBB'-rated sovereign.

Further, Goldman Sachs classified Lebanon's Eurobonds that have a maturity of 12 years or higher as 'undervalued'. The difference between the actual spread of 478 bps on Lebanon's Eurobonds and the Goldman Sachs' model-implied spread of 371 bps shows that the undervaluation is at 107 bps. Lebanon's extra long-term Eurobonds, along with those of Argentina (48 bps), were the only 'undervalued' bonds among 10 'B'-rated sovereigns. Goldman Sachs indicated that the actual spread on long-term Lebanese Eurobonds, along with the spread on long-term Pakistani Eurobonds, constituted the widest spread across 10 'B'-rated countries and the second widest among 36 emerging markets. It considered as 'undervalued' the Eurobonds of six sovereigns in other rating categories. They consist of one 'AA'-rated country, one 'A'-rated sovereign, two 'BBB'-rated countries and two 'BB'-rated sovereigns.

IMF encourages banks to strengthen their capital buffers

In the concluding statement of its Article IV Mission for Lebanon, the International Monetary Fund indicated that the Lebanese banking sector remains exposed to the materialization of various shocks despite the recent increase in the banks' capital levels. First, it noted that the banks' regulatory capital requirements exceed the minimum levels stipulated under the Basel III requirements, but that their capital buffers remain modest given their significant exposure to sovereign debt. Second, it said that the rising interest rate environment poses risks to the banks' profitability and capital positions. Third, it considered that the slowdown in the economy and in the real estate sector, as well as the increase in interest rates, have affected credit quality, which could lead to a rise in the banks' non-performing loans. Fourth, it indicated that the foreign assets of commercial banks remain low, partly due to Banque du Liban's (BdL) financial operations that encouraged banks to transfer their foreign currency placements from abroad to BdL.

In parallel, the IMF considered that the banks' capital buffers should be strengthened and that the banks should take the necessary steps to address the increase in credit risks. It indicated that the sovereign risk weights should be aligned with the Basel III standards, and called on banks to engage in forward-looking capital planning in accordance with their risk profiles and multi-factor stress tests. It also encouraged the banks to align the classification of non-performing or restructured loans with international practices, to monitor and improve their loan-loss provisions, and to encourage the restructuring of their non-performing loans. In addition, it called on banks to enhance their liquidity regulations in order to increase their deposit maturities and ensure that their short-term foreign currency liquidity buffers are not weakened.

Further, the Fund indicated that authorities should strengthen their crisis management and anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks. It noted that the merger of small- and medium-sized financial institutions in the past was smooth and did not weigh on financial stability. It called on authorities to develop resolution options that would enable the closure of weaker banks, reform the National Institute for the Guarantee of Deposits to become an operationally-independent agency and increase deposit insurance coverage levels.

Lebanon in the News

Confidence in Lebanese pound to remain strong, structural and fiscal reforms required

The Institute of International Finance estimated Lebanon's real GDP growth to have accelerated from 1.8% in 2016 to 2.2% in 2017, and expected it to reach 2.9% in 2018. It said that delays in the implementation of deep structural reforms will weigh on confidence and will prevent a stronger recovery in investment and activity. It anticipated that Lebanon's potential economic growth could increase from 3.1% in recent years to 4.5% in 2020, in case political stability persists, authorities implement structural reforms and the government successfully raises $16bn from the international community to finance infrastructure projects. It added that the materialization of such favorable conditions could help reduce Lebanon's public debt to more sustainable levels.

Further, it indicated that inflationary pressure has increased due to the rise in global commodity prices and the depreciation of the US dollar against the euro, which made imports more expensive, as well as to the increase in public-sector wages. In this context, it noted that the average inflation rate increased from -0.8% in 2016 to 4.5% in 2017 and expected it to reach 4.7% in 2018.

In parallel, the IIF encouraged authorities to maintain a tight monetary policy in order to reduce inflationary pressure, support the currency peg to the US dollar and ensure adequate foreign inflows. It noted that Banque du Liban (BdL) should rely less on unconventional financial operations and may need to raise domestic interest rates, in line with the expected increases in U.S. interest rates this year. It anticipated confidence in the peg of the Lebanese pound to the US dollar to remain strong, supported by BdL's elevated assets in foreign currency of $44bn and its gold reserves of about $13.5bn. It stressed on the importance of maintaining the currency peg amid a high dollarization rate of deposits and lending, and a large share of debt servicing in foreign currency.

In parallel, the IIF considered that Lebanon's wide fiscal and current account deficits constitute a challenge to macroeconomic stability. It forecast the current account deficit at 19.2% of GDP in 2018, nearly unchanged from 19.6% of GDP in 2017, amid subdued exports and elevated imports on the back of higher oil prices.

Further, it estimated the fiscal deficit to have narrowed from 9.9% of GDP in 2016 to 7.7% of GDP in 2017 due to one-off factors, and expected it to widen to 9% of GDP in 2018. It projected the public debt level to remain high at 149.1% of GDP in 2018, nearly unchanged from 149.6% of GDP in 2017. It cautioned that a faster-than-anticipated increase in U.S. interest rates could raise borrowing cost in Lebanon. It considered that the implementation of fiscal and structural reforms would help narrow the fiscal deficit, promote sustainable growth and, in turn, reduce the public debt level. It noted that Lebanon trailed other countries in the Middle East & North Africa region in terms of structural reforms over the past six years. It added that the main challenging factors for doing business in the country are the inadequate infrastructure, a high level of corruption and an inefficient government bureaucracy.

Real GDP by Expenditure Components* (%)

	2015	2016	2017e	2018f	2019f	2020f
Real GDP growth	0.8	1.8	2.3	3.1	3.8	4.5
Private consumption	3.8	2.4	2.3	2.9	3.0	3.5
Public consumption	6.0	7.2	0.5	4.2	2.0	2.0
Gross fixed capital	-4.3	0.8	-0.5	2.2	5.4	6.7
Exports of goods & services	7.1	2.3	1.3	5.0	6.5	8.0
Imports of goods & services	6.8	3.7	0.4	3.7	4.0	5.0

**percent change at constant prices*

Source: Institute of International Finance, February 2018

Revenues through Port of Beirut at $245m in 2017

Figures released by the Port of Beirut show that the port's overall revenues totaled $245.1m in 2017, constituting a marginal increase of 0.4% from $244.1m in 2016. The Port of Beirut handled an aggregate freight of 8.6 million tons last year, down by 1.2% from 8.7 million tons in 2016. Imported freight amounted to 7.5 million tons in 2017 and accounted for 87.5% of the total, while the remaining 1.1 million tons, or 12.5%, consisted of export cargo. A total of 1,909 ships docked at the port in 2017 compared to 2,014 vessels in the previous year.

In parallel, revenues generated through the Port of Tripoli reached $16.6m in 2017, constituting an increase of 14.2% from $14.5m in 2016. The Port of Tripoli handled an aggregate of 1,941,603 tons of freight last year, up by 1.3% from 1,917,341 tons in 2016. Imported freight amounted to 1,535,138 tons and accounted for 79.1% of the total, while the remaining 406,465 tons, or 20.9%, were export cargo. A total of 771 vessels docked at the port in 2017, constituting a decrease of 5.3% from 814 ships in 2016.

Lebanon ranks 143rd globally, 13th among Arab countries on corruption index

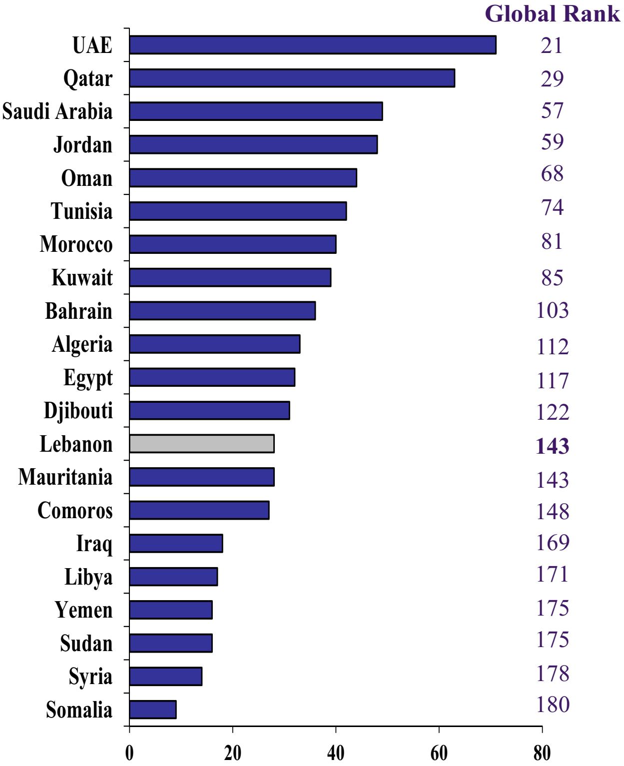
Transparency International's 2017 Corruption Perceptions Index ranked Lebanon in 143rd place among 180 countries around the world and in 13th place among 21 countries in the Arab region. Also, Lebanon came in 43rd place among 48 upper middle-income countries (UMICs) included in the 2017 survey. In comparison, Lebanon ranked in 136th place among 176 countries around the world and in 13th place among 21 countries in the Arab region. Lebanon's global rank deteriorated by four spots from the 2016 survey based on the same set of countries in both surveys, while it regressed by nine spots from the 2015 survey based on the same criteria.

Transparency International uses data sources from independent institutions specializing in governance and business climate analysis in order to assess the degree of corruption in the public sector of each country. The rankings are based on scores that range between zero and 100, with lower scores reflecting economies with a high level of corruption.

Globally, Lebanon is perceived as having the same level of corruption as Bangladesh, Guatemala, Kenya and Mauritania. It is also considered to be less corrupt than the Comoros, Guinea and Nigeria and more corrupt than Mexico, Papua New Guinea, Paraguay and Russia.

Lebanon received a score of 28 points, unchanged from its score in each of the 2015 and 2016 surveys. Lebanon's score came below the global average score of 43.1 points, the UMICs' average score of 38.4 points and the Arab region's average score of 33.4 points. Also, Lebanon's score came below the Gulf Cooperation Council (GCC) countries' average score of 50.3 points, but was above the average score of non-GCC Arab countries of 26.6 points.

Corruption Perceptions Index 2017 Scores & Rankings of Arab States



Source: Transparency International, Byblos Research

Lebanon was among 32 countries globally that received a score between 20 and 29 points, a category that Transparency International classified as the third worst globally in terms of corruption perception. New Zealand was perceived as the least corrupt country worldwide, while the survey found Somalia to be the most corrupt country in the world.

Consumer Price Index up 5.6% in January 2018

The Central Administration of Statistics' Consumer Price Index increased by 5.6% year on-year in January 2018 compared to 4.7% in the same month of 2017. The prices of clothing & footwear grew by 24.6% year-on-year in January 2018, followed by the prices of alcoholic beverages & tobacco (+8.4%), the cost of water, electricity, gas & other fuels (+6.7%), recreation & entertainment costs (+6.2%), actual rents (+5.9%), transportation costs (+4.9%), healthcare costs (+4.7%), prices at restaurants & hotels (+4.4%), imputed rents (+4.2%), the cost of education and prices of furnishings & household equipment (+3.7% each), the prices of food & non-alcoholic beverages (+3.4%), miscellaneous goods & services (+2.9%) and communication costs (+0.9%). The distribution of actual rents shows that old rents grew by 8.9% annually in January 2018, while new rents increased by 3.9% from the same month of 2017.

Further, the CPI was unchanged in January 2018 from the preceding month, relative to a month-on-month increase of 0.8% in December 2017. Transportation costs increased by 1.2% month-on-month in January 2018, followed by the prices of water, electricity, gas & other fuels (+0.9%), communication costs, prices at restaurants & hotels and miscellaneous goods & services (+0.8% each), the prices of food & non-alcoholic beverages and those of alcoholic beverages & tobacco (+0.4% each), the cost of furnishings & household equipment (+0.3%) and recreation & entertainment costs (+0.1%). In contrast, the prices of clothing & footwear regressed by 7.5% month-on-month in January 2018, while actual rents, imputed rents, the cost of education and healthcare costs were unchanged in the covered month. The CPI increased by 0.6% month-on-month in Nabatieh, by 0.4% in the Bekaa, by 0.2% in the South and by 0.1% in the North, while it regressed by 0.2% in Beirut and by 0.1% in Mount Lebanon. In parallel, the Fuel Price Index grew by 2.5% month-on-month in January 2018, while the Education Price Index remained unchanged from the preceding month.

Lebanon ranks 136th globally, second in the Arab world in political freedoms

In its annual survey on political freedoms in 195 countries, non-profit organization Freedom House ranked Lebanon in 136th place worldwide and in second place among 19 Arab countries in the 2018 survey. Lebanon came in 131st place globally and in second place regionally in the 2017 survey. The survey rates each country on political rights and civil liberties on a scale of one to seven, with one representing the highest degree of freedom and seven the lowest level. The combined average of the ratings determines each country's status of 'Free', 'Partly Free', or 'Not Free'.

Globally, Lebanon has the same level of political freedoms as Guinea, Guinea-Bissau, Haiti, Jordan, Kuwait, Kyrgyzstan, Myanmar, Morocco, Maldives and Uganda. Also, Lebanon came in the 'Partly Free' category, unchanged since 2005 when it was upgraded from the 'Not Free' category. Also, Lebanon's freedom rating stood at five points, below the global average of 3.4 points, but better than the Arab rating of 5.7 points.

Lebanon tied with 17 countries that include Uganda, Zimbabwe and Venezuela on the Political Rights Sub-Index, which reflects the citizens' ability to participate freely in the political process. It tied with Qatar, Oman, Algeria, Egypt, Mauritania and Djibouti in the Arab region. Lebanon received a rating of six points on this indicator, worse than the global average of 3.4 points and the Arab average of 5.95 points.

Also, Lebanon tied with 24 countries that include Armenia, Mali and Uganda on the Civil Liberties Sub-Index. This category reflects the freedoms of expression and belief, associational and organizational rights, the rule of law and personal autonomy. Lebanon ranked second in the Arab region on this category, behind Tunisia. Further, Lebanon posted a rating of four points on this sub-index, worse than the global average of 3.3 points, but better than the Arab level of 5.5 points.

The survey classified 88 countries in the "Free" category, 58 countries in the "Partly Free" category and 49 countries in the "Not Free" category. It also concluded that 39% of the global population live under political systems that are "Free", whereas 24% are in systems that are "Partly Free" and 37% live under political systems that are "Not Free".

Freedom in the World Index 2018
Arab Countries' Scores & Rankings

Country	Freedom Rating	Arab Rank	Global Rank	Category
Tunisia	2.5	1	78	Free
Lebanon	**5.0**	**2**	**136**	**Partly Free**
Morocco	5.0	2	136	Partly Free
Jordan	5.0	2	136	Partly Free
Kuwait	5.0	2	136	Partly Free
Algeria	5.5	6	147	Not Free
Mauritania	5.5	6	147	Not Free
Qatar	5.5	6	147	Not Free
Oman	5.5	6	147	Not Free
Djibouti	5.5	6	147	Not Free
Iraq	5.5	6	147	Not Free
Egypt	6.0	12	160	Not Free
UAE	6.5	13	170	Not Free
Yemen	6.5	13	170	Not Free
Bahrain	6.5	13	170	Not Free
Libya	6.5	13	170	Not Free
Saudi Arabia	7.0	17	185	Not Free
Syria	7.0	17	185	Not Free

Source: Freedom House, Byblos Research

Office space under construction in Beirut at 164,754 square meters, Ashrafieh accounts for 58% of total space

Figures released by property advisory firm RAMCO show that a total of 28 office building projects, excluding those that will be used as headquarters of private companies, are currently under construction in Beirut. The projects have an aggregate surface area of 164,754 square meters (sqm) of office space. In comparison, there were 32 office building projects under construction in Beirut in 2017 for a total of 191,528 sqm of office space. It noted that the 12.5% drop in the number of projects under construction and the 14% decline in the aggregate surface area coincided with lower demand and higher number of unsold offices. It added that the listed asking prices have not dropped, but that negotiation margins continue to widen.

The firm noted that 16 out of the 28 office projects, or 58% of the total, are currently under construction in or around the Ashrafieh district. It added that office buildings under construction in or around Ashrafieh represent 95,873 sqm, or 58% of total office buildings under construction across Beirut, with more than 41,000 sqm located in the Corniche el Nahr area alone.

In addition, it said that eight out of the 28 office projects, or 28.6% of the total, are currently under construction in the western part of Beirut and consist of 37,432 sqm of office space.

Also, it indicated that four out of the 28 office projects, or 14.3% of the total, are being constructed in the Beirut Central District and are equivalent to 31,449 sqm of office space. Further, it noted that there are no projects under construction in the Hamra, Clemenceau or Verdun areas, and that several projects are under way in the Jnah, Mar Elias and Bachoura neighborhoods.

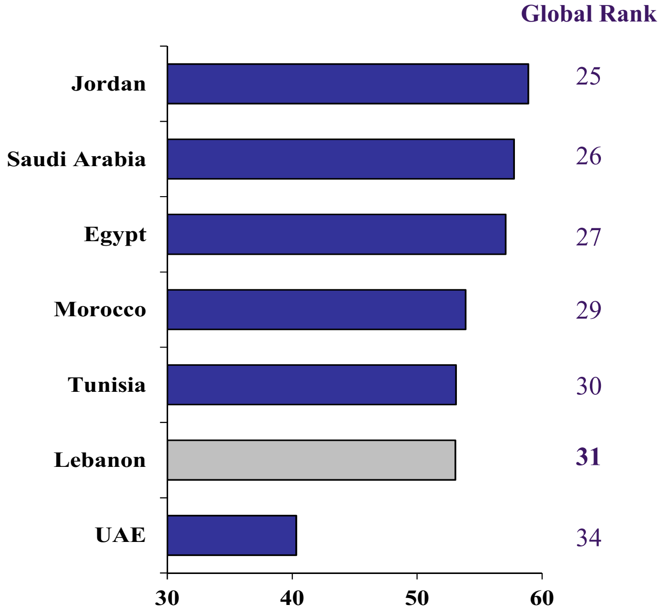
Lebanon ranks 31st globally, second to last among Arab countries in terms of food sustainability

The Food Sustainability Index (FSI) for 2017, a broad indicator of the sustainability of national food systems, ranked Lebanon in 31st place among 34 countries globally and in second to last place among seven Arab countries included in the index. This is the first year that Lebanon is included in the FSI rankings.

The index, developed by the Economist Intelligence Unit and the Barilla Center for Food & Nutrition, evaluates countries on the basis of three pillars that are Food Loss & Waste, Sustainable Agriculture and Nutritional Challenges. A country's overall score is the equally weighted average of the three pillars, and ranges between zero and 100, with a score of 100 reflecting full food sustainability. The report defines food sustainability as the ability of a country to maintain its food system without depleting or exhausting its natural resources, or compromising its population's health and its future generations' access to food.

Globally, Lebanon has a higher level of food sustainability than only Indonesia, India and the UAE. Lebanon's score of 53.06 points is lower than the global average score of 62.1 points and the Arab average of 53.45 points. Also, Lebanon's score is higher than the Gulf Cooperation Council (GCC) countries' average score of 49.05 points but lower than that of non-GCC Arab countries of 55.21 points.

Food Sustainability Index for 2017
Arab Countries Scores & Rankings



Source: Economist Intelligence Unit, Barilla Center for Food & Nutrition, Byblos Research

Globally, Lebanon came ahead of only Indonesia and the UAE on the Food Loss & Waste pillar, which measures the level of food loss and policy responses to it, the causes of and solutions to distribution-level loss, as well as food waste at the end-user level and the policy responses to it. The survey pointed out that Lebanon received very low scores on the quality of policy response to food waste, as well as on the quality of road infrastructure and the investment in transport with private participation, which relates to the food distribution process.

Further, Lebanon ranked ahead of Egypt, Indonesia and South Africa and came behind Canada, the United Kingdom and Australia on the Sustainable Agriculture pillar, which assesses the environmental impact of agriculture on water, the sustainability of water withdrawal, as well as water scarcity and management. It also measures the environmental impact of agriculture, animal feed and biofuels on land; the diversification of the agricultural system; the environmental biodiversity and productivity; as well as the environmental impact of agriculture on the atmosphere and climate change mitigation. The report indicated that Lebanon's water footprint is among the lowest of the 34 surveyed countries. However, it noted that Lebanon prevailed in implementing sustainable urban farming initiatives, while it said that a high share of the Lebanese population reached the recommended physical activity per week.

Finally, Lebanon ranked ahead of the U.S., Indonesia and Argentina and came behind Australia, Russia and Jordan on the Nutritional Challenges pillar, which assesses the prevalence of malnourishment and over-nourishment, and their impact on the health of the population, the healthy life expectancy, physical activity, diet composition, the number of people per fast food restaurant, the economic determinants of dietary patterns, as well as the policy response to those patterns. The survey indicated that Lebanon received high scores on the life quality category, average scores in the life expectancy category and low scores on the dietary patterns category.

Components of the 2017 Food Sustainability Index for Lebanon

Factors	Global Rank	Arab Rank	Lebanon Score	Global Average Score	Arab Average Score
Food Loss & Waste	32	6	42.29	63.42	46.74
Sustainable Agriculture	22	2	61.85	64.17	58.04
Nutritional Challenges	23	4	55.04	58.73	55.56

Source: Economist Intelligence Unit, Barilla Center for Food & Nutrition, Byblos Research

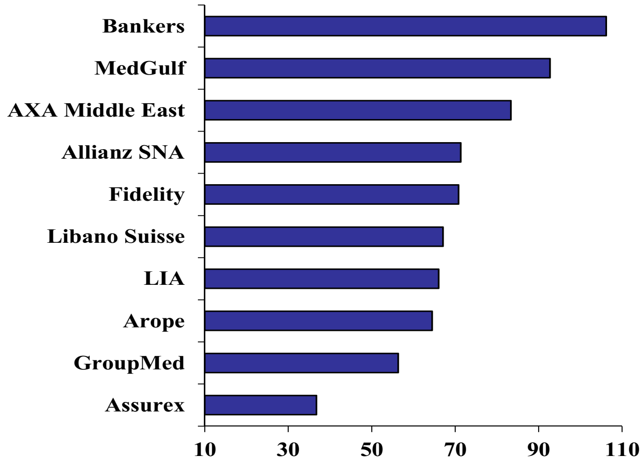
Corporate Highlights

Non-life premiums up 2% to $1.1bn in 2017

The annual survey by *Al-Bayan* magazine of the insurance sector in Lebanon shows that total non-life premiums generated by 44 insurance companies reached $1.12bn in 2017, constituting an increase of 2.3% from $1.09bn in 2016, and compared to growth rates of 3% in 2016 and 2.4% in 2015. Non-life premiums totaled $983m in 2013, $1.03bn in 2014 and $1.06bn in 2015. Bankers Assurance ranked in first place with $106.2m in non-life premiums in 2017, followed by MedGulf with $92.7m, AXA Middle East with $83.4m, Allianz SNA with $71.3m and Fidelity with $70.8m. Byblos Bank's insurance affiliate ADIR ranked in 17th place with $23.4m in non-life premiums in 2017, unchanged from 2016. The rank of Securité Assurance improved by six spots to 19th place and registered the highest jump in rank among the 44 providers of non-life insurance operating in Lebanon. Its non-life premiums grew from $9.8m in 2016 to $17.4m last year.

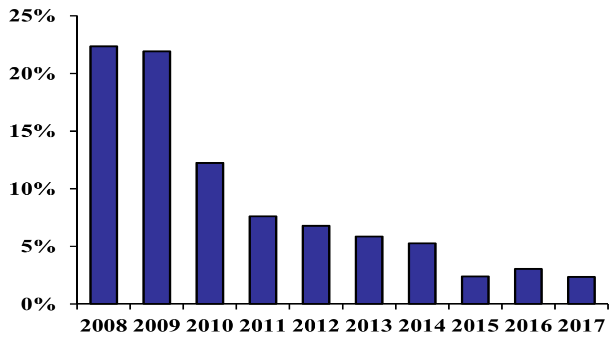
There were five advances and five declines in the rankings of the top 20 insurers in Lebanon in 2017, while the rankings of the other 10 insurers were unchanged. The composition of the top 10 insurers changed from 2016, as the rank of al Mashrek regressed by two spots to 12th place and that of Assurex improved by two spots to 10th place. In addition, eight out of the top 10 insurers posted increases in their non-life premiums last year, while the non-life premiums of MedGulf decreased by 9.6%, and those of Libano-Suisse regressed by 9.1% from 2016. The top 10 insurers accounted for 64% of the non-life insurance market in 2017 relative to 64.5% in 2016 and 64.8 % in 2015; while the top 20 insurers represented 86.4% of premiums in 2017 compared to 86.9% in 2016 and 85.9% in 2015. The aggregate non-life premiums of the top 10 insurers reached $715.1m in 2017 compared to $704.2m in 2016 and $686.7m in 2015.

Non-Life Premiums of the Top 10 Insurers in 2017 ($USm)



Source: Al-Bayan, Byblos Research

Growth in Non-Life Premiums (%)



Source: Al-Bayan, Byblos Research

Top five freight forwarders' import activity down 1% in 2017, export activity down 4%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 355,771 20-foot equivalent units (TEUs) in 2017, constituting a decrease of 0.8% from 358,561 TEUs in 2016. The five freight forwarders accounted for 82.8% of imports to the Lebanese market and for 55.6% of the total import freight forwarding market last year. Mediterranean Shipping Company (MSC) handled 118,640 TEUs in imports in 2017, equivalent to an 18.5% share of the total freight forwarding import market. Merit Shipping followed with 68,719 TEUs (10.7%), then Sealine Group with 64,926 TEUs (10.1%), Metz Group with 59,174 TEUs (9.2%) and Gezairy Transport with 44,312 TEUs (6.9%). Further, MSC registered an increase of 7.5% in import shipping, the highest growth rate among the top five freight forwarders, while Metz Group posted a decline of 15.1% in 2017, the steepest among the top five.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 85,766 TEUs in 2017, constituting a decrease of 3.7% from 89,030 TEUs in 2016. The five freight forwarders accounted for 85.5% of exported Lebanese cargo and for 13.6% of the total export freight forwarding market last year. Merit Shipping handled 40,359 TEUs of freight in 2017, equivalent to 40.2% of the Lebanese cargo export market. Metz Group followed with 19,826 TEUs (19.8%), then Sealine Group with 15,660 TEUs (15.6%), MSC with 5,381 TEUs (5.4%) and Gezairy Transport with 4,540 TEUs (4.5%). Further, MSC posted an increase of 21.1% in export shipping, the highest growth rate among the top five freight forwarders, while Merit Shipping posted a decrease of 7.3%, the steepest decline in 2017.

Mobile phone operators launch $48m technology fund

The state-owned mobile phone operators Mobile Interim Company 1 (MIC 1) and Mobile Interim Company 2 (MIC 2) launched the MIC Ventures fund, which aims to invest in local information and communication technology (ICT) and telecommunications startups in Lebanon. The two mobile operators will equally finance the $48m fund. The fund will invest around $2m in each startup, provide technical assistance, and assist startups in promoting, marketing and selling their products. Orascom Telecom has been managing MIC 1 since 2009 under the Alfa brand, while Zain has been managing MIC 2 since 2004 under the brand Touch. Touch reportedly holds a 53% market share; which means that Alfa holds the remaining 47%.

Net losses of Syrian affiliates of Lebanese banks at $28m in 2017 due to unrealized foreign exchange losses on structural positions

Preliminary financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net losses reached SYP14.1bn in 2017 relative to net profits of SYP54.4bn in 2016. The deterioration in the banks' net earnings is due to the appreciation of the Syrian pound from SYP517.4 against the US dollar at end-2016 to SYP436 per US dollar at the end of 2017, which resulted in unrealized net foreign exchange losses on the banks' structural positions. Further, the exchange rate averaged SYP507.9 per dollar in 2017 relative to an average of SYP467.3 per dollar in 2016, which means that, in US dollar terms, the seven banks generated net losses of $27.7m in 2017 relative to net earnings of $116.5m in 2016. All banks posted net losses in 2017 except for Byblos Bank that registered profits of SYP965m, or $1.9m.

In parallel, the banks' aggregate assets reached SYP810.9bn at the end of 2017 and decreased by 1.3% from SYP821.2bn at end-2016. The decline in the value of assets in local currency was due to a 13.7% decrease in the assets of Syria Gulf Bank (-SYP8bn), a 10.6% drop in those of Fransabank Syria (-SYP12.4bn), an 8.6% decline in the assets of Byblos Bank Syria (-SYP6.4bn) and an 8.2% decrease in those of Bank of Syria & Overseas (-SYP15.9bn), which were partly offset by a 26.8% growth in the assets of Bank Al Sharq (+SYP9.7bn), a 6.9% rise in those of Banque BEMO Saudi Fransi (+SYP16.2bn) and a 6.2% increase in the assets Bank Audi Syria (+SYP6.6bn). In US dollar terms, the assets of the seven banks increased by 17.2% from $1.6bn at the end of 2016 to $1.86bn at end-2017, mainly due to the appreciation of the Syrian pound against the US dollar by 15.7% in 2017. In parallel, the aggregate shareholders' equity of the seven banks reached SYP130.7bn at end-2017, constituting a decrease of 8.7% from SYP143.1bn at end-2016, while, in US dollar terms, the banks' shareholders' equity rose by 8.4% from the end of 2016 to $299.7m at end-2017. The seven banks have yet to publish their detailed financial results for 2017.

Results of Affiliates of Lebanese Banks in Syria for 2017 (in $USm)

	Net Earnings		Total	Shareholder's
	2016	2017	Assets	Equity
Banque BEMO Saudi Fransi	$22.1	-$4.1	$575.8	$63.2
Bank of Syria & Overseas	$16.7	-$1.5	$411.7	$48.6
Fransabank Syria	$24.4	-$6.4	$256.3	$55.9
Bank Audi Syria	$24.4	-$9.1	$240.2	$48.6
Byblos Bank Syria	$14.8	$1.9	$155.0	$51.2
Syria Gulf Bank	$1.9	-$4.3	$115.8	$4.3
Bank Al-Sharq	$12.3	-$4.2	$105.1	$27.9

Source: Banks' financial statements

CMA CGM signs partnership agreement with incubator Smart ESA

The Lebanese-owned and France-based container shipping firm CMA CGM announced that it signed a partnership agreement with the incubator Smart ESA to provide funding to Lebanese startups that are part of the incubator program. Under the agreement, CMA CGM will select seven startups beginning in March 2018 and will provide them with early stage funding, which would allow them to develop their action plan. Each startup will receive $25,000 in seed funding, along with $30,000 in additional investments, in exchange for an 8.5% share of its capital. Also, the agreement will allow a higher number of startups within the incubator program to move from the seed stage to the growth stage at a faster pace.

Designed by the ESA Business School (L'École Supérieure des Affaires), SMART ESA is an initiative between Banque du Liban and the French Embassy in Lebanon that caters to the needs of startups from the seed stage to the growth stage. Smart ESA accelerated 30 startups in 2017, and is expected to accelerate 30 others beginning in March 2018. It also offers training and mentoring sessions to entrepreneurs and managers of technology startups, especially in the digital sector, and aims to provide them with access to the European market via France.

CMA CGM is one of the largest container shipping companies in the world. It operates a fleet of 489 vessels, with a fleet capacity of 2.21 million twenty-foot equivalent units (TEUs) that serves over 420 commercial ports. The company declared consolidated net profits of $652m in the first nine months of 2017 relative to net loss of $476.3m in the same period of 2016, while its consolidated assets reached $19.7bn at the end of September 2017, up by 5.7% from end-2016.

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	Jul 2016	Jun 2017	Jul 2017	Change**	Risk Level
Political Risk Rating	55.0	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	61.0	58.0	58.0	▲	High

MENA Average*	Jul 2016	Jun 2017	Jul 2017	Change**	Risk Level
Political Risk Rating	57.5	57.9	57.9	▼	High
Financial Risk Rating	38.8	38.8	37.9	▲	Low
Economic Risk Rating	29.7	30.6	30.7	▼	Moderate
Composite Risk Rating	63.0	63.6	63.2	▼	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	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative

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

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

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