

## LEBANON THIS WEEK

### In This Issue

<b>Economic Indicators.....</b>	<b>1</b>
<b>Capital Markets.....</b>	<b>1</b>
<b>Lebanon in the News.....</b>	<b>2</b>

Non-resident capital inflows projected at \$8.5bn in 2018

Coincident Indicator up 2.3% year-on-year in first seven months of 2018

Lebanon ranks 140th globally, 11th in Arab world in government effectiveness

Political deadlock delaying structural reforms

Consumer Price Index up 6.3% in first eight months of 2018

Number of new construction permits down 15% in first eight months of 2018

Lebanon ranks 73rd globally, sixth among Arab countries in terms of social progress

### Corporate Highlights .....6

Net profits of health insurance providers down 27% to \$15.6m in 2017, claims down 2% to \$329m

Creditbank to issue new preferred shares

AUB and LAU among top 110 universities worldwide in terms of employer-student

Assurex's net earnings at \$2.2m in 2017

Premiums generated by independent insurance brokers up 2% to \$246m in 2017

Agencies downgrade Bank Audi's Turkish subsidiary

Banks and financial institutions to comply with European data protection rules

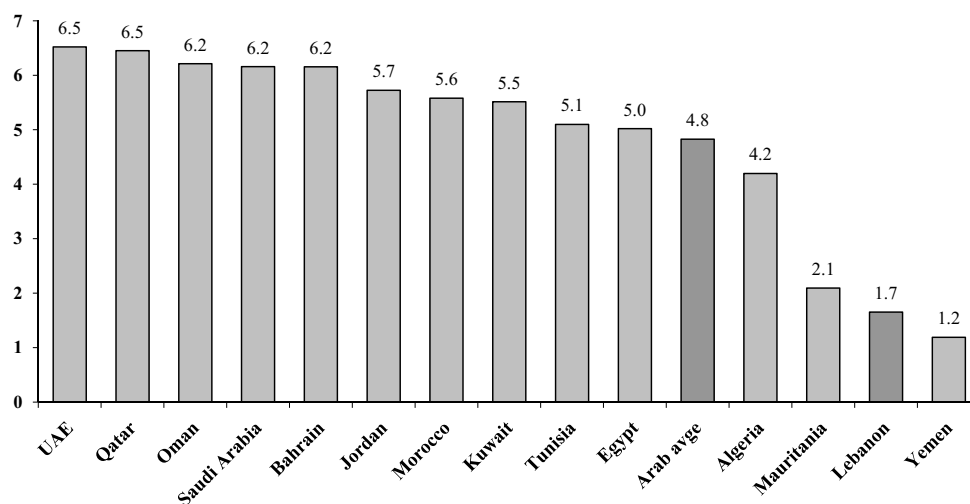
### Ratio Highlights.....10

### Risk Outlook .....10

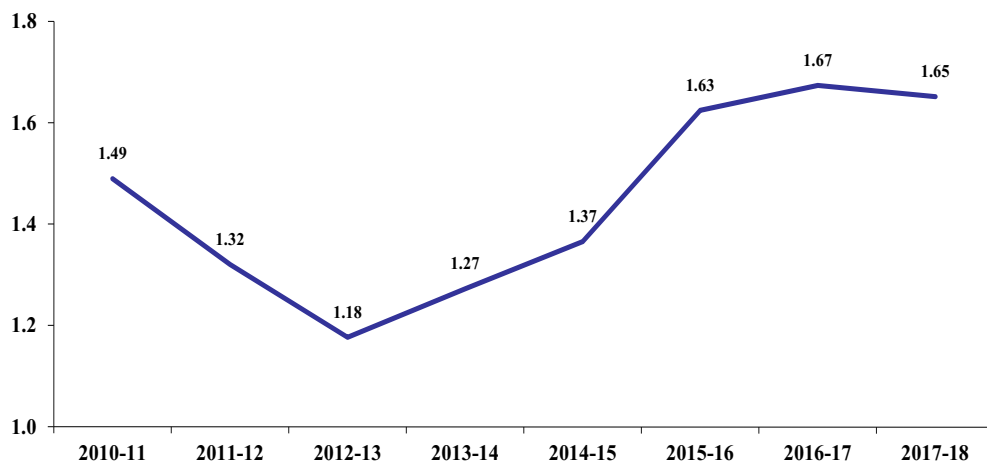
### Ratings & Outlook..... 10

### Charts of the Week

Quality of Electricity Supply in Arab Countries in 2017-18



Evolution of the Quality of Electricity Supply in Lebanon



\*Scores range from 1 (extremely poor) to 7 (extremely good)

Source: World Economic Forum's Global Competitiveness Index, Quality of Electricity Supply Subpillar, Byblos Bank

### Quote to Note

"The stability of the Lebanese pound is not at risk and Lebanon is not heading towards financial bankruptcy."

*H.E. President Michel Aoun, on monetary and public finance stability in Lebanon*

### Number of the Week

**117:** Lebanon's rank out of 125 countries on the protection of intellectual property rights, according to the Property Rights Alliance's 2018 International Property Rights Index

## Lebanon in the News

\$m (unless otherwise mentioned)	2017	Apr 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	% Change*
Exports	2,844	235	283	248	283	256	8.94
Imports	23,130	1,467	1,705	1,436	1,669	1,564	6.61
Trade Balance	(20,286)	(1,232)	(1,422)	(1,188)	(1,386)	(1,308)	6.17
Balance of Payments	(156)	(321)	237	(80)	(355)	(557)	73.52
Checks Cleared in LBP	21,677	1,644	1,733	1,686	1,876	1,698	3.27
Checks Cleared in FC	46,578	3,693	3,973	3,480	3,866	3,606	(2.36)
Total Checks Cleared	68,255	5,337	5,706	5,166	5,742	5,304	(0.62)
Budget Deficit/Surplus	(3,300.82)	(131.85)	(318.96)	(407.93)	(934.62)	(35.21)	(73.30)
Budget Primary Balance	1,882.86	309.55	(46.38)	(145.03)	(364.17)	407.15	31.53
Airport Passengers***	8,235,845	720,843	597,768	504,974	626,074	730,739	1.37

\$bn (unless otherwise mentioned)	2017	Apr 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	% Change*
BdL FX Reserves	35.80	33.53	35.25	34.39	34.28	34.74	3.62
In months of Imports	18.57	22.85	20.67	23.95	20.54	22.21	(2.81)
Public Debt	79.52	76.94	80.39	81.54	81.87	81.75	6.25
Bank Assets	219.86	206.13	219.86	223.07	224.57	226.30	9.79
Bank Deposits (Private Sector)	168.66	165.49	169.14	170.45	171.18	171.41	3.58
Bank Loans to Private Sector	59.69	57.05	59.02	59.03	59.03	59.02	3.45
Money Supply M2	52.48	54.86	52.88	53.44	53.65	53.53	(2.43)
Money Supply M3	138.38	135.74	138.62	139.34	139.74	140.04	3.16
LBP Lending Rate (%)****	8.09	8.33	8.56	8.67	8.95	8.99	66bps
LBP Deposit Rate (%)	6.41	5.54	6.53	6.51	6.64	6.64	110bps
USD Lending Rate (%)	7.67	7.22	7.74	7.90	7.89	7.82	60bps
USD Deposit Rate (%)	3.89	3.62	3.91	3.96	4.04	4.10	48bps
Consumer Price Index**	4.4	4.4	5.6	5.2	5.4	5.8	135.7bps

\* 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 %
BLOM Listed	9.20	0.00	342,662	20.38%	Nov 2018	5.15	99.125	11.595
Solidere "A"	6.00	(4.00)	143,719	6.18%	May 2019	6.00	97.25	10.42
Byblos Common	1.40	0.00	69,586	8.16%	Mar 2020	6.38	93.63	11.23
BLOM GDR	9.10	1.11	60,397	6.93%	Oct 2022	6.10	84.13	11.09
Audi GDR	5.10	(0.97)	30,275	6.30%	Jun 2025	6.25	78.00	10.96
Solidere "B"	5.86	(6.24)	7,343	3.93%	Nov 2026	6.60	76.25	11.09
HOLCIM	16.60	0.00	4,883	3.34%	Feb 2030	6.65	72.75	10.87
Audi Listed	5.05	0.00	3,560	20.80%	Apr 2031	7.00	73.63	10.90
Byblos Pref. 08	70.05	0.07	1,602	1.44%	Nov 2035	7.05	73.38	10.41
Byblos Pref. 09	84.90	(1.28)	450	1.75%	Mar 2037	7.25	73.50	10.53

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

Source: Byblos Bank Capital Markets

	Sep 17-21	Sep 10-14	% Change	August 2018	August 2017	% Change
Total shares traded	690,206	887,340	(22.2)	1,642,595	8,062,990	(79.6)
Total value traded	\$5,690,438	\$6,766,024	(15.9)	\$13,996,770	\$68,311,180	(79.5)
Market capitalization	\$9.7bn	\$9.76bn	(0.53)	\$9.96bn	\$11.74bn	(13.2)

Source: Beirut Stock Exchange (BSE)



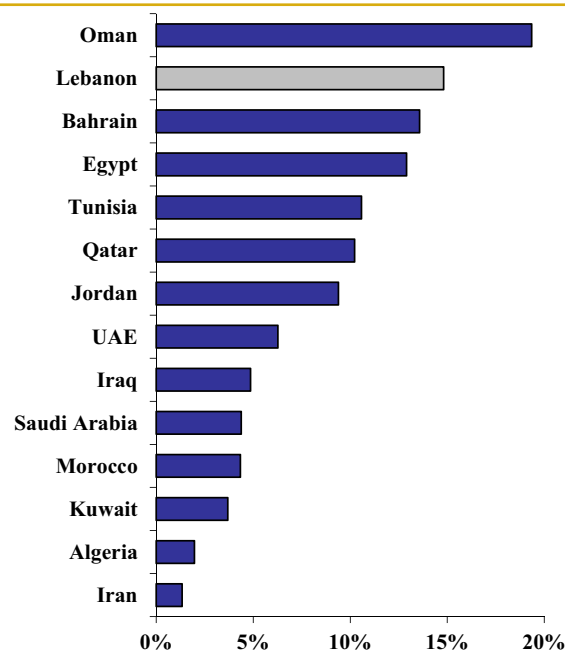
### Non-resident capital inflows projected at \$8.5bn in 2018

The Institute of International Finance projected non-resident capital inflows to Lebanon at \$8.5bn in 2018, which would constitute an increase of 2.4% from \$8.3bn in 2017, compared to a peak of \$15.6bn in 2009. Non-resident capital inflows to Lebanon would be the seventh highest among 14 countries in the Middle East & North Africa (MENA) region.

The IIF indicated that Lebanon's projected non-resident capital inflows for 2018 include \$3.2bn in portfolio investment, \$2.9bn in other investment inflows, mainly banking-related flows, and \$2.4bn in foreign direct investment (FDI). It anticipated other flows to grow by 15% (+\$377.1m) from an estimated \$2.5bn in 2017; for portfolio inflows to decrease by 2.5% (-\$80.1m) from \$3.23bn last year; and for FDI inflows to drop by 4% (-\$101.5m) from \$2.5bn in 2017. Non-resident capital inflows to Lebanon would account for 4.7% of total non-resident capital flows to MENA economies in 2018 and for 15.8% of total non-resident capital flows to the MENA region's oil importers. They would be equivalent to 14.8% of Lebanon's GDP in 2018 compared to 15.4% of GDP in 2017, and would represent the second highest level among the 14 MENA countries, behind Oman (19.4% of GDP).

In comparison, non-resident capital inflows to Lebanon reached \$8.3bn in 2017, and decreased by 29.8% from \$11.8bn in 2016. They were the sixth highest among 14 countries in the MENA region in 2017.

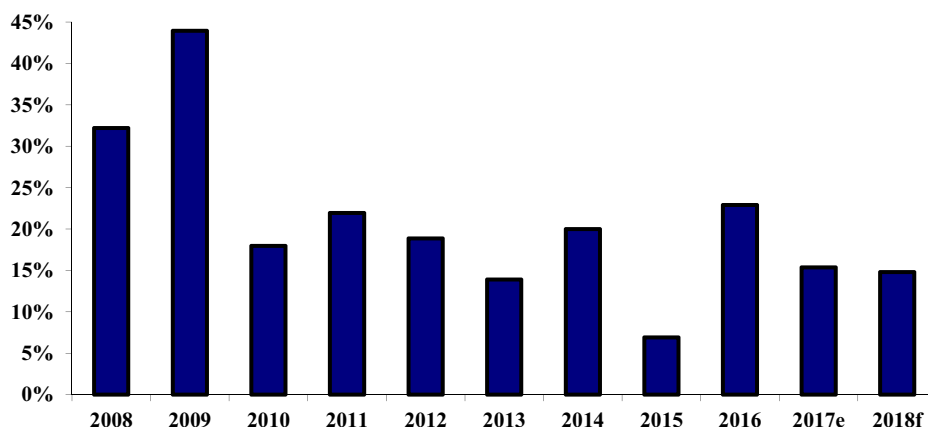
### Projected Non-Resident Capital Inflows to MENA Countries in 2018\* (% of GDP)



Source: Institute of International Finance, Byblos Research

Lebanon posted the second smallest decrease in net capital inflows in 2017 among six economies in the MENA region that registered a decline in their inflows last year. The decline in non-resident capital inflows to Lebanon last year reflected mainly a drop of \$2.9bn, or 47.4%, in the inflows of portfolio investment, a decline of \$537.2m, or 17.6%, in other investment flows, and a decrease of \$68.3m, or 2.6%, in foreign direct investments. Non-resident capital inflows to Lebanon accounted for 5.9% of total non-resident capital inflows to the MENA region in 2017 and for 12.4% of total non-resident capital flows to the MENA region's oil importers.

### Non-Resident Capital Inflows to Lebanon (% of GDP)



Source: Institute of International Finance, Byblos Research

### Coincident Indicator up 2.3% year-on-year in first seven months of 2018

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, reached 306.7 points in July 2018 compared to 298 in June 2018 and 304 in July 2017. The Coincident Indicator, an average of 8 weighted economic indicators, increased by 2.9% month-on-month and by 0.9% year-on-year in July 2018. The indicator averaged 311 in the first seven months of 2018, up by 2.3% from 304.1 in the same period of 2017. Also, the indicator averaged 309.9 in the 12 months ending July 2018, compared to 309.7 in the 12-month period ending June 2018 and 299.2 in the 12 months ending July 2017. As a result, the 12-month average coincident indicator was nearly unchanged month-on-month, while it grew by 3.6% year-on-year. In parallel, the indicator improved 10 times, regressed 15 times and was unchanged once on a monthly basis in the month of July 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, 289.5 points in 2016 and 305.9 points in 2017.



## Lebanon ranks 140th globally, 11th in Arab world in government effectiveness

The World Bank's annual World Governance Indicators for 2017 show that Lebanon's score improved on four out of six governance indicators included in the survey and regressed on two indicators, reflecting a relatively better level of governance in the country. Also, Lebanon's rankings improved on three indicators and regressed on two others, while it was unchanged on one indicator from the previous survey. The indicators cover 214 countries and territories and are rated on a scale of -2.5 to +2.5, with higher values corresponding to better governance outcomes.

Lebanon ranked in 140th place worldwide and in 11th place among 20 Arab countries in terms of Government Effectiveness. The indicator evaluates the quality of public and civil services and the degree of their independence from political pressure, as well as the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Lebanon's global rank regressed by four spots, while its regional rank was unchanged year-on-year. Globally, Lebanon had a more effective government than Uzbekistan, Uganda and Pakistan, and a less effective one than Ukraine, Bosnia & Herzegovina and Honduras among countries with a GDP of \$10bn or more. The results show that 67% of countries and territories in the world have a better score than Lebanon on this dimension of governance.

In parallel, Lebanon ranked in 178th place globally and in 15th place regionally on the Control of Corruption category, which measures the level of corruption in each country. Lebanon's global rank improved by two spots and its regional rank was unchanged year-on-year. Globally, Lebanon had a lower level of corruption than Guinea, Uganda and Madagascar, and a higher level than Mexico, Laos and Kenya. Regionally, Lebanon had a lower level of corruption than Iraq, Sudan, Syria, Libya and Yemen. The results show that 85% of countries and territories around the world had a better score than Lebanon on this dimension of governance.

Further, Lebanon ranked in 124th place globally and in 10th place among Arab countries in terms of Regulatory Quality, which assesses market-friendly policies and laws that enable and promote private sector development. Lebanon's rank was unchanged both globally and regionally from the previous year. Globally, Lebanon ranked ahead of Ukraine, Côte d'Ivoire and Vietnam, and came behind India, Guatemala and Argentina on this indicator. Regionally, the quality of rules and regulations in Lebanon was better than in Tunisia, Djibouti and Mauritania, while it was worse than in Saudi Arabia, Kuwait and Morocco. The results show that 59% of countries and territories in the world have a better score than Lebanon on this dimension of governance.

Also, Lebanon ranked in 165th place globally and in 13th place regionally on the Rule of Law category, a measure of the extent that citizens have confidence in the rules of society and abide by them, as well as the likelihood of crime and violence. Lebanon's rank improved by four places globally and was unchanged regionally from the preceding year. Globally, Lebanon ranked ahead of Papua New Guinea, El Salvador and Madagascar, while it came behind Mali, Russia and Belarus on this indicator. Regionally, Lebanon came ahead of Algeria, Djibouti, Sudan, Iraq, Yemen, Libya and Syria. The results show that 79% of countries and territories around the world have a better score than Lebanon on this dimension of governance.

### Government Effectiveness Rankings & Scores in 2017

	Score	Arab Rank	Global Rank
UAE	1.40	1	21
Qatar	0.74	2	54
Saudi Arabia	0.25	3	79
Oman	0.21	4	81
Bahrain	0.19	5	84
Jordan	0.12	6	89
Tunisia	(0.07)	7	103
Morocco	(0.16)	8	110
Kuwait	(0.17)	9	112
West Bank/Gaza	(0.40)	10	132
<b>Lebanon</b>	<b>(0.51)</b>	<b>11</b>	<b>140</b>
Algeria	(0.60)	12	146
Egypt	(0.62)	13	148
Mauritania	(0.72)	14	162
Djibouti	(1.03)	15	179
Iraq	(1.27)	16	189
Sudan	(1.41)	17	194
Libya	(1.77)	18	204
Syria	(1.79)	19	205
Yemen	(1.92)	20	206

Source: World Bank, Byblos Research

### Lebanon's Rankings and Scores on Governance Indicators for 2017

	Global Rank	Change in Rank	Arab Rank	Lebanon Score	Change in Score	Arab Ave Score
Voice & Accountability	140	▼	2	-0.58	▼	-1.11
Political Stability	193	▲	14	-1.59	▲	-1.05
Government Effectiveness	140	▼	11	-0.51	▲	-0.48
Regulatory Quality	124	✕	10	-0.31	▲	-0.52
Rule of Law	165	▲	13	-0.82	▲	-0.49
Control of Corruption	178	▲	15	-1.00	▼	-0.46

Source: World Bank, Byblos Research



### Political deadlock delaying structural reforms

Standard Chartered Bank indicated that the ongoing delays in forming a new Cabinet, following the May 6 parliamentary elections, is slowing the reform momentum, including fiscal and electricity reforms. It noted that such reforms are crucial to help Lebanon access the \$11bn in soft loans that the international community pledged at the CEDRE conference in April 2018 to finance infrastructure projects in the country. It said that Lebanon has committed at the CEDRE conference to narrow the fiscal deficit by 1% of GDP annually over the next five years, among other reforms. It pointed that the political impasse is delaying the much-needed reforms of the electricity sector, given the limited ability of a caretaker government to implement subsidy reforms. It considered that infrastructure spending could increase the public debt level, but that it may also propel real GDP growth back to the 9% annual average rate that the Lebanese economy registered during the 2007-10 period. It added that the formation of the Cabinet would benefit Lebanon's relations with Saudi Arabia, as 20 project agreements between the two sides await the new Cabinet's signature.

In parallel, the bank expected the public debt level to continue to increase in the absence of a medium-term fiscal consolidation plan. But it declared that the resilient banking sector is supporting Lebanon's public finances, amid sustained deposit inflows, as BdL and local commercial banks together own 85% of Lebanese pound-denominated Treasury bills and about 65% of Eurobonds. It expected that, once a coalition government is formed, policymakers will proceed with the reforms pledged at the CEDRE conference. It added that fiscal and structural reforms would help reduce the debt burden and increase international investors' participation in Lebanese government debt. In turn, it considered that this will provide room for BdL to gradually withdraw its support for the real economy, in case of in-depth and sustained fiscal and structural reforms.

### Consumer Price Index up 6.3% in first eight months of 2018

The Central Administration of Statistics' Consumer Price Index increased by 6.3% year on-year in the first eight months of 2018 compared to a growth of 4.3% in the same period of 2017. The CPI increased by 6.7% in August 2018 from the same month of 2017. The prices of water, electricity, gas & other fuels grew by 14.6% year-on-year in August 2018, followed by transportation costs (+11.3%), the prices of clothing & footwear (+10.8%), recreation & entertainment costs (+7.8%), actual rents (+6.3%), the prices of food & non-alcoholic beverages (+5.6%), healthcare costs (+4.4%), imputed rents (+4.3%), the cost of education (+4.1%), prices at restaurants & hotels (+3.3%), miscellaneous goods & services costs (+2.3%), the prices of alcoholic beverages & tobacco (+2%), the prices of furnishings & household equipment (+1.9%) and communication costs (+1%). The distribution of actual rents shows that old rents grew by 10.4% annually in August 2018, while new rents increased by 3.5% year-on-year.

Further, the CPI increased by 0.2% in August 2018 from the preceding month compared to a month-on-month decrease of 0.2% in July 2018. Imputed rents increased by 1.1% month-on-month in August 2018, followed by the cost of food & non-alcoholic beverages (+0.7%), actual rents (+0.6%), miscellaneous goods & services, the prices of alcoholic beverages & tobacco and prices at restaurants & hotels (+0.1% each). In contrast, the prices of clothing & footwear decreased by 1.1% month-on-month in August 2018, followed by the prices of furnishings & household equipment (-0.3%) and transportation costs (-0.1%), the cost of communication, education, healthcare, recreation & entertainment, and the cost of water, electricity, gas & other fuels were unchanged in the covered month. The CPI increased by 1.2% month-on-month in August 2018 in Beirut, by 1% in the North and by 0.1% in Mount Lebanon. In contrast, it regressed by 0.6% in the Bekaa, by 0.5% in the South and by 0.3% in Nabatieh from the previous month. In parallel, the Fuel Price Index decreased marginally by 0.12% month-on-month in August 2018, while the Education Price Index was unchanged from July.

### Number of new construction permits down 15% in first eight months of 2018

The Orders of Engineers & Architects of Beirut and of Tripoli issued 9,275 new construction permits in the first eight months of 2018, down by 14.5% from 10,846 permits in the same period of 2017. In comparison, new construction permits declined by 4.3% year-on-year in the first eight months of 2017. Mount Lebanon accounted for 39% of newly-issued construction permits in the covered period, followed by the South with 19.4%, the Nabatieh area with 13%, the North with 12.1%, the Bekaa region with 9.5% and Beirut with 5.1%. The remaining 1.9% were permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

Further, the surface area of granted construction permits reached 6,383,123 square meters (sqm) in the first eight months of 2018, constituting a decrease of 23.8% from 8,376,061 sqm in the same period of 2017. In comparison, the surface area of granted construction permits increased by 3.1% year-on-year in the first eight months of 2017. Mount Lebanon accounted for 2,580,343 sqm, or 40.4% of the total, in the covered period. The North followed with 1,089,826 sqm (17.1%), then the South with 1,018,768 sqm (16%), the Bekaa region with 633,731 sqm (9.9%), the Nabatieh area with 564,895 sqm (8.8%) and Beirut with 242,759 sqm (3.8%). The remaining 252,801 sqm, or 4% of the total, represent the surface area of permits that were issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon.

The surface area of new construction permits issued for Beirut dropped by 50% year-on-year in the first eight months of 2018, followed by surface areas in Mount Lebanon (-27.2%), the North and the Bekaa region (-20% each), the Nabatieh area (-17.2%) and the South (-7%). Also, the surface area of granted construction permits for regions located outside northern Lebanon fell by 38.3% year-on-year in the covered period. In parallel, cement deliveries totaled 2.8 million tons in the first seven months of 2018, constituting a decline of 2.7% from 2.9 million tons in the same period of 2017, and relative to a decrease of 0.8% in the first seven months of 2017.





### Lebanon ranks 73rd globally, sixth among Arab countries in terms of social progress

The 2018 Social Progress Index (SPI) ranked Lebanon in 73rd place among 146 countries in the world and in sixth place among 14 Arab countries. Lebanon also came in 23rd place among 34 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank regressed by one spot year-on-year and by two spots from the 2014 survey. The index is produced by the U.S.-based non-profit organization Social Progress Imperative.

The SPI measures a country's social progress independently of its economic development. It evaluates a society's capacity to meet the basic human needs of its citizens, to establish the bases that would enhance their quality of living, and to create the conditions for all individuals to reach their full potential. The index is composed of three sub-indices that are the Basic Human Needs Sub-Index, the Foundations of Well-being Sub-Index, and the Opportunity Sub-Index. The SPI score is a simple average of the three sub-indices and ranges from zero to 100, with 100 reflecting the best performance on the index.

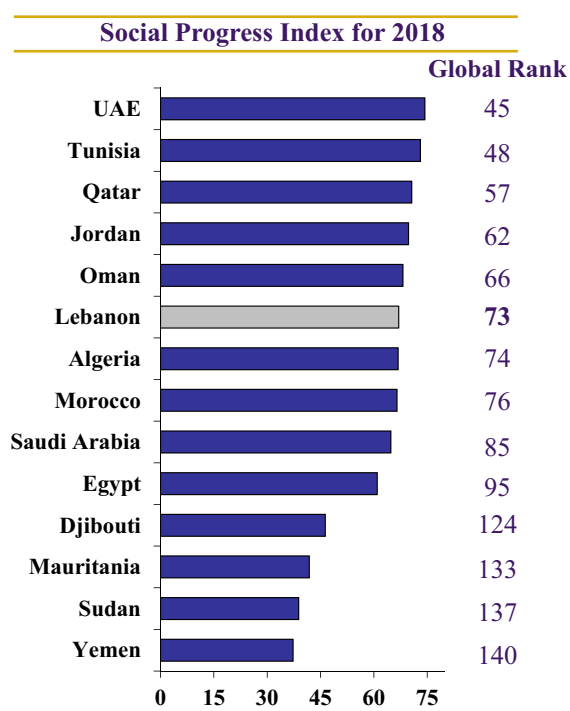
Globally, Lebanon's social progress is higher than that of Algeria, Turkey and Morocco, and trails the level of social progress in Sri Lanka, Thailand and Kazakhstan among economies with a GDP of \$10bn or more. It ranked ahead of Algeria, Turkey, South Africa, the Dominican Republic, Paraguay, China, Iran, Botswana and Guatemala among UMICs. Norway has the highest social progress worldwide, while the Central African Republic came last globally.

The Social Progress Imperative classified countries into six tiers from "Tier 1" to "Tier 6". Lebanon came, along with 36 countries, in the third tier, which includes countries ranked between 40th and 76th place. Lebanon received a score of 66.99 points, higher than the global average of 63.46 points.

Globally, Lebanon came ahead of Sri Lanka and Nicaragua, and ranked behind Paraguay and Peru on the Basic Human Needs Sub-Index, which assesses a country's ability to provide basic needs for its people such as nutrition and basic medical care, water and sanitation, shelter, and personal safety. Also, Lebanon ranked ahead of the Dominican Republic and behind Peru among UMICs; while it came ahead of Djibouti, Mauritania, Yemen and Sudan among Arab countries.

Further, Lebanon ranked ahead of Tunisia and Russia, and came behind Sri Lanka and Saudi Arabia on the Foundations of Well-being Sub-Index. This category measures the population's access to basic knowledge, information and communication technology, health and wellness, and the environmental quality. Also, Lebanon ranked ahead of Russia and behind Ecuador among UMICs; while it came behind Qatar, the UAE, Oman and Saudi Arabia in the Arab world.

Finally, Lebanon ranked ahead of Morocco and India, and came behind the Dominican Republic and El Salvador on the Opportunity Sub-Index, which assesses personal rights, the degree of personal freedom & choice, inclusiveness, and the access to advanced education. It ranked ahead of Russia and behind Ecuador among UMICs; while it came behind Tunisia, the UAE and Jordan in the region.



Source: World Bank, Byblos Research

Components of the 2018 Social Progress Index for Lebanon					
Sub-Index	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score
Basic Human Needs	82	10	28	78.69	72.47
Foundations of Well-being	63	5	16	74.52	67.36
Opportunity	87	4	16	47.75	50.56

Source: Social Progress Imperative, Byblos Research

### Net profits of health insurance providers down 27% to \$15.6m in 2017, claims down 2% to \$329m

Figures released by the Insurance Control Commission show that the aggregate net profits of insurance companies active in the health insurance branch in Lebanon reached \$15.6m in 2017, constituting a decline of 27% from \$21.3m in 2016. The medical insurance segment posted a net profit margin of 3.5% in 2017 compared to 4.6% in 2016, and relative to a profit margin of 11% for the insurance sector. Health insurance covered 936,252 persons in 2017 through various medical plans that 36 health insurers offered in the market.

Also, gross written premiums from the health insurance branch decreased by 1.1% to \$454.4m in 2017, and accounted for 44.4% of non-life premiums and 30% of the insurance sector's aggregate premiums. The "group" health segment's written premiums reached \$255.1m and accounted for 56.1% of the medical branch's aggregate premiums, while those of the "individual" health segment totaled \$199.4m and accounted for 43.9% of the total. The medical insurance market is heavily concentrated, as the top five companies in the "group" health segment underwrote 64.8% of premiums for groups, while the top five insurers in the "individual" health segment underwrote 57% of health premiums for individuals in 2017. Overall, MEDGULF led all insurers with \$67.4m in medical premiums in 2017 and accounted for 14.8% of the branch's aggregate premiums, followed by Bankers with \$54.9m (12.1%), Continental Trust with \$47.1m (10.4%), AXA Middle East with \$43.7m (9.6%) and Allianz SNA with \$41.9m (9.2%).

Further, paid claims totaled \$329.1m in 2017, constituting a decline of 1.8% from \$335.3m in 2016. Gross claims paid from the "group" segment reached \$216.2m and accounted for 65.7% of aggregate health claims in 2017, while those of the "individual" segment amounted to \$112.9m and represented 34.3% of the total last year. The sector paid 1,481,161 claims in 2017, constituting a rise of 15.6% from 1,281,319 claims in 2016.

In parallel, the loss ratio, or the ratio of claims incurred to earned gross premiums, of the "individual" health segment was 60.7% in 2017; the commission ratio, or the ratio of acquisition cost to earned gross premiums, reached 17.9%; the expense ratio, or the ratio of other general expenses to earned gross premiums, was 13%; and the reinsurance ratio, or the ratio of net reinsurance income to earned gross premiums, reached -0.2% in 2017. As such, the average technical combined loss ratio, which is the aggregate ratio of the above four ratios, reached 91.4% in 2017 relative to 90.5% in 2016. Further, the loss ratio of the "group" medical insurance segment was 89% in 2017, the commission ratio reached 5.7%, the expense ratio was 11%, and the reinsurance ratio reached -1.9% in 2017. As such, the average combined loss ratio of the "group" medical insurance segment reached 103.8% in 2017 compared to 102.9% in 2016.

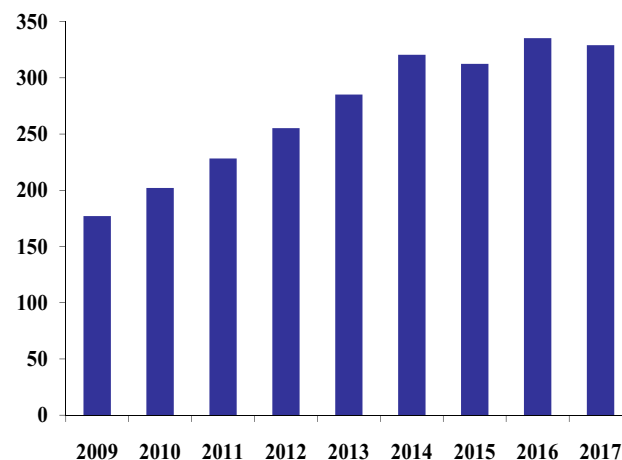
### Creditbank to issue new preferred shares

Creditbank sal announced that it plans to raise its capital from LBP204.8bn (\$135.9m) to LBP214.8bn (\$142.5m) through the issuance of 200,000 new Preferred Shares Series 7 at a par value of LBP50,000 (\$33.2) each and at an issue price of \$100 each. The new shares will be issued on or around October 5, 2018, and will not be listed on the Beirut Stock Exchange, in line with previous issuances. In parallel, the bank indicated that it will simultaneously redeem and cancel Series 2 Preferred Shares with the issuance of the Series 7 Preferred Shares. Following the issuance of the new shares and the cancellation of the Series 2 Preferred Shares, the bank's share capital will consist of 2,846,000 common shares, as well as 300,000 Preferred Shares Series 3; 200,000 Preferred Shares Series 4; 250,000 Preferred Shares Series 5; 300,000 Preferred Shares Series 6, and 200,000 Preferred Shares Series 7.

The Series 7 Preferred Shares are perpetual, non-cumulative and redeemable, and each will carry a dividend of between 8% and 8.5% of the issue price, which will be paid net of a 10% withholding tax. The bank has the option to redeem or cancel the shares in case a regulatory event occurs, or within 60 days after each Ordinary General Assembly meets to approve the financials for the preceding fiscal year.

Creditbank sal posted unaudited consolidated net profits of \$6.3m in the first quarter of 2018, compared to net earnings of \$2.5m in the same quarter of 2017. Its assets reached \$4bn at the end of March 2018, up by 2.4% from end-2017. The bank's loans & advances to customers, excluding those to related parties, grew by 2.7% from end-2017 to \$1.9bn; while its customer deposits, excluding those from related parties, totaled \$3.1bn at end-March 2018, unchanged from the end of 2017.

**Paid Health Insurance Claims (US\$m)**



Source: Insurance Control Commission, Byblos Research

### **AUB and LAU among top 110 universities worldwide in terms of employer-student**

The QS Graduate Employability Rankings for 2019 shows that the American University of Beirut (AUB) came in 45th place among 500 ranked universities worldwide and in first place among 12 Arab universities. The rankings, which measure a university's performance in terms of graduate employability outcomes and prospects, are based on a weighted average of five factors that are employer reputation with a 30% weight, alumni outcomes and partnerships with employers (25% each), employer-student connections and the graduate employment rate (10% each). In comparison, AUB came in 41st place in the 2018 survey, while its regional rank was unchanged year-on-year. AUB received an overall score of 71.4 points out of a maximum of 100 points, nearly unchanged from 72 points in the previous survey, and compared to the average score of 73.9 points for the top 100 universities worldwide.

Also, AUB ranked in 12th place globally and in first place in the region in terms of its graduates' employment rate. It received a score of 98.3 compared to an average score of 79.9 points for the top 100 universities. This category reflects the proportion of graduates, excluding those who choose to pursue further study or who are unavailable to work at the time, in full- or part-time employment within 12 months of graduation.

Also, AUB ranked in 88th place globally and in first place regionally in terms of employer reputation. It received a score of 61.8 points on this category relative to an average score of 76.6 points for the top 100 universities globally. Further, it ranked in 45th place globally and in first place among Arab countries in terms of alumni outcomes. It received a score of 84.1 points on this category compared to an average score of 70.8 points for the top 100 universities globally.

Further, AUB ranked in 110th place globally and in fourth place regionally in terms of employer-student connections. This category involves the number of employers that are actively present on the university's campus and that provide motivated students with an opportunity to network and acquire information through participating in career fairs, organizing company presentations or any other self-promoting activities. AUB received a score of 69 points on this category compared to an average score of 76.3 points for the top 100 universities worldwide.

In parallel, the Lebanese American University (LAU) ranked in the 301-500 range. LAU came in 89th place globally and first place regionally on the employer-student connections indicator, and received a score of 79.8 points over 100 possible points in this category.

The list also includes one university from Egypt in the 201-250 range, another university from Egypt and one university from Saudi Arabia that each rank in the 251-300 range, as well as three universities from the UAE and one university from each of Egypt, Jordan, Kuwait and Saudi Arabia that rank in the 301-500 range. The QS Graduate Employability Rankings are compiled by Quacquarelli Symonds Limited, a company specializing in education and study abroad.

### **Assurex's net earnings at \$2.2m in 2017**

Assurex Insurance & Reinsurance sal announced audited net profits of \$2.2m in 2017, constituting a decrease of 10.7% from net earnings of \$2.5m in 2016. The firm's audited balance sheet shows total assets of \$84.3m at the end of 2017, up by 16.1% from \$72.6m a year earlier. On the assets side, general company investments totaled \$27.7m and increased by 9% from end-2016. They included \$15.2m in cash & cash equivalents, \$4.6m in fixed income investments, \$4.5m in land and real estate investments and \$0.86m in variable income investments. They also included \$2.1m in blocked bank deposits and deposits with maturity of more than three months, of which \$2.06m, or 97.3%, were blocked in favor of the Economy Ministry as guarantees. Also, reinsurance share in technical reserves for the life category totaled \$1.4m in 2017, up by 89.1% from 2016, while technical reserves for the non-life category amounted to \$16.8m, up by 61% from the preceding year.

On the liabilities side, technical reserves for the life segment increased by 23.6% annually to \$3.6m last year, while technical reserves for the non-life category reached \$39.3m at end-2017 and grew by 29.6% from a year earlier. Non-life technical reserves included unearned premium reserves of \$18.6m that increased by 9.2% and outstanding claims reserves of \$17.2m that rose by 58.6% year-on-year. Provisions for risks and charges reached \$1.2m at the end of 2017 and increased by 5.5% from the previous year. Also, shareholders' equity totaled \$29.4m at end-2017, up by 1.7% from a year earlier.

*Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked Assurex in 10th and 21st place in 2017 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$36.7m in 2017, constituting a rise of 10.2% from the previous year; while life premiums decreased by 2.3% year-on-year to \$1.67m. It had a 3.3% share of the local non-life market and a 0.3% share of the life market in 2017.



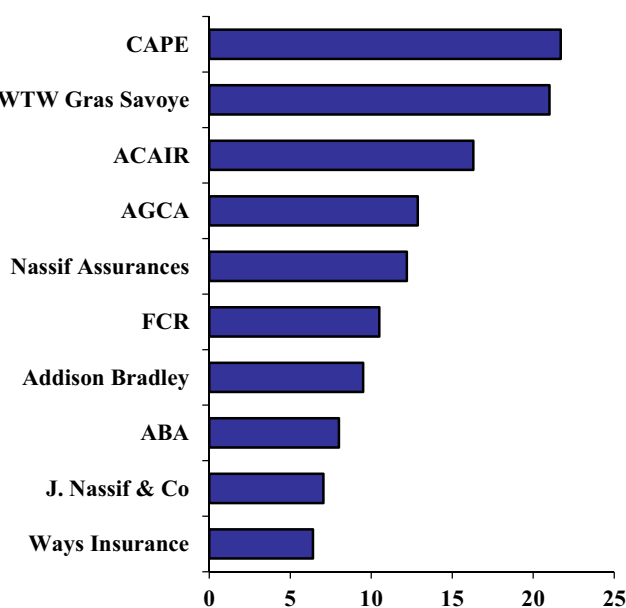
### Premiums generated by independent insurance brokers up 2% to \$246m in 2017

*Al-Bayan* magazine's annual survey of insurance brokers in Lebanon shows that the total premiums generated by independent brokers operating across the country reached \$246.4m in 2017, constituting an increase of 2.4% from \$240.6m in 2016. The figures cover premiums generated by 98 active independent brokers in the market. They exclude premiums generated by brokers affiliated with commercial banks and those that operate exclusively for a specific insurance company.

The brokers included in the survey generated 15% of total insurance premiums written in 2017 relative to 15.1% of the total in 2016. Cape Insurance Broker came in first place with \$21.7m in premiums generated last year, equivalent to 8.8% of the total. WTW Gras Savoye followed with \$21m (8.5%), then Insurance Consultancy & Risk Assessment (ACAIR) with \$16.3m (6.6%), Agence Générale de Courtage d'Assurances (AGCA) with \$12.9m (5.2%), and Nassif Assurances with \$12.2m (5%) as the top five brokers in the survey.

The top 10 insurance brokers generated \$125.5m in premiums last year and accounted for 50.9% of the total, relative to premiums of \$121.8m and a share of 50.6% in 2016. Three of the top 10 brokers, which are Cape Insurance Broker, AGCA and Nassif Assurances, posted decreases in their premiums; while the other seven posted year-on-year increases. Further, 49 brokers generated \$1m in premiums or more, 18 brokers had premiums ranging from \$0.5m to \$1m, and the remaining 31 brokers posted premiums of less than \$0.5m each. The premiums of All Lines Consultants grew by 66.7% to \$1.5m, the highest rise among brokers year-on-year, and ranked in 37th place last year. In parallel, the premiums of Cooperative Libanaise d'Assurance (CLA) decreased by 57.1% to \$600,000, the steepest decline among brokers year-on-year, and ranked in 62nd place in the 2017 survey.

**Top 10 Insurance Brokers by Premiums in 2017 (US\$m)**



Source: *Al-Bayan*, *Byblos Research*

### Agencies downgrade Bank Audi's Turkish subsidiary

Fitch Ratings downgraded the long-term Issuer Default Ratings (IDRs) of Odea Bank from 'BB-' to 'B', and assigned a 'negative' outlook to the bank's IDRs. The bank, which was established in 2012, is a 76.4%-owned subsidiary of Bank Audi. It noted that the downgrade of Odea Bank's IDRs, along with those of three other banks, follow the agency's similar action on 18 banks that it downgraded earlier. Fitch attributed its downgrade to increased risks to the performance of Turkish banks, their asset quality, capitalization, liquidity and funding profiles following the recent period of market volatility and reduced investor sentiment. It added that the 'negative' outlook reflects the potential for further deterioration in Turkey's operating environment, which could place greater pressure on the banks' financial metrics. In addition, the agency indicated that risks to asset quality at Odea Bank have increased, given Turkey's weakening growth outlook, high share of lending in foreign currency and the impact of the currency depreciation on borrowers' ability to repay their foreign-currency loans.

In parallel, Moody's Investors Service downgraded Odea Bank's long-term foreign-currency deposit ratings from 'B1' to 'B3', with a 'negative' outlook on the ratings. The rating action is part of Moody's downgrade of 15 Turkish banks and follows the agency's similar action on Turkey's sovereign rating. Further, Moody's downgraded Odea Bank's standalone baseline credit assessment (BCA) by two notches from 'b1' to 'b3'. It attributed the rating action, which was part of Moody's downgrade of the BCAs of 18 Turkish banks, mainly to the higher risks associated with further negative shifts in investor sentiment that could lead to a decline in wholesale funding for the banks, as well as to a steeper-than-expected deterioration in Turkey's operating environment. In this context, the agency lowered the bank's Macro Profile by one notch from 'Weak' to 'Weak-'.

Odea Bank posted unaudited net profits of TRY163.7m, or \$39m, in the first half 2018, up by 8.9% from the same period of 2017 and constituting 14.8% of Bank Audi Group's total net earnings in the covered period. Also, Odea Bank's assets represented 16.2% of the Group's total assets; 32.2% of its aggregate loans & advances to customers, excluding loans & advances to related parties; and 15% of its customer deposits, excluding deposits from related parties.

### **Banks and financial institutions to comply with European data protection rules**

Banque du Liban (BdL) issued Basic Circular 146 on September 13, 2018 about the compliance of banks and regulated financial institutions in Lebanon with the General Data Protection Regulation (GDPR), which the European Parliament issued in April 2016 and that became effective on May 25, 2018. The circular asked banks and financial institutions in Lebanon to take the necessary measures that enable them to comply with the GDPR. It required banks and financial institutions to appoint a data protection officer within their compliance unit, as well as a bank representative to deal with the European Union (EU) on this issue. Also, it stipulated that banks have to incorporate the new measures into the role and responsibilities of the Compliance Department. The circular indicated that banks have until the end of 2018 to inform the BdL's Compliance Unit and the Banking Control Commission of Lebanon about the measures they implemented to comply with Basic Circular 146. It added that external auditors have to verify that banks and financial institutions abide by the new circular.

The GDPR aims to protect EU citizens from privacy and data breaches. It expanded the territorial space of previous privacy laws to reach all companies that process and control the personal data of subjects residing in the EU, irrespective of the company's location. Further, in case of a breach of the GDPR, companies can be fined up to 4% of their annual global turnover or €20m, whichever is greater. The law requires data processors and controllers to have the customers' consent before processing their personal data. It also stipulates that data processors should notify their customers about any data breach within 72 hours after detecting the breach. In addition, it requires data controllers to erase the customers' personal data upon their request.

## Ratio Highlights

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

\*Change in percentage points 16/17

\*\*Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks

Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, World Bank, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

## Risk Metrics

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

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

\*excluding Lebanon

\*\*year-on-year change in risk

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

## Ratings & Outlook

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

Source: Rating agencies

Banking Ratings	Outlook
Moody's	Stable

Source: Moody's Investor Services



---

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

## UNITED ARAB EMIRATES

---

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