

LEBANON THIS WEEK

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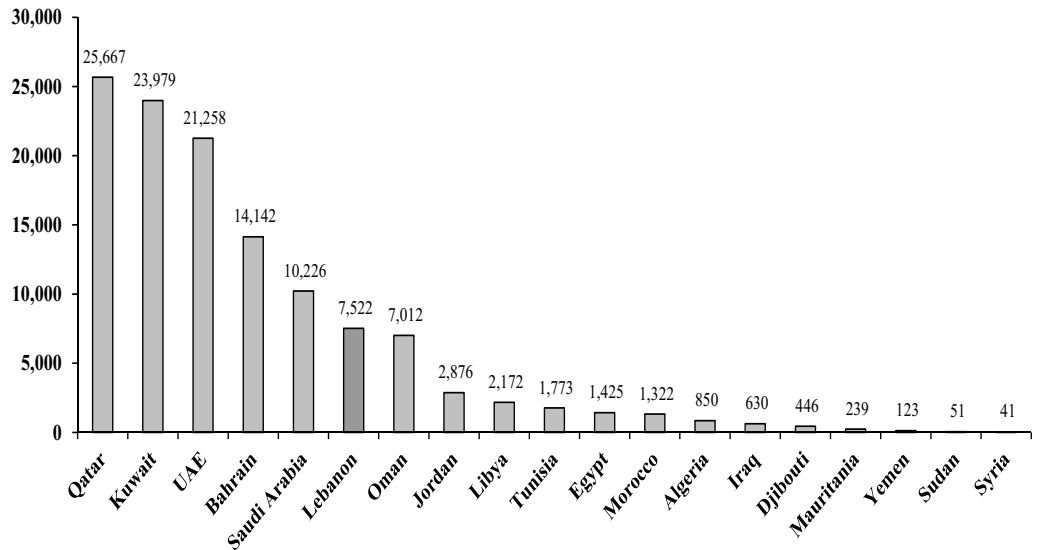
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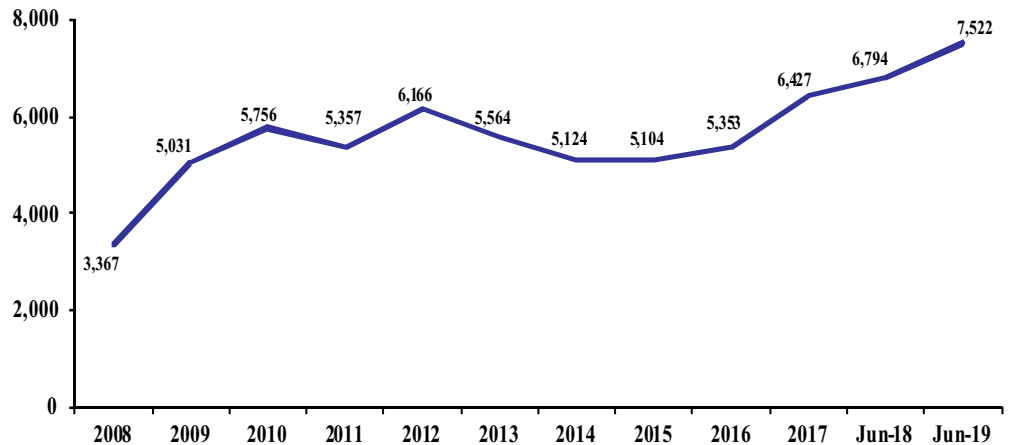
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Charts of the Week

Debt per Adult in Arab Countries at end-June 2019 (US\$)



Debt per Adult in Lebanon (US\$)



Source: Credit Suisse, Byblos Bank

Quote to Note

"The ISG calls on the newly-confirmed Government of Lebanon to swiftly and resolutely undertake timely, tangible, credible, and comprehensive set of measures and reforms to stop and reverse the deepening crises."

The International support Group for Lebanon, on how authorities can regain the trust of the Lebanese people and of the international community

Number of the Week

49%: Percentage of members of the Lebanese Parliament who gave their vote of confidence to the new Council of Ministers

Lebanon in the News

\$m (unless otherwise mentioned)	2018	2019	% Change*	Dec-18	Oct-19	Nov-19	Dec-19
Exports	2,952	3,731	26.41	246	292	309	324
Imports	19,980	19,239	(3.70)	1,569	1,308	1,281	1,346
Trade Balance	(17,028)	(15,508)	(8.92)	(1,323)	(1,016)	(972)	(1,022)
Balance of Payments	(4,823)	(4,351)	(9.79)	(748)	(198)	1,143	(841)
Checks Cleared in LBP	22,133	22,146	0.06	2,024	1,378	2,232	2,403
Checks Cleared in FC	44,436	34,827	(21.62)	3,455	1,717	2,946	3,898
Total Checks Cleared	66,569	56,973	(14.42)	5,479	3,095	5,178	6,301
Fiscal Deficit/Surplus***	(4,734)	(4,024)	(15.00)	(437)	(432)	-	-
Primary Balance***	(402)	217	-	(145)	21	-	-
Airport Passengers	8,842,442	8,684,937	(1.78)	677,845	659,737	438,674	544,967
Consumer Price Index****	6.1	2.9	(317bps)	4.0	1.3	3.2	7.0

\$bn (unless otherwise mentioned)	Dec-17	Dec-18	Sep-19	Oct-19	Nov-19	Dec-19	% Change*
BdL FX Reserves	35.81	32.51	29.30	30.98	30.15	29.55	(9.1)
In months of Imports	18.57	20.72	19.99	23.68	23.54	21.95	5.9
Public Debt	79.53	85.14	86.78	87.08	89.48	91.64	7.6
Bank Assets	219.86	249.48	262.20	262.80	259.69	216.78**	(13.1)
Bank Deposits (Private Sector)	168.66	174.28	170.30	168.36	162.60	158.86	(8.8)
Bank Loans to Private Sector	59.69	59.39	54.50	54.17	52.48	49.77	(16.2)
Money Supply M2	52.51	50.96	46.73	45.77	43.82	42.11	(17.4)
Money Supply M3	138.62	141.29	138.83	138.37	136.44	134.55	(4.8)
LBP Lending Rate (%)	8.09	9.97	10.92	11.19	9.69	9.09	(88bps)
LBP Deposit Rate (%)	6.41	8.30	9.13	9.03	9.40	7.36	(94bps)
USD Lending Rate (%)	7.67	8.57	10.26	10.05	10.64	10.84	227bps
USD Deposit Rate (%)	3.89	5.15	6.57	6.61	6.31	4.62	(53bps)

*year-on-year **The decline in assets in December 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7 ***year-to-date figures reflect results for first 10 months of each year ****year-on-year percentage change; 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"	8.60	1.30	177,118	14.03%
Solidere "B"	8.45	(1.74)	37,653	8.96%
Audi Listed	1.82	(8.54)	26,181	11.87%
Byblos Common	1.09	9.00	5,570	10.06%
BLOM Listed	3.41	10.00	3,900	11.96%
BLOM GDR	3.08	10.00	3,500	3.71%
HOLCIM	9.61	(3.90)	532	3.06%
Byblos Pref. 08	60.00	(1.32)	18	1.96%
Audi GDR	2.39	0.00	-	4.67%
Byblos Pref. 09	59.90	0.00	-	1.95%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2020	6.38	74.25	609.57
Apr 2021	8.25	39.38	116.20
Oct 2022	6.10	34.63	56.90
Jun 2025	6.25	32.88	34.75
Nov 2026	6.60	32.88	30.63
Feb 2030	6.65	32.63	25.58
Apr 2031	7.00	32.63	25.33
May 2033	8.20	30.25	28.95
Nov 2035	7.05	32.38	23.32
Mar 2037	7.25	32.63	23.33

Source: Byblos Bank Capital Markets, Refinitiv

	Feb 10-13	Feb 3-7	% Change	January 2020	January 2019	% Change
Total shares traded	257,122	473,562	(45.7)	2,048,141	50,963,287	(96.0)
Total value traded	\$1,919,721	\$3,362,164	(42.9)	\$16,307,970	\$152,075,281	(89.3)
Market capitalization	\$6.13bn	\$6.13bn	(0.09)	\$6.96bn	\$9.38bn	(25.8)

Source: Beirut Stock Exchange (BSE)

CDS Lebanon	Feb 7, 2020	Feb 14, 2020	% Change**
CDS 1-year*	7,881	12,454	58.0
CDS 3-year*	6,542	9,643	47.4
CDS 5-year*	5,691	8,498	49.3

Source: ICE CMA; *mid-spread in bps **week-on-week

CDX EM 30*	Feb 7, 2020	Feb 14, 2020	% Change***
CDS 5-year**	184.9	188.6	2.0

Source: ICE CMA; * CDX Emerging Market CDS Index-Series 30
mid-spread in bps *week-on-week

Housing demand retreats in fourth quarter of 2019 to lowest level since first quarter of 2015

Demand for residential real estate in Lebanon regressed in the fourth quarter of 2019, as reflected by the results of the Byblos Bank Real Estate Demand Index. The Index posted a monthly average of 32.7 points in the fourth quarter of 2019, constituting a decrease of 21.8% from 41.8 points in the third quarter of the year and compared to an average of 51.2 in the fourth quarter of 2018. The fourth-quarter results constitute the second lowest level in 50 quarters.

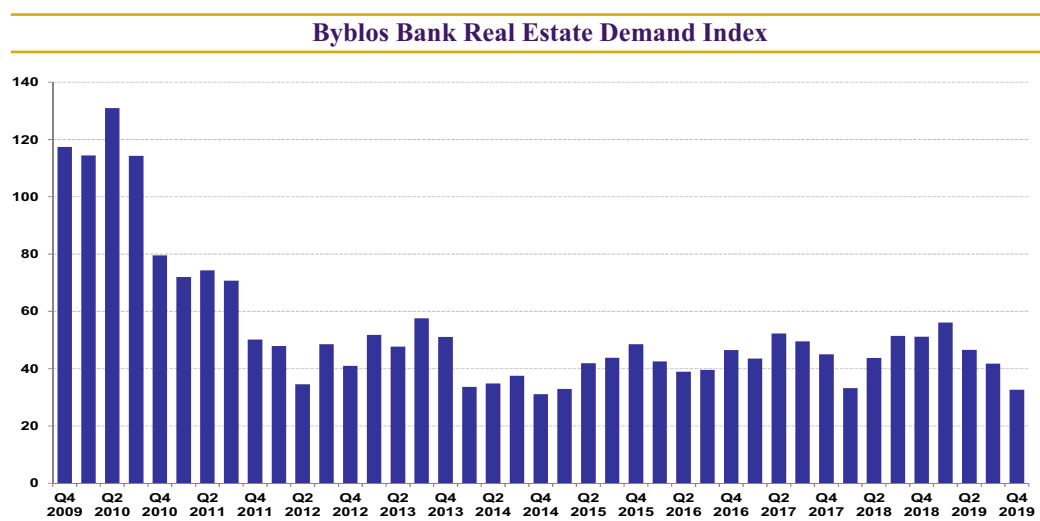
Real estate demand dropped in the fourth quarter of 2019 to its lowest level since the first quarter of 2015 and to its second lowest level since the Index's inception in July 2007. This is mainly due to the continuing absence of a clear and comprehensive housing policy by the government to revive demand for all segments of the residential market in Lebanon, as well as to the accumulated socio-economic challenges that triggered national protests on October 17, 2019.

The Index's average monthly score in the fourth quarter of 2019 came 75% lower than the peak of 131 points registered in the second quarter of 2010, and remained 70.2% below the annual peak of 109.8 points posted in 2010. Also, it was 43.8% lower than the Index's monthly trend average score of 58.2 points since the Index's inception in July 2007.

The answers of respondents to the Index's survey questions in the fourth quarter of 2019 show that 3.7% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 4.7% in the third quarter of 2019 and compared to 5.8% in the fourth quarter of 2018. In comparison, 6.6% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and December 2019, with this share peaking at nearly 15% in the second quarter of 2010.

The results of the Index show that demand for housing was the highest in the South in the fourth quarter of 2019, as 8.4% of its residents had plans to build or buy a house in the coming six months, down from 13.7% in the third quarter of the year. The North followed with 4.1% of its residents planning to build or buy a residential unit in the coming six months, down from 5.3% in the preceding quarter; while 3.2% of residents in Beirut had plans to buy or build a house, up from 2% in the previous quarter. In addition, 3.1% of residents in the Bekaa region intend to buy or build a house, down from 5% in the preceding quarter, while 2% of residents in Mount Lebanon had plans to build or buy a residential unit, compared to 1.7% in the third quarter of 2019. In addition, real estate demand decreased in three out of four income brackets in the fourth quarter of the year, while it increased by 37.3% quarter-on-quarter by residents who earn a monthly income of between \$1,500 and \$2,499.

The Byblos Bank Real Estate Demand Index is a measure of local demand for residential units and houses in Lebanon. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading indices worldwide. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon, whereby residents are asked about their plans to buy or build a house in the coming six months. The data segregates the Index based on age, gender, income, profession, geographic region and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with November 2009 as its base month. The survey has a margin of error of $\pm 2.83\%$, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.



Source: Byblos Bank Economic Research & Analysis Department, based on surveys conducted by Statistics Lebanon

Lebanon requests technical assistance from International Monetary Fund

The International Monetary Fund indicated that the Lebanese authorities requested on February 12, 2020 technical assistance from the IMF to help them address the economic challenges facing the country. It stressed that the request is for technical assistance and that the Lebanese authorities did not request financial assistance. It added that the technical assistance and advice will cover a broad range of macroeconomic issues and structural reforms, and aim to support the authorities' measures to restore stability and growth.

The Fund considered that Lebanese authorities need to implement a package of economic and structural reforms that would help address the sharp deterioration in confidence, in order to restore stability in the country's financing, trading and payment systems, as well as to contain inflation and resume economic growth. It noted that there are some longstanding structural problems in many sectors of the Lebanese economy that need to be tackled, and that attending to these challenges would help improve conditions for the Lebanese population, especially for the poor and the middle class.

In addition, the Fund indicated that the current Lebanese government has to make significant policy decisions, given that successive governments have been postponing key reforms. It said that the current government needs to demonstrate that it is capable of implementing reforms, and that Lebanese authorities do not have time to waste to address the country's longstanding imbalances. It added that Lebanon needs to send a signal to international institutions that the government is capable of reversing the current challenges. It pointed out that this will be important in case Lebanon requests financial support from the international community.

In parallel, the IMF declared that any decision on the restructuring the country's public debt is the prerogative of the Lebanese government. It added that the government needs to take this decision in consultation with its legal and financial advisors. It stressed that the IMF does not have a role in this issue, as decisions on debt restructuring are between the government and its creditors.

Real GDP contracts by 4% annually in first half of 2019 according to national accounts

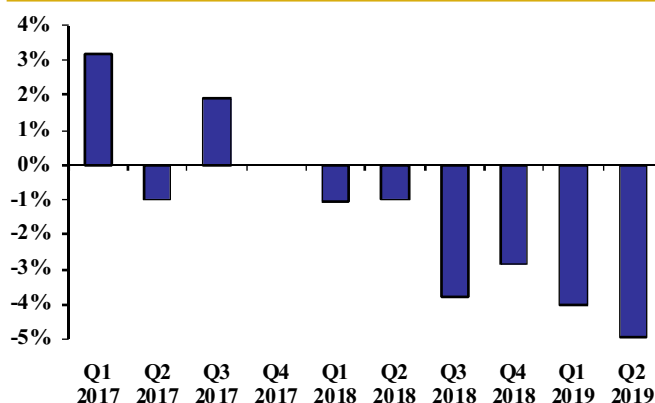
The Central Administration for Statistics (CAS) released for the first time national economic data that covers official figures for quarterly gross domestic product (GDP) and its structure and components. It provided quarterly figures from the first quarter of 2016 until the second quarter of 2019. It indicated that the sources and methods used to compile quarterly estimates of GDP are very similar to those used to calculate annual figures. The CAS considered that growth in small economies like Lebanon tend to be more rapid and that contraction is usually steeper than in larger economies. It noted that quarterly statistics can be volatile and should be used with caution.

The CAS estimated that Lebanon's real GDP contracted by 4% year-on-year in the first half of 2019 relative to a contraction of 1% in the same period of 2018, as real GDP shrank by 4% year-on-year in the first quarter and by 5% in the second quarter 2019. In addition, it estimated Lebanon's nominal GDP at LBP40.1 trillion, or \$26.6bn in the first half of 2019, down by 1.5% from LBP40.7 trillion, or \$27bn in the same period of 2018. It said that nominal GDP in the first quarter of 2019 reached LBP19.7 trillion, or \$13.1bn, constituting a decrease of 0.5% from LBP19.8 trillion in the same quarter of 2018; while GDP in the second quarter of the year totaled LBP20.4 trillion, or \$13.5bn, reflecting a decline of 2.4% from LBP20.9 trillion in the second quarter of 2018.

In parallel, Lebanon's nominal GDP stood at LBP82.4 trillion, or \$54.7bn in the 12 months ending in June 2019, nearly unchanged from LBP82.6 trillion, or \$54.8bn in the 12 months ending in June 2018. Real estate services accounted for 16.7% of output in the 12-month period ending in June 2019, followed by commercial trade & transport (16.5%); the public administration, education & healthcare (14.5%); personal services, private education & healthcare (13.2%); mining, manufacturing & utilities (11%); financial services (8.7%); business services (6.9%); construction (3.6%); agriculture, livestock, forestry & fishing (3.4%); hotels & restaurants (3.3%); and information & communication (2.2%).

Further, the output of agriculture, livestock, forestry & fishing sector grew by 10.5% annually in nominal terms in the covered period, followed by the real estate sector (+6.3%); the personal services, private education & healthcare sector (+5.8%); the public administration, education & healthcare sector (+5.6%); and output from hotels & restaurants (+4.1%). In contrast, the output of the construction sector contracted by 13.4% annually in nominal terms in the 12-month period ending in June 2019, followed by activity in the commercial trade & transport sector (-5.2%); information & communication (-2.6%); business services (-2.5%); activity in the mining, manufacturing & utilities sector (-2.4%); and financial services (-1.4%).

Lebanon's Quarterly Real GDP (year-on-year % change)



Source: Central Administration of Statistics

Gross public debt at \$91.6bn at end-2019

Lebanon's gross public debt reached \$91.6bn at the end of 2019, constituting a rise of 7.6% from \$85.1bn at the end of 2018, and compared to increases of 7.1% in 2018, 6.2% in 2017 and 6.5% in 2016. In nominal terms, the gross public debt grew by \$6.5bn in 2019, relative to increases of \$5.6bn in 2018, \$4.6bn in 2017 and \$4.56bn in 2016. Debt denominated in Lebanese pounds totaled \$57.9bn at the end of 2019, up by 12.1% from end-2018; while debt denominated in foreign currency stood at \$33.7bn, and grew by 0.7% from end-2018.

The increase in local-currency debt was mostly due to the Ministry of Finance's (MoF) issuance in November and December of LBP1,500bn and LBP3,000bn 10-year Treasury bonds, respectively, at a rate of 1%, which were entirely subscribed by Banque du Liban (BdL). The two issuances were part of a deal between the MoF and BdL, which stipulated that the MoF issues \$3bn worth of Eurobonds to BdL to cover external debt payments that BdL made on behalf of the government throughout the year, while BdL would subscribe to LBP4,500bn worth of Treasury bonds.

Local currency debt accounted for 63.2% of the gross public debt at the end of 2019 compared to 60.7% a year earlier, while foreign currency-denominated debt represented the balance of 36.8% relative to 39.3% at end-2018. When using the Institute of International Finance's estimate of nominal GDP for 2019, local currency debt would stand at 103% of GDP, while foreign currency denominated debt would represent 60% of GDP. The weighted interest rate on outstanding Treasury bills was 6.44% and the rate on Eurobonds was 7.38% in December 2019. Further, the weighted life on Eurobonds was eight years, while it was 1,772 days on Treasury bills and bonds.

BdL held nearly 43% of the public debt at the end of 2019, followed by commercial banks (33.4%), and non-bank resident financial institutions (8.1%), while other investors, including foreign investors, held 13.3% of the debt, and multilateral institutions and foreign governments held 2.2%. BdL held 58.1% of the Lebanese pound-denominated public debt at the end of 2019 compared to 50.1% a year earlier, while commercial banks held 29% of the local debt compared to 35.2% at end-2018. Also, public agencies, financial institutions and the public held 12.9% of the local debt at end-2019 relative to 14.7% at end-2018. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.1% of foreign currency-denominated debt holders at the end of 2019, followed by multilateral institutions with 4.1% and foreign governments with 1.9%. In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, grew by 7.3% annually to \$81.2bn at the end of 2019, equivalent to 145% of GDP. Further, the gross market debt accounted for about 55% of the public debt, equivalent to about 90% of GDP at the end of 2019. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

Banque du Liban caps interest rates on deposits in local and foreign currency

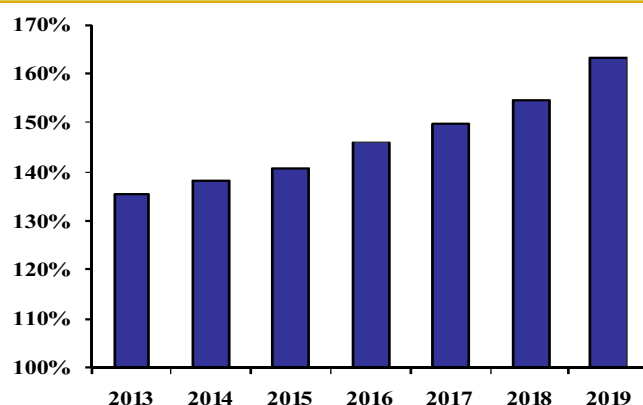
Banque du Liban (BdL) issued Intermediate Circular 544 on February 13, 2020 that amends Basic Circular 147 dated September 3, 2019. The circular capped the interest rates on bank deposits placed at banks or blocked after February 13, 2020.

The circular capped the interest rates on deposits in foreign currency with a maturity of one month at 2%, the rates on deposits with a maturity of six months at 3%, and the interest rates on deposits with a maturity of one year or more at 4%. Further, the circular capped the interest rates on Lebanese pounds deposits with a maturity of one month at 5.5%, the rates on deposits with a maturity of six months at 6.5%, and the interest rates on deposits with a maturity of one year or more at 7.5%.

Also, the circular asked banks to reflect the decline in deposit interest rates on the Beirut Reference Rate (BRR), which constitutes the basis for calculating the Beirut Prime Lending Rate after adding the cost of liquidity and refinancing, credit risk, and the profitability of banks. According to the circular, all the aforementioned measures on deposits will apply for six months.

Intermediate Circular 544 is BdL's second circular to amend and cap the interest rates on bank deposits. BdL issued on December 4, 2019 Intermediate Circular 536 that capped the interest rates at 5% on bank deposits in foreign currency and at 8.5% on deposits in Lebanese pounds, without providing a breakdown of interest rates by maturity. At the time, the new cap on interest rates applied on deposits placed at banks after December 4, 2019 or on blocked deposits that matured after the date of the circular. As a result of BdL's circular 536, the average deposit rate in Lebanese pounds declined from 9.4% in November 2019 to 7.36% in December 2019, while the average deposit rate in US dollars regressed from 6.31% in November 2019 to 4.62%.

Lebanon's Gross Public Debt (% of GDP)



Source: Central Administration of Statistics, Ministry of Finance, Institute of International Finance

Association of banks further reduces reference rates on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to decrease the Beirut Reference Rate (BRR) in US dollars by 175 basis points to 6.75%. This follows ABL's earlier recommendations on January 3 to lower the BRR by 104 basis points to 9.35%, and on January 16 to lower the rate by an additional 85 basis points to 8.5%. The three decisions resulted in a cumulative decline of 364 basis points in the BRR in US dollars so far in 2020. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009, as the ABL decided that the LIBOR does not reflect the cost of funding and lending in Lebanon.

In addition, the ABL recommended to its member banks to decrease the BRR in Lebanese pounds by 250 basis points to 9%. The ABL had recommended to reduce the rate in Lebanese pounds by 104 basis points to 12.45% on January 3 and to lower the rate by 95 basis points to 11.5% on January 16. Consequently, the decisions resulted in a cumulative decline of 449 basis points in the BRR in Lebanese pounds so far in 2020.

The ABL indicated that the decrease in the BRR in both currencies follows BdL's Intermediate Circular 544 issued on February 13, 2020, which further lowered the cap on interest rates on bank deposits in local and foreign currency. It noted that the reduction of the BRR is in line with the authorities' policy that aims to stimulate the economic cycle in the current challenging environment. As such, the ABL asked its members to quickly reflect the new lending rates on clients' loans. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis for calculating the prime rate after adding the cost of liquidity and refinancing, credit risk and the profitability of banks.

In parallel, the ABL stressed that the cut in interest rates on lending to the private sector needs to be followed by a decrease in the cost of servicing the public debt, which will be achieved in cooperation with the Ministry of Finance. It considered that this will constitute the first step towards the rescheduling and restructuring of the public debt in order to create the fiscal space needed to support the economy. It reiterated that the exceptional measures that banks introduced in November 2019 aimed only to protect depositors and to maintain Lebanon's financial and economic relations with foreign entities, in order to continue providing customers with services through the banks' internal and external networks.

Association of banks calls for respecting international standards for maturing Eurobond

The Association of Banks of Lebanon (ABL) indicated that the Lebanese government is facing a \$1.2bn Eurobond payment in March, which triggered a national debate on whether Lebanon should settle the payment or not, despite the government's previous announcement that the servicing of its obligations is a permanent and stable policy.

The ABL noted that the option of not servicing Lebanon's external debt should be carefully considered, as this option suggests a debt rescheduling or restructuring following an agreement with creditors. It pointed out that this decision requires time, negotiations, and procedures that are in line with international standards, similar to the process that other countries implemented, as well as the assistance of competent international institutions in order to set up credible financial and monetary programs.

However, it considered that the remaining period until the maturity of the Eurobond on March 9, 2020 would not be sufficient to address and handle efficiently this matter. As such, it noted that the external debt payment should be settled on time in March, in order to keep Lebanon's access to international financial markets, preserve the country's relations with correspondent banks and external creditors, and safeguard deposits. Also, it called on the authorities to immediately take the necessary measures to address the elevated public debt level.

BCCL requests information about tranches of bank deposits and number of customers

The Banking Control Commission of Lebanon (BCCL) issued on February 12, 2020 a memo that asks Lebanese banks to provide it with the breakdown of customer deposits and number of clients as at the end of 2019. Specifically, the BCCL required banks to report the number of clients that have deposits up to LBP75m in all currencies and the corresponding distribution of deposits in local and foreign currencies. It also stipulated that banks must report the same information for deposits that exceed LBP75m. The BCCL indicated that banks have to provide it with the aforementioned information for one time and within two weeks of the date of the memo.

The memo is likely related to the upcoming law that will increase from LBP5m to LBP75m the guarantee that the National Deposit Guarantee Institution will provide on bank deposits.

Payment cards reach 3.04 million at end-2019, ATMs total 2,003

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 3,036,756 cards at the end of 2019, constituting an increase of 9.3% from 2,778,510 cards at end-2018. In comparison, the number of payments cards issued in Lebanon expanded by 5.5% in 2018 and declined by 4.7% in 2017.

Cards held by residents accounted for 96.4% of total cards issued in Lebanon at end-2019. The distribution of payment cards by type shows that debit cards with residents reached 1,776,977 and accounted for 58.5% of the total, followed by credit cards with residents at 533,350 (17.6%), prepaid cards with residents at 519,052 (17.1%), charge cards with residents at 98,054 (3.2%), debit cards held by non-residents at 77,067 (2.5%), credit cards with non-residents at 22,741 (0.7%), charge cards held by non-residents at 7,999 (0.3%), and prepaid cards with non-residents at 1,516 (0.05%).

Further, the number of debit cards with non-residents expanded by 17.8% in 2019, followed by debit cards held with residents (+13.7%), prepaid cards with residents (+11.5%), charge cards with non-residents (+6.7%), charge cards held with residents (+2.1%), and credit cards with non-residents (+1.4%). In contrast, prepaid cards with non-residents dropped by 7.2% last year, while credit cards with residents declined by 4.3%.

In parallel, the number of payment cards reached 36,370 cards (+1.3%) in the first quarter of 2019, 39,226 cards (+1.4%) in the second quarter, 30,853 cards (+1.1%) in the third quarter of last year, and 151,797 cards (+5.3%) in the fourth quarter of 2019. The strong growth in the fourth quarter of 2019 was mainly driven by a 15.4% increase in prepaid cards held with residents (+69,153 cards), a 6.4% rise in debit cards held with residents (+106,547 cards), and a 4.4% increase in debit cards with non-residents (+3,260 cards), which were partly offset by a decrease of 4.6% in credit cards held with residents (-25,567 cards).

The significant growth in debit cards in the fourth quarter reflects the rising demand from residents and non-residents for such cards to increasingly utilize them as a mean of payment and cash withdrawal, following the temporary disruption to banking operations in the aftermath of October 17 and the limits imposed on cash withdrawals. Also, banks increased the issuance of prepaid cards, mostly in local currency, as an alternative to cash withdrawals in Lebanese pounds. In parallel, the decline in credit cards held by residents and non-residents was due in part to the banks' tighter controls on credit card issuance and renewal.

Further, the aggregate number of points-of-sales accepting payment cards reached 48,474 at the end of 2019, constituting an increase of 3,332 points-of-sales, or 7.4%, from 45,142 at end-2018. However, the number of points-of-sales accepting payment cards slightly declined from 48,567 at the end of September 2019, the first quarter-on-quarter decrease since the fourth quarter of 2016. There were 4.6 points-of-sales per square kilometer in Lebanon at the end of 2019.

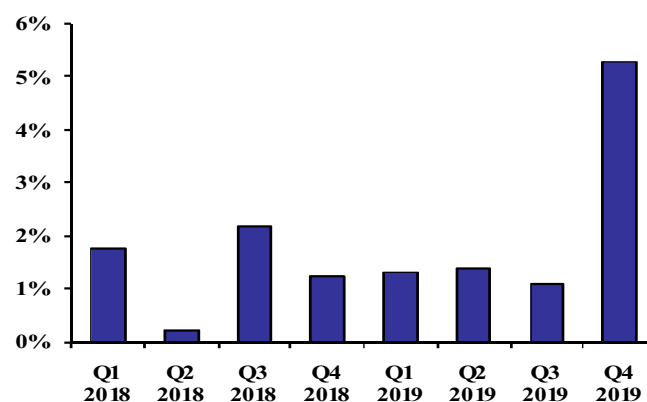
In parallel, there were 2,003 ATMs across Lebanon at the end of 2019, constituting an increase of five ATMs from the end of 2018, relative to a rise of 96 ATMs in 2018. The Greater Beirut area had 738 ATMs at end-2019, equivalent to 36.8% of the total; followed by Mount Lebanon with 735 ATMs (36.7%), the North with 205 ATMs (10.2%), the South with 151 ATMs (7.5%), the Bekaa region with 145 ATMs (7.2%), and the Nabatieh area with 29 ATMs (1.4%). As such, there were 192 ATMs per 1,000 square kilometers in Lebanon at the end of 2019.

Number of airport passengers down by 14% in January 2020

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 522,683 passengers utilized the airport (arrivals, departures and transit) in January 2020, constituting a decline of 14% from 606,784 passengers in January 2019. The number of arriving passengers decreased by 14.2% to 231,380 in January 2020, compared to a decline of 1.3% in in the same month last year and to a growth of 10.8% in January 2018. Also, the number of departing passengers regressed by 14.7% to 282,957 in January 2020, relative to an increase of 2.3% in in the same month last year and to a rise of 11% in January 2018.

In parallel, the airport's aircraft activity regressed by 16.1% to 4,723 take-offs and landings in January 2020, relative to an increase of 5% in the same month of 2019 and a growth 0.7% in January 2018. In addition, the HIA processed 4,877 metric tons of freight in January 2020 that consisted of 2,623 tons of import freight and 2,254 tons of export freight. Middle East Airlines had 2,037 flights in January 2020 and accounted for 43.1% of HIA's total aircraft activity.

Quarterly Growth in the Number of Payment Cards (%)



Source: Banque du Liban, Byblos Research

Industrial activity deteriorates in third quarter of 2019

Banque du Liban's quarterly survey on the opinions of business managers shows that the balance of opinions about industrial production was -33 in the third quarter of 2019 compared to -27 in the second quarter of the year and to -34 in the third quarter of 2018. The balance of opinions was the lowest in the Bekaa at -65, followed by the South (-39), Beirut & Mount Lebanon (-26), and the North (-9). The business survey reflects the opinions of managers of industrial enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

The balance of opinions about overall demand for industrial goods stood at -36 in the third quarter of 2019 compared to -30 in the preceding quarter and was unchanged from the third quarter of 2018. The balance of opinions about demand for industrial goods was the lowest in the Bekaa at -75, followed by the South (-42), Beirut & Mount Lebanon (-27), and the North (-9).

In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -20 in the third quarter of 2019 compared to -11 in the second quarter of 2019 and to -12 in the third quarter of 2018. The balance of opinions about the volume of investments was the lowest in the South at -86, followed by Beirut & Mount Lebanon (-19), the Bekaa (-9), and the North (zero). Also, the balance of opinions for foreign demand of industrial goods stood at -24 during the third quarter of 2019 compared to -19 in the previous quarter and to -15 in the third quarter of 2018. The balance of opinions for foreign demand of industrial goods was the lowest in the South at -59, followed by the Bekaa (-40), Beirut & Mount Lebanon (-18), and the North (zero).

Industrial Activity: Evolution of Opinions				
Aggregate results	Q3-16	Q3-17	Q3-18	Q3-19
Production	-4	-2	-34	-33
Total demand	-7	-7	-36	-36
Foreign demand	-15	-16	-15	-24
Volume of investments	-8	+3	-12	-20
Inventories of finished goods	-2	-8	-4	-13
Inventories of raw material	-4	-8	-10	-22
Registered orders	-9	-18	-29	-44

Source: Banque du Liban Business Survey for Third Quarter of 2019

Insurance premiums at \$1.3bn in first nine months of 2019, claims up 9% to \$766m

Figures released by the Association of Insurance Companies in Lebanon (ACAL) indicate that insurance premiums generated in Lebanon totaled \$1.26bn in the first nine months of 2019, nearly unchanged from the same period of 2018. Premiums reached \$474m in the first quarter, \$400.4m in the second quarter and \$386.6m in the third quarter of 2019.

Medical insurance premiums totaled \$440.2m in the first nine months of 2019 and accounted for 35% of the sector's aggregate premiums. Life insurance premiums followed with \$352.4m (28%), then motor premiums with \$262.5m (20.8%), fire insurance with \$84.3m (6.7%), workmen compensation with \$38.1m (3%), cargo insurance premiums with \$28.1m (2.2%), public liability premiums with \$16m (1.3%), and engineering insurance premiums with \$4.7m (0.4%), while premiums from other categories amounted to \$34.8m and accounted for 2.8% of the total.

ACAL noted that medical insurance premiums covering Lebanese residents grew by 9% year-on-year to \$430.8m in the first nine months of 2019, while premiums covering Lebanese expatriates decreased by 5% annually to \$9.5m. Also, non-compulsory motor premiums declined by 9% year-on-year to \$212.1m, while compulsory motor premiums regressed by 1% to \$50.4m in the covered period. Further, medical insurance premiums grew by 9% in the first nine months of 2019, posting the largest increase among all categories, followed by cargo insurance premiums (+6%), public liability premiums (+3%), and fire insurance premiums (+1%). In contrast, workmen compensation premiums declined by 8% in the covered period, followed by motor insurance (-7%), life insurance (-4%), and engineering premiums (-2%).

Further, ACAL indicated that total benefits and claims paid by insurance companies stood at \$766.1m in the first nine months of 2019, constituting a rise of 9% from \$700.5m in the same period of 2018. Benefits and claims reached \$244.7m in the first quarter, \$245.4m in the second quarter and \$276m in the third quarter of 2019. Benefits and claims paid for the non-life categories totaled \$553.7m in the first nine months of 2019 and increased by 12.5% from \$492m in the same period of 2018, while claims disbursed for the life insurance category amounted to \$212.4m and rose by 1.9% from \$208.5m in the same period of 2018.

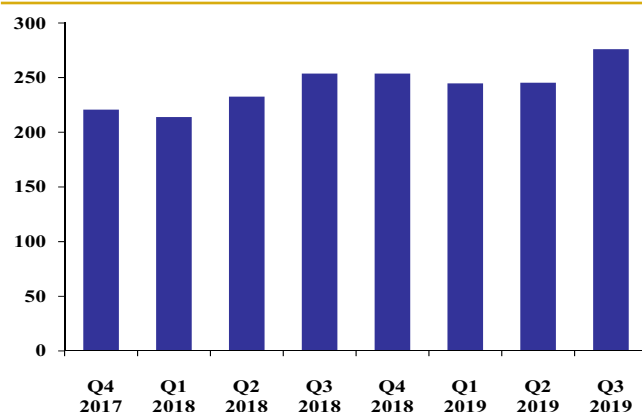
Medical insurance claims accounted for 42.1% of total claim payments in the first nine months of 2019, followed by life insurance claims (28%), motor insurance (20.4%), workmen compensation (2.8%), fire (2.6%), public liability (0.9%), cargo insurance (0.8%), and engineering insurance (0.4%), while claims on other insurance categories represented 2.4% of the total. Public liabilities claims surged by 59% year-on-year in the first nine months of 2019, engineering insurance claims rose by 31%, medical claims increased by 19%, motor insurance claims grew by 5%, and life insurance claims expanded by 2%. In contrast, fire claims declined by 20% annually in the covered period, cargo claims fell by 14%, and workmen compensation claims decreased by 6%. In addition, claims related to other categories rose by 67% year-on-year in the first nine months of 2019. In parallel, protection with savings policies accounted for 63.3% of total life insurance premiums and for 22.8% of the number of life insurance contracts in the first nine months of 2019, while life protection plans represented 36.7% of life insurance premiums and 77.2% of the number of life contracts during the covered period.

SGBL approves capital increase

The Extraordinary General Assembly of Société Générale de Banque au Liban (SGBL) sal, which took place on January 23, 2020, approved the increase in the bank's capital by \$283m or by the equivalent of 20% of its Common Equity Tier One (CET1) capital as at end-2018, through cash contributions in US dollars. The capital increase is in line with Banque du Liban's Intermediate Circular 532 dated November 4, 2019 that requested banks to raise their capital base by the equivalent of 20% of their CET1 as at the end of 2018 in two stages.

SGBL sal posted unaudited consolidated net profits of \$77.8m in the first half of 2019, up by 1% from \$76.9m in the same period of 2018. Its total assets reached \$26.5bn at the end of June 2019, and decreased by 2.6% from end-2018, while loans & advances to customers, excluding those to related parties, declined by 4.4% from end-2018 to \$5.5bn. Also, customer deposits, excluding those from related parties, totaled \$17.9bn at end-June 2019 and regressed by 3.6% from the end of 2018.

Paid Claims (US\$m)



Source: ACAL, Byblos Research

Balance sheet of financial institutions down 10% in 2019

Figures released by Banque du Liban show that the consolidated balance sheet of financial institutions in Lebanon totaled LBP2,084bn, or \$1.38bn at the end of 2019, constituting a decrease of 10.2% from LBP2,321bn, or \$1.54bn at end-2018.

On the assets side, claims on resident customers amounted to \$624.1m at the end of 2019, down by 7.5% from the end of 2018, while claims on non-resident customers stood at \$47.3m at end-2019 and decreased by 32.5% from end-2018. In addition, claims on the resident financial sector reached \$306.7m at end-2019, down by 7.6% from end-2018; while claims on the non-resident financial sector totaled \$51.2m at the end of 2019 and dropped by 45.6% from end-2018. Also, claims on the public sector stood at \$5.1m at end-2019, constituting an increase of 6.2% from end-2018; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, amounted to \$90m at end-2019, down by 19.3% from end-2018. In parallel, currency and deposits with local and foreign central banks reached \$54.9m at the end of 2019 and increased by 23.1% from \$44.6m at end-2018.

On the liabilities side, deposits of resident customers stood at \$171m at the end of 2019, constituting an increase of 8.5% from end-2018; while deposits of non-resident customers reached \$17.1m at the end of 2019 and decreased by 16.2% from end-2018. Liabilities to the resident financial sector amounted to \$223.5m at end-2019, down by 40% from end-2018; while those to the non-resident financial sector declined by 13% from end-2018 to \$124.7m. Also, public sector deposits decreased by 11.7% in 2019 to \$4m, while issued debt securities totaled \$112m at end-2019 and regressed by 25% from end-2018. Further, the aggregate capital account of financial institutions was \$486.4m at the end of 2019, and increased by 4% from end-2018.

Banque BEMO invites shareholders to Extraordinary General Assembly

Banque BEMO sal invited its shareholders to attend an Extraordinary General Assembly that will be held on March 2, 2020. The agenda of the meeting includes reviewing and approving the cash contributions to capital agreements pursuant to the provisions of Banque du Liban's Intermediate Circular 532, among other measures. The bank had previously invited its shareholders to attend an Extraordinary General Assembly on December 23, 2019 to discuss the previously-mentioned agenda, but the assembly did not convene due to the lack of quorum. Intermediate Circular 532 dated November 4, 2019 requested banks to increase their capital base by the equivalent of 20% of their Common Equity Tier One capital as at the end of 2018 in two stages.

Banque BEMO sal, one of six listed banks in Lebanon, announced unaudited consolidated net profits of \$13.2m in the first nine months of 2019, constituting a decrease of 0.7% from net earnings of \$13.3m in the same period of 2018. In parallel, the bank's assets reached \$2.05bn at end-September 2019, and grew by 1.3% from end-2018, while loans & advances to customers, excluding those to related parties, decreased by 9.1% from end-2018 to \$660m. Also, customer deposits, excluding those from related parties, totaled \$1.2bn at end-September 2019 and regressed by 5% from the end of 2018. Further, the bank's total equity reached \$193.4m at end-September 2019, and increased by 1.8% from end-2018.

Moody's revises CMA CGM's outlook to 'negative'

Moody's Investors Service affirmed the Lebanese-owned and France-based container shipping group CMA CGM's corporate family rating at 'B2', its probability of default rating at 'B2-PD' and its senior unsecured bond ratings at 'Caa1', while it revised the outlook on all the ratings from 'stable' to 'negative'.

It indicated that the firm's 'B2' corporate family rating reflects its solid business structure, robust profitability in its core shipping divisions, the recent and planned measures to strengthen the company's liquidity profile, as well as the agency's expectations that CMA CGM will continue to address upcoming debt maturities. It added that the rating also takes into account CMA CGM's supportive shareholder base, as the company only had limited dividend payouts in past years.

Also, the agency attributed the outlook revision to challenges stemming from changing global macroeconomic conditions that could weigh on the firm's lines of activity, including the container shipping and logistics segments. However, it expected that the sale of the CMA CGM's stake in 10 port terminals, which would generate about \$1bn and which it will finalize by spring 2020, should provide a buffer to the company's liquidity profile.

Moody's considered that downward rating pressures could arise from negative cash flow generation or from the company's inability to adequately and timely address the upcoming maturities of credit facilities and bonds. In parallel, it said that it could change the outlook on the ratings to 'stable' in case of a successful management of upcoming maturities within the next 3 to 6 months, which ensures that the company has sufficient buffers to weather adverse market conditions. Further, it expected the company's leverage ratio at between 5 and 5.5 times and its interest coverage ratio at about 2.5 times in the coming 12 to 18 months.



Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	56.1	
Public Debt in Foreign Currency / GDP	57.2	60.9	60.0	(0.89)
Public Debt in Local Currency / GDP	92.5	94.0	103.2	9.20
Gross Public Debt / GDP	149.7	154.9	163.2	8.31
Total Gross External Debt / GDP**	189.4	191.1	195.7	4.60
Trade Balance / GDP	(31.5)	(31.0)	(27.6)	3.36
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	18.4	(2.61)
Fiscal Expenditures / GDP	28.9	32.4	30.2	(2.17)
Fiscal Balance / GDP	(7.1)	(11.4)	(11.8)	(0.44)
Primary Balance / GDP	2.7	(1.2)	(2.0)	(0.84)
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	257.1	239.6	(17.43)
Commercial Banks Assets / GDP	413.7	453.9	386.2	(67.68)***
Private Sector Deposits / GDP	317.4	317.1	283.1	(34.05)
Private Sector Loans / GDP****	112.3	108.1	88.7	(19.38)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.40
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.51)

*change in percentage points 19/18; **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; ***The decline in assets in 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7; **** in January 2018, Lebanese banks started reporting their financials based on international accounting standard IFRS 9, and revised the 2017 figures accordingly

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	Feb 2018	Jan 2019	Feb 2019	Change**	Risk Level
Political Risk Rating	55.0	54.0	54.0	▲	High
Financial Risk Rating	33.0	31.5	31.5	▲	Moderate
Economic Risk Rating	28.5	24.0	24.0	▲	Very High
Composite Risk Rating	58.25	54.75	54.75	▲	High

MENA Average*	Feb 2018	Jan 2019	Feb 2019	Change**	Risk Level
Political Risk Rating	58.2	58.1	58.2	↔	High
Financial Risk Rating	37.9	39.1	39.2	▼	Low
Economic Risk Rating	31.4	33.8	33.8	▼	Moderate
Composite Risk Rating	63.8	65.5	65.6	▼	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 Investors Service	Caa2	NP	Under Review*	Caa2		Under Review*
Fitch Ratings	CC	C	-	CC	C	-
S&P Global Ratings	CCC	C	Negative	CCC	C	Negative
Capital Intelligence Ratings	C+	C	Negative	C+	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Stable

Source: Moody's Investors Service



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