

LEBANON THIS WEEK

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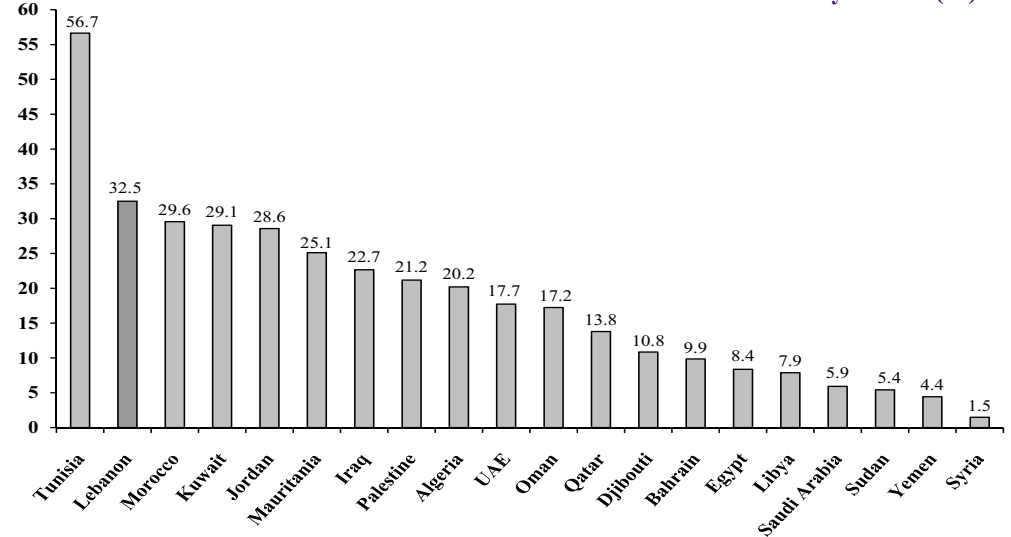
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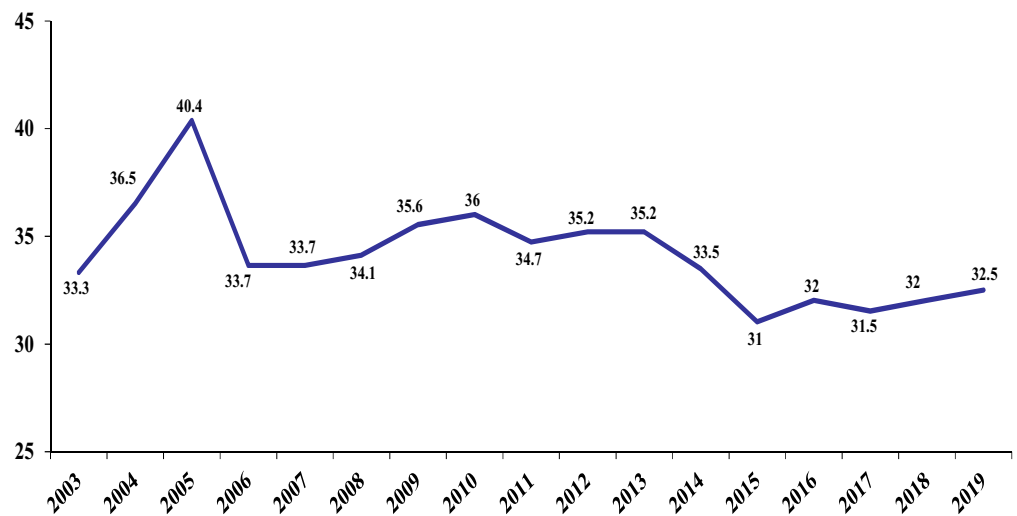
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Charts of the Week

Percentile Rank of Arab Countries in terms of Voice & Accountability in 2019 (%)



Percentile Rank of Lebanon in terms of Voice & Accountability (%)



Source: World Bank Governance Indicators, Byblos Bank

Quote to Note

"The International Fund, the World Bank, and other official donors have been holding back financial support mainly because of the repeated failure of the political class to implement critical reforms."

The Institute of International Finance, on the precondition of multilateral institutions to provide financial support to Lebanon

Number of the Week

68%: Percentage of young Lebanese males and females who disapprove of the way the Lebanese government is dealing with the coronavirus crisis in the country, according to the ASDA/A BCW 2020 Arab Youth Survey

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Aug 2019	Jan-Aug 2020	% Change*	Aug-19	Jul-20	Aug-20
Exports	3,731	2,464	2,261	(8.3)	375	374	274
Imports	19,239	3,839	6,923	(50.0)	1,504	922	799
Trade Balance	(15,508)	(11,374)	(4,663)	(59.0)	(1,129)	(549)	(525)
Balance of Payments	(5,851)	(5,897)	(7,501)	27.2	(579)	(3,046)	(1,968)
Checks Cleared in LBP	22,146	14,072	12,811	(9.0)	1,859	1,865	1,433
Checks Cleared in FC	34,827	23,325	3,262	(0.3)	2,979	3,909	2,411
Total Checks Cleared	56,973	37,397	36,073	(3.5)	4,838	5,774	3,844
Fiscal Deficit/Surplus**	(5,837)	(2,410)	(2,099)	(12.9)	(542)	125	-
Primary Balance**	(287)	76	(707)	-	(208)	169	-
Airport Passengers	8,684,937	6,222,002	1,557,273	(75.0)	1,185,765	150,234	200,368
Consumer Price Index (%)	2.9	2.8	58.1	5534	1.2	112.4	120.0

\$bn (unless otherwise mentioned)	Dec-19	Aug-19	May-20	Jun-20	Jul-20	Aug-20	% Change*
BdL FX Reserves	29.55	30.60	26.44	25.87	23.56	22.76	(25.6)
In months of Imports	21.95	20.35	39.24	30.30	25.55	28.48	40.0
Public Debt	91.64	86.30	93.14	93.40	93.70	94.26	9.2
Bank Assets	216.78***	261.90	203.84	201.09	198.08	195.71	(25.3)
Bank Deposits (Private Sector)	158.86	172.54	146.30	144.50	143.30	143.04	(17.1)
Bank Loans to Private Sector	49.77	55.16	42.91	41.42	40.30	39.64	(28.1)
Money Supply M2	42.11	48.52	38.78	39.02	39.25	40.21	(17.1)
Money Supply M3	134.55	140.40	129.67	129.51	129.48	130.53	(7.0)
LBP Lending Rate (%)	9.09	11.24	8.45	6.84	7.15	7.14	(410)
LBP Deposit Rate (%)	7.36	8.95	4.63	4.16	3.76	3.47	(548)
USD Lending Rate (%)	10.84	10.03	7.90	7.49	7.42	7.54	(249)
USD Deposit Rate (%)	4.62	6.20	1.99	1.64	1.49	1.28	(492)

*year-on-year **figures for the period reflect the first seven months of each year ***The annual 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

Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price (\$)	% Change*	Total Volume	Weight in Market Capitalization	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Solidere "A"	15.80	0.06	141,622	24.58%	Apr 2021	8.25	15.38	1,303.59
Audi Listed	1.03	(10.43)	103,000	9.43%	Oct 2022	6.10	15.00	129.49
Solidere "B"	15.80	1.09	51,934	15.98%	Jan 2023	6.00	14.38	109.94
BLOM GDR	2.59	5.71	10,100	2.98%	Jun 2025	6.25	14.38	47.07
Audi GDR	1.10	15.79	9,000	2.05%	Nov 2026	6.60	14.25	34.96
Byblos Common	0.46	4.55	6,050	4.05%	Feb 2030	6.65	14.25	22.10
HOLCIM	13.02	0.00	-	3.95%	Apr 2031	7.00	14.25	19.54
BLOM Listed	2.81	0.00	-	9.40%	May 2033	8.20	13.88	16.42
Byblos Pref. 09	48.85	0.00	-	1.52%	Nov 2035	7.05	14.50	13.32
Byblos Pref. 08	39.99	0.00	-	1.24%	Mar 2037	7.25	14.50	12.15

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

Source: Byblos Bank Capital Markets, Refinitiv

	Nov 2-6	Oct 26-30	% Change	Oct 2020	Oct 2019	% Change
Total shares traded	321,706	304,280	5.7	933,600	5,199,421	(82)
Total value traded	\$3,186,442	\$4,428,508	(28)	\$11,588,882	\$34,989,893	(67)
Market capitalization	\$6.43bn	\$6.45bn	(0.3)	\$6.45bn	\$7.55bn	(14.6)

Source: Beirut Stock Exchange (BSE)



Household confidence drops to new record low in third quarter of 2020

The results of the Byblos Bank/AUB Consumer Confidence Index show that the Index averaged 17.5 in the third quarter of 2020, constituting a decrease of 8.2% from 19 in the second quarter of 2020 and a drop of 74.7% from 69 in the third quarter of 2019. The index stood at 17.8 in July 2020, the second lowest level on record at the time. It then dropped to a new all-time low of 14.8 in August 2020 and reached 19.9 in September 2020. Further, the Byblos Bank/AUB Present Situation Index averaged 15.5 in the third quarter of 2020 and retreated by 17.7% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 18.8 and regressed by 2% from the second quarter of 2020. The two sub-indices reached their lowest levels in the covered quarter since the Index's inception.

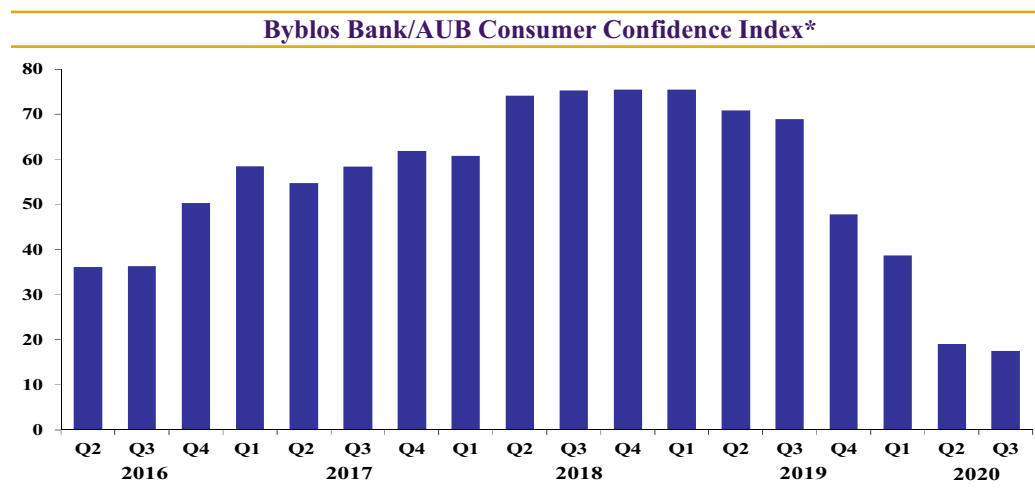
In addition, the average monthly score of the Index in the third quarter of 2020 was 83.5% lower than the quarterly peak score of 105.8 registered in the fourth quarter of 2008, and remained 82% below the annual peak of 96.7 reached in full year 2009. The third-quarter results constitute their lowest level in 53 quarters, as the Index reached a record low in the second quarter and then dropped to a new all-time low in the third quarter of the year.

The collapse in household sentiment was first and foremost due to the multiple ramifications of the August 4 explosion at the Port of Beirut and to the perceived indifference of the political class to the plight of hundreds of thousands of affected families and businesses. Also, talks about the potential need to lift subsidies on basic goods further depressed sentiment. In addition, the lack of a sense of urgency by political parties to form a government, despite the mounting socioeconomic challenges and the added pressure following the blast, affected confidence even more. Consequently, only 0.2% of Lebanese polled in September 2020 considered that their personal financial conditions improved from six months earlier, while 88.8% of respondents said that their financial situation deteriorated from March 2020. Also, only 0.1% of the Lebanese surveyed in September considered that economic conditions in Lebanon improved from six months earlier, while 91.6% indicated that economic conditions deteriorated from March 2020.

Further, only 0.2% of the Lebanese polled in September believed that their personal financial conditions would improve in the coming six months, while 86.6% of households considered that their financial conditions will deteriorate by March 2021. In addition, 0.8% of respondents polled in September anticipated economic conditions to improve in the coming six months, while 89.3% of respondents expected business conditions to deteriorate by March 2021.

The results of the Byblos Bank/AUB Consumer Confidence Index for the third quarter of 2020 show that female consumers had a higher level of confidence than their male counterparts, and consumers in the 21 to 29 years-old bracket posted the highest confidence level relative to citizens in other age brackets during the covered quarter. Further, households with an income of USD 2,500 or more per month continued to be more confident than those who earn a lower income. Moreover, the self-employed were more optimistic than housewives, public-sector employees, private-sector employees, and the unemployed during the third quarter of 2020, while students were the most optimistic segment overall.

In addition, the confidence level of residents in the North decreased by 29% in the third quarter of 2020 from the second quarter of 2020, followed by households in Mount Lebanon (-14.6%), the Bekaa region (-12.3%), and Beirut (-6.1%); while the confidence level of residents in the South increased by 36.7% quarter-on-quarter. The sentiment of residents in Beirut was the highest among all geographic regions during the third quarter of 2020, followed by households in the South, the Bekaa, Mount Lebanon, and the North. Also, the confidence level of Druze households dropped by 14.1% quarter-on-quarter in the third quarter of 2020, followed by the sentiment of Christian households (-10.5%), and Sunni households (-6.4%); while the confidence level of Shiite households increased by 6.6% quarter-on-quarter. Shiite households registered the highest level of confidence in the third quarter of 2020, followed by Christian, Sunni and Druze households.



* Quarterly Average Score

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

Banque du Liban's foreign assets at \$25.4bn, gold reserves at \$17.3bn at end-October 2020

Banque du Liban's (BdL) interim balance sheet reached \$155.2bn at the end of October 2020, constituting an increase of 9.8% from \$141.4bn at the end of 2019, and a rise of 13.5% from \$136.7bn at the end of October 2019.

Assets in foreign currency totaled \$25.4bn at end-October 2020, representing a drop of \$11.8bn, or 31.7%, from \$37.3bn at end-2019; and a decline of \$12.5bn, or 33%, from the end of October 2019. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds relative to \$5.7bn at the end of 2019.

BdL's assets in foreign currency, excluding Lebanese Eurobonds, stood at \$20.4bn at the end of October 2020, and dropped by \$11.2bn, or 35.4%, from end-2019, and declined by \$14.1bn, or by 41%, from end-October 2019. They declined by \$613.3m in January 2020, by \$684.6m in February, by \$67m in March, by \$812m in April, by \$907m in May, by \$558m in June, by \$2.3bn in July, by \$2.2bn in August, by \$2.5bn in September, and by \$489m in October.

The cumulative decline in BdL's assets in foreign currency, excluding Lebanese Eurobonds, is largely due to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a basket of more than 300 food and non-food items, and raw materials for agriculture and industry. It is also due to the fact that BdL has paid, at the request of the government, maturing Eurobonds and external debt servicing until early March 2020, as well as to deposit outflows and to BdL's intervention in the currency market. In addition, the large decrease of \$2.24bn in BdL's assets in foreign currency in the second half of September 2020 was mainly driven by the banks' repayment of their foreign currency loans to BdL.

In parallel, the value of BdL's gold reserves reached \$17.3bn at end-October 2020, and increased by 24% from \$13.9bn at end-2019. The value of gold reserves reached a peak of \$18.1bn at mid-September 2020. Also, the securities portfolio of BdL totaled \$39.9bn at end-October and grew by 5% from end-2019. In addition, loans to the local financial sector regressed by 2.6% from end-2019 to \$14.6bn at end-October 2020. Further, deposits of the financial sector stood at \$108.5bn at the end of October 2020 and declined by \$3.5bn from end-2019. Also, public sector deposits at BdL totaled \$4.34bn at end-October 2020 and fell by \$1.1bn in the first 10 months of the year.

Commercial activity significantly deteriorates year-on-year in first quarter of 2020

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for the volume of commercial sales reached -63 in the first quarter of 2020, unchanged from the fourth quarter of 2019, and relative to -39 in the first quarter of 2019. The plunge reflects the disruptions to economic activity following the eruption of nationwide protests on October 17, and worsening economic and financial conditions, which affected demand. The balance of opinions for the volume of commercial sales in the first quarter of 2020 reached its third lowest quarterly level during the 2004-2019 period, after posting -70 in the first quarter of 2005 following the assassination of Prime Minister Rafic Hariri and -73 in the third quarter of 2006 as a result of the Israeli war on Lebanon. The survey reflects the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions was the lowest in the South at -94, followed by the Bekaa region (-85), Beirut & Mount Lebanon (-48), and the North (-47).

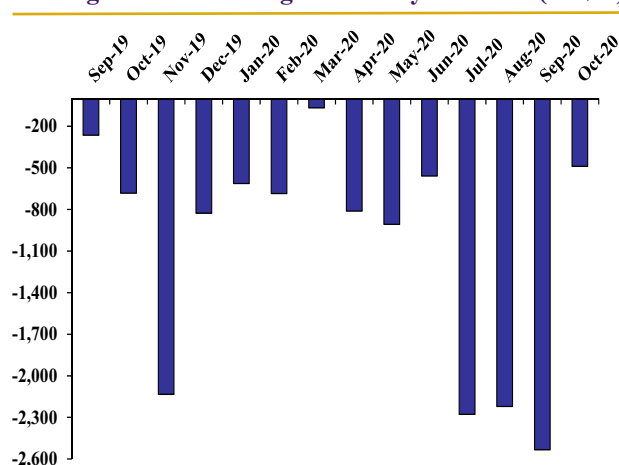
The survey shows that the balance of opinions about the sales of food items was -20 in the first quarter of 2020 relative to -52 in the preceding quarter and to -14 in the first quarter of 2019. Also, the balance of opinions about the sales of non-food products was -84 in the covered quarter, compared to -67 in the previous quarter and to -47 in the first quarter of 2019; while it was -72 for inter-industrial goods relative to -67 in the fourth quarter of 2019 and to -52 in the first quarter of 2019. Further, the balance of opinions for inventory levels in all commercial sub-sectors was -34 in the first quarter of 2020, compared to -19 in the previous quarter and to -10 in the first quarter of 2019. Opinions about the level of inventories were the lowest in the Bekaa region and the South as they reached -37 each, followed by Beirut & Mount Lebanon (-33), and the North (-32).

Commercial Activity: Year-on-Year Evolution of Opinions

Aggregate results	Q1-17	Q1-18	Q1-19	Q1-20
Sales volume	-12	-36	-39	-63
Number of employees	-8	-8	-11	-38
Inventories of finished goods	-10	0	-10	-34
Q1-20 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-48	-47	-94	-85
Inventories of finished goods	-33	-32	-37	-37

Source: Banque du Liban business survey for first quarter of 2020

Change in Gross Foreign Currency Reserves (US\$m)



*BdL paid \$2.1bn in external public debt servicing in November
Source: Banque du Liban

Net foreign assets of financial sector down by \$9.6bn in first nine months of 2020

Figures issued by Banque du Liban (BdL) show that the net foreign assets of the financial sector, which are a proxy for Lebanon's balance of payments, declined by \$9.6bn in the first nine months of 2020 compared to a decrease of \$6bn in the same period of 2019. The cumulative deficit in the first nine months of the year was caused by a drop of \$12bn in the net foreign assets of BdL, which was partly offset by an increase of \$2.35bn in those of banks and financial institutions. The deficit in the covered period reached its widest level in the first nine months of a year since BdL started to publish the data in 1993, mainly due to sustained drawdowns of BdL's foreign currency reserves amid the drying up of capital inflows after the government defaulted on its foreign obligations in March.

Further, the net foreign assets of the financial sector regressed by \$2.1bn in September 2020 compared to a decline of \$2bn in August 2020 and to a decrease of \$58.5m in September 2019. The deficit in September 2020 reached its second widest monthly level on record, after the July 2020 outcome. The August decline was caused by a drop of \$2.5bn in the net foreign assets of BdL, which was partly offset by an increase of \$424.2m in those of banks and financial institutions.

The cumulative increase in the banks' net foreign assets is due to the steeper decline of their foreign liabilities relative to the decrease of their foreign assets. The drop in foreign liabilities was driven to a large extent by a decrease in non-resident deposits and in liabilities to the non-resident financial sector; while the decline in the banks' foreign assets was mostly due to a contraction of the banks' claims on the non-resident financial sector, as well as to a decline of their claims on non-resident customers. In parallel, the decrease in BdL's net foreign assets was due in part to the financing of the imports of hydrocarbons, wheat, medicine, medical equipment, a basket of more than 300 food and non-food items, and raw materials for agriculture and industry.

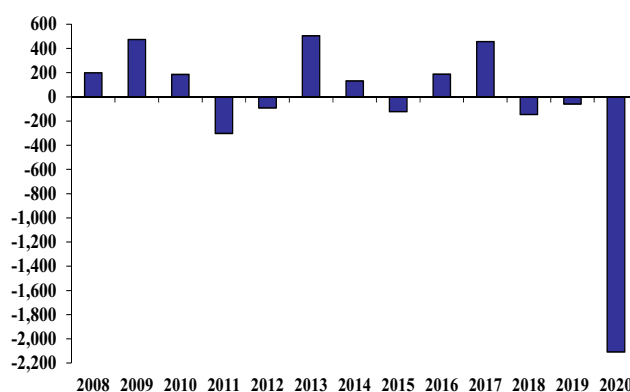
Amount of cleared checks down 4%, returned checks down 27% in first nine months of 2020

The amount of cleared checks reached \$40.7bn in the first nine months of 2020, constituting a decrease of 4.1% from \$42.4bn in the same period of 2019. In comparison, the amount of cleared checks declined by 14.6% year-on-year in the first nine months of 2019 and by 1.3% annually in the same period of 2018. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The amount of cleared checks in Lebanese pounds regressed by 10.4% year-on-year to the equivalent of \$14.5bn in the first nine months of 2020, while the amount of cleared checks in foreign currencies was nearly unchanged at \$26.2bn in the covered period. The dollarization rate of cleared checks expanded from 62% in the first nine months of 2019 to 64.4% in the same period of 2020. There were 4.5 million cleared checks in the first nine months of 2020, down by 42.4% from 7.8 million cleared checks in the same period of 2019.

In addition, the amount of cleared checks reached \$4.6bn in September 2020, constituting an increase of 19.5% from \$3.8bn in the preceding month, and compared to \$5bn in September 2019. The amount of cleared checks in Lebanese pounds grew by 14.8% from the equivalent of \$1.4bn in August 2020 to \$1.6bn in the covered month; while the amount of cleared checks in foreign currencies rose by 22.3% month-on-month to \$2.9bn in September 2020. There were 511,370 cleared checks in September 2020 relative to 402,752 cleared checks in the preceding month.

In parallel, the amount of returned checks in domestic and foreign currencies was \$766.2m in the first nine months of 2020 compared to \$1.05bn in the same period of 2019 and to \$1.16bn in the first nine months of 2018. This constitutes a decline of 27% in the first nine months of 2020 relative to a decrease of 9.5% in the same period of 2019. Also, there were 96,435 returned checks in the covered period, down by 50.8% from 196,153 returned checks in the first nine months of 2019. Further, the amount of returned checks in domestic and foreign currencies stood at \$65m in September 2020 compared to \$54.4m in the previous month and to \$124m in September 2019. Also, there were 5,389 returned checks in September 2020, relative to 4,698 returned checks in August 2020 and to 22,744 checks in September 2019.

Change in Net Foreign Assets of Financial Sector in September of Each Year (US\$m)



Source: Banque du Liban

Tourist receipts down 42% to \$1.1bn in first quarter of 2020

Figures released by Banque du Liban show that tourism receipts in Lebanon totaled \$1.1bn in the first quarter of 2020, constituting a decrease of 42.4% from \$1.8bn in the same quarter of 2019 and a drop of 32% from \$1.6bn in the preceding quarter. Tourism receipts in the first three months of the year reached their lowest level since the first quarter of 2005. They exceeded \$1bn in every quarter since the first quarter of 2005 and averaged \$1.7bn per quarter since then, with a high of \$2.9bn in the third quarter of 2019.

The subdued level of tourism revenues mirrors the low number of tourist arrivals in the covered period. Specifically, the number of incoming visitors to Lebanon reached 194,395 in the first quarter of 2020 and declined by 48.3% from 375,815 tourists in the same quarter of 2019, with tourist arrivals in March reaching their lowest monthly level on record due to the closure of the airport starting on March 18, 2020.

In parallel, outbound tourism spending from Lebanon reached \$986.6m in the first quarter of 2020, and decreased by 24.8% from \$1.3bn in the first quarter of 2019 and by 28.4% from \$1.4bn in the fourth quarter of last year. Outbound tourism spending in the covered period reached its lowest level since the first quarter of 2013, and averaged \$1.3bn per quarter since then. The drop in tourist spending abroad is in line with the decline in the number of Lebanese tourists abroad. The latter decreased due to the lockdown measures and closure of airports in several countries, including Lebanon, in response to the outbreak of the coronavirus worldwide, as well as to restrictions on the withdrawals of foreign currency banknotes from Lebanese banks and to the reduced spending limits on credit cards in foreign currencies. For instance, the number of departing passengers from the Beirut-Rafic Hariri International Airport fell by 31.3% to 616,495 in the first quarter of 2020, relative to an increase of 1.1% in the same period of 2019 and to a rise of 13.5% in the first quarter of 2018.

As such, net tourism receipts totaled \$68.6m in the first quarter of 2020 year and decreased by 86.8% from \$521m in the first quarter of 2019 and by 61.2% from \$176.5m in the fourth quarter of 2019. Net tourism receipts in the covered quarter constituted their lowest level since 2002, while they averaged \$578.7m per quarter since then.

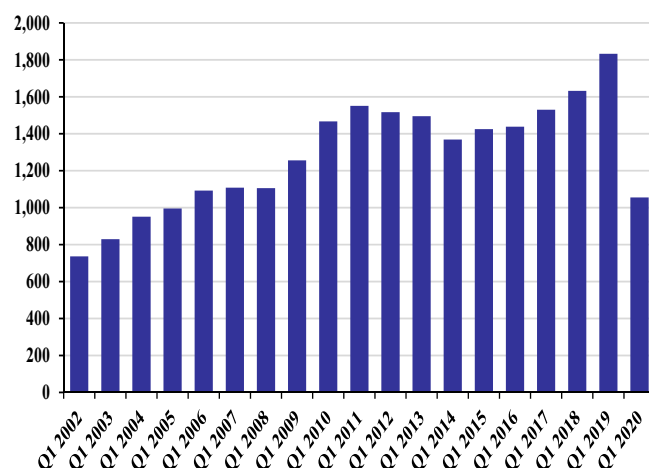
Number of airport passengers down 74% in first 10 months of 2020

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 1,999,512 passengers utilized the airport (arrivals, departures and transit) in the first 10 months of 2020, constituting a decline of 74% from 7.7 million passengers in the same period of 2019. The number of arriving passengers decreased by 75.8% to 917,216 in the first 10 months of 2020, compared to a marginal increase of 0.7% in the same period last year and to a rise of 8% in the first 10 months of 2018. Also, the number of departing passengers fell by 73.2% to 1,039,325 in the first 10 months of 2020, relative to an increase of 2.7% in the same period of 2019 and to a rise of 7% in the first 10 months of 2018.

In parallel, the airport's aircraft activity regressed by 65% to 21,913 take-offs and landings in the covered period, relative to a growth of 0.7% in the same period of 2019 and to an increase of 4% in the first 10 months of 2018. In addition, the HIA processed 51,280 metric tons of freight in the first 10 months of 2020 that consisted of 23,932 tons of import freight and 27,348 tons of export freight. Middle East Airlines had 7,981 flights in the first 10 months of 2020 and accounted for 36.4% of HIA's total aircraft activity.

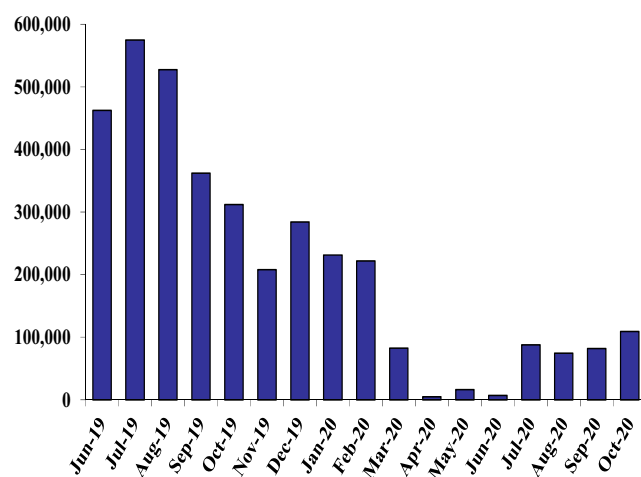
The significant decline in the number of airport passengers and aircraft activity in the covered period is mainly due to the closure of the airport between March 18, 2020 and the end of June, as well as to the lockdown measures and the closure of airports in several countries in response to the outbreak of the coronavirus worldwide. However, the number of passengers that utilized the airport increased by nearly 10 times month-on-month to reach about 150,000 in July and by an additional 33% to around 200,000 passengers in August 2020, as the airport resumed its partial activity at the beginning of July. It then declined marginally to 199,391 passengers in September, and improved to 242,817 in October. Also, the airport's aircraft activity increased from 653 take-offs and landings in June to 1,884 in July and reached 2,770 take-offs and landings in August 2020. It moderated to 2,157 take-offs and landings in September, and improved to 2,398 take-offs and landings in October. Still, the number of passengers that utilized the airport fell by 63.2%, while aircraft activity dropped by 60.5% from October 2019.

Tourist Receipts (US\$m)



Source: Banque du Liban, Byblos Research

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Utilized credits by private sector at \$52bn at end-March 2020, advances against real estate at 45% of total

Figures issued by Banque du Liban show that utilized credits by the private sector totaled \$52.35bn at the end of March 2020, constituting a decline of \$7.2bn, or 12% from \$59.56bn at end-2019 and a decrease of \$15.2bn (-22.5%) from \$67.57bn at end-March 2019. The drop in lending to the private sector is mostly due to clients' decision to settle their loans prior to their maturity, to limited demand for new loans amid political and economic uncertainties, and to lenders' risk aversion amid the challenging conditions in the country. The figures cover loans extended by commercial banks and financial institutions.

Utilized personal credits reached \$18.4bn and accounted for 35.2% of the total at the end of March 2020, followed by credit for trade & services with \$16.1bn (30.8%), construction with \$8.2bn (15.7%), industry with \$5.4bn (10.2%), financial intermediaries with \$2.2bn (4.1%), and agriculture with \$664m (1.3%), while other sectors represented the remaining \$1.43bn (2.7%). The distribution of utilized credits by type of collateral shows that advances against real estate totaled \$23.4bn and accounted for 44.7% of private sector utilized credits at the end of March 2020. Advances against personal guarantees followed with \$8.2bn (15.6%), then advances against cash collateral or bank guarantees with \$3.43bn (6.6%), advances against other real guarantees with \$1.5bn (2.8%), and advances against financial values with \$949.6m (1.8%), while overdrafts totaled \$15bn or 28.5% of the total.

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 48.7% of overall trade & services credits, followed by retail with 16.7%; real estate, rent & employment services with 14.2%; hotels & restaurants with 8.5%; transport & storage with 7.1%; and educational services with 4.7%. Further, utilized credits for trade & services declined by 18% in the first quarter of 2020, followed by utilized credits for construction (-17%), industry (-16.4%), financial intermediaries (-13%), agriculture (-12%), and personal credits (-1.3%) that include mortgages (-3.7%), while utilized credits for other sectors decreased by 16.6% from the end of 2019.

Personal loans beneficiaries represented 85.5% of total loan beneficiaries, followed by trade & services with 10.3% of beneficiaries, industry with 2.7%, construction with 1.4%, agriculture with 1.1% and financial intermediaries with 0.5%, while other sectors attracted the remaining 3.5% of loan beneficiaries.

The aggregate number of loan beneficiaries declined by 6.1% from the end of 2019 to 541,277 at end-March 2020; while 65.6% of beneficiaries had loans ranging from LBP5m to LBP100m at the end of March 2020. Beirut and its suburbs accounted for 73.5% of bank credits and for 53% of beneficiaries. Mount Lebanon followed with 13.6% of credits and 18.3% of beneficiaries, then North Lebanon with 4.8% of credits and 11.4% of beneficiaries, South Lebanon with 4.7% of credits and 10.1% of beneficiaries, and the Bekaa region with 3.5% of credits and 7.2% of beneficiaries.

In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$100.45bn at the end of March 2020, declining by 4.8% from end-2019 and by 10.1% from the end of March 2019. They include endorsement & guarantees of \$95.3bn, or 95% of the total, followed by letters of undertaking with \$2.2bn (2.2%), and commitments on notes with \$1.85bn (1.8%).

Banque du Liban asks importers to meet cash margins through "fresh dollars"

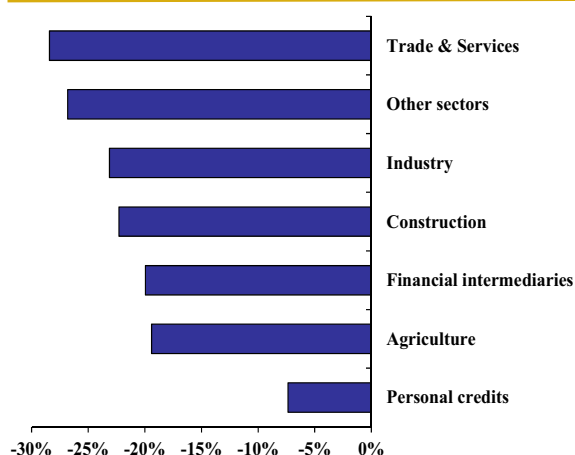
Banque du Liban (BdL) issued on November 4, 2020 Intermediate Circular 574 that modifies Basic Circular 52 dated October 30, 1998 about documentary credits.

The circular prohibits banks from extending credit facilities to companies that will use these facilities to constitute the required cash margins for their documentary credits. It added that clients have to build a cash margin in foreign currency equivalent to 15% of their opened documentary credits or of the documentary credits that they intend to open to finance their imports.

In parallel, the circular added a clause about exceptional measures for imports and exports. First, it asked bank clients to form the required cash margins for trade transactions using cash or transfers from abroad. Second, it said that clients must repatriate the foreign currency revenues that they generate from export transactions that are executed through documentary credits or export credit insurance, to a "fresh money account" at banks in Lebanon. It noted that banks must follow up with their clients on the repatriation of the funds. It pointed out that exporters will have the freedom to use these funds in Lebanon and abroad, whether through foreign transfers, cash withdrawals or by spending them through payment cards.

BdL noted that Circular 574 will be valid as long as Basic Circular 150 dated April 9, 2020 is in place. Circular 150 exempted banks from placing at BdL mandatory reserves on transfers received from abroad or on cash deposits in Lebanese pounds and in foreign currency.

Change in Utilized Credits at End-Marh 2020* (%)



*from end-September 2019

Source: Banque du Liban

Occupancy rate at Beirut hotels at 13%, room yields down 86% in first eight months of 2020

EY's benchmark survey of the hotel sector in the Middle East indicates that the average occupancy rate at four- and five-star hotels in Beirut was 13% in the first eight months of 2020 relative to 72% in the same period of 2019, and compared to an average rate of 37.3% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the lowest in the region in the covered period, while it was the fifth highest in the first eight months of 2019. The occupancy rate at hotels in Beirut regressed by 58.6 percentage points in the first eight months of 2020, constituting the steepest decline in the region. In comparison, the average occupancy rate in Arab markets declined by 28.3 percentage points in the covered period.

The occupancy rate at Beirut hotels stood at 22% in August 2020, constituting a decrease of 60.3 percentage points from 83% in August 2019. It was the sixth lowest rate in the region in the covered month. The occupancy rate at Beirut hotels reached 25% in January, 30% in February, 10% in March, 2% in April, 3% in May, 3% in June and 11% in July 2020. In comparison, it stood at 60% in January, at 71% in February, at 79% in March, at 85% in April, at 45% in May, at 77% in June, and at 77% in July 2019.

The average rate per room at Beirut hotels was \$159 in the first eight months of 2020, decreasing by 22.2% from \$205 in the same period of 2019 and constituting the fifth highest rate in the region. The average rate per room in Beirut was higher than the regional average of \$135.1 that regressed by 20.2% from the first eight months of 2019. The average rate per room at Beirut hotels was \$202 in August 2020, relative to \$138 in January, \$123 in February, \$122 in March, \$124 in April, \$108 in May, \$170 in June and \$283 in July 2020, and down by 7.4% from \$218 in August 2019.

Further, revenues per available room (RevPAR) were \$21 at Beirut hotels in the first eight months of 2020, the lowest rate in the region, compared to \$147 in the same period of 2019. Beirut's RevPAR regressed by 85.8% year-on-year and posted the steepest decrease regionally in the covered period. Beirut posted a RevPAR of \$45 in August 2020, down by 75% from \$180 in August 2019. The RevPAR in Beirut was the seventh lowest in the region in the covered month. In comparison, Beirut posted RevPARs of \$35 in January, of \$37 in February, of \$12 in March, of \$2 in April, of \$3 in May, of \$5 in June and of \$32 in July 2020; while it registered RevPARs of \$118 in January, of \$132 in February, of \$146 in March, of \$174 in April, of \$83 in May, of \$181 in June and of \$164 in July 2019. Abu Dhabi posted the highest occupancy rate in the region at 71% in the first eight months of 2020, while Dubai registered the highest average rate per room at \$197, and Ras Al-Khaimah had the highest RevPAR at \$81 in the covered period.

Social Affairs Ministry to expand National Poverty Targeting Program

The Ministry of Social Affairs announced that, in response to the economic crisis and the surge in poverty rates in Lebanon, it is working on expanding the coverage of the National Poverty Targeting Program (NPTP), a social assistance project launched in 2011 in cooperation with the World Bank, the European Union and the World Food Program. It noted that the NPTP is supposed to cover 43,000 vulnerable households, but only 15,000 households are currently benefitting from food vouchers. It said that it is working towards providing support to the remaining 28,000 vulnerable households and that is currently verifying their profiles and conducting field visits to fill out forms that reflect their living conditions. It added that it is aiming to increase to 55,000 the number of households included in the program by adding people who apply to receive support from the NPTP.

The ministry indicated that it received funding from the European Union, Germany, Italy and Norway, which is sufficient to support 55,000 households from the end of 2020 until February 2022. It explained that each individual will receive a food voucher of LBP100,000 per month, which will allow the purchase of basic food items from 460 specific points of sale across Lebanon. It noted that a household can receive a maximum of LBP600,000 per month in food assistance.

In addition, the ministry indicated that it is currently updating the database of the NPTP and of the Inter-Municipal Platform for Assessment Coordination and Tracking (IMPACT), which was launched in 2020 following the outbreak of the coronavirus. It added that it is cooperating with the World Bank to verify and prepare the data, in order to be able to increase the number of beneficiaries of the NPTP, in case Lebanon obtains additional financing and if subsidies on basic commodities are lifted.

The ministry pointed out that, in addition to targeting the poorest and most vulnerable Lebanese families, it aims to support marginalized groups with special needs, people suffering from chronic diseases, and female-headed households, among others. It added that the NPTP does not cover individuals who have lost their jobs due to the economic crisis, given that the program targets poverty and that the ministry does not have the financial means to expand the number of beneficiaries. It noted that it is working on developing a comprehensive and integrated strategy to build a social protection system in cooperation with the relevant stakeholders, international organizations and civil society.

Hotel Sector Performance in First Eight Months of 2020

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Ras Al Khaimah	48	81	(24.0)
Riyadh	51	74	(19.2)
Dubai	37	73	(55.4)
Kuwait City	36	69	(49.0)
Jeddah	37	64	(62.8)
Doha	55	59	(18.5)
Abu Dhabi	71	54	(27.3)
Makkah	36	38	(72.2)
Amman	32	36	(60.4)
Manama	26	34	(60.5)
Muscat	27	31	(60.9)
Cairo	31	30	(65.5)
Madina	22	26	(73.9)
Beirut	13	21	(85.8)

Source: EY, Byblos Research

Payment cards at 2.99 million at end-March 2020, ATMs total 1,960

Figures released by Banque du Liban show that the number of payment cards issued in Lebanon reached 2,990,191 cards at the end of March 2020, constituting a decline of 46,565 cards (-1.5%) from the end of 2019, and an increase of 175,311 (+6.2%) from end-March 2019. In comparison, the number of payment cards issued in Lebanon expanded by 134,878 cards (+5%) between end-March 2018 and end-March 2019.

Cards held by residents accounted for 96.4% of total cards issued in Lebanon at end-March 2020. The distribution of payment cards by type shows that debit cards with residents reached 1,811,522 and accounted for 60.6% of the total, followed by credit cards with residents at 495,020 (16.6%), prepaid cards with residents at 482,821 (16.1%), charge cards with residents at 93,228 (3.1%), debit cards held by non-residents at 77,154 (2.6%), credit cards with non-residents at 21,123 (0.7%), charge cards held by non-residents at 7,892 (0.3%), and prepaid cards with non-residents at 1,431 (0.05%).

The number of debit cards with residents increased by 34,545, (+1.9%) in the first quarter of 2020, followed by an expansion of 87 debit cards held by non-residents (+0.1%). In contrast, the number of credit cards with residents dropped by 38,330 (-7.2%) in the first three months of 2020; prepaid cards with residents declined by 36,231 cards (-7%); charge cards with residents decreased by 4,826 (-4.9%); credit cards held with non-residents regressed by 1,618 cards (-7.1%); charge cards with non-residents declined by 107 (-1.3%); and prepaid cards with non-residents retreated by 85 cards (-5.6%).

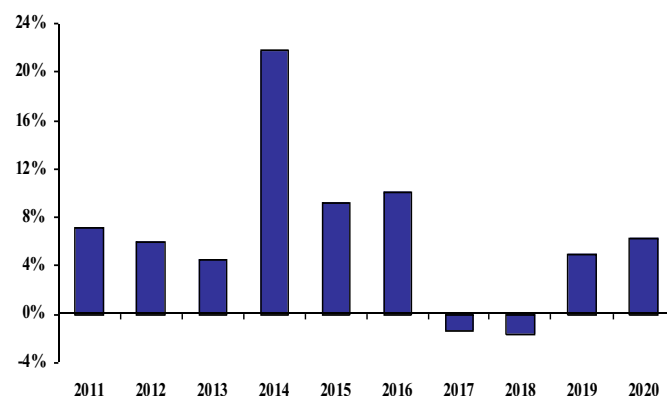
Also, the number of debit cards with residents rose by 220,515 (+14%) in the 12-months ending March 2020; prepaid cards with residents grew by 16,260 (+3.5%), debit cards with non-residents expanded by 10,160 (+15.2%); and charge cards with non-residents increased by 209 (+2.7%) in the covered period. In contrast, the number of credit cards with residents dropped by 65,566 (-11.7%) in the covered period; charge cards with residents declined by 4,508 (-4.6%); credit cards held with non-residents decreased by 1,556 (-7%); and prepaid cards with non-residents regressed by 203 (-12.4%).

In parallel, the year-on-year increase in debit cards in the 12 months ending March 2020 was mainly due to the rising demand in the fourth quarter of 2019 from residents and non-residents for such cards to increasingly utilize them as a mean of payment and cash withdrawals. In parallel, the decline in credit cards held by residents and non-residents in the covered period 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 48,052 at the end of March 2020, constituting an increase of 1,773 points-of-sales (+3.8%) from 46,279 at end-March 2019. However, the number of points-of-sales accepting payment cards regressed by 422 points-of-sales in the first quarter of the year. There were 4.6 points-of-sales per square kilometer in Lebanon at the end of March 2020.

In parallel, there were 1,960 ATMs across Lebanon at the end of March 2020, constituting a decline of 54 ATMs from end-March 2019 and a decrease of 43 ATMs from end-2019. The Greater Beirut area had 721 ATMs at end-March 2020, equivalent to 36.8% of the total; followed by Mount Lebanon with 719 ATMs (36.7%), the North with 202 ATMs (10.3%), the Bekaa region with 145 ATMs (7.4%), the South with 143 ATMs (7.3%), and the Nabatieh area with 30 ATMs (1.5%). As such, there were 188 ATMs per 1,000 square kilometers in Lebanon at the end of March 2020.

Growth in Number of Payment Cards (%)



*year-on-year change in the first quarter of each year

Source: Banque du Liban, Byblos Research

Private sector deposits down \$30.4bn in 13-month period ending September 2020

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at \$192.6bn at the end of September 2020, constituting a decrease of 11.2% from \$216.8bn at the end of 2019 and a decline of 26.6% from \$262.2bn at end-September 2019. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar. The year-on-year decline in assets is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of banks, as part of the implementation of international accounting standard IFRS 7 starting in December 2019.

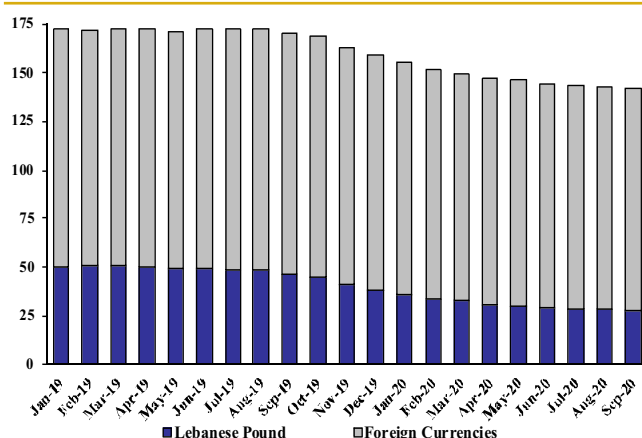
Loans extended to the private sector reached \$38.6bn at the end of September 2020, and declined by 22.4% from end-2019 and by 29.2% from a year earlier. Loans to the resident private sector totaled \$34.1bn, constituting a decrease of 22.7% from the end of 2019 and of 28.6% from end-September 2019. Also, credit to the non-resident private sector reached \$4.5bn at end-September 2020, and regressed by 20% from end-2019 and by 33% from a year earlier. In nominal terms, credit to the private sector contracted by \$11.2bn in the first nine months of 2020 relative to a drop of \$4.88bn in the same period of 2019, as lending to the resident private sector declined by \$10.1bn and credit to the non-resident private sector decreased by \$1.1bn in the covered period. The dollarization rate of private sector loans regressed from 70.3% at end-September 2019 to 61.5% at end-September 2020. The average lending rate in Lebanese pounds was 7.89% in September 2020 compared to 10.92% a year earlier, while the same rate in US dollars was 7.54% relative to 10.26% in September 2019.

In addition, claims on non-resident financial institutions reached \$4.5bn at the end of September 2020 and declined by \$2.3bn (-34%) from end-2019 and by \$4.5bn (-50.3%) from a year earlier. Also, deposits at foreign central banks totaled \$657.5m, constituting an increase of 11.7% from end-2019 and a drop of 18.2% from end-September 2019. In addition, the banks' claims on the public sector stood at \$23bn at end-September 2020, down by \$5.7bn (-20%) from end-2019 and by \$8.7bn (-27.4%) from the end of September 2019. The banks' holdings of Lebanese Treasury bills stood at \$12.7bn, while their holdings of Lebanese Eurobonds reached \$10bn at end-September 2020. Further, the deposits of commercial banks at BdL totaled \$111.1bn at the end of September 2020, down by 5.7% from \$117.7bn at the end of 2019 and by 27.3% from \$152.7bn at the end of September 2019, following the netting operation.

In parallel, private sector deposits totaled \$142.2bn at the end of September 2020, and contracted by 10.5% from the end of 2019 and by 16.5% from end-September 2019. Deposits in Lebanese pounds reached the equivalent of \$28.1bn at end-September 2020, and declined by 26.2% from the end of 2019 and by 39.1% from a year earlier; while deposits in foreign currency reached \$114.1bn, as they regressed by 5.6% from end-2019 and by 8.1% from end-September 2019. Resident deposits totaled \$114.7bn at the end of September 2020 and decreased by \$11.7bn (-9.2%) from the end of 2019 and by \$19bn (-14.2%) from a year earlier. Also, non-resident deposits reached \$27.4bn at end-September 2020, as they regressed by \$5bn (-15.5%) from end-2019 and by \$9.2bn (-25.1%) from the end of September 2019. In nominal terms, private sector deposits declined by \$3.8bn in January, by \$3.4bn in February, by \$2.1bn in March, by \$2.1bn in April, by \$1.2bn in May, by \$1.8bn in June, by \$1.2bn in July, by \$258.2m in August, and by \$856m in September 2020. As such, aggregate private sector deposits dropped by \$16.7bn in the first nine months of 2020 relative to a decrease of \$4bn in the same period of 2019, with deposits in Lebanese pounds regressing by \$10bn and foreign-currency deposits shrinking by \$6.7bn. In addition, private sector deposits declined by \$2.2bn in September, by \$1.9bn in October, by \$5.8bn in November and by \$3.7bn in December 2019. As such, aggregate private sector deposits dropped by \$30.4bn in the 13-month period ending in September 2020, due largely to the repayment of loans, to the hoarding of cash at households, to banks and companies paying their foreign obligations, and to deposit outflows. The dollarization rate of private sector deposits was 80.2% at end-September 2020 compared to 76% at the end of 2019 and to 73% a year earlier.

Further, the liabilities of non-resident financial institutions reached \$7.4bn at the end of September 2020 and decreased by 15.8% from end-2019. Also, the average deposit rate in Lebanese pounds was 3.35% in September 2020 compared to 9.13% a year earlier, while the same rate in US dollars was 1.15% relative to 6.57% in September 2019. The ratio of private sector loans to deposits in foreign currency stood at 20.8% at the end of September 2020 compared to 30.8% a year earlier, well below BdL's limit of 70%. The same ratio in Lebanese pounds reached 52.8% at end-September 2020 relative to 35.1% from a year earlier. As such, the total private sector loans-to-deposits ratio reached 27% compared to 32% at end-September 2019. The banks' aggregate capital base stood at \$18.5bn at end-September 2020, down by 10.8% from \$20.7bn a year earlier.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Losses from Beirut Port explosion dominate global reinsurers' man-made losses

Global reinsurer Swiss Re indicated that it set aside \$222m in the third quarter of 2020 in order to settle claims from the explosion at the Port of Beirut that took place on August 4, 2020. It noted that global natural catastrophe and man-made losses amounted to \$1.5bn in the first nine months of 2020, and that claims associated with the Beirut Port explosion dominated its man-made losses.

Further, Munich Re declared that it incurred man-made losses from the Beirut blast, and that they accounted for the largest share of its man-made losses in the third quarter of 2020. It previously stated that claims from the blast are in the "low three-digit-million euro range", and are mostly related to property insurance.

Moreover, Hannover Re indicated that the man-made losses it incurred from the Beirut Port explosion were among its largest losses in the third quarter of 2020, other than the losses related to the COVID-19 pandemic. It reported net losses from the Beirut blast at €67.4m, compared to losses of €83.9m and €64.4m from a storm and a hurricane, respectively, in the United States, and relative to losses of €700m from the pandemic.

The Association of Insurance Companies in Lebanon (ACAL) considered that the insured losses from the explosion at the Port of Beirut could reach up to \$1.5bn, mostly from the complete or partial damage to about 10,000 properties and 5,000 cars. It also noted that the insured losses could be equivalent to about 25% of the total damages from the blast, and that up to 10% of the damaged properties are insured amid the lack of obligatory insurance on properties in the country.

It considered that the full impact of the explosion on the insurance sector and on reinsurers will depend on the results of the investigation about the cause of the blast, which will determine if it is an act of war, a terrorist attack or an accident. It noted that in case of an accident, then most of the fire, property, marine and all risk policies will cover the insured losses. It said that in case the blast is due to an act of war or a terrorist attack, then only "political violence" policies will cover the insured losses. But it noted that "political violence" policies are less common in Lebanon and are usually requested by large corporations because these policies are expensive.

Further, ACAL pointed out that about 90% of the insured losses are reinsured with 'A'-rated reinsurers, and that Lebanese insurers are negotiating with reinsurers about the settlement of claims, even in the absence of a final official report about the cause of the explosion. It noted that some insurers started to settle small claims, such as for car damage, while larger claims need more time to be settled.

BLOM Bank's profits down 84% to \$57m in first nine months of 2020

BLOM Bank sal declared unaudited net profits of \$57.2m in the first nine months of 2020, constituting a decline of 84% from \$358.1m in the same period of 2019. The bank indicated that the profits it generated in the covered period mostly came from its units outside Lebanon, especially in Egypt, which accounted for 60.7% of its consolidated profits. The bank added that it is required to comply with all the circulars that Banque du Liban (BdL) issues, as stipulated in the Code of Money & Credit. As such, it noted that it calculated the expected credit losses in accordance with specific ratios listed in BdL's Basic Circular 44 dated March 25, 1998 about the capital adequacy regulatory framework for banks operating in Lebanon, and according to Circular 567 dated August 26, 2020. Circular 567 amended the Regulatory Expected Credit Losses requirements that banks must apply on their exposure to the government and to BdL in order to book provisions and, in turn, to compute the capital ratios.

The bank's net interest income reached \$895.6m in the first nine months of 2020 and increased by 67.3% from \$535.2m in the same period of 2019; while its net fees & commissions income stood at \$74.5m in the covered period relative to \$101.2m in the first nine months of 2019. Net operating income totaled \$404.8m in the first nine months of 2020 and declined by 43% from \$710.2m in the same period of 2019. In parallel, the bank's operating expenditures reached \$235.4m in the first nine months of 2020 relative to \$278.7m in the same period of 2019, with personnel cost accounting for 57.8% of the total in the first nine months of 2020.

Also, the bank's aggregate assets reached \$30.5bn at the end of September 2020, and declined by 8.4% from \$33.3bn at end-2019. Net loans & advances to customers totaled \$4.2bn at end-September 2020 and dropped by 28.3% from \$5.8bn at end-2019, while net loans & advances to related parties reached \$8.7m. Further, customer deposits amounted to \$23.6bn and decreased by 9.5%, or by \$2.5bn, in the first nine months of 2019, while deposits from related parties stood at \$81.3m at end-September 2020. In parallel, the bank's shareholders' equity was \$3.2bn at the end of September 2020 and grew by 2.1% from the end of 2019.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	51.3	(3.70)
Public Debt in Foreign Currency / GDP	57.2	60.9	65.8	4.89
Public Debt in Local Currency / GDP	92.5	93.9	112.9	18.96
Gross Public Debt / GDP	149.7	154.8	178.6	23.85
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(30.2)	0.73
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	19.5	(1.53)
Fiscal Expenditures / GDP	28.9	32.4	29.7	(2.62)
Fiscal Balance / GDP	(7.1)	(11.4)	(10.3)	1.09
Primary Balance / GDP	2.7	(1.2)	(0.5)	0.65
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	256.9	262.2	5.29
Commercial Banks Assets / GDP	413.7	453.6	422.6	(31.04)***
Private Sector Deposits / GDP	317.4	316.9	309.7	(7.21)
Private Sector Loans / GDP	112.3	108.0	97.0	(10.96)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.41
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.50)

*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 incorporates 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;
Source: Association of Banks in Lebanon, International Monetary Fund, Central Administration of Statistics, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

National Accounts, Prices and Exchange Rates

	2018	2019e	2020f
Nominal GDP (LBP trillion)	82.9	80.8	127.6
Nominal GDP (US\$ bn)	55.0	51.3	30.4
Real GDP growth, % change	-1.9	-6.8	-26.6
Private consumption	-1.3	-7.3	-25.3
Public consumption	6.7	-43.6	-45.2
Gross fixed capital	-1.8	-11.3	-41.1
Exports of goods and services	0.5	-4.0	-35.3
Imports of goods and services	1.1	-4.9	-39.3
Consumer prices, %, average	6.1	2.9	91.3
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	n/a	1,620	5,662
Weighted average exchange rate LBP/US\$	1,507.5	1,575	4,201

Source: Institute of International Finance- October 2020

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		-
Fitch Ratings	RD	C	-	CC	C	-
S&P Global Ratings	SD	SD	-	CC	C	Negative
Capital Intelligence Ratings	SD	SD	-	C-	C	Negative

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

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