

LEBANON THIS WEEK

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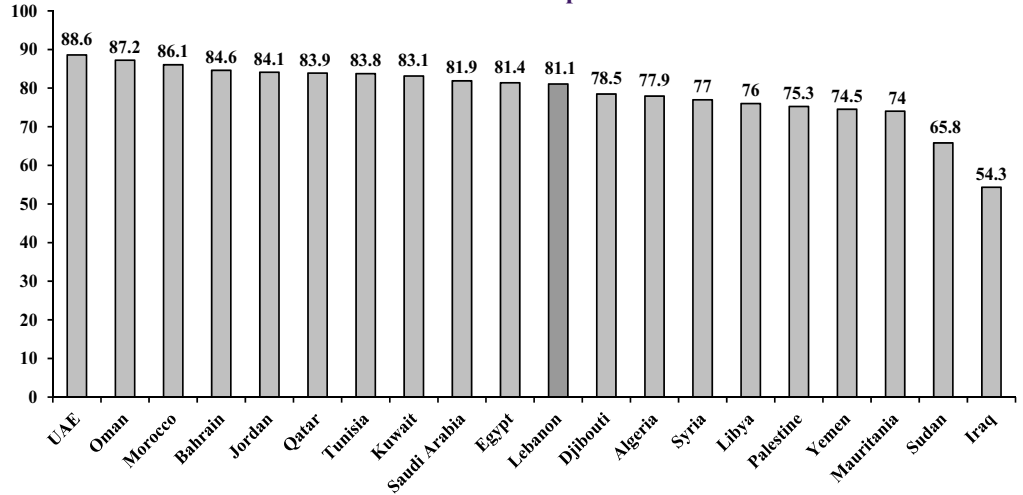
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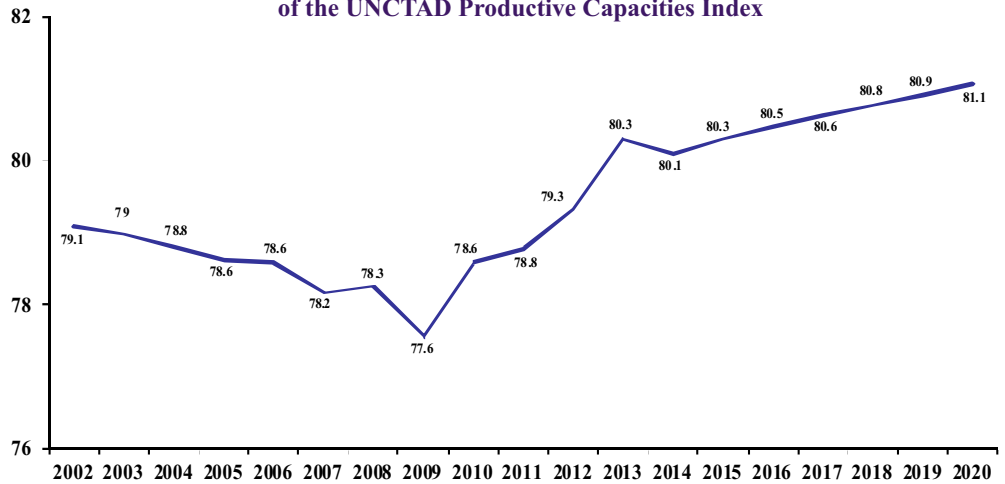
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Charts of the Week

Performance of Arab Countries on the Private Sector Component of the UNCTAD Productive Capacities Index for 2020



Performance of Lebanon on the Private Sector Component of the UNCTAD Productive Capacities Index



Source: United Nations Conference on Trade and Development, Byblos Bank

Quote to Note

"The recovery starts with the immediate formation of a government, as the pressing healthcare, economic and social conditions in the country dictate that all political parties assume their responsibilities."

Ms. Anne Grillot, Ambassador of France to Lebanon, on what Lebanese political stakeholders need to do to lift the country out of its crisis

Number of the Week

0.94%: average interest rate on foreign currency deposits at Lebanese banks in December 2020, according to Banque du Liban

Lebanon in the News

\$m (unless otherwise mentioned)	2018	2019	2020	% Change*	Dec-19	Nov-20	Dec-20
Exports**	2,952	3,731	2,967	(20.5)	324	-	-
Imports**	19,980	19,239	9,073	(52.8)	1,346	-	-
Trade Balance**	(17,028)	(15,508)	(6,106)	(60.6)	(1,022)	-	-
Balance of Payments	(4,823)	(5,851)	(10,551)	80.3	(841)	(214)	(348)
Checks Cleared in LBP	22,133	22,145	19,937	(10.0)	2,402	1,683	1,942
Checks Cleared in FC	44,429	34,826	33,881	(2.7)	3,898	2,242	2,802
Total Checks Cleared	66,570	56,982	53,828	(5.5)	6,300	3,926	4,744
Fiscal Deficit/Surplus***	(6,246)	(5,837)	(2,535)	(56.6)	(920)	-	-
Primary Balance***	(636)	(287)	(1,136)	295.7	(521)	-	-
Airport Passengers	8,842,442	8,683,719	2,501,975	(71.2)	544,967	220,333	282,130
Consumer Price Index	6.1	2.9	84.9	8,200	7.0	133.5	145.8

\$bn (unless otherwise mentioned)	Dec-19	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	% Change*
BdL FX Reserves	29.55	22.76	20.00	19.46	19.03	18.60	(18.3)
In months of Imports	21.95	28.48	20.95	16.31	-	-	-
Public Debt	91.64	94.29	94.84	95.06	95.51	95.59	1.4%
Bank Assets	216.78****	195.71	192.57	191.09	190.31	188.04	(3.9)
Bank Deposits (Private Sector)	158.86	143.04	142.18	140.96	139.91	139.14	(2.7)
Bank Loans to Private Sector	49.77	39.64	38.60	37.68	37.11	36.17	(8.7)
Money Supply M2	42.11	40.21	40.94	42.06	43.32	44.78	11.4%
Money Supply M3	134.55	130.53	130.92	131.20	131.92	132.70	1.7%
LBP Lending Rate (%)	9.09	7.14	7.89	7.61	7.92	7.77	63
LBP Deposit Rate (%)	7.36	3.47	3.35	3.14	2.91	2.64	(83)
USD Lending Rate (%)	10.84	7.54	7.54	7.46	6.63	6.73	(81)
USD Deposit Rate (%)	4.62	1.28	1.15	1.04	0.97	0.94	(34)

*year-on-year **figures for the period reflect the first 10 months of each year ***figures for the period reflect the first eight 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
Byblos Common	0.54	1.9	141,610	4.2%
Solidere "A"	19.70	(1.4)	64,341	27.1%
Solidere "B"	19.79	3.3	40,242	17.7%
Audi Listed	1.66	9.2	7,000	13.5%
HOLCIM	14.90	14.6	1,525	4.0%
BLOM GDR	2.46	14.4	800	2.5%
BLOM Listed	2.22	0.9	260	6.6%
Audi GDR	1.20	0.0	-	2.0%
Byblos Pref. 08	35.00	0.0	-	1.0%
Byblos Pref. 09	39.55	0.0	-	1.1%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Apr 2021	8.25	13.13	7,220.78
Oct 2022	6.10	12.50	187.92
Jan 2023	6.00	12.50	147.37
Jun 2025	6.25	12.63	55.01
Nov 2026	6.60	12.63	39.68
Feb 2030	6.65	12.63	24.47
Apr 2031	7.00	12.50	21.64
May 2033	8.20	12.00	18.17
Nov 2035	7.05	12.50	14.71
Mar 2037	7.25	12.63	13.33

Source: Refinitiv

	Mar 1-5	Feb 22-26	% Change	Feb 2021*	Feb 2020	% Change
Total shares traded	255,778	237,469	7.7	8,583,833	1,729,973	396
Total value traded	\$2,165,058	\$3,676,994	(41.1)	\$24,114,080	\$11,322,149	113
Market capitalization	\$7.26bn	\$7.09bn	2.3	\$7.09bn	\$6.24bn	13.8

*BSE was closed between January 14 and February 5 due to national lockdown

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 63rd globally, sixth among Arab countries in terms of readiness for frontier technologies

The United Nations Conference on Trade and Development (UNCTAD) ranked Lebanon in 63rd place among 158 countries around the world and in sixth place among 18 Arab economies on its 2021 Readiness for Frontier Technologies Index. Also, Lebanon ranked in 14th place among 45 upper middle- income countries (UMICs) included in the survey. The UNCTAD indicated that frontier technologies include artificial intelligence, robotics and biotechnology.

The UN launched the index this year in order to assess the readiness of 158 countries for the equitable use, adoption and adaptation of frontier technologies. The index covers a country's national technological capacities that are related to investments in Information & Communication Technology (ICT) infrastructure, to its human capital, and to the level of research and development (R&D). The index is based on nine indicators that are grouped into five categories, which are ICT deployment, Skills, Research & Development, Industry Activity, and Access to Finance. A country's score ranges from zero to one, with a higher score reflecting a better readiness for frontier technologies.

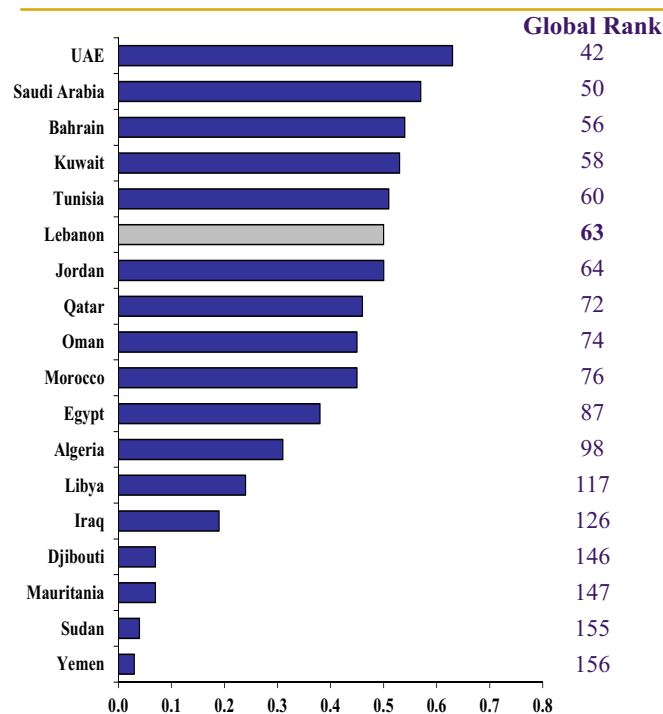
Globally, Lebanon has a higher readiness for frontier technologies than Jordan, Argentina and Vietnam; and a lower readiness than Tunisia, Costa Rica and Kazakhstan among economies with a GDP of \$10bn or more. Lebanon received a score of 0.50 points on the index, which is above the global average score of 0.44 points, the UMICs average score of 0.43 points, and the Arab average of 0.36 points. Further, Lebanon's score came lower than the Gulf Cooperation Council (GCC) countries' average score of 0.53 points and was higher than the average score of non-GCC Arab countries of 0.27 points.

In parallel, Lebanon preceded Guatemala, Colombia and Paraguay, and trailed Argentina, Iran and Mauritius globally on the ICT deployment category. This factor examines a country's level of ICT infrastructure based on the percentage of internet users out of the total population and the average Internet download speed. Also, Lebanon led Iraq and Egypt and followed Morocco and Tunisia regionally on this category.

In addition, Lebanon ranked ahead of Venezuela, Tunisia and Turkey, and came behind the UAE, Mauritius and Bahrain globally on the Skills category. This component assesses the skills that the labor force in the country acquires through education and in the workplace by taking into account the expected years of schooling, the extent of high-skill employment in the country's labor market, and brain drain. Also, Lebanon trailed Saudi Arabia, the UAE, and Bahrain among Arab countries on this category.

Further, Lebanon preceded Uruguay, Mauritius and Kazakhstan, and lagged behind Bahrain, New Zealand and South Africa globally on the Industry Activity category. This factor captures the activities related to the use, adoption and adaption of frontier technologies in a certain industry. It focuses on the manufacturing, finance and ICT sectors, which are considered early adopters of these technologies. It covers data related to the exports of high-technology manufactures and digitally deliverable services. Lebanon ranked behind the UAE, Tunisia, Jordan, Morocco, Kuwait and Bahrain in the Arab region on this category.

**Readiness for Frontier Technologies Index for 2021
Scores & Rankings of Arab Countries**



Source: UNCTAD, Byblos Research

Components of the 2021 UNCTAD Readiness for Frontier Technologies Index for Lebanon

	Global Rank	UMICs Rank	Arab Rank
ICT Deployment	85	26	10
Skills	60	12	4
Research & Development	63	16	8
Industry Activity	72	18	7
Access to Finance	22	5	1

Source: UNCTAD, Byblos Research

Gross public debt at \$95.6bn at end-2020

Lebanon's gross public debt reached \$95.6bn at the end of 2020, constituting an increase of 4.3% from \$91.6bn at the end of 2019. The dollar figures are converted at the official exchange rate of the Lebanese pound against the US dollar. The gross public debt grew by \$4bn in 2020 relative to an increase of \$6.5bn in 2019.

Debt denominated in Lebanese pounds totaled \$59.5bn at the end of 2020 and expanded by 2.8% from the end of 2019; while debt denominated in foreign currency stood at \$36.1bn and grew by 6.8% from end-2019.

On March 7, 2020, the Lebanese government decided to default on the \$1.2bn Eurobond that matures on March 9, 2020. It also announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. The Ministry of Finance (MoF) indicated that \$4.7bn of the debt stock denominated in foreign currency are in arrear as at the end of 2020.

Local currency debt accounted for 62.3% of the gross public debt at the end of 2020 and foreign currency-denominated debt represented the balance of 37.7%, both unchanged from a year earlier. The weighted interest rate on outstanding Treasury bills was 6.52% in December 2020, while the weighted life of Treasury bills and bonds was 1,693 days.

BdL held 43.5% of the public debt at the end of 2020, followed by commercial banks (26%), and non-bank resident financial institutions (8%); while other investors, including foreign investors, held 20.5% of the debt, and multilateral institutions and foreign governments accounted for the remaining 2%.

BdL held 61.4% of the Lebanese pound-denominated public debt at the end of 2020 compared to 58% a year earlier, while commercial banks accounted for 25.8% of the local debt relative to 29% at end-2019. Also, public agencies, financial institutions and the public held 12.8% of the local debt at the end of 2020, unchanged from a year earlier. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.3% of foreign currency-denominated debt at the end of 2020, followed by multilateral institutions with 4% and foreign governments with 1.6%. In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, stood at \$85.6bn at the end of 2020 and grew by 5.3% from a year earlier. Further, the gross market debt accounted for about 54% of the public debt. 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.

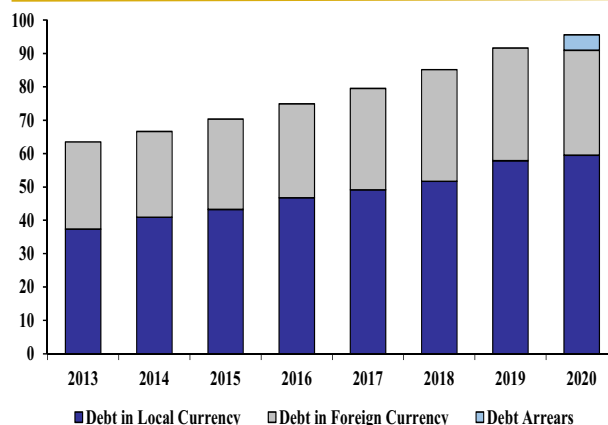
Number of airport passengers down 64% in first two months of 2021

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 347,541 passengers utilized the airport (arrivals, departures and transit) in the first two months of 2021, constituting a drop of 64.4% from 977,524 passengers in the same period of 2020, and relative to 1,131,076 passengers in the first two months of 2019. The number of arriving passengers fell by 70.3% year-on-year to 134,471 in the first two months of 2021, compared to 453,197 passengers in the same period of 2020 and 528,711 passengers in the first two months of 2019. Also, the number of departing passengers totaled 205,052 in the first two months 2021 and decreased by 60% from 511,594 passengers in the same period last year, relative to 591,684 in the first two months of 2019.

In parallel, the airport's aircraft activity totaled 4,274 take-offs and landings in the first two months of 2021, representing a drop of 51.4% from 8,792 takeoffs and landings in the same period of 2020. In comparison, aircraft activity regressed by 14.2% in the first two months of 2020 and increased by 3.1% in the same period of 2019. In addition, the HIA processed 9,944 metric tons of freight in the first two months of 2021 that consisted of 4,379 tons of import freight and 5,566 tons of export freight. Middle East Airlines had 1,550 flights in the first two months of 2021 and accounted for 36.3% of HIA's total aircraft activity.

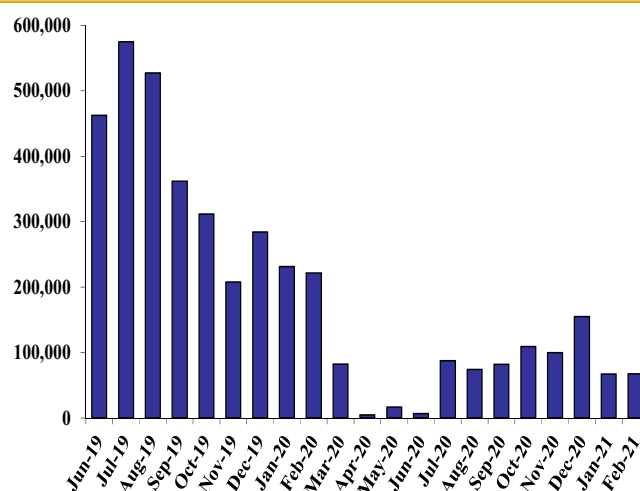
The decline in the number of airport passengers and aircraft activity in the first two months of 2021 is mainly due to the lockdown measures, travel restrictions, and the closure of airports in many countries in response to the outbreak of the coronavirus worldwide.

Lebanon's Gross Public Debt (US\$bn)



Source: Ministry of Finance, Byblos Research

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport

Association of banks identifies factors behind weakening of exchange rate

The Association of Banks in Lebanon (ABL) attributed the recent weakening of the exchange rate of the Lebanese pound on the parallel exchange market to six key factors.

First, it noted that uncertainties in the country increased amid the prevailing political bickering and the lack of political efforts to form a government, seven months after the current Cabinet resigned. Second, it said that importers are resorting to the parallel market to finance at least \$5bn worth of imports that are not subsidized by Banque du Liban (BdL) at the official exchange rate. Third, it added that capital inflows to Lebanon dropped steeply, which resulted in a deficit of \$10.5bn in the balance of payments in 2020, the widest deficit on record and, in turn, reduced the availability of US dollars in the market. Fourth, it indicated that currency in circulation in Lebanese pounds nearly tripled from LBP9,818bn at the end of 2019 to LBP29,242bn at end-2020, due in part to the monetization of the fiscal deficit, which further weakened the currency. Fifth, it pointed out that the trading of the US dollar on illegal electronic platforms has expanded, which requires authorities to crack down on these platforms. Sixth, it said that Lebanese citizens have been stocking cash dollars at home amid the decline in confidence, which is reducing the availability of dollars in the market.

Further, the ABL indicated that banks in Lebanon do not need to resort to the black market to buy US dollars in order to abide by BdL's Basic Circular 154 that requires them to raise the equivalent of 3% of their deposits in foreign currency and to place them in a free account at correspondent banks. It noted that the banks need to accumulate a total of \$3.45bn to comply with BdL's requirements, which is impossible to meet from the black market that has an estimated turnover of about a few million dollars per day. It said that some banks divested some of their foreign subsidiaries, while others discounted their loans and/or received cash contributions from their shareholders or depositors to abide by Basic Circular 154.

It considered that addressing the fluctuations of the currency on the parallel market is contingent on positive political developments that would result in the implementation of policies that address Lebanon's fiscal and external imbalances.

Revenues through Port of Beirut down 44% to \$111m in 2020

Figures released by the Port of Beirut show that the port's revenues reached \$110.6m in 2020, constituting a drop of 44.4% from \$199m in 2019. The Beirut Port processed 4.6 million tons of freight in 2020, down by 30% from 6.5 million tons in 2019. Imported freight amounted to 3.8 million tons in 2020, as it regressed by 34.1% from 5.7 million tons in 2019 and accounted for 82.4% of total freight. In addition, export cargo reached 804,000 tons in 2020 and declined by 2.8% from 827,000 tons in 2019. It represented 17.6% of total freight in 2020. A total of 1,377 vessels docked at the port in 2020, representing a decrease of 21% from 1,746 ships in 2019.

The decline in revenues and the contraction in activity at the Beirut Port in 2020 are mainly due to the deterioration of economic and financial conditions in Lebanon, to the coronavirus pandemic, as well as to the August 4 explosion at the port that led to substantial damages and to its closure for more than eight days. Further, revenues generated through the Beirut Port reached \$10.9m in December 2020 and expanded by 47.2% from \$7.4m in November. The port handled 462,000 tons of freight in December, constituting an increase of 11.3% from 415,000 tons in November 2020, as export cargo and imported freight rose by 33.3% and 7% respectively. In addition, 116 vessels docked at the port in December, up by 7.4% from 108 ships in November 2020.

In parallel, revenues generated through the Port of Tripoli reached \$14.2m in 2020, constituting a decrease of 5.6% from \$15m in 2019. The port processed 2.3 million tons of freight in 2020, up by 13.2% from 2.1 million tons in 2019. Imported freight amounted to 1.8 million tons in 2020 and increased by 14.5% from 1.5 million tons in 2019. It accounted for 75.5% of total freight in 2020. In parallel, exported cargo reached 570,000 tons in 2020, or 24.5% of total freight, constituting an expansion of 9.4% from 521,000 tons in 2019. A total of 626 vessels docked at the port in 2020, growing by 2.8% from 609 ships in 2019. Further, revenues generated through the Port of Tripoli amounted to \$1.7m in December 2020 and increased by 2.4% from \$1.6m in November. The port handled 343,191 tons of freight in December and increased by 53.5% from 223,607 tons in November 2020, as export cargo and imported freight rose by 73.5% and 49.3% respectively. Further, 73 vessels docked at the port in December and surged by 40.4% from 52 ships in November 2020.

Lebanon ranks 169th globally, eighth in Arab world in terms of women's empowerment

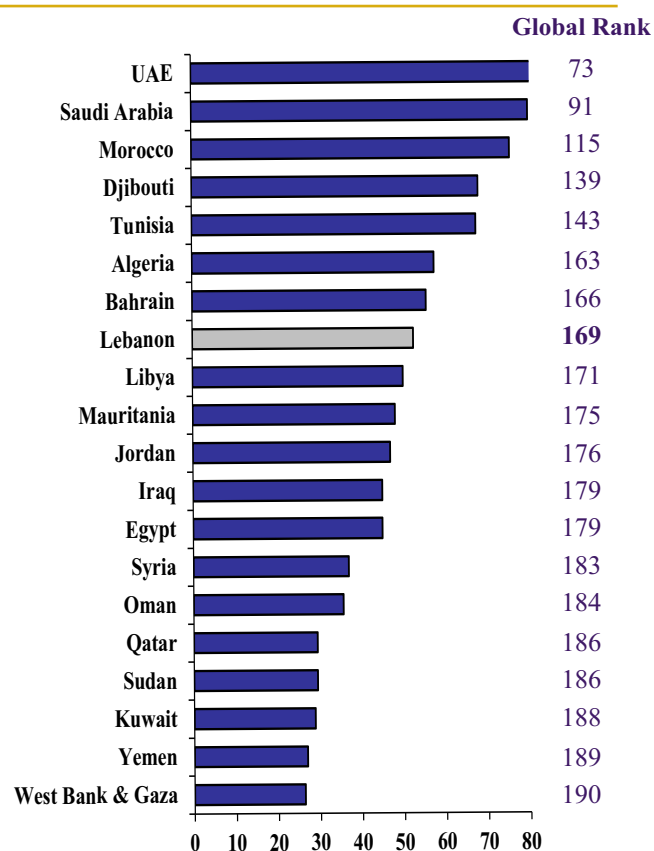
The World Bank's 2021 Women, Business and the Law (WBL) Index ranked Lebanon in 169th place among 190 countries around the world and in eighth place among 20 Arab economies. Lebanon also came in 46th place among 52 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank regressed by two spots from 167th place in the 2020 survey, and by one spot from seventh place among Arab states.

The index assesses how a country's laws influence the equality of opportunities for women during different phases of their working lives, and how the laws affect the empowerment of females and their participation in the labor force. The index is an unweighted average of eight indicators that examine the constraints on the freedom of movement of females (Mobility), that measure laws and regulations affecting women's pay (Pay), that analyze laws affecting women's decisions to work (Workplace), and that assess the legal constraints related to marriage and divorce (Marriage). The other four indicators analyze the obstacles that women face when starting and running businesses (Entrepreneurship), examine laws affecting women's work after having children (Parenthood), consider gender differences in property and inheritance laws (Assets), and assess laws affecting the size of a woman's pension (Pension). A country's overall score ranges from zero to 100, with a score of 100 meaning that a country gives women and men equal legal rights in the eight measured areas.

Globally, Lebanese laws provide more empowerment to women than laws in Equatorial Guinea, Libya and Malaysia, but empower women less than legislation in Bahrain, Pakistan and Brunei Darussalam. Lebanon also came ahead of only Equatorial Guinea, Libya, Malaysia, Jordan, Iraq and Iran among UMICs. Lebanon received a score of 52.5 points in the 2021 survey, which means that Lebanese laws provide women with nearly half of the legal rights provided to men on the eight indicators. Belgium, Canada, Denmark, France, Iceland, Ireland, Latvia, Luxembourg, Portugal and Sweden are the only countries in the world where men and women have equal legal rights across all indicators.

Lebanon's score has been unchanged since the 2016 survey, when it slightly improved from 50 points in the 2015 survey. Lebanon maintained a score of 50 points between 2001 and 2015 and a score of 44.4 points between 1971 and 2000. Lebanon's score in the 2021 survey is lower than the global average score of 76.1 points and the UMICs' average score of 75.3 points, but is higher than the Arab region's score of 49.4 points. Further, the World Bank indicated that Lebanon is the only country in the Middle East & the North Africa region that uses video conferencing to conduct legal hearings in order to obtain protection orders for women. It added that the attorney general of the Court of Cassation introduced in April 2020 an updated procedure for the public prosecution of domestic violence.

**Women, Business & the Law Index for 2021
Arab Countries' Scores & Rankings**



Source: World Bank, Byblos Research

Components of 2021 Women, Business and the Law Index

	Global Rank	UMICs Rank	Arab Rank	Lebanon Score	Global Avg Score	UMICs Avg Score	Arab Avg Score
Going Places	1	1	1	100	88.0	88.5	57.5
Starting a Job	140	33	11	50	79.6	74.0	55.0
Getting Paid	115	32	5	50	67.5	69.2	38.8
Getting Married	142	43	1	60	80.0	82.7	30.0
Having Children	146	42	12	20	54.8	53.8	32.0
Running a Business	83	19	7	75	83.8	81.3	82.5
Managing Assets	157	45	1	40	82.1	86.2	38.0
Getting a Pension	165	46	14	25	73.0	66.8	61.3

Source: World Bank, Byblos Research

Term deposits account for 72% of customer deposits at end-2020

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at \$151.2bn at the end of 2020, constituting a decrease of \$21.4bn, or 12.4% from the end of 2019. Total deposits include private sector deposits that reached \$139.2bn, deposits of non-resident financial institutions that amounted to \$6.58bn, and public sector deposits that stood at \$5.48bn at the end of 2020.

Term deposits in all currencies reached \$109.2bn at the end of 2020 and declined by \$40.5bn, or by 27.1%, from \$149.7bn at end-2019; while they accounted for 72.2% of total deposits in Lebanese pounds and in foreign currency as at end-2020 relative to a share of 86.7% at the end of 2019.

The decline in term deposits is due to a drop of 41.2% in term deposits in Lebanese pounds of the resident private sector, a 30.2% contraction in term deposits of the non-resident financial sector, a 29.6% decrease in term deposits of non-residents, and a 22.4% decline in foreign currency-denominated term deposits of the resident private sector. This was partly offset by a surge of 107.4% in foreign currency-denominated term deposits of the public sector, mainly due to the buying of US dollars by the National Social Security Fund in an attempt to convert a part of the end-of-service indemnities deposited at banks from Lebanese pounds to dollars in order to hedge against a devaluation of the pound; as well as by an increase of 1.3% in term deposits in Lebanese pounds of the public sector. The drop in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in September 2019. Aggregate term deposits declined by \$57.3bn since the end of September 2019.

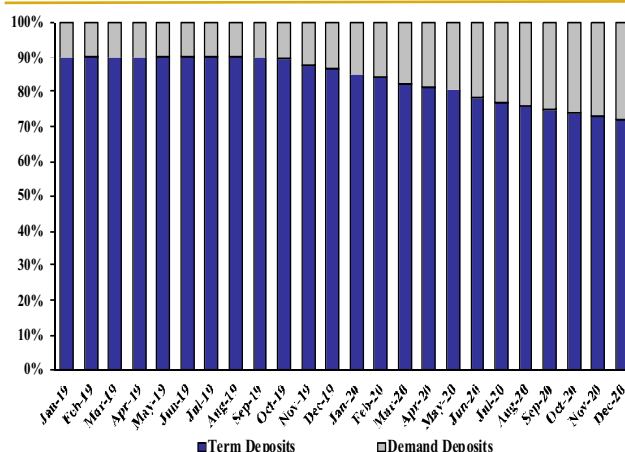
Further, foreign currency-denominated term deposits of the resident private sector reached \$61.2bn and accounted for 40.5% of aggregate deposits at the end of 2020. Term deposits of non-residents followed with \$20.6bn (13.6%), then term deposits in Lebanese pounds of the resident private sector with \$17.8bn (11.8%), term deposits of the non-resident financial sector with \$4.8bn (3.2%), term deposits of the public sector in Lebanese pounds with \$4.2bn (2.8%), and term deposits of the public sector in foreign currency with \$665.6m (0.4%).

In parallel, demand deposits in all currencies at commercial banks stood at \$42bn at the end of 2020 and rose by \$19.1bn, or by 83.6%, from \$22.88bn at end-2019. They accounted for 27.8% of total deposits at end-2020 relative to a share of 13.3% at end-2019. The increase in demand deposits was mainly due to an expansion of \$13bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$3.56bn in demand deposits of non-residents, and an increase of \$2.58bn in demand deposits in Lebanese pounds of the resident private sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$25.5bn and represented 17% of deposits at end-2020. Demand deposits in Lebanese pounds of the resident private sector followed with \$7.28bn (4.8%), then demand deposits of non-residents with \$6.7bn (4.5%), demand deposits of the non-resident financial sector with \$1.8bn (1.2%), demand deposits in Lebanese pounds of the public sector with \$429.7m (0.3%), and demand deposits in foreign currency of the public sector with \$222.2m (0.1%).

The latest available figures show that Beirut and its suburbs accounted for 66% of private-sector deposits and for 48.4% of the number of depositors at the end of September 2020. Mount Lebanon followed with 15.2% of deposits and 18.8% of beneficiaries, then South Lebanon with 7.3% of deposits and 11.9% of depositors, North Lebanon with 6.6% of deposits and 12.4% of beneficiaries, and the Bekaa with 5% of deposits and 8.5% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Increase in food prices in Lebanon remains highest in MENA region

In its periodic assessment of the impact of the COVID-19 pandemic on food-price inflation in the Middle East & North Africa (MENA) region, the World Bank indicated that prices in Lebanon have surged across all food categories between February 14, 2020 and February 15, 2021. It assessed the change in food prices in 19 countries in the MENA region across five main food categories that are carbohydrates, dairy, fruits, meats and vegetables.

The prices of fresh or frozen cattle meat in Lebanon rose by 109% in the 12 months ending February 15, 2021, constituting the highest increase in the price of this item in the region. Lebanon, along with Djibouti and Syria, were the only countries in the region that posted a rise of more than 35% in the price fresh or frozen cattle meat. In comparison, the price of fresh or frozen cattle meat grew by an average of 11% in the region.

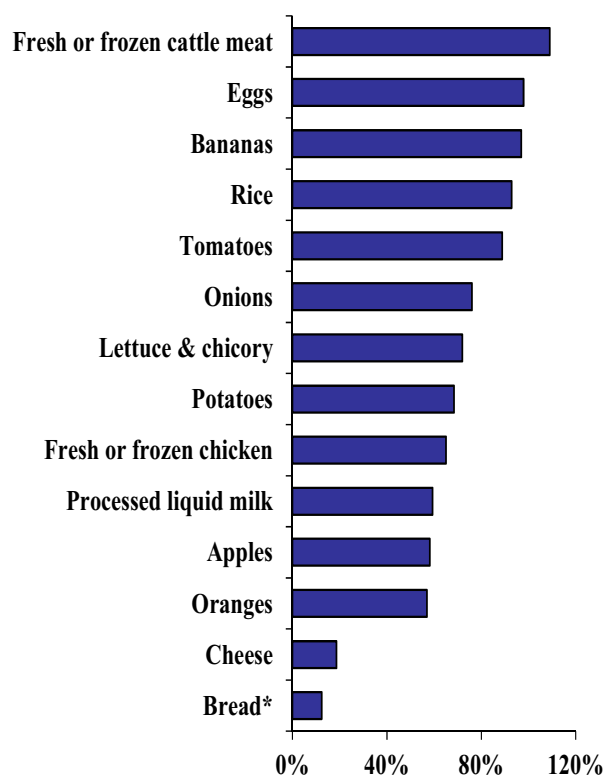
In addition, the price of eggs in Lebanon jumped by 98% in the covered period, the highest price increase for this product in the MENA region. Lebanon, Djibouti, Iran, Syria and Yemen were the only countries in the region that posted a rise of more than 20% in the price of eggs. In comparison, the price of eggs increased by an average of 7% in MENA countries. Also, the price of bananas in Lebanon surged by 97% between February 14, 2020 and February 15, 2021, representing the highest growth rate in the price of this fruit regionally, relative to an average increase of 10% among MENA countries.

In parallel, the prices of rice and tomatoes in Lebanon climbed by 93% and by 88.8%, respectively, in the 12 months ending February 15, 2021, the highest surge in the prices of these food products regionally. Also, the prices of onions and lettuce jumped by 76% and by 72%, respectively, the most significant price leap in the region for such products.

The prices of potatoes in Lebanon grew by 68.4% in the covered period, the highest rise among MENA countries and relative to an average increase of 4.5% in the region. Lebanon, along with Djibouti and Syria, were the only countries in the region that posted increases of above 20% in the price of potatoes. Also, the prices of fresh or frozen chicken surged by 65% between February 14, 2020 and February 15, 2021, the second highest upturn after Djibouti among MENA countries and compared to an average growth of 16.4% regionally. Lebanon, along with Djibouti and Saudi Arabia, were the only countries in the region that posted increases of above 25% in the prices of fresh or frozen chicken.

Further, the price of processed liquid milk in Lebanon rose by 59.4%, between February 14, 2020 and February 15, 2021, the second highest price expansion regionally after Djibouti. In addition, the prices of apples and oranges in Lebanon soared by 58.2% and 57%, respectively, the most significant price increases for such fruits among MENA countries. Lebanon, along with Egypt, Morocco and Yemen, were the only countries in the region that posted increases of above 20% in the price of oranges. Also, the price of cheese surged by 18.7%, the fourth highest price increase regionally for this category; while the price of bread and other manufactured articles sold at bakeries in Lebanon expanded by 12.4% in the covered period, representing the sixth highest increase in bread prices among MENA countries.

**Change in Food Prices in Lebanon
Between February 14, 2020 and February 15, 2021 (%)**



*bread and other manufactured articles sold at bakeries
Source: World Bank, Byblos Research

New car sales down 94% in January 2021

Figures released by the Association of Automobile Importers (AIA) in Lebanon show that dealers sold 61 new passenger cars in January 2021, constituting a drop of 93.8% from 979 automobiles sold in the same month of 2020, and relative to 450 vehicles sold in December 2020. In comparison, individuals and institutional clients purchased 2,420 new cars in January 2017, 2,489 automobiles in January 2018, and 1,838 new vehicles in January 2019.

The market for new passenger cars in Lebanon has been facing increasing challenges in the past few years, including the contraction in economic activity, job insecurity and, more recently, the shortage of foreign currency liquidity in the local market, the emergence of a parallel exchange rate market, as well as the reduced purchasing power of consumers and a very low level of household confidence.

Further, the AIA indicated that car dealers incurred damages in the tens of millions of dollars as a result of the explosion at the Port of Beirut on August 4, 2020, as well as to the national lockdown measures that the government imposed to contain the spread of the coronavirus. It considered that a number of car dealerships could close down and lay off a large number of their employees, and that car sales could further deteriorate in the coming months. Also, it estimated that tax payments by car dealers to the Treasury regressed from \$265m in 2018 to less than \$33m in 2020, constituting a decline of 87.5%. The AIA stopped releasing its monthly data on car sales by brand, distributor and source country since January 2020.

Balance sheet of investment banks down 11% in 2020

Figures released by Banque du Liban (BdL) show that the consolidated balance sheet of investment banks in Lebanon reached LBP6,874bn, or \$4.56bn at the end of 2020, constituting a decrease of 11.3% from LBP7,745bn (\$5.14bn) at end-2019, and relative to a decline of 3% in 2019. The figures are based on the official exchange rate of the Lebanese pound to the US dollar.

On the assets side, claims on resident customers reached \$1.37bn at end-2020 and regressed by 8.5% from the end of 2019; while claims on non-resident customers totaled \$40.6m at the end of 2020 and rose by 26.4% from a year earlier. In addition, claims on the resident financial sector amounted to \$551.5m at end-2020 and decreased by 12% from the end of 2019; while claims on the non-resident financial sector totaled \$90.4m at the end of 2020 and grew by 45% from a year earlier. Also, claims on the public sector totaled \$11.1m at end-2020, constituting a jump of 800% from end-2019; while the securities portfolio, which includes Lebanese Treasury bills and Eurobonds, reached \$680.3m and declined by 25.2% from a year earlier. In parallel, currency and deposits at central banks were \$1.36bn at the end of 2020, down by 14.5% from end-2019.

On the liabilities side, deposits of resident customers totaled \$1.25bn at the end of 2020, constituting a decrease of 16% from end-2019; while deposits of non-resident customers reached \$205m at the end of 2020, representing a dip of 20% from a year earlier. Liabilities to the resident financial sector amounted to \$112.8m at end-2020, down by 26.3% from end-2019; while those to the non-resident financial sector regressed by 10% during the year to \$192m. Also, public sector deposits dropped by 67.4% in 2020 to \$20.5m, while debt securities issued totaled \$12m and dropped by 33.4% from end-2019. Further, the aggregate capital account of investment banks amounted to \$1.53bn at the end of 2020 and decreased by 11.8% from end-2019.

Anghami is first Arab technology company to list on NASDAQ

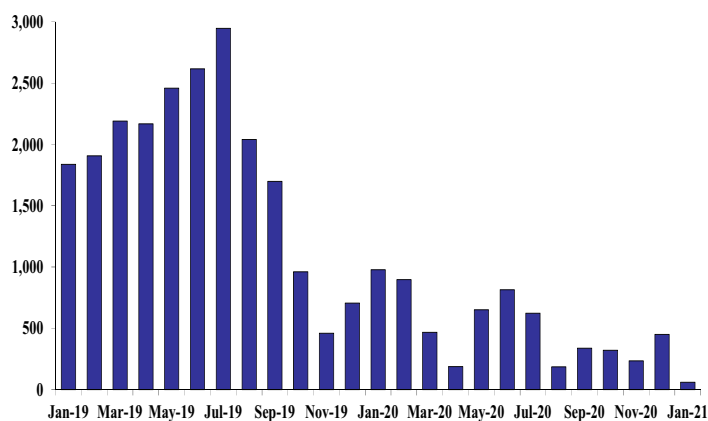
Music streaming platform Anghami announced that it has entered into a definitive merger agreement with mergers & acquisitions firm Vistas Media Acquisition Company (VMAC), which will result in Anghami becoming the first Arab technology company to list on the NASDAQ stock exchange. According to Anghami, the transaction is expected to close in the second quarter of 2021 and will yield an enterprise value of \$220m, which is 2.5 times the estimated revenues of the company for 2022.

The company expects to have about \$142m in cash on its balance sheet when the transaction is finalized, which it will primarily use to further expand its activities, such as investing in research and development and developing innovative products.

The firm stated that its current management team will continue to operate and manage the company and that the new firm will retain its current name. It considered that the listing on the NASDAQ exchange will improve its prospects for additional access to capital. It added that its revenues increased by 80% in the past three years, and anticipated its income to increase five-fold by 2023.

Established in 2012, Anghami is the first music-streaming platform in the Middle East and North Africa. The company is based in Abu Dhabi, has offices in Beirut, Dubai, Cairo and Riyadh, and operates in 16 countries across the MENA region. It has built a platform that offers more than 57 million songs to more than 70 million registered users, with around one billion streams per month.

Number of Passenger Cars Sold



Source: Association of Automobile Importers

Import activity of top five shippers and freight forwarders down 40% in 2020

Figures released by the Port of Beirut show that import shipping operations by the top five shipping companies and freight forwarders through the port reached 160,624 20-foot equivalent units (TEUs) in 2020, constituting a decrease of 39.5% from 265,682 TEUs in 2019. The five shipping and freight forwarding firms accounted for 79.5% of imports to the Lebanese market for local use, and for 44.3% of the total import freight market, which includes transshipments to other ports, in the covered period. Mediterranean Shipping Company (MSC) handled 46,465 TEUs in imports in 2020, or 12.8% of the total import freight market. Merit Shipping followed with 45,343 TEUs (12.5%), then MAERSK with 31,890 TEUs (8.8%), Gezairy Transport with 20,876 TEUs (5.8%) and Tourism & Shipping Services with 16,050 TEUs (4.4%). The five shipping and freight forwarding companies registered year-on-year decreases in import shipping in 2020, with MSC posting a decline of 56.8%, the steepest among the top five firms. The import shipping operations of the five companies through the port rose by 18.6% in December 2020 from the preceding month, following an increase of 9.3% in November 2020.

In parallel, export-shipping operations by the top five shipping and freight-forwarding firms through the Port of Beirut reached 72,046 TEUs in 2020, and increased by 12.3% from 64,153 TEUs in 2019. The five shipping companies and freight forwarders accounted for 90.6% of exported Lebanese cargo and for 19.6% of the total export freight market that includes transshipments through Lebanese ports. Merit Shipping handled 41,107 TEUs of freight, equivalent to 51.7% of the Lebanese cargo export market. MAERSK followed with 14,551 TEUs (18.3%), then Sealine Group with 7,298 TEUs (9.2%), Tourism & Shipping Services with 5,308 TEUs (6.7%), and MSC with 3,782 TEUs (4.8%). Merit Shipping registered an increase of 29.2% in export shipping in 2020, the highest growth rate among the top five shipping and freight forwarding companies; while MSC posted a drop of 19.7%, the steepest decline among top five firms. The export-shipping operations of the top five companies rose by 41.4% in December 2020 from the previous month, following a drop of 30.8% in November.

BLOM Bank's profits at \$2.5m in 2020

BLOM Bank sal declared unaudited net profits of \$2.5m in 2020, constituting a drop of 98% from \$115.4m in 2019. The bank's net interest income reached \$1.17bn in 2020 compared to \$746m in 2019; while its net fees & commissions income stood at \$90.9m relative to \$138.7m in 2019. Net operating income totaled \$385.4m in 2020 and declined by 31.6% from \$563.8m in the previous year. In parallel, the bank's operating expenditures reached \$262m in 2020, down by 23.7% from \$343.5m in 2019, with personnel cost accounting for 56.8% of the total in 2020.

Also, the bank's aggregate assets amounted to \$30.3bn at the end of 2020 and regressed by 9% from \$33.3bn at end-2019. Net loans & advances to customers totaled \$3.1bn at end-2020 and dropped by 46.4% from \$5.8bn a year earlier, while net loans & advances to related parties reached \$8.8m. Further, customer deposits amounted to \$21bn and decreased by 19.5%, or by \$5.1bn in 2020, with deposits from related parties standing at \$71.9m at end-2020. In parallel, the bank's shareholders' equity was \$3.2bn at the end of 2020 and grew by 1.2% from the end of 2019.

The bank indicated 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.

Bank Audi general assembly approves sale of foreign subsidiaries, issuance of subordinated bond

The Ordinary General Assembly of Bank Audi sal, which took place on February 12, 2021, approved the selling of Bank Audi Group's operations in Iraq, Jordan and Egypt. In addition, the Assembly approved the issuance of new subordinated debt that the bank will use to exchange the bonds that it issued in 2013. It noted that the bank will proceed with the issuance after receiving the necessary approvals from Banque du Liban.

Bank Audi sal announced on January 20, 2021 that it has reached a definitive agreement to sell Bank Audi sae, its fully-owned subsidiary in Egypt, to the UAE-based First Abu Dhabi Bank (FAB). The two sides indicated that the deal received the preliminary approval of the Central Bank of Egypt, and expected the transaction to be completed following the regulatory approvals of authorities in Egypt and the UAE. In parallel, Capital Bank Group announced on December 29, 2020 that it acquired the assets and liabilities of Bank Audi Group's units in Iraq and Jordan. The two sides indicated that they received the preliminary approvals of the Central Bank of Jordan and the Central Bank of Iraq for the transactions, but noted that the completion of the deals awaits the final approval of the related supervisory and regulatory authorities.

Net profits of Syrian affiliates of Lebanese banks at SYP 269bn in 2020 on unrealized foreign exchange gains

Preliminary financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP269bn in 2020 relative to net earnings of SYP8bn in 2019. The improvement in the banks' profits is mainly due to the depreciation of the Syrian pound from SYP436 against the US dollar at the end of 2019 to SYP2,830 per US dollar at the end of 2020, which resulted in unrealized foreign exchange gains on the banks' structural positions last year.

The profits of Fransabank Syria rose by SYP48.4bn in 2020, followed by a surge of SYP46bn in the net income of Byblos Bank Syria, an expansion of SYP40.4bn in the earnings of Banque BEMO Saudi Fransi, a growth of SYP38.5bn in the profits of Bank Audi Syria, an increase of SYP33.6bn in the earnings of Bank of Syria & Overseas, an uptick of SYP31.6bn in the net income of Syria Gulf Bank, the affiliate of First National Bank, and an improvement of SYP22.4bn in the profits of Bank Al-Sharq, the affiliate of Banque Libano-Française.

In parallel, the banks' aggregate assets reached SYP2,036bn at the end of 2020 and increased by 117% from SYP940.4bn at end-2019. The rise in assets was due to an expansion of 369% in the assets of Syria Gulf Bank (+SYP194.7bn), a growth of 118% in those of Bank of Syria & Overseas (+SYP162.6bn), an increase of 104% in the assets of Banque BEMO Saudi Fransi (+SYP334bn), a rise of 102.5% in those of Bank Audi Syria (+SYP124.8bn), a surge of 101% in the assets of Byblos Bank Syria (+SYP91.8bn), a growth of 99% in those of Fransabank Syria (+SYP131.3bn), and an increase of 69.5% in the assets of Bank Al Sharq (+SYP57bn). In US dollar terms, the assets of the seven banks declined from \$2.16bn at the end of 2019 to \$719.6m at end-2020. In parallel, the aggregate shareholders' equity of the seven banks reached SYP421.1bn at end-2020, constituting an increase of 178% from SYP151.5bn at end-2019; while, in US dollar terms, the banks' shareholders' equity stood at \$148.8m at the end of 2020 relative to \$347.5m at end-2019. The seven banks have yet to publish their detailed financial results for 2020.

Results of Affiliates of Lebanese Banks in Syria for 2020 (SYPbn)

	Net Earnings		Total Assets	Shareholder's Equity
	2019	2020		
Banque BEMO Saudi Fransi	2.7	43.1	655.4	74.9
Bank of Syria & Overseas	0.2	33.8	300.9	58.6
Fransabank Syria	0.4	48.8	264.1	69.4
Syria Gulf Bank	0.5	32.1	247.6	38.2
Bank Audi Syria	1.2	39.8	246.6	68.6
Byblos Bank Syria	1.1	47.0	183.0	72.5
Al Sharq	1.8	24.3	138.9	38.7

Source: Banks' financial statements

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	99.4
Nominal GDP (US\$ bn)	55.0	51.3	25.9
Real GDP growth, % change	-1.9	-6.7	-26.4
Private consumption	-1.3	-7.3	-23.4
Public consumption	6.7	2.5	-64.7
Gross fixed capital	-1.8	-11.1	-32.2
Exports of goods and services	0.5	-4.0	-31.6
Imports of goods and services	1.1	-4.9	-39.5
Consumer prices, %, average	6.1	2.9	85.2
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	5,528
Weighted average exchange rate LBP/US\$	1,507.5	1,575	3,853

Source: Institute of International Finance- December 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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