

LEBANON THIS WEEK

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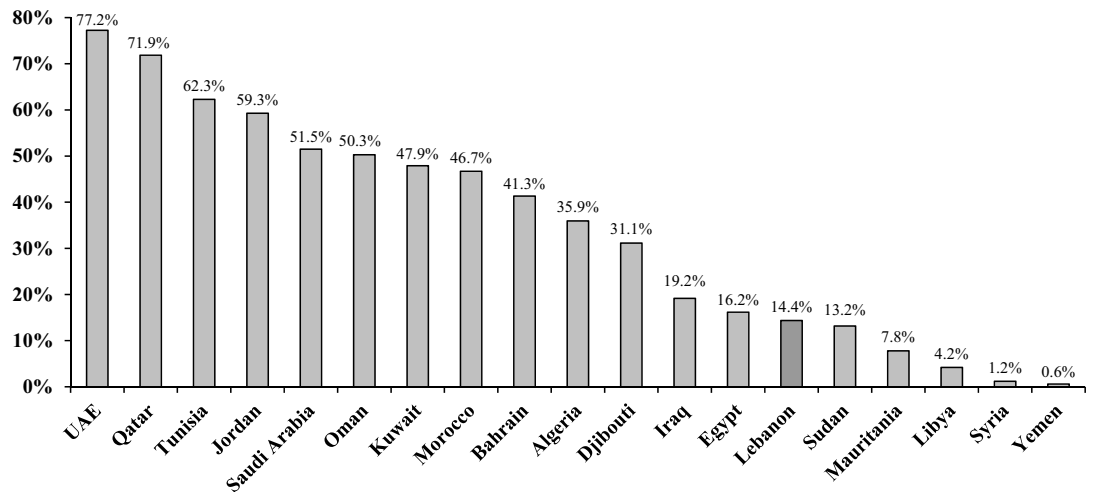
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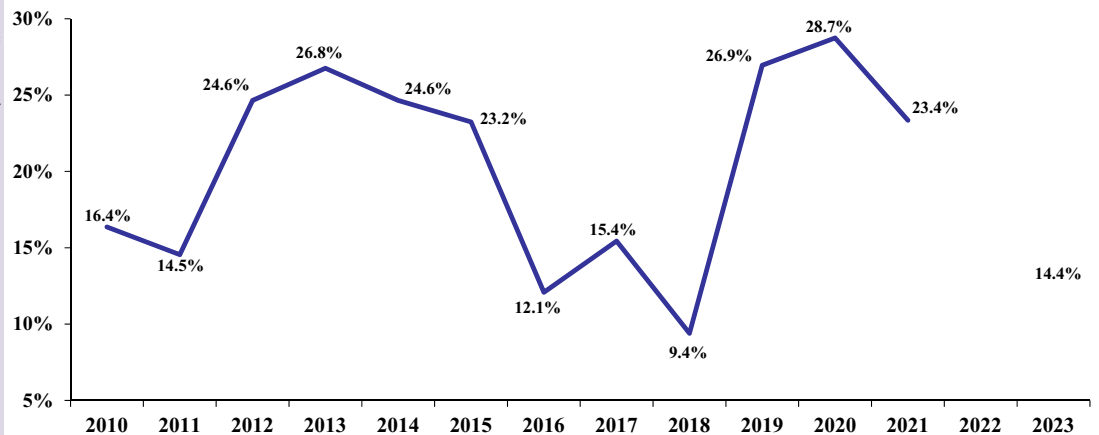
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Charts of the Week

Percentile Rankings of Arab Countries in terms of Governance in the Public Sector for 2023



Percentile Rankings of Lebanon in terms of Governance in the Public Sector*



*figures for 2022 are not provided

Source: Legatum Institute Prosperity Index for 2023, Byblos Bank

Quote to Note

"In 2017, the banking system had enough foreign assets to cover almost all the foreign currency deposits at commercial banks."

The International Monetary Fund, on the coverage level of foreign currency deposits at Lebanese banks

Number of the Week

\$10bn: Aggregate amount of transactions on Banque du Liban's Sayrafa electronic exchange platform in the first half of 2023

Lebanon in the News

\$m (unless otherwise mentioned)	2020	2021	2022	% Change*	Dec-21	Nov-22	Dec-22
Exports	3,544	3,887	3,492	-10.2%	616	274	272
Imports	11,310	13,641	19,053	39.7%	1,269	1,584	1,251
Trade Balance	(7,765)	(9,754)	(15,562)	59.5%	(653)	(1,310)	(979)
Balance of Payments	(10,551)	(1,960)	(3,197)	63.1%	(384)	(354)	17
Checks Cleared in LBP	19,937	18,639	27,14	45.6%	1,738	3,003	3,686
Checks Cleared in FC	33,881	17,779	10,288	-42.1%	1,079	767	577
Total Checks Cleared	53,818	36,418	37,434	2.8%	2,818	3,770	4,263
Fiscal Deficit/Surplus**	(2,709)	1,457	-	-	-	-	-
Primary Balance**	(648)	3,323	-	-	-	-	-
Airport Passengers	2,501,944	4,334,231	6,360,564	46.8%	455,087	446,450	551,632
Consumer Price Index	84.9	154.8	171.2	1,645bps	224.4	142.4	122.0

\$bn (unless otherwise mentioned)	Dec-21	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	% Change*
BdL FX Reserves	13.65	10.63	10.78	10.60	10.40	10.40	(23.8)
In months of Imports	-	-	-	-	-	-	-
Public Debt	100.37	103.65	102.71	101.94	101.94	101.81	1.4
Bank Assets	174.82	168.75	167.01	164.64	165.05	169.06	(3.3)
Bank Deposits (Private Sector)	129.47	125.02	124.96	124.37	124.57	125.72	(2.9)
Bank Loans to Private Sector	27.72	22.82	22.28	21.93	21.29	20.05	(27.7)
Money Supply M2	52.41	50.87	62.15	72.31	71.40	77.34	47.6
Money Supply M3	133.38	127.71	138.46	148.13	147.09	152.29	14.2
LBP Lending Rate (%)	7.14	4.85	5.09	5.00	5.30	4.56	(258)
LBP Deposit Rate (%)	1.09	0.60	0.66	0.70	0.65	0.60	(49)
USD Lending Rate (%)	6.01	5.51	4.61	5.11	4.35	4.16	(185)
USD Deposit Rate (%)	0.19	0.10	0.09	0.10	0.07	0.06	(13)

*year-on-year

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"	76.80	(0.8)	22,150	43.5%	Apr 2024	6.65	6.50	951.97
Solidere "B"	75.15	0.2	14,038	27.7%	Jun 2025	6.25	6.50	207.62
Audi GDR	1.40	1.4	11,164	0.9%	Nov 2026	6.60	6.50	99.74
Audi Listed	1.73	1.2	2,491	5.8%	Mar 2027	6.85	6.50	89.37
HOLCIM	55.05	(0.6)	259	6.1%	Nov 2028	6.65	6.50	58.69
Byblos Common	0.78	0.0	-	2.5%	Feb 2030	6.65	6.50	45.82
BLOM GDR	2.25	0.0	-	0.9%	Apr 2031	7.00	6.50	38.41
Byblos Pref. 09	29.99	0.0	-	0.3%	May 2033	8.20	6.50	29.77
BLOM Listed	2.56	0.0	-	3.1%	Nov 2035	7.05	6.50	23.49
Byblos Pref. 08	27.00	0.0	-	0.3%	Mar 2037	7.25	6.50	20.98

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

Source: Refinitiv

	Jul 3-7	Jun 26-27	% Change	June 2023	June 2022	% Change
Total shares traded	50,102	475,933	(89.5)	1,157,356	1,556,020	(25.6)
Total value traded	\$2,855,964	\$28,731,805	(90.1)	\$63,989,737	\$57,103,187	12.1
Market capitalization	\$17.64bn	\$17.68bn	(0.2)	\$17.68bn	\$14.35bn	23.2

Source: Beirut Stock Exchange (BSE)



Greenfield foreign direct investments at \$12.3m in 2022

Figures compiled by fDi Markets and released by the United Nations Conference on Trade and Development (UNCTAD) show that greenfield foreign direct investments in Lebanon totaled \$12.3m in 2022 compared \$0.1m in 2021, while there were five greenfield FDI projects in 2022 relative to one project in 2021. In comparison, Lebanon attracted \$27.7m in greenfield FDI in 2020 (four projects), \$286.8m in 2019 (12 projects), \$121.2m in 2018 (seven projects), \$69.7m in 2017 (11 projects), \$39.4m in 2016 (10 projects), \$34.6m in 2015 (seven projects), \$1.13bn in 2014 (10 projects), and \$69m in 2013 (16 projects).

The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation. The figures exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border greenfield investments across the world, and is owned by the Financial Times Group.

Lebanon was the seventh smallest recipient of greenfield FDI in nominal terms among 144 economies with a GDP of \$10bn or more and the smallest recipient among 18 Arab countries. Lebanon was among 76 countries globally that registered an increase in the amount of inward greenfield FDI in 2022. In comparison, the amount of inward greenfield FDI to Arab economies surged by 348% to \$199.2bn in 2022 and greenfield FDI to West Asian economies increased by 152.5% to \$75bn last year.

Greenfield FDI in Arab Countries (US\$m)			
	2022	2021	Change (%)
Egypt	107,489.7	14,968.7	618.0%
Qatar	29,974.1	1,188.0	2,423.0%
Morocco	15,328.3	3,774.6	306.0%
Saudi Arabia	13,472.8	8,957.8	50.4%
UAE	11,085.8	6,631.0	67.2%
Oman	10,004.5	4,707.5	112.5%
Libya	6,361.7	11.9	53,360.0%
Djibouti	2,469.0	6.2	39,722.6%
Bahrain	2,242.1	1,007.3	122.6%
Iraq	1,046.4	1,090.2	-4.0%
Kuwait	612.9	113.4	440.4%
Tunisia	408.6	275.5	48.3%
Jordan	383.1	425.7	-10.0%
Yemen	357.7	-	-
Sudan	174.1	98.9	76.0%
Algeria	135.7	861.4	-84.2%
Mauritania	55.0	343.0	-84.0%
Palestine	24.8	-	-
Lebanon	12.3	0.1	12,200.0%
Total	201,638.6	44,461.3	353.5%

Source: fDi Markets, UNCTAD, Byblos Research

In parallel, Lebanon attracted the fifth lowest number of greenfield FDI projects globally in 2022, similar to Angola, Guinea, Libya, Mauritius, and Myanmar. Also, Lebanon was among 99 countries worldwide that registered an increase in the number of greenfield FDI projects in 2022. In comparison, the number of greenfield FDI projects to Arab economies increased by 73.3% to 1,782 projects last year and greenfield projects to West Asian economies rose by 67% year-on-year to 1,854 projects in 2022.

Further, the amount of greenfield FDI in Lebanon accounted for 0.006% of total greenfield FDI in Arab countries last year relative to 0.0002% in 2021. It also represented 0.02% of total flows to West Asian countries compared to 0.0003% in 2021. Also, the amount of greenfield FDI in Lebanon was equivalent to 0.07% of GDP in 2022, the lowest such ratio in the Arab world.

Banque du Liban extends terms of Circular 151 until end of 2023

Banque du Liban (BdL) issued Intermediate Circular 673/13562 dated July 5, 2023 addressed to banks that modified Basic Circular 151/13221 dated April 21, 2020 about exceptional measures related to cash withdrawals from foreign currency accounts at banks operating in Lebanon. The circular extends the terms of Basic Circular 151/13221, which were set to expire at the end of June 2023, until the end of 2023.

The circular, which BdL issued on April 21, 2020, allowed clients who have accounts in US dollars or in any other foreign currency at banks operating in Lebanon to withdraw banknotes in Lebanese pounds from these accounts at a fixed exchange rate of LBP3,900 per US dollar for a period of six months. BdL extended the terms of the circular for another six-month period that expired at the end of March 2021, prolonged it for an additional six months until the end of September 2021, renewed it for a four-month period ending on January 31, 2022, and extended it until the end of June 2023.

On December 9, 2021, BdL issued Intermediate Circular 601/13377 that modified the terms of Basic Circular 151/13221. It allowed clients who have accounts in US dollars, or in any other foreign currency, at banks operating in Lebanon, to withdraw banknotes in Lebanese pounds from these accounts at a fixed exchange rate of LBP 8,000 per US dollar instead of the LBP3,900 per dollar withdrawal rate that prevailed since April 2020. In addition, BdL put a ceiling of \$3,000 on the monthly withdrawals per account. Further, BdL issued Intermediate Circular 657/13526 dated January 20, 2023 that allowed clients who have accounts in US dollars, or in any other foreign currency, to withdraw banknotes in Lebanese pounds from these accounts at a fixed exchange rate of LBP 15,000 per US dollar instead of the LBP8,000 per dollar withdrawal rate that prevailed since December 2021. In addition, BdL put a ceiling of \$1,600 on the monthly withdrawals per account instead of the \$3,000 limit that was in place since December 2021.



Lebanon makes "significant progress" on improving fiscal transparency in 2022

The United States Department of State indicated in its 2023 Fiscal Transparency Report on 140 countries that the Lebanese government made significant progress in terms of improving fiscal transparency in the budget process for 2022 by enacting a budget for the first time since 2020. Also, it said that the authorities published the 2022 budget online, and that the text included the distribution of expenditures by ministry. But it noted that the government did not publish an executive budget proposal or end-of-year report online within a reasonable period of time. It added that authorities did not issue revised budget estimates, and considered that the information and allocations in the budget of 2021 is not reliable nor reasonably accurate, and did not reflect actual revenues and expenditures.

In addition, it noted that the authorities did not disclose information on debt obligations, including the debt of major state-owned enterprises (SOEs), while details regarding the budgets and the earnings of SOEs were limited. Also, it pointed out that budgets to support ministries, the military, and intelligence services had limited details and that civilian public oversight was restricted. It added that the Court of Audit of Lebanon did not meet the international standards of independence, did not audit the entire annual executed budget, and did not publish its audit reports within a reasonable timeframe.

As a result, it called on the authorities to improve Lebanon's fiscal transparency through enacting and publishing the budget within a reasonable period of time; publishing an executive budget proposal and end-of-year report within an acceptable timeframe; as well as ensuring that the budget provides a full picture by including major sources of revenues, expenditures, and debt obligations, including the debt of major SOEs. It also encouraged authorities to produce and publicly issue revised budget estimates or to pass a supplementary budget when budget executions deviate significantly from projections; to provide details on the allocations to and earnings of SOEs; as well as to break down the allocation of expenditures in order to support executive offices at ministries. Finally, it stressed the need to submit the budgets of the military and intelligence services to parliamentary or public civilian oversight; as well as to ensure that the supreme audit institution meets international standards of independence, provides audits of the budget's execution, and publishes its reports within a reasonable period of time.

In its 2023 Fiscal Transparency Report on 140 countries, the U.S. Department of State, in consultation with other relevant federal agencies, reviewed governments that it originally identified in its Fiscal Transparency Report for 2014. It utilized in its evaluation information from U.S. embassies and consulates, other U.S. government agencies, international organizations, and civil society organizations. It added that U.S. diplomatic missions in the countries that the report covered consulted with foreign government officials, international organizations, and civil society organizations to obtain information for these assessments.

It considered that fiscal transparency is a critical element of effective public financial management that helps build market confidence and underpins economic sustainability. Also, it noted that fiscal transparency fosters greater government accountability by providing a window into government budgets, which would help citizens hold their leadership accountable and facilitate better public debate.

It indicated that the 2023 fiscal transparency review process assessed if governments publicly disclosed key budget documents, including the distribution of expenditures by ministry and the sources of revenues by origin and type. The review process also examined if governments had a supreme audit institution that meets international standards of independence and if it audits the government's annual financial statements, and if the results of the audits are made publicly available. Also, it said that the review assessed whether authorities outline the law and regulations of the process for awarding licenses and contracts for natural resource extraction and follow through in practice, and if they make publicly available basic information on such awards.

It noted that, while a lack of fiscal transparency can be an enabling factor for corruption, the report does not assess the corruption level in a country. It pointed out that a finding that a government "does not meet the minimum requirements of fiscal transparency" does not necessarily mean there is significant corruption in that country; while a finding that a government "meets the minimum requirements of fiscal transparency" does not necessarily reflect a low level of corruption in that country.

The U.S. Department of State indicated that, of the 140 countries and territories that it evaluated, only 72 governments met the minimum requirements of fiscal transparency for 2023, while 69 governments did not meet the minimum requirements of fiscal transparency for this year. However, it pointed out that, out of these 69 countries, 25 governments made significant progress toward meeting the minimum requirements of fiscal transparency for 2025.

Regionally, it indicated that the governments of Jordan, Morocco and Tunisia met the minimum requirements of fiscal transparency for 2023; while Egypt, Iraq, Lebanon, Mauritania, Palestine and Saudi Arabia made significant progress toward meeting the minimum requirements of fiscal transparency. It added that the governments Algeria, Bahrain, Djibouti, Libya, Oman, Sudan and Yemen did not make any significant progress toward meeting the minimum requirements of fiscal transparency for this year.



Banque du Liban's foreign assets at \$14.3bn, gold reserves at \$17.8bn at end-June 2023

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,567.1 trillion (tn), or the equivalent of \$104.5bn, on June 30, 2023, constituting a marginal decrease of 0.2% from LBP1,571tn (\$104.7bn) at mid-June 2023 and an increase of 0.7% from LBP1,556.2tn (\$103.7bn) at end-May 2023. Assets in foreign currency reached \$14.3bn at end-June 2023, representing a decline of \$878.6m, or of 5.8%, from the end of 2022 and a drop of \$1.2bn (-7.8%) from \$15.5bn at end-June 2022. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

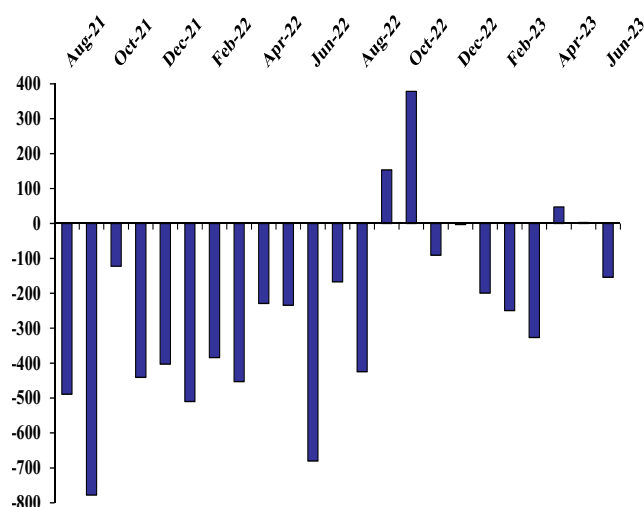
BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.27bn on June 30, 2023, constituting decreases of \$104.03m (-1.1%) from \$9.37bn at mid-June 2023 and of \$154m (-1.6%) from end-May 2023. They dropped by \$878.6m (-8.7%) from the end of 2022 and by \$1.03bn (-10%) from \$10.3bn at end-June 2022. The cumulative decline of BdL's gross foreign-currency reserves in the past 12 months is largely due to the financing of imports, such as wheat, medicine, medical equipment, and raw materials for agriculture and industry, as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks. It is also due to the steep drop in capital flows to Lebanon since September 2019, and to the near halt of inflows after the government decided to default on its Eurobonds obligations in March 2020. However, the decline in BdL's assets foreign currency was offset in part by the allocation of about \$1.13bn in Special Drawing Rights that the IMF transferred to BdL's account on September 16, 2021.

Further, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP81,203bn at the end of June 2023, representing an increase of 1.3% from LBP80,171.3bn at the end of 2022 and a surge of 111.2% from LBP38,455.9bn at end-June 2022. Also, the item "Other Assets" on BdL's balance sheet reached LBP102,576bn, or \$6.8bn at end-June 2023, nearly unchanged from LBP102,309.7bn a month earlier.

In parallel, the value of BdL's gold reserves reached \$17.75bn at end-June 2023, constituting a rise of \$1.1bn (+6.6%) in the first half of the year and an increase of \$930.5m (+5.5%) from \$16.8bn at end-June 2022. The value of gold reserves reached a peak \$18.7bn at mid-April 2023. Also, the securities portfolio of BdL totaled LBP65,968bn, or \$4.4bn, at end-June 2023. In addition, loans to the local financial sector stood at LBP16,123.5bn, or \$1.07bn; while the deposits of the financial sector reached LBP1,342tn, or \$89.5bn, on June 30, 2023. In addition, public sector deposits at BdL stood at LBP103,748bn at end-June 2023 and surged by LBP86,486bn from a year earlier.

Moreover, the balance sheet shows that BdL's loans to the public sector totaled LBP249,275.8bn, equivalent to \$16.6bn, as at end-June 2023. BdL indicated that it started in 2019 to make payments on behalf of the Lebanese government from its own foreign currency reserves, either against cash collateral in Lebanese pounds at the existing official exchange rate of LBP1,507.5 per dollar, which consists of public sector deposits, or in exchange for a pledge by the government to repay the amounts in the same foreign currency at a later stage. It said that the public sector's deposits valued in local currency exceeded the net cumulative balance for the payments it made on behalf of the government in foreign currency, which allowed BdL to maintain a net credit balance for public sector deposits. It noted that, after the modification of the exchange rate from LBP1,507.5 per dollar to LBP15,000 a dollar at the start of February 2023, the countervalue of the net cumulative balance of assets in foreign currencies exceeded the value of the cash collateral in Lebanese pounds, which resulted in a net debit balance in favor of BdL and required the presentation of \$16.6bn in loans to the public sector on the "assets" side.

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



*month-on-month change

Source: Banque du Liban, Byblos Research

Occupancy rate at Beirut hotels at 36% in first four months of 2023

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 36% in the first four months of 2023 relative to 39.1% in the same period of 2022, and compared to an average rate of 64% in 13 Arab markets included in the survey. The occupancy rate at Beirut hotels was the lowest in the region in the first four months of the year, while it was the third lowest in the same period of 2022. The occupancy rates at Beirut hotels was 36.8% in January, 35.6% in February, 38.2% in March, and 33.4% in April 2023, compared to 34.7% in January, 43.8% in February, 52.7% in March, and in 25.8% in April 2022. The occupancy rate at hotels in Beirut decreased by 3.1 percentage points in the first four months of 2023 from the same period of 2022. In comparison, the average occupancy rate in Arab markets improved by 7.3 percentage points in the covered period.

Also, the average rate per room at Beirut hotels was LBP5.07m (\$52.4) in the first four months of 2023, relative to LBP1.5m (\$56.3) in the same period of 2022, and constituted the lowest rate in the region. EY indicated that it based its average rate per room at Beirut hotels on the exchange rate of the Lebanese pound to the US dollar that the hotels used at the time of the client's booking. The average rate per room in Beirut was lower than the regional average of \$177.5 that increased by \$14.4, or by 8.9%, from an average of \$163 in the same period of 2022. The average rate per room at Beirut hotels was LBP2.9m (\$50) in January, LBP4.4m (\$51) in February, LBP6.3m (\$59) in March, and LBP6.7m (69.2) in April 2023 compared to LBP1.4m (\$69) in January, LBP1.4m (\$67) in February, LBP1.4m (\$61) in March, LBP1.9m (\$72.3) in April 2022.

Further, revenues per available room (RevPAR) stood at LBP1.8m (\$19) at Beirut hotels in the covered period compared to LBP591,740 (\$22) in the first four months of 2022, and were the lowest in the region. In comparison, the average RevPAR in Arab markets was \$120.3 in the covered period. EY indicated that it used the same methodology to calculate the RevPAR as it did for the average rate per room. The RevPAR at hotels in Beirut reached LBP1.06m (\$18) in January, LBP1.58m (\$18) in February, LBP2.4m (\$23) in March, and LBP2.2m (\$23.1) in April 2023, compared to LBP505,622 (\$24) in January, LBP602,568 (\$29) in February, LBP760,794 (\$32) in March, and LBP501,535 (\$18.7) in April 2022. The city of Madinah in Saudi Arabia had the highest hotel occupancy rate in the region at 88.4% in the first four months of 2023, while Dubai registered the highest average rate per room at \$383 and the highest RevPAR at \$314.2 in the covered period.

Net foreign assets of financial sector up \$1.2bn in first five months of 2023

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, increased by \$1.23bn in the first five months of 2023, compared to decreases of \$2.1bn in the same period of 2022 and of \$1.57bn in the first five months of 2021.

The cumulative surplus in the first five months of 2023 was caused by an increase of \$2.1bn in the net foreign assets of banks and financial institutions, which was partly offset by a drop of \$778.2m in those of BdL. Further, the net foreign assets of the financial sector decreased by \$5.6m in May 2023 compared to an increase of \$62.5m in March 2023 and to a decrease of \$402.3m in May 2022. The May decrease was caused by declines of \$11m in the net foreign assets of banks and financial institutions, which was partly offset by an increase of \$5.4m in those of BdL.

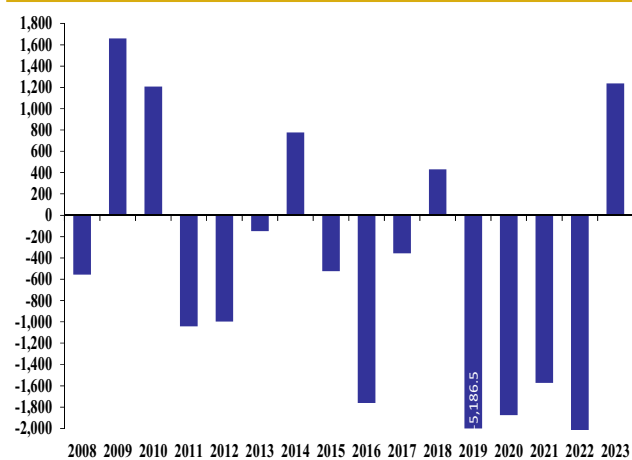
The cumulative increase in the banks' net foreign assets is mostly due to a decline in their foreign liabilities. The decrease in foreign liabilities was driven mainly by the contraction in liabilities to the non-resident financial sector and in non-resident customer deposits. In parallel, the decline in BdL's net foreign assets was due in part to the financing of the imports of medicine, medical equipment, and raw materials for agriculture and industry; as well as to the implementation of BdL circulars that allowed depositors to withdraw US dollar banknotes from their accounts or to buy dollar banknotes from BdL through commercial banks.

Hotel Sector Performance in First Four Months of 2023

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Madina	88	174	53.9
Dubai	82	314	1.0
Makkah	82	214	58.5
Abu Dhabi	80	87	34.2
Cairo-City	69	95	141.4
Riyadh	64	126	8.2
Muscat	62	86	42.0
Manama	57	92	41.9
Doha	58	67	6.9
Kuwait City	55	102	12.2
Jeddah	55	125	22.8
Amman	46	64	25.9
Beirut	36	19	-14.4

Source: EY, Byblos Research

Change in Net Foreign Assets of Financial Sector* (US\$m)



*in first five months of each year

Source: Banque du Liban, Byblos Research

Banque du Liban streamlines terms of deposit withdrawals in foreign currency

Banque du Liban issued Intermediate Circular 674/13563 dated July 5, 2023 addressed to banks that modifies Basic Circular 158/13335 dated June 8, 2021 about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019.

First, the circular stipulates that eligible depositors who opened a "Special Sub Account" at banks can withdraw up to \$4,800 per year from their accounts from all banks, and that they can withdraw \$400 per month, if they transferred the amount to their sub-account prior to July 1, 2023. It noted that depositors can withdraw the monthly amount either in dollar banknotes, and/or through foreign transfers, and/or by bank cards that can be used locally or abroad, and/or by transferring them to a "fresh account".

Second, it said that eligible depositors can withdraw up to \$3,600 per year from their "Special Sub Account" from all banks, and that they can withdraw \$300 per month, if they transferred the amount to their "Special Sub Account" after June 30, 2023. It said that depositors can withdraw the monthly amount either in dollar banknotes, and/or through foreign transfers, and/or by bank cards that can be used locally or abroad, and/or by transferring them to a "fresh account". It stated that eligible depositors can conduct these operations without incurring any commission or direct or indirect fees of any kind.

Third, it stated that, in case two or more persons with a joint account decide to benefit from the circular, they will receive the funds on a pro rata basis based on their contribution from the joint account to the "Special Sub Account".

Fourth, the circular indicates that banks can continue to use their deposits at correspondent banks abroad, as per Basic Circular 154/13262 dated August 28, 2020, to source their part of the foreign currency liquidity needed for customer withdrawals under Basic Circular 158/1335. Basic Circular 154/1363 mandated banks to place at an account at foreign correspondent banks, by the end of February 2021, the equivalent of at least 3% of the aggregate amount of the bank's deposits in foreign currency as at end-July 2020. BdL then issued Intermediate Circular 626/13447 dated June 21, 2022 that stated that, in case the liquidity in this account falls short of the 3% floor, banks have until the end of 2023 to meet the threshold. But Intermediate Circular 674/13563 extended this deadline until the end of 2024.

Fifth, BdL stipulated that the circular will go into effect on July 1, 2023 for a 12-month period, is eligible for modifications or renewal, and will remain valid until account holders transfer all the eligible funds to their "Special Sub Account".

Basic Circular 158/13335 stated that the amounts that are eligible for withdrawals consist of a client's aggregate foreign currency deposit balance as at March 31, 2021 net of the amounts that the depositor converted from Lebanese pounds to foreign currencies since the end of October 2019; net of existing cash collateral and margins; net of the aggregate balance of any retail and housing loans instalments in foreign currencies that the depositor is paying in Lebanese pounds at the official exchange rate as per BdL Circular 568; and net of any withdrawals of cash banknotes or transfers abroad after the end of March 2021. In addition, the circular said that the eligible balance should not be greater than the balance at end-October 2019 and should not exceed the net balance as at June 8, 2021.

In parallel, BdL announced that 180,976 deposit accounts benefited from the implementation of Basic Circular 158 between June 8, 2021, the start of the circular's implementation date, and the end of April 2023. It indicated that commercial banks disbursed about \$1.78bn to the beneficiaries as at the end of April 2023, with \$889.6m coming from BdL and \$889.6m originating from the liquidity of commercial banks.

Further, it pointed out that banks settled the balance of 87,623 deposit accounts by the end of April 2023, or 48.4% of clients who decided to benefit from the terms of the circular, and indicated that 93,583 customers are still benefiting from Circular 158 as at end-April 2023. Also, it noted that the accounts of resident customers represented 92.9% of the aggregate accounts that benefited from the circular with the balance of 7.1% consisting of non-resident accounts. It added that 55.1% of beneficiaries are males and 44.9% are females. It added that the aggregate amount of special accounts that are still benefiting from the circular was \$1.05bn as at end-April 2023.

Lebanese expatriates account for 63% of visitor arrivals to Lebanon in 2022 and for 68% in first quarter of 2023

Figures compiled by the Ministry of Tourism and the Lebanese General Security indicate that the number of incoming visitors to Lebanon totaled 3,919,463 in 2022, and consisted of 2,453,510 Lebanese expatriates and 1,465,953 Arab and foreign visitors. In comparison, the number of incoming visitors to Lebanon totaled 2,063,828 in 2021, who consisted of 1,173,875 Lebanese expatriates and 889,953 Arab and foreign visitors. Lebanese expatriates accounted for 62.6% of the total number of incoming visitors in 2022, while Arab and foreign visitors represented the balance of 37.4% last year. In comparison, Lebanese expatriates accounted for 57% of visitors to the country and Arab and foreign tourists represented 43% of the total in 2021.

In addition, the number of incoming Lebanese expatriates stood at 416,787 in the first quarter, 562,470 in the second quarter, 777,589 in the third quarter, and 696,664 in the fourth quarter of 2022, relative to 116,258 in the first quarter, 272,426 in the second quarter, 374,614 in the third quarter, and 410,577 in the fourth quarter of 2021. In comparison, the number of foreigners that include Arab visitors totaled 212,950 in the first quarter, 357,788 in the second quarter, 550,189 in the third quarter, and 345,026 in the fourth quarter last year, compared to 83,260 in the first quarter of 2021, 208,310 in the second quarter, 367,460 in the third quarter, and 230,923 in the fourth quarter of 2021. As a result, Lebanese expatriates accounted for 66.2% of the number of incoming visitors to Lebanon in the first quarter, 61% of such visitors in the second quarter, 58.6% in the third quarter, and 67% in the fourth quarter of 2022. In comparison, they represented 58.3% of incoming visitors in the first quarter, 56.7% in the second quarter, 50.5% in the third quarter, and 64% in the fourth quarter of 2021.

Further, the number of incoming visitors to Lebanon totaled 853,004 in the first quarter of 2023, and consisted of 578,217 Lebanese expatriates, or 67.8% of the total, and of 274,787 Arab and foreign visitors, or 32.2% of the total. The number of incoming Lebanese expatriates reached 213,053 in January, 163,169 in February and 201,992 in March 2023, compared to 126,381 Lebanese expatriates in January, 126,777 in February and 163,629 in March 2022. As a result, Lebanese expatriates accounted for 70.7% of the number of incoming visitors to Lebanon in January, 65.6% of such visitors in February, and 66.7% in March 2023, relative to 67% of the number of incoming visitors in January, 65.2% in February, and 66.4% in March 2022. Also, the number of foreigners that include Arab visitors stood at 88,378 in January, 85,682 in February, and 100,727 in March 2023 relative to 62,340 international tourists in January, 67,800 in February, and 82,810 in March 2022. The figures exclude Syrian and Palestinian arrivals

Commercial activity deteriorates in relative terms in fourth quarter of 2022

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 was -23 in the fourth quarter of 2022, relative to zero in the third quarter of 2022 and to -59 in the fourth quarter of 2021. The balance of opinions for the fourth quarter of 2022 reflects the decline in activity following a successful summer season, as well as the ongoing economic and financial crisis in the country, and a relative adjustment of the private sector to the ongoing crisis. The balance of opinions for the volume of commercial sales in the fourth quarter of 2022 reached its 11th lowest quarterly level since 2004, after posting -74 in the second quarter of 2020, -73 in the third quarter of 2006 due to the Israeli war on Lebanon, -71 in the first quarter of 2021, -70 in the first quarter of 2005 following the assassination of Prime Minister Rafic Hariri, -68 in the third quarter of 2020, -65 in the second quarter of 2021, -61 in the third quarter of 2021, -59 in the fourth quarter of 2021, -52 in the first quarter of 2022, and -31 in the second quarter of 2022.

The survey covers 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 -54, followed by the North and Beirut and Mount Lebanon (-25 each), and the Bekaa (+8). The survey shows that the balance of opinions about the sales of food items was -8 in the fourth quarter of 2022, relative to +3 in the previous quarter of 2022 and to -42 in the fourth quarter of 2021. Also, the balance of opinions about the sales of non-food products was -30 in the covered quarter, relative to -2 in the previous quarter and to -68 in the fourth quarter of 2021; while it was -26 for inter-industrial goods, compared to -2 in the third quarter of 2022 and relative to -64 in the fourth quarter of 2021. Further, the balance of opinions for inventory levels of finished goods in all commercial sub-sectors was -31 in the fourth quarter of 2022, compared to -29 in the previous quarter and to -49 in the fourth quarter of 2021. Opinions about the level of inventories were the lowest in the South region as they reached -66, followed by the North (-47), the Bekaa area (-17), and Beirut and Mount Lebanon (-15). Also, the balance of opinions about the number of employees in the sector was -23 in the fourth quarter of 2022 compared to -17 in the preceding quarter and to -36 in the fourth quarter of 2021. It was the lowest in South at -44, followed by the North (-38), the Bekaa (-12), and the Beirut & Mount Lebanon (-10).

Commercial Activity: Year-on-Year Evolution of Opinions

Aggregate results	Q4-19	Q4-20	Q4-21	Q4-22
Sales volume	-63	-55	-59	-23
Number of employees	-26	-43	-36	-23
Inventories of finished goods	-19	-54	-49	-31
Q4-22 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-25	-25	-54	8
Inventories of finished goods	-15	-47	-66	-17

Source: Banque du Liban business survey for fourth quarter of 2022

Number of employees in financial sector down 12% to 16,974 at end-2022

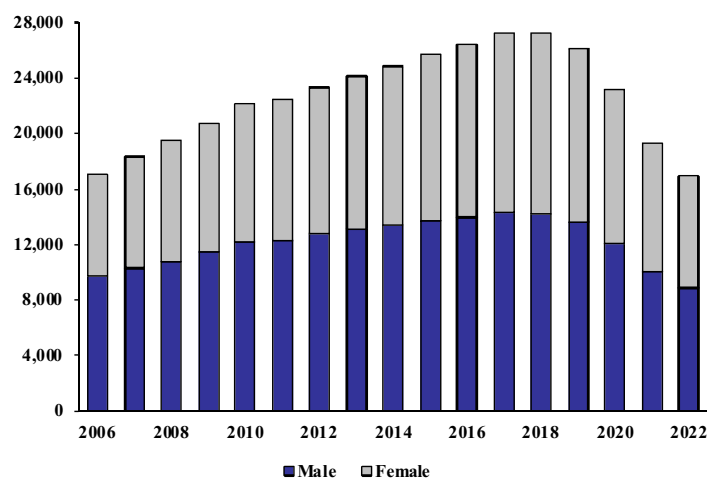
Figures issued by Banque du Liban (BdL) show that there were 16,974 individuals employed in the Lebanese financial sector at the end of 2022, constituting decreases of 12.2% from 19,324 persons at the end of 2021, of 27% from 23,246 employees at the end of 2020, and of 35% from 26,101 workers at end-2019. Commercial banks accounted for 91.5% of total employees in the financial sector, followed by financial institutions with 4.6%, and medium- and long-term banks with 3.9%. There were 8,132 females employed in the Lebanese financial sector at the end of 2022, equivalent to 47.9% of the sector's workforce.

Commercial banks had 15,537 employees at the end of 2022, down by 12.3% from 17,716 personnel at end-2021, by 27.3% from 21,366 employees the end of 2020, and by 35% from 23,954 persons at end-2019. They consisted of 10,477 non-executive employees or 67.4% of the total, 4,888 executives (31.5%), and 172 individuals who were either general managers, deputy general managers or assistant general managers (1.1%). In addition, there were 7,563 females employed at banks at end-2022, who accounted for 48.7% of the total number of employees at commercial banks. Further, 79.4% of executives and non-executives at commercial banks held a university degree, 11.4% had a baccalaureate degree and 7.8% held a degree below the baccalaureate level.

Also, financial institutions had 776 employees at the end of 2022, down by 12.2% from 884 workers at end-2021, by 28.4% from 1,084 employees at the end of 2020, and by 41% from 1,318 persons at end-2019. They consisted of 373 non-executive employees or 48.1% of the total, 364 executives (46.9%), and 39 individuals who were either general managers, deputy general managers or assistant general managers (5%). In addition, there were 301 female employed at financial institutions at the end of 2022, representing 38.8% of the total staff at such institutions. Further, 70.6% of executives and non-executives at financial institutions held a university degree, 14.9% had a baccalaureate degree and 9.4% held a degree below the baccalaureate level.

Finally, medium- and long-term banks employed 661 persons at the end of 2022, down by 8.7% from 724 workers at end-2021, by 17% from 796 employees from the end of 2020, and by 20.3% from 829 persons at end-2019. They consisted of 412 non-executive employees (62.3%), 228 executives (34.5%), and 21 individuals who were either general managers, deputy general managers or assistant general managers (3.2%). In addition, there were 268 female employees at medium- and long-term banks at the end of 2022, who accounted for 40.5% of the total. Also, 74.9% of executives and non-executives at medium- and long-term banks held a university degree, 9.5% had a baccalaureate degree and 12.4% held a degree below the baccalaureate level.

Number of Employees in the Financial Sector



Source: Banque du Liban, Byblos Research

Private sector deposits at \$97.3bn at end-May 2023 based on new exchange rate

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets stood at LBP1,728.2 trillion (tn), or the equivalent of \$115.2bn at the end of May 2023, constituting a decrease of 0.4% from LBP1,736tn (\$115.7bn) at end-April 2023. The dollar figures are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar until the end of January 2023 and of LBP15,000 per dollar starting in February 2023.

Loans extended to the private sector totaled LBP142.9tn at the end of May 2023, constituting a decrease of 3% from LBP147.3tn at end-April 2023. Loans to the resident private sector reached LBP126.3tn at end-May 2023 and contracted by 1.7% from LBP128.5bn a month earlier, while credit to the non-resident private sector amounted to LBP16.5tn at the end of May 2023 and declined by 12% from LBP18.8tn at end-April 2023. Loans extended to the private sector in Lebanese pounds reached LBP14.5tn at the end of May 2023, constituting an increase of 6% from LBP13.7tn at end-April 2023 and decreases of 2.6% from end-2022 and of 13.4% from end-May 2022; while loans in foreign currency totaled \$8.6bn at the end of May 2023 and contracted by 4% from the previous month, by 15.8% in the first five months of the year, and by 36.5% from end-May 2022.

In nominal terms, credit to the private sector in Lebanese pounds decreased by LBP392.8bn in the first five months of 2023 relative to a decline of LBP1.5tn in the same period of 2022, while lending to the private sector in foreign currency dropped by \$1.6bn in the first five months of 2023 relative to a contraction of \$2.1bn in the same period of 2022. Further, loans extended to the private sector in Lebanese pounds shrank by LBP13.05tn (-47.3%) and loans denominated in foreign currency decreased by \$32.5bn (-79.2%) since the start of 2019. The dollarization rate of private sector loans changed from 54.8% at end-May 2022 to 89.8% at the end of May 2023 due to the new exchange rate of LBP15,000 per dollar that went into effect on February 1, 2023. The average lending rate in Lebanese pounds was 3.53% in May 2023 compared to 5.13% a year earlier, while the same rate in US dollars was 2.3% relative to 5.06% in May 2022.

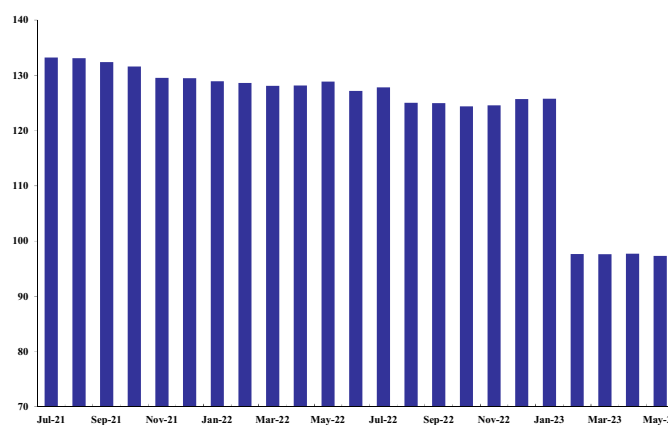
In addition, claims on non-resident financial institutions reached \$4.22bn at the end of May 2023, constituting increases of \$19.2m (+0.5%) from end-April 2022, of \$23.3m (+0.6%) from end-2022, and of \$393m (+10.3%) from a year earlier. Also, claims on non-resident financial institutions dropped by \$4.9bn (-53.8%) from the end of August 2019 and by \$7.8bn (-64.8%) since the start of 2019. Further, deposits at foreign central banks totaled \$895.4m at the end of May, constituting increases of \$73.7m (+9%) from end-April 2023 and of \$91m (+11.3%) in the first five months of 2023, and a decrease of \$218.5m (-19.6%) from end-May 2022. In addition, the banks' claims on the public sector reached LBP53.9tn at end-May 2023 based on the new exchange rate, down from LBP54.8tn at end-April 2023. The banks' holdings of Lebanese Treasury bills stood at LBP11.8tn, while their holdings of Lebanese Eurobonds reached \$2.77bn at end-May 2023 relative to \$4.2bn a year earlier. Further, the deposits of commercial banks at Banque du Liban amounted to LBP1,270.3tn (\$84.7bn) at the end of May 2023, nearly unchanged from end-April 2023.

In parallel, private sector deposits totaled LBP1,459.6tn at the end of May 2023, or \$97.3bn based on the new exchange rate, down by 0.4% from LBP1,465.7tn the end of April 2023. Deposits in Lebanese pounds reached LBP61.7tn at end-May 2023, as they increased by 8.6% from the previous month, by 36% from the end of 2022, and by 38% from a year earlier; while deposits in foreign currency stood at \$93.2bn and regressed by 0.8% from end-April 2023, by 2.5% in the first five months of the year, and by 6% from the end of May 2022. Resident deposits accounted for 78% and non-resident deposits represented 22% of total deposits at end-May 2023.

In nominal terms, private sector deposits in Lebanese pounds increased by LBP4.9tn from end-April 2023 and by LBP16.3tn in the first five months of the year, while foreign currency deposits regressed by \$732.8m from end-April 2023 and by \$2.4bn from end-2022. In addition, private sector deposits dropped by \$15.4bn in 2019, by \$19.7bn in 2020, by \$9.7bn in 2021, and by \$3.75bn in 2022, including a decrease of \$11.4bn between September and December 2019. Further, aggregate private sector deposits in Lebanese pounds shrank by LBP15.5tn (-20.1%) and foreign currency deposits declined by \$29.9bn (-24.3%) since the start of 2019. The dollarization rate of private sector deposits changed from 77% at end-May 2022 and 76.1% at the end of 2022 to 95.8% at end-May 2023 due to the effects of the new exchange rate on the Lebanese pound component of the balance sheet.

In addition, the liabilities of non-resident financial institutions reached \$3.26bn at the end of May 2023 and decreased by 0.8% from \$3.3bn at end-April 2023, by 24.4% from \$4.3bn at end 2022, and by 25.6% from \$4.38bn at the end of May 2022. Also, the average deposit rate in Lebanese pounds was 0.84% in May 2023 compared to 0.78% a year earlier, while the same rate in US dollars was 0.09% relative to 0.13% in May 2022. Further, the banks' aggregate capital base stood at LBP78.4tn (\$5.2bn) at the end of May 2023, up by LBP3.5tn from LBP74.9tn at end-April 2023.

Private Sector Deposits (US\$bn)



Source: Banque du Liban, Byblos Research

Life premiums down 32% to \$250m in 2022

The annual survey by Al-Bayan magazine of the insurance sector in Lebanon indicates that total life premiums generated by 26 providers of life insurance in the Lebanese market reached \$249.8m in 2022, constituting a decline of 32.4% from \$369.3m in 2021. The dollar figures are converted at the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time. In comparison, life premiums decreased by 13.8% in 2021, by 13% in 2020 and by 9.2% in 2019, while they increased by 4% to \$541.5m in 2018, and by 4.3% to \$521m in 2017. Based on the same set of insurance companies in 2021 and 2022, life premiums amounted to \$249.8m in 2022, and dropped by 29% from \$351.9m in 2021.

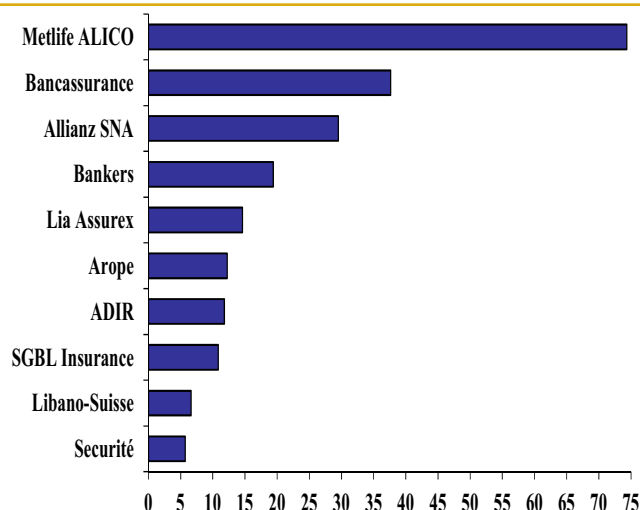
MetLife ALICO maintained its market lead with \$74.3m in life premiums, equivalent to a 29.8% market share in 2022. Bancassurance followed with \$37.6m for a market share of 15.1%, then Allianz SNA with \$29.5m (11.8%), Bankers Assurance with \$19.4m (7.8%), and LIA Assurex with \$14.6m (5.8%) as the top five providers of life insurance in Lebanon. Adonis Insurance and Reinsurance Co. (ADIR), Byblos Bank's affiliate, came in seventh place with life premiums of \$11.8m in 2022.

In parallel, Commercial Insurance posted the only increase in life premiums last year among the 26 life insurance providers as it registered a growth rate of 99.2%. In contrast, the remaining 25 firms saw a decline in their life premiums in 2022. MetLife ALICO was the only company among the top 10 to post a single-digit decrease in life premiums last year.

The composition of the top 10 insurers changed from 2021, given that Beirut Life that was ranked in 10th place in 2021 did not generate any life premiums in 2022 and that the rank of AXA Middle East retreated from ninth to 12th place in 2022. The ranks of Libano-Suisse and Sécurité Assurance advanced to ninth and 10th place in 2022 from 12th and 11th place in 2021, respectively. Also, Arope Insurance's rank improved by two spots to sixth place, while the ranking of SGBL Insurance regressed by two spots to eighth place. The ranks of MetLife ALICO, Bancassurance, Allianz SNA, Bankers Assurance, Lia Assurex, and ADIR were unchanged year-on-year.

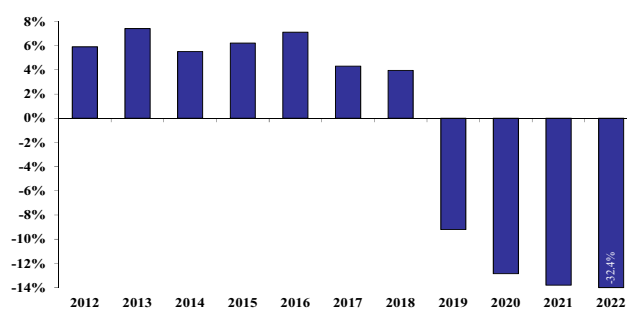
The survey shows that the top 10 providers of life insurance in Lebanon accounted for 89.2% of the life insurance market, while the top 20 firms generated 99.2% of life premiums in 2022. Further, the top five life insurers in Lebanon accounted for 70.2% of the market in 2022, up from 66.4% in 2021. Their premiums totaled \$175.5m in 2022, \$269.3m in 2021, \$268m in 2020, \$314.8m in 2019, \$346.3m in 2018, and \$337.1m in 2017.

Life Premiums of the Top 10 Insurers in 2022 (US\$m)



Source: Al-Bayan, Byblos Research

Nominal Growth in Life Premiums (%)



Source: Al-Bayan, Byblos Research

Ratio Highlights

(in % unless specified)	2019	2020	2021	Change*
Nominal GDP (\$bn)	53.2	24.7	23.4	(1.3)
Public Debt in Foreign Currency / GDP	63.4	56.8	26.2	(30.6)
Public Debt in Local Currency / GDP	108.8	93.8	42.1	(51.7)
Gross Public Debt / GDP	172.3	150.6	68.3	(82.2)
Trade Balance / GDP	(29.2)	(12.2)	(6.6)	5.6
Exports / Imports	19.4	31.3	28.5	(2.8)
Fiscal Revenues / GDP	20.8	16.0	8.5	(7.5)
Fiscal Expenditures / GDP	31.8	20.3	9.8	(10.5)
Fiscal Balance / GDP	(11.0)	(4.3)	(1.3)	2.9
Primary Balance / GDP	(0.5)	(1.0)	(0.1)	1.0
Gross Foreign Currency Reserves / M2	70.2	41.5	26.0	(15.5)
M3 / GDP	252.9	209.0	90.8	(118.2)
Commercial Banks Assets / GDP	407.5	296.2	119.1	(177.1)
Private Sector Deposits / GDP	298.6	219.2	88.2	(131.0)
Private Sector Loans / GDP	93.6	57.0	18.9	(38.1)
Private Sector Deposits Dollarization Rate	76.0	80.4	79.4	(1.0)
Private Sector Lending Dollarization Rate	68.7	59.6	56.3	(3.3)

*change in percentage points 21/20;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, Institute of International Finance, 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

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	212.6	426.8
Nominal GDP (US\$ bn)	24.7	22.6	26.8
Real GDP growth, % change	-25.9	-9.9	2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	9.6	8.9
Imports of goods and services	-33.4	3.9	2.0
Consumer prices, %, average	84.9	154.8	97.7
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	6,705	16,821	26,070*
Weighted average exchange rate LBP/US\$	3,878	9,452	23,679

*Average year-to-July 22, 2022

Source: Central Administration of Statistics, Institute of International Finance- June 2022

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

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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