

# LEBANON THIS WEEK

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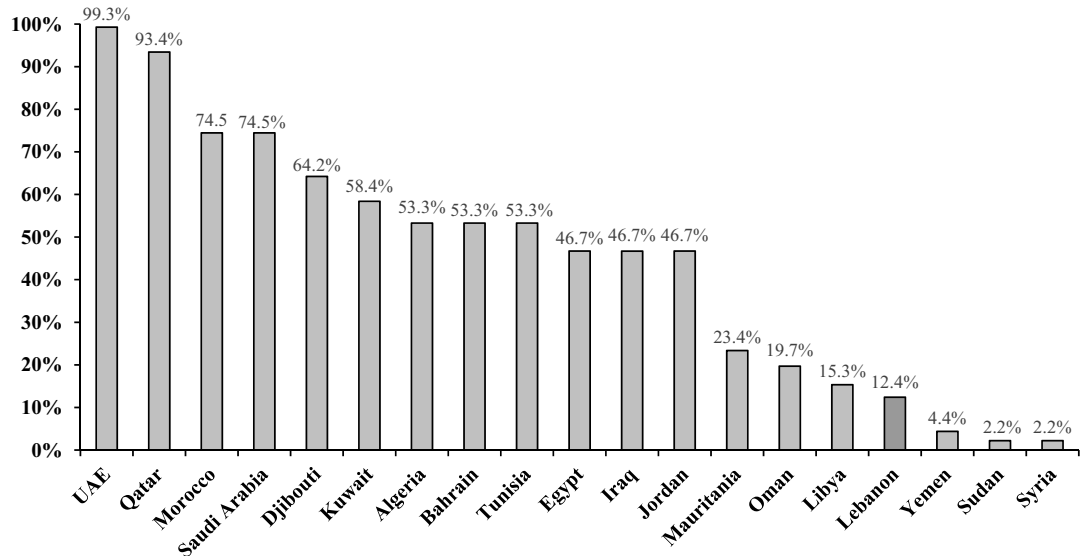
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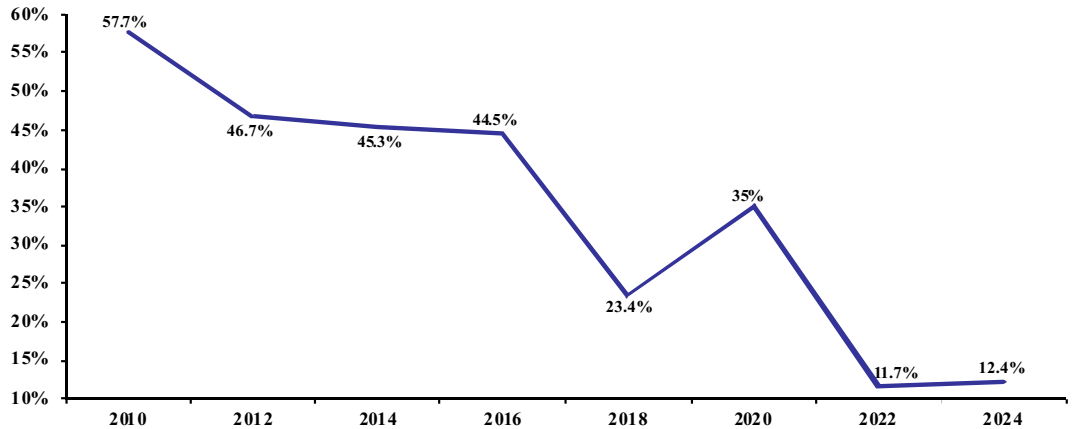
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## Charts of the Week

Percentile Rankings of Arab countries on the Steering Capability Indicator for 2024



Percentile Rankings of Lebanon on the Steering Capability Indicator



\*The Steering Capability indicator reflects how effectively policymakers in a country facilitate and steer development and transformation processes

Source: Bertelsmann Stiftung's Governance Index, Byblos Bank

## Quote to Note

"A robust AML/CFT regime requires a reduced cash economy, a stable banking sector, confidence in the financial system, and restoring financial inclusion to previous levels."

*Banque du Liban Interim Governor Wassim Mansouri, on the steps to strengthen the AML/CFT framework in Lebanon*

## Number of the Week

**29:** Number of months since Lebanon signed a Staff-Level Agreement with the International Monetary Fund

## Lebanon in the News

\$m (unless otherwise mentioned)	2021	2022	2023	% Change*	Dec-22	Nov-23	Dec-23
Exports	3,887	3,492	2,995	-14.2%	272	290	240
Imports	13,641	19,053	17,524	-8.0%	1,251	1,253	1,303
Trade Balance	(9,754)	(15,562)	(14,529)	-6.6%	(979)	(963)	(1,063)
Balance of Payments	(1,960)	(3,197)	2,237	-170.0%	17	186	591
Checks Cleared in LBP**	18,639	27,146	4,396	-83.8%	3,686	359	404
Checks Cleared in FC**	17,779	10,288	3,109	-69.8%	577	106	183
Total Checks Cleared**	36,418	37,434	7,505	-80.0%	4,263	465	587
Fiscal Deficit/Surplus	2,197	-	-	-	-	-	-
Primary Balance	5,009	-	-	-	-	-	-
Airport Passengers	4,334,231	6,360,564	7,103,349	11.7%	551,632	323,523	481,470
Consumer Price Index	154.8	171.2	221.3	5,014bps	122.0	211.9	192.3

\$bn (unless otherwise mentioned)	Dec-22	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	% Change*
BdL FX Reserves	10.40	8.82	8.91	9.14	9.37	9.64	-7.3%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	-	-	-	-	-	-
Bank Assets	169.06	113.72	112.69	112.25	112.58	115.25	-31.8%
Bank Deposits (Private Sector)	125.72	95.59	95.17	94.64	94.97	94.75	-24.6%
Bank Loans to Private Sector	20.05	8.92	8.69	8.58	8.53	8.32	-58.5%
Money Supply M2	77.34	6.64	6.77	6.48	6.78	6.72	-91.3%
Money Supply M3	152.29	78.38	78.10	77.42	77.74	77.75	-48.9%
LBP Lending Rate (%)	4.56	3.77	4.36	3.34	3.29	3.97	20
LBP Deposit Rate (%)	0.60	0.41	0.49	1.02	1.41	0.55	14
USD Lending Rate (%)	4.16	2.40	3.15	3.70	3.08	1.95	(45)
USD Deposit Rate (%)	0.06	0.03	0.03	0.05	0.05	0.03	0

\*year-on-year

\*\*checks figures do not include compensated checks in fresh currencies

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"	84.00	(0.2)	109,866	43.2%	Nov 2024	6.25	6.50	9,589.74
BLOM GDR	3.30	(4.3)	67,300	1.3%	Jun 2025	6.25	6.50	1,020.68
Solidere "B"	88.20	3.8	13,913	29.5%	Nov 2026	6.60	6.50	170.79
HOLCIM	63.00	0.0	160	6.3%	Mar 2027	6.85	6.50	142.82
BLOM Listed	3.00	3.4	10	3.3%	Nov 2028	6.65	6.50	78.07
Audi Listed	1.71	0.0	-	5.2%	Feb 2030	6.65	6.50	56.87
Audi GDR	1.60	0.0	-	1.0%	Apr 2031	7.00	6.50	45.89
Byblos Common	0.63	0.0	-	1.8%	May 2033	8.20	6.50	34.08
Byblos Pref. 08	25.00	0.0	-	0.3%	Nov 2035	7.05	6.50	26.09
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	6.50	23.04

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

Source: Refinitiv

	Sep 2-6	Aug 26-30	% Change	August 2024	August 2023	% Change
Total shares traded	191,249	282,370	(32.3)	960,183	1,893,327	(49.3)
Total value traded	\$10,941,528	\$18,276,730	(40.1)	\$60,610,835	\$46,947,434	70.6
Market capitalization	\$19.44bn	\$19.24bn	1.1	\$19.24bn	\$18.72bn	1.0

Source: Beirut Stock Exchange (BSE)



### **Draft budget for 2025 increases fees on several public services**

The 2025 draft budget that the Ministry of Finance submitted to the Council of Ministers modifies taxes and fees, and imposes new ones. Some of the modifications include: Article 16 increases the fee that the General Directorate of General Security levies on the license to broadcast television advertisements to LBP16m, the fee to authorize a theatrical play to LBP7m, the fees to film a series or a non-cultural documentary and to broadcast a videoclip to LBP4.5m each, the fee to broadcast a movie trailer or a movie to LBP3.5m each, the fee to broadcast a theater play on television to LBP3.5m, the license for electronic games to LBP3.5m, and the annual fee for Lebanese and non-Lebanese personnel to access the restricted zone at the Rafic Hariri International Airport and at the ports to LBP7.5m and LBP11.5m, respectively, among others.

Article 17 modifies the income tax law clause that mandated businesses to stop paying in US dollars the tax on the portion of wages and salaries they pay to their employees in dollars and to, instead, pay them in Lebanese pounds. It said that businesses have to convert the portion of the wages and salaries that they pay in foreign currency to Lebanese pounds at the exchange rate that Banque du Liban determines at the end of each month, and disburse the tax to the Treasury in Lebanese pounds in full. It noted that this decision does not apply to end-of-service indemnities prior to December 31, 2023.

Article 18 amends a clause in Law 44 on the Income Tax Procedures that broadened the definition of the Beneficial Owner (BO) with the modified text becoming "the BO is every natural person, regardless of residency, who owns or controls ultimately, the work of any other natural or legal person on the Lebanese territory, or if the BO is the effective beneficiary of revenues from disposing moveable or non-movable assets, or on any operation that takes place in the name or for the benefit of a natural person". Further, it raises the penalties on individuals at financial companies who do not disclose in full the information on the BO when submitting tax declarations and who did not inform the tax administration in case a partner or shareholder did not provide data about the BO. It increases the penalties from LBP2m to LBP92m for joint stock companies, from LBP1m to LBP46m for limited liabilities firms, partnerships and tax-exempt organizations, and from LBP0.5m to LBP33m for individuals and other taxpayers.

Article 23 exempts from the inheritance fees all transactions that were not completed prior to January 1, 2007, and imposes a fee of 1% on the transfer of the properties from the name of the deceased to the heirs, based on the prevailing market prices at the date of the transfer. Article 24 modifies the exemptions from the inheritance tax on the portion of the net inheritance that does not exceed LBP2.4bn from LBP600m to LBP960m for spouses and parents; from LBP240m to LBP960m for heirs other than parents, brothers or sisters; and from LBP120m to LBP480m for the rest of the heirs. It also changed the exemptions from LBP360m to LBP1.44bn for children with permanent disabilities, from LBP24m to LBP96m for every year or fraction of a year that separates the child from the age of 18 years, from LBP240m to LBP960m when the heir is responsible financially for his/her spouse, and LBP480m for each child who is under 18 years old, as long as the total exemptions do not exceed LBP2.4bn. Also, it modifies the amount that is exempt from the flat fee of 5 per 1,000 on all transactions related to the gross value of the transfers related to the inheritance from LBP600m to LBP2.4bn.

Article 28 extends the deadline for taxpayers who have taxes due starting on November 16, 2022, who have been notified of these taxes, and who have not settled them in full by the time the Budget Law gets published; or who did not object to the taxes within the legal deadline as stipulated in Law 44 on Income Tax Procedures; or who submitted their objection to the tax to the Objections Committee or the tax administration but their objection was rejected. It said the extension is for six months from the date the Budget Law gets published, on the condition that the taxpayer disburses 30% of the taxes, fees and penalties due prior to submitting the objection. Article 30 modifies the fees on the equivalency certification for all school and university degrees from LBP25,000 to LBP250,000 for degrees up until the secondary level, from LBP50,000 to LBP500,000 for university degrees, and from LBP10,000 to LBP100,000 for each copy of a degree.

Article 32 increases by 260% the fees that the Ministry of Youth & Sports levies on its services. The new fees range from LBP900,000 for the annual fee of a sports club, a youth association, a scout organization or a university club, to LBP18m for an application for a license for a new sports club or a scout organization, among others. Article 33 increases by 500% the advances to the Treasury for topography works on built- and non-built properties. The advance, which has to be deposited prior to the start of the works, becomes LBP7.2m for built properties and ranges from LBP7.2m to LBP24m for non-built properties, depending on the surface area.

Article 35 raises by 500% various fees on real estate transactions and procedures. Article 37 increases the financial guarantee for real estate brokers from LBP5m to LBP300m, and imposes on lawyers a new guarantee of LBP100m for all real estate transactions that their employees process on their behalf. It also imposed a new fee of LBP20m for each applicant for a real estate brokerage license. Article 22 raises the registration fee of real estate rental contracts from LBP3,000 to LBP200,000 per contract.

Article 41 raises the application fee for a patent from LBP2.3m to LBP3m, and increases the annual fee for the patent by 30.4%. The fee becomes LBP6m for the first year, LBP36m for the 10<sup>th</sup> year and LBP63m for the 20<sup>th</sup> year. Also, it raises the penalty on the late payment of annual fees from LBP4.6m to LBP6m, as long as the fee is paid within six months of its original due date. Further, it increases the patent registration fee from LBP4.14m to LBP5.4m and raises the late registration fee from LBP2.3m to LBP3m on every delay of two months. It also raises other patent-related fees.

Article 42 increases by 30.4% the fee for imports, exports and re-exports licenses. It raises the fee for an imports license to LBP750m per copy for a total of LBP2.25m for the mandatory three copies, and the fee for an exports or re-exports license to LBP1.5m for a total of LBP4.5m for the mandatory three copies. Article 45 raises the fees on the registration of commercial brands at the Office of the Protection of Commercial and Industrial Property Rights from LBP8m to LBP10.5m for a 10-year period; and increases it from LBP11.5m to LBP15m for 40 years, from LBP12.88m to LBP16.8m for 45 years, and from LBP15.64m to LBP20.4m for 60 years.

### Banque du Liban's liquid foreign reserves at \$10.5bn, gold reserves at \$23.3bn at end-August 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,474.1 trillion (tn) on August 31, 2024, relative to LBP8,457.3tn at mid-August 2024 and to LBP8,441.1tn at end-July 2024. Assets in foreign currency stood at \$15.7bn at end-August 2024, compared to \$15.58bn at mid-August 2024, to \$15.45bn at end-July 2024 and to \$13.88bn at end-August 2023. The dollar figures are based on the exchange rate of the Lebanese pound of LBP89,500 per US dollar starting on February 15, 2024, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024.

According to BdL, assets in foreign currency include \$5.19bn in Lebanese Eurobonds as at end-August 2024, nearly unchanged from mid-August 2024. Further, BdL's liquid foreign currency reserves stood at \$10.52bn at end-August 2024 compared to \$10.39bn at mid-August 2024, \$9.32bn at the end of 2023, and \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$1.94bn from the end of July 2023.

Further, the value of BdL's gold reserves reached a historical peak of \$23.27bn at the end of August 2024, relative to \$22.8bn at mid-August 2024 and to \$17.93bn at end-August 2023. Also, the securities portfolio of BdL totaled LBP127,608.8bn at end-August 2024 relative to LBP127,647bn at mid-August 2024. In addition, loans to the local financial sector stood at LBP12,334.3bn at end-August 2024 compared to LBP12,431.8bn at mid-August 2024.

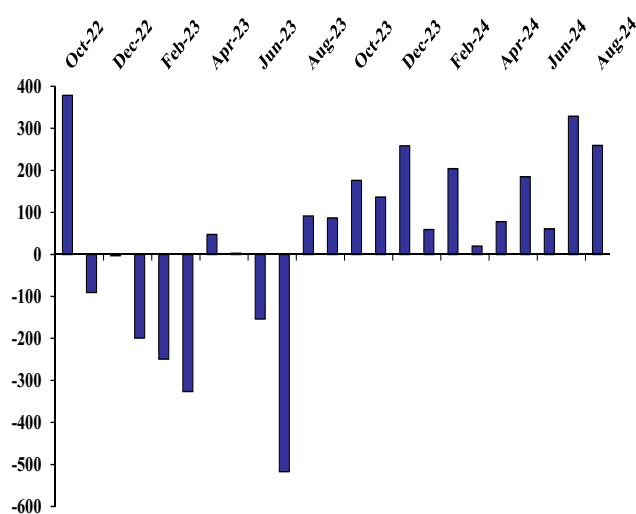
Moreover, Deferred Open-Market Operations totaled LBP159,586.4bn at end-August 2024 relative to LBP156,612.15bn at mid-August 2024 and to LBP118,971.3bn at end-2023. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest costs originating from open-market operations under this new line item. As a result, it transferred all deferred interest costs included in the "Other Assets" and "Assets from Exchange Operations" entries to the new item. Therefore, the item "Other Assets" stood at LBP16,938bn at end-August 2024 relative to LBP15,277.1bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP3,181,837.3bn at end-August 2024 relative to LBP3,223,791.6bn at mid-August 2024. It consists of a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP162.64tn at end-August 2024 relative to LBP162.52tn at mid-August 2024. It also consists of a special account in the name of the Treasury that stood at LBP3,019.2tn at end-August 2024 compared to LBP3,061.3tn at mid-August 2024. The account includes the differences between the countervalue, at the official exchange rate, of BdL's gold and currency holdings, and the value of these holdings at the market exchange rate, as well as the profits or losses on BdL's gold and currency holdings from the modification of the official exchange rate of the Lebanese pound or of a foreign currency exchange rate.

Further, the balance sheet shows that BdL's loans to the public sector totaled LBP1,486,830bn at end-August 2024 relative to LBP1,486,814.3bn two weeks earlier.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP57,193.1bn at end-August 2024 compared to LBP59,631.6bn at mid-August 2024, and represented a decrease of 7.2% from LBP61,634.3bn at end-August 2023. Further, the deposits of the financial sector reached LBP7,780.1tn or the equivalent of \$86.93bn at end-August 2024, relative to LBP7,790.15tn, or \$87.04bn, at mid-August 2024 and to LBP1,335.4tn or \$89.03bn at end-August 2023; while public sector deposits at BdL totaled LBP512,367.5bn at end-August 2024 compared to LBP478,443.1bn at mid-August 2024 and to LBP134,656.6bn at end-August 2023. BdL noted that, starting on March 15, 2019, it has offset loans with their corresponding deposits in Lebanese pounds that have the same maturities, according to the criteria in International Accounting Standard 32 and as per International Financial Reporting Standard 7 on offsetting financial assets and liabilities. However, loans that were offset against financial sector deposits were fully liquidated based on the Central Council's decision number 1/12/24 dated May 28, 2024, as BdL canceled the financial engineering operations carried out with banks starting from 2017. In parallel, BdL stated that it is currently working on changing its accounting policy in line with international practices.

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



\*month-on-month change

Source: Banque du Liban, Byblos Research



### Purchasing Managers' Index regresses in August 2024

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 47.9 in August 2024 relative to 48.3 in July 2024 and to 48.7 in August 2023, and came higher than the PMI's trend average of 46.7 since the index's inception in May 2013. Also, the August result was the third lowest outcome of the index since January 2023, when it stood at 47.7. Further, the PMI averaged 48.6 in the first eight months of 2024 compared to 49.3 in the same period last year, and has remained below the 50 mark since August 2023. A score that exceeds 50 signals positive business activity, while a score that is lower than 50 shows a deterioration in activity.

The survey's results show that the New Orders Index regressed from 46.9 in July 2024 to 46.1 in August 2024, reflecting a decrease in new orders in August from July. The survey's respondents indicated that the volume of new orders placed with private sector companies in Lebanon declined and remained below the 50 mark due to security concerns related to the war in the Gaza Strip and to the related Israeli attacks along Lebanon's southern border.

In addition, the New Export Orders Index reached 47.5 in August relative to 47.2 in the previous month, reflecting an acceleration in demand from foreign clients. The surveyed companies noted that the regional insecurity due to the war in the Gaza Strip and disruptions in the Red Sea are still affecting export orders.

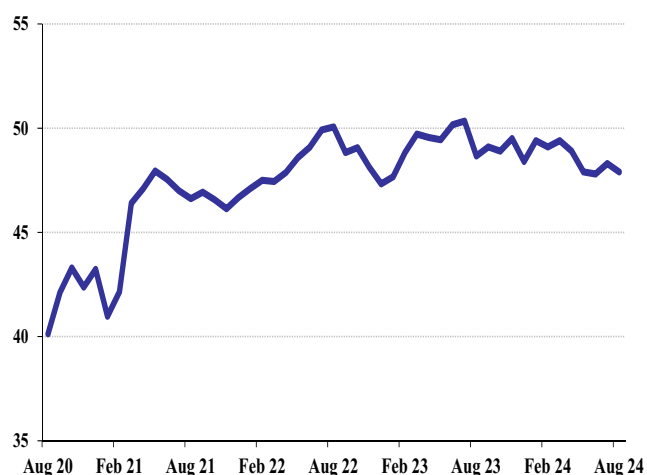
Further, the survey indicated that the Output Index stood at 46.5 in August 2024 compared to 47.2 in the preceding month. Businesses noted that lower tourism receipts, security concerns, political uncertainties, and weak client purchasing power are weighing on output.

Also, the Employment Index was 49.8 in August relative to 49.5 in the previous month, signaling a limited increase in staffing numbers across Lebanon's private sector. Further, the results show that the Backlogs of Work Index stood at 48 in August 2024 compared to 48.6 in July 2024, indicating a deceleration in the level of completion of outstanding projects in the country's private sector.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 50.2 in August 2024 relative to 50.1 in July 2024, and exceeded the 50 mark for the third time since February 2024. The survey respondents said that private sector firms in Lebanon reported an improvement in the efficiency of their suppliers or vendors. Also, the Stocks of Purchases Index stood at 50.6 in the covered month compared to 50.2 in July 2024, as businesses noted an increase in their holdings of raw materials, semi-finished products and other purchased items during August.

The PMI is a weighted average of five individual sub-components that are New Orders with a weight of 30%, Output (25%), Employment (20%), Suppliers' Delivery Times (15%), and Stocks of Purchases (10%). The calculation of the PMI is based on data compiled from responses to questionnaires sent to purchasing executives at about 400 private sector companies in Lebanon across the manufacturing, services, construction and retail sectors. The sample selection is based on each sector's contribution to GDP. The survey is compiled monthly by S&P Global Market Intelligence.

**BLOM Lebanon Purchasing Managers' Index**



Source: BLOM Bank, S&P Global Market Intelligence

**Components of BLOM Lebanon Purchasing Managers' Index**

	Output	New Orders	New Export Orders	Future Output	Employment
March 2024	48.6	49.1	48.3	23.6	49.6
April 2024	47.4	47.7	48.1	25.9	49.8
May 2024	46.4	46.1	46.2	21.1	49.8
June 2024	46.2	45.9	46.4	19.4	49.9
July 2024	47.2	46.9	47.2	21.6	49.5
August 2024	46.5	46.1	47.5	19.5	49.8

Source: BLOM Bank, S&P Global Market Intelligence



### Lebanon ranks 82<sup>nd</sup> globally, 12<sup>th</sup> among Arab countries in transparency of real estate sector

Jones Lang LaSalle ranked Lebanon in 82<sup>nd</sup> place among 89 countries and markets worldwide and in 12<sup>th</sup> place among 13 Arab countries and markets included in the survey on its Global Real Estate Transparency Index for 2024. In comparison, Lebanon ranked in 84<sup>th</sup> place among 94 countries and markets and in 12<sup>th</sup> place regionally in the 2022 survey. Based on the same set of countries in the 2022 and 2024 surveys, Lebanon's global rank deteriorated by two spots, while its Arab rank regressed by one notch from the 2022 index.

The index, which is issued every two years, measures real estate transparency across the globe and is used to compare transparency conditions across markets. It highlights the important differences in transaction processes, governance structures, the regulatory and legal environment, as well as the availability and quality of performance standards and market data around the world. It also aims to provide international benchmarks to cross-border investors, developers and occupiers of real estate, as well as to government and industry bodies, in order to measure and improve transparency in their markets.

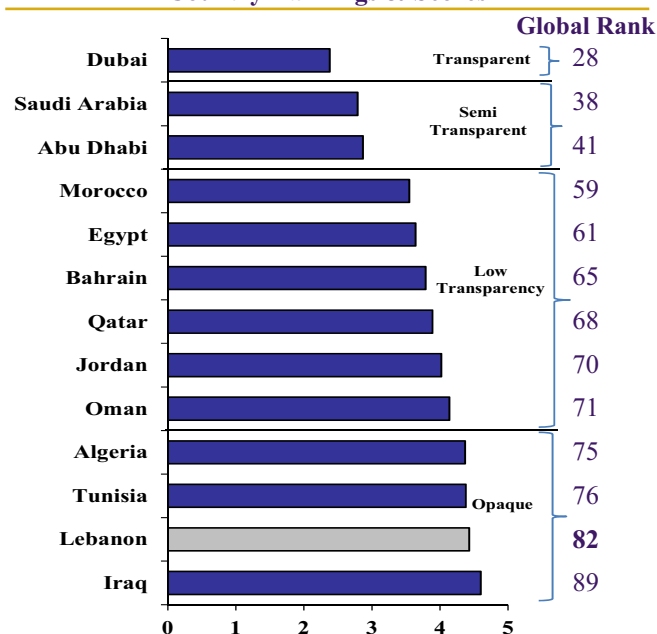
The firm compiled the index from 254 quantitative and qualitative transparency measures that are grouped in 14 major topic areas, which are, in turn, grouped into six sub-indices. The sub-indices are Performance Measurement that has a weight of 25%, Regulatory & Legal Issues (23.5%), Market Fundamentals (16.5%), the Transaction Process (15%), and Governance of Listed Investment Vehicles and Sustainability (10% each). The survey assigns a score from one to five points for each country or market, which, in turn, determines the index rankings. It considers that a country or market that receives a perfect score of one point has a high level of transparency, while a score of five points represents the lowest transparency level. The survey then assigns countries and markets to one of five transparency levels that are "Highly Transparent", "Transparent", "Semi-Transparent", "Low Transparency" and "Opaque".

Globally, Lebanon's real estate market is more transparent than markets in Tanzania, Honduras and Senegal, and is less transparent than markets in Uganda, Mozambique and Côte d'Ivoire. Lebanon received a score of 4.43 points in the 2024 survey, unchanged from the 2022 index, and lagged the global average score of 3 points and the Arab average of 3.8 points. Further, the Lebanese real estate market came in the "Opaque" category in the 2024 survey, along with 15 other countries in the world that consist of Algeria, Angola, the Dominican Republic, Côte d'Ivoire, Ecuador, Ethiopia, Guatemala, Honduras, Iraq, Mozambique, Panama, Senegal, Tanzania, Tunisia, and Uganda. The survey downgraded the Lebanese real estate market from the "Semi-Transparent" category in 2012 to the "Low-Transparency" category in 2014 and to the "Opaque" category in 2016 where it has remained since then.

In parallel, Lebanon, along with Qatar, ranked in the third percentile worldwide on the Market Fundamentals Sub-Index, which means that 97% of markets globally have better market fundamentals than Lebanon. The sub-index covers the availability of data on the office, retail, industrial, hotels and residential real estate segments. Also, Lebanon preceded only Jordan and Guatemala on this category.

Further, Lebanon trailed all countries and markets on the Regulatory & Legal Sub-Index, which assesses a country's real estate regulations, land and property registration, including the accessibility of land registry records to the public. In addition, Lebanon came behind all countries and markets on the Transaction Process Sub-Index, which assesses the quality and availability of pre-sale information and the fairness of the bidding process, among others, as well as the availability and quality of occupier services.

### Real Estate Transparency Index 2024 Country Rankings & Scores



Source: Jones Lang LaSalle, Byblos Research

### Components of the Real Estate Transparency Index for 2024

Sub-Index	Global Rank	Arab Rank	Lebanon Score	Global Avg Score	Arab Avg Score
Performance Measurement	67	9	4.58	3.56	4.23
Market Fundamentals	86	11	4.96	3.31	4.28
Governance of Listed Vehicles	64	9	3.48	2.98	3.39
Regulatory & Legal	89	13	4.09	2.49	3.16
Transaction Process	89	13	4.83	2.38	3.24
Sustainability	60	5	4.32	3.72	4.27

Source: Jones Lang LaSalle, Byblos Research



### Number of internally displaced persons from South Lebanon exceeds 111,900

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 111,940 persons have been displaced from South Lebanon as at August 15, 2024 due to the ongoing hostilities that erupted along Lebanon's border with Israel on October 8, 2023, constituting increases of 9,417 individuals, or of 9.2%, from 102,523 as at August 6, 2024, of 13.4% from 98,750 as at July 23, 2024, of 14.2% from 98,002 as at July 9, of 17.5% from 95,228 as at June 11, of 47.3% from 76,018 as at January 2, 2024, and of 141.6% from 46,325 displaced persons as at November 14, 2023.

It indicated that about 78% of displaced individuals are currently living with host families, 19% are renting houses, 2% have relocated to secondary residences, and around 1% are housed in 15 collective shelters. It added that the shelters are providing accommodation for 1,283 Internally Displaced Persons (IDPs), with five shelters located in Hasbaya, five in Tyre, four in Nabatieh, and one in Saida. It stated that 94% of IDPs originate from the Bint Jbeil, Marjayoun, and Tyre districts.

Further, it noted that six Primary Health Care Centers (PHCCs) in the Bint Jbeil and Marjayoun districts remained close, and said that preparations are underway to support the Ministry of Education and Higher Education to implement remote learning methods for the 2024-25 academic year for students in conflict areas. Moreover, it indicated that 14 water facilities have been partially or fully destroyed, which has affected more than 200,000 residents in the South and Nabatieh, and that 1,700 hectares of agricultural land have been damaged.

Also, the latest figures issued by the Ministry of Public Health show that a total of 547 persons have been killed and 1,765 wounded as at August 13, 2024 as a result of the hostilities along Lebanon's southern border with Israel. OCHA noted that the fatalities of civilians include 33 females, 23 children, 21 healthcare workers and three journalists.

According to OCHA, the food assistance distributed since the eruption of hostilities consisted of 619,029 meals, 2,101 dry food parcels, 2,227 ready-to-eat meals, as well as micronutrient supplements to 9,165 children. It added that core relief included the distribution of 239,877 items in the Bekaa, the South and Nabatieh governorates. It noted that the one-time cash assistance consisted of cash disbursements to 11,884 Lebanese households registered with the Ministry of Social Affairs' social safety net databases, as well as to 5,093 refugees' households and 290 farmers in border areas. In addition, it pointed out that 1,614 Lebanese citizens and 778 displaced Syrians received cash assistance for shelter since October 2023.

Further, hygiene support included 452,000 liters of bottled water and 47,432 hygiene kits, which included 38,080 family hygiene kits, 6,060 dignity kits, 2,314 menstrual hygiene kits, and 1,834 kits for babies. It added that 28 PHCCs satellite units provided 97,700 health services, including 21,696 reproductive healthcare services.

Further, it indicated that 3,275 women and girls participated in targeted gender equality and empowerment activities, while 1,191 received awareness sessions on protection from sexual exploitation and abuse, and 2,258 females at risk of gender-based violence received individual case management and psychosocial support.

In parallel, it stated that 3,632 individuals participated in legal awareness sessions on topics related to civil documentation, residency, housing, landing and property and gender-based violence. It noted that 3,501 people received legal counseling and legal aid, and that 2,253 individuals participated in protection activities at community centers. It added that 8,002 persons benefited from information and awareness sessions on how to access legal and protection services, while 260 individuals with disabilities received specialized rehabilitation services and 86 persons obtained training on protection and humanitarian principles.

### Number of airport passengers down 12% in first eight months of 2024

Figures released by the Beirut-Rafic Hariri International Airport (HIA) show that 4.42 million passengers utilized the airport (arrivals, departures and transit) in the first eight months of 2024, constituting a decrease of 11.7% from 5 million passengers in the same period of 2023 and an increase of 5.3% from 4.2 million passengers in the first eight months of 2022. Also, 669,423 passengers utilized the airport in August 2024, representing decreases of 10.8% from 750,788 in July 2024 and of 26.8% from 914,262 passengers in August 2023. The number of arriving passengers reached 2.2 million passengers in the first eight months of 2024, as they contracted by 12.3% from 2.51 million passengers in the same period of 2023 and grew by 5.8% from 2.08 million passengers in the first eight months of 2022. The number of arriving passengers stood at 248,049 in August, representing decreases of 39.6% from 410,985 passengers in July 2024 and of 34.6% from 379,114 in August 2023.

Also, the number of departing passengers totaled 2.21 million in the first eight months of 2024, constituting a decline of 11% from 2.48 million passengers in the same period last year and an increase of 5.7% from 2.1 million passengers in the first eight months of 2022. Further, the number of departing passengers reached 421,068 in August, representing increases of 24.2% from 339,121 in July 2024 and a decrease of 21.2% from 534,050 departing passengers in August 2023. The slide in the number of airport passengers in the covered period is due to the war in the Gaza Strip and to the related Israeli attacks along Lebanon's southern border, particularly the escalation of tensions since the last week of July.

In parallel, the airport's aircraft activity reached 35,789 take-offs and landings in the first eight months of 2024, representing a decrease of 10.3% from 39,887 takeoffs and landings in the same period last year. In comparison, aircraft activity rose by 15.6% in the first eight months of 2023 from the same period of the preceding year and by 39.6% in the first eight months of 2022 from the covered period in 2021. Also, the airport's aircraft activity stood at 5,315 take-offs and landings in August 2024, constituting decreases of 6.1% from 5,659 take-offs and landings in July 2024 and of 19% from 6,550 takeoffs and landings in August 2023. In addition, the HIA processed 44,552 metric tons of freight in the first eight months of 2024 that consisted of 29,015 tons of import freight and 15,537 tons of export freight. National flag carrier Middle East Airlines had 14,541 flights in the covered period and accounted for 40.6% of the HIA's total aircraft activity.

### Ministry of Social Affairs to resume disbursements of cash assistance under AMAN program

The Ministry of Social Affairs announced that the transfer of funds related to the Emergency Social Safety Net Project (ESSN), known as "AMAN", will resume between September 15 and September 30, 2024, after it suspended payments at the start of July. It added that the ministry conducted visits to Lebanese households that registered for the program in 2024 in order to determine their eligibility. The ministry announced that 583,000 Lebanese households registered for the AMAN program since September 2021 in order to receive a monthly financial assistance for a period of one year. It indicated that a total of \$158.9m were transferred to the eligible households as at the end of June 2023, after it extended the project several times to target more vulnerable families, and said that many families benefited from monthly payments for 18 months instead of 12 months. It added that it took exceptional measures by paying money for a period of one year to 10,000 households who have a member of the family who requires special needs or who have a widower.

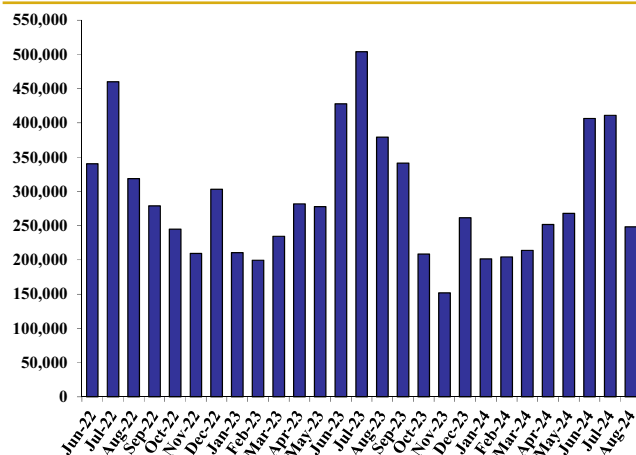
The Council of Ministers announced on March 14, 2022 the beginning of payments of cash transfers to 150,000 extremely poor Lebanese households under the AMAN program that the World Bank is financing. The ministry announced on February 2023 that it extended the project for an additional six months.

Further, the ministry noted that it chose to assist vulnerable Lebanese households based on several criteria, such as families without income or low income, the presence of at least one member of the family who requires special needs, the presence of an elderly over 64 years old, minor members, or a family headed by a female with no or limited income. It said that it signed a contract with an independent company to review the implementation of the program, including the registration, eligibility, cash transfers, and the auditing of the disbursed amounts. As such, it pointed out that more than 93,000 Lebanese households have been benefiting from the AMAN program.

In addition, the ministry launched in June 2023 the payment process for beneficiary families who have children enrolled in formal schools, institutes or vocational schools and who are between 13 to 18 years old, in order to cover the students' transportation fees during the academic year 2023-24. It added that it will provide assistance to the children of new beneficiaries and support them paying their school fees, stationery and transportation costs.

Established in January 2021, the ESSN project aims to provide cash transfers and access to social services to extremely poor and vulnerable Lebanese individuals and households who have been affected by the economic crisis and the COVID-19 shock in the country. Also, the Lebanese authorities have secured a \$246m loan in March 2021 from the World Bank to fund the ESSN for three years.

Number of Arriving Passengers



Source: Beirut-Rafic Hariri International Airport



### Lebanon ranks in 11<sup>th</sup> place among Arab countries on renewable energy index

The Regional Center for Renewable Energy and Energy Efficiency (RCREEE) ranked Lebanon in 11<sup>th</sup> place among 20 Arab countries on its Renewable Energy Index for 2023. The results of the 2023 survey are not comparable with the findings of the previous versions due to changes in the methodology to produce the index.

The index measures the commitment of Arab countries to develop policies, institutional and technical capacities, strategies, socioeconomic data and investments for the deployment renewable energy solutions. It is based on 28 quantitative and qualitative indicators grouped in five categories that are Market Structure, Policy Framework, Institutional Capacity, Finance & Investment, and Carbon Emissions & Monitoring. The index's scores range from 0% to 100%, with a higher score reflecting a better investment climate for the development of renewable energy. The index is issued by the RCREEE is an intergovernmental organization that aims to enable and increase the adoption of renewable energy and energy efficiency practices in the Arab region, with the support of United Nations Development Program.

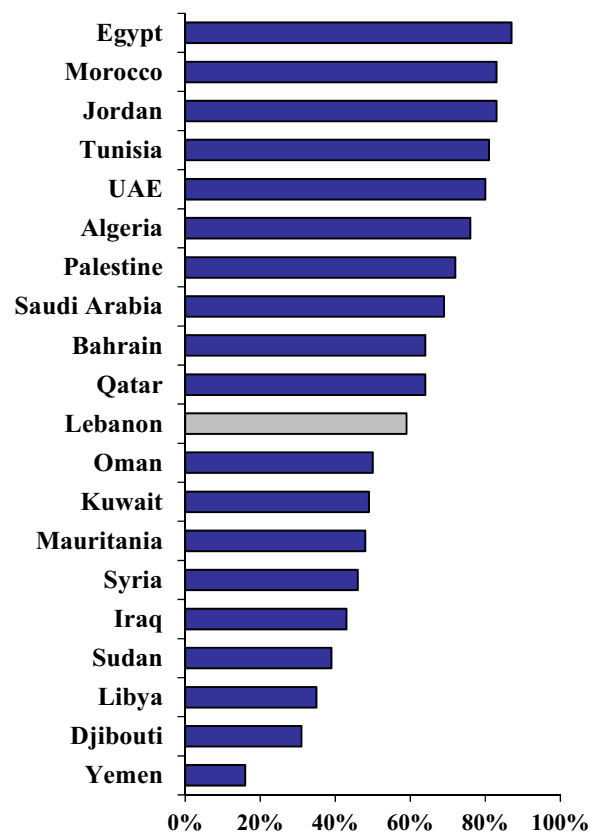
Lebanon made more progress in 2023 in the development of renewable energy than Oman, Kuwait and Mauritania, but trailed Saudi Arabia, Qatar and Bahrain in the deployment of renewable energy. Lebanon received a score of 59%, slightly above the simple average of 58.8% of the 20 Arab countries included in the survey. Further, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 62.7%, but was higher than the score of 57.1% among non-GCC Arab countries.

Lebanon tied with Palestine, ranked ahead of Iraq, Oman and Sudan, and came behind the UAE, Bahrain and Qatar on the Market Structure category, which assesses the ease for private investors in accessing the power generation market. Also, it tied with Iraq, preceded Algeria, Sudan and Kuwait, and trailed Saudi Arabia, Oman and Bahrain on the Policy Framework category, which measures the overall political commitment to support renewable energy development.

In addition, Lebanon tied with Morocco, and ranked ahead of only Djibouti, Iraq, Syria, Libya and Yemen on the Carbon Emission & Monitoring category, which assesses the current emissions from electricity grid and the status of a country under the Nationally Determined Contributions set out in the Paris Agreement.

The survey noted that Lebanon has small-scale photovoltaic (PV) systems with low-voltage network, and that medium- to large-scale PV and wind systems to medium and high voltage grid are under preparations. It added that the country aims to derive 30% of electricity from renewable energy in total power generation capacity by 2030. However, it stated that Lebanon lacks the required independent electricity regulatory authority to grant power generation licenses to private companies.

**Renewable Energy Index for 2023  
Country Rankings & Scores**



Source: Regional Center for Renewable Energy and Energy Efficiency, Byblos Research

**Components of the 2023 Renewable Energy Index**

	Lebanon Score	Lebanon Rank	Arab Avg Score*
Market Structure	30%	10	32.7%
Policy Framework	53%	11	56.9%
Carbon Emission & Monitoring	73%	15	73.2%

\* simple average

Source: RCREEE, Byblos Research

### Banking sector has 761 branches at end-2023

Figures issued by Banque du Liban (BdL) show that the Lebanese banking sector had 761 local and foreign branches at the end of 2023, constituting declines of 92 branches, or of 10.8% from 853 branches at end-2022 and of 206 branches (-21.3%) from 967 branches at end-2021, as well as decreases of 326 branches (-30%) from 1,087 branches at end-2020 and of 391 branches (-34%) from 1,152 branches at end-2019.

Commercial banks had 741 local and foreign branches at the end of 2023 compared to 832 branches at end-2022, to 946 branches at end-2021, to 1,065 branches at end-2020, and to 1,131 branches at end-2019. Further, medium- and long-term banks had 20 branches in Lebanon at the end of 2023, nearly unchanged from a year earlier. In parallel, commercial banks operating in Lebanon had 46 branches outside the country at the end of 2023 relative to 50 branches at the end of 2022, 53 branches at end-2021, 73 branches at end-2020, and 73 branches at end-2019.

The breakdown of commercial banks' branches shows that banks had 695 local branches at the end of 2023, down by 87 branches from 782 branches at the end of 2022, by 198 branches from 893 branches at end-2021, by 297 branches from 992 branches at end-2020, and by 363 branches from 1,058 branches at end-2019. There were 365 branches of commercial banks in Beirut & its suburbs that accounted for 52.5% of total branches in the country at the end of 2023, followed by 139 branches in Mount Lebanon (20%), 75 branches in South Lebanon (10.8%), 71 branches in North Lebanon (10.2%), and 45 branches in the Bekaa region (6.5%). Also, nine foreign commercial banks operating in the country had 21 branches and four Islamic banks had 12 branches at end-2023. In addition, there were eight e-branches that offer banking services through interactive and automated machines at end-2023. Also, there were 46 commercial banks in the country, unchanged from a year earlier, and 14 medium- and long-term banks operating in Lebanon at the end of 2023 relative to 15 at end-2022. In parallel, 37 financial institutions had 67 branches in Lebanon at end-2023, relative to 40 financial institutions with 69 branches a year earlier.

### Arab Re's ratings upgraded on robust balance sheet

Insurance rating agency A.M. Best upgraded the Financial Strength Rating of Arab Reinsurance Company sal (Arab Re) from 'B-' (Fair) to 'B' (Fair), and its long-term Issuer Credit Rating from 'bb-' (Fair) to 'bb' (Fair). It also maintained the 'stable' outlook on the two ratings. It indicated that the credit ratings reflect the firm's strong balance sheet, as well as its adequate operating performance, limited business profile, and marginal enterprise risk management.

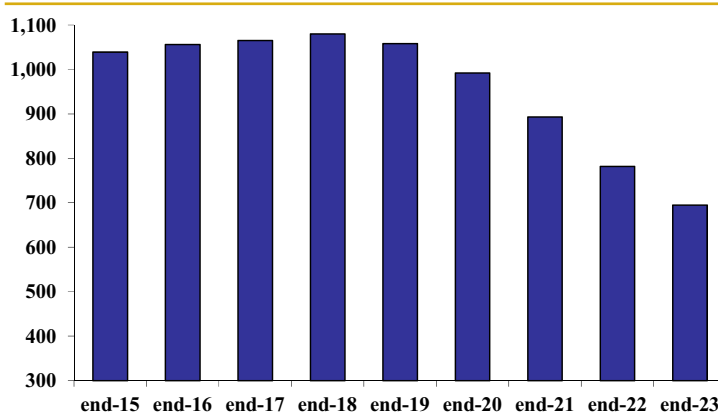
It attributed the upgrade of the ratings to the strengthening of Arab Re's balance sheet fundamentals, through increased risk-adjusted capitalization that made the company more resilient to stress at the end of 2023, as measured by the agency's Capital Adequacy Ratio (BCAR). It noted that good internal capital generation and the growth of the company's offshore asset portfolio, which has improved its liquidity position and its ability to service non-domestic policyholder obligations, supported the firm's risk-adjusted capitalization.

Further, it indicated that Arab Re has successfully diversified its asset base outside Lebanon in recent years, given that the economic, political and financial system risks in the country are elevated. It pointed out that the company held over 65% of its investments outside Lebanon at the end of 2023, which has made its balance sheet more resilient to asset-side stress tests, including the full impairment of Lebanon-based assets.

In addition, it noted that a cumulative \$27.5m of impairments related to the holdings of Lebanese government bonds and deposits, as well as \$2.9m in net losses related to the explosion at the Port of Beirut, have negatively affected the firm's net income between 2019 and 2021. But it indicated that Arab Re posted profitable operating results in four of the past five years, with a weighted average return on equity of 3% between 2019 and 2023. Also, it noted that positive underwriting results since 2021 reflect the management's actions to address its portfolio, including exiting under-performing businesses and the revision of underwriting guidelines.

In parallel, it said that Arab Re has a niche position in its core markets in the Middle East and North Africa region based on its original role as a reinsurer for Arab insurance markets and longstanding relationships with its cedants. It considered that the growth potential of the company is limited despite its geographical reach, as reinsurance markets in the region remain highly competitive.

Number of Branches of Commercial Banks in Lebanon



Source: Banque du Liban, Byblos Research

### Foreign investments of financial sector at LBP1,571bn at end-2023

Figures issued by Banque du Liban (BdL) show that the net investment portfolio of Lebanese banks and financial institutions in foreign debt and equity securities totaled LBP1,571bn at the end of 2023, or the equivalent of \$104.7m, constituting a decrease of 21.2% from LBP1,992.5bn (\$1.32bn) at end-2022. The dollar figures are converted at the exchange rate of the Lebanese pound to the US dollar for transactions between BdL and commercial banks of LBP1,507.5 per dollar at end-2022 and of LBP15,000 per dollar at end-2023. According to BdL, the figures cover the net assets of resident banks and financial institutions in foreign tradable debt and equity instruments, on behalf of their clients and on a custodial basis mostly.

Investments in long-term debt securities stood at LBP834.9bn (\$55.6m) at end-2023 and accounted for 53% of the total, followed by placements in equities at LBP711.8bn (\$47.5m), or 45.3%, and investments in short-term debt securities at LBP24.3bn (\$1.6m), or 1.5%. Investments in short-term debt securities surged by 78.7%, while investments in long-term debt securities declined by 22.7% and placements in equities decreased by 20.8% from end-2022.

The investments of commercial banks in long-term debt securities totaled LBP335.1bn (\$22.3m), and accounted for 40% of the financial sector's aggregate investments in such securities at the end of 2023. The net investments of medium- and long-term banks followed with LBP271.5bn (\$18.1m), or 32.5%, then insurance companies followed with LBP164.6bn (\$11m), or 19.7%, and financial institutions with LBP63.7bn (\$4.2m), or 7.6%. Further, financial institutions' investments in equities reached LBP255.2bn (\$17m) and represented 36% of the financial sector's investments in such securities at the end of 2023. Commercial banks followed with LBP177.2bn (\$11.8m) or 25% of the total, then medium- and long-term banks with LBP168.4bn (\$11.2m) or 23.7%, insurers with LBP110.9bn (\$7.4m) or 15.6%, and financial intermediaries with LBP100m (\$6,666.7) or 0.01%. In parallel, insurance firms had LBP21.4bn (\$1.4m) invested in short-term debt securities and accounted for 87.7% of the financial sector's total investments in such securities at the end of 2023, followed by financial institutions with LBP2bn (\$0.1m) or 8.2% of the total, commercial banks with LBP700m (\$46,667) or 2.9%, and medium and long-term banks with LBP300m (\$20,000) or 1.2%.

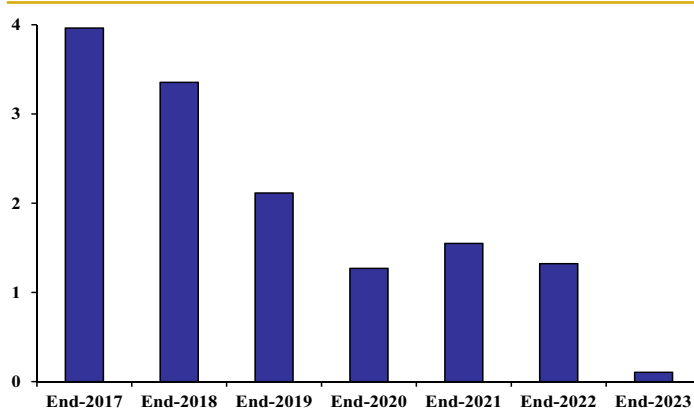
The distribution of investments by destination shows that the United States was the main recipient of equity investments of banks and financial institutions operating in Lebanon with LBP168.1bn, (\$11.2m), or 23.6% of the total as at the end of 2023. The Netherlands followed with equity investments of LBP147bn (\$9.8m) or 20.7% of the total, then the United Kingdom with LBP58.4bn (\$3.9m) or 8.2%, Saudi Arabia with LBP54.7bn (\$3.6m) or 7.7%, and Luxembourg with LBP53.1bn (\$3.5m) or 7.5%, while other countries accounted for the remaining 32.4%. In parallel, the U.S. was the recipient of LBP227bn (\$15.1m) or 27.2% of investments by Lebanese banks and financial institutions in long-term debt securities at end-2023, followed by the United Kingdom with LBP192.2bn (\$12.8m) or 23% of the total, France with LBP152.5bn (\$10.2m) or 18.3%, Switzerland with LBP66.7bn (\$4.4m) or 8%, and Türkiye with LBP39bn (\$2.6m) or 4.7%, while other countries accounted for the balance of 19%. Further, the U.S. was the recipient of 93% of investments by Lebanese banks and financial institutions in short-term debt securities at end-2023, followed by the United Kingdom with 2.5%, Japan with 1.6%, Venezuela with 1.2%, and France with 0.8%, while other countries accounted for the remaining 0.8%.

### Import activity of top five shipping firms and freight forwarders down 4.2% in first five months of 2024

Figures released by the Port of Beirut show that the aggregate volume of imports by the top five shipping companies and freight forwarders through the port totaled 82,453 20-foot equivalent units (TEUs) in the first five months of 2024, constituting a decrease of 4.2% from 86,057 TEUs in the same period of 2023. The five shipping and freight forwarding firms accounted for 81% of imports to the Lebanese market in the covered period. Merit Shipping handled 28,973 TEUs in the first five months 2024, equivalent to 28.4% of the total import freight market to Lebanon. Mediterranean Shipping Company (MSC) followed with 23,914 TEUs (23.5%), then MAERSK with 14,624 TEUs (14.3%), Gezairi Transport with 9,190 TEUs (9%), and Sealine Group with 5,752 TEUs (5.6%). Gezairi Transport registered a rise of 41.8% in its imports in the first five months of 2024 from the same period last year, the highest growth rate among the top five companies, while Sealine Group posted a decrease of 28%, the steepest decline among the five firms in the covered period. Also, the import shipping operations of the top five firms through the port surged by 66.4% in May 2024 from the preceding month.

In parallel, the aggregate volume of exports by the top five shipping and freight forwarding firms through the Port of Beirut reached 27,994 TEUs in the first five months of 2024, representing a decrease of 13.2% from 32,261 TEUs in the first five months of 2023. The five companies accounted for 91% of exported Lebanese cargo in the covered period. Merit Shipping handled 15,595 TEUs of freight in the first five months of 2024, equivalent to 50.7% of the Lebanese cargo export market. MAERSK followed with 5,454 TEUs (17.7%), then MSC with 3,266 TEUs (10.6%), Gezairi Transport with 2,139 TEUs (7%), and Sealine Group with 1,540 TEUs (5%). MSC posted a surge of 63.8% in exports in the first five months of 2024 from the same period of 2023, the highest growth rate among the top five companies, while Sealine Group registered a decrease of 48%, the steepest decline among the five firms in the covered period. The export-shipping operations of the top five companies increased by 28% in May 2024 from the previous month.

Foreign Investments of Financial Sector (US\$bn)



Source: Banque du Liban, Byblos Research

## Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	25.0	19.8	21.8	2.0
Public Debt in Foreign Currency / GDP	56.1	-	-	-
Public Debt in Local Currency / GDP	92.6	-	-	-
Gross Public Debt / GDP	148.7	349.9	283.2	(66.7)
Trade Balance / GDP	(12.1)	(6.3)	(4.3)	(2.0)
Exports / Imports	31.3	24.8	18.3	(6.5)
Fiscal Revenues / GDP	15.8	8.3	6.5	(1.7)
Fiscal Expenditures / GDP	20.0	7.4	12.7	5.3
Fiscal Balance / GDP	(4.2)	0.9	(6.1)	-
Primary Balance / GDP	(1.0)	2.0	(5.6)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	206.4	81.9	41.8	(40.1)
Commercial Banks Assets / GDP	292.5	107.3	46.4	(60.9)
Private Sector Deposits / GDP	216.5	79.5	34.5	(45.0)
Private Sector Loans / GDP	56.3	17.0	5.5	(11.5)
Private Sector Deposits Dollarization Rate	80.4	79.4	76.1	(3.3)
Private Sector Lending Dollarization Rate	59.6	56.3	50.7	(5.6)

\*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, 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	196	480
Nominal GDP (US\$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-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	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
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	30,313
Weighted average exchange rate LBP/US\$	3,878	10,876	26,222

Source: Central Administration of Statistics, Institute of International Finance- May 2023

## Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Ratings	C	NP	-	C		Stable
Fitch Ratings*	RD	C	-	RD	RD	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

\*Fitch withdrew the ratings on July 23, 2024

Source: Rating agencies

### Banking Sector Ratings

Banking Sector Ratings	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings





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