

# LEBANON THIS WEEK

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Bank of Beirut declares net losses of LBP600.7bn in 2023

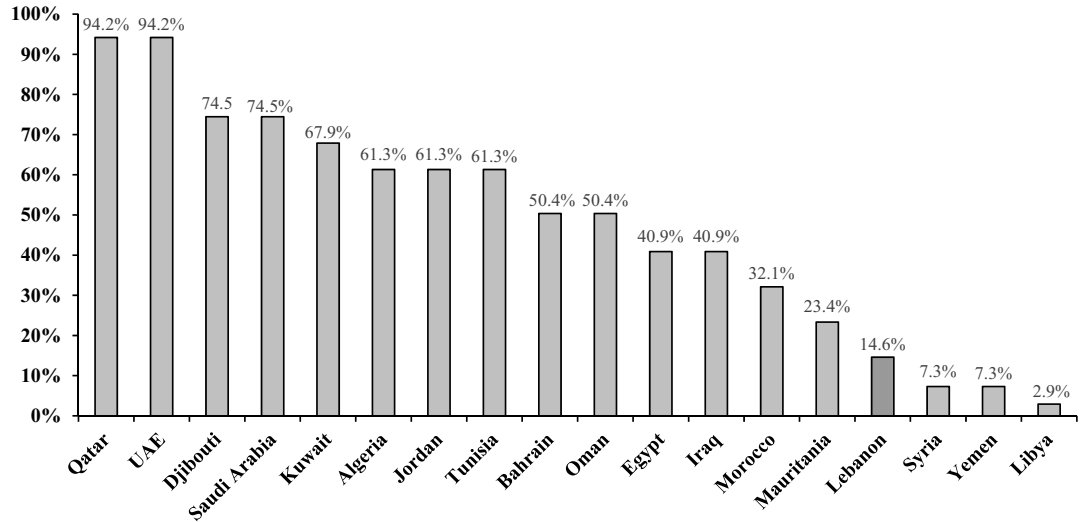
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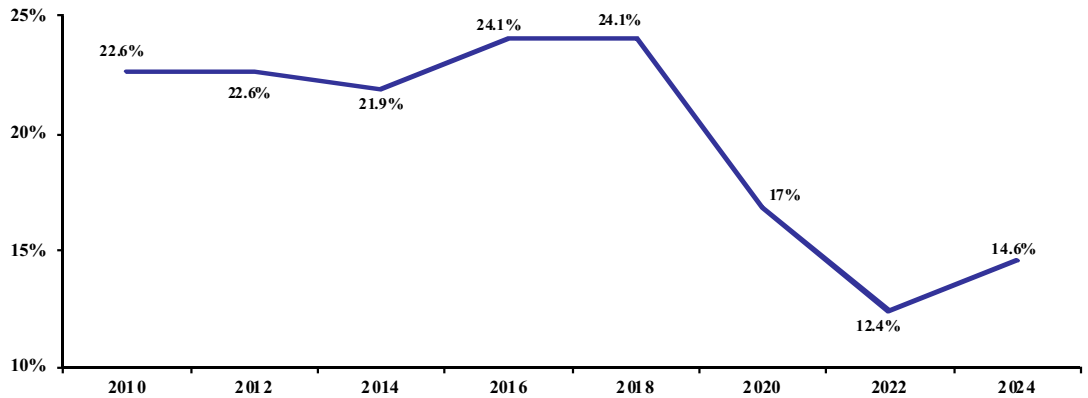
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## Charts of the Week

Percentile Rankings of Arab Countries on the Resource Efficiency Indicator for 2024



Percentile Rankings of Lebanon on the Resource Efficiency Indicator



*\*The Resource Efficiency indicator captures the efficient use of assets in a country, as well as policy coordination and anti-corruption policy*

*Source: Bertelsmann Stiftung's Governance Index, Byblos Bank*

## Quote to Note

"Frequent power outages weigh on Lebanon's economic prospects."

*Insurance rating agency A.M. Best, on the urgent need to reform the electricity sector in the country*

## Number of the Week

**63.2%:** Percentage drop in the banking sector's claims on non-resident financial institutions since the start of 2019, according to Banque du Liban

## 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"	88.00	(2.2)	80,528	42.7%	Nov 2024	6.25	6.38	13,217.65
Audi Listed	1.80	5.9	20,000	5.1%	Jun 2025	6.25	6.38	1,164.94
Audi GDR	1.55	(1.9)	11,144	0.9%	Nov 2026	6.60	6.38	176.58
Solidere "B"	86.00	(4.2)	6,108	27.1%	Mar 2027	6.85	6.38	147.06
BLOM Listed	7.00	131.8	50	7.3%	Nov 2028	6.65	6.38	79.6
BLOM GDR	3.50	0.0	-	1.3%	Feb 2030	6.65	6.38	57.79
HOLCIM	63.00	0.0	-	6.0%	Apr 2031	7.00	6.38	46.55
Byblos Common	0.65	0.0	-	1.8%	May 2033	8.20	6.38	34.51
Byblos Pref. 08	25.00	0.0	-	0.2%	Nov 2035	7.05	6.38	26.39
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	6.38	23.29

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

Source: Refinitiv

	Sep 17-20	Sep 9-13	% Change	August 2024	August 2023	% Change
Total shares traded	117,830	278,605	(57.7)	960,183	1,893,327	(49.3)
Total value traded	\$7,633,909	\$13,872,323	(45)	\$60,610,835	\$46,947,434	70.6
Market capitalization	\$20.63bn	\$20.16bn	2.3	\$19.24bn	\$18.72bn	1.0

Source: Beirut Stock Exchange (BSE)



### Ministry of Finance projects fiscal surplus of 2% of GDP in 2024, aims for a deficit of 0.7% of GDP in 2025

The Ministry of Finance declared that its fiscal policy is based on two main pillars that are enhancing revenues and restoring the government's financing capacity on one hand, and conservative spending that is aligned with priorities on the other hand, in order to avoid fiscal deficits.

It considered that the main objectives of the budget draft for 2025 consist of: First, enacting the budget within the constitutional deadline. Second, maintaining financial and monetary stability, containing inflation, and facilitating the work of the public sector. Third, ensuring the availability of resources in light of the prevailing challenges by enhancing revenues, improving compliance and expanding the tax base, and by rationalizing expenditures. Fourth, ensuring that enough funds are available in the Treasury's accounts in order to face risks and to reimburse the State's outstanding dues, given the inability to raise funds from capital markets or issue Treasury bills. Fifth, completing the recovery of state institutions and rebuilding the capacity of the public administration. Sixth, preparing the budget draft for 2025 based on the self-financing approach, which means avoiding a deficit that the Treasury cannot finance, and putting a ceiling on expenditures relative to the expected revenues and to the available funds in the Treasury's accounts. Also, it stressed that complying with the ceilings on expenditures in the 2025 draft budget is essential, as exceeding these ceilings would have negative repercussions on stability, and would lead to the resumption of sharp fluctuations of the exchange rate and of inflation, which, in turn, would hurt living conditions.

Further, it indicated that public revenues totaled LBP236,537bn in 2023, equivalent to 13.5% of GDP compared to 6% of GDP in 2022. It said that it collected during the first eight months of 2024 about 82% of the expected revenues in the 2024 budget. It noted that the actual collection of receipts is based on an exchange rate of LBP89,500 per US dollar compared to a rate of LBP85,500 per dollar in the 2024 budget. It estimated that, based on this collection rate, public revenues will increase by 23% from what is projected in the enacted 2024 budget, and that revenues would be equivalent to 15% to 16% of GDP this year.

Also, it did not expect public expenditures to exceed public revenues this year, and forecast public spending at 14% of GDP in 2024 compared to 9% of GDP in 2023, as it noted that the size of the public sector is expanding gradually, along with the process of enhancing revenues to increase productivity and performance. It forecast spending on the wages, salaries, and compensation of public sector employees to account for more than 50% of public expenditures and to be equivalent to 7.6% of GDP in 2024, compared to 4% of GDP in 2023. It said that the interest and principal due on the external debt, along with paying other dues of the Treasury on time, in addition to gradually reimbursing arrears, will be equivalent to 2% of GDP in 2024. As such, it projected the fiscal balance to post a surplus of 2% of GDP in 2024 compared to a surplus of 1.9% of GDP in 2023 and a deficit of 2.5% of GDP in 2022.

In parallel, it forecast revenues in the 2025 draft budget at about 17% of GDP, compared to an actual collection of about 16% of GDP in 2024. It said that it based its revenues forecast on a conservative real GDP growth rate due to the prevailing circumstances in the country, and on the generated public revenues on a cash basis and the level of imports during the first eight months of 2024. It added that it projects expenditures at LBP427,695bn in the 2025 draft budget, equivalent to 17% of GDP relative to actual spending of 13% to 14% of GDP in 2024. It said that spending on wages, salaries, and social benefits of public sector employees total LBP211,415bn, or the equivalent to 8.6% of GDP in 2025, relative to an expected 7.6% of GDP in 2024 and to 4% of GDP in 2023. It added that this item accounts for 49% of the aggregate expenditures of the 2025 draft budget, or 52% of expected revenues in 2025, and includes incentives to the educational sector of LBP13,500bn.

Further, it indicated that the draft budget allocates LBP55,855 in reserves, in order to cover any additional raise in the wages of the public sector, as long as the public sector's total wages and salaries, including social assistance, do not exceed 10% of GDP. It added that the budgetary reserves include \$100m to cover the cost of purchasing Iraqi fuel oil on behalf of Electricité du Liban, when Parliament enacts the related laws.

In addition, it said that the allocations to public investments are conservative and account for 10% of total expenditures, as the financing of development and infrastructure projects remains mainly from concessional loans. It added that the ministry is working to reimburse the state's dues and obligations on time, in order to regain the confidence of the international community and to attract foreign financing for development projects. Further, it noted that, in light of the scarcity of available resources, the priority is for social spending. As such, it said that the ministries of Public Health, Education & Higher Education, and Social Affairs received 29% of aggregate public expenditures in the 2025 draft budget.

#### Comparative Fiscal Figures (in % of GDP)

	2022*	2023*	2024**	2025***
Total Revenues	6.1%	13.5%	15.7%	16.7%
Total Expenditures	8.6%	11.6%	13.7%	17.4%
Fiscal Balance	-2.5%	1.9%	2.0%	-0.7%

\*realized budget for 2022 and 2023

\*\*estimates for 2024

\*\*\*draft budget for 2025

Source: Ministry of Finance, Byblos Research



### Banque du Liban's liquid foreign reserves at \$10.6bn, gold reserves at \$23.7bn at mid-September 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,485.2 trillion (tn) on September 15, 2024, relative to LBP8,474.1 trillion (tn) at end-August 2024 and to LBP8,457.3tn at mid-August 2024. Assets in foreign currency stood at \$15.8bn at mid-September 2024 compared to \$15.71bn at end-August 2024, to \$15.58bn at mid-August 2024 and to \$13.94bn at mid-September 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 mid-September 2024, nearly unchanged from end-August 2024. Further, BdL's liquid foreign currency reserves stood at \$10.6bn at mid-September 2024 compared to \$10.52bn at end-August 2024, \$9.32bn at the end of 2023, and \$8.57bn at end-July 2023. As such, liquid foreign currency reserves increased by \$2.03bn from the end of July 2023.

Further, the value of BdL's gold reserves reached a historical peak of \$23.7bn at mid-September 2024, relative to \$23.27bn at end-August 2024 and to \$17.69bn at mid-September 2023. Also, the securities portfolio of BdL totaled LBP127,348.6bn at mid-September 2024 relative to LBP127,608.8bn at end-August 2024. In addition, loans to the local financial sector stood at LBP12,098.8bn at mid-September 2024 compared to LBP12,334.3bn at end-August 2024.

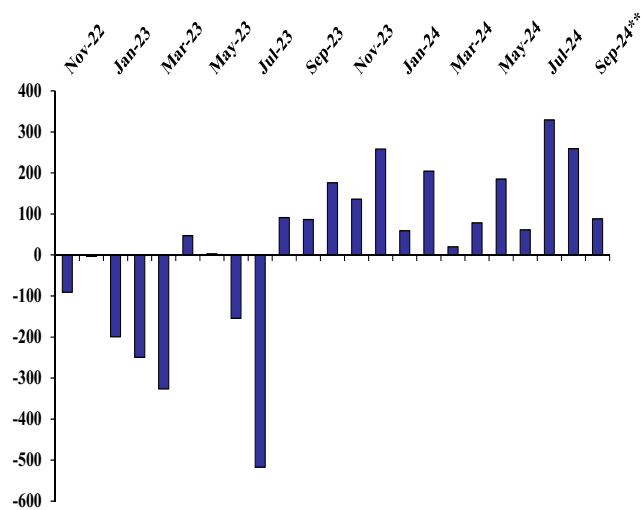
Moreover, Deferred Open-Market Operations totaled LBP162,017.8bn at mid-September 2024 relative to LBP159,586.4bn at end-August 2024 and to LBP118,971.3bn at end-2023. BdL said that, based on the Central Council's decision 23/36/45 of December 20, 2023, it has started to present all deferred interest 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 LBP18,372.6bn at mid-September 2024 relative to LBP16,938bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP3,143,236bn at mid-September 2024 relative to LBP3,181,837.3bn at end-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 LBP162.72tn at mid-September 2024 relative to LBP162.64tn at end-August 2024. It also consists of a special account in the name of the Treasury that stood at LBP2,980.5tn at mid-September 2024 compared to LBP3,019.2tn at end-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 LBP1,486,842bn at mid-September 2024 relative to LBP1,486,830bn two weeks earlier

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP57,350bn at mid-September 2024 compared to LBP57,193.1bn at end-August 2024, and represented a decrease of 6.3% from LBP61,179.5bn at mid-September 2023. Further, the deposits of the financial sector reached LBP7,783.3tn or the equivalent of \$86.96bn at mid-September 2024, relative to LBP7,780.1tn, or \$86.93bn, at end-August 2024 and to LBP1,331.8tn or \$88.8bn at mid-September 2023; while public sector deposits at BdL totaled LBP517,100bn at mid-September 2024 compared to LBP512,367.5bn at end-August 2024 and to LBP147,156.5bn at mid-September 2023. 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

### Lebanon in "Evolving" category in terms of commitment to cybersecurity in 2024

The International Telecommunication Union placed Lebanon in the "T4 - Evolving" segment, along with 56 countries globally, on its Global Cybersecurity Index (GCI) for 2024. It said countries in the "T4 - Evolving" category demonstrate a basic cybersecurity commitment to government-driven actions that encompass evaluating, establishing or implementing certain generally accepted cybersecurity measures in at least one of the pillars of the index, or in several indicators and/or sub-indicators. Other countries in this segment include Angola, Argentina, Armenia, Dominica, Honduras, Liberia, Liechtenstein, Tajikistan, and Turkmenistan.

The GCI assesses a country's commitment to cybersecurity in order to identify strengths and areas for improvement, and to share current cybersecurity practices. It defines cybersecurity as the set of technologies, processes, and practices designed to protect networks, devices, programs, and electronic data from attacks, damages, or unauthorized access. The GCI is a composite of 20 indicators that are grouped into five pillars that are the Legal, Technical, Organizational, Capacity Building, and Cooperation pillars. A country's score is a simple average of the five pillars and ranges from zero to 100 points, with a score of 100 points reflecting the highest commitment to cybersecurity. It added that a higher score indicates that a country has put in place more measures to strengthen its cybersecurity position across the five pillars than countries with lower scores.

Also, the survey classifies countries in five tiers that are "T1 - Role-modelling", "T2 - Advancing", "T3 - Establishing", "T4 - Evolving", and "T5 - Building". It places countries that receive a score of at least 95 points in the "T1 - Role-modelling" category; it classifies economies that get scores between 85 points and 94.99 points in the "T2 - Advancing" tier; it lists countries that obtain scores of 55 points to 84.99 points in the "T3 - Establishing" segment; it classifies economies that receive scores between 20 points and 54.99 points in the "T4 - Evolving" tier; and it places countries with scores of between zero points to 19.99 points in the "T5 - Building" segment.

It classified Bahrain, Egypt, Jordan, Morocco, Oman, Qatar, Saudi Arabia and the UAE in the "T1 - Role-modelling" tier; placed Algeria, Kuwait, Libya and Tunisia in the "T3 - Establishing" tier; included the Comoros, Djibouti, Iraq, Lebanon, Mauritania, Somalia, Palestine, Sudan and Syria in the "T4 - Evolving" tier; and placed Yemen in the "T5 - Building" tier.

Lebanon received a score of 12.08 points compared to an average score of 16.3 points for Arab countries on the Legal Measures pillar. This category evaluates the legal institutions and frameworks that deal with cybersecurity and cybercrime. Lebanon preceded only Djibouti, Iraq, Somalia, and Yemen in the Arab world on this pillar.

Also, Lebanon obtained a score of 10.52 points compared to an average score of 13.3 points for Arab economies on the Organizational Measures pillar. This segment assesses policy-coordinating institutions and strategies for cybersecurity development at the national level. Lebanon came ahead of the Comoros, Sudan, Djibouti, Palestine, and Yemen among Arab countries on this measure.

Further, Lebanon received a score of 5.02 points compared to an average score of 11.9 points for Arab countries on the Capacity Development Measures pillar. This category assesses the presence of research and development, education and training programs, certified professionals and public sector agencies that promote capacity building. Lebanon preceded only the Comoros, Sudan, Somalia, Djibouti, Mauritania and Yemen in the Arab world on this pillar.

In addition, Lebanon obtained a score of 1.39 points compared to an average score of 11.9 points for Arab countries on the Technical Measures pillar, which evaluates the technical institutions and frameworks that deal with cybersecurity and cybercrime. Lebanon came in last place, along with Mauritania, among Arab countries on this measure.

Finally, Lebanon received a score of 3.36 points compared to an average score of 12.2 points for Arab countries on the Cooperation Measures pillar. This segment assesses the existence of partnerships, cooperative frameworks and information-sharing networks with other countries. Lebanon preceded Palestine, the Comoros and Yemen in the Arab world on this pillar.

In parallel, the survey said that Lebanon's performance on the Legal Measures and the Organizational Measures pillars represent areas of relative strength; while the country's scores on the Capacity Development Measures, Technical Measures, and Cooperation Measures pillars denote areas of potential growth.



### Ministry of Public Health launches REAYA program to assist vulnerable individuals

The Ministry of Public Health (MoPH) launched the REAYA program that the World Bank is financing under the Lebanon Health Resilience project. It said that the program is aligned with the plan of the ministry to reorient the healthcare sector towards primary health care (PHC). It added that the project aims to sustain and expand the MoPH's provision of PHC services to the most vulnerable segments of the population and to increase the capacity of the ministry as stated in the National Health Strategy. It indicated that the World Bank will reallocate financing packages to increase the contribution of the ministry to PHC facilities, which will be added to the budgetary allocation of the ministry for preventive care. It noted that the program covers 67 PHC centers across Lebanon.

Further, it indicated that the REAYA program aims to provide healthcare services to the most vulnerable individuals who are 18 years or older. It added that participants will be required to pay \$3 per year when they register in the program. In addition, it said that it will provide free healthcare services to individuals under the age of 18 and to persons who require special needs. It pointed out that the program aims to reach 210,000 individuals who will be selected based on vulnerability criteria through the "AMAN" database of the Emergency Social Safety Net Project (ESSN) program.

Also, the ministry noted that it will send short text messages that contain a link to the selected beneficiaries, where they can choose the PHC center that is most convenient for them. It indicated that the centers will not register new beneficiaries after six months from the date of sending the text messages without special permission from the ministry.

Further, it stated that basic healthcare service packages cover medical consultation visits that include visits related to preventive health and follow-up of acute and chronic medical conditions; consultative and diagnostic examinations according to established protocols; pregnancy and postpartum care visits; essential medicines and vaccines; and community healthcare services.

The Lebanon Health Resilience Project aims to support Lebanon's healthcare system, to increase access to quality healthcare services for poor Lebanese and displaced Syrians in Lebanon, and to strengthen the government's capacity to respond to the COVID-19 pandemic. The funds consist of a \$95.8m loan from the World Bank and \$24.2m in financing from the Global Concessional Financing Facility, a World Bank-administered multi-national fund that supports middle-income countries experiencing unusual social and economic pressure from refugee inflows. Further, the Islamic Development Bank is co-funding the Health Resilience Project and has earmarked an additional \$30m to the project.

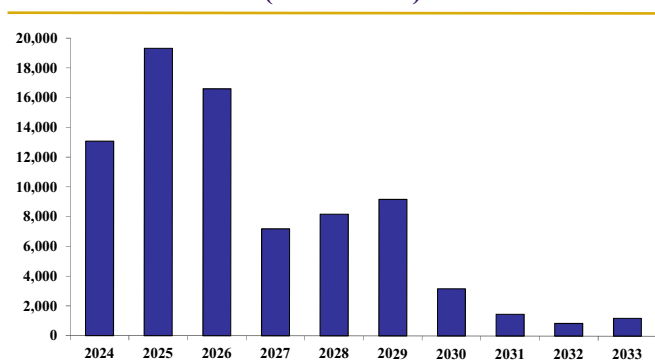
### More than 65% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-July 2024

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP80,236bn at the end of July 2024 compared to LBP81,507bn at end-June 2024 and to LBP87,462bn at end-July 2023. The securities were equivalent to \$896.5m at the end of July 2024 based on the exchange rate of LBP89,500 per US dollar, according to the BdL Central Council's Decision No. 48/4/24 dated February 15, 2024. The weighted interest rate on Lebanese Treasury securities was 6.38% in July 2024 compared to 6.31% in July 2023.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP32,003bn and accounted for 39.8% of aggregate securities denominated in Lebanese pounds at the end of July 2024, followed by seven-year Treasury securities with LBP15,965bn (20%), five-year Treasury bonds with LBP10,693bn (13.3%), three-year Treasury securities with LBP6,334bn (8%), one-year T-bills with LBP5,938bn (7.4%), two-year Treasury bonds with LBP4,810bn (6%), 12-year Treasury securities with LBP3,076bn (3.8%), and 15-year Treasury bonds with LBP1,417bn (1.8%). As such, 65.4% of outstanding Treasury securities have seven-year maturities or longer and 78.7% have five-year maturities or more.

In parallel, LBP1,271bn in outstanding Treasury securities denominated in Lebanese pounds matured in July 2024. The distribution of maturing securities shows that 57.5% consisted of one-year Treasury bills, 28.7% were five-year Treasury securities, 12.8% consisted of seven-year Treasury bonds, and 0.9% were three-year Treasury securities. According to ABL, LBP13,071bn in outstanding Treasury securities in Lebanese pounds will mature in the remainder of 2024.

**Projected Maturities of Treasury Securities in LBP\* (LBP billions)**



\*as at end-July 2024

Source: Association of Banks in Lebanon, Byblos Research

### **Banque du Liban calls for comprehensive approach by government to address AML/CFT gaps**

Banque du Liban's (BdL) Acting Governor Wassim Mansouri declared that fighting money laundering and countering the financing of terrorism (AML/CFT) is a priority for Lebanon, and that the country has overcome significant obstacles in this regard. He said that the Financial Action Task Force (FATF) included Lebanon in 2000 on the list of non-cooperative countries in terms of AML/CFT, due to the absence at the time of a separate law for AML, which was an obstacle to international investigations. It noted that the Lebanese authorities took all the necessary measures, starting with enacting an AML law based on FATF's recommendations, established a comprehensive regulatory framework, and formed the Special Investigation Commission for AML, and the framework for cooperation and coordination to determine responsibilities across the relevant security agencies and judicial authorities. He added that, as a result, the FATF removed Lebanon from its list of non-cooperative countries in 2022.

He added that the Lebanese Parliament enacted in 2015 several draft laws, including the United Nations Convention to Counter the Financing of Terrorism, and it amended the AML/CFT law, the Exchange of Tax Information Law, and Law on Declaring the Cross-Border Transportation of Money, which had a positive impact internationally on Lebanon's reputation and on the image of its financial and banking sector, especially its compliance with international standards. He added that Parliament enacted in 2020 the Anti-Corruption Law and the Recovery of Assets Resulting from Corruption Crimes in 2021. He noted that, in parallel, BdL issued the necessary circulars to accompany these laws and safeguard banks and financial institutions.

However, he noted that the economic, financial and social challenges that Lebanon has been facing in recent years resulted in a confidence crisis of depositors, which led commercial transactions to take place out of the banking system and transformed the economy into a cash economy in general. It said that the dollarized cash economy reflected the rapid transformation towards cash transactions in foreign currency and to the increase in the size of the informal economy, which constitutes a danger for Lebanon and threatens to reverse the progress that the country achieved in terms of AML/CFT in the banking sector. As such, he said that BdL issued Basic Circular 165/13548 in April 2023 that established a clearing system for checks in "fresh" currency and the opening of "fresh" accounts, which aims to limit attempts at money laundering and terrorism financing and reduces the size of the cash economy. He added that BdL is working on implementing measures to increase the usage of electronic payments in order to reduce the utilization of cash in the Lebanese market. He noted that these initiatives are in line with international standards, especially AML/CFT standards.

He said that BdL has recently introduced important modifications to the AML/CFT supervisory framework of banking and financial transactions. He added that the modifications focus mainly on strengthening the measures at banks and financial institutions to fight money laundering and corruption by establishing two departments within the Compliance Unit, one to monitor the proper implementation of AML/CFT measures at the head office and branches of banks, and the second to combat graft and corruption. In addition, BdL asked banks, financial institutions, leasing companies, and firms that issue payment and credit cards, as well as those that deal with electronic financial and banking transactions, money dealers, and lending bureaus (comptoirs), to provide it with the names of shareholders, the chairmen and members of the boards of directors, and every person who holds a senior executive position, in order to verify regularly if any of these names is included on any national, international, or United Nations sanctions list.

He indicated that the FATF's 2023 Mutual Evaluation Report on Lebanon found Lebanon to be "compliant" or "mostly compliant" in 34 out of 40 recommendations for AML/CFT, and that it is "partially compliant" on the six others. He added that the report also shows the need for the authorities to implement a set of key measures to address the recommendations where Lebanon is "partially compliant", which requires the amendment of laws and existing procedures, in line with the need to comply in full with international standards of AML/CFT. Further, he stated that Lebanon received a "moderate compliance" rating on nine out of 11 criteria in terms of effectiveness, and a "low compliance" rating on the ML investigation and prosecution and on the confiscation of criminal proceeds components, which the relevant authorities need to address.

He noted that the FATF will take its decision about Lebanon in October and that BdL is working hard to prevent the listing of Lebanon on FATF's list of non-cooperative countries and jurisdictions. He stressed that all stakeholders must cooperate to develop a working plan, backed by the legislative branch and policy-makers, to address the gaps and strengthen the effectiveness of Lebanon's AML/CFT framework. He added that the government needs to have a comprehensive approach to implement the required corrective measures by the relevant parties.

### Consumer Price Index up 35% year-on-year in August 2024

The Central Administration of Statistics' Consumer Price Index increased by 63.6% in the first eight months of 2024 from the same period of 2023. In comparison, it grew by 233% and by 197.3% in the first eight months of 2023 and 2022, respectively, from the corresponding periods of the previous years.

The CPI rose by 35% in August 2024 from the same month of 2023 and registered its sixth double-digit increase since July 2020, following a 70.4% year-on-year rise in March 2024, a 59.7% increase in April 2024 from the same month of 2023, a 51.6% growth annually in May, a 41.8% year-on-year rise in June, and a 35.4% uptick in July 2024 from July 2023. The slowdown of the inflation rate from triple-digit increases is due in part to the widespread dollarization of consumer goods and services in the economy, and to the stabilization of the exchange rate of the Lebanese pound against the US dollar since July 2023. However, the cumulative surge in the inflation rate is due in part to the repeated increase in customs tariffs, to the rise of the cost of education, to the surge of fees in the public administration, and to the inability of the authorities to monitor and contain retail prices. It is also due to the impact of rising transportation costs and insurance rates on imported goods in the wake of the war in the Gaza Strip.

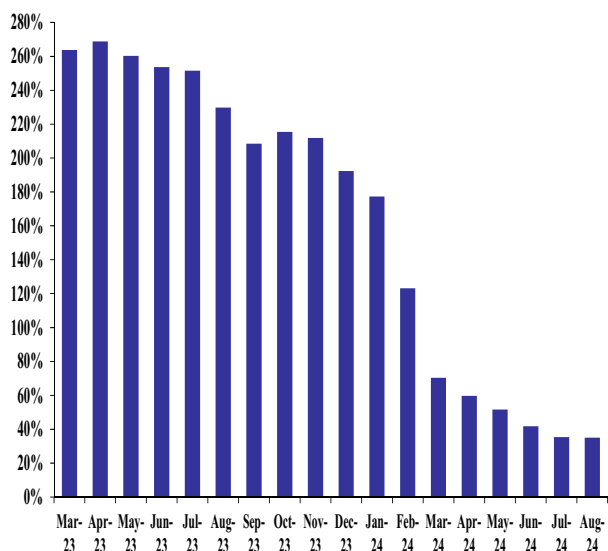
The cost of education rose by 6.9 times in August 2024 from the same month in 2023, followed by the cost recreation & entertainment and the prices of miscellaneous goods & services (+1.4 times each), as well as the cost of communication services, the prices of clothing & footwear, and imputed rent (+1.3 times each). In addition, the rates at restaurants & hotels surged by +23.2% year-on-year in August 2024, followed by actual rent (+22.6%), the prices of food and non-alcoholic beverages surged by 21.3%, healthcare costs (+17.8%), the cost of alcoholic beverages & tobacco (+16.2%), transportation costs (+11.4%), the cost of water, electricity, gas & other fuels (+8.5%), and the prices furnishings & household equipment 2.2% in the covered period. Also, the distribution of actual rent shows that new rent surged by 36.8% and old rent increased by 5.1% in August 2024 from the same month of 2023.

In parallel, the CPI grew by 0.6% in August 2024 from the previous month, compared to month-on-month growth rates of 2% in July, of 0.3% in June, of 0.02% in May, and of 1.7% in April 2024.

The cost of furnishings & household equipment increased by 3.3% in August 2024 from July 2024, followed by imputed rent (+2.7%), the prices of food & non-alcoholic beverages and actual rent (+2% each), the prices of miscellaneous goods & services (+0.6%), rates at restaurants & hotels (+0.4%), healthcare costs (+0.3%), communication costs (0.2%), and the cost of alcoholic beverages & tobacco and the cost of recreation & entertainment (+0.1% each). In contrast, the prices of water, electricity, gas and other fuels declined by 1.7% in August 2024 from the preceding month, followed by the prices of clothing & footwear (-1%) and the cost of transportation (-0.9%). Further, the distribution of actual rent shows that new rent increased by 3% and old rent grew by 0.7% in August 2024 from July 2024. Also, the cost of education was unchanged month-on-month in July 2024.

Further, the CPI increased by 1.1% in Beirut, by 1% in the North, by 0.8% in the South, by 0.5% in Mount Lebanon, by 0.5% in the Nabatieh area, and by 0.1% in the Bekaa region in August 2024 from July 2024. In parallel, the Fuel Price Index decreased by 4.1%, while the Education Price Index was unchanged month-on-month in August 2024.

Annual Change in Consumer Price Index\* (%)



\*from the same month of the previous year

Source: Central Administration of Statistics, Byblos Research



### Lebanon ranks in ninth place in Arab world in terms of energy efficiency

The Regional Center for Renewable Energy and Energy Efficiency (RCREEE) ranked Lebanon in ninth place among 20 Arab countries on its Energy Efficiency Index for 2023.

The index monitors and analyzes the energy efficiency competitiveness in the Arab region and offers quantitative and qualitative analysis of the energy efficiency markets. Also, it measures the progress of Arab countries towards meeting their short-term and long-term energy efficiency objectives and targets. It is based on 17 quantitative and qualitative indicators grouped in three categories that are Electricity Pricing & Subsidies, Policy Framework, and Institutional Capacity. The index's scores range from 0% to 100%, with a higher score reflecting a better progress towards energy efficiency. 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.

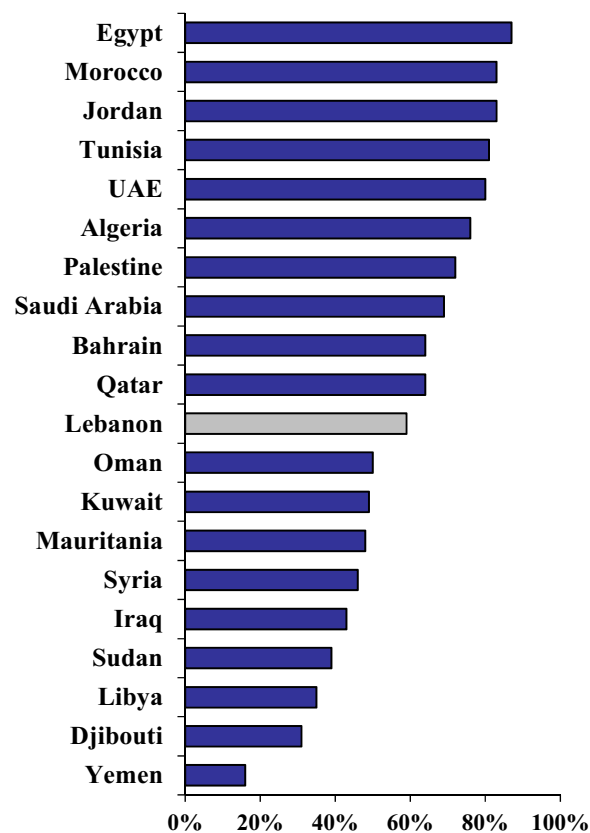
Lebanon made more progress in 2023 towards energy efficiency than Saudi Arabia, Kuwait, Qatar, Syria, Djibouti, Oman, Libya, Iraq, Mauritania, Sudan and Yemen, but it trailed Morocco, Tunisia, Jordan, the UAE, Bahrain, Egypt, Palestine and Algeria. Lebanon received a score of 63.9% on the 223 index, higher than the simple average of 56.5% of the 20 Arab countries included in the survey. Further, Lebanon's score was higher than the Gulf Cooperation Council (GCC) countries' average score of 60.6% and the score of 54.8% of non-GCC Arab countries.

Lebanon tied with Bahrain, ranked ahead of Saudi Arabia, Oman and Algeria, and came behind Qatar, the UAE, and Egypt on the Electricity Pricing & Subsidies category, which assesses the current energy and electricity subsidies and electricity pricing for the residential and industrial sectors.

Also, Lebanon preceded Syria, Oman and Iraq, and trailed Qatar, Kuwait and Palestine on the Policy Framework category. This segment measures the Arab countries' use of policy frameworks and their level of commitment to overcome market, social and political barriers to energy efficiency by formulating and adopting strategies, policies, and target-based action plans.

In addition, Lebanon ranked ahead of Syria, Libya and Palestine, and came behind Morocco, Jordan and Algeria on the Institutional Capacity category, which assesses the institutional capacity to design, implement, and evaluate energy efficiency policies.

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



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

**Components of the 2023 Energy Efficiency Index**

	Lebanon Score	Lebanon Rank	Arab Avge Score*
Electricity Pricing & Energy Subsidies	26%	12	41.4%
Policy Framework	57%	12	57.1%
Institutional Capacity	70%	9	62.0%

\* simple average

Source: RCREEE, Byblos Research



### Construction activity improves relatively in fourth quarter of 2023

Banque du Liban's quarterly business survey about the opinions of business managers shows that the balance of opinions for general construction activity reached -36 in the fourth quarter of 2023, compared to -47 in the previous quarter and to -59 in the fourth quarter of 2022. The balance of opinions for general construction activity in the fourth quarter of 2023 reached its second highest quarterly level since the beginning of the economic crisis in the fourth quarter of 2019 after posting -18 in the third quarter of 2022, and the fourth highest level since the first quarter of 2017 after posting -18 in the third quarter of 2022, -21 in the third quarter of 2017 and -33 in the second quarter of 2017. Also, the results reflect the absence of major new projects, low investments in the sector, delays in the implementation of reforms to restore confidence, as well as the relative adjustment of the private sector to the ongoing crisis.

The business survey covers the opinions of managers of construction enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator. The balance of opinions for construction activity was -34 in the fourth quarter of 2023 compared to -50 in the preceding quarter and to -59 in the fourth quarter of 2022. It reached its second highest quarterly level since the start of the crisis and its fourth highest level since the first quarter of 2017. The balance of opinions about construction activity was -10 in the North, -27 in the Bekaa, -53 in the South, and -57 in Beirut & Mount Lebanon.

Also, the balance of opinions about public works stood at -48 in the fourth quarter of 2023 compared to -47 in the third quarter and -51 in the fourth quarter of 2022. The opinions about the level of public works reached -9 in the North, -52 in the Bekaa, -80 in the South, and -87 in Beirut & Mount Lebanon.

In addition, the balance of opinions about the portfolio of projects was -65 in the fourth quarter of 2023 relative to -69 in the preceding quarter and to -77 in the fourth quarter of 2022. It reached its highest quarterly level since the fourth quarter of 2019 and its 12th highest level since first quarter of 2017. The balance of opinions about the portfolio of projects was -30 in the North, -75 in Beirut & Mount Lebanon, and -82 in the Bekaa and -100 in the South. Further, the balance of opinions about construction costs reached +70 in the fourth quarter of 2023, compared to +45 in the preceding quarter and +64 in the fourth quarter of 2022.

In parallel, the balance of opinions about investments in the sector was 27% in the fourth quarter of 2023, compared to 21% in the preceding quarter and to 12% in the fourth quarter of 2022. The balance of opinions about investments was 78% in the North, 40% in the Bekaa, 2% in Beirut & Mount Lebanon, and zero percent in the South.

Also, the balance of opinions about the number of employees in the sector was -48 in the fourth quarter of 2023 compared to -68 in the preceding quarter and to -72 in the fourth quarter of 2022. It reached its second highest quarterly level since the fourth quarter of 2019 and its 13th highest quarterly level since the first quarter of 2017. The balance of opinions about the number of employees was -36 in the North, -39 in the Bekaa, -54 in Beirut & Mount Lebanon, and -93 in the South

<b>Construction and Public Work Activity: Evolution of Opinions</b>				
<b>Aggregate results</b>	<b>Q4-20</b>	<b>Q4-21</b>	<b>Q4-22</b>	<b>Q4-23</b>
General activity	-69	-63	-59	-36
Construction	-67	-60	-59	-34
Public works	-75	-69	-51	-48
Portfolio of projects	-95	-88	-77	-65
Construction costs	72	58	64	70
Investments (% of yes)	16%	13%	12%	27%

*Source: Banque du Liban Business Survey for Fourth Quarter of 2023*

### **Ministry of Energy & Water launches tender for construction of solar power plant**

The Ministry of Energy & Water launched a new tender through the public procurement platform for the construction of an 8 megawatt (MW) solar power plant using photovoltaic cells. The ministry indicated that it will fund the project from its budget and that the plant will be connected to the national grid of the state-owned Electricité du Liban (EdL). It said that the plant will be built along the Beirut River and that it will be the largest solar energy project in Lebanon to date. In addition, it invited companies in the solar sector to participate in the tender that is due within 45 days.

The ministry stated that it previously established a 1 MW solar plant on the same river, and it has been operating efficiently since its construction. It noted that Lebanon currently has 1,500 MW of installed solar capacity, which is covering 20% of the country's energy consumption. Further, the ministry pointed out that it finalized the National Renewable Energy Plan for the 2024-30 period and aims to exceed the target of 30% that the authorities set for the share of renewable energy out of total energy production by 2030 to reach 55% in the future.

In parallel, the World Bank indicated that it is considering an initiative to assist Lebanon's electricity sector to overcome many of the challenges it faces under the Lebanon Renewable Energy and System Reinforcement Project. It said that it would provide financing to help scale up renewable energy in the electricity supply mix, strengthen the electricity transmission network and its management, improve the operating efficiency of EdL, and rehabilitate critical assets at hydropower plants. Further, it noted that it would finance the construction of a number of solar photovoltaic (PV) power plants.

It identified with EdL and with the assistance of the National Council for Scientific Research in Lebanon several potentially favorable sites for the development of industrial scale solar power plants in the Hermel, Qaa, Ras Baalbek, Harbata-Toufiquiyeh, Maqneh and Taraiya areas in the Baalbek-Hermel governorate.

It estimated that the overall potential solar generation capacity will be in the range of 1,200 MW to 1,300 MW. But it said that the development of solar power plants will begin with a small-scale capacity plant of between 25 MW and 35 MW at one of the pre-selected locations. It added that the capacity will increase further in the future as new private investors join the project.

Further, the International Renewable Energy Agency indicated that the installed solar power capacity in Lebanon consisted of 440 MW or 60.1% of total renewable energy in 2022, followed by 282 MW from hydropower sources (38.5%), 7 MW from biogas (1%), and 3 MW from wind energy (0.4%). Also, it noted that the renewable energy capacity from solar energy in Lebanon increased by a compound annual growth rate of 82.1% in the 2013-22 period. It added that Lebanon accounted for 5.2% of the total power production capacity from solar energy in Arab countries and for 0.04% of worldwide capacity in 2022.

### **Bank Audi posts profits of LBP1.1bn in first half of 2024**

Bank Audi sal, one of six listed banks on the Beirut Stock Exchange, declared unaudited consolidated net profits of LBP1.1bn in the first half of 2024 compared to profits of LBP141m in the first half of 2023. The bank's net interest income reached LBP10,175.7bn in the first half of this year relative to LBP2,444bn in the same period of 2023; while its net earnings from fees & commissions stood at LBP4,844.2bn compared to LBP854.2bn in the first half of 2023. Further, the bank's net operating income totaled LBP23,091bn in the first half of 2024 relative to LBP5,485.7bn in the same period of the previous year. In addition, the bank's operating expenditures reached LBP22,163bn in the covered period compared to LBP4,587bn in the first half of 2023, with personnel cost accounting for 19.1% of the total.

In parallel, the bank's aggregate assets stood at LBP1,506.6 trillion at the end of June 2024 relative to LBP278,486.4bn at end-2023. Further, customer deposits reached LBP1,107.4 trillion compared to LBP194,176.2bn at the end of last year, while deposits from related parties stood at LBP6,864.2bn at end-June 2024 relative to LBP1,319.6bn at end-2023. Also, net loans & advances to customers totaled LBP79,676.7bn at the end of June 2024 relative to LBP15,165.6bn at end-2023, while net loans & advances to related parties amounted to LBP3,368.6bn at end-June 2024 compared to LBP575.1bn at end-2023. In parallel, the bank's shareholders' equity was LBP84,415.6bn at the end of June 2024 relative to LBP26,076.6bn at end-2023.

The bank indicated that, according to Banque du Liban's (BdL's) Basic Circular 167/13612 dated February 2, 2024, it adopted in preparing the financial statements as at end-June 2024 the exchange rate that BdL announced on its electronic exchange platform, which is equivalent to LBP89,500 per US dollar, compared to a prevailing official exchange rate of LBP15,000 per dollar at end-2023. It added that the uncertainties arising since 2019 makes it difficult to estimate the negative impact of the crisis on its financial statements.

### **Bank of Beirut declares net losses of LBP600.7bn in 2023**

Bank of Beirut sal, one of six listed banks on the Beirut Stock Exchange, announced audited consolidated net losses of LBP600.7bn in 2023 compared to net losses of LBP593.4bn in 2022. The bank's net interest income amounted to LBP2,677.1bn in 2023 relative to LBP735.2bn in the previous year; while its revenues from net fees & commissions reached LBP1,426.4bn last year relative to LBP30.1bn in 2022. Further, the bank's net operating income totaled LBP1,929.7bn in 2023 compared to net operating losses of LBP119.3bn in the preceding year. In parallel, the bank's operating expenditures stood at LBP2,304.1bn in 2022 relative to LBP467.7bn in 2021, with staff expenses accounting for 56.4% of the total.

Further, the bank's total assets reached LBP132,949bn at the end of 2023 relative to LBP17,155.3bn at the end of 2022. Loans & advances to customers totaled LBP27,996bn at end-2023 relative to LBP3,532.7bn a year earlier, while loans & advances to related parties stood at LBP319.6bn at end-2023 relative to LBP41bn a year earlier. Also, customer deposits and those from related parties totaled LBP107,171.3bn relative to LBP14,013.1bn at end-2022. Further, the bank's equity reached LBP16,423bn at the end of 2023 relative to 1,380.5bn at the end of 2022.

In parallel, the firm's external auditors indicated that "the accompanying consolidated financial statements do not present fairly the consolidated financial position of the group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year that ended in accordance with International Financial Reporting Standards", since the financial statements do not take into account the impact of hyperinflation on the revenues stream related to International Accounting Standard 29. It added that "in translating transactions and monetary assets and liabilities denominated in foreign currencies, the group did not determine the exchange rate at which future cash flows or balances could have been settled or collected if those cash flows had occurred at the measurement date, which constitutes a departure from International Financial Reporting Standards."

## 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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