

LEBANON THIS WEEK

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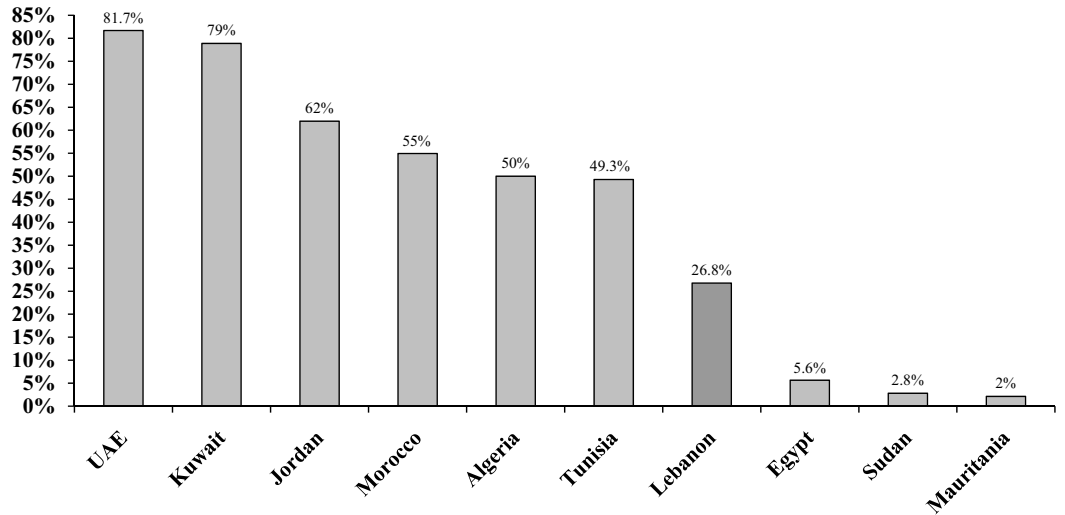
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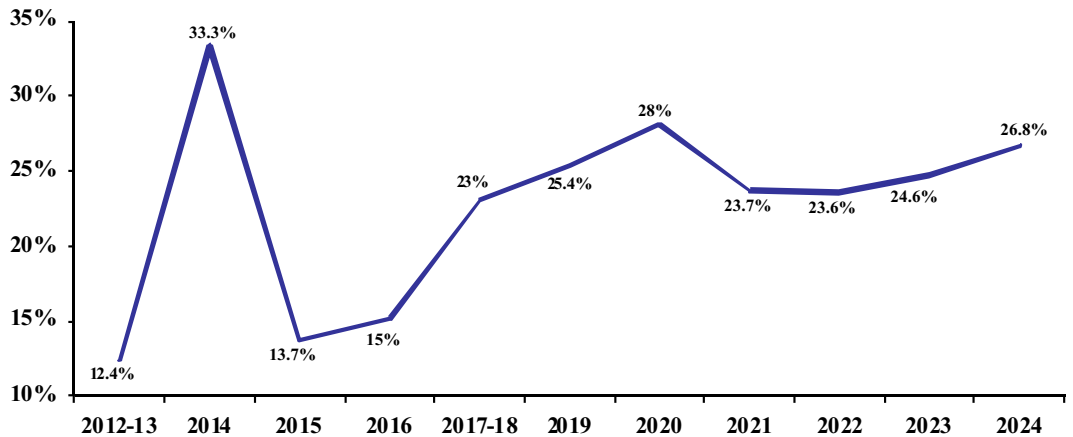
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Charts of the Week

Percentile Rankings of Select Arab Countries in terms of Regulatory Enforcement for 2024



Percentile Rankings of Lebanon in terms of Regulatory Enforcement



Source: World Justice Project's 2024 Rule of Law Index, Byblos Bank

Quote to Note

"We welcome the election of President Joseph Aoun and look forward to working with him and his new government to address the challenges facing the Lebanese economy."

The International Monetary Fund, on the prospects for Lebanon to resume negotiations with the IMF

Number of the Week

33: Number of months that the outgoing Council of Ministers operated in a caretaker capacity

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 %
Audi Listed	2.99	3.1	62,285	6.8%	Feb 2025	6.20	18.25	11,518.59
BLOM GDR	5.25	(0.9)	26,600	1.5%	Jun 2025	6.25	18.25	1,343.84
Audi GDR	2.60	2.0	18,002	1.2%	Nov 2026	6.60	18.25	121.51
BLOM Listed	6.00	20.0	10,002	5.0%	Mar 2027	6.85	18.25	99.06
Solidere "A"	112.50	(0.7)	6,584	43.7%	Nov 2028	6.65	18.25	51.30
Byblos Common	1.25	0.0	6,000	2.7%	Feb 2030	6.65	18.25	38.84
Solidere "B"	110.00	(0.6)	4,342	27.8%	Apr 2031	7.00	18.25	29.43
HOLCIM	71.20	0.0	-	5.4%	May 2033	8.20	18.25	21.68
Byblos Pref. 09	29.99	0.0	-	0.2%	Nov 2035	7.05	18.25	16.51
Byblos Pref. 08	25.00	0.0	-	0.2%	Mar 2037	7.25	18.25	14.55

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

Source: Refinitiv

	Feb 3-7	Jan 27-31	% Change	January 2025	January 2024	% Change
Total shares traded	134,315	190,573	(29.5)	1,033,733	2,004,203	(48.4)
Total value traded	\$1,092,703	\$3,092,703	(46.4)	\$30,530,982	\$101,988,193	(70.1)
Market capitalization	\$25.76bn	\$25.60bn	0.6	\$25.60bn	\$20.56bn	24.5

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 85th globally, eighth among Arab countries in energy transition

The World Economic Forum (WEF) ranked Lebanon in 85th place among 120 countries and in eighth place among 13 Arab countries on its Energy Transition Index for 2024. It also ranked Lebanon in 13th place among 29 lower middle-income countries (LMICs) included in the survey. In comparison, Lebanon ranked in 110th place among 120 countries globally, in 24th place among 29 LMICs and in 12th place among 13 Arab economies on the 2023 index. Based on the same set of countries in the 2023 and 2024 surveys, Lebanon's global rank improved by 25 spots, while its LMIC rank increased by 11 notches and its Arab rank advanced by four spots year-on-year.

The index evaluates the performance of the energy systems of 120 economies, as well as the countries' level of readiness to transition towards a more secure, sustainable, affordable, inclusive and reliable energy system. The index score is based on 46 indicators grouped in two equally-weighted sub-indices, which are the System Performance Sub-Index and the Transition Readiness Sub-Index. The WEF scores a country on a scale from zero to 100, with higher scores representing the best possible performance.

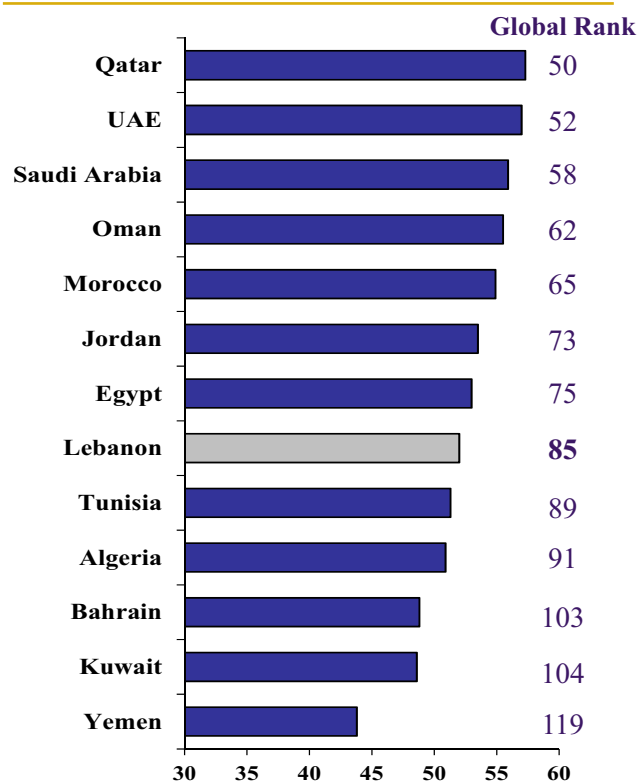
Globally, Lebanon's energy system performed better and had a higher transition readiness than Angola, Ethiopia, and Bosnia and Herzegovina, while it had a lower transition readiness than Argentina, Gabon, and South Africa among economies with a GDP of \$10bn or more. Also, Lebanon ranked ahead of Angola, Tunisia, and Côte d'Ivoire, and trailed Egypt, Cambodia, and Kyrgyzstan among LMICs; while it preceded Tunisia, Algeria, Bahrain, Kuwait, and Yemen among Arab countries. Lebanon received a score of 52 points in 2024 compared to 46.7 points on the 2023 index. Lebanon's score was lower than the global average score of 56.5 points and the Arab average score of 52.2 points, while its score came higher than the LMICs' average score of 51 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 53.9 points but higher than the non-GCC Arab countries' average score of 51.3 points.

In parallel, Lebanon ranked ahead of the Dominican Republic, Zambia and Bahrain, while it came behind Trinidad and Tobago, Tunisia and Mozambique globally on the System Performance Sub-Index. This category measures a country's performance in promoting an energy system that supports inclusive economic development and growth, secure and reliable access to energy, and environmental sustainability. Lebanon preceded only Zambia, Pakistan, Laos, Senegal, Zimbabwe, and Tanzania among LMICs; while it came ahead of only Bahrain, Yemen, and Kuwait in the Arab world on this category.

In addition, Lebanon preceded South Africa, Paraguay and Zambia, and trailed Georgia, Costa Rica and Thailand on the Transition Readiness Sub-Index. This category provides an assessment of the future preparedness of a country to transition towards a more secure and affordable energy system. It covers the availability of investments and capital, effective regulations and the level of political commitment, stable institutions and governance, supportive infrastructure and an innovative business environment, human capital and consumer participation, and the ability and the structure of the current energy system. Also, Lebanon trailed only Vietnam, Laos, Jordan, and Morocco among LMICs; while it preceded only Tunisia, Kuwait, Bahrain, Egypt, Algeria, and Yemen among Arab economies on this category.

Further, the WEF indicated that Lebanon has seen the fastest improvement in energy transition, along with Estonia and Ethiopia, relative to the rest of the world in the past five years, as it has prioritized off-grid renewable energy to enhance access to electricity. It added that a significant reduction in fossil fuel subsidies catalyzed a surge in distributed solar energy.

**Energy Transition Index for 2024
Scores & Rankings of Arab Countries**



Source: World Economic Forum, Byblos Research

Components of the 2024 Energy Transition Index for Lebanon

	Global Rank	LMICs Rank	Arab Rank	Lebanon Score	Global Average	LMICs Average	Arab Average
System Performance	103	23	10	56.9	63.2	59.8	59.3
Transition Readiness	59	5	7	44.6	46.4	37.9	42.3

Source: World Economic Forum, Byblos Research



Geopolitics and reforms plan to determine level of external support

Global financial services firm JPMorgan Chase & Co. indicated that the recent positive developments in Lebanon raise hopes for the normalization of the political dynamics in the country and point towards the potential stabilization of the economy. But it cautioned that the recent events are only the first step as the political landscape is still far from being fixed, given the complicated framework and delicate balancing act facing the new Prime Minister, starting with the formation of the Cabinet. As such, it considered that economic issues will have to take a backseat to political priorities for now.

But it expected that the focus will turn to the economy once the political hurdles are overcome. It noted that the economy has been in crisis since the government decided to default on Lebanon's sovereign Eurobonds in March 2020, followed by the COVID-19 pandemic, the explosion at the Port of Beirut, and the recent Hezbollah-Israel war, as well as since the sharp reversal of non-resident and other external financing flows.

It noted that reconstruction efforts and rebuilding the economy require significant support from external partners, including bilateral and multilateral support, which, in turn, will depend on the ongoing political developments and the eventual reforms plan. It added that political stability would also shift the focus towards addressing the sovereign-banking crisis.

It stated that the authorities will need to develop a reforms plan, in conjunction with the International Monetary Fund (IMF), in order to pave the way for external financing and to get relief from creditors. It noted that the authorities did not implement the prior actions in the Staff-Level Agreement that Lebanon signed with the IMF in April 2022, and estimated that the starting point for any potential new IMF deal will likely be based on the 2022 agreement. It considered that determining the level of the needed reforms will be challenging, as quantifying the macro-fiscal framework for implementing reforms will be subject to a very high level of uncertainty, given the extent of damage to the economy, the need for large balance sheet adjustment, and limited data availability.

In addition, it said that the recent recovery in Lebanon's \$31.3bn face value stock of Eurobonds has been strong, as Lebanon was the best performer on the J.P. Morgan EMBI Global Diversified Index last year, due to the positive political developments and the supportive global risk environment. But it expressed caution about future performance given the risks to political stability in the country and the hurdles that need to be overcome before restructuring negotiations can begin. It considered that the authorities will prioritize restoring the financial sector's stability, recapitalization and a depositor bail-in over the restructuring of the sovereign Eurobonds, given the respective relative size of the liabilities. It added that the Eurobonds' restructuring will require a comprehensive debt sustainability analysis, but it estimated that, based on current levels, the market pricing is pointing towards a 70% haircut with a 10-year maturity extension and coupon relief on the existing bonds. It added that the lack of reliable data and consistent macroeconomic figures makes it difficult to estimate the relief required for debt sustainability.

Banque du Liban prohibits financial institutions from distributing dividends

Banque du Liban (BdL) issued Intermediate Circular 726/13696 dated February 6, 2025 addressed to banks, financial institutions and auditors that modified Basic Circular 44/6939 dated March 25, 1998 about the Capital Adequacy Regulatory Framework of Banks Operating in Lebanon. The circular prohibited banks and financial institutions from distributing dividends for common shares for the financial years 2019, 2020, 2021, 2022, 2023, and 2024.

Further, BdL issued Intermediate Circular 727/13697 dated February 6, 2025 addressed to financial institutions, which modified Basic Circular 2/7136 dated October 22, 1998 about the conditions to establish and operate financial institutions in Lebanon. The circular asked Lebanese financial institutions to suspend during 2024 and 2025 the distribution of dividends on their common shares for previous years. It said that the two circulars go into effect upon their publications.

BdL issued Intermediate Circular 676/13567 dated July 24, 2023 that prohibited banks and financial institutions from distributing dividends for common shares for the financial years 2019, 2020, 2021, 2022 and 2023, among other requirements. It also issued Intermediate Circular 616/13416 dated March 3, 2022 that asked banks to refrain from distributing dividends for the financial years 2019, 2020 and 2021. Also, BdL had issued on August 26, 2020 Intermediate Circular 567/13259 that asked banks, among other requirements, to refrain from distributing dividends for the financial years 2019 and 2020. Also, it issued on November 4, 2019 Intermediate Circular 532/13129 that asked banks to refrain from distributing dividends for 2019, in addition to increasing by 20% their Common Equity Tier One capital (CET1) as at the end of 2018.

Banque du Liban's liquid foreign reserves at \$10.4bn, gold reserves at \$25.8bn at end-January 2025

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP8,353 trillion (tn) on January 31, 2025, relative to LBP8,343tn at mid-January 2025 and to LBP8,318.7tn at end-2024. BdL indicated that it revised its balance sheet figures starting on October 15, 2024 in accordance with international standards. It said that it changed the classification of "Foreign Assets" to "Foreign Reserve Assets" in order to present non-resident and liquid foreign assets only, while it reclassified the "other resident and/or illiquid items" to its "Securities Portfolio" or to the "Loans to the Local Financial Sector" entries.

BdL noted that its decision is in accordance with the Central Council's Decision 13588 dated October 25, 2023, in order to ensure the alignment of the balance sheet entries with international standards and with the implementation of international best practices.

As such, BdL's Foreign Reserve Assets stood at \$10.39bn at end-January 2025, compared to \$10.35bn at mid-January 2025 and to \$10.13bn at end-2024. Also, they increased by \$252.8m in January 2025, while they contracted by \$402.1m in October, by \$113m in November, and by \$15.2m in December 2024. As such, they increased by \$1.8bn between the end of July 2023 and end-January 2025. 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.

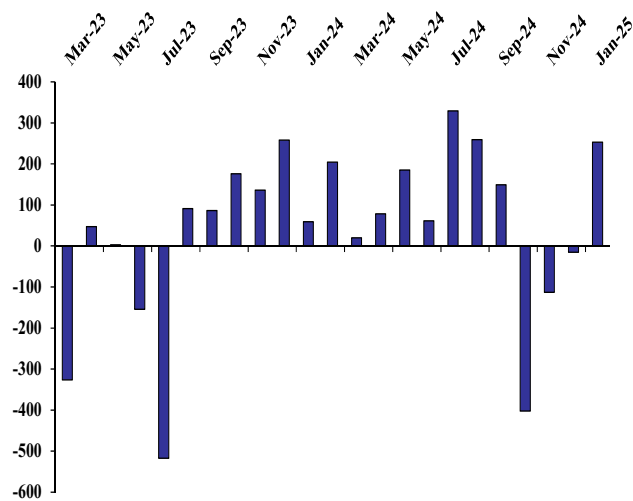
Further, the value of BdL's gold reserves reached a peak of \$25.8bn at end-January 2025, relative to \$24.8bn at mid-January 2025. Also, BdL's securities portfolio totaled LBP555,072bn at end-January 2025 relative to LBP555,151bn at mid-January 2025. BdL noted that the securities portfolio includes Lebanese Eurobonds that have a market value of \$841.7m as at end-January 2025 relative to \$893.6m at mid-January 2025 and to \$671.2m at end-2024. Prior to the modifications, BdL included the nominal value of its Lebanese Eurobonds portfolio in the foreign assets item. In addition, loans to the local financial sector stood at LBP42,503bn at end-January 2025 compared to LBP42,906.7bn at mid-January 2025.

Moreover, Deferred Open-Market Operations totaled LBP141,567bn at end-January 2025 relative to LBP139,041bn at mid-January 2025. 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 LBP18,695.2bn at end-January 2025 relative to LBP15,265.4bn two weeks earlier.

Also, the Revaluation Adjustments item on the asset side reached LBP2,871,269bn at end-January 2025 relative to LBP2,958,992bn at mid-January 2025. It consists of a special account called the "Exchange Rate Stabilization Fund", in which BdL recorded all the transactions related to foreign exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP163.83tn at end-January 2025 relative to LBP163.65tn at mid-January 2025. It also consists of a special account in the name of the Treasury that stood at LBP2,707.4tn at end-January 2025 compared to LBP2,795.3tn at mid-January 2025. 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 LBP1,486,971bn at end-January 2025 relative to LBP1,486,957bn two weeks earlier.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP84,936bn at end-January 2025 compared to LBP84,028bn at mid-January 2025, and represented an increase of 48.8% from LBP57,078.7bn at end-January 2024. Further, the deposits of the financial sector reached LBP7,626.5tn or the equivalent of \$85.21bn at end-January 2025 relative to LBP7,627.6tn, or \$85.22bn, at mid-January 2025; while public sector deposits at BdL totaled LBP554,551.5bn at end-January 2025 compared to LBP545,625.3bn at mid-January 2025.

Change in Foreign Reserve Assets* (US\$m)



*month-on-month change

Source: Banque du Liban, Byblos Research

Purchasing Managers' Index increases in January 2025 on positive expectations

The BLOM Lebanon Purchasing Managers' Index (PMI), an indicator of operating conditions in Lebanon's private sector, stood at 50.6 in January 2025 relative to 48.8 in December 2024 and to 49.4 in January 2024, and came higher than the PMI's trend average of 46.8 since the index's inception in May 2013. Also, the January result was the highest outcome of the index since May 2024 when it stood at 52.5. The PMI's score signals a pick-up in economic activity and reflects optimism following the election of President Joseph Aoun and expectations of the acceleration of economic growth. Further, the PMI's score in January 2025 came higher than the average score of 48.1 in 2024 and 49.2 in 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 rose from 47.9 in December 2024 to 51.3 in January 2025, reflecting a significant increase in the amount of new business that private sector firms in Lebanon received. The survey indicated that the ceasefire agreement between Israel and Hamas that went into effect on January 19, 2025, had a positive effect on sales.

In addition, the New Export Orders Index stood at 49.8 in January 2025 relative to 48.6 in the previous month, as it recorded its highest reading in 14 months and signaled an increase in demand from foreign clients.

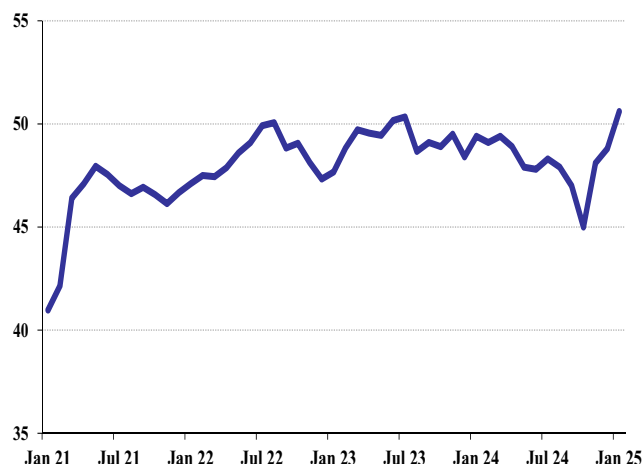
Further, the survey indicated that the Output Index increased from 47.7 in December 2024 to 51.2 in January 2025, posting its first level above the 50 mark since July 2023, reflecting an expansion in production amid increased market optimism.

Also, the Employment Index increased from 49.8 in December 2024 to 49.9 in January 2025, signaling stable employment levels across Lebanon's private sector. Further, the results show that the Backlogs of Work Index stood at 51.9 in January 2025 compared to 49.5 in December 2024, indicating an increase in the level of completion of outstanding projects in the country's private sector amid higher demand.

In parallel, the survey indicated that the Suppliers' Delivery Times Index reached 50.8 in January 2025 relative to 49.5 in December 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 50.7 in the covered month compared to 50 in December 2024, as businesses noted an increase of their inventory levels in January 2025.

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
August 2024	46.5	46.1	47.5	19.5	49.8
September 2024	44.5	44.5	44.3	23.0	49.9
October 2024	41.5	40.7	31.2	8.2	49.6
November 2024	46.0	46.4	44.2	15.3	49.6
December 2024	47.7	47.9	48.6	61.8	49.8
January 2025	51.2	51.3	49.8	75.1	49.9

Source: BLOM Bank, S&P Global Market Intelligence

Lebanon has 21st highest level of gold reserves globally, second highest among Arab countries

Figures released by the World Gold Council in January 2025 show that Lebanon held 286.8 tons in gold reserves as at September 2024. As such, Lebanon ranked in 21st place in terms of gold holdings among 96 countries, as well as the International Monetary Fund, the Central Bank of West African States, the European Central Bank, and the Bank for International Settlements. Also, Lebanon came in eighth place among the 61 countries that are not members of the Organization for Economic Cooperation and Development (OECD) and in second place among 16 Arab countries included in the survey.

The World Gold Council compiled the data from the International Monetary Fund's International Financial Statistics. The figures for gold holdings are reported for November 2024 for most countries, and for October 2024 or earlier for countries with delayed reporting.

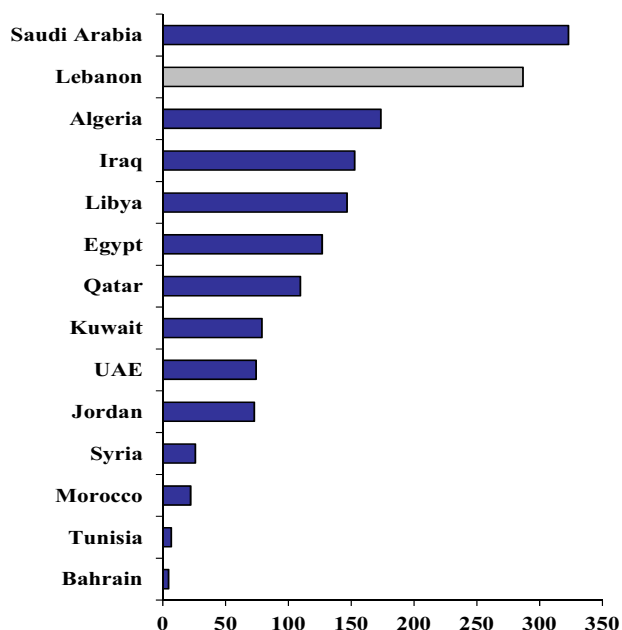
Globally, Lebanon has more gold reserves than Spain (281.6 tons), Austria (280 tons) and Thailand (234.5 tons); while it holds fewer reserves than Saudi Arabia (323.1 tons), the United Kingdom (310.3 tons), and Kazakhstan (295.2 tons). Also, Lebanon holds more gold than Thailand and less than Kazakhstan among non-OECD countries. The United States has highest gold reserves in the world with 8,133.5 tons, while Haiti ranks in last place with 1.8 tons in gold reserves. Lebanon's gold holdings accounted for about 18% of the Arab region's aggregate gold reserves, for nearly 3% of the holdings of non-OECD countries, and for about 0.8% of global gold reserves.

Also, the value of Lebanon's gold reserves stood at \$24.5bn at end-September 2024 and at \$24.6bn at end-November 2024 and at \$25.8bn at end-January 2025, according to Banque du Liban.

In parallel, Lebanon's gold holdings were equivalent to 63% of the country's official assets in foreign currency plus gold reserves as of November 2024, which ranks Lebanon in 12th place among the 96 countries with available figures, in fourth place among non-OECD countries and in first place among Arab countries on this metric. Globally, Lebanon's share of gold reserves out of its official foreign assets is higher than that of Kazakhstan (57%), Cyprus (55.8%), and Zimbabwe (54.4%); while it is smaller than the share of Austria (66.4%), the Netherlands (65%), and Greece (63.3%). The gold reserves of Bolivia are equivalent to 90.8% of its total foreign currency plus gold reserves, the highest share in the world, while Hong Kong's gold holdings account for 0.04% of its total foreign assets, the lowest such share globally.

Further, the value of Lebanon's gold reserves at end-November 2024 stood at 87.2% of the country's GDP, constituting the highest such ratio in the Arab world. Libya followed with gold reserves equivalent to 27.9% of GDP, then Jordan with 11.6% of GDP, Algeria with 5.7% of GDP, Iraq with 4.9% of GDP, Qatar and Kuwait with 4.2% of GDP each, Egypt with 2.8% of GDP, Saudi Arabia with 2.5% of GDP, Morocco and the UAE with 1.2% of GDP each, Tunisia with 1.1% of GDP, and Bahrain with 0.8% of GDP.

Gold Reserves in Arab Countries (in tons)*



Source: World Gold Council, Byblos Research

Tourist arrivals down 32 % to 1.13 million visitors in 2024

Figures compiled by the Ministry of Tourism indicate that the number of incoming visitors to Lebanon totaled 1,131,100 tourists in 2024, constituting decreases of 32% from 1,666,492 tourists in 2023 and of 22.8% from 1,465,953 visitors in 2022. In comparison, the number of tourist arrivals increased by 13.7% in 2023 from 2022. Further, the number of incoming visitors to Lebanon stood at 237,633 in the first quarter, 392,442 in the second quarter, 392,415 in the third quarter and 108,610 in the fourth quarter of 2024. In comparison, they totaled 274,787 in the first quarter, 476,403 in the second quarter, 653,578 in the third quarter and 261,724 in the fourth quarter of 2023. The figures constitute decreases of 13.5% in the first quarter, 17.6% in the second quarter, 40% in the third quarter, and 58.5% in the fourth quarter of 2024 from the corresponding quarters of 2023.

Also, the number of incoming visitors stood at 77,712 in January, 80,150 in February, 79,771 in March, 102,657 in April, 116,477 in May, 173,308 in June, 195,992 in July, 107,909 in August, 88,514 in September, 13,916 in October, 20,990 in November, and 73,704 in December 2024. In comparison, they totaled 88,378 visitors in January, 85,682 in February, 100,727 in March, 123,399 in April, 143,208 in May, 209,796 in June, 267,702 in July, 210,458 in August, 175,418 in September, 102,690 in October, 58,910 in November, and 100,124 in December 2023. The figures constitute decreases of 12% in January, 6.5% in February, 20.8% in March, 16.8% in April, 18.7% in May, 17.4% in June, 26.8% in July, 48.7% in August, 49.5% in September, 86.4% in October, 64.4% in November, and 26.4% in December 2024 from the corresponding months of the previous year. The declines are due to the protracted military hostilities along Lebanon's southern border that started on October 8, 2023 and to the escalation of Israeli air strikes on Lebanon starting in September 2024. The figures exclude Syrian and Palestinian arrivals.

Visitors from European countries totaled 464,942 tourists and accounted for 41% of incoming visitors to Lebanon in 2024, followed by those from Arab countries with 268,281 tourists (23.7%), the Americas with 231,355 visitors (20.5%), Asia with 63,400 tourists (5.6%), Africa with 56,939 visitors (5%), and Oceania with 45,981 tourists (4.1%). Further, the number of visitors from Oceania dropped by 38.3% in 2024 from 2023, followed by the number of tourists from Arab countries (-37.6%), the Americas (-32%), Europe (-31.6%), Asia (-23%), and Africa (-6.3%).

Ministry of Social Affairs disburses \$23.3m in social assistance in January 2025

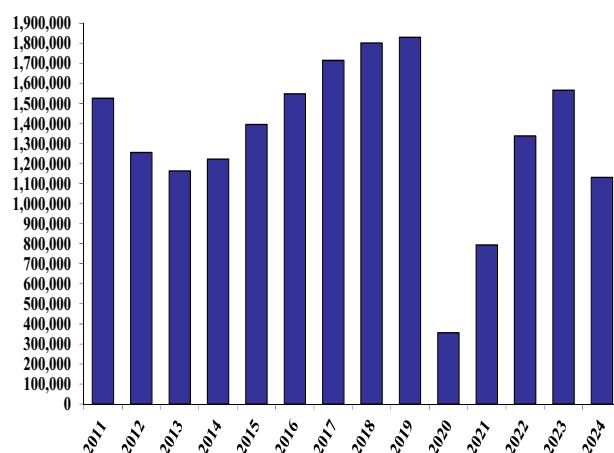
The Ministry of Social Affairs announced that it disbursed \$23.3m in financial assistance in January 2025. The distribution of the monetary support consisted of \$18.14m paid to 160,388 vulnerable Lebanese households through the Emergency Social Safety Net Project (ESSN), known as "AMAN", and the "National Program to Support the Poorest Families"; \$4.4m in emergency assistance disbursed to 44,115 displaced Lebanese families; and \$781,170 transferred to 18,888 individuals with disabilities who benefit from cash grants under the National Disability Allowance program.

The ministry previously announced that the transfer of funds related to the AMAN program resumed on September 15, 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. It 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 it transferred a total of \$158.9m 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 that have a member of the family who requires special needs or that 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.

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 pandemic 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 Tourist Arrivals to Lebanon*



Source: Ministry of Tourism, Byblos Research

Food Price Index up 9.7% year-on-year in December 2024

The Ministry of Economy & Trade's Market Food Price Index (MFPI) reached 135.7 in December 2024, constituting increases of 2.8% from 131.9 in November 2024 and of 9.7% from 123.7 in December 2023. The prices of fruits surged by 25% in December 2024 from the same month of 2023, followed by a rise in the prices of beverages (+15.4%), of vegetables & tubers (+12.4%), condiments (+10.8%), pulses (+10.5%), cereals (+9.1%), fats & oils (+9%), canned fish (+6.3%), fresh poultry (+5.5%), and dairy products (+5%). In contrast, the prices of eggs dropped by 6.6% annually in December 2024, followed by a decline in the prices of sugar (-0.9%).

Also, the prices of fresh poultry rose by 16.1% in December 2024 from November 2024, followed by increases in the cost vegetables & tubers (+6.2%), fruits (+3.1%), beverages (+2.9%), fats & oils (+1.6%), and dairy products (+0.6%). In contrast, the prices of condiments declined by 1.5% month-on-month, followed by decreases in the prices of sugar (-1.4%), cereals (-0.8%), canned fish (-0.6%), and pulses (-0.3%).

In addition, the index increased by 13% in the Baalbeck-Hermel governorate in December 2024 from December 2023, by 12% in each of the North and the South governorates, by 11% in the Akkar governorate, by 10% in Beirut governorate, by 9% in each of the Bekaa and Mount Lebanon governorates, and by 1% in the Nabatieh governorate.

Also, food prices increased by 7% in Akkar in December 2024 from the previous month, by 6% in the Baalbeck-Hermel governorate, by 5% in each of the South and Bekaa governorates, by 3% in the North governorate, by 2% in Mount Lebanon governorate, and by 1% in Beirut governorate. In contrast, food prices in the Nabatieh governorate regressed by 1% month-on-month.

The ministry considered that the combined effects of the Israeli war, mass displacement, and economic deterioration in 2024 had a comparatively more pronounced impact on prices in the Baalbek-El Hermel, North and South governorates. It added that the impact of the conflict's escalation and limited local output of vegetables, fruits and fresh poultry, led to higher monthly inflation in Akkar and Baalbek-El Hermel governorates.

The ministry and the World Food Program launched the MFPI in July 2024 to monitor the prices of food items across the country. The index is based on the prices of 74 food items from a sample of about 1,000 stores located across Lebanon's eight governorates. The index is a measure of the average change over time in prices in US dollars for 64 essential food items, and is calculated as the weighted average of price changes for each item. The base month for the index is January 2023. The food basket consists of beverages, canned fish, cereals, condiments, dairy, eggs, fats & oils, fresh poultry, fruits, pulses, sugar, and vegetables & tubers.

UN disburses \$0.54m in food security and agriculture assistance in first nine months of 2024

The United Nations (UN) indicated that international contributions to the Food Security and Agriculture component of the Lebanon Response Plan (LRP) reached \$136m in the first nine months of 2024 compared to \$105m in the same period of 2023. They represented 17% of the \$780m that the LRP appealed for to assist affected Lebanese and non-Lebanese individuals in the country in 2024. It also noted that it carried over \$28m from funding it received in 2023, which was equivalent to 4% of the total appealed funds, and resulted in aggregate funding of \$164m in the first nine months of 2024. As such, it said that total funding covered 21% of the funds it appealed for in the first nine months of 2024, resulting in a funding gap of \$616m, or 79%, in the covered period.

The LRP 2024-2025 is a joint initiative between the Lebanese government and international and national partners that aims to address the country's humanitarian needs. The LRP also aims to promote progress against development objectives in the longer term. The plan comes after the expiration of the LCRP for the 2015-2016, the 2017-2021, and the 2022-2023 periods.

The UN indicated that it provided food assistance to 1.8 million individuals in the first nine months of 2024 who consisted of 1.1 million displaced Syrians, or 61.3% of the total, followed by 688,000 Lebanese citizens (38.3%), 4,000 Palestinian refugees from Syria (0.2%) and 3,000 Palestinian refugees in Lebanon (0.17%). It noted that it aimed to provide livelihoods assistance to two million poor individuals across Lebanon in 2024, who consist of 1.2 million displaced Syrians, or 59% of the total, followed by 748,000 vulnerable Lebanese citizens (36.7%), 76,000 Palestinian refugees in Lebanon (3.73%), and 15,000 Palestinian refugees from Syria (0.74%).

It pointed that the LRP reached out to 304,000 individuals out of a target of 371,000 persons to provide them in-kind food assistance in the first nine months of 2024. The targeted persons consisted of 223,000 Lebanese citizens in need who account for 74.3% of the total, and of 77,000 displaced Syrians who account for the balance of 25.6%. It said that the program delivered cash-based food assistance to 1.46 million individuals out of a target of 2.1 million persons in the covered period, who consisted of one million displaced Syrians, and of 446,000 Lebanese citizens in need.

Also, it indicated that the LRP provided capacity building, in-kind or cash-based assistance to 12,000 farmers in the first nine months last year, who consisted of 9,000 Lebanese citizens in need, or 79% of the total, and of 2,000 displaced Syrians or 21% of the total. It said that the program delivered skills development and training in agriculture to 302 individuals out of a target of 654 persons in the covered period. It added that 195 agricultural cooperatives, Lebanese micro-, small-, and medium-sized enterprises, and associations benefited from capacity building and from in-kind or cash-based assistance. In addition, it indicated that the LRP disbursed \$533,166 in cash assistance to farmers and agricultural entities.



Industrial activity steady in second quarter of 2024 despite war in South

Banque du Liban's quarterly survey about the opinions of business managers shows that the balance of opinions about industrial production was zero in the second quarter of 2024, up from -15 in the previous quarter and similar to the second quarter of 2023. The balance of opinions for the level of industrial production in the second quarter of 2024 reached its second highest quarterly level since the start of the economic crisis in the fourth quarter of 2019.

The business survey covers the opinions of managers of industrial 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 about industrial production was +16 in the Bekaa, +10 in the North, -17 in Beirut & Mount Lebanon, and -80 in the South.

The balance of opinions about demand for industrial goods stood at -1 in the second quarter of 2024 compared to -16 in the preceding quarter and to -2 in the second quarter of 2023. It was +15 in the Bekaa, +10 in the North, -17 in Beirut & Mount Lebanon, and -80 in the South.

In parallel, the balance of opinions about the volume of investments in the industrial sector stood at -5 in the second quarter of 2024, compared to -14 in the first quarter of 2024 and to -16 in the second quarter of 2023. It was +11 in the Bekaa, zero in the North, -19 in Beirut & Mount Lebanon, and -80 in the South.

In addition, the balance of opinions about the level of registered orders was -20 in the second quarter of 2024 relative to -33 in the previous quarter and to -29 in the second quarter of 2023. It was -17 in the Bekaa, -20 in the North, -23 in Mount Lebanon, and -40 in the South.

Further, the balance of opinions about foreign demand for industrial goods was -2 during the second quarter of 2024 compared to -17 in the preceding quarter and to -6 in the second quarter of 2023. It stood at +20 in the South, +2 in the Bekaa, zero in the North, and at -8 in Beirut & Mount Lebanon.

Also, the balance of opinions about the number of employees in the sector was -3 in the second quarter of 2024 relative to -12 in the preceding quarter and to -13 in the second quarter of 2023. It was +8 Beirut & Mount Lebanon, -7 in the Bekaa, -15 in the North, and -40 in the South.

In parallel, the balance of opinions for the level of inventory of finished goods was -14 in the second quarter of 2024 compared to -19 in the previous quarter and to -14 in the second quarter of 2023. It stood at zero in the North, -13 in the Bekaa, -20 in the South, and -25 in Beirut and Mount Lebanon.

Also, the balance of opinions for the level of inventories of raw materials was -20 in the second quarter of 2024 relative to -27 in the preceding quarter and to -20 in the second quarter of 2023. It was -15 in the Bekaa, -20 in each of the South and the North, and -24 in Beirut and Mount Lebanon.

Industrial Activity: Evolution of Opinions				
Aggregate results	Q2-21	Q2-22	Q2-23	Q2-24
Production	-44	-36	0	0
Total demand	-44	-34	-2	-1
Foreign demand	-25	-24	-6	-2
Volume of investments	-23	-31	-16	-5
Inventories of finished goods	-50	-32	-14	-14
Inventories of raw material	-60	-40	-20	-20
Registered orders	-73	-46	-29	-20

Source: Banque du Liban Business Survey for Second Quarter of 2024

Term deposits account for 54% of customer deposits at end-November 2024

Figures issued by Banque du Liban (BdL) about the distribution of bank deposits at commercial banks in Lebanon show that aggregate deposits, which include demand deposits and term deposits, stood at LBP8,241.2 trillion (tn) at the end of November 2024, or the equivalent of \$92.1bn, compared to LBP8,305.7tn (\$92.8bn) at end-September 2024. Total deposits include private sector deposits that reached LBP7,959.1tn, deposits of non-resident financial institutions that amounted to LBP225.3tn, and public sector deposits that stood at LBP56.8tn at the end of November 2024. The figures reflect BdL's Basic Circular 167/13612 dated February 2, 2024 that asked banks and financial institutions to convert their assets and liabilities in foreign currencies to Lebanese pounds at the exchange rate of LBP89,500 per US dollar when preparing their financial positions starting on January 31, 2024.

Term deposits in all currencies reached LBP4,461.2tn and accounted for 54.1% of total deposits in Lebanese pounds and in foreign currency at the end of November 2024, relative to 54.3% at the end of September 2024. Further, the term deposits in Lebanese pounds of the public sector dropped by 64.8% from the end of September 2024, followed by a decrease of 1.4% in the term deposits of the non-resident financial sector, a contraction of 1.1% in foreign currency-denominated term deposits of the resident private sector, and a downturn of 1% in the term deposits of non-residents. This was offset by an increase of 4.2% in the foreign currency-denominated term deposits of the public sector and an uptick of 2.5% in the term deposits in Lebanese pounds of the resident private sector from the end of September 2024. Aggregate term deposits declined by \$116.6bn since the end of September 2019, based on the new exchange rate, due to the migration of funds from term to demand deposits and to cash withdrawals, amid the confidence crisis that started in September 2019.

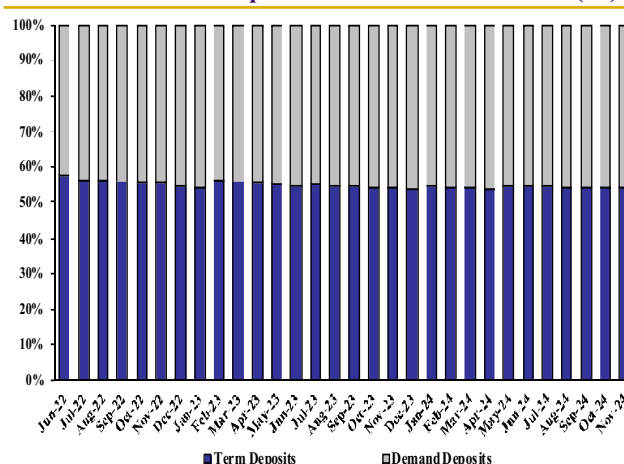
In addition, the foreign currency-denominated term deposits of the resident private sector reached \$35.5bn and accounted for 38.6% of aggregate deposits at the end of November 2024, relative to 39% at end-September 2024. Term deposits of non-residents followed with \$12.4bn or 13.4% of the total, then the term deposits of the non-resident financial sector with \$1.55bn (1.7%), term deposits in Lebanese pounds of the resident private sector with LBP21.3tn (0.3%), term deposits of the public sector in foreign currency with \$152.4m (0.2%), and term deposits of the public sector in Lebanese pounds with LBP2.1tn (0.03%).

In parallel, demand deposits in all currencies at commercial banks stood at LBP3,780tn at the end of November 2024 compared to LBP3,795.1tn at end-September 2024. They accounted for 45.9% of aggregate deposits at end-November 2024 compared to 45.7% at end-September 2024. Foreign currency-denominated demand deposits of the resident private sector declined by \$107.1m from end-September 2024, followed by a decrease of \$33.2m in demand deposits of non-residents, a contraction of \$24.9m in demand deposits of the non-resident financial sector, a retreat of LBP1,237.1bn in demand deposits in Lebanese pounds of the public sector, and a downturn of \$8m in demand deposits in foreign currency of the public sector. This was partly offset by an increase of LBP1,619.7bn in demand deposits in Lebanese pounds of the resident private sector.

Also, demand deposits in foreign currency of the resident private sector totaled \$31.8bn and represented 34.5% of deposits at end-November 2024 relative to 34.4% at end-September 2024. Demand deposits of non-residents followed with \$8.56bn (9.3%), then demand deposits of the non-resident financial sector with \$971.4m (1.1%), demand deposits in Lebanese pounds of the resident private sector with LBP38.5tn (0.5%) and , demand deposits in foreign currency of the public sector with \$383m (0.4%), and demand deposits in Lebanese pounds of the public sector with LBP6.7tn (0.1%).

Based on the latest available figures, Beirut and its suburbs accounted for 66% of private-sector deposits and for 50.6% of the number of depositors at the end of June 2024. Mount Lebanon followed with 14.7% of deposits and 17.7% of beneficiaries, then South Lebanon with 7.4% of deposits and 11% of depositors, North Lebanon with 6.6% of deposits and 12.3% of beneficiaries, and the Bekaa with 5.2% of deposits and 8.4% of depositors.

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban, Byblos Research

EBRD to support innovative SMEs and start-ups

The European Bank for Reconstruction and Development (EBRD) announced that it is accepting applications from Lebanese small- and medium-sized enterprises (SMEs) and start-ups to its Innovation Program, which aims to support companies interested in working with researchers and developers to experiment and evaluate the feasibility of well-developed ideas. The EBRD launched the Innovation Program in Lebanon in 2023 with funding from the European Union (EU). It noted that the program aims to increase the competitiveness of Lebanese SMEs and start-ups through technical assistance grants to companies that are seeking to invest in research and development, and by connecting SMEs with researchers and research and development institutions that work with the companies in order to support the development of innovative products and services.

Further, it pointed out that the Innovation Program prioritizes SMEs operating in the agribusiness, medical, pharmaceuticals, and information and communications technology (ICT) sectors, as well as in creative industries. It said that the program supports the creation of innovative ideas and aims to increase partnerships between key actors of the Lebanese innovation ecosystem. It noted that the program consists of three progressive stages that are offered to companies on a competitive basis, and added that it will assess the eligibility of companies for all three stages based on the firm's level of innovation, market size and sector.

The EBRD indicated that the program offers vouchers of €5,000 to SMEs for research and development projects, and vouchers of up to €30,000 for additional research, go-to-market and the commercialization of their products, and technical assistance for innovating SMEs and start-ups. It stated that research and development projects include the feasibility study of a new product, software and hardware development, and formula development for non-technological innovation. It pointed out that additional research, go-to-market and commercialization projects include prototyping, testing, certification, intellectual property protection, IT component development, process improvement, launch strategy, marketing, and business development. It indicated that technical assistance includes strategy and planning; internationalization, scaling and marketing; organization, leadership and human resources; governance and compliance; operations and quality management; improving processes; ICT and digitalization; engineering and technical solutions; accounting, financial reporting, fundraising and financial management; and energy and resource efficiency. It noted that the application deadlines are February 15, May 16, and September 26, 2025.

In parallel, the EBRD and the EU indicated that the Advice for Small Businesses (ASB) program that they launched in 2018, including the Innovation Program, has helped almost 280 Lebanese SMEs access know-how to address market challenges and support their productivity and turnover. It said that the ASB program supported 85 Lebanese SMEs and start-ups in 2023 with more than 100 advisory projects, including 43 companies looking to innovate through applied research projects with Lebanese researchers. It noted that local and international consultants and researchers specialized in a broad range of areas are helping SMEs enhance their green, digital and inclusive business practices. It added that it continues to conduct various capacity-building activities to provide access to best practices and improve the local market for business advice.

Established in 1991, the EBRD aims to support economies and promote the private sector in 40 economies across three continents, from the Southern and Eastern Mediterranean (SEMED), to Central and Eastern Europe, and to Central Asia. The bank's countries in the SEMED region consist of Egypt, Jordan, Lebanon, Morocco, Tunisia, and the West Bank & Gaza. The bank has currently 76 shareholders that include 74 countries as well as the European Union and the European Investment Bank, and has invested in excess of €190bn in more than 6,800 projects. It said that it has invested more than €2.4bn in 50 projects in SEMED countries in 2024, with 85% of the funds targeting the private sector. The bank has €905m in cumulative pledges in Lebanon that include €253m in disbursements for 10 projects as at end-November 2024.



Ratio Highlights

(in % unless specified)	2021	2022	2023	Change*
Nominal GDP (\$bn)	19.8	24.5	24.0	(0.5)
Public Debt in Foreign Currency / GDP	-	-	-	-
Public Debt in Local Currency / GDP	-	-	-	-
Gross Public Debt / GDP	357.7	255.2	195.2	(60.0)
Trade Balance / GDP	(51.9)	(63.5)	(60.5)	3.0
Exports / Imports	24.8	18.3	17.1	(1.2)
Fiscal Revenues / GDP	8.3	5.7	12.9	7.2
Fiscal Expenditures / GDP	10.9	12.2	13.3	1.0
Fiscal Balance / GDP	(2.7)	(6.6)	(0.4)	6.2
Primary Balance / GDP	(1.6)	(6.0)	0.4	-
Gross Foreign Currency Reserves / M2	26.0	13.4	143.5	130.1
M3 / GDP	81.9	35.0	55.8	20.7
Commercial Banks Assets / GDP	107.3	38.9	82.7	43.8
Private Sector Deposits / GDP	79.5	28.9	68.0	39.1
Private Sector Loans / GDP	17.0	4.6	6.0	1.4
Private Sector Deposits Dollarization Rate	79.4	76.1	96.3	20.2
Private Sector Lending Dollarization Rate	56.3	50.7	90.9	40.2

*change in percentage points 23/22;

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

	2021	2022e	2023f
Nominal GDP (LBP trillion)	245.6	655.2	2,090.7
Nominal GDP (US\$ bn)	19.8	24.5	24.0
Real GDP growth, % change	2.0	1.0	-0.7
Private consumption	123.5	-	1.5
Public consumption	-92.2	-	-9.8
Gross fixed capital	63.8	-	21.8
Exports of goods and services	3.4	3.5	3.0
Imports of goods and services	13.6	19.1	17.5
Consumer prices, %, average	154.8	171.2	221.3
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	15,000
Parallel exchange rate, average, LBP/US\$	16,821	30,313	86,362
Weighted average exchange rate LBP/US\$	12,006	25,604	76,363

Source: International Monetary Fund, Lebanese customs

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Ratings	C	NP	Stable	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

	Outlook
Moody's Ratings	Negative

Source: Moody's Ratings



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