

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

Second Half 2016 Results and Analysis

Consumer Confidence Improves in Second Half of 2016

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HIGHLIGHTS

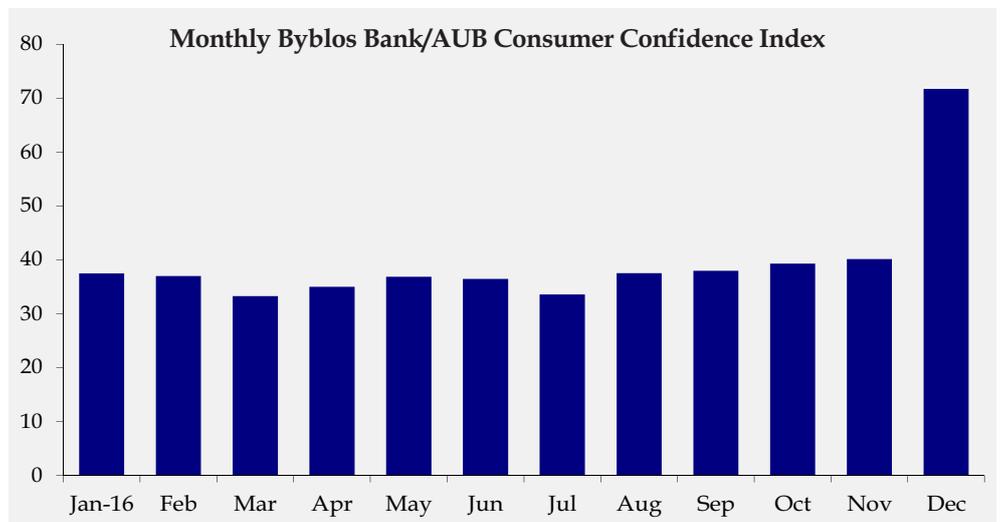
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 36.4 in the third quarter of 2016 and increased by 0.6% from the second quarter of the year. The Index reached 50.4 in the fourth quarter of 2016 and grew by 38.6% from the preceding three months.
- The results of the third quarter of 2016 were the 13th lowest since the Index's inception in July 2007, while the outcome of the fourth quarter was the 18th highest in 38 quarters.
- The positive political shock that ended the 30-month presidential vacuum in the country and restored the proper functioning of the government and Parliament was the key factor for the surge in household sentiment during the fourth quarter of 2016.
- The Byblos Bank/ AUB Consumer Confidence Index recorded a monthly average of 43.4 in the second half of 2016, up by 20.5% from the first half of the same year.
- The level of sentiment in the second half reflected a drop of 55.5% from the semi-annual peak score registered in the first half of 2009 and a decline of 19% from the Index's monthly trend average score since the Index's inception.
- The near-term expectations of households were higher than their views of their current conditions during the second half of 2016.
- Nearly 9% of surveyed Lebanese in the fourth quarter of 2016 expected their financial condition to improve in the coming six months.
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 39.7 in 2016, constituting an increase of 3.5% from an average of 38.4 in 2015. Still, the level of consumer sentiment in 2016 was 27% lower than the Index's monthly trend average since its inception.
- Consumers with a monthly income of \$2,500 or higher were more confident than citizens in lower income brackets in the second half of 2016.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

Consumer confidence in Lebanon remained subdued during the third quarter of 2016, while it improved substantially in the fourth quarter of the year, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The Index reached 33.6 in July 2016, down by 8% from 36.5 in the preceding month. It then increased by 11.8% to 37.5 in August and by another 1.1% to 38 in September 2016. Further, the Index registered a score of 39.3 in the October 2016 survey, up by 3.5% from the previous month. It then grew by 2.2% to 40.1 in November and jumped by 78.7% to 71.7 in December 2016.

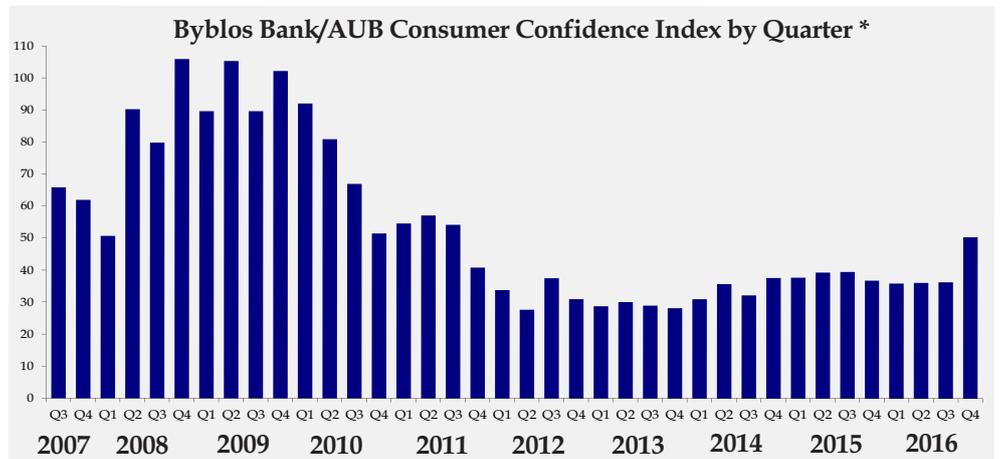
Consumer sentiment was highest in December during the second half of 2016



Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The Byblos Bank/ AUB Consumer Confidence Index averaged 36.4 in the third quarter of 2016, constituting a marginal increase of 0.6% from 36.1 in the second quarter, but it grew by 38.6% to an average of 50.4 in the fourth quarter of 2016. The results of the third quarter of 2016 were the 26th highest since the Index's inception in July 2007, while the fourth quarter results posted their 18th highest quarterly reading in 38 quarters.

Consumer confidence picked up in the fourth quarter of 2016



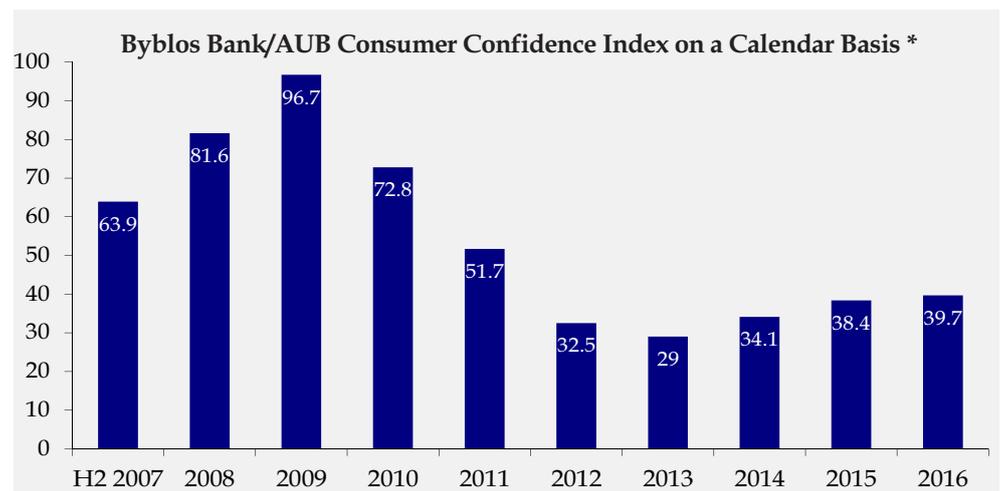
* monthly average Index by quarter

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The subdued level of sentiment during the third quarter was due, in part, to the repeated failure of the Lebanese Parliament to elect a President, the paralyzed decision-making process within public institutions and the resulting uncertain political outlook. However, the significant increase in confidence during the fourth quarter of 2016 was mainly due to the positive political shock that ended the presidential vacuum in the country, and that restored the proper functioning of the government and Parliament. The fourth quarter results were the highest in 21 quarters and the 17th highest since the Index's inception, while the quarter-on-quarter growth rate was the highest since the second quarter of 2008.

The Index posted an average monthly value of 43.4 during the second half of 2016, constituting an increase of 20.5% from the first half of the same year. The second-half results represented the Index's 10th-highest level in 19 semi-annual readings. However, the average monthly score of the second half of 2016 constituted a decline of 55.5% from the semi-annual peak score of 97.5 registered in the first half of 2009. It was also 19% lower than the Index's monthly trend average score of 53.5 since July 2007.

Household sentiment in 2016 was significantly below the peak level of 2009



** monthly average Index for the period*

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The results of the full year show that consumer sentiment improved slightly in 2016. The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 39.7 in 2016, constituting an increase of 3.5% from an average of 38.4 in 2015. Still, the level of consumer sentiment in 2016 was 44% lower than the Index's peak score of 96.7 in 2009 and 26.6% lower than the Index's monthly trend average of 54 since its inception.

**Results of the Byblos Bank/AUB Consumer Confidence Index,
the Byblos Bank/AUB Present Situation Index
and the Byblos Bank/AUB Expectations Index**

	Q3 2016			Q4 2016		
	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
CCI*	33.6	37.5	38.0	39.3	40.1	71.7
Month-on-month change (%)	-8%	11.8%	1.1%	3.5%	2.2%	78.7%
Year-on-year change (%)	-12.4%	-12.6%	1.7%	6.4%	5.1%	102.4%
PSI**	32.6	36.8	39.5	39.7	40.4	65.0
Month-on-month change (%)	-12%	12.8%	7.4%	0.5%	1.8%	60.8%
Year-on-year change (%)	-5.4%	-5.8%	11.5%	15.6%	24.4%	102.8%
EI***	34.2	38.0	36.9	39.0	39.9	76.2
Month-on-month change (%)	-5.2%	11.2%	-2.9%	5.7%	2.4%	90.9%
Year-on-year change (%)	-16.3%	-16.4%	-4.2%	0.9%	-4.8%	102.2%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

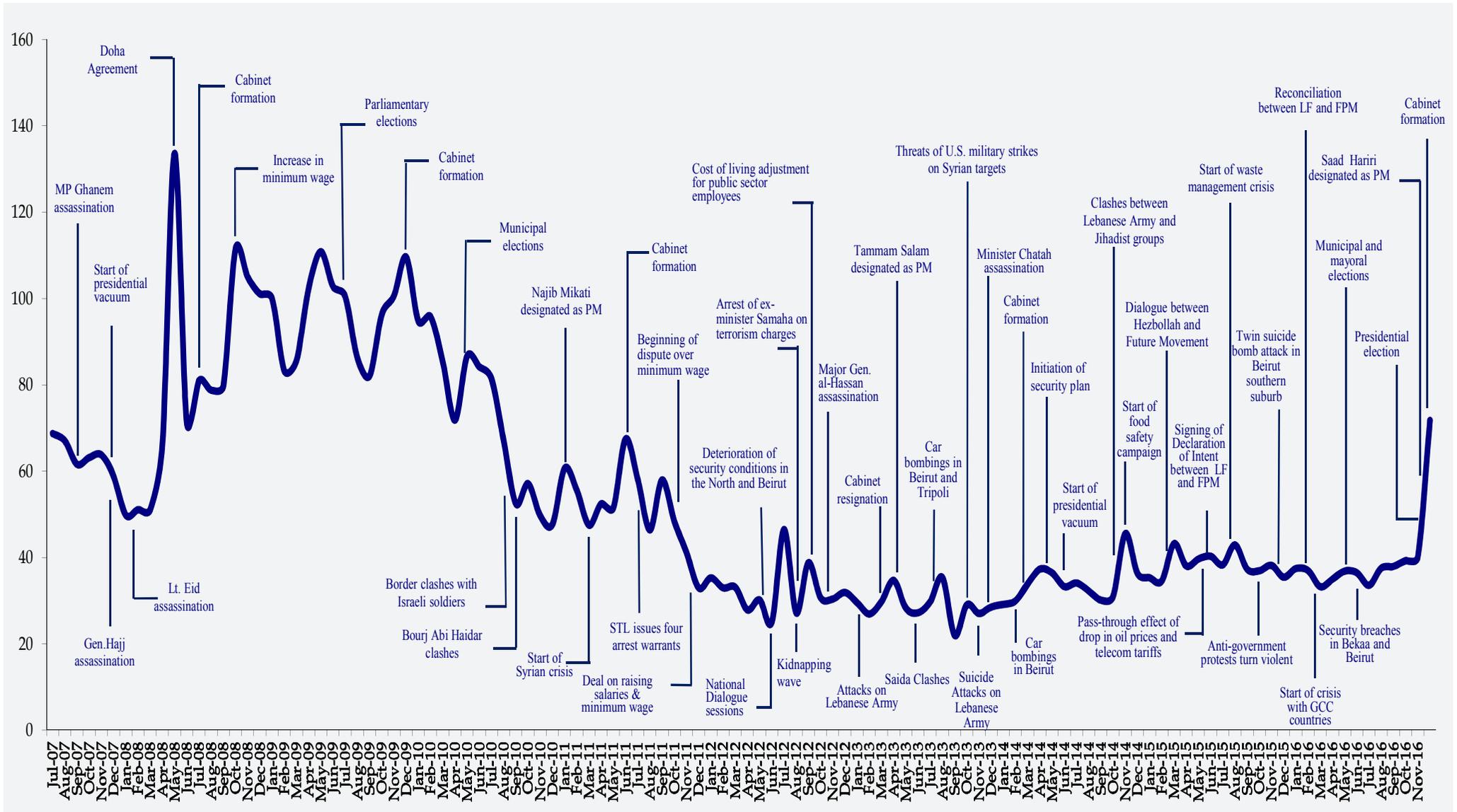
*** EI: Byblos Bank/AUB Expectations Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

METHODOLOGY

The Byblos Bank/ AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers towards the economy and their own financial situation. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index. The first sub-Index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. In addition, the data segregates the Index based on age, gender, income, profession, administrative district, and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with January 2009 as its base month. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The survey has a margin of error of +/- 2.83%, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007 - December 2016)



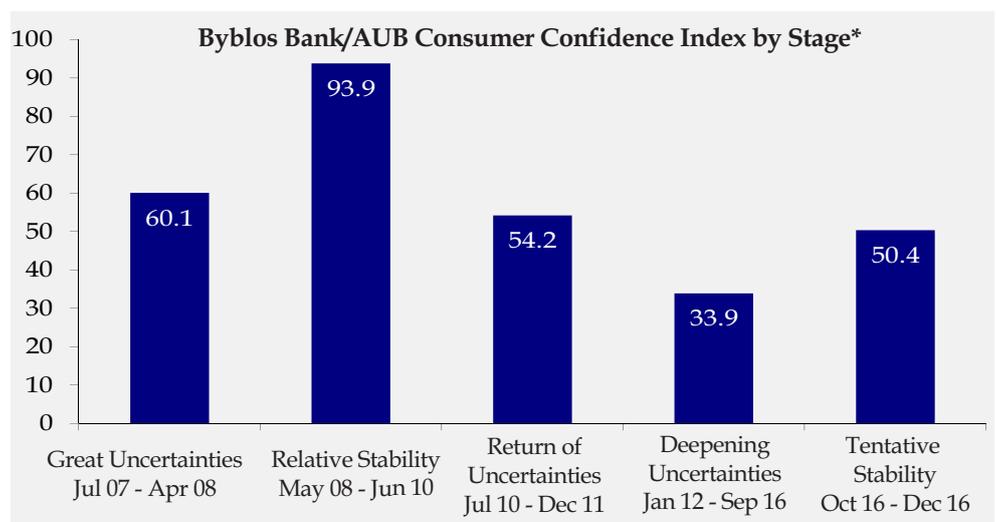
Source: Byblos Research

B -TIMELINE ANALYSIS

The results of the third quarter of 2016 upheld the trend in consumer confidence that started in January 2012, while the results of the fourth quarter of 2016 reflected the political breakthrough and the ushering of a period of improved stability in the country. We have identified five distinct periods in the history of the Byblos Bank/AUB Consumer Confidence Index: a period of Great Uncertainties, one of Relative Stability, a Return of Uncertainties phase, a period of Deepening Uncertainties, and a fifth period of Tentative Stability.

The first period started in July 2007 and ended in April 2008, with the Index averaging 60.1 during this timeframe. It was a “high risk” period dominated by security and political uncertainties. The second period extended from May 2008 to June 2010, and it was characterized by a significantly higher level of confidence, as the Index averaged 94 during the 26-month span. This timeframe was a “low risk” period that saw several positive political events that helped revive consumer confidence. The third period, which stretched from July 2010 to December 2011, saw the return of uncertainties and an increase in political risks, as the Index averaged 54.2 during the 18-month period. The fourth period started in January 2012, with the Index averaging 33.8 during the 54 months ending in June 2016. It was a “very high risk” period as political and institutional paralysis increased and security conditions deteriorated, which negatively weighed on consumer sentiment. The results of the third quarter of 2016 extended and confirmed the Deepening Uncertainties period as the Index averaged 33.9 over the January 2012 - September 2016 period, constituting the lowest level of consumer confidence over the five periods. The fifth period started in October 2016, with the Index averaging 50.4 during the three months ending in December 2016. Several positive political events and stable security conditions helped support consumer confidence, which led us to classify this period as one of Tentative Stability.

The period of Tentative Stability was more pronounced throughout 2016



* monthly average Index for the period

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - ANALYSIS OF PRESENT SITUATION & EXPECTATIONS INDICES

The Expectations Index was higher than the Present Situation Index during the third and fourth quarters of 2016

The Byblos Bank/ AUB Present Situation Index increased by 6.2% in the third quarter of 2016 from the preceding quarter, while the Expectations Index declined by 2.8% in the covered quarter. In parallel, The Present Situation Index improved by 33.2% in the fourth quarter of 2016 from the third quarter, and the Expectations Index surged by 42.3% quarter-on-quarter. The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index during the third and fourth quarters of 2016, in line with the first, second, third and fourth quarters of 2015, and the first and second quarters of 2016. Also, the gap between the Expectations Index and the Present Situation Index posted a positive spread of +6.9% in the fourth quarter of 2016, up from a spread of +0.1% in the third quarter of the year. Moreover, the Present Situation Index and the Expectations Index each posted their 10th lowest reading out of 19 semi-annual readings during the second half of 2016.

The Present Situation Index and the Expectations Index moved in two different directions in one out of the three months of the third quarter of 2016. The Present Situation Index posted a decrease of 12% in July, and increases of 12.8% in August and of 7.4% in September 2016; while the Expectations Index improved by 11.2% in August but retreated by 5.2% in July and by 2.9% in September. Moreover, the Present Situation and Expectations indices averaged 36.3 and 36.4, respectively, in the third quarter of 2016, constituting their 15th- and 11th-lowest quarterly readings, respectively, since the start of the Index's calculation.

In parallel, the two indices moved in the same direction during the fourth quarter of 2016. As such, the Present Situation Index posted increases of 0.5% in October, 1.8% in November and 60.8% in December 2016, while the Expectations Index improved by 5.7% in October, by 2.4% in November and by 91% in December. In addition, the Present Situation and Expectations indices averaged 48.4 and 51.7, respectively, in the fourth quarter of 2016, constituting their 13th- and 18th-highest quarterly readings, respectively, in 38 quarters.

Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation, a trend upheld in the third and fourth quarters of 2016. In fact, Lebanese consumers were more optimistic about the future than they were about present circumstances in 28 out of 38 quarters and in 79 out of 114 months between July 2007 and December 2016, representing a 69.3% monthly frequency of occurrence. Moreover, the Byblos Bank/ AUB Expectations Index posted higher values than the Byblos Bank/ AUB Present Situation Index during three out of the last six months of 2016.

However, the results do not reflect a shift in households' attitudes, as only 7.2% of Lebanese polled in the second half of 2016 expected their financial conditions to improve in the coming six months, while 69.2% of respondents believed their financial situation will deteriorate, and 20.7% stated that their financial conditions would remain the same.

D - GENERAL TRENDS

Political and security events affected household sentiment in the second half of 2016

Consumer confidence in Lebanon improved in relative terms during the second half of 2016, as a pick up in sentiment in the fourth quarter of the year offset the stagnation of the third quarter. But sentiment remained very sensitive to political and security developments during the covered period, in line with trends since the Byblos Bank/ AUB Consumer Confidence Index's inception in July 2007. In fact, political and security developments, whether they are positive or negative, have been the single most important factor to affect the confidence of Lebanese consumers in the past 38 quarters.

Households remain deeply skeptical about political initiatives

Household confidence stagnated during the third quarter of 2016 at the same level of the preceding quarter, as the prevailing status-quo on the political and economic fronts in the country caused consumer sentiment to remain at low levels during the covered period. In fact, Lebanese households have met with skepticism the attempts that started in late September towards a potential breakthrough in the presidential elections stalemate, as citizens have developed throughout the years, particularly since the presidential vacuum that started in May 2014, a solid dose of doubt about political initiatives.

The gloomy outlook of households was reflected in their answers to the Index's survey questions, as only 6% of Lebanese polled in the third quarter of 2016 expected their financial conditions to improve in the coming six months and 71.6% believed that their financial situation will deteriorate; while only 3% of respondents expected business conditions in the country to improve in the short term, the lowest such quarterly percentage since the Index's inception.

The end of the 30-month presidential vacuum supported consumer confidence

Consumer sentiment improved in the fourth quarter of the year, especially in December, due to major political developments. The election of General Michel Aoun as President in October, the swift nomination of Mr. Saad Hariri as Prime Minister in November and the formation of a national unity government in December constituted the needed positive political shock to boost sentiment. In fact, the Present Situation Index picked up by a modest 0.5% and 1.8% in October and November, respectively, but jumped by 61% in December; while the Expectations Index improved by 5.7% in October and by another 2.4% in November, but it surged by 91% in December. As such, the limited increase in the two sub-indices in October and November is a clear reflection of the level of skepticism of Lebanese consumers, as they waited until the concrete implementation of the final piece of the agreement between political parties in order to alter their outlook substantially. As a result, the gap between the Expectations Index and the Present Situation Index posted negative spreads of -1.8% in October and -1.2% in November, but it then shifted significantly to a positive spread of +17.3% in December. Further, the gap widened from a spread of +0.1% in the third quarter to a spread of +6.9% in the fourth quarter of 2016.

Still, despite the amelioration in the political climate in the last three months of the year, Lebanese households consider that the political breakthrough in the country needs to translate into concrete improvements in their quality of living and economic well-being in order for their confidence to remain at a high level. So if authorities do not fulfill these expectations, consumers are likely to see the presidential elections, the formation of the government and the re-activation

Households expect the political breakthrough to improve their standards of living

of Parliament as just a power-sharing deal among the political class, which will likely rekindle consumers' skepticism and reduce their confidence.

Therefore, even though the fourth-quarter results, and specifically the December outcome, constitute significant progress from previous periods, they do not necessarily reflect a sustained shift in households' attitudes. In fact, only 8.6% of the Lebanese polled in the fourth quarter of 2016 expected their financial condition to improve in the coming six months, while 67% of respondents believed that their financial situation will deteriorate. In addition, 13.5% of the Lebanese surveyed in December 2016 expected business conditions in Lebanon to improve in the coming six months, while 61% anticipated them to deteriorate. Although the results constitute a relative improvement from earlier months, they reflect the fragile state of confidence and the ongoing skepticism of households.

Looking at the full year, consumer confidence remained at very low levels despite the fourth quarter jump in sentiment. In fact, had confidence in December stayed at the same level as in the first 11 months of the year, the Index would have regressed by more than 4% year-on-year rather than increasing by 3.5%. In addition, the Expectations Index would have declined by 8% and the Present Situation Index would have decreased by more than 6% for the year. So despite the political breakthrough of the fourth quarter, powerful issues such as the inability of authorities to satisfy citizens' basic needs, the deterioration in public service delivery, the weak rule of law, job instability and economic stagnation, along with the ongoing spillovers from the Syrian conflict, dominated consumers' concerns during 2016.

As such, the results of the Byblos Bank/AUB Consumer Confidence Index for 2016 clearly reflect Lebanese citizens' low confidence in the seriousness of the government and of political parties to bring about real stability and change, as well as to improve their living standards and provide a credible framework for economic opportunities.

E - CONSUMERS' NEAR-TERM OUTLOOK

Female consumers had a relatively more optimistic near-term outlook than males in the third and fourth quarters of 2016.

Younger consumers were the most optimistic about the near term in the third quarter of 2016

Consumers who are in the 21 to 29 year-old bracket were more optimistic about the near term than citizens in older age brackets during the third quarter of 2016, while consumers in the 40 to 49 year-old bracket were the most optimistic over the fourth quarter. In contrast, consumers in the 50 to 59 year-old bracket were the most pessimistic during the third and fourth quarters of 2016.

Further, private sector employees were the least pessimistic about economic prospects among occupational categories in the third and fourth quarters of 2016. Conversely, unemployed consumers were the most pessimistic about the near future among all occupational categories during the last two quarters of 2016.

Higher income consumers were the least pessimistic in the third and fourth quarters of 2016

In parallel, consumers with a monthly income of \$2,500 or higher were more optimistic about the country's future prospects than citizens in other income brackets during the second half of 2016. In contrast, consumers with a monthly income between \$750 and \$1,499 were the most pessimistic about the near future among all income categories during the covered period.

In addition, residents of Mount Lebanon were more optimistic than their counterparts in other administrative districts during the third and fourth quarters of 2016. Conversely, consumers who reside in the Bekaa were more pessimistic about future prospects than those in other administrative districts during the covered quarters.

Shiite consumers were the most pessimistic about future prospects in the second half of 2016

In terms of religious affiliation, Christian citizens were the least pessimistic about the country's near-term economic outlook in the third quarter of 2016, followed by Sunnis and Druze consumers. Further, Christian consumers were the most optimistic during the fourth quarter of the year, followed by Druze and Sunni citizens. In contrast, Shiite consumers were the most pessimistic about future prospects during the third and fourth quarters of 2016.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

Females had a higher level of confidence than males

The results of the Byblos Bank/ AUB Consumer Confidence Index show that female consumers registered a relatively higher level of confidence than their male counterparts during the third and fourth quarters of 2016. Females were more confident than males in all six months of the second half of 2016 and in 11 out of 12 months in full year 2016. The confidence level of male consumers grew by 1.1% during the third quarter of 2016 and by another 36.8% in the fourth quarter, while the level of sentiment among females was nearly unchanged in the third quarter and increased by 40.3% in the fourth quarter of the year. The third quarter results represent males' 10th-lowest level of confidence in 38 quarters, while females posted the 15th-lowest confidence level ever in the same quarter of 2016. Moreover, male and female consumers posted their 18th- and 14th-highest quarterly results, respectively, in the fourth quarter of 2016.

On a semi-annual basis, male and female consumers posted average confidence levels of 41.3 and 45.5, respectively, during the second half of 2016, relative to confidence levels of 34.5 and 37.5, respectively, in the first half of the same year. As such, the confidence level of males increased by 19.4% and that of females grew by 21.4% during the second half of the year. Moreover, male and female consumers posted their 10th-highest semi-annual results each in the second half of 2016. The figures show that Lebanese females had a higher confidence level than their male counterparts in seven out of the first eight quarters following the Index's inception in July 2007. However, the trend reversed as males became more confident than females in 21 out of the following 22 quarters, until the end of 2014. The trend changed again in 2015, as female consumers started to post a higher level of confidence than their male counterparts until the end of 2016. On an annual basis, female consumers had a higher level of confidence than their male counterparts in 2016, representing the third such instance since the start of the Index's calculation. However, male consumers were more confident than females in 66 out of 114 months since the Index's inception in July 2007, representing a 57.9% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jul-16	32.2	34.9
Aug-16	36.7	38.4
Sep-16	35.7	40.2
Av. Index Q3 2016*	34.8	37.9
Oct-16	35.1	43.5
Nov-16	38.0	42.3
Dec-16	69.9	73.6
Av. Index Q4 2016*	47.7	53.1

* average monthly Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

B - CONSUMER CONFIDENCE BY AGE

Consumers in the 40 to 49 year-old bracket were more confident than other age groups in the third and fourth quarters of 2016, constituting the first such quarterly outcome since the Index's inception. In contrast, consumers who are in the 50 to 59 year-old bracket were the least confident among age segments in the third and fourth quarters of 2016. The level of sentiment among consumers aged between 21 and 29 years old regressed by 2.9% in the third quarter of 2016. In contrast, the confidence level of citizens between 40 and 49 years grew by 5.8% in the covered quarter, followed by consumers who are 60 years or older (+5.4%), citizens in the 50 to 59 year-old bracket (+1.7%) and consumers aged between 30 and 39 years (+1.6%).

The confidence level of younger consumers regressed in the third quarter of 2016

In parallel, the confidence level of citizens in the 50 to 59 year-old bracket grew by 54.8% in the fourth quarter of 2016, followed by consumers aged between 30 and 39 years (+44.1%), citizens who are 60 years or older (+36.7%), consumers in the 40 to 49 year-old bracket (+33.3%), and citizens aged between 21 and 29 years (+33%).

Consumers who are in the 40 to 49 year-old bracket had the highest level of confidence in the second half of 2016, the first such occurrence since the start of the Index's calculation. They were followed by citizens in the 21 to 29 year-old bracket, then consumers in the 30 to 39 year-old bracket, those who are 60 years or older, and citizens who are in the 50 to 59 year-old bracket.

Overall, consumers in the 21 to 29 year-old bracket were more confident in 2016 than other age groups, in line with the results of 2008, 2009, 2010, 2011, 2013, 2014 and 2015. The only exception was in 2012, when consumers who are 60 years or older had the highest level of confidence among all age groups. Generally, consumers aged between 21 and 29 years old had higher levels of confidence than older consumers in 31 out of 38 quarters, representing an 81.6% frequency of occurrence. Also, consumers between 21 and 29 years old were the most confident in 76 out of 114 months since the Index's inception, representing a 66.7% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Age					
Month	21-29 yrs	30-39 yrs	40-49 yrs	50-59 yrs	≥60 yrs
Jul-16	40.8	31.0	37.1	25.9	26.5
Aug-16	40.8	34.8	45.6	29.7	31.8
Sep-16	45.2	32.3	45.5	24.0	40.1
Av. Index Q3 2016*	42.3	32.7	42.7	26.5	32.8
Oct-16	43.6	35.8	46.2	30.4	37.6
Nov-16	41.4	36.4	52.2	27.2	41.1
Dec-16	83.6	69.3	72.6	65.6	55.9
Av. Index Q4 2016*	56.2	47.2	57.0	41.1	44.8

* average monthly Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

C - CONSUMER CONFIDENCE BY OCCUPATION

Private sector employees posted a higher level of confidence than consumers in other occupational categories in the third and fourth quarters of 2016. This constitutes the 10th such quarterly outcome since the Index's inception, representing a 26.3% frequency of occurrence. Private sector employees were relatively more confident than Lebanese in other occupational categories during the third and fourth quarters of 2016, followed by the self-employed, housewives, students, public sector employees and the unemployed. The confidence level of unemployed consumers reached its lowest level ever during the third quarter of 2016, which reflects the mounting challenges that citizens are facing to secure a job amid the ongoing economic stagnation in the country. In fact, the unemployed posted their lowest level of confidence in August 2016 and their second-lowest level in July 2016 over the 114-month period.

The level of sentiment of private sector employees improved by 9.2% and that of the self-employed increased by 7.2% in the third quarter of 2016. Conversely, the confidence level of students regressed by 31.8% in the covered quarter, followed by public sector employees (-14.6%), the unemployed (-5.9%), and housewives (-1.5%). During the fourth quarter of 2016, the confidence level of unemployed consumers grew by 70%, followed by public sector employees (+60.2%), students (+50.4%), housewives (+46%), the self-employed (+39.3%), and private sector employees (+30%).

Unemployed consumers were the most pessimistic in the third and fourth quarters of 2016

Private sector employees were the most confident among occupational categories in 2016, the second such annual instance since 2008. In contrast, the unemployed were the least confident among occupational categories in 2016. Further, the sentiment level of students was highest in 65 out of 114 months, representing a 57% frequency of occurrence, followed by private sector employees with an incidence of 25.7%, the unemployed with 7%, the self-employed with 4.4%, public sector employees with 3.5% and housewives with a frequency of 2.6%.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jul-16	41.7	21.4	32.4	35.4	34.9	15.2
Aug-16	49.7	26.1	39.1	26.9	34.8	12.6
Sep-16	50.4	24.1	36.9	31.0	31.7	26.7
Av. Index						
Q3 2016*	47.3	23.9	36.2	31.1	33.8	18.2
Oct-16	53.8	20.0	37.8	24.8	42.2	15.6
Nov-16	53.4	28.6	39.5	29.8	39.7	21.1
Dec-16	77.1	66.0	73.7	85.6	66.1	55.8
Av. Index						
Q4 2016*	61.4	38.2	50.3	46.7	49.3	30.9

* average monthly Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

D - CONSUMER CONFIDENCE BY INCOME

The results of the Byblos Bank/AUB Consumer Confidence Index show that consumers with an income of \$2,500 or more per month were more confident than citizens in lower income brackets in the third and fourth quarters of 2016. Conversely, citizens with an income between \$750 and \$1,499 per month were the least confident among all income categories in the last two quarters of the year.

Middle-income consumers were the most pessimistic citizens in the second half of 2016

The confidence level of consumers with an income of \$2,500 or more per month grew by 5.1% quarter-on-quarter, followed by citizens with an income between \$750 and \$1,499 per month (+2.1%) and consumers with earnings between \$1,500 and \$2,499 per month (+1.3%). In contrast, the confidence level of consumers with an income of \$750 or less per month regressed by 2.5% in the third quarter of 2016. Moreover, the sentiment of consumers with an income between \$750 and \$1,499 per month improved by 42.1% in the fourth quarter of 2016. The confidence level of citizens with a monthly income of \$750 or less grew by 40.8% quarter-on-quarter, followed by those with an income of \$2,500 or more per month (+40.7%) and citizens with earnings between \$1,500 and \$2,499 per month (+31.1%).

We have adopted in January 2014 four new income sub-categories for the Byblos Bank/AUB Consumer Confidence Index to reflect more accurately the monthly income distribution of Lebanese citizens. Respondents were selected from a random population sample of 5,474 and were questioned about their monthly income. The results show that 29.23% of individuals earn below \$750 per month, 36.54% of Lebanese have incomes between \$750 and \$1,499 per month, 23.86% of citizens earn between \$1,500 and \$2,499 per month, while 10.38% of individuals reported earnings at \$2,500 or higher per month.

On an annual basis, consumers with an income of \$2,500 or more per month had a higher level of confidence than those with lower incomes in 2016, in line with the results of 2014 and 2015. In addition, consumers with a household income of \$2,500 or higher held the highest level of confidence in 34 out of 36 months, representing a 94.5% frequency of occurrence.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	<\$750	\$750-\$1,499	\$1,500-\$2,499	≥\$2,500
Jul-16	34.0	24.1	40.2	55.5
Aug-16	34.0	32.2	41.9	62.5
Sep-16	35.2	32.3	47.4	41.0
Av. Index Q3 2016**	34.4	29.5	43.2	53.0
Oct-16	38.0	32.4	44.2	57.4
Nov-16	37.8	30.3	49.4	61.4
Dec-16	69.5	63.1	76.1	104.9
Av. Index Q4 2016**	48.5	42.0	56.6	74.5

* monthly household income ** average monthly Index
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

Households in Mount Lebanon were the most optimistic in the third and fourth quarters

The results of the Byblos Bank/AUB Consumer Confidence Index show that the residents of Mount Lebanon had a higher level of confidence relative to consumers in other administrative districts in the third and fourth quarters of 2016. This is in line with the general trend since the Index's inception, where consumers in Mount Lebanon have posted the highest confidence level in 16 out of 38 quarters, representing a 42.1% frequency of occurrence. Conversely, consumers in the Bekaa were the most pessimistic among all administrative districts in the third and fourth quarters of 2016, reflecting the 30th quarterly occurrence since the Index's inception in July 2007.

The sentiment of consumers in the South regressed by 10.1% in the third quarter of 2016, posting the steepest quarterly drop among administrative districts, followed distantly by residents in Beirut (-2.5%). Conversely, consumer sentiment in the Bekaa grew by 8.7% quarter-on-quarter, followed by that in the North (+5.9%) and in Mount Lebanon (+2%). Further, the confidence level of consumers in the North improved by 54.1% in the fourth quarter of 2016, posting the highest quarterly increase among administrative districts, followed by that of residents in the Bekaa (+51.1%), in Mount Lebanon (+35.5%), in Beirut (+33.7%) and in the South (+24.6%).

Household sentiment in the Bekaa was the lowest among administrative districts

Consumers in Mount Lebanon posted the highest level of confidence among administrative districts in the second half of 2016, followed by consumers in Beirut, residents of the North, citizens in the South and consumers in the Bekaa. In addition, households in the Bekaa were the least confident in each of the last six months of 2016, in line with 77 other monthly instances since the Index's inception in July 2007.

On an annual basis, residents of Mount Lebanon had a higher level of confidence among administrative districts in 2016, in line with the results of full years 2013 and 2015. They were followed by Beirut residents, then consumers in the North, in the South and in the Bekaa. Overall, consumers in Mount Lebanon held the highest level of confidence in 36 out of 114 months, representing a 31.6% frequency of occurrence, followed by consumers in the North with an incidence of 25.4%, households in the South with 24.6%, Beirut consumers with 17.5% and households in the Bekaa with a frequency of 0.9%.

Byblos Bank/AUB Consumer Confidence Index by Administrative District					
Month	Beirut	Mount Lebanon	North	Bekaa	South
Jul-16	36.3	36.5	34.1	19.6	37.3
Aug-16	39.8	45.7	35.7	24.4	31.3
Sep-16	39.4	47.4	34.6	20.6	35.6
Av. Index Q3 2016*	38.5	43.2	34.8	21.6	34.7
Oct-16	45.5	47.2	38.1	23.9	31.5
Nov-16	48.8	47.3	35.7	23.7	37.2
Dec-16	60.1	81.2	87.1	50.1	61.2
Av. Index Q4 2016*	51.5	58.6	53.6	32.6	43.3

* average monthly Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

Shiite households were the least optimistic in the third and fourth quarters of 2016

The results of the Byblos Bank/AUB Consumer Confidence Index show that Christian consumers were the most confident among all religious affiliations in the third and fourth quarters of 2016. In addition, the results of the fourth quarter constituted the 22nd time since the Index's inception that Christian consumers post the highest level of confidence on a quarterly basis. In contrast, Shiite consumers were the most pessimistic during the third and fourth quarters of the year. This is in line with the general trend where Shiite citizens have posted the lowest level of confidence in 23 out of 38 quarters, representing a 60.5% frequency of occurrence.

The confidence level of Christians grew by 5.5% quarter-on-quarter and that of Sunnis was nearly unchanged in the third quarter of 2016. Conversely, the sentiment level of Druze consumers regressed by 9.3% in the covered quarter, posting the steepest quarterly decline among religious affiliations, followed by that of Shiites (-5.9%). In parallel, the confidence level of Druze households improved by 66.8% in the fourth quarter of the year, followed by that of Sunni consumers (+42.3%), the sentiment of Christians (+35.8%) and that of Shiites (+30.7%).

On a monthly basis, Christian consumers were the most confident in July, August, September, November and December 2016, while Sunni consumers had the highest level of confidence in October. In contrast, Shiite consumers were the most pessimistic among all religious affiliations in five out of the last six months of 2016. Overall, Christians held the highest level of confidence in 54 out of 114 months since the Index's inception, representing a 47.4% frequency of occurrence, followed by Druze consumers with an incidence of 21.9%, Sunni consumers with 15.8% and Shiite consumers with a frequency of 14.9%.

On an annual basis, Christian consumers posted the highest level of confidence among all religious affiliations in 2016, the sixth time since 2008, followed by Sunnis, Druze and Shiite consumers. In addition, Shiite consumers posted their fourth lowest level of confidence in 2016 when compared to previous years.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jul-16	36.0	35.9	29.4	26.8
Aug-16	44.3	37.1	27.0	35.8
Sep-16	44.9	38.4	28.4	30.0
Av. Index Q3 2016*	41.7	37.1	28.3	30.9
Oct-16	45.1	46.4	25.9	28.4
Nov-16	44.7	43.8	29.2	38.9
Dec-16	80.0	68.3	55.7	87.3
Av. Index Q4 2016*	56.6	52.8	36.9	51.5

* average monthly Index

Source: Byblos Research, based on surveys conducted by Statistics Lebanon

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