

CONSUMER CONFIDENCE IN LEBANON

THE BYBLOS BANK/AUB CONSUMER CONFIDENCE INDEX

First Half 2015 Results and Analysis

Slight Pick up in Consumer Confidence in First Half of 2015, Households' Outlook Improves

CONTENTS

I - Analysis of Results

A - Analysis on a Calendar Basis

B - Timeline Analysis

C - Analysis of Present Situation & Expectations Indices

D - General Trends

E - Consumer's Near-Term Outlook

II - Results by Category

A - Consumer Confidence by Gender

B - Consumer Confidence by Age

C - Consumer Confidence by Occupation

D - Consumer Confidence by Income

E - Consumer Confidence by Administrative District

F - Consumer Confidence by Religious Affiliation

HIGHLIGHTS

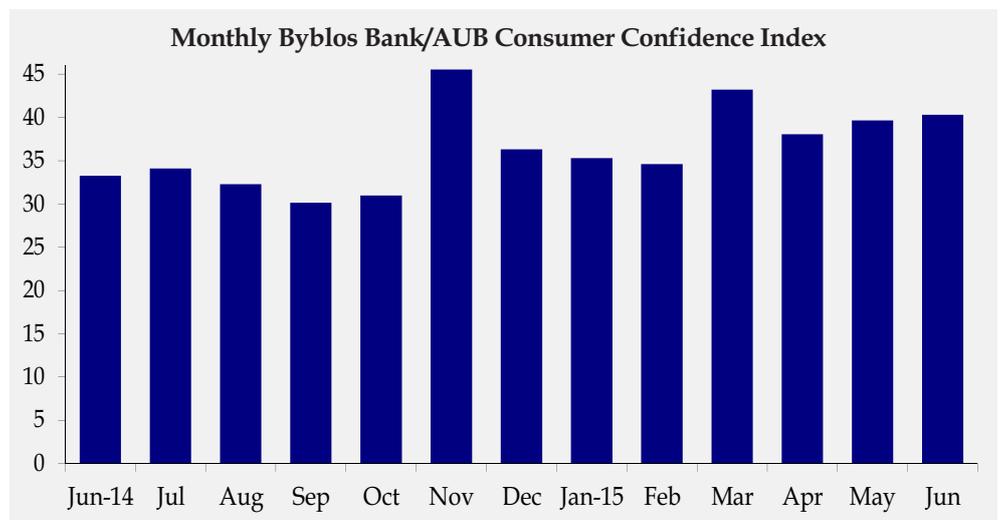
- The Byblos Bank/ AUB Consumer Confidence Index posted a monthly average of 37.7 in the first quarter of 2015, nearly unchanged from the fourth quarter of 2014. The index reached 39.3 in the second quarter of 2015 and rose by 4.3% from the preceding three months.
- The Byblos Bank/ AUB Consumer Confidence Index recorded a monthly average of 38.5 in the first half of 2015, up by 10.4% from the second half of 2014, constituting the index's seventh lowest level on a semi-annual basis.
- The Parliament's continuing failure to elect a President, the public policy stalemate and spillovers from the Syrian conflict kept sentiment at low levels.
- The modest pick up in confidence during the first half of the year resulted mainly from improved security conditions and positive political developments, as well as from the impact on households' budgets of the 30% drop in local gasoline retail prices and the reduction in telecom tariffs.
- The results of the Byblos Bank/ AUB Consumer Confidence Index for the first and second quarters of 2015 remained consistent with the ongoing trend of low household confidence since the first quarter of 2012.
- The results of the first quarter of 2015 were the 13th lowest since the index's inception in July 2007, while the second quarter posted the 14th lowest quarterly reading in 32 quarters.
- Nearly 80% of the surveyed Lebanese said that their financial situation was "worse off" in the second quarter of 2015 than it was six months earlier, while only 4.3% of citizens noted that their current situation is "better off" and 16% said that it remained the same.
- The Byblos Bank/ AUB Present Situation Index posted its fourth lowest semi-annual reading in the first half of 2015 since the index's inception, and the Byblos Bank/ AUB Expectations Index posted its seventh lowest reading in the covered period.

I - Analysis of Results

A - ANALYSIS ON A CALENDAR BASIS

The level of consumer confidence in Lebanon remained at low levels during the first and second quarters of 2015, as reflected by the results of the Byblos Bank/ AUB Consumer Confidence Index. The index reached 35.3 in the January 2015 survey, down by 2.8% from 36.3 in December 2014. It further decreased by 2% to 34.6 in February but jumped by 25% to 43.2 in March 2015. The index registered 38.1 in the April 2015 survey and decreased by 12% from the previous month. It then grew by 4.2% to 39.7 in May and by 1.6% to 40.3 in June 2015.

Consumer sentiment was highest in March during the first half of 2015



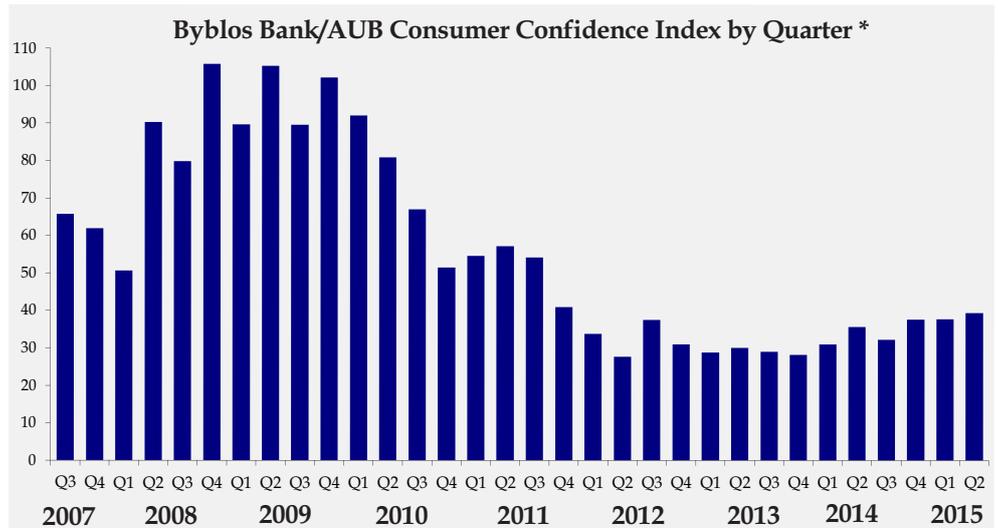
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The Byblos Bank/ AUB Consumer Confidence Index averaged 37.7 in the first quarter, nearly unchanged from the fourth quarter of 2014, and increased by a modest 4.3% to an average of 39.3 in the second quarter of 2015. This was due in part to the stable security conditions and to the ongoing countrywide crackdown on suspected terrorists by security forces. The results of the first quarter of 2015 were the 13th lowest since the index's inception in July 2007, while the second quarter posted the 14th lowest quarterly reading in 32 quarters.

The index posted an average monthly value of 38.5 during the first half of 2015, constituting an increase of 10.4% from the second half of 2014, and reached its highest level since the second half of 2011. The start of a formal dialogue between the Free Patriotic Movement and the Lebanese Forces Party; and the ongoing political dialogue between the Future Movement and Hezbollah supported consumer sentiment during the first half of the year.

The results of the Byblos Bank/ AUB Consumer Confidence Index for the first half of 2015 improved from the second half of 2014, but the index remained at very low levels, given the repeated failure of the Lebanese Parliament to elect a President and the resulting uncertain political outlook. The first-half results constituted the index's seventh-lowest level in 16 semi-annual readings.

Consumer confidence picked up slightly in the second quarter of 2015



* monthly average index by quarter

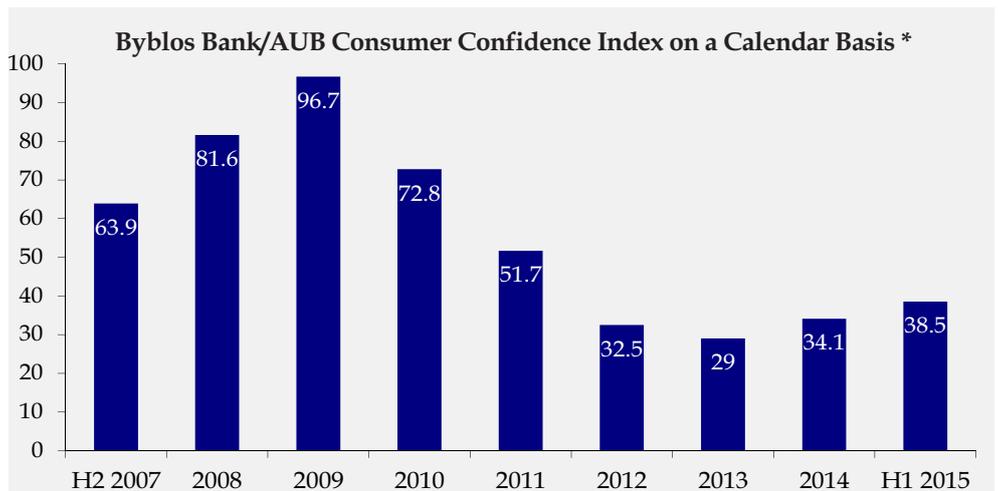
Source: Byblos Research, based on surveys conducted by Statistics Lebanon

The results of the first and second quarters of 2015 extended the low confidence level that has prevailed since the fourth quarter of 2010 and that deteriorated since the fourth quarter of 2011.

Indeed, the average monthly score of the first half of 2015 constitutes a decline of 60.5% from the peak of 97.5 registered in the first half of 2009, despite posting a rise of 34.6% from the all-time low of 28.6 in the second half of 2013. It was also 31.5% lower than the index's trend average score of 56.2 since July 2007.

Overall, the results of the Byblos Bank/ AUB Consumer Confidence Index remained at very low levels despite the relative improvement from record-low levels of 27.7 registered in the second quarter of 2012.

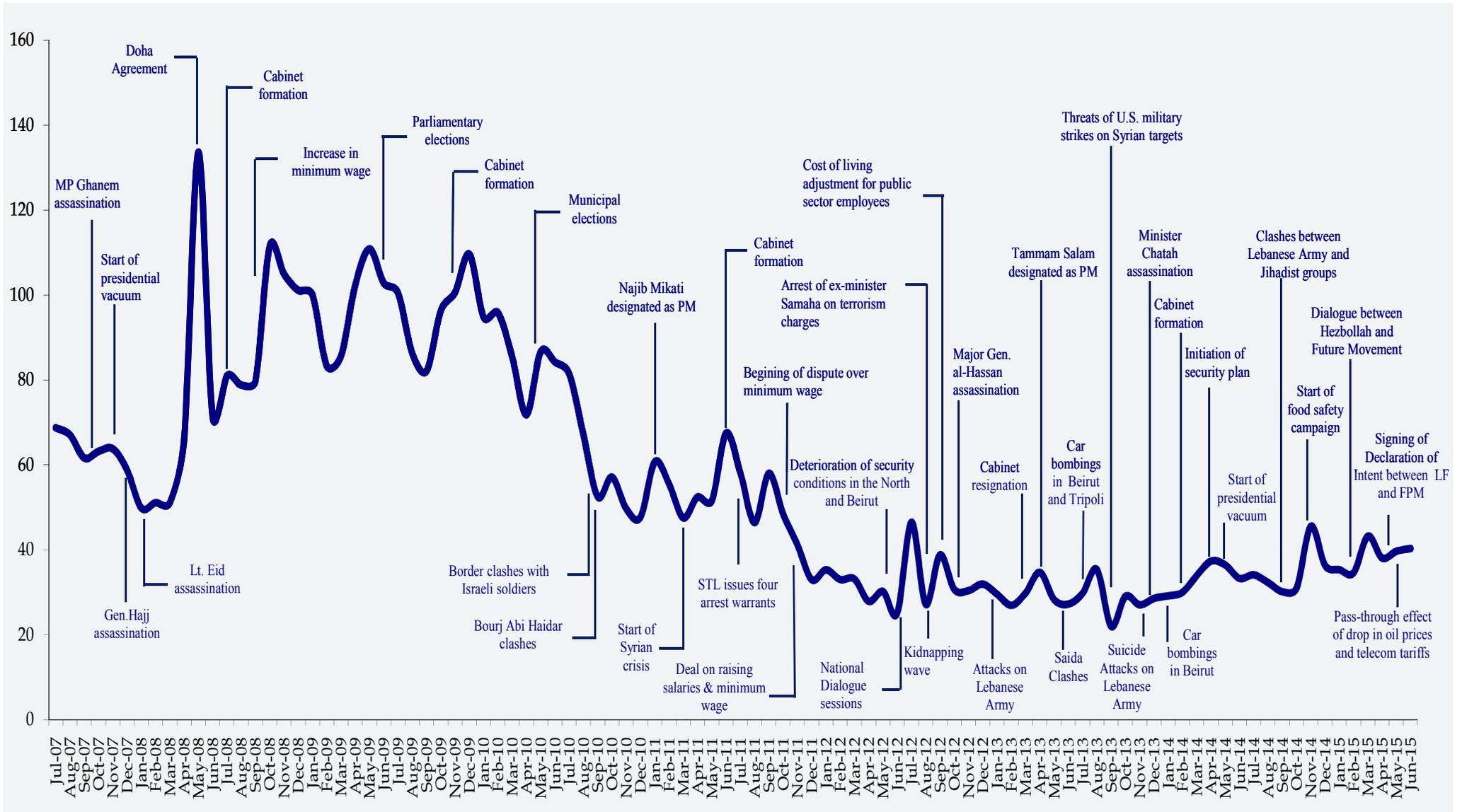
Household sentiment remained at low levels in first half of 2015



* monthly average index for the period

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

Evolution of the Byblos Bank/AUB Consumer Confidence Index (July 2007 - June 2015)



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

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

	Q1 2015			Q2 2015		
	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
CCI*	35.3	34.6	43.2	38.1	39.7	40.3
Month-on-month change (%)	-2.8%	-2.0%	24.9%	-11.9%	4.2%	1.6%
Year-on-year change (%)	21.2%	15.4%	27.4%	1.9%	8.9%	21.1%
PSI**	32.1	30.3	37.8	32.8	36.4	37.6
Month-on-month change (%)	-12.9%	-5.6%	24.7%	-13.3%	11.0%	3.4%
Year-on-year change (%)	-2.2%	7.8%	11.2%	-16.3%	-0.5%	0.2%
EI***	37.5	37.5	46.8	41.6	41.8	42.1
Month-on-month change (%)	4.2%	0.0%	25%	-11.2%	0.6%	0.6%
Year-on-year change (%)	40.3%	20.0%	38.2%	15.1%	15.1%	38.3%

* CCI: Byblos Bank/AUB Consumer Confidence Index

** PSI: Byblos Bank/AUB Present Situation Index

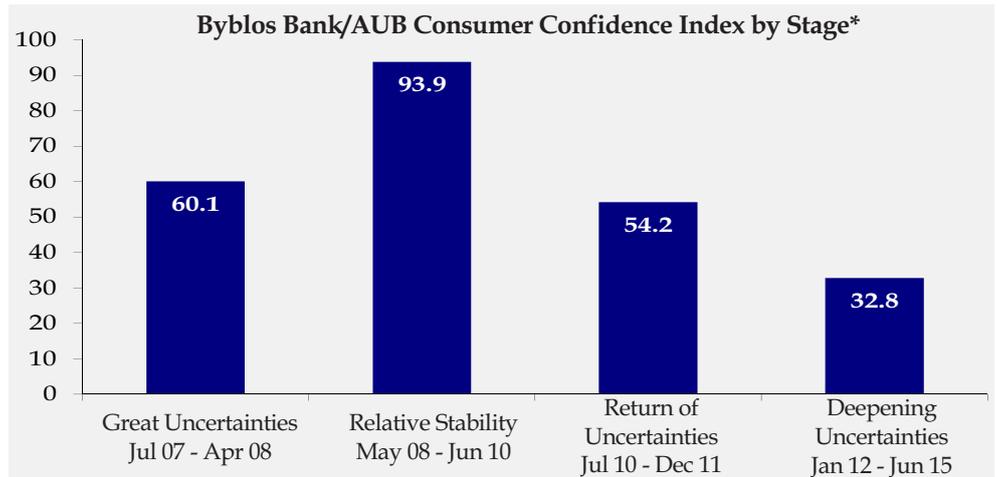
*** EI: Byblos Bank/AUB Expectations Index

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

B -TIMELINE ANALYSIS

The results of the first and second quarters of 2015 upheld the trend in consumer confidence that started in January 2012. We have identified four 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, and a fourth of Deepening Uncertainties. 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 political and security uncertainties. The second period extended from May 2008 to June 2010 and 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 31.9 during the 36 months ending in December 2014. It was a “very high risk” period where political and institutional paralysis increased, while security conditions deteriorated, which helped worsen consumer sentiment. The results of the first and second quarters of 2014 extended and confirmed the Deepening Uncertainties period as the index averaged 32.8 over the January 2012-June 2015 period, constituting the lowest level of consumer confidence over the four periods.

The period of deepening uncertainties extended into the first half of 2015



* 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 first half of 2015

The Byblos Bank/ AUB Present Situation Index and the Byblos Bank/ AUB Expectations Index moved in different directions in two out of three months of the first quarter of 2015. As such, the Present Situation Index decreased by 13% in January and by 5.6% in February but increased by 24.7% in March 2015; while the Expectations Index improved by 4.2% in January, remained unchanged in February and grew by 25% in March. In contrast, the two indices moved in the same direction during each month of the second quarter of 2015. The Present Situation Index decreased by 13.3% in April but improved by 11% in May and by 3.4% in June, while the Expectations Index regressed by 11.2% in April, and increased by 0.6% in each of May and June 2015. The Byblos Bank/ AUB Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2015, constituting the first instance since the first 7 months of 2011 where consumers have a more positive view about the future than about their present circumstances in six consecutive months.

The Present Situation Index regressed by 13.7% in the first quarter but improved by 6.5% in the second quarter of 2015, while the Expectations Index grew by 10% in the first quarter of 2015 and by 3.1% in the second quarter of the year. Still, the Byblos Bank/ AUB Present Situation and Expectations indices posted their fourth- and seventh-lowest semi-annual readings, respectively, during the first half of 2015. Also, the Present Situation and Expectations indices averaged 33.4 and 40.6, respectively, in the first quarter of 2015, constituting their ninth- and 13th-lowest quarterly readings, respectively, in 32 quarters. Further, the Present Situation and Expectations indices posted averages of 35.6 and 41.8 in the second quarter of the year, constituting their 11th- and 14th-lowest quarterly readings, respectively, since the start of the index's calculation. Generally, Lebanese consumers are more optimistic about future conditions over the near term than they are about their current situation. Indeed, Lebanese consumers were more optimistic about the future than they were about present circumstances in 22 out of 32 quarters between July 2007 and June 2015.

D - GENERAL TRENDS

Consumer sentiment in Lebanon improved slightly during the first half of 2015, as the Byblos Bank/ AUB Consumer Confidence Index was nearly flat in the first quarter of the year and picked up modestly in the second quarter of 2015. The confidence level of Lebanese consumers remained very sensitive to political and security developments during the covered period, in line with trends since the index's inception in July 2007. The domestic political status-quo, the presidential vacuum and paralyzed decision-making process within public institutions, in addition to the persistent spillovers from the Syrian conflict, combined to keep confidence at low levels.

The modest improvement in confidence during the first half of the year resulted from positive security and political developments. First, security forces continued to disrupt terrorist networks, make high profile arrests, and seize weapons, ammunitions and explosives, which reassured citizens about their safety and reduced their concerns. Second, the start of an informal political dialogue in November 2014 between the Free Patriotic Movement and the Lebanese Forces Party led to the signing of the 'Declaration of Intent' in May 2015, which gave households a sense of relief. In addition, the ongoing political dialogue between the Future Movement and Hezbollah since December 2014, and a functioning Cabinet, amid the presidential vacuum and the Parliament's paralysis, supported consumer sentiment during the first half of 2015.

In parallel, the positive impact on households' budgets of the 30% drop in local gasoline retail prices and of the steep reduction in telecom tariffs, as well as the acceleration of the Ministry of Public Health's food safety campaign, helped improve the outlook of consumers during the first half of 2015. This caused the Byblos Bank/ AUB Expectations Index to post higher values than the Byblos Bank/ AUB Present Situation Index in each of the first six months of the year.

The gap between the Expectations Index and the Present Situation Index shifted from a negative spread of -8.3% in the second half of 2014 to a positive spread of +19.5% in the first half of 2015. On a monthly basis, the gap between the Expectations Index and the Present Situation Index shifted from a negative spread of -2.6% in December 2014 to a positive spread of +16.6% in January. It then widened to +23.5% in February, +23.9% in March and +26.9% in April 2015, but narrowed to +15% in May and to +11.9% in June 2015. The Expectations Index registered higher values than the Present Situation Index in 65 out of 96 months since the start of the index's inception in July 2007, including in each of the first six months of 2015. The shift from a negative to a positive gap between the Expectations Index and the Present Situation Index reflects the impact of relatively better security conditions, as well as the effects of the political dialogue between major parties in the country, and the slight increase in households' purchasing power.

However, multiple negative factors held back confidence of Lebanese consumers during the first half of 2015. Fears in January 2015 that clashes between Hezbollah and Israeli forces on the Southern border would escalate into a wider military confrontation, as well as security breaches in Tripoli, curtailed

The presidential vacuum and political uncertainties held back household sentiment in the first half of 2015

Positive security and political developments provided support to consumer confidence

Socio-economic factors weighed positively on household confidence in the first half of 2015

Consumers' outlook shifted in the first half of 2015 from the second half of 2014

the confidence level of Lebanese consumers during the first quarter of the year. Also, the standstill on the issue of the Lebanese soldiers abducted by terrorist groups since August 2014, in addition to the Lebanese Army's military confrontation with jihadist groups near the border with Syria in January, March and April 2015 served as a constant reminder of the spillovers from the protracted Syrian conflict. In turn, these developments exacerbated households' anxieties during the covered period.

Negative developments limited the improvement in household sentiment in the first half of 2015

Moreover, the ongoing presidential vacuum trickled down to paralyze the functioning of various government institutions, including Parliament. As such, the persistent failure of the legislative branch to fulfill its constitutional duty throughout the first half of 2015 plunged the already fractious political process into disarray and raised the level of political uncertainties, which took its toll on household sentiment.

Despite the positive events that put a floor to the deterioration of consumer confidence during the first half of 2015, negative developments prevented the index from posting a significant improvement. As such, 79.7% of the surveyed Lebanese said that their financial situation is still "worse off" in the second quarter of 2015 than it was six months earlier, while only 4.3% of citizens noted that their current situation is "better off" and 16% said that it remained the same.

Consumer confidence needs a positive political shock to significantly improve

Overall, the level of the Byblos Bank/AUB Consumers Confidence Index in the first half of 2015 does not bode well for a substantial resurgence of economic activity in the near term. In fact, consumer sentiment remained at such low levels that we reiterate that Lebanese consumers require a positive political shock of the magnitude of the Doha Accord, and not just the election of a new President, in order to restore their confidence to levels reached in 2008, 2009 and 2010. Therefore, we expect economic growth to remain subdued in the absence of any lasting positive political or economic shocks.

E - CONSUMERS' NEAR-TERM OUTLOOK

The level of consumer confidence increased in 16 out of the 26 sub-categories of the Byblos Bank/ AUB Consumer Confidence Index during the first quarter and rose in 19 out of 26 sub-categories in the second quarter of 2015. On a semi-annual basis, the level of consumer sentiment improved in 24 out of 26 sub-categories in the first half of 2015 from the second half of 2014.

Female consumers had a relatively less pessimistic outlook for the coming six months than their male counterparts in the first and second quarters of 2015. The average monthly reading of the Expectations Index was 43.3 for females compared to 37.9 for males in the first quarter of 2015, and reached 44.3 for females relative to 39.4 for males in the second quarter of the year. Overall, female consumers had a relatively more optimistic outlook for the coming six months than their male counterparts during the first half of 2015.

Consumers who are in the 21 to 29 year-old bracket were less pessimistic over the near term than consumers in older age brackets during the first and second quarters of 2015. In contrast, consumers in the 50 to 59 year-old bracket were the most pessimistic during the first and second quarters of the year. During the first quarter of 2015, students were the least pessimistic about economic prospects among occupational sub-categories, as the Expectations Index for this segment averaged 47.2 in the covered quarter, followed by private sector employees and housewives with readings of 44.1 and 41.7, respectively. Also, students were the least pessimistic with an average Expectations Index of 50.3 in the second quarter of the year, followed by housewives and private sector employees with readings of 45.7 and 44.8, respectively. The unemployed were the most pessimistic among all occupational categories during the first and second quarters of 2015.

Younger consumers had a higher level of confidence in the first half of 2015

In parallel, consumers with a monthly household income of \$750 or under were less pessimistic about the future relative to other income brackets during the first half of 2015, as the Expectations Index for this segment averaged 46.7. During the first quarter of 2015, consumers with earnings of \$750 or under per month were less pessimistic than other income brackets, followed by consumers with a monthly household income of \$2,500 or higher and households with earnings between \$1,500 and \$2,499 per month. Moreover, during the second quarter of the year, consumers with a household income of \$2,500 or higher per month were the least pessimistic about future prospects relative to other income sub-categories, followed by consumers with a household income of \$750 or less and those with earnings between \$1,500 and \$2,499 per month. During the second quarter, the outlook of consumers with a household income between of \$2,500 or higher per month improved the most among income sub-categories, as the Expectation Index for this segment rose by 10.6% during the quarter. During the first quarter of 2015, consumers in the North had the least pessimistic outlook among the country's five administrative districts, as the Expectations Index for this segment averaged 45.8 in the covered quarter. Moreover, consumers in Mount Lebanon were the least pessimistic about the near future during the second quarter of the year. In parallel, consumers in Beirut were more pessimistic about future prospects than those in other administrative districts during the first and second quarters of 2015.

Lower income consumers were most pessimistic in the first half of 2015

In terms of religious affiliations, Christian consumers were the least pessimistic about the near-term economic outlook in the first and second quarters of 2015, followed by Shiite consumers. In parallel, Druze consumers were the most pessimistic about future prospects during the first and second quarters of 2015.

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 index has been calculated on a monthly basis since July 2007, with January 2009 as its base month. It is based on a nationally representative survey of 1,200 face-to-face interviews with adult males and females living throughout Lebanon. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

II - Results by Category

A - CONSUMER CONFIDENCE BY GENDER

The results of the Byblos Bank/ AUB Consumer Confidence Index show that female consumers recorded a relatively higher level of confidence than their male counterparts during the first half of 2015. Also, male and female consumers posted higher confidence levels of 37.3 and 39.7, respectively, in the first half of 2015 compared to confidence levels of 36.1 and 33.7, respectively, in the second half of 2014.

Male and female consumers posted higher levels of confidence in the second quarter of 2015 than in the preceding quarter. As such, male and female consumers posted average confidence levels of 36.8 and 38.7, respectively, during the first quarter of 2015 and confidence levels of 37.9 and 40.8, respectively, in the second quarter of the year. The first quarter results represent males' 10th-lowest level of confidence in 32 quarters, while females' confidence level in the same quarter of 2015 posted the 13th-lowest score ever. Also, male and female consumers posted their 11th- and 15th-lowest quarterly results, respectively, in the second quarter of the year. Female consumers had a higher confidence level than their male counterparts in seven out of the first eight quarters since the index's inception in July 2007, but the trend reversed with males having a higher confidence level than females in 21 of the following 22 quarters until the fourth quarter of 2014. The first and second quarters of 2015 show that the confidence level of female consumers exceeded that of males in two consecutive quarters, the first such instance since the first and second quarters of 2009.

The confidence level of females was higher than that of males in the first half of 2015

On a monthly basis, the confidence level of males and females reached 33.2 and 36, respectively, in February 2015, the lowest levels reached in the first six months of 2015. Male consumers were more confident than female consumers in 64 out of 96 months on average, representing a 66.7% frequency of occurrence since the index's inception in July 2007.

Byblos Bank/AUB Consumer Confidence Index by Gender		
Month	Male	Female
Jan-15	33.3	37.4
Feb-15	33.2	36.0
Mar-15	43.8	42.6
Av. Index Q1 2015*	36.8	38.7
Apr-15	37.6	38.5
May-15	37.7	41.6
Jun-15	38.3	42.3
Av. Index Q2 2015*	37.9	40.8

* average monthly index

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

B - CONSUMER CONFIDENCE BY AGE

Consumers in the 21 to 29 year-old bracket posted a higher level of confidence in the first half of 2015 than other age groups. This is consistent with the general trend since the index's inception, where consumers in this age bracket have posted the highest confidence level on a semi-annual basis, with the exception of the first and second halves of 2012.

Younger consumers were the least pessimistic in the first half of 2015

Consumers between 21 and 29 years old registered the highest confidence level during the first and second quarters of 2015, as the index for this age segment averaged 44.2 and 47.1, respectively. This is in line with the results of the July 2007-December 2014 period, with the exception of the third quarter of 2008 and the first, second and fourth quarters of 2012.

On a monthly basis, consumers in the 21 to 29 year-old bracket had the highest level of confidence among age segments in four out of six months in the first half of 2015, with monthly levels of 52.6 in March, of 45.1 in April, of 48 in May and of 48.2 in June. Also, consumers that are 60 years or older posted the highest level of confidence in January with 40.5 and February with 45. In parallel, consumers in the 50 to 59 year-old bracket posted the lowest level of confidence in January with 23.5, February with 23.3, May with 27.4 and June with 28.9 during the first half of 2015. Consumers between 21 and 29 years old had the highest confidence level in 81 out of 96 months, representing an 84.4% 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
Jan-15	38.2	36.2	34.6	23.5	40.5
Feb-15	41.9	30.1	32.0	23.3	45.0
Mar-15	52.6	39.8	41.2	40.0	35.8
Av. Index Q1 2015*	44.2	35.3	35.9	29.0	40.4
Apr-15	45.1	33.1	37.3	34.6	39.7
May-15	48.0	36.5	39.4	27.4	43.0
Jun-15	48.2	37.4	37.8	28.9	42.9
Av. Index Q2 2015*	47.1	35.7	38.2	30.3	41.9

* average monthly index

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

C - CONSUMER CONFIDENCE BY OCCUPATION

Private sector employees had the second-highest confidence level in the first quarter of 2015

Students recorded a higher level of confidence relative to other occupational categories in the first half of 2015 with an average monthly reading of 47.2, constituting the 12th such occurrence in 16 semi-annual periods since the index's inception. Students were relatively more confident than other occupational categories during the first quarter of 2015, as the index for this segment averaged 46 in the covered period. They were followed by private sector employees with an average confidence level of 40.8, the self-employed, housewives, public sector employees and the unemployed.

Also, students had the highest level of confidence during the second quarter of 2015 as the index averaged 48.5 for this segment. They were followed by housewives with an average reading of 42.3, private sector employees, the self-employed, public sector employees and the unemployed. The confidence level of unemployed consumers reached its lowest level ever during the second quarter of 2015, which reflects the mounting challenges that citizens face to secure a job amid the ongoing economic stagnation in the country.

On a monthly basis, students were more optimistic than other occupational groups in each of the first six months of 2015. Overall, students' sentiment was highest in 55 out of 96 months, representing a 57.3% frequency of occurrence; while private sector employees had a higher level of confidence in 22 out of 96 months. Historically, and when excluding students, private sector employees had a higher level of sentiment than other occupational groups. In parallel, the unemployed were the least confident in April 2015 over the 96-month period.

Byblos Bank/AUB Consumer Confidence Index by Occupation						
Month	Private Sector Employee	Public Sector Employee	Self-employed	Student	Housewife	Unemployed
Jan-15	37.0	40.2	31.3	40.8	36.9	32.3
Feb-15	33.9	36.3	33.4	43.5	35.9	28.7
Mar-15	51.3	23.9	43.9	53.7	34.7	28.6
Av. Index						
Q1 2015*	40.8	33.5	36.2	46.0	35.8	29.8
Apr-15	39.5	33.4	39.3	44.8	38.9	22.3
May-15	41.0	30.5	40.2	52.2	42.1	23.5
Jun-15	42.2	30.0	39.3	48.4	46.0	23.4
Av. Index						
Q2 2015*	40.9	31.3	39.6	48.5	42.3	23.0

* 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 had the highest level of confidence among income brackets in the first half of 2015. Consumer sentiment for this category posted an average reading of 56 in the first half of 2015, up from a confidence level of 47.4 in the second half of 2014.

The index shows that consumers with an income of \$2,500 or more per month recorded the highest level of confidence among income brackets in the first and second quarters of 2015, with average readings of 52.5 and 59.5, respectively. Conversely, consumers with an income between \$750 and \$1,499 per month had the lowest level of confidence among all income brackets in the first and second quarters of the year. The results show that consumers with a household income of \$2,500 or higher per month held the highest confidence level by income bracket in each of the first six months of 2015. In parallel, consumers with earnings of \$2,500 or more per month posted their highest level of confidence in June 2015 since the adoption of the four new income sub-categories at the beginning of 2014. Consumers with a household income of \$2,500 or higher held the highest level of confidence in 17 out of 18 months, representing a 94.4% frequency of occurrence.

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. As such, respondents were selected from a random population sample of 5,474 and were questioned about their monthly income. As a result, the sample shows 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.

Byblos Bank/AUB Consumer Confidence Index by Income*				
Month	<\$750	\$750-\$1,499	\$1,500-\$2,499	≥\$2,500
Jan-15	37.9	30.1	35.3	49.4
Feb-15	39.6	31.4	28.6	45.8
Mar-15	46.2	30.4	51.4	62.2
Av. Index Q1 2015**	41.2	30.7	38.4	52.5
Apr-15	42.9	28.7	39.1	58.4
May-15	42.8	31.7	39.6	57.3
Jun-15	41.6	30.6	45.9	62.8
Av. Index Q2 2015**	42.4	30.4	41.5	59.5

* monthly household income

** average monthly index

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

Upper-income consumers continued to be the most optimistic citizens in the first half of 2015

E - CONSUMER CONFIDENCE BY ADMINISTRATIVE DISTRICT

Consumers in the North registered the highest level of confidence among administrative districts in the first half of 2015 with an average index reading of 43.6, constituting the sixth time since the index's inception that the district posts the highest level of confidence on a semi-annual basis.

Moreover, consumers in the North were the least pessimistic among all administrative districts in the first quarter of 2015, with an average reading of the Byblos Bank/AUB Consumer Confidence Index at 43.9. There were only 10 other instances where consumers in the North recorded the highest confidence level on a quarterly basis among administrative districts during the July 2007-December 2014 period. In parallel, households in Mount Lebanon were the least pessimistic in the second quarter of the year, with an average index reading of 43.3, reflecting the 11th quarterly instance since the index's inception.

Households in the North were the least pessimistic in the first half of 2015

The results of the first half of 2015 show that consumers in the North posted the highest level of confidence among administrative districts in the January, February, April and June polls. Also, residents of Mount Lebanon posted the highest confidence level in March and May. Consumers in the North held the highest level of confidence in 28 out of 96 months, representing a 29.2% frequency of occurrence, followed by consumers in Mount Lebanon with an incidence of 28.1%, households in the South with 22.9%, Beirut consumers with 18.8% and households in the Bekaa with a frequency of 1%.

Byblos Bank/AUB Consumer Confidence Index by Administrative District						
Month	Beirut	Mount Lebanon	North	Bekaa	South	
Jan-15	27.3	33.0	46.6	32.2	36.6	
Feb-15	23.4	29.5	43.5	37.8	42.3	
Mar-15	41.8	54.3	41.8	33.9	29.2	
Av. Index Q1 2015*	30.8	38.9	43.9	34.6	36.1	
Apr-15	25.1	42.2	43.6	29.2	41.6	
May-15	33.2	44.1	41.0	31.1	41.8	
Jun-15	32.6	43.6	44.9	31.1	42.5	
Av. Index Q2 2015*	30.3	43.3	43.2	30.5	42.0	

* average monthly index

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

F - CONSUMER CONFIDENCE BY RELIGIOUS AFFILIATION

The results of the Byblos Bank/AUB Consumer Confidence Index show that Christian consumers had the highest level of confidence among all religious affiliations in the first half of 2015, constituting the seventh such occurrence since the start of the survey's calculation. In contrast, Druze consumers were the most pessimistic during the covered period with an average index reading of 29, their second lowest level in 16 semi-annual periods.

Christian households were the most optimistic in the first half of 2015

Christian consumers were the least pessimistic among all religious affiliations during the first and second quarters of 2015, with average index readings of 43.6 and 43.3, respectively. The results of the first and second quarters of 2015 constituted their 13th- and 12th-lowest quarterly results, respectively, since the start of the index calculations. In parallel, Druze consumers recorded their third lowest level of confidence among religious affiliations in 32-quarters during the first quarter of 2015, and their eighth-lowest level ever in the second quarter of the year.

Christian consumers were the most confident in five out of six months in the first half of 2015. Overall, Christians held the highest level of confidence in 44 out of 96 months since the index's inception, representing a 45.8% frequency of occurrence, followed by Druze consumers with an incidence of 25%, Sunni consumers and Shiite households with a frequency of 14.6% each.

Byblos Bank/AUB Consumer Confidence Index by Religious Affiliation				
Month	Christians	Sunnis	Shiites	Druze
Jan-15	40.7	33.3	34.3	15.2
Feb-15	36.0	33.7	38.0	18.9
Mar-15	53.9	38.6	30.2	40.0
Av. Index Q1 2015*	43.6	35.2	34.2	24.7
Apr-15	42.0	34.8	36.7	30.6
May-15	43.9	35.6	37.8	35.0
Jun-15	44.0	38.7	37.4	34.4
Av. Index Q2 2015*	43.3	36.4	37.3	33.3

* average monthly index

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

**Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com**

Consumer Confidence in Lebanon: The Byblos Bank/AUB Consumer Confidence Index - First Half 2015 Results and Analysis is a research document that is owned by Byblos Bank sal and published by Byblos Bank sal in cooperation with the American University of Beirut. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from *Consumer Confidence in Lebanon: The Byblos Bank/AUB Consumer Confidence Index - First Half 2015 Results and Analysis* may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP**LEBANON**

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139

E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 8518 8100
Fax: (+ 44) 20 8518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293