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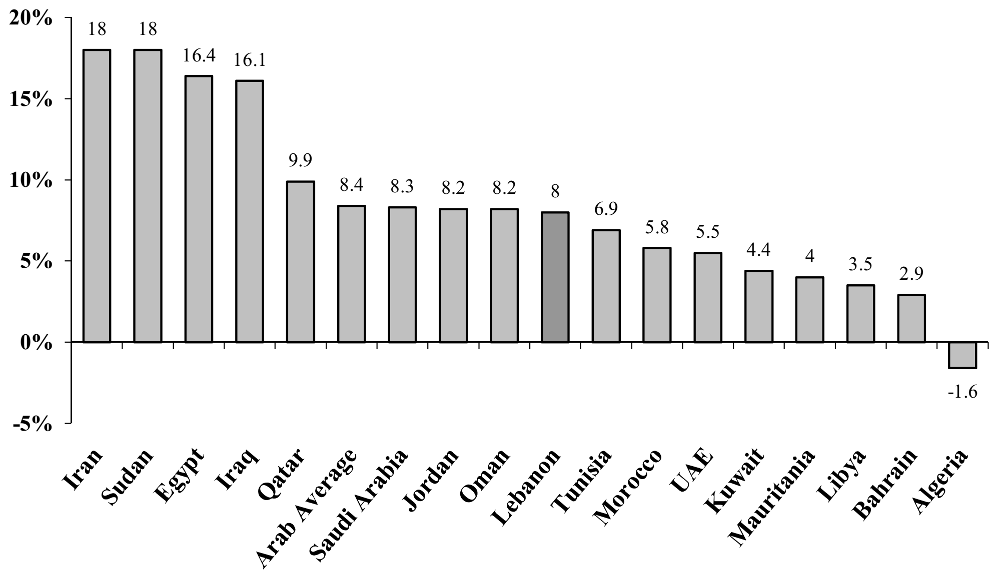
BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

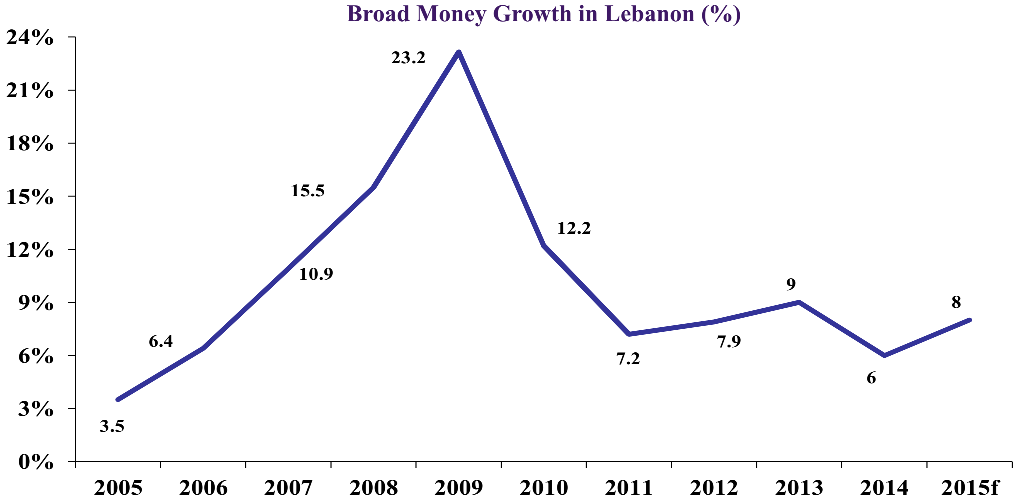
In This Issue

Charts of the Week

Projected Broad Money Growth in Arab Countries in 2015 (%)



Broad Money Growth in Lebanon (%)



Source: International Monetary Fund - October 2015, Byblos Bank

Quote to Note

"The decline in oil prices has so far had net positive effects on the Lebanese economy, freeing up savings for both internal and external imbalances."

The World Bank, on the impact of lower global oil prices on the Lebanese economy

Number of the Week

$32bn: The Central Bank of Lebanon's gross foregicn currency reserves at the end of September 2015

Lebanon in the News

$m *(unless otherwise mentioned)*	**2014**	**Sep 14**	**June 15**	**July 2015**	**Aug 2015**	**Sep 2015**	**% Change***
Exports	3,313	282	281	218	219	243	(13.83)
Imports	20,494	1,671	1,690	1,527	1,479	1,434	(14.18)
Trade Balance	(17,181)	(1,389)	(1,409)	(1,309)	(1,260)	(1,191)	(14.25)
Balance of Payments	(1,408)	131	(794)	2	(332)	(122)	-
Checks Cleared in LBP	18,143	1,553	1,593	1,484	1,597	1,587	2.18
Checks Cleared in FC	56,348	4,852	4,504	3,979	4,294	4,151	(14.45)
Total Checks Cleared	74,491	6,405	6,097	5,463	5,891	5,738	(10.42)
Budget Deficit/Surplus	(3,073)	(564.21)	(64.56)	(72.97)	(131.05)	(619.44)	9.79
Primary Balance	1,307	(84.64)	289.34	198.84	119.82	(121.58)	43.65
Airport Passengers***	6,567,647	640,698	594,221	791,162	893,708	750,290	17.11

$bn *(unless otherwise mentioned)*	**2014**	**Sep 14**	**June 15**	**July 2015**	**Aug 2015**	**Sep 2015**	**% Change***
BdL FX Reserves	32.40	32.34	34.11	33.65	32.77	32.02	(0.97)
In months of Imports	*18.97*	*19.35*	*20.18*	*22.04*	*22.15*	*22.33*	*15.40*
Public Debt	66.58	66.00	69.02	69.19	68.89	68.72	4.12
Net Public Debt	57.31	55.92	59.46	59.56	59.91	60.40	8.02
Bank Assets	175.70	171.34	180.08	179.91	181.62	181.34	5.84
Bank Deposits (Private Sector)	144.43	142.02	148.58	148.39	149.63	149.11	4.99
Bank Loans to Private Sector	50.90	49.95	51.74	52.06	52.41	52.61	5.33
Money Supply M2	48.69	47.90	50.59	50.74	51.08	51.54	7.61
Money Supply M3	117.68	116.07	120.46	120.82	121.52	122.08	5.18
LBP Lending Rate (%)	7.49	7.08	7.12	6.90	6.89	7.08	-
LBP Deposit Rate (%)	5.56	5.51	5.51	5.58	5.61	5.57	6bps
USD Lending Rate (%)	6.97	6.94	7.03	7.09	7.12	7.19	25bps
USD Deposit Rate (%)	3.07	3.04	3.16	3.17	3.19	3.14	10bps
Consumer Price Index**	0.59	1.24	(0.38)	(1.11)	1.02	(0.64)	-

** Year-on-Year ** Year-on-Year percentage change*
****includes arrivals, departures, transit*
Note: bps i.e. basis points
Source: Association of Banks in Lebanon, Banque du Liban, Ministry of Finance, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	11.19	17.4%	430765	10.0%
Solidere "B"	10.76	12.0%	116506	6.3%
Byblos Common	1.61	0.0%	61146	5.2%
BLOM Listed	9.4	0.0%	57900	18.1%
Audi GDR	5.97	-0.5%	40787	6.2%
Audi Listed	5.9	-0.5%	20738	21.2%
BLOM GDR	9.65	1.0%	5000	6.4%
HOLCIM	15	0.0%	3681	2.6%
Byblos Pref. 08	101	0.5%	250	1.8%
Byblos Pref. 09	100.9	0.0%	0	1.8%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Jan 2016	8.500	100.00	8.24%
Mar 2017	9.000	105.14	4.87%
Nov 2018	5.150	99.75	5.24%
May 2019	6.000	99.50	6.16%
Mar 2020	6.375	100.63	6.20%
Apr 2021	8.250	108.00	6.46%
Oct 2022	6.100	97.50	6.56%
Jun 2025	6.250	97.50	6.63%
Nov 2026	6.600	97.00	7.00%
Feb 2030	6.650	96.50	7.07%

Source: Byblos Bank Capital Markets

	Nov 24-27	Nov 16-20	% Change	October 2015	October 2014	% Change
Total Shares Traded	739,273	526,615	40.38	3,521,768	6,765,726	(47.95)
Total Value Traded	$7,172,661	$4,825,261	48.65	$28,446,467	$49,594,656	(42.64)
Market Capitalization	$11.14bn	$10.9bn	2.14	$10.89bn	$11.27bn	(3.40)

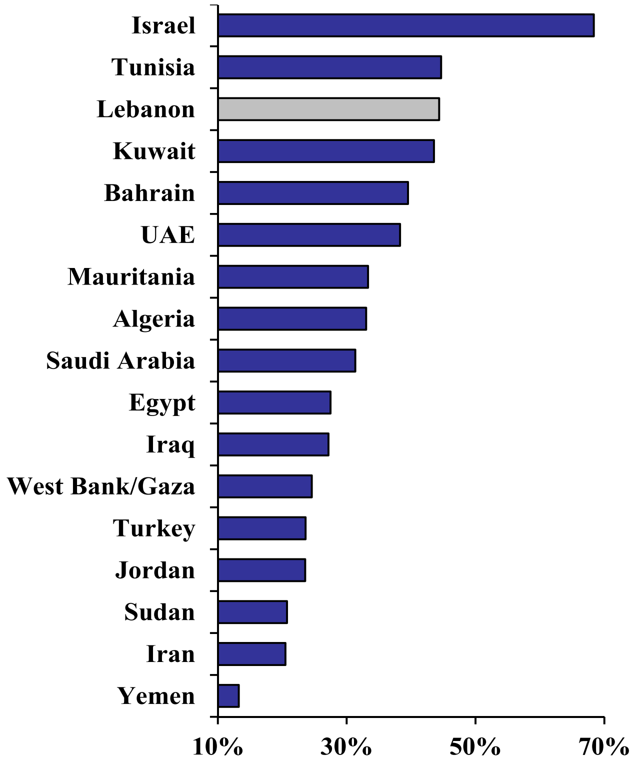
Source: Beirut Stock Exchange (BSE)

Lebanon has 33rd highest financial literacy rate globally, second highest in Arab World

Standard & Poor's Global Financial Literacy Survey shows that Lebanon has the 33rd highest level of financial literacy among 144 countries and jurisdictions, the fourth highest among 38 upper middle-income countries (UMICs) and the third highest among 17 countries in the Middle East & North Africa (MENA) region.

S&P measured financial literacy through questions that assess the basic knowledge of survey respondents about four fundamental concepts in financial decision-making, which are interest rates, compounded interest rates, inflation, and investment risk diversification. It defined a person as financially literate if the person provides correct answers to questions about at least three out of the four financial concepts. As such, the survey's results indicate that 44.4% of Lebanese adults are financially literate. In comparison, 33% of adults worldwide and 52% of adults in the Eurozone are financially literate, while 28% of adults in Brazil, Russia, India, China, and South Africa (BRICS) are financially literate. Norway has the highest financial literacy rate globally at 71.3%, while Yemen has the lowest rate at 13.3%.

Financial Literacy in MENA Region (% of adults)



Source: Standard & Poor's, Byblos Research

Globally, the share of adults in Lebanon who are financially literate is higher than in Malta (44.2%), Croatia (44.1%) and Slovenia (44%), and lower than in Greece (45%), Uruguay (44.8%) and Tunisia (44.7%). It was lower than in Botswana (52.2%), Montenegro (48.2%) and Tunisia among UMICs. Also, the survey shows that 68% of Lebanese adults have an understanding of inflation, followed by interest rates (57%), interest rate compounding (53%), and investment risk diversification (30%).

In parallel, the survey indicated that 50% of Lebanese males are financially literate relative to 35% of males worldwide, while 39% of Lebanese females understand basic financial concepts compared to 30% of females globally. As such, the gender gap in financial literacy in Lebanon is 11 percentage points relative to a five percentage points gap globally and in emerging economies. The gender gap in financial literacy in Lebanon is the 19th widest globally, the fifth widest among UMICs and the second largest among MENA countries behind only Tunisia (12.6 percentage points). In addition, 50% of Lebanese between 15 and 34 years old are financially literate, 40% of those in the 35 to 54 years bracket understand basic financial concepts and 38% of Lebanese above 55 years old are financially literate.

Further, the survey's results show that rich and poor adults in Lebanon have almost the same financial literacy skills. The survey found that 45% of adults in Lebanon who are living in the wealthiest households are financially literate relative to 44% of adults who live in the poorest households. As such, the financial literacy gap between the rich and poor in Lebanon is one percentage point, relative to eight percentage points in BRICS and in major advanced economies.

Central Bank to conduct corporate governance training for boards of Lebanese banks

The Central Bank issued Intermediary Circular 405 dated October 26, 2015 that modifies Basic Circular 118 dated July 7, 2008 about the Board of Directors and Board Committees of Lebanese banks. The Central Bank added a new article to the existing law about corporate governance programs for the members of the Boards of Directors and of related committees.

The Central Bank is inviting the Chairmen and members of the Boards of Directors of banks operating in Lebanon to attend the corporate governance programs that it tailored for them. In addition, the Bank is inviting the Chairman and the members of the Audit Committee, Risk Committee, Remuneration Committee and any other future Board Committees to attend the specialized programs that the Bank has prepared for each committee. The Bank indicated that it will determine the dates of all the programs in coordination with the concerned banks.

Healthcare sector faces four challenges, needs to implement reforms

The World Bank indicated that healthcare indicators in Lebanon have improved significantly in recent years and are generally better than in countries in the Middle East & North Africa region. It said that Lebanon's healthcare system is a complex mixture of public and private institutions that provide health services to the population, with the private sector dominating a large part of the local healthcare system. Also, it pointed out that the country has an imbalance in the supply of healthcare providers, with a surplus of physicians, pharmacists and dentists, but with a significant shortage of nurses. Further, the Bank indicated that about 50% of Lebanese citizens have healthcare insurance coverage, with 47.8% of the insured covered by the National Social Security Fund, 30.8% are mainly public-sector employees and members of the armed forces who are insured by public programs, 16.3% are covered by private insurers, and 5.1% are covered by other insurance plans. It added that the Ministry of Public Health serves as a safety net and as the insurer of last resort for the uninsured who belong mainly to low income groups and for those who work in the informal sector.

In addition, the Bank pointed out that health expenditures significantly increased in recent decades, with 74.5% of the total coming from private spending and 25.5% from public spending. In addition, it noted that out-of-pocket payments in Lebanon represent 37.4% of total spending on healthcare in Lebanon, which exceeds the World Health Organization's bracket of 15% to 20%. As such, it considered that authorities would need to implement additional reforms to alleviate the financial costs of medical care on households.

In parallel, the Bank considered that Lebanon's healthcare system faces four main challenges. First, it noted that public spending on healthcare in Lebanon is low, which adversely affects the ability of the Health Ministry to respond adequately to the healthcare needs of low-income groups. As such, it considered that Lebanon would need to implement reforms to improve the efficiency of the healthcare system, such as reforms that strengthen incentives for cost-effective medical care, given the limited fiscal space. Second, it said that the high out-of-pocket spending on healthcare subjects low income groups to financial hardship. It noted that low-income groups spend about 14% of their income on health care, while out-of-pocket spending absorbs 7% of the household income of the uninsured. Third, it pointed out that the Health Ministry allocates about 62% of its budget to reimburse contracted private hospitals for the care they provide to the uninsured population, while it directs less than 3% of its budget to non-governmental organizations that are the main providers of primary healthcare services. As such, it noted that the ministry's allocation of resources favors expensive curative care over cheaper preventive care. Fourth, it said that the emerging epidemiologic and population trends, along with the influx of Syrian refugees, have significant implications on the delivery and financing of health care in the country. It added that Lebanon would have to reshape its healthcare system to improve the prevention and treatment of non-communicable diseases and injuries.

Further, the Bank indicated that the ministry implemented several reforms in the past decade that focused on increasing the healthcare system's efficiency, controlling costs and improving the quality of care. But it considered that reprioritizing the government's budget is essential for reforming the healthcare sector in the country. It stressed on the need to implement pharmaceutical reforms, given the amount spent on medicines in Lebanon. Also, it called on authorities to carefully implement the second stage of the universal healthcare program, which could expand services and population coverage to the informal sector.

Deposit growth is key for the stability of public finances

Regional investment bank EFG Hermes anticipated that the $5.2bn increase in private sector deposits at Lebanese banks in the first eight months of 2015 would comfortably cover the funding needs of the Lebanese economy. It said that deposits have been growing by high single digits for most of the past three years, but deposit growth decelerated to an eight-year low of 5% year-on-year in July 2015. It noted that the deceleration reflects a lower contribution from both residents and non-residents. It added that growth in deposits in foreign currency slowed down and weighed on the accumulation of deposits at Lebanese banks. It expected this trend to continue over the near term due to the ongoing political uncertainties, but it anticipated the slowdown in deposit growth to be limited in coming months. EFG Hermes indicated that deposits at Lebanese banks are crucial for a sustainable balance-of-payments and fiscal position in Lebanon. It noted that Lebanon has one of the most liquid banking systems in the Middle East & North Africa, which allows it to subscribe to Lebanese pound and foreign currency-denominated government debt. It said that this system has ensured the stability of the country's fiscal and external balances, even at the most turbulent times, as it allowed the government to refinance its debt in foreign currency without the support of international financial institutions.

Further, EFG Hermes indicated that a strong US dollar and weak commodity prices have significantly alleviated the pressure on Lebanon's current account and fiscal deficits in the context of subdued economic activity, and have led to lower inflation rates. It noted that the fluctuation in foreign currencies have had a limited impact on the performance of the tourism sector in Lebanon, as is the case in several countries, given that the tourism sector in Lebanon relies heavily on visitors from GCC countries that have their currencies pegged to the US dollar. It considered that the impact of a stronger US dollar on Lebanon's tourism market is broadly neutral, but that tourism activity has been negatively affected by regional turmoil.

Fiscal deficit widens by 17% to $2.6bn in first nine months of 2015, equivalent to 26.5% of expenditures

Figures released by the Finance Ministry show that the fiscal deficit reached $2.61bn in the first nine months of 2015 and widened by 17.4% from $2.22bn in the same period of 2014. The deficit was equivalent to 26.5% of total budget and Treasury expenditures compared to 21.9% of overall spending in the first nine months of last year. Government expenditures reached $9.84bn, down by 2.9% from the same period of 2014, while revenues dropped by 8.6% to $7.23bn. As such, the widening of the deficit reflects a drop of $681m in total revenues, as overall expenditures fell by $294.8m year-on-year in the first nine months of 2015. The decrease in government revenues is due to a decline in non-tax revenues, with non-tax budgetary receipts falling by 5% to $1.54bn and Treasury receipts dropping by 56.2% to $407.6m. Revenues generated from government properties decreased by 11.8% to $1.06bn, with receipts from telecom services reaching $858.8m and accounting for 80.7% of income from government properties and for 56% of non-tax revenues.

Budgetary expenditures were almost flat year-on-year at $8.75bn in the first nine months of 2015, and included $888.4m in transfers to Electricité du Liban and $647.7m in outlays from previous years; while budget revenues regressed by 2.3% to $6.82bn. Tax revenues fell by 1.4% to $5.3bn in the first nine months of 2015, of which 29.5%, or $1.56bn, were in VAT receipts that decreased by 6.1% year-on-year. Tax revenues accounted for 77.5% of budgetary revenues and for 73.1% of total Treasury and budgetary receipts.

The distribution of other tax revenues shows that receipts from taxes on income, profits & capital gains increased by 2.3% to $1.6bn in the first nine months of 2015; revenues from customs grew by 0.7% to $1bn; receipts from property taxes regressed by 7% to $575.6m; revenues from taxes on goods & services rose by 9% to $283.4m; and other tax receipts, mainly stamp fees, improved by 0.7% to $245.2m.

Further, the distribution of income tax shows that receipts from taxes on profits accounted for 43.7% of total income tax receipts in the first nine months of the year, followed by the tax on interest deposits with 23.2%, taxes on wages & salaries with 21.3%, and the capital gains tax with 9.6%. Receipts from the tax on interest deposits grew by 7.2% and revenues from the taxes on wages & salaries improved by 3.4%, while those from capital gains decreased by 0.9% and income generated from taxing profits regressed by 0.4% year-on-year in the first nine months of 2015. Also, the distribution of property taxes shows that revenues from real estate registration fees dropped by 12.8% to $363.3m in the first nine months of 2015, while receipts from built property taxes increased by 8.7% to $133.8m and revenues from the inheritance tax declined by 1% to $78.6m.

In parallel, debt servicing totaled $3.28bn in the first nine months of 2015 and increased by 6.2% year-on-year. It accounted for 33.3% of total expenditures and for 37.5% of budgetary spending, and it absorbed 45.4% of overall revenues and 48.1% of budgetary receipts. Interest payments on domestic debt rose by 9.3% year-on-year to $2.1bn in the first nine months of this year; while interest disbursements on foreign currency debt was unchanged year-on-year at $1bn. Also, the repayment of principal on foreign debt rose by 10.2% to $146m. Excluding debt servicing, the primary budget balance posted a surplus of $1.35bn in the first nine months of 2015, or 15.4% of budget expenditures, and widened by 3.3% from a surplus of $1.31bn, or 14.9% of budget spending in the same period last year. The overall primary balance posted a surplus of $672.3m, or 6.8% of spending, in the first nine months of the year, and narrowed by 22.4% from a surplus of $866.6bn, or 8.6% of total expenditures, in the same period of 2014.

Fiscal Results in First Nine Months of 2015

	2014 (US$m)	2015 (US$m)	Change (%)
Budget revenues	6,979	6,821	(2.3)
Tax revenues	5,361	5,284	(1.4)
Non-tax revenues	1,618	1,537	(5)
of which Telecom revenues	*952*	*859*	*(9.8)*
Budget expenditures	8,761	8,753	(0.1)
Budget Surplus/Deficit	**(1,783)**	**(1,931)**	**8.3**
In % of budget expenditures	*(20.3%)*	*(22.1%)*	
Budget Primary Surplus	**1,306**	**1,349**	**3.3**
In % of budget expenditures	*14.9%*	*15.4%*	
Treasury Receipts	931	408	(56.2)
Treasury Expenditures	1,370	1,084	(20.9)
Total Revenues	7,910	7,229	(8.6)
Total Expenditures	10,132	9,837	(2.9)
Total Deficit	**(2,222)**	**(2,608)**	**17.4**
In % of total expenditures	*(21.9%)*	*(26.5%)*	
Total Primary Surplus/Deficit	**866.6**	**672.3**	**(22.4)**
In % of total expenditures	*8.6%*	*6.8%*	

Source: Ministry of Finance, Byblos Research

Occupancy rate at Beirut hotels at 56%, room yields up 13% in first 10 months of 2015

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 56% in the first 10 months of 2015, up from 51% in the same period of 2014 and compared to an average rate of 62.4% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was, along with Amman, the fifth lowest in the region during the covered period, while it was the fourth lowest in the first 10 months of 2014. Manama posted the lowest occupancy rates of 47% in the first 10 months of 2015, followed by Cairo and Kuwait City (48% each) and Makkah (50%). Also, the average occupancy rate at hotels in Beirut rose by five percentage points year-on-year, constituting the second highest increase among the 14 Arab markets, behind only Cairo (+12%), and relative to an average rise of 0.3 percentage points for the region. Occupancy rates at Beirut hotels were 50% in January, 55% in February, 54% in March, 56% in April, 61% in May, 57% in June, 56% in July, 61% in August, 53% in September and 54% in October 2015, compared to 36% in January, 41% in February, 40% in March, 51% in April, 61% in May, 68% in June, 35% in July, 61% in August, 56% in September and 60% in October 2014.

Hotel Sector Performance in First 10 Months of 2015

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Jeddah	78	225	8.6
Dubai	79	200	(5.9)
Madina	75	171	20.5
Doha	69	168	2.9
Muscat	66	152	0.0
Makkah	50	134	13.8
Riyadh	63	134	(4.1)
Abu Dhabi	77	132	(2.7)
Kuwait	48	130	(7.7)
Beirut	**56**	**100**	**12.7**
Manama	47	95	(12.5)
Ras Al Khaimah	62	90	5.8
Amman	56	87	(15.3)
Cairo	48	54	62.4

Source: EY, Byblos Research

The average rate per room at Beirut hotels was $177 in the first 10 months of 2015, ranking the capital's hotels as the fifth least expensive in the region, relative to Abu Dhabi ($171), Amman ($155), Ras al-Khaimah ($145) and Cairo ($112). The average rate per room at Beirut hotels rose by 3% year-on-year and posted the seventh highest growth rate among all markets in the region, as it underperformed only Makkah (+22.6%), Cairo (+22.3%), Madina (+18.2%), Ras al-Khaimah (+6.8%), Jeddah (+6%) and Doha (+4.2%). The average rate per room in Beirut came below the regional average of $209.2, which rose by 2.1% from the same period of 2014.

Further, revenues per available room (RevPAR) were $100 in Beirut in the first 10 months of 2015, up from $88 in the same period of 2014. They were the 10th highest in the region, and came higher than in Manama ($95), Ras al-Khaimah ($90), Amman ($87) and Cairo ($54). Beirut's RevPAR surged by 12.7% year-on-year and posted the fourth highest increase among Arab markets, relative to growth rates of 62.4% in Cairo, 20.5% in Madina and 13.8% in Makkah. Hotels in Beirut posted RevPARs of $92 in January, $93 in February, $91 in March, $99 in April, $111 in May, $104 in June, $113 in July, $114 in August, $92 in September and $87 in October 2015, compared to $64 in January, $68 in February, $57 in March, $88 in April, $103 in May, $125 in June, $65 in July, $112 in August, $95 in September and $108 in October 2014. Further, Jeddah posted the highest average rate per room in the region at $286 and the highest room yield at $225, while Dubai posted the highest occupancy rate at 79% in the first 10 months of 2015.

Industrial exports down 3% to $1.5bn in the first half of 2015

Figures released by the Ministry of Industry show that industrial exports totaled $1.54bn in the first half of 2015, constituting a decrease of 2.6% from $1.58bn in the same period of 2014. Industrial exports reached $292.1m in June 2015, up by 4.1% from $280.6m in the preceding month and by 5% from $278.3m in June 2014. Exports of machinery & mechanical appliances totaled $381.4m and accounted for 24.8% of aggregate industrial exports in the first half of 2015, followed by chemical products with $269.7m (17.5%), prepared foodstuffs with $260.5m (16.9%), base metals with $170m (11%), and pearls, precious or semi-precious stones with $87.8m (5.7%). Arab countries were the destination of 56.5% of Lebanese industrial exports during the first half of 2015, followed by European economies with 15.3%, African countries with 12.8%, Asian economies with 9.6%, countries in the Americas with 4.4% and countries in Oceania with 0.5%. On a country basis, Saudi Arabia was the main destination of Lebanese industrial exports and accounted for 14.7% of the total in the covered period, followed by the UAE with 10.7%, Iraq with 8.8%, Syria with 5.7% and Turkey with 3.4%. In the first half of 2015, 25 African countries, 20 European states, 17 Arab economies, 13 Asian countries, four economies in the Americas and one country in Oceania imported $1m or more each in industrial products from Lebanon. Overall, Lebanon exported its industrial products to 41 European economies, 41 African countries, 29 Asian countries, 27 countries in the Americas, 19 Arab economies and six markets in Oceania over the first half of 2015.

In parallel, industrial imports reached $134.1m in the first half of 2015, down 4.3% from the same period of 2014. Italy was the main source of such imports and accounted for 23.5% of the total in the covered period, followed by Germany with 19.8% and China with 18.4%. Further, imports of industrial equipment and machinery reached $23.7m in June 2015, increasing by 5.7% year-on-year. Germany was the main source of imports of industrial equipment in June and accounted for 29.3% of the total, followed by China with 19.6% and Italy with 16.7%.

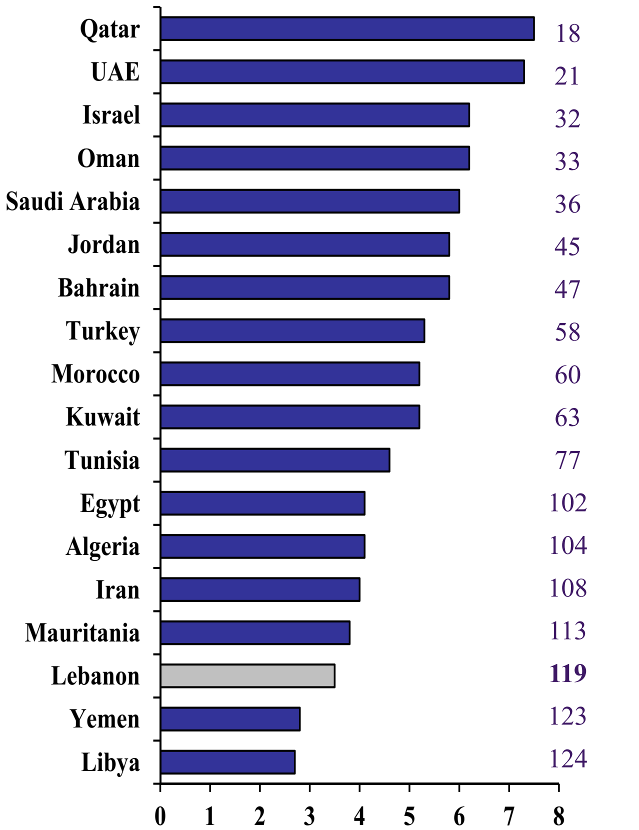
Lebanon ranks 119th globally, 16th among Arab countries in terms of property rights

The Property Rights Alliance ranked Lebanon in 119th place among 129 countries around the world and in 16th place among 18 countries in the Middle East & North Africa (MENA) region on its 2015 International Property Rights Index. Lebanon also came in 30th place among 32 upper middle-income countries (UMICs) included in the survey. The index measures the strength and protection of physical and intellectual property rights in a given country. It is a composite of 10 factors that are grouped into three equally weighted sub-indices, which are the Legal & Political Environment Sub-Index, the Physical Property Rights Sub-Index and the Intellectual Property Rights Sub-Index. The index rates the property rights level of each country on a scale from zero to 10, with a score of 10 reflecting the highest level of property rights.

Globally, Lebanon has a stronger level of property rights than Nigeria, Burundi, Zimbabwe, Yemen, Haiti, Venezuela, Libya, Angola, Bangladesh and Myanmar. Also, Lebanon's property rights system was stronger than only Libya and Angola among UMICs. Lebanon received a score of 3.5 points, which is below the global average of 5.3 points, the MENA average of five points and the UMICs' average of 4.8 points. Lebanon was suspended from the Index in 2014 but was reinstated in the 2015 report due to the availability of sufficient data. Lebanon's score has been on a downward trend since 2011, as it fell from 4.5 points in 2010 to 4.4 points in 2011, 4.3 points in 2012 and 4.2 points in 2013.

In parallel, Lebanon ranked ahead of only Nigeria, Chad, Libya, Burundi, Yemen and Venezuela globally on the Legal & Political Environment Sub-Index. This category examines the judiciary's independence from the influence of political and business groups, the extent to which residents have confidence in and abide by the rules of society, the stability of the political system and the control of corruption. Lebanon also ranked ahead of only Libya and Yemen regionally; while it came ahead of only Libya among UMICs.

International Property Rights Index 2015



Source: Property Rights Alliance , Byblos Research

Further, Lebanon ranked ahead of Guyana, the Dominican Republic and Nepal, while it came behind El Salvador, Russia and Montenegro on the Physical Property Rights Sub-Index. This component examines the quality of the judicial protection of private property, the complexity of registering a property and the ease of access to loans. Lebanon ranked ahead of only Algeria, Iran, Libya, Yemen, Egypt and Mauritania in the region; while it came ahead of the Dominican Republic and behind Montenegro among UMICs.

Also, Lebanon ranked ahead of only Angola, Bangladesh, Georgia, Moldova, Yemen, Myanmar and Libya globally on the Intellectual Property Rights Sub-Index. This category examines the level of protection of intellectual property, the strength of a country's patent laws and the prevailing piracy rate. Lebanon ranked ahead of only Yemen and Libya in the region, while it came ahead of only Angola and Libya among UMICs. Finland has the highest property rights level worldwide with a score of 8.3 points, while Myanmar has the lowest level globally with a score of 2.5 points.

Components of the 2015 International Property Rights Index for Lebanon

	Global Rank	MENA Rank	UMICs Rank	Lebanon Score	Global Average	MENA Average	UMICs Average
Legal & Political Environment	123	16	31	2.5	5.0	4.5	4.2
Physical Property Rights	81	12	22	5.4	5.8	6.0	5.7
Intellectual Property Rights	122	16	30	2.5	2.5	4.6	4.3

Source: Property Rights Alliance , Byblos Research

Lebanon ranks 138th globally, 11th among Arab countries in gender gap

The World Economic Forum ranked Lebanon in 138th place among 145 countries and in 11th place among 15 Arab countries on its Global Gender Gap Index for 2015. It also ranked Lebanon in 37th place among 39 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank has been on a downward trend since it was first included in the index in 2010, as it regressed from 116th place globally in 2010 to 118th place in 2011, 122nd place in 2012, 123rd place in 2013 and 135th place in 2014. The index ranks countries according to their proximity to gender equality rather than on the degree of female empowerment. It aims to capture the magnitude and scope of gender-based disparities in each country and to track their progress over time. The index is based on four sub-indices that measure Economic Participation & Opportunity, Educational Attainment, Health & Survival, and Political Empowerment.

Globally, Lebanon had a narrower gender gap than Morocco, Jordan, Iran, Chad, Syria, Pakistan and Yemen. It also ranked ahead of only Jordan and Iran among UMICs, and came ahead of only Morocco, Jordan, Syria and Yemen among Arab countries. Lebanon received a score of 0.598 points, which means that Lebanon closed about 60% of the gender gap. Still, Lebanon's score was lower than the global and the UMICs' averages of 0.681 points each, but is slightly higher than the Arab average of 0.595 points. Lebanon's score increased from 0.592 points in the 2014 survey, but regressed from 0.603 in each of the 2012 and 2013 surveys, and from 0.608 in each of 2010 and 2011.

Global Gender Gap Index for 2015

Country	Overall Score	Arab Rank	Global Rank
UAE	0.646	1	119
Kuwait	0.646	1	117
Qatar	0.645	3	122
Bahrain	0.644	4	123
Tunisia	0.634	5	127
Algeria	0.632	6	128
Mauritania	0.613	7	132
Saudi Arabia	0.605	8	134
Oman	0.604	9	135
Egypt	0.599	10	136
Lebanon	**0.598**	**11**	**138**
Morocco	0.593	12	139
Jordan	0.593	12	140
Syria	0.568	14	143
Yemen	0.484	15	145

Source: World Economic Forum, Byblos Research

In parallel, Lebanon ranked ahead of Algeria, Saudi Arabia, India, Morocco, Iran, Jordan, Pakistan, Syria and Yemen worldwide on the Economic Participation & Opportunity Sub-Index. This category covers the participation, remuneration, and advancement gaps between males and females in the work place. Overall, Lebanon closed about 44% of the gap between women and men on economic participation, relative to 59% globally.

Also, Lebanon ranked ahead of Turkey, Iran and Tunisia, and came behind Bolivia, Korea and Syria on the Educational Attainment Sub-Index. This category captures the gap between females' and males' current access to education through ratios of women to men in primary-, secondary- and tertiary-level education. Lebanon ranked ahead of only Turkey, Iran, Tunisia, Algeria and Angola among UMICs, and came ahead of only Tunisia, Algeria, Egypt, Morocco, Mauritania and Yemen in the Arab world. Overall, Lebanon closed about 96% of the gap in educational attainment, slightly better than the global average of about 95%.

Further, Lebanon ranked ahead of the Netherlands, Iceland and New Zealand, and came behind Oman, Peru and Syria on the Health & Survival Sub-Index. The category measures the differences between females and males' health as reflected by the gap between women's and men's healthy life expectancy and by the sex ratio at birth. Lebanon ranked ahead of Malaysia and behind Peru among UMICs, and came behind only Mauritania, Morocco, Egypt, Oman and Syria in the Arab world. Overall, Lebanon closed about 97% of the gap in health outcomes between women and men, slightly better than the global average of about 96%.

Finally, Lebanon ranked ahead of only Qatar and Brunei Darussalam on the Political Empowerment Sub-Index. This category captures the ratio of females to males in ministerial-level and parliamentary positions, in addition to the number of years that females serve in executive office. Overall, Lebanon closed about 2% of the gap between women and men on political empowerment, significantly below the global average of 23%.

Components of the 2015 Global Gender Gap Index for Lebanon

	Global Rank	MENA Rank	UMICs Rank	Lebanon Score	Global Average	MENA Average	UMICs Average
Economic Participation & Opportunity	136	9	36	0.439	0.591	0.397	0.633
Educational Attainment	104	9	34	0.963	0.946	0.927	0.984
Health & Survival	103	5	29	0.97	0.957	0.969	0.943
Political Empowerement	143	13	39	0.021	0.231	0.086	0.163

Source: World Economic Forum, Byblos Research

Profits of Syrian affiliates of Lebanese banks at $6.2m in first nine months of 2015 when excluding unrealized foreign exchange gains on structural positions

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP36.57bn in the first nine months of 2015 compared to net earnings of SYP10bn in the same period last year. The rise in profits was mainly due to SYP35.26bn in unrealized foreign exchange gains on structural positions in the first nine months of 2015 compared to SYP12.1bn in the same period last year. In US dollar terms, the net profits of the seven banks reached $172.9m in the first nine months of 2015 and included $166.7m in unrealized gains. As such, the aggregate net income of the seven banks becomes SYP1.3bn, or $6.2m, in the first nine months of 2015 when excluding foreign exchange gains on structural positions, compared to net losses of SYP2.1bn, or $14m, in the first nine months of 2014. The US dollar figures reflect the prevailing exchange rates of the Syrian pound during the covered period. The profits of Byblos Bank Syria improved by SYP4.77bn, followed by an increase of SYP4.57bn in those of Fransabank Syria, a rise of SYP4.38bn in the profits of Bank Audi Syria, a growth of SYP4.1bn in those of Banque BEMO Saudi Fransi, an improvement of SYP3.74bn in the net earnings of Bank of Syria & Overseas and an increase of SYP2.54bn in the profits of Bank Al-Sharq, the affiliate of Banque Libano-Française. In parallel, the net income of Syria Gulf Bank, the affiliate of First National Bank, shifted from a loss of SYP625.5m to a net gain of SYP1.82bn year-on-year.

The net interest income of the seven banks totaled SYP6.1bn in the first nine months of 2015, up from SYP3.1bn in the same period last year; while their net fees & commissions income increased by 50.2% to SYP3.3bn. In US dollar terms, the banks' net interest income totaled $28.7m in the first nine months of the year, up 36.2% from $21m in the first nine months of 2014; while their net fees & commissions income stood at $15.6m, reflecting a growth of 5.3% from $14.8m in the same period last year. The seven banks' gross operating income reached SYP46.8bn in the first nine months of 2015, a rise of 2.5 times year-on-year due to the increase in unrealized foreign exchange gains on structural positions; while gross operating expenses reached SYP8.62bn in the first nine months of the year, up by 0.6% from the same period last year. In US dollar terms, the banks' gross operating income totaled $221.2m in the first nine months of the year relative to $124m in the same period last year; while their gross operating expenses stood at $40.8m, down 29.5% from $57.8m in the first nine months of 2014. The banks' gross operating income becomes SYP11.5bn in the first nine months of the year when excluding foreign exchange gains on structural positions, relative to SYP6.3bn in the same period last year.

In parallel, the banks' aggregate assets reached SYP618.8bn at the end of September 2015 compared to SYP480.7bn at end-2014. In US dollar terms, the assets of the seven banks grew by 4.7% from $2.7bn at the end of 2014 to $2.8bn at the end of September 2015. The assets of Bank of Syria & Overseas increased by SYP36.3bn, followed by those of Banque BEMO Saudi Fransi (+SYP33.1bn), Fransabank Syria (+SYP29.3bn), Bank Audi Syria (+SYP17.9bn), Bank Al-Sharq (+SYP9.1bn), Syria Gulf Bank (+SYP8.9bn) and Byblos Bank Syria (+SYP3.4bn). Also, the banks' total loans reached SYP107.9bn at end-September 2015, reflecting a rise of 18% from SYP91.5bn the end of 2014. The increase in lending was mainly caused by an improvement of SYP8.1bn in the loan portfolio of Banque BEMO Saudi Fransi, followed by an increase in the loans of Bank Al-Sharq (+SYP4.1bn), Fransabank Syria (+SYP4bn), Byblos Bank Syria (+SYP2.73bn) and Syria Gulf Bank (+SYP1.78bn). The increase in the aggregate loan portfolio was partly offset by a decrease in the loans of Bank Audi Syria (-SYP3.7bn) and those of Bank of Syria & Overseas (-SYP551.5m). In US dollar terms, the aggregate loans of the seven banks reached $489m at the end of September 2015 and regressed by 4% from $509.6m at the end of 2014.

Also, the banks' customer deposits totaled SYP388.7bn at the end of September 2015 and grew by 10.6% from the end of 2014. The increase was due to a rise of SYP21.4bn in the deposits of Banque BEMO Saudi Fransi, an increase of SYP14.5bn in those of Bank Syria & Overseas, an improvement of SYP6.9bn in the deposits of Fransabank Syria, a growth of SYP4.8bn in those of Syria Gulf Bank and a rise of SYP2.8bn in the deposits of Bank Al-Sharq. In US dollar terms, customer deposits at the seven banks reached $1.76bn at the end of September 2015, constituting a drop of 10% from $2bn at the end of 2014. The ratio of the banks' loans-to-customer deposits stood at 27.8% at the end of September 2015 compared to 26% at end-2014. Also, the aggregate shareholders' equity of the banks reached SYP86.6bn, or $392.2m, at the end of September 2015, constituting an increase of 73.2% from SYP50bn at end-2014.

Results of Affiliates of Lebanese Banks in Syria for First Nine Months of 2015 (in US$)

	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Fransabank Syria	Bank Audi Syria	Byblos Bank Syria	Syria Gulf Bank	Bank Al-Sharq
Net Profits	$30.7m	$24.1m	$35.5m	$32.6m	$25.5m	$8.6m	$16m
Total Assets	$779.1m	$642m	$375.5m	$373.3m	$261.9m	$213m	$158.9m
% Change*	23.8%	34.4%	54.7%	27.9%	6.3%	23.5%	35.2%
Loans	$160.9m	$29m	$70.2m	$64.1m	$68.4m	$54.9m	$41.5m
% Change*	29.4%	-7.9%	34.8%	-20.7%	22.1%	17.2%	81%
Customer Deposits	$632.6m	$383.9m	$133.4m	$207.6m	$141.8m	$161.3m	$100.9m
% Change*	18.1%	20.7%	30.7%	-6.5%	-24.2%	15.7%	14.2%

**Change from end-2014*
Source: Banks' financial statements

IBL Bank issues $40m in subordinated debt

IBL Bank sal, one of Lebanon's top 14 banks, raised its Tier II capital by $40m through the issuance of 400,000 subordinated bonds at an issue price of $100 each. The subordinated notes are non-convertible, non-callable and cumulative, and mature in December 2025. The bonds carry a coupon rate of 7.5% paid annually, with the interest payments subject to a 5% withholding tax. The issuance was approved by the bank's Extraordinary General Assembly on August 24, 2015.

IBL Bank announced unaudited consolidated net profits of $52.9m in the first nine months of 2015 relative to $41.7m in the same period last year. Net operating income rose by 18.8% year-on-year to $95.6m, with net interest income decreasing by 4.9% to $29.9m and net fees & commissions receipts dropping by 26.6% to $3.7m, while net gains on financial assets increased by 40.7% to $63.3m. Total operating expenditures grew by 9.6% to $34.4m, with staff expenses expanding by 12.8% to $17.7m. In parallel, total assets reached $5.47bn at the end of September 2015, constituting an increase of 4.5% from end-2014. Loans & advances to customers, excluding loans & advances to related parties, dropped by 3.4% from end-2014 to $1bn. Also, customer deposits, excluding deposits from related parties, totaled $4.9bn at the end of September, growing by 2.9% from end-2014.

Creditbank's net income at $28.3m in first nine months of 2015

Creditbank sal, one of Lebanon's top 14 banks, announced unaudited consolidated net profits of $28.3m in the first nine months of 2015 compared to $14.9m in the same period last year. Net operating income rose by 23.4% year-on-year to $73.9m, with net interest income growing by 14.3% to $50.8m and net fees & commissions receipts increasing by 22.9% to $11.9m. Non-interest income accounted for 35.7% of total income, up from 31.5% in the first nine months of 2014, with net fees & commissions representing 42.2% of non-interest earnings, down from 47.3% in the same period last year. Also, the bank's interest margin improved to 2.28% in the covered period from 2.23% in the first nine months of 2014; while its net spread rose to 2.17% from 2.13% in the same period last year. Total operating expenditures grew by 0.8% to $41.7m, with staff expenses increasing by 6.6% to $24.4m and administrative expenses regressing by 7.5% to $15.1m. The bank's return on average assets was 1.21% in September 2015 on an annualized basis relative to 0.72% in September 2014; while its return on average equity improved from 9.62% in September 2014 to 16.11%. The cost-to-income ratio declined to 52.93% in the first nine months of 2015 from 63.9% in the same period last year.

In parallel, total assets reached $3.23bn at the end of September 2015, constituting increases of 7.7% from end-2014 and of 11% from end-September 2014; while loans & advances to customers, excluding loans & advances to related parties, rose by 11.6% from end-2014 and by 13.2% from the end of September 2014 to $1.65bn. Also, customer deposits, excluding deposits from related parties, totaled $2.75bn at end-September 2015, reflecting a rise of 6% from end-2014 and an increase of 9.1% from end-September 2014. The loans-to-deposits ratio rose to 59.9% at end-September 2015 from 57.5% a year earlier. Further, total shareholders' equity reached $258.8m at the end of September 2015 and rose by 23.2% from end-2014.

Ratio Highlights

(in % unless specified)	2013	2014	2015f	Change*
Nominal GDP ($bn)	46.1	48.2	49.8	
Public Debt in Foreign Currency / GDP	56.7	53.1	55.2	205
Public Debt in Local Currency / GDP	81.0	85.0	85.0	(1)
Gross Public Debt / GDP	137.7	138.1	140.1	204
Total Gross External Debt / GDP**	163.8	165.1	162.4	(270)
Trade Balance / GDP	(37.5)	(35.6)	(33.5)	217
Exports / Imports	18.5	16.2	15.3	(83)
Fiscal Revenues / GDP	20.4	22.6	20.9	(161)
Fiscal Expenditures / GDP	29.6	28.9	28.5	(43)
Fiscal Balance / GDP	(9.2)	(6.4)	(7.6)	(118)
Primary Balance / GDP	(0.5)	2.7	2.1	(61)
Gross Foreign Currency Reserves / M2	69.5	66.5	66.8	30
M3 / GDP	241.0	244.1	246.9	284
Commercial Banks Assets / GDP	357.4	364.4	368.8	435
Private Sector Deposits / GDP	295.4	299.6	303.2	367
Private Sector Loans / GDP	102.7	105.6	107.2	161
Private Sector Deposits Dollarization Rate	66.1	65.7	64.6	(109)
Private Sector Lending Dollarization Rate	76.5	75.6	74.6	(92)

** Change in basis points 14/15*
***Includes portion of public debt owed to non-residents, liabilities to non-resident banks, non-resident deposits (estimated by the IMF), Bank for International Settlements' claims on Lebanese non-banks*
Source: Association of Banks in Lebanon, Institute of International Finance, International Monetary Fund, World Bank, Byblos Research Estimates & Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Metrics

Lebanon	Jan 2014	Dec 2014	Jan 2015	Change**	Risk Level
Political Risk Rating	52.0	52.0	53.5	↓	High
Financial Risk Rating	38.0	38.0	39.0	↓	Low
Economic Risk Rating	27.0	27.0	33.0	↓	Moderate
Composite Risk Rating	58.5	58.5	62.8	↓	Moderate

MENA Average*	Jan 2014	Dec 2014	Jan 2015	Change**	Risk Level
Political Risk Rating	58.1	57.8	57.8	↑	High
Financial Risk Rating	41.0	40.5	40.1	↑	Very Low
Economic Risk Rating	35.4	35.0	35.1	↑	Low
Composite Risk Rating	67.2	66.6	66.5	↑	Moderate

**excluding Lebanon*
***year-on-year change in risk*
Source: The PRS Group, Byblos Research
Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)
Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B2	NP	Negative	B2		Negative
Fitch Ratings	B	B	Negative	B		Negative
Standard & Poor's	B-	B	Negative	B-	B	Negative
Capital Intelligence	B	B	Negative	B	B	Negative

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative
EIU		CCC	

Source: Rating agencies

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