

LEBANON THIS WEEK

In This Issue

Economic Indicators.....1
Capital Markets.....1
Lebanon in the News.....2

Telecommunication sector in 16th place in MENA region in terms of risks-rewards

Balance of payments posts deficit of \$2.17bn in first 10 months of 2015

Two-thirds of Lebanese prefer to be self-employed

Trade deficit narrows by 17% to \$12.2bn in first 10 months of 2015

Number of new construction permits and surface area down 12% each in first 10 months of 2015

Commercial activity still low in second quarter of 2015

Utilized credits by private sector at \$59bn at end-June 2015, advances against real estate account for 35% of total

Value of cleared checks down 7%, returned checks up 0.5% in first 10 months of 2015

Domestic treatment of waste is optimal solution to current crisis

Subsidized interest loans down 25% to \$253m in first half of 2015

Corporate Highlights7

Commercial banks' assets reach \$182bn at end-October 2015

Stock market activity up 1% to \$597m in first 11 months of 2015

Profits of smallest banks up 22% to \$39m in 2014

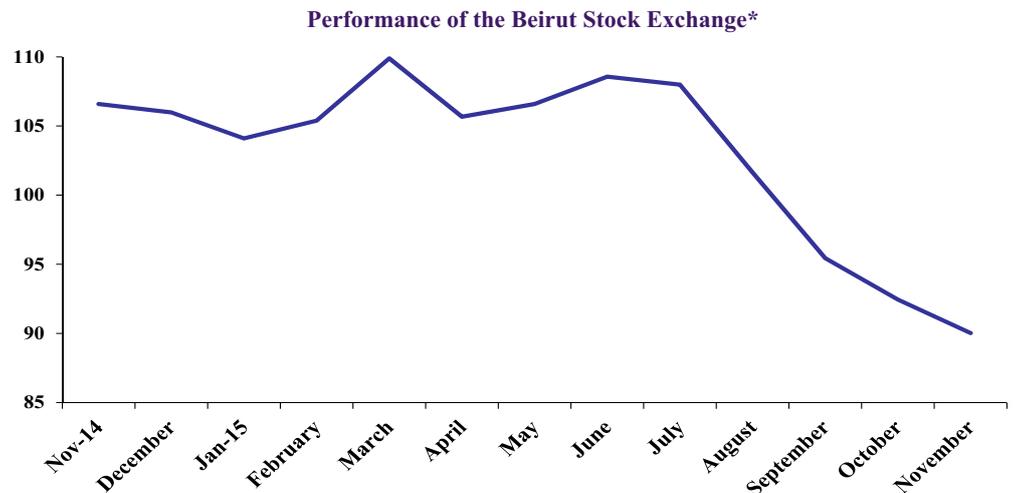
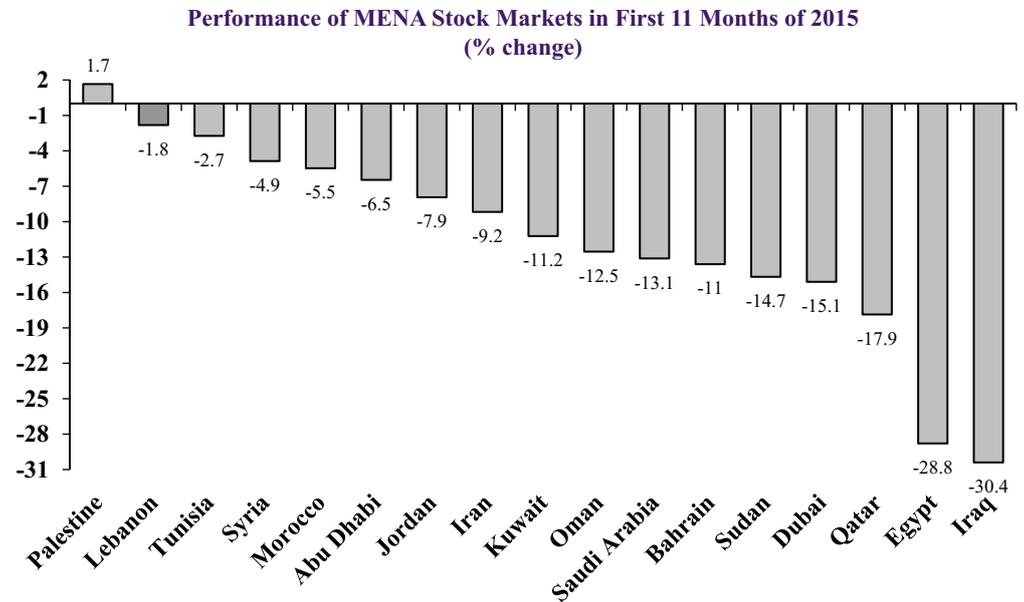
Medgulf posts net losses of \$13m in 2014

Ratio Highlights.....9

Risk Outlook9

Ratings & Outlook.....9

Charts of the Week



* Banque du Liban Market Value Weighted Index average monthly values

Source: Local Stock Markets, Dow Jones Indices, Capital Markets Authority, Byblos Bank

Quote to Note

"Political paralysis, institutional inaction and spillovers from the Syrian conflict continue to weigh heavily on economic activity."

The Institute of International Finance, on the reasons for the prevailing economic stagnation in Lebanon

Number of the Week

32: Number of times the Lebanese Parliament convened and failed to elect a President

Lebanon in the News

\$m (unless otherwise mentioned)	2014	Sep 2014	June 2015	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 2014	June 2015	July 2015	Aug 2015	Sep 2015	% Change*
BdL FX Reserves	32.40	32.34	34.11	33.65	32.77	32.02	(0.97)
<i>In months of Imports</i>	<i>18.97</i>	<i>19.35</i>	<i>20.18</i>	<i>22.04</i>	<i>22.15</i>	<i>22.33</i>	<i>15.40</i>
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"	11.47	2.50	321,701	10.22%
Solidere "B"	11.41	6.04	105,255	6.61%
Audi Listed	5.90	0.00	104,716	21.01%
BLOM GDR	9.62	(0.31)	83,604	6.33%
BLOM Listed	9.40	0.00	61,372	18.00%
Byblos Common	1.64	1.86	10,205	5.25%
Audi GDR	6.00	0.50	5,000	6.21%
HOLCIM	14.97	(0.20)	3,689	2.60%
Byblos Pref. 09	101.70	0.79	1,729	1.81%
Byblos Pref. 08	101.10	0.10	1,455	1.80%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Jan 2016	8.500	100.00	8.23%
Mar 2017	9.000	105.25	4.73%
Nov 2018	5.150	100.00	5.15%
May 2019	6.000	99.88	6.04%
Mar 2020	6.375	101.00	6.10%
Apr 2021	8.250	108.50	6.35%
Oct 2022	6.100	98.50	6.37%
Jun 2025	6.250	98.75	6.44%
Nov 2026	6.600	98.50	6.80%
Feb 2030	6.650	98.50	6.83%

Source: Byblos Bank Capital Markets

	Nov 30- Dec 4	Nov 24-27	% Change	November 2015	November 2014	% Change
Total Shares Traded	770,449	739,273	4.22	5,993,797	3,438,292	74.32
Total Value Traded	\$8,695,677	\$7,172,661	21.23	\$57,995,042	\$25,146,027	130.63
Market Capitalization	\$11.23bn	\$11.14bn	0.80	\$11.19bn	\$11.29bn	(0.91)

Source: Beirut Stock Exchange (BSE)



Telecommunication sector in 16th place in MENA region in terms of risks-rewards

BMI Research ranked Lebanon in 16th place among 18 countries in the Middle East & North Africa region on its Telecommunications Risks/Rewards Rating (RRR) for the first quarter of 2016. Lebanon's rank improved by one spot from 17th place in the preceding quarter. Lebanon received a score of 39.4 points compared to the region's average of 48 points.

The RRR is a weighted average of the 'Rewards' sub-rating that has a weight of 70% and the 'Risks' sub-rating that has a weight of 30%. The sub-ratings cover risks and rewards on the industry and country levels. The 'Rewards' sub-rating evaluates the size and the growth potential of a country's telecom market as well as the country's broader economic and socio-demographic characteristics that impact the development of the telecom industry. The Industry Rewards category has a weight of 65% and the Country Rewards category has a weight of 35%. The 'Risks' sub-rating assesses specific threats to the telecom sector as well as risks related to the domestic political and economic profile that could affect the realization of expected returns in the telecom industry. The Industry Risks category has a weight of 40% and the Country Risks category has a weight of 60%. Ratings are on a scale from zero to 100, with a score of 100 reflecting the highest rating.

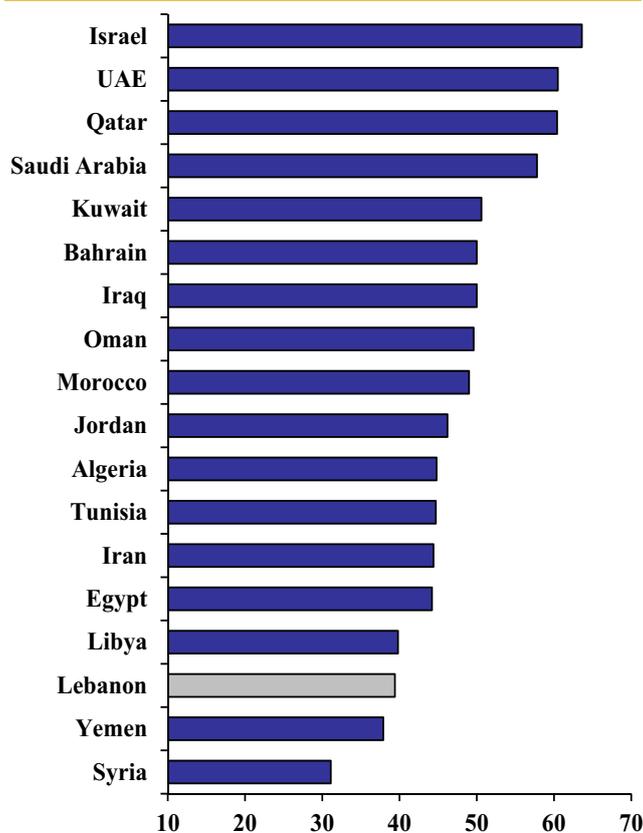
Lebanon came in last place on the Industry Rewards category, which reflects the low level of competition in the telecom sector. Lebanon received a score of 26.3 points on this category, well below the region's average score of 39.8 points. Further, Lebanon came in 14th place on the Industry Risks category, better than only Iran, Yemen, Syria and Libya. It received a score of 30 points on this category, lower than the MENA region's average score of 44.2 points.

In parallel, Lebanon came in sixth place on the Country Rewards category, behind Israel, Kuwait, Qatar, Bahrain, the UAE and Saudi Arabia. It received a score of 66.7 points on this category, higher than the region's average score of 61.9 points. Also, Lebanon came in 14th place on the Country Risks category, better than only Iraq, Yemen, Libya and Syria. Lebanon received a score of 43.9 points on this category relative to the MENA region's average score of 53.9 points.

Balance of payments posts deficit of \$2.17bn in first 10 months of 2015

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$2.17bn in the first 10 months of 2015 compared to a deficit of \$867.7m in the same period last year. The balance of payments posted a deficit of \$395.5m in October 2015 compared to deficits of \$121.8m in September 2015 and of \$565.9m in October 2014. The October 2015 deficit was caused by a deficit of \$427.8m in the net foreign assets of the Central Bank, and was partially offset by a surplus of \$32.3m in those of banks and financial institutions. The cumulative deficit over the first 10 months of 2015 was caused by a deficit of \$2.9bn in the net foreign assets of banks and financial institutions, and was partly offset by a surplus of \$730.6m in those of the Central Bank. The balance of payments posted surpluses of \$7.9bn in 2009 and \$3.3bn in 2010, and deficits of \$2bn in 2011, \$1.5bn in 2012, \$1.1bn in 2013 and \$1.4bn in 2014.

Telecommunications Risk/Reward Ratings for Q1 2016

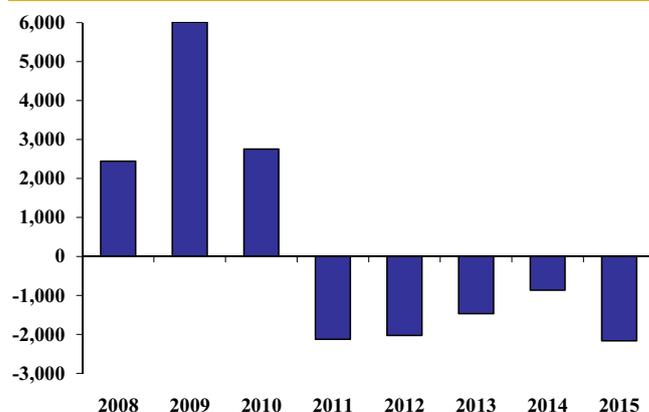


Source: BMI Research, Byblos Research

*in the first 10 months of each year

Source: Central Bank of Lebanon

Balance of Payments* (US\$m)



Two-thirds of Lebanese prefer to be self-employed

A survey conducted by regional job portal Bayt.com and market research agency YouGov about entrepreneurship in the Middle East & North Africa region indicated that 63% of respondents in Lebanon prefer to have their own business, 30% of survey participants would rather seek employment in a company and 4% want to work in their family business. Out of the respondents who prefer to be employed, 74% named private companies as their top choice while 26% want to work in the public sector. In comparison, 64% of participants in the MENA region prefer to be self-employed, 31% want to be employed in a company and 2% would rather work in their family business. Further, 57% of respondents in the MENA region said they would work for a company in the private sector while 43% indicated that they prefer working in the public sector. The survey was conducted between September 27 and October 4, 2015. Its results are based on online interviews with about 8,164 adults residing in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE.

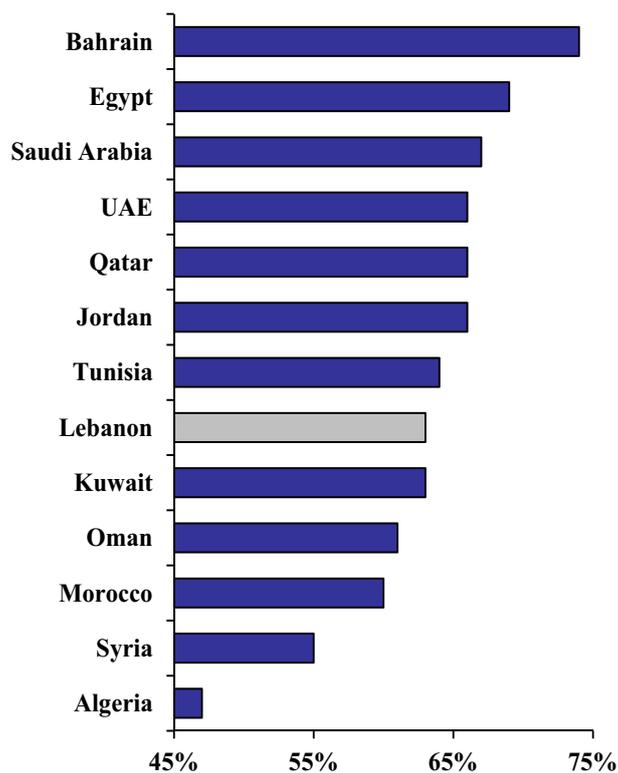
Further, 41% of Lebanese respondents who prefer to be employed identified learning new skills & techniques as the most important reason to seek employment in a company. It was followed by employment stability (34% of respondents), receiving a regular income (23% of participants), fixed working hours (22% of respondents), employment security and benefits (18% of participants each), as well the lack of funds to start their own business (16% of respondents). In comparison, 34% of participants in the MENA region identified receiving a regular income as the most important reason to seek employment at a firm, followed by employment stability (32% of respondents), learning new skills & techniques (31% of participants), lack of funds to start their own business (27% of respondents), company benefits (25% of participants), fixed working hours (20% of respondents), employment security (17% of participants) and unfavorable economic conditions (14% of respondents).

In parallel, 50% of survey participants in Lebanon who want to have their own business identified personal fulfillment as the most important reason to be self-employed. It was followed by being one's own boss by 39% of respondents, higher monetary gains (36%), work-life balance (34%), freedom to choose what type of work to do (28%), building a business that their children can inherit (26%) and the ability to give back to the community (25%). In comparison, 54% of respondents in the MENA region identified personal fulfillment as the most important reason to be self-employed, followed by work-life balance (40%), higher monetary gains (36%), being one's own boss (35%), and the ability to give back to the community (32%) as the main factors to own a company.

In addition, 54% of participants in Lebanon indicated that they are currently thinking of starting their own business, while 25% noted that they never thought of starting their own business and 9% said that they tried to start their own business in the past but failed. In comparison, 62% of respondents in the MENA region said that they are currently thinking of starting their own business, 20% noted that they tried to start their own business in the past but failed and 11% noted that they never thought of starting their own business.

Also, 71% of respondents in Lebanon considered that it is difficult to start a business in the country and 6% said it is easy, compared to shares of 56% and 13% respectively in the MENA region. The survey shows that 65% of respondents in Lebanon identified economic uncertainties as the biggest obstacle to starting a business, followed by political instability (62%), lack of financing (54%), high levels of corruption (42%), the need to establish the 'right contacts' (34%) and a highly competitive marketplace (20%). In comparison, 65% of respondents in the MENA region identified the lack of financing as the most important obstacle to start a business, followed by economic uncertainties, the need to establish the 'right contacts' and strict rules and regulations (28% each), high levels of corruption (22%), and a highly competitive marketplace and bureaucracy (21% each).

% of Respondents who prefer to be Self-Employed



Source: Bayt.com, Byblos Research

Trade deficit narrows by 17% to \$12.2bn in first 10 months of 2015

The total value of imports reached \$14.7bn in the first 10 months of 2015, constituting a decrease of 15.8% from the same period of 2014; while the value of aggregate exports dropped by 10.7% to \$2.5bn. As such, the trade deficit narrowed by 16.8% year-on-year to \$12.2bn. The narrowing of the deficit was due to a decrease of \$2.8bn in imports, given that exports fell by \$297.8m year-on-year. The coverage ratio was 17% in the first 10 months of 2015 compared to 16% in the same period last year, while it reached 17.8% in October 2015 relative to 16.2% in October 2014. The Port of Beirut was the entry point of 71.1% of Lebanon's imports in the covered period, followed by the Hariri International Airport with 19.4%, the Port of Tripoli with 5.7%, the Port of Saida with 2.4% and the Masnaa crossing point with 0.8%. In parallel, the Port of Beirut was the exit point of 50.9% of Lebanon's exports, followed by the Hariri International Airport with 27.7%, the Port of Tripoli with 8.9%, the Masnaa crossing point with 6.7% and the Abboudieh crossing point with 3.4%.

The value of imported oil & mineral fuels declined by \$1.8bn, or 41.7%, year-on-year, to \$2.5bn; while non-hydrocarbon imports regressed by 7.4% to \$12.2bn. The imports of base metals fell by \$279.6m, or 22%, to \$994.1m in the first 10 months of 2015, and those of animal products dropped by \$161m, or 18%, to \$736.7m in the covered period. The value of oil & mineral fuels accounted for 17.1% of total imports in the first 10 months of 2015 compared to a share of 24.7% in the same period of 2014.

In volume terms, imports reached 12.65 million tons in the first 10 months of 2015, constituting a decrease of 3.2% from 13.1 million tons in the same period last year; while exports regressed by 10.7% to 1.67 million tons. Imports of oil & mineral fuels dropped by 8.2% year-on-year to 5.8 million tons, while non-hydrocarbon imports grew by 1.4% annually to 6.9 million tons. Imported oil & mineral fuels accounted for 45.8% of total imports in the covered period relative to a 48.3% share in the first 10 months of 2014.

China was the main source of imports with \$1.8bn or 12% of the total in the first 10 months of 2015, followed by Italy with \$1.1bn (7.4%), Germany with \$993.5m (6.8%), France with \$894.8m (6.1%), the United States with \$843m (5.7%), Russia with \$731.4m (5%) and Greece with \$650m (4.4%). Imports from Russia surged by 1.3% year-on-year in the first 10 months of 2015 and those from Greece grew by 1%; while imports from Italy dropped by 23.8%, those from France fell by 21.2%, imports from the United States regressed by 20%, those from China decreased by 16% and those from Germany declined by 4.1% year-on-year.

Further, Saudi Arabia was the main export destination of Lebanese merchandise with \$301.4m or 12.1% of total exports, followed by the UAE with \$263.8m (10.6%), Iraq with \$187.7m (7.5%), Syria with \$177.4m (7.1%), South Africa with \$169.6m (6.8%), Jordan with \$93.7m (3.8%) and Egypt with \$76.9m (3.1%). Exports to Egypt grew by 19.2% year-on-year in the first 10 months of 2015; while exports to South Africa dropped by 39.3% year-on-year, those to Jordan fell by 12.6%, exports to Iraq decreased by 11.2%, those to Syria regressed by 11.1%, exports to Saudi Arabia fell by 5.1% and those to the UAE declined by 2.2%.

Lebanon's main exports were prepared foodstuff with \$402.8m, or 16.1% of the total, followed by jewelry with \$379.1m (15.2%), chemical products with \$350m (14%), machinery & mechanical appliances with \$343.2m (13.8%), base metals with \$266.5m (10.7%), vegetable products with \$151.7m (6.1%) and paper & paperboard products with \$135.4m (5.4%). In parallel, re-exports totaled \$410m in the first 10 months of 2015 compared to \$348m in the same period last year.

Number of new construction permits and surface area down 12% each in first 10 months of 2015

The Orders of Engineers & Architects of Beirut and of Tripoli issued 12,570 new construction permits in the first 10 months of 2015, constituting a decrease of 11.7% from 14,233 permits in the same period last year, and relative to stagnant growth in the first 10 months of 2014. Mount Lebanon accounted for 42% of newly issued construction permits in the first 10 months of 2015, followed by South Lebanon with 16.8%, Nabatieh with 13.2%, the North and the Bekaa with 10.4% each and Beirut with 5.5%. The remaining 1.8% represents permits issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The number of new construction permits issued for Mount Lebanon dropped by 14.5% year-on-year in the first 10 months of 2015, followed by the South (-13.2%), the North (-10.8%), Nabatieh (-9.8%), the Bekaa (-6.7%) and Beirut (-2.2%); while permits issued for regions located outside northern Lebanon remained unchanged year-on-year.

Further, the surface area of granted construction permits in the first 10 months of 2015 reached 10,262,605 square meters (sqm), and reflected a drop of 11.9% from the same period of 2014 and compared to a rise of 7.7% in the first 10 months of 2014. Mount Lebanon accounted for 4,942,149 sqm, or 48.2% of total construction permits, in the covered period. It was followed by the North with 1,343,328 sqm (13.1%), the South with 1,220,659 sqm (11.9%), the Bekaa with 874,370 sqm (8.5%), Nabatieh with 853,160 sqm (8.3%) and Beirut with 550,963 sqm (5.4%). The remaining 477,976 sqm, or 4.7% of total construction permits, represent the surface area of permits that were issued by the Order of Engineers & Architects of Tripoli for regions located outside northern Lebanon. The surface area of construction permits issued for Beirut decreased by 37.7% annually in the first 10 months of the year, followed by South Lebanon (-11.6%), the Bekaa (-11.1%), the North (-10.8%), Mount Lebanon (-9.3%), Nabatieh (-8.9%) and other regions located outside northern Lebanon (-7.5%). In parallel, cement deliveries totaled 3.6 million tons in the first nine months of 2015 and regressed by 14.3% annually, relative to increases of 0.1% in the same period of last year and of 7.5% in the first nine months of 2013.



Commercial activity still low in second quarter of 2015

The Central Bank's quarterly business survey of opinions shows that the volume of commercial sales increased quarter-on-quarter during the second quarter of 2015, with the balance of opinions standing at -12 compared to -20 during the preceding quarter and to -8 during the second quarter of 2014. The business survey reflects the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions was the lowest in the Bekaa at -32, followed by Beirut & Mount Lebanon (-13), the North (-9) and the South (+20). The survey shows that the balance of opinions for the sales volume of food items was zero in the second quarter of 2015 relative to -7 in the preceding quarter and to +14 in the same quarter of 2014. The balance of opinions about the sales of non-food products was -14 in the second quarter compared to -25 in the preceding quarter and to -17 in the second quarter of 2014; while it was -20 for inter-industrial goods, relative to -25 in the first quarter of 2015 and to -17 in the second quarter of 2014. Also, the balance of opinions for inventory levels in all commercial sub-sectors was -8 in the second quarter of 2015 compared to -12 in the preceding quarter and to +1 in the second quarter of 2014. Opinions about the level of inventories were the highest in the Bekaa where they reached +7, followed by Beirut & Mount Lebanon (-4), the North (-23) and the South (-28). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator.

Commercial Activity: year-on-year evolution of opinions				
Aggregate results	Q2-12	Q2-13	Q2-14	Q2-15
Sales volume	-13	-17	-8	-12
Number of employees	-2	-1	1	-5
Inventories of finished goods	-2	-4	1	-8
Q2-15 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-13	-9	20	-32
Inventories of finished goods	-4	-23	-28	7

Source: Central Bank business survey for second quarter of 2015

Utilized credits by private sector at \$59bn at end-June 2015, advances against real estate account for 35% of total

Figures issued by the Central Bank show that utilized credits by the private sector from commercial banks and financial institutions totaled \$58.6bn at the end of June 2015, constituting an increase of 6.1% from \$55.2bn at the end of June 2014. The distribution of credits by type shows that advances against real estate totaled \$20.4bn and accounted for 34.9% of total private sector utilized credits at the end of June 2015. They were followed by overdrafts with \$16.6bn (28.3%), advances against personal guarantees with \$10.7bn (18.3%), advances against cash collateral or bank guarantees with \$7.2bn (12.2%), advances against other real guarantees with \$2.6bn (4.4%) and advances against financial values with \$1.1bn (1.9%). Trade & services accounted for \$19.8bn or 33.8% of utilized credits at the end of June 2015, followed by personal credits with \$17bn (29%), construction with \$10bn (17%), industry with \$6.3bn (10.8%), financial intermediaries with \$3.3bn (5.7%) and agriculture with \$693.9m (1.2%), while other sectors accounted for the remaining \$1.5bn (2.5%).

Also, the distribution of utilized credits in trade & services shows that wholesale trade accounted for 42.7% of overall trade & services credits, followed by real estate services with 21.1%, retail with 16.3%, hotels & restaurants with 8.6%, transport & storage with 7.5% and educational services with 3.8%. Personal credits attracted 84.6% of loan beneficiaries, followed by trade & services with 10.7% of beneficiaries, industry with 2.9%, construction with 1.4%, agriculture with 1% and financial intermediaries with 0.6%, while other sectors attracted the remaining 3.5%. The aggregate number of loan beneficiaries grew by 13.6% year-on-year to 551,262, while 74.5% of beneficiaries had loans ranging from LBP5m to LBP100m by the end of June 2015. Beirut and its suburbs accounted for 76.5% of bank credits and for 54.7% of beneficiaries. It was followed by Mount Lebanon with 11.7% of credits and 17.6% of beneficiaries; South Lebanon with 4.6% of credits and 9.9% of beneficiaries; North Lebanon with 4.1% of credits and 10.6% of beneficiaries; and the Bekaa with 3.1% of credits and 7.2% of beneficiaries. In parallel, the off-balance sheet liabilities of banks and financial institutions totaled \$99.6bn at the end of June 2015, reflecting a rise of 5.9% from \$94bn at the end of June 2014. They included endorsement & guarantees at \$91.4bn, or 91.7% of the total, followed by letters of undertaking at \$2.8bn (2.8%) and commitment on notes at \$2.7bn (2.7%).

Value of cleared checks down 7%, returned checks up 0.5% in first 10 months of 2015

The value of cleared checks reached \$58.1bn in the first 10 months of 2015, constituting a decrease of 7.1% from the same period of 2014, and compared to increases of 4.2% in the first 10 months of 2014 and of 1.7% in the same period of 2013. The value of cleared checks in Lebanese pounds rose by 2.3% year-on-year to the equivalent of \$15.5bn, while the value of cleared checks in US dollars declined by 10.1% annually to \$42.6bn in the first 10 months of 2015. The dollarization rate of cleared checks decreased from 75.8% in the first 10 months of 2014 to 73.3% in the same period this year.

Also, the value of returned checks in domestic and foreign currency grew by 0.5% year-on-year to \$1.3bn in the first 10 months of 2015, relative to increases of 0.2% in the same period of 2014 and of 0.9% in the first 10 months of 2013. In parallel, there were 10.4 million cleared checks in the first 10 months of 2015, down by 4% from the same period last year. Also, there were 195,900 returned checks in the covered period, down by 7.6% from 212,100 in the first 10 months of 2014.

Domestic treatment of waste is optimal solution to current crisis

A report by the UN Habitat and the Muhanna Foundation indicated that the ongoing waste management crisis has had a negative impact on Lebanon's environment, infrastructure, health and landscape. It noted that there are currently more than 760 open dumps across Lebanon and warned that open dumping and backyard burning of solid waste would eventually lead to catastrophic impacts on infrastructure and water networks. It considered that the only upside to the 2015 waste management crisis is the collective increase of the public's awareness on the topic. The study estimated the average cost of the current waste management system at \$320m per year, and expected the cost to increase to an average of \$670m per year in 2025 and to up to \$1.5bn annually by 2030. It noted that, since July 2015, 54% of waste in Lebanon has been disposed of in open dumps, 23% is placed in landfills, 15% is composted and 8% is recycled. The study estimated that each resident of urban areas in Lebanon generates 0.97 kilograms (kg) of waste per day on average. It added that only 23% of this waste is recovered, while 77% of it is disposed of. Further, each resident of rural areas generates 0.79 kg of waste on average on a daily basis, with the same rates of recovery and disposal as urban waste. It also estimated that each refugee in Lebanon generates 0.50 kg of waste per day on average, with a 16% recovery rate and an 86% disposal rate.

The report called for an interim plan to export a portion of the piling trash over the coming months, while gradually transitioning to the domestic treatment of all waste. It pointed out that the over-reliance on waste exports could lead to costs as high as \$250 per ton, and would result in foregoing more affordable domestic solutions whereby cost recovery could reach up to \$100 per ton. It estimated the cost of the domestic treatment of waste to average \$240 per ton over an estimated period of 18 months, with the potential to recover 33% of the costs by the end of the crisis mitigation period.

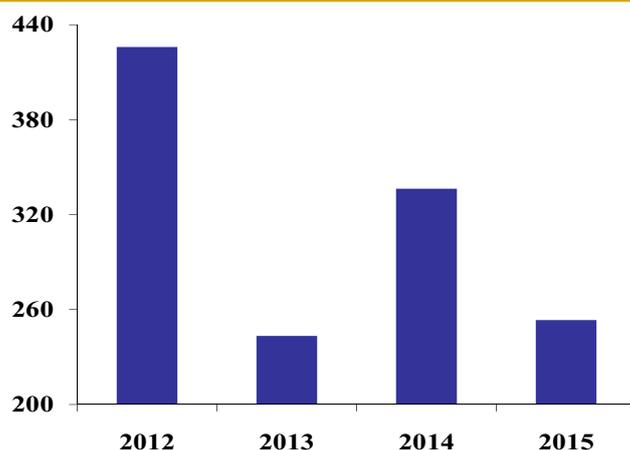
The study recommended the formulation of a viable and sustainable zero-waste national integrated waste management (IWM) policy and of a subsequent strategic plan. It called for the clear distribution of responsibilities in the IWM process, with the central government setting the policy and formulating the plan; and regional governors overseeing, monitoring and evaluating the implementation of all IWM processes; while municipalities and the federations of municipalities would execute the national IWM plan. The report pointed out that Lebanon's waste composition has a strong foundation to build the green economy, given that 52.5% of the country's current waste composition in urban and rural areas is organic. It said that current waste consists of paper (16% of total waste), plastic (12%), metals (6%), glass (4%) and other types of waste (10%). It noted that organic waste should be treated at a ratio of 40% of soil rejuvenation, 50% composting and 10% of it should be landfilled, with the aim of developing waste-to-energy facilities. It urged authorities to ban and penalize open-dumping practices, discourage and penalize incineration, recycle and sell all inert material, export all hazardous waste instead of developing treatment sites, as well as disassemble and sell electronic waste.

Subsidized interest loans down 25% to \$253m in first half of 2015

Figures released by the Central Bank show that the amount of subsidized interest loans to productive sectors in Lebanon totaled \$253.4m in the first half of 2015, down by 24.7% from \$336.4m in the same period of 2014. The industrial sector was the beneficiary of \$156.9m in subsidized interest loans, equivalent to 61.9% of the total, followed by tourism with \$64.6m (25.5%) and agriculture with \$31.8m (12.6%). The cumulative amount of subsidized interest loans to productive sectors in Lebanon amounted to \$6.3bn between 1997 and June 2015. Subsidized medium & long-term loans amounted to \$212.1m in the first half of 2015, equivalent to 83.7% of the total. The industrial sector accounted for 64.4% of subsidized medium & long-term loans, followed by tourism with 28.4% and agriculture with 7.2%. The program was established in the first quarter of 1997 and consists of a 5% to 7% subsidy on the interest charged on loans extended in foreign currency to productive sectors.

Also, subsidized interest loans guaranteed by the Kafalat Corporation totaled \$37.6m, or 14.8% of the total, in the first half of 2015. The industrial sector received 44.3% of Kafalat-backed subsidies, followed by agriculture with 44.1% and tourism with 11.6%. Kafalat provides financial guarantees for loans of up to \$400,000 for small and medium-sized enterprises in productive sectors. In parallel, subsidized interest loans granted by leasing companies totaled \$3.7m in the first half of 2015, or 1.5% of the total, and were extended in full to the industrial sector.

Subsidized Interest Loans (US\$m)



* in the first half of each year

Source: Central Bank, Byblos Research



Commercial banks' assets reach \$182bn at end-October 2015

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$182.3bn at the end of October 2015, constituting an increase of 3.7% from the end of 2014 and a rise of 6.4% from end-October 2014. Private sector deposits totaled \$149.4bn, growing by 3.4% from the end of 2014 and by 5.2% from a year earlier. Deposits in Lebanese pounds reached \$52.9bn and rose by 6.9% from the end of 2014 and by 8.7% from end-October 2014; while deposits in foreign currency totaled \$96.4bn, up by 1.6% from the end of 2014 and by 3.3% from a year earlier. Non-resident foreign currency deposits totaled \$26.6bn at the end of October 2015 and increased by 0.6% from end-2014 and by 3.6% from a year earlier. The aggregate amount of non-resident deposits reached \$31bn at the end of October and rose by 2.2% from end-2014 and by 5.2% from a year earlier. Total private sector deposits regressed by \$274m in January, by \$188.4m in July and by \$514.1m in September, while they increased by \$577.8m in February, by \$731.7m in March, by \$2bn in April, by \$393.4m in May, by \$690m in June, by \$1.2bn in August and by \$240.8m in October 2015. In comparison, deposits decreased by \$1.3bn in January, and rose by \$848.4m in February, by \$843.8m in March, by \$1.6bn in April, by \$650.7m in May, by \$1.5bn in June, by \$965.8m in July, by \$200.3m in August, by \$508.1m in September and by \$13.3m in October 2014.

As such, total private sector deposits grew by \$4.93bn in the first 10 months of 2015 compared to an increase of \$5.83bn in the same period of 2014. Resident private sector deposits rose by \$4.3bn in the covered period relative to a growth of \$4.9bn in the first 10 months of 2014; while non-resident deposits grew by \$670.6m in the first 10 months of 2015 compared to a rise of \$957.2m in the same period last year. In parallel, deposits of non-resident banks reached \$6.2bn at the end of October 2015, constituting increases of 5.8% from end-2014 and of 12.8% from a year earlier. The dollarization rate of deposits reached 64.6% at the end of October 2015, down from 65.7% a year earlier.

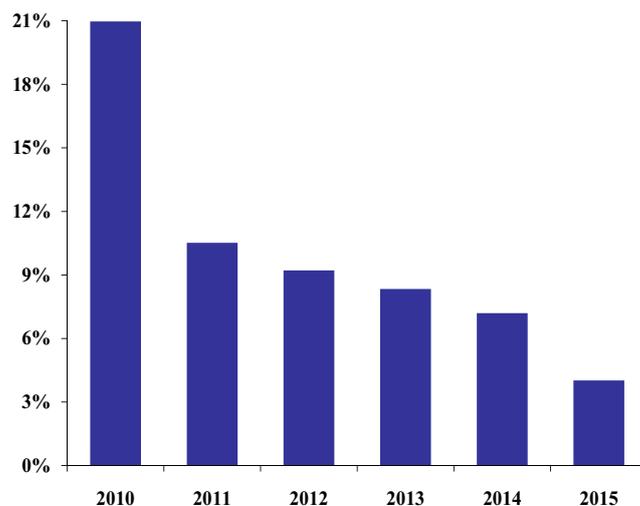
Loans to the private sector reached \$53bn at the end of October 2015, constituting increases of 4.1% from the end of 2014 and of 5.8% from a year earlier. In nominal terms, credit to the private sector rose by \$2.1bn in the first 10 months of 2015 relative to an increase of \$2.7bn in the same period of 2014. Lending to the resident private sector grew by \$1.8bn in the first 10 months of 2015 relative to a rise of \$3bn in the same period of 2014; while credit to the non-resident private sector increased by \$270m in the covered period compared to a drop of \$271.3m in the first 10 months of 2014. Lending to the resident private sector totaled \$47.2bn, up by 4% from the end of 2014 and by 6.1% from the end of October 2014; while credit to the non-resident private sector reached \$5.8bn and rose by 4.9% from end-2014 and by 3.5% from the end of October 2014. The dollarization rate in private sector lending regressed to 74.5% at the end of October 2015 from 75.7% a year earlier.

In addition, claims on non-resident banks reached \$10.6bn at the end of October 2015, representing a decrease of 12.8% from end-2014 and an increase of 2.6% from a year earlier. In parallel, claims on the public sector stood at \$37.5bn at the end of October 2015, up by 0.3% from the end of 2014 and by 0.2% year-on-year. The ratio of private sector loans-to-deposits in foreign currency stood at 40.9%, well below the Central Bank's limit of 70% and compared to 40.6% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.5% at end-October 2015, up from 25% at the end of October 2014. The ratio of total private sector loans-to-deposits was 35.5% relative to 35.3% a year earlier. The banks' aggregate capital base stood at \$16.3bn, up by 3.5% from end-2014 and by 5.2% from \$15.5bn at end-October 2014.

Stock market activity up 1% to \$597m in first 11 months of 2015

Figures released by the Beirut Stock Exchange (BSE) indicate that total trading volume reached 70,478,734 shares in the first 11 months of 2015, constituting a decrease of 18% from 85,957,402 shares traded in the same period of 2014; while aggregate turnover amounted to \$596.9m, up by 0.8% from a turnover of \$591.9m in the first 11 months of 2014. Market capitalization regressed by 0.9% from the end of November 2014 to \$11.2bn, with banking stocks accounting for 80.4% of the total, followed by real estate shares (16.4%), industrial firms (2.9%) and trading stocks (0.3%). The market liquidity ratio was 5.3% in the covered period, compared to 5.2% in the first 11 months of 2014. Banking stocks accounted for 89.6% of aggregate trading volume in the first 11 months of the year, followed by real estate equities with 9.9%, industrial shares with 0.4% and trading stocks with 0.1%. Also, banking stocks represented 86.5% of the aggregate value of shares traded, followed by real estate equities with 12.7% and industrial stocks with 0.7%. The average daily traded volume for the period was 318,908 shares for an average daily value of \$2.7m. The figures reflect a decrease of 16.5% in volume and an increase of 2.7% in value year-on-year. In parallel, the Market Value-Weighted Index for stocks traded on the BSE decreased by 15.1% in the first 11 months of 2015, while the Banks Market Value-Weighted Index regressed marginally by 0.1% in the covered period.

Resident Private Sector Lending Growth* (% Change)



* in the first 10 months of each year

Source: Association of Banks in Lebanon, Byblos Research

Profits of smallest banks up 22% to \$39m in 2014

The consolidated net profits of the Delta Group of banks reached \$39.4m in 2014, constituting an increase of 21.5% from \$32.4m in 2013. The Delta Group consists of banks with deposits under \$200m each. Total net operating income rose by 6.4% to \$138.3m in 2014, with aggregate net interest income increasing by 4.7% to \$81.2m and net fees & commissions receipts dropping by 6.5% to \$45.6m. Also, non-interest income accounted for 41.2% of total income in 2014, down from 43.1% in the preceding year. The interest spread increased to 3.01% in 2014 from 2.94% in the preceding year. Total operating expenditures increased by 1.4% to \$94.5m in 2014, with staff expenses decreasing by 2.7% to \$50m. Further, the cost-to-income ratio regressed from 67% in 2013 to 64.7% last year. The banks' return on average assets improved from 1.21% in 2013 to 1.39% in 2014; while their return on average equity increased from 4.7% in 2013 to 5.6% in 2014.

The assets of the Delta banks Group reached \$2.9bn at the end of 2014, constituting a rise of 4.3% from end-2013. Loans accounted for 40% of assets at end-2014, followed by liquid assets with 37%, portfolio securities with 18%, and fixed and other assets with 3% each. Further, aggregate loans & advances to customers grew by 14.4% from end-2013 to \$1.2bn, while credit extended to related parties increased by 35.7% to \$1.2m at end-2014. Housing loans accounted for 48.3% of total net lending at the end of 2014 compared to 50.3% a year earlier. They were followed by corporate loans with 32% of the total relative to 30.7% at end-2013; retail lending with 8.1% unchanged from a year earlier; and credit to small- and medium-sized enterprises with 0.7% relative to 0.8% at end-2013. Also, customer deposits reached \$982.2m at the end of 2014 and regressed by 0.9% from a year earlier; while deposits from related parties increased by 21.4% to \$145.8m at end-2014.

In parallel, the banks' loans-to-deposits ratio increased to 102.2% at end-2014 from 90.7% a year earlier. The ratio of loans-to-deposits in local currency reached 180.6% at end-2014 compared to 186.8% at end-2013, while that in foreign currency was 70.6% at the end of 2014 relative to 57.5% a year earlier.

Further, the primary liquidity-to-assets ratio regressed from 38.4% at the end of 2013 to 36.5% at end-2014. The banks' net doubtful loans (DLs) plus substandard loans were equivalent to 7.58% of gross loans at end-2014 relative to 8.71% a year earlier. Also, the loan-loss reserves on doubtful loans was 69.4% of gross doubtful loans at the end of 2014 compared to a ratio of 67.7% at end-2013. The banks' capital adequacy ratio stood at 40.87% at the end of 2014, down from 41.76% at end-2013, according to Basel II criteria.

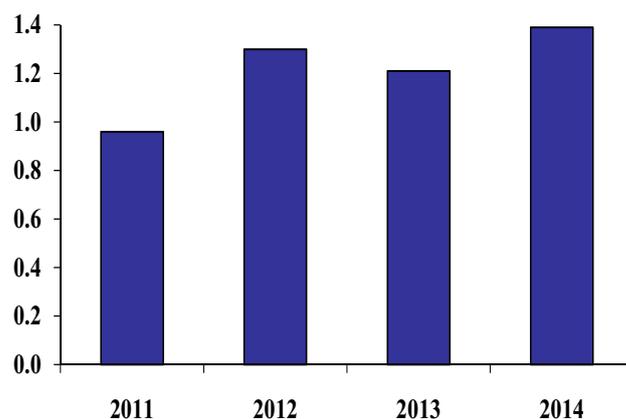
Medgulf posts net losses of \$13m in 2014

The Mediterranean and Gulf Insurance & Reinsurance Company sal (Medgulf), the top insurer in Lebanon in terms of premiums, announced audited net losses of \$12.7m in 2014 relative to net losses of \$3.6m in 2013. Its audited balance sheet shows total assets of \$233.8m at the end of 2014, down by 0.5% from a year earlier. On the assets side, general company investments totaled \$158.6m and rose by 1.5% from end-2013. They included \$44.8m in land & real estate investments; \$44.6m in variable income investments; \$17m in cash & cash equivalents; and \$33.8m in blocked bank deposits and deposits with maturity of more than three months, of which \$10.9m were blocked in favor of the Economy Ministry as guarantees. Further, the reinsurance share in technical reserves for the life category regressed by 2.4% year-on-year to \$1.9m in 2014; while those for the non-life category dropped by 25.7% to \$5.1m last year.

On the liabilities side, the technical reserves for the life segment declined by 9.7% year-on-year to \$29.8m, while technical reserves for the non-life category reached \$95m at end-2014 and increased by 3.6% from a year earlier. Non-life technical reserves included unearned premium reserves of \$47.5m that rose by 2.2%, outstanding claims reserves of \$35.8m that dropped by 6.6% and \$7.2m in reserves incurred but not reported that grew by 87.3% year-on-year. Further, provisions for risks and charges reached \$1.5m, down by 11.9% from a year earlier. The firm's shareholders' equity reached \$89.3m at the end of 2014, down by 2% from a year earlier.

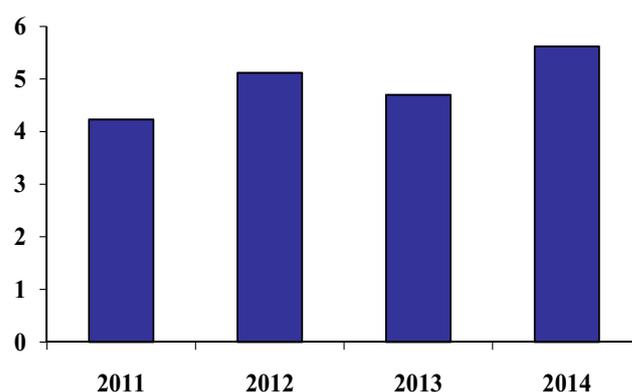
Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Medgulf sal in first and 11th place in 2014 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$114.4m at the end of 2014, constituting a drop of 1.1% from a year earlier: while life premiums dropped by 20.8% year-on-year to \$9.5m. It had an 11.1% share of the local non-life market and a 2.1% share of the life market.

Return on Average Assets (%)



Source: Bankdata

Return on Average Equity (%)



Source: Bankdata

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	Feb 2014	Jan 2015	Feb 2015	Change**	Risk Level
Political Risk Rating	52.0	53.5	54.5	▼	High
Financial Risk Rating	38.0	39.0	39.0	▼	Low
Economic Risk Rating	27.0	33.0	33.0	▼	Moderate
Composite Risk Rating	58.5	62.8	63.3	▼	Moderate

MENA Average*	Feb 2014	Jan 2015	Feb 2015	Change**	Risk Level
Political Risk Rating	58.1	57.8	57.9	▲	High
Financial Risk Rating	40.7	40.1	40.1	▲	Very Low
Economic Risk Rating	35.5	35.1	34.8	▲	Moderate
Composite Risk Rating	67.1	66.5	66.4	▲	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



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

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. 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 Lebanon This Week 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