

LEBANON THIS WEEK

In This Issue

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

Lebanon ranks 77th globally, 13th in North Africa and West Asia in terms of talent competitiveness

Lebanon has third least competitive cellular market in Arab World

Value of real estate transactions down 11% to \$8bn in 2015

Slow economic activity in first 11 months of 2015

Lebanon ranks 123rd globally, 16th among MENA countries on corruption index

Treasury transfers to Electricité du Liban down 46% to \$787m in first eight months of 2015

Deposit growth essential for public finance stability

Launch of primary healthcare campaign

Plan for four agricultural research centers

Trade deficit narrows by 12% to \$15bn in 2015, equivalent to 30% of GDP

Tourist arrivals up 12% in 2015

Corporate Highlights7

Byblos Bank's net profits at \$161m in 2015, capital adequacy ratio at 17.6%

Central Bank regulates operations of moneylenders

Stock market activity up 105% to \$38.5m in January 2016

American firm gets power plants contract

Aggregate profits of listed banks up 9% in 2015

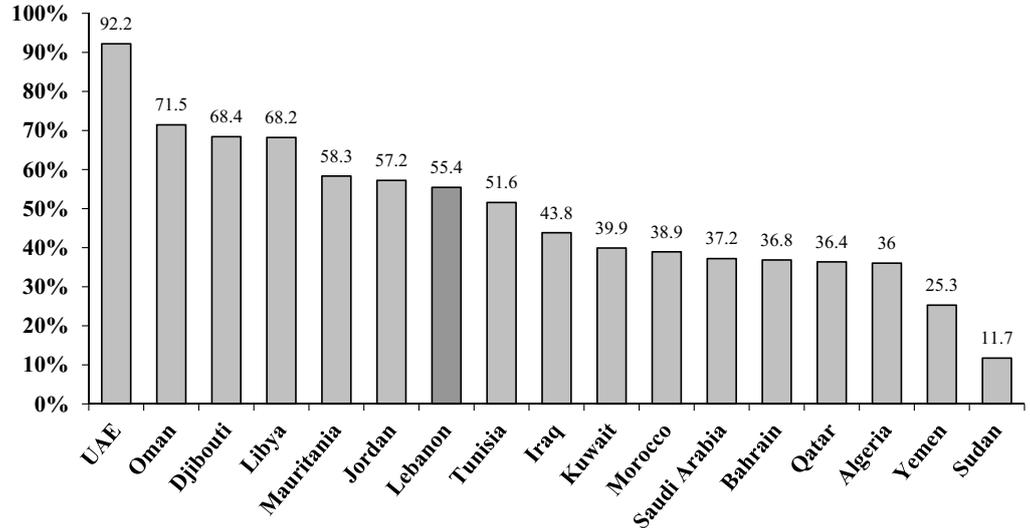
Ratio Highlights.....9

Risk Outlook9

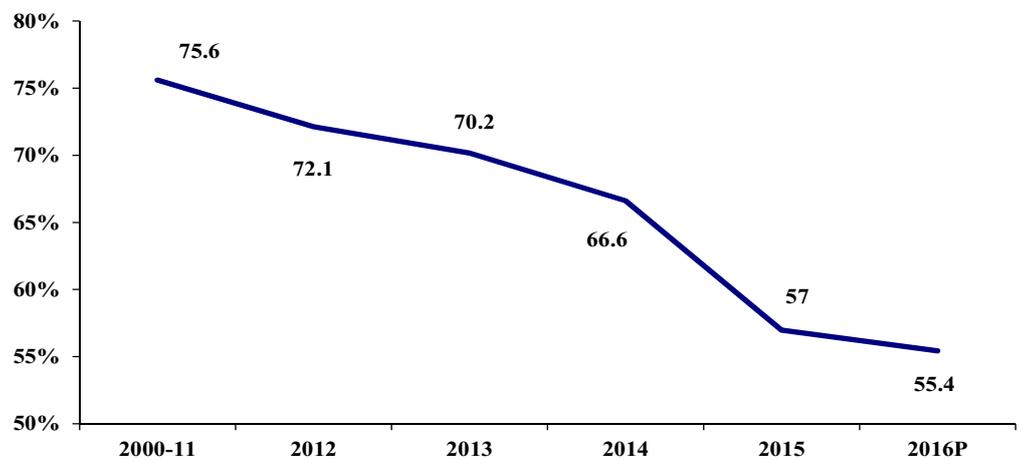
Ratings & Outlook.....9

Charts of the Week

Projected Imports of Goods & Services to Arab Countries in 2016 (% of GDP)



Imports of Goods & Services to Lebanon (% of GDP)



Source: International Monetary Fund - October 2015, Byblos Bank

Quote to Note

"Regulation and supervision are adequate, and are largely in line with international standards."

Standard & Poor's, on the regulatory track record of the Central Bank and the Banking Control Commission of Lebanon

Number of the Week

6.67%: The weighted average interest rate on Lebanese Eurobonds as at November 2015, according the Association of Banks in Lebanon

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
BLOM Listed	9.40	0.00	579,734	18.23%
Audi Listed	6.08	(0.00)	82,802	21.92%
Solidere "A"	10.19	(0.04)	78,094	9.19%
Byblos Pref. 08	101.00	0.00	50,010	1.82%
Solidere "B"	10.10	(0.03)	46,689	5.92%
BLOM GDR	9.65	(0.01)	29,920	6.43%
Audi GDR	6.10	0.02	17,420	6.39%
Byblos Common	1.63	0.00	14,765	5.28%
HOLCIM	14.42	(0.01)	1,494	2.54%
Byblos Pref. 09	101.00	0.00	1,057	1.82%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2017	9.000	105.25	4.20
Nov 2018	5.150	99.50	5.34
May 2019	6.000	100.00	6.00
Mar 2020	6.375	100.38	6.27
Apr 2021	8.250	108.00	6.41
Oct 2022	6.100	97.50	6.57
Jun 2025	6.250	96.75	6.72
Nov 2026	6.600	97.50	6.93
Feb 2030	6.650	96.25	7.07
Nov 2035	7.050	99.50	7.10

Source: Byblos Bank Capital Markets

	Jan 25-29	Jan 18-22	% Change	January 2016	January 2015	% Change
Total Shares Traded	1,672,782	927,685	80.32	4,478,596	2,924,443	53.14
Total Value Traded	\$11,226,227	\$13,877,242	(19.10)	\$38,492,918	\$18,796,462	104.79
Market Capitalization	\$11.09bn	\$11.16bn	(0.63)	\$11.09bn	\$11.25bn	(1.46)

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 77th globally, 13th in North Africa and West Asia in terms of talent competitiveness

INSEAD's Global Talent Competitiveness Index (GTCI) for 2015-16 ranked Lebanon in 77th place among 109 countries around the world and in 13th place among 16 countries in the North Africa & West Asia (NAWA) region. Lebanon also came in 25th place among 31 upper middle-income countries (UMICs) included in the 2015-16 survey. Lebanon's global rank regressed by 13 spots from the 2014 survey based on the same set of countries in both surveys, constituting the steepest decline globally.

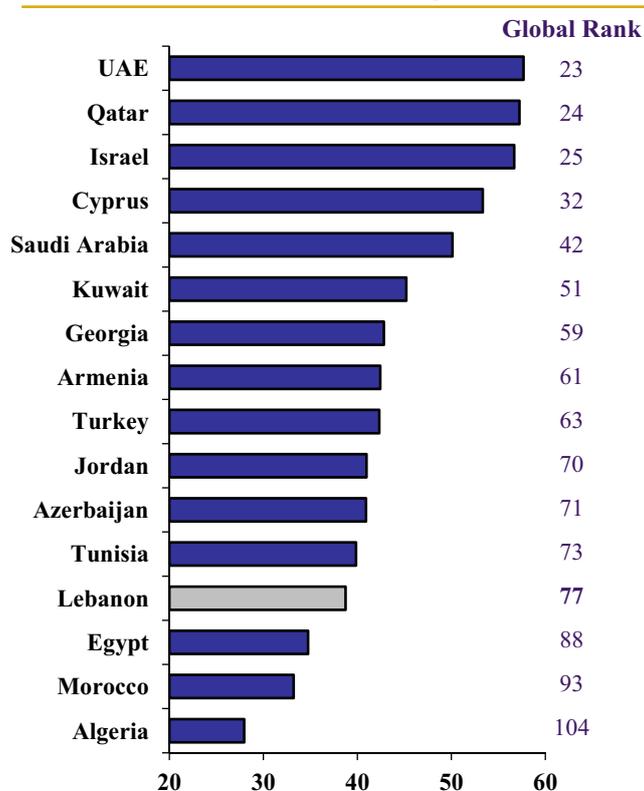
The GTCI measures a country's ability to attract, develop and retain talent. It assesses the steps and decisions that countries take to develop and acquire talented individuals, as well as a country's ability to provide the set of skills required to have a productive, innovative and competitive economy. The GTCI is a composite of six pillars grouped in two sub-indices that are the Talent Competitiveness Input Sub-Index and the Talent Competitiveness Output Sub-Index. A country's score is the simple average of its scores on the six pillars, with a higher score reflecting a better performance in terms of talent competitiveness. The countries included in the GTCI represent 83.8% of the world's population and 96.2% of global GDP.

Globally, Lebanon's talent competitiveness was higher than that of Ecuador, Namibia and Kyrgyzstan, and lower than the talent competitiveness of Peru, Guatemala and the Dominican Republic. Lebanon ranked ahead of only Ecuador, Namibia, Albania, Paraguay, Iran and Algeria among UMICs, while it came ahead of only Egypt, Morocco and Algeria in the NAWA region. Lebanon received a score of 38.74 points, down by 5.8% from 41.13 points in the 2014 survey and constituting the second steepest drop globally, behind Madagascar (-8%). Lebanon's score was lower than the global average score of 46.4 points, the UMIC's average score of 44 points, the NAWA region's average score of 41.93 points and the Arab region's average score of 42.6 points.

Lebanon ranked ahead of Paraguay, Morocco and Indonesia, and came behind Kenya, Vietnam and Tunisia on the Talent Competitiveness Input Sub-Index. This category covers the policies, resources and efforts that a country can use to promote its talent competitiveness. It includes four pillars that reflect how much the political and economic environment supports a favorable climate for talent to develop and thrive. It also focuses on what countries are doing to attract, grow and retain talented individuals. Lebanon ranked ahead of only Paraguay, Iran and Algeria among UMICs. Regionally, it ranked ahead of Morocco, Egypt and Algeria.

Also, Lebanon ranked ahead of Barbados, Mongolia and Kazakhstan, and came behind Turkey, Panama and Bosnia & Herzegovina on the Talent Competitiveness Output Sub-Index. This category measures the quality of talent in a country that results from domestic policies, resources and efforts. It is composed of two pillars that assess the current situation of a particular country in terms of labor and vocational skills, as well as in terms of global knowledge skills. Lebanon ranked ahead of Mongolia, Kazakhstan and Jordan, and came behind Turkey, Panama and Bosnia & Herzegovina among UMICs; while it came ahead of Jordan, Azerbaijan, Egypt, Kuwait, Morocco and Algeria in the NAWA region.

Global Talent Competitiveness Index 2015-16
Scores & Rankings



Source: INSEAD, Byblos Research

Components of the 2015-16 Talent Competitiveness Index

	Global Rank	NAWA Rank	UMICs Rank	Lebanon Score	NAWA Avg Score	UMICs Avg Score
Talent Competitiveness Input	87	13	28	41.28	48.89	46.51
Enablers	93	13	28	44.52	55.78	52.46
Attract	94	12	26	40.69	45.77	46.40
Grow	66	7	17	39.42	37.19	40.62
Retain	81	16	24	40.48	56.82	46.55
Talent Competitiveness Output	62	10	15	33.49	34.27	32.79
Labor & Vocational Skills	66	10	16	37.35	38.74	38.98
Global Knowledge Skills	56	8	12	29.63	29.79	26.59

Source: INSEAD, Byblos Research

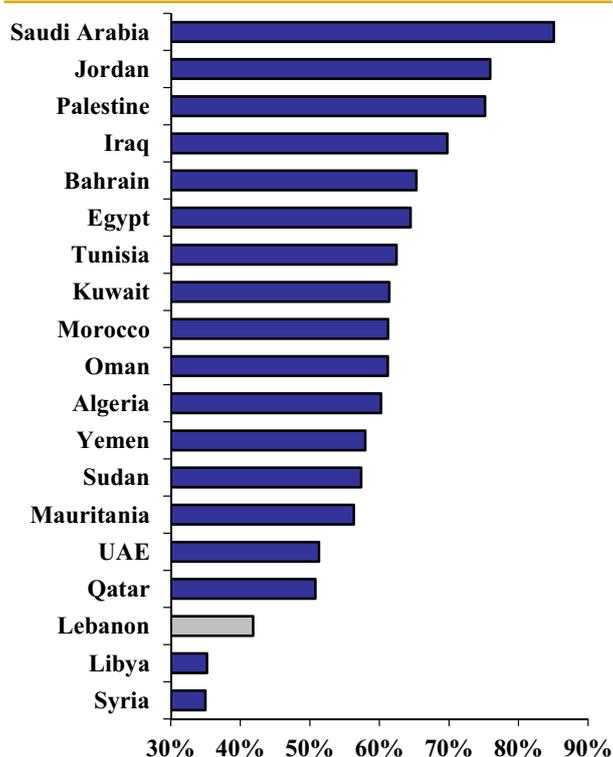


Lebanon has third least competitive cellular market in Arab World

The Cellular Competition Intensity Index for 2015 ranked Lebanon in 17th place among 19 countries in the Arab world, unchanged from the 2014 index, and up from 19th place in 2013. The index uses a relative approach, as it rates the intensity level of competition in the region's cellular markets by comparing the state of every market relative to the other markets. As such, even if a market's absolute level of competition improved, its score on the index will also depend on how other markets developed during the same period of time. The index, designed by the Arab Advisors Group, takes into account nine categories, with each category assigned a weight based on its importance as an indicator of competitive behavior. The categories include the number of licensed and expected operators in 2015, the number of working operators, the market share of the largest operator, the number of prepaid plans, the number of post-paid plans, the availability of smartphone plans, the availability of corporate offers, the availability of 3G/4G LTE services, and the availability of international long distance (ILD) competition.

Lebanon was among seven countries whose rankings were unchanged from the 2014 index, along with Saudi Arabia, Jordan, Palestine, Iraq, Tunisia and Mauritania. In parallel, the rankings of Bahrain, Kuwait, Yemen, the UAE and Libya improved year-on-year, while those of Egypt, Morocco, Oman, Algeria, Sudan, Qatar and Syria regressed from the 2014 index. Also, Lebanon received a score of 41.83% in 2015, up from 40.76% in 2014, 40.71% in 2013 and 38.84% in 2012, but significantly below the regional average of 59.4%. Lebanon's score increased by 1.07 percentage points and posted the fifth lowest increase regionally. All Arab countries posted increases in their 2015 score. The Arab Advisors Group considered that Saudi Arabia has the most competitive cellular market in the region, as it hosts four operational and licensed mobile network operators, in addition to two mobile virtual network operators. It also offers smartphone plans, corporate offers, 4G LTE services and ILD competition. In contrast, it viewed the Lebanese cellular market as a duopoly, as it hosts two operators with a market share split of around 47% to 53%. It added that Lebanon offers 13 prepaid plans and eight post-paid plans, in addition to smartphone plans, corporate offers and 3G/4G LTE services. Lebanon, along with the UAE, Qatar and Syria have a duopoly cellular market, with the four countries ranking at the bottom of the Index.

Cellular Competition Intensity Index for 2015



Source: Arab Advisors Group

Value of real estate transactions down 11% to \$8bn in 2015

Figures released by the Ministry of Finance indicate that there were 63,386 real estate transactions in 2015, constituting a decrease of 10.6% from 70,866 deals in 2014. In comparison, the number of real estate transactions rose by 2.4% in 2014 and regressed by 7.2% in 2013. Also, the aggregate value of real estate transactions reached \$8bn last year, reflecting a decline of 10.6% from \$9bn in 2014. In comparison, the value of real estate deals totaled \$8.9bn in 2013 and \$8.2bn in 2012.

In parallel, the average value per real estate transaction was \$126,313 in 2015, nearly unchanged from an average value of \$126,387 in 2014 and relative to \$128,201 in 2013. Further, there were 1,395 real estate transactions executed by foreigners in 2015, reflecting an increase of 16.2% from 1,201 deals in 2014, and compared to annual decreases of 6% in 2014 and 7.7% in 2013. The number of real estate transactions by foreigners accounted for 2.2% of total real estate deals last year compared to 1.7% of total deals in 2014 and 1.8% of total deals in 2013.

Slow economic activity in first 11 months of 2015

The Central Bank's Coincident Indicator, an index of economic activity in Lebanon, reached 293.1 points in November 2015 compared to 281.4 in October 2015 and 268.76 in November 2014. The Coincident Indicator, an average of eight weighted economic indicators, increased by 4.2% month-on-month and by 9.1% year-on-year in November 2015. The indicator averaged 276.5 in the first 11 months of 2015, up 1.9% from 271.4 in the same period of 2014. Also, the indicator averaged 277.8 in the 12 months ending November 2015, compared to 275.8 in the 12 months ending October 2015 and 271.1 in the 12 months ending November 2014. As a result, the average coincident indicator grew by 0.7% month-on-month and by 2.5% year-on-year. In parallel, the indicator improved 17 times and regressed six times on a monthly basis in the month of November since 1993. It averaged 249.5 points in 2010, 255.7 points in 2011, 256.6 points in 2012, 264.7 points in 2013 and 273.2 points in 2014.



Lebanon ranks 123rd globally, 16th among MENA countries on corruption index

Transparency International's 2015 Corruption Perceptions Index (CPI) ranked Lebanon in 123rd place among 168 countries around the world and in 16th place among 22 countries in the Middle East & North Africa region. Also, Lebanon came in 34th place among 41 upper middle-income countries (UMICs) included in the 2015 survey. Lebanon's global rank improved by six spots from the 2014 survey based on the same set of countries year-on-year. However, Lebanon's rank deteriorated by three spots from the 2012 survey based on the same set of countries in both surveys. Comparisons with surveys prior to 2012 are not possible given the change in methodology in the 2012 survey.

The CPI is a composite index that uses data sources from independent institutions specializing in governance and business climate analysis to assess the degree of corruption in the public sector of each country. The rankings are based on scores that range between zero and 100, with lower scores reflecting economies with a high level of corruption.

Globally, Lebanon is perceived as having the same level of corruption as The Gambia, Guatemala, Kazakhstan, Kyrgyzstan, Madagascar and Timor-Leste. It is also considered to be less corrupt than Cameroon, Iran, Nepal, Nicaragua, Paraguay and Ukraine; and more corrupt than Azerbaijan, Guyana, Russia and Sierra Leone. Also, Lebanon is considered to be less corrupt than only Iran, Paraguay, Turkmenistan, Iraq, Libya and Angola among UMICs.

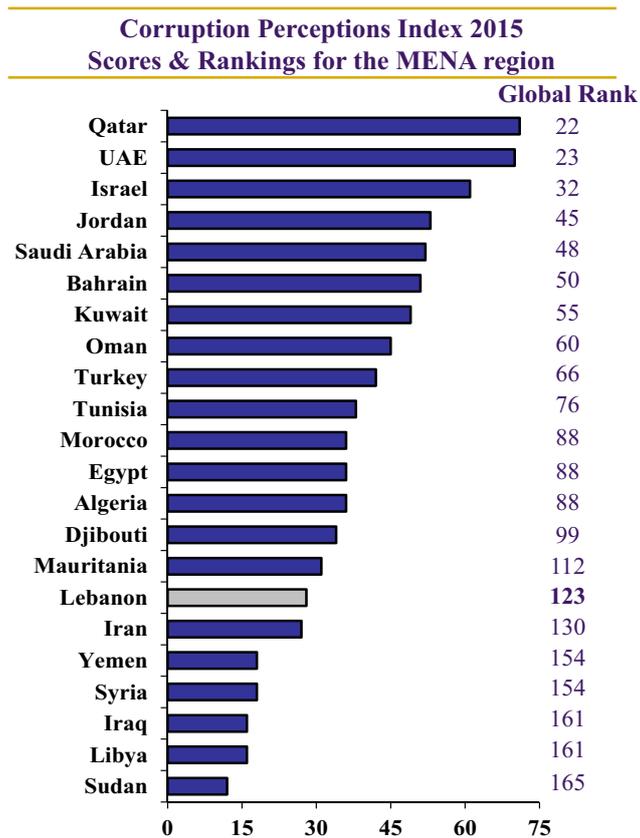
Lebanon received a score of 28 points, up by 3.7% from 27 points in the 2014 survey, but down by 6.7% from the 2012 survey. Lebanon's score came below the global average score of 42.6 points, the UMICs' average score of 37.4 points and the MENA region's average score of 38.2 points.

Also, Lebanon's score came below the average score of the Gulf Cooperation Council (GCC) countries' average score of 56.3 points and the average score of non-GCC Arab countries of 28.6 points. Lebanon was among 34 countries globally that received a score between 20 and 29 points, a category classified as the third worst globally in terms of corruption perception. Denmark was ranked as the least corrupt country worldwide, while the survey found Somalia to be the most corrupt in the world.

Treasury transfers to Electricité du Liban down 46% to \$787m in first eight months of 2015

Figures released by the Finance Ministry show that Treasury transfers to Electricité du Liban (EdL) totaled \$787.3m in the first eight months of 2015, constituting a drop of 46.4% from \$1.5bn in the same period of 2014. The ministry indicated that transfers to EdL for 2015 are calculated on a cash basis, as it also adjusted the 2014 figures for comparative reasons. The ministry said that reimbursements to the Kuwait Petroleum Corporation (KPC) and to the Algerian energy conglomerate Sonatrach totaled \$770.2m, or 97.8% of transfers in the covered period, while EdL's debt servicing represented the balance of \$17.2m, or 2.2% of the total. It attributed the decline in transfers to a decrease of \$680m, or 46.9%, in payments to KPC and Sonatrach during the covered period as well as to a drop of \$2m, or 10.3%, in debt servicing.

The ministry said that the decline in payments to KPC and Sonatrach reflects a 47.4% year-on-year decrease in oil prices at the time the oil contracts were executed, and a 14.5% drop in the quantity of imported fuel oil that was partly offset by a 4.5% increase in the quantity of imported gasoil. Also, it pointed out that EdL contributed 2.8% of the repayments to the two oil suppliers in the first eight months of 2015, up from 2% in the same period of 2014. EdL transfers accounted for 13.6% of primary expenditures in the first eight months of last year compared to 23.4% in the same period of 2014. They constituted the third largest expenditures item after debt servicing and salaries & wages in overall fiscal spending. EdL transfers were equivalent to 5.1% of GDP in 2012, and to 4.3% of GDP in each of 2013 and 2014.



Source: Transparency International, Byblos Research

Deposit growth essential for public finance stability

Fitch Ratings projected Lebanon's real GDP growth rate to accelerate slightly from an estimated 1.2% in 2015 to 1.5% in 2016 and 2% in 2017. It noted that spillovers from the Syrian conflict have severely affected the country's economic performance and prospects. It pointed out that Lebanon's growth rate averaged 2% during the 2011-15 period, significantly below the median growth rate of 4.5% among 'B'-rated sovereigns for the same period. It expected regional and domestic instability to continue to constrain economic activity in Lebanon. The agency did not incorporate a resolution of the Syrian conflict into its projections for the coming two years, and assumed that domestic and regional stakeholders would maintain the prevailing status-quo.

Fitch estimated Lebanon's fiscal deficit to have widened from 6.1% of GDP in 2014 to 7% of GDP in 2015, following the one-off revenues that supported the fiscal position in 2014. It noted that the country's deficit is significantly wider than the 4% of GDP median deficit among similarly-rated sovereigns. It added that public finances remain under pressure despite lower Treasury transfers to Electricité du Liban and the Finance Ministry's attempts to control spending. Still, it projected the fiscal deficit to widen to 7.3% of GDP in 2016 due to subdued economic activity, elevated debt servicing costs and the absence of reforms. It noted that the prevailing political paralysis in the country continues to constrain effective fiscal policy. Further, the agency estimated that Lebanon's public debt level has regressed from 133% of GDP in 2014 to 131% of GDP in 2015, but it noted that it is still significantly above the 52.3% of GDP median ratio among 'B'-rated countries. It expected the debt level to reach 133.3% of GDP in 2016 and 137.4% of GDP in 2017.

In parallel, Fitch indicated that the growth rate of deposits at Lebanese bank has decelerated in part due to the large deposit stock, but it also noted that the increase in deposits in nominal value has been lower than in previous years. It said that the slowdown in the growth rate of deposits at Lebanese banks is a risk due to the government's need to finance its wide fiscal deficit and meet its debt amortization schedule from commercial banks. It estimated that deposit growth needs to be at near 6% annually during the 2016-17 period in order to match the annual average increase in deposits of \$9.3bn during the 2011-14 period. It noted that the public debt-to-M3 ratio has been broadly stable at 56.3% in previous years, but expected it to increase if deposit growth continues to slow down.

The agency estimated the current account deficit to have narrowed from 24.4% of GDP in 2014 to 17.3% of GDP in 2015, reflecting a smaller trade deficit on the back of lower oil prices. It projected the deficit at 18.3% of GDP in 2016, and considered it as a structural weakness of the sovereign's credit profile. Further, it noted that the Central Bank maintains a large stock of foreign currency reserves and gold that covers 14.7 months of current external payments in 2016, nearly unchanged from 14.6 months in 2015. Also, it noted that the stock of foreign currency reserves and gold covers 61% of deposits in Lebanese pounds, which ensures that the Central Bank has buffers in the event of a security incidents that trigger mass conversion of deposits in local currency to US dollars. It estimated the country's gross external financing requirements at 28.5% of foreign currency reserves at the end of 2015 and expected them to average 32.3% of foreign currency reserves annually during the 2016-17 period.

Launch of primary healthcare campaign

The Ministry of Public Health launched a comprehensive primary healthcare (PHC) project that it considered as a step forward towards establishing a universal healthcare coverage system in Lebanon. The project is based on the development and promotion of PHC as a right for citizens to access medical services and treatments. PHC is defined as the essential healthcare that is made universally accessible to individuals and families at an affordable cost. The PHC system in Lebanon offers several services that include preventive programs, reproductive health services, child vaccination and care, a non-communicable diseases program and a mental health program. The project, supported by the World Bank, aims to cover 150,000 Lebanese citizens registered within the Ministry of Social Affairs programs through 75 PHC centers.

The ministry stressed the importance of having accessible accredited PHC centers across Lebanon, as PHC is a fundamental right for all citizens. Also, the ministry launched a national awareness campaign about the services provided by PHC centers as well as their geographic locations. Accreditation Canada have been assessing PHC centers across Lebanon since 2008. Since then, 78 centers have received official recognition from Accreditation Canada. The ministry expects to expand its network of PHC centers from about 214 in 2015 to 250 centers in 2016.

Plan for four agricultural research centers

The Lebanese Agricultural Research Institute (LARI) announced plans to establish four new agricultural research stations in Akkar, Diman, Jbeil and Nabatiyeh in early 2017. The cost of the four new stations, which includes the construction and equipment costs, is estimated at about \$1.3m and is fully-funded by the institute. The tender for the construction of the new stations is expected to be launched around May 2016. Each research station will consist of a laboratory for the analysis of the quality of soil, water, honey, food and olive oil, and can determine the level of pesticides in products, among other functions. In addition, the stations will include a weather station and a nursery dedicated to producing seeds such as wheat, barley and grain legumes.

The LARI currently has 12 research stations throughout Lebanon. It is a governmental organization under the Ministry of Agriculture's supervision. It conducts applied and basic scientific research for the development and advancement of the agricultural sector in Lebanon. In addition, it keeps close ties with farmers and tries to develop research activities aiming at solving their problems. The institute issues certifications of compliance with international standards to analyze the products' health status for both export and local markets.

Trade deficit narrows by 12% to \$15bn in 2015, equivalent to 30% of GDP

The total value of imports reached \$18.1bn in 2015, constituting a decrease of 11.8% from 2014; while the aggregate value of exports declined by 10.9% to \$3bn. As such, the trade deficit narrowed by 12% to \$15.1bn in 2015, constituting the second consecutive annual narrowing, following a decrease of 0.6% in 2014. The narrowing of the deficit was due to a decrease of \$2.4bn in imports, given that exports fell by \$360.4m year-on-year. Lebanese exports have been on a downward trend since 2013, as they dropped by 12.2% in 2013 and by 15.8% in 2014. The trade deficit was equivalent to 30.4% of GDP in 2015, relative to 35.6% of GDP in 2014 and 37.5% of GDP in 2013. The coverage ratio was 16.3% in 2015 compared to 16.2% in 2014, while it reached 12.8% in December 2015 relative to 16.3% in December 2014.

The Port of Beirut accounted for 72.1% of Lebanon's imports last year, followed by the Hariri International Airport (18.9%), the Port of Tripoli (5.6%), the Port of Saida (2.2%) and the Masnaa crossing point (0.7%). In parallel, the Port of Beirut accounted for 52% of Lebanon's exports, followed by the Hariri International Airport (27.6%), the Port of Tripoli (8.7%), the Masnaa crossing point (6.2%), the Abboudieh crossing point (3.1%) and the Arida crossing point (2%). The value of imported oil & mineral fuels declined by \$1.45bn, or 29.6%, year-on-year, to \$3.4bn; while non-hydrocarbon imports regressed by 6.3% to \$14.6bn. Also, the value of imported base metals fell by \$340.7m, or 22.7%, to \$1.16bn in 2015, and those of machinery & mechanical appliances regressed by \$195m, or 8.9%, to \$2bn last year. The value of oil & mineral fuels accounted for 19% of total imports in 2015 compared to a share of 23.8% in 2014.

In volume terms, imports reached 15.7 million tons in 2015, constituting an increase of 1.6% from 15.5 million tons in 2014; while exports regressed by 13.2% to 1.9 million tons. Imports of oil & mineral fuels increased by 1.9% to 7.5 million tons, while non-hydrocarbon imports grew by 1.4% annually to 8.2 million tons. Imported oil & mineral fuels accounted for 48% of total imports in 2015 relative to a 47.7% share in 2014.

China was the main source of imports with \$2.1bn or 11.5% of the total in 2015, followed by Italy with \$1.3bn (7.1%), Germany with \$1.2bn (6.8%), France with \$1.1bn (6%), the United States with \$1bn (5.7%), Russia with \$824.6m (4.6%) and Greece with \$785.2m (4.3%). Imports from Italy regressed by 22% in 2015, those from the United States and China decreased by 16.5% each, imports from France fell by 15%, those from Russia dropped by 7.1%, imports from Greece declined by 3.8% and those from Germany regressed by 2.7%. Also, imports from the Eurozone fell by \$969.4m or 14% in 2015.

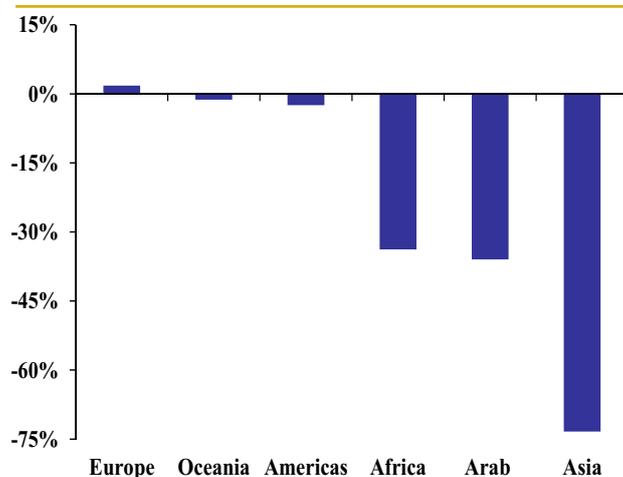
Further, Saudi Arabia was the main export destination of Lebanese merchandise with \$356.5m or 12.1% of total exports, followed by the UAE with \$312.8m (10.6%), Iraq with \$224.6m (7.6%), Syria with \$209.8m (7.1%), South Africa with \$194.5m (6.6%) and Jordan with \$112.3m (3.8%). Exports to South Africa declined by 34.5%, those to Jordan regressed by 13.5%, exports to Syria decreased by 13.3%, those to Iraq fell by 12.3%, exports to Saudi Arabia dropped by 5.5% and those to the UAE declined by 2.3%. Lebanon's main exports were prepared foodstuff with \$482.7m, or 16.3% of the total, followed by jewelry with \$434.1m (14.7%), machinery & mechanical appliances with \$413.8m (14%), chemical products with \$411m (13.9%), base metals with \$313.7m (10.6%), vegetable products with \$183.7m (6.2%) and paper & paperboard products with \$158.1m (5.4%). In parallel, re-exports totaled \$507m in 2015 compared to \$439.9m in 2014.

Tourist arrivals up 12% in 2015

The number of incoming tourists to Lebanon totaled 1,517,927 in 2015, constituting an increase of 12.1% from 1,354,647 tourists in 2014 but a drop of 30% from 2,167,989 tourists in 2010. Visitors from Europe accounted for 33.3% of total visitors in 2015, followed by visitors from Arab countries with 31.7%, the Americas with 17.4%, Asia with 8.1%, Africa with 5.6% and Oceania with 3.9%. Also, tourists from Iraq accounted for 12.6% of total visitors in 2015, followed by visitors from the U.S. with 8.9%, France with 8.8%, Canada with 6%, Jordan with 5.1%, Egypt with 5% and Germany with 4.9%.

In parallel, the number of visitors from African countries increased by 53.2% in 2015, followed by visitors from the Americas (+17.5%), Oceania (+17.3%), Europe (+12.9%), Asia (+7.7%) and the Arab region (+4.3%). On a country basis, the number of tourists from Turkey surged by 30.4% in 2015, followed by visitors from the U.S. with a 19% rise, England (+17.1%), Canada (+16.5%), Brazil (+12.8%), France (+11.2%), Germany (+10.1%), Egypt (+9.2%), Sweden (+9%), the UAE (+7.5%), Venezuela (+6%), Jordan (+5.6%), Saudi Arabia (+4.5%), Italy (+4.1%), Iraq (+1.3%); while the number of tourists from Kuwait was unchanged year-on-year.

Change in the Number of Tourist Arrivals from main Sources in 2015*



*compared to 2010

Source: Ministry of Tourism, Byblos Research



Byblos Bank's net profits at \$161m in 2015, capital adequacy ratio at 17.6%

Byblos Bank sal, one of the top banking and financial services groups in Lebanon, declared unaudited net profits of \$160.6m in 2015 relative to \$175.5m in 2014. Net interest income reached \$259.5m last year and grew by 7.6% from \$241.2m in 2014; while net fees & commissions income stood at \$81m relative to \$90.1m in the preceding year. Also, net gains from financial instruments at fair value increased by 2.1% to \$45.3m in 2015. Net operating income totaled \$423.7m in 2015 relative to \$435.5m in 2014. In parallel, total operating expenses reached \$227m in 2015, of which personnel expenses accounted for 48.5% of the total.

The Bank's aggregate assets reached \$19.9bn at the end of 2015 and grew by 4.4% from \$19bn at end-2014. Net loans & advances to customers totaled \$4.91bn at the end of 2015, up by 4.3% from \$4.7bn a year earlier. Also, net loans & advances to related parties increased by 8.9% from end-2014 to \$20.2m. Byblos Bank maintained strong financial buffers to mitigate unexpected risks and to counter economic volatility. The Bank's net non-performing loans, or NPLs net of specific provisions and reserved interest, were equivalent to 1.3% of net loans at the end of 2015. Also, the NPL coverage ratio, including collective provisions, was 109.8% at the end of 2015. The Bank's capital adequacy ratio stood at 17.6% at the end of June 2015 according to Basel III criteria, and is significantly above the minimum regulatory requirement of 12% for 2015 and one of the highest such ratios in the Lebanese banking sector. Also, the Bank's immediate liquidity with commercial banks and central banks, including certificates of deposit, stood at \$10.1bn at the end of 2015, representing 51% of the Bank's aggregate assets.

The Bank's customer deposits totaled \$16.36bn at the end of 2015, up by 5.5% from the end of 2014. Also, deposits from related parties rose by 34.8% from end-2014 to \$279.7m. Total shareholders' equity was \$1.71bn at the end of 2015, up by 1.4% from a year earlier. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Central Bank regulates operations of moneylenders

The Central Bank of Lebanon issued Basic Circular 2 on January 21, 2016, which regulates the operations of moneylenders in Lebanon. Moneylenders usually extend loans to physical or moral entities that do not have easy access to the official financial system, in exchange of a collateral. The circular sets the minimum capital for moneylenders in Lebanon at LBP2bn or \$1.33m, which should be paid as a lump sum. It allows moneylenders to operate in the country through their headquarters and prohibited them from opening any branch without the approval of the Central Bank. It adds that moneylenders should have LBP2bn or \$1.33m in additional unencumbered equity for each branch they plan to open. Further, the circular stipulates that moneylenders' assets should always exceed their obligations by an amount equivalent to their capital or the cash allocated for their operations. It prohibits moneylenders from reducing or withdrawing their capital, and requires them to replenish their capital if they incur losses.

In addition, the circular indicates that the total loans extended to a physical or moral entity should not exceed 5% of the moneylenders' equity, or LBP150m (\$99,502.5), whichever is the lowest. It adds that the borrowers' monthly settlements for all loans, whether taken from banks, financial institutions or moneylenders, should not exceed 35% of their household income.

In parallel, the circular forbids moneylenders from taking loans, directly or indirectly, from banks or financial institutions. It also bans moneylenders that operate under a joint-stock company from extending loans that exceed four-times their equity, while it limits their loans to twice the equity base for entities that are not incorporated as a joint-stock company. It requires the loans extended by moneylenders to be at least equivalent to 60% of the value of the collateral. It also prohibits moneylenders from acquiring irrevocable power of attorney (POA) or a POA that allows them to sell the physical collateral.

The circular asks moneylenders to abide by the regulations from the Central Bank and the Banking Control Commission of Lebanon, especially the regulations about the transparency in doing business and in calculating interest rates, as well as the regulations related to anti-money laundering and combating the financing of terrorism. It also asks moneylenders to submit to the Central Bank and the BCCL a copy of their balance sheet on a quarterly basis and of their income statement on an annual basis. In addition, moneylenders should declare to the Central Office of Banking Risks, or Centrale des Risques, the credit facilities they are providing to their clients, irrespective of the loan amount.

Finally, the circular indicates that moneylenders have until January 2017 to meet the capital requirements and until June 2016 to abide by the remaining requirements of the circular. It noted that the Central Bank will publish in June 2016 the list of moneylenders that met the requirements and that are officially allowed to operate in the country.



Stock market activity up 105% to \$38.5m in January 2016

Figures released by the Beirut Stock Exchange (BSE) indicate that total trading volume reached 4,478,596 shares in January 2016, constituting an increase of 53.1% from 2,924,443 shares traded in the same month of 2015; while aggregate turnover amounted to \$38.5m, up by 104.8% from a turnover of \$18.8m in January 2015. Market capitalization dropped by 1.5% from the end of January 2015 to \$11.1bn, with banking stocks accounting for 81.7% of the total, followed by real estate shares (15.1%), industrial firms (2.8%) and trading stocks (0.3%). The market liquidity ratio was 0.3% in January 2016, compared to 0.2% in January 2015. Banking stocks accounted for 92.7% of aggregate trading volume in January, followed by real estate equities with 7.2% and industrial shares with 0.1%. Also, banking stocks represented 91.2% of the aggregate value of shares traded in January 2016, followed by real estate equities with 8.6% and industrial stocks with 0.2%. The average daily traded volume for the month was 235,716 shares for an average daily value of \$2m. The figures reflect increases of 69.3% in volume and of 126.3% in value year-on-year. In parallel, the Banque du Liban Market Value-Weighted Index decreased by 2.6% in January 2016, while the Banque du Liban Banks Market Value-Weighted Index improved marginally by 0.3% in the covered month.

American firm gets power plants contract

The Ministry of Energy and Water announced that Primesouth LLC, a U.S.-based company that specializes in operating and maintaining power plants, won the five-year operation and maintenance contract for the Zahrani and Deir Ammar power plants. The value of the new contract is about \$339.5m. Primesouth will succeed YTL Corporation Berhad, a Malaysian conglomerate that specializes in the management of regulated utilities and other infrastructural assets, whose contract expires on February 15, 2016. The Zahrani and Deir Ammar power plants generate 900 Megawatts and account for about 40% of Lebanon's total electricity output.

Aggregate profits of listed banks up 9% in 2015

Financial results issued by five out of six banks listed on the Beirut Stock Exchange show that their aggregate net profits reached \$1.18bn in 2015, constituting an increase of 9.1% from net earnings of \$1.1bn in 2014. The five banks' unaudited net profits reached \$267.6m in the first quarter, \$291.5m in the second quarter, \$296.2m in the third quarter and \$319.8m in the fourth quarter of 2015. Further, the banks' aggregate pre-tax profits grew by 4.3% to \$1.3bn in 2015. The aggregate net interest income of the five banks reached \$2.1bn in 2015 and increased by 11.1% from \$1.9bn in 2014; while their total net fees & commissions income rose by 3.2% year-on-year to \$580.8m. The banks' total operating income reached \$3.17bn in 2015 and increased by 4.1% from \$3bn in 2014. Further, the banks' collective cost-to-income ratio stood at 48.1% in 2015 relative to 48.3% in 2014.

In parallel, the aggregate assets of the five banks rose by 3.5% from the end of 2014 to \$109bn; while their loans, including those to related parties, grew by 4.1% to \$35bn at the end of 2015. Also, total deposits, including those from related parties, increased by 3.4% to \$90.9bn at the end of 2015.

The five banks' aggregate loans-to-deposits ratio stood at 38.5% at the end of 2015, up from 38.3% a year earlier. BLOM Bank had the lowest loans-to-deposits ratio at 28.7% compared to 28.8% at end-2014; followed by Byblos Bank with a ratio of 29.6% relative to 30.1% a year earlier, Bank of Beirut with 35% compared to 37.4% at end-2014; Banque BEMO with a ratio of 50% relative to 52.9% a year earlier; and Bank Audi with 50.4%, up from 47.9% at end-2014.

Results of Listed Banks in 2015

	Byblos	BLOM	Audi	BoB	BEMO
Net Profits	\$160.6m	\$404.7m	\$403.1m	\$193.37m	\$13.43m
% Change*	(8.5%)	10.9%	15.1%	10.0%	19.6%
Total Assets	\$19.87bn	\$29.10bn	\$42.27bn	\$16.16bn	\$1.62bn
% Change*	4.4%	4%	0.7%	8.3%	9.9%
Loans	\$4.93bn	\$7.19bn	\$17.94bn	\$4.26bn	\$0.68bn
% Change*	4.3%	4.1%	4.5%	2.0%	5.1%
Deposits	\$16.64bn	\$25.09bn	\$35.61bn	\$12.17bn	\$1.35bn
% Change*	5.9%	4.5%	(0.6%)	9.1%	11.3%

*Year-on-year

Source: Banks' financial statements, Byblos Research

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	Apr 2014	Mar 2015	Apr 2015	Change**	Risk Level
Political Risk Rating	52.0	54.5	55.0	▼	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	63.25	63.5	▼	Moderate

MENA Average*	Apr 2014	Mar 2015	Apr 2015	Change**	Risk Level
Political Risk Rating	58.0	57.9	57.2	▲	High
Financial Risk Rating	40.4	39.6	39.4	▲	Low
Economic Risk Rating	35.7	34.4	33.9	▲	Moderate
Composite Risk Rating	67.0	65.9	65.3	▲	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

Source: Moody's Investors Services



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