

LEBANON THIS WEEK

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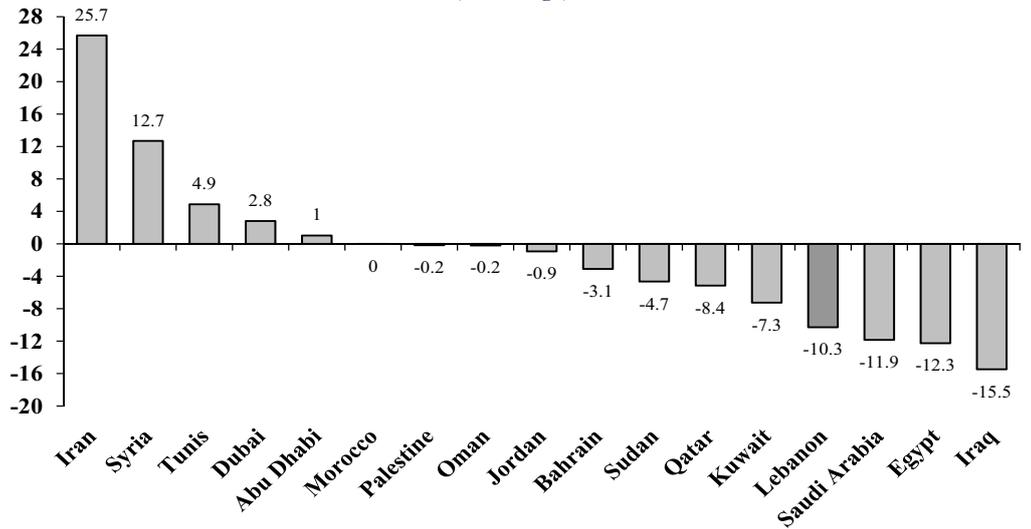
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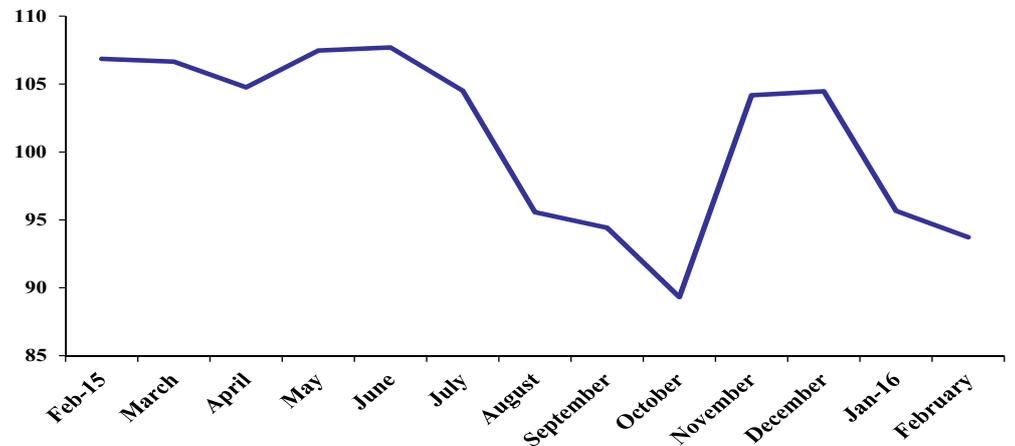
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Charts of the Week

Performance of MENA Stock Markets in First Two Months of 2016 (% change)



Performance of the Beirut Stock Exchange*



* Capital Markets Authority Value Weighted Index end of month values

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

Quote to Note

"We do not expect the most recent GCC travel advisories to have a significant impact on Lebanon's economy."

Emirates NBD Bank, on the potential impact of recent travel warnings to Lebanon

Number of the Week

36: 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
BLOM Listed	9.65	0.52	20,070,874	18.76%
Audi Listed	6.00	(2.44)	334,189	21.69%
BLOM GDR	10.05	1.01	94,994	6.72%
Byblos Common	1.64	0.00	92,305	5.33%
Audi GDR	6.00	(0.50)	46,396	6.24%
Solidere "A"	9.69	(1.72)	29,488	8.76%
Solidere "B"	9.67	(4.16)	15,180	5.68%
HOLCIM	14.40	0.63	1,000	2.54%
Byblos Pref. 08	101.10	0.00	100	1.83%
Byblos Pref. 09	101.40	0.00	0	1.83%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2017	9.000	104.25	4.75
Nov 2018	5.150	99.88	5.20
May 2019	6.000	100.50	5.82
Mar 2020	6.375	101.50	5.95
Apr 2021	8.250	108.88	6.19
Oct 2022	6.100	98.50	6.38
Jun 2025	6.250	97.50	6.61
Nov 2026	6.600	98.50	6.80
Feb 2030	6.650	98.25	6.85
Nov 2035	7.050	99.88	7.06

Source: Byblos Bank Capital Markets

	Feb 29-Mar 4	Feb 22-26	% Change	February 2016	February 2015	% Change
Total Shares Traded	20,695,189	970,340	2033	4,962,188	21,880,303	(77.32)
Total Value Traded	\$196,773,211	\$6,073,043	3140	\$42,938,846	\$156,374,053	(72.54)
Market Capitalization	\$11.06bn	\$11.14bn	(0.75)	\$11.09bn	\$11.77bn	(5.79)

Source: Beirut Stock Exchange (BSE)



Limited impact of GCC travel warning on Lebanon's fiscal and external balances

Moody's Investors Service considered that the recent decision by the Gulf Cooperation Council (GCC) governments to warn their citizens from traveling to Lebanon would have a limited immediate impact on Lebanon's fiscal and external positions. It said that visitors to Lebanon from GCC countries, who include Lebanese citizens and GCC nationals, represent the majority of passenger arrivals to Lebanon. However, it noted that GCC nationals have accounted for a decreasing share of arrivals to Lebanon since 2011 due to security concerns, as well as to the disruption of the overland route across Syria that travelers by land utilize to reach Lebanon. It indicated that citizens from Saudi Arabia, the UAE, Kuwait, Qatar and Bahrain accounted for 1.6% of total arrivals, including Lebanese expatriates, to Lebanon in 2015, and that the total number of arrivals from the five countries declined by 55% since 2011. As such, it noted that the impact of the GCC's travel restrictions to Lebanon is modest, given that Lebanon's reliance on GCC visitors is limited.

However, Moody's considered that an escalation of tensions between Lebanon and GCC countries could negatively affect the Lebanese expatriates who reside and work in Gulf economies, in case of a freeze on new work visas for Lebanese nationals. It noted that the Lebanese Diaspora is broad and constitutes a loyal source of deposits for Lebanese banks, especially that deposit growth at Lebanese banks supports their ability to continue to finance the high and increasing debt of the Lebanese government. As such, it estimated that a freeze on visa issuance for Lebanese citizens would slow the growth of remittance and deposit inflows to Lebanon. But it did not expect GCC governments to resort to the expulsion of Lebanese workers in general.

Further, the agency pointed out that lower GCC financial support would erode Lebanon's robust external payments position. It said that GCC governments could withdraw their deposits from the Central Bank of Lebanon, which it estimates at about \$860m. It indicated that these deposits are relatively small compared to the \$33bn in foreign-currency reserves held by the Central Bank. But it considered that such a withdrawal would signal the possibility of reduced support from GCC countries in the event of a liquidity crisis.

In addition, Moody's indicated that a disruption in trade flows between Lebanon and GCC countries would negatively affect the country's trade balance. It noted that Lebanese exports to GCC markets, excluding Oman, have been relatively stable in past years and represent about 27% of total Lebanese exports. It did not expect trade disruptions to GCC markets to be in the form of direct sanctions, but it said that GCC governments could impose non-tariff barriers on Lebanese exports.

Merrill Lynch maintains recommendation on Lebanon's Eurobonds, sees continued Saudi support

Merrill Lynch expected in its base case scenario that Saudi Arabia will remain an effective financial supporter of Lebanon, despite the recent increase in tensions between the two countries. It considered that Riyadh's decision to stop its \$4bn financial aid to the Lebanese armed forces constitutes a relatively painless and symbolic way to signal Saudi discontent with the direction of Lebanese politics, but without causing financial instability in the country.

It indicated that Lebanese officials did not receive from Saudi authorities a written or verbal request to withdraw the Saudi deposits at the Central Bank of Lebanon, which were placed originally at the height of the July 2006 war. It noted that the \$1bn Saudi deposit is likely to expire in July 2016, but it expected Saudi authorities to roll over the funds, assuming bilateral tensions do not intensify.

In parallel, Merrill Lynch considered that the Saudi government's warning to its citizens about traveling to Lebanon is not unprecedented, given that similar measures were imposed during previous instances of severe domestic political instability and deterioration in security conditions. But it expected the decision to weaken the prospects for the upcoming summer tourism season in Lebanon. Further, it did not anticipate a mass expulsion of Lebanese expatriates from Gulf Cooperation Council countries.

According to Merrill Lynch, the pace of deposit growth has not changed materially from the fourth quarter of last year, with non-resident foreign currency deposits growing by about 5% year-on-year, while the Central Bank's assets in foreign currency were broadly stable as at the end of February.

As such, Merrill Lynch maintained its MarketWeight recommendation on Lebanon's external debt, given that risks are alleviated by low global oil prices, which ease the fiscal and current account imbalances and help increase the Central Bank's foreign currency reserves. It also assumed in its base scenario that the Central Bank will continue its active risk management and that rating agencies will not downgrade Lebanon's sovereign ratings below the 'B-' level.

Barclays affirms Lebanon's external debt at 'Neutral'

Barclays Capital maintained its recommendation on Lebanon's external debt at 'Neutral' in its emerging markets (EM) credit portfolio in February 2016. The EM credit portfolio is a model portfolio based on the Barclays EM USD Sovereign Debt Index. Lebanon's external debt rating of 'Neutral' placed it in the same category as Indonesia, Sri Lanka, Pakistan, Qatar, Egypt, Brazil, Venezuela, Argentina and Peru. Further, Lebanon's weight allocation in the portfolio increased from 3.5% in February 2015 to 3.9% at the end of February 2016. Lebanese Eurobonds accounted for 10.3% of the portfolio's allocation from the Europe, the Middle East & Africa (EMEA) region, up from 9% in February 2015. Lebanon's index allocation was the fifth highest among 27 sovereigns in the portfolio in February 2016 and the third highest among 13 issuers in the EMEA. In parallel, Lebanon's external debt posted a total return of 0.4% in the first two months of 2016, similar to that of Turkey and Serbia, and was the eighth lowest among the 27 emerging markets included in Barclays's portfolio of EM sovereign debt. Lebanon underperformed the EMEA returns of 1% and the overall emerging markets returns of 1.2% over the covered period.

Standard & Poor's affirms Lebanon's sovereign ratings, maintains 'negative' outlook

Standard & Poor's affirmed Lebanon's long- and short-term foreign and local currency sovereign credit ratings at 'B-/B' and maintained the 'negative' outlook on the long-term ratings. It indicated that the affirmation of the ratings reflects its expectations that deposit inflows to the Lebanese banking sector would continue to support the government's borrowing requirements and the country's external financing needs. It forecast bank deposits to grow by at least 4% in 2016, which is equivalent to about 12% of GDP.

S&P noted that the government's debt servicing capacity is dependent on the strength of deposit inflows and on the financial sector's willingness and ability to continue buying government securities. It reiterated that the government's dependence on domestic banks and on the Central Bank to finance its needs is a structural weakness, but it considered the flow of funds from these sources to be a crucial support at the current rating level. It projected the government's gross borrowing requirements at about 26% of GDP in 2016. Further, it indicated that the financial system has been crucial to meet the country's overall external financing requirement that it forecast at \$46bn or 88% of GDP in 2016. It estimated the country's gross external financing needs at 111% of current account receipts and usable reserves in 2016, similar to the 2015 level and down from 113.3% in 2014. It projected the current account deficit to narrow from an average of 23% of GDP during the 2012-15 period to an average of 18.4% of GDP during the 2016-19 period.

The agency indicated that several factors could negatively affect the growth of bank deposit inflows, which originate in large part from Lebanese expatriates. It noted that deposit growth has decelerated from 11.5% in 2010 to about 5% in 2015, due to the increasing stock of deposits, as well as to spillovers from the Syrian conflict and, to a lesser extent, the economic slowdown in GCC countries. It added that deposit inflows are sensitive to swings in confidence. It considered that the GCC economies' recent measures against Lebanon would likely have a softer and temporary impact on depositor confidence compared to previous periods of elevated tension and instability, such as the assassination of Prime Minister Rafic Hariri in 2005 and the Israeli war in 2006. In addition, it indicated that the challenging domestic political landscape constitutes a longer term constraint on Lebanon's deposit and economic growth.

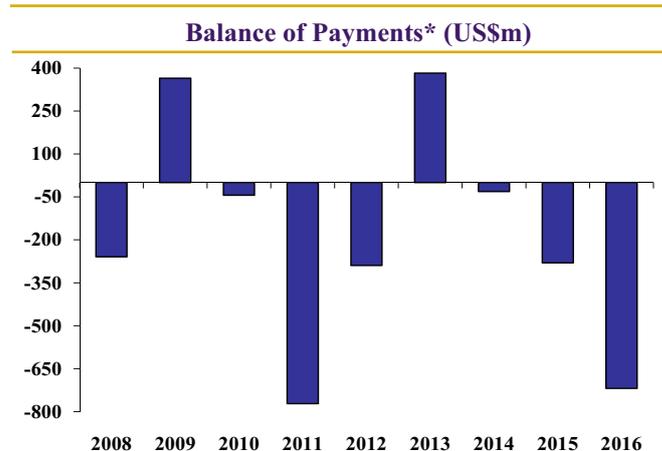
S&P anticipated that the country's growth prospects would remain weak as long as the domestic political stalemate persists and in the absence of a resolution to the Syrian conflict. It revised its projections for Lebanon's real GDP growth to an annual average of 1.6% during the 2015-18, down from a forecast of 2.6% in September 2015. Further, it projected the fiscal deficit of 8.7% of GDP in 2016 compared to a deficit of 8.1% of GDP in 2015, as it considered that public finances and fiscal flexibility will remain constrained by structural expenditures.

The agency indicated that its 'negative' outlook on Lebanon's sovereign ratings reflects its expectations that the prolonged political deadlock and rising regional tensions could further weaken the functioning of the Lebanese government and may result in a further slowdown in the banking sector's deposit growth over the next 12 months. It cautioned that it would downgrade the ratings in the coming 12 months if deposit inflows significantly slowed or if foreign currency reserves declined to below current expectations. It added that the escalation of the domestic political gridlock would weigh on the ratings. It considered that its assessment of Lebanon's institutional, economic, monetary and fiscal factors constitute weaknesses to the ratings, while its assessment of the country's external position is a neutral factor on the ratings.

Balance of payments posts deficit of \$719m in January 2016

Central Bank figures show that Lebanon's balance of payments posted a deficit of \$718.9m in January 2016 compared to deficits of \$372.4m in December 2015 and of \$280.2m in January 2015. The January 2016 deficit was caused by a drop of \$763.7m in the net foreign assets of banks and financial institutions, and was partially offset by an increase of \$44.8m 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, \$1.4bn in 2014 and \$3.4bn in 2015.



*in January of each year

Source: Central Bank of Lebanon



Trade deficit widens by 20% to \$1.5bn in January 2016

The total value of imports reached \$1.5bn in January 2016, constituting an increase of 11.5% from the same month of 2015; while the aggregate value of exports declined by 25.8% to \$185.6m. As such, the trade deficit widened by 20.1% year-on-year to \$1.3bn in January 2016 due to an increase of \$154.1m in imports and to a drop of \$64.6m in exports. The coverage ratio reached 12.4% in January 2016 relative to 18.7% in January 2015.

The increase in imports reflects a \$154.6m, or 71% year-on-year increase in the value of imported oil & mineral fuels to \$372.7m in January 2016, given that the value of non-hydrocarbon imports stood at \$1.1bn and was nearly unchanged year-on-year. The value of oil & mineral fuels accounted for 25% of total imports in January 2016 compared to a share of 16.3% in the same month of 2015.

In volume terms, imports reached 1.5 million tons in January 2016, compared to 1.1 million tons in January 2015; while exports regressed by 41.1% annually to 104,757 tons in the covered month. In parallel, imports of oil & mineral fuels increased by 53.2% year-on-year to 788,067 tons, while non-hydrocarbon imports grew by 14.8% annually to 693,947 tons. Imported oil & mineral fuels accounted for 53.2% of total imports in January 2016 relative to a 46% share in January 2015.

China was the main source of imports with \$192.6m or 12.9% of the total in January 2016, followed by the United States with \$101.2m (6.8%), Italy with \$96m (6.4%), Russia with \$90.8m (6.1%), Germany with \$80.9m (5.4%) and the Netherlands with \$75.7m (5.1%). Imports from the Netherlands rose by 3.3 times annually in January 2016, those from the United States increased by 52.6%, imports from Russia grew by 24.3%, those from Italy rose by 19.7%, imports from China increased by 11.4% and those from Germany grew by 2.3%. Also, imports from the Eurozone increased by \$50.6m, or 12.1%, annually to 469,307 tons in January 2016. The Port of Beirut was the entry point for 76% of Lebanon's imports in January 2016, followed by the Hariri International Airport (16.6%), the Port of Tripoli (5.2%), the Port of Saida (1.4%), the Arida crossing point (0.5%) and the Masnaa crossing point (0.2%).

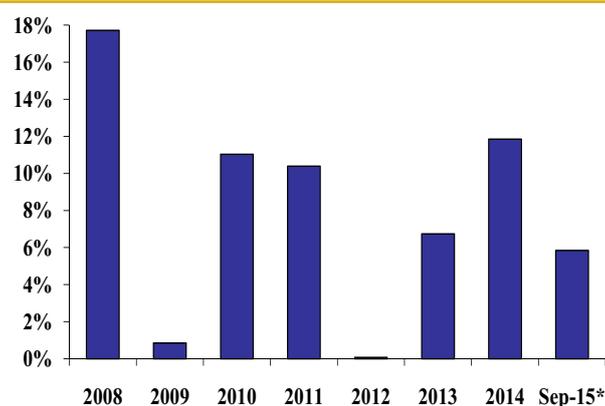
Further, Saudi Arabia was the main export destination of Lebanese merchandise with \$21.8m or 11.8% of total exports, followed by the UAE with \$20.7m (11.1%), South Africa with \$17.6m (9.5%), Syria with \$13.1m (7%), Iraq with \$11.6m (6.3%) and Jordan with \$8m (4.3%). Exports to Jordan grew by 8.4% year-on-year in January 2016 and those to South Africa increased by 7.2%; while exports to Iraq dropped by 38.8%, those to the UAE regressed by 38%, exports to Syria decreased by 34.8% and those to Saudi Arabia contracted by 20%. Lebanon's main exports were prepared foodstuff with \$33.5m, or 18.1% of the total, followed by jewelry with \$27.6m (14.8%), machinery & mechanical appliances with \$23.9m (12.9%), chemical products with \$21.5m (11.6%), base metals with \$19.9m (10.7%), vegetable products with \$11m (5.9%) and paper & paperboard products with \$10.8m (5.8%). The Port of Beirut accounted for 57.2% of Lebanon's total exports, followed by the Hariri International Airport (27.6%), the Port of Tripoli (8.2%), the Masnaa crossing point (3.8%), the Arida crossing point (2.1%) and the Abboudieh crossing point (0.9%). In parallel, re-exports totaled \$32.8m in January 2016 compared to \$31.9m in the same month of 2015.

Payment cards reach 2.6 million at end-September 2015, ATMs total 1,685

Figures released by the Central Bank show that the number of payment cards issued in Lebanon reached 2,552,338 cards at the end of September 2015, constituting an increase of 4.9% from the end of 2014 and a rise of 6.8% from the end of September 2014. Cards held by residents accounted for 97% of total cards issued in Lebanon at end-September 2015. The distribution of payment cards by type shows that debit cards with residents reached 1,258,816 and accounted for 49.3% of the total, followed by credit cards with residents at 538,900 (21.1%), prepaid cards with residents at 534,176 (20.9%), charge cards with residents at 144,875 (5.7%), debit cards held by non-residents at 46,888 (1.8%), credit cards held by non-residents at 13,594 (0.5%), charge cards held by non-residents at 8,188 and prepaid cards held by non-residents at 6,901 (0.3% each).

Further, the aggregate number of points-of-sales accepting payment cards reached 39,715 at the end of September 2015, and increased by 4.9% from end-2014 and by 8% year-on-year. In parallel, the number of ATMs across Lebanon totaled 1,685 at the end of September 2015, constituting a rise of 5.1% from the end of 2014 and an increase of 7.4% from the end of September 2014. The Greater Beirut area had 697 ATMs at end-September 2015, equivalent to 41.4% of the total, followed by Mount Lebanon with 537 ATMs (31.9%), the North with 170 ATMs (10.1%), the South with 129 ATMs (7.7%), the Bekaa with 123 ATMs (7.3%) and Nabatieh with 29 ATMs (1.7%).

Growth in the Number of Credit Cards Held by Residents (%)



*from end-2014

Source: Central Bank of Lebanon, Byblos Research

Lebanon ranks second to last globally on Energy Architecture Performance Index

The World Economic Forum ranked Lebanon in 125th place among 126 countries worldwide and in 15th place among 16 Arab countries on its 2016 Energy Architecture Performance Index (EAPI). Also, Lebanon came in last place among 35 upper middle-income countries (UMICs) included in the survey. The EAPI's seven-year trend shows that Lebanon's rank regressed by six spots from the 2009 survey, constituting the 32nd steepest decline globally and the eighth steepest drop among Arab countries. Lebanon was among 59 countries worldwide whose rank regressed, while the rank of 62 economies improved during the seven-year period.

The EAPI benchmarks a country's energy systems on three fundamental energy objectives that are delivering economic growth, achieving economic growth in an environmentally-sustainable way, and providing universal energy access and security. The index is composed of 18 indicators aggregated into three sub-indices that are Economic Growth & Development, Environmental Sustainability, and Energy Access & Security. The scores and ranks of each country are based on how well its current energy architecture contributes to the three objectives. Scores are between zero and one, with a higher score reflecting better performance.

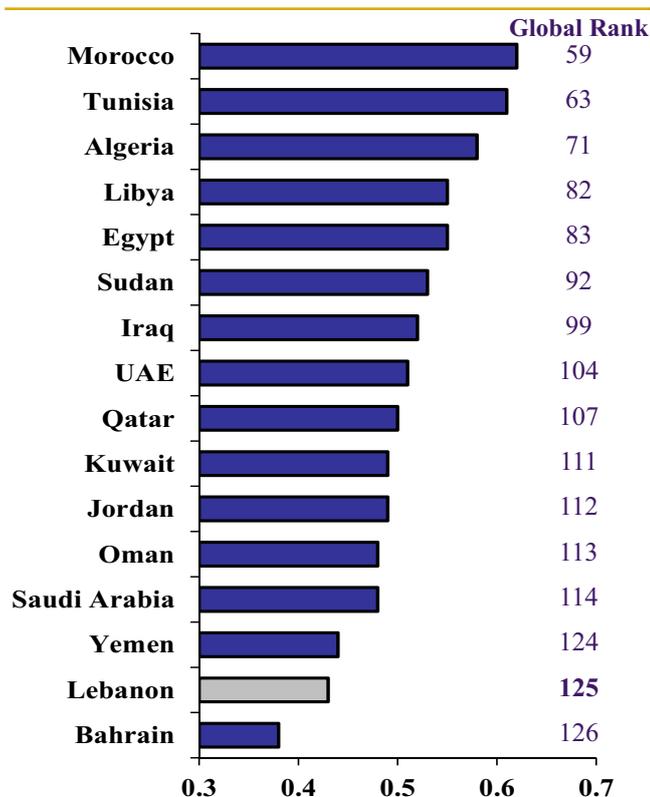
Globally, Lebanon performed better than only Bahrain on the EAPI. It received a score of 0.43 points, lower than the global and UMICs' average score of 0.6 points each, the Arab average of 0.51 points, as well as the non-GCC Arab countries average score of 0.53 points and the GCC average of 0.47 points.

Globally, Lebanon ranked ahead of Mongolia, Moldova and Mozambique and came behind Tanzania, Jamaica and Honduras on the Economic Growth & Development Sub-Index. This category measures the extent that a country's energy architecture supports its economic growth and development. Lebanon ranked ahead of only Mongolia, Namibia, Belarus, Malaysia, Turkmenistan and Iran among UMICs; while it ranked ahead of only Bahrain among Arab countries.

Further, Lebanon came ahead of Iran, Turkmenistan and Yemen, and ranked behind China, Australia and Jordan on the Environmental Sustainability Sub-Index. This category assesses the environmental impact of energy supply and consumption within a country's energy architecture. Lebanon came ahead of only Iran, Turkmenistan and Iraq among UMICs; while it ranked ahead of Yemen, Iraq, the UAE, Oman, Qatar, Bahrain, Saudi Arabia and Kuwait in the Arab world.

Finally, Lebanon ranked ahead of Senegal, Namibia and Botswana, and came behind Guatemala, the Republic of Congo and Honduras on the Energy Access & Security Sub-Index. This category measures the extent that a country's energy supply is secure, accessible and diversified. Lebanon ranked ahead of only Namibia and Botswana among UMICs and came ahead of only Yemen and Sudan in the region.

**Energy Architecture Performance Index
Scores & Rankings in Arab countries in 2016**



Source: World Economic Forum, Byblos Research

Components of the 2016 Energy Architecture Performance Index for Lebanon

	Global Rank	Arab Rank	UMICs Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMICs Avg Score
Economic Growth & Development	110	15	30	0.38	0.51	0.43	0.53
Environmental Sustainability	116	7	31	0.39	0.61	0.40	0.57
Energy Access & Security	104	14	33	0.53	0.68	0.70	0.70

Source: World Economic Forum, Byblos Research

Value of cleared checks down 1%, returned checks down 23% in January 2016

The value of cleared checks reached \$5.8bn in January 2016, constituting a decrease of 0.8% from January 2015, and compared to a drop of 7.4% in January 2015 and an increase of 5.8% in same month of 2014. The value of cleared checks in Lebanese pounds rose by 14.7% year-on-year to the equivalent of \$1.7bn, while the value of cleared checks in US dollars declined by 6.1% annually to \$4.1bn in January 2016. The dollarization rate of cleared checks decreased from 74.4% in January 2015 to 70.4% in the same month of 2016.

Also, the value of returned checks in domestic and foreign currency dropped by 23% year-on-year to \$127m in January 2016, relative to increases of 32% in the same month of 2015 and of 0.8% in January 2014. In parallel, there were one million cleared checks in January 2016, down by 2.4% from January 2015. Also, there were 19,300 returned checks in the covered month, down by 17.9% from 23,500 in January 2015.

Lebanon represented in *Forbes* magazine's list of world billionaires

Forbes magazine's annual survey of the world's billionaires for 2016 included seven persons from Lebanon, similar to the number of Lebanese persons included in the 2015 survey. The list included four family members of the late Prime Minister Rafiq Hariri, two members of the Mikati family and one member from the Mouawad family. The survey ranked former Prime Minister Najib Mikati and his brother Taha Mikati in 688th place, down from 534th place in 2015, with an estimated net fortune of \$2.5bn each relative to \$3.3bn in the 2015 survey. They were followed by Mr. Bahaa Hariri in 810th place, unchanged from last year's ranking, with a net wealth of \$2.2bn, down from \$2.3bn in the 2015 survey. Mr. Robert Mouawad ranked in 1198th place, up from 1312th place in the 2015 survey, with an estimated net worth of \$1.5bn relative to \$1.45bn in last year's survey. Further, Former Prime Minister Saad Hariri ranked in 1275th place, down from 1250th place in the 2015 survey, with an estimated net worth of \$1.4bn relative to \$1.5bn last year. In parallel, Mr. Ayman Hariri and his brother Mr. Fahd Hariri came in 1476th place each, up from 1638th place in the 2015 survey, while their net wealth improved from \$1.1bn each in last year's survey to \$1.2bn each in 2016. The survey ranks individuals according to their assets, including stakes in public and private companies, real estate, yachts, art and cash, and takes into consideration their debt stock estimates. The aggregate fortune of the seven Lebanese included on the 2016 *Forbes* list reached \$12.5bn, down from \$14.1bn in 2015.

Forbes said that the Mikati brothers founded the telecommunications firm Investcom in 1982 and sold most of their stake to South Africa's MTN Group in 2006 for \$3.6bn in cash and stocks, but they still own 10% of MTN through their holding company M1 Group. The Beirut-based M1 Group has also investments in real estate, jet leasing, apparel and food distribution. In parallel, it said that Mr. Bahaa Hariri has massive investments in Jordan and his real estate holding company Horizon Group is developing, in partnership with the Jordanian government, part of downtown Amman into a new commercial and residential area. He is also a majority owner of Global Express, a logistics company. It indicated that Mr. Robert Mouawad expanded his family business in jewelry manufacturing and currently has around 20 stores in the Middle East, Asia, Switzerland and Los Angeles. He is also the owner of the Robert Mouawad Real Estate Group and is currently developing luxury residences on a man-made island in Bahrain. It noted that former PM Saad Hariri is the Chairman & CEO of Saudi Oger, one of the largest construction companies in Saudi Arabia, and that Mr. Ayman Hariri is involved in running the company. It pointed out that Mr. Fahd Hariri is an architect and develops residential buildings in Beirut. It added that the Hariri family also owns a stake in Turk Telekom via Oger Telecom, as well as shares in the Jordan-based and publicly-traded Arab Bank.

Billionaires of Lebanese descent on *Forbes*' 2016 list of the world's richest people

Name	Rank	Worth (\$bn)	Trend*	Source	Country
Carlos Slim Helu	4	50.0	Down	Telecom	Mexico
Joseph Safra	41	17.2	Down	Banking	Brazil
Alferdo Harp Helu	1476	1.2	Down	Banking	Mexico

*in net worth

Source: *Forbes* magazine, Byblos Research

The wealthiest man in the Middle East is Saudi Prince al-Waleed bin-Talal who ranked in 41st place globally with an estimated net worth of \$17.3bn relative to \$22.6bn in the 2015 survey. The richest man in the world is Mr. Bill Gates with an estimated fortune of \$75bn. The number of billionaires in the 2016 list reached 1,810 individuals compared to an all-time high of 1,826 billionaires in the 2015 survey, while their aggregate net worth reached \$6.48 trillion, down from a record high of \$7.05 trillion in 2015. The average net worth of a billionaire dropped for the first time since 2010 to \$3.6bn in this year's survey.

Construction and public work activity regresses year-on-year in third quarter of 2015

The Central Bank's quarterly business survey shows that construction activity relatively improved during the third quarter of 2015 from the preceding quarter, with the balance of opinions standing at -20 compared to -36 during the preceding quarter; but it regressed relative to -5 during the third quarter of 2014. The balance of opinions indicates that construction activity was the lowest in the South at -43, followed by Beirut & Mount Lebanon (-38), the North (+1) and the Bekaa region (+2). The business survey reflects the opinions of enterprise managers about the evolution of their businesses, in order to depict the trend of a number of key economic variables. The balance of opinions for public works stood at -14 in the third quarter of 2015, compared to -42 in the preceding quarter and to -9 in the third quarter of 2014. Opinions about the level of public works were the lowest in the Beirut & Mount Lebanon at -23, followed by the North (-15), the South (zero) and the Bekaa region (+11).

In parallel, the balance of opinions for the portfolio of projects was -34 in the third quarter of 2015 relative to -24 in the second quarter and to -22 in the same quarter of 2014. The balance of opinions for the portfolio of projects was the lowest in the North at -50, followed by the South (-44), Beirut & Mount Lebanon (-41) and the Bekaa region (+10). Also, the balance of opinions for general construction activity was -25 in the third quarter of 2015, compared to -31 in the preceding quarter and to -7 in the third quarter of 2014. Further, the balance of opinions for construction costs reached -17 in the covered quarter compared to +8 in the preceding quarter and to +31 in the third quarter of 2014. The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Construction and Public Work Activity: evolution of opinions				
Aggregate results	Q3-12	Q3-13	Q3-14	Q3-15
General activity	-3	-8	-5	-20
Construction	-10	-6	-7	-25
Public work	+6	-8	-9	-14
Portfolio of projects	-14	-12	-22	-34
Construction costs	38	30	31	-17
Investments (% of yes)	36%	36%	42%	32%

Source: Central Bank Business Survey for Third Quarter 2015

Stock market activity down 54% to \$81.4m in first two months of 2016

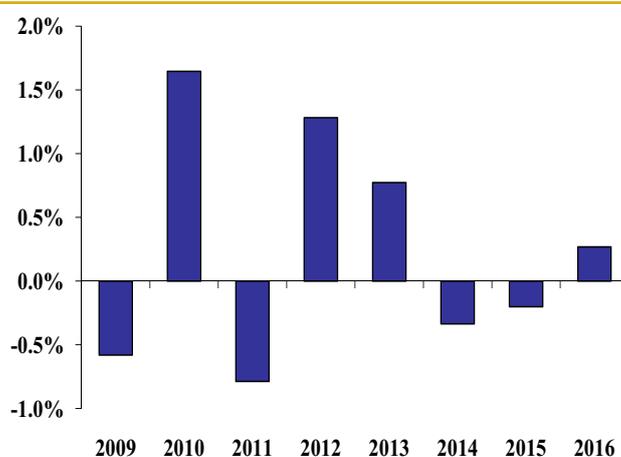
Figures released by the Beirut Stock Exchange (BSE) indicate that total trading volume reached 9,440,784 shares in the first two months of 2016, constituting a decrease of 62% from 24,804,746 shares traded in the same period of 2015; while aggregate turnover amounted to \$81.4m, down by 53.5% from a turnover of \$175.2m in the first two months of 2015. Market capitalization regressed by 5.8% from the end of February 2015 to \$11.1bn, with banking stocks accounting for 82.2% of the total, followed by real estate shares (14.7%), industrial firms (2.8%) and trading stocks (0.3%). The market liquidity ratio was 0.7% in the covered period, compared to 1.5% in the first two months of 2015. Banking stocks accounted for 74.6% of aggregate trading volume in the first two months of the year, followed by real estate equities with 25% and industrial shares with 0.4%. Also, banking stocks represented 70.4% of the aggregate value of shares traded, followed by real estate equities with 29% and industrial stocks with 0.6%. The average daily traded volume for the period was 242,071 shares for an average daily value of \$2.1m. The figures reflect decreases of 61% in volume and of 52.3% in value year-on-year. In parallel, the Capital Markets Authority Value-Weighted Index for stocks traded on the BSE decreased by 10.3% in the first two months of 2016, while the Capital Markets Authority Banks Market Value-Weighted Index improved by 1.1% over the covered period.

Commercial banks' assets reach \$186.2bn at the end of January 2016

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$186.2bn at the end of January 2016, nearly unchanged from the end of 2015 and constituting an increase of 6% from end-January 2015. Loans extended to the private sector reached \$54.4bn at the end of January 2016, reflecting a rise of 0.3% from the end of 2015 and an increase of 7.6% from a year earlier. Loans to the resident private sector totaled \$48.17bn, and increased by 0.3% from the end of 2015 and by 6.4% year-on-year; while credit to the non-resident private sector reached \$6.2bn, and grew by 0.6% from end-2015 and by 12.4% from end-January 2015. In nominal terms, credit to the private sector rose by \$167.2m in January 2016 relative to a contraction of \$338.3m in the same month of 2015. Lending to the resident private sector grew by \$129.4m in January 2016 relative to a drop of \$91.6m in the same month of 2015, while credit to the non-resident private sector expanded by \$37.9m in the first month of 2016 compared to a decrease of \$246.1m in January 2015. In addition, claims on non-resident banks were \$11bn at the end of January 2016, down by 4.6% from the end of 2015 and by 9.5% from a year earlier. In parallel, claims on the public sector stood at \$37.87bn at the end of January, up by 0.2% from end-2015 and by 1.9% from a year earlier. The dollarization rate in private sector lending regressed to 74.8% at the end of January 2016 from 75.3% a year earlier.

In parallel, private sector deposits totaled \$151.5bn at the end of January 2016, decreasing by a marginal 0.2% from the end of 2015 and rising by 5.1% from a year earlier. Deposits in Lebanese pounds reached \$53.52bn and grew by 0.5% from end-2015 and by 7.7% from end-January 2015; while deposits in foreign currency totaled \$98bn, regressing by 0.4% from the end of 2015 and increasing by 3.8% from a year earlier. Aggregate non-resident deposits reached \$32bn at the end of January and rose by 0.4% from end-2015 and by 5.3% from a year earlier. In nominal terms, total private sector deposits decreased by \$88.9m in January 2016 relative to a drop of \$274m in January 2015. Resident private sector deposits regressed by \$213.6m in January 2016 relative to a drop of \$353m in the same month of 2015; while non-resident deposits grew by \$124.7m in the first month of 2016 compared to a rise of \$78.9m in January 2015. In parallel, deposits of non-resident banks reached \$6.7bn at the end of January 2016, and increased by 2.5% from end-2015 and by 11.5% from a year earlier. The dollarization rate of deposits reached 64.7% at the end of January 2016, down from 65.5% a year earlier. The ratio of private sector loans-to-deposits in foreign currency stood at 41.5%, well below the Central Bank's limit of 70% and compared to 40.3% a year earlier. In parallel, the same ratio in Lebanese pounds was 25.6% at end-January 2016, up from 25.1% at the end of January 2015. The ratio of total private sector loans-to-deposits was 35.9% relative to 35.1% a year earlier. The banks' aggregate capital base stood at \$16.7bn, nearly unchanged from end-2015 and up by 6% from \$15.7bn at end-January 2015.

Resident Private Sector Lending Growth* (% Change)



* in January of each year

Source: Association of Banks in Lebanon, Byblos Research

Launch of new start-up accelerator and incubator program

The French École Supérieure des Affaires (ESA) announced plans to start an incubator and accelerator program named Smart ESA that would cater to the needs of Lebanese start-ups from the seed stage to the growth stage. Smart ESA is a new initiative by the French Embassy in Lebanon and the French Ministry of Foreign Affairs to accelerate start-ups in the Middle East region, starting with Lebanon. The two-phase initiative offers training and mentoring sessions to entrepreneurs and managers of technology start-ups in the digital sector, and aims to provide them with European market access via France. The first phase of the initiative intends to support about 15 to 20 start-ups in the idea stage. The second part aims to offer office space in the ESA Business School for a nine-month advanced training to about 15 start-ups that have already raised funds. Smart ESA is expected to begin receiving applications and to begin operating in the second half of 2016. Smart ESA is also supported by the Central Bank of Lebanon and the Regional Chamber of Commerce and Industry of Paris and Ile-de-France. The initiative was launched in response to Intermediate Circular 331 that the Central Bank issued in August 2013 to support the knowledge economy sector in Lebanon.

Net profits of Syrian affiliates of Lebanese banks up 3.5 times in 2015 due to unrealized foreign exchange gains on structural positions

Preliminary financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP39.4bn in 2015 compared to net earnings of SYP11.2bn in 2014. In US dollar terms, the seven banks generated net profits of \$184.2m in 2015 relative to net earnings of \$72.7m in 2014. The banks' financial results reflect the depreciation of the Syrian pound on the official market, as it was trading at an average rate of SYP213.8 against the US dollar in 2015 compared to an average rate of SYP153.7 in 2014. Also, the official exchange rate was SYP220 per dollar at the end of 2015 relative to SYP179.5 at the end of 2014. As such, the value of assets and liabilities in foreign currency becomes distorted when converted and reported in Syrian pounds. In addition, the reported net profits include the unrealized net foreign exchange gains on structural positions. The profits of Byblos Bank Syria increased by SYP5.4bn; followed by a rise of SYP4.9bn in the those of Bank Audi Syria; a growth of SYP4.4bn in the income of Bank of Syria & Overseas; an improvement of SYP4.3bn in the profits of Banque BEMO Saudi Fransi; an increase of SYP4.2bn in those of Fransabank Syria and a growth of SYP3bn in the income of Bank Al-Sharq, the affiliate of Banque Libano-Française. In contrast, Syria Gulf Bank, the affiliate of First National Bank, shifted from net losses of SYP841m in 2014 to net profits of SYP1.1bn in 2015.

In parallel, the banks' aggregate assets reached SYP641.5bn at the end of 2015 and increased by 33.5% from SYP480.7bn at end-2014. In US dollar terms, the assets of the seven banks grew by 8.9% from \$2.68bn at end-2014 to \$2.92bn at the end of 2015. The rise was due to a 35.8% increase in the assets of Bank of Syria & Overseas (+SYP37.7bn), a 65% growth in those of Fransabank Syria (+SYP34.8bn), a 24% expansion in the assets of Banque BEMO Saudi Fransi (+SYP33.1bn), a 35.4% improvement in those of Byblos Bank Syria (+SYP19.3bn), a 27% increase in the assets of Bank Audi Syria (+SYP17.4bn), a 25.1% rise in those of Syria Gulf Bank (+SYP9.6bn) and a 34.7% expansion in the assets of Bank Al-Sharq (+SYP9bn). The aggregate shareholders' equity of the seven banks reached SYP89.9bn at end-2015, constituting an increase of 80.7% from end-2014; while in US dollar terms, the banks' shareholders' equity rose from \$277m at end-2014 to \$408.5m at end-2015. The seven banks have yet to publish their detailed financial results for 2015.

Results of Affiliates of Lebanese Banks in Syria for 2015 (in US\$)

	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Fransabank Syria	Bank Audi Syria	Byblos Bank Syria	Syria Gulf Bank	Bank Al-Sharq
Net Profits	\$31.2m	\$29.9m	\$30.7m	\$36.8m	\$30.4m	\$5.0m	\$20.1m
Total Assets	\$0.78bn	\$0.65bn	\$0.40bn	\$0.37bn	\$0.33bn	\$0.22bn	\$0.16bn
Shareholder's Equity	\$81.4m	\$64.1m	\$61.8m	\$82.0m	\$65.7m	\$14.3m	\$39.1m

*Change from end-2014

Source: Banks' financial statements

Ratio Highlights

(in % unless specified)	2013	2014	2015e	Change*
Nominal GDP (\$bn)	47.2	49.4	50.9	
Public Debt in Foreign Currency / GDP	55.3	51.9	53.2	134
Public Debt in Local Currency / GDP	79.1	83.0	85.0	203
Gross Public Debt / GDP	134.4	134.8	138.2	337
Total Gross External Debt / GDP**	163.8	165.1	162.4	(270)
Trade Balance / GDP	(36.6)	(34.8)	(29.7)	512
Exports / Imports	18.5	16.2	16.6	41
Fiscal Revenues / GDP	19.9	22.0	18.7	(334)
Fiscal Expenditures / GDP	28.9	28.3	27.2	(101)
Fiscal Balance / GDP	(8.9)	(6.2)	(8.5)	(228)
Primary Balance / GDP	(0.5)	2.6	0.2	(245)
Gross Foreign Currency Reserves / M2	69.5	66.5	66.8	30
M3 / GDP	235.4	238.4	241.6	316
Commercial Banks Assets / GDP	349.0	355.9	365.6	968
Private Sector Deposits / GDP	288.4	292.6	298.0	540
Private Sector Loans / GDP	100.3	103.1	106.6	348
Private Sector Deposits Dollarization Rate	66.1	65.7	64.9	(83)
Private Sector Lending Dollarization Rate	76.5	75.6	74.8	(73)

* 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



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