

LEBANON THIS WEEK

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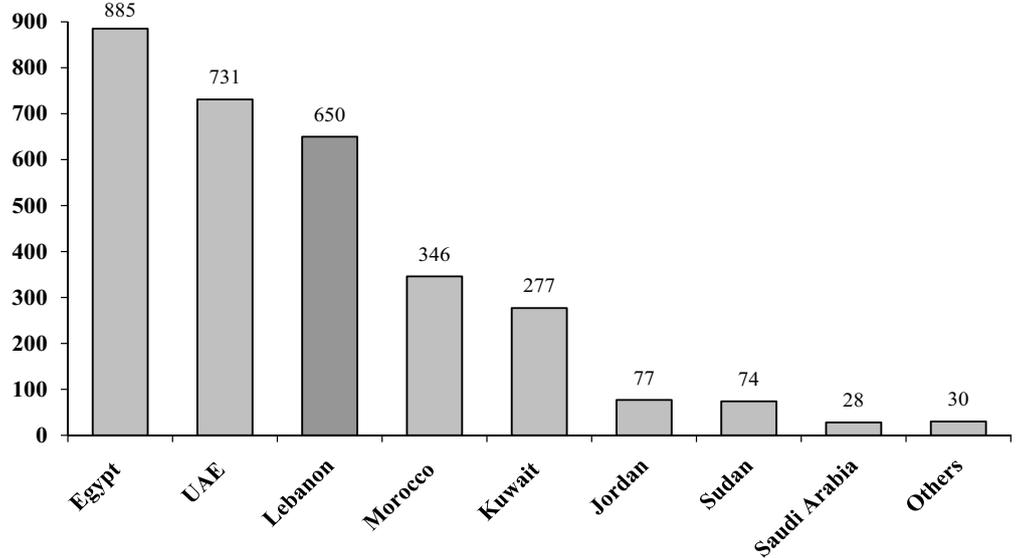
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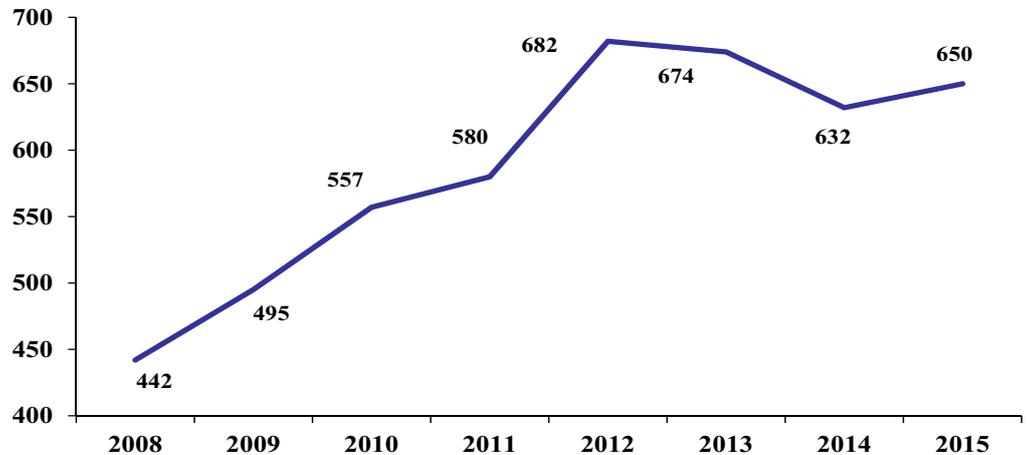
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Charts of the Week

Number of Television Commercials Produced in Arab Countries in 2015



Number of Television Commercials Produced in Lebanon



Source: MartPoint Marketing Research Consultants, Byblos Research

Quote to Note

"Lebanon does not have regular labor force surveys, which limits the analysis of the labor market and job developments."

The World Bank, on the impact of Lebanon's weak statistical system

Number of the Week

38: Number of times since May 2014 that the Lebanese Parliament convened and failed to elect a President

Lebanon in the News

\$m (unless otherwise mentioned)	2014	Dec 2014	Sep 2015	Oct 2015	Nov 2015	Dec 2015	% Change*
Exports	3,313	268	243	261	222	236	(11.94)
Imports	20,494	1,649	1,434	1,467	1,539	1,841	11.64
Trade Balance	(17,181)	(1,381)	(1,191)	(1,206)	(1,317)	(1,605)	16.22
Balance of Payments	(1,408)	(116)	(122)	(396)	(816)	(372)	220.7
Checks Cleared in LBP	18,143	1,599	1,587	1,700	1,507	1,709	6.89
Checks Cleared in FC	56,348	4,692	4,151	4,552	3,987	4,265	(9.10)
Total Checks Cleared	74,491	6,291	5,738	6,252	5,494	5,974	(5.04)
Budget Deficit/Surplus	(3,073)	(48.82)	(619.44)	10.56	(643.40)	(711.58)	1357.7
Primary Balance	1,307	281.94	(121.58)	486.02	(95.30)	(338.61)	-
Airport Passengers***	6,567,647	573,229	750,290	575,660	501,204	616,249	7.50

\$bn (unless otherwise mentioned)	2014	Dec 2014	Sep 2015	Oct 2015	Nov 2015	Dec 2015	% Change*
BdL FX Reserves	32.40	32.40	32.02	33.25	31.77	30.64	(5.45)
<i>In months of Imports</i>	<i>18.97</i>	<i>19.65</i>	<i>22.33</i>	<i>22.67</i>	<i>20.64</i>	<i>16.64</i>	<i>(15.31)</i>
Public Debt	66.57	66.57	68.72	69.05	70.44	70.31	5.62
Bank Assets	175.70	175.70	181.34	182.27	183.18	185.99	5.86
Bank Deposits (Private Sector)	144.43	144.43	149.11	149.36	149.81	151.59	4.96
Bank Loans to Private Sector	50.90	50.90	52.61	52.99	53.22	54.22	6.53
Money Supply M2	48.69	48.69	51.54	51.64	51.75	52.15	7.11
Money Supply M3	117.68	117.68	122.08	122.05	122.45	123.62	5.05
LBP Lending Rate (%)	7.49	7.49	7.08	7.13	6.93	7.45	(4bps)
LBP Deposit Rate (%)	5.56	5.56	5.57	5.67	5.56	5.56	-
USD Lending Rate (%)	6.97	6.97	7.19	7.05	7.15	7.06	9bps
USD Deposit Rate (%)	3.07	3.07	3.14	3.20	3.17	3.17	10bps
Consumer Price Index**	0.59	(1.66)	(0.64)	0.41	(0.17)	1.40	-

* 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
Audi GDR	5.83	0.34	95,624	6.04%
Byblos Common	1.72	1.78	93,842	5.57%
Solidere "A"	10.01	0.10	69,399	9.02%
Audi Listed	5.85	0.00	49,973	21.07%
BLOM GDR	10.30	(5.85)	46,708	6.86%
BLOM Listed	10.00	(5.75)	36,605	19.37%
Solidere "B"	10.04	1.41	21,522	5.88%
Byblos Pref. 08	103.00	0.49	186	1.86%
HOLCIM	14.25	0.00	0	2.51%
Byblos Pref. 09	103.10	0.00	0	1.86%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2017	9.00	103.75	4.70
Nov 2018	5.15	100.13	5.10
May 2019	6.00	101.13	5.60
Mar 2020	6.38	101.75	5.86
Apr 2021	8.25	109.13	6.09
Oct 2022	6.10	99.00	6.29
Jun 2025	6.25	97.75	6.58
Nov 2026	6.60	99.25	6.70
Feb 2030	6.65	98.13	6.86
Nov 2035	7.05	100.00	7.05

Source: Byblos Bank Capital Markets

	April 18-22	April 11-15	% Change	March 2016	March 2015	% Change
Total Shares Traded	435,835	894,528	(51.28)	24,416,630	10,015,512	143.79
Total Value Traded	\$4,203,047	\$8,383,809	(49.87)	\$222,416,319	\$74,663,509	197.89
Market Capitalization	\$11.10bn	\$11.25bn	(1.32)	\$11.34bn	\$11.94bn	(5.06)

Source: Beirut Stock Exchange (BSE)



Net private capital inflows to Lebanon to increase by 4% to \$6bn in 2016

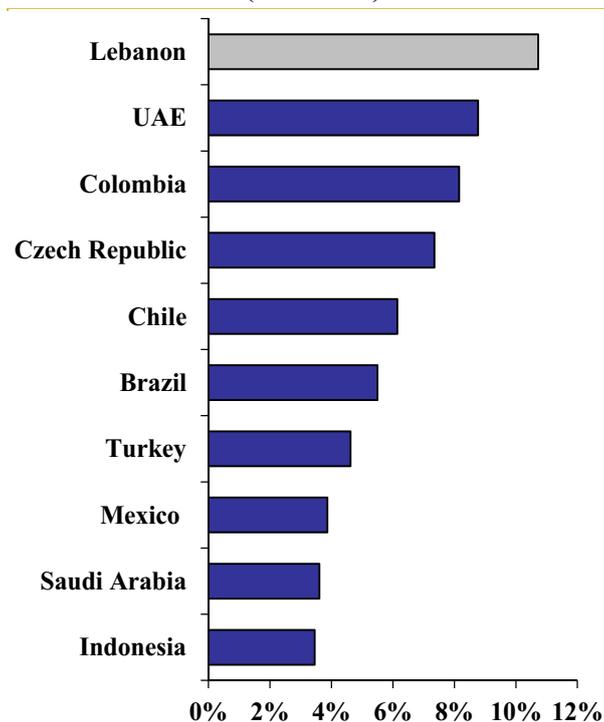
The Institute of International Finance estimated net non-resident private capital inflows to Lebanon at \$5.5bn in 2015, constituting a decrease of 13.6% from \$6.3bn in 2014, and compared to inflows of \$6.2bn in 2013 and a peak of \$14bn in 2009. Lebanon was among 18 countries out of the 25 emerging markets with available figures that posted positive net private capital flows, which means that non-resident inflows to these countries exceeded outflows by non-residents. Net private capital inflows to Lebanon were the second smallest among the 18 emerging markets in 2015, while they were the lowest among six countries in the Middle East & Africa (ME&A) region last year.

Lebanon posted the second smallest decrease in net capital inflows last year among emerging markets as well as in the ME&A region in 2015. The decrease in net private capital inflows to Lebanon last year reflects a drop of 40.4% in the flows from commercial banks and other private creditors, and to a decrease of 24.4% in net FDI inflows. Net private capital inflows to Lebanon accounted for 2.3% of total capital inflows to emerging markets and for 6.7% of aggregate flows to the ME&A region last year. They were equivalent to 10.7% of GDP in 2015, the highest among emerging markets.

In parallel, the IIF projected net private capital inflows to Lebanon at \$5.7bn in 2016, which would constitute an increase of 3.7% in 2015. Lebanon would be among 23 countries out the 25 emerging markets with available figures that would post positive net private capital flows in 2016. Lebanon would be the sixth smallest recipient of capital flows among 23 emerging markets with positive non-resident flows, as well as the smallest in the ME&A region.

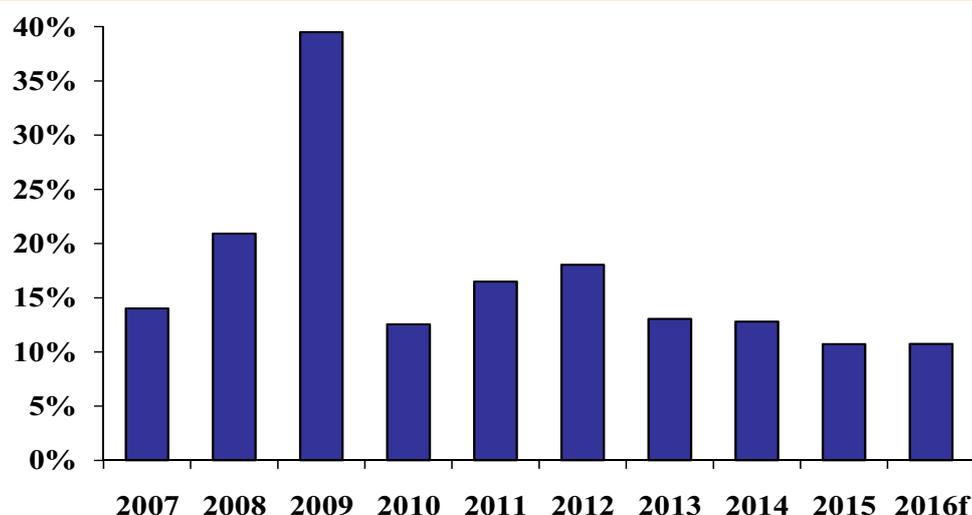
Lebanon would post the slowest increase in net capital inflows among emerging markets in 2016. The expected increase in net private capital inflows to Lebanon this year would be due to a rise of 20.8% in net inflows from commercial banks and other private creditors, which would offset a 10.7% decrease in FDI inflows. Net private capital inflows to Lebanon would account for 1% of total net private capital inflows to emerging markets and for 5.4% of aggregate flows to ME&A economies in 2016. They would be equivalent to 10.7% of GDP in 2016, the highest ratio among the 25 emerging markets.

Net Capital Inflows in 2015*
(% of GDP)



*Top 10 countries among 25 Emerging Markets
Source: Institute of International Finance, Byblos Research

Net Private Capital Inflows to Lebanon (% of GDP)



Source: Institute of International Finance, Byblos Research

Beirut is 11th most expensive city in the world for expatriate housing

EuroCost International's annual survey on house rental prices for 2016 ranked Beirut in 11th place globally compared to ninth place in 2015, 10th place in 2014, seventh place in 2013 and eighth place in 2012. Beirut remained the most expensive city in the Middle East for expatriate housing in the 2016 survey, unchanged since the 2010 survey. The survey evaluates the average rental cost of two- and three-bedroom apartments for expatriates, and converts the average rent per location to euros. It said the data reflects the local rental market for expatriates and, therefore, differs from the rental market for the local population in terms of price level and evolution.

The survey considered Beirut to be more expensive than Shanghai in China, Doha and Washington, DC, and less costly than Moscow, Singapore and Juba in South Sudan. Beirut, Doha and Abu Dhabi were the only cities from the Middle East among the 20 most expensive cities globally in terms of expatriate housing. Doha was the second most expensive Middle Eastern city and ranked in 13th place worldwide and Abu Dhabi followed in 19th place globally. Dubai and Riyadh are the fourth and fifth most expensive cities for expatriate housing in the Middle East region. Beirut's rank regressed by two spots year-on-year, constituting, along with Singapore, Sydney and Mumbai, the third steepest decline in rankings among the top 20 most expensive locations worldwide. The ranks of seven cities increased, those of six cities were unchanged from the 2015 survey and the those of seven cities regressed year-on-year.

Hong Kong is the most expensive rental city for expatriates in Asia & Oceania; London has the highest house rental prices among European cities; New York is the most expensive city for expatriate housing in the Americas; while Luanda in Angola is the costliest rental city for expatriates in Africa. London remained the most expensive rental city in the world for expatriates in 2016.

EuroCost International added that the locations selected for the survey are residential areas favored by expatriates. It noted that it only includes residential units that are of high quality, as multinationals are aware that housing is a crucial component for expatriates' comfort and satisfaction and, therefore, they take seriously into consideration their staff's living conditions.

Pension reforms essential for fiscal sustainability

The International Monetary Fund anticipated that Lebanon's pension system would face increased challenges as a result of the country's fast-ageing population and highly inadequate safety nets for the elderly, in the context of weak public finances. It said that Lebanon's pension system is based on separate schemes for public- and private-sector employees. It added that Lebanon is the only country in the Middle East & North Africa (MENA) region that does not offer social security for retirees in the private sector.

The Fund indicated that life expectancy in Lebanon is 80 years as of 2012, the highest in the MENA region, and is projected to increase by more than 6 years by 2050. Also, it noted that Lebanon has the lowest fertility rate in the MENA region at around 1.5 children per female as of 2012, below the MENA region's average of 2.7 children per female. In addition, it projected Lebanon's dependency ratio to exceed 30% by 2050, which is the share of the population who is 65 years or older relative to the working age population. It noted that Lebanon's dependency ratio would be the highest in the MENA region and would exceed the region's average ratio of 20% by 2050.

Under a scenario whereby authorities do not reform the pension system, and based on the above demographic trends, the Fund expected public pension expenditures to increase from about 3% of GDP in 2014 to 5.2% of GDP by 2030 and 9.1% of GDP by 2050. It noted that public pension expenditures in Lebanon would exceed the average spending in emerging markets of 5.8% of GDP to reach 6.5% of GDP by 2030 and 8% of GDP by 2050. It estimated the cumulative cost of the increase in public pension expenditures for Lebanon over the 2014-50 period at 77% of 2015 GDP at present discounted value, significantly above emerging markets' cumulative cost of 24.3% of 2015 GDP. It considered that the projected pension spending would undermine Lebanon's fiscal sustainability and would require the accumulation of additional debt for its financing. Also, the IMF projected private pension spending to rise from 0.5% of GDP in 2014 to 0.9% of GDP by 2030 and 1.5% of GDP by 2050, with a cumulative rise of 12.8% of 2015 GDP between 2014 and 2050. It indicated that the increase in private-sector pension spending does not threaten fiscal sustainability and could be offset by fiscal adjustment and/or by using the NSSF's reserves.

As such, the Fund called on authorities to reform the pension system in Lebanon in order to improve its sustainability and its equity. It said that the government could increase the retirement age, contain benefits for public sector employees and increase social contributions. Also, it considered that a unified pension system would address the prevailing sustainability and equity problems in the system.

Ranking of Most Expensive Rental Cities

	2016	2015
London	1	1
Hong Kong	2	2
Tokyo	3	3
New York	4	4
Luanda	5	5
San Francisco	6	10
Geneva	7	7
Moscow	8	2
Singapore	9	7
Juba	10	11
Beirut	11	9
Shanghai	12	13
Doha	13	17
Washington	14	16
Zurich	15	12
Sydney	16	14
Mumbai	17	15
Los Angeles	18	23
Abu Dhabi	19	27
Beijing	20	19

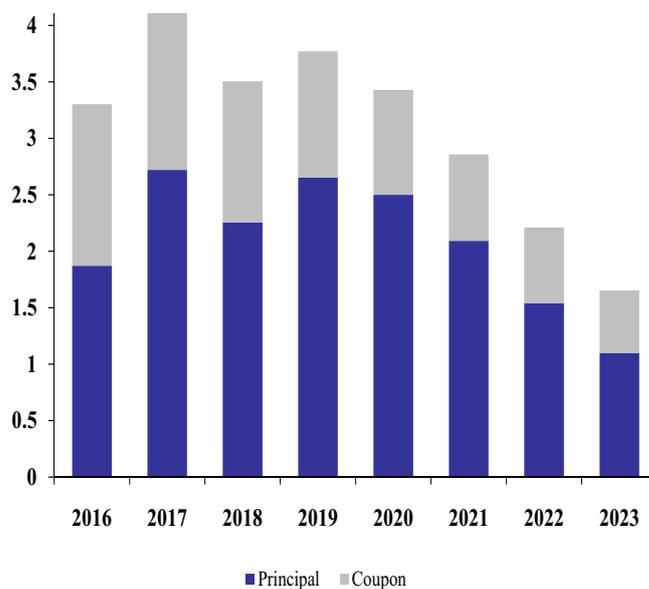
Source: EuroCost International, Byblos Research

Finance Ministry issues \$1bn in Eurobonds

The Ministry of Finance issued a \$1bn dual-tranche Eurobond under the Republic of Lebanon's \$28bn Global Medium Term Note Program. The first series consists of an eight-year \$700m Eurobond that matures on April 22, 2024 and that carries an annual coupon rate of 6.65%, while the second series consists of a 15-year \$300m Eurobond that is due on April 22, 2031 and that carries an annual coupon rate of 7%. The coupons are paid on a semi-annual basis. The proceeds of the issuance will be used to finance a \$600m Eurobond that matures in April 2016 and a \$400m bond that is due in May 2016. Byblos Bank sal, BLOM Bank sal and Deutsche Bank AG were the lead managers that arranged the offering.

The ministry indicated that the demand on the newly-issued Eurobonds was 128% over the amount requested. It added that local investors, including commercial banks, investment banks and insurance companies subscribed to 91% of the issuance; while foreign investors, including European funds, subscribed to the balance of 9%. It noted that financial institutions accounted for most of the local demand. Standard & Poor's rates the sovereign at 'B-'. But the Credit Default Swap Market Derived Signals, an indicator or risk appetite by foreign investors, show that Lebanon's sovereign debt is considered by the market to have a 'B+' rating as at April 22, 2016, which is two notches better than the S&P rating. Lebanon's gross public debt reached \$71.2bn at the end of February 2016, constituting an increase of 2.8% from \$69.2bn at end-February 2015. Foreign currency-denominated debt accounted for 38.2% of gross public debt at end-February 2016 relative to 39.8% a year earlier.

Redemption Profile of Eurobonds (US\$bn)



Source: Ministry of Finance, Byblos Research

Consistent monetary policy and stable financial sector are key pillars of Lebanese economy

In its overview of economic and monetary developments in 2015, the Central Bank estimated Lebanon's real GDP growth at less than 1% in 2015, as political, social and security challenges prevented a rebound in economic activity. Still, it noted that real GDP continues to post positive growth despite regional uncertainties and conflicts. The Bank considered that its strong and consistent monetary policy, as well as the country's stable and transparent financial sector have been the key pillars of the Lebanese economy. It said that the Bank has met its main objectives of safeguarding monetary and economic stability, as well as of increasing national wealth.

The Central Bank noted that the exchange and interest rates in the country were stable in 2015, with foreign assets at the Central Bank exceeding \$37bn and gold reserves at about \$10bn at the end of January 2016. It added that its open market operations, through its participation in the bond market to manage liquidity, continued without disrupting market mechanisms. Also, the Bank renewed its financial stimulus package for the third consecutive year in 2015, with an average stimulus of more than \$1bn per year since 2013. It noted that the credit incentives it provides through the banking sector have played a crucial role in supporting key sectors of the Lebanese economy. Overall, the Bank pointed out that its policies have been the main driver of the Lebanese economy. It considered that optimism about the country's prospects would not materialize without the implementation of structural reforms. It reiterated that fiscal discipline is an urgent priority in order to allow the economy to fully recover and expand.

Further, the Central Bank indicated that the banking sector's performance continues to be healthy and strong despite local and external challenges. It noted that commercial bank's total assets grew by about 6% to \$186bn at the end of 2015, their aggregate deposits rose by about 5% to a record-high of \$159bn, and total lending increased by 6.4% to \$55bn at end-2015. It pointed out that confidence in the Lebanese pound remains strong, as the dollarization rate of deposits and lending maintained their downward trend and reached 64% and 74%, respectively, at the end of 2015. The Bank said that the banking sector's high liquidity level helped commercial banks finance the needs of the government and the private sector, while maintaining a stable interest rate structure. It noted that the banks' capital adequacy ratios have already exceeded Basel III requirements. On the regulatory front, the Bank noted that it issued circulars about consumer protection and debt restructuring to promote financial stability and preserve the banking sector's credibility and integrity. It added that the Lebanese Parliament ratified three regulations that regulate the transfer of funds across borders, amend anti-money laundering Law 318 and approve cooperation to fight tax evasion. It added that Parliament approved Lebanon's adherence to the United Nation's 1999 International Convention for the Suppression of the Financing of Terrorism. As a result, it indicated that the Bank has established a Compliance Unit in early 2016, which aims to ensure the compliance of the Central Bank, commercial banks and regulated institutions with applicable laws and regulations, especially those related to combating money laundering and the financing of terrorism and proliferation. It added that the unit would propose measures to prevent and/or manage the risks that could arise in case of non-compliance with these laws and regulations. In parallel, it indicated that a growing number of start-up firms have benefited from the Central Bank's circular 331, which authorized commercial banks in Lebanon to invest in start-ups in the knowledge economy.

Lebanon ranks 48th globally, fifth among Arab countries in terms of business-to-consumer e-commerce

The 2016 UNCTAD Business-to-Consumer (B2C) E-commerce Index ranked Lebanon in 48th place among 137 countries worldwide, as well as in third place among 35 economies in upper middle-income countries (UMICs) and in fifth place among 14 Arab countries included in the survey. Lebanon's global rank improved by three spots based on the same set of countries included in the 2014 and 2016 surveys. The index measures the readiness of countries to engage in online commerce. It reflects the steps involved in a B2C transaction, and is composed of four indicators that consist of the Internet use penetration rate, the number of secure servers per one million inhabitants, the credit card penetration rate, and the reliability of postal services.

Globally, Lebanon outperformed Turkey, Bulgaria and Brazil, while it underperformed Macedonia, Greece and Russia. It ranked behind only Malaysia and Macedonia among UMICs; while it came behind the UAE, Qatar, Bahrain and Kuwait in the Arab region. Lebanon received a score of 57.4 points, higher than the global average score of 47.2 points, the UMICs' average score of 45.6 points and the Arab average score of 47.1 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 62.5 points, but higher than the average score of non-GCC Arab countries of 36.9 points.

The index shows that 75% of Lebanese are Internet users compared to a 49% share globally, 47.1% among UMICs and 56.6% of the population in the Arab world. The share of individuals in Lebanon who are Internet users is the 32nd highest globally, the highest among UMICs and the fifth highest among Arab countries covered in the survey.

Also, the survey shows that 11% of Lebanese who are 15 years and older own a credit card compared to a 19% share globally, 12.1% among UMICs and 14% regionally. The share of credit card holders in Lebanon is the 70th highest globally, the 18th highest among UMICs and the seventh highest in the Arab world.

Further, the index reveals that there are 65 secure Internet servers per one million inhabitants in Lebanon relative to 62 per one million inhabitants globally, 60 per one million inhabitants among UMICs and 55.5 per one million inhabitants in the Arab region. The number of secure Internet servers per one million inhabitants in Lebanon is the 60th highest worldwide, the 13th highest among UMICs and the sixth highest regionally.

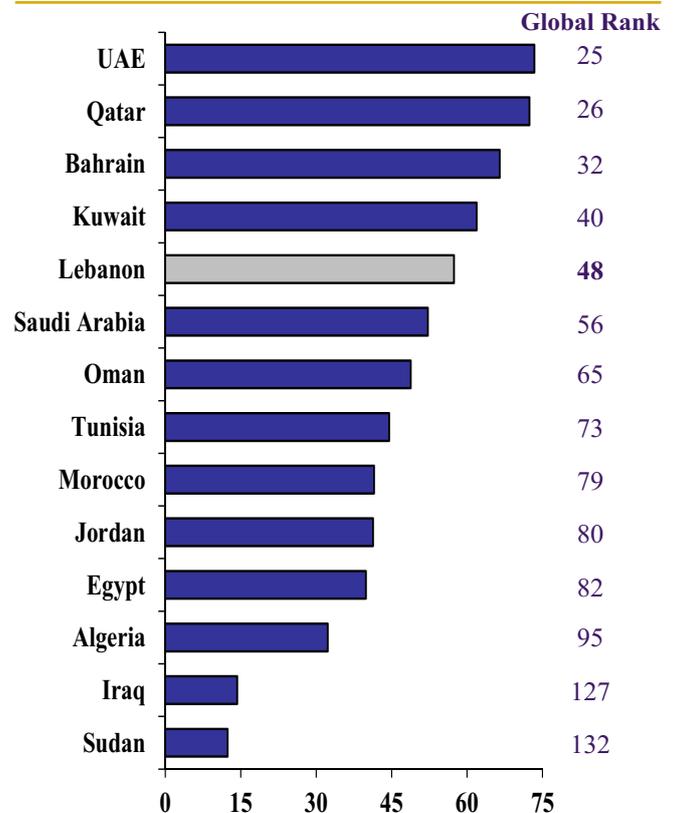
Finally, the survey shows that Lebanon received a score of 79 on the postal reliability indicator, compared to 59 globally, 63.4 among UMICs and 62.1 regionally. Lebanon's score is the 48th highest worldwide, the 10th highest among UMICs and the fourth highest regionally.

Central Bank clarifies ban on prepaid cards

The Central Bank of Lebanon issued Intermediate Circular 418 on April 22, 2016, which amends Basic Circular 63 dated June 10, 1999, about ATMs and credit and charge cards. The circular clarifies the Central Bank Intermediate Circular 415 issued on March 24, 2016, which prohibited banks and institutions that issue credit and charge cards from issuing and promoting prepaid cards. It exempted from the ban prepaid cards that are linked to a bank account or that are issued in the name of a person, as well as prepaid cards that are issued by employers for the disbursement of salaries and benefits for their employees. Also, the exemption covers prepaid cards issued under the request of international organizations for humanitarian and social assistance, and following the approval of the Central Bank. Circular 415 indicated that banks and institutions that have issued prepaid cards prior to March 24, 2016 can no longer refill these cards. It added that banks and institutions have until the end of September 2016 to regularize their positions regarding these cards.

The partial ban of prepaid cards is due, in part, to the fact that it is not possible to identify the end-user of these cards. In October 2013, the World Food Program (WFP) started providing eligible Syrian refugees with MasterCard prepaid cards that are filled at the beginning of each month with \$27 each and that can be used in about 400 shops across the country. The WFP indicated that around 600,000 Syrian refugees currently receive aid through such cards.

**Business-to-Consumer E-Commerce Index 2016
Scores & Rankings of Arab Countries**



Source: UNCTAD, Byblos Research

Occupancy rate at Beirut hotels at 53%, room yields down 18% in first quarter of 2016

EY's benchmark survey of the hotel sector in the Middle East indicated that the average occupancy rate at hotels in Beirut was 53% in the first quarter of 2016, down from 54% in the same quarter of 2015 and compared to an average rate of 64.6% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was the fourth lowest in the region in the first quarter of 2016, unchanged from its rank in the first quarter of 2015. Kuwait City posted the lowest occupancy rate of 42% in the covered quarter, followed by Amman (48%) and Makkah (52%). Also, the occupancy rate at hotels in Beirut dropped by one percentage point year-on-year, constituting, along with Muscat and Dubai, the ninth steepest decrease among 14 Arab markets, and relative to an average drop of 2.6 percentage points for the region. Occupancy rates at Beirut hotels were 53% in January, 57% in February and 51% in March 2016, compared to 50% in January, 56% in February and 56% in March 2015.

The average rate per room at Beirut hotels was \$139 in the first quarter of 2016, ranking the capital's hotels as the second least expensive in the region relative to Cairo (\$116). The average rate per room at Beirut hotels regressed by 16.4% year-on-year and posted the second steepest drop among all markets in the region, behind only Abu Dhabi (-19.1%). The average rate per room in Beirut came below the regional average of \$196.1, which decreased by 5% from the same quarter of 2015.

Further, revenues per available room (RevPAR) were \$75 in Beirut in the first quarter of 2016, down from \$91 in the same quarter of 2015. They were, along with Amman, the second lowest in the region, higher than only Cairo (\$68). Beirut's RevPAR decreased by 17.8% year-on-year and posted the fourth steepest decline among Arab markets, relative to contractions of 24.9% in Kuwait City, 21.1% in Abu Dhabi and 18.5% in Doha. Beirut posted RevPARs of \$79 in January, \$78 in February and \$68 in March 2016, compared to \$92 in January, \$91 in February and \$90 in March 2015. Further, Dubai posted the highest average rate per room in the region at \$292, the highest occupancy rate at 87% and the highest room yield at \$255 in the first quarter of 2016.

ESFD guaranteed 127 loans in first quarter of 2016

The Economic & Social Fund for Development (ESFD) indicated that it guaranteed 127 loans to small- and medium-sized enterprises for a total of LBP3.7bn, or \$2.45m, in the first quarter of 2016 through a network of commercial banks. The total number of loans guaranteed by the ESFD reached 8,951 for an aggregate value of LBP155.7bn, or \$103.3m, between 2003 and March 2016. The ESFD claims that it has helped create 6,835 new jobs since 2003. It added that it has guaranteed 3,467 loans, or 38.7% of the total, to the services sector, followed by the trade sector with 3,234 loans (36.1%), the industrial sector with 1,323 loans (14.8%) and the agricultural sector with 927 loans (10.4%). Mount Lebanon benefited from 28.2% of the total number of loans guaranteed by the ESFD, followed by Nabatieh (22.9%), the North (18%), the South (13.4%), the Bekaa (12.7%) and Beirut (4.9%). The ESFD guarantees 50% of the loan principal and accrued interest for 120 days. It provides financial and technical support to small- and medium-sized enterprises, through financial intermediaries, to finance projects in poor regions of the country. The ESFD was established in November 2000 upon the signing of a financing agreement between the European Commission and the Lebanese government through the Council for Development & Reconstruction. The ESFD is funded by the European Union and the Lebanese government.

Association of Banks amends reference rates on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended its member banks to decrease the Beirut Reference Rate (BRR) in US dollars to 6.24% starting in May 2016 from 6.26% in April. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009, as the ABL considered that the LIBOR no longer accurately reflects the cost of funding and lending in Lebanon. Additionally, the ABL recommended to its member banks to increase the BRR in Lebanese pounds to 8.66% in May from the April rate of 8.61%. The BRR in US dollars and Lebanese pounds was adopted in March and May 2009, respectively. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding the cost of liquidity and refinancing, credit risks and the profitability of banks to the prime lending rate.

Hotel Sector Performance in First Quarter of 2016

	Occupancy Rate (%)	RevPAR (US\$)	RevPAR % change
Dubai	87	255	(9.1)
Jeddah	69	170	(11.4)
Doha	73	166	(18.5)
Muscat	78	165	(13.5)
Madina	69	140	(9.4)
Riyadh	66	135	(12.9)
Abu Dhabi	82	119	(21.1)
Kuwait City	42	117	(24.9)
Manama	56	112	2.4
Ras Al Khaimah	71.1	112	16.1
Makkah	52	92	(10.3)
Amman	48	75	(10.9)
Beirut	53	75	(17.8)
Cairo	58	68	41.2

Source: EY, Byblos Research

Lebanon ranks 98th globally, second in MENA region in press freedom

In its 2016 survey about press freedom in 180 countries, international organization Reporters Without Borders ranked Lebanon in 98th place worldwide and in second place among 19 countries in the Middle East & North Africa (MENA) region. In comparison, Lebanon came in 98th place globally and in second place regionally in the 2015 survey, as well as in 106th place globally and in third place in the MENA region in the 2014 survey.

The index measures the level of freedom that journalists and the media have in each country, as well as government efforts to respect press freedom. The index's calculation is based on answers to a questionnaire that covers seven general criteria. The criteria assess the level of opinion diversity in the media, media independence, self-censorship and the work environment of journalists, the legislative framework, the transparency of the institutions and procedures that affect the production of news and information, the quality of the infrastructure that supports the production of news and information, as well as the level of violence and abuses during the covered period. Reporters Without Borders assigns index scores from zero to 100, with lower scores reflecting higher levels of press freedom in a given country.

Globally, Lebanon has a higher level of press freedom than Gabon, Israel and Uganda, and a lower level of freedom than Kenya, Tunisia and Bolivia among economies with a GDP of \$10bn or more. Regionally, Lebanon has a lower level of press freedom than only Tunisia. Lebanon received a score of 31.95 points in the 2016 survey, constituting a marginal increase of 0.4% from its score of 31.81 points in the 2015 survey. Lebanon's score was better than the global and MENA region average scores of 38.57 points and 50.8 points, respectively. The level of press freedom in Lebanon places it, along with 59 other countries, in the category of countries with "noticeable problems".

Lebanon was among 27 countries whose rank was unchanged from the 2015 survey, while the rank of 80 economies declined and that of 73 countries improved year-on-year. Also, Lebanon was among three countries in the MENA region whose rank was unchanged, while the rank of nine countries regressed and that of seven economies improved from the 2015 survey. Finland has the highest level of press freedom globally, while Eritrea has the lowest level of media freedom worldwide.

Consumer Price Index down 3.2% in first quarter of 2016

The Central Administration of Statistics' Consumer Price Index regressed by 3.2% year-on-year in the first quarter of 2016. Also, the CPI decreased by 3.6% in March 2016 from March 2015. The prices of water, electricity, gas & other fuels fell by 18.2% year-on-year in the covered period, followed by transportation costs (-8.2%), healthcare costs (-3.1%), prices of clothing & footwear (-1.9%), food & non-alcoholic beverages (-1.8%) and communication costs (-0.3%). The distribution of actual rent shows that old rents grew by 2.5% annually in March 2016, while new rents increased by 1.6% from the same month of 2015. In contrast, the prices at restaurants & hotels rose by 3% year-on-year in March 2016, followed by actual rents (+1.9%), imputed rents (+1.6%), the cost of education and miscellaneous goods & services (+1.5% each), recreation & entertainment (+1%), prices of alcoholic beverages & tobacco (+0.9%), and the cost of furnishings & household equipment (+0.3%).

Further, the CPI grew by 0.5% in March 2016 from the preceding month, relative to a month-on-month increase of 0.3% in February 2016. The cost of clothing & footwear rose by 4.8% month-on-month, followed by prices of water, electricity, gas & other fuels (+2%), furnishings & household equipment (+0.8%), actual rents (+0.7%), imputed rents (+0.5%), recreation & entertainment (+0.4%), health-care costs (+0.2%), and the cost of miscellaneous goods & services, restaurants & hotels and alcoholic beverages & tobacco (+0.1% each). In contrast, prices of food & non-alcoholic beverages dropped by 0.6% from the preceding month, followed by communication costs (-0.2%) and transportation costs (-0.1%). In parallel, the Fuel Price Index grew by 2.6% month-on-month in March 2016, while the Education Price Index was unchanged.

Press Freedom Index for 2016

	Score	MENA Rank	Global Rank	Change in Rank
Tunisia	31.60	1	96	+30
Lebanon	31.95	2	98	-
Israel	32.58	3	101	-
Kuwait	32.59	4	103	-13
Qatar	35.97	5	117	-2
UAE	36.73	6	119	+1
Oman	40.43	7	125	2
Algeria	41.69	8	129	-10
Morocco	42.64	9	131	-1
Palestine	42.93	10	132	+8
Jordan	44.49	11	135	+8
Iraq	54.35	12	158	-2
Egypt	54.45	13	159	-1
Bahrain	54.86	14	162	+1
Libya	57.89	15	164	-10
Saudi Arabia	59.72	16	165	-1
Iran	66.52	17	169	+4
Yemen	67.07	18	170	-2
Syria	81.35	19	177	-

Source: Reporters Without Borders, Byblos Research

A.M. Best affirms ratings on Bankers Assurance, outlook 'stable'

Insurance rating agency A.M. Best affirmed the financial strength rating (FSR) of Bankers Assurance sal at 'B++' (Good) and its issuer credit rating at 'bbb'. It also maintained the 'stable' outlook on all the ratings. It said that the ratings reflect Bankers' supportive risk-adjusted capitalization, a track record of solid technical performance and a good business profile in the Lebanese market. It indicated that the company's risk-adjusted capitalization strengthened in 2015, driven by a significant reduction in the premiums of the medical segment. It pointed out that the strength of Bankers' balance sheet is supported by a conservative and highly liquid investment portfolio despite its geographic concentration in Lebanon. It expected the firm's prospective risk-adjusted capitalization to remain strong, with robust internal capital generation supporting measured strategic initiatives.

Further, A.M. Best indicated that Bankers posted a five-year average combined ratio of 91% at end-2014, which reflects an underwriting profit. It added that the company generated an underwriting profit of about \$7m in 2014, with a loss ratio of 62%. It estimated the firm's loss ratio to have improved to 58% in 2015 following the non-renewal of several underperforming medical accounts. In parallel, it noted that Bankers' good business profile in Lebanon is supported by the company's established franchise and diversified underwriting portfolio in the life and non-life business segments. However, it said that the ratings incorporate Bankers' concentrated exposure to the economic and political risks associated with operating in Lebanon. It indicated that the potential for significant business disruptions remains high, despite the firm's track record of solid operating performance in challenging environments.

Incorporated in Beirut in 1972, Bankers Assurance is the fourth largest insurer in Lebanon in terms of total premiums. *Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked Bankers in second and 10th place in 2015 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$97m in 2015, constituting a decrease of 9% from a year earlier; while life premiums declined by 27% to \$11.9m last year. It had a 9.2% share of the local non-life market and a 2.5% share of the life market.

Creditbank's net income at \$36m in 2015

Creditbank sal, one of Lebanon's top 14 banks, announced unaudited consolidated net profits of \$36.5m in 2015, constituting an increase of 41.2% from \$25.8m in 2014. Net operating income grew by 18.6% year-on-year to \$102.1m, with net interest income increasing by 14.1% to \$68.8m and net fees & commissions receipts rising by 29.7% to \$16.1m. Non-interest income accounted for 41% of total income, up from 36.6% in 2014, with net fees & commissions representing 33.8% of non-interest earnings in 2015, down from 35.5% in the preceding year. Further, the bank's interest margin improved to 2.28% in 2015 from 2.23% in 2014; while its net spread improved from 2.14% in 2014 to 2.18% in 2015. Total operating expenditures increased by 3.5% to \$57.9m, with staff expenses rising by 9.5% to \$33m. The bank's return on average assets was 1.15% in 2015, up from 0.91% in 2014; while its return on average equity was 14.86% relative to 12.36% in 2014. The cost-to-income ratio fell from 58.7% in 2014 to 49.7% in 2015.

In parallel, total assets reached \$3.3bn at the end of 2015, constituting an increase of 10.8% from a year earlier. Loans & advances to customers, excluding those to related parties, grew by 14% from end-2014 to \$1.7bn. Also, customer deposits, excluding those from related parties, totaled \$2.82bn at end-2015 and rose by 8.7% from end-2014. The loans-to-deposits ratio was 59.7% at end-2015 relative to 56.9% a year earlier. Further, the bank's shareholders' equity grew by 33.5% from end-2014 to \$280.5m at the end of 2015.

Lebanese American University's business school earns global accreditation

The Lebanese American University's Adnan Kassar School of Business (AKSB) received accreditation from the Association to Advance Collegiate Schools of Business (AACSB), joining the American University of Beirut's Suliman S. Olayan School of Business (OSB) as the only business schools in Lebanon to earn the AACSB accreditation. Overall, a total of 764 business schools in 52 countries and territories maintain AACSB accreditation, with 245 such schools outside the United States. Established in 1916, the US-based AACSB International is a global accrediting body for business schools that offer undergraduate, master's and doctoral degrees in business and accounting. According to the AACSB, achieving accreditation is a process of rigorous internal review, evaluation and adjustment, and can take several years to complete. The AKSB completed the multi-year process and met 15 global standards to earn accreditation this year, which makes it part of an elite group of less than 5% of the world's business schools that have earned AACSB accreditation. There are a total of 15 universities in the Arab world that have the same accreditation, with five universities in the UAE, three universities in Saudi Arabia, two universities in each of Lebanon and Kuwait, and one university in each of Bahrain, Egypt and Qatar.

The QS University Rankings for 2015 ranked the Lebanese American University in 15th place among 100 ranked universities in the Arab region. The AKSB was established in 1993 and operates on two campuses located in Beirut and Byblos.

Lebanon's banking sector indicators favorable compared to emerging markets

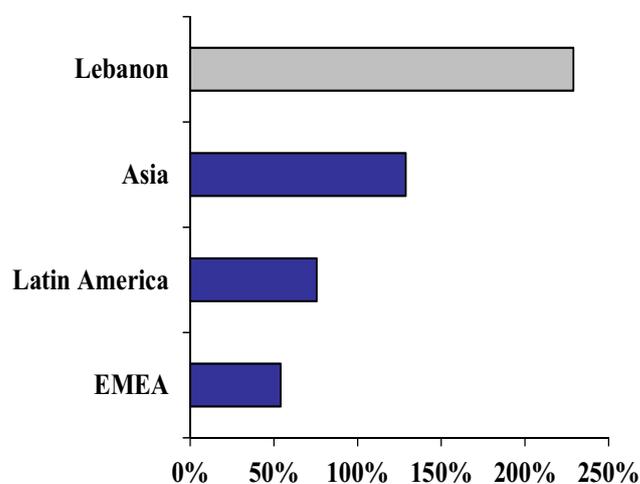
Merrill Lynch estimated credit to the resident private sector in Lebanon to be equivalent to 87.8% of GDP at the end of 2015, higher than Asia's ratio of 81.4%, the Emerging Europe, the Middle East & Africa region's (EEMEA) ratio of 49.4% of GDP and Latin America's ratio of 39.4% of GDP. Lebanon has the seventh highest credit-to-GDP ratio among 57 emerging markets, the second highest such ratio in the EEMEA region and the highest ratio among 12 Arab countries included in the survey. Also, Merrill Lynch estimated the non-performing loans ratio (NPL) in the Lebanese banking sector at 4%, lower than the EEMEA's NPL ratio of 5.6%, and compared to NPL ratios of 2.9% for Latin America and 1.8% for Asia. The Lebanese banking sector has the 25th lowest NPL ratio among 53 banking sectors, the 11th lowest ratio in the EEMEA region and the fifth lowest among Arab countries.

Further, Merrill Lynch estimated the money supply in Lebanon to be equivalent to 229% of GDP, significantly higher than Asia's ratio of 128.8% of GDP, Latin America's ratio of 75.6% of GDP and the EEMEA's ratio of 54% of GDP. Also, Lebanon has the third highest level of money supply relative to its GDP among 57 emerging markets, behind only Hong Kong where money supply is equivalent to 488% of its GDP and Taiwan (233.3% of GDP).

In parallel, Merrill Lynch noted that foreign claims reported to the Bank of International Settlement (BIS) on behalf of Lebanese banks are equivalent to 2.1% of GDP compared to 3% of GDP in Asia's banking sector, 2.2% of GDP in Latin America and 1.4% of GDP in the EEMEA region. The Lebanese banking sector has the 27th highest ratio of BIS-reporting foreign claims of banks among 57 banking sectors, the 14th highest ratio in the EEMEA region and the sixth highest in the Arab world. Further, Merrill Lynch estimated the annual private sector credit growth in Lebanon at 6% based on the year-on-year three-month moving average, which is higher than the EEMEA's rate of 3.9%, but lower than Latin America's growth rate of 13.7% and Asia's rate of 7.6%. As such, Lebanon had the 29th highest level of annual private sector credit growth among 53 emerging markets, the 15th highest in the EEMEA region and the fifth highest rate among Arab countries.

Merrill Lynch indicated that the capital-to-assets ratio of the Lebanese banking sector stood at 7.6%, compared to the EEMEA's ratio of 11.3%, Latin America's ratio of 10.7% and Asia's ratio of 9.5%. Also, it estimated the capital adequacy ratio of the Lebanese banking sector at 13%, relative to the EEMEA's ratio of 17.2%, Asia's ratio of 16.4% and Latin America's ratio of 15.1%.

Money Supply at end-2015 (% of GDP)



Source: Merrill Lynch, Byblos Research

Ratio Highlights

(in % unless specified)	2013	2014	2015	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	18.8	(322)
Fiscal Expenditures / GDP	28.9	28.3	26.6	(167)
Fiscal Balance / GDP	(8.9)	(6.2)	(7.8)	(154)
Primary Balance / GDP	(0.5)	2.6	1.4	(122)
Gross Foreign Currency Reserves / M2	69.5	66.5	58.7	(780)
M3 / GDP	235.4	238.4	243.0	462
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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