

LEBANON THIS WEEK

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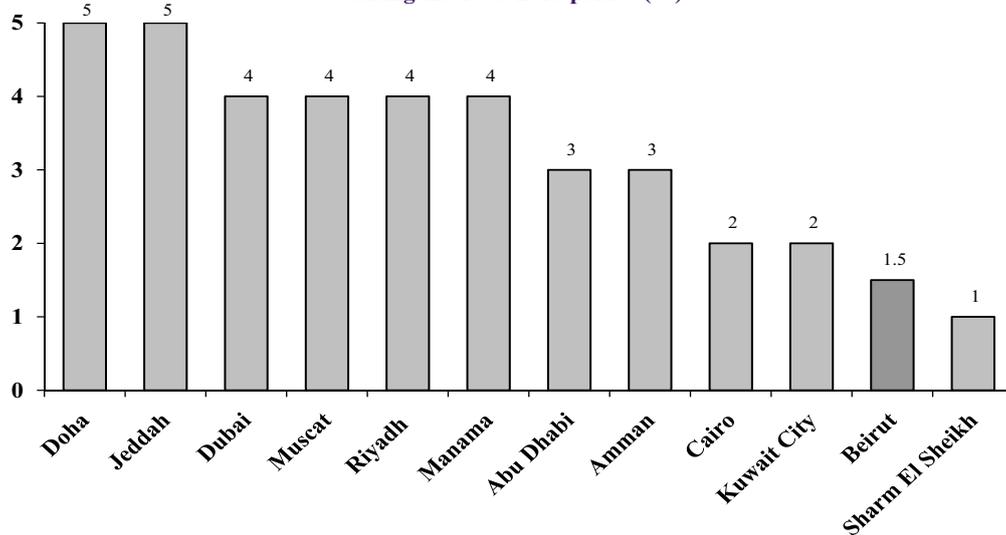
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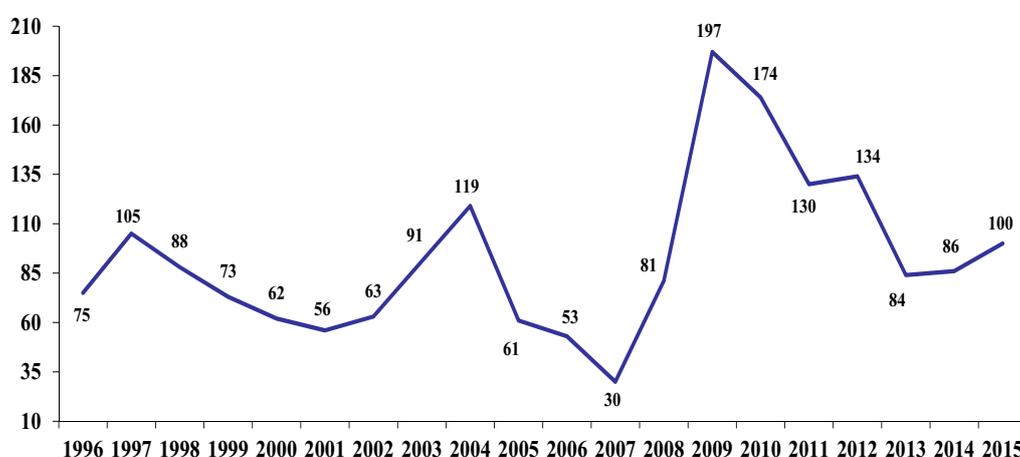
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Charts of the Week

CAGR* of Revenues per Available Room at Hotels in Select Arab Cities during the 1995-2015 period (%)



Revenues per Available Room at Hotels in Beirut (US\$)



*Compound Annual Growth Rate

Source: HVS, Byblos Bank

Quote to Note

"Passing the framework law for Public Private Partnerships could help mobilize private sector resources for infrastructure investment."

The International Monetary Fund, on one of the advantages of adopting public private partnerships to upgrade Lebanon's infrastructure

Number of the Week

69%: Percentage of respondents in Lebanon who consider that the Lebanese government should do more to help refugees fleeing war or persecution, according to a survey by Amnesty International

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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Byblos Common	1.63	0.00	452,572	5.30%	Mar 2017	9.00	103.38	4.75
BLOM GDR	10.15	(1.55)	101,267	6.79%	Nov 2018	5.15	100.13	5.10
Solidere "A"	9.93	0.91	91,789	8.99%	May 2019	6.00	101.50	5.45
BLOM Listed	10.05	(0.69)	48,816	19.55%	Mar 2020	6.38	102.25	5.70
Solidere "B"	9.80	(1.01)	36,180	5.76%	Apr 2021	8.25	110.13	5.84
Audi GDR	6.00	0.17	36,170	6.24%	Oct 2022	6.10	99.90	6.12
Byblos Pref. 09	100.10	(0.10)	23,218	1.81%	Jun 2025	6.25	98.25	6.51
Audi Listed	5.95	0.85	5,865	21.52%	Nov 2026	6.60	99.88	6.62
Byblos Pref. 08	100.10	(0.79)	3,717	1.81%	Feb 2030	6.65	98.50	6.82
HOLCIM	14.47	0.00	0	2.56%	Nov 2035	7.05	100.25	7.03

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

Source: Byblos Bank Capital Markets

	May 16-20	May 9-13	% Change	April 2016	April 2015	% Change
Total Shares Traded	866,944	2,155,922	(59.79)	3,131,933	1,018,275	207.57
Total Value Traded	\$7,819,733	\$14,524,456	(46.16)	\$34,700,460	\$10,508,586	230.21
Market Capitalization	\$11.05bn	\$11.07bn	(0.13)	\$11.05bn	\$11.56bn	(4.406)

Source: Beirut Stock Exchange (BSE)



Consumer confidence in Lebanon declines in first quarter of 2016

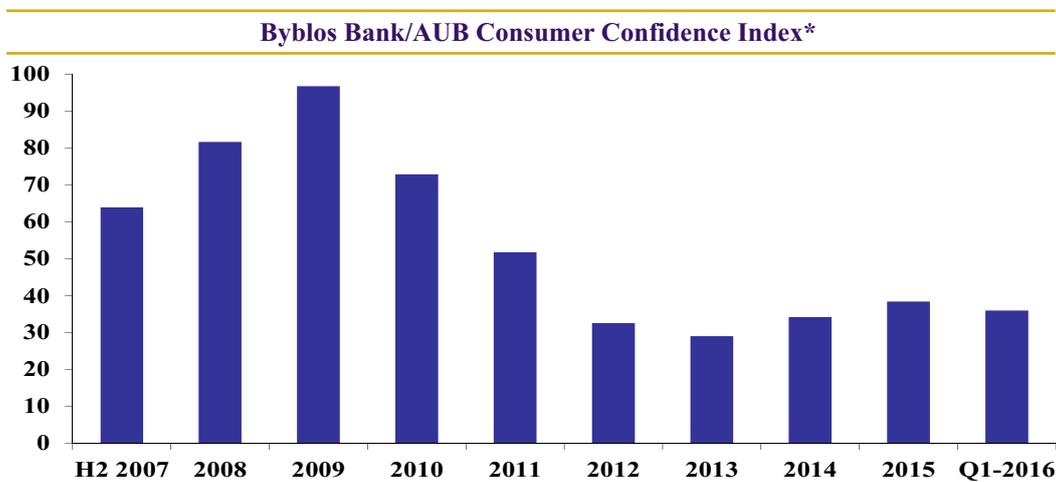
The level of consumer confidence in Lebanon deteriorated slightly in the first quarter of 2016, as reflected by the results of the Byblos Bank/AUB Consumer Confidence Index. The Index improved by 5.7% in January, but declined by 1.3% in February and regressed by 10% in March 2016, which constituted the steepest monthly drop since September 2015. Further, the Index averaged 35.9 points in the first quarter of 2016 and decreased by 2.6% from 36.9 in the fourth quarter of 2015. In addition, the Byblos Bank/AUB Present Situation Index averaged 32.9 in the first quarter of 2016 and regressed by 0.4% from the preceding quarter, while the Byblos Bank/AUB Expectations Index averaged 37.9 and declined by 3.9% from the fourth quarter of 2015. The deterioration in the first quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 77.3% of the surveyed Lebanese in the first quarter considered that their personal financial situation is "worse off" than it was six months earlier and 19.2% stated that their financial situation remained the same. In contrast, only 3.5% of them said that their financial situation is "better off" than it was six months earlier, the fourth lowest quarterly percentage since the Index's inception in July 2007.

Two major developments influenced consumer sentiment in the first quarter of 2016. First, the historic reconciliation and new alliance between the Lebanese Forces Party and the Free Patriotic Movement led the Byblos Bank/AUB Present Situation Index to jump by nearly 9% and the Byblos Bank/AUB Expectations Index to rise by 4% in January. Second, the eruption of the political crisis between Gulf Cooperation Council countries and Lebanon, and the resulting concerns about spillovers on the Lebanese economy, contributed to dragging down the Present Situation Index by 14.4% and the Expectations Index by 9.3% in February and March 2016.

Other factors that contributed to maintaining confidence at low levels include the repeated failure of the Lebanese Parliament to elect a President and the paralyzed decision-making process within public institutions, along with the widespread skepticism about the government's ability to find a permanent and sustainable solution to the waste disposal crisis. In parallel, stable security conditions, record-low local gasoline retail prices, and the fading away of imported inflation contained the decline in household sentiment.

The results of the Byblos Bank/AUB Consumer Confidence Index for the first quarter of 2016 show that female consumers had a relatively higher level of confidence than their male counterparts, while consumers in the 21 to 29 year-old bracket were more optimistic than older citizens. Also, households with an income of \$2,500 or more per month continued to have a higher level of confidence than those earning less. Further, students had a higher level of confidence than private sector employees, the self-employed, housewives, public sector employees and the unemployed in the first quarter of 2016. In addition, consumers in Mount Lebanon posted the highest confidence level across administrative districts, or mohafaza, in the first quarter of the year, followed by consumers in the South, the North, Beirut and the Bekaa. Finally, Christian consumers had a higher level of confidence than those from other religious affiliations during the covered quarter, followed by Druze, Sunni, and Shiite consumers.

The Byblos Bank/AUB Consumer Confidence Index is a measure of the sentiment and expectations of Lebanese consumers toward the economy and their own financial situation. The index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading consumer confidence indices worldwide. It is composed of two sub-indices, the Byblos Bank/AUB Present Situation Index and the Byblos Bank/AUB Expectations Index. The first sub-index covers the current economic and financial conditions of Lebanese consumers, and the second one addresses their outlook over the coming six months. The Byblos Bank Economic Research & Analysis Department has been calculating the index on a monthly basis since July 2007, with January 2009 as its base month. The index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.



* Monthly average Index for the period

Source: Byblos Bank Economic Research & Analysis Department, based on surveys conducted by Statistics Lebanon



Lebanese banking sector has similar level of vulnerability as sectors in the U.S., Germany and Saudi Arabia

In its semi-annual risk assessment of 114 banking systems in advanced and emerging economies, Fitch Ratings placed Lebanon's banking sector among 86 banking systems with a "low level of potential vulnerability", the highest category on Fitch's Macroprudential Indicator (MPI). The MPI identifies the build-up of potential stress in banking systems due to a specific set of circumstances. It aims to highlight potential systemic stress that could materialize up to three years after an early warning is first detected. As such, it identifies instances of rapid real credit growth over successive two-year periods, along with growth in real property prices, an appreciation in the real exchange rate or a rise in real equity prices. Its assessment is based on three years of annual data, with a trigger in any of the three years determining a country's MPI score. It said that an MPI score of '1' denotes low potential vulnerability, while a score of '2' reflects moderate vulnerability and a score of '3' denotes a high level of vulnerability to potential systemic stress.

Lebanon's MPI score has been unchanged since October 2013, when Fitch upgraded Lebanon's score to '1' from a previous score of '2'. As such, Lebanon, along with Angola, Bahrain, Cameroon, Cape Verde, Egypt, Iraq, Israel, Kenya, Kuwait, Morocco, Namibia, Nigeria, Oman, Saudi Arabia, the Seychelles, South Africa, Tunisia, the UAE and Uganda have an MPI score of '1' in the Middle East & Africa region. Other countries in this category include Canada, Denmark, Finland, Germany, Japan and the United States.

In parallel, the agency indicated that Lebanon's banking sector was among 15 banking systems that have a Banking System Indicator (BSI) of 'b'. The BSI is a measure of intrinsic banking system quality or strength, derived from Fitch's Viability Ratings for banks. It deliberately excludes potential support from shareholders or governments since the objective is to highlight systemic weakness that might trigger the need for such support. The BSI is an asset-weighted average of bank Viability Ratings for at least two-thirds of banks in any banking system, including systemically important unrated banks. Lebanon came in the 'b' category, along with Egypt and Nigeria in the Middle East & Africa region, as well as with Argentina, Armenia, Ecuador and Kazakhstan, among others, worldwide. Fitch said that 60% of banking systems in developed countries have BSIs of 'a' and higher. It added that only three banking sectors in developed economies have a BSI of 'aa' and only one sector has a BSI of 'ccc' or lower. Also, it indicated that the typical level of banking strength in emerging markets is weaker and is distributed evenly across the 'bbb', 'bb' and 'b' categories, with only three banking sectors in the 'a' and two sectors in the 'ccc' categories. Lebanon, Argentina, Armenia, Belarus, Cyprus, the Dominican Republic, Ecuador, Egypt, El Salvador, Kazakhstan, Nigeria, Slovenia, Sri Lanka and Vietnam are the only countries with an MPI score of '1' and a BSI Strength of 'b'.

Majority of drivers in Lebanon intend to purchase a used car

A survey conducted by opinion-polling firm Ipsos shows that 87% of car drivers in Lebanon have one car, 11% of Lebanese respondents possess two vehicles and 2% own three cars or more. In addition, 64% of surveyed car drivers in Lebanon intend to buy a used car, followed by 37% of surveyed respondents in Saudi Arabia, 28% in Kuwait and 27% in the UAE. In contrast, 36% of polled respondents in Lebanon plan to purchase a new car, relative to 73% of car drivers in the UAE, 72% in Kuwait and 63% in Saudi Arabia.

In parallel, 45% of car drivers in Lebanon consider reliability to be the most important factor in the decision to purchase a car, followed by 15% who think about the car's low fuel consumption when making their decision, 13% consider price, 7% think about the resale value, 5% consider cheap maintenance and 2% think about brand reputation. Moreover, 39% of drivers in Lebanon are affected by friends and family when deciding to buy a car, followed by 19% of respondents who get influenced by authorized car showrooms when making their decision, 7% are affected by the car manufacturer's website, 6% are influenced by professional magazines and independent & specialized web pages, 5% are affected by car show events and 4% are influenced by specialized TV shows. The study is part of the BRANDpuls survey, which assesses consumer attitudes, awareness and behavior toward brands and the media. The survey covered a sample of about 16,000 persons who are 15 years and older in Lebanon, Egypt, Kuwait, Saudi Arabia and the UAE. It covered a sample of 2,000 respondents in Lebanon.

Lebanon signs framework to support agriculture, food security and natural resources management

The Ministry of Agriculture and the Food and Agriculture Organization of the United Nations (FAO) signed the Lebanon-Country Programming Framework (CPF-Lebanon) for the 2016-19 period. The framework defines the development priorities for collaboration between the Lebanese government and FAO in the fields of agriculture, food security and natural resources management. It aims to expand the economic and living conditions of the most vulnerable communities in the country by strengthening the resilience of small producers and upgrading capacities for sanitary and phytosanitary control, as well as to improve the management of food safety and quality systems. Also, the CPF-Lebanon intends to improve the performance of the agricultural sector and contribute to economic, social, environmental and sustainable rural development. Further, the framework aims to strengthen the institutional capacities in policy support in relation to the agricultural sector, food security and nutrition. It also seeks to enhance the resilience of the agricultural sector and to develop agricultural value chains.

The framework requires a total of \$48.5m for its implementation during the 2016-19 period, of which \$6.5m are currently available and \$0.8m could be made available through Technical Cooperation Program facility resources. As such, FAO estimated the funding amount that is still needed at about \$41.2m over the next four years. It added that the FAO-Lebanon office will ensure the continuous monitoring and evaluation of the CPF's implementation.



Central Bank amends loan classification mechanism

The Central Bank of Lebanon issued Intermediate Circular 422 on May 4, 2016 that modifies Basic Circular 58 issued on November 10, 1998 about the classification of credit risks at banks in Lebanon.

First, the circular defined retail loans as all consumer loans, such as car, student and education loans, as well as housing loans and revolving credits, such as credit cards and personal loans. It noted that "other loans and facilities" include non-retail loans, such as loans to corporates and to small- and medium-sized enterprises. As such, the circular asked banks to differentiate between retail and non-retail loans when classifying loans, while prior to the modification the classification did not differentiate between the types of loans.

Second, the circular modified the criteria that banks have to use to classify credit risks by using two classifications. The first one, which is the Supervisory Classification, is imposed by the Central Bank, while the second one, which is the Loan Grading System, is an internal system specific to each bank and takes into account the bank's loan portfolio size and the nature of its operations. Under the supervisory classification, it asked banks to classify retail loans in five categories that are regular, for follow-up, for follow-up and remedial, sub-standard, and doubtful or bad loans. The last two categories include non-performing loans that are more than 90 days past due. The circular modified some of the features of each category and made it dependent on the delinquency status, which is the number of days that the client is late on the payments. In addition, it asked banks and financial institutions to classify "other loans and facilities" in six categories that are regular, for follow-up, for follow-up and remedial, sub-standard, doubtful and bad loans. The classification would depend on several factors, such as the client's ability to abide by the payment schedule, the number of days that the client was late on the payments, the evolution of the client's business activity, and the number of settlements that the client missed, among others. The circular also provided an action plan for banks to adopt for each loan category. In parallel, the circular modified the criteria that banks use to classify all loans under the loan grading system. The loan grading system classifies performing loans in seven categories that are "excellent", "strong", "good", "satisfactory", "adequate", "marginal" and "vulnerable", and non-performing loans in three categories that are "sub-standard", "doubtful" and "total loss".

Third, the circular asked banks to use credit ratings to assess commercial loans that face different risk characteristics, and to apply a credit scoring system for retail loans that have similar risk characteristics. Prior to the modification, banks used credit ratings for large loans and a credit scoring system for small-value loans.

Fourth, the circular amended the mapping between the supervisory classification and the loan grading system to make it more stringent. It maintained loans that are "excellent" and "strong" in the regular loan category, while this category previously included loans that are "good" and "satisfactory". The circular indicated that banks should abide by the new classifications by November 2016 at the latest.

Value of real estate transactions up 26% to \$2.8bn in first four months of 2016

Figures released by the Ministry of Finance indicate that there were 20,413 real estate transactions in the first four months of 2016, constituting an increase of 14.6% from 17,816 deals in the same period of 2015. In comparison, the number of real estate transactions dropped by 19.2% in the first four months of 2015. There were 4,353 real estate transactions in the Baabda area during the first four months of 2016 and represented 23.1% of the total. The North followed with 2,497 transactions (13.2%), the Zahlé region with 2,446 (13%), the Keserwan area with 2,187 (11.6%), the Metn district with 2,153 (11.4%), the South with 2,053 (10.9%), Nabatieh with 1,913 (10.1%) and Beirut with 1,272 (6.7%).

Also, the aggregate value of real estate transactions reached \$2.81bn in the first four months of 2016 and increased by 25.6% from \$2.24bn in the same period of 2015. In comparison, the value of real estate deals totaled \$2.83bn in the first four months of 2014. The value of real estate transactions in Beirut reached \$767.9m and accounted for 28.9% of the total, followed by Baabda with \$630m (23.7%), the Metn region with \$451m (17%), the Keserwan area with \$278.3m (10.5%), the South with \$208.3m (7.8%), the North with \$146.5m (5.5%), Zahlé with \$101.4m (3.8%) and Nabatieh with \$71.8m (2.7%).

In parallel, the average value per real estate transaction was \$137,832 in the first four months of 2016, up by 9.7% from an average value of \$125,702 in the same period of 2015 and relative to \$128,603 in the first four months of 2014. Further, there were 336 real estate transactions by foreigners in the first four months of 2016, which constitutes a decrease of 21.3% from 427 deals in the same period of 2015, and compared to an annual increase of 33.4% in the first four months of 2015 and a drop of 6.4% in the same period of 2014.

The number of real estate transactions by foreigners accounted for 1.6% of total real estate deals in the first four months of 2016 compared to 2.4% of deals in the same period of 2015 and to 1.5% of deals in the first four months of 2014. In parallel, 33.4% of executed real estate transactions by foreigners were in the Baabda district during the first four months of 2016, followed by Beirut (19.4%), the Metn region (15.9%), the Keserwan area (11.3%), the South (9.4%), Zahlé (4.4%), Nabatieh (3.4%) and the North (2.8%).



Poor households earn \$4,000 to \$8,000 per year, rely on borrowing to make ends meet

A qualitative survey conducted by non-governmental organization Oxfam and the Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut about poverty, inequality and social protection in Lebanon showed that a typical poor household generates an income between \$4,000 and \$8,000 per year. It noted that poor households depend on daily wage labor in agriculture, construction, and services such as cleaning, driving and working in shops. It added that they are part of the informal labor market and do not have fixed or regular contracts, which results in an irregular flow of income to the household. It said that a poor Lebanese household survives on a wage that is lower than the minimum wage for one person, has multiple debts and has a member who had to sacrifice his or her future by dropping out of college due to financial constraints.

Overall, the survey indicated that poor households are typically characterized by low income, are dependent on others on a regular basis for survival, and live in poor neighborhoods that suffer from weak infrastructure and poor services. It added that a poor household consists of five to eight members, and generally has one key income earner. Further, the study established a lower poverty line of \$2.4 per person per day and an upper poverty line of \$4 per person per day for Lebanon. As such, the survey found that 28.6% of Lebanese households are poor and included 8% who are considered extremely poor or below the lower poverty line. It estimated that a typical five-member household needs an annual income of \$7,300 to have a dignified life that is above the upper poverty line, and a yearly income of at least \$4,380 to protect it from extreme poverty.

In parallel, the survey noted that most households reported that their annual income has not changed since 2010, while some indicated that their yearly revenues contracted by 25% to 30% since then. It added that some households reported an increase in their annual income because more members are working. It noted that the large number of Syrian refugees increased competition for jobs, with some respondents reporting that they lost their jobs to Syrian workers who are willing to accept lower wages. Further, the survey pointed out that the income of poor households is affected by seasonality, with incomes usually low in the winter season, mainly because of the low availability of work. It added that the impact of seasonality is more pronounced in the Bekaa, Akkar and Nabatieh, mainly due to households' high reliance on the agricultural and construction sectors in these regions.

In parallel, the survey showed that food constitutes about 30% to 50% of the total expenditures of a poor household, followed by health-care and education spending with 15% to 20% for each. It added that debt repayment and housing costs, such as rent, electricity and water, represent another major expense for most households. The survey indicated that poor households adopt a range of coping mechanisms to withstand the stress and shocks to their finances. It noted that borrowing is the most common mechanism as debt could reach up to \$1,000 per household, excluding borrowing for emergencies. It added that borrowing from stores could be for items such as food, groceries and medicines, or in the form of cash from informal sources, such as friends and relatives, or from a formal lending institution. In addition, the survey indicated that households resort to controlling their expenditures as a mean to withstand financial stress, as they reduce the number of meals and buy cheaper products. It added that, in some cases, households reduce or cease spending on education and healthcare. The survey was conducted between June and July 2015 in Akkar, the Greater Beirut area, the Bekaa and Taalabaya, Nabatieh, Tripoli and Saida.

Consumer Price Index down 3% in first four months of 2016

The Central Administration of Statistics' Consumer Price Index regressed by 3% year-on-year in the first four months of 2016. Also, the CPI decreased by 2.4% in April 2016 from April 2015. The prices of water, electricity, gas & other fuels fell by 14.4% year-on-year in the covered period, followed by transportation costs (-5%), food & non-alcoholic beverages (-2.4%), healthcare costs (-1.5%) and communication costs (-0.3%). The distribution of actual rent shows that old rents grew by 3.9% annually in April 2016, while new rents increased by 1.8% from the same month of 2015. In contrast, the prices at restaurants & hotels rose by 3% year-on-year in April 2016, followed by actual rents (+2.7%), imputed rents (+1.9%), miscellaneous goods & services (+1.6%), the cost of education (+1.5%), recreation & entertainment (+1.1%), prices of alcoholic beverages & tobacco and clothing & footwear (+0.8% each), and the cost of furnishings & household equipment (+0.3%).

Further, the CPI grew by 0.8% in April 2016 from the preceding month, relative to a month-on-month increase of 0.5% in March 2016. Transportation costs rose by 3.7% month-on-month, followed by prices of water, electricity, gas & other fuels (+2.8%), clothing & footwear (+2%), actual rents (+1.2%), imputed rents (+0.8%), miscellaneous goods & services (+0.4%), prices at restaurants & hotels, healthcare costs and alcoholic beverages & tobacco (+0.1% each). In contrast, prices of food & non-alcoholic beverages dropped by 1.9% from the preceding month, followed by furnishings & household equipment and recreation & entertainment (-0.1% each). Further, the costs of education and communication were unchanged month-on-month in April 2016. The CPI grew by 1.3% month-on-month in the Bekaa region, by 1% in Nabatieh, by 0.8% in Mount Lebanon, by 0.7% in the South, by 0.6% in the North and by 0.3% in Beirut. In parallel, the Fuel Price Index grew by 7.7% month-on-month in April 2016, while the Education Price Index was unchanged.



Half of Lebanese moderately satisfied with current salary

A survey conducted by regional job portal Bayt.com and market research agency YouGov indicated that 50% of surveyed Lebanese said that they are moderately satisfied with their current salary, 48% of respondents were not satisfied and 2% of participants expressed a high level of satisfaction about their present salary. In comparison, 51% of persons surveyed across the Arab world expressed moderate satisfaction with their salary, 45% of respondents were not content, and 4% were highly satisfied. Further, the survey indicated that 56% of persons polled in Lebanon consider that their take-home pay is lower than their counterparts at other firms in the same industry, 21% believe that their salary package is competitive with the market and 2% think that their income is higher than their counterparts in the same sector. It noted that 43% of Lebanese do not save any part of their monthly income, 33% save less than 15% of their take-home pay, and 21% save more than 15% of their monthly earnings. The survey covered a sample of about 8,158 professionals in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia and the UAE. It was conducted online between April 1 and April 15, 2016 and covered a sample of 196 respondents in Lebanon. The survey's results for Lebanon are mitigated by the fact that the sample size is not representative enough and that the survey was conducted via the Internet, which is not the most reliable methodology for opinion polling.

Also, the survey showed that 31% of salary packages in Lebanon consist of a basic salary only; 44% of packages include a basic salary and benefits such as housing, transportation and allowance for children's education; and 23% of local packages include a basic salary, benefits and commissions; while 2% of packages consist of commissions only. In comparison, 30% of income packages in the Arab world consist of a basic salary only; 56% include a basic salary and benefits; 14% include a basic salary, benefits and commissions; and 1% of packages consist of commissions only.

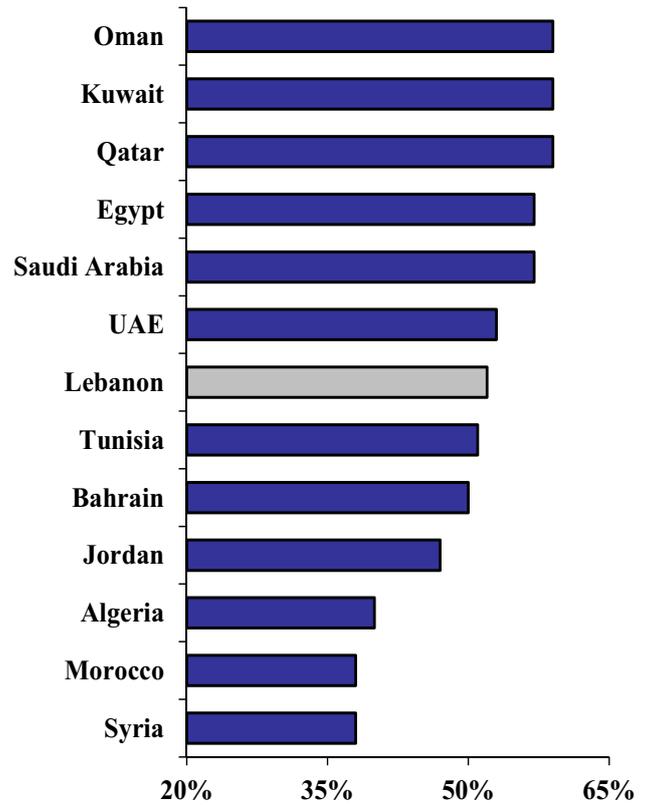
In parallel, the survey revealed that 44% of polled Lebanese said that they did not get a raise in 2015, while 24% of respondents said that they received a salary increase of up to 5%, and 15% said that their annual raise ranged between 6% and 10%. Also, 6% of participants indicated that they received a pay raise between 11% and 15%, while 8% of respondents stated that their annual raise exceeded 15% in 2015.

Further, the survey found that 36% of respondents in Lebanon do not expect to receive a pay raise in 2016, followed by 14% of respondents who anticipate a salary increase of 1% to 5%, and 16% of participants who expect a raise of 6% to 10%, while 10% of participants anticipate an increase of between 11% and 15%. In addition, 12% of respondents expect a raise of more than 15%.

Also, the survey pointed out that 36% of respondents consider that salaries in Lebanon are stagnating, 36% said that salaries are increasing, and 19% acknowledged that salaries are decreasing. It said that 77% of Lebanese attributed the salary increase to inflation and to the high cost of living, while 65% of respondents attributed the salary decrease to weak economic activity and falling oil prices. Also, 67% of respondents said that the cost of living increased in Lebanon last year due to an increase in the cost of food & beverages, followed by a rise in education costs (53% of respondents), an increase in rents (46% of participants), a rise in the cost of utilities (42% of respondents) and an increase in entertainment costs (41% of participants).

In parallel, the survey revealed that 44% of persons polled in Lebanon intend to look for a better job in the same industry over the next 12 months, 31% plan to search for a better job in a different industry, while 24% aim to look for a better job in another country in the Middle East.

Percentage of Respondents who are Satisfied with Current Salary



*moderately and highly satisfied
Source: Bayt.com, Byblos Research

Central Bank increases banks' funding to the knowledge economy

The Central Bank of Lebanon issued Intermediate Circular 419 on April 27, 2016 that amends Basic Circular 23 issued on March 7, 1996 about the facilities that the Central Bank can provide to banks and financial institutions. The circular increased the total amount of money that banks and financial institutions can invest in venture capital (VC) firms, start-up companies, and specific incubators and accelerators, from 3% to up to 4% of the bank's capital. It indicated that the participation of any bank in VC funds should not exceed 20% of the abovementioned 4%, and should not be higher than 10% of the maximum share of capital allowed for investment in start-up companies and specific incubators and accelerators. Prior to the amendment, the banks' participation ceiling in all companies was fixed at 10% of the maximum share of capital allowed for such investments. It said that the BdL Central Council may, on justified grounds, grant its approval to exceed any of these limits.

Banks operating in Lebanon can have access to interest-free facilities from the Central Bank over a maximum period of seven years to invest in the capital of start-up companies, incubators and accelerators, and VC firms. These companies must be part of the knowledge economy sector, support socio-economic development, create jobs, and enhance intellectual capital. Also, the firms must be incorporated in Lebanon and must not be offshore or financial entities.

EFG Hermes posts net losses of \$7m in first quarter of 2016

Regional investment bank EFG Hermes declared consolidated net losses of EGP63.7m, or about \$7.2m, in the first quarter of 2016, relative to net profits of EGP181.5m in the same quarter of 2015. It said that the announcement of the potential sale of its 63.7% stake in Crédit Libanais sal, EFG Hermes' commercial banking arm, and its subsequent reclassification as asset held for sale, resulted in a non-cash loss of EGP280m from the impairment loss on measurement of assets held for sale. This led the profits realized by the discontinued operations of the commercial bank to shift to a net loss of EGP207m. As such, the Group's net losses after tax and minority interest reached EGP128.1m, or about \$14.4m, in the first quarter of 2016.

The investment bank declared operating revenues from continued operations at EGP397m, or about \$44.8m, in the first quarter of 2016, up by 62% year-on-year, due to higher revenues generated from all business lines. In parallel, total operating expenses of the investment banking segment increased by 69% year-on-year to EGP266m in the first quarter of 2016 due to higher staff expenses. EFG Hermes indicated that its total consolidated assets reached EGP105.26bn, or about \$11.9bn, at the end of March 2016 relative to EGP88.4bn at end-2015.

Crédit Libanais sal posted unaudited net profits of \$17.4m in the first quarter of 2016, constituting a rise of 1.8% year-on-year. The bank's return on average assets was 0.7% on an annualized basis in March 2016, unchanged from a year earlier; while its return on average equity was 9.4% on an annualized basis compared to 9.7% in March 2015. The bank's cost-to-income ratio, including extraordinary items, was 56.3% at end-March 2016. Its total assets reached \$10.3bn at the end of March 2016, while loans to customers stood at \$3bn. The bank's deposits reached \$8.7bn at the end of March.

In March 2016, the Board of Directors of EFG Hermes indicated that it has approved the necessary steps to sell 9,408,749 shares in Crédit Libanais sal at a gross price of \$33 per share to a consortium of Lebanese and Arab investors. It added that it intends to conclude an irrevocable underwriting agreement with Crédit Libanais Investment Bank sal (CLIB), a wholly owned subsidiary of the Lebanese bank, to sell to CLIB its remaining 5,506,134 shares in Crédit Libanais at the same price by the end of May 2017. The deal is still contingent on several conditions, including the approval of the Central Bank of Lebanon by the end of June 2016. Following regulatory approvals, EFG would have sold its entire share in the Lebanese bank for a gross value of \$492.2m.

BankMed approves dividend payments for 2015

BankMed sal announced that its Ordinary General Assembly held on April 15, 2016 approved the distribution of preferred shares dividends for 2015. The bank paid a gross dividend of \$6.75 (LBP10,200) per share for holders of Series 2 Preferred Shares and \$6.5 (LBP9,800) per share for holders of Series 3 Preferred Shares. The Bank started to disburse dividends on May 20, 2016 net of a 10% withholding tax. The bank currently has 2,250,000 Series 2 Preferred Shares and 1,500,000 Series 3 Preferred Shares outstanding.

BankMed posted unaudited consolidated net profits of \$139.1m in 2015, up by 4.2% from 2014. Total assets increased by 0.9% to \$15.55bn at the end of 2015, with loans & advances to customers, excluding loans & advances to related parties, growing by 7% year-on-year to \$4.87bn. Also, customer deposits, excluding deposits from related parties, totaled \$11.64bn at the end of 2015 and increased by 2% from a year earlier.



Banque Libano-Française to issue preferred shares

Banque Libano-Française sal (BLF) announced that it will increase its Tier One capital by issuing 1,500,000 Series 5 Preferred Shares for a total amount of \$150m. The issue price is \$100 per share, of which LBP10,000 (\$6.63) is par value and the remaining \$93.37 constitutes the issue premium. Also, BLF indicated that it will redeem and cancel 1,500,000 Series 3 Preferred Shares on May 24, 2016 at a price of \$100 per share. The shares were issued in 2011 and carried an annual dividend rate of 7% of the issue price. BLF gave priority to Series 3 holders to subscribe to the Series 5 Preferred Shares. As such, the bank will raise its capital account by LBP15bn to offset the nominal value of the soon-to-be canceled shares.

The Series 5 Preferred Shares carry an annual dividend rate of 6.625% of the issue price and are redeemable, non-cumulative and perpetual. The shares are expected to be issued on May 30, 2016 and will not be listed on the Beirut Stock Exchange, in line with previous issuances. The dividends will be paid net of a 5% withholding tax, as the bank will reimburse the holders of Series 5 Preferred Shares for the difference between the 10% withholding rate and the rate for which the shares would be taxed if they were listed on the Beirut Stock Exchange. BLF has the option to call the shares within 60 days after the Ordinary General Assembly meets to approve the financials for fiscal year 2020, and annually thereafter, at a callable price of \$100 per share plus any declared but unpaid dividends. The bank would have to redeem a minimum of 20% of the outstanding shares in case it decides to exercise its call option.

BLF posted audited consolidated net profits of \$105.5m in 2015, up by 3.1% from \$102.4m in 2014. Its assets reached \$11.64bn at end-2015; while loans & advances to customers, excluding loans & advances to related parties, increased by 4% from end-2014 to \$4.17bn at the end of 2015. Also, customer deposits, excluding deposits from related parties, totaled \$9.85bn at end-2015, up by 2.8% year-on-year.

Lebanese investment vehicle announces first acquisition in UAE

A consortium that consists of Emerging Investment Partners (EIP), a Beirut-based investment vehicle, and Jordan-based Siniora Food Industries, a food processing company, acquired 100% of the shares of Dubai-based Diamond Meat Processing LLC (DMP) for \$17m. Prior to the deal, DMP was part of the Emirates Trading Agency Star House Group, a joint venture established in 1973 with UAE-based Al Ghurair Group. Following the acquisition, the brand name will remain the same with Siniora's name to be added to some products. The deal constitutes EIP's second investment in the F&B industry, following its investment in the Backyard Hazmieh in Lebanon. DMP has a 20% share of the UAE market and offers more than 80 varieties of processed chicken, beef and turkey.

The Beirut-based Obegi Group and the Switzerland-based Generation Alfa, along with two other individual investors, established EIP in December 2014. The vehicle aims to invest between \$5m and \$10m in high-growth medium-sized enterprises that have prospects for regional expansion in various sectors in the Levant, North Africa and selected African countries. The company is co-funded by private and institutional investors.

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	May 2014	Apr 2015	May 2015	Change**	Risk Level
Political Risk Rating	52.0	55.0	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	63.5	63.5	▼	Moderate

MENA Average*	May 2014	Apr 2015	May 2015	Change**	Risk Level
Political Risk Rating	58.0	57.2	57.3	▲	High
Financial Risk Rating	40.2	39.6	39.6	▲	Low
Economic Risk Rating	35.7	33.9	33.1	▲	Moderate
Composite Risk Rating	67.0	65.3	65.0	▲	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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