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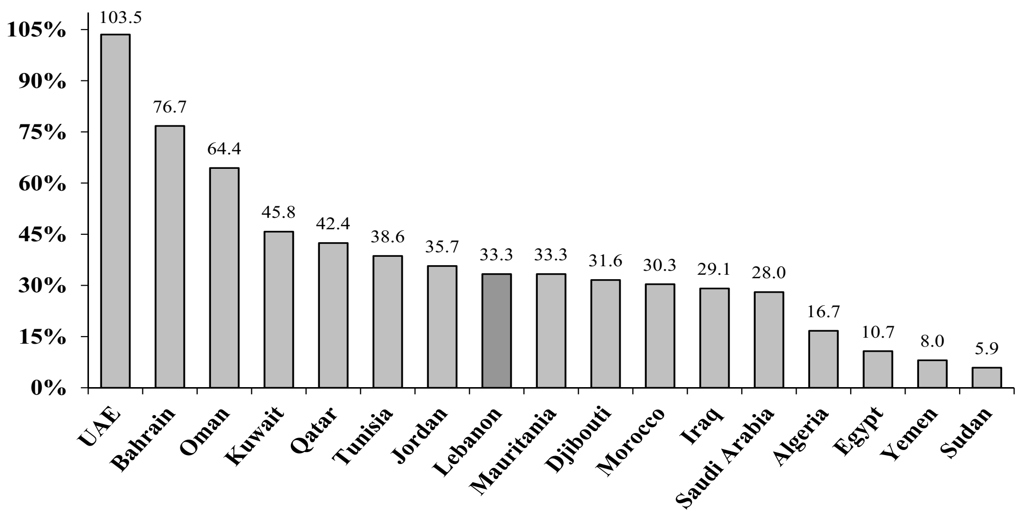
LEBANON THIS WEEK

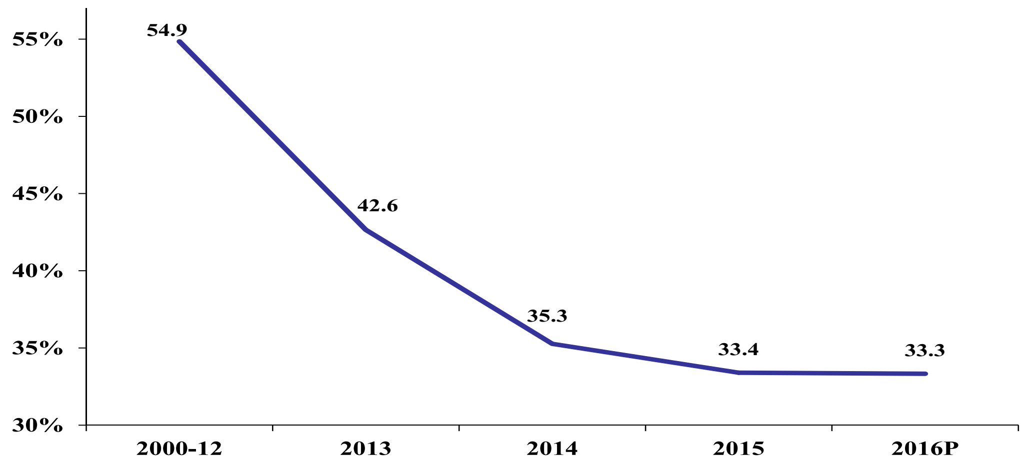
In This Issue

Charts of the Week

Projected Exports of Goods & Services from Arab Countries in 2016 (% of GDP)



Lebanon's Exports of Goods & Services (% of GDP)



Source: International Monetary Fund - April 2016, Byblos Bank

Quote to Note

"Monetary policy has been one of the few effective countercyclical policy tools during the ongoing period of sluggish growth."

The World Bank, on the stimulus packages that the Central Bank has initiated since 2013

Number of the Week

41: 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)	2015	Mar 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	% Change*
Exports	2.952	257	236	186	228	220	(14.40)
Imports	18,069	1,509	1,841	1,494	1,377	1,750	15.97
Trade Balance	(15,117)	(1,252)	(1,605)	(1,308)	(1,149)	(1,530)	22.20
Balance of Payments	(3,354)	(417)	(372)	(719)	363	(228)	(45.32)
Checks Cleared in LBP	18,714	1,579	1,709	1,709	1,538	1,609	1.89
Checks Cleared in FC	50,845	4,322	4,265	4,065	3,988	3,983	(7.84)
Total Checks Cleared	69,559	5,901	5,974	5,774	5,526	5,592	(5.24)
Budget Deficit/Surplus	(3,952)	(506.29)	(711.58)	(214.00)	(513.56)	(713.34)	40.90
Primary Balance	724.40	(22.84)	(338.61)	32.08	(276.67)	(156.28)	584.20
Airport Passengers***	7,241,463	478,284	616,249	546,609	442,212	534,954	11.85

$bn (unless otherwise mentioned)	2015	Mar 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	% Change*
BdL Gross FX Reserves	30.64	34.53	30.64	31.64	31.42	30.37	(12.05)
In months of Imports	*20.35*	*22.88*	*16.64*	*21.18*	*22.82*	*17.35*	(24.16)
Public Debt	70.31	69.44	70.31	70.62	71.22	71.04	2.31
Bank Assets	185.99	176.95	185.99	186.20	186.59	187.66	6.05
Bank Deposits (Private Sector)	151.59	145.46	151.59	151.50	151.42	152.44	4.80
Bank Loans to Private Sector	54.22	51.14	54.22	54.39	54.56	55.06	7.65
Money Supply M2	52.15	49.44	52.15	52.24	52.29	52.52	6.23
Money Supply M3	123.62	118.06	123.62	123.26	123.49	124.51	5.47
LBP Lending Rate (%)	7.45	6.94	7.45	8.28	8.18	8.62	168bps
LBP Deposit Rate (%)	5.56	5.57	5.56	5.52	5.57	5.59	2bps
USD Lending Rate (%)	7.06	7.16	7.06	7.34	7.31	7.36	20bps
USD Deposit Rate (%)	3.17	3.12	3.17	3.22	3.22	3.27	15bps
Consumer Price Index**	(3.75)	(3.38)	(3.40)	(3.16)	(2.94)	(3.57)	(19bps)

** 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, Central Administration of Statistics, Byblos Research

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Audi Listed	6.10	1.67	185,472	22.11%
Audi GDR	6.15	2.50	142,397	6.41%
Byblos Common	1.63	(2.40)	90,613	5.31%
BLOM Listed	10.01	0.10	34,477	19.51%
BLOM GDR	10.15	0.00	27,103	6.80%
Solidere "A"	9.37	1.19	24,577	8.50%
Solidere "B"	9.34	3.55	7,191	5.50%
Byblos Pref. 08	100.20	0.00	1,337	1.82%
Byblos Pref. 09	100.10	0.00	-	1.82%
HOLCIM	14.31	0.00	-	2.53%

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

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar 2017	9.00	103.38	4.43
Nov 2018	5.15	100.13	5.08
May 2019	6.00	101.25	5.53
Mar 2020	6.38	102.13	5.73
Apr 2021	8.25	109.50	5.95
Oct 2022	6.10	99.63	6.17
Jun 2025	6.25	97.75	6.59
Nov 2026	6.60	99.63	6.65
Feb 2030	6.65	98.00	6.88
Nov 2035	7.05	99.88	7.06

Source: Byblos Bank Capital Markets

	Jun 20-24	Jun 13-17	% Change	May 2016	May 2015	% Change
Total Shares Traded	636,004	584,555	8.80	4,411,792	3,514,330	25.54
Total Value Traded	$5,345,186	$3,761,443	42.10	$32,584,901	$40,077,612	(18.7)
Market Capitalization	$11.03bn	$10.96bn	0.61	$11.06bn	$11.57bn	(4.43)

Source: Beirut Stock Exchange (BSE)

Foreign direct investment down 19% to $2.9bn in 2015, equivalent to 4.6% of GDP

Figures released by the United Nations Conference on Trade and Development (UNCTAD) show that foreign direct investment (FDI) in Lebanon totaled $2.34bn in 2015, constituting a decrease of 19.4% from $2.9bn in 2014. Also, FDI inflows in 2015 were below the annual average flows of $3.34bn during the 2009-14 period and came 46.5% lower than the peak of $4.38bn posted in 2009. Lebanon was the sixth largest recipient of FDI among 19 Arab countries, the eighth largest among 22 economies in the Middle East & North Africa region, and the fifth largest among 12 countries in West Asia in 2015. It was also the 60th largest FDI recipient globally among 133 economies with a nominal GDP of $10bn or more, and when excluding tax haven islands.

Lebanon was one of 11 Arab countries to see a decrease in FDI inflows in 2015. It posted the fifth steepest decrease in FDI inflows among 19 MENA countries and among 16 Arab countries with positive flows. In comparison, FDI inflows to Arab economies dropped by 10.2% year-on-year, those to MENA countries increased by 7.2%; while FDI inflows to West Asia declined by 2.1%, those to developing economies grew by 9.5% and global FDI flows increased by 38%.

FDI inflows to Lebanon accounted for 5.9% of total FDI in Arab countries and for 3.4% of inflows to the MENA region in 2015, compared to 6.6% in the Arab world and 4.5% regionally in 2014. They also represented 5.5% of total flows to West Asia, 0.3% of FDI inflows to developing economies, and 0.1% of global FDI in 2015.

Further, FDI inflows to Lebanon were equivalent to 4.6% of GDP in 2015, the lowest level since 1996 and compared to a peak of 15.6% of GDP in 2005. They were the third highest in the Arab world in 2015, behind Mauritania (10.4% of GDP) and Djibouti (7.2% of GDP). Also, FDI inflows to Lebanon as a percentage of GDP were the 31st highest in 2015 among countries with a nominal GDP of $10bn or more and when excluding tax haven islands. In addition, FDI inflows to Lebanon were equivalent to 21.5% of gross fixed capital formation in 2015, their lowest level since 1999, and compared to the annual average of 32.4% during the 2009-14 period and the peak of 74.2% registered in 2006. In comparison, FDI flows were equivalent to 7.2% of gross fixed capital formation in West Asian economies, to 8.7% in developing economies and to 9.9% on a global basis in 2015.

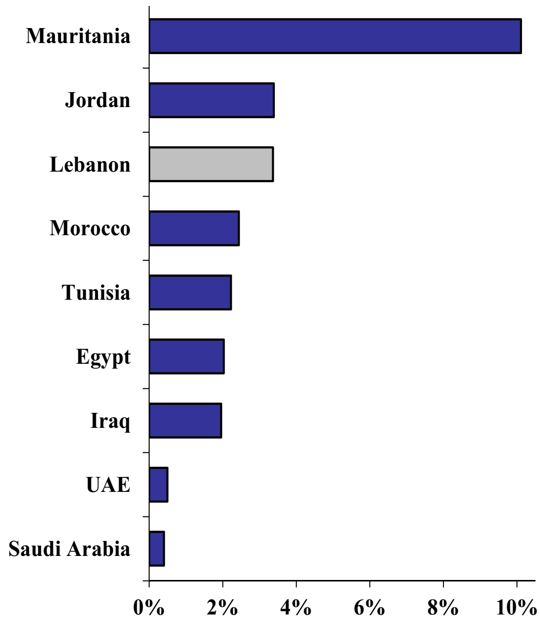
In parallel, FDI outflows from Lebanon totaled $619.3m in 2015, constituting a decrease of 48.9% from $1.21bn in 2014, compared to the annual average of $1.13bn during the 2009-14 period and a peak of $1.9bn registered in 2013. Lebanon was the eighth largest source of FDI outflows among Arab countries, the 10th largest in the MENA region, and the seventh largest in West Asia in 2015. Further, net FDI flows to Lebanon reached $1.72bn in 2015, the fifth highest level in the Arab world.

Foreign Direct Investment in Arab Countries ($m)

Country	2015	2014	Change (%)
UAE	10,976	10,823	1.4%
Saudi Arabia	8,141	8,012	1.6%
Egypt	6,885	4,612	49.3%
Iraq	3,469	4,782	(27.5%)
Morocco	3,162	3,561	(11.2%)
Lebanon	**2,341**	**2,906**	**(19.4%)**
Sudan	1,737	1,251	38.8%
Jordan	1,275	2,009	(36.6%)
Qatar	1,071	1,040	2.9%
Tunisia	1,002	1,063	(5.8%)
Oman	822	739	11.3%
Libya	726	50	1351.3%
Mauritania	495	500	(1.0%)
Kuwait	293	953	(69.2%)
Djibouti	124	153	(19.0%)
Palestine	120	160	(24.9%)
Algeria	-587	1,507	-
Yemen	-1,191	-1,787	33.4%
Bahrain	-1,463	1,519	-
Total	**39,397**	**43,854**	**(10.2%)**

Source: UNCTAD, Byblos Research

Net FDI inflows in Arab Countries in 2015 (% of GDP)



Source: UNCTAD, IMF, Byblos Research

Remittance inflows to Lebanon up 4% to $7.5bn in 2015, outflows down 16% to $3.7bn

Figures released by the Central Bank of Lebanon, show that expatriates' remittance inflows to Lebanon totaled $7.5bn in 2015, constituting an increase of 4% from $7.2bn in 2014. Remittance inflows to the country averaged $6.16bn annually between 2002 and 2015, but they increased from an annual average of $4.8bn during the 2002-07 period to a yearly average of $7.18bn between 2008 and 2015, with a low of $2.54bn in 2002 and a high of $7.57bn in 2013. Remittance inflows to Lebanon in 2015 reached their third highest level during the 2002-15 period. The Central Bank figures are the only official data on remittance flows to and from Lebanon.

Also, the percentage increase in remittance inflows to Lebanon in 2015 constituted the second annual rise since 2009, as such inflows grew by 13.4% in 2013 but regressed by 8.8% in 2010, by 0.2% in 2011, by 3% in 2012 and by 5% in 2014. Overall, remittance inflows to Lebanon grew at a compound annual growth rate (CAGR) of 8.6% during the 2002-15 period, while they increased by a CAGR of 17.8% between 2002 and 2007 and a CAGR of 0.6% during the 2008-15 period.

Remittance inflows to Lebanon totaled $1.85bn in the first quarter of 2015, $1.83bn in the second quarter, $1.9bn in the third quarter and $1.89bn in the fourth quarter of last year. The results reflect a decline of 3.9% in the first quarter from the preceding quarter, a drop of 1.2% in the second quarter, a rise of 3.9% in the third quarter and a contraction of 0.5% in the fourth quarter in 2015.

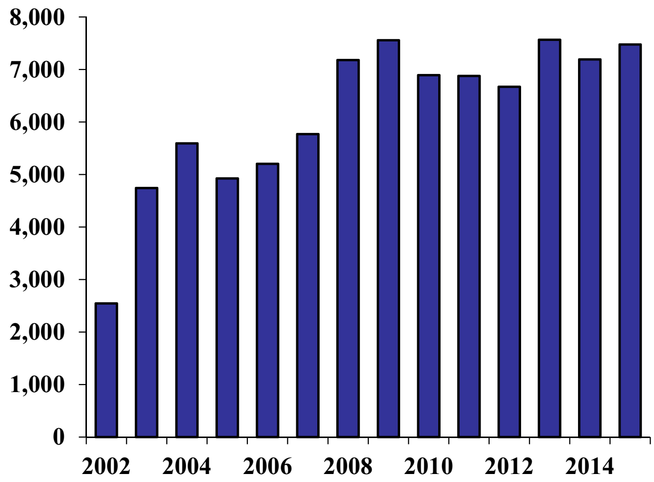
Further, remittance inflows to Lebanon were equivalent to 14.6% of GDP in 2015 compared to 23.1% of GDP in 2005 and 18.1% of GDP 2010. Aggregate remittance inflows to Lebanon were equivalent to 18.6% of GDP between 2002 and 2015, while they were equivalent to 22.6% of GDP during the 2002-07 period and to 17.1% of GDP between 2008 and 2015.

In parallel, remittance outflows from Lebanon amounted to $3.7bn in 2015, reflecting a drop of 15.9% from $4.4bn in 2014, and constituting their lowest level since 2007. They averaged $3.5bn annually during the 2002-07 period and $4.6bn yearly between 2008 and 2015, with a low of $2.5bn in 2002 and a high of $5.75bn in 2009.

Further, remittance outflows from Lebanon were equivalent to 7.2% of GDP in 2015, the lowest level on record, compared to a peak of 20.7% of GDP in 2003. Aggregate remittance outflows from Lebanon were equivalent to 12.6% of GDP between 2002 and 2015, while they were equivalent to 16.7% of GDP during the 2002-07 period and to 11% of GDP between 2008 and 2015.

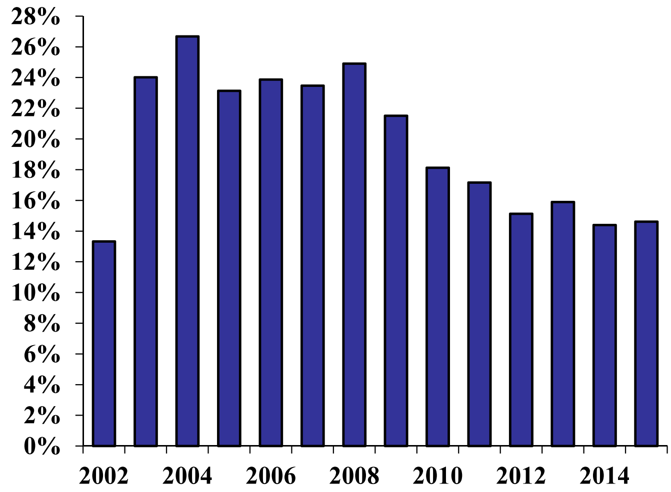
As such, net remittance inflows to Lebanon reached $3.8bn in 2015, constituting an increase of 35% from $2.8bn in 2014, their highest level on record. They were equivalent to 7.4% of GDP in 2015, the fourth highest level during the 2002-15 period, relative to 11.4% of GDP in 2007, 9.8% of GDP in 2008 and 8.1% of GDP in 2006.

Remittance Inflows to Lebanon ($m)



Source: Central Bank, Byblos Research

Remittance Inflows to Lebanon (% of GDP)



Source: Central Bank, IMF, Byblos Research

Beirut is 50th most expensive city in the world in 2016, fourth most expensive Arab city

The annual survey on the cost of living in 209 cities around the world by global consulting firm Mercer ranked Beirut as the 50th most expensive city worldwide and the fourth most expensive among 17 Arab cities surveyed in 2016. Also, Beirut ranked as the 12th most expensive city among the 47 cities in 35 upper middle-income countries (UMICs) included in the survey. In comparison, Beirut was the 44th most expensive city worldwide and the third most expensive in the Arab world in 2015. The cost of living in Beirut decreased relative to other cities, as its global rank regressed by six spots in this year's survey, constituting the steepest decline among Arab cities.

The study measures the comparative cost of over 200 items in each location, including the cost of housing, food, clothing and household goods, as well as transportation and entertainment. The rankings are derived from a survey conducted in March 2016. The survey uses New York City as the base city for the index and compares all cities are compared against it. The survey is conducted annually to help multinational companies determine compensation allowances for their expatriate workers.

On a global basis, the cost of living in Beirut is the same as in Milan in Italy, Amman in Jordan and Yaoundé in Cameroon. Also, the cost of living in Beirut is higher than the cost of living in Vienna in Austria, Nagoya in Japan and Abidjan in Côte d'Ivoire; and is lower than the cost of living in Dublin in Ireland, Accra in Ghana and Boston in the United States. Also, the survey considered Beirut to be as expensive as Amman, but more expensive than Ashkhabad in Turkmenistan, Bangkok in Thailand and Panama City in Panama; while it was less costly than Shenyang, Qingdao and Chengdu in China among UMICs.

Cost of Living Rankings in 2016

	Arab Rank	Global Rank	Change in Global Rank*
Dubai	1	21	+2
Abu Dhabi	2	25	+8
Djibouti	3	40	+15
Beirut	**4**	**50**	**-6**
Amman	4	50	+4
Riyadh	6	57	+14
Manama	7	71	+20
Doha	8	76	+23
Cairo	9	91	+29
Muscat	10	94	+23
Kuwait City	11	103	+14
Jeddah	12	121	+30
Casablanca	13	130	+10
Rabat	14	168	+7
Nouakchott	15	178	-5
Algiers	16	185	-4
Tunis	17	203	+1

** + reflects a relative increase in the cost of living*
Source: Mercer, Byblos Research

Beirut's ranking is mainly due to the high cost of unfurnished housing (lower than New York City), personal leisure and sports (higher than New York City), transportation cost (higher than New York City) and the cost of utilities (higher than New York City). Mercer indicated that it compares the cost of high-end items that are important to expatriates and their employers, such as upscale residential areas and entertainment venues.

The survey shows that the rankings of 14 out of the 17 Arab cities increased in the 2016 survey, due to a decline in the cost of living in non-Arab cities, as well as to the strong increase in the rent of expatriates' accommodation, particularly in Abu Dhabi and Jeddah. The survey included three non-Arab cities from the region, as Tel Aviv ranked in 19th place globally, down from 18th place in the 2015 survey, Limassol came in the 162nd spot compared to 159th in 2015, while Istanbul came in 101st place relative to 99th place in 2015. Hong Kong ranks as the world's most expensive city, while Windhoek in Namibia is the least costly city worldwide.

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

The Central Administration of Statistics' Consumer Price Index regressed by 2.9% year-on-year in the first five months of 2016. Also, the CPI decreased by 2.4% in May 2016 from May 2015. The prices of clothing and footwear rose by 3.2% year-on-year in May 2016, followed by actual rents (+3.1%), prices at restaurants & hotels (+2.6%), imputed rents (+2%), the cost of education (+1.5%), miscellaneous goods & services (+1.4%), recreation & entertainment (+0.9%) and prices of alcoholic beverages & tobacco (+0.7%). The distribution of actual rent shows that old rents grew by 4.9% annually in May 2016, while new rents increased by 1.9% from the same month of 2015. In contrast, the price of water, electricity, gas & other fuels fell by 14.1% year-on-year in the covered period, followed by transportation costs (-6.2%), food & non-alcoholic beverages (-3.2%), healthcare costs (-0.8%) and communication costs (-0.3%); while the cost of furnishings & household equipment was nearly unchanged.

Further, the CPI grew by 0.1% in May 2016 from the preceding month, relative to a month-on-month increase of 0.8% in April 2016. Prices of water, electricity, gas & other fuel rose by 2.4% month-on-month, followed by clothing & footwear (+1.4%), transportation costs (+1.2%), actual rents (+0.6%), and imputed rents (+0.2%). In contrast, prices of food & non-alcoholic beverages dropped by 2.4% from the preceding month, followed by prices at restaurants & hotels, communication costs, and prices of miscellaneous goods and services (-0.1% each). Further, the cost of education, recreation & entertainment, healthcare costs, prices of alcoholic beverages & tobacco and the price of furnishings & household equipment were nearly unchanged month-on-month in May 2016. The CPI grew by 0.7% month-on-month in the Bekaa region, by 0.6% in Nabatieh, by 0.5% in the South and by 0.2% in the North, while it regressed by 0.1% in each of Mount Lebanon and Beirut. In parallel, the Fuel Price Index grew by 4.2% month-on-month in May 2016, while the Education Price Index was unchanged from the preceding month.

Occupancy rate at Beirut hotels at 56%, room yields down 18% in first five months 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 56% in the first five months of 2016, down from 57% in the same period of 2015 and compared to an average rate of 65% in 14 Arab markets included in the survey. The occupancy rate at Beirut hotels was, along with Manama, the fourth lowest in the region in the first five months of 2016, while it was the third lowest in the same period of 2015. Kuwait City posted the lowest occupancy rate of 44% in the covered period, followed by Makkah (51%) and Amman (53%). Also, the occupancy rate at hotels in Beirut dropped by one percentage point year-on-year, constituting, along with Dubai, the smallest decrease among 10 Arab markets that posted a decline in their occupancy rates. In comparison, the average occupancy rate in Arab markets fell by two percentage points year-on-year in the first five months of 2016. Occupancy rates at Beirut hotels were 53% in January, 57% in February, 51% in March, 55% in April and 66% in May 2016, compared to 50% in January, 56% in February, 56% in March, 58% in April and 64% in May 2015.

The average rate per room at Beirut hotels was $137 in the first five months of 2016, ranking the capital's hotels as the third least expensive in the region relative to Abu Dhabi ($136) and Cairo ($126). The average rate per room at Beirut hotels regressed by 17.5% year-on-year and posted the steepest drop among all markets in the region. The average rate per room in Beirut came below the regional average of $193.5 that decreased by 5.1% from the same period of 2015.

Hotel Sector Performance in First Five Months of 2016

	Occupancy Rate (%)	RevPAR (US$)	RevPAR % change
Dubai	86	236	(9.7)
Jeddah	71	188	(2.5)
Doha	70	159	(19.3)
Muscat	74	148	(12.1)
Riyadh	66	134	(13.2)
Madina	65	128	(15.3)
Kuwait City	44	122	(23.1)
Manama	56	115	0.1
Abu Dhabi	81	111	(17.9)
Ras Al Khaimah	74	110	11.4
Amman	53	86	(4.8)
Makkah	51	84	(11.9)
Cairo-City	63	80	54.3
Beirut	**56**	**78**	**(18.4)**

Source: EY, Byblos Research

Further, revenues per available room (RevPAR) were $78 in Beirut in the first five months of 2016, down from $96 in the same period of 2015, and were the lowest in the region. Beirut's RevPAR decreased by 18.4% year-on-year and posted the third steepest decline among Arab markets, relative to contractions of 19.3% in Doha and 23.1% in Kuwait City. Beirut posted RevPARs of $79 in January, $78 in February, $68 in March, $72 in April and $94 in May 2016, compared to $92 in January, $91 in February $90 in March, $97 in April and $108 in May 2015. Kuwait City posted the highest average rate per room in the region at $278, while Dubai posted the highest occupancy rate at 86% and the highest room yield at $236 in the first five months of 2016.

Value of real estate transactions up 18% to $3.4bn in first five months of 2016

Figures released by the Ministry of Finance indicate that there were 25,079 real estate transactions in the first five months of 2016, constituting an increase of 8.4% from 23,130 deals in the same period of 2015. In comparison, the number of real estate transactions dropped by 18.7% in the first five months of 2015. There were 5,369 real estate transactions in the Baabda area during the first five months of 2016 and represented 23.3% of the total. The Zahlé region followed with 2,955 (12.8%), then the North with 2,879 transactions (12.5%), the Metn district with 2,708 (11.8%), the Keserwan area with 2,676 (11.6%), the South with 2,500 (10.9%), Nabatieh with 2,353 (10.2%) and Beirut with 1,573 (6.8%).

Also, the aggregate value of real estate transactions reached $3.43bn in the first five months of 2016 and increased by 17.8% from $2.91bn in the same period of 2015. In comparison, the value of real estate deals totaled $3.82bn in the first five months of 2014. The value of real estate transactions in Beirut reached $901.7m and accounted for 27.8% of the total, followed by the Baabda district with $811m (25%), the Metn region with $564.4m (17.4%), the Keserwan area with $345.9m (10.7%), the South with $246.2m (7.6%), the North with $167.1m (5.1%), the Zahlé area with $119.2m (3.7%) and Nabatieh with $90.6m (2.8%).

In parallel, the average value per real estate transaction was $136,648 in the first five months of 2016, up by 8.7% from an average value of $125,746 in the same period of 2015 and relative to $134,468 in the first five months of 2014. Further, there were 412 real estate transactions by foreigners in the first five months of 2016, which constitutes a decrease of 24.4% from 545 deals in the same period of 2015, and compared to an annual increase of 27% in the first five months of 2015 and a drop of 9.7% in the same period of 2014.

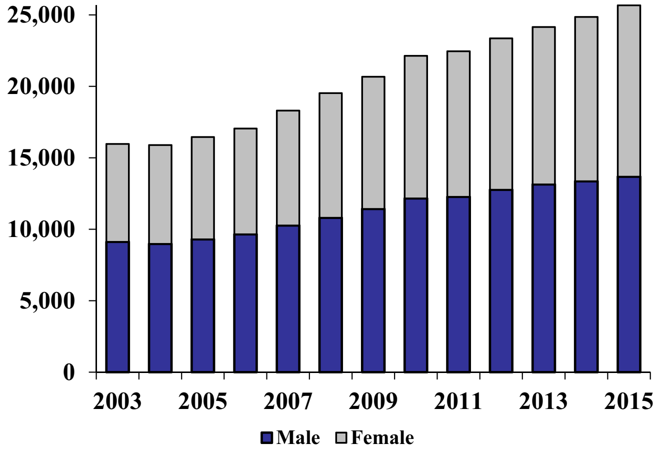
The number of real estate transactions by foreigners accounted for 1.6% of total real estate deals in the first five months of 2016 compared to 2.4% of deals in the same period of 2015 and to 1.5% of deals in the first five months of 2014. In parallel, 32% of executed real estate transactions by foreigners were in the Baabda district during the first five months of 2016, followed by Beirut (19.9%), the Metn region (17.9%), the Keserwan area (11%), the South (9.2%), Zahlé and Nabatieh (3.8% each) and the North (2.3%).

Number of employees in financial sector up 3% in 2015, 47% are female

Figures issued by the Central Bank show that there were 25,672 persons employed in the Lebanese financial sector at the end of 2015, constituting an increase of 3.2% from 24,864 persons in 2014 and compared to 22,143 individuals in 2010. Commercial banks accounted for 92.4% of the total, followed by financial institutions with 4.5% and medium- and long-term banks with 3.1%.

Commercial banks had 23,723 employees at the end of 2015, including 17,049 non-executive employees, or 71.9% of the total; 6,462 executives (27.2%); and 212 individuals who were either general managers, deputy general managers or assistant general managers (0.9%). In addition, there were 11,210 females employed at banks at end-2015, or 47.3% of the total number of employees at commercial banks. Further, 75.4% of executives and non-executives at commercial banks held a university degree, 14.8% had a baccalaureate and 9.8% held a degree below the baccalaureate level.

Number of Employees in the Financial Sector



Source: Central Bank, Byblos Research

Also, financial institutions had 1,163 employees at end-2015, including 575 executives, or 49.4% of the total; 514 non-executive employees (44.2%); and 74 individuals who were either general managers, deputy general managers or assistant general managers (6.4%). In addition, there were 467 female employees at financial institutions at the end of 2015, or 40.2% of the total. Further 67.4% of executives and non-executives at financial institutions held a university degree, 20.8% had a baccalaureate and 11.8% held a degree below the baccalaureate level.

Finally, medium- and long-term banks employed 786 persons at the end of 2015, including 468 non-executive employees (59.5%); 289 executives (36.8%); and 29 individuals who were either general managers, deputy general managers or assistant general managers (3.7%). In addition, there were 311 female employees at medium- and long-term banks at the end of 2015, or 39.6% of the total. Also, 75.8% of executives and non-executives at medium- & long- term banks held a university degree, 12.2% had a baccalaureate and 12% held a degree below the baccalaureate level.

Corporate Highlights

Creditbank's net income at $10m in first quarter of 2016

Creditbank sal, one of Lebanon's top 14 banks in terms of assets, announced unaudited consolidated net profits of $9.6m in the first quarter of 2016, constituting an increase of 35.7% from $7.1m the same quarter last year. Net operating income rose by 15.6% year-on-year to $26.1m in the first quarter of the year, with net interest income increasing by 23.6% to $18.6m and net fees & commissions receipts rising by 9.3% year-on-year to $4.1m. Non-interest income accounted for 37.7% of total income, up from 36.1% in the same quarter last year; with net fees & commissions representing 36.7% of non-interest earnings relative to 44.5% in the first quarter of 2015. Further, the bank's interest margin was 2.29% in the first quarter of 2016 relative to 2.09% in the same quarter last year; while its spread reached 2.19% in the first quarter of 2016, up from 1.99% in the same quarter of 2015. Total operating expenditures increased by 9.1% to $15.2m, with staff expenses growing by 8.6% to $9.7m and general & administrative expenses rising by 5.4% to $4.5m. Also, the bank's return on average assets was 1.14% in March 2016 on an annualized basis relative to 0.94% in March 2015; while its return on average equity was 13.46% on an annualized basis compared to 13.21% in March 2015. The cost-to-income ratio decreased to 50.87% in the first quarter of the year from 59.13% in the same quarter of 2015.

In parallel, the bank's total assets reached $3.44bn at end-March 2016, constituting an increase of 3.6% from end-2015 and a rise of 13.5% from a year earlier. Loans & advances to customers, excluding those to related parties, grew by 2.4% from end-2015 and by 11.9% from a year earlier to $1.72bn. Also, customer deposits, excluding those from related parties, totaled $2.93bn at the end of March 2016, and increased by 4% from end-2015 and by 12.4% from a year earlier. The loans-to-deposits ratio slightly regressed to 58.8% at end-March 2016 from 59% a year earlier. In parallel, the bank's shareholder equity rose by 3.6% from the end of 2015 to $290.5m at end-March 2016.

RYMCO to distribute dividends for 2015, payout ratio at 49%

The Ordinary General Assembly of automobile dealer Rasamny Younis Motor Co. sal (RYMCO) held on June 23, 2016 approved the distribution of LBP4.5bn, or $3m, in dividends to common shareholders for 2015. The dividends distribution is equivalent to LBP165 ($0.11) per share and represents a 49.3% payout ratio. The dividends will be paid starting on October 3, 2016, net of a 5% withholding tax for publicly-listed shares and net of a 10% tax for those that are not publicly listed. The firm currently has 27,300,000 common shares, of which 10,920,000 shares are listed on the Beirut Stock Exchange.

RYMCO posted audited consolidated net profits of $6.1m in 2015, constituting an increase of 42% from net earnings of $4.3m in 2014. The firm's consolidated assets reached $201.6m at the end of 2015, reflecting an increase of 18.2% from $170.5m a year earlier. The company's consolidated inventory, which mostly consists of cars and spare parts, was $54.1m at end-2015, constituting a marginal drop of 0.5% from a year earlier. Shareholders' equity reached $52.3m at the end of 2015 and increased by 5.8% from end-2014. RYMCO is the only car retailer listed on the Beirut bourse. Its share price closed at $3.23 on June 24, 2016, unchanged from the end of 2015.

IBL's net earnings at $18m in first quarter of 2016

IBL Bank sal, one of Lebanon's top 14 banks in terms of assets, announced unaudited consolidated net profits of $18.3m in the first quarter of 2016, constituting an increase of 20.2% from the same quarter last year. Net operating income rose by 20.5% year-on-year to $34.6m in the first quarter of the year, with net interest income increasing by 88.4% to $14.9m and net fees & commissions receipts decreasing by 11.8% year-on-year to $1.2m. Non-interest income accounted for 5.3% of total income, down from 19.7% in the same quarter last year; with net fees & commissions representing 61.4% of non-interest earnings relative to 22.7% in the first quarter of 2015. Further, the bank's interest margin was 2.5% in the first quarter of 2016 relative to 1.9% in the same quarter last year; while its spread reached 2.47% in the first quarter of 2016, down from 1.88% in the same quarter of 2015. Total operating expenditures increased by 5.4% to $11.5m, with staff expenses growing by 6.3% to $6.1m and general & administrative expenses increasing by 5.7% to $4.6m. Also, the bank's return on average assets was 1.29% in March 2016 on an annualized basis relative 1.16% in March 2015; while its return on average equity was 17.16% on an annualized basis compared to 16.09% in March 2015. The cost-to-income ratio decreased to 30.9% in the first quarter of the year from 35.5% in the same quarter of 2015.

In parallel, the bank's total assets reached $5.7bn at end-March 2016, constituting an increase of 0.9% from end-2015 and a rise of 8.4% from a year earlier. Loans & advances to customers, excluding those to related parties, regressed by 3.9% from end-2015 and grew by 4% from a year earlier to $1.1bn. Also, customer deposits, excluding those from related parties, totaled $5.1bn at the end of March 2016, and increased by 0.4% from end-2015 and by 7.4% from a year earlier. The loans-to-deposits ratio regressed to 20.8% at end-March 2016 from 21.4% a year earlier. In parallel, the bank's shareholder equity rose by 4.3% from the end of 2015 to $436.8m at end-March 2016.

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	Sep 2014	Aug 2015	Sep 2015	Change**	Risk Level
Political Risk Rating	52.0	54.5	54.5	▼	High
Financial Risk Rating	38.0	39.0	39.0	▼	Low
Economic Risk Rating	27.0	33.0	33.0	▼	Moderate
Composite Risk Rating	58.5	63.25	63.25	▼	Moderate

MENA Average*	Sep 2014	Aug 2015	Sep 2015	Change**	Risk Level
Political Risk Rating	57.3	57.6	57.6	▼	High
Financial Risk Rating	40.6	39.4	39.2	▲	Low
Economic Risk Rating	35.7	32.1	31.3	▲	Moderate
Composite Risk Rating	66.8	64.5	64	▲	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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