

LEBANON THIS WEEK

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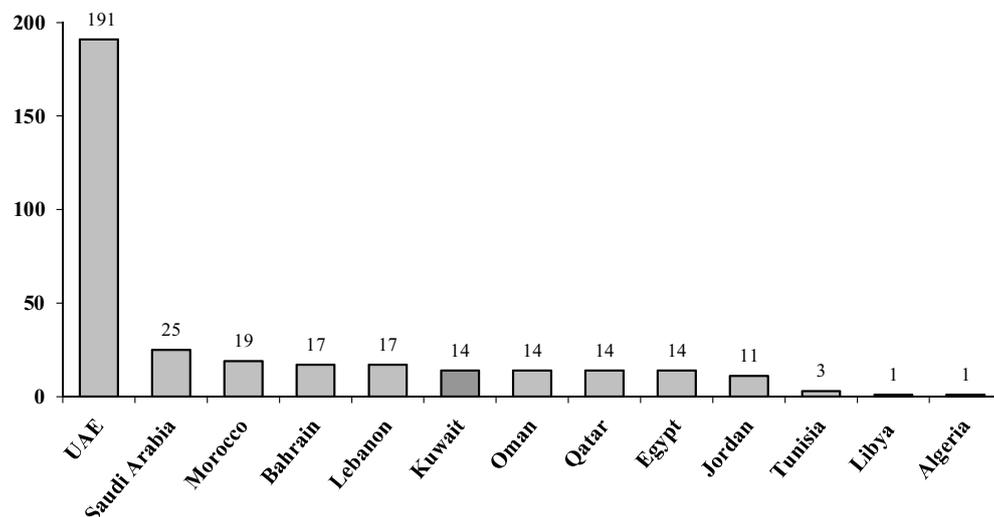
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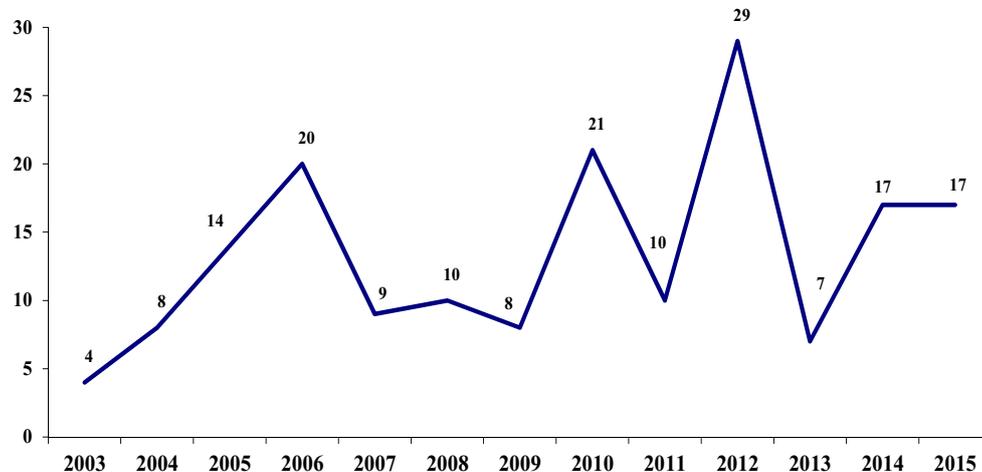
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Charts of the Week

Number of Outward Greenfield Foreign Direct Investment projects from Arab Countries in 2015



Number of Outward Greenfield Foreign Direct Investment Projects from Lebanon



Source: United Nations Conference on Trade and Development, Byblos Bank

Quote to Note

"One of the key challenges to improving empirically-informed policy is to strengthen the data and analytical base of the government."

The World Bank, on the need to upgrade Lebanon's statistical system

Number of the Week

125: Lebanon's rank out of 138 countries in terms of the public trust in politicians, according to the World Economic Forum's Global Competitiveness Index for 2016-17

Lebanon in the News

\$m (unless otherwise mentioned)	2015	Jun 2015	Mar 2016	Apr 2016	May 2016	Jun 2016	% Change*
Exports	2,952	281	220	237	237	274	(2.49)
Imports	18,069	1,690	1,750	1,610	1,629	1,533	(9.29)
Trade Balance	(15,117)	(1,409)	(1,530)	(1,373)	(1,392)	(1,259)	(10.65)
Balance of Payments	(3,354)	(794)	(288)	(225)	(862)	(13)	(98.36)
Checks Cleared in LBP	18,714	1,593	1,609	1,698	1,591	1,577	(1.00)
Checks Cleared in FC	50,845	4,504	3,983	3,959	4,018	4,076	(9.50)
Total Checks Cleared	69,559	6,097	5,592	5,657	5,609	5,653	(7.28)
Budget Deficit/Surplus	(3,952)	(64.56)	(713.34)	(192.17)	(40.18)	(263.20)	307.7
Primary Balance	724.40	289.34	(156.28)	249.64	542.95	103.48	(64.24)
Airport Passengers***	7,241,463	594,221	534,954	557,763	618,581	572,461	(3.66)

\$bn (unless otherwise mentioned)	2015	Jun 2015	Mar 2016	Apr 2016	May 2016	Jun 2016	% Change*
BdL Gross FX Reserves	30.64	34.11	30.37	31.16	32.03	33.20	(2.68)
<i>In months of Imports</i>	20.35	20.18	17.35	19.36	19.66	21.65	7.29
Public Debt	70.31	69.03	71.05	71.68	71.49	72.89	5.59
Bank Assets	185.99	180.08	187.66	187.92	188.63	190.36	5.70
Bank Deposits (Private Sector)	151.59	148.58	152.44	152.93	153.89	154.66	4.09
Bank Loans to Private Sector	54.22	51.74	55.06	55.20	55.52	55.88	8.00
Money Supply M2	52.15	50.59	52.52	52.79	52.98	53.25	5.25
Money Supply M3	123.62	120.44	124.51	125.11	125.65	126.38	4.94
LBP Lending Rate (%)	7.45	7.12	8.62	8.40	8.53	8.31	119bps
LBP Deposit Rate (%)	5.56	5.51	5.59	5.60	5.58	5.56	5bps
USD Lending Rate (%)	7.06	7.03	7.36	7.17	7.29	7.20	17bps
USD Deposit Rate (%)	3.17	3.16	3.27	3.29	3.26	3.31	15bps
Consumer Price Index**	(3.75)	(3.37)	(3.57)	(2.35)	(2.45)	(0.98)	239bps

* 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	Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
BLOM GDR	10.30	0.00	4,393,150	6.83%	Mar 2017	9.00	101.63	5.33
BLOM Listed	10.10	1.00	4,109,630	19.48%	Nov 2018	5.15	99.25	5.53
Audi Listed	6.20	0.00	319,008	22.24%	May 2019	6.00	100.50	5.79
Solidere "A"	9.56	2.80	70,958	8.58%	Mar 2020	6.38	101.00	6.05
Solidere "B"	9.76	3.28	36,738	5.69%	Apr 2021	8.25	108.88	5.98
Byblos Common	1.63	(0.61)	11,900	5.26%	Oct 2022	6.10	99.25	6.25
Byblos Pref. 09	101.10	0.60	6,044	1.81%	Jun 2025	6.25	97.13	6.69
HOLCIM	14.50	0.00	4,452	2.54%	Nov 2026	6.60	99.00	6.74
Audi GDR	6.21	0.98	2,100	6.41%	Feb 2030	6.65	97.88	6.89
Byblos Pref. 08	101.00	0.40	1,027	1.81%	Nov 2035	7.05	99.88	7.06

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

Source: Byblos Bank Capital Markets

	Oct 3-7	Sep 26-30	% Change	September 2016	September 2015	% Change
Total Shares Traded	8,967,902	1,225,446	631.81	17,493,508	10,044,627	74.16
Total Value Traded	\$90,659,910	\$12,432,538	629.21	\$129,513,460	\$96,050,554	34.84
Market Capitalization	\$11.15bn	\$11.11bn	0.28	\$11.11bn	\$11.02bn	0.83

Source: Beirut Stock Exchange (BSE)



Expatriates' remittances to Lebanon at \$7.6bn in 2016, 11th highest among developing economies and second highest in Arab world

The World Bank projected expatriates' remittance inflows to Lebanon at \$7.6bn in 2016, which would constitute an increase of 1.6% from \$7.48bn in 2015. The Bank revised upward its estimate for remittance inflows to Lebanon for 2015 from an April estimate of \$7.16bn, and reduced its figure for such flows to \$7.19bn in 2014 from \$7.4bn previously. It also lowered its estimate for remittance flows to the country to \$7.57bn in 2013 from \$8.08bn previously.

Lebanon is expected to post the 10th largest growth rate in remittance inflows among the 15 largest recipients of remittances in developing economies this year. In comparison, the World Bank forecast remittance inflows to developing countries to grow by 0.8%, those to Arab countries to increase by 1.5% and inflows to upper middle-income countries (UMICs) to rise by 3.3% in 2016.

Further, Lebanon would be the 16th largest recipient of remittances globally and the 11th largest recipient among developing economies in 2016. Also, it would be the third largest recipient of remittances among 49 UMICs, after China (\$65.2bn) and Mexico (\$28.1bn), and the second largest among 16 Arab countries, behind only Egypt (\$18.4bn). Globally, Lebanon would receive less remittances than Spain (\$10.08bn), Indonesia (\$9.84bn) and Italy (\$9.5bn), and more than Guatemala (\$7.5bn), Morocco (\$7.28bn) and Sri Lanka (\$7.1bn).

Remittance inflows to Lebanon would account for 1.3% of the global flow of remittances in 2016, unchanged from the preceding year and relative to a share of 1.2% in 2014. They would represent 1.7% of aggregate remittances to developing economies this year, unchanged from the previous year and relative to 1.6% in 2014, while they would account for 14.7% of remittance inflows to Arab countries in 2016, similar to the preceding year and compared to 13.2% in 2014. They would also represent 4.8% of remittance inflows to UMICs in 2016, unchanged from the previous year and relative to 4.7% in 2014.

Further, expatriates' remittances to Lebanon would be equivalent to 14.7% of GDP in 2016, which would constitute the 17h highest such ratio in the world and the second highest ratio among Arab countries behind the West Bank & Gaza (16.4% of GDP). Expatriates' remittances to Lebanon were equivalent to 14.7% of GDP in 2015 and 14.4% of GDP in 2014. The World Bank forecast remittance inflows to Arab countries at \$51.6bn in 2016, equivalent to about 2.5% of the region's GDP this year.

Value of cleared checks down 3%, returned checks down 5% in first eight months of 2016

The value of cleared checks reached \$44.9bn in the first eight months of 2016, constituting a decrease of 2.7% from \$46.1bn in the same period of 2015. In comparison, the value of cleared checks regressed by 7.5% in the first eight months of 2015 and increased by 4.1% in the same period of 2014. The value of cleared checks in Lebanese pounds grew by 5% year-on-year to the equivalent of \$12.8bn in the first eight months of 2016, while their value in US dollars declined by 5.5% to \$32bn in the covered period. The dollarization rate of cleared checks decreased to 71.4% from 73.5% in the first eight months of 2015. Further, there were 8.2 million cleared checks in the first eight months of 2016, nearly unchanged from the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$972m in the first eight months of 2016 compared to \$1bn in the same period of 2015 and \$992m in the first eight months of 2014. This constituted a drop of 5.3% year-on-year in the first eight months of 2016 relative to an increase of 3.4% in the same period of 2015 and a decline of 1.4% in the first eight months of 2014. Also, there were 151,600 returned checks in the covered period, down by 2.6% from 155,600 checks in the first eight months of 2015.

Top 15 Recipients of Remittance Inflows in Developing Economies in 2016

Country	US\$bn	Growth	
		Rate*	% of GDP
India	65.45	-5.0%	2.9%
China	65.17	+1.9%	0.6%
Philippines	29.10	+2.2%	9.3%
Mexico	28.14	+7.5%	2.6%
Pakistan	20.30	+5.1%	7.0%
Nigeria	20.00	-2.2%	4.8%
Egypt	18.40	+0.4%	5.4%
Bangladesh	14.85	-3.5%	6.5%
Vietnam	13.35	+2.7%	6.7%
Indonesia	9.84	+2.2%	1.0%
Lebanon	7.60	+1.6%	14.7%
Guatemala	7.49	+13.7%	11.0%
Morocco	7.28	+3.0%	6.9%
Sri Lanka	7.11	+1.6%	8.6%
Nepal	6.92	+2.9%	32.7%

*Rounded to the first decimal

Source: World Bank, IMF, IHS Markit, Byblos Research

IMF projects real GDP growth in Lebanon at 1% in 2016, seventh slowest growth rate in emerging economies

The International Monetary Fund projected Lebanon's real GDP growth at 1% in 2016, unchanged from its April 2016 forecast. In comparison, it forecast real GDP growth rates of 3.2% for the MENA region and of 3.6% for each of the region's oil-importing economies and Mashreq countries; as well as growth rates of 4.2% in emerging & developing economies and of 3.1% for the global economy in 2016.

Lebanon's projected growth rate in 2016 would make it the slowest-growing economy among 17 MENA countries with positive economic growth. Lebanon would also be, along with Denmark, Portugal, San Marino, Switzerland and Taiwan, the 12th slowest-growing economy in the world in 2016, and the seventh slowest among emerging & developing economies when excluding contracting economies. In parallel, the Fund projected Lebanon's GDP per capita to increase from \$11,157 in 2015 to \$11,271 in 2016. It forecast the average inflation rate in Lebanon at -0.7% in 2016 relative to 5.4% for the MENA region, 5.9% for oil-importing economies and 8.7% for the Mashreq region. Lebanon and Jordan are the only countries to post a negative inflation rate among MENA countries in 2016. Lebanon's inflation rate averaged 1.9% in 2014 and -3.7% in 2015.

Also, the IMF projected Lebanon's fiscal deficit to widen from 7.4% of GDP in 2015 to 8.1% of GDP in 2016, with public revenues at 19.3% of GDP this year relative to 18.8% of GDP in 2015, and public spending at 27.3% of GDP in 2016, up from 26.2% of GDP in 2015. Further, it forecast the primary budget surplus to narrow from 1.4% of GDP in 2015 to 1.1% of GDP in 2016. As such, the Fund expected the public debt level to increase from 138.4% of GDP in 2015 to 143.9% of GDP in 2016.

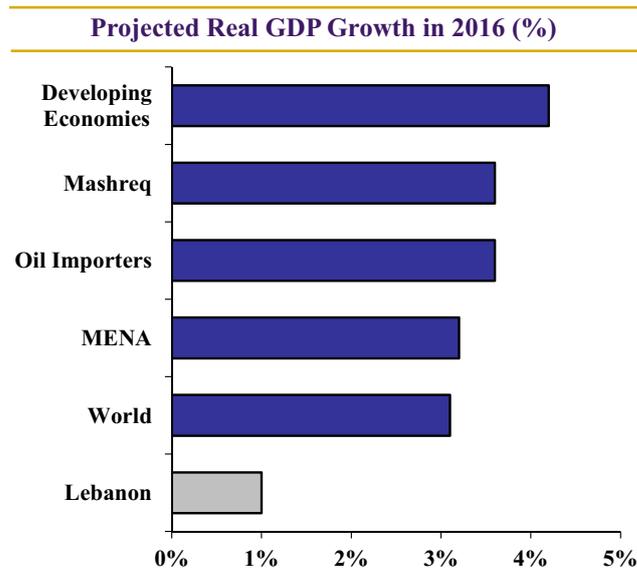
Further, the Fund projected Lebanon's current account deficit to narrow from 21% of GDP in 2015 to 20.4% of GDP in 2016, compared to deficits of 5% of GDP for the MENA region, 4.8% of GDP for oil-importing economies and 7.9% of GDP for the Mashreq countries. Lebanon's current account deficit for 2016 would be the eighth widest globally, while it would be the fourth widest in the MENA region, narrower than the deficits of Libya (-47.4% of GDP), Mauritania (-21.9% of GDP) and Oman (-21.3% of GDP).

In parallel, the IMF kept its estimate for Lebanon's real GDP growth rate at 1% for 2015. In comparison, it estimated real GDP growth rates at 2.1% for the MENA region, at 3.8% for the region's oil-importing economies and at 3.9% for the Mashreq economies last year. Lebanon's growth rate in 2015 makes it the third slowest-growing economy among 16 MENA countries with positive economic growth, faster than only Tunisia (0.8%) and Iran (0.4%). Lebanon was also the 17th slowest-growing economy in the world in 2015 and the 10th slowest-growing economy among emerging & developing markets when excluding contracting economies.

Central Bank's foreign assets up 10% to \$41bn in first nine months of 2016

The Central Bank's interim balance sheet totaled \$104.1bn at the end of September 2016, constituting an increase of 14.5% from \$90.9bn at end-2015 and a rise of 13.6% from \$91.6bn at the end of September 2015. Assets in foreign currency reached \$40.6bn at the end of September 2016, reflecting an increase of 9.5% from \$37bn at end-2015 and a rise of 6.1% from \$38.2bn a year earlier. Assets in foreign currency regressed by \$74.6m in January, by \$581.4m in March, by \$558.1m in April, by \$1bn in June and by \$129.2m in September; while they rose by \$156.5m in February, by \$1.3bn in May, by \$447.2m in July and by \$4bn in August 2016. This resulted in an aggregate increase of \$3.5bn in the first nine months of 2016. In comparison, the Central Bank's assets in foreign currency increased by \$386.1m in the first nine months of 2015 and by \$3bn in the same period of 2014.

In parallel, the value of the Central Bank's gold reserves rose by 24.2% from the end of 2015 and by 18% year-on-year to \$12.2bn at the end of September 2016. Also, the Bank's securities portfolio grew by 42.4% in the first nine months of the year to \$25.7bn. Further, deposits of the financial sector at the Central Bank reached \$82.2bn at the end of September 2016 and grew by \$7.9bn in the first nine months of 2016 and by \$8.13bn from end-September 2015. In comparison, public sector deposits totaled \$7bn at the end of September 2016 and increased by \$1.56bn, or 29%, in the first nine months of the year; while they grew by \$1.9bn, or 37.3%, year-on-year.



Source: International Monetary Fund, October 2016

Lebanon ranks 112th globally, 12th in Arab region in credit ratings

In its semi-annual survey on country credit ratings, *Institutional Investor* magazine ranked Lebanon in 112th place among 179 countries worldwide, in 34th place among 45 upper middle-income countries (UMICs) and in 12th place among 19 Arab countries in the September 2016 survey. In comparison, Lebanon ranked in 115th place globally and in 12th place regionally in the March 2016 survey. As such, Lebanon's rank improved by three spots from the March 2016 survey, constituting along with 13 others, the 43rd smallest increase globally and the fourth smallest improvement among UMICs and Arab countries. Lebanon ranked in 111th place globally and in 12th place among Arab countries in the September 2015 survey.

The survey rates the creditworthiness of countries on a scale of zero to 100, with 100 representing countries with the lowest chance of credit default. The ratings are based on input provided by senior economists and sovereign risk analysts at leading global banks and money management and securities firms.

On a global basis, Lebanon's creditworthiness was better than that of Ecuador, Tanzania and Cambodia, and was weaker than that of Zambia, Honduras and Uganda among economies with a GDP of \$10bn or more. Lebanon ranked ahead of Ecuador, Mongolia and Turkmenistan, and came behind Bosnia & Herzegovina, Angola and Jamaica among UMICs.

Lebanon received a score of 29.8 points compared to 29.4 points in March 2016 and 28.9 points in September 2015. As such, its score increased by 1.4% from March 2016, the third smallest increase regionally. In comparison, the global average rating score declined by 1%, the UMICs' average score regressed by 1.9% and the average score of Arab countries was unchanged from March 2016. Also, Lebanon's score improved by 1.7% from September 2015, constituting the sixth largest increase among Arab countries.

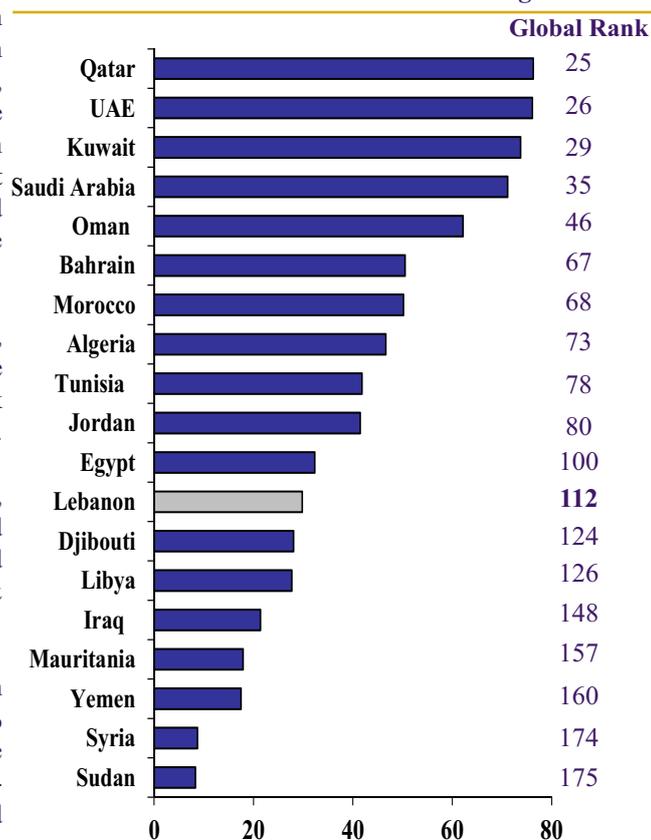
Lebanon's score was below the global average of 44.2 points, the UMICs' average of 43.1 points, the Arab average of 41.1 points and the GCC countries' average of 68.3 points, but it came above the non-GCC countries' average score of 28.6 points. The rankings of eight Arab countries regressed, 10 improved and one was unchanged, while the scores of 12 countries decreased and seven improved from the March 2016 survey. Switzerland is the country with the best creditworthiness in the world, while Somalia has the highest probability of default worldwide.

Value of real estate transactions up 6.5% to \$5.4bn in first eight months of 2016

Figures released by the Ministry of Finance indicate that there were 40,587 real estate transactions in the first eight months of 2016, constituting an increase of 2% from 39,783 deals in the same period of 2015. In comparison, the number of real estate transactions dropped by 12.3% in the first eight months of 2015. There were 8,632 real estate transactions in the Baabda area during the first eight months of 2016 and represented 23.3% of the total. The Zahlé region followed with 4,833 (13.1%), then the Metn district with 4,504 (12.2%), the Keserwan area with 4,363 (11.8%), the North with 4,186 transactions (11.3%), the South with 4,168 (11.3%), Nabatieh with 3,728 (10.1%) and Beirut with 2,605 (7%). Also, the aggregate value of real estate transactions reached \$5.4bn in the first eight months of 2016 and increased by 6.5% from \$5bn in the same period of 2015. In comparison, the value of real estate deals totaled \$5.9bn in the first eight months of 2014. The value of real estate transactions in Beirut reached \$1.4bn and accounted for 27.4% of the total. The Baabda district followed with \$1.3bn (24.5%), then the Metn region with \$944.1m (18.4%), the Keserwan area with \$554.6m (10.8%), the South with \$391.5m (7.6%), the North with \$237.6m (4.6%), the Zahlé area with \$189.2m (3.7%) and Nabatieh with \$148.7m (2.9%).

In parallel, the average value per real estate transaction was \$132,781 in the first eight months of 2016, up by 4.4% from an average value of \$127,187 in the same period of 2015 and relative to \$129,440 in the first eight months of 2014. Further, there were 657 real estate transactions executed by foreigners in the first eight months of 2016, which constituted a decrease of 28.1% from 914 deals in the same period of 2015, and compared to an annual increase of 36.4% in the first eight months of 2015 and a drop of 16.6% 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 eight months of 2016 compared to 2.3% of deals in the same period of 2015 and to 1.5% of deals in the first eight months of 2014. In parallel, 29.8% of the real estate transactions executed by foreigners were in the Baabda district during the first eight months of 2016, followed by Beirut (21.4%), the Metn region (15.2%), the South (12.2%), the Keserwan area (9.8%), Zahlé (5.1%), the North (3.7%) and Nabatieh (2.9%).

Arab Countries Scores & Rankings



Source: Institutional Investor - September 2016, Byblos Research

Medium-term economic prospects primarily dependent on geopolitical and security conditions

The World Bank expected economic activity in Lebanon to remain sluggish and below potential in 2016, despite a slight pick up compared to the previous year. It considered that Lebanon's medium-term economic prospects are highly affected by volatile geopolitical and security conditions. It projected real GDP growth to average 2.5% annually over the medium term, based on its assumption that the Syrian conflict would persist and that spillovers into Lebanon would remain contained. It forecast growth at 2.2% in 2017 and 2.3% in 2018, and considered that reaching the growth rates of the pre-conflict period would be contingent on the resumption of the domestic political process and on the resolution of the Syrian conflict in a way that does not compromise the structure and stability of Lebanon.

In parallel, the World Bank indicated that the benefits for Lebanon from low energy prices have peaked in 2015 given higher private consumption through an increase in the real purchasing power of consumers; a narrower fiscal deficit from lower Treasury transfers to Electricité du Liban; and a contained balance-of-payments deficit as a result of less costly energy imports. It added that the impact of low oil prices could still emerge from the Gulf Cooperation Council economies, given the erosion of their fiscal buffers and the cuts in public spending, which could lead to a deceleration of remittance inflows to Lebanon and affect the balance of payments.

The World Bank considered that the principal challenge facing the Lebanese economy consists of the spillovers from the Syrian conflict. It added that the prevailing domestic political paralysis rendered the Presidency vacant since May 2014, the Parliament idle, and the government ineffective. As a result, it noted that the population is increasingly bearing the consequences of failed governance through a marked deterioration in government services, such as in the provision of electricity, water supply and waste collection and disposal.

Further, the World Bank considered that Lebanon could be vulnerable to a slowdown in the accumulation of net foreign assets in case of a further decline in capital inflows, given the persistent and sizeable fiscal and current account deficits. However, it noted that the foreign currency reserves at the Central Bank remain at comfortable levels, the interest rate differential on dollar deposits relative to global rates continues to attract depositors and bondholders, and a stable depositor base provides much-needed resilience of the banking sector in the face of successive security and political shocks.

Gross public debt at \$74bn at end-August 2016

Lebanon's gross public debt reached \$74bn at the end of August 2016, constituting an increase of 5.3% from \$70.3bn at end-2015 and a growth of 7.5% from \$68.9bn at the end of August 2015. In nominal terms, the gross public debt grew by \$3.7bn in the first eight months of 2016 relative to an increase of \$2.3bn in the same period of 2015. Debt denominated in Lebanese pounds totaled \$45bn at end-August 2016, growing by 4% from the end of 2015 and by 5.2% from end-August 2015; while debt denominated in foreign currency stood at \$29bn, constituting a rise of 7.4% from end-2015 and an increase of 11.2% from a year earlier. Local currency debt accounted for 60.7% of gross public debt at the end of August 2016 compared to 62% a year earlier, while foreign currency-denominated debt represented the balance of 39.3% relative to 38% at end-August 2015. The weighted interest rate on outstanding Treasury bills was 6.95% and that on Eurobonds was 6.41% in August 2016. Further, the weighted life on Eurobonds was 6.36 years, while that on Treasury bills was 1,278 days.

The Central Bank held 44.9% of the Lebanese pound-denominated public debt at the end of August 2016, up from 35.6% a year earlier. Commercial banks followed with 38.6%, down from 47.7% at end-August 2015; while public agencies, financial institutions and the public held 16.5% of local debt at end-August 2016, down from 16.8% a year earlier. In parallel, Eurobond holders and special T-bills in foreign currencies accounted for 92.8% of foreign-currency denominated debt at the end of August 2016, followed by multilateral institutions with 3.6%, foreign governments with 3.5% and Paris II loans with 0.1%. Commercial banks held about 47% of the total public debt as at end-August 2016 relative to 53.8% of the total at the end of 2015. In parallel, the gross market debt accounted for about 64% of total public debt. Gross market debt is the total public debt less the portfolios of the Central Bank, the National Social Security Fund, bilateral and multilateral loans, as well as Paris II and Paris III related debt.

In parallel, S&P Global Ratings rates Lebanon's long- and short-term foreign currency sovereign credit ratings at 'B-'. But the Credit Default Swap Market Derived Signals, an indicator of risk appetite by foreign investors, show that Lebanon's sovereign debt is considered by the market to have a 'B' risk level, which is one notch higher than the S&P rating as at October 6, 2016.

Trade deficit widens by 10.4% to \$10.8bn in first eight months of 2016

The total value of imports reached \$12.8bn in the first eight months of 2016, constituting an increase of 8.5% from the same period of 2015; while the aggregate value of exports declined by 0.8% to \$1.97bn. As such, the trade deficit widened by 10.4% year-on-year to \$10.8bn in the first eight months of 2016 due to an increase of \$1bn in imports. The coverage ratio was 15.4% in the first eight months of 2016 compared to 16.9% in the same period of 2015, while it reached 17.5% in August 2016 relative to 14.8% in the same month of 2015. The increase in imports mainly reflects a rise of \$861.2m, or 43.1%, in the value of imported oil & mineral fuels to \$2.9bn in the first eight months of 2016. In parallel, the value of oil & mineral fuels accounted for 22.3% of total imports in the covered period compared to a share of 16.9% in the first eight months of 2015.

In volume terms, imports reached 12.3 million tons in the first eight months of 2016 compared to 9.98 million tons in the same period of 2015, while exports regressed by 19.8% annually to 1.03 million tons in the covered period. Imports of oil & mineral fuels increased by 44.2% year-on-year to 6.5 million tons, while non-hydrocarbon imports grew by 6.5% annually to 5.8 million tons. Also, imported oil & mineral fuels accounted for 52.6% of total imports in the covered period relative to a 45% share in the first eight months of 2015.

China was the main source of imports with \$1.4bn, or 11.1% of the total, in the first eight months of 2016, followed by Italy with \$957.3m (7.5%), the United States with \$857.4m (6.7%), Germany with \$755.6m (5.9%), Greece with \$634m (5%) and the Netherlands with \$578.6m (4.5%). Imports from the Netherlands increased by 4.2 times, those from the United States grew by 25.7%, imports from Greece rose by 23.4%, those from Italy expanded by 4.2% and imports from China grew by 1.1%; while imports from Germany declined by 7.7% year-on-year. In parallel, the Port of Beirut was the entry point for 74% of Lebanon's imports in the first eight months of 2016, followed by the Hariri International Airport (18.9%), the Port of Tripoli (5%), the Port of Saida (1.3%), the Masnaa and the Arida crossing points (0.3% each) and the Abboudieh and Tyre crossing points (0.1% each).

Further, South Africa was the main export destination for Lebanese merchandise with \$439.4m, or 22.3% of total exports, followed by Saudi Arabia with \$186.2m (9.4%), the UAE with \$164m (8.3%), Syria with \$116.3m (5.9%), Iraq with \$110.3m (5.6%) and Jordan with \$6.37m (3.2%). Exports to South Africa grew by 3.2 times year-on-year in the first eight months of 2016, while those to Iraq contracted by 28%, exports to Saudi Arabia dropped by 25.7%, those to the UAE regressed by 19.8%, exports to Syria declined by 16.4% and those to Jordan decreased by 12.9%.

Lebanon's main exports were jewelry with \$560.3m, which accounted for 28.4% of the total. They were followed by prepared foodstuff at \$296.2m (15%), machinery & mechanical appliances at \$223m (11.3%), chemical products at \$208m (10.5%), base metals at \$162.6m (8.2%), vegetable products at \$109.4m (5.5%) and plastics & rubber at \$87.4m (4.4%). In parallel, the Port of Beirut was the exit point for 47.4% of Lebanon's total exports in the first eight months of the year, followed by the Hariri International Airport (39.5%), the Port of Tripoli (7%), the Masnaa crossing point (3%), the Arida crossing point (1.9%), the Abboudieh crossing point (0.7%) and the Port of Saida (0.4%). In parallel, re-exports totaled \$318m in the first eight months of 2016 compared to \$309.2m in the same period of 2015.

Commercial activity deteriorates in first quarter of 2016

The Central Bank's quarterly business survey of the opinions of business managers shows that the volume of commercial sales regressed quarter-on-quarter during the first quarter of 2016, with the balance of opinions standing at -24 compared to -17 during the preceding quarter and to -20 during the first quarter of 2015. The business survey reflects the opinions of enterprise managers about their business activity in order to depict the evolution of a number of key economic variables. The balance of opinions was the lowest in the North at -39, followed by Beirut & Mount Lebanon (-30), the Bekaa (-18) and the South (+28). The survey shows that the balance of opinions about the sales of food items was -16 in the first quarter of 2016 relative to +2 in the preceding quarter and to -7 in the same quarter of 2015. The balance of opinions about the sales of non-food products was -30 in the first quarter compared to -24 in the preceding quarter and to -25 in the first quarter of 2014; while it was -22 for inter-industrial goods, relative to -25 in the previous quarter and to -25 in the first quarter of 2015. Also, the balance of opinions for inventory levels in all commercial sub-sectors was zero in the first quarter of 2016, compared to -11 in the previous quarter and to -12 in the first quarter of 2015. Opinions about the level of inventories were the lowest in the South as they reached -41, followed by the North (-23), Beirut & Mount Lebanon (+12) and the Bekaa (+15). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in an indicator and the proportion of those who reported a decline in the same indicator.

Commercial Activity: year-on-year evolution of opinions				
Aggregate results	Q1-13	Q1-14	Q1-15	Q1-16
Sales volume	-17	-11	-20	-24
Number of employees	-4	-4	-1	-1
Inventories of finished goods	-3	-5	-12	0
Q1-16 Regional results	Beirut / Mount Lebanon	North	South	Bekaa
Sales volume	-30	-39	+28	-18
Inventories of finished goods	+12	-23	-41	+15

Source: Central Bank business survey for first quarter of 2016

Byblos Bank's General Assembly approves acquisition of Banque Pharaon & Chiha

The Extraordinary General Assembly of Byblos Bank sal, one of the top banking and financial services groups in Lebanon, which was held on September 30, 2016, approved the acquisition of the assets, liabilities, equity and obligations of Banque Pharaon & Chiha sal in accordance with Article 10 of law No 192 of January 4, 1993. The Assembly also approved the loans extended by the Central Bank of Lebanon to finance the deal. The Bank signed the purchase agreement with Banque Pharaon & Chiha sal on June 23, 2016. Byblos Bank indicated that the second phase of the deal, or the merger through absorption, has received the Central Bank's preliminary approval on August 10, 2016. The deal still awaits the final approval of the Central Bank in order to finalize the acquisition process and complete the transfer of Banque Pharaon & Chiha's assets, liabilities, equity and obligations to Byblos Bank sal.

In May 2016, Byblos Bank announced that it acquired 99.18% of the shares of Banque Pharaon & Chiha sal for \$91m. The Bank indicated that the acquisition follows the transfer of Lebanon-based ZR Group's shares and rights to Byblos Bank under share purchasing agreements previously inked with the former shareholders of Banque Pharaon & Chiha. It said that the deal was based on a valuation of 100% of the issued share capital of the acquired bank. It added that ZR Group has also received the preliminary approval of the Central Bank to acquire directly, or through a holding company registered for this purpose, up to 5.6% of Byblos Bank's common shares for a price equivalent to 125% of Byblos Bank's audited book value per share as at the end of 2015. Founded in 1876, Banque Pharaon & Chiha is the oldest bank in Lebanon. It has five branches, 100 employees, 30,000 accounts and deposits of \$242m as at the end of 2015.

Byblos Bank declared unaudited net profits of \$73.8m in the first half of 2016, constituting an increase of 6% from \$69.6m in the first half of 2015. In parallel, the Bank's aggregate assets reached \$20.43bn at the end of June 2016 and grew by 2.8% from the end of 2015. Net loans & advances to customers totaled \$5bn at the end of June and increased by 1.9% from end-2015, with loans extended to related parties standing at \$24.5m. Further, the Bank's total deposits reached \$17.15bn at the end of June 2016 and grew by 3.1% from the end of 2015, with deposits from related parties standing at \$267.5m. In parallel, the Bank's total equity reached \$1.66bn at the end of June 2016. The Byblos Bank Group has a direct presence in Iraq, Syria, Sudan, the United Arab Emirates, Nigeria, Armenia and the Democratic Republic of Congo, as well as in Belgium, France, the United Kingdom and Cyprus.

Byblos Bank's Local and International Acquisitions	
1997	Acquisition of Banque Beyrouth pour le Commerce sal
1999	Acquisition of Bank of Nova Scotia's Lebanon branch
2000	Acquisition of Wedge Bank Middle East's Lebanon branch Acquisition of assets of ING Barings' Lebanon branch
2002	Acquisition of assets and liabilities of ABN AMRO Bank N.V.'s Lebanon branch
2007	Acquisition of Armenia's International Trade Bank, renamed Byblos Bank Armenia C.J.S.C. in 2008
2008	Acquisition of Unicredit Banca Di Roma's Lebanon branch
2010	Acquisition of a 66.7% stake in Solidaire Banque Internationale, a bank incorporated in the Democratic Republic of Congo, now renamed Byblos Bank RDC S.A.

Source: Byblos Bank

Creditbank's net income at \$22m in first half of 2016

Creditbank sal, one of Lebanon's top 14 banks in terms of assets, announced unaudited consolidated net profits of \$22m in the first half of 2016, constituting an increase of 31.5% from \$16.7m in the same period of last year. The substantial growth in profits is partly attributed to the realization of a \$13.7m net gain on financial investments. Net operating income grew by 15.6% year-on-year to \$54.8m in the first half of the year, with net interest income increasing by 14.8% to \$37.3m and net fees & commissions receipts rising by 4.2% year-on-year to \$7.9m. Non-interest income accounted for 35.47% of total income in the first half of 2016, compared to 34.48% a year earlier; with net fees & commissions representing 38.65% of non-interest earnings relative to 44.5% in the first half of 2015. Further, the bank's interest margin was 2.29% in the first half of 2016 relative to 2.22% in the same period last year; while its spread reached 2.19%, compared to 2.12% in the first half of 2015. Total operating expenditures increased by 7% to \$29.5m, with staff expenses growing by 6.9% to \$17.9m and general & administrative expenses rising by 4.7% to \$9.8m. Also, the bank's return on average assets was 1.29% in June 2016 on an annualized basis relative to 1.09% in June 2015; while its return on average equity was 15.28% on an annualized basis compared to 14.48% in June 2015. The cost-to-income ratio decreased to 51% in the first half of the year from 55.54% in the same period of 2015.

In parallel, the bank's total assets reached \$3.5bn at the end of June 2016, constituting an increase of 5.1% from end-2015. Loans & advances to customers, excluding those to related parties, grew by 5.3% from end-2015 to \$1.77bn. Also, customer deposits, excluding those from related parties, totaled \$3bn at the end of June 2016 and increased by 5.7% from end-2015. The loans-to-deposits ratio stood at 59.4% relative to 59.6% at end-2015. In parallel, the bank's shareholders' equity rose by 6% from the end of 2015 to \$296.1m at end-June 2016.



Commercial banks' assets reach \$196bn at end-August 2016

The consolidated balance sheet of commercial banks operating in Lebanon shows that total assets reached \$195.8bn at the end of August 2016, constituting an increase of 5.3% from the end of 2015 and a rise of 7.8% from end-August 2015. Loans extended to the private sector totaled \$56.4bn at the end of August 2016, reflecting a growth of 4% from the end of 2015 and a rise of 7.6% from end-August 2015. Loans to the resident private sector totaled \$50bn and grew by 4% from the end of 2015 and by 6.7% year-on-year; while credit to the non-resident private sector reached \$6.4bn, expanding by 3.9% from end-2015 and by 14.8% from end-August 2015. In nominal terms, credit to the private sector rose by \$2.15bn in the first eight months of 2016 relative to a growth of \$1.51bn in the same period of 2015. Lending to the resident private sector grew by \$1.9bn in the first eight months of 2016 relative to an increase of \$1.45bn in the same period of 2015, while credit to the non-resident private sector expanded by \$240m in the first eight months of the year compared to an increase of \$60m in the same period of 2015. In addition, claims on non-resident banks reached \$8.5bn at the end of August 2016, down by 26.6% from the end of 2015 and by 24.7% from a year earlier. In parallel, claims on the public sector stood at \$34.7bn at the end of August, down by 8.1% from end-2015 and by 7.3% from end-August 2015. The dollarization rate in private sector lending regressed to 73.9% at the end of August 2016 from 74.6% a year earlier. The average lending rate in Lebanese pounds was 8.29% in August 2016, while the same rate in US dollars stood at 7.28%.

In parallel, private sector deposits totaled \$157.1bn at the end of August 2016, constituting an increase of 3.6% from the end of 2015 and a rise of 5% from end-August 2015. Deposits in Lebanese pounds reached \$55.4bn and grew by 4% from end-2015 and by 5.6% from a year earlier; while deposits in foreign currencies totaled \$101.7bn, constituting a rise of 3.5% from the end of 2015 and an increase of 4.7% from end-August 2015. Aggregate non-resident deposits reached \$32.9bn at the end of August and grew by 3.3% from end-2015 and by 3.8% from a year earlier.

In nominal terms, total private sector deposits regressed by \$88.9m in January and by \$80.9m in February, while they increased by \$1bn in March, by \$486.2m in April, by \$959.2m in May, by \$768.8m in June, by \$409.3m in July and by \$2bn in August 2016. In comparison, private sector deposits declined by \$274m in January and by \$188.4m in July, and increased by \$577.8m in February, by \$731.7m in March, by \$2bn in April, by \$393.4m in May, by \$690m in June and by \$1.24bn in August 2015. As such, total private sector deposits rose by \$5.5bn in the first eight months of 2016 compared to an increase of \$5.2bn in the same period of 2015. Resident private sector deposits grew by \$4.45bn in the first eight months of 2016 relative to a rise of \$3.8bn in the same period of 2015, while non-resident deposits increased by \$1bn in the first eight months of the year compared to a rise of \$1.4bn in the same period of 2015. Further, deposits of non-resident banks reached \$6.6bn at the end of August 2016, up by 0.6% from end-2015 and by 5.3% from a year earlier.

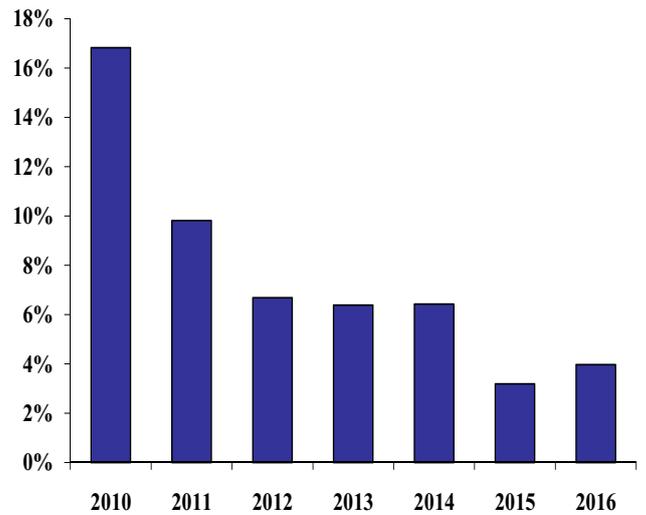
The dollarization rate of deposits was 64.8% at the end of August 2016, down from 65% a year earlier. Further, the average deposit rate in Lebanese pounds was 5.56% in August 2016, while the same rate in US dollars was 3.39%. In addition, the ratio of private sector loans-to-deposits in foreign currency stood at 40.9%, well below the Central Bank's limit of 70% and compared to 40.3% a year earlier. In comparison, the same ratio in Lebanese pounds was 26.6% at end-August 2016 relative to 25.3% at the end of August 2015. The ratio of total private sector loans-to-deposits was 35.9% relative to 35% a year earlier. The banks' aggregate capital base stood at \$17.43bn, up by 4.5% from \$16.7bn at end-2015 and by 6.2% from \$16.4bn at end-August 2015.

IBL Bank exercises call option on preferred shares and issues new common shares

The Board of Directors of IBL Bank sal, one of Lebanon's top 14 banks in terms of assets, approved on May 16, 2016 the redemption and cancellation of 500,000 Series '2' Preferred Shares. The Series '2' Preferred Shares were issued in June 2011, and carried an annual dividend rate of 7.5% per share of the issue price and were redeemable, non-cumulative and perpetual. Concurrently, the bank said that it covered the LBP3.75bn (\$2.5m) deficit in the capital account from the redemption and cancellation of the Series '2' Preferred Shares through the issuance of 500,000 new common shares at a par value of LBP7,500 (\$5) per share. The new shares were distributed gratis on October 3, 2016 to existing shareholders in a proportion equivalent to the percentage of common shares they own, while the bank covered the cost of the newly-issued shares through an internal transfer from its reserves account to its capital account.

IBL Bank posted unaudited net profits of \$38.4m in the first half of 2016, up by 10.7% from the same period of 2015. Its aggregate assets reached \$6.1bn at the end of June 2016 and increased by 7% from end-2015. The bank's total loans & advances to customers, excluding loans & advances to related parties, stood at \$1.1bn at the end of June 2016 and decreased by 4.3% from end-2015. Also, customer deposits, excluding deposits from related parties, totaled \$5.3bn at end-June 2016 and increased by 3.9% from the end of 2015.

Resident Private Sector Lending Growth* (% Change)



* in the first eight months of each year

Source: Association of Banks in Lebanon, Byblos Research

Solidere's consolidated net profits at \$72m in first half of 2016

Solidere, The Lebanese Company for the Development and Reconstruction of the Beirut Central District sal, announced consolidated unaudited net profits of \$72.1m in the first half of 2016 relative to net losses of \$28.7m in the same period of 2015. The consolidated results reflect Solidere's standalone financials and those of its subsidiaries (the Group), which include Beirut Waterfront Development sal, Solidere International Limited, Solidere International Holdings sal, Solidere Management Services sal, BCD Cinemas sal and Beirut Hospitality Company Holding sal, among other fully and partially-owned entities.

The Group's consolidated revenues from land and real estate sales grew by 4.9 times to \$128.9m in the first half of 2016, while revenues from rented properties regressed by 0.9% to \$27.9m. Also, the consolidated revenues from services rendered increased by 24.3% to \$3.6m in the first half of the year, while revenues from hospitality services regressed by 38.1% to \$0.2m. In parallel, the firm's total cost of revenues rose by 1.9 times year-on-year to \$41.7m in the covered period. As such, the Group recorded total net operating revenues of \$119.6m during the first half of 2016, up by 3.2 times year-on-year. In parallel, the Group's general and administrative expenses decreased by 6% in the first half to \$17.6m.

In parallel, the Group's consolidated assets reached \$2.92bn at the end of June 2016 and grew by 0.2% from end-2015, with the inventory of land and projects in progress totaling \$1.1bn. Its total liabilities, including bank overdrafts, term bank loans and accounts payable, regressed by 5% from end-2015 to \$912.5m at the end of June 2016. Solidere indicated in early 2016 that it began implementing a program to gradually reduce its indebtedness.

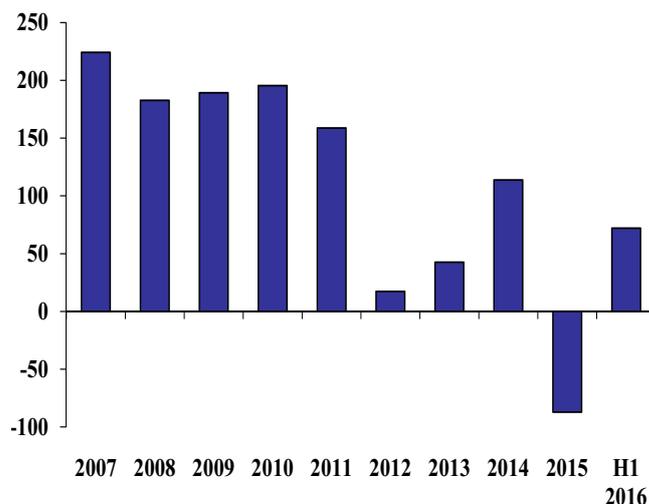
The firm noted in early 2016 that it owns a land bank of 1.75 million square meters with a market value estimated at about \$6.8bn, as well as a portfolio of built rental properties valued at about \$1.4bn based on prevailing market prices. The Group's consolidated shareholders' equity totaled \$2bn at the end of June 2016, up by 2.8% from \$1.96bn at end-2015. Solidere is Lebanon's third largest listed firm on the Beirut Stock Exchange in terms of market capitalization as at the end of September 2016. The prices of Solidere A closed at \$9.56 per share on October 7, 2016, down by 13.6% from \$11.06 per share at the end of 2015, while Solidere B shares closed at \$9.76 per share, down by 11.8% from \$11.07 per share at the end of 2015.

Al Mashrek Insurance's net losses at \$2m in 2015

Al Mashrek Insurance & Reinsurance sal announced audited net losses of \$2m in 2015 compared to net profits of \$0.4m in 2014. Its audited balance sheet shows total assets of \$69.9m at the end of 2015, constituting an increase of 1.7% from \$68.8m at end-2014. On the assets side, general company investments reached \$28.4m and decreased by 1.3% from a year earlier. They included \$15.3m in land and real estate investments, \$1.9m investments in subsidiaries and associates and \$1.4m in cash and cash equivalents. They also included \$5.3m in blocked bank deposits and deposits with maturity of more than three months, of which \$4.9m were blocked in favor of the Economy Ministry as guarantees. Also, the reinsurance's share in technical reserves for the non-life category decreased by 0.8% to \$5m in 2015, while that for the life segment declined by 65% year-on-year to \$0.4m. On the liabilities side, technical reserves for the non-life category reached \$32.2m at end-2015 and increased by 3.7% from a year earlier, while technical reserves for the life segment declined by 29.5% year-on-year to \$2.3m. Non-life technical reserves included unearned premium reserves of \$19.4m that dropped by 2.9% and outstanding claims reserves of \$8.3m that increased by 21.9% year-on-year. Provisions for risks and charges reached \$1.1m and rose by 17.2% from the previous year. Also, the firm's shareholders' equity totaled \$15.9m at end-2015, down by 11.4% from \$18m a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Al Mashrek in 10th and in 21st place in 2015 in terms of non-life and life premiums, respectively. The firm's non-life premiums amounted to \$39.3m, constituting an increase of 2.6% year-on-year; while its life premiums reached \$1.7m, down 14.1% from the previous year. It had a 3.7% share of the local non-life market and a 0.4% share of the life market in 2015.

Solidere Net Profits (US\$m)



Source: Solidere Financial Statements

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	Oct 2014	Sep 2015	Oct 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*	Oct 2014	Sep 2015	Oct 2015	Change**	Risk Level
Political Risk Rating	57.1	57.6	57.7	▼	High
Financial Risk Rating	40.6	39.2	39.3	▲	Low
Economic Risk Rating	35.6	31.3	31.2	▲	Moderate
Composite Risk Rating	66.6	64.0	64.1	▲	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	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
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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