

## LEBANON THIS WEEK

### In This Issue

**Economic Indicators**.....1  
**Capital Markets**.....1  
**Lebanon in the News**.....2

Lebanon has 32nd highest loan penetration rate in the world, 56th highest deposit penetration rate in 2015

Revenues through the Port of Beirut at \$164m in first eight months of 2016

Lebanon ranks 124th globally, 15th in MENA region in country risk

Merrill Lynch maintains Lebanon's external debt at Marketweight

Airport passengers up 6% in first nine months of 2016

Tourism spending in Lebanon down 10% in first nine months of 2016

Hospital coverage for uninsured senior citizens goes into effect at the start of October

Balance of payments posts surplus of \$366m in first eight months of 2016

Investments in solar energy production up 68% in 2010-15 period

Government approves range of agricultural subsidies and compensation to farmers

Payment cards reach 2.7 million at the end of March 2016, ATMs total 1,726

### Corporate Highlights .....8

New car sales down 2% in first nine months of 2016

Top five freight forwarders' import activity up 6% in first eight months of 2016, exports up 4%

MetLife's ratings affirmed, outlook 'stable'

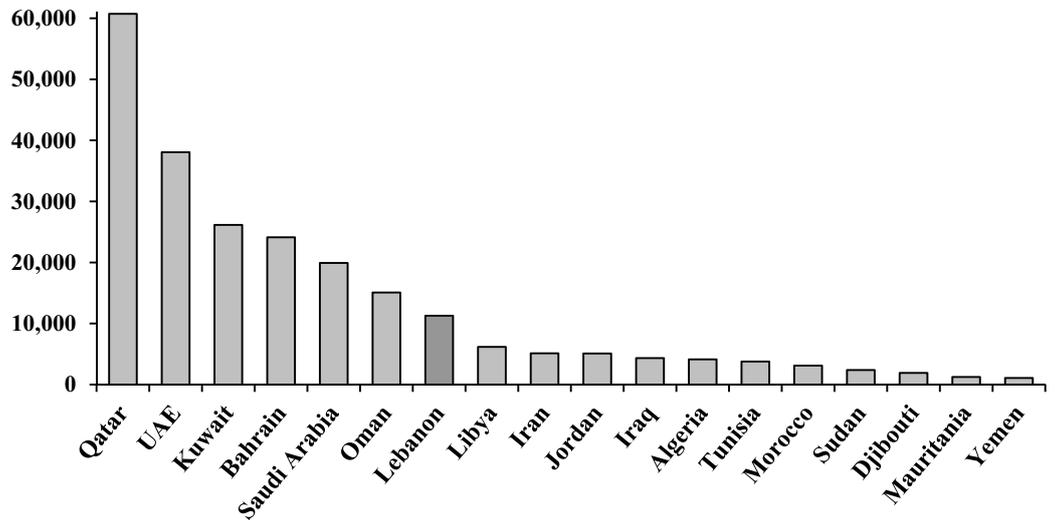
Lebanon & Gulf Bank's net earnings up 30% to \$20.5m in first half of 2016

Liberty Insurance's net profits at \$6m in 2015

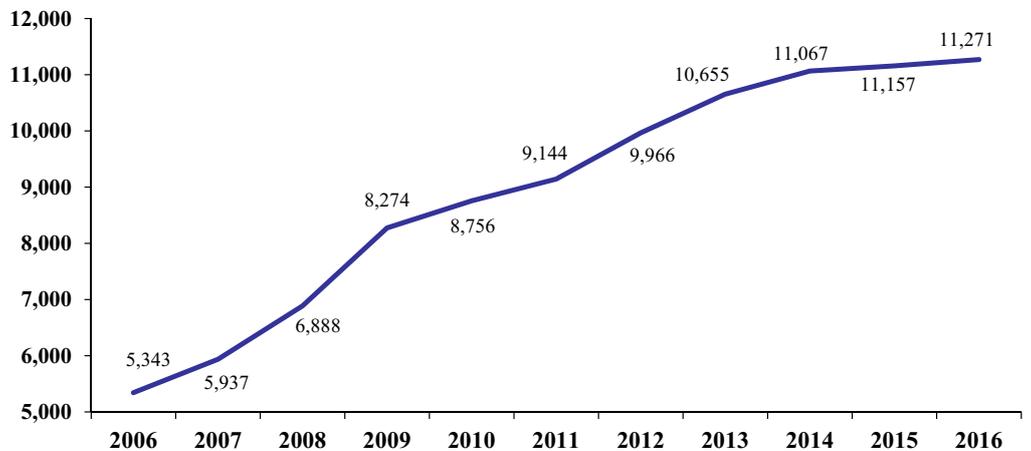
**Ratio Highlights**.....10  
**Risk Outlook** .....10  
**Ratings & Outlook**.....10

### Charts of the Week

Projected GDP per capita in the Middle East & North Africa in 2016\*



GDP per capita in Lebanon\*



\*in US dollars at current prices

Source: International Monetary Fund - October 2016, Byblos Research

### Quote to Note

"Continued deposit inflows to the financial system will remain sufficient to support the government's borrowing requirement and the country's external financing gap, despite the difficult internal and external political environments."

*S&P Global Ratings, on the continuing ability of the Lebanese banking sector to attract deposits*

### Number of the Week

**\$1.22bn:** Funds disbursed and committed by donor countries to Lebanon in the first eight months of 2016 within the framework of the Lebanon Crisis Response Plan for 2016, according to the United Nations

## 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>	<i>20.35</i>	<i>20.18</i>	<i>17.35</i>	<i>19.36</i>	<i>19.66</i>	<i>21.65</i>	<i>7.29</i>
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	-
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

\*\*\*\* Starting January 2016, lending rates in Lebanese pounds are reported before any subsidy or facility from reserve requirements according to Intermediate Circular No 389, and as such they are not comparable year-on-year

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
Solidere "A"	9.61	0.52	33,170	8.55%
BLOM Listed	10.00	(0.99)	24,359	19.12%
Solidere "B"	9.60	(1.64)	16,097	5.55%
BLOM GDR	10.22	(0.78)	13,250	6.72%
Audi GDR	6.25	0.64	13,000	6.39%
Audi Listed	6.24	0.65	9,500	22.18%
Byblos Common	1.66	1.84	5,000	5.31%
HOLCIM	14.37	(0.90)	2,118	2.49%
Byblos Pref. 08	101.00	0.00	-	1.80%
Byblos Pref. 09	101.10	0.00	-	1.80%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Mar 2017	9.00	101.50	5.35
Nov 2018	5.15	98.63	5.86
May 2019	6.00	99.38	6.26
Mar 2020	6.38	100.38	6.25
Apr 2021	8.25	107.63	6.27
Oct 2022	6.10	98.13	6.48
Jun 2025	6.25	97.13	6.69
Nov 2026	6.60	97.38	6.97
Feb 2030	6.65	96.63	7.04
Nov 2035	7.05	98.50	7.20

Source: Byblos Bank Capital Markets

	Oct 10-14	Oct 3-7	% Change	September 2016	September 2015	% Change
<b>Total Shares Traded</b>	134,790	8,967,902	(98.50)	17,493,508	10,044,627	74.16
<b>Total Value Traded</b>	\$1,308,950	\$90,659,910	(98.56)	\$129,513,460	\$96,050,554	34.84
<b>Market Capitalization</b>	\$11.25bn	\$11.15bn	0.90	\$11.11bn	\$11.02bn	0.83

Source: Beirut Stock Exchange (BSE)



### Lebanon has 32nd highest loan penetration rate in the world, 56th highest deposit penetration rate in 2015

Figures issued by the International Monetary Fund show that there were 242.9 borrowers per 1,000 adults at commercial banks in Lebanon at the end of 2015, constituting a decrease of 2.3% from 248.6 borrowers per 1,000 adults in 2014 and compared to 179.1 borrowers per 1,000 adults in 2005. The borrowers' penetration rate ranked Lebanon in 29th place globally among 90 countries with available figures for 2015, in 11th place among 27 upper middle-income countries (UMICs) and in second place among 11 Arab countries. Globally, Lebanon had a higher penetration rate than Botswana, Namibia and Kenya, and a lower rate than Paraguay, Bosnia & Herzegovina and Qatar among economies with a GDP of \$10bn or more. It also had a lower rate than Turkey, Serbia, Brazil, Malaysia, Mainland China, Macedonia, Thailand, Paraguay and Bosnia & Herzegovina among UMICs. Further, there were 426.4 loan accounts per 1,000 adults at Lebanese commercial banks in 2015, down 3.2% from 440.7 loan accounts per 1,000 adults in 2014 and compared to 273.3 loan accounts per 1,000 adults in 2005. The loan penetration rate ranks Lebanon in 32nd place among 98 countries globally with available figures for 2015, in 13th place among 32 UMICs and in first place among eight Arab countries.

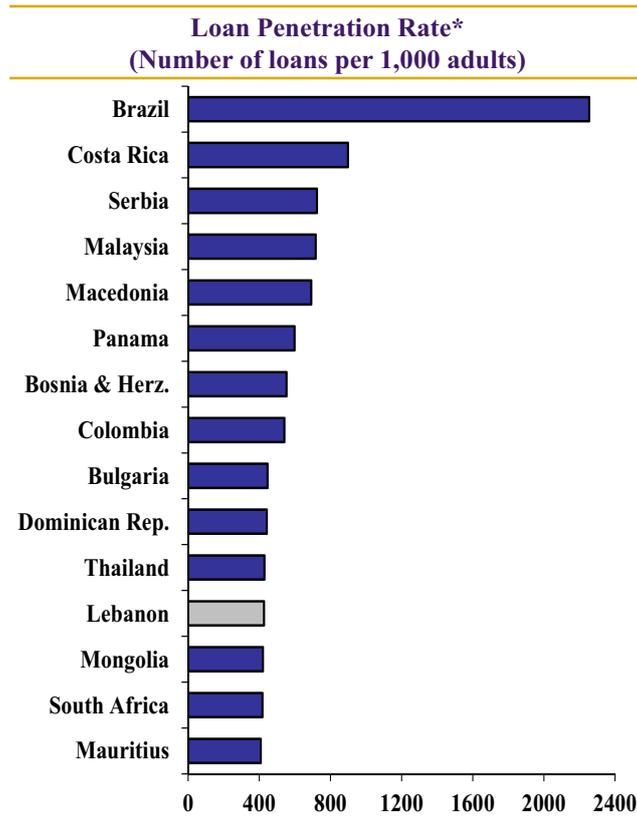
In parallel, there were 652.2 depositors per 1,000 adults at Lebanese commercial banks in 2015, constituting a decline of 2.6% from 669.7 depositors per 1,000 adults in 2014 and compared to 759.5 depositors per 1,000 adults in 2005. As a result, Lebanon had the 43rd highest depositors' penetration rate among 87 countries worldwide with available figures for 2015, the 14th highest among 20 UMICs and the fifth largest among nine Arab countries. Globally, Lebanon had a higher depositors' penetration rate than Ghana, Botswana and Angola, and a lower rate than the Dominican Republic, Italy and Nigeria. It also had a higher rate than Botswana and Angola and a lower rate than Ecuador and the Dominican Republic among UMICs; while it had a lower rate than only Kuwait, Saudi Arabia, Tunisia and Qatar among Arab countries. Further, there were 1,080 deposit accounts per 1,000 adults at commercial banks in Lebanon in 2015, down 2.9% from 1,113 deposit accounts per 1,000 adults in 2014 and compared to 1,074 deposit accounts per 1,000 adults in 2005. As such, Lebanon had the 56th highest deposit account penetration rate among 111 countries worldwide with available figures for 2015, the 20th highest among 32 UMICs and the highest among 10 Arab countries.

Further, there were 1.08 million borrowers and 1.9 million loan accounts at commercial banks in Lebanon at the end of 2015. Resident private sector loans were equivalent to 102% of GDP at the end of 2015, the 18th highest such ratio among 166 countries globally, the sixth largest among 47 UMICs and the second highest among 16 Arab countries. Also, there were 2.9 million depositors and 4.8 million deposit accounts at commercial banks in Lebanon in 2015. Resident private sector deposits were equivalent to 254.2% of GDP in 2015, the second highest such ratio globally and among UMICs, and the highest among Arab countries.

### Revenues through the Port of Beirut at \$164m in first eight months of 2016

Figures released by the Port of Beirut show that the port's overall revenues reached \$164.2m in the first eight months of 2016, constituting an increase of 1.1% from \$162.5m in the same period of 2015. The Port of Beirut handled 5.9 million tons in freight in the first eight months of 2016, up by 9.7% from 5.4 million tons in the same period of 2015. Imported freight amounted to 5.27 million tons in the covered period and accounted for 89% of aggregate freight, while the remaining 656,000 tons, or 11%, consisted of export cargo. A total of 1,390 ships docked at the port in the first eight months compared to 1,179 vessels in the same period of 2015.

In parallel, revenues generated through the Port of Tripoli reached \$10.1m in the first eight months of 2016, constituting an increase of 14% from \$8.8m in the same period of 2015. The Port of Tripoli handled 1.25 million tons of freight in the covered period, up by 7.3% from 1.16 million tons in the same period of 2015. Imported freight amounted to 988,902 tons and accounted for 79.4% of the total, while the remaining 256,622 tons, or 20.6% of the total, were export cargo. A total of 536 vessels docked at the Port of Tripoli in the first eight months of 2016, constituting a rise of 2.9% from 521 ships in the same period of 2015.



\*Top 15 upper middle-income countries

Source: International Monetary Fund, Byblos Research

### Lebanon ranks 124th globally, 15th in MENA region in country risk

In its quarterly survey of the country risk level in 186 countries, the Euromoney Group ranked Lebanon in 124th place worldwide and in 15th place among 22 countries in the Middle East & North Africa (MENA) region in the third quarter of 2016. Also, Lebanon came in 39th place among 50 upper middle-income countries (UMICs) included in the survey. Lebanon's global rank regressed by two spots from 122nd place in the second quarter of 2016 and by four spots from 120th place in the third quarter of 2015. Regionally, Lebanon's rank regressed by one spot from each of the second quarter of 2016 and the third quarter of 2015. The survey evaluates individual country risk by assigning a weighting to six categories that cover Political Risks, Economic Performance, Access to Bank Finance & Capital Markets, Debt Indicators, Credit Ratings, and Structural Assessments.

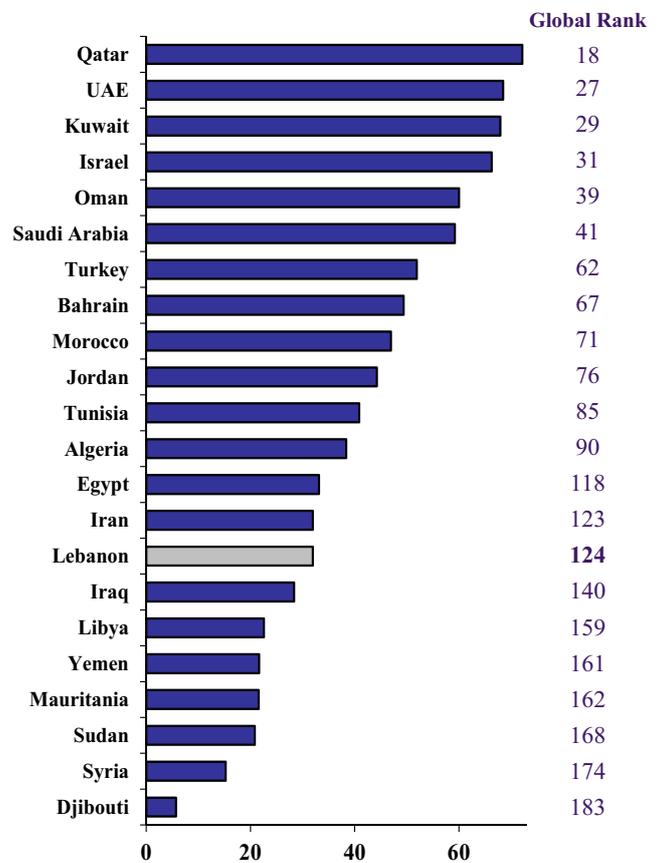
Globally, Lebanon had a lower country risk level than Pakistan, Nicaragua and Cameroon, and a higher risk level than Egypt, Angola and Iran among economies with a GDP of \$10bn or more. It also ranked ahead of Iraq and behind Iran among UMICs. Lebanon's global rank improved by two spots on the Access to Bank Finance & Capital Markets category. In contrast, Lebanon's rank regressed by four spots on the Economic Performance factor and by two notches on each of the Structural Assessments and Credit Ratings categories, while it was unchanged from the preceding quarter on each of the Political Risks and Debt Indicators categories.

Lebanon received a score of 31.95 points, constituting a decline of 1.8% from 32.55 points in the second quarter of 2016 and a drop of 2.7% from 32.84 points in the third quarter of 2015. Lebanon's score came below the global average score of 42.8 points, the UMICs' average of 39.6 points and the MENA average of 40.9 points. Also, its score came below the Arab average of 39.4 points and the Gulf Cooperation Council (GCC) countries' average score of 62.9 points, but it was above the average score of non-GCC Arab countries of 28.6 points.

Lebanon's score regressed by 20.2% on the Credit Ratings category, by 3% on the Structural Assessments factor, by 1.5% on the Political Risks category and by 0.7% on the Economic Performance category. Its scores on the Debt Indicators and Access to Bank Finance & Capital Market categories were unchanged from the second quarter of 2016.

Lebanon ranked ahead of Cameroon and behind Guatemala globally, while it came ahead of Mauritania and behind Algeria regionally on the Political Risks category. Also, it ranked ahead of Bangladesh and behind Cameroon worldwide, and came ahead of Libya and behind Iraq regionally in terms of Economic Performance. Further, Lebanon came ahead of Argentina and behind Kazakhstan globally, and ranked ahead of Jordan and behind Morocco regionally on the Structural Assessment category. Finally, Lebanon ranked ahead of Cambodia and behind Albania globally, and came ahead of Iraq and behind Jordan regionally on the Debt Indicators category.

**MENA Countries Rankings & Scores in Third Quarter of 2016**



Source: Euromoney Group, Byblos Research

**Country Risk Indicators for Lebanon - Third Quarter 2016**

	Weighting	Score	MENA	Global	MENA	Global
	(%)		Rank	Rank	Avg Score	Avg Score
Political Risk	30	10.14	14	131	12.11	13.74
Economic Performance	30	12.30	14	116	13.24	13.37
Structural Assessments	10	4.93	10	68	4.33	4.04
Debt Indicators	10	2.27	16	164	4.47	4.71
Credit Rating	10	0.83	12	113	2.91	3.07
Access to Bank Finance & Capital Market	10	1.50	15	120	3.81	3.82

Source: Euromoney Group, Byblos Research



### Merrill Lynch maintains Lebanon's external debt at Marketweight

Figures issued by Merrill Lynch indicate that Lebanon's external debt posted a return of 4.81% in the first nine months of 2016, constituting the fourth lowest return among 42 markets in the Central & Eastern Europe and the Middle East & Africa (CEEMEA) region, as well as the eighth lowest return among 73 emerging markets included in Merrill Lynch's External Debt EM Sovereign Index. Lebanon underperformed the overall emerging markets' return of 12.98% during the covered period. Further, Lebanon's external debt posted the second lowest return among 25 countries in the Middle East & Africa region in the first nine months of the year, ahead of only Oman (+2.03%).

In parallel, Merrill Lynch maintained its recommendation for Lebanon's external debt at "Marketweight" in its emerging markets portfolio of external debt. It attributed its decision to the fact that Lebanese Eurobonds have been extremely stable due, in large part, to support from local banks. Also, it indicated that the Central Bank's gross foreign currency reserves are elevated, and it did not expect rating agencies to downgrade Lebanon's sovereign ratings.

Lebanon's external debt posted a return of 0.3% in September 2016, constituting the 19th lowest return in the CEEMEA region and the 37th lowest in emerging markets during the covered month. Lebanon underperformed the emerging markets' return of 0.31% in September 2016.

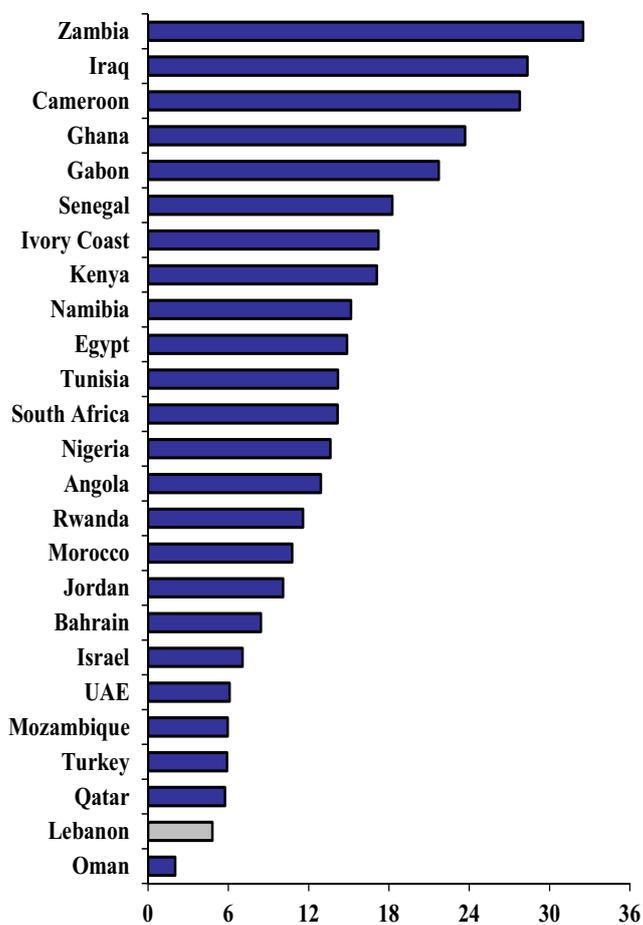
Further, Lebanon's external debt posted the 11th highest return in the Middle East & Africa region in September 2016, better than Tunisia (+0.17%), Namibia (+0.02%), the Ivory Coast (zero %), Rwanda (-0.05%), Morocco (-0.13%), Israel (-0.16%), Qatar (-0.2%), the UAE (-0.23%), Jordan (-0.29%), Bahrain (-0.33%), Nigeria (-0.36%), Gabon (-0.86%), Turkey (-0.94%) and Oman (-2.21%). It underperformed Mozambique (+10.99%), Ghana (+2.59%), Cameroon (+1.33%), Iraq (+1.32%), South Africa (+1.2%), Kenya (+1.16%), Senegal (+1.15%), Zambia (+1.04%), Egypt (+0.94%) and Angola (+0.36%).

In parallel, Merrill Lynch indicated that the option-adjusted spread on Lebanese Eurobonds was 514 basis points at the end of September 2016 compared to 449 basis points a year earlier, constituting the 10th widest spread in the CEEMEA region and the 15th widest among emerging markets. It was wider than the emerging markets' overall spread of 297 basis points at the end of September 2016. Lebanon has a weight of 2.8% on Merrill Lynch's External Debt EM Sovereign Index, the sixth largest weight in the CEEMEA universe and the 12th largest among emerging economies. Lebanon accounted for 5.5% of allocations in the CEEMEA region.

### Airport passengers up 6% in first nine months of 2016

Figures released by the Hariri International Airport (HIA) show that the number of airport passengers (arrivals, departures and transit) totaled 5,902,169 in the first nine months of 2016, constituting an increase of 6.4% from 5,547,423 passengers in the same period last year. The number of arriving passengers grew by 8.3% year-on-year to 2,934,696 in the first nine months of 2016, compared to an increase of 10.1% in the same period of 2015 and to a rise of 6.7% in the first nine months of 2014. Also, the number of departing passengers grew by 5% year-on-year to 2,960,177 in the first nine months of 2016, relative to a rise of 10.6% in the same period of 2015 and to an increase of 1.7% in the first nine months of 2014. In parallel, the airport's aircraft activity grew by 5.1% year-on-year to 54,270 take-offs and landings in the first nine months of 2016 compared to an increase of 6.3% in the same period of 2015 and to a rise of 2.4% in the first nine months of 2014. In addition, the HIA processed 63,388 metric tons of freight in the first nine months of 2016 that consisted of 38,306 tons of import freight and 25,081 tons of export freight. Middle East Airlines had 18,497 flights in the first nine months of 2016 and accounted for 34.1% of HIA's total aircraft activity.

### External Debt Performance in the Middle East & Africa in First Nine Months of 2016 (%)

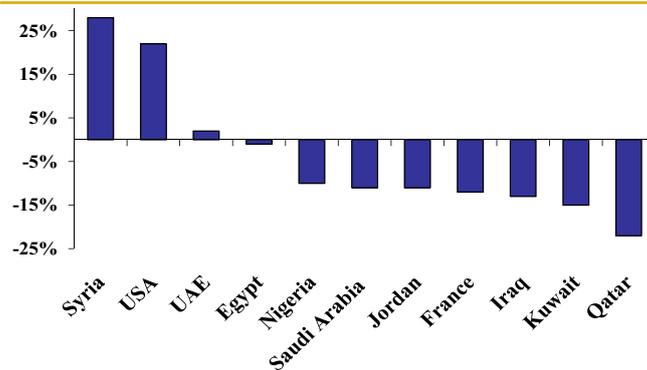


Source: Merrill Lynch, Byblos Research

### Tourism spending in Lebanon down 10% in first nine months of 2016

Figures issued by Global Blue, the VAT refund operator for international shoppers, show that total spending by tourists in Lebanon decreased by 3% in the third quarter of 2016 from the same quarter last year. Visitors from the UAE accounted for 14% of total tourist expenditures in the third quarter of 2016, followed by visitors from Saudi Arabia with 13%, Kuwait, the United States and Egypt with 5% each; Syria, Jordan, Qatar and France with 4% each; Nigeria with 3%; and Iraq with 2%, while visitors from other countries accounted for the remaining 35%. Spending by visitors from Qatar decreased by 22% year-on-year in the third quarter of 2016, followed by those from Kuwait (-15%), Iraq (-13%), France (-12%), Jordan and Saudi Arabia (-11% each), Nigeria (-10%) and Egypt (-1%). In contrast, spending by visitors from Syria increased by 28% year-on-year in the third quarter of 2016, followed by those from the United States (+22%) and the UAE (+2%).

**Total Spending by Visitors in Third Quarter of 2016**  
(% change from third quarter of 2015)



Source: Global Blue, Byblos Research

Beirut attracted 77% of total spending in the covered period, followed by the Metn area with 15%, the Baabda district with 4% and the Keserwan region with 2%. Fashion & clothing accounted for 75% of total spending in the third quarter of 2016, followed by watches & jewelry with 10%, home & garden products and department stores with 4% each, and souvenirs & gifts and consumer electronics & household appliances with 1% each. In parallel, spending on souvenirs & gifts regressed by 30% from the third quarter of 2015, followed by that on watches and jewelry (-26%), expenditures on consumer electronics & household appliances (-10%) and in department stores (-5%). However, expenditures on home and garden products increased by 4% and those on fashion and clothing grew by 1%.

Further, the total number of refund transactions by visitors in the third quarter of 2016 decreased by 10% annually. The total number of refund transactions by visitors from Kuwait declined by 24% year-on-year in the third quarter of 2016, followed by France (-21%), Qatar (-18%), Saudi Arabia and Iraq (-16% each), Nigeria (-15%), Egypt (-12%), the UAE and Jordan (-9% each) and the United States (-5%), while refund transactions by visitors from Syria increased by 27% year-on-year.

In parallel, total spending by tourists in Lebanon decreased by 10% year-on-year in the first nine months of 2016. Spending by visitors from Kuwait, Qatar and Iraq dropped by 21% each, followed by those from Saudi Arabia (-20%), Egypt (-13%), Nigeria (-10%), the UAE and Jordan (-9% each), the United States (-6%) and France (-5%), while spending by visitors from Syria increased by 7% in the first nine months of 2016. Visitors from Saudi Arabia and the UAE accounted for 14% each of total tourist expenditures in the first nine months of 2016; followed by visitors from the Egypt with 6%; Kuwait, Syria, Jordan, and France with 5% each; Qatar, Nigeria and the United States with 4% each; and Iraq with 2%. Also, the total number of refund transactions by visitors regressed by 13% year-on-year in the first nine months of 2016. The number of refund transactions by visitors from Syria increased by 6% annually in the covered period, while those from Kuwait decreased by 31%, followed by those from Saudi Arabia (-22%); Egypt (-18%); Qatar, Iraq and Nigeria (-16% each); Jordan (-12%); the UAE and France (-11% each); and the United States (-1%).

### Hospital coverage for uninsured senior citizens goes into effect at start of October

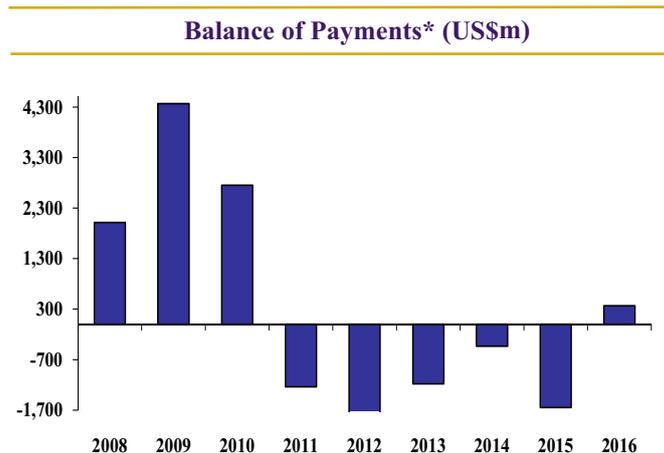
The Ministry of Public Health indicated that it began implementing the full hospitalization coverage for uninsured Lebanese citizens who are 64 years or older starting in October 2016. It noted that the coverage for these citizens will increase to 100% of the hospitalization bill from 85% and 95% disbursed currently for treatments completed at private and public hospitals, respectively. The program's beneficiaries have to be 64 years or older and should not be covered by the National Social Security Fund or by any private insurance provider. The ministry noted that it provides hospitalization coverage to about 2.12 million uninsured Lebanese citizens every year, including 5.8% who are 64 years or older. It claimed that 30,898 out of 122,000 uninsured citizens who are 64 years or older receive hospital care 54,000 times per year.

The ministry estimated the cost of the program at about LBP17bn (\$11.3m) per year, equivalent to about 2.7% of the ministry's budget. It indicated that it plans to finance the program from several funding sources, including the annual increase in the budget allocations to the ministry, which are estimated at more than LBP18bn (\$11.9m) for 2017. It added that it could secure additional funding for the program from the 7% annual savings that result from its established auditing system for hospital invoices. In addition, the ministry said that it could achieve savings from the primary healthcare centers (PHC), which aim to reduce hospital admission rates and lengths of stay and, in turn, would lower the ministry's payables to hospitals. It said that Lebanon has 222 PHC centers that provided treatments to 1.49 million patients in 2015. Further, it noted that additional savings could be achieved from the ministry's hospital accreditation system, which evaluates the quality of services that hospitals deliver to patients and, in turn, sets either lower or higher tariffs due to hospitals.

Further, the Health Ministry awarded contracts to three third-party administrators (TPA) through a tender process to set and monitor the program's mechanism and hospital admissions criteria. The ministry said that the TPAs could limit fraudulent activities and moral hazard, as well as provide additional savings to the ministry's budget, which could also be allocated to the program.

### Balance of payments posts surplus of \$366m in first eight months of 2016

Figures issued by the Central Bank show that Lebanon's balance of payments posted a surplus of \$366.2m in the first eight months of 2016 compared to a deficit of \$1.65bn in the same period of 2015. The balance of payments posted a surplus of \$1.8bn in August 2016 compared to a surplus of \$352.1m in July 2016 and a deficit of \$332m in August 2015. The August 2016 surplus was caused by an increase of \$4bn in the net foreign assets of the Central Bank, which was offset by a decrease of \$2.2bn in those of banks and financial institutions. The cumulative surplus over the first eight months of 2016 was caused by a rise of \$4.1bn in the net foreign assets of the Central Bank, which was offset by a decline of \$3.7bn in those of banks and financial institutions. The balance of payments posted surpluses of \$7.9bn in 2009 and \$3.3bn in 2010, and deficits of \$2bn in 2011, \$1.5bn in 2012, \$1.1bn in 2013, \$1.4bn in 2014 and \$3.4bn in 2015.



\*in the first eight months of each year

Source: Central Bank of Lebanon

### Investments in solar energy production up 68% in 2010-15 period

Figures issued by the United Nations Development Program (UNDP), in coordination with the Ministry of Energy & Water, shows that total investment in the Solar photovoltaic (PV) sector in Lebanon grew from \$2.3m in 2010 to \$30.5m in 2015, constituting a compound annual growth rate (CAGR) of 67.7% during the covered period. The data was collected from 44 participating Solar PV companies that implemented 621 projects across Lebanon by the end of 2015. The figures are part of the Small Decentralized Renewable Energy Power Generation Project.

The capacity of installed Solar PV electricity in Lebanon was 320 kilo-watt-peak (kWp) in 2010 and increased to 9.45 mega-watt-peak (MWp) in 2015, posting annual growth rates of 41% in 2011, 73% in 2012, 124% in 2013, 117% in 2014 and 149% in 2015. In parallel, the electricity generation capacity in Lebanon through Electricité du Liban (EDL) reached 1,983 megawatts (MW) by the end of 2015, of which 0.47% is Solar PV electricity capacity. Also, Lebanon's electricity generation by EDL totaled 12.41 terra-watt-hour (TWh) in 2015, of which a 0.11% share was Solar PV electricity. Renewable energy in Lebanon, including Solar PV and Hydro, accounted for 4.1% of Lebanon's total annual electricity generation in 2015.

The commercial sector is leading the Solar PV market in Lebanon with 2 MWp or 22% of the total, followed by the residential sector and the agricultural sector with 1.7 MWp each (18% each), the industrial sector with 1.6 MWp (17%), the public sector with 1.44 MWp (15%) and the education sector with 0.49 MWp (5%). On a regional basis, Mount Lebanon has the most Solar PV capacity with 3 MWp or 32% of the total, followed by Beirut with 2.39 MWp (25%), the Bekaa with 1.8 MWp (19%), the South with 1.03 MWp (11%), the North with 0.73 MWp (8%) and Nabatieh with 0.31 MWp (3%). In parallel, the Solar PV turnkey price was \$2,675 per kWp in 2015, constituting a decline of 62.7% from \$7,178 per kWp in 2010.

The UNDP estimated the monetary savings from all the Solar PV projects in Lebanon at \$7m per year in 2015, up from \$191,000 per year in 2010. It noted that the operators of Solar PV systems in Lebanon generate these savings by shifting a portion of their electricity consumption from diesel to Solar PV electricity generation. Further, it estimated emissions savings from all the Solar PV projects in the country to have increased from 351 tons of CO<sub>2</sub> per year in 2010 to 17,855 tons of CO<sub>2</sub> per year in 2015.

Solar PV electricity generation has been on the rise in Lebanon since the 2000s but it only began to see exponential growth in 2013 with the introduction of the National Energy Efficiency and Renewable Energy Action (NEEREA) mechanism. NEEREA is an ongoing financial mechanism initiated by the Central Bank of Lebanon with the support of the Ministry of Energy & Water, the UNDP, and the Lebanese Center for Energy Conservation (LCEC). The Small Decentralized Renewable Energy Power Generation Project is funded by the Global Environment Facility and is implemented by the UNDP. The project is nationally executed by the Ministry of Energy & Water in coordination with the LCEC.

### Government approves range of agricultural subsidies and compensation to farmers

The Cabinet approved subsidies of LBP40bn (\$26.5m) to apple growers for the 2016 harvest. It indicated that it will pay directly to farmers LBP5,000 (\$3.3) for each 20-kilogram crate of apple. The Cabinet attributed its decision to the challenges that farmers faced this year in terms of production, distribution and exports. Also, it indicated that it will ask international donors to purchase 500,000 20-kilogram crates of Lebanese apples to be distributed to displaced Syrians in Lebanon and abroad. The Cabinet also mandated the Lebanese Army, in collaboration with the municipalities and district commissioners, and under the supervision of the Ministry of Agriculture, to carry out a survey to determine the volumes of apple production in the country. The Ministry of Agriculture issued in September 2016 a decree to restrict the imports of apples to Lebanon, as part of its efforts to protect the country's agricultural sector.

In addition, the Cabinet earmarked LBP10bn (\$6.6m) to compensate farmers in the town of Arsal and its outskirts for the cherry harvest of the past three years, given that they could not access their land for security reasons. It also commissioned the Lebanese Army to carry out a survey to estimate the volume of cherry production. Moreover, it approved the allocation of LBP2.6bn (\$1.7m) in compensation to poultry farmers for damages caused by the bird flu, which caused the death of about 35,000 chicken.

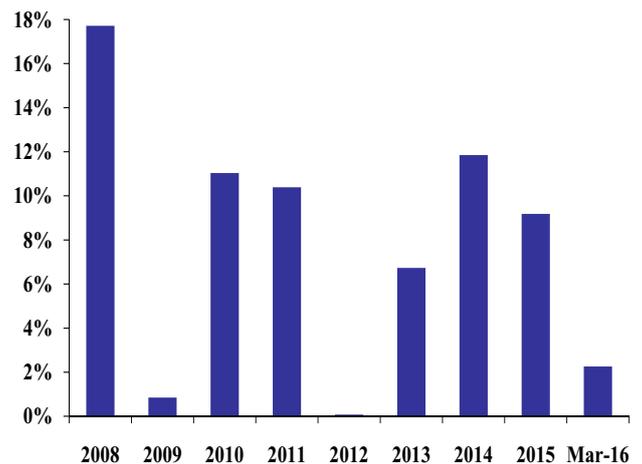
Further, the Cabinet approved a subsidy to wheat growers of LBP120,000 (\$79.6) per acre planted with wheat. It noted that the surface area of wheat plantations will be determined based on the remote wipe that was conducted in 2016. It also mandated the Ministry of Economy & Trade to take the appropriate measures to prepare the warehouses for wheat storage. Further, the Cabinet asked the Investment Development Authority of Lebanon to prepare a comprehensive report on the available support for agricultural and industrial exports.

### Payment cards reach 2.7 million at the end of March 2016, ATMs total 1,726

Figures released by the Central Bank show that the number of payment cards issued in Lebanon reached 2,739,111 cards at the end March 2016, constituting a marginal decrease of 0.6% from the end of 2015 and a rise of 9.1% from the end of March 2015. Cards held by residents accounted for 97.1% of total cards issued in Lebanon at end-March 2016. The distribution of payment cards by type shows that debit cards with residents reached 1,452,481 and accounted for 53% of the total, followed by credit cards with residents at 552,861 (20.2%), prepaid cards with residents at 508,013 (18.5%), charge cards with residents at 146,194 (5.3%), debit cards held by non-residents at 48,701 (1.8%), credit cards held by non-residents at 15,621 (0.6%), charge cards held by non-residents at 8,434 (0.3%) and prepaid cards held by non-residents at 6,806 (0.2%). Further, the aggregate number of points-of-sales accepting payment cards reached 39,522 at the end of March 2016, constituting an increase of 1.6% quarter-on-quarter and a rise of 3.4% on an annual basis.

In parallel, the number of ATMs across Lebanon totaled 1,726 at the end of March 2016, constituting an increase of 1.1% from end-2015 and a rise of 5.9% from the end of March 2015. The Greater Beirut area had 707 ATMs at end-March 2016, equivalent to 41% of the total; followed by Mount Lebanon with 560 ATMs (32.4%); the North with 171 ATMs (9.9%); the South with 134 ATMs (7.8%); the Bekaa with 123 ATMs (7.1%) and Nabatieh with 31 ATMs (1.8%).

### Growth in the Number of Credit Cards Held by Residents



Source: Central Bank of Lebanon, Byblos Research

### New car sales down 2% in first nine months of 2016

Figures released by the Association of Automobile Importers in Lebanon (AIA) show that dealers sold 28,579 new passenger cars in the first nine months of 2016, constituting a decrease of 2% from 29,170 cars sold in the same period of 2015. Consumers purchased 2,411 new cars in January, 2,793 automobiles in February, 2,786 cars in March, 3,109 vehicles in April, 3,165 automobiles in May, 4,180 cars in June, 3,700 automobiles in July, 3,418 cars in August and 3,017 vehicles in September 2016. Japanese automobiles accounted for 37.5% of total sales in the first nine months of 2016, followed by Korean cars with a 34.9% share, European automobiles (20.2%), American vehicles (6.7%) and Chinese cars (0.7%). The sales of new American vehicles increased by 14% year-on-year in the first nine months of the year and sales of Chinese cars grew by 2.4%; while the number of Japanese cars sold dropped by 4.9% year-on-year, that of European cars regressed by 3.9% and the number of Korean automobiles declined by 0.4%. Kia is the leading brand in the Lebanese market with 5,658 vehicles sold in the first nine months of 2016, followed by Hyundai with 4,280 in new car sales, Toyota (3,941), Nissan (2,773), Renault (1,388) and Suzuki (1,241). In parallel, 1,973 new commercial vehicles were sold in the first nine months of 2016, up by 18.4% from 1,666 vehicles purchased in the same period of 2015. Overall, car dealers sold 30,552 new passenger automobiles and commercial vehicles in the first nine months of 2016, down by 0.9% from 30,836 cars sold in the same period of 2015. The AIA indicated that 90% of new cars sold were small-engine automobiles with a low selling price.

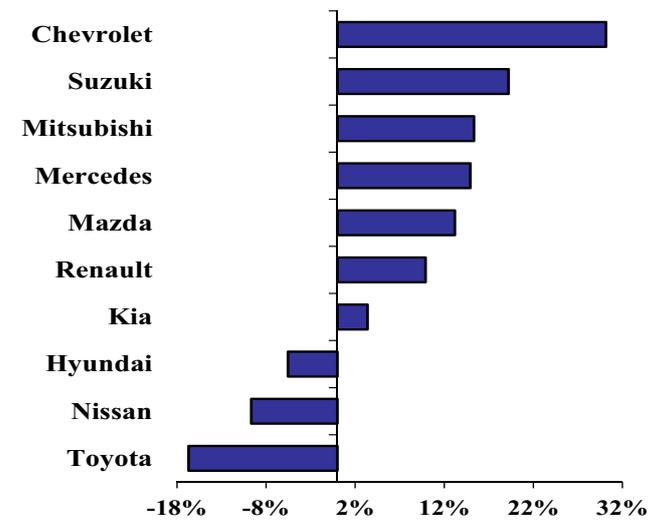
In parallel, the number of new vehicles sold by Lebanon's top five distributors reached 20,652 in the first nine months of 2016 and accounted for 67.6% of new car sales. NATCO sal sold 5,658 vehicles, equivalent to 18.5% of the total, followed by Century Motor Co. sal with 4,360 automobiles (14.3%), Boustany United Machinerics sal with 4,346 vehicles (14.2%), Rasamny Younis Motor Co. sal with 3,475 cars (11.4%) and Bassoul Heneiné sal with 2,813 automobiles (9.2%).

### Top five freight forwarders' import activity up 6% in first eight months of 2016, exports up 4%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 239,912 20-foot equivalent units (TEUs) in the first eight months of 2016, constituting an increase of 6.1% from 226,107 TEUs in the same period of 2015. The top five freight forwarders accounted for 88.6% of imports to the Lebanese market and for 63.3% of the total import freight forwarding market during the covered period. Mediterranean Shipping Company (MSC) handled 75,273 TEUs in imports in the first eight months of 2016, equivalent to a 20% share of the total freight forwarding import market. Metz Group followed with 48,334 TEUs (12.8%), then Merit Shipping with 43,997 TEUs (11.6%), Sealine Group with 43,145 TEUs (11.4%) and Gezairy Transport with 29,163 TEUs (7.7%). Further, Gezairy Transport registered a year-on-year increase of 53% in import shipping volume, the highest among the top five freight forwarders, while Sealine Group posted the steepest decline at 15.4%.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 57,113 TEUs in the first eight months of 2016, constituting an increase of 4.2% from 54,798 TEUs in the same period of 2015. The top five freight forwarders accounted for 97.8% of exported Lebanese cargo and for 15.1% of the total export freight forwarding market in the first eight months of 2016. Merit Shipping handled 26,876 TEUs of freight in the covered period, equivalent to 46% of the Lebanese cargo export market. Metz Group followed with 12,676 TEUs (21.7%), then Sealine Group with 12,011 TEUs (20.6%), MSC with 3,002 TEUs (5.1%) and Gezairy Transport with 2,548 TEUs (4.4%). Further, Merit Shipping registered a year-on-year rise of 31.8% in export shipping volume, while MSC posted the steepest decline at 18.8%.

### Sales of Top 10 Car Brands in First Nine Months of 2016 (% change\*)



\* from the same period of 2015

Source: AIA, Byblos Research

### **MetLife's ratings affirmed, outlook 'stable'**

Fitch Ratings affirmed at 'A' the long-term Issuer Default Rating (IDR) of insurance group MetLife, with a 'stable' outlook. It also affirmed the Insurer Financial Strength (IFS) rating of the company's main subsidiaries at 'AA-'. MetLife is a global provider of insurance, annuities and employee benefits programs. It acquired American Life Insurance Company (ALICO) in 2010. MetLife Alico is the largest provider of life insurance products in Lebanon. The agency indicated that the ratings on MetLife are supported by the company's strong balance sheet fundamentals, excellent financial flexibility and very strong market positioning in several major insurance product lines and markets. It noted that the ratings take into account MetLife's above average investment risk, lower operating profitability in recent quarters and continued macroeconomic challenges associated with the ongoing low interest rate environment. Fitch pointed out that MetLife's balance sheet fundamentals reflect its strong risk-adjusted capitalization and favorable liquidity profile. It noted that the firm's very strong brand name and its large and diverse distribution capabilities provide it with significant competitive advantages.

In parallel, Moody's Investors Service affirmed MetLife's senior unsecured debt rating at 'A3' and its junior subordinated debt rating at 'Baa2 (hyb)'. It maintained at 'Aa3' the Insurer Financial Strength rating of the company's main subsidiaries. It added that all the ratings have a 'stable' outlook. The agency noted that MetLife has leading positions in several global insurance markets in Latin America and Asia. It expected the company to have a weaker business profile due to a diminished market position in the U.S. retail life and annuity markets, as well as to reduced diversity of distribution and earnings. However, it anticipated that the firm's lower exposure to higher risk insurance products would more than offset the company's weak business profile.

MetLife Alico announced audited net profits of \$36.4m for the fiscal year ending in November 2015, constituting a decrease of 3.2% from net earnings of \$37.6m in the same period of 2014. Its audited balance sheet for Lebanon shows total assets of \$574.4m at the end of November 2015, up by 1.2% from a year earlier. *Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked MetLife Alico in first and 12th place in 2015 in terms of life and non-life premiums, respectively. The firm's life premiums rose by 4.9% to \$82.2m in 2015, while its non-life premiums amounted to \$31.8m and increased by 5.2% from 2014. It had a 17.4% share of the local life market and a 3% share of the non-life market in 2015.

### **Lebanon & Gulf Bank's net earnings up 30% to \$20.5m in first half of 2016**

Lebanon and Gulf Bank (LGB) sal, one of Lebanon's top 14 banks in terms of assets, announced unaudited consolidated net profits of \$20.5m in the first half of 2016, constituting an increase of 30.4% from the same period last year. Net operating income rose by 18.9% year-on-year to \$41.1m in the first half of the year, with net interest income increasing by 9.3% to \$26m and net fees & commissions receipts declining by 10.3% year-on-year to \$4.5m. Non-interest income accounted for 37.1% of total income, up from 31.2% in the same period last year; with net fees & commissions representing 29.4% of non-interest earnings relative to 46.6% in the first half of 2015. Further, the bank's interest margin was 1.43% in the first half of 2016 relative to 1.48% in the same period last year; while its spread reached 1.4% in the first half of 2016, relative to 1.44% in the same period of 2015. Total operating expenditures increased by 8% to \$16.7m, with administrative & other operating expenses rising by 13.2% to \$5.7m and staff expenses increasing by 7.1% to \$9.9m. Also, the bank's return on average assets increased to 1.1% in June 2016 on an annualized basis from 0.95% in June 2015; while its return on average equity grew to 12.52% on an annualized basis from 11.27% in June 2015. LGB's cost-to-income ratio decreased to 40.37% in the first half of the year from 44.66% in the same period of 2015.

In parallel, total assets reached \$3.87bn at the end of June 2016, constituting an increase of 8.3% from end-2015. Loans & advances to customers, excluding those to related parties, expanded by 6.1% from end-2015 to \$1.46bn. Also, customer deposits, excluding those from related parties, totaled \$3.34bn at the end of June 2016 and grew by 7.7% from end-2015. The loans-to-deposits ratio regressed to 43.9% at end-June 2016 from 44.2% a year earlier. In parallel, the bank's shareholders' equity rose by 4.7% from end-2015 to \$335.3m at the end of June 2016.

### **Liberty Insurance's net profits at \$6m in 2015**

Liberty Insurance sal announced audited net profits of \$5.8m in 2015 relative to net losses of \$0.9m in 2014. The firm's audited balance sheet shows total assets of \$24.4m at the end of 2015, up 43.6% from \$17m at end-2014. On the assets side, general company investments totaled \$8.8m at end-2015 and increased by 5.3% from a year earlier. They included \$4.7m in cash & cash equivalents and \$1.6m in land and real estate investments. They also included \$2.5m in blocked bank deposits and deposits with maturity of more than three months, of which \$2.4m, or 98.2%, were blocked in favor of the Economy Ministry as guarantees. Also, the reinsurance share in technical reserves for the non-life category rose by 2.4 times year-on-year to \$2.5m in 2015. The increase was due to an increase of \$1.43m in reinsurance share in premium reserves. On the liabilities side, technical reserves for the non-life category declined by 3.5% to \$15.3m last year. Technical reserves included unearned premium reserves of \$8.9m that increased by 28.9% and outstanding claims reserves of \$1.1m that decreased by 4.7% year-on-year. Provisions for risks and charges reached \$53,500 at the end of 2015 and were unchanged from the previous year. Also, shareholders' equity stood at \$4.3m at end-2015.

*Al-Bayan* magazine's annual survey of the insurance sector in Lebanon ranked Liberty Insurance in 19th place in 2015 in terms of non-life premiums. The firm's non-life premiums reached \$16.5m, constituting an increase of 3.6% from 2014. It had a 1.6% share of the local non-life market in 2015.

## 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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