

## LEBANON THIS WEEK

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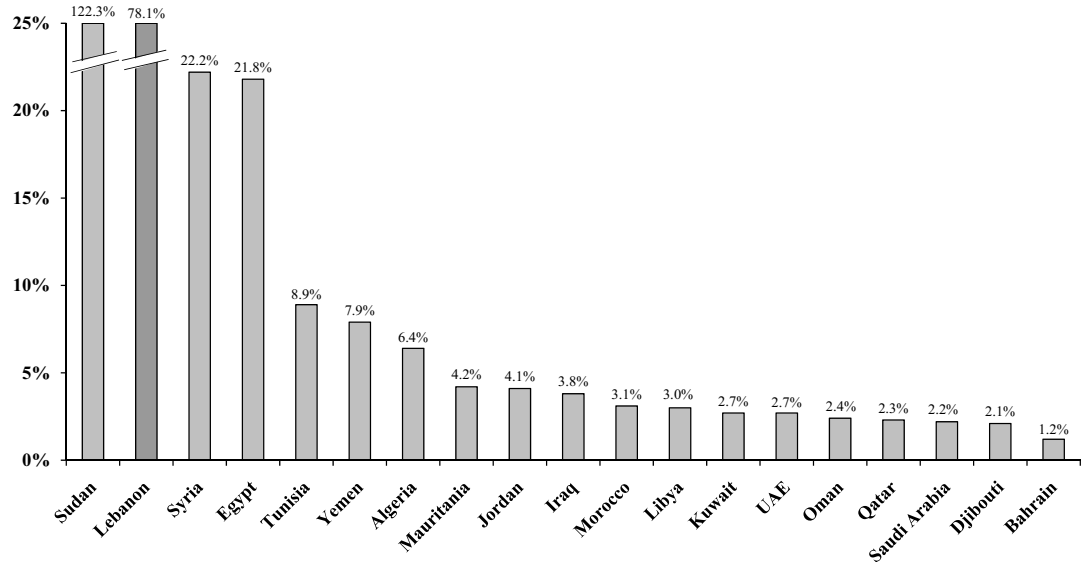
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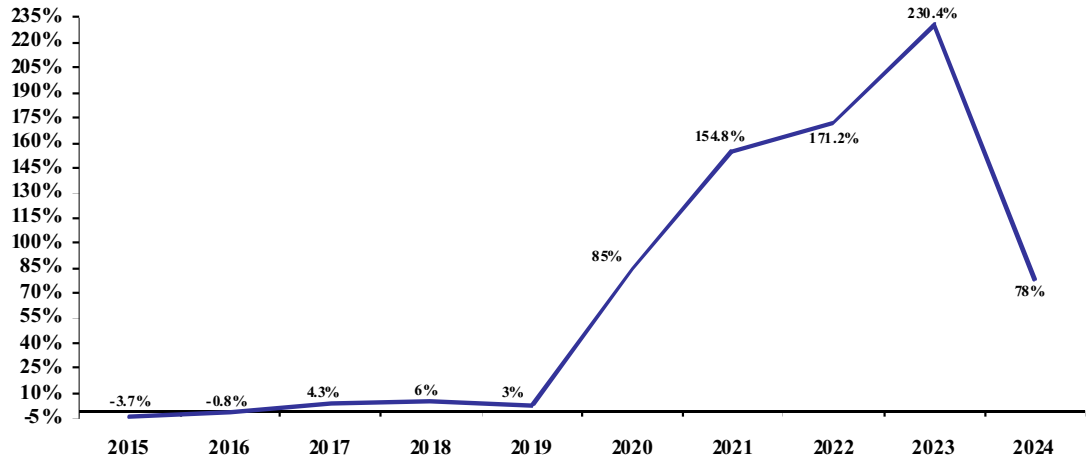
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### Charts of the Week

Projected Inflation Rates in Arab Countries for 2024 (annual average)



Inflation Rates in Lebanon (annual average)



Source: United Nations Department of Economic and Social Affairs, Byblos Bank

### Quote to Note

"Real GDP growth is projected to have contracted further in 2023, before rebounding slightly in 2024."

*The International Monetary Fund's preliminary assessment of economic activity in Lebanon in 2023 and 2024*

### Number of the Week

**15:** Number of months since Lebanon has been without a President

## Lebanon in the News

\$m (unless otherwise mentioned)	2022	Jan-Aug 2022	Jan-Aug 2023	% Change*	Aug-22	Dec-22	Aug-23
Exports	3,492	2,411	1,704	-29.4%	282	272	89
Imports	19,053	12,773	10,285	-19.5%	1,964	1,251	487
Trade Balance	(15,562)	(10,362)	(8,582)	-17.2%	(1,682)	(979)	(397)
Balance of Payments	(3,197)	(3,101)	1,071	-	(314)	17	145
Checks Cleared in LBP	27,146	15,167	6,820**	-55.0%	2,470	3,686	338**
Checks Cleared in FC	10,288	7,436	2,590**	-65.2%	787	577	188**
Total Checks Cleared	37,434	22,603	9,410**	-58.4%	3,257	4,263	526**
Fiscal Deficit/Surplus	-	-	-	-	-	-	-
Primary Balance	-	-	-	-	-	-	-
Airport Passengers	6,360,564	4,194,798	5,005,141	19.3%	793,287	551,632	914,262
Consumer Price Index	171.2	197.3	233.0	3,563bps	161.9	122.0	229.8
\$bn (unless otherwise mentioned)	Dec-22	Aug-22	May-23	Jun-23	Jul-23	Aug-23	% Change*
BdL FX Reserves	10.40	10.63	9.72	9.29	8.76	8.82	-17.0%
In months of Imports	-	-	-	-	-	-	-
Public Debt	101.81	103.65	-	-	-	-	-
Bank Assets	169.06	168.75	115.21	116.43	117.19	113.72	-32.6%
Bank Deposits (Private Sector)	125.72	125.02	97.31	97.40	96.35	95.59	-23.5%
Bank Loans to Private Sector	20.05	22.82	9.53	9.30	9.04	8.92	-60.9%
Money Supply M2	77.34	50.87	8.10	8.80	7.01	6.64	-87.0%
Money Supply M3	152.29	127.71	80.76	81.10	79.09	78.38	-38.6%
LBP Lending Rate (%)	4.56	4.85	3.53	4.24	3.60	3.77	(108)
LBP Deposit Rate (%)	0.60	0.60	0.84	0.67	0.81	0.41	(19)
USD Lending Rate (%)	4.16	5.51	2.30	2.02	2.61	2.40	(311)
USD Deposit Rate (%)	0.06	0.10	0.09	0.05	0.08	0.03	(7)

\*year-on-year

\*\*checks figures do not include compensated checks in fresh currencies

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 %
Byblos Common	0.75	(7.4)	130,100	2.1%	Apr 2024	6.65	5.63	7,947.37
Solidere "A"	85.80	7.1	127,858	43.1%	Jun 2025	6.25	5.63	380.69
Solidere "B"	88.05	11.8	86,980	28.8%	Nov 2026	6.60	5.63	133.86
Audi Listed	2.35	17.5	43,900	7.0%	Mar 2027	6.85	5.63	116.71
BLOM GDR	3.00	1.7	9,466	1.1%	Nov 2028	6.65	5.63	70.91
BLOM Listed	2.80	(6.7)	7,000	3.0%	Feb 2030	6.65	5.63	53.65
Audi GDR	1.16	0.0	-	0.7%	Apr 2031	7.00	5.63	44.17
HOLCIM	59.20	0.0	-	5.8%	May 2033	8.20	5.63	33.54
Byblos Pref. 08	27.00	0.0	-	0.3%	Nov 2035	7.05	5.63	26.08
Byblos Pref. 09	29.99	0.0	-	0.3%	Mar 2037	7.25	5.63	23.16

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

Source: Refinitiv

	Jan 29 - Feb 2	Jan 22-26	% Change	January 2024	January 2023	% Change
Total shares traded	405,304	329,107	23.2	2,004,203	25,094,470	(92.0)
Total value traded	\$17,989,460	\$3,753,831	379.2	\$101,988,193	\$52,671,810	93.6
Market capitalization	\$19.9bn	\$18.59bn	7.0	\$20.56bn	\$14.99bn	37.2

Source: Beirut Stock Exchange (BSE)



### **Banque du Liban expands terms of deposit withdrawals in foreign currency**

Banque du Liban (BdL) issued Basic Circular 166/13611 dated February 2, 2024 addressed to banks about exceptional measures related to the gradual disbursement of deposits in foreign currency from accounts that clients opened after October 31, 2019.

First, the circular stipulates that the amounts that are eligible for withdrawals consist of a resident or non-resident natural person's aggregate foreign currency deposit balance at all bank accounts as at June 30, 2023, with the exception of "fresh money" accounts. Second, it said that the eligible amounts include term deposit accounts, upon their maturity, that clients opened after October 31, 2019; and the cash collateral, upon its release, that the client pledged after end-October 2019. Third, BdL stated that the depositors who are not eligible to benefit from the terms of the circular consist of the following. First, the depositors who did not comply with the requirement of Basic Circular 154/13262 dated August 27, 2020 about repatriating 15% or 30% of funds that they transferred abroad since July 2017. Second, depositors whose bank accounts' activity shows that they were selling and buying checks after end-October 2019. Third, depositors who converted after October 31, 2019 Lebanese-pound deposits to US dollars in excess of \$300,000, except for the conversion of end-of-service indemnities to US dollars. Fourth, depositors who reimbursed in Lebanese pounds, after end-October 2019, the equivalent of at least \$300,000 in foreign currency loans. Fifth, depositors who converted, after end-October 2019, at least \$300,000 in foreign currency loans to Lebanese pounds. Sixth, depositors who bought at least \$75,000 at the exchange rate of BdL's Sayrafa electronic exchange platform. Seventh, depositors who benefited or who are still benefiting from the terms of Basic Circular 158/13335 dated June 8, 2021. The latter authorized the gradual disbursement of deposits in foreign currency from accounts that clients opened prior to October 31, 2019, based on several eligibility criteria. It added that, in case a depositor has a joint account and decides to benefit from Basic Circular 166/13611, the other co-owner of the account cannot use the same account to benefit from Basic Circular 158/13335, but the depositor can benefit from the latter from other accounts if he/she does not apply for Basic Circular 166/13611.

Fourth, it added that, in case the client decides to benefit from Basic Circular 166/13611, he/she should ask the bank to open a new "Special Sub-Account", and stressed that the account owner can benefit from the terms of this circular for an amount that does not exceed \$4,350 from all banks combined. It added that the bank has to transfer to this new account up to \$4,350 in any foreign currency from the account that the customer identifies. Fifth, it stated that, in case the co-owners of a joint or collective account decide to benefit from the circular, they have to agree among themselves how to share the cash withdrawals. It added that, in case a co-owner of a joint or collective account decides not to benefit from the circular, the other co-owners can benefit in full from the cash withdrawals. Sixth, it said that eligible depositors can benefit from the full amounts due in the "Special Sub-Account" without incurring any commission or fees of any kind, and that the account will not carry any interest rates. Seventh, it indicated that the customer has to lift the banking secrecy on the "Special Sub-Account" in favor of BdL and the Banking Control Commission only. It noted that the client has to sign a declaration stating that he/she did not conduct any operation that renders him/her ineligible to benefit from the terms of the circular. It added that, in case the bank determines that the client's declaration is incorrect, it will suspend his/her eligibility and will recover the funds that the client withdrew. Further, BdL attached to the circular the standard form that depositors have to sign to lift the banking secrecy on the "Special Sub-Account". Eighth, the circular prohibits banks from imposing any commitments or conditions or pledges or measures that are not included in the circular, or in the contract that the client has to sign to benefit from the terms of the circular.

Ninth, it said that eligible depositors can withdraw from their "Special Sub-Account" \$150 in banknotes monthly and/or they can transfer the sum abroad or deposit it in a "fresh dollar" account, without incurring any commission or direct or indirect fees of any kind. It added that the client can withdraw a maximum of \$1,800 per year. Tenth, it stated that, in case two or more persons with a joint or collective account decide to benefit from the circular, they will receive the funds on a pro rata basis based on their contribution from the joint account to the "Special Sub-Account". Eleventh, it noted that the client can withdraw in full or in part, and at any time, the monthly authorized limit from the "Special Sub-Account"; while the amounts that the client does not retrieve will accumulate in the account for retrieval at any point in time. It stated that the account owner can withdraw in full or in part the amount deposited in the "Special Sub-Account" by checks or transfers it to another account in Lebanon at the same bank or at a different bank. Twelfth, the circular stipulates that the account owner can benefit retroactively from the terms of the circular for the period from the date he/she submits the complete application until the date of the opening of the "Special Sub-Account". Thirteenth, the circular asks banks to submit to BdL monthly reports on the balances in the "Special Sub-Accounts" and on the withdrawals, while BdL's Special Sub-Accounts Unit will monitor the operations and verify if clients breach the terms of the circular. Fourteenth, it said that BdL will suspend the eligibility of the account holder from the terms of the circular for the remainder of the yearly cycle of the circular, when the depositor reaches his/her annual withdrawal limit. It added that it will suspend the account holder's eligibility in case he/she exceeds the annual withdrawal limit before the end of the yearly cycle at all banks where the client benefits from the circular, and will also suspend the account holder's eligibility in the following yearly cycle for the same number of months that he/she exceeded the withdrawal limit.

Fifteenth, it stated that, in case a bank does not comply with the terms of the circular, it will have to return the foreign currency liquidity that it utilized from BdL to the latter's account at one of its correspondent banks abroad, and that it will prohibit the bank from some or all of the operations that it conducts with BdL, and will render it liable to the penalties cited in Article 208 of the Code of Money and Credit. Sixteenth, it noted that the bank's auditors have to verify the implementation of the terms of the circular and inform the BdL Governor and the head of the Banking Control Commission of every breach of the circular.

Seventeenth, it stipulates that that banks and BdL will equally source the foreign currency liquidity needed for the withdrawals, as 50% of the funds will originate from freeing part of the compulsory reserves that commercial banks place at BdL, while banks can use their liquidity in foreign currency for this purpose. Eighteenth, BdL stipulated that the circular will go into effect upon its publication, is valid until June 30, 2024, and is eligible for modifications or renewal.

### Banque du Liban's foreign assets at \$14.6bn, gold reserves at \$18.8bn at end-January 2024

Banque du Liban's (BdL) interim balance sheet shows that its total assets reached LBP1,622.4 trillion (tn), or the equivalent of \$108.2bn, at the end of January 2024, constituting increases of 0.4% from LBP1,615.3tn (\$107.7bn) at mid-January 2024 and of 1.2% from LBP1,607.6tn (\$107.2bn) at end-2023. Assets in foreign currency stood at \$14.58bn at end-January 2024, representing a decline of \$2.7bn, or of 15.8% from end-January 2023. Assets in foreign currency include \$5.03bn in Lebanese Eurobonds, unchanged from a year earlier. The dollar figures up until the end of January 2023 are based on the official exchange rate of the Lebanese pound to the US dollar of LBP1,507.5 per dollar at the time, while the dollar figures starting in February 2023 are based on the new exchange rate of LBP15,000 per dollar.

BdL's gross foreign currency reserves, which consist of its assets in foreign currency excluding Lebanese Eurobonds, stood at \$9.55bn at end-January 2024, constituting increases of 0.5% from \$9.5bn at mid-January 2024 and of \$53.9m (+0.6%) from \$9.5bn at end-2023. They decreased by \$403.4m (-4.1%) from \$9.95bn at end-January 2023. Also, BdL's liquid foreign reserve assets stood at \$9.38bn at end-January 2024 relative to \$9.33bn at mid-January 2023, to \$9.32bn at the end of 2023, and to \$8.57bn at end-July 2023.

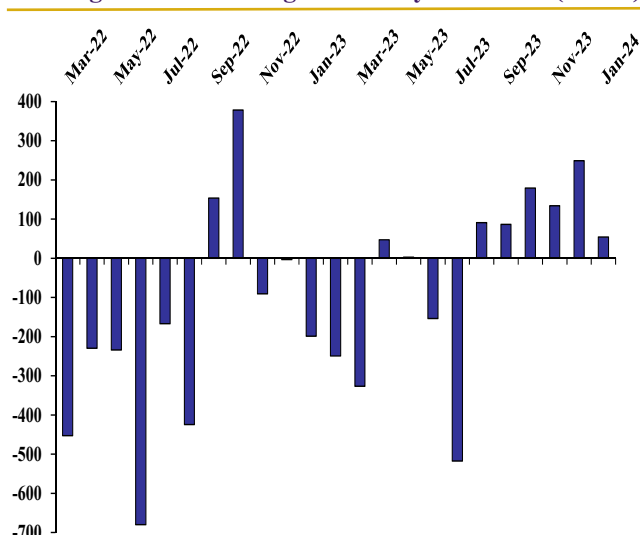
Further, the value of BdL's gold reserves stood at \$18.8bn at end-January 2024, constituting a decrease of \$373.1m (-2%) from \$19.2bn at end-2023 and an increase of \$2.3bn (+13.8%) from end-January 2023. The value of gold reserves reached a peak \$19.2bn at end-2023. Also, the securities portfolio of BdL totaled LBP66,303bn, or \$4.4bn, at end-January 2024. In addition, loans to the local financial sector stood at LBP15,393.6bn, or \$1bn.

Moreover, BdL added a new item to its balance sheet called "Deferred Open-Market Operations" that stood at LBP121,413.4bn, or \$8.1bn, at end-January 2024, relative LBP120,137bn (\$8bn) at mid-January 2024. It said that, based on the Central Council's decision 23/36/45 of December 20, 2023, BdL has started to present all deferred interest costs originating from open-market operations under a new line item called "Deferred Open-Market Operations". As a result, it transferred all deferred interest costs included in the "Other Assets" and "Assets from Exchange Operations" entries to the new item. Therefore, the item "Other Assets" stood at LBP5,640.1bn, or \$376m, at end-January 2024 relative to LBP4,758.2bn (\$317.2m) at mid-January 2024. Also, the Revaluation Adjustments item on the asset side reached LBP663,340.7bn at end-January 2024. It consists of a special account called the "Exchange Rate Stabilization Fund", in which it recorded all the transactions related to foreign-exchange interventions to stabilize the exchange rate starting in 2020 and that had a balance of LBP145.38tn on January 31, 2024. It also consists of a special account in the name of the Treasury that stood at LBP518tn at end-January 2024. The account includes the differences between the countervalue, at the official exchange rate, of BdL's gold and currency holdings, and the value of these holdings at the market exchange rate, as well as the profits or losses on BdL's gold and currency holdings from the modification of the official exchange rate of the Lebanese pound or of a foreign currency exchange rate. Further, the balance sheet shows that BdL's loans to the public sector totaled LBP249,208.1bn, equivalent to \$16.61bn at end-January 2024.

On the liabilities side, BdL's balance sheet shows that currency in circulation outside BdL stood at LBP57,078.7bn at end-January 2024, representing an increase of 35.4% from LBP42,145.5bn at end-January 2023. Further, the deposits of the financial sector reached LBP1,334.3tn, or \$88.95bn, at end-January 2024, while public sector deposits at BdL stood at LBP205,396.3bn at end-January 2024 and surged by LBP194,951.8bn from a year earlier. BdL noted that, starting on March 15, 2019, it has offset loans with their corresponding deposits in Lebanese pounds and that have the same maturities, according to the criteria in International Accounting Standard 32 and as per International Financial Reporting Standard 7 on offsetting financial assets and liabilities. As such, loans that were offset against financial sector deposits stood at LBP36.55tn as at end-January 2024. In parallel, BdL stated that it is currently working on changing its accounting policy in line with international practices.

In parallel, BdL announced earlier that it has started to work with the International Monetary Fund on a Safeguards Assessment project that includes reviewing its accounting policy, financial reports, and disclosures in order to ensure that they abide with the best principles of governance and transparency. It added that it has stopped applying the Seignorage principle in order to classify deferred costs under a new item called "Deferred Open-Market Operations", which will help the compliance of the realized and deferred losses figures with international standards and norms.

Change in Gross Foreign Currency Reserves\* (US\$m)



\*month-on-month change

Source: Banque du Liban, Byblos Research



### Lebanon ranks 149<sup>th</sup> globally, 14<sup>th</sup> among Arab countries on Corruption Perception Index for 2023

Transparency International, a global anti-corruption advocacy association, ranked Lebanon in 149<sup>th</sup> place among 180 countries around the world, in 14<sup>th</sup> place among 19 Arab countries, and in 40<sup>th</sup> place among 51 lower middle-income countries (LMICs) on its Corruption Perceptions Index for 2023. In comparison, Lebanon came in 150<sup>th</sup> place globally, in 14<sup>th</sup> place regionally, and 41<sup>st</sup> among LMICs on the 2022 index. Based on the same set of countries in the 2022 and 2023 surveys, Lebanon's global and LMIC ranks improved by one spot, while its regional rank was unchanged year-on-year. Lebanon ranked in the 17<sup>th</sup> percentile worldwide on the 2023 Index, which means that the perceived level of corruption in the country was lower than the level of graft in only 17% of the countries covered by the survey.

The organization uses data sources from independent institutions specializing in governance and business climate analysis, in order to assess the perceived degree of corruption in the public sector of each country. The rankings are based on scores that range from zero to 100, with lower scores denoting a higher perception of corruption.

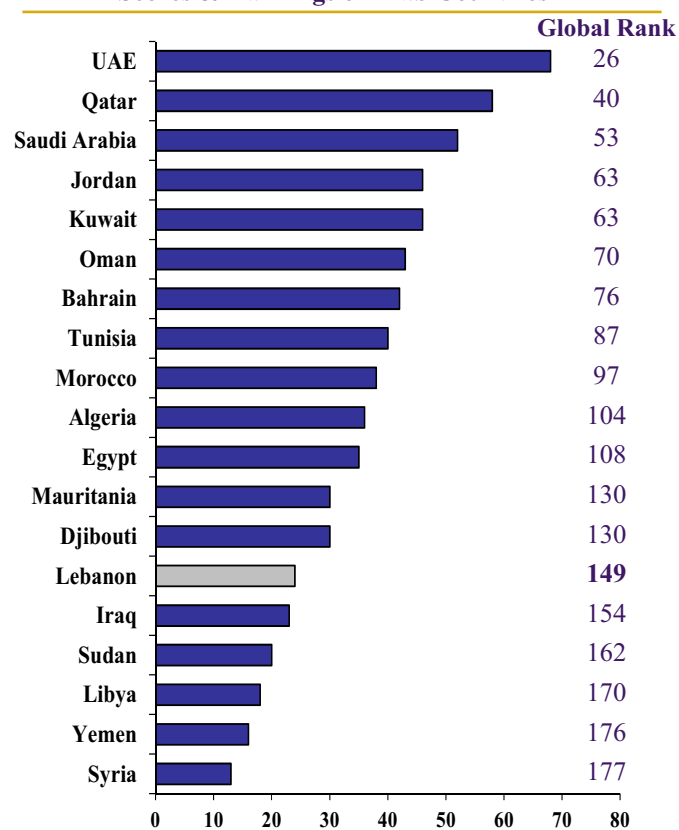
Globally, Lebanon is perceived to have the same level of corruption as Bangladesh, the Central African Republic, Iran, and Zimbabwe. Also, it is considered to have a lower level of graft than Madagascar, Mozambique, and Nigeria, and a higher level of corruption than Azerbaijan, Guatemala, and Honduras.

Lebanon received a score of 24 points, unchanged from the 2022 survey and constituting its lowest score since the organization changed its methodology for the index in 2012. In comparison, Lebanon posted a score of 28 points in each of the 2015, 2016, 2017, 2018 and 2019 surveys, a score of 25 points in the 2020 survey, and a score of 24 points in 2021. Lebanon's score in 2023 came below the global average score of 43 points, the Arab region's average score of 35.7 points, and the LMIC average score of 33.5 points. Also, Lebanon's score was lower than the Gulf Cooperation Council (GCC) countries' average score of 51.5 points and the average score of non-GCC Arab countries of 28.4 points.

Lebanon was among 37 countries globally that received a score between 20 and 29 points, a category that the organization classifies as the third worst among 10 categories globally in terms of corruption perception. The survey indicated that Denmark, Finland and New Zealand were perceived as the least corrupt countries globally, while the survey found Somalia to be the most corrupt country in the world.

Transparency International indicated that Lebanon's efforts in tackling corruption have been undermined by weak political structures and an ongoing lack of will to build adequate integrity systems. It considered that the aftermath of the Port of Beirut explosion in August 2020 has left the country without a clear path forward to establish a robust national integrity system. Further, it stated that, despite the establishment of the National Anti-Corruption Commission in 2020, the absence of proper governance structures has hindered progress on fighting corruption.

**Corruption Perceptions Index 2023  
Scores & Rankings of Arab Countries**



Source: Transparency International, Byblos Research

### Number of internally displaced persons from South Lebanon exceeds 86,000

Figures compiled by the United Nations' Office for the Coordination of Humanitarian Affairs (OCHA) show that 86,874 persons have been displaced from South Lebanon as at January 23, 2024 due to the ongoing hostilities that erupted along the Blue Line on October 8, 2023, constituting increases of 6% from 82,012 as at January 9, 2024, of 14.3% from 76,018 as at January 2, of 16.7% from 74,471 as at December 26, 2023, of 20% from 72,437 as at December 19, 2023, and of 87.5% from 46,325 displaced persons as at November 14, 2023.

It indicated that about 79% of the Internally Displaced Persons (IDPs) are currently living with host families, 15% are renting houses, 4% have relocated to secondary residences, and around 2% are housed in collective shelters. It added that there are currently 14 collective shelters providing accommodation for 1,103 IDPs, with seven shelters located in Hasbaya, five in Tyre, one in Saida, and one in the Bekaa region. Further, it stated that 50 schools in South Lebanon remain partially or fully closed, while seven Primary Health Care Centers (PHCCs) in the Bint Jbeil and Marjeyoun districts are currently closed. Moreover, it indicated that 462 hectares of agricultural land have been burned. Also, it pointed out that the latest figures issued by the Ministry of Public Health show that a total of 158 persons have been killed and 728 wounded as at January 30, 2024, as a result of the hostilities along Lebanon's southern border with Israel.

According to the OCHA, the food assistance distributed since the eruption of hostilities consisted of 290,000 meals, 17,550 food parcels, and micronutrition supplement to 3,118 children. It added that core relief included the distribution of 103,665 items in the South and Nabatieh governorates, and the disbursement of one-time partial cash assistance to 16,500 households. Further, hygiene support included 406,000 liters of trucked water and 228,580 liters of bottled water, as well as 28,469 water, sanitation, and hygiene (WaSH) kits that include 16,000 hygiene kits and 3,654 dignity/menstrual hygiene management (MHM) kits. It added that IDPs obtained 2,023 reproductive health services, five PHCCs satellite units provided 2,323 healthcare consultations, while shelter support consisted of the distribution of 150 plastic sheets. Further, it indicated that 11,677 beneficiaries received sessions about awareness on gender-based violence and on protection from sexual exploitation and abuse, as well as sessions on psychological support. Also, it pointed out that 10 schools are part of the ongoing emergency response initiative and that around 9,600 students receive daily nutritious in-school snacks. Moreover, it noted that sector partners distributed over more than 3,000 school kits to children and remote retention support to more than 600 children, while about 600 children are receiving transportation allowance.

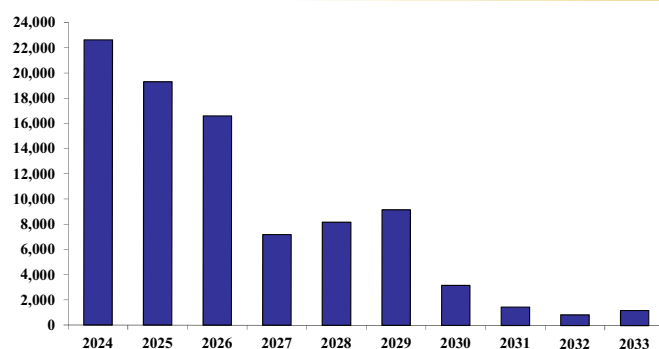
### More than 60% of Treasury securities in Lebanese pounds have seven-year maturities or longer at end-2023

Figures released by the Association of Banks in Lebanon show that the face value of outstanding Treasury securities denominated in Lebanese pounds stood at LBP89,789bn at the end of 2023 compared to LBP89,724bn at end-2022. The outstanding Treasury securities were equivalent to \$6bn at the end of 2023 based on the new official exchange rate of LBP15,000 per US dollar, but they become equivalent to \$1bn based on the prevailing parallel market exchange rate of LBP89,700 per dollar at the end of December. The weighted interest rate on Lebanese Treasury securities was 6.30% in December 2023 compared to 6.42% in December 2022.

Also, the distribution of outstanding Treasury securities shows that 10-year Treasury bonds totaled LBP32,951bn and accounted for 36.7% of aggregate securities denominated in Lebanese pounds at the end of 2023, followed by seven-year Treasury securities with LBP16,739bn (18.6%), five-year Treasury bonds with LBP12,496bn (13.9%), one-year T-bills with LBP8,489bn (9.5%), three-year Treasury securities with LBP7,520bn (8.4%), two-year Treasury bonds with LBP5,726bn (6.4%), 12-year Treasury securities with LBP3,076bn (3.4%), 15-year Treasury bonds with LBP1,417bn (1.6%), six-month T-bills with LBP1,138bn (1.3%), and three-month Treasury bills with LBP237bn (0.3%). As such, 60.3% of outstanding Treasury securities have seven-year maturities or longer and 74.3% have five-year maturities or more.

In parallel, LBP748bn in outstanding Treasury securities denominated in Lebanese pounds matured in December 2023. The distribution of maturing securities shows that 26.6% consisted of six-month Treasury bonds, 23.4% consisted of two-year Treasury bills, 16.7% consisted of seven-year Treasury securities, 13.2% consisted of five-year Treasury bonds, 13% consisted of three-month T-bills, 4.4% consisted of one-year Treasury securities, and 2.7% consisted of three-year Treasury bonds. According to ABL, LBP897bn in outstanding Treasury bonds in Lebanese pounds will mature in January 2024.

### Projected Maturities of Treasury Securities in LBP\* (LBP billions)



\*as at end-2023

Source: Association of Banks in Lebanon, Byblos Research

### Broadband Internet speed in Lebanon is 161<sup>st</sup> fastest globally, 15<sup>th</sup> fastest among Arab countries in December 2023

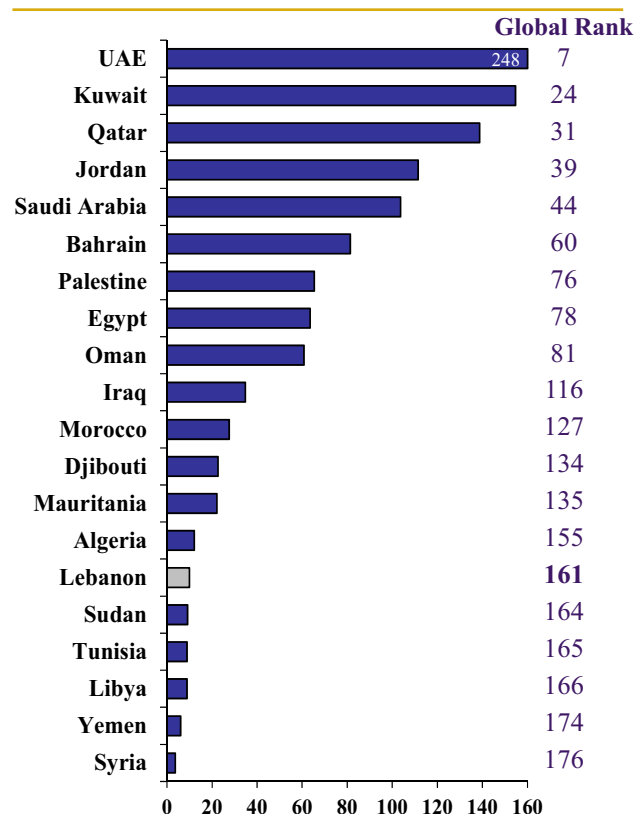
A survey by Speedtest, a web service that provides Internet access performance metrics, indicated that the speed of downloading through broadband Internet in Lebanon was the 161<sup>st</sup> fastest among 178 countries and territories around the world and the 15<sup>th</sup> fastest among 20 countries in the Arab region in December 2023. In comparison, Lebanon ranked in 166<sup>th</sup> place globally and in 15<sup>th</sup> place among Arab economies in terms of broadband Internet download speed in November 2023, and in 164<sup>th</sup> place worldwide and in 17<sup>th</sup> place in the Arab world in December 2022.

Globally, the speed of downloading through broadband Internet in Lebanon was faster than in Cameroon, Sudan, and Libya among economies with a GDP of \$10bn or more, while it was slower than in Namibia, Guinea, and Kenya. The survey shows that the speed of downloading through broadband in Lebanon stood at 9.98 megabytes per second (mbps) in December 2023, up from 9.39 mbps in November 2023 and 7.28 mbps in December 2022. But it came significantly lower than the simple average broadband Internet download speed of 73.8 mbps worldwide and of 59.7 mbps in Arab countries. Further, the country's broadband Internet download speed lags the Gulf Cooperation Council (GCC) countries' average of 131.2 mbps and the non-GCC Arab countries' average of 29 mbps. Singapore had the fastest broadband Internet download speed in the world at 270.62 mbps in December 2023, while Cuba had the slowest download speed globally at 2.5 mbps.

In parallel, the survey indicated that the download speed from mobile Internet in Lebanon was the 79<sup>th</sup> fastest among 146 countries and territories around the world and the eighth fastest among 17 countries in the Arab region in December 2023. In comparison, Lebanon ranked in 77<sup>th</sup> place globally and in eighth place among Arab economies in terms of mobile Internet download speed in November 2023, and in 73<sup>rd</sup> place worldwide and ninth place in the Arab world in December 2022.

Globally, the download speed from mobile Internet in Lebanon was faster than in Laos, Iraq, and Nigeria, while it was slower than in Ireland, Benin, and Iran. The survey shows that the speed of downloading through mobile Internet in Lebanon stood at 30.53 mbps in December 2023, down from 31.06 mbps in November 2023 and up from 27.28 mbps in December 2022. But it came significantly below the simple average mobile Internet download speed of 50.6 mbps worldwide and of 74.7 mbps in Arab countries. Further, the country's mobile Internet download speed lags the GCC countries' average of 173.9 mbps, but it is higher than the non-GCC Arab countries' average of 20.5 mbps. The UAE had the fastest mobile Internet download speed globally at 303.21 mbps in December 2023, while Cuba had the slowest speed worldwide at 3.54 mbps.

### Broadband Download Internet Speed and Rankings in Arab Countries\*



\*in December 2023

Source: Speedtest, Byblos Research

### **Banque du Liban sets new exchange rate for balance sheets of banks and financial institutions**

Banque du Liban (BdL) issued Basic Circular 167/13612 dated February 2, 2024 addressed to banks and financial institutions about the conversion of their foreign-currency denominated assets and liabilities to Lebanese pounds, in accordance with the requirements of International Financial Reporting Standards (IFRS).

First, it stated that banks and financial institutions have to take into consideration International Accounting Standard (IAS) 21 when preparing their financial position. As such, it said that they have to convert their monetary assets and liabilities, as well as their non-monetary assets classified at fair value or that are valued based on the Equity Method, to their equivalent in Lebanese pounds, based on the exchange rate of the Lebanese pound to the US dollar on BdL's electronic exchange platform at the date of preparing the financial statements. Second, it said that the terms of the circular go into effect for the financial position of banks and financial institutions as at January 31, 2024.

BdL announced on December 19, 2023 that it has modified the exchange rate of the Lebanese pound to the US dollar on its electronic exchange platform from LBP85,500 per dollar to LBP89,500 per dollar. The exchange rate of LBP85,500 per dollar was the rate registered on BdL's Sayrafa electronic exchange platform on July 31, 2023, the last day of the platform's operations, as BdL suspended the latter's operations at the beginning of August 2023.

In parallel, BdL modified on February 1, 2023 the official exchange rate of the Lebanese pound against the US dollar from LBP1,507.5 per dollar to LBP15,000 per dollar, as part of the measures to unify the multiple exchange rates of the dollar that prevail in the Lebanese economy. The official exchange rate of LBP1,507.5 per dollar was in place since 1997 and was pegged to the US currency since then. As such, banks and financial institutions have been presenting their financial statements at the new rate of LBP15,000 per dollar since February 2023.

BdL launched on June 26, 2020 the "Sayrafa" electronic platform that allows banks and money exchange firms to buy and sell foreign currency online. It noted that the daily volume of transactions on the platform consists of the aggregate US dollars that BdL receives and disburses, in addition to the operations of banks and money dealers that they register on the platform. The buying rate of the US dollar stood at LBP3,850 per dollar, while the selling rate was LBP3,900 per dollar on the day of the platform's launch.

### **Stock market capitalization up 37% to \$20.6bn at end-January 2024**

Figures released by the Beirut Stock Exchange (BSE) indicate that the trading volume reached 2 million shares in January 2024, constituting a decline of 92% from 25.1 million shares traded in January 2023 and an increase of 3% from 1.9 million shares in December of last year. Also, aggregate turnover amounted to \$102m in January 2024, representing a surge of 93.6% from a turnover of \$52.7m in January 2023 and a drop of 28% from a turnover of \$141.5m in December 2023. Further, the market capitalization of the BSE stood at \$20.6bn at the end of January 2024, constituting a rise of 37.2% from \$15bn a year earlier, with real estate equities accounting for 72.9% of the total, followed by banking stocks (20.6%), and industrial shares (6.6%). The market liquidity ratio was 0.5% at the end of January 2024 compared to 0.7% at end-December 2023 and to 0.35% a year earlier.

Real estate equities accounted for 61.5% of the trading volume in January 2024, followed by banking stocks (38.4%) and industrial shares (0.1%). Also, banking stocks accounted for 98.1% of the aggregate value of shares traded, followed by real estate equities (1.9%), and industrial shares (0.05%). The average daily traded volume was 91,100 shares for an average daily amount of \$4.6m in January 2024. In comparison, the average daily traded volume was 1.25 million shares for an average daily amount of \$2.6m in January 2023.

In parallel, the prices of Solidere 'A' and Solidere 'B' shares increased by 1.7% and 1.3%, respectively, at end-January 2024 from \$89.1 and \$89.95 per share, respectively, at end-2023, while the share price of Holcim regressed by 0.5% from the previous month. The prices of Solidere 'A' and Solidere 'B' shares increased by 46.3% and 49%, respectively, while the share price of Holcim grew by 92% in 2023.

The rise in the share prices of Solidere and Holcim has been mainly driven by the increase in demand for the shares from several bank depositors, given that they consider it a way to channel their deposits out of the banking sector in light of the government's economic rescue plan that stipulates the conversion of deposits into bank shares as part of the restructuring of the banking sector.



### **Banque Bemo posts losses of LBP87bn in 2022**

Banque Bemo sal, one of six listed banks on the Beirut Stock Exchange, declared audited consolidated net losses of LBP86.7bn in 2022, compared to net profits of LBP597.4m in 2021. The bank's net interest income reached LBP94.9bn in 2022 relative to LBP85bn in the preceding year; while its net earnings from fees & commission stood at LBP22.8bn compared to net losses of LBP48.7bn in 2021. Also, total operating income reached LBP384.3m in 2022 relative to LBP101.7m in 2021. Further, the bank's net operating losses totaled LBP7.4bn in 2022 compared to net operating income of LBP56.5bn in 2021. In addition, the bank's operating expenditures reached LBP78bn in 2022 relative to LBP55bn in the preceding year, with personnel cost accounting for 72.4% of the total.

In parallel, the bank's aggregate assets stood at LBP3,398.4bn at the end-2022 relative to LBP3,508.3bn at end-2021, with net loans & advances to customers and related parties totaling LBP436.1bn at end-2022 relative to LBP639bn in the preceding year. Further, the deposits of customers and related parties reached LBP2,587.1bn at the end of 2022, nearly unchanged from LBP2,576.5bn at end-2021, while its deposits from banks and financial institutions at Banque Bemo totaled LBP462.3bn at end-2022, down from LBP487.3bn in the previous year. In parallel, the bank's shareholders' equity was LBP224.3bn in 2022 relative to LBP312.5bn in 2021.

In parallel, the firm's external auditors indicated that "the accompanying consolidated financial statements do not present fairly the financial position of the company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year that ended in accordance with International Financial Reporting Standards". The bank's external auditors indicated that the bank and its subsidiaries did not apply International Accounting Standard (IAS) 29 in the consolidated financial statements for 2022, an auditing requirement for economies that suffer from hyperinflation. Further, they noted that all assets, liabilities, and transactions in foreign currencies were translated into Lebanese pounds using the official exchange rate, which was LBP1507.5 per US dollar at the time. Also, the external auditors said that the bank did not apply IAS 21, which provides guidelines for determining the exchange rates of different financial operations and flows, and that it engaged in several foreign currencies exchange transactions at rates that are different from the official published exchange rate.

## Ratio Highlights

(in % unless specified)	2020	2021	2022	Change*
Nominal GDP (\$bn)	24.7	20.5	21.8	1.3
Public Debt in Foreign Currency / GDP	56.8	188.1	189.8	1.7
Public Debt in Local Currency / GDP	93.8	302.1	277.7	(24.4)
Gross Public Debt / GDP	150.6	490.2	467.5	(22.7)
Trade Balance / GDP	(8.1)	(4.7)	(2.8)	1.9
Exports / Imports	31.3	28.5	18.3	(10.2)
Fiscal Revenues / GDP	16.0	9.8	6.3	(3.4)
Fiscal Expenditures / GDP	20.3	8.7	11.3	2.5
Fiscal Balance / GDP	(4.3)	1.1	(4.9)	-
Primary Balance / GDP	(1.0)	2.4	(4.3)	-
Gross Foreign Currency Reserves / M2	41.5	26.0	13.4	(12.6)
M3 / GDP	209.0	96.9	41.8	(55.2)
Commercial Banks Assets / GDP	296.2	127.1	46.4	(80.7)
Private Sector Deposits / GDP	219.2	94.1	34.5	(59.6)
Private Sector Loans / GDP	57.0	20.1	5.5	(14.6)
Private Sector Deposits Dollarization Rate	80.4	79.4	76.1	(3.3)
Private Sector Lending Dollarization Rate	59.6	56.3	50.7	(5.6)

\*change in percentage points 22/21;

Source: Banque du Liban, Ministry of Finance, Central Administration of Statistics, International Monetary Fund, Byblos Research Estimates & Calculations

Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

## National Accounts, Prices and Exchange Rates

	2020	2021e	2022f
Nominal GDP (LBP trillion)	95.7	196	480
Nominal GDP (US\$ bn)	24.7	18.0	18.3
Real GDP growth, % change	-25.9	-8.4	-2.5
Private consumption	-70	1.2	1.5
Public consumption	-4	-45.7	-9.8
Gross fixed capital	-63	-16.2	21.8
Exports of goods and services	-34.2	8.7	6.6
Imports of goods and services	-33.4	-1.1	10.6
Consumer prices, %, average	84.9	154.8	171.2
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	6,705	16,821	30,313
Weighted average exchange rate LBP/US\$	3,878	10,876	26,222

Source: Central Administration of Statistics, Institute of International Finance- May 2023

## Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's Investors Service	C	NP	-	C		Stable
Fitch Ratings	RD	C	-	RD	RD	-
S&P Global Ratings	SD	SD	-	CC	C	Negative

Source: Rating agencies

Banking Sector Ratings	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service



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