

LEBANON THIS WEEK

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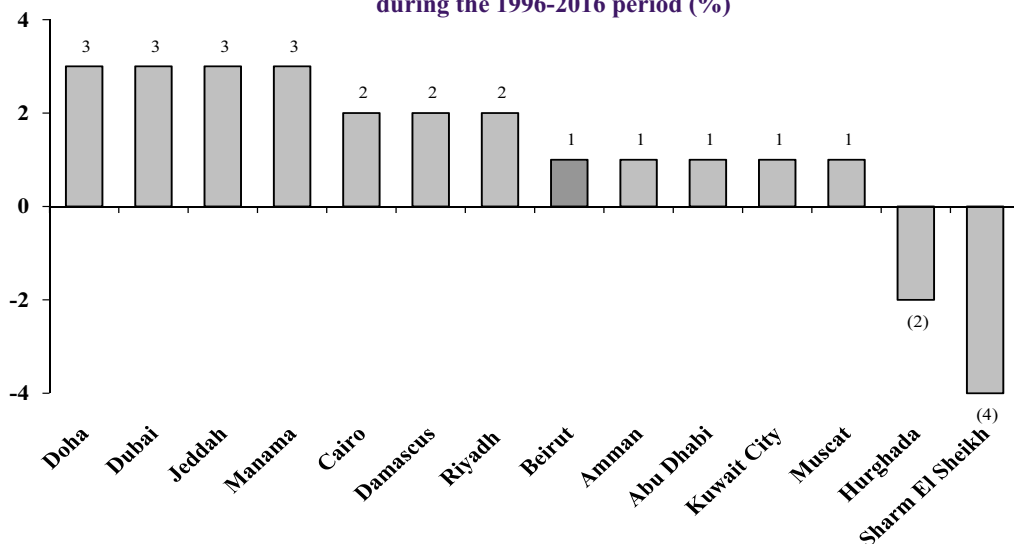
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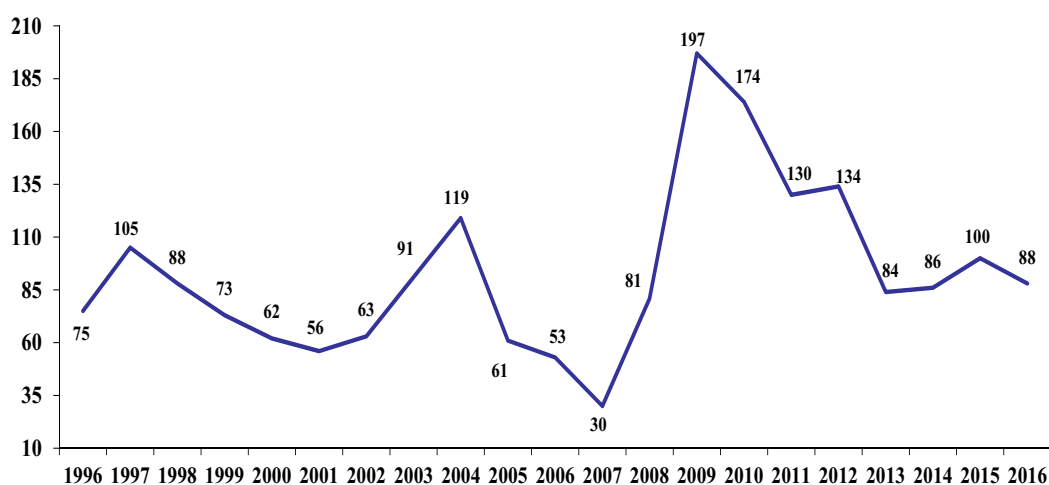
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Charts of the Week

CAGR* of Revenues per Available Room at Hotels in Select Arab Cities during the 1996-2016 period (%)



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



*Compound Annual Growth Rate

Source: HVS, Byblos Bank

Quote to Note

“The poor quality of electricity supply is a primary impediment to economic activity in Lebanon.”

The World Bank, on the ongoing opportunity cost of not reforming Lebanon's electricity sector

Number of the Week

25,260: Number of employees in the Lebanese banking sector at the end of 2016, according to the Association of Banks in Lebanon

Lebanon in the News

\$m (unless otherwise mentioned)	2015	Dec 2015	Sep 2016	Oct 2016	Nov 2016	Dec 2016	% Change*
Exports	2,952	236	254	257	247	244	3.4
Imports	18,069	1,841	1,448	1,479	1,450	1,536	(16.6)
Trade Balance	(15,117)	(1,605)	(1,194)	(1,222)	(1,203)	(1,292)	(19.5)
Balance of Payments	(3,354)	(372)	189	(680)	453	910	-
Checks Cleared in LBP	18,714	1,709	1,722	1,780	1,684	1,879	10.0
Checks Cleared in FC	50,845	4,265	4,054	4,216	3,968	3,880	(9.0)
Total Checks Cleared	69,559	5,974	5,776	5,996	5,652	5,759	(3.6)
Budget Deficit/Surplus	(3,952)	(711.58)	(548.00)	(163.91)	(706.12)	(513.35)	(27.86)
Primary Balance	724.40	(338.61)	(29.21)	281.60	(40.58)	(111.56)	(67.05)
Airport Passengers***	7,240,397	616,258	819,886	554,122	555,931	598,009	(3.0)

\$bn (unless otherwise mentioned)	2015	Dec 2015	Sep 2016	Oct 2016	Nov 2016	Dec 2016	% Change*
BdL Gross FX Reserves	30.64	30.64	34.17	34.74	34.38	34.03	11.06
<i>In months of Imports</i>	20.35	16.64	23.60	23.49	23.71	22.15	33.1
Public Debt	70.33	70.33	74.73	74.52	74.55	74.89	6.48
Bank Assets	185.99	185.99	198.07	199.67	200.95	204.3	9.85
Bank Deposits (Private Sector)	151.59	151.59	158.15	157.66	159.19	162.5	7.20
Bank Loans to Private Sector	54.22	54.22	56.65	56.69	56.49	57.18	5.45
Money Supply M2	52.15	52.15	54.17	53.83	54.12	54.68	4.84
Money Supply M3	123.62	123.62	129.12	128.74	130.04	132.8	7.42
LBP Lending Rate (%)****	7.45	7.45	8.44	8.35	8.26	8.23	78bps
LBP Deposit Rate (%)	5.56	5.56	5.58	5.53	5.54	5.56	-
USD Lending Rate (%)	7.06	7.06	7.20	7.06	7.16	7.35	29bps
USD Deposit Rate (%)	3.17	3.17	3.43	3.43	3.48	3.52	35bps
Consumer Price Index**	(3.75)	(3.40)	1.03	1.13	1.78	3.14	-

* 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
BLOM Listed	11.05	0.91	332,510	20.24%
BLOM GDR	12.00	0.84	264,928	7.56%
Audi Listed	6.19	(0.16)	127,607	21.08%
Solidere "A"	8.96	(0.44)	82,160	7.63%
Solidere "B"	8.72	(2.57)	16,540	4.83%
Byblos Pref. 09	101.00	0.30	15,521	1.72%
Audi GDR	6.20	(0.80)	11,200	6.34%
Byblos Common	1.61	(0.62)	6,125	7.76%
HOLCIM	12.54	7.64	5,883	2.09%
Byblos Pref. 08	101.50	0.00	-	1.73%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Dec 2017	4.00	99.75	4.91
Nov 2018	5.15	101.00	4.40
May 2019	6.00	101.75	5.03
Mar 2020	6.38	102.63	5.32
Oct 2022	6.10	101.38	5.79
Jun 2025	6.25	99.63	6.31
Nov 2026	6.60	101.25	6.42
Feb 2030	6.65	99.63	6.69
Apr 2031	7.00	100.75	6.91
Nov 2035	7.05	100.63	6.99

Source: Byblos Bank Capital Markets

	June 12-16	June 5-9	% Change	May 2017	May 2016	% Change
Total shares traded	936,860	1,223,171	(23.4)	18,564,676	4,411,792	320.8
Total value traded	\$14,195,364	\$12,901,451	10.0	\$157,326,100	\$32,584,901	382.8
Market capitalization	\$11.74bn	\$11.73bn	0.08	\$11.72bn	\$11.06bn	6.1

Source: Beirut Stock Exchange (BSE)



Lebanon ranks 81st globally, ninth among Arab countries in terms of innovation

The 2017 Global Innovation Index ranked Lebanon in 81st place among 127 countries around the world and in ninth place among 13 Arab countries. Lebanon also came in 24th place among 35 upper middle-income countries (UMICs) included in the survey. Lebanon ranked in 70th place among 128 countries worldwide and in sixth place in the Arab world in the 2016 survey. Based on the same set of countries year-on-year, Lebanon's rank regressed by 10 notches from 70th place in the 2016 survey, constituting the fifth steepest decline globally.

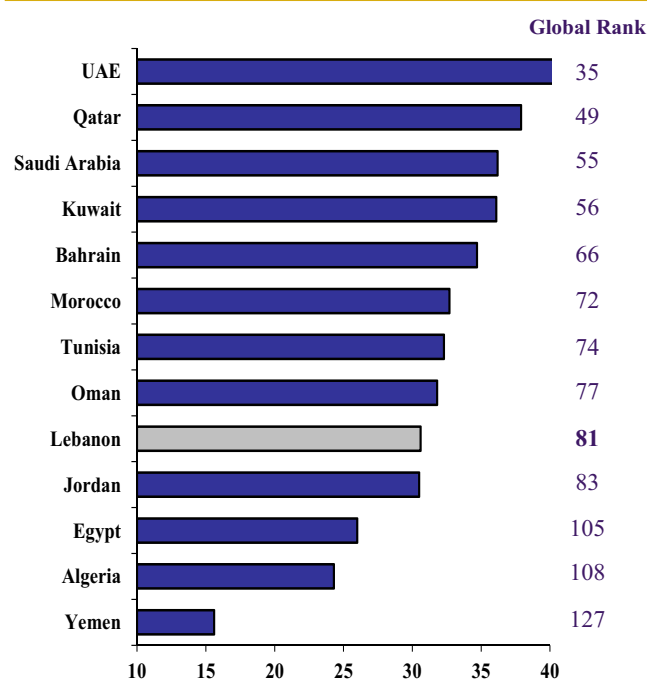
The index measures innovation in a broad sense and includes scientific, social and business innovation. It captures the multi-dimensional aspects of innovation and provides the tools that can assist in tailoring policies to promote long-term economic growth, improved productivity and job creation. It rates the innovation level of each country on a scale from zero to 100, with a score of 100 reflecting the most innovative economy. The index is a composite of 81 variables that are grouped in two sub-indices, the Innovation Input Sub-Index and the Innovation Output Sub-Index. The Global Innovation Index score is the simple average of the Input and Output Sub-Index scores. The countries included in the index represent 92.5% of the world's population and 97.6% of global GDP. The index is co-published by the INSEAD Business School, Cornell University and the World Intellectual Property Organization.

Globally, Lebanon has a higher innovation level than Azerbaijan, Jordan and Jamaica, and is less innovative than Kazakhstan, the Dominican Republic and Kenya. Also, it is more innovative than Azerbaijan, Jordan and Jamaica, and is less innovative than Argentina, Kazakhstan and the Dominican Republic among UMICs. Lebanon received a score of 30.6 points, which is below the global average of 37.1 points, the UMIC's average of 34.1 points and the Arab average of 31.7 points. Also, its score came below the Gulf Cooperation Council (GCC) countries' average of 36.7 points, but it was above the average of non-GCC Arab countries of 27.4 points. Switzerland has the highest innovation level worldwide, while Yemen is the least innovative country globally.

In parallel, Lebanon ranked ahead of the Dominican Republic, Namibia and Paraguay, and came behind Jamaica, Trinidad & Tobago and Kyrgyzstan globally on the Innovation Input Sub-Index. This category covers the elements of the national economy that enable innovative activities, such as institutions, human capital & research, infrastructure, market sophistication, and business sophistication. Lebanon also ranked ahead of Jordan, Algeria, Egypt and Yemen among Arab countries.

Further, Lebanon came ahead of Paraguay, Brazil and Argentina, while it ranked behind Colombia, Tanzania and Sri Lanka globally on the Innovation Output Sub-Index. This category reflects the results of innovative activities within the economy such as technology, knowledge and creativity. Lebanon also came ahead of Oman, Egypt, Algeria and Yemen in the Arab region.

**Global Innovation Index for 2017
Arab Countries Scores & Rankings**



Source: INSEAD, Cornell University, WIPO, Byblos Research

Components of the 2017 Global Innovation Index for Lebanon

	Global Rank	Arab Rank	UMIC Rank	Lebanon Score	Global Avg Score	Arab Avg Score	UMIC Avg Score
Innovation Input	87	9	28	38	45.1	40.3	42.7
Institutions	100	10	30	47.9	63.1	57.0	59.5
Human Capital & Research	78	9	23	29	34.0	32.4	31.5
Infrastructure	88	11	30	40	46.2	45.8	45.7
Market Sophistication	96	8	28	39.4	47.2	40.8	45.7
Business Sophistication	61	3	12	33.5	35.0	25.6	31.1
Innovation Output	78	9	20	23.3	29.1	23.1	25.6
Knowledge & Technology Outputs	82	9	19	19.1	25.8	19.2	21.1
Creative Outputs	81	9	26	27.5	32.5	26.9	30.0

Source: INSEAD, Cornell University, WIPO, Byblos Research



Cost of sending remittances from the U.S., France and the United Kingdom rises year-on-year in second quarter of 2017

Figures issued by the World Bank show that the cost of sending \$500 in remittances from the United States to Lebanon reached 5.99% in the second quarter of 2017, up from 5.9% in the first quarter of 2017 and from 5.46% in the second quarter of 2016. The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending \$500 from the U.S. to Lebanon was \$29.97 in the second quarter of 2017 relative to \$29.48 in the preceding quarter and \$27.3 in the same quarter last year. Lebanon is the seventh most expensive destination for sending \$500 from the U.S. among 42 countries with available data.

Further, the cost of sending remittances from Canada to Lebanon was 6.47% in the second quarter of 2017 for a transfer of CAD500, down from 7.58% in the first quarter of 2017. In nominal terms, the cost of sending CAD500 from Canada to Lebanon was CAD32.36 in the second quarter of 2017 relative to CAD37.92 in the previous quarter. Lebanon is the third most expensive destination for sending CAD500 from Canada among 15 countries with available data.

Also, the cost of sending remittances from Australia to Lebanon reached 7.41% in the second quarter of 2017 for a transfer of AUD500, up from 7.33% in the first quarter 2017. The cost of sending AUD500 from Australia to Lebanon was AUD37.07 in the second quarter of 2017 relative to AUD36.64 in the preceding quarter. Lebanon is the fifth most expensive destination for sending AUD500 from Australia among 16 countries with available data.

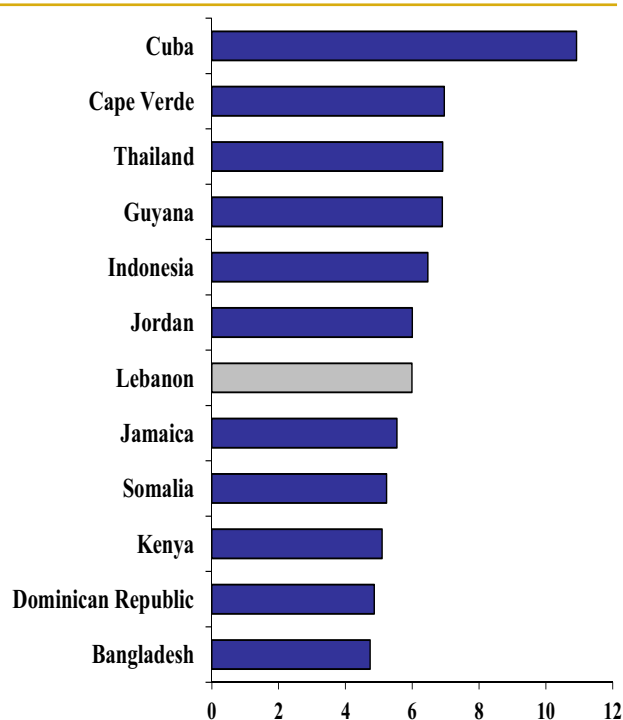
In addition, the cost of sending remittances from France to Lebanon was 7.83% in the second quarter of 2017 for a transfer of EUR345, up from 6.62% in the first quarter of 2017 and relative to 6.29% in the second quarter of 2016. In nominal terms, the cost of sending EUR345 from France to Lebanon was EUR27.01 in the second quarter of 2017 relative to EUR22.84 in the previous quarter and to EUR21.71 in the second quarter of 2016. Lebanon is the most expensive destination for sending EUR345 from France among 16 countries with available data.

Further, the cost of sending remittances from the United Kingdom to Lebanon reached 9.83% in the second quarter of 2017 for a transfer of GBP300, down from 10.55% in the first quarter 2017 and relative to 9.79% in the second quarter of 2016. In nominal terms, the cost of sending GBP300 from the UK to Lebanon was GBP29.5 in the second quarter of 2017 relative to GBP31.66 in the preceding quarter and to GBP29.36 in the second quarter of 2016. Lebanon is the second most expensive destination for sending GBP300 from the UK among 33 countries with available data.

Also, the cost of sending remittances from Germany to Lebanon was 7.45% in the second quarter of 2017 for a transfer of EUR345, down from 8.16% in the first quarter of 2017 and relative to 7.58% in the second quarter of 2016. In nominal terms, the cost of sending EUR345 from Germany to Lebanon was EUR25.71 in the second quarter of 2017 relative to EUR28.14 in the previous quarter and EUR26.14 in the second quarter of 2016. Lebanon is the fourth most expensive destination for sending EUR345 from Germany among 24 countries with available data.

Finally, the cost of sending remittances from Saudi Arabia to Lebanon reached 2.28% in the second quarter of 2017 for a transfer of SAR1,870, equivalent to \$500, up from 1.83% in the first quarter of 2017 and relative to 2.14% in the second quarter of 2016. In nominal terms, the cost of sending SAR1,870 from Saudi Arabia to Lebanon was SAR42.71 in the second quarter of 2017 relative to SAR34.29 in the preceding quarter and to SAR39.98 in the second quarter of 2016. Lebanon is the third least expensive destination for sending SAR1,870 from Saudi Arabia among 17 countries with available data.

Costliest Destinations of Remittances from the United States* (%)



* Cost of sending \$500 from the U.S.

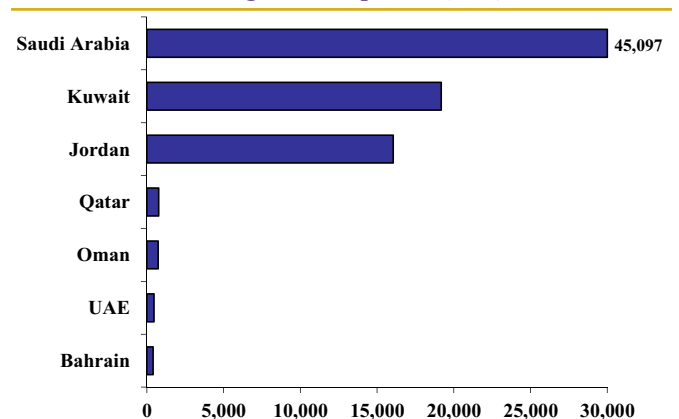
Source: World Bank, Byblos Research



Government extends maritime transport subsidies for Lebanese exports

The Lebanese Cabinet approved the extension of the Maritime Lebanese Exports Bridge (M.LEB) program until June 2018 and earmarked LBP14.5bn (\$9.6m) to fund it for the period. The Cabinet initially ratified the maritime export subsidy decree in August 2015 following the closure of the Nassib border crossing on the Syrian-Jordanian border, which was the only remaining open land route for the transport of goods from Lebanon and Syria to Jordan and Gulf Cooperation Council (GCC) countries. The program subsidizes part of the additional costs that Lebanese exporters would incur when shipping their products by sea rather than via traditional land routes. The M.LEB program officially began operations on September 17, 2015 for a seven-month period and was extended on May 5, 2016 until March 31, 2017. The Cabinet initially earmarked LBP21bn (\$13.9m) for the program, with 76% of the funds spent between September 2015 and end-2016 and the remaining 24% during the first quarter of 2017.

Lebanese Exports to Arab Countries under M.LEB during 2015-16 period (tons)



Source: IDAL, Byblos Research

The subsidies, which are disbursed through the Investment Development Authority of Lebanon (IDAL), allocate between LBP4.5m (\$2,985) and LBP6m (\$3,900) per truck filled with Lebanese-made goods, depending on the nature of the vessel and the maritime route it adopts. The program currently facilitates the weekly maritime transport of about 120 trucks from the Port of Tripoli through the Suez Canal to Saudi Arabia's Doha Port and Jordan's Port of Aqaba. It aims to ensure the flow of Lebanese products to Arab markets, mainly GCC countries and Jordan.

IDAL indicated that total exports through the M.LEB program reached 82,720 tons from mid-September 2015 until the end of 2016, with agricultural exports accounting for 89.1% of the total, followed by food products (8.6%) and industrial goods (2.4%). The majority of Lebanese exports under the program, or 83.4% of the total, were destined to GCC countries and the remaining 16.6% to Jordan.

Association of Banks amends reference rate on US dollar and Lebanese pound lending

The Association of Banks in Lebanon (ABL) recommended to its member banks to increase the Beirut Reference Rate (BRR) in US dollars to 6.79% in July 2017 from 6.66% in June 2017. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) in 2009, as the ABL decided that the LIBOR does not reflect the cost of funding and lending in Lebanon. In addition, the ABL recommended to its member banks to reduce the BRR in Lebanese pounds to 8.66% in July 2017 from the June 2017 rate of 8.67%. The BRR in US dollars and Lebanese pounds were adopted in March and May 2009, respectively. The ABL considers that the BRR does not replace the Beirut Prime Lending Rate in each currency, but constitutes the basis to calculate the prime rate after adding to the prime lending rate the cost of liquidity and refinancing, credit risk and the profitability of banks.

Airport passengers up 5% in first five months of 2017

Figures released by the Beirut-Rafic Hariri International Airport show that 2,842,223 passengers utilized the airport (arrivals, departures and transit) in the first five months of 2017, constituting an increase of 5.3% from 2,700,119 passengers in the same period of 2016. The number of arriving passengers grew by 5.1% year-on-year to 1,397,914 in the first five months of 2017, compared to an increase of 8.1% in the same period of last year and to a rise of 9.6% in the first five months of 2015. Also, the number of departing passengers grew by 5.8% year-on-year to 1,442,405 in the first five months of 2017, relative to an increase of 6.3% in the same period of last year and to a rise of 8.5% in the first five months of 2015.

In parallel, the airport's aircraft activity regressed by 3.1% year-on-year to 26,193 take-offs and landings in the first five months of 2017, compared to a growth of 7.1% in the same period of 2016 and to an increase of 4.6% in the first five months of 2015. In addition, the HIA processed 35,345 metric tons of freight in the first five months of 2017 that consisted of 22,844 tons of import freight and 12,501 tons of export freight. Middle East Airlines had 9,478 flights in the first five months of 2017 and accounted for 36.2% of HIA's total aircraft activity.



CMA and ICC to strengthen cooperation

The Insurance Control Commission of Lebanon (ICC) and Lebanon's Capital Markets Authority (CMA) signed a Memorandum of Understanding (MoU) to strengthen cooperation between the two regulatory entities and develop a framework to monitor the launch and marketing of insurance products that contain an investment component, known as unit-linked. The CMA noted that the MoU would enhance the ability of the two regulatory bodies to protect the clients' investments in unit-linked contracts.

The MoU also aims to coordinate supervisory work between the CMA and the ICC. The CMA noted that the cooperation between the two sides would support the insurance sector and improve the quality of services that the sector provides. It added that the MoU will be amended periodically to reflect new developments in the insurance market.

In parallel, the MoU is one of the requirements for the CMA to become an Ordinary Member of the International Organization of Securities Commissions (IOSCO). This membership would provide Lebanon with voting rights in the IOSCO, which, in turn, would allow it to exchange information with international regulatory bodies of IOSCO member states, and generate more transparency and confidence in the Lebanese capital markets. The IOSCO approved in August 2016 Lebanon's accession to the organization as an Associate Member. IOSCO's associate membership provides the CMA with access to organizational and technical support from existing members, in case of need.

AUB, USJ and LAU among top Arab universities

The QS World University Rankings for 2017/18 included three Lebanese universities among 800 ranked universities worldwide. The list ranked the American University of Beirut (AUB) in 235th place globally and in third place among 28 Arab universities included in the survey. AUB's global rank fell by seven spots from the preceding year, and its regional rank regressed by one spot year-on-year. AUB came in 228th place in 2017, in 268th place in 2016 and in 249th place in 2015.

Also, the survey ranked Université Saint-Joseph (USJ) within the 491-500 range globally, unchanged from the 2017 survey, as well as in 14th place among Arab universities. USJ's rank was in the 601-650 range globally on each of the 2013 and 2016 lists and in the 551-600 range globally in each of the 2011 and 2015 surveys.

Further, the list ranked the Lebanese American University (LAU) within the 601-650 range globally, along with the American University in Dubai, the Jordan University of Science & Technology and the University of Kufa in Iraq. The QS World University Rankings included LAU for the first time in the 2015 survey. LAU's rank was in the 651-700 range in 2015, 2016 and 2017.

AUB received a score of 43 points compared to an average of 42.34 points for the top five universities in the region. The top ranked Arab university is King Fahd University of Petroleum & Minerals that came in 173rd place globally with a score of 50.3 points, while the Massachusetts Institute of Technology ranked first worldwide and received a score of 100 points.

The rankings are based on a weighted average of six factors that are academic reputation with a 40% weight, faculty-to-student ratio and citations per faculty (20% each), employer reputation (10%), and international faculty ratio and international student ratio (5% each). The QS World University Rankings are compiled by Quacquarelli Symonds Limited, a company specializing in education and study abroad.

Revenues through Port of Beirut down by 4% to \$77m in first four months of 2017

Figures released by the Port of Beirut show that the port's overall revenues were \$76.7m in the first four months of 2017, constituting a decrease of 4.1% from \$80m in the same period of 2016. The Port of Beirut handled an aggregate freight of 2.86 million tons in the covered period, down by a marginal 0.8% from 2.88 million tons in the first four months of 2016. Imported freight amounted to 2.54 million tons in the first four months of 2017 and accounted for 88.9% of the total, while the remaining 317,000 tons, or 11.1%, consisted of export cargo. A total of 617 ships docked at the port in the covered period compared to 699 vessels in the first four months of 2016.

In parallel, revenues generated through the Port of Tripoli reached \$6.2m in the first four months of 2017, constituting an increase of 7.5% from \$5.7m in the same period of 2016. The Port of Tripoli handled an aggregate of 657,090 tons of freight in the covered period, up by 2.2% from 642,744 tons in the first four months of 2016. Imported freight amounted to 505,923 tons and accounted for 77% of the total, while the remaining 151,167 tons, or 23%, were export cargo. A total of 280 vessels docked at the port in the first four months of 2017, constituting an increase of 2.6% from 273 ships in the same period of 2016.



New car sales down 3% in first five months of 2017

Figures released by the Association of Automobile Importers in Lebanon show that dealers sold 13,836 new passenger cars in the first five months of 2017, constituting a decline of 3% from 14,264 cars sold in the same period of 2016. Consumers purchased 2,420 new cars in January, 2,562 vehicles in February, 3,136 automobiles in March, 2,536 cars in April and 3,182 vehicles in May 2017.

Japanese cars accounted for 35.3% of total sales in the first five months of 2017, followed by Korean vehicles with a 33.5% share, European automobiles (22%), American cars (8.2%) and Chinese vehicles (1%). The sales of new Chinese cars grew by 79% and demand for American vehicles jumped by 29% year-on-year in the first five months of 2017; while the number of Korean automobiles sold dropped by 8.3%, the sales of Japanese vehicles fell by 6% and the number of European cars sold decreased by 0.4% year-on-year.

Kia is the leading brand in the Lebanese market with 3,003 vehicles sold in the first five months of 2017, followed by Toyota with 1,617 new cars sold, Hyundai (1,615), Nissan (1,212), Renault (731), Suzuki (690) and Chevrolet (650). In parallel, 1,186 new commercial vehicles were sold in the first five months of 2017, up by 14.6% from 1,035 commercial vehicles purchased in the same period of 2016. Overall, car dealers sold 15,022 new passenger automobiles and commercial vehicles in the first five months of 2017, constituting a drop of 1.8% from 15,299 cars sold in the same period of 2016.

In parallel, the number of new vehicles sold by Lebanon's top five distributors reached 9,827 in the first five months of 2017 and accounted for 65.4% of new car sales. NATCO sal sold 3,003 vehicles, equivalent to 20% of the total, followed by Rasamny Younis Motor Co. sal with 1,981 cars (13.2%), Boustany United Machineries sal with 1,838 automobiles (12.2%), Century Motor Co. sal with 1,669 vehicles (11.1%) and Bassoul Heneiné sal with 1,336 cars (8.9%).

Launch of new accelerator program to support technology sector in Lebanon

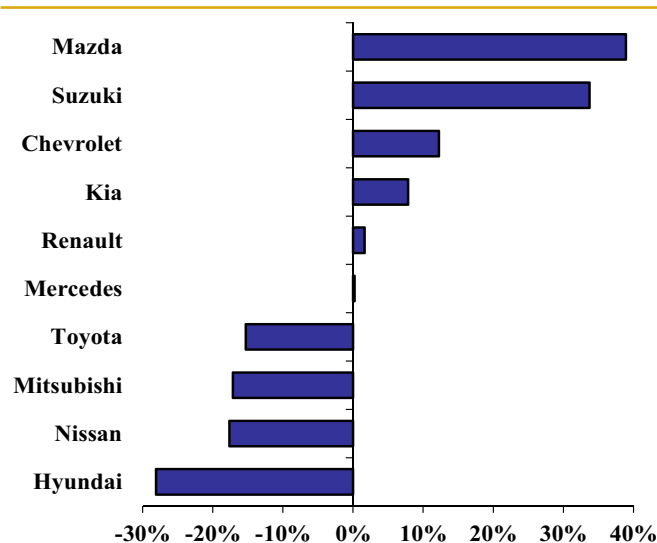
The UK Lebanon Tech Hub (UKLTH) launched a three-month acceleration program, named The Nucleus, which aims to provide six select startups in the technology sector with the resources and mentorship needed to commercialize their business ideas. The UKLTH initially received over 176 applications to join the program and interviewed 99 startups and entrepreneurs.

The six chosen startups consist of Dox, a predictive maintenance algorithm that monitors battery performance in real-time while providing predictive key metrics; Handiss, a platform that centralizes freelancing in the construction market for independent engineers and architects; imagineMe, an online publishing company that creates personalized children's book where the youngsters become the star of their own stories; Jaleesa, a tech-driven startup that connects families with trusted child care; LEGALX, an online platform that enables access to legal answers and services using artificial intelligence; and Notifer, an icon based application that creates reminders assisting users to improve their memory and productivity.

Under the three-month acceleration program, the UKLTH will allocate between \$20,000 and \$30,000 for each startup in return for a 5% equity stake in the business. The selected firms will spend 12 weeks developing their products or services and building a business model with the support of an in-house core technology team. They will also participate in practical workshops on finance and capital raising, among other topics. Further, each startup will participate in monthly meetings with industry experts, academics and potential clients. Further, the six firms will have access to office space and support with legal and auditing services, among other benefits. In parallel, the UKLTH will assist the startups in tapping international networks and help them secure investments upon product completion.

The UK Lebanon Tech Hub is a joint initiative between Banque du Liban and the United Kingdom government through the British Embassy in Beirut. It aims to support the growth of the knowledge economy in Lebanon through the development of technology companies in the country and create opportunities for Lebanese talent to access international markets.

Sales of Top 10 Car Brands in First Five Months of 2017 (% change*)



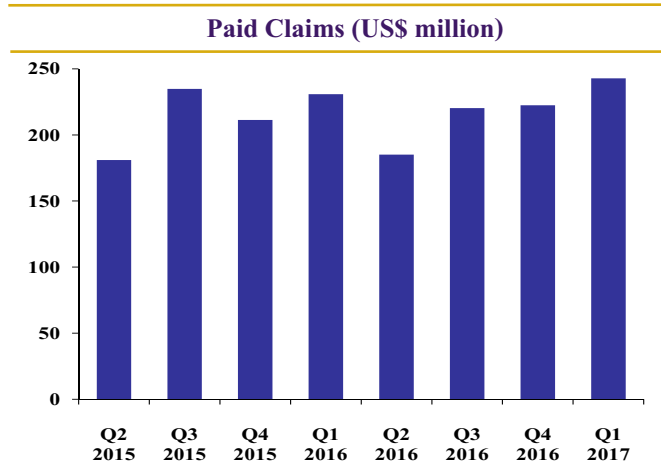
* year-on-year

Source: AIA, Byblos Research

Insurance premiums up 4.5% to \$433.5m in first quarter of 2017, claims and benefits up 5% to \$243m

Figures released by the Association of Insurance Companies in Lebanon (ACAL) indicate that insurance premiums generated in Lebanon totaled \$433.5m in the first quarter of 2017, constituting an increase of 4.5% from \$414.8m in the same quarter of 2016.

Medical insurance premiums totaled \$167.9m in the first quarter of 2017 and accounted for 38.7% of the sector's aggregate premiums. Life premiums followed with \$105.1m (24.3%), then motor premiums with \$84.8m (19.6%), fire insurance premiums with \$35.7m (8.2%), workmen compensation premiums with \$13.6m (3.1%), cargo premiums with \$7.5m (1.7%), public liability premiums with \$5.1m (1.2%), engineering premiums with \$3m (0.7%), while insurance premiums from other categories amounted to \$10.7m and accounted for 2.5% of the total.



Source: ACAL, Byblos Research

ACAL noted that medical insurance premiums covering Lebanese citizens grew by 4% to \$164m in the first quarter of 2017, while premiums covering Lebanese expatriates increased by 18% year-on-year to \$3.9m. Also, it indicated that non-compulsory motor insurance premiums increased by 1% to \$71.7m in the first quarter of 2017, while compulsory motor premiums were unchanged at \$13.2m. The report shows that engineering premiums grew by 19% in the first quarter of 2017, posting the largest increase among all categories, followed by life premiums (+12%), medical premiums (+4%), and motor premiums, fire premiums, cargo premiums and public liability premiums (+1% each). In contrast, workmen compensation premiums declined by 2% and those from other categories decreased by 8% in the first quarter of 2017.

Further, ACAL indicated that total benefits and claims paid by insurance companies stood at \$242.8m in the first quarter of 2017, constituting an increase of 5.2% from \$230.8m in the same quarter of 2016. Benefits and claims paid for the non-life categories reached \$162.85m in the covered quarter, constituting an increase of 2.2% from \$159.3m in the first quarter of 2016, while claims disbursed for the life insurance category amounted to \$79.9m and grew by 11.8% from \$71.5m in the same quarter of 2016. Medical claims accounted for 35.2% of total claim payments in the first quarter of 2017, followed by life insurance claims (32.9%), motor claims (21%), fire claims and workmen compensation claims (2.9% each), cargo claims (0.8%), engineering claims (0.4%) and public liability claims (0.3%).

Life insurance claims grew by 12% in the first quarter of 2017, motor claims expanded by 7%, cargo claims rose by 5% and medical claims increased by 3%, while claims related to other categories surged by 140% year-on-year. In contrast, fire claims regressed by 45% in the covered quarter, public liability claims declined by 20%, engineering claims decreased by 15% and workmen compensation claims fell by 8% year-on-year. Further, protection with savings policies accounted for 59% of total life insurance premiums and for 22.4% of the number of life insurance contracts in the first quarter of 2017, while life protection plans represented 41% of total life insurance premiums and 77.6% of the total number of life contracts during the covered quarter.

In parallel, ACAL indicated that insurance premiums generated in Lebanon totaled \$1.56bn in 2016, constituting an increase of 2.9% from \$1.52bn in 2015. Non-life premiums totaled \$1.08bn, up 2.2% from \$1.06bn in 2015, while life premiums amounted to \$483.1m last year, up by 4.4% year-on-year from \$462.8m in 2015. Non-life premiums accounted for 69.1% of total premiums in 2016, while life premiums represented the balance of 30.9% last year. Also, ACAL noted that total benefits and claims paid by insurance companies stood at \$880.8m in 2016, constituting a rise of 6.9% from \$824m in 2015. Medical claims totaled \$336.1m and accounted for 35.2% of total claim payments in 2016, followed by life insurance claims at \$239.7m (27.2%) and motor claims at \$199.8m (22.7%). Motor insurance and medical claims grew by 10% and 8%, respectively, in 2016, while life insurance claims fell by 3% year-on-year.

OLT Holding sal acquires 42.2% stake in GroupMed Holding

GroupMed Holding sal, the owner of Bankmed sal, announced that OLT Holding sal, owned by Jordanian businessman Mr. Ala Al Khawaja, acquired from Mr. Ayman Hariri a 42.24% ownership stake in GroupMed for an undisclosed amount, following the approval of Banque du Liban. GroupMed Holding was valued at \$1.27bn at the time of the transaction. Following the acquisition, the shareholders of GroupMed consist of Prime Minister Saad Hariri and OLT Holding sal with a 42.24% stake each, and Mrs. Nazek Rafic Hariri with the remaining 15.51% of the total. GroupMed Holding sal is a Lebanese holding company with investments in the banking, insurance, real estate, industrial and services sectors in the Middle East and Europe.

Bankmed sal, one of Lebanon's top 14 banks in terms of assets, announced unaudited consolidated net profits of \$35.9m in the first quarter of 2017, constituting an increase of 1.3% from \$35.4m in the same period last year. The bank's total assets reached \$16.82bn at the end of March 2017, up by 4.2% from \$16.15bn at end-2016. Loans & advances to customers, excluding those to related parties, regressed by 0.6% from end-2016 to \$4.8bn. Also, customer deposits, excluding those from related parties, totaled \$11.88bn at the end of March 2017, and grew by 1.6% from \$11.7bn at end-2016. The bank's shareholders' equity stood at \$1.55bn at the end of March 2017, nearly unchanged from end-2016.

Top five freight forwarders' import activity up 7% in first four months of 2017, export activity up 8%

Figures released by the Port of Beirut show that overall import shipping operations by the top five freight forwarders through the port reached 120,501 20-foot equivalent units (TEUs) in the first four months of 2017, constituting an increase of 7.3% from 112,328 TEUs in the same period of 2016. The five freight forwarders accounted for 89.6% of imports to the Lebanese market and for 62.1% of the total import freight forwarding market in the covered period. Mediterranean Shipping Company (MSC) handled 34,840 TEUs in imports in the first four months of 2017, equivalent to an 18% share of the total freight forwarding import market. Merit Shipping followed with 25,489 TEUs (13.1%), then Sealine Group with 22,965 TEUs (11.8%), Metz Group with 19,252 TEUs (9.9%) and Gezairy Transport with 17,955 TEUs (9.3%). Further, Gezairy Transport registered a 45.8% year-on-year increase in import shipping, the highest growth rate among the top five freight forwarders, while Metz Group posted a decline of 15.6%, the steepest in the first four months.

In parallel, export shipping operations by the top five freight forwarders through the Port of Beirut reached 28,024 TEUs in the first four months of 2017, constituting an increase of 7.8% from 25,988 TEUs in the same period last year. The five freight forwarders accounted for 90.8% of exported Lebanese cargo and for 14.8% of the total export freight forwarding market in the covered period. Merit Shipping handled 15,560 TEUs of freight in the first four months of 2017, equivalent to 50.4% of the Lebanese cargo export market. Sealine Group followed with 4,789 TEUs (15.5%), then Metz Group with 4,287 TEUs (13.9%), MSC with 1,857 TEUs (6%) and Gezairy Transport with 1,531 TEUs (5%). Further, Merit Shipping posted a 36.1% year-on-year increase in export shipping, the highest growth rate among the top five freight forwarders, while Sealine Group posted a decline of 25.3%, the steepest in the covered period.

BLOM Bank's General Assembly approves acquisition of HSBC Bank's operations in Lebanon

The Extraordinary General Assembly of BLOM Bank sal that was held on April 7, 2017 approved the acquisition of the assets, liabilities, equity and obligations of HSBC Bank Middle East Limited – Lebanon. The deal received Banque du Liban's preliminary approval on February 20, 2017. BLOM Bank indicated that Banque du Liban's preliminary approval will become final once it submits acquisition-related documents to the Banking Control Commission of Lebanon, among other requisites. The Bank signed the purchase agreement with HSBC Bank Middle East Limited – Lebanon in November 2016 for an undisclosed amount as part of the bank's strategy to diversify its revenue base and assets.

HSBC Bank Middle East Limited – Lebanon was established in 1946, and had three branches, 200 employees, and assets of \$953m at the end of June 2016. The bank posted net profits of \$16.3m in 2015, down by 11.1% from \$18.4m in 2014. Its loans & advances to customers, excluding loans & advances to related parties, stood at \$516.5m at the end of 2015 and decreased by 13.4% from end-2014. Also, customer deposits, excluding deposits from related parties, totaled \$824m at end-2015 and declined by 2.6% from the end of 2014. BLOM Bank declared net profits of \$112m in the first quarter of 2017. Its aggregate assets reached \$30.14bn at the end of March 2017, with loans & advances to customers at \$7.1bn. Also, the bank's customer deposits totaled \$25.1bn as at the end of March 2017.

Emirates Lebanon Bank's net profits at \$13.8m in 2016

Emirates Lebanon Bank sal posted audited consolidated net profits of \$13.8m in 2016, constituting an increase of 54.9% from \$8.9m in 2015. Net operating income improved by 17.8% to \$45.7m, with net interest income rising by 3.3% to \$30.5m and net fees & commission income growing by 1.2% to \$7.4m. Further, gross operating expenditures increased by 4.2% to \$23m in 2016, with staff expenses rising by 10.7% to \$14.9m and administrative expenditures declining by 2.8% to \$5.8m. The cost-to-income ratio was 50.2% in 2016, down from 56.5% in the previous year. The bank's return on assets was 0.86% in 2016 relative to 0.6% in the preceding year; while its return on equity was 5.02% in 2016 compared to 3.23% in 2015.

In parallel, the bank's aggregate assets reached \$1.59bn at the end of 2016, constituting an increase of 5.1% from a year earlier; while loans & advances to customers, excluding loans to related parties, regressed by 1.7% year-on-year to \$598.5m. Also, customer deposits totaled \$1.2bn at end-2016, and increased by 3.4% from a year earlier. The bank's shareholders' equity declined by 0.5% to \$274.8m at the end of 2016. The shareholders of Emirates Lebanon Bank sal are Bank of Sharjah PSC that has an 80% stake and EL Capital FZC that holds a 20% share.

Fransabank distributes dividends for 2016

Fransabank sal announced that its Ordinary General Assembly held on June 5, 2017 approved the distribution of dividends on its preferred shares for 2016. The bank paid gross dividends of \$13.5 per share, or the equivalence of LBP20,351 per share, to the holders of each of the Series "B", Series "C" and Series "E" Preferred Shares. Also, the bank disbursed \$13 per share (LBP19,598) to the holders of Series "D" Preferred Shares.

The bank paid the dividends on June 14, 2017 net of a 5% withholding tax, as it reimbursed the holders of preferred shares for the difference between the 10% withholding rate and the rate for which the shares would have been taxed if they were listed on the Beirut Stock Exchange. The bank's share capital currently consists of 21,500,000 common shares, 425,000 Series "B" Preferred Shares, 375,000 Series "C" Preferred Shares, 425,000 Series "D" Preferred Shares and 525,000 Series "E" Preferred Shares.



Ratio Highlights

(in % unless specified)	2014	2015	2016e	Change*
Nominal GDP (\$bn)	50.0	51.1	52.0	
Public Debt in Foreign Currency / GDP	51.2	53.0	54.2	1.26
Public Debt in Local Currency / GDP	81.9	84.6	89.6	4.98
Gross Public Debt / GDP	133.1	137.6	144.0	6.42
Total Gross External Debt / GDP**	170.0	174.7	176.6	1.90
Trade Balance / GDP	(34.4)	(29.5)	(30.0)	(0.47)
Exports / Imports	16.2	16.6	16.1	(0.49)
Fiscal Revenues / GDP	21.8	18.7	19.1	0.30
Fiscal Expenditures / GDP	27.9	26.5	28.6	2.1
Fiscal Balance / GDP	(6.1)	(7.7)	(9.5)	(1.8)
Primary Balance / GDP	2.6	1.4	0.04	(1.4)
Gross Foreign Currency Reserves / M2	66.5	58.7	62.7	3.94
M3 / GDP	235.4	241.9	250.0	8.11
Commercial Banks Assets / GDP	351.4	364.0	392.9	28.9
Private Sector Deposits / GDP	288.9	296.6	312.5	15.8
Private Sector Loans / GDP	101.8	106.1	108.7	3.85
Private Sector Deposits Dollarization Rate	65.7	64.9	65.0	0.10
Private Sector Lending Dollarization Rate	75.6	74.8	73.6	(1.23)

*Change in percentage points 15/16

**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	July 2015	June 2016	July 2016	Change**	Risk Level
Political Risk Rating	54.5	55.0	55.0	▼	High
Financial Risk Rating	39.0	36.5	36.5	▲	Low
Economic Risk Rating	33.0	30.5	30.5	▲	Moderate
Composite Risk Rating	63.25	61.0	61.0	▲	Moderate

MENA Average*	July 2015	June 2016	July 2016	Change**	Risk Level
Political Risk Rating	57.5	57.6	57.5	↔	High
Financial Risk Rating	39.4	39.2	38.8	▲	Low
Economic Risk Rating	32.0	30.0	29.7	▲	High
Composite Risk Rating	64.5	63.4	63.0	▲	Moderate

*excluding Lebanon

**year-on-year change in risk

Source: The PRS Group, Byblos Research

Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)

Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B2	NP	Negative	B2		Negative
Fitch Ratings	B-	B	Stable	B-		Stable
Standard & Poor's	B-	B	Stable	B-	B	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	E+		Negative



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