



In memory of the victims of the Beirut Port explosion

Issue 646 | August 24-29, 2020

LEBANON THIS WEEK

In This Issue

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

Housing demand drops to lowest level on record in second quarter of 2020

Damages from Beirut Port explosion estimated at up to \$4.6bn, economic losses at up to \$3.5bn

International Support Group calls for implementation of reforms to address socioeconomic and humanitarian crisis

Banque du Liban asks banks to raise capital by 20% by end-2020

Consumer Price Index up 112% in July 2020

Banque de l'Habitat announces LBP60bn lending package for houses damaged in Beirut explosion

Banque du Liban issues circular to attract foreign liquidity to banks

Parliament extends legal deadlines, grants exemptions from some taxes and fees

Gross public debt at \$93bn at end-June 2020

Coincident Indicator down 33% in first half of 2020, reaches lowest level in June since September 2006

Lebanon receives 11.5% of IMF regional technical assistance between May and July 2020

Value of cleared checks down 1%, returned checks down 21% in first seven months of 2020

Term deposits account for 78.5% of customer deposits at end-June 2020

Corporate Highlights10

Banque du Liban takes measures to support loan repayments

BLOM Bank's potential sale of Egyptian subsidiary is credit positive

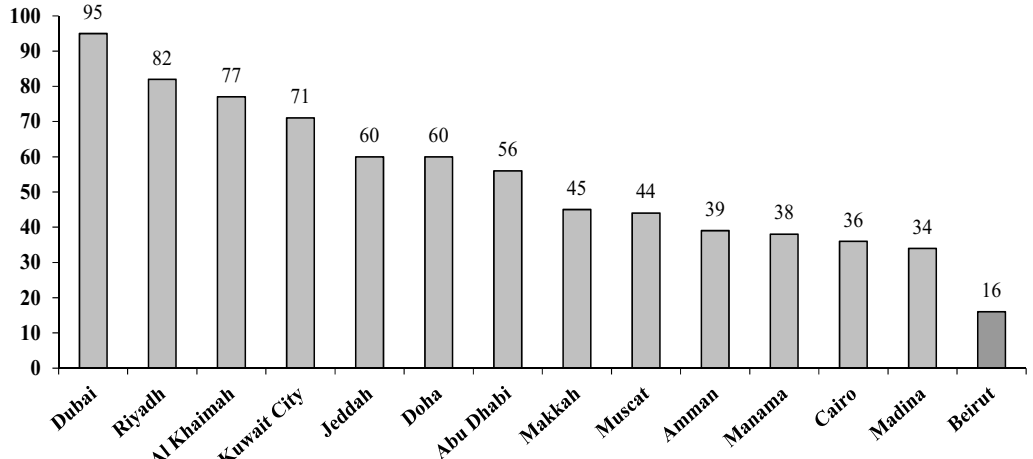
Ratio Highlights.....11

National Accounts, Prices and Exchange Rates11

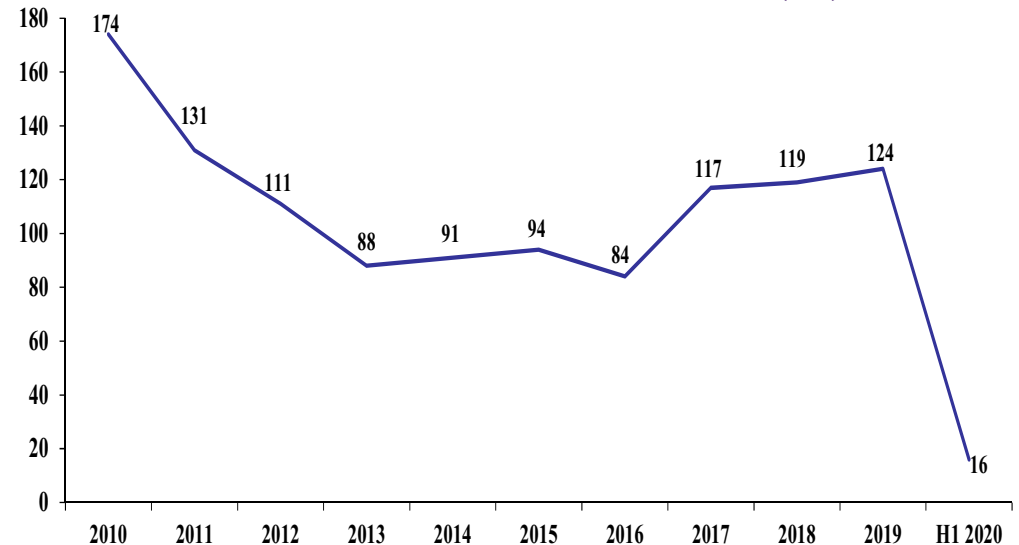
Ratings & Outlook.....11

Charts of the Week

Revenues Per Available Room at Hotels in Select Arab Cities in First Half of 2020* (US\$)



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



*at four- and five-star hotels

Source: EY, Byblos Bank

Quote to Note

"We will not sign a blank check for a government that does not implement reforms."

Jean-Yves Le Drian, French Minister of Foreign Affairs and International Development, on the pre-condition of the international community to provide financial assistance to Lebanon

Number of the Week

89.6%: Percentage of Lebanese who consider that their personal financial condition will deteriorate in the second half of 2020, according to the June 2020 survey of the Byblos Bank/AUB Consumer Confidence Index

Lebanon in the News

\$m (unless otherwise mentioned)	2019	Jan-Jun 2019	Jan-Jun 2020	% Change*	Jun-19	May-20	Jun-20
Exports	3,731	1,725	1,612	(6.5)	285	251	277
Imports	19,239	10,139	5,202	(48.7)	1,377	674	854
Trade Balance	(15,508)	(8,414)	(3,590)	(57.3)	(1,092)	(423)	(577)
Balance of Payments	(5,851)	(5,391)	(2,486)	(53.9)	(204)	(888)	(296)
Checks Cleared in LBP	22,146	10,313	9,514	(7.8)	1,581	1,105	1,766
Checks Cleared in FC	34,827	17,178	16,944	(1.4)	2,501	1,467	3,097
Total Checks Cleared	56,973	27,498	26,461	(3.8)	4,084	2,572	4,863
Fiscal Deficit/Surplus**	(5,837)	(2,387)	(1,998)	(16.3)	(33)	(247)	-
Primary Balance**	(287)	(39)	(716)	1756	347	(120)	-
Airport Passengers	8,684,937	3,978,188	1,206,671	(69.7)	838,498	20,253	15,295
Consumer Price Index	2.9	3.3	38.8	3550bps	1.7	56.5	89.7

\$bn (unless otherwise mentioned)	Dec-19	Jun-19	Mar-20	Apr-20	May-20	Jun-20	% Change*
BdL FX Reserves	29.55	29.75	28.23	27.37	26.44	25.87	(13.0)
In months of Imports	1.54	21.61	34.18	36.76	39.24	30.30	(40.2)
Public Debt	91.64	85.73	92.40	92.87	93.14	93.40	(8.9)
Bank Assets	216.78***	255.98	208.55	205.75	203.84	201.09	(21.4)
Bank Deposits (Private Sector)	158.86	172.13	149.59	147.52	146.30	144.50	(16.1)
Bank Loans to Private Sector	49.77	56.00	45.02	43.90	42.91	41.42	(26.0)
Money Supply M2	42.11	49.11	39.60	38.64	38.78	39.02	(20.5)
Money Supply M3	134.55	139.93	130.34	129.52	129.67	129.51	(7.4)
LBP Lending Rate (%)	9.09	10.94	9.41	9.29	8.45	6.84	(410bps)
LBP Deposit Rate (%)	7.36	8.80	5.13	5.06	4.63	4.16	(464bps)
USD Lending Rate (%)	10.84	9.49	8.55	7.79	7.90	7.49	(200bps)
USD Deposit Rate (%)	4.62	5.84	2.53	2.32	1.99	1.64	(420bps)

*year-on-year **year-to-date figures reflect results for first five months of each year ***The decline in assets in December 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7
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 %
Solidere "A"	14.24	0.42	108,002	23.11%	Apr 2021	8.25	17.88	612.94
Audi Listed	1.01	1.00	75,082	9.65%	Oct 2022	6.10	16.88	106.02
Solidere "B"	14.25	1.57	74,766	15.03%	Jan 2023	6.00	15.88	93.20
BLOM GDR	1.80	(20.00)	4,310	2.16%	Jun 2025	6.25	16.00	42.25
Audi GDR	1.00	(28.06)	4,000	1.94%	Nov 2026	6.60	15.75	31.93
Byblos Common	0.39	0.00	2,573	3.58%	Feb 2030	6.65	15.50	20.65
HOLCIM	12.00	(0.83)	750	3.80%	Apr 2031	7.00	15.38	18.39
BLOM Listed	2.81	0.00	-	9.80%	May 2033	8.20	15.13	15.43
Byblos Pref. 08	49.89	0.00	-	1.62%	Nov 2035	7.05	15.88	12.51
Byblos Pref. 09	52.75	0.00	-	1.71%	Mar 2037	7.25	16.75	11.09

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

Source: Byblos Bank Capital Markets, Refinitiv

	Aug 24-28	Aug 17-21	% Change	Jul 2020	Jul 2019	% Change
Total shares traded	269,983	235,577	14.6	2,315,343	1,969,484	17.6
Total value traded	\$2,690,999	\$1,802,468	49.3	\$29,362,947	\$9,821,149	199.0
Market capitalization	\$6.16bn	\$6.21bn	(0.7)	\$6.20bn	\$8.21bn	(24.5)

Source: Beirut Stock Exchange (BSE)



Housing demand drops to lowest level on record in second quarter of 2020

Demand for residential real estate in Lebanon dropped in the second quarter of 2020 to its lowest level on record, as reflected by the results of the Byblos Bank Real Estate Demand Index. The Index posted a monthly average of 9.6 points in the second quarter of 2020, constituting a decrease of 65% from 27.3 points in the first quarter of 2020 and a decline of 79.4% from 46.5 points in the second quarter of 2019. The second-quarter results constitute their lowest level on record. Further, the Index dropped by 91.7% year-on-year to a record low of 3.7 points in April 2020, while it dropped by 76.1% annually to 12.5 in May and by 70.6% to 12.6 in June 2020.

The Index's average monthly score in the second quarter of 2020 was 92.7% lower than the quarterly peak of 131 points registered in the second quarter of 2010, and came 91.3% below the annual peak of 109.8 points posted in 2010. Also, it was 83% lower than the Index's monthly trend average score of 56.8 points since the Index's inception in July 2007.

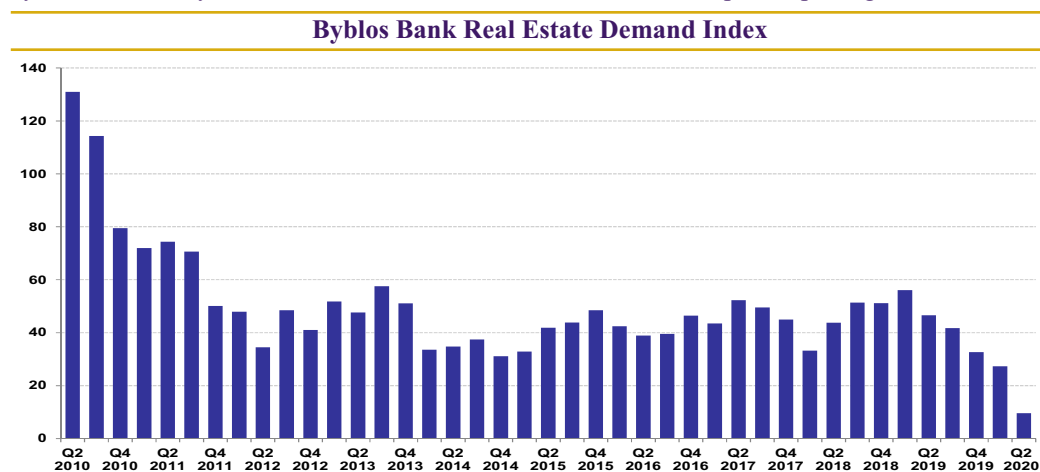
The demand for residential real estate dropped sharply during the second quarter of 2020 despite the migration of some deposits out of the banking sector towards real estate since last November, which suggests that the stock of residential units remains significantly higher than the actual demand and that the purchasing trend is originating mainly from a relatively limited number of buyers.

The steep drop of the Index was due to the ongoing deterioration of socioeconomic conditions as a result of the government's limited action to tackle the prevailing economic crisis, as well as to the lockdown measures and the shutdown of the economy amid the outbreak of coronavirus in the country. These factors have shifted the attention of citizens away from major investment decisions, such as acquiring or building a residential unit. In addition, the inflationary pressures from the weakening of the Lebanese pound's exchange rate in the parallel market eroded the purchasing power of citizens and made potential real estate buyers reluctant at best and unable at worst to acquire or build a residential unit, as they have been forced to address more urgent and basic needs, even though Lebanese citizens consider real estate historically to be a hedge against inflation. Further, the government's limited efforts to develop a comprehensive housing policy along with measures to stimulate demand for real estate, have deterred demand.

The answers of respondents to the Index's survey questions in the second quarter of 2020 show that 1.1% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 3.1% in the first quarter of 2020 and compared to 5.3% in the second quarter of 2019. In comparison, 6.4% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and June 2020, with this share peaking at nearly 15% in the second quarter of 2010.

The results of the Index show that demand for housing was the highest in the Bekaa in the second quarter of 2020, as 1.3% of its residents had plans to build or buy a house in the coming six months, down from 6.9% in the same quarter of 2019. The Mount Lebanon region followed with 1.23% of its residents planning to build or buy a residential unit in the coming six months, relative to 3.3% in the second quarter of 2019; while 1.17% of residents in the South had plans to buy or build a house, down from 11% in the second quarter last year. In addition, 1% of Beirut residents intend to buy or build a house, compared to 3.2% in the same quarter of 2019, while 0.7% of residents in the North region had plans to build or buy a residential unit, down from 5% in the second quarter of last year. In parallel, real estate demand decreased across all income brackets in the second quarter of 2020 from the same quarter last year, while it increased by 15.6% quarter-on-quarter by residents who earn a monthly income of more than \$2,500.

The Byblos Bank Real Estate Demand Index is a measure of local demand for residential units and houses in Lebanon. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading indices worldwide. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon, but the April and May 2020 survey were conducted through computer-aided telephone interviews due to the coronavirus outbreak. The data segregates the Index based on age, gender, income, profession, geographic region and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with November 2009 as its base month. The survey has a margin of error of 2.83%, a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.



Source: Byblos Bank Economic Research & Analysis Department, based on surveys conducted by Statistics Lebanon

Damages from Beirut Port explosion estimated at up to \$4.6bn, economic losses at up to \$3.5bn

The World Bank's (WB) Rapid Damage and Needs Assessment (RDNA), which it conducted in cooperation with the United Nations (UN) and the European Union (EU), estimated at between \$3.8bn and \$4.6bn the physical damage from the explosion at the Port of Beirut on August 4. It added that housing, transportation and tangible and intangible cultural assets, such as religious and archeological sites, national monuments and theaters, were the most affected by the explosion. It evaluated the physical damage in the housing sector at between \$1.9bn and \$2.3bn, followed by damage to the cultural sector at between \$1bn and \$1.2bn, and damage in the transportation sector and port at between \$280m and \$345m. It also estimated the damage in the tourism sector at between \$170m and \$205m, damage in the commerce and industry sector at between \$105m and \$125m, and damage in the healthcare sector at between \$95m and \$115m. It also estimated the damage to the financial sector at between \$10m and \$15m.

In addition, it estimated losses in economic flows due to damaged assets and the subsequent decline in output at between \$2.9bn and \$3.5bn. It indicated that economic losses in the housing sector range from \$1bn to \$1.2bn, followed by the transportation sector and port at between \$580m and \$710m, and the cultural sector at \$400m to \$490m. It also said that the commerce and industrial sectors incurred between \$285m and \$345m in losses, while the tourism sector registered losses of between \$190m and \$235m.

Further, it estimated the public sector's reconstruction and recovery needs for the remainder of 2020 and for 2021 at between \$1.8bn and \$2.2bn, which consist of \$605m to \$760m by end-December 2020 and between \$1.18bn and \$1.46bn in 2021. It estimated the transportation sector's needs at between \$425m and \$520m, followed by the cultural sector at \$250m to \$310m, and the housing sector at between \$220m and \$265m. Also, it pointed out that the financial sector needs between \$35m to \$45m for recovery and reconstruction.

In parallel, the RDNA expected the explosion at the Port of Beirut to reduce Lebanon's real GDP growth rates by up to 0.4 percentage point in 2020 and 0.6 percentage point in 2021 due to losses in the stock of physical capital. It also projected import constraints to result in additional reductions in real GDP growth of 0.4 percentage point in 2020 and 1.3 percentage points in 2021. It anticipated additional losses in output due to disruption to economic activity amid "the physical damage to the country's main port, and to the busy retail and commercial centers of Beirut." It expected government revenues to decrease from 20.8% of GDP in 2019 to 10.7% of GDP in 2020 and to 12.7% of GDP in 2021, due to lower receipts from the value-added tax and customs. It projected the current account deficit to narrow from 22.4% of GDP in 2019 to 8.1% of GDP in 2020 and 0.3% of GDP in 2021, due to the improvement in the trade balance and to higher remittance inflows. It also forecast inflation and poverty rates to increase.

Moreover, the assessment indicated that reconstruction efforts require a combination of interventions that prioritize the needs of the people, particularly the most vulnerable segments, with structural reforms related to "macroeconomic stabilization, governance, the private sector's operating environment, and ensuring human security." It added that international aid and private investments are crucial in order to achieve a comprehensive recovery, given the current economic situation in Lebanon. It noted that the authorities' implementation of a credible reforms agenda is a necessity to access international development assistance and to unlock external and private sector financing.

Damage, Losses, and Public Sector Needs by Sector (in US\$m)						
	Damage		Losses		Total Needs	
	Low	High	Low	High	Low	High
Commerce and Industry	105	125	285	345	165	295
Tourism	170	205	190	235	170	210
Financial	10	15	-	-	35	45
Productive and Financial Sectors Total	285	345	475	580	370	460
Social Protection	-	-	-	-	35	40
Housing	1,875	2,290	945	1,155	220	265
Education	15	20	70	85	-	10
Cultural Heritage	1,010	1,235	400	490	250	310
Health	95	115	200	245	65	80
Social Sectors Total	2,995	3,660	1,615	1,975	570	705
Water and Sanitation	40	45	-	5	45	60
Energy	40	50	55	70	55	70
Transport	280	345	580	710	425	520
Municipal Services	30	35	75	90	40	50
Infrastructure Sectors Total	390	475	710	875	565	700
Governance	65	80	65	80	180	215
Environment	20	25	-	-	75	100
Social	-	-	-	-	25	35
Cross-Cutting Sectors Total	85	105	65	80	280	250
Grand Total	3,755	4,585	2,865	3,510	1,785	2,215

Source: World Bank



International Support Group calls for implementation of reforms to address socioeconomic and humanitarian crisis

The International Support Group for Lebanon (ISG) welcomed the "International Conference on Assistance and Support to Beirut and the Lebanese People" that the United Nations and France organized on August 9, 2020 following the explosion at the Port of Beirut on August 4, 2020, and commended the mobilization of the international community to support the country in the wake of the explosion. It said that the pledged support to the damaged areas and to the affected population should be timely, sufficient, and consistent with the needs of the Lebanese people, and that it should be delivered with full efficiency and transparency. The ISG consists of China, France, Germany, Italy, Russia, the United Kingdom, the United States, as well as the United Nations, the European Union, and the Arab League.

In parallel, it highlighted the importance of government action to regain the trust of the Lebanese citizens and the international community. As such, it called for the swift formation of an effective and credible government that will meet the legitimate needs of the Lebanese people and address the main challenges facing the country. It considered that the key challenges include the reconstruction of Beirut and the implementation of the necessary reforms to resolve the ongoing socioeconomic crisis, the urgent humanitarian needs and the impact of COVID-19 on the economy. It reiterated the importance of implementing the needed structural reforms in order to help Lebanon exit the crisis, and called on all political parties to support the reform process by swiftly endorsing the related laws in Parliament.

In addition, the ISG restated its willingness to support any credible efforts by the upcoming government to tackle corruption and combat tax evasion, including the adoption and implementation of an anti-corruption national strategy, the anti-corruption agency law and judicial reforms, as well as other measures that would guarantee transparency and full government accountability.

The ISG indicated that the priority of the upcoming government should be to address Lebanon's immediate challenges, particularly in three major areas. First, it noted that the upcoming Cabinet should carry out the necessary reforms to restore economic stability and the credibility of the financial sector, implement reforms to the energy and other key sectors, as well as reforming state-owned enterprises and government procurement laws. Second, it said the government should launch the reconstruction of Beirut, and facilitate the efficient and transparent distribution of aid to the affected population. Third, it indicated that authorities should address the COVID-19 pandemic and the overall humanitarian situation in Lebanon. It added that the new government and all political parties should endorse Lebanon's policy of disassociation from regional conflicts.

The United Nations launched the ISG in September 2013 to help mobilize support and assistance for Lebanon's stability, sovereignty and state institutions. It aims to specifically encourage assistance for the Lebanese Army, Syrian refugees in Lebanon and host communities, as well as for government programs and public services impacted by the Syrian crisis.

Banque du Liban asks banks to raise capital by 20% by end-2020

Banque du Liban (BdL) issued on August 26, 2020 Intermediate Circular 567 about the implementation of International Financial Reporting Standard 9 (IFRS 9) and the capital adequacy regulatory framework for banks operating in Lebanon.

The circular amended the Regulatory Expected Credit Losses (RECL) requirements that banks must apply on their exposure to the government and BdL to book provisions and, in turn, to compute the capital ratios. For instance, the circular fixed the RECL at 1.89% on the banks' exposure to BdL in foreign currency, and at 45% on their holdings of Lebanese sovereign Eurobonds. It also set the RECL at zero percent on the banks' holdings of Lebanese Treasury bills and on their placements at BdL in Lebanese pounds. Further, the circular indicated that banks can gradually build the needed provisions over five years and that BdL can extend this period to 10 years after the bank complies by the required increase in its Common Equity Tier One (CET1) by the end of 2020.

In parallel, the circular asked banks to refrain from downgrading the loan classification of borrowers that have been negatively affected by the outbreak of the coronavirus and that missed payments of interest and/or principal on their loans. It also said that banks should not consider these developments as an indicator of an increase in the clients' risk profiles, but it noted that borrowers must be identified as "still a going concern". It added that banks can reschedule the payments that the client missed between February 1 and the end of 2020. In addition, the circular indicated that banks should reclassify to 'Stage 3' (default) the loans of clients that have been significantly affected by the pandemic and that suspended their operations.

Moreover, the circular asked banks to refrain from distributing dividends for financial years 2019 and 2020. It also requested banks to increase their capital by the equivalent of 20% their CET1 as at the end of 2018. It specified that banks should meet the new requirements through new instruments in foreign currencies that can be accepted in any of the capital tiers, with the exception of retained earnings and the revaluation of real estate. It noted that banks have until the end of 2020 to meet this requirement.

Further, the circular pointed out that each bank should build a capital conservation buffer of 2.5% of its risk-weighted assets. It mandated that a bank's CET1 ratio must reach a minimum of 7%, its Tier One ratio has to be at least 8.5%, and its Total Capital ratio must reach a minimum of 10.5% when incorporating the capital conservation buffer. It noted that a bank's capital conservation buffer can fall to below 2.5% in 2020 and 2021, but it added that the bank must gradually rebuild it starting in 2022 in order to meet the regulatory limit by 2024. In addition, the circular allows banks, exceptionally, to include in their CET1 some of the provisions they previously built in their reporting for 2020 and 2021. In addition, the circular asked each bank to develop a comprehensive plan that would allow it to meet BdL's new requirements, including the strategy that it will adopt and the time it will need to comply with the measures.

Consumer Price Index up 112% in July 2020

The Central Administration of Statistics' Consumer Price Index increased by 49.3% in the first seven months of 2020, compared to a growth of 3% in the same period of 2019. Also, the CPI expanded by 112.4% in July 2020 from the same month of 2019, and registered the first triple-digit increase based on monthly data from December 2007. The cumulative surge in inflation in the first seven months of 2020 is due in part to the inability of authorities to monitor and contain prices, as well as to the deterioration of the Lebanese pound's exchange rate on the parallel market, which has encouraged opportunistic wholesalers and retailers to raise consumer prices disproportionately.

The prices of furnishings & household equipment surged by 6.2 times annually in July 2020 from the same month last year, followed by the cost of alcoholic beverages & tobacco (+5.9 times), prices at restaurants & hotels (+5.7 times), prices of clothing & footwear (+5.1 times), food & non-alcoholic beverages (+4.4 times), miscellaneous goods & services (+3.3 times), recreation & entertainment (+2.4 times), transportation (+93.4%), communication (+89.6%), the prices of water, electricity, gas & other fuels (+20%), healthcare costs (+14.7%), actual rents (+7.9%), imputed rents (+5.5%), and the cost of education (+4.4%). Also, the distribution of actual rents shows that old rents grew by 10.8% and new rents increased by 5.9% year-on-year in July 2020.

In parallel, the CPI grew by 11.4% in July 2020 from the previous month, compared to a month-on-month increase of 20.2% in June 2020. The prices of alcoholic beverages & tobacco increased by 66.5% month-on-month in July 2020, followed by prices at restaurants & hotels (+29.6%), the prices of food & non-alcoholic beverages (+24.3%), furnishings & household equipment (+20.4%), the cost of water, electricity, gas & other fuels (+19%), miscellaneous goods & services (+15.2%), clothing & footwear (+9.9%), healthcare costs (+4.8%), transportation (+4.4%), recreation & entertainment (+4.2%), and communication (+3.3%). In parallel, the cost of education, as well as the actual and imputed rents, were unchanged month-on-month in July 2020.

Further, the CPI increased by 13.7% in Nabatieh, by 12.3% in the North, by 11.7% in the Bekaa, by 11.3% in Mount Lebanon, by 10.5% in the South, and by 9.8% in Beirut in July 2020. In parallel, the Fuel Price Index grew by 15.8% month-on-month in July 2020, while the Education Price Index was unchanged in the covered month.

Banque de l'Habitat announces LBP60bn lending package for houses damaged in Beirut explosion

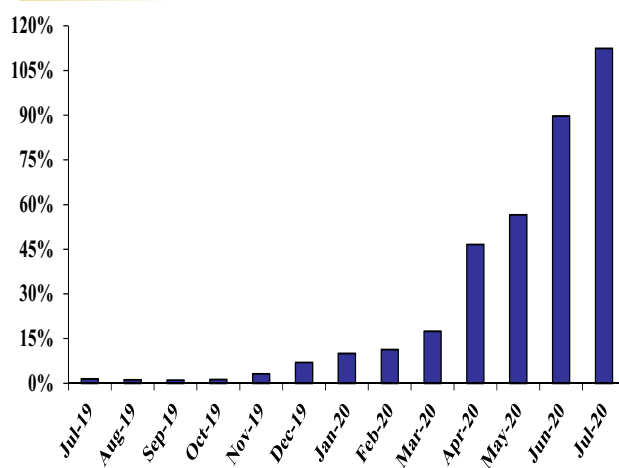
Banque de l'Habitat sal announced that it launched a LBP60bn package that aims to provide Lebanese pound-denominated loans for the rehabilitation and reconstruction of houses that were damaged in the explosion at the Port of Beirut on August 4. It noted that the package is from the bank's own funds and constitutes the first stage of financing that it plans to allocate to low- and middle-income households and to displaced families that were impacted by the explosion. It indicated that loans can reach up to LBP150m each, and will carry an annual interest rate of 3% and a maturity of up to 15 years. Based on the size of the package, the bank can extend a minimum of 400 loans.

It also pointed out that, according to preliminary figures on the cost of the reconstruction of damaged houses, the amount of funding needed is significant, and far exceeds the local and international assistance that has been provided. According to the United Nations Development Programme, the explosion damaged an estimated 40,000 buildings, of which 3,000 severely, and affected 200,000 housing units.

Banque de l'Habitat is a Lebanese joint-stock company that provides loans in Lebanese pounds to individuals, especially those with low income, in order to buy, build, renovate and expand a house. The private sector owns 80% of Banque de l'Habitat, while the Lebanese State owns the remaining share of 20%.

Similarly, Banque du Liban (BdL) issued on August 6, 2020 Basic Circular 152 that asked banks and financial institutions operating in the country to extend exceptional loans in US dollars to individuals and businesses that have been affected by the Beirut Port explosion of August 4. The circular stipulated that the exceptional loans will not carry interest rates, and will not be subject to any fee or commission, while the beneficiary can repay the loan over a period of five years via monthly or quarterly payments starting on October 31, 2020 or at the end of the month that follows the month of the loan's approval. It specified that beneficiaries can settle their loan payments in Lebanese pounds based on the official exchange rate used in transactions between banks and BdL.

Annual Change in CPI (%)



Source: Central Administration of Statistics, Byblos Research

Banque du Liban issues circular to attract foreign liquidity to banks

Banque du Liban (BdL) issued on August 27, 2020 Basic Circular 154 that details the exceptional measures that banks operating in Lebanon have to take. It requested banks to conduct a proper valuation of their assets and liabilities in order for them to be able to meet all capitalization, solvency and liquidity requirements, as well as to resume regular business activities and banking operations.

The circular stipulated that, in order to boost the banks' liquidity profiles, especially at their foreign corresponding banks, Lebanese banks should encourage customers who transferred abroad the equivalent of \$500,000 or more since July 2017, to deposit the equivalent of 15% of the transferred amount in a "special account" with a term maturity of five years. Also, it asked banks to encourage importers to transfer from abroad the equivalent of 15% of the aggregate amount of letters of credits that they opened in any of the past four years, and to place these funds in a "special account", and block them for five years. Further, it indicated that each bank should also ask its chairman, members of the Board of Directors, major shareholders and senior executives, as well as its customers that are identified as "politically-exposed persons" and who transferred abroad more than \$500,000 or its equivalent in other foreign currencies since July 2017, to deposit 30% of such funds and block them for five years.

It said that the amounts deposited into the "special accounts" will be exempt from reserve requirements and from mandatory placements at BdL. It noted that "special accounts" could bear interest rates and are exempt from the interest rate cap that BdL imposed on customer deposits in Basic Circular 147 that it issued in September 2019. Also, it asked banks to assure the customers who transfer back the money that they will unequivocally recuperate their deposits at maturity. It added that banks should use the deposits in these accounts to facilitate transactions that boost economic activity in Lebanon.

Also, the circular noted that each bank should have an account at foreign correspondent banks by the end of February 2021, that is not subject to any obligations in foreign currency, and that has funds that are equivalent to at least 3% of the aggregate amount of the bank's total deposits in foreign currency at end-July 2020.

In parallel, the circular indicated that each bank should seek the approval of BdL to recapitalize or increase its capital, depending on its needs, by the first quarter of 2021. It said that banks should also provide their depositors with the option of converting their deposits, in part or in full, to shares in the bank or to perpetual bonds that are redeemable, tradable and convertible. It noted that banks that will proceed with such a conversion must meet a specific set of requirements, including to list all their shares on the Beirut Stock Exchange, and to separate the positions of Chairman and General Manager of the bank in order to avoid any conflict of interest. Also, it said that the proceeds from the sale of shares or perpetual bonds can be transferred abroad if the sale operation is financed by "fresh money".

Further, the circular stipulated that the bank that does not abide by these measures will be subject to administrative penalties according to the Code of Money and Credit. Also, it said that any party that fails to abide by this circular will face sanctions according to Articles 9 and 21 of Law 44 about Fighting Money Laundering and Terrorist Financing Law that penalize tax evasion as well as corruption, including bribery, trading in influence, embezzlement, abuse of functions, abuse of power and illicit enrichment. It added that auditors should ensure the implementation of such measures, and report to the Special Investigation Commission against money laundering and terrorism financing any criminal activity that they deem is facilitating money laundering or terrorism financing.

Parliament extends legal deadlines, grants exemptions from some taxes and fees

The Lebanese Parliament enacted Law 185 on August 13, 2020 that extends the deadlines for the payments for some taxes and fees and that exempts Lebanese taxpayers from other dues. The law's annex attributed the extension to the fact that the coronavirus pandemic prevented taxpayers from benefitting from several exemptions under the 2020 Budget Law. It also noted that this law is crucial given the challenging economic and financial conditions in the country, which were exacerbated by the explosion at the Port of Beirut on August 4.

The law suspended for an additional six months, starting from August 27, 2020, the effects of contractual obligations, such as penalties and fees, for clients who are behind on the payments of their loans since July 1, 2020, mostly on subsidized loans, including on mortgages, as well as on industrial, agricultural, tourism, technology, and energy loans. Previously, the 2020 budget that Parliament enacted on February 2, 2020 included a clause that suspends the effects of contractual obligations, such as penalties and fees, for clients who missed such payments. The clause aimed to protect borrowers who have missed monthly payments or defaulted on their loans since October 1, 2019, due to the loss of income, from legal actions and contractual consequences, including an increase in interest rates on the loans.

In addition, Law 185 extended for six months the legal deadlines under Article 22 of the Budget Law for 2020. For instance, it suspended the fees on construction permits, and reduced the fines that are due to the state and the *mécanique*, among others.

Further, it extended until the end of the year the provisions of Law 160 that Parliament enacted on April 22, 2020. At the time, Law 160 suspended legal, judicial and contractual deadlines between October 18, 2019 and July 30, 2020.

In parallel, the law exempted the heirs of Lebanese individuals who passed away as a result of the explosion at the Port of Beirut from paying the inheritance tax, provided that they submit the supporting documents within a year from August 27 of this year. Also, it exempted residential and non-residential buildings that were damaged by the explosion from the built-property tax and from municipal fees for 2020.

Gross public debt at \$93bn at end-June 2020

Lebanon's gross public debt reached \$93.4bn at the end of June 2020, constituting an increase of 2% from \$91.6bn at the end of 2019, and a rise of 9% from \$85.7bn at the end of June 2019, based on the official exchange rate. The gross public debt grew by \$1.8bn in the first half of 2020 relative to an increase of \$595.7m in the same period of 2019. Debt denominated in Lebanese pounds totaled \$58.6bn at the end of June 2020, and expanded by 1.2% from end-2019 and by 9.6% from end-June 2019; while debt denominated in foreign currency stood at \$34.8bn and rose by 3.1% from end-2019 and by 7.8% from a year earlier.

On March 7, 2020, the Lebanese government decided to withhold all payments on the \$1.2bn Eurobond that matures on March 9, 2020, and claimed that its decision aims to safeguard the country's foreign currency reserves. It further announced on March 23, 2020 that Lebanon will discontinue payments on all of its outstanding Eurobonds. The Ministry of Finance (MoF) indicated that \$3.5bn of the debt stock denominated in foreign currency is in arrear as at the end of June 2020.

The year-on-year increase of the local-currency debt was mostly due to the MoF's issuance in November and December of LBP1,500bn and LBP3,000bn 10-year Treasury bonds, respectively, at a rate of 1%, which were entirely subscribed by Banque du Liban (BdL). The two issuances were part of a deal between the MoF and BdL, which stipulated that the MoF issues \$3bn worth of Eurobonds to BdL to cover external debt payments that BdL made on behalf of the government throughout 2019, in exchange for BdL subscribing to LBP4,500bn worth of Treasury bonds.

Local currency debt accounted for 62.7% of the gross public debt at the end of June 2020 compared to 62.4% a year earlier, while foreign currency-denominated debt represented the balance of 37.3% relative to 37.6% at end-June 2019. The weighted interest rate on outstanding Treasury bills was 6.5% in June 2020, while the weighted life of Treasury bills and bonds was 1,728 days.

BdL held 42.5% of the public debt at the end of June 2020, followed by commercial banks (28.5%), and non-bank resident financial institutions (8.2%); while other investors, including foreign investors, held 18.6% of the debt, and multilateral institutions and foreign governments accounted for 2.2%.

BdL held 59.2% of the Lebanese pound-denominated public debt at the end of June 2020 compared to 53.3% a year earlier, while commercial banks accounted for 27.8% of the local debt compared to 33% at end-June 2019. Also, public agencies, financial institutions and the public held 13% of the local debt at end-June 2020 relative to 13.7% at end-June 2019. Further, holders of Eurobonds and special T-bills in foreign currencies accounted for 94.2% of foreign currency-denominated debt holders at the end of June 2020, while multilateral institutions and foreign governments represented 5.8% of the total. In addition, the net public debt, which excludes public sector deposits at BdL and at commercial and investment banks from overall debt figures, grew by 10.2% annually to \$84.3bn at the end of June 2020. Further, the gross market debt accounted for about 54% of the public debt. The gross market debt is the total public debt less the portfolios of BdL, the National Social Security Fund, as well as bilateral and multilateral loans.

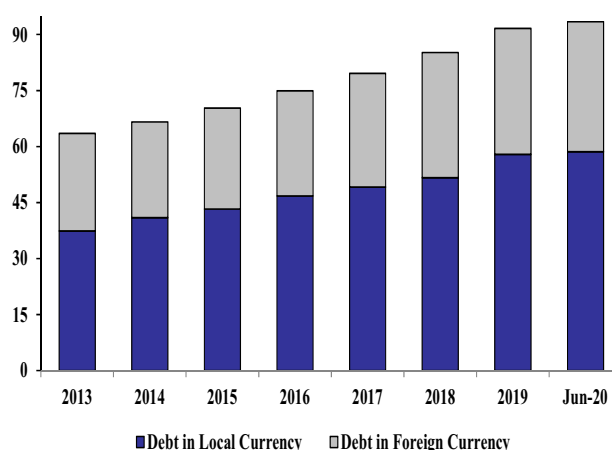
Coincident Indicator down 33% in first half of 2020, reaches lowest level in June since September 2006

Banque du Liban's Coincident Indicator, an index of economic activity in Lebanon, stood at 152.8 points in June 2020, compared to 162.8 in May 2020 and 293.1 in June 2019, and reached its lowest level since September 2006. The Coincident Indicator, an average of eight weighted economic indicators, decreased by 6.1% month-on-month and regressed by 48% year-on-year in June 2020. The annual decline in the indicator in June 2020 is the steepest on record, and reflects the deterioration of economic and financial conditions in the country.

The indicator averaged 200.9 in the first six months of 2020, constituting a decline of 33.4% from an average of 301.7 in the same period of 2019 and representing its lowest level for the first half of a year since 2008. The drop in the indicator is the steepest on record in the first six months of a year since BdL launched the indicator in 1993. The indicator averaged 242.2 in the 12 months ending June 2020, compared to an average of 253.9 in the 12-month period ending May 2020 and to an average of 302.7 in the 12 months ending June 2019. As a result, the 12-month average coincident indicator declined by 4.6% month-on-month and regressed by 20% year-on-year.

In parallel, the indicator regressed 16 times and improved 12 times in the month of June since 1993. It averaged 256.6 points in 2012, 264.7 points in 2013, 273.2 points in 2014, 278.6 points in 2015, 289.5 points in 2016, 305.9 points in 2017, 307.7 points in 2018, and 292.6 points in 2019.

Lebanon's Gross Public Debt (US\$bn)



Source: Ministry of Finance, Byblos Research

Lebanon receives 11.5% of IMF regional technical assistance between May and July 2020

The International Monetary Fund's Middle East Technical Assistance Center (METAC) indicated that Lebanon received 11.5% of the center's overall allocation of technical assistance delivery to member countries during the first quarter of the fiscal year that ends in April 2021, or between May and July 2020. The center provided three technical assistance projects to Lebanon in the first quarter of the fiscal year, the highest number of projects allocated to member countries during the covered quarter, which consisted of two projects in public financial management and one in statistics.

In comparison, it provided two technical assistance projects to each of Algeria, Iraq, Libya, and Tunisia in the covered period, and one project to each of Afghanistan and Yemen. It indicated that there are 10 technical assistance projects planned for Lebanon in the fiscal year that ends in April 2021, the second highest number of such projects among member countries, behind only Egypt (12 projects).

In terms of public financial management, METAC co-organized with the Institut des Finances Basil Fuleihan a workshop on the management of public-private partnerships (PPP). It indicated that the workshop aimed to develop the capacity of government officials to analyze and report PPP risks. It said that 20 participants from the Ministry of Finance, the Higher Council for Privatization and PPP (HCP), and Electricité du Liban attended the workshop.

In addition, METAC held three webinars on medium-term budget planning that 32 staff members from the Ministry of Finance and from six other ministries and agencies attended. It indicated that the workshop highlighted the importance of medium-term budget planning to strengthen the process to allocate and manage budget resources. It added that the workshop stressed on the importance of strengthening Lebanon's current medium-term fiscal framework to increase budget transparency. Further, the mission advised Lebanon to introduce and unify the use of costing parameters across government ministries and agencies, in order to improve the transparency and efficiency of budget costing.

In terms of statistics, METAC assisted the Central Administration for Statistics in addressing issues related to the continuity of the Consumer Price Index (CPI) amid the COVID-19 crisis. It helped compile the CPI for March, April and May 2020, draft a statement on the impact of COVID-19 on the computation of the CPI, and develop a forward-looking plan to ensure the continued and timely monthly release of CPI data.

In parallel, the center indicated that it has one project planned in Lebanon in the second quarter of FY2020/21, which extends from August to October 2020. It noted that the project is in public financial management on the drafting of a gender-based budget statement by the Ministry of Agriculture.

The IMF established METAC in Beirut in October 2004 to serve Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia, and Yemen. The center's mandate is to assist in capacity-building, facilitate the reform process in member countries, and support the region's integration in the world economy.

Value of cleared checks down 1%, returned checks down 21% in first seven months of 2020

The value of cleared checks reached \$32.2bn in the first seven months of 2020, constituting a decrease of 1% from \$32.6bn in the same period of 2019. In comparison, the value of cleared checks declined by 15.8% year-on-year in the first seven months of 2019 and by 3% annually in the same period of 2018. The value of cleared checks in Lebanese pounds regressed by 6.8% year-on-year to the equivalent of \$11.4bn in the first seven months of 2020, while the amount of cleared checks in foreign currencies increased by 2.5% to \$20.9bn in the covered period. The dollarization rate of cleared checks expanded from 62.5% in the first seven months of 2019 to 64.7% in the same period of 2020. There were 3.6 million cleared checks in the first seven months of 2020, down by 40.7% from 6.03 million cleared checks in the same period of 2019.

In addition, the value of cleared checks reached \$5.8bn in July 2020, constituting a rise of 18.7% from \$4.9bn in the preceding month, and compared to \$5.1bn in July 2019. The value of cleared checks in Lebanese pounds increased by 5.6% from the equivalent of \$1.8bn in June 2020, to \$1.9bn in the covered month, and the amount of cleared checks in foreign currencies rose by 26.2% month-on-month to \$3.9bn in July 2020. There were 535,224 cleared checks in July 2020 relative to 544,729 cleared checks in the preceding month.

In parallel, the amount of returned checks in domestic and foreign currencies was \$646.8m in the first seven months of 2020 compared to \$817.2m in the same period of 2019 and to \$885m in the first seven months of 2018. This constitutes a decline of 21% in the first seven months of 2020 relative to a decrease of 7.6% in the same period of 2019. Also, there were 86,348 returned checks in the covered period, down by 43.4% from 152,650 returned checks in the first seven months of 2019. Further, the amount of returned checks in domestic and foreign currencies was \$79m in July 2020, constituting a decrease of 13.1% from \$91m in the previous month, and compared to \$116.7m in July 2019. Also, there were 6,677 returned checks in July 2020, down by 18% from 8,141 returned checks in June 2020.

Term deposits account for 78.5% of customer deposits at end-June 2020

Figures issued by Banque du Liban about the distribution of bank deposits at commercial banks in Lebanon show that term deposits in all currencies reached \$123.3bn, while demand deposits in all currencies stood at \$33.7bn at the end of June 2020.

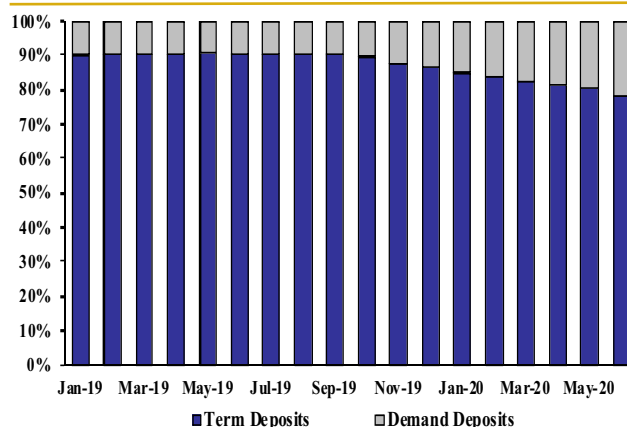
Term deposits in Lebanese pounds and in foreign currency declined by \$26.4bn, or by 17.7% from \$149.7bn at end-2019. They accounted for 78.5% of total deposits at end-June 2020 relative to a share of 86.7% at end-2019. The decline in term deposits was due to a drop of 31.6% in term deposits in Lebanese pounds of the resident private sector, a 22.1% contraction in term deposits of non-residents, a 17.8% decrease in term deposits of the non-resident financial sector, an 11.5% decline in foreign currency-denominated term deposits of the resident private sector, and a 10.2% decrease in term deposits in Lebanese pounds of the public sector. This was partly offset by a surge of 90.4% in foreign currency-denominated term deposits of the public sector. The drop in term deposits is due to cash withdrawals and to the migration of funds from term to demand deposits, amid the confidence crisis that started in October 2019. Aggregate term deposits declined by \$43.2bn since the end of September 2019.

Foreign currency-denominated term deposits of the resident private sector amounted to \$69.85bn and accounted for 44.5% of total deposits at the end of June 2020. Term deposits of non-residents followed with \$22.8bn (14.5%), then term deposits in Lebanese pounds of the resident private sector with \$20.7bn (13.2%), term deposits of the non-resident financial sector with \$5.6bn (3.6%), term deposits in Lebanese pounds of the public sector with \$3.7bn (2.4%), and term deposits in foreign currency of the public sector with \$611.2m (0.4%).

In parallel, demand deposits in all currencies rose by \$10.85bn, or by 47.4%, from \$22.9bn at end-2019. They accounted for 21.5% of total deposits at end-June 2020 relative to a share of 13.3% at end-2019. The increase in demand deposits was mainly due to a growth of \$6.9bn in foreign currency-denominated demand deposits of the resident private sector, a rise of \$2.35bn in demand deposits of non-residents, and an increase of \$1.44bn in demand deposits in Lebanese pounds of the resident private sector.

Demand deposits in foreign currency of the resident private sector amounted to \$19.5bn and represented 12.4% of total deposits at the end of June 2020. Demand deposits in Lebanese pounds of the resident private sector followed with \$6.15bn (3.9%), then demand deposits of non-residents with \$5.5bn (3.5%), demand deposits of the non-resident financial sector with \$2.06bn (1.3%), demand deposits in Lebanese pounds of the public sector with \$359.7m (0.2%), and demand deposits in foreign currency of the public sector with \$179.3m (0.1%).

Breakdown of Deposits at Commercial Banks (%)



Source: Banque du Liban

Banque du Liban takes measures to support loan repayments

Banque du Liban (BdL) issued on August 26, 2020 Intermediate Circular 568, which amends Basic Circular 81 issued on February 21, 2001 about the operations of banks and financial institutions that are related to credit, investment, shareholding, and participation. The circular added two new sections to Article 3 of Basic Circular 81. It stipulated that banks and financial institutions should allow their clients to settle the payments of retail loans denominated in US dollars in Lebanese pounds based on the official exchange rate of LBP1,507.5 per US dollar. According to BdL, retail loans include all consumer loans, such as car, student and education loans, among other consumer loans. They also incorporate revolving credits, such as credit cards and personal loans, as well as housing loans.

The circular stipulated three conditions that clients should meet in order to be able to settle their US dollar loans in Lebanese pounds. First, it noted that the above mechanism is restricted only to clients who are residents of Lebanon. Second, it said that clients must not have a bank account in US dollars. Third, it stipulated that the total amount of housing loans granted to a client must not exceed \$800,000, while the aggregate amount of retail loans must not exceed \$100,000 per client. It added that the settlement of other types of loans, especially commercial loans, will remain subject to the conditions set in the loan agreement between the bank and the client. It also required non-residents to settle their non-retail loans in US dollars through fresh money sent from abroad.

In parallel, BdL issued on August 26, 2020 Intermediate Circular 569, which amends Basic Circular 152 that asked banks and financial institutions operating in the country to extend exceptional loans in US dollars to individuals and businesses that have been affected by the explosion at the Port of Beirut on August 4, 2020. The original circular allows businesses and households that were affected by the explosion to benefit from a five-year credit facility in US dollars at zero percent interest rate. The new circular stipulated that clients who receive insurance claims or any other form of financial aid or grant to restore their homes or businesses should utilize the funds to fully or partially settle the exceptional loan they received under this mechanism.

Moreover, the new circular allows banks to disburse, for one time only and upon the client's request, up to \$15,000 from the exceptional loan in Lebanese pounds based on the exchange rate of BdL's "Sayrafa" platform, which currently stands at LBP3,900 per US dollar.

BLOM Bank's potential sale of Egyptian subsidiary is credit positive

Moody's Investors Service considered that BLOM Bank's potential sale of its Egyptian subsidiary would increase the group's capital base and foreign currency liquidity, and would be credit positive amid Lebanon's deep economic, financial and social crises. It indicated that the UAE-based Emirates NBD Bank (ENBD) confirmed on August 13, 2020 that it is in early-stage negotiations with BLOM Bank to acquire its Egyptian subsidiary.

The agency pointed out that BLOM Bank Egypt was one of the group's most profitable units in 2019. It noted that the Egyptian operations contributed to 12% of the group's profits in the first half of 2019, even though they accounted for 7% of assets at end-June 2019. It considered that BLOM Bank would be "sacrificing" diversification, future growth and earnings, in case it sells its subsidiary.

In parallel, Moody's considered that the acquisition would have limited credit implications on ENBD in the coming 12 to 18 months, given the small size of the target bank. It noted that the latter's total assets stood at around \$2.5bn at end-June 2019, which is equivalent to 1.3% of ENBD's total assets of \$189bn as at end-June 2020. It also pointed out that the acquisition supports ENBD's strategy of increasing its presence in the Middle East & North Africa region's large markets over the long term, including in Egypt, Saudi Arabia, Turkey and the UAE. It added that the acquisition would expand the bank's existing operations in Egypt.

BLOM Bank declared net profits of \$115.4m in 2019, constituting a decline of 77.4% from \$511.6m in 2018. It attributed the decline to the impact of the financial and economic crisis in Lebanon on the bank's performance. It indicated that the profits for 2019 mostly came from its units outside of Lebanon, while its branches in the country did not generate any profits last year due to the provisions booked in accordance with Banque du Liban's circulars to cover for credit risks arising from the prevailing conditions in financial markets. Also, the bank's aggregate assets reached \$33.3bn at the end of 2019, declining by 9.4% from \$36.7bn at end-2018. Net loans & advances to customers totaled \$5.8bn at the end of 2019, down by 18.8% from \$7.1bn at end-2018, while customer deposits amounted to \$26.1bn, and decreased by 2.7%, or by \$724m, from end-2018.

Ratio Highlights

(in % unless specified)	2017	2018	2019	Change*
Nominal GDP (\$bn)	53.1	55.0	51.7	(3.3)
Public Debt in Foreign Currency / GDP	57.2	60.9	64.6	3.71
Public Debt in Local Currency / GDP	92.5	94.0	110.9	16.95
Gross Public Debt / GDP	149.7	154.9	175.6	20.66
Total Gross External Debt / GDP**	190.3	192.8	196.3	3.50
Trade Balance / GDP	(31.5)	(31.0)	(29.7)	1.27
Exports / Imports	14.5	14.8	19.4	4.62
Fiscal Revenues / GDP	21.9	21.0	19.5	(1.53)
Fiscal Expenditures / GDP	28.9	32.4	29.7	(2.62)
Fiscal Balance / GDP	(7.1)	(11.4)	(10.3)	1.09
Primary Balance / GDP	2.7	(1.2)	(0.5)	0.65
Gross Foreign Currency Reserves / M2	68.2	63.8	70.2	6.38
M3 / GDP	260.8	257.1	257.7	0.59
Commercial Banks Assets / GDP	413.7	453.9	415.3	(38.64)***
Private Sector Deposits / GDP	317.4	317.1	304.3	(12.76)
Private Sector Loans / GDP****	112.3	108.1	95.3	(12.71)
Private Sector Deposits Dollarization Rate	68.7	70.6	76.0	5.41
Private Sector Lending Dollarization Rate	68.6	69.2	68.7	(0.50)

*change in percentage points 19/18; **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; ***The decline in assets in 2019 is mainly due to the "netting" on the assets and liabilities' sides of the consolidated balance sheet of commercial banks as part of the implementation of international accounting standard IFRS 7; **** in January 2018, Lebanese banks started reporting their financials based on international accounting standard IFRS 9, and revised the 2017 figures accordingly
Source: Association of Banks in Lebanon, Institute of International Finance, Central Administration of Statistics, 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

	2018	2019e	2020f
Nominal GDP (LBP trillion)	82.8	81.4	142.0
Nominal GDP (US\$ bn)	55.0	51.7	32.7
Real GDP growth, % change	-1.9	-7.3	-23.5
Private consumption	-1.3	-7.1	-17.1
Public consumption	6.7	1.5	-47.7
Gross fixed capital	-1.8	-10.7	-33.3
Exports of goods and services	0.5	-5.0	-35.1
Imports of goods and services	1.1	-4.5	-36.3
Consumer prices, %, average	6.1	2.9	95.4
Official exchange rate, average, LBP/US\$	1,507.5	1,507.5	1,507.5
Parallel exchange rate, average, LBP/US\$	n/a	1,620	5,587
Weighted average exchange rate LBP/US\$	1,507.5	1,575	4,283

Source: Institute of International Finance- August 9, 2020

Ratings & Outlook

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

*for downgrade

**CreditWatch negative

Source: Rating agencies

Banking Sector Ratings

	Outlook
Moody's Investors Service	Negative

Source: Moody's Investors Service

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut – Lebanon
Tel: (961) 1 338 100
Fax: (961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

Lebanon This Week is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from Lebanon This Week may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.

BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Al Reem Island - Sky Tower - Office 2206
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5 Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293