

LEBANON THIS WEEK

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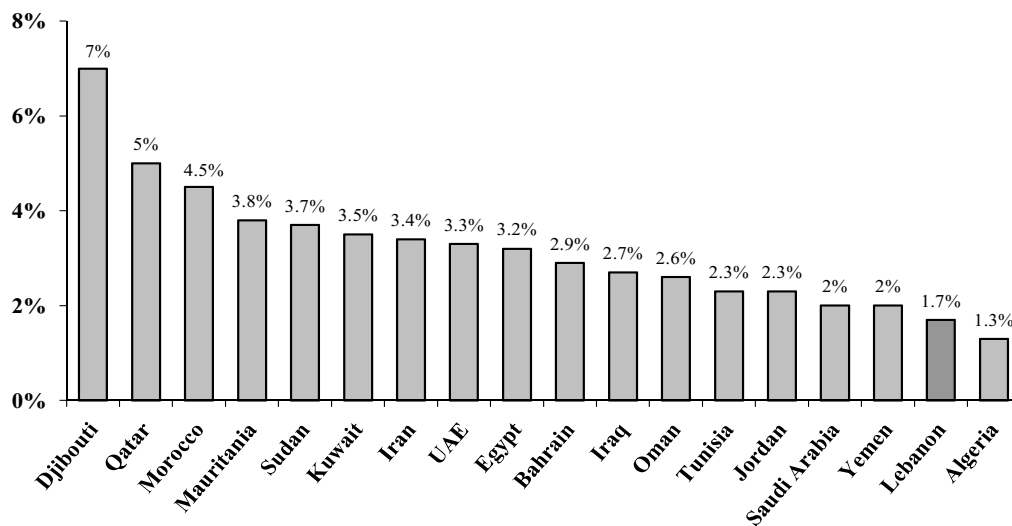
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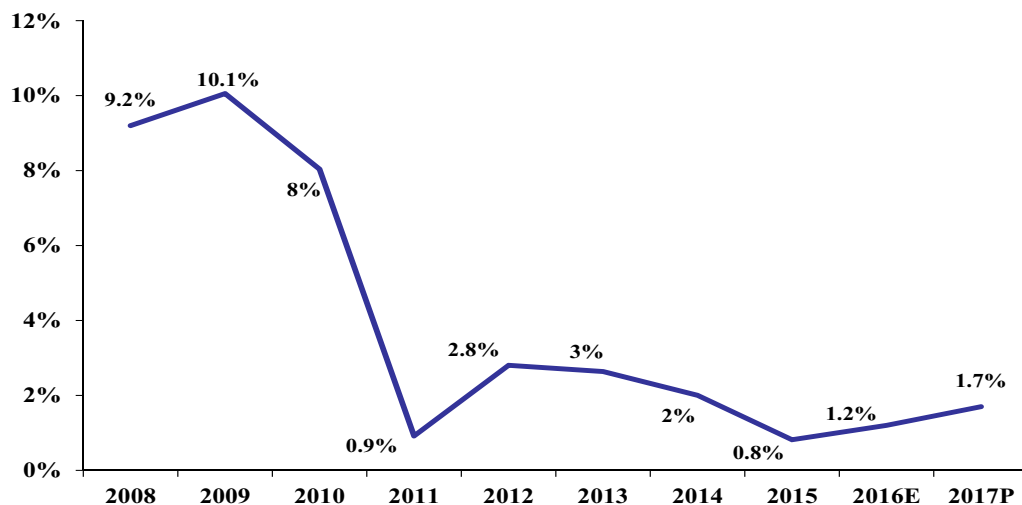
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Charts of the Week

Projected Non-Hydrocarbon Real GDP Growth Rates of MENA Countries in 2017 (%)



Real GDP Growth Rates in Lebanon (%)



Source: International Monetary Fund, Institute of International Finance, Byblos Bank

Quote to Note

“We expect a modest pick-up in growth in the second half of the year, driven by some recovery in the exports of goods and services.”

The Institute of International Finance, on the anticipated contribution of the tourism sector in Lebanon to the country's economic activity in the second half of 2017

Number of the Week

50.5: Average number of times per month that firms in Lebanon experience electricity outages, according to a survey by the World Bank

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
Solidere "A"	7.85	1.95	617,274	6.76%
BLOM GDR	12.31	1.32	340,330	7.84%
BLOM Listed	11.26	0.27	152,277	20.85%
Solidere "B"	7.54	(1.57)	78,663	4.22%
Audi Listed	6.20	0.00	15,500	21.35%
Byblos Common	1.63	0.00	2,144	7.94%
Audi GDR	6.00	(2.44)	2,000	6.20%
Byblos Pref. 09	101.10	(0.10)	609	1.74%
HOLCIM	12.50	0.00	-	2.10%
Byblos Pref. 08	101.10	0.00	-	1.74%

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

Sovereign Eurobonds	Coupon %	Mid Price \$	Mid Yield %
Dec 2017	4.00	99.63	4.84
Nov 2018	5.15	100.13	5.05
May 2019	6.00	100.88	5.49
Mar 2020	6.38	101.25	5.85
Oct 2022	6.10	99.13	6.30
Jun 2025	6.25	98.13	6.56
Nov 2026	6.60	99.13	6.73
Feb 2030	6.65	97.63	6.93
Apr 2031	7.00	99.38	7.07
Nov 2035	7.05	98.50	7.20

Source: Byblos Bank Capital Markets

	Jul 10-14	Jul 3-7	% Change	June 2017	June 2016	% Change
Total shares traded	1,393,119	1,381,155	0.9	4,057,384	2,859,053	41.9
Total value traded	\$13,646,290	\$17,053,361	(20.0)	\$45,447,025	\$22,365,431	103.2
Market capitalization	\$11.61bn	\$11.60bn	0.35	\$11.57bn	\$11.03bn	4.8

Source: Beirut Stock Exchange (BSE)



Inter-Arab greenfield foreign direct investment in Lebanon at \$12bn between 2003 and 2016

Figures compiled by fDi Markets show that the cumulative value of Arab greenfield foreign direct investment (FDI) in Lebanon totaled \$11.98bn between 2003 and 2016. Lebanon was the 12th largest recipient of inter-Arab greenfield FDI among 21 Arab countries during the covered period, ahead of Syria (\$10.53bn), Tunisia (\$7.61bn), Sudan (\$4.24bn), Yemen (\$3.82bn), Djibouti (\$3.5bn), Kuwait (\$3.31bn), Palestine (\$1.19bn), Somalia (\$485.7m) and Mauritania (\$80.8m). The value of greenfield FDI projects in Lebanon accounted for 3.7% of total inter-Arab greenfield FDI projects in Arab countries between 2003 and 2016.

The FDI figures cover cross-border greenfield projects that lead to the direct creation of jobs and capital investment. They include joint ventures when these transactions lead to a new physical greenfield operation, but exclude mergers and acquisitions and other equity investments. fDi Markets is a database that tracks cross-border greenfield investments across the world, and is owned by the Financial Times Group.

The real estate sector in Lebanon attracted \$7.58bn in greenfield FDI, or 63.3% of the total, between 2003 and 2016. The hotels & tourism sector followed with \$3.33bn (27.8%), then the metals industry with \$300m (2.5%), the financial services sector with \$279.5m (2.3%), the entertainment industry with \$98.1m (0.8%), storage with \$63.5m and the transportation sector with \$62.8m (0.5% each); while other sectors attracted \$264.1m, or 2.2% of the total during the covered period.

The UAE was the main Arab source of greenfield FDI in Lebanon with \$7.76bn or 64.8% of the total, followed by Kuwait with \$2.05bn (17.1%), Saudi Arabia with \$1.9bn (15.9%), Qatar with \$104.5m (0.9%), Bahrain with \$100m (0.8%), Egypt, Iraq and Jordan with \$15.1m each, and Oman with \$12.6m (0.1% each).

In parallel, Lebanon attracted 92 greenfield FDI projects from Arab countries between 2003 and 2016, constituting the 11th highest number of projects among 21 Arab countries. Lebanon attracted the same number of projects as Morocco, fewer projects than Saudi Arabia (402 projects), the UAE (283 projects), Egypt (247 projects), Oman (238 projects), Bahrain (227 projects), Qatar (220 projects), Jordan (147 projects), Kuwait (138 projects), Iraq (101 projects) and Algeria (98 projects). Also, the number of greenfield FDI projects in Lebanon accounted for 3.6% of such projects in Arab countries over the covered period. Overall, the UAE, Kuwait and Saudi Arabia accounted for 87% of the number of projects in Lebanon and for 97.8% of their value.

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

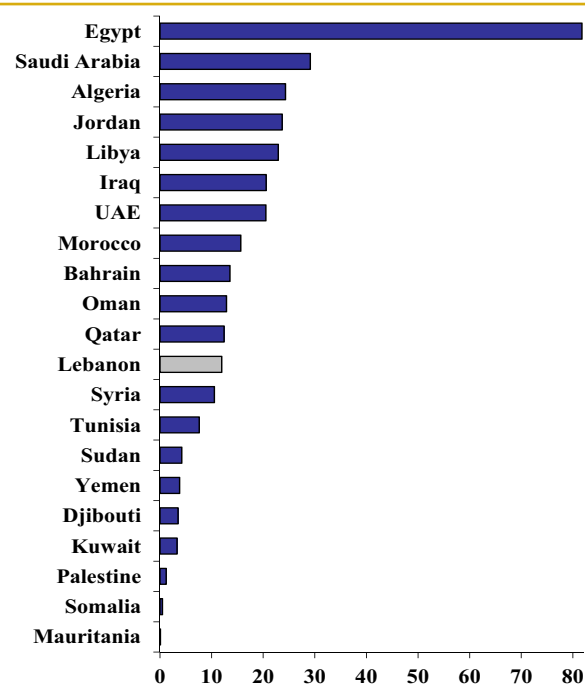
The Association of Banks in Lebanon (ABL) recommended to its member banks to reduce the Beirut Reference Rate (BRR) in US dollars to 6.78% in August 2017 from 6.79% in July. The rate, considered as the reference rate for lending in foreign currency, replaced the London Interbank Offered Rate (LIBOR) 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 increase the BRR in Lebanese pounds to 8.68% in August 2017 from the July 2017 rate of 8.66%. 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 7% in first half of 2017

Figures released by the Beirut-Rafic Hariri International Airport show that 3,495,075 passengers utilized the airport (arrivals, departures and transit) in the first half of 2017, constituting an increase of 6.8% from 3,272,580 passengers in the same period of 2016. The number of arriving passengers grew by 7.9% year-on-year to 1,791,482 in the first half of 2017, compared to an increase of 7.3% in the same period of last year and to a rise of 7% in the first half of 2015. Also, the number of departing passengers grew by 6% year-on-year to 1,701,454 in the first half of 2017, relative to an increase of 3.1% in the same period of last year and to a rise of 6.2% in the first half of 2015.

In parallel, the airport's aircraft activity regressed by 1.3% year-on-year to 32,319 take-offs and landings in the first half of 2017, compared to a growth of 6.1% in the same period of 2016 and to an increase of 3.9% in the first half of 2015. In addition, the HIA processed 44,359 metric tons of freight in the first half of 2017 that consisted of 27,002 tons of import freight and 17,358 tons of export freight. Middle East Airlines had 11,727 flights in the first half of 2017 and accounted for 36.3% of HIA's total aircraft activity.

Inter-Arab Greenfield FDI Inflows between 2003 and 2016 (US\$bn)



Source: fDi Markets, Byblos Research

Lebanon ranks 133rd globally, 15th among Arab countries in terms of commitment to cybersecurity

The International Telecommunication Union's 2017 Global Cybersecurity Index (GCI) ranked Lebanon in 133rd place among 194 countries around the world and in 15th place among 20 Arab countries. Lebanon also came in 38th place among 54 upper middle-income countries (UMICs) included in the survey. The GCI assesses a country's commitment to cybersecurity in order to help it identify areas that need improvement. Cybersecurity consists of the set of technologies, processes, and practices designed to protect networks, devices, programs, and electronic data from attacks, damages, or unauthorized access.

The GCI is a composite of 25 indicators that are grouped into five pillars, which are the Legal, Technical, Organizational, Capacity Building and Cooperation pillars. The Legal and Technical pillars evaluate the legal and technical institutions and frameworks that deal with cybersecurity and cybercrime. Also, the Organizational Pillar measures policy-coordinating institutions and strategies for cybersecurity development at the national level. Further, the Capacity Building Pillar assesses the presence of research & development, education and training programs, certified professionals and public sector agencies that promote capacity building. Finally, the Cooperation Pillar measures the existence of partnerships, cooperative frameworks and information-sharing networks. A country's score is a weighted average of the five pillars and ranges between zero and one point, with a score of one point reflecting the highest commitment to cybersecurity.

Globally, Lebanon has a higher level of commitment to cybersecurity than Madagascar, the Dominican Republic and Nicaragua, and is less committed to cybersecurity than Mozambique, Armenia and Zimbabwe among countries with a nominal GDP of \$10bn or more. It has a higher level of commitment to cybersecurity than Gabon and Turkmenistan, and is less committed to cybersecurity than Serbia, Jordan and Libya

Lebanon received a score of 0.172 points, which is below the simple average of 0.358 points of the 194 countries included in the survey, the UMIC's average of 0.355 points and the Arab average of 0.365 points. Also, its score came below the Gulf Cooperation Council (GCC) countries' average of 0.542 points and the average of non-GCC Arab countries of 0.289 points. Singapore has the highest level of commitment to cybersecurity worldwide, while Central African Republic is the country that is least committed to cybersecurity globally.

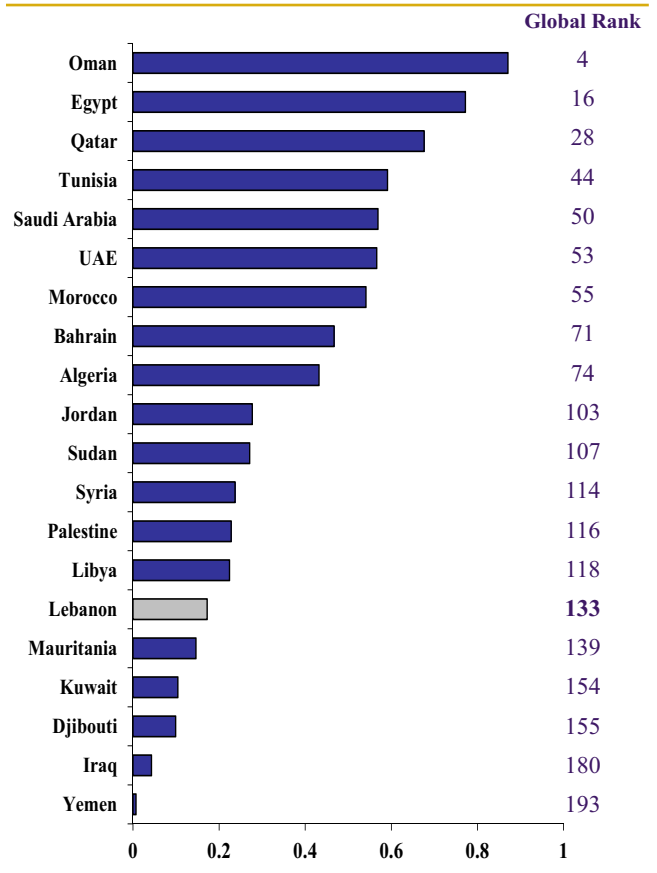
Lebanon joins European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) indicated that Lebanon has completed the required official steps to become a member of the EBRD. The bank is waiting for its shareholders to approve Lebanon's new status of "country of operation" by its shareholders in order to start operating and investing in the country. Lebanon applied for membership to the EBRD in July 2015, in an effort to promote sustainable economic growth and strengthen key sectors in the country. In December 2015, the shareholders of the EBRD approved Lebanon's request to become a shareholder of the bank.

Established in 1991, the EBRD aims to support market economies and promote the private sector. The bank's investments are earmarked towards the development of natural resources, financial institutions, agribusiness, manufacturing and services, as well as to infrastructure projects such as power, municipal water and wastewater and upgrading transport services.

The bank currently invests and operates in over 30 countries in South-Eastern Europe, Central Europe & Baltic States, Eastern Europe & the Caucasus, Central Asia, and the Southern & Eastern Mediterranean. The bank has so far invested around EUR4.81bn in 134 projects across countries in the Southern and Eastern Mediterranean region, which consist of Egypt, Jordan, Morocco and Tunisia. The EBRD currently has 67 shareholders that include 65 countries, in addition to two intergovernmental institutions that are the European Union and the European Investment Bank.

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



Source: International Telecommunication Union, Byblos Research

Value of cleared checks nearly unchanged, returned checks down 4% in first half of 2017

The value of cleared checks reached \$33.7bn in the first half of 2017, constituting a marginal decrease of 0.4% from \$33.8bn in the same period of 2016. In comparison, the value of cleared checks regressed by 2.7% in the first half of 2016 and by 6.4% in the same period of 2015. The value of cleared checks in Lebanese pounds grew by 7.8% year-on-year to the equivalent of \$10.5bn in the first half of 2017, while the value of cleared checks in US dollars declined by 3.7% to \$23.2bn in the covered period. The dollarization rate of cleared checks regressed to 68.9% from 71.2% in the first half of 2016. Further, there were 6.05 million cleared checks in the first half of 2017, down by 1.9% from 6.2 million in the same period last year.

In parallel, the value of returned checks in domestic and foreign currency was \$709m in the first half of 2017 compared to \$736m in the same period of 2016 and \$794m in the first half of 2015. This constituted a decrease of 3.7% year-on-year in the first half of 2017 relative to a decrease of 7.3% in the same period of 2016 and a rise of 11% in the first half of 2015. Also, there were 112,500 returned checks in the covered period, down by 1% from 113,700 returned checks in the first half of 2016.

Banque du Liban increases the number of new bank branches per year

Banque du Liban issued Intermediate Circular 467 on July 6, 2017 that amends Basic Circular 53 issued on November 5, 1998 that regulates the opening and closure of bank branches in Lebanon. The circular increased the number of branches that banks are allowed to open in Lebanon to a maximum of three branches per year, from two branches previously, provided that at least one of the newly-opened branches uses modern technology. It added that the BdL may allow a bank to exceed the three-branch per year ceiling in special cases, especially if the bank plans to open branches outside Beirut and its suburbs. The BdL's amendment aims to increase financial inclusion in Lebanon.

There were 1,078 branches in the country at the end of 2016, up from 1,039 branches at end-2015 and 830 at end-2006. The distribution of branches shows that 567 branches were in Beirut, or 53.7% of the total at end-2016, followed by 203 branches (19.2%) in Mount Lebanon, 115 branches (10.7%) in the South, 103 branches (9.7%) in the North and 68 branches (6.4%) in the Bekaa.

Figures issued by the International Monetary Fund indicate that there were 106.7 bank branches per 1,000 square kilometers in Lebanon in 2015, the latest available figures, up from 105.1 branches per 1,000 square kilometers in 2014, and compared to 83.3 branches per 1,000 square kilometers in 2004. Lebanon had the 10th highest branch penetration rate among 167 countries worldwide with available figures for 2015, the fifth highest among 49 upper middle-income countries and the highest among 16 Arab countries.

Compensation of public-sector personnel up 6% in first 10 months of 2016, absorbs 34% of fiscal spending

Figures issued by the Ministry of Finance show that the compensation of public-sector personnel totaled \$4bn in the first 10 months of 2016, constituting an increase of 5.9% from \$3.8bn in the same period of 2015. Salaries, wages and related benefits accounted for 65.5% of the total in the first 10 months of 2016, followed by retirement benefits (24.7%), transfers to public institutions to cover salaries (5.1%) and end-of-service indemnities (4.6%). The rise in the compensation of public-sector personnel reflects a year-on-year increase in end-of-service indemnities (+7.6%), in salaries, wages and related benefits (+6.5%), in retirement benefits (+4.5%) and in transfers to public institutions to cover salaries (+3.3%). The compensation of public-sector personnel represented the largest component of total budgetary primary spending and accounted for 67% of such expenditures in the covered period compared to 66% in the first 10 months of 2015. The compensation of public-sector personnel absorbed 34% of fiscal spending in the first 10 months of 2016 relative to 35% in the same period of 2015.

In parallel, salaries, wages and related benefits paid to public-sector employees amounted to \$2.6bn in the first 10 months of 2016, constituting an increase of 6.5% from \$2.5bn in the same period last year. This category includes basic salaries, employment benefits, allowances, contributions to civil servants' cooperatives, as well as contributions to other mutual funds providing health insurance for specific categories of civil servants, mainly civil and religious judges, and employees at the Parliament. Salaries and benefits of military personnel reached \$1.6bn and accounted for 62% of salaries, wages and related benefits paid to the public sector in the covered period. They were followed by educational personnel with \$585.7m (22.2% of the total), civil staff with \$250.1m (9.5%), the government's contribution to the employees' cooperative with \$146.6m (5.6%) and customs employees with \$19.9m (0.8%). Also, the Lebanese Army's salaries totaled \$1.1bn in the first 10 months of 2016 and represented 64.6% of military personnel's salaries and benefits. The salaries of the Internal Security Forces followed with \$441.8m (27%), those of the General Security Forces with \$104.8m (6.4%) and the State Security Forces with \$32.5m (2%).

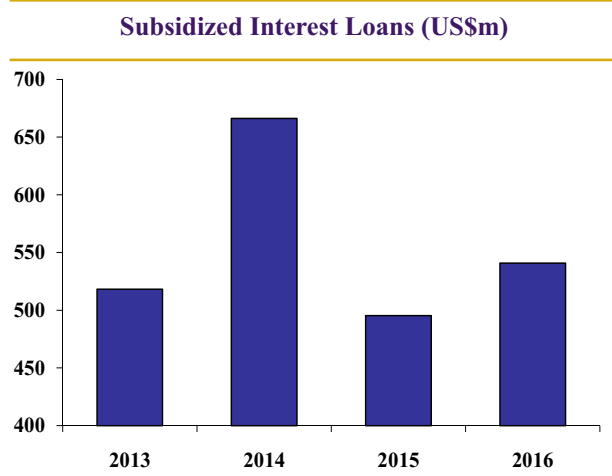
The overall increase in salaries, wages and related benefits paid to public-sector employees reflects a growth of \$198.3m in basic salaries, a rise of \$9.3m in employment benefits and an increase of \$3.3m in other payments such as bonuses given to non-military bodies, which were partly offset by a decrease of \$50.4m in allowances. Overall, basic salaries grew by 11.2% year-on-year to \$2bn in the first 10 months of 2016, other payments disbursed to non-military bodies increased by 1.8% to \$192.4m and employment benefits rose by 8.3% to \$121.4m, while allowances regressed by 13.1% to \$334.3m in the first 10 months of 2016.



Subsidized interest loans up 9% to \$541m in 2016

Figures released by Banque du Liban show that the amount of subsidized interest loans to productive sectors in Lebanon totaled \$540.8m in 2016, constituting an increase of 9.2% from \$495.3m in 2015. The industrial sector benefited from \$309.2m in subsidized interest loans, equivalent to 57.2% of the total, followed by tourism with \$156.5m (28.9%) and agriculture with \$75m (13.9%). Subsidized medium & long-term loans by Banque du Liban amounted to \$432.5m in 2016, equivalent to 80% of the total. The industrial sector accounted for 59.5% of subsidized medium & long-term loans, followed by tourism with 31% and agriculture with 9.5%. The program was established in the first half of 1997 and consists of a 5% to 7% subsidy on the interest charged on loans extended to productive sectors.

Also, subsidized interest loans guaranteed by the Kafalat Corporation reached \$95.6m, or 17.7% of total subsidized interest loans, in 2016. The industrial sector received 42.3% of Kafalat-backed subsidies, followed by the agricultural sector with 34.1% and the tourism sector with 23.6%. Kafalat provides financial guarantees for loans of up to \$430,000 for small and medium-sized enterprises in productive sectors. In addition, subsidized interest loans granted by leasing companies amounted to \$12.7m in 2016, or 2.3% of total subsidized interest loans, and were extended in full to the industrial sector. The cumulative amount of subsidized interest loans to productive sectors in Lebanon totaled \$7bn between 1997 and 2016.



Source: Banque du Liban, Byblos Research

Industrial activity improves slightly in fourth quarter of 2016

Banque du Liban's quarterly business survey shows that industrial production improved during the fourth quarter of 2016 from the preceding quarter, with the balance of opinions standing at zero compared to -4 during the third quarter of 2016 and -12 in the fourth quarter of 2015. The balance of opinions was the highest in the South at +48, followed by the North (+14), Beirut & Mount Lebanon (-9) and the Bekaa (-10). The business survey reflects the opinions of managers of industrial enterprises about their businesses, in order to depict the evolution of a number of key economic variables. The balance of opinions for overall demand for industrial goods stood at -3 in the fourth quarter of 2016 compared to -7 in the preceding quarter and to -13 in the same quarter of 2015. The balance of opinions about demand for industrial goods was the highest in the South at +46, followed by the North (+3), the Bekaa (-5) and Beirut & Mount Lebanon (-16).

In parallel, the balance of opinions for the volume of investments in the industrial sector stood at -1 in the fourth quarter of 2016 compared to -8 in the preceding quarter and to -7 in the fourth quarter of 2015. The balance of opinions about the volume of investments was the highest in the South at +24, followed by the Bekaa (zero), the North (-3) and Beirut & Mount Lebanon (-5). Also, the balance of opinions for foreign demand of industrial goods stood at -21 during the fourth quarter of 2016 compared to -15 in the preceding quarter and to -14 in the same quarter of 2015. The balance of opinions for foreign demand of industrial goods was the highest in the Bekaa at -6, followed by the North (-8), Beirut & Mount Lebanon (-20) and the South (-82). The balance of opinions is the difference between the proportion of surveyed managers who consider that there was an improvement in a particular indicator and the proportion of those who reported a decline in the same indicator.

Industrial Activity: Evolution of Opinions				
Aggregate results	Q4-13	Q4-14	Q4-15	Q4-16
Production	-4	-5	-12	0
Total demand	-5	-9	-13	-3
Foreign demand	-16	-14	-14	-21
Volume of investments	-4	1	-7	-1
Inventories of finished goods	-14	-7	-6	-10
Inventories of raw material	-7	-7	-5	-11
Registered orders	-14	-15	-16	-6

Source: Central Bank Business Survey for Fourth Quarter of 2016

Kafalat loan guarantees down 24% to \$38m in first half of 2017

Figures released by the Kafalat Corporation show that loans extended to small- and medium-sized enterprises (SMEs) under the guarantee of Kafalat reached \$38.1m in the first half of 2017, constituting a decrease of 23.7% from \$49.9m in the same period of 2016. Kafalat provided 310 loan guarantees in the covered period, down by 13.6% from 359 guarantees in the first half of 2016. The average loan size reached \$122,805 in the first half of 2017 compared to \$138,910 in the same period of 2016. Mount Lebanon accounted for 44% of the total number of guarantees, followed by the Bekaa with 20%, the South with 13.6%, the North with 9%, Nabatieh with 7.7% and Beirut with 5.8%. Also, the agricultural sector accounted for 40.7% of the total number of guarantees in the first half of 2017, followed by the industrial sector with 34.2%, tourism with 19.7%, handicraft with 3.6% and specialized technologies with 1.9%.

Kafalat is a state-sponsored organization that provides financial guarantees for loans of up to \$430,000 earmarked for the setup and expansion of SMEs in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the accrued interest. It also guarantees up to 90% of the loan amount for innovative start-ups and a similar percentage of the accrued interest. Interest rate subsidies are financed by the Ministry of Finance and administered by Banque du Liban. The National Institute for the Guarantee of Deposits holds a 75% stake in Kafalat, while the remaining 25% is held by 50 Lebanese banks.

Launch of female-focused investment fund

Insure & Match Capital (IM Capital) launched on July 7, 2017 the first Lebanese Women Angel Fund (LWAF) in partnership with the Lebanese League for Women in Business and Go Beyond Investing. The fund aims to promote entrepreneurship among women and to address the integration of Lebanese women in business. The LWAF plans to offer 35 selected women a one-year program based on the Learn & Earn methodology, which allows investors to first acquire knowledge and then make investments. First, the fund would provide training seminars and webinars moderated by Go Beyond Investing on topics such as angel investing, investor portfolio returns and liquidity, company valuation, due diligence, as well as investment and exit strategies. The participants are expected to present a pitch to female-led startups every six to eight weeks during the program. At the end of the program, the group of participants would collectively make between three and four investments of \$50,000 each.

In parallel, IM Capital announced the graduation of 26 Lebanese businessmen and women who successfully completed the Seeders Masterclass for Business Angels (MBA). Seeders MBA, which was launched in September 2016, offered a group of participants a one-year program based on the Learn & Earn methodology. The participants delivered 20 startup pitches each, conducted due diligence on 15 startups, and acquired knowledge on the fundamentals of angel investing through trainings and webinars. The group of participants then made a joint decision to invest in four local startups.

Insure & Match Capital, a fully-owned subsidiary of the Berytech Foundation, offers support through matching capital, equity guarantee as well as technical assistance to qualified early-stage businesses (QESBs). It provides investment tools and support directly to QESBs, or indirectly through qualified early-stage investors that include angel investors, venture capital funds, as well as incubators and accelerators.

U.S. healthcare service provider acquires Lebanese insurer

Cigna Corporation, a U.S.-based global healthcare services company, acquired Zurich Insurance Middle East sal, a subsidiary of the Swiss-based Zurich Insurance Company Ltd. The newly acquired entity will be named "Zurich Insurance Middle East, a Cigna-owned company", until it is renamed under the Cigna brand following the completion of the needed official procedures. The acquisition provides Cigna Corporation a foothold in the Lebanese insurance market. The insurer aims to provide personalized insurance products to individuals, employers and government entities.

Founded in 1951 in Lebanon, Zurich Insurance Middle East sal offers motor insurance, home insurance, travel insurance, life protection, cargo, casualty, employee, property, and energy risk protection products. The company has also offices in the UAE, Oman, and Kuwait. *Al-Bayan* magazine's annual survey of the insurance sector in Lebanon shows that Zurich Insurance Middle East sal generated non-life premiums of \$100,000 in 2016 relative to \$3.3m in 2015, and ranked in 44th place among 45 providers of non-life insurance in the country.

Established in 1982, Cigna Corporation operates in 30 countries and jurisdictions, employs over 40,000 employees and serves over 95 million customers worldwide. It posted total revenues of \$39.7bn in 2016, while its total assets reached \$59.4bn at end-2016.



Middle East Airlines' net profits down 4.5% \$94m in 2016

Figures released by national flag carrier Middle East Airlines (MEA) show that MEA generated net profits of \$94.1m in 2016, constituting a drop of 4.5% from \$98.5m in 2015. Further, MEA posted cumulative net profits of \$976m during the 2002-2016 period, compared to cumulative net losses of \$726m during the 1975-2001 period. It began to post net profits in 2002, following the implementation of a restructuring plan in 2001. MEA's net profits grew at a compound annual growth rate (CAGR) of 27.7% between 2002 and 2016.

In addition, MEA's operating revenues reached \$672m in 2016, down by 9% from \$738.8m in the preceding year. Also, the airline's operating expenses declined by 7% to \$589m in 2016. MEA's cash balance totaled \$217m in 2016; while the total value of its fleet, as well as its property and equipment, reached \$736m. The company's shareholders' equity reached \$801m in 2016, up by 18.6% from \$675.4 in 2015. In parallel, MEA paid cumulative dividends of \$495m in the past nine years, which is equivalent to an annual dividend payment of \$55m.

Founded in 1945, MEA is 99% owned by Banque du Liban and is part of the global airline alliance SkyTeam. The airline owns 14 Airbus planes and leases six other ones. There were 24,781 MEA flights in 2016, with 232 flights per week. In addition, MEA's freight volume totaled 87,256 tons in 2016.

Bankers Assurance's net profits up 1.7% to \$11.7m in 2016

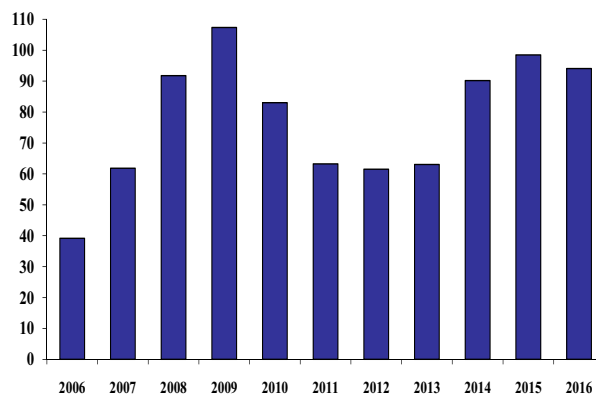
Bankers Assurance announced audited net profits of \$11.7m in 2016, constituting an increase of 1.7% from \$11.5m in 2015. The firm's audited balance sheet shows total assets of \$195.2m at the end of 2016, up by 6.6% from \$183.1m at the end of 2015. On the assets side, general company investments reached \$85m at the end of 2016 and grew by 0.6% from a year earlier. They included \$44.5m in cash & cash equivalents that decreased by 27.7% year-on-year, \$10.9m in fixed income investments that improved by 22.5% from a year earlier, \$4.1m in mutual funds that increased by 10.5% from end-2015, and \$2.3m in land and real estate investments that decreased by 7.9% from a year earlier. They also included \$19.6m in blocked bank deposits and deposits with maturity of more than three months, of which \$1.3m, or 6.8%, were blocked in favor of the Economy Ministry as guarantees.

Unit-linked contracts investments totaled \$15m at end-2016, constituting a decrease of 24.6% from \$19.9m a year earlier. They included \$7.5m in mutual funds, \$3.8m in cash & similar investments and \$3.7m in fixed income investments. Unit-linked investment in fixed income investments were unchanged year-on-year, while those in cash & similar investments fell by 36.2% and those in mutual funds declined by 26.8% from 2015. Also, the reinsurer's share in technical reserves for the non-life category increased by 36.7% to \$12.7m in 2016, while that for the non-life segment grew by 7.9% to \$4.7m last year.

On the liabilities side, unit-linked technical reserves reached \$15m at the end of 2016 and dropped by 24.6% from \$19.9m a year earlier. Technical reserves for the non-life segment increased by 13.4% year-on-year to \$78m, while technical reserves for the life category reached \$9.2m at end-2016 and dropped by 4.4% from a year earlier. Non-life technical reserves included unearned premium reserves of \$43.7m that increased by 6.3%, outstanding claims reserves of \$29.5m that rose by 3.9% and \$1.3m in reserves incurred but not reported that grew by 24.4% year-on-year to \$1.3m. Also, provisions for risks and charges reached \$2.4m and rose by 35.9% from the previous year. The firm's shareholders' equity totaled \$71.4m at end-2016 and increased by 8.6% from a year earlier.

Al-Bayan magazine's annual survey of the insurance sector in Lebanon ranked Bankers in second and eighth place in 2016 in terms of non-life and life premiums, respectively. The firm's non-life premiums totaled \$99.6m in 2016 and grew by 2.6% from the previous year; while life premiums increased by 51% to \$18m last year. It had a 9.1% share of the local non-life market and a 3.6% share of the life market in 2016.

MEA Net Profits (US\$m)



Source: Middle East Airlines, Byblos Research

Syrian affiliates of Lebanese banks post losses of \$0.4m in 2016 when excluding foreign exchange gains on structural positions

Financial results issued by the affiliates of seven Lebanese banks operating in Syria show that their aggregate net profits reached SYP54.5bn in 2016, constituting a rise of 44.8% from SYP37.6bn in 2015. The increase in profits was mainly due to SYP54.6bn in unrealized foreign exchange gains on structural positions in 2016 compared to SYP41.3bn in the preceding year. In US dollar terms, the net profits of the seven banks decreased by 25.4% from \$158.7m in 2015 to \$118.3m in 2016. The US dollar figures reflect the prevailing official exchange rate that depreciated from an average of SYP237 per US dollar in 2015 to an average of SYP460.3 per US dollar in 2016. The aggregate net income of the seven banks becomes a loss of SYP172.2m, or \$374,123, in 2016 when excluding foreign exchange gains on structural positions, compared to losses of SYP3.7bn, or \$15.5m, in 2015. The profits of Bank Audi Syria improved by SYP5.3bn, followed by an increase of SYP4.8bn in those of Fransabank Syria, a rise of SYP3.7bn in the income of Banque BEMO Saudi Fransi, a growth of SYP1.43bn in those of Bank Al-Sharq, the affiliate of Banque Libano-Française sal, an improvement of SYP1.4bn in the profits of Bank of Syria & Overseas, and an increase of SYP380.4m in the profits of Byblos Bank Syria. In contrast, the earnings of Syria Gulf Bank, the affiliate of First National Bank sal, dropped by SYP172.4m from 2015.

The net interest income of the seven banks totaled SYP12.6bn in 2016, up 31.8% from SYP9.6bn in 2015; while their net fees & commission income decreased by 1.8% year-on-year to SYP4.7bn. In US dollar terms, the banks' net interest income totaled \$27.4m in 2016, down 32.1% from \$40.3m in 2015; while their net fees & commission income stood at \$10.2m, reflecting a drop of 49.4% from \$20.1m in 2015. The banks' total operating income reached SYP75.1bn in 2016, reflecting a 30% increase year-on-year, while total operating expenses reached SYP18.5bn in 2016, down by 5.1% from 2015. In US dollar terms, the banks' operating income totaled \$163.1m in 2016 relative to \$244.1m in 2015; while their operating expenses stood at \$40.2m, down by 51.1% from \$82.3m in 2015. The banks' operating income becomes SYP20.45bn in 2016 when excluding foreign exchange gains on structural positions.

In parallel, the banks' aggregate assets reached SYP821bn at the end of 2016 and increased by 28% from SYP642.3bn at end-2015. In US dollar terms, the assets of the seven banks dropped by 21.4% from \$2.1bn at the end of 2015 to \$1.65bn at the end of 2016. This significant decrease in US dollars is explained by the substantial devaluation of the Syrian pound. Also, the banks' total loans reached SYP99.7bn at end-2016, reflecting a drop of 8.4% from SYP108.9bn at the end of 2015. In US dollar terms, the aggregate loans of the seven banks reached \$200m at the end of 2016 and regressed by 43.7% from \$355.4m at end-2015.

Further, the banks' customer deposits totaled SYP483.3bn at the end of 2016 and grew by 24% from SYP389.8bn a year earlier. In US dollar terms, customer deposits at the seven banks reached \$969.3m at the end of 2016, constituting a drop of 23.8% from \$1.27bn at the end of 2015. The ratio of the banks' loans-to-customer deposits stood at 20.6% at the end of 2016 compared to 27.9% at end-2015. Also, the aggregate shareholders' equity of the banks reached SYP143.4bn, or \$287.7m, at the end of 2016, constituting an increase of 62.3% from SYP88.4bn at end-2015.

Results of Affiliates of Lebanese Banks in Syria in 2016

	Banque BEMO Saudi Fransi	Bank of Syria & Overseas	Fransabank Syria	Bank Audi Syria	Byblos Bank Syria	Syria Gulf Bank	Bank Al-Sharq
Net Profits	\$22.5m	\$17m	\$24.8m	\$24.7m	\$15m	\$1.9m	\$12.5m
Total Assets	\$470.9m	\$391.6m	\$235m	\$210.9m	\$148.4m	\$117.4m	\$72.5m
% Change*	36.6%	36.4%	31.1%	28.8%	0.4%	22.9%	3.4%
Loans	\$69.5m	\$8.3m	\$39m	\$22.7m	\$24.7m	\$19m	\$16.9m
% Change*	-5.4%	-29.1%	21.3%	-15.8%	-25.5%	-11.1%	-14.1%
Customer Deposits	\$372.1m	\$218.5m	\$89.1m	\$101.6m	\$72.7m	\$81.5m	\$33.8m
% Change*	34.2%	29.4%	34.9%	12.9%	16.3%	13.3%	-25.2%

*Change from end-2015

Source: Banks' financial statements

Holcim Liban announces dividends for 2016, payout ratio at 94%

The Ordinary General Assembly of Holcim (Liban) sal, held on July 7, 2017, approved the distribution of LBP73.96bn, or \$49.1m, in gross dividends to holders of common shares for 2016. The dividends' distribution is equivalent to LBP3,789.5 (\$2.50) per share and to a payout ratio of 93.6%. The firm, which has 19,516,040 shares listed on the Beirut Stock Exchange, will start paying the dividends on July 24, 2017, net of a 5% withholding tax.

Cement producer Holcim (Liban) sal posted audited net profits of \$52.4m in 2016, constituting an increase of 2.7 times from net earnings of \$19.2m in 2015. The firm's gross profit margin reached 48.4% in 2016 relative to 35.5% in 2015; while its sales totaled \$200.2m in 2016, up by 6.1% from \$188.7m in 2015. The company's assets totaled \$262.7m at the end of 2016, constituting a decrease of 8.1% from \$285.9m at end-2015. The firm's current ratio, which is a measure of the company's ability to meet its short-term obligations, was 1.6x at the end of 2016 compared to 2.3x at end-2015. In parallel, the firm's shareholders' equity was \$200.2m at the end 2016, down by 13.5% from \$231.5m a year earlier. The company's debt-to-equity ratio was 31.2% at end of 2016 relative to 23.5% at end-2015. The firm is engaged in the production and sale of cement and other related products. Holcim's share price closed at \$12.5 on July 14, 2017, up by 6.4% from \$11.75 at end-2016.

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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