

The Banking System in Lebanon

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The Banking System in Lebanon

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2. Organization of the Financial System

3. Organization of the Banking System

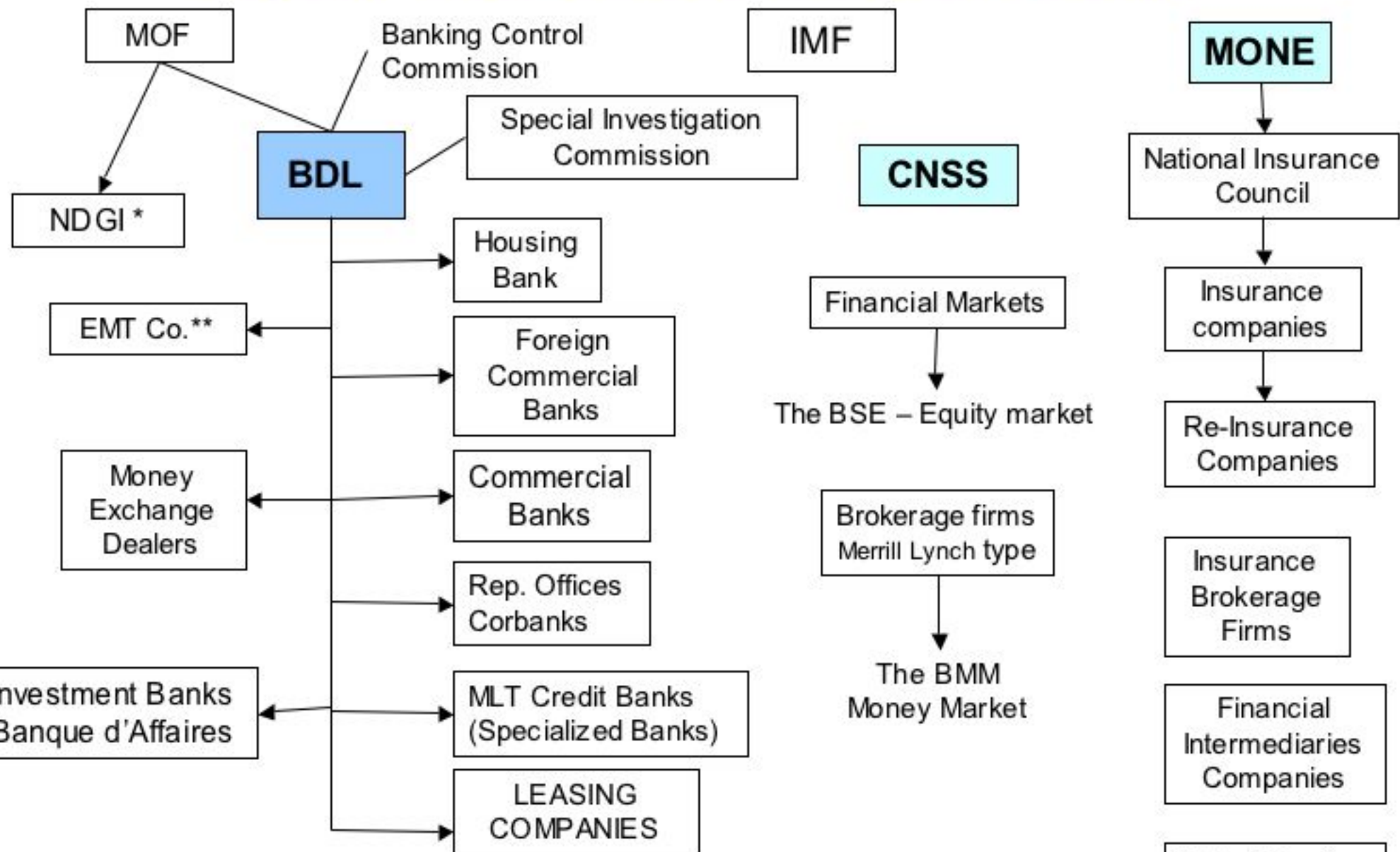
The Banking System in Lebanon

4. Main Forces acting in the System
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Definition of System

- Group of things/parts, ordered set of ideas/principles, working together in a regular relation for the same purpose
- Natural Systems:
 - Solar System
 - Nervous System
- Man-Made Systems:
 - Political System
 - Banking System

Organization of the Financial System



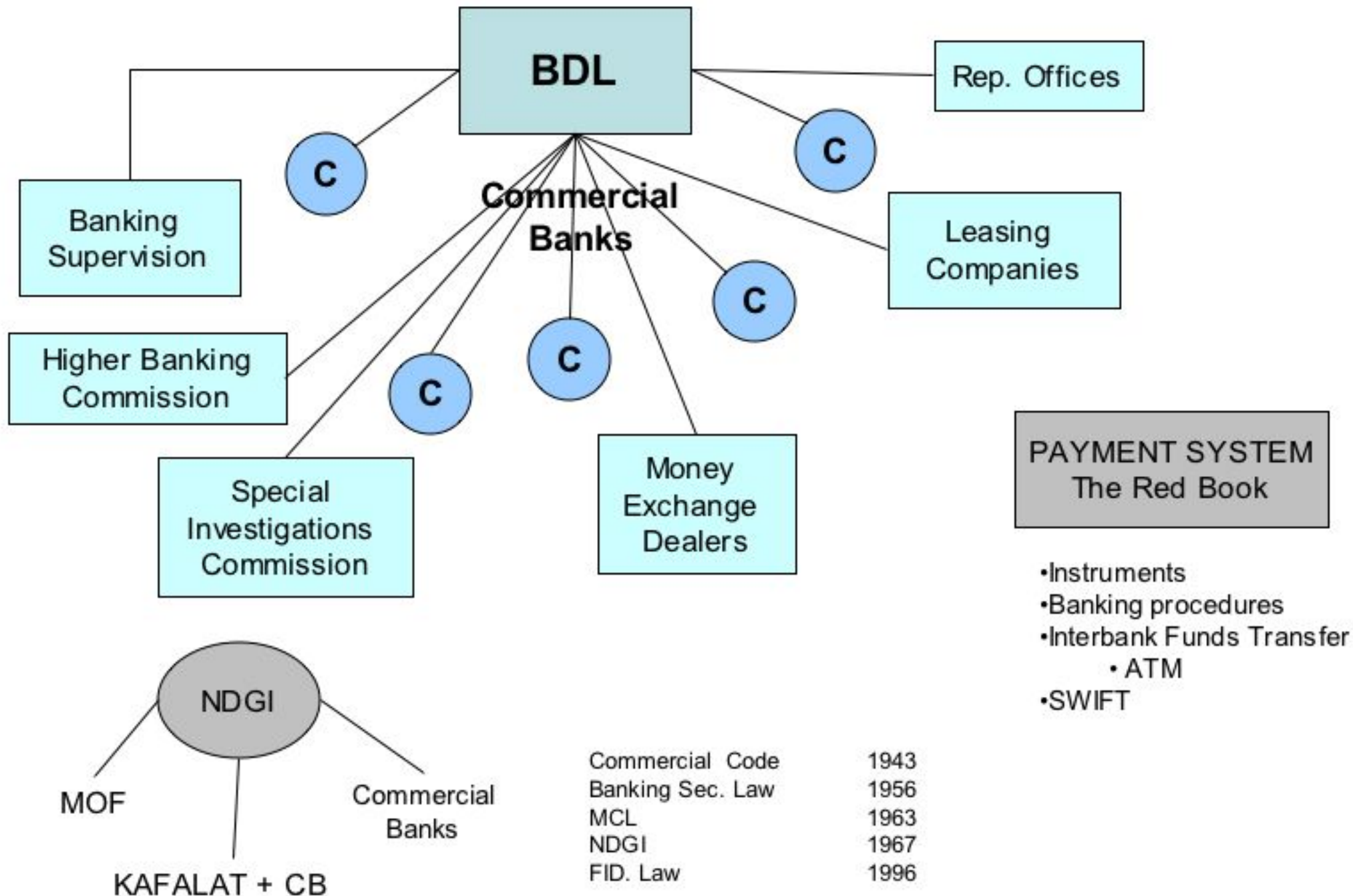
* KAFALAT
 ** Electronic Money
 Transfer Companies

• Red Book
 • SWIFT

Commercial Code	1943
Banking Sec. Law	1956
MCL	1963
NDGI	1967

Mutual Funds
 (Investment
 Schemes)

Organization of the Banking System



Main Forces acting in the System

- Globalization – the external effect & opportunities
- Financial Innovation – New products, IT, New Institutions
- Securitization
- Deregulation
 - a. Central Bank rules & regulation in managing the system
 - b. Mergers & Acquisitions
 - c. BASEL II Rules – imposed externally
- Transparency
 - Financial
 - Corporate Governance

Extension Analysis

- Regional Stakes
- Regional Market size — [UAB statistics](#) (August 2005)
- Regional market access — due to Globalization/Deregulation
Branches/Subsidiaries
 - Syria
 - Jordan
 - UAE
 - Egypt
 - Algeria
 - Sudan
 - Tanzania
 - In Europe & USA:
 - London
 - Brussels
 - Paris
 - Geneva
 - Luxemburg
 - New York
 - In the Future:
 - Libya
 - Yemen
 - West African Republics
 - Iraq
- Representative Offices_ Worldwide
 - From Hong Kong to Montreal “en passant” by Nigeria

Leading Indicators of Arab Banking Sectors

(Million USD)

Countries	Total Assets		Loans		Deposits		Shareholders Equity	
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	2003	2004	2003	2004	2003	2004	2003	2004
Saudi Arabia	145389	174769	63168	84588	95011	112604	15488	16783
Bahrain	100934	118900	13853	17835	15659	18572	10098	11795
UAE *	99907	122621	53616	67290	61839	77497	12113	14295
Egypt	99837	111943	47365	49692	70770	81135	5940	6820
Kuwait	63841	64800	42436	46152	35902	40771	6816	7184
Lebanon	62564	71083	30851	34363	51229	57997	4105	4380
Morocco **	45174	45020	27113	30092	31979	39619	2796	3839
Algeria	35624	39855	30134	32146	34349	38426	1703	1933
Syria	25685	28382	6111	7034	13327	14391	1200	1440
Tunisia	20163	21980	16143	17178	13113	14738	2171	2308
Jordan	22146	25100	7422	10928	14061	13241	2292	2640
Qatar	20907	25282	12030	13574	14551	16703	2478	3636
Oman	11733	12723	8597	9129	7412	8006	1323	1294
Libya	11120	13242	5571	5604	7791	9713	663	710
Palestine	4268	5114	957	1428	3787	3958	192	307
Yemen	3065	3694	745	998	2574	3101	200	250
Sudan	3021	4079	1255	1890	1812	2532	405	563
Iraq	2573	3857	261	429	2270	3650	35	41

Feb. 2006 61 billion

Nov. 2005 17.9 billion

Source: Arab Central Banks and Monetary Agencies and Preliminary Estimates of the Union of Arab Banks

* September 2004. ** June 2004

Arab Countries GDP and Banking Assets				(Milliard USD)
Country	GDP	Banking Sector Assets	Ratio of Banking (%) Sector Assets to GDP	Population (1000)
Saudi Arabia	250.6	174.8	70	22673
UAE	79.8	122.6	154	4041
Egypt	47.4	111.9	236	68649
Algeria	62.1	39.9	64	34508
Morocco	49.9	45	90	30223
Kuwait	41.9	64.8	155	2665
Tunisia	28.2	22	78	9902
Oman	21.6	12.7	59	2341
Syria	21.5	28.4	132	17550
Libya	30.4	13.2	43	5877
Iraq	32.9	3.9	12	27100
Qatar	28.5	25.3	89	722
Lebanon	19.8	71.1	362	3865
Sudan	17.1	4.1	24	33648
Yemen	12.9	3.7	29	20158
Jordan	11.2	25.1	224	5496
Bahrain *	9.6	118.9	1239	7072
Palestine	3.3	5.1	155	3680
Total	769	892.5	178	293.784

Source: Arab Monetary Fund: the Unified Arab Economic Report.

* Commercial Banks, Investment Banks, Off Shore Banking Units and Islamic Banks

Lebanese Banking Sector Foreign Representation (Sep.2003)

	Branch	Offshore Banking Unit	Rep. Office	Affiliated Bank/Sister Company
Fransabank sal	Damascus Banking Free zone		Hong Kong	- Fransabank (France) sa – Paris - Fransabank – Qatar - Fransabank – Algiers
BLC sal				-Banque Libanaise pour le Commerce (France) (branches in Abu Dhabi, Dubai, Sharjah, Ras Alkhaymah)
Near East Commercial Bank sal			Paris	
BLOM Bank sal	Damascus Banking Free zone	Limassol		- Banorabe sa – Paris (branches in London, Dubai, Sharjah,...?) - Banorient sa – Geneva, Amman Jordan
Société Générale de Banque au Liban sal	Damascus Banking Free zone			- Société Générale Cyprus Ltd – Nicosia - Middle East Investment Bank – Amman
Banque de la Méditerranée sal				- Banque de la Méditerranée (Suisse) – Geneva
Banque Saradar sal			Paris	- Banque Saradar (France) sa – Paris
BBAC sal	Damascus Banking Free zone	Limassol		
Bank of Beirut sal	London	Limassol	Dubai, Nigeria, Doha, Riyadh, Damascus (License understudy)	
Byblos Bank sal		Limassol		- Byblos Bank (Belgium) sa – Brussels (branches in Paris and London) - Byblos Bank (Africa) - Khartoum

	Branch	Offshore Banking Unit	Rep. Office	Affiliated Bank/Sister Company
Crédit Libanais sal		Limassol	Montreal	
Banque Audi – Saradar sal				<ul style="list-style-type: none"> - Banque Audi (France) sa – Paris - Banque Audi (Suisse) sa – Geneva - Banque Audi (Luxembourg) sa – Luxembourg - Banque Audi (Jordan) sa – Amman - Banque Audi (Egypt) sa – Cairo - Banque Audi (Syria) sa - Damascus
Allied Bank sal		Limassol		
Jammal Trust Bank sal	Cairo (2) Alexandria Heliopolis		London	
Lebanese Canadian Bank sal			Montreal	
Lebanon & Gulf Bank sal		Larnaca		
Syrian Lebanese Commercial Bank sal			Damascus Aleppo	
BEMO sal – Banque Européenne pour le Moyen-Orient	Damascus Banking Free zone	Limassol		Damascus affiliate branch
TOTAL	10	8	8	13

Source: Association of Banks in Lebanon. Annual Report 2002-2003

March 8, 2006 - Modifications

The Role of Banks in the financing of the Lebanese Economy & Reconstruction

- The Household Sector
- The Business Sector
- The Public Sector (Government)
- The Foreign Sector

SWOT Analysis of the System

Strengths

- Liberal Economic System
- Mature Central Banking authority
- Widespread developed banking culture
- Support from CBL (BDL) in case of a crisis
- Enhanced BDL regulations & supervision
- Banking Secrecy Law
- Sound bank management

Strengths

- Improved Risk management & compliance
- Diversity in Bank Funding Activities:
 - Core Deposits, CD's, Pref.Shares, IFC syndicated Loans, GSM 102/103 transactions, GDRs, Euronotes, Euro CDs
- High systemic liquidity
- Overall confidence and trust from Overseas in the Lebanese Banking System
- Safety of Depositors' Funds comes in priority
- Correspondent Banks' Loyalty to Lebanese client Banks in times of crisis (Not all, only those who know Lebanon's Banking System & Culture)

Weaknesses

- Government financing by banks out of acceptable norms & standards
- Emerging Corporate Governance
- The gradual disappearance of the bill of exchange in trade financing
- Insufficient Economic Recovery fundamentals: Slow and delayed reforms (Economic, Fiscal)
- Annual Reports of many banks need more transparency, information & analysis, as well as, corporate governance

Opportunities

- Privatization of several economic sectors will create ample opportunities for economic growth
- Banking over Borders – Extension to overseas countries
- Securitization of government assets will create new earning assets for banks, hence, enhance profitability & shareholder value
- A change in CB legislation to own limited equity shares in several vital economic sectors, such as, aviation, Telecom
- The reestablishment of discount houses

Threats

- The burden of the public debt – a potential threat in case fiscal & financial reforms are not introduced and implemented
- BASEL II requirements might challenge the viability of several smaller strong banks in the system, in case, shareholders' support is not available, internally and/or externally
- Financial Innovation and Information Technology requires continuous capital investment annually
- The absence of transparent reward-based compensation scheme for executives
- Political Environment in Transition

The Future Challenges

**Thank
You**