

The Lebanese Banking Sector Analysis

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The Lebanese Banking Sector

- History & Aspects
- Legal Framework & New structures
- Sector's Overview
- Main Stakes, actors & Development Strategy
- Managerial Aspects & Practices
- SWOT Analysis of the sector
- Extension analysis – New ventures in the MENA region

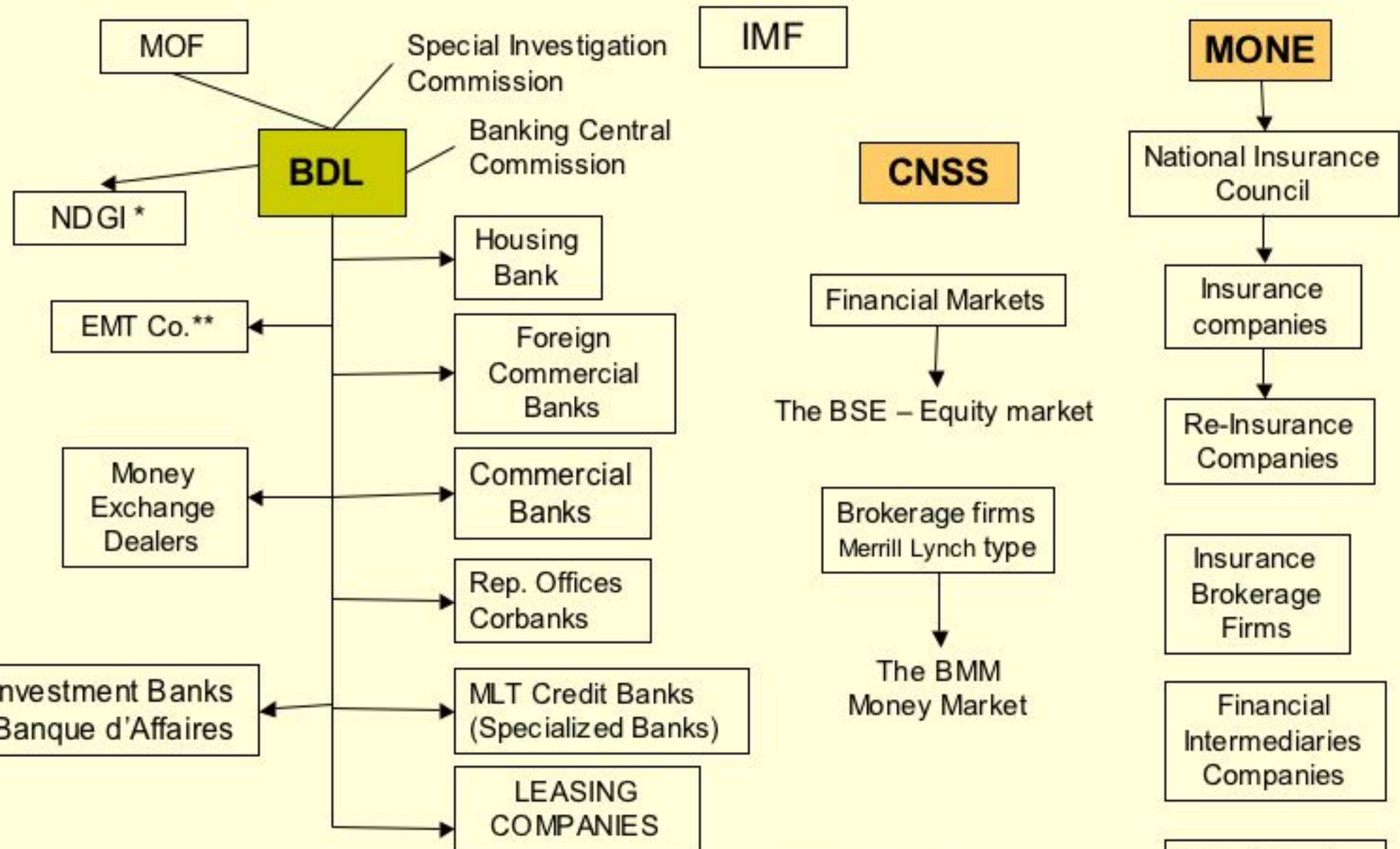
History

- 1850 to 1920
 - The Ottoman Bank, Comptoir d'Escompte, Banque de Paris & des Pays Bas, Compagnie de la Route Suez Canal
 - Banque Agricole de Turquie, Banque de Syrie et du Liban, Compagnie Algérienne, Crédit Foncier d'Algérie et de Tunisie & Crédit Foncier de Syrie
- 1920 – 1943
 - Banking under the French Mandate

History

- 1943 – 1963
 - Banking in the early days of independence
- 1963 and onwards
- 1968 – 1974
 - The Golden Period
- 1975 – 1992
 - The War Period
- 1993- 2004
 - Consolidation, mergers & acquisitions
- Expansion over the borders into the MENA countries

Organization of the Financial System

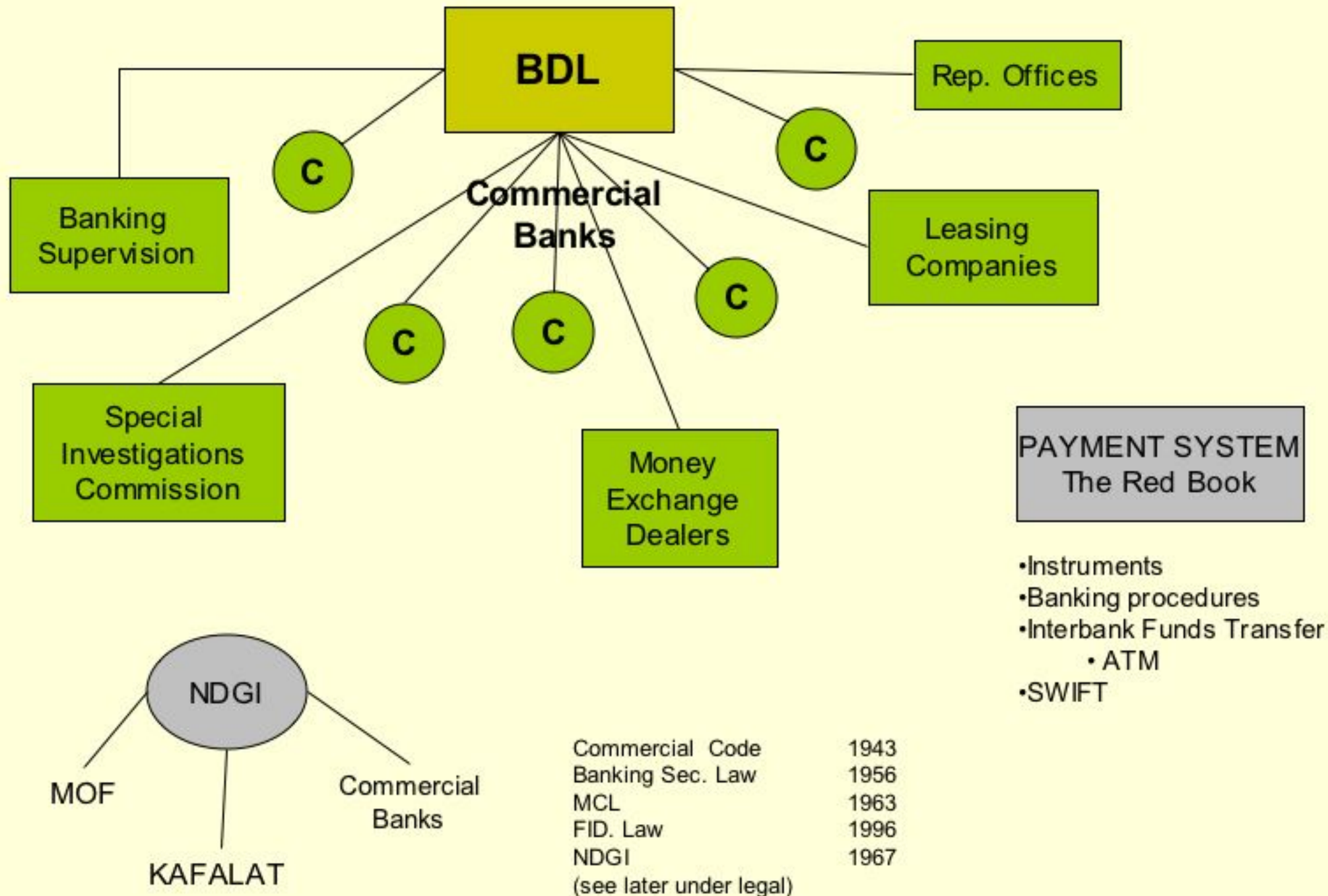


* KAFALAT
 ** Electronic Money
 Transfer Companies

• Red Book
 • Swift

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

Organization of the Banking System



Aspects

- Competition of two great powers of the 19th century and early 20th to dominate the Mediterranean basin
- Changes in the political landscapes in the MENA countries
- The influence of USA and its competition with USSR in the region
- Politically unstable countries in the Middle East
- Banking Sector – Engine of economical growth in Lebanon
- New challenges: IT, Money laundering, FATF, Universal Banking, Compliance, Risk Management

Legal Framework & New Structures

- Before 1964
 - No central banking rules & regulations
 - BSL – mixed ownership; currency-issuing bank & commercial bank
 - No minimal capital requirement to establish a bank
- 1950's
 - Commercial Law; Capital of a bank LBP 50,000
- 1963
 - New Central Bank – BDL
 - Code de la Monnaie et du Crédit
 - Rules & Regulations
 - Licensing, Branching & Mergers
 - New institutions created
 - LT Banks, Specialized Banks, Investment Bank

Sector's Overview


- The Role of Banks in the financing of Lebanon's reconstruction
- The importance of this sector to the lebanese Economy
 - Private Sector (Households, Business)
 - Public Sector (Government)
 - Foreign Sector (Foreign Relations)
- Statistical Data

Main Stakes, actors & Development Strategy

- Globalization
- BASEL II Rules
- Mergers & Acquisitions
- Corporate Governance
- Financial Transparency

Managerial Aspects & Practices

- Concentration of Decision Making Authority
- Paternalistic
- Institutional Approach & the HR
 - Recruitment
 - Selection
 - Training & Development
 - Promotion
 - Retirement plan



SWOT Analysis of the sector

Strengths

- Liberal Economic System
- Mature Central Banking authority
- Widespread developed banking culture
- Political Environment in transition
- Support from CBL (BDL) in case of a crisis
- Enhanced BDL regulations & supervision
- A sound banking system
- 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 CD's
- High systemic liquidity
- Overall confidence and trust in the Lebanese Banks
- Safety of Depositor's Funds comes in priority
- Correspondent Bank's Loyalty to Lebanese client Banks in times of crisis

Weaknesses

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

Opportunities

- Privatization will create ample opportunities for economic growth (e.g.: Electricity, general distribution, collection, generation)
- Banking over Borders – Extension to regional countries
- Securitization of government assets will create new assets for banks
- A change in CB legislation to own equity shares in subsidiaries other than insurance and financial sector e.g. Aviation, industry, hotels...
- The reestablishment of discount houses
- More deregulation & re-regulation is expected from the monetary authorities for overall risk management & compliance

Challenges

- The burden of the public debt – a potential threat in case financial reforms are not introduced and implemented
- BASEL II requirements might challenge the viability of several smaller banks in the system
- Financial Innovation and Information Technology

Extension analysis

- Regional Stakes
- Regional Market size
- Regional market access
 - Syria
 - Jordan
 - Iraq
 - Egypt
 - Algeria
 - Sudan



Thank You

