Capital Intelligence still upbeat about the outlook of four Lebanese banks

Four Lebanese banks received another moral boost when Capital Intelligence, an international rating agency, maintained the long- and short-term foreign currency ratings of BLOM Bank, Crédit Libanais (CL), Bank Audi and Fransabank at 'B', as well as the financial strength rating (FSR) of BLOM Bank and Bank Audi at 'BBB-' and that of CL and Fransabank at 'BB+'. It also affirmed the Support Level of the four banks at '3'. It said the outlook on all the ratings is 'stable' and that the banks' long- and short-term foreign currency ratings are restrained by the sovereign ceiling. The agency has previously affirmed Byblos Bank's long- and short-term foreign currency ratings at 'B' and 'B', respectively, as well as the Bank's FSR at 'BBB-' with a 'stable' outlook on the ratings.

Capital Trust added that all of these banks have strong liquidity as well better cost efficiency and profitability than the sector's average.

The same agency has also affirmed Lebanon's long- and short-term foreign and local currency sovereign ratings at 'B' with a 'stable' outlook. It indicated that Lebanon's ratings reflect its adequate international liquidity and especially the country's foreign currency reserves, which constitute a buffer against external economic shocks. It noted that foreign currency reserves stood at $37bn at the end of 2013 and were equivalent to 84 percent of GDP and to about 1.4 times the country's external financing needs.

Capital Trust launches EuroMena III in Lebanon

The European Investment Bank and Capital Trust Group launched EuroMena III, its fourth private equity fund that would focus on the Middle East and North Africa region. It expected the fund's size to reach between $150 million and $200 million by the end of the current year. It noted that several institutions have committed to the fund including the European Investment Fund (EIB), the German Investment Corporation, the International Finance Corporation and Electricité de France, among others. The EIB has invested €20 million, or about $27 million, in EuroMena III, bringing its total investments with the Capital Trust Group to $56 million. The fund plans to invest in companies operating in fast-growing industries in the MENA region and in firms that have the potential to become regional leading groups. It noted that it would not invest in real estate companies or in start-ups, but would allocate limited investments to Greenfield projects. EuroMena I fully invested its capital in nine companies and has exited four of them, while EuroMena II has six companies in its portfolio.

Carlos Ghosn and Mikati group key shareholders in new merged banks in Lebanon

Lebanese banks continue to lure high caliber and prominent investors, a clear testimony that this sector is still seen as the main driving force for the local economy and one of the most lucrative businesses.

In this context, Renowned Nissan chairman Carlos Ghosn, who was credited for bailing out the car manufacturing company, become one of the key investors and shareholder in the merged banks between Banque de l'Industrie et du Travail and the Near East Commercial Bank.

Other key investors in the merged bank are the Mikati Group and the Saradar Group.

The new bank, which will be named BIT, will have combined assets of $1.1 billion and a capital fund of $200 million.

The two banks signed a memo of understanding but this agreement still needs the final approval of the Central Bank.

The honorary chairman of the new bank Fouad al-Khazen hopes the bank will be among the 10 leading banks in Lebanon.

The new bank plans to open three more branches in Lebanese areas.

The active CEO of the bank will be Mario Saradar, who has vast experience in the banking industry.

The bulk of the capital injection came from the shareholders of NECB, a sign that BIT intends to aggressively broaden the retail and private banking in Lebanon.

EIB acquires a stake in First National Bank

The European Investment Bank acquired a stake in the First National Bank, one of Lebanon's top 14 banks, after fully subscribing to a $15 million preferred shares.

The EIB holds the option to convert the preferred shares into common equity after five years of the issuance date and at each anniversary of the issuance thereafter.

It is worth noting that FNB became the first bank in the Middle East and North Africa region to receive a direct investment in its equity by the EIB.

FNB intends to use the preferred shares to expand the retail business and even contemplate a merger and acquisition in the future.

122 Lebanese institutions register with FATCA

Lebanon became one of the first countries in the world to comply with the Foreign Account Tax Compliance Act (FATCA) and according to the United States Department of the Treasury, 122 commercial banks, investment banks, insurance companies and financial institutions operating in Lebanon have registered with the U.S. Internal Revenue Service (IRS) as of July 1st, in compliance with the Foreign Account Tax Compliance Act (FATCA).

The compliance demonstrates the determination of all Lebanese banks and financial institutions to abide by international laws and regulations and this has given more credibility to the financial system in the country.

The FATCA, which came into effect on July 1, 2014, requires foreign financial institutions to identify and report the accounts of U.S. citizens, U.S. permanent residents, the accounts of foreign entities where U.S. taxpayers hold a substantial ownership interest, and/or other persons and entities specified by the Act.

The law imposes penalties on non-compliant institutions, as it authorizes the U.S. Treasury to impose a 30 percent withholding tax on the income generated in the United States by the institutions that are found to be non-compliant with FATCA.

Salameh favors privatization of Beirut bourse

Banque du Liban Governor Riad Salameh called on the Lebanese government to privatize the Beirut Stock Exchange to improve its performance and boost the financing of the private sector. "The privatization of the BSE would be a new initiative in the framework of encouraging the private sector to transform private companies into public companies so that people can have a stake in these firms," he said. "It would also help in securitizing consumption loans under the supervision of financial authorities to avoid negative repercussions." Salameh's remarks came during the Arab Economic Forum held at the Phoenicia Hotel in the presence of Prime Minister Tammam Salam and a large audience of business leaders, economists and bankers from Lebanon and the Arab region.

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International Agreements with the Beirut Stock Exchange and the Capital Markets Authority

The BSE and Euronext signed an agreement to provide the BSE with Euronext's new Universal Trading Platform, UTP-Hybrid. The new multi-asset class and multi-currency trading platform provides complex functions for low-latency markets. The new system would improve the BSE's technical performance, increase market transparency, and raise trading capacity and speed. In the same context, the Capital Markets Authority (CMA) signed a cooperation agreement with its French counterpart, the Autorité des Marchés Financiers. The agreement stipulates that the two entities will exchange information and combat illegal capital market operations, which would promote transparency.

World Bank and IMF give different GDP growth for Lebanon

The political standoff and regional tension remained the main key factors which induced many international financial organizations to revise downward Lebanon's GDP projection for 2014 despite the stable monetary situation and sound banking system.

The GDP growth projected by most international institutions ranged between 1.5 to 2.5 percent but these estimates took into the account the political and security situation in Lebanon and the region.

The presence of the 1.5 million Syrian refugees has added enormous pressure on the Lebanon's infrastructure as well as the social and economic fabrics of the country.

The World Bank, for example projected real GDP growth in Lebanon at 1.5 percent for 2014 relative to a growth rate of 0.9 percent in 2013 and compared to growth of 2.9 percent in the Middle East & North Africa region, 2.7 percent for the region's oil importers, and 1.9 percent for the region's developing economies.

The International Monetary Fund, on the other hand, projected Lebanon's real GDP growth at 1 percent in 2014, unchanged from 2013 and compared to an average growth rate of 9 percent during the 2009-10 period. In comparison, it forecast growth at 3.2 percent for the Middle East & North Africa this year, 2.7 percent for the region's oil importers and 2.9 percent for Arab countries in transition excluding Libya.

The IMF estimated the country's nominal GDP at $45.5 billion in 2014 relative to $44.3 billion in 2013, which would account for 7.6 percent of Arab oil importers' aggregate GDP.

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FDI to Lebanon falls 23 percent in 2013

Foreign direct investment flows to Lebanon dropped 23 percent in 2013 while those to the West Asia region declined by 9 percent compared to the previous year, the UNCTAD World Investment Report 2014 showed.

The main reason behind the 2013 drop in FDI flows to Lebanon was less capital channeled from Gulf countries into the Lebanese real estate sector, according to economic experts who discussed the report in Beirut.

Political and security instability due to a spillover of the Syrian crisis have scared off potential wealthy Gulf investors in Lebanon's real estate sector. However, beyond the turmoil sweeping the Arab world, structural economic reforms should be implemented to boost regional FDI flows, experts argued.

Out of $2.833 billion in FDI inflows to Lebanon in 2013, only $104 million was categorized as Greenfield investments, ranking Lebanon as the fourth-smallest recipient in the region.

Greenfield FDI decreased 48 percent year-on-year in 2013, a steep decline which rings alarm bells over the government's failure to channel investments into productive sectors, according to some experts.