Association of Banks in Lebanon (ABL)

ABL Quarterly Newsletter **Issue n° 3–October 2014**

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The United States hails Lebanon's advanced banking system

Lebanon has many advanced features in its economy and one of these interesting landmarks is there well-developed baking system, according to the United States Department of Commerce's 2014 Country Commercial Guide for Lebanon (CCG).

It added that Lebanon's key advantages include a free-market economy, the absence of controls on the movement of capital and foreign exchange, a well-developed banking system, a highly-educated labor force, good quality of life, and limited restrictions on investors.

This is not the first time the United States and other prominent countries heaped praise on the Lebanese banks and the financial institutions which are seen as the main pillar of the economy. The report expected the business climate to remain sensitive to domestic and regional political and security developments. It anticipated that spillovers from the Syrian crisis would continue to negatively impact domestic activity that is expected to remain below potential in the near-term.

It added that the U.S. exported $1.5 billion worth of goods to Lebanon last year, accounting for 7.1 percent of total Lebanese imports, compared to U.S. exports of $2.4 billion or 11.2 percent of total imports in 2012.

Lebanese banks to weather security-political challenges: S&P

International rating agency Standard & Poor's said Lebanese and foreign banks operating in Lebanon are expected to come under pressure in the face of unfolding developments both in the country and the region.

But S&P stressed that the business confidence and economic recovery were gravelly affected by the political and security events that has plagued the country in recent years.

The agency believes that Lebanon cannot insulate itself from the rapid and dramatic in neighboring Syria although the banking sector, the main pillar of the economy, managed to weather all the major storms and even achieved relative growth.

It emphasized that if the banking sector can prosper and grow if the political and geopolitical risks receded.

S&P insists that Lebanon has all elements of quick economic recovery thanks to the strong financial sector, educated workforce and well established businesses.

It noted that the domestic banking sector, unlike the country's political institutions, has coped well with the prevailing challenging conditions.

The agency expressed confidence of the ability of the banks to improve ratings of the country's sovereign rating, giving lot of credit to the Lebanese banks which played a crucial role in meeting the government's financing needs, and that their role has increased as sovereign creditworthiness has deteriorated and because foreign investors' appetite for sovereign debt has regressed.

S&P anticipated that commercial lending opportunities for banks operating in Lebanon would remain limited during the 2014-15 period, given the prevailing domestic political and economic conditions.

IMF advises Lebanese banks to maintain one digit deposit growth only

The International Monetary Fund underlined the importance of maintaining modest growth in customer deposits that should not exceed one digit growth in 2014 in a bid meet the urgent needs of the economy but did not favor a double digit growth since this step would generate higher liquidity and ultimately this result in a higher cost for the Central Bank to absorb this excess liquidity.

It said that banks could reduce the spread between the local interest rates on dollar deposits and on global dollar rates in order to slow down the growth in the deposit stock when needed.

The IMF did recommended the banks not to digest more sovereign bonds and T-bills that are issued by the government which taps the local and international markets to meet its financial needs.

It even advised the banks to downsize their balance sheet if the government's borrowing needs decline significantly and if regional opportunities remain limited.

The IMF hailed the Central Bank's stricter requirements than those implied under Basel III, but it urged the authorities to have an approach to banks' exposure to the government and to the Central Bank that is consistent with the Basel capital adequacy framework.

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Eight Lebanese banks ranked among the top 1000 international banks

Eight leading Lebanese banks have been named among the top commercial banks in the world, according to the Banker Magazine which conducted the survey in 2014. The ranking of the Lebanese banks remained unchanged compared to last year.

The rankings are based on Tier One capital at year-end 2013 as defined by the Basel Bank for International Settlements. *The Banker* said the definition is stricter than total shareholders' equity and covers only the core of a bank's strength, namely the shareholders' equity available to cover actual or potential losses.

The eight Lebanese banks are Byblos Bank, Bank of Beirut, BLOM Bank, Crédit Libanais, BankMed, Fransabank, Banque Libano-Française and Bank Audi.

Lebanese banking sector has similar level of vulnerability as Saudi Arabia, Canada and Germany

International rating agency Fitch said in a recent report that Lebanon's banking sector is ranked among the 73 countries in terms of low level of potential vulnerability and this vulnerability is similar to the vulnerability of rich and advanced countries such as Saudi Arabia, Canada and Germany.

This report came in its semiannual risk assessment of 110 banking systems in advanced and emerging economies.

Fitch added that Lebanon's ranking among the 73 banking system in the world, is considered in the highest category on Fitch's Macro-prudential Indicator (MPI).

Lebanese banks are highly regulated and have consistently pursued ways to adopt safety measures to protect both the banks and their depositors.

As such, the Lebanese banks has to some extent passed the stress test which was designed to determine if banks around the world can survive financial and economic crisis similar to the ones that occurred in 2008 and 2009.

The MPI tries to identify the build-up of potential stress in banking systems due to a specific set of circumstances. It aims to highlight potential systemic stress that could materialize up to three years after an early warning is first indicated.

It identifies instances of rapid real credit growth over successive two-year periods, along with growth in real property prices, an appreciation in the real exchange rate or a rise in real equity prices.
Fitch maintained Lebanon's MPI score unchanged from its October 2013 assessment. In October 2013, Fitch upgraded Lebanon's score to '1' from a previous score of '2' due to a sharper-than-expected slowdown in credit growth in 2012.

This constituted the second consecutive upgrade for Lebanon's MPI score, as the agency upgraded the country's MPI score from '3' in August 2012 to '2' in January 2013. Lebanon, along with Bahrain, Cape Verde, Egypt, Israel, Kuwait, Morocco, Namibia, Nigeria, Oman, Saudi Arabia, the Seychelles, South Africa, Tunisia and the UAE had an MPI score of '1' in the Middle East & Africa region. Other countries in this category included Canada, Denmark, Germany, Japan and the United States.

The agency said Lebanon's banking sector was among 18 banking systems that had a Banking System Indicator (BSI) of 'b'. The BSI is a measure of intrinsic banking system quality or strength, derived from Fitch's Viability Ratings for banks.

Lebanon has the highest loan penetration among the Arab countries in 2013

Lebanese banks remained one of the highest loan providers per 1,000 adults although this rate slightly fell by 4.7 percent in 2013 compared to 2012, according to the International Monetary Fund.

The IMS said that there were 299 borrowers per 1,000 adults at commercial banks in Lebanon at the end of 2013, constituting a decrease of 4.7 percent from 313.5 borrowers per 1,000 adults in 2012 and compared to 200 borrowers per 1,000 adults in 2006.

In terms of penetration rate, the IMF said that Lebanon ranked in the 24th place among 93 countries with available figures for 2013 and the 10the place in the upper-middle-income countries and first among the Arab states.

Globally, Lebanon had a higher penetration rate than mainland China, Bosnia & Herzegovina and Namibia, and a lower rate than Macedonia, El Salvador and Thailand.

According to IMF, there were 832.1 depositors per 1,000 adults at Lebanese commercial banks in 2013, constituting a drop of 3.2 percent from 860 depositors per 1,000 adults in 2012 and compared to 773.6 depositors per 1,000 adults in 2006.

Lebanon has one of the highest bank branch and ATM penetrations in the world

The spread of branches of the Lebanese banks across the country is quite impressive even by the international standards and for this reason the IMF said Lebanon had the 13th highest branch penetration in the world and 16th in terms of ATM penetration rate in 2013.

According this study by the IMF, there were 101.8 branches per 1,000 square kilometers in Lebanon in 2013, constituting a rise of 2.5 percent from 99.3 branches per 1,000 square kilometers in 2012, and compared to 85.9 branches per 1,000 square kilometers in 2005.

Lebanon had the 13th highest branch penetration rate among 177 countries worldwide with available figures for 2013, the third highest among 49 upper-middle income countries (UMICs) and the highest among 16 Arab countries. Globally, Lebanon had a higher penetration rate than Switzerland, Korea and the Netherlands, and a lower rate than Italy, Mauritius and Japan among economies with a GDP of $10bn or more; while it ranked behind Mauritius among UMICs.

Lebanese banks attract the most talented graduates and applicants, survey shows

A new study showed most new job hunters, who are 18 years and older, believe that Lebanon's banking sector still attracts the most talented and resourceful graduates and persons.

According to the survey conducted by job portal Bayt.com, the employers in Lebanon are more likely to hire staff in the coming three months as well as in the coming 12 months than they did at the beginning of the year.

The survey shows that respondents in Lebanon think that the banking and finance sector is attracting the top talent in the country, followed by advertising, construction, tourism & hospitality, the recreation & entertainment sector and business consultancy.

The survey covered a sample of 2,279 adults who are 18 years or older in Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Pakistan, Saudi Arabia, Syria, Tunisia, and the UAE. The survey was conducted online between June 10 and July 31, 2014, and covered a sample of 173 respondents in Lebanon.

Central Bank sets new ceilings for retail loans in Lebanon

The Central Bank sets new conditions for retail and housing loans to protect both the depositors and the banks.

The circular was issued to set a maximum ceiling for the personal loans because the Central Bank fears that the exposure to higher loan could affect the income of the families as well as increase the debt exposure on the banks.

The circular 369 on August 21, 2014, which amends basic circular 81 dated February 21, 2001, defined retail loans as housing loans; as well as consumer loans, including car, student and education loans; and revolving credits, including credit and debit cards.

The circular stipulates that the housing or car loan should not exceed 75 percent of the value of the purchased home or that of the car.

Furthermore, the Central Bank said that the cumulative monthly payment for retail loans should not exceed 45 percent of a family's monthly income, except for housing loans where payments should not exceed 35 percent of a household's monthly earnings. It defined a family monthly income as the combined incomes of the husband and wife.

The circular said that banks should build specific provisions against these loans in case of difficulties by the borrower in settling monthly payments.

IFC extends more loans to Lebanese financial institutions

As part of its efforts to strengthen its financial cooperation with the Lebanese banks and financial institutions, the International Finance Corporation, the private sector arm of the World Bank Group, extended a $2 million loan to the Lebanese Association for Development (Al Majmoua), the country's largest microfinance institution.

The loan would allow Al Majmoua to grow its loan portfolio and expand its outreach to small business owners, including female entrepreneurs and poor individuals. About half of Al Majmoua's clients are located in the Bekaa, the north and the south regions.

It is worth noting that the IFC has made similar investments in other Lebanese banks and most notably Audi Bank and the First National Bank.

Recently, the IFC subscribed to $60 million of Bank Audi shares after the bank announced plans to raise the capital by $300 million.

The IFC investments allow the Lebanese banks and financial institutions expand their operations and move to other markets in the future.

Lebanese and foreign banks in Cyprus allowed withdrawing more funds

Lebanese and foreign banks in Cyprus can now easily transfer and withdraw funds after the Cypriot Central Bank issued decree 24 that would relax restrictive measures for branches and subsidiaries operating in the island.
This measure will surely help the Lebanese banks in the island after the authorities put a ceiling for the withdrawal of funds and deposits in a move aimed at protecting the banks at that time.

Nine Lebanese banks operating in Cyprus benefit from the decision. The banks are Byblos Bank sal, Bank of Beirut sal, BankMed sal, Banque BEMO sal, BBAC sal, BLOM Bank sal, Credit Libanais sal, Lebanon & Gulf Bank sal and Banque SBA, the affiliate of Banque Libano-Française sal.

All cashless payments or transfers of deposits and funds from an eligible bank will be allowed for its own account.

It also permits all transactions between eligible banks and international customers, as well as all transactions among international customers. It allows all transactions between an eligible bank and an entity outside the country, by the order of an international customer or for the bank's own account.

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The US is the sixth largest source of inward electronic cash transfers to Lebanon

The cost of sending remittances from some countries to Lebanon has slightly fallen in the second quarter of 2014 but this cost remained unchanged or modestly risen in other countries, according to the World Bank.

According to the figures released by the World Bank, the cost of remittances from the United States to Lebanon for example, has decreased 10.81 percent to 10.19 percent for a $200 transfer in the second quarter of this year.

But the World Bank did not give the reasons behind the change in the cost of sending remittances to Lebanon.

It added that the cost of sending $500 from the U.S. to Lebanon reached 5.37 percent in the second quarter of 2014, compared to 5.41 percent in the previous quarter and 5.32 percent in the fourth quarter of 2013.

The cost includes the transaction fee and exchange rate margin, and represents the average cost of transferring money through commercial banks and money transfer operators (MTOs). In nominal terms, the cost of sending $200 and $500 from the U.S. to Lebanon was $20.37 and $26.84, respectively, in the second quarter of 2014 compared to $21.62 and $27.04, respectively, in the preceding quarter.

However, Lebanon ranked as the second most expensive destination for sending $200 from the U.S. among 30 countries with available data, after only Thailand (11.06 percent).