

10. FINANCIAL SECTOR

Financial sector deals with Central Bank of Lebanon, Commercial Banks, Beirut Stock Exchange, Midclear and Money exchange

Central Bank of Lebanon

The Central Bank of Lebanon part deals with the balance sheet of the bank of Lebanon, the consolidated balance sheet of commercial banks, the monetary situation, the banks clearing, the treasury bills in circulation, the exchange rate, the private sector deposits in commercial banks, the financing of foreign trade, the geographic distribution of ATMs, the payment cards and the bank loans to economic sectors.

Central Bank of Lebanon balance sheet

The balance sheet of the Central Bank of Lebanon is composed of assets and liabilities which are equal to 60,420 billion LBP in December 2008.

Table 10.1 – Central Bank of Lebanon balance sheet in December 2008

Liabilities	%	Assets	%
Currency in circulation outside BDL	4.1	Foreign assets	62.6
Deposits	62.1	Claims on the private sector	0.5
Liabilities	11.6	Loans to banks	2.6
Valuation adjustment	6.0	Securities portfolio	23.1
Securities other than shares	5.0	Fixed assets	0.7
Liabilities	5.5	Unclassified assets	10.0
Capital accounts	4.0		
Unclassified Liabilities	1.7		
Total liabilities (billion LBP)	60,420	Total assets (billion LBP)	60,420

Table made by CAS based on Central Bank of Lebanon data (2008)

Commercial banks balance sheet

The consolidated balance sheet of commercial banks at the end of period consists of assets and liabilities which are equal to 142,090 billion LBP in December 2008.

Table 10.2 – Commercial banks consolidated balance sheet in December 2008

Liabilities	%	Assets	%
Resident private sector deposits	70.3	Reserves	27.5
Public sector deposits	0.9	Claims on the private sector	22.3
Foreign liabilities	16.8	Claims on the public sector	27.0
Bonds	0.1	Foreign assets	20.3
Capital accounts	7.5	Fixed assets	2.6
Unclassified Liabilities	4.4	Unclassified assets	0.3
Total liabilities (billion LBP)	142,090	Total assets (billion LBP)	142,090

Table made by CAS based on Central Bank of Lebanon data (2008)

Monetary situation

Monetary situation consists of money and its counterparts evolution.

Table 10.3 – Monetary situation in December 2008

Money supply	Value in billion LBP
Money and quasi-Money in LBP and foreign currencies (M3)	103,506
Counterparts	Value in billion LBP
Net foreign assets	42,169
Net claims on public sector	39,243
Claims on the private sector	33,482
Other items (net)	-11,389

Table made by CAS based on Central Bank of Lebanon data (2008)

Banks clearing

The clearings are in LBP, in USD, in Euros and in Sterling.

Table 10.4 – Bank clearings in 2008

Clearings	Value	Peak Month
LBP clearings numbers in thousands	3,377	July (9.0%)
LBP clearings value in billion LBP	14,091	July (9.1%) and October (9.1%)
USD clearings number in thousands	8,041	October (9.3%)
USD clearings value in million USD	4,1777	August (9.9%)
Euro clearings number in thousands	86	October (9.5%)
Euro clearings value in million Euros	1,039	June (9.5%)
Sterling clearings number in thousands	2	All the year except for March (10.0%)
Sterling clearings value in millions Sterling	41	May (16.3%)

Table made by CAS based on Central Bank of Lebanon data (2008)

Treasury bills in circulation

Issues peak equal to 2,552 billion LBP is registered in June. Reimbursement peak equal to 1,909 is registered in February. In circulation at the end of period equal to 37,644 is registered in December.

Table 10.5 – Treasury bills at the end of period in billion LBP in 2008

By pay-day	
Type	Peak month in value
3 months – Issue	December (189)
3 months – Reimbursement	April (14)
3 months – In circulation at the end of period	December (289)
6 months – Issue	November (587)
6 months – Reimbursement	January (702)
6 months – In circulation at the end of period	December (1,264)
12 months – Issue	September (168)
12 months – Reimbursement	February (119)
12 months – In circulation at the end of period	December (707)
24 months – Issue	September (303)
24 months – Reimbursement	September (465)
24 months – In circulation at the end of period	July (2,173)
Over 3 years – Issue	June (2,009)
Over 3 years – Reimbursement	February (1,321)
Over 3 years – In circulation at the end of period	November (30,361)
Sepecial bills issued to BDL – Reimbursement	July (650)
Sepecial bills issued to BDL – In circulation at the end of period	January (4,315) and February (4,315)
By subscriber	
Banque du Liban	December (23,781)
Banks	January (8,456)
Financial institutions	November (102)
Public administrations	November (4,929)
Public	November (754)
Total	December (37,644)

Table made by CAS based on Central Bank of Lebanon data (2008)

Exchange rate

This part displays the foreign bills medium exchange rate in LBP.

Table 10.6 – Medium exchange rate in LBP in 2008

By pay-day	
Currency and metal	Peak month in value
Euro	April (2,378.55)
Sterling Pound	March (3,022.47)
Canadian Dollar	March (1,512.75)
Japanese Yen	December (16.59)
Swiss Franc	April (1,492.55)
Saudi Rial	March (402.07)
Egyptian Pound	July (283.37)
Emirates Dirham	March (410.51)
Special Drawing Rights	April (2,469.52)
Gold	March (1,469,565.44)
Silver	March (29,600.60)

Table made by CAS based on Central Bank of Lebanon data (2008)

Private sector deposits in commercial banks

This part details the private sector deposits in commercial banks.

Table 10.7 – Private sector deposits in commercial banks in billion LBP in 2008

Deposits	Value in billion LBP (December 2008)	Percentage (December 2008)
Residents' deposits	99,908	85.2
Non residents' deposits	17,345	14.8
Total	117,253	100.0
Total deposits in LBP	35,676	30.4
Total deposits in foreign currencies	81,576	69.6
Total	117,253	100.0

Table made by CAS based on Central Bank of Lebanon data (2008)

As for dollarization rate, the peak is registered in January (77.2%). Requests for information at Centrale des Risques per unit showed a peak of 13,973 demands in October 2008.

Financing foreign trade

This part displays documentary L/Cs and bills for collection.

Table 10.8 – Financing of imports and exports in billion LBP in 2008

Type	Value in billion LBP (December 2008)	Peak month
Documentary L/Cs		
<i>Opened credits</i>		
Imports	467	June (857)
Exports	603	November (799)
<i>Used credits</i>		
Imports	511	July (778)
Exports	422	June (688)
<i>Outstanding credits at the end of period</i>		
Imports	1,265	July (1,556)
Exports	2,420	December (2,420)
Bills for collection		
<i>Inward bills</i>		
Imports	187	July (324)
<i>Outward bills</i>		
Exports	586	July (791)
<i>Outstanding bills at the end of period</i>		
Imports	170	July (191)
Exports	588	December (588)

Table made by CAS based on Central Bank of Lebanon data (2008)

Distribution of ATMs at the end of period

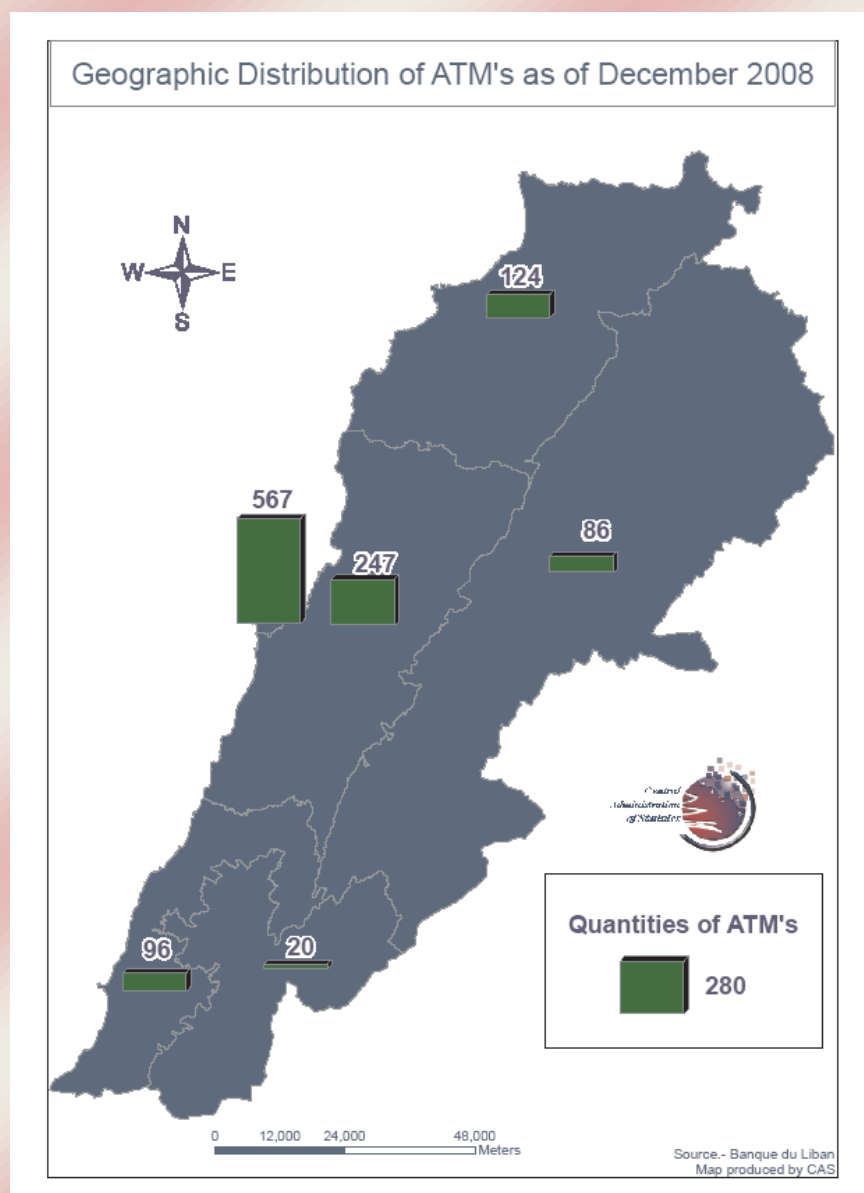
In December 2008, there are 1,140 ATM's. 49.7% of ATMs are found in Beirut and suburbs.

As for points of sale with payment cards, there are 44,547 contracts signed with merchants, 22,976 manual machines and 15,255 electronic machines in December 2008.

As for share of LBP payments out of total payments in LBP and USD, it is equivalent to 10.27% and the share of LBP withdraws out of total drawings in LBP and USD is equal to 70.29% in December 2008.

The number of resident cardholders is 1,519,298 and the number of non resident cardholder is 44,660 in December 2008.

Finally, points of sale purchases inside Lebanon by residents are equal to 110,665,739 USD, points of sale purchases inside Lebanon by non-residents are equal to 2,445,191 USD, points of sale purchases and ATM cash withdraw outside Lebanon by Residents are equal to 49,529,265 USD, ATM cashwithdrawals inside Lebanon by residents are equal to 444,179,636 USD and ATM cashwithdrawals inside Lebanon by non-residents are USD 6,273,387 in December 2008.



Bank loans to economic sectors

Bank loans are given to all economic sectors. Trade and services (41.4%) are the peak sector in 2008.

Table 10.9 – Bank loans to economic sectors in billion LBP in 2008

Activity	Billion LBP	%
Trade and services	195,153	41.0
Construction and transactions	71,476	15.0
Industry	61,905	13.0
Personal loans	94,364	19.8
Financial Intermediation	29,420	6.2
Agriculture	4,780	1.0
Other sectors	18,519	3.9
Total	475,617	100.0

Table made by CAS based on Central Bank of Lebanon data (2008)

8.8% of loans given to trade and services are registered in December, 9.1% of those for construction in December, 8.9% of those of industry in September, 9.7% of those for personal loans in July, 11.2% of those of financial intermediation in September, 9.0% of those in agriculture in September and 9.2% of those of other sectors in November.

Commercial banks in Lebanon

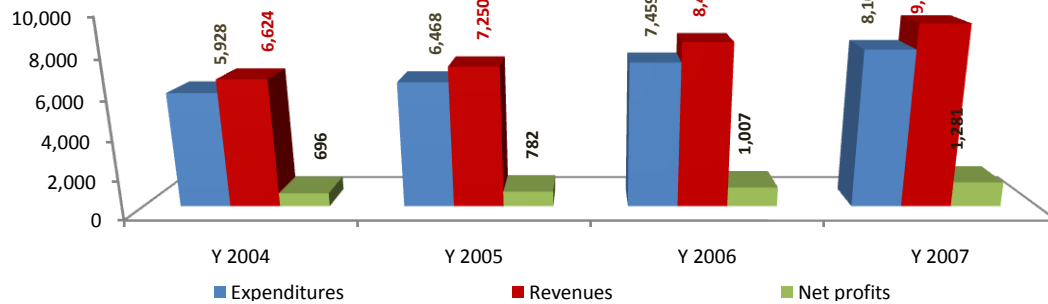
The commercial banks in Lebanon section studies their distribution, expenditures and revenues, consolidated accounts of profit and loss, distribution of deposits, bank credits, and credits beneficiary. It also deals with geographic distribution of bank agencies, employees' salaries and allowances and average salary of a bank employee.

There are 64 banks in Lebanon of which 81.2% are commercial banks and 18.8% are business banks. These banks are employing 18,632 people in 2008 of which 55% are men and 64% are university degree holders. Lebanese commercial banks (SAL) recruit 94% of total employees, foreign commercial banks recruit 4% of total employees and Credit banks on the middle and long run recruit 2% of total employees in 2008. Total employees in banks increase of 19.7% between 2003 and 2004.

Banks expenditures and revenues

The difference between banks expenditures and revenues gives the net profit which shows an increase of 84.1% between 2007 and 2004.

Graph 10.1 – Expenditures and revenues of banks between 2004 and 2007 in billion LBP in 2008



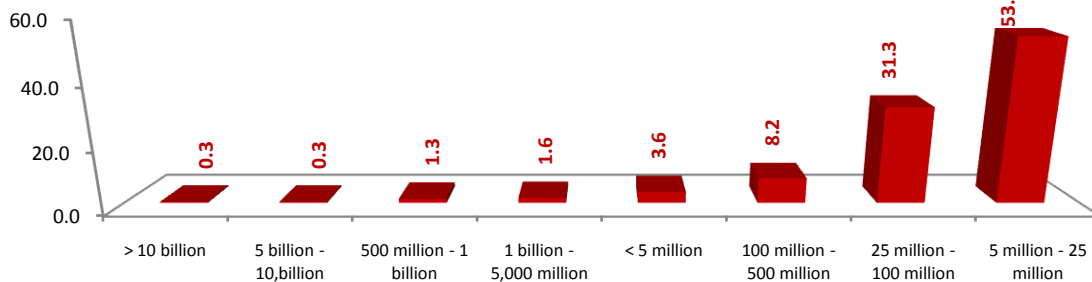
Graph made by CAS based on Association des Banques au Liban data (2008)

As for the consolidated account of profit and loss of banks in Lebanon between 2004 and 2007, it shows an increase of 44.7% between 2007 and 2004. The banking concentration at the end of 2007 shows that the first five banks in Lebanon gathered 59.2% of total assets, 59.6% of total deposits and 58.8% of total credits at the end of 2007.

Distribution of deposits and of credits

Beirut and its suburbs gather 67.2% of deposits and 51.1% of depositors in Lebanon in December 2007. They also gather 82.5% of bank credits and 60.7% of beneficiaries in Lebanon in December 2007. As for the distribution of value of credits in LBP, the above 10 billion LBP credits constitute 46.2% of total credits in December 2007.

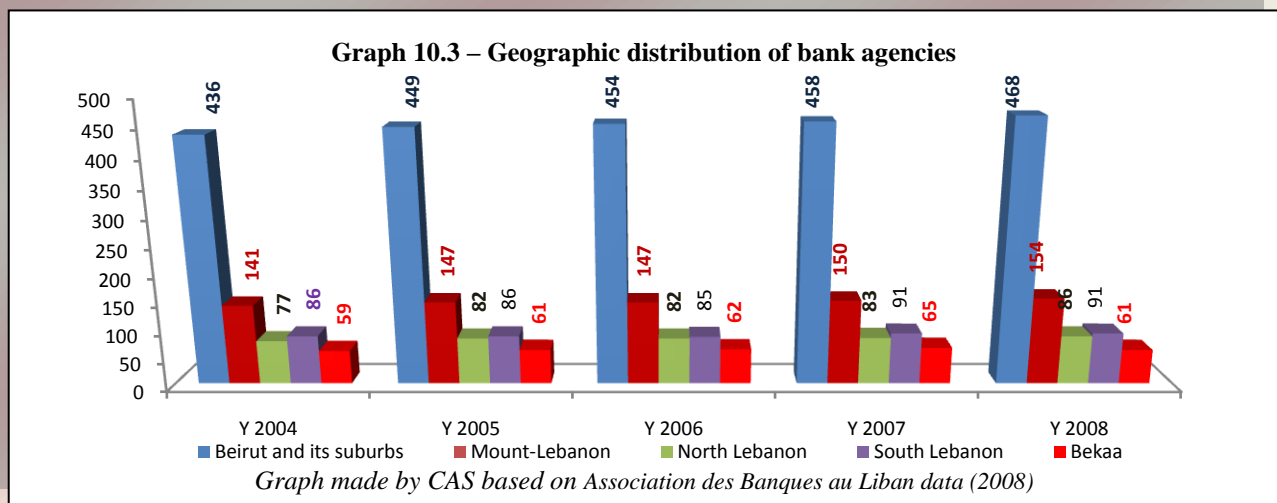
Graph 10.2 – Distribution of credits beneficiary in % in December 2007



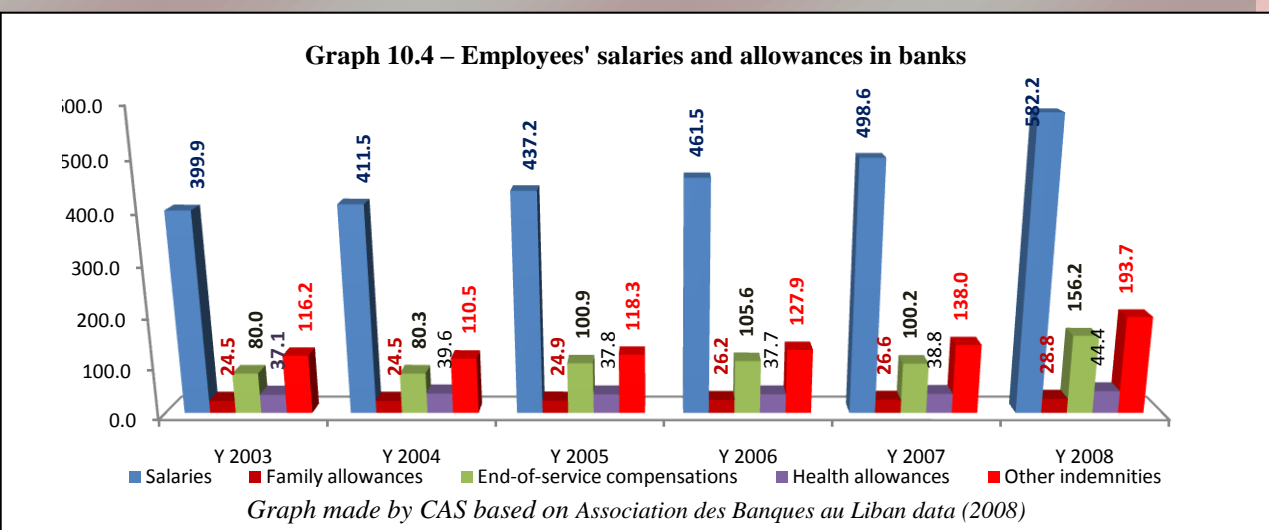
Graph made by CAS based on Association des Banques au Liban data (2008)

Geographic distribution of bank agencies and employees' salaries and allowances

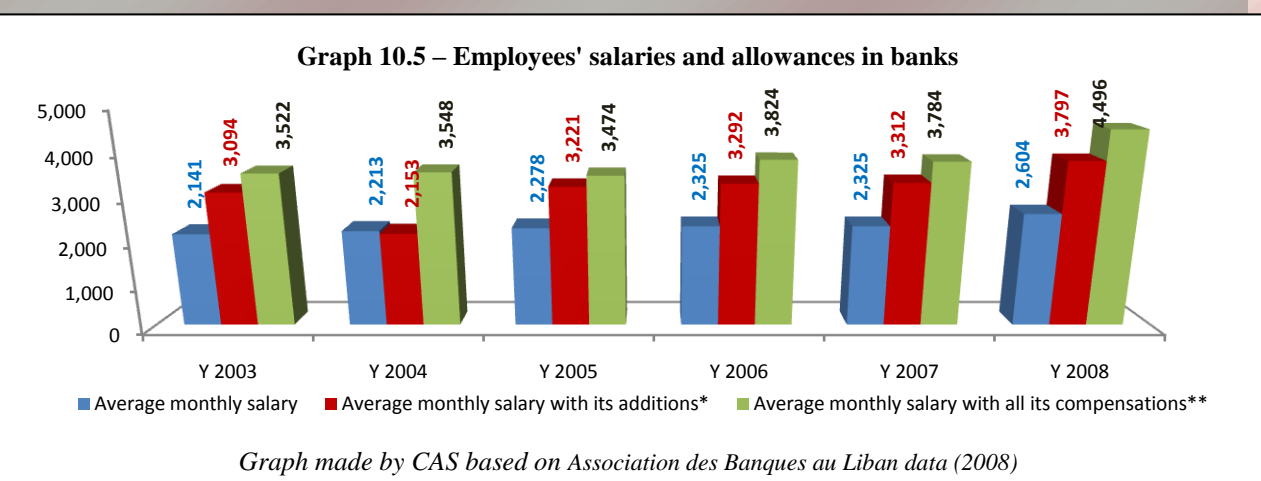
Beirut and its suburbs gather 54.4% of total commercial banks agencies in 2008, knowing that the total number of these banks is 860 in 2008.



Total salaries are equal to 582.2 billion LBP, family allowances are equal to 28.8 billion LBP, end-of-service compensations are equal to 156.2 billion LBP, health allowances are equal to 44.4 billion LBP and other indemnities are equal to 193.7 billion LBP in 2008.



Finally, average salary of a bank employee with all its compensations is equal to 4,496,000 LBP in 2008. It shows an increase of 27.7% between 2003 and 2008.



Beirut Stock Exchange

Beirut Stock Exchange section studies monthly transactions, value of monthly transactions, market capitalization at the end of period and daily averages .

Monthly transactions

105,517,848 shares are exchanged in 2008. There are 5 top shares traded 95,995,353 (91.0%) in 2008. September 2008 witnesses the highest number of exchanged shares which is equal to 43,374,825 shares (41.1%).

Table 10.10 – Top 5 companies monthly transactions in volume in 2008

Shares	Volume of traded shares in 2008	% of traded shares in 2008
BLC Bank Listed share	36,346,018	34.4%
Solidere A	30,087,761	28.5%
Solidere B	13,836,309	13.1%
Byblos Bank	9,964,888	9.4%
Byblos Bank Priority	5,760,377	5.5%
Total of top 5 companies	95,995,353	91.0%
Total of all companies	105,517,848	100.0%

Table made by CAS based on Beirut Stock Exchange data (2008)

Value of monthly transactions

The value of total exchanged shares is equal to 1,710,411,000 USD in 2008. Top 5 values of traded shares are equal to 1,513,783,000 USD (88.5%) in 2008. September 2008 witnesses the highest value of exchanged shares which is equal to 479,810,000 shares (28.1%).

Table 10.11 – Top 5 companies in value of monthly transactions in 2008

Shares	Value of traded shares	% of traded shares
Solidere A	850,387,000	49.7%
Solidere B	404,577,000	23.7%
Bank Audi – GDR	103,056,000	6.0%
Bank Audi	83,681,000	4.9%
Byblos Bank Priority	72,082,000	4.2%
Total of top 5 companies	1,513,783,000	88.5%
Total of all companies	1,710,411,000	100.0%

Table made by CAS based on Beirut Stock Exchange data (2008)

Market capitalization at the end of period

Total market capitalization is equal to 9,609,000,000 USD in December 2008. Top 5 shares are equal to 6,649,000,000 USD in terms of market capitalization (69.2%) in December 2008. June 2008 witnessed the highest value of market capitalization which is equal to 16,231,000,000 USD.

Table 10.12 – Top 5 companies in value of market capitalization in December 2008

Shares	Market capitalization of traded shares	% of traded shares in 2008
Bank Audi	1,778,000,000	18.5%
Solidere A	1,654,000,000	17.2%
BLOM Bank Listed Shares	1,607,000,000	16.7%
Solidere B	1,085,000,000	11.3%
Bank Audi – GDR	525	5.5%
Total of top 5 companies	1,513,783,000	88.5%
Total of all companies	1,710,411,000	100.0%

Table made by CAS based on Beirut Stock Exchange data (2008)

Market capitalization at the end of the month

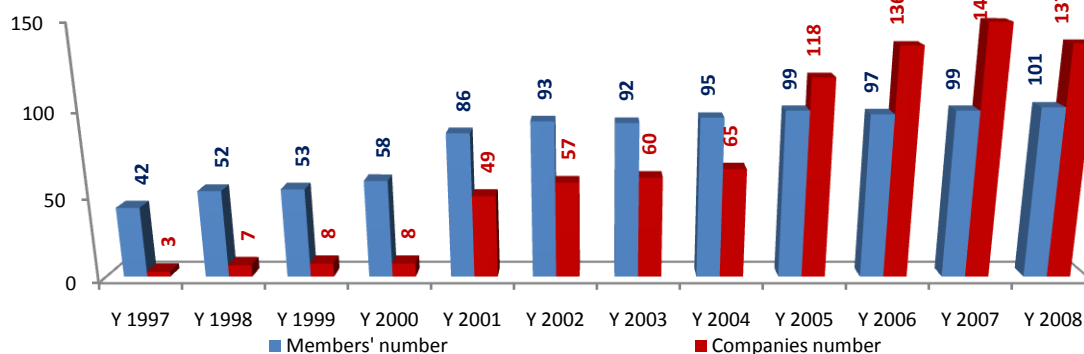
During 2008, there are 240 trading days. Thus, daily average shares are equal to 439,658 shares, daily average value is equal to 7,126,729 USD in 2008. As for deals, there are 43,077 deals in 2008. Thus daily average deals is equal to 179 in 2008.

Midclear

The Central Bank of Lebanon established in June 1994 in Beirut, Midclear S.A.L. the Custodian and Clearing Center of financial instruments for Lebanon and the Middle East. The establishment of Midclear comes with concerted efforts aimed at confirming the confidence of Lebanese, Arab and foreign investors. Its emergence is also congruent with the international recommendations proposed by the group of Thirty on the matter of regulating and developing the financial markets. Midclear provides investors with a variety of depository and clearing services which confirm to international standards recommended by the Group of Thirty (www.midclear.com.lb).

Total shareholders' number is 22,714 in 2008 which means an increase of 779.4% since 1997. Value of traded bonds is equal to 1,710,384,896 USD which means an increase of 167.2% since 1997. As for value cleared, it is equal to 3,420,769,792 USD in 2008 which means an increase of 162.7% since 1997. Management of Registrars: Market value of shares is equal to 11,732,243,287 USD in 2008, which means an increase of 5,760% since 1997. Finally, total assets under custody are equal to 25.23 billion USD in December 2008.

Graph 10.6 – Midclear members and companies numbers



Graph made by CAS based on Midclear data (2008)

Money exchange by Mohafazat

There are 384 money exchange establishments in 2008. These establishments are divided into two categories specified by law number 347/87. Category A (12.6%): Buying and selling foreign currencies in exchange of any other foreign currency or the LBP even if it was a bank note or a coin; buying and selling metallic ingots, conversions, cheques and Travellers Cheques. The capital is equal to 250,000,000 LBP. Category B (87.4%): Buying and selling foreign currencies in exchange of any other foreign currency or the LBP even if it was a bank note or a coin; buying and selling metallic ingots, golden ingots below 1,000 conversions, cheques and Travellers Cheques within a cap defined by the Central Bank of Lebanon. The capital is equal to 100,000,000 LBP.

Number of Money Exchangers by Category

