

## CHAPTER 9 – FINANCIAL SECTOR

The financial sector in Lebanon deals with money and banking, monetary situation, bank's clearing, treasury bills in circulation, exchange rate financial markets. Banque du Liban and Beirut Stock exchange provide CAS with the statistics related to this sector.

### 1 Money and banking

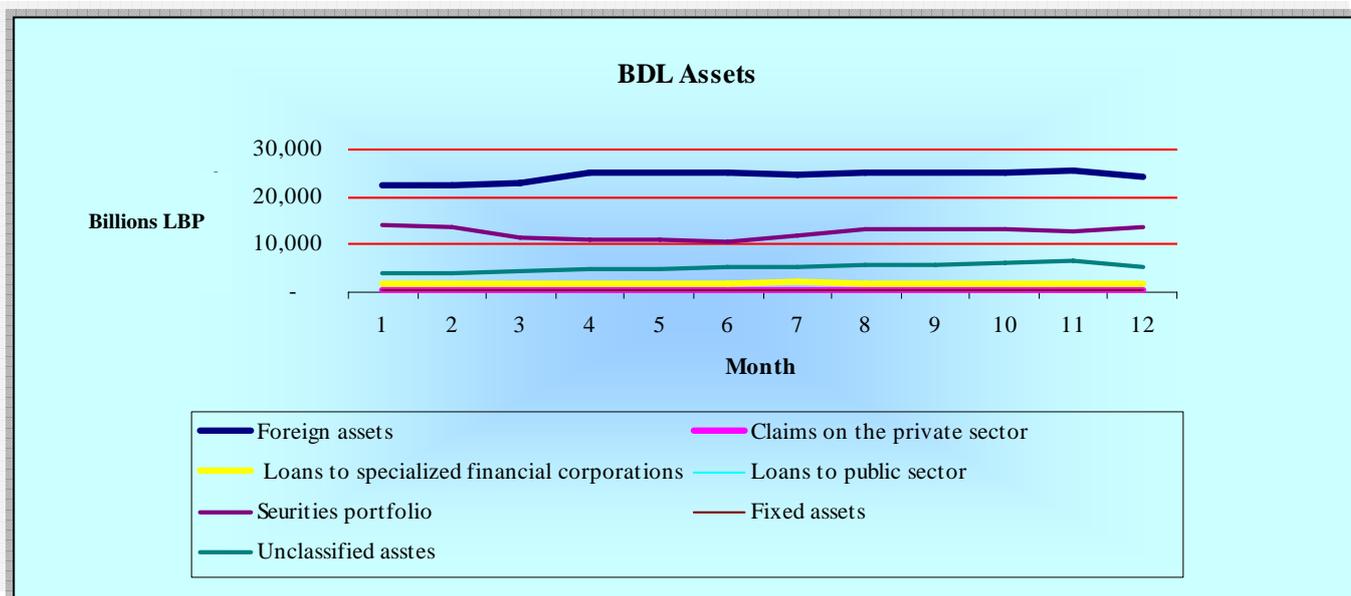
This part deals with the balance sheets of Banque du Liban (BDL) and the other banks at the end of the month. It studies their assets and liabilities and is also concerned with the monetary situation.

#### 1.1 Banque du Liban balance sheet

The BDL balance sheet consists of balanced assets and liabilities. The peak of these two totals equal to 47 648 billions LBP, registered in November.

The assets of BDL consist of foreign assets (Peak = 25 337 billions LBP in November), claims on the private sector (peak = 320 billions LBP in May), loans to specialized financial corporations (peak = 2006 billions LBP in July), loans to public sector (peak = 454 billions LBP in March), securities portfolio (peak = 14 209 billions LBP in January), fixed assets (peak = 463 billions LBP in January) and unclassified assets (peak = 6 503 billions LBP in November) (Banque du Liban, 2006).

Graph number 51 – BDL Assets

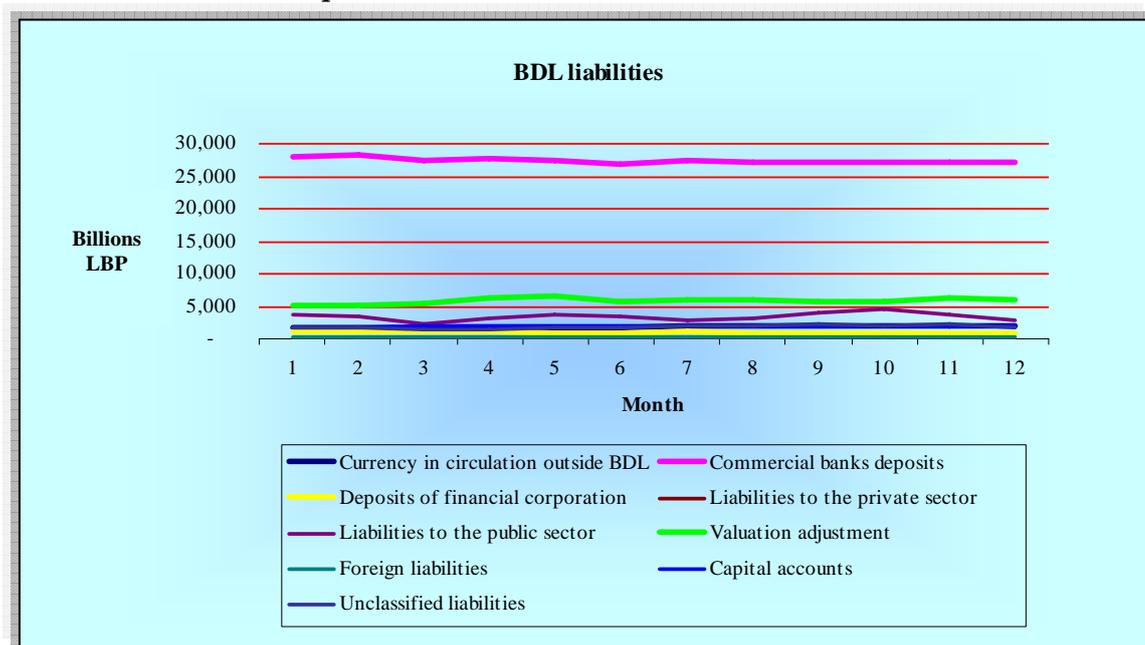


Source: BDL (2006)

BDL liabilities consist of currency in circulation outside BDL (peak = 2 085 billions LBP in July), commercial banks deposits (peak = 28 210 billions LBP in February), deposits of financial corporation (peak = 1 186 billions LBP in January), liabilities to the private sector (peak = 66 billions LBP in June), liabilities to the public sector (peak = 4 558 billions LBP in October), valuation adjustment (peak = 6 443 billions LBP in May), foreign liabilities (peak = 167 billions

LBP in March), capital accounts (peak = 1974 billions LBP in December) and unclassified liabilities (peak = 2 175 billions LBP in November) (Banque du Liban, 2006).

**Graph number 52 –BDL liabilities**

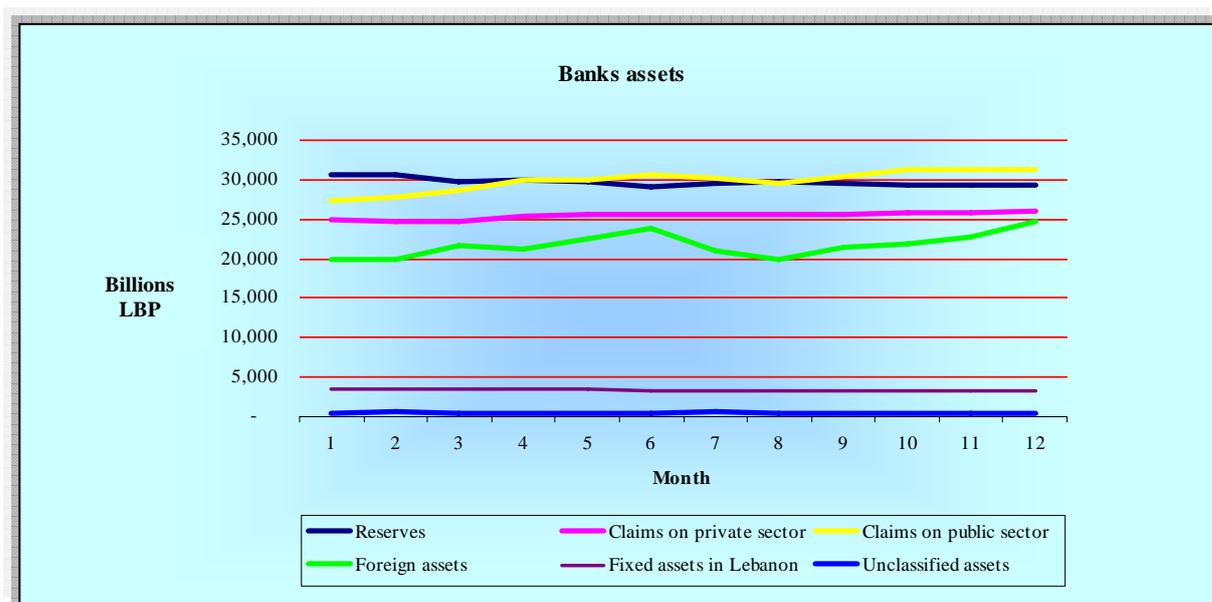


Source: BDL (2006)

## 1.2 Commercial banks balance sheet

The commercial banks balance sheet consists of balanced assets and liabilities. The peak of these two totals equal to 114 840 billions LBP, registered in December. Commercial banks assets consist of reserves (peak = 30 699 billions LBP in February), claims on private sector (peak = 25 930 billions LBP in December), claims on the public sector (peak = 31 365 billions LBP in October), foreign assets (peak = 24 784 billions LBP in December), fixed assets in Lebanon (peak = 3 568 billions LBP in May) and unclassified assets (peak = 584 billions LBP in July) (Banque du Liban, 2006).

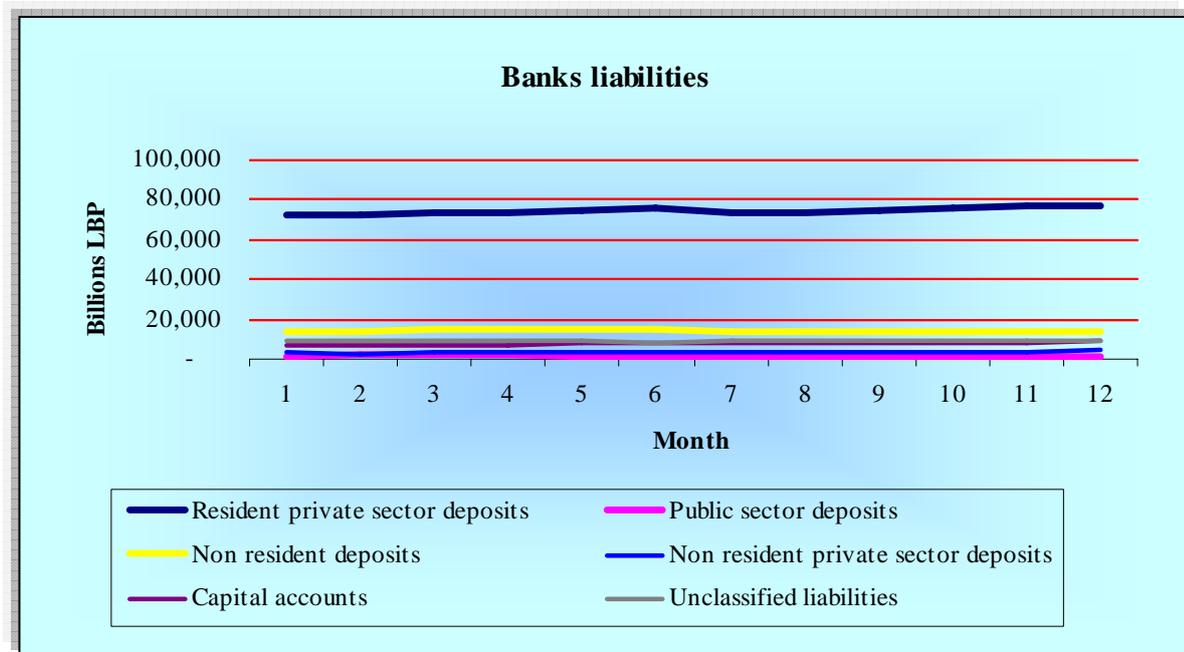
**Graph number 53 – Commercial banks assets**



Source: BDL (2006)

The commercial banks liabilities consist of resident private deposits (peak = 77 336 billions LBP in December), public sector deposits (peak = 1 808 billions LBP in February), non residents deposits (peak = 15 510 billions LBP in June), non residents private sector deposits (peak = 4 331 billions LBP in December), capital accounts (peak = 8 718 billions LBP in December) and unclassified liabilities (peak = 9 644 billions LBP in April) (Banque du Liban, 2006).

*Graph number 54 – Commercial banks liabilities*



Source: BDL (2006)

### 1.3 Monetary Situation

The monetary situation consists of money and quasi-money (peak = 79 447 billions LBP in November), deposits in foreign currencies (peak = 59 678 billions LBP in December), foreign assets (peak = 30 722 billions LBP in November), net foreign assets excluding gold (peak = 21 838 billions LBP in November), net claims on the public sector (peak = 37 459 billions LBP in December), net claims on the public sector without valuation adjustment (peak = 40 584 billions LBP in December) and claims on the private sector (peak = 26 679 billions LBP in December) (Banque du Liban, 2006).

## 2 Bank's clearing

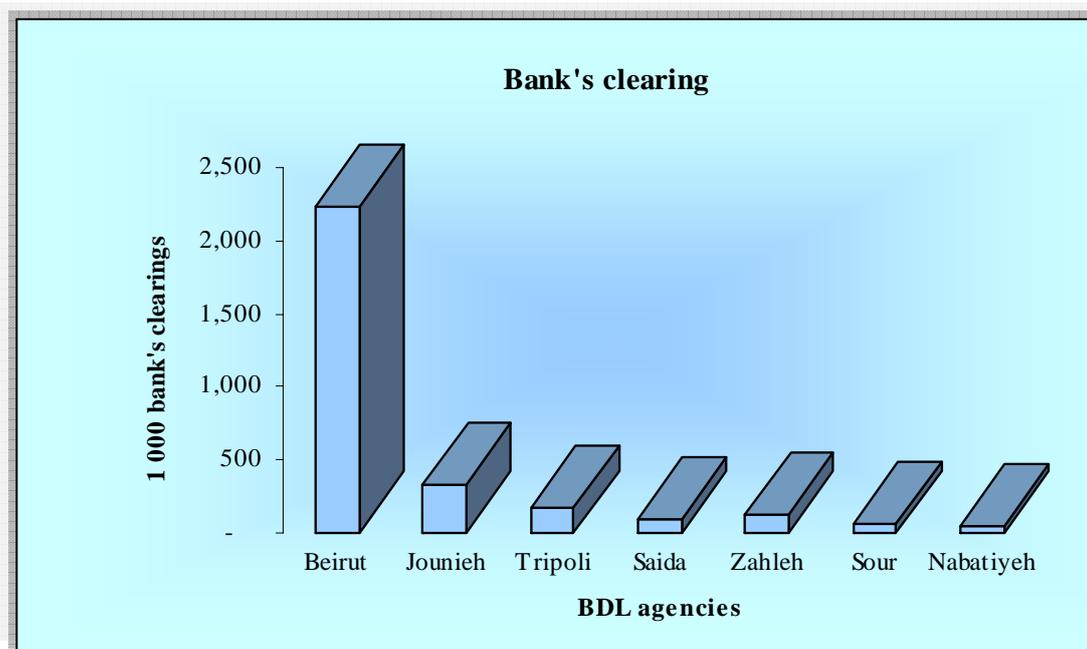
The bank's clearing is in LBP and in foreign currencies (dollar, euro, sterling) and will be studied in number and in value.

### 2.1 Bank's clearing in LBP

3 058 000 bank's clearing are done in 2006 (peak = 303 000 banks clearing or 9.9% of the total). Beirut is ranked first with 2 236 000 bank's clearing (73.1% of the total).

The value of these bank's clearing is equal to 10 884 billions LBP (peak = 1 062 billions LBP or 9.8% of the total is registered in March). Beirut is ranked first with 8 957 billions LBP (82.3% of the total) (Banque du Liban, 2006).

*Graph number 55 – Banks clearing in LBP*



*Source: BDL (2006)*

## **2.2 Bank's clearing in foreign currencies**

There are 3 types of bank's clearing in foreign exchange:

- ✚ bank's clearing in USD of count equalling to 6 867 000 bank's clearing (peak = 681 000 bank's clearing or 9.9% of the total registered in June) and value equalling to 24 724 millions USD (peak = 2 479 millions USD or 10.0% of the total registered in May);
- ✚ bank's clearing in euro of count equalling to 65 000 bank's clearing (peak = 7 000 bank's clearing or 10.8% of the total is registered in May) and value equalling to 521 millions euros (peak = 59 millions euros or 11.3% of the total is registered in June);
- ✚ bank's clearing in sterling of count equalling to 1 900 bank's clearing (peak = 200 bank's clearing or 10.5% of the total) and value equalling to 27 millions sterling (peak = 4 millions sterling or 14.8% of the total is registered in January and in April) (Banque du Liban, 2006).

## **3 Treasury bills in circulation**

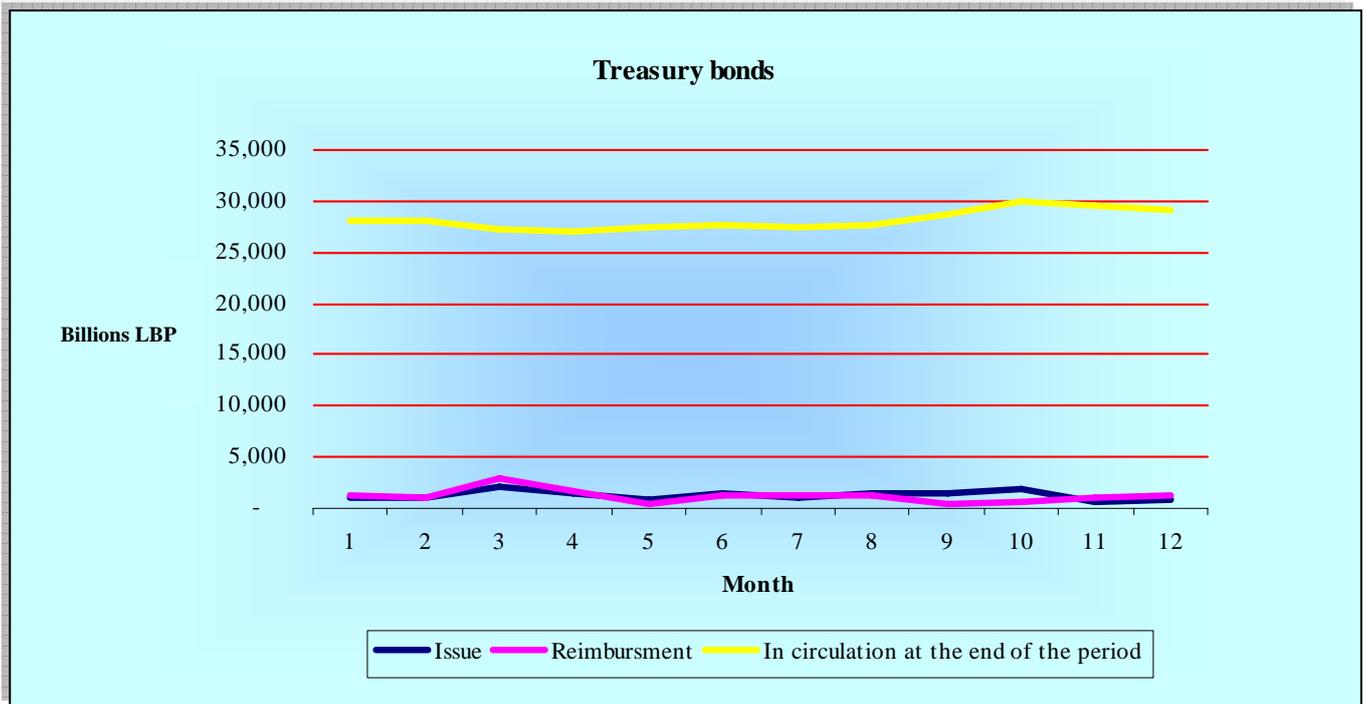
Treasury bills in circulation statistics are related to their value in billions LBP, pay-day and subscribers.

### **3.1 Treasury bonds value**

These bonds will be studied by issue, reimbursement and circulation at the end of the period.

Regarding issue, the peak equal to 2 104 billions LBP, registered in March. As for reimbursement, the peak equal to 2 987 billions LBP, registered in March. Finally, as for the treasury bonds in circulation at the end of the period, the peak equal to 29 924 billions LBP, registered in October (Banque du Liban, 2006).

**Graph number 56 – Treasury bonds value**



Source: BDL (2006)

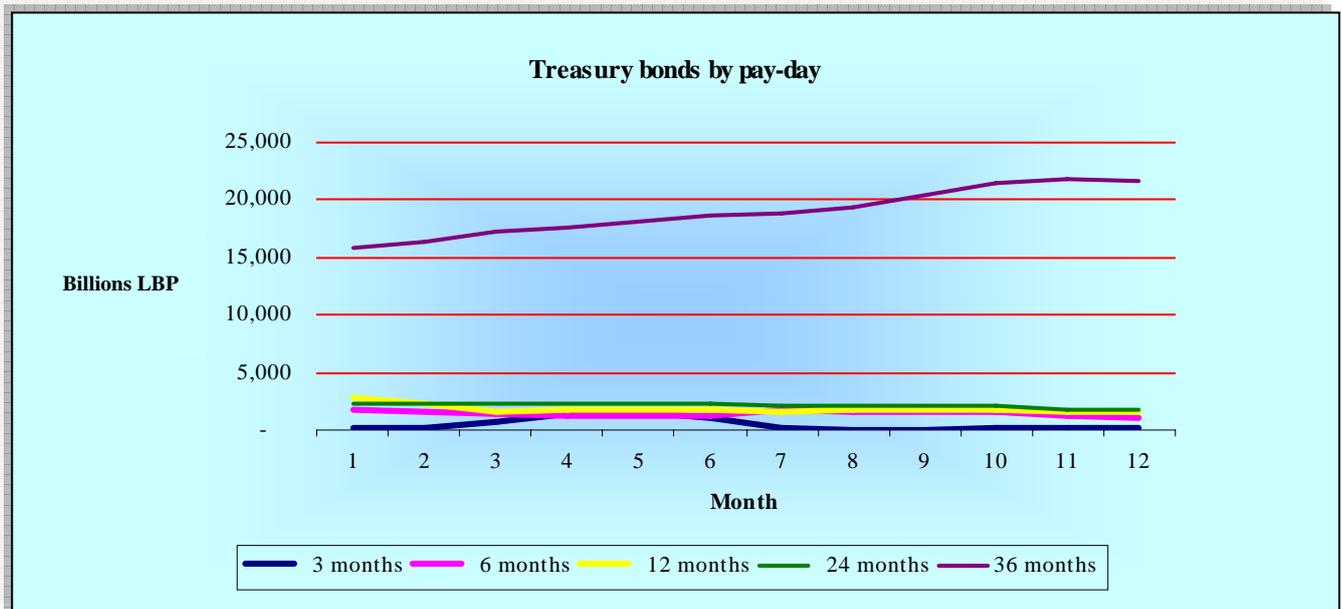
### 3.2 Treasury bonds at the end of period

Treasury bonds statistics show their evolution regarding the pays day and subscribers.

As for pay-day, there are 5 types:

- ✚ 3 months which peak equal to 1 513 billions LBP, registered in May;
- ✚ 6 months which peak equal to 1 843 billions LBP, registered in July;
- ✚ 12 months which peak equal to 2 735 billions LBP, registered in January;
- ✚ 24 months which peak equal to 2 338 billions LBP, registered in January;
- ✚ 6 months which peak equal to 21 784 billions LBP, registered in November (BDL, 2006).

**Graph number 57 – Treasury bonds by pay-day**

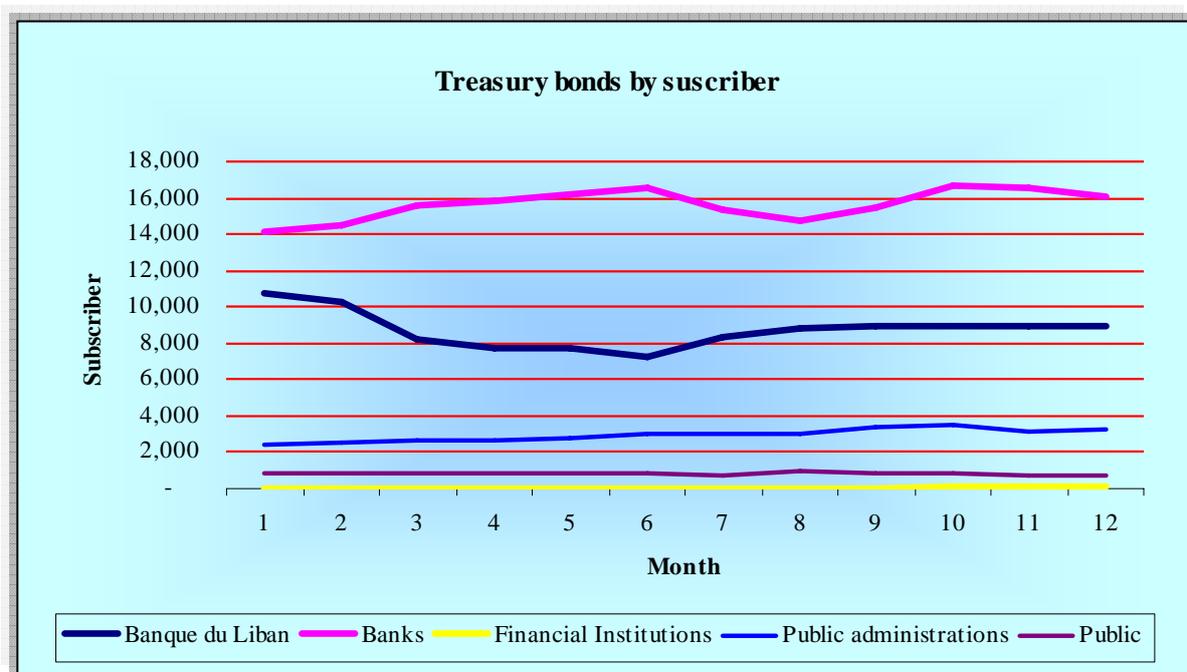


Source : BDL (2006)

As for subscribers, there are several types:

- ✚ BDL which peak equal to 10 715 billions LBP is registered in January;
- ✚ commercial banks which peak equal to 16 634 billions LBP is registered in October;
- ✚ financial institutions which peak equal to 75 billions LBP is registered in December;
- ✚ public administrations which peak equal to 3 483 billions LBP is registered in October;
- ✚ public which peak equal to 960 billions LBP is registered in August (Banque du Liban, 2006).

*Graph number 58 – Treasury bonds by subscriber*

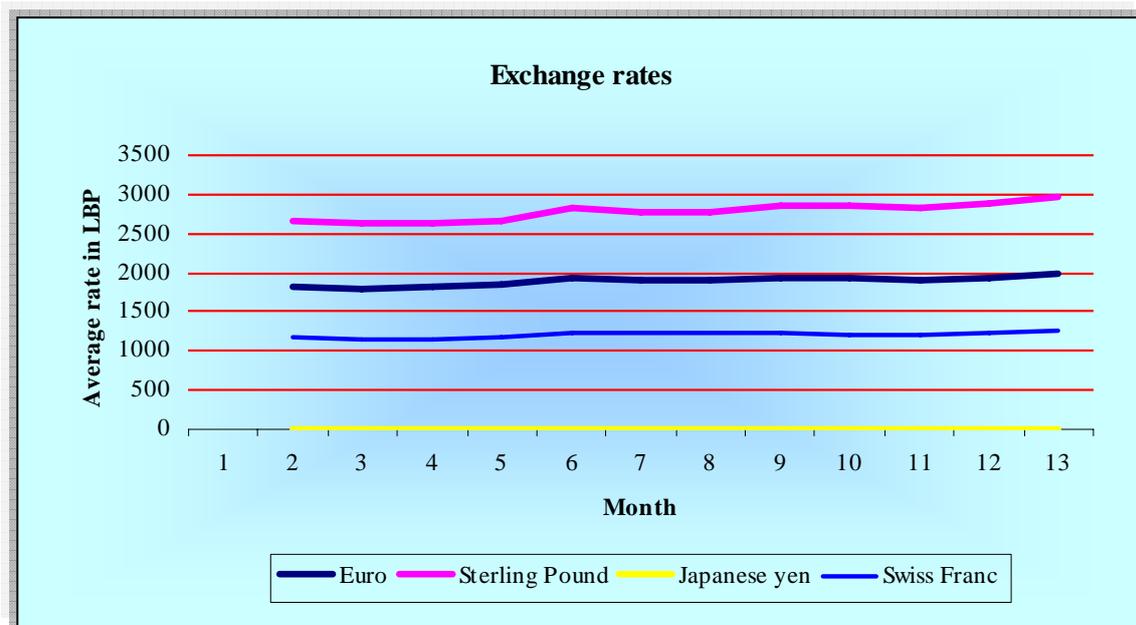


Source: BDL (2006)

#### 4 Exchange rate

The main foreign currencies are dollar, euro, sterling pound, Japanese yen, swiss franc, Saudi rial and Syrian pound. The average exchange rate of the dollar regarding the Lebanese pound is stable and is equal to 1507.5 LBP which is the reflection of the policy of exchange rate stability undertaken by BDL during the 1990s. As for euro, sterling, Swiss franc average exchange rates, they fluctuate regarding LBP. The euro average exchange rate peak equal to 1991.7 LBP, registered in December; as for sterling is equal to 2960.3 LBP, registered in December also; and of Swiss franc equal to 1247.4 LBP, also registered in December. On the contrary, the average exchange rates of the Japanese yen, Saudi Rial, and Syrian Pound are more stable. The yen average exchange rate equal to 13.5 LBP, registered in May; the Saudi Rial is equal to 402.0 LBPLL. Finally, the Syrian pound exchange rate is stable all over the year and is equal to 31.0 LBP (Banque du Liban, 2006).

Graph number 59 – Exchange rates



Source: BDL (2006)

## 5 Banking sector

The 2005/2006 annual report issued by the Banks Association in Lebanon shows that there are 54 banks and 10 investment banks at the end of 2005. These 64 banks are distributed among 29 Lebanese groups, 10 groups with an Arab majority contribution, 2 groups with a foreign majority contribution, 4 bank Arab agencies and 6 foreign banks agencies. Note that there are 4 Islamic banks in Lebanon.

These 64 banks are distributed among 825 commercial bank agencies of which 449 in Beirut (54.4%), 147 in Mount-Lebanon (17.8%), 86 in South-Lebanon (10.4%), 82 in North Lebanon (9.9%) and 61 in Bekaa (7.4%).

There are 15 993 persons working in these 64 banks of whom 56.4% are males and 43.6% are females. 34.9% are single, and 65.1% married. The average age is equal to 39 years. But the average age for males is equal to 40.9 years and 36.6 years for women. In fact, 7.1% of banks employees are less than 25 years, 47.9 are aged between 25 and 40 years, 42.1% are aged between 40 and 60 years and 2.9% are over 60 years. There are 14.2% administrators, 29.8% senior managers, 47.8% employees and 8.2% of office boys.

55.8% of the banks manpower have university degrees, 26.7% have a Bac. II and 17.5% have a Bac. I or less. The majors are business (33.6%), computer science (5.8%), law (4.3%), economics (3.3%) and human sciences (2.9%).

Finally, salaries and honorariums paid by banks are equal to 719.1 billions LBP in 2005. The banks yearly expenses per capita are equal to 45 millions LBP in 2005; so the monthly average expenses per capita are equal to 3 700 000 LBP (Banks Association in Lebanon, 2005/2006).

## 6 Financial markets

The Beirut Stock Exchange provides CAS with the monthly transactions and with the market capitalization statistics at the end of the month.

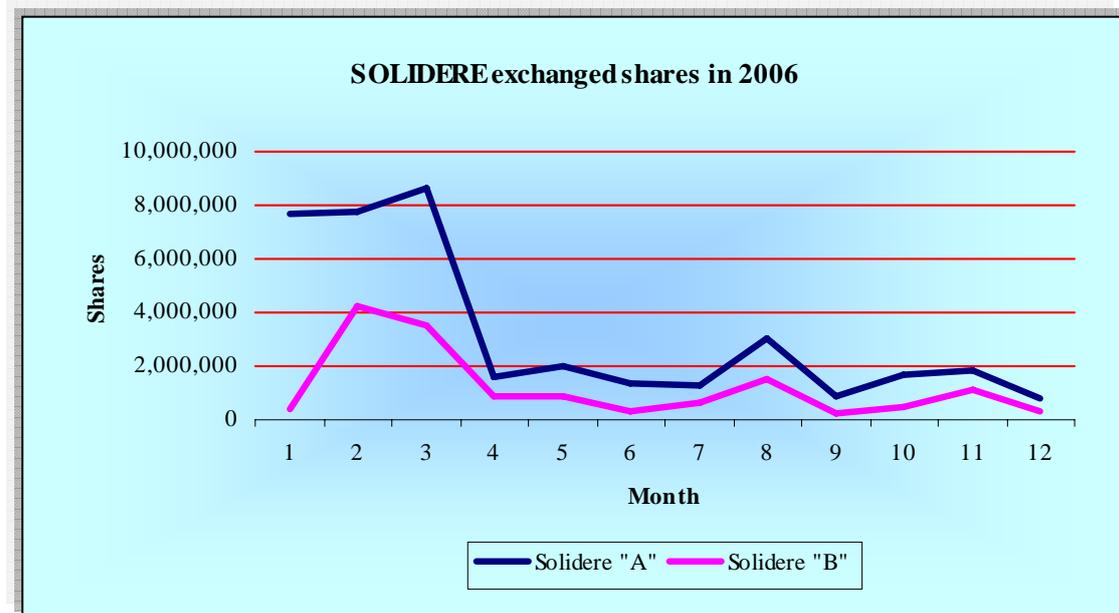
## 6.1 Monthly transactions: exchanged stocks

Monthly transactions consist of development and reconstruction enterprises, banks, trade and industry establishments and investment funds shares. The total of exchanged shares is equal to 134 846 000 shares with a peak equal to 27 768 000 shares (20.6%) of the total, registered in January (Beirut Stock Exchange, 2006).

### 6.1.1 Development and reconstruction enterprises:

The main enterprise is SOLIDERE having the categories A and B, shares. Regarding SOLIDERE A, the peak equal to 8 644 803 shares, registered in March. As for SOLIDERE B, the peak equal to 4 264 534 shares, registered in February, The peak of monthly working days at the Beirut Stock Exchange equal to 23 days, registered in March (Beirut Stock Exchange, 2006).

*Graph number 60 – Monthly transactions of development and reconstruction*



Source: Beirut Stock Exchange (2006)

### 6.1.2 Banks:

The Beirut Stock Exchange provides the share statistics of the following banks: Banque Libanaise pour le Commerce (BLC), Audi, Beirut, Byblos, Banque Européenne pour le Moyen-Orient (BEMO) and Banque du Liban et d'Outre-Mer (BLOM).

BLC (listed shares) displays a peak equal to 13 122 160 of exchanged shares, registered in May. Audi registers a peak equal to 93 199 of exchanged shares, registered in November. Bank of Beirut (listed shares) registers a peak equal to 142 800 of exchanged shares, registered in November. Byblos banks registers a peak equal to 7 002 167 of exchanged shares, registered in January. BEMO (listed shares) registers a peak equal to 199 646 of exchanged shares, registered in January. BLOM (listed shares) registers a peak equal 167 375 of exchanged shares, registered in November. Finally, the peak of monthly working days at the Beirut Stock Exchange equal to 23 days, registered in March (Beirut Stock Exchange, 2006).

### 6.1.3 Trade and Industry:

4 trade and industry establishments are registered in the Beirut Stock Exchange which are:

- ✚ Rasamny Younis Motor Co. "B" displays a peak equal to 1 725 862 of exchanged shares in January;
- ✚ Holcim Liban displays a peak equal to 1 679 357 of exchanged shares in January also;

- ✚ Ciments Blancs displays a peak equal to 68 332 of exchanged bearer shares in January and to 9000 exchanged nominal shares in June;
- ✚ Finally, Uniceramic displays a peak equal to 31 744 of exchanged nominal shares "A" in June and to 20 500 exchanged bearer shares "C" in June also.

The peak of monthly working days at the Beirut Stock Exchange equal to 23 days, registered in March (Beirut Stock Exchange, 2006).

#### 6.1.4 Investment funds:

Five investment funds are registered at the Beirut Stock Exchange:

- ✚ Beirut Interbank Fund displays a peak equal to 12 082 of exchanged shares in February ;
- ✚ Beirut Global Income displays a peak equal to 43 370 of exchanged shares in February also;
- ✚ Beirut Preferred Fund displays a peak equal to 230 of exchanged shares in November ;
- ✚ Beirut Lira Fund displays a peak equal to 4 188 of exchanged shares in May ;
- ✚ Beirut Golden Income displays a peak equal to 28 550 of exchanged shares in July.

Finally, the peak of monthly working days at the Beirut Stock Exchange equal to 23 days, registered in March (Beirut Stock Exchange, 2006).

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## 6.2 Market Capitalization at the end of the month in millions USD

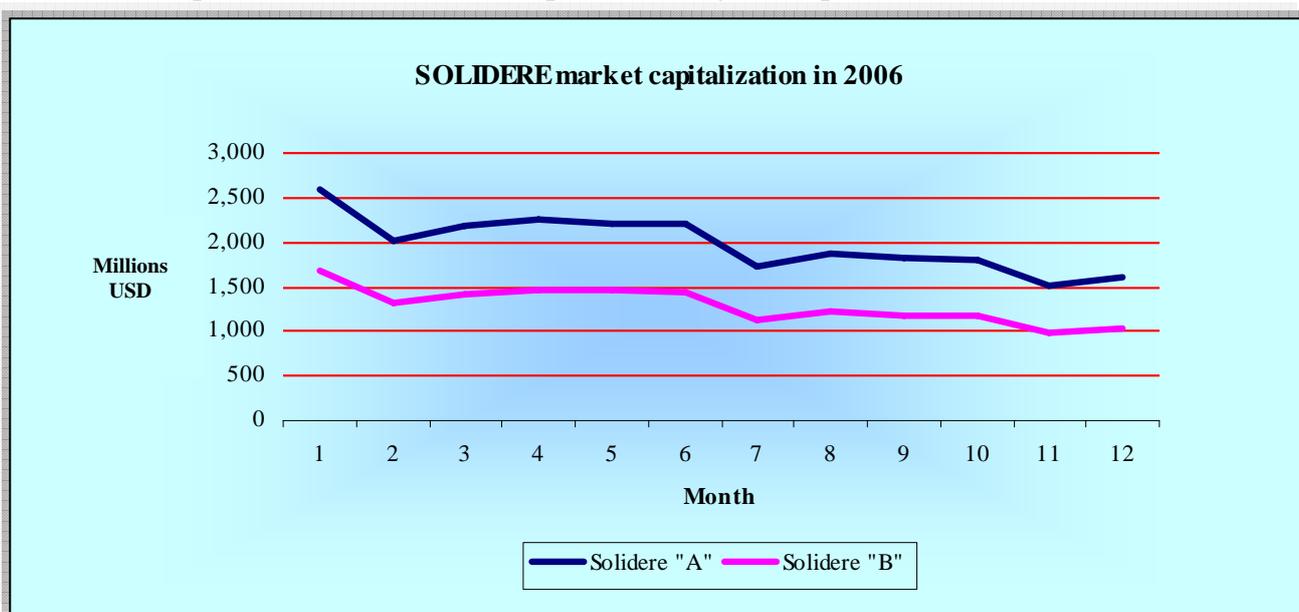
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The market capitalization is in millions USD. It deals with the shares value of the enterprises of development and reconstruction, banks, trade and industry, and investment funds. The market capitalization of exchanged shares is equal in 2006 to 87 838 millions USD with a peak equal to 9 186 millions USD, registered in October (10.5% of the total market capitalization) (Beirut Stock Exchange, 2006).

#### 6.2.1 Development and reconstruction enterprises:

The main enterprise is SOLIDERE with two shares categories A and B. SOLIDERE A registers in January a peak equals to 2 601 millions USD. SOLIDERE B registers also a peak in January equals to 1 683 millions USD (Beirut Stock Exchange, 2006).

**Graph number 61 – Market capitalization of development and reconstruction**



Source: Beirut Stock Exchange (2006)

### 6.2.2 *Banks:*

Beirut stock exchange provides CAS with the following banks statistics: BLC, Audi, Beirut, Byblos, BEMO et BLOM.

BLC (listed shares) displays a peak of its market capitalization equal to 337 millions USD during the first four months of 2006. Audi displays a peak equal to 2 163 millions USD in October. Bank of Beirut (listed shares) displays a peak equal to 406 millions USD in August. Byblos Bank displays a peak equal to 562 millions USD in March. BEMO (listed shares) displays a peak equal to 32 millions USD in January. BLOM (listed shares) display a peak equal to 516 millions USD in August (Beirut Stock Exchange, 2006).

### 6.2.3 *Trade and Industry:*

There are four trade and industry establishments registered at the Beirut Stock Exchange. Rasamny Younis Motor Co. "B" registers a market capitalization equal to 11 millions USD during the first 10 months of 2006. Holcim Liban registers a peak equal to 782 millions USD in January. Ciments Blancs registers a peak equal to of its bearer shares equal to 13 millions de dollars between March and June (Beirut Stock Exchange, 2006).

### 6.2.4 *Investment Funds:*

Beirut Global Income registers a peak of its market capitalization equal to 36 millions USD in January. Beirut Lira Fund registers a peak equal to 3 030 millions USD in January. Finally, Beirut Golden Income registers a peak equal to 45 797 millions USD in January (Beirut Stock Exchange, 2006).