



Dr. Joseph Torbey
LEBANESE BANKS RANK SECOND AMONG
THE BANKING SECTORS OF THE ARAB
NON-OIL COUNTRIES

Dr. Joseph Torbey, Chairman of the World Union of Arab Bankers (WUAB) and Chairman of the Executive Committee of the Union of Arab Banks (UAB) revealed that the Lebanese Banking Sector ranks fifth among the Arab banking sectors in terms of asset size and second among the banking sectors of the Arab non-oil countries; accounting for about 7% of the total assets of the Arab banking sector, And 8% of its deposits.



Based on a study performed by the Union of Arab Banks' Research department, Dr. Torbey said that the volume of the consolidated assets of the Lebanese banking sector amounted to \$234.6 billion at the end of Q2 2018, registering a 6.7% growth compared to end of 2017. Public and private sector deposits (both resident and non-resident) amounted to \$176.1 billion; an increase of 2% over the same period. As for loans to the resident public sector and the private sector, they amounted to \$85.6 billion; scoring a growth rate of 0.5% compared to end of 2017. Deposits of the private sector accounted for 97.7% of total deposits at the end of the second quarter of 2018. 61.4% of the loans were allocated to the resident private sector. The capital of Lebanese banks witnessed a significant increase during the past period, which contributed to the strengthening of the

capital bases and the solvency of Lebanese banks and their ability to face risks. Equity amounted to \$20.4 billion at the end of Q2 2018, up 6.5% compared to end of 2017.

In terms of profitability, consolidated net profit of the Alfa banks grew slightly by 1.8%, while domestic net profit grew by 8.5% year-on-year during Q1 2018, despite difficult operating conditions.

Dr. Torbey announced that Lebanon ranked fourth in terms of the number of banks that entered the list of the largest 1000 banks in the world for the year 2017, according to data issued by The Banker in July 2018 with nine Lebanese Banks entering the list. These nine banks which have a total Tier 1 asset value of \$15.1 billion are:

1. Bank Audi
2. Blom Bank

3. SGBL
4. Byblos Bank
5. Fransabank
6. Bank of Beirut
7. Banque Libano-Française
8. Credit Libanais
9. BBAC

The Lebanese banking sector is one of the largest Arab and international banking sectors compared to the size of the national economy; where the combined assets of the sector is four times the nominal GDP of Lebanon. In light of the political and economic challenges facing the country, the Lebanese economy grew by 1.5% in 2017 according to the International Monetary Fund, compared to 7.6% growth in the Lebanese banking sector. This is a strong indicator of the sector's strength and resilience to internal and external challenges. Dr. Torbey highlighted that the Lebanese banking sector adopts a conservative

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business model and is well monitored in terms of compliance with international legislation. Moreover, Lebanese banks have good quality assets and high liquidity ratios in local and foreign currencies, where initial liquidity in foreign currencies accounted for about 50% of deposits in foreign currency by the end of the first half 2018.

Dr. Joseph Torbey said that Lebanese banks are currently paying the highest interest rates on deposits (deposits in Lebanese Pound and US dollar) for nearly nine years in order to further attract deposits in a precautionary measure to any negative development due to the unstable political and economic conditions the region and Lebanon are facing.

On the other hand, the Lebanese Central bank reassures the healthiness of the Lebanese banking sector, which enjoys high capitalization,

high liquidity, and is in compliance with international laws and regulations. Furthermore, senior economists and bankers reassure the safety and resilience of the monetary and banking situation despite the existing economic challenges. The Lebanese Central Bank maintains reserves of gold and foreign currency of about \$ 54 billion, which is able to protect the balance in the market.

However, the main challenge for Lebanese banks is that most of their investments are in sovereign debt; where sovereign debt instruments account for more than 60% of total assets in banks' budget, indicating that banks are highly exposed to sovereign risk.

On the Arab Level, Dr Torbey noted that the consolidated assets of the Arab banking sector reached \$3.39 trillion by end of the first half of 2018, an increase of 1.6% compared

to the end of 2017; therefore amounting to 140% of the total Arab GDP. The combined deposits of the Arab banking sector amounted to \$ 2.14 trillion (equivalent to 87% of the size of the Arab economy), an increase of 1.5% compared to end of 2017. Whereas property rights amounted to \$392.5 billion dollars, a decline of about 1.8% compared to end of 2017. In addition to that, it is estimated that the volume of credit injected by the banking sector in the Arab economy (until the end of Q2 2018) amounted to \$1.86 trillion dollars, which constitutes 75% of the volume of Arab GDP, achieving a 2% increase compared to end of 2017. These figures indicate the great contribution of the Arab banking sector in financing the Arab economies despite the continuing economic and social turmoil in several of Arab countries.