

IN THIS ISSUE

| | |
|---|----|
| Leader In the hands of a few: Top 10 banks pack in the profits | 1 |
| Regulatory Outlook Protecting public funds: What hope for the Court of Audit? | 3 |
| Private Sector 11 Years on: Solidere's fortunes | 4 |
| Survey South Lebanon: The slow road to recovery | 6 |
| Opinion Poll Online pulse: Web surfing explored (Part II) | 8 |
| Sectoral Outlook A closer look: NGO activities and stumbles | 10 |
| Discover Lebanon Sheikh Mohammad... Is Christian | 12 |
| Focus on Syria A toe across the line: Lebanese banks granted access to Syria | 13 |
| Interview A talk with Dr. Samir Makdisi, former Minister of Economy and Trade and Director of the AUB Institute of Financial Economics | 14 |
| Editorial | |
| Current Statistics | 16 |
| Company Activities | 16 |

In the hands of a few: Top 10 banks pack in the profits

Lebanon's banking sector employs 15,278 people or 1.2% of the labor force, and its contribution to the country's GDP reaches 4.5%. Despite the gloomy economic picture, banks have continued to post profits, mainly from high rates on local treasury bills.

Operating banks and branches

At the end of 2002, 63 banks were operating in Lebanon with 790 branches throughout the country. In comparison, there were 68 banks with 780 branches at the close of the previous year while in 1992, the number of registered banks stood at 84 (only 73 were in operation) with 512 available branches.

The Central Bank has encouraged a policy of mergers and acquisitions which has seen 25 such operations between the years 1994-2002, leading to the decrease in the number of banks, as shown in **Table 1**. However, the majority of branches remain concentrated in the cities, with 451 (57%) located in the Greater Beirut area.

Banking sector deposits

Deposits amounted to LL 64,865 billion (\$43 billion) at the end of 2002, an increase of LL 3,825 billion (\$2.5 billion) or 6.2% from the previous year. 84.5% of deposits originate from resident private deposits with 14.8% from non-resident private deposits, while a mere 0.7% come from the public sector.

Private sector deposits amount to LL 64,400 billion (\$42.6 billion), with 69.4% in foreign currency (\$29.4 billion) and LL 19,700 billion or 30.6% in local currency. Compared to 1992, deposits from the private sector have increased by LL 42,332 billion or 434%.

As shown in **Table 2** on the following page, foreign currency deposits make up the largest proportion of deposits, or an average of 65.4% for the years shown. The lowest ratio recorded was in 1996 (56.5%) and the highest was in 2001 (72.5%) with political and eco-

nomical instability continuing to be a major factor in the high proportion of foreign currency deposits.

Subscriptions to T-bills in local currency

The banking sector has profited heavily from high interest rates on local treasury bills and possesses the largest number of T-bills in circulation. **Table 3** on the next page indicates the banks' share of T-bills from 1992 - 2002.

The average proportion of T-bills held by Lebanese banks for the years shown reaches 70.5% of total circulation. The figure was highest in 1992 at 77.8% and stood at its lowest in 2001 at 55%, after the Central Bank reduced rates on T-bills.

The decline in circulated T-bills on behalf of the banks pushed the Central Bank to subscribe to the remaining treasuries itself, giving it a 23% share in 2001.

Continued on page 2

Subscriptions to T-bills in foreign currencies

Since 1994, the government has been issuing T-bills in foreign currency in order

NUMBER OF BANKS AND BRANCHES (1992-2002)

Table 1

| | No. of Banks | No. of Branches |
|------|--------------|-----------------|
| 1992 | 73 | 512 |
| 1993 | 78 | 549 |
| 1994 | 79 | 579 |
| 1995 | 79 | 608 |
| 1996 | 83 | 631 |
| 1997 | 80 | 656 |
| 1998 | 79 | 669 |
| 1999 | 73 | 723 |
| 2000 | 69 | 753 |
| 2001 | 68 | 780 |
| 2002 | 63 | 790 |

Source: Compiled by li from the Central Bank and the Association of Banks