

Tarek Khalifé, Chairman of Creditbank: “Despite current hardships, I am positive about Lebanon”

It is evident that Lebanon's banking sector is facing challenging times ahead due to a tandem mix of regional insecurity and internal political bickering. The lasting uncertainty has done the national economy no favors. GDP growth has slowed down significantly and the budget deficit continues to widen. Over the long run this may hamper the banks' ability to finance the private sector. Yet, despite this difficult scenario, Chairman of Creditbank, Mr. Tarek Khalifé remains positive about the future.

“It speaks for itself that neither investment nor consumption has been encouraged by the prevalent regional situation,” he said. “Yet, on the other hand, we can note significant improvement in domestic security, a precursor and key instigator of private investment. This is one among many first signs of a turnaround. Naturally, all improvement on that front will be accompanied by a rise in the demand for loans in the private sector and a greater appetite within the banking sector to lend to the private sector.”

Lebanon's budget deficit by the end of 2013 rose to nearly 31 percent (\$4.2bn) of government spending, it could reach 38 percent by the end of 2014, certainly if the demands for higher salaries for civil servants and teachers are met. Seeing the traditional role of Lebanon's banks in financing the state through buying treasury bonds, this

could affect their ability to provide loans to the private sector.

“Traditionally, the financial state of Lebanon's private sector has shown insignificant correlation to the financial health of the public sector,” Khalifé said. “If anything, the banking sector's appetite to lend to the private sector has increased whenever the financial state of the public sector worsened. I would argue that there is an inversely proportional relationship: if one goes up, the other goes down and vice versa. However, this can only prevail up to a point. It comes to an end when the uncertainty in a failing economy puts into question any market lending.”

Creditbank's corporate banking portfolio currently constitutes some 45 percent of its total loan portfolio. Khalifé does not foresee growth for one specific sector in particular, yet he does believe that, across the board, the low and high-end market segments will show more resilience than the middle market.

“On the one end of the spectrum, the demand for essential goods such as staple foods, medical and consumer products will remain stable, as will the demand for luxury products, while the demand for mid-priced goods might be in regression,” he said. “The same can be said for real estate.”

To help boost economic growth, the Lebanese Central Bank (BoL) in early 2013 introduced a stimulus package with credit facilities worth some \$1.5bn at a

low cost interest rate of 1 percent, while an additional \$800m scheme was announced in early 2014. Khalifé praised the pro-active role the BoL has adopted in an effort to spur economic growth.

“Both corporate clients and Small and Medium Enterprises (SME) have benefited greatly from the Central Bank stimulus packages and they will continue to do so in 2014,” he said. “The packages have helped sustain and increase growth in such sectors as housing, education, energy-related businesses and environmental projects. The latest incentive to be added is a business start-up stimulus package.”

According to Khalifé, light and agro-industries, especially those geared towards export, as well as local franchise businesses in the tourism and hospitality sectors have shown great resilience, while the medical and infrastructure sectors have suffered due to their dependency on public financing.

“We believe that export will show sustainability by finding new markets,” Khalifé said. “The true victim of the sad status quo stemming from instability in Syria is the local tourism industry. In fact, it could start to show serious defaults if the present situation does not change for the better sometime soon.”

Khalifé furthermore warned that, while provisions will remain under control on the short term, as the banking sector continues to act with caution, the growth in loans is by and large stagnant.




Mr. Tarek Khalifé.

This has resulted in a high liquidity rate on the banking sector's balance sheets. “Consequently, there could be a threat of a decline in profitability,” he said.


Despite the significant slowdown in Lebanon's economy, the banking sector has managed to continue to attract deposits albeit at a slightly slower pace. By the end of 2013, deposits totaled some \$130bn, which amounts to three

times the value of Lebanon's GDP.

“In the short term, I believe we are looking at a gradual growth in the sector as a whole, some 7 percent in deposits and some 10 percent in loans,” Khalifé forecasts. “Yet Creditbank's current momentum will arguably see us close 2014 above that curve. We forecast a growth in both deposits and loans of some 15 percent.”



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