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# **EDITORIAL**

#214

#### Backstabbing bastards — ROUND 5

The political whisper campaign against Riad Salameh and the gross mishandling of his term renewal by our political class put our monetary and economic stability in jeopardy. Salameh is the last of a post-war cohort that — love them or hate them — were truly faithful to the concept of nation building. Everywhere else, the interest in rebuilding our country seems long dead. In the last 10 years our state institutions have reached an all-time low in managing our future and stability — we are in serious long-term trouble.

Riad Salameh, like all humans, is not perfect. Yet, against all odds, he's served honorably and has a long list of accomplishments behind him. In an ideal world, there should have been a successor — another respectable and qualified candidate to carry the flame after the end of his term in office.

Whether it's at the Banque du Liban or anywhere else, there should be proper succession planning. This country will never come close to meeting its full potential without strong institutions and competent, merit-based leadership. As long as top state posts are feudal prizes, any attempt to formalize and institutionalize succession will fail as politicians manipulate key positions for their own personal gain and the gains of their cronies.

As we pivot from the gross mismanagement of state institutions to the tenuous prospect of a long-overdue Parliamentary election, I see a ruined nation. Our people have no shortage of talent and potential. Because of Salameh's progressive policies, many are succeeding, and even thriving despite a flat-lining economy in which the only viable bet is the reassurance of our monetary stability. But the state, our beloved Republic, is nearly beyond repair.

You do not have to love Riad Salameh, but this magazine will, has and does defend him because he is the last man standing from an era where there was at least a ray of hope.

Yasser Akkaoui Editor-in-chief

= Hane Tickaon-

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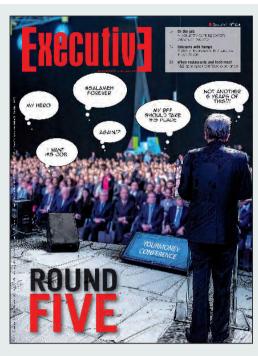
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#### Published by NewsMedia sal

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# **LAST MONTH**

#### **ZOOM IN**



FRANCE, Paris:
French newly elected
President Emmanuel
Macron poses with his
wife Brigitte on the
pediment of the Elysee
Presidential Palace
after the handover and
inauguration ceremonies
on May 14, 2017.

## MEA adds 10 new planes to its fleet

Middle East Airlines Chairman Mohammad al-Hout announced on May 4 that the state-owned airline will acquire 10 planes as part of efforts to modernize and bolster the company's 18-strong Airbus fleet. Five of the new Airbus 321 planes, which will be equipped with modern equipment and Wi-Fi, will arrive by 2019, with the remainder to be delivered by 2021.

#### France elects Macron

Centrist Emmanuel Macron won the second round of France's presidential election on May 7, defeating far-right candidate Marine Le Pen. Macron's win was seen as a major victory for the future of a united Europe, given Le Pen's campaign pledges to reinstitute the franc and remove France from the European Union. At 39 years old, Macron became the youngest French president in history. In an attempt to bridge gaps between the left and right, Macron appointed Édouard Phillipe of the center-right Les Républicains party to be his prime minister. Attention now shifts to parliamentary polls slated for June, where Macron's Republic on the Move (LREM) party currently leads with a projected 29 percent of the vote, ahead of Le Pen's second place National Front.

# Trump axes FBI director amid Russia investigation firestorm

On May 9, US President Donald Trump dismissed FBI Director James Comey, who was leading a counterintelligence investigation to determine whether Trump's associates may have coordinated with Russia in an attempt to influence the presidential election last year. It was later revealed that Trump asked Comey to shut down a federal investigation into his former national security adviser, Michael Flynn, according to a memo Mr. Comey wrote after a February meeting. In response to the swirling controversy, on May 17 the US Department of Justice appointed former FBI director Robert Mueller as special counsel to investigate alleged ties between the Trump campaign and Russian operatives.

## Iranians back Rouhani for second term

On May 19, Iranian President Hassan Rouhani handily defeated a hard-line challenger to secure re-election, in a contest that was widely viewed as a referendum on the country's deal to halt development of its nuclear program in exchange for sanctions relief. Following his victory, Rouhani pledged to continue opening

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TAILORING LEGENDS SINCE 1945

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# **LAST MONTH**

#### QUOTE OF THE MONTH

"Everyone that builds power plants knows that a megawatt costs between \$750,000 and \$1 million. So how are we buying 800 megawatts of electricity for \$1.8 billion dollars?"

-Sami Gemavel

Iran up to the world and delivering additional freedoms to the country's populace.

#### Hariri attends Islamic-American summit in Riyadh

On May 21, Prime Minister Saad Hariri attended the Islamic-American summit in Riyadh, which brought together 50 Arab and Muslim leaders and US President Donald Trump on his first foreign trip in office. Hariri's invitation from Saudi Arabia generated controversy domestically over why President Michel Aoun, Lebanon's head of state, was not invited instead. During the meeting Trump condemned Iran and Hezbollah for their destabilizing effect on the region and praised Lebanon and the Lebanese army for their role in hosting Syrian refugees and contributing to regional security in the battle against ISIS. Hezbollah chief Sayyed Hasan Nasrallah dismissed the importance of the summit and its effects on Lebanon, and called on Saudi Arabia to engage in dialogue with Iran.

#### Suicide bombing strikes Manchester Arena

On May 22, a suicide bombing in Manchester claimed the lives of 22 people, including several children, and left 59 injured. The attack, claimed by ISIS, came following the end of a concert by American singer Ariana Grande. In response, the UK raised the terror threat level to "critical," its highest level, in anticipation of an imminent

attack, and deployed military personnel to key sites across the country to support police. The aftermath of the attack opened a rift between British and US intelligence over US leaks about the bombing, which British police said risked compromising their investigation.

# Aoun announces extraordinary parliamentary session on new vote law

On June 1, President Michel Aoun announced that an extraordinary parliamentary session would be held from June 7 - 20 (the expiration of Parliament's mandate). This session will focus entirely on reaching a long-awaited agreement on a new electoral law. The announcement came just a week after Aoun had voiced his support for holding parliamentary elections under a controversial 1960 law if rival political parties were unable to agree on new legislation.

# Salameh's term as central bank governor extended

The Council of Ministers renewed the term of Banque du Liban (BDL) Governor Riad Salameh for an additional six years on May 24. Salameh, whose tenure as head of BDL was set to expire in July, has led Lebanon's central bank since 1993. The move to extend Salameh's term has been viewed as a stabilizing measure amid reports that the US Congress is seeking to impose additional financial sanctions on Hezbollah and parties affiliated with it.

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# **LEADERS**

FLECTORAL LAW

#### **Battle stations**

Parliament may approve a new election law

February 21, our Parliament told us, was the final deadline to agree on a new electoral law and a deal to hold elections, originally penciled in for the middle of May. That obviously did not happen. No agreement was found, so the deadline was pushed to April 17. Then May 15. Now we hear that a new voting law will absolutely arrive by the end of Parliament's twice-extended mandate, i.e. June 20. Or else.

Parliament has accomplished practically nothing after illegally extending their own mandate twice, granting themselves a full, unelected term in office. The plan to rescue the electricity sector is going nowhere, the switch has not been flipped for faster internet, garbage continually threatens to spill onto our streets, the promised budget has been buried and political bickering could disrupt the already long-disrupted development of an oil and gas sector. While our politicians have justified their illegal extensions in part to allow more time to reach a consensus on a new voting law, they have repeatedly come up short on any needed consensus.

#### **FOUR YEARS LOST**

We know from a recently published video by the Lebanese Center for Policy Studies, a local think tank, that in the eight years since their last election Parliament has only ratified 352 laws, that 43 percent of its 128 MPs did not propose a single law in that period and that parliamentary committees held, on average, half a meeting per month. Parliament "threatened and intimidated us with a forthcoming political vacuum. They used it as an excuse to illegally extend their term twice," LCPS concludes in the video. Kiss the last four years of our lives goodbye.

Our system is rigged to enrich and entrench those in power. For more than five years now, our politicians have been working exclusively to protect their own interests, while pretending to care about finding a way to enact representative democracy in a multicultural society whose communities compete against and mistrust one another. The electoral law debate is theater, but there is a glimmer of hope for the future. Beirut Madinati may have grabbed all the headlines, but protest movements and protest votes materialized all across the country during the most recent municipal elections.

Our opportunity to seize the reins of power is neigh. We must be ready, and frankly we've been wasting time. Two years ago, anger and frustration translated into street action that sent shivers up our politicians' spines. Unfortunately, the protesters so enraged by the government's handling of the waste crisis were misinformed (leading to their easy manipulation), and soon splintered into competing factions. Momentum died, and since then, efforts to actually fight the system have not nearly been serious enough.

If an electoral law is actually agreed on in June, our time is short as elections will likely follow after three to six months. The opposition to the corruption, clientelism and incompetence our politicians represent is weak and fractured. This must change quickly. We must put egos aside. We must meet, debate and forge a common vision. We must unite. The Lebanon of our dreams (where a strong and accountable state equally respects and protects the rights of all citizens, while providing reliable and efficient services) is today held captive. We must forge our rhetorical swords from the strongest steel in order to slay sectarian dragons with both reason and sound a call to collaboration instead of the self-interested consensus of the past. If the president can deliver on his promise, and we desperately hope he can, intense battles are upon us. We must prepare.

BANKING SECTOR

#### **Endless**

Not just Salameh's term, but the whole banking discourse

EXECUTIVE confesses to nonsense fatigue. Our editors are tired of platitudes about the banking sector. If we hear one more locution implying that the Lebanese economy's doom is inevitable, or another hackneyed phrase about a banking sector that is trying to resist bad economic tides to the best of its ability while continuing to develop new

products and services, we will choke. Especially if such vain observations are tied to attempts to exploit journalists in marketing said products and services aggressively to consumers.

Trying to maintain integrity with respect to editorial independence and the separation of journalism from advertising interests looks more like a quixotic fight against windmills every year — but even if it is not a financially rewarding endeavor, it is a necessary fight if one hopes to be a genuine journalist. Thus, tired as we are of some

parts of the Lebanese banking sector's narrative, EXECUTIVE is still fascinated by the sector's unsung assets, and in this issue, attempts to explore how much the human capital in our banks is growing (see story page 14), how much intangible value banks create through employee training and continued education (see story page 30), and how through all this, banking contributes to alleviating the huge problem that fresh university graduates (and all Lebanese) face in finding quality jobs.

Also, we have to admit that our

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# **LEADERS**

general nonsense fatigue is a mere nuisance when compared with our exasperation over hollow complaints by political types, who do nothing to move the national confidence dial higher but instead vainly berate people, including those very bankers who are trying to make the economy work. Can it be that there is a political class who have it in their hands to bring down corruption by relinquishing their privileges and fiefdoms, but prefer to sit idle?

#### PLAYING POLITICS

Most of all, we are disgusted, turned off, and appalled at political tugs of war that are not only unworthy of democratic discourse, but harmful to national economic confidence. Such are the pointless and overlong battles over our electoral law (see leader page 10), the budget, taxes on the ultrarich, and the dishonest attempts to derail the reappointment of central bank Governor Riad Salameh last month.

This reappointment battle is now over, and it is indeed Round Five of Salameh at the helm of Banque du Liban. However, that does not mean that the battles that are sure to come during his fifth term are already won. There are new attacks being formed in the shadows by prejudiced foreign friends (see sanctions story page 36), and there is an important area — corporate governance at banks (see update page 44) — where progress is notable but further challenges appear to loom for all stakeholders.

Lastly, whenever a hero is born in the public's mind, there are concerns that one must not forget. Hero worship is dangerous and being a hero — we guess because we cannot lay claim to any heroic deeds — comes with its own sort of fatigue. And in this regard, Governor Salameh's most recent appearance before a Lebanese Euromoney conference could be seen as putting the onus on others to call for some fresh ideas at the central bank. Shaped

as an on-stage interview, Salameh's 30-minute appearance did not provide the kind of attention grabbing remarks that the once revered maestro of the Fed, Alan Greenspan, provided to financial markets with his speech on "irrational exuberance" just over 20 years ago.

#### STILL FRAGILE

One would wish for more than comments on global interest rates. What is needed now is not just the honest remark that the Lebanese central bank relies on the published analyses of international energy augurs for its oil price assessments and anticipations, not the evasive assertion that Lebanon's central bank favors everything that boosts financial inclusion when the question was about the BDL position on Fintech, and also not the insight that oil and gas, the knowledge economy and the financial sector can be enablers of the Lebanese economy.

Thus EXECUTIVE, while very relieved over the commencement of the fifth round of Governor Salameh's reign at the central bank, calls for succession planning to start as of now. Should we wait until the governor of the central bank has completed his seventh term as an octogenarian and is perhaps ailing before we deign to call a surprise board meeting and advance one of his deputies to the head of the table? Apart from the fact that a sudden board change with internal handover to another office holder is not feasible politically or legally, the idea of running for another 18 years with monetary policy still pegged to the dollar is, today, simply frightening. Lebanon's political economy is still too fragile to be caught by surprise in any Minsky moment or creative destructiveness that, according to economic learning, the country needs to be prepared to encounter somewhere in the future, whether in the next six years or later.

As if any reminder about the importance of developing a good political economy in Lebanon was needed, the 2017 edition of the World Competitiveness Yearbook (WCY) by Swiss business school IMD made it to our desks just as we were putting the last touches to this issue. The WCY - published on May 31 - showed a number of telling changes in the competitiveness rankings of the 63 countries covered this year. Notably, while the United States lost further ground and now is only the WCY's fourth most competitive country, the strongest gainers in terms of ranks were Asian countries such as Kazakhstan, which advanced 15 spots to 32nd place, and Mainland China, which improved by seven spots to reach 18th place. Nota bene, the most competitive country in the Middle East was the United Arab Emirates, which improved five positions to 10th place (Cyprus and Saudi Arabia were included for the first time, and could claim respectable positions in the lower middle ranks).

According to IMD World Competitiveness Center head Arturo Bris, upwardly mobile countries maintain business-friendly environments that encourage openness and productivity. He traced China's improvement to the country's dedication to international trade. If such examples show that improvements in competitiveness are perfectly achievable, the WCY also reveals what keeps countries stuck in the bottom: The WCY's lowest ranks are largely occupied by countries experiencing political and economic upheaval. "You would expect to see countries such as Ukraine (60), Brazil (61) and Venezuela (63) here because you read about their political issues in the news. These issues are at the root of poor government efficiency, which diminishes their place in the rankings," Bris was quoted as saying. Lebanon, sadly, is still not covered by the WCY, but the message fits perfectly.

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Banking

By Thomas Schellen

# ON THE JOB

A look at the banking sector's existential resource

Banking is such a constant in Lebanese existence that you can pretty much set your watch by its heartbeat. Of course this only looks effortless. In reality, there are a series of arduous and vital balancing acts in progress, primarily at the central bank and then one tier lower at the commercial banks. After all, the sector's steady performance in the safe annual growth of assets and deposits is entwined with global realities of the most fragile political, monetary and economic sorts. This inconvenient and undeniable reality was underscored by the months-long hullabaloo over Banque du Liban (BDL) Governor Riad Salameh's term extension, announced at the end of May.

Another bone of contention is profitability and its implications. In 2015, there were questions over the banks' taxation, in 2016 a moral legitimacy debate over the benefits that banks gained from the central bank's financial engineering, and in 2017, again, the dispute over the proper role of banks in the financing of the national budget by way of the taxes they pay. This is not to mention earlier incarnations of the question over the banking sector's role in the financing or exploitation of what can hardly be described as smart frugality in the Lebanese public administration.

For 25 years banks have fluctuated between rentier-economy style gains in the case of their profits from high-interest paying treasury bills in the 1990s, and their burdens, such as the zero-coupon bonds of 2002/2003 (issued in the wake of the Paris II donor conference), and the more recent debates mentioned above. Without going into any of these issues and regurgitating the many valid questions related to our peculiar financial market, one is inclined to conclude that the concentration of risks — both upside and downside ones — in the banking segment is a perennial feature of post-Taif Lebanon.

#### THE INDUSTRY'S HIDDEN VALUES

Besides its two main contributions to the national economy — the financing of our public and private sector deficits — there are additional facets to Lebanese banking and its role in society. These facets are varied as banks' enhancement of consumer lifestyles, sponsorship of events, their charitable contributions, their sponsorship of Lebanese art and their role as job creators and employers. Of these societal functions, banking sector employment is the weightiest one, constituting an important structural pillar of national employee incomes and of the labor market.

The dimensions of the employment pillar are not very obvious, and indeed the labor market in its entirety is shrouded in a fog of data insecurity, further obscured by partisan international lighthouses. Multilateral agencies and initiatives

Of varied societal functions, banking sector employment is the weightiest one

with their development agendas may illuminate the local labor market's myriad problems and inefficiencies, but rarely offer any practical way forward. In recent years, inter-

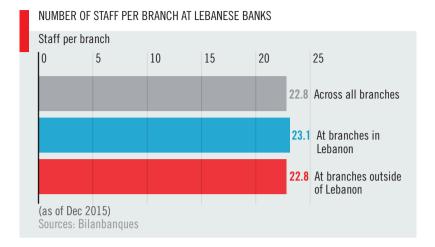
nationally driven reports have highlighted high inequality in private sector income distribution, the statistically shrinking productivity of workers, rampant youth unemployment, the absence or inefficiency of social safety nets, and lower female participation in the national workforce.

Realistic hopes are hard to build from these reports, whether for regional job prospects or for Lebanon. For example, a 2015 report produced by the International Labour Organization's (ILO) local office suggests (based on conclusions from somewhat questionable data on negative growth

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#### Banking



Data research by
LinkedIn from the
past five years showed
top regional growth in
numbers of entrepreneurs
and only single-digit
increases in finance and
banking workforces

of productivity since 2000) that "types of employment available in Lebanon over the past two decades have been, on average, of relatively low productivity, usually indicative of low-quality, low-paying jobs in informal activities."

Two reports from 2017 are worth noting. First, the United Nations' World Economic Situation and Prospects 2017 report, published in January and updated last month, stated that the recent weakening of Arab labor markets in the Gulf countries had negative impacts on employment prospects for regional job seekers. The report highlighted that, "armed conflicts have caused large-scale unemployment in Iraq, the Syrian Arab Republic and Yemen, and some negative spillover effects have been observed in the labor markets of Jordan, Lebanon and Turkey." In conclusion, the UN claimed that "the labor market situation in the region is not expected to improve significantly in the next two years, with structural unemployment remaining high, particularly among youth, and a widespread lack of decent work."

The second report, issued last month by the World Economic Forum (WEF) in collaboration with the social network LinkedIn, struck the same alarm bell on insufficient job generation, but added a new tone, referring to the "creative disruption triggered by the Fourth Industrial Revolution." The report — published under the title, *The Future of Jobs and Skills in the Middle East and North Africa* — raised the notion that the impact of the Fourth Industrial Revolution "will interact with a range of additional socio-economic and demographic factors affecting the region," creating what was labeled as challenge and opportunity

for the MENA region's workforce.

According to the WEF, data research by LinkedIn from the past five years showed top regional growth in the numbers of entrepreneurs but only single-digit increases in the finance and banking workforces. While the report offers the usual abundance of wise words and recommendations, adorned with statistics from MENA countries, it lacks useful labor statistics on Lebanon.

Against this weary background, it is quite a different microeconomic picture that emerges when one examines employment data from the Lebanese banking sector. Granted, the banks' collective productivity is attributable to only about 26,000 banking sector employees. This is only a fraction of the economically active population of circa 2.1 million, as estimated in 2009 by the Central Administration for Statistics, with more than 1.4 million formally employed and another 0.6 million in the informal economy.

If we consider that every high-quality job in Lebanon is an asset to the national fabric, and every newly created job of this sort expands that fabric — then the contribution of banks to the sphere of labor is impressive. The direct and indirect employment bill that comprises the salaries, allowances and social contributions paid by Lebanese banks totals some LL 1.8 trillion (\$1.2 billion), equivalent to 2.5 percent of the GDP (2015 figures). According to the Association of Banks in Lebanon (ABL), the salary portion of this total reached 62.5 percent and the total cost paid by banks per average employee is LL 72.87 million (over \$48,300) in 2015.

Similarly, net job creation in the banking sec-

# WHEN GROWTH IS BUILT ON SAFETY



#### Banking

tor, which has stood at about 800 new hires per year for the last few years, can rightly be regarded as insufficient when compared with the estimated need for supplying university graduates with quality work — but it can also be taken as a blessing, especially when one considers that the banks' gross hiring activity of fresh graduates is likely not limited to this net increase, but closer to absorbing 2,000 job seekers with bachelor's degrees.

Gross hiring figures are not captured in the ABL annual report, but three of the largest banks tell EXECUTIVE about their gross to net hiring ratios. "As banks we are doing our share of creating [employment] opportunities in the market. If I look at the past three to four years, the gross hiring at Bank Audi is more than 1,150. This is not a small amount," says Nayiri Manoukian, head of

human resources at Bank Audi Group. According to her, the group's workforce in Lebanon comprises about 3,400 individuals; Manoukian explains that in 2016 alone, new hiring reached around 360, against perhaps 150 out migrations, leaving a net of 210 in added human capital.

At BLOM Bank Group, Head of Human Resources Pierre Abou Ezze says, "In terms of employment we have been growing at about 125 to 150 employees per year for the last five or six years at least, and we are anticipating that this trend will continue." He adds that the bank hires about 250 new employees per year, in part to balance attrition of the workforce, and in part to satisfy demand for business development. "Our strategy is to aim for stable growth in operations, in terms of opening branches as well as in terms of developing business through existing branch-

es," he explains.

While the headcount at Byblos Bank was kept relatively constant in the first three years of the decade, new hiring has grown since 2014. "We hired around 100 people in 2014, then 134 persons in 2015, and 189 in 2016. In 2017 to date, we have hired 87, and expect for the full year to reach up to 200 new hires. This is new hires, not net growth of the workforce," says Fadi Hayek, head of human resources. He puts the bank's total employee turnover at around 6 percent per year, indicating that about 100-110 of its total national workforce of nearly 2,000 leave the bank per year. This number mainly includes job migrations, people retiring and a very small number of dismissals. "The net effect of hiring in 2015, in terms of human capital, was an increase of 25; in 2016 it was 84; in 2017 [we are] also expecting around 80 to 100," he states.

Between them, these three large banks have about 7,500 employees in Lebanon, or very close to 30 percent of the total banking sector workforce. Although this number is not large in comparison with the national needs for employment generation, the role of banks in job creation gains even more weight when seen in the di-

#### ESTIMATED BREAKDOWN OF ECONOMICALLY ACTIVE POPULATION OF TOTAL LEBANESE RESIDENT POPULATION 4.4million Total population 31% 64% Aged under 18 65 +Aged 18-64 OF ADULT POPULATION 3.1 million Total adult population 67% 33% Total labor force Non-labor force OF LABOUR FORCE 2.1 million Total labor force 40% 14% Public Private Self-**Other** /mixed company employed /NA 6 Army/ISF All other sectors Figures are approximations, based on estimates and projections.

Sources: CAS, Bankdata, Sofres, Market Watch

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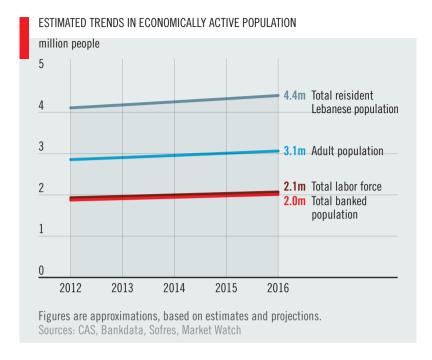
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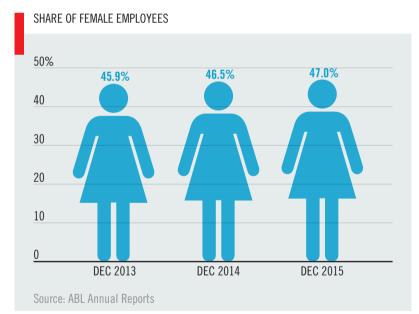
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#### Banking





Departments and specializations that saw disproportionately large additions of human capital, in the years since 2012, are compliance and control

mensions of empowering continued education of employees, developing career and social plans, as well as providing potential model functions to other corporate and institutional stakeholders in the labor market.

#### THE HUMAN DIMENSION

Workforce expansion strategies vary substantially from bank to bank. Hiring is correlated firstly to the addition of new branches, but also linked to adding and strengthening departments with new focuses, such as digitization or growth into SME and retail banking. Departments and specializations that saw disproportionately large additions of human capital, in the years since 2012, are compliance and control.

HR managers at the largest banks, and at some smaller ones, tell EXECUTIVE of areas under their purview where automation is subduing the need for workforce expansion, such as in back office, archival and basic administrative roles. Overall, however, they confirm that banking jobs are safe, and that the increasing headcounts and creation of new positions has progressed hand-in-hand with the consistent increases in the assets, deposits and loan portfolios of Lebanese banks.

While it is mainly anecdotal information that fresh Lebanese university graduates and job seekers regard banking as a top employment choice — a survey this spring claimed to have found that 36 percent of respondents see banking as the most attractive industry for fresh gradu-

ates and that 39 percent see it as having the highest job security, but gave no information on sample size and methodology. Rabih Joumaa, head of the HR division at Banque Misr Liban (BML) says that he would not be surprised by such findings. This is because in this country, where a great hunger for stability exists, banking is "the only industry that has been stable for many years," he says.

Job security is indeed closely related to the



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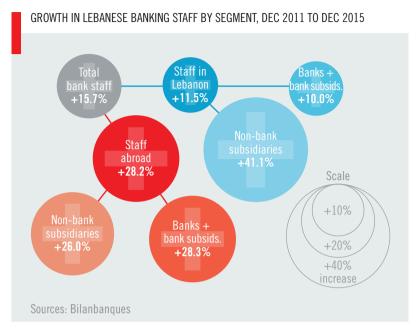


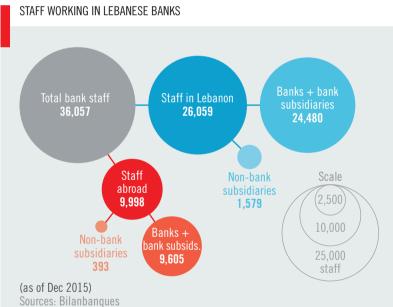






#### Banking





issue of stability. Although the hospitality industry may have demand for several thousand extra workers at the start of a promising summer season, and the construction industry may hunt after new staff when the economy is on the upswing, these industries are also notorious for seasonality and layoffs during difficult times. By contrast, the statistics at individual banks point to slower hiring during some years but not to the kind of employee volatility found in many sectors that have greater demand for labor.

Historic shifts in the profiles of work at Lebanese banks commenced in the 1990s and were spearheaded by the larger banks. Under the adverse conditions of the Lebanese Civil War, academic qualifications for work in banks became a lesser concern than street smarts in facing daily challenges, such as safely making it home from the office, remembers BLOM's Abou Ezze. At banks like BLOM and Audi the post-conflict period was the time when senior management embarked on upgrading their staff by looking for skilled knowledgeable workers, with at least a bachelor's degree, or even by taking in small cohorts of MBA holders. "When I was hired as a consultant [in 1995], it was the aim to introduce academic elements to training programs at the bank. The nineties saw [the] start of [an] era of human resources in Lebanese banks. That is when banks started to take care of their human capital element," Abou Ezze explains. Today of course, a bachelor's degree is the minimum entry requirement that bank recruiters posit.

#### **MERITS RULE**

Meritocracy is not what is usually associated with pathways of social advancement in Lebanon, but the principles of quality hiring and merit-based pay are emphasized by the banks, as opposed to assumptions that only elusive personal connections or specific communal al-

legiances open doors in bank employment. In the experience of some HR experts, such latter assumptions have, in recent years, gained even more traction among young job seekers. This is a problem, because as self-perpetuating misperceptions they can easily turn into artificial inner barriers that discourage people from applying. "The process of recruitment in the top ten banks is very developed. Banks have specific means that they





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#### Banking

use to recruit the best in the market through job fairs, internships, etcetra. They are making efforts so that the recruitment process is as accurate and objective as possible," says Bassam Nammour, training and development manager at Credit Libanais.

Rather than expecting ulterior motives in how banks recruit and promote their people, career-minded graduates, according to BML's Joumaa, should be patient. "People should accept the idea [that they must] work hard, prove themselves and make effort in order to grow. It is not enough if fresh graduates would just do the minimum that is required in their job but expect quick promotions to become managers and immediately get what others got after 10 or 15 years of hard work," he explains.

Enmeshed with the issue of merit based promotion is the ever-thorny question of gender biases and gender-based pay gaps. Here the tenor of human resource specialists in the banks is uniform — discrimination based purely on gender terms is not an issue.

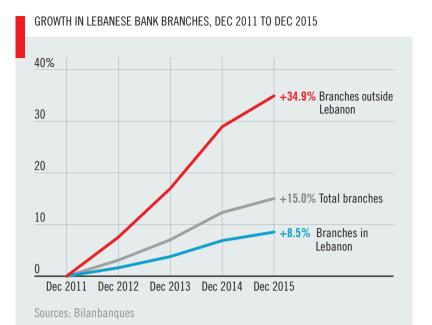
#### **WOMEN RISING**

Byblos' Hayek states it categorically: "You will not find genderbased pay gaps in Lebanon in banks. In comparable positions such as among assistant branch managers or personal bankers, you find women earning more than men and viceversa. Salaries depend on position and performance." When doing an

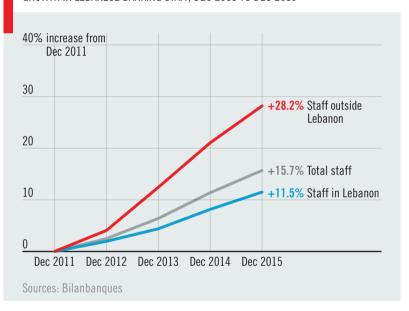
analysis of gender splits in different branches of Byblos Bank, such as rural versus urban locations or branches in regions with presumably more traditional views on the role of females, he found the reality ran opposite to common assumptions. According to him, several branch manager positions in places that are religiously conservative were in fact filled by women, and the gender mix in urban and rural branches was the same.

"We never look whether it is a male or female when we promote anyone," confirms Audi's Man-

#### **Human Capital**



#### GROWTH IN LEBANESE BANKING STAFF, DEC 2011 TO DEC 2015



oukian. She points out that the rise of female employees is more than a passing phenomenon and today extends, if not yet to the very top of hierarchies, certainly to high echelons in the largest Lebanese bank. "We have a good number of females as middle managers and heads of departments. When it comes to branch managers, we are looking for males, as most [branch managers] are females," she says.

BLOM's Abou Ezze says that the bank has, of late, seen a largely stable ratio of 51 percent fe-

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#### Banking

male and 49 percent male employees in the strata of professional banking jobs (excluding clerical workers and manual laborers). "The ratio has not changed much in last few years. Twenty years ago the male workforce was dominating, but today female education levels and participation in workforce in Lebanon are higher. Families in Lebanon have need for both parents to work," he concludes.

"In BML today, you can see that most branch managers are ladies, and if you want to headhunt a qualified one, you have to pay her what she deserves. I don't see that pay based on gender is the case at all in the Lebanese banking sector today. Pay is based on knowhow, qualification and the

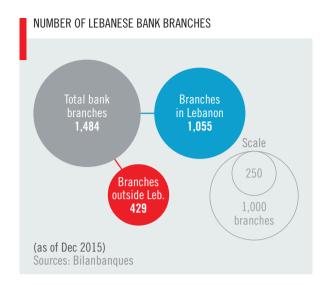
market, which in my opinion today does not differentiate between men and women," chimes in BML's Joumaa. He adds that the bank also takes a positive view on future moms in the workplace. "We don't mind at all to hire a pregnant woman. We had three cases in 2016/17 [of

Gender pay gaps are a reality in Lebanon and likely will be for the foreseeable future

hiring pregnant women] where we were convinced that those ladies are very qualified and will provide extreme added value to the bank," he says.

#### STAYING REALISTIC

It would still be presumptuous to claim that there are no glass ceilings, unjust promotions, communal biases or any sort of wasta or familydriven distortions in the composition of the banking sector's workforce. This starts at the recruitment phase. HR managers on the one hand describe ideal recruitment practices as regarding applicants as unique individuals, and anonymizing bias-prone information such as the name of the university where an applicant earned his degree, but from the conversations with EXECUTIVE it appears that it is a dominant practice to discriminate in favor of applicants from "reputed universities," which in Lebanon firstly includes American University of Beirut (AUB), Lebanese American University (LAU), Ecole Superieure des Affaires (ESA) and Université Saint-Joseph (USJ). Upon further questioning, most HR heads confirm that their preferred lists include a variety of additional universities — especially praising the technical skills of graduates from the Lebanese University — but also caution that the high number of officially licensed tertiary education institutions in Lebanon does entail a portion of universitary



entities whose teaching ability and program quality they doubt.

In terms of career equality and job stresses, equality of opportunity and merit-based pay do not exclude differences in willingness to get ahead, nor do they provide female employees with the means to compensate for periods in which they may focus on childbirth or child rearing. Simply said, gender pay gaps are a reality in Lebanon and likely will be for the foreseeable future. But as far as banking is concerned they are not based on the undervaluation of women's contributions in the workplace.

As far as work-life balance is concerned, working in a bank is no easy job, and stresses — such as pressures to meet targets and produce sales results that will boost their bonuses — come to bear on all employees. According to BLOM's Abou Ezze, work-life balance is a nice concept but he agrees that it is not fully compatible with ambitious career-mindedness. He says average work time per employee is 40 to 42 hours per week and admits that changes in working hours several years ago caused some employees to resign or opt for a transfer to the head office, where time flexibility is greater than in branches.

Average employees will not be pressured to put in extra work, but others have to make choices. "If you want to advance in your career and one day be part of top management, you have to put in more than the rest," Abou Ezze confirms. This also results in proportionally greater male participation in BLOM's program for high achievers, as younger women might find themselves unable to meet the program's extensive time requirement if they want to prioritize their family for a period. He says: "People in that program are totally dedicated to their career. To differentiate yourself and justify



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#### Banking

being in that particular program, you first have to be a cut above [the rest] in your capabilities and second be a cut above in terms of commitment."

Also in Credit Libanais training head Nammour's view, "Work-life balance is not about the bank being flexible, it's about you as a person and how you can adapt to the bank's schedule and be flexible within it." On the other hand, this puts the onus on the bank. Rather than expecting traditional attitudes of employee loyalty, it should focus on proactively engaging employees. "The bank needs to let the employee feel engaged by providing the right environment, economic incentives and rewards, trainings, etc. If an employee is engaged, he will be more productive," he says.

In the totality of remuneration issues — where still modest entry-level salaries are regulated by a collective agreement that is circulated in three languages by ABL and where pay scales for branch managers potentially reach into six-figure territory — and numerous career-related issues from trainings and continued education options (see story page 30), to the provision of clear career paths and employee evaluation procedures that keep up with international developments, Lebanese banks appear as trailblazers of practices that one might otherwise encounter in teaching manuals at Lebanese universities, but see rarely in such organized and coherent form in the bulk of private-sector enterprises.

#### THINKING BEYOND RETIREMENT

Moreover, the banks' engagement extends into another socially crucial dimension - adequate pension planning. "Bank Audi feels that it is part of its civil duty to help its employees after retirement," says Manoukian. Although the current number of retiring Audi employees is still very low, planning for retirees is on top of her department's to-do list. She explains that since the beginning of 2017, the bank has been working on a retirement and pension plan, in a collaboration between the HR department and the bank's finance and organization divisions, and has also worked with an actuarial company for this project. "We have committed that by the middle of this year we should produce a proper proposal that can be presented to the bank's executive [board] committee to see if it will be adopted."

While she concedes that at some point in the future pension provisions might even become a legal obligation, she notes that it doesn't help an employer to have no proper pension scheme or old-age insurance model enacted by the state. But besides the political aspects, she sees the problem in Lebanon as cultural, citing the fact that very few people ask insurers about pension plans or annuity products. "It is really a culture where people don't plan for the future, and this is scary," she says.

In order to avoid pitfalls such as eventual future liabilities, Bank Audi is seeking to develop a plan for its employees which — while preserving the bank's existing benefits offered at retirement and not affecting end-of-service NSSF indemnities – makes sure that employees will have, at the very least, the comfort of health coverage after their retirement. She acknowledges that this project will demand a strong financial commitment from the bank but refuses to provide any projec-

tion on its estimated magnitude.

"The bank has this culture of taking care of its employees, and it was with management acceptance that we went into the pension plan [project]. Otherwise [we] would not have done it. You cannot have such a big population

and productive workforce, and their retirement is not properly secured. We especially want to have the basic need of medical care covered at age 65 and above, when one needs it," she assures.

There are provisions in the banking sector's Collective Labor Agreement for 2016/17 that banks have to ensure for their employees "the right of continuity of hospitalization coverage insurance" after retirement, through a program called in bureaucratese Conversion Privilege Options (CPO). Seen in combination with the other benefits that working at a bank provides in Lebanon's unstable labor and social security environment, it is noteworthy that such initiatives are actually being implemented (Credit Libanais' Nammour claimed that the bank recently signed such a CPO agreement for all its 1,600 staff, and was ahead in the industry in this). It should indeed send a signal to other industries that expectations of increasing productivity from employees — vital for economic success — require much more than a CEO pep talk about the "happy work family."

Work-life balance is not about the bank being flexible, it's about you as a person

and how you can adapt

to the bank's schedule



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Centro is set to become an iconic shopping destination, combining the trendiest brands and widest range of services in a modern setting.

New in town, an icon is born: "Centro". A planned flagship shopping mall designed around responding to the community needs, Centro is set to become an iconic shopping destination, combining the trendiest brands and widest range of services in a modern setting. Ideally located in the district of Jnah at the heart of Beirut, a fact from which Centro draws its name, it is opening its doors at the intersection of the capital's population hubs. Standing a few meters away from the Sports City and Ramlet al Bayda area, the complex is in close proximity to various five star hotels, embassies and luxury apartments, meshing with the prestigious tone of the neighborhood.

A seamless blend of high-end materials, state-of-the-art technology and cutting-edge architectural design, Centro stretches over 100,000 square meters, embracing 30,000 square meters of gross leasable area divided into 3 levels of shopping and leisure spaces that feature ultra-modern interior design, not to mention dazzling water features and lighting effects. With a streamlined layout carefully studied to provide optimal circulation, the mall is interwoven with scenic walkways that wind their way across its surface. Shopping alleys, restaurants, cinemas, a kids' area and a supermarket all provide a unified experience that conveys a constant sense of discovery and excitement.

Showcasing the best mix of brands in retail and leisure, Centro is expected to be a landmark in its neighborhood and in Beirut.





Centro is about everyone, made to target different age groups and to satisfy all demands. The shopping lane offers a unique retail journey within a cheerful and dynamic setting, presenting visitors with an extensive choice of leading stores; the food alley boasts a European "café-trottoir" mood with a variety of local and international cuisines, fast food chains, restaurants and cafés; the 4 levels of parking complemented by premium valet services provide easy access to the mall, including the supermarket.

Showcasing the best mix of brands in retail and leisure, Centro is expected to be a landmark in its neighborhood and in Beirut, drawing new business and enriching its community with employment opportunities and facilities. Backed by experienced management with a strong vision for the future, it is on the path to becoming a prominent name in the market.



"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood

## CHANGING CHANNELS

#### BANKING IN THE DIGITAL AGE

Words by Olga Habre

n this day and age, when someone asks how we're doing, we often reply with "busy." We wear our busyness with pride — framed as an indicator of how much we're achieving, and how little we're missing out on. Our accelerated lifestyles are impacting whole industries and sectors that are having to adapt how they do business in order to cater to clients' increasingly hectic lives.

The banking industry, for one, is seeing more changes this decade than it has in the past two centuries. In the wake of such global shifts, the many financial institutions in overbanked Lebanon are confronted with a serious need to innovate in order to cater to a widening array of bankable customers.

#### **DIGITIZE OR DIE**

Everywhere, banks are racing to respond to changing lifestyles, and popular phrases like "digitize or die" are indicators of the urgency within the sector to integrate technology into their offerings. "Digital and mobile technologies are disrupting the traditional ways of doing business across all industries," says Walid Rizk, head of Electronic Banking at First National Bank (FNB), adding, "With the growing adoption of smartphones, consumers are moving their daily activities (like shopping, social interactions and content consumption) to digital channels." Vice Chairman and CEO of Lebanese



Gulf Bank (LGB) Samer Itani agrees that this "electronic revolution is pushing most businesses to leverage their operations through online systems." Likewise, BSL Bank's General Manager Elias Alouf says, "It's only through technological advancement that [banks] can cope with lifestyle changes."

That's why most banks now have specialized websites and dedicated mobile apps (some, like Byblos Bank, have more than one app) for customers to access their accounts and perform tasks with a few clicks, taps and swipes rather than having to take time out of their busy lives to be physically present at a bank's branch.

Alouf notes the introduction of ATMs years ago, and later, of cash and check deposit machines, asserting that online banking is the next step in this progression. He explains, "All these alternative delivery channels have been

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offered by banks in order to provide more convenience and proximity banking for their customers."

For Bank Audi, such services provide customers with both flexibility and accessibility. This is reflected in the bank's various outlets; the largest local network of ATMs, NOVO branches that allow for 24/7 cash/cheque deposits and withdrawals, and come with Interactive Teller Machines (ITMs), as well as the announcement that their internet banking platform (Audi Online) will undergo a complete revamp. These alternative delivery channels are the first steps in Bank Audi's omni-channel project, which will give clients a unified user experience and allow banking transactions over Audi Online from anywhere in the world.

FNB recently introduced an ATM cash deposit service, which will be followed soon by check deposit capabilities and other new ATM services. FNB is also implementing a new omni-channel solution that will launch in June 2017. Rizk reveals that this internet and mobile banking service will provide customers with access to new services through diverse digital channels, allowing them to manage accounts and personal finance tools, as well as get real-time alerts, among other features.

Rizk points out that electronic banking also benefits the banks. Its borderless nature helps institutions penetrate new markets and expand their geographical reach, which is especially significant in a country like Lebanon with many traveling nationals and a large expat community who have bank accounts here.

The banks that Executive Life spoke to agreed that clients aren't necessarily looking for new products or services, just new digital ways of using current services. "[Clients] prefer not to come to branches — this is what's changed with time — not their needs," says Ronald Zirka, Banque Libano Française (BLF)'s head of retail and marketing.

Bank Byblos' Head of Group Retail Products Elie Abou Khalil explains that while less people want to come to the bank in general, it's important to differentiate among transactions. "People don't want to come to the bank to do regular transactions that they can do at any ATM or on their mobile. However, they want to go to the bank when they're looking for advice," he says, listing services like applying for home or car loans, choosing credit cards from among tens of options and starting savings accounts, as some of those still mainly done at bank branches.

#### **QUICK TO BORROW**

They are elsewhere in the world, loans are becoming increasingly popular in Lebanon. "Due to a noticeable culture shift, loans have become [more] socially acceptable, whereas in the past they were perceived negatively," says Bank Misr Liban (BML) Executive General Manager Fadi Daouk. With more people taking out loans, there's a loan for just about anything these days—like FNB's much-talked-about plastic surgery loan that made international headlines a few years back.

The Lebanese love to live life to the fullest, and people can increasingly pay for luxury in installments. BML's "Marine Loan" and LGB's "Yacht Loan" afford more people the opportunity to enjoy Lebanon's beautiful waters on their own yachts. Most banks also offer personal loans that can be used for a variety of expenditures, such as vacations and consumer purchases.

It's Lebanon's big fat wedding frenzy, however, that banks have long tapped into, helping to fuel the industry by satisfying big families who love a good party and granting excited brides and grooms the means to outdo other couples. Banks have also started to offer services beyond simply financing these extravaganzas. For example, Bank Audi's new wedding loan package comes with a dedicated website that lets couples manage the details of their wedding, offers customizable solutions regarding guest invitations, and features a platform to help track gifts received.

Banks are also seeking to gain new clientele by catering to new sectors. BLOM Bank has a special collaboration with the Beirut Port allowing clients to settle bills related to Port of Beirut charges at any branch or via the eBLOM mobile app.

On the other hand, BML's Daouk says, "[We're] proposing new and innovative investment opportunities and financial solutions, as well as tackling untouched sectors, such as SMEs and the agribusiness." One such offering is BML's cow loan, a micro credit loan. "It's designed to enable farmers in rural areas by supporting and encouraging them to secure revenues for the development of their agricultural projects, increase their productivity, and become leaders in their field," explains Daouk.

With more traditional loans for homes and cars, Zirka explains that banks need to be proactive by not waiting for clients to come knocking, but instead offering loans through third parties. He explains, "[BLF] is going

"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood



to construction companies and getting the loans from them directly. Likewise, we're not waiting for customers to ask for car loans anymore. We're going to the car dealers and creating offers with them." Zirka adds that processing is a lot faster now, which makes loans more appealing. "In 2010, a car loan would take 10 days to get dispersed. Now, a car loan can take 24 hours. This is how we're reinventing things." he says.

#### **GETTING YOUNGER**

Another segment that's getting a lot of attention lately is youth. Byblos Bank has introduced something called "The Makers" for 18-24 year olds. This comprehensive package includes an account and debit card, and has all the features this demographic needs: no fees, ample discounts at local businesses, the ability to use the card online — where, according to Abou Khalil, this segment uses most of its purchasing power — and a smooth transition into adult banking once they hit a quarter of a century.

Similarly, BLOM's NEXT program for 12-25 year olds offers an account and discounts, but also uses a mobile app that allows NEXT users to easily send money to other NEXT users through the app at no cost, transfer money in Lebanon, get prepaid cards for online use, and recharge prepaid phone lines.

#### PLASTIC PAYMENT AND BEYOND

Cards are a big trend too. Many of the banks that Executive Life spoke to have rewards schemes to encour-

age people to use them. Other cards work with airlines to give users miles and access to lounges. Rizk stresses the importance of new and updated offerings, saying FNB is "constantly introducing new credit card schemes, each tailored to a specific audience and offering a wide range of benefits." And while contactless cards that are "tapped" or "waved" in front of machines are not as popular as in the US and Europe, they are apparently on the rise in Lebanon.

But in the future it seems like cards will be replaced by mobiles. Payment channels are getting more innovative and digital wallets, such as PayPal's One Touch, Mastercard's Masterpass Digital Wallet, and Visa Checkout are becoming increasingly popular worldwide. Bank Byblos' Abou Khalil says, "This is only for contactless payment points and POS [point of sale] machines are being installed more and more. It means you don't need a wallet. This is the future."

#### **HUMANS WANTED**

However, with so many different offerings, people are increasingly confused by what choices to make, and how to deal with their personal banking affairs. Many customers still prefer going to the bank and discussing finances in person.

For that, some banks have increased flexibility by extending the hours during which clients can consult with experts instead of adding more tech features. "LGB was the first [Lebanese bank] to introduce 'Banking by Night,' which provides customers with flexible banking hours, making the bank one of the very few financial institutions in Lebanon to open its doors for a second shift

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"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood

from 7 p.m. to 10 p.m.," says Itani. On the other hand, BLOM has also introduced an Extended Advisory Service, which "offers 24/7 real live assistance, where eBLOM users can use video or text chat with any BLOM agent from wherever they are in the world and at the time that best suits them," says Elias Aractingi, general manager at BLOM BANK. Other banks also have 24-hour call centers for their clients to seek assistance.

#### SATURATION AND CONFUSION

Banks are not only presenting a ton of new offerings to clients, but also changing the way they communicate with them. More financial institutions are using social media to display their products, especially those geared toward younger clients. Branding has become increasingly important, with many banks revamping their identities in recent years, as well as enhancing websites and creating cool and catchy commercials.

But Alouf warns that "banks are drowning consumers under an enormous variety of products," adding, "Today, the banking sector is saturated with products and communication." He advises consumers to assess their own financial priorities. "[They need to] define what is essential for them and what is futile," he says, explaining that life-cycle priorities for married couples, for example, include owning a home, a car and ensuring their children's education. That's why, he explains, "One of [BSL's] main values is to be transparent, to answer our customers' needs and advise them genuinely on their financial well-being." Alouf adds, "In order to stay competitive in such an overbanked context, one needs to always go back to the fundamentals of retail banking."



#### **QUANTITY AND QUALITY**

We live in a world where the customer is always right, the customer is usually busy, and the customer is often confused by the onslaught of products hurled at them. As such, many banks have emphasized a customer-centric approach. Itani says, "Today, LGB's main communication priority remains to highlight its customer-centric strategy using a mix of conventional and out-of-the-box tools." Bank Audi's customer-centric transformation includes "new service models and customer segmentation initiatives ... implemented across pillar markets supported by the expansion of delivery channels, the introduction of innovative technologies, and the customization of existing products and services."

At BSL, it's also about packaged offerings catered to specific needs. "The services and products offered depend on the targeted niche. For instance, needs and offerings will not be the same if a bank is targeting highnet-worth individuals, or if the targeted niche are small and medium enterprises," Alouf says.

Banks are faced with "many challenges to keep up with lifestyle changes and ever-growing customer expectations," Daouk says. One of BML's strategies is working with "fresh members involved in new strategies to be able to meet these constant lifestyle changes, especially when it comes to millennials."

Forced to evolve, banks are devising new products, services, delivery channels and communications to retain clients. Abou Khalil says competition is important because it means better offers for people to chose from. "We're all trying to compete to give the best services to the customer and to be relevant. If you don't innovate and create new services you'll become obsolete very quickly," he adds.

But, BLF's Zirka points out that Lebanese banks are all offering very similar products. That's why, he maintains, "Our aim is to offer a better quality of service." In fact, most banks mentioned their increasing concentration on the quality of their products and services, while also offering clients choices on how they want to do their banking. Abou Khalil thinks the future holds a combination of online and offline banking, saying, "Successful banks are those who are able to have an equilibrium between the physical branch and the digital port," adding that Byblos Bank wants clients to do what they're comfortable with, "We're giving them options."

# **Towards Higher Ranking**

Drink International's "The World's Most Admired Wine Brands" survey ranked Château Musar 18th; a special pride for the brand. Three criteria helped the academy of judges to vote in the annual survey for the brands they most admire: the consistent and/or improving quality of the wine; its reflection of its region or country; its package and marketing strategy to have broad appeal among wine consumers.



#### **Employee Development**

#### Banking

By Thomas Schellen

### Banking on training and education



Employees are offered more than renumeration

Besides having to dispatch their staff to rigorous regular training programs required under central bank stipulations, banks provide employees with a variety of opportunities to participate in continuous education. Training extends from honing soft skills to mandated skill checks, acquisition of professional certifications and pursuit of academic degrees. EXECUTIVE spoke to five banks about how they approach the issue.

Each of these banks provided EXECUTIVE with similar figures, stating that their training budgets represent 1 or 2 percent of their payroll and reporting between 20 and 30 average annual training hours per employee. But the breadth of approaches, offerings, and perspectives on the benefits of training show that both job seekers and banks would do well to give training and educational support as much attention as their remuneration packages.

#### **BANK AUDI**

Bank Audi's training portfolio represents one of the most advanced and diverse educational support programs in the country. The long-standing employee qualification policy with regard to MBA degrees gives employees a chance to pursue a master's degree in Lebanon or even at a university abroad. It is part of the policy to sponsor attainment of a master's degree without regardless of the need for such a degree in the employee's current position at the bank.

"Everybody has [an] equal opportunity to apply for a masters. The bank fully covers [the tuition cost] of any employee who would like to do a masters. Whereas other institutions might look [to see] if the [employee's] position needs a masters, we don't. We say that the person needs the masters and will give more [to the bank] afterwards," says Nayiri Manoukian, head of human resources at Bank Audi.

Manoukian says that training and continuous education involve all of the bank's departments, even under a tightened budget. She claims that an employee request to pursue further education might be deferred for one year if the budget does not allow for it immediately, but the bank's HR department never says no to an educational pursuit, while possessing a clear preference for quality universities.

Bank Audi's broader training for staff includes a laboratory where new hires can go through a sand-box-style simulation of branch environments; an inhouse academy for employees, with required courses for aspirants to specific career positions; a corporate academy; two-day manager training on an annual basis; and its latest addition, a year-long advanced management program carried out in collaboration with the American University of Beirut.

According to Manoukian, the depth of Bank Audi's commitment is captured by the following numbers: The yearly training budget represents 2 percent of total HR expenses and 1 percent of total operating expenses, with employees logging between 110,000 and 115,000 training hours per year.

#### **BLOM**

"We encourage our employees to pursue higher education, mainly in Lebanon," says Pierre Abou Ezze, head of human resources at BLOM Bank. He tells EXECUTIVE that some 125 staff members of the bank's 2,500 workforce are currently pursuing master's degrees, and explains that BLOM finances these studies to 50 percent, 75 percent, or even 100 percent, with the extent of the sponsorship determined by the university's international academic ranking.

Sponsorship is tied to a commitment to stay with the bank for five years after graduation, otherwise, all or part of the tuition has to be paid back to the bank. Tuition investment is amortized to 20 percent each year, meaning an employee who leaves after one year would be obliged to pay back 80 percent of the tuition, and after five years, would be free

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of degree-related obligations. On a broader level, Abou Ezze says that the average number of training hours per employee in 2016 was 23. He says that BLOM staff are a frequent target of headhunting by other banks, due to the bank's provision of strong continued education. On the other hand, training also serves as a tool for winning employees' loyalty. "The way we are trying to retain our employees is that we train them well and offer them competitive packages," Abou Ezze says.

#### **BYBLOS BANK**

At Byblos Bank Group, the practice of MBA sponsorship also exists, but on slightly different terms. According to head of human resources Fadi Hayek, the bank selects high achievers to participate in an MBA program at several well-reputed universities in Lebanon, such as AUB, Lebanese American University (LAU), Université Saint-Joseph (USJ) and Ecole Supérieure des Affaires (ESA). Between five and eight employees every year can pursue an MBA, and the bank covers their tuition up to 80 percent, with funding tied to work retention commitments and an amortization period of five years after completion of the MBA.

According to Hayek, Byblos Bank also selectively sponsors employees for qualifications such as Certified Public Accountant (CPA) or Chartered Financial Analyst (CFA) if these skills contribute to their fulfilling a job requirement. For example, someone working in the finance department might be approved for a sponsored CPA qualification program, while someone working at a branch might not. However, the bank does allow time for branch employees to pursue additional qualifications. Hayek says that the average annual training time per employee is 2.8 to three days (equivalent to 22-25 training hours per year).

#### **CREDIT LIBANAIS**

Credit Libanais Training and Development Manager Bassam Nammour explains that the bank operates with a regimented [training] budget. The budget is set at the beginning of every year and divided into sections, including external, in-house and overseas training. It also entails provisions for career management training, a resource library and extras related to training. "We have an e-learning system that we developed [further] this year to also facilitate mobile learning and introduce the gamification concept to the learning atmosphere in general," Nammour says.

Training hours at Credit Libanais are subdivided into several categories, such as classroom, e-learning, overseas and executive training. Ac-

cording to Nammour, the average number of training hours per employee is 40 to 50 per year, when including e-learning. Without e-learning, he says that the average training commitment stands between 20 and 30 hours. "We try to focus courses as much as we can — having 30 hours of focused training is much better than having 100 hours without focusing," he adds.

He explains that Credit Libanais' approach to financing master's programs is different from that of other banks, driven by the observation that elsewhere around 40 percent of the sponsorship recipients move on from their bank within two years of graduation. "The point at Credit Libanais is that we don't sponsor the education of employees, but we encourage it with an emphasis on certifications. Upon success, we pay employees the fees for the certifications. Concerning MBAs, we provide employees with loans at zero interest so that they can further their education," Nammour says.

#### **BANQUE MISR LIBAN**

Banque Misr Liban is engaged in an expansion strategy. According to human resources head Rabih Joumaa, the bank's growth is reflected in the increase in the number of employees, from 248 in 2011, to 359 as of the end of April 2017. In this context, the bank has sought to lower HR turnover and, as part of its strategy to retain employees, has massively expanded its training budget, which has more than tripled in each of the last few years. The number of training hours per employee grew 50 percent between 2015 and 2016. Employee feedback is incorporated into the design of training in each department. The range of offerings includes team building activities and courses on leadership, communication skills, and business etiquette.

■ The way we are trying to retain our employees is that we train them well and offer them competitive packages

"Any employee can, at any time, contact HR and register to attend a training [course] under an automated process," Joumaa explains, adding that the ben-

efits of the bank's availability of training enhances cultural buy-in, so that all employees share the same vision and speak the same language. "It made our task easier to enhance the culture and communication among the employees, and although we are an institution — not a family owned bank — the culture in the bank is like that of a family, with an open-door policy implemented by the executive general manager so that employees can discuss any concerns they have."

#### **Productivity**

#### Banking

By Thomas Schellen

### Look to the numbers

Despite varying challenges, banks still record growth

In June 2017, there will be unprecedented room for emotion in banking. Lebanese financial markets could express a wide array of feelings — a mix of relief (at the stability of personnel), exasperation (at the inertia of political processes), doubt (in the ability of the body politic to ever deliver needed laws) and fear (over the impact of American hatred and global economic developments).

Reassurance comes from the numbers. According to a Bankdata review of top-tier bank performance issued at the end of May, banks with deposits of over \$2 billion (Alpha group banks) saw "moderate activity growth" in the first quarter of 2017. Their consolidated assets increased 0.9 percent on the quarter and 7.5 percent on the year to \$218.8 billion, with larger domestic than foreign activity growth.

Growth of consolidated deposits in Alpha banks likewise increased in quarterly and annual terms, at respective rates of 0.8 percent and 5.4 percent. Growth trajectories of domestic and

Growth of consolidated deposits in Alpha banks likewise increased in quarterly and annual terms, at respective rates of 0.8 percent and 5.4 percent

foreign deposits diverged more than in the category of assets, Bankdata says, at a contraction of 1.3 percent in entities abroad versus a 1.2 percent expansion of domestic deposits (ironically attributed mainly to deposits in foreign currencies, which increased four times faster than deposits denomi-

nated in Lebanese Lira), resulting in increased dollarization. "Domestic FX deposit growth



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#### **Productivity**

#### Banking

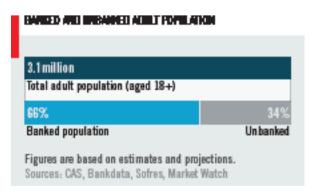
ALPHA BANKS RANKING BY MAJOR AGGREGATES AS AT END-MARCH 2017

(In US\$ million)	Total assets		Customers' deposits		Loans and advances		Shareholders' equity		Net profits	
	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank	Value
Bank Audi Sal	1	43,921	1	35,966	1	17,007	1	3,793	2	110
BLOM Bank Sal	2	30,140	2	25,252	2	7,111	2	2,857	1	112
Byblos Bank Sal	3	21,277	3	17,438	4	5,193	5	1,835	8	29
Fransabank Sal	4	21,093	4	17,044	3	6,587	4	2,165	5	39
SGBL	5	19,278	5	14,848	7	4,545	6	1,743	4	42
Bank of Beirut Sal	6	16,922	6	12,515	6	4,815	3	2,361	3	50
BankMed Sal	7	16,827	7	12,227	5	5,121	7	1,555	6	36
Banque Libano-Française Sal	8	12,609	8	10,318	8	4,092	8	1,201	7	32
Crédit Libanais Sal	9	10,737	9	8,849	9	3,234	9	812	10	18
IBL Bank Sal	10	6,872	11	5,615	14	956	11	522	9	21
BBAC Sal	11	6,711	10	5,833	10	1,794	10	580	11	14
First National Bank Sal	12	4,500	12	3,633	13	1,046	12	436	12	7
Lebanon and Gulf Bank Sal	13	4,161	13	3,554	12	1,399	13	349	13	6
Creditbank Sal	14	3,729	14	3,104	11	1,772	14	334	14	3

Source: Bankdata Financial Services

should be read in conjunction with double-digit growth in financial inflows, turning the deficit in the balance of payments to a net surplus," Bankdata says.

With the arrival of the IFRS 9 rules still over six months away, both this new internationally-rated accounting methodology and the Basel III standards have already been internalized and mentally incorporated by Lebanese banks, some bankers opined in conversations with EXECUTIVE. This leaves time for Alpha banks to proceed with business as usual, nurturing high liquidity (the ratio of primary liquid assets to deposits was at 37.1



percent at end-March), albeit juxtaposed with less-than stellar developments in loan portfolios. According to Bankdata, loans to the private sector retreated by 0.7 percent in the first quarter, but doubtful loan ratios stayed cool. Collective provisions rose to a record 1.6 percent of the Alpha banks' net loan portfolio, which the consultancy attributes to banks' compliance with the central bank's Intermediary Circular No 446.

Profit announcements came from BLOM Bank, whose general manager claimed top of the class with first-quarter profits of \$112 million, edging perennial rival Bank Audi's reported \$110 million. On the whole, the year-on-year net profit growth of Alpha banks in the first quarter was reported as a "modest 1.7 percent." Return on average assets dropped to 0.95 percent at end-March 2017, from 1 percent a year earlier, and the return on average equity declined from 11.07 percent to 10.14 percent, according to Bankdata, which interpreted the return ratio developments as indications of "the persistently tough operating conditions of Lebanese banks in Lebanon and in various foreign markets of presence, pressurizing both their yields and their efficiency metrics within the context of persistently low spreads and interest margins at large."

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#### **Sanctions**

#### Banking

By Jeremy Arbid

## A balancing act



Uncertainty over the sanctions is enough to destabilize the sector

After weeks of media speculation, in May Lebanese officials moved to downplay the possibility that new American legislation would expand the scope of sanctions targeting Hezbollah's finances. Rumors circulating in the Lebanese press since mid-April alleged that the US Congress was quickly drafting a new law that would tighten the noose on Hezbollah and its affiliates' ability to use banks.

According to multiple sources from the Lebanese banking community, and from statements and media reports following trips to Washington by MPs and the Association of Banks in Lebanon (ABL), at the moment any talk of legislation is just that — talk. American officials, however, remain mum.

#### TRUE OR NOT?

While media reports may have jumped the gun on the prospect of imminent new legislation, there is no denying that there is a draft bill circling through the corridors of Washington D.C.

A senior official at Lebanon's central bank told EXECUTIVE that there "is a draft bill, and we all have copies of this draft. That is serious. What is not true is

names. There are parties: Hezbollah, Amal and associates yes, but no names. There is no bill yet, but there is a draft of the bill."

Returning from their trip to the United States, the ABL confirmed the existence of a draft bill and their opposition to it. In meetings with US officials from Congress, the State Department, the Treasury and the National Security Council, the ABL "made observations on the text of the proposed law and on the negative effects that may ensue and join Lebanon and banking activities in it. The delegation insisted that the current legislation in force is sufficient, thus eliminating the need for any new provisions that may leave inappropriate interpretations," according to a May 22 press release.

The ABL has lobbied US officials and its American banking counterparts for years. According to disclosure documents compiled by opensecrets.org, a research group tracking money in US politics, from 2013 through April 2017 the ABL spent just over \$3 million lobbying US officials on Lebanese banking concerns, including \$1.8 million attempting to water down last year's Hezbollah International Financing

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Prevention Act (HIFPA).

Lebanon's Parliament dispatched its own delegation to Washington in mid-May. "Everyone is speaking in Lebanon as if there is a new US sanctions law targeting Lebanon that has been issued, and this is a big fallacy because it has not happened yet," MP Yassin Jaber told *al Joumhouria* on May 23. According to Jaber, there was a committee in Congress drafting a bill, the draft was leaked, and the result was an explosion of rumors that reverberated through the Lebanese press. (Jaber did not respond to multiple requests for comment).

Abdul Hafiz Mansour, secretary of the Special Investigation Commission (SIC) at the central bank, downplayed the possibility that the Americans will introduce new legislation targeting Hezbollah's finances. He says local media "was [reporting] the news as if it were a fact that the United States was expanding the radius of its sanctions, or targeting individuals or parties." Mansour dispelled these reports as unsubstantiated, though he did acknowledge that US authorities were discussing new legislation (or amending HIFPA), with the addendum that these talks had not yet reached serious levels.

#### **CONFIDENCE IN THE TOILET**

The attempt by Lebanese officials to downplay the threat of new legislation is understandable. The mere talk of further sanctions has shaken faith in Lebanese banks, and local officials say any new legislation would crush confidence in the banking system, disrupting the country's economy in the process.

Around 100 individuals and entities were sanctioned by the United States following the April 2016 implementation of HIFPA. The SIC, which acts as Lebanon's financial investigation unit (FIU), would not disclose the number of accounts that were closed, citing banking secrecy. But a senior international monetary official told EXECUTIVE in December that the legislation probably had little effect on Hezbollah's finances but had a large impact on confidence in the banking sector.

Regarding media reports about new American legislation, the head of compliance at one of Lebanon's Alpha banks said that if the rumors of new sanctions were true, the "impact would not be good, because we are talking about psychological effects."

And the senior official at Lebanon's central bank told EXECUTIVE that a consequence of a new law could be de-risking, a unilateral severing of banking relations. "That's the worst, the de-risking potential. And what really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?""

Mansour told EXECUTIVE a similar story, that following last year's local implementation of HIFPA the number of accounts that local banks closed was not significant, but confidence was affected, adding that rumors of fresh legislation have reminded the banking community of this uncertainty. "There is conscientiousness from everybody because of the rumors, but it has not culminated into something like de-risking actions," (see Q&A page 40).

#### AML FRAMEWORK FINE, BUT...

Confidence in Lebanon's banking system is a delicate thing. Mansour describes Lebanon's anti-money laundering (AML) and counter-terrorism financing (CTF) framework as robust, and says that local banks are in full compliance with international standards, foreign legislation and national regulations.

However, to outside observers, it might be hard to recognize the integrity of Lebanon's financial system and the rules that govern it. To them the core may be intact, but the rest of the apple looks rotten.

According to the 2016 Basel AML Index, compiled by the Basel Institute of Governance at the University of Basel, Lebanon is not doing so well when considering its AML/CTF rules in concert with its perceived corruption rating and the weakness of its judiciary. The Basel Index ranks Lebanon as second worst in the Middle East, behind only Iran, and 28th worst out of all 149 countries. The index measures "AML/CFT systems combined with structural and functional vulnerabilities, such as high rates of perceived corruption, weak judicial systems and inadequate financial sector standards." Though it also

■ The mere talk of further sanctions has shaken faith in Lebanese banks

states that, "it is important however to note that the fact that these countries are placed higher in the risk-rating category does not necessarily mean that they can auto-

matically be considered as attractive destinations for money launderers. It only means that the country has a heightened vulnerability to money laundering due to shortcomings in their AML systems as assessed by international standards."

To tackle these gaps, Lebanon created a ministerial portfolio to target corruption — but it is unclear what its objectives are or what, if anything, has been accomplished so far. The country is consistently perceived as corrupt, according to global watchdog Transparency International, and in early 2017 the International Commission of Jurists called on Lebanon to extensively reform its judiciary to ensure its full independence, concluding, "Measures must be taken to ensure that the judiciary is not subject to any form of

#### Sanctions

#### Banking

undue influence by political actors and confessional communities, and that it is able to fulfill its responsibility to uphold the rule of law."

#### WHAT IS US POLICY?

Stateside, talk of new legislation is seemingly less about money laundering concerns and more about politics. HIFPA is a continuation of the United States' war on terrorism, an American policy that dates back to the Bush administration. Its passage was a consequence of the P5+1 nuclear agreement with Iran and the lifting of sanctions on the Islamic Republic. Those opposing the Iran deal feared the removal of sanctions would allow Iran to float more money and aid to Hezbollah and other proxies in the region.

The United States might be honing its pursuit of Hezbollah's finances, after last year's HIFPA law seemingly had little practical effect. According to SIC's 2016 annual report, Lebanon's FIU received 470 cases related to money laundering or terrorism financing, 107 of which were referred by foreign sources. This was only a small uptick in referred cases from 2015, despite Lebanese banks' compliance last year with HIFPA and additional local regulations.

But Ibrahim Warde, an expert on terrorism financing at Tufts University, points out that there is not yet a clear strategy from the White House with regards to Middle East policy. "There's a great deal of confusion within the administration, but one must also contend with Trump's impulsive instincts," Warde wrote to EXECUTIVE in an email. The future of American policy may have been partially revealed during Trump's visit to the region in mid-May. In a speech

in Riyadh, the US president praised Gulf countries for "blocking funders from using their countries as a financial base for terror and for designating Hezbollah as a terrorist organization."

There is not yet a clear strategy emanating from the White House with regards to Middle East policy

In justifying the HIFPA legislation, the Americans alleged that Hezbollah is a key player in global narcotics trafficking and money laundering networks, charges that Hezbollah vehemently denied. According to the US State Department's 2016 International Narcotics Control Strategy Report, Lebanon is among 65 nations considered a "jurisdiction of primary concern" for money laundering and financial crimes. In explaining this designation, the department noted, "Lebanon faces money laundering and terrorism

financing challenges. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, pirated software, CDs and DVDs." However, the report notes that "the sale of these goods does not generate significant proceeds that are laundered through the formal banking system," adding, "the domestic illicit narcotics trade is not a principal source of laundered proceeds."

What the Americans might be attempting to do is influence Hezbollah by leveraging the banking sector. "This is the spirit of HIFPA and this is what [the Americans] want, but the outcome of this is very debatable. Regarding the effects of the sanctions imposed by the US on Hezbollah, some say they haven't been affected, but that it's affecting poor people of the [Shia] community. It may be putting pressure on some in the party to change their behavior," says the commercial bank compliance chief.

#### **OUT ON A WIRE**

The recent reappointment of Riad Salameh as governor of the central bank might boost Lebanon's ability to negotiate or head off proposed American legislation. But as the Trump administration's Middle East policy evolves, particularly its effort to isolate Iran, Salameh alone cannot save Lebanon. Hezbollah has acted unilaterally in Syria's civil war while the official stance of the Lebanese government continues to be one of disassociation. And along Lebanon's southern border, Hezbollah continues to possess the means to threaten Israel.

There does seem to have been an acceptance on the Americans' part that they should not disrupt the Lebanese economy by cutting off local banks from the global financial system. And the banking community's message to US lawmakers, when related to Hezbollah, seems to be that if you cut off Lebanese banks, you give the country to Hezbollah and Iran. But there are different tactics at play. The United States is applying the bullying strategy: Do as we say, or else. Lebanon's part is to roll over like a good little doggy: We know you don't mean what you say, you're nice and we're nice so don't confront us. But the notion that the Americans are not contemplating something serious is hard to buy, and the worry with Trump is that he seems willing to push the envelope further than previous administrations, and in unpredictable ways.

Where does that leave Lebanon? The banking system is the pillar of the economy, and so it begs the question of Lebanon's political class: Is blowing up the country's banking sector worth the price of resistance?



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#### Banking

By Jeremy Arbid

### Changes from abroad

Executive talks compliance with new SIC head

According to its annual report, Lebanon's financial investigation unit, the Special Investigation Commission (SIC) at the central bank, received 470 cases related to money laundering or terrorism financing in 2016. This was only a small uptick in referred cases from 2015, despite Lebanese banks' compliance last year with the United States' Hezbollah International Financing Prevention Act (HIFPA) and new local regulations.

Local media outlets have been reporting since mid-April that the United States was close to expanding its legislative efforts to target Hezbollah's finances, a rumor that the chief of the SIC, Abdul Hafez Mansour, says has been blown out of proportion. But while new legislation or amendments to HIFPA remain at the draft stage, media speculation alone has caused a spike of uncertainty and forced a rush to Washington by Lebanese officials in an effort to water down any expansion of regulations.

In an interview with EXECUTIVE, Mansour dispelled rumors of new legislation and discussed compliance with international antimoney laundering standards, correspondent relations between local banks and their American partners, and the possibility for consolidation in the Lebanese banking sector due to the everrising costs of compliance.

There is much speculation in the Lebanese press about new legislation in the United States targeting Hezbollah's finances. Executive reached out to spokespeople at the Treasury Department, the House Committee on Foreign Affairs, and the US Embassy in Lebanon ... silence. This appears to be news that came exclusively from Lebanese sources. What insight can you share — is the United States drafting a new law, or is this an issue that has been blown out of proportion?

There were two teams that went to the United States recently: the Association of Lebanese Banks and the parliamentarians. Both arrived at the same point — there was nothing new. [On May 23] MP Yassin Jaber told *al-Joumhouria* 



Mansour dispelled rumors of new US anti-Hezbollah legislation

that there was no new legislation, neither final nor at a serious stage of drafting. Mainly, the media was [reporting] the news as if it were a fact that the United States was expanding the radius of its sanctions, or targeting individuals or parties, while actually there was nothing.

We're of the opinion that this doesn't need to be addressed, as there is still nothing concrete, and until there is, I don't think we should encourage the rumors that are circulating.

In an interview last year, you told Executive that Lebanon's banks met anti-money laundering and counter-terrorism financing requirements. This includes the international standards set by the Financial Action Task Force (FATF) and the United States' HIFPA. Has anything changed on that legal front?

Nothing has changed. Actually no new regulations, either nationally nor internationally, have come into the picture this year. We're continuing with the same regulations in force and doing the normal procedures to make sure all financial institutions are implementing the Lebanese regulations that were issued and complying with international standards to protect the interests of all.

We're always following up on any new developments and requirements, and we're passing the necessary regulations and enforcing them as needed. We believe we're doing all it takes to be in compliance to protect the Lebanese banking sector, Lebanese individuals, and [the] national interest at large. This has been the stated policy all along, and I think that nobody contests that the country's interests come first. All our efforts and compliance enforcement fall under this banner.

There is a central bank regulation requiring each branch of a commercial bank to have a compliance officer. Are banks fully in compliance by hiring specifically for that role or are they assigning those duties to another employee?

The regulation doesn't go to that extent. The banks either appoint someone from within the branch to do the job or they assign a new person or staff member to perform the duties. But this is a very advanced kind of arrangement that we have imposed, and it's a very important step to make sure that with the clients there is always someone watching and making sure the procedures are applied. Of course, there are other layers within the banks, such as the central compli-

ance office and internal audit, as well as external audit and the SIC, that all have different procedures of ensuring compliance. I think our system is quite rigorous in this regard.

Last year, when the United States implemented its HIFPA legislation, there was a wave of de-risking, with local banks closing accounts. Is there a concern today, with rumors of new American legislation, that there might be more de-risking?

The central bank has a regulation that requires banks to notify the SIC before closing an account along with the justifying reasons.

We believe we're doing all it takes to be in compliance to protect the Lebanese banking sector, Lebanese individuals, and the national interest at large

We want to make sure that an action taken by a bank is proper and ensures the rights of its customers. I'm not worried that this is happening because if so [we would've heard about it]. We didn't receive an exceptionally large num-

Caritas is currently hiring a Baladi Program Director, who is directly responsible for the proper coordination with AOR assigned by USAID and will have to ensure submission of all required documents and will lead the consortium by providing high-level coordination, compliance and supervision on all levels.

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#### Banking

ber of [notifications of] accounts to be closed for whatever reason. It's just business as usual. There is conscientiousness from everybody because of the rumors, but it has not culminated in to something like de-risking actions.

Last fall, the International Monetary Fund (IMF) published a survey of banks in the region. With regards to the closure of correspondent relations with American or European banks, the primary reason given was that there was a lack of profitability.

Yes, this was the principal cause, not de-risking Lebanon because of HIFPA. But de-risking is taking place in many areas of the world because of low compliance practices, weak regulations

[and] weak jurisdictions that don't have the right rules, regulations, and enforcement in place. Correspondent banks don't like to expose themselves, so they

The smaller banks may find it advantageous sometimes to merge with one another

de-risk countries, clients or classes of clients. This isn't something limited to Lebanon.

So, when the IMF is referring to this practice, yes it's an observed practice in many countries, and some of the reasons could be economic. Other reasons could be for compliance purposes, [whereby] the correspondent banks are visiting their corresponding banks in the countries in which they operate, and they are doing their own due diligence, examination and assessment of the compliance with anti-money laundering and counter-terrorism financing regimes in a certain jurisdiction. And, if they are not satisfied, they might consider it as a source of trouble and would start pulling out, or de-risking such businesses from their portfolios.

## Do you foresee this becoming an issue for the smaller banks in Lebanon?

For economic reasons maybe, but smaller banks that are keen on maintaining a relationship might ask their correspondent banks why they want to stop the relationship. However good the procedures in the country and at the bank, sometimes a relationship cannot be maintained because of low profitability. These smaller banks — because they are keen on having direct correspondence banking relationships — are nego-

tiating with [correspondent] banks to determine the minimum fees they need to generate from an account in order to maintain the relationship. Some are negotiating and paying that minimum to maintain the relationship, this happened last year and in the years before. But, for those smaller banks that do not want to do that either, they'll solve their transactions through the bigger banks.

#### E So small local banks can work through larger ones?

Yes, they can always do that, but then the large banks will be required to perform the due diligence, otherwise it would amount to nesting of a noncompliant relationship — a small bank would open an account with a larger bank, and the latter would be processing the transaction. The correspondent bank wouldn't know that the transactions are for a third-party bank. It's the responsibility of the larger local bank to do the due diligence and make sure the transactions are complying as if they are its own transactions and perform enhanced diligence to make sure everything falls into place.

#### Have the investments in IT solutions and Human Resources that were required in order to satisfy compliance requirements created pressure?

Banks need to have the necessary IT systems and procedures, and they need to have qualified staff to do the job. So yes, this definitely is an added cost that wasn't part of the formula before.

# Lower profitability in correspondent relations, combined with higher costs of compliance — do you think that might encourage consolidation?

There are merits to consolidation and that's an added reason to consolidate. The smaller banks may find it advantageous sometimes to merge with one another, and the compliance requirements are an added reason. Because compliance is not a small cost of operation in any bank. You can see that the compliance function — the compliance staff and officers — at some of the larger banks, four or five years back, numbered less than 10, and now it has multiplied, perhaps many fold; that suggests to you the costs associated with compliance. The smaller banks, because there is a minimum of what needs to be done, may find the cost disadvantageous, but they can't avoid it. So, that's another reason that could push them to consolidate.

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#### Governance

#### Banking

By Thomas Schellen

### Better direction for Lebanese banks

Ratings by Capital Concept show marked improvements

Finding yourself immersed among a gaggle of high-profile Lebanese bankers at a conference or social get-together can be a mildly frightening experience. When almost everyone in your vision is a banker or economist, what do you say to soften this phalanx of professionals? Which is the best buzzword to break the ice? The answer, personally tested in a meeting last month, is "corporate governance."

Dropping the term on the sidelines of a non-governance-related event at the Institute for Finance and Governance at the Ecole Superieure des Affaires (ESA) (see interview with economist Hernando de Soto Polar on page 54) sparked an immediate conversation with a local banking consultant, who shared his experiences working in the provision of corporate governance (CG).

In the words of the World Bank Group's International Finance Corporation, CG is "the structures and processes by which companies are directed and controlled." Good corporate governance is important because it helps companies to operate more efficiently, mitigate risk, improve access to capital, be more accountable, and have the tools to respond to stakeholder concerns.

"Exchanges get involved in good governance work via the listing requirements they specify in order for companies to issue shares on their markets. The general idea is to protect shareholders against the information disadvantage they suffer, to be sure that management is always mindful of their best interests," said Thomas Krantz, an activist and former chief executive of the World Federation of Exchanges. He offered this perspective on the importance of corporate governance in the context of securities exchange during a speech in late April at the American University of Beirut. The event was sponsored by the Beirutbased specialized consulting firm Capital Concept — a company chaired by Yasser Akkaoui, who is also general manager of Newsmedia, the publisher of Ex-ECUTIVE.

At the same event, five Lebanese banks signed on to a document called the Investors for Governance and Integrity (IGI) declaration. Per the declaration, they acknowledged their duty to act in the best long-term interest of their beneficiaries, stating, "We believe that corporate governance issues can affect the performance of investment portfolios," and declaring good CG to be an essential factor "in mitigating financial risks and protecting shareholders' rights." With the signatures of the five new banks, the number of IGI signatories has doubled to ten, comprising seven local banks, two investment funds/firms and one regional association that represents 27 private equity firms.

#### RISING STANDARDS

Discussion of corporate governance has been on the rise in Lebanon. For several years before the April event, improved CG was trail blazed by some of the few banks listed on the Beirut Stock Exchange, along with eager consultants and the central bank. Adding to the sense that this is a timely and important issue for Lebanese banks was the arrival of corporate governance training for bank board members instigated last year by the central bank and accolades for a Lebanese bank's CG in a London-based magazine.

Moreover, recent ratings of Beirut Stock Exchange-listed companies show marked improvement in CG scores. The Governance and Integrity Ratings (GIR), issued by Capital Concept, saw ratings for six of ten listed stocks improve compared with a ratings exercise done two years ago. Except for marginal improvement by cement manufacturer Holcim, all the

■ CG is an essential factor in mitigating financial risks and protecting shareholders' rights

listed companies with an improved rating were banks. Three advanced by leaps and bounds (though the prior scores of all three were in the insufficient or outright failed range) and two others improved within their grade or by one

notch. Of the four listed companies which did not, or barely, improved in the ratings, one is a bank, one a real estate developer, and two are categorized as manufacturers or traders.

Banks BLC, BEMO, and Bank of Beirut (BoB) saw the strongest improvement. As the top gainers, BoB and BEMO each jumped 50 points. BoB moved

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from a grade of F to a B-, and BEMO from a D- to B+ on the grade scale, which entails a total of five grades and 12 sub-grades. The third best improvement belonged to BLC, which added 31 points to its score and moved from an F to a C grade. Small gains from higher bases were achieved by Byblos Bank (three points, unchanged C+ grade) and BLOM Bank, which had an 11 point improvement and rose from a B+ to an A- grade, the highest of all listed companies. Two other listed companies of importance, Solidere and Bank Audi, seem not to have sought any improvement in their GIR scores. Bank Audi, given a B- grade under Capital Concept's GIR methodology in 2015, received a minimally improved score and unchaged grade in 2017, and Solidere's ranking, a D+, was likewise unchanged.

While the short history of the GIR ratings exercise does not constitute sufficient material to talk about trends or confirm sustainable increases in the corporate governance of Lebanese banks, it is notable that the average scores of banks shot up from less than 40 to 63 points, an increase of over 60 percent, to qualify for a B- grade.

#### COMMITTING TO BETTER CG

The IGI signatories include publicly traded as well as unlisted banks. In the latter group are, in order of their signing, First National Bank, Jammal Trust Bank, BBAC Bank, Al-Mawarid Bank and FFA Private Bank. The listed signatories are Blom and BEMO, the former having been the first bank to sign the IGI declaration and the latter a signatory from April 2017.

BLOM Bank issued a written statement about its CG commitments to Executive last month, just prior to the announcement of the 2017 GIR ratings by Capital Concept's Akkaoui. In it, the bank said that it "continues to build on its strong corporate governance foundations." CG measures mentioned in its statement included an update of its Corporate Governance Code in 2016 and several independent board members attending a training session on "Board Level Corporate Governance in Banks," conducted in fall 2016 at ESA by Nestor Associates, a London-based CG consultancy. The training was held at the initiative of Banque du Liban, Lebanon's central bank. BLOM added that more executive and independent board members are scheduled to attend similar training in 2017.

In a further note of interest for Lebanese CG practices, a London-based online publication and magazine called Ethical Boardroom declared its 2017 corporate governance winners for the Middle East in eight industry categories last month. Besides seven companies based in the Gulf region — the likes of SABIC, ZAIN, DP World and ALBA were among the winners — the awards contest declared one Lebanese bank to be the regional corporate governance champ in the financial services category: Bank Audi.

Independent and partisan sources both tell Ex-ECUTIVE that the process of organizing CG training for the board members of Lebanese banks was, and possibly still is, not without its opaque moments. At the same time it seems undeniable that CG standards at Lebanese banks — and, hopefully at other privately held or listed companies — are moving forward.

As CG advocate Krantz emphasized at the close of his Beirut speech, even regulated public markets are human endeavors, and as such are vulnerable to poor or improper behavior. "We simple humans need guidance in the form of regulation," he said which in a moderately better world is exactly what corporate governance is all about.

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#### **BSL Bank**

#### Banking

By Thomas Schellen

### Banking on reason

New initiatives from an old Lebanese lender

Pushing loans onto consumers has become the fashion among financial service providers a fashion hardly more concerned with reason and logic than proposing the existence of prefabricated tears and holes around the knees of a new pair of jeans. But, while the latter insanity is only a serious detriment if you want to use your jeans for actual work, like laying bricks on a patio, the former can be ruinous for consumers, as banks push products that carry added risk by catering to advertising-induced, exaggerated, or otherwise nonexistential needs. These products are nonetheless well embedded in the profit-seeking culture of contemporary consumerism, in Lebanon as elsewhere. But one Lebanese bank — specifically one that can claim to be rooted most deeply in the territory's history, even before the founding of the Republic — is pursuing a path less trodden.

BSL Bank, which in various earlier phases of its history carried names from Ottoman Imperial Bank to Banque de Syrie et du Liban, has made waves in the market since the beginning of this year. It began by offering the unthinkable: a housing loan with an annual interest burden of practically zero percent. In spring, it followed with a personal loan that proposes an annual percentage rate (APR) of 10.62 percent. APR — which reflects real interest charges and other costs of a loan and is mandated by the central bank to appear in loan advertisements — is not an intuitive concept that lends itself to back-of-the-napkin computation by consumers, but it is easy to compare APRs under the simple rule that lower is better.

By this comparison, most personal loans in Lebanon have, in recent years, been priced at four or more percentage points above BSL's new offering. According to BSL General Manager Elias Alouf, customers are not eligible for the loan if they are a foreigner (as per every bank in the country) or have too few zeros on their monthly paycheck (the floor for loan qualification is a monthly income equivalent to \$2000 or \$2,500 for the self-employed). Neither will the loan be approved if the cash is to be blown on a cruise, lavish celebration, high-priced image-boosting car, or some other conspicuous consumption extravaganza.

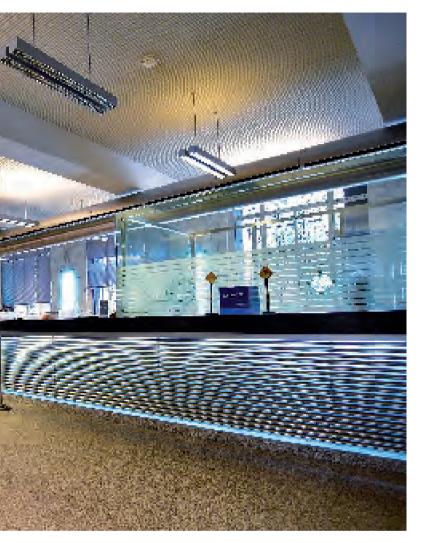
At first, this array of lending conditions brings



to mind a quote by 20th century American comedian Bob Hope, who famously said that "a bank was a place that will lend you money if you can prove that you don't need it." But, Alouf describes the BSL's approach as a matter of practical prudence — the risks of a low earner defaulting on a loan are exponential when compared with mid-income families, he says. He portrays BSL as balanced between "agile and disciplined," claiming that this is the bank's strength. "Being simultaneously agile and disciplined makes a bank flexible and enables it to promote its products and services rapidly, but at the same time we will never forget the basics of banking," he elaborates. This identity matrix appears to be topped off by classical societal principles, and perhaps, a dose of some patronizing behavior. "We

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really are orientating the bank toward helping the Lebanese to stay in Lebanon, buy their houses, and create their own business," he explains.

Next, he lowers his voice to a conspiratorial whisper and apologizes in advance for uttering the "e" word. "Excuse me, this is ethical," he says when explaining how BSL will not push its customers into borrowing for purposes of conspicuous consumption, leisure, or even the financing of big family events such as weddings and christenings. "These are things that should not be financed by banks. Bank financing is for necessities. For us, everything that is leisure, travel, etc., is not a necessity," he says.

In his view, people should save if they want to go on a vacation, rather than overburden themselves with debt that can turn a two-week holiday into a years long commitment to loan installments. According to BSL, self-financing such enjoyments is the correct path and it will therefore always inquire of loan applicants their objectives for borrowing before deciding whether to approve the loan.

To entertain such a strategy, a lender has to be selective as well as self-restrictive, and operate on principles that at times are likely to get in the way of maximizing profit. "We don't want to only be a profit-oriented bank," Alouf says. "We want to contribute and help people as much as we can. When you look at the basic needs of the population, they need to buy a home, they may need a personal loan to renovate their apartment, they need to educate [their] children, insure retirement and that's it. I will not finance a lifestyle."

He acknowledges that this can be viewed as an attempt to change the mentality of Lebanon's loan-happy consumers, but emphasizes that BSL does not aspire to move behavioral mountains in an instant. "We are a mid-sized bank, not one of the top banks, and we are not going to tell you that we are going to change the mentality of consumers. [But] people will always make comparisons, and they will see a bank that is not [goading] them to take loans, but instead is advising them in certain cases not to take a loan. It will have impact on the consumers, trust me. But not to a very large extent. It is a snowball effect," he says.

Besides seeking to distinguish their lending through new retail products, Alouf and Youmna el-Khoury, business manager and head of marketing

■ Bank financing is for necessities. For us, everything that is leisure, travel, etc., is not a necessity

at BSL, tell EXECU-TIVE that the bank is preparing to roll out new digital strategies and new card services by the end of this year. "Consumers are overloaded with products and promises from every-

where. At the end of the day, if you don't want to fight [over customers] with other banks, you need to find an innovative product for it to be accepted. By year end, BSL wants to be on par with all major banks in its product offerings," Alouf says.

El-Khoury, who has banking in her blood as a member of BSL's main shareholding family, joined the bank's management team, at the same time as

#### **BSL Bank**

#### Banking

Alouf in June 2016. According to her, BSL is devoting new efforts into building both customer and employee relationships, in a process she estimates will take around three years. "We are starting today, in 2017, to acquire new clients, and we are also building on our relationships with our existing clients. We are also doing a lot of internal work to communicate with our employees and create this relationship because the best advocates of our brand are our client base and our employees," she says.

As part of the bank's digitization strategy, last year BSL began to invest substantially in its e-banking systems and online presence, commissioning an international provider for the development of a website that is scheduled to go live soon. El-Khoury envisions BSL as an interactive bank where physical branches function as digital banking nodes in which electronic knowledge of the consumer is stored. "I see it as the future where people would go into the branch — I'm not talking about eliminating the branch — and it would be a smart branch, [though] not in the sense of an automated branch as you see it today in some banks in Lebanon. When a customer steps in, the employees at the smart branch would know exactly who this customer is, if they have a loan and a need for a new car," she explains.

Alouf admits that customers will not migrate to BSL if the bank only provides the same offerings as its many competitors in the Lebanese market. Besides rolling out a digital banking strategy and preparing new products on both the lending and savings side, he therefore aims to emphasize BSL's historical competitive advantage: it was the first banking provider to arrive in some regions of Lebanon 70 years ago. This rootedness shows in BSL's emphasis on what Alouf calls, "basic banking." This stands in contrast to the recent growth strategies of some other expansionary banking franchises in the Lebanese market, which have more of a background in wealth and asset management or investment banking. Alouf concedes that BSL might consider adding asset management to its offerings later on, but plans today are to grow into the retail area on the asset and liability side. Relying on his more than 20 years of experience working with strategy, compliance, and international expansion projects at two large groups, Byblos Bank and Bank of Beirut, Alouf says that BSL is planning to pursue its growth domestically and organically, at least for the time being.

In its approach to the business segment, BSL is targeting the commercial middle market of es-

tablished traders and manufacturers with financing needs of up to \$1 million. It aims to serve these clients within its fundamental philosophy of prioritizing the client's best interest as understood by the bank, even if this means advising a client engrossed with the good performance of his or her business against taking a loan for expansion. "In some cases, expansion carries a danger of reducing profit instead of increasing it, and a banker who notices that a commercial client is heading in such direction has to advise a customer against taking a loan to expand," notes Alouf.

For the branch network, BSL applies a similar approach of deliberate moderation. Arguing

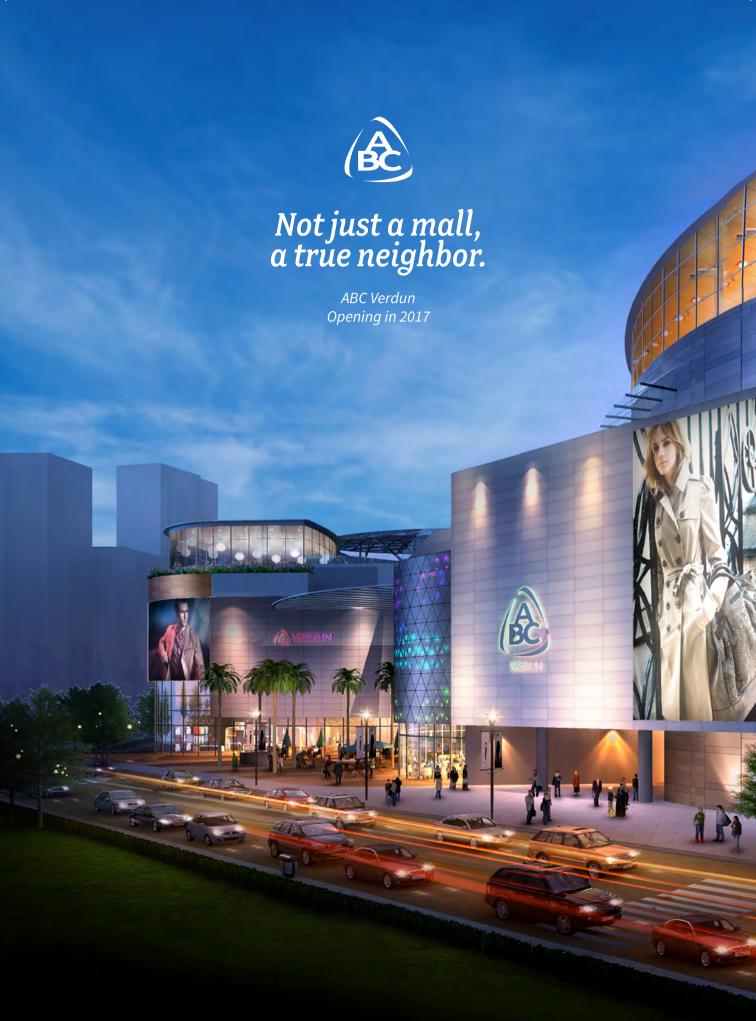
When a customer steps in, the employees at the smart branch would know exactly who this customer is, if they have a loan and a need for a new car

that the current network of 18 branches is sufficient for a proximity banking approach in Lebanon, Alouf wants to expand the bank's workforce from a current staff of 298 to about 325. He says he will make additional hires in the

medium-term only if necessitated by employee departures or substantial increases in client numbers, but is not looking to increase the network by adding new branches in the next one to two years.

According to Alouf, the bank's performance has advanced in terms of profitability, which before 2016 was below targets and trailed behind sector averages, but has seen notable growth beginning last year and a full-year profit growth of 7 percent in 2016. However, he adds that it was only at this level because exceptional gains had been recorded in 2015. "If you remove this exceptional component from profits and compare 2015 and 2016, we had more than 60 percent increase in operating income but on the bottom line it was a 7 percent increase," he says.

The bank seeks to expand operational profitability and has had good responses to its new housing finance and personal loan offerings, he says, and expects growth this year to be "in the high double digits," and to achieve core profitability ratios that are on par with Lebanese Alpha banks. While BSL has a high share of independents on its board (seven out of nine board members), the bank, according to Alouf, does not currently plan to go public.



Q&A

#### Banking

#### **BUILDING RELATIONSHIPS**

To explore the new strategy of BSL Bank, EXECUTIVE sits down with Elias Alouf [EA], the bank's general manager, and Youmna el-Khoury [YK], the bank's marketing head and business manager.





#### When did you join BSL and what have been the highlights of your term since then?

[EA] I joined the bank almost one year ago, at the end of June 2016. The first six months were reconsolidation and launching a huge number of IT projects. I would not call it a restructuring but a refocusing of our strategy and reorienting [of the] principles [that] we are working on. Since the beginning of this year, we have started launching our new products. This one (points to a flyer advertising a housing loan) made a killing in the market. The [annual percentage rate] is 0.62 percent. This is the best APR ever in housing.

## How do you offer a housing loan, which typically has a maturity of 20 or 30 years, with minimal APR?

[EA] We work on risk-adjusted basis. For instance in the housing loan you have a portion that is deposited with the bank by the borrower. It is reimbursed over time and this is why it is zero percent. This decreases the risk, as the bank lends maximum of 75 percent of the home value as financing, to which the collateral is added to reach a loan-to-value ratio of 60 percent at the end of the day.

We also have a strategy to launch other products. One product that we launched already is a personal loan, whose APR is 10.66 based on risk-adjusted pricing. On the personal loan we are putting a floor which is LL 30 million (\$20,000). This personal loan is not designated for persons who have a small income and hence higher risk. It is risk-adjusted. When we set the loan at 9.99 percent interest, it is because the risk is much lower in this category than for those who earn less [and seek smaller loan amounts]. To look a bit at our strategy, we have to look at our communications because you cannot talk strategy without communication.

#### What do you see as the differentiator in your communications strategy?

[YK] I want to make it clear to consumers what BSL Bank is really doing. As you see from our two new leaflets, we don't really use images. We don't sell dreams and don't claim anything. It is also on purpose that we don't have a slogan, because we don't want to sell slogans to people. We want to be close to the consumers with a straightforward message, with a product that answers their need, and we want to communicate the advantages of the product.

## How do you want to build brand awareness about BSL without using slogans and images?

[YK] It is actually the products and the advantage in the products that will tell the story. This is our strategy. We simply want to communicate the product rather than vague advertising slogans or images. Advertisers have fed enough dreams to consumers and are now moving toward creating deeper relationships with consumers. Our strategy is to build relationships and show our consumers that we're here to advise them and that we're not going to lie to them.

## How many products does your product portfolio entail today?

[EA] We have all types of banking products, but not the products that we want to offer. From here on out until the end of this year, we'll have the complete suite of products that we want.

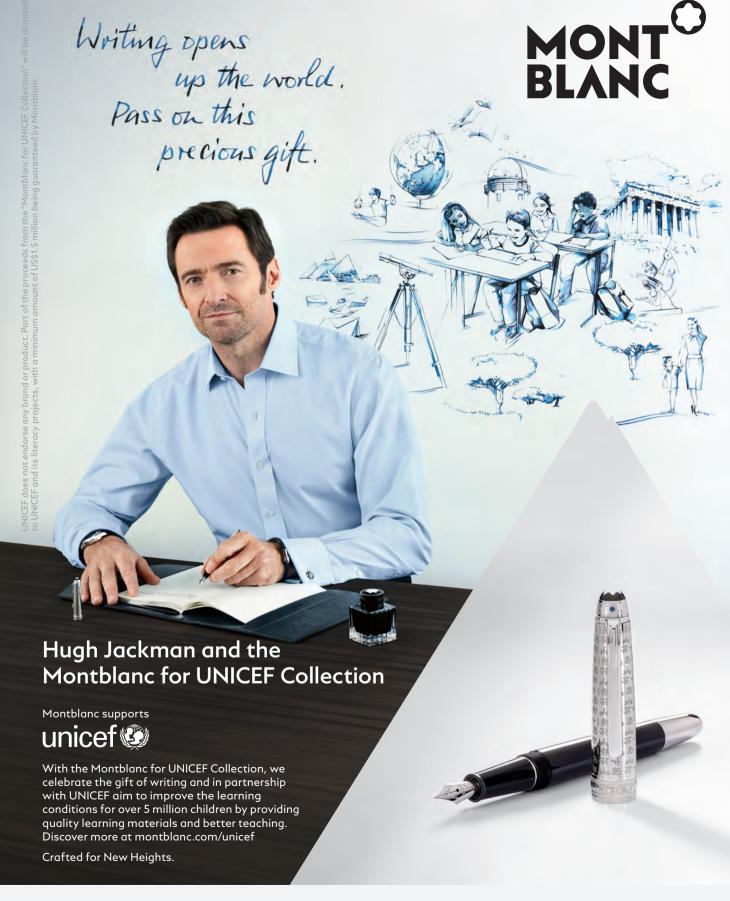
#### How many products is that?

[EA] Around five to six additional products, which will be very effective. Frankly, we'll have some products that I wouldn't say will be revolutionary, but very innovative.

#### How about your card services?

[EA] We are currently revamping our entire

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#### Banking

credit card offering. It should be finalized around the end of August with the same philosophy of perfection. Nothing in life is entirely flawless, but we are looking for as much perfection as we can. This will also be the philosophy behind our new website, which will be launched within the coming two months. We are paying big money to get the best and are going with an international developer who is not currently present in Lebanon. The look and feel of the website will represent what BSL is looking for. We will not do much, but everything that we do will be very carefully sold and developed by a big team. We are trying to distinguish ourselves by perfection as much as we can.

# E You were talking earlier about proximity banking, but isn't the catchment area of a proximity branch something like walking distance? If you say proximity branch, how close do you need to be to your customers in terms of physical nearness?

[EA] When we talk about proximity banking, I mean it on the moral and psychological level, not on the physical level. In geographic terms, when you are within a 5 kilometer distance from your customers, you have excellent proximity, you don't need more. Everybody uses their car in Lebanon.

#### E Did you have a need to restructure your workforce?

[YK] It has started and is being done. We have some high-profile bankers and today our hiring needs are toward experienced middle management.

#### E Are you headhunting then?

[EA] We don't need to go headhunting. I think there is something that happened with the bank since we launched our products. People are applying for jobs at BSL, which is a very positive sign. They are submitting their CVs to our website or talking to our HR manager via LinkedIn. We never headhunted anyone.

## So, you are acquiring experienced people, more than cohorts of fresh graduates?

[EA] We have the fresh graduates already and are now looking for highly experienced people to fill some positions where we are looking, and we started a very nice training program for our staff.

#### Was this new?

[EA] It used to exist, but not on the scale which we have now.

#### • What is the average age of your workforce?

[EA] The average age is similar to market, a little under 40.

#### • And the gender distribution?

[EA] It's becoming heavily tilted toward females. In our last group of recruits, [the male to female ratio] was three to 10.

## Are you looking at any inorganic growth opportunities through acquisition?

[EA] I can't answer this question with a yes or no. Our plans are to grow internally, not externally. We're a Lebanese bank and intend to remain a Lebanese bank in Lebanon, but you might never know when the opportunity [for an acquisition] occurs. If we need to grow it will be discussed by the board, but for now were focused on growing domestically and organically.

#### Is there a specific peer bank that you compare yourself to in terms of wanting to surpass them in the near future in this very competitive environment of banking in Lebanon?

No, because we're all chasing the same market segment at the end of the day. You're competing with all Lebanese banks; we're all in the same sector and

■ Nothing in life is entirely flawless, but we are looking for as much perfection as we can have the same customer pool. I wish well to all of them and also to ourselves. It's a fair competition. You have to distinguish yourself and innovate to get

a fair share of the market. It's not a race for us. We have our plans to become what we want to become, and we're hopeful that we'll achieve our targets.

#### E Are you competing with yourself?

[EA] Yes. We are competing with our dreams. We have a dream for BSL to get back to where it was in the glory days. By this, I don't talk of wanting to go back to the 80 percent market share, which Banque de Syrie et du Liban had in 1939, but of high brand awareness. [We have] no objective to become the largest bank in Lebanon, not at all, but we want to get back to high brand recognition. We're deeply rooted in tradition, but want to evolve into the future. We want to be an active player in the market and one of the banks on the top of people's minds in Lebanon.

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#### Banking

By Thomas Schellen

## Undogmatic thinking

Q&A with economist Hernando de Soto Polar

It is not every day that a world-renowned economist touches down on Lebanese soil, but it should not surprise that such a formidable economist could deliver a presentation less than 24 hours after arriving in Beirut for the first time in his life. It might be expected that he would start with an exercise in affinity, by saving nice things about this country's welcoming people and surprising allure. But, it was refreshing to meet an acclaimed economist who not only confesses to being no specialist on the local economy (only a fool would claim to understand the jungle that passes as Lebanon's economy), but who has real expertise on the issues that matter in developing countries. Executive sat down with Peruvian economist Hernando de Soto Polar on the sidelines of an event organized by Banque BEMO at the Ecole Supérieure des Affaires.

#### What brings you to Beirut?

What brought me to Beirut was the invitation by Mr. [Riad] Obegi, and the fact that he told me, 'Based on your kind of thinking, I've got a product that you've probably never heard of before, and that is my invention [see box page 56]. Why don't you come and learn more about it, and at the same time, expose yourself [to the situation in Lebanon]?' I said fine, and that's what brought me here.

Lebanon is a very small country and there's often a dichotomy between the local reality and the data and perspectives put forward by popular international economists, who only come for one or two short visits. I understand that you have done more than precursory research on Middle Eastern economies. Have you done any work on Lebanon?

Nothing.

#### E So it's virgin territory for you?

That's one way of putting it. Total ignorance territory.

E Knowing what one doesn't know is a fortunate state of being. You have conducted extensive research on the informal economy in developing countries, such as your native Peru. The informal economy in Lebanon is a very important part of the national equilibrium. How would it



## help to integrate into the formal economy a sector that's barely recorded or taxed?

The advantage could be that you could do many things with your resources. You could work within a large-scale economy. Large-scale is [what was] behind the industrial revolution, and the advantage of this comes if you want to specialize and make combinations [such as products with multiple inputs or components]. Everything around us is the result of a combination, and if you're in an economy where it's clear what transactions can be made — because they are governed by laws you can make much more complex products and fetch more surplus value. [People in the informal economy] aren't taxed [on their incomes], but in my experience - in a measure that is confirmed in each country — they pay much more than the people who pay taxes.

#### How?

Many taxes are consumption taxes and not on income. Then, you have to pay direct bribes, and this is an irregular [cost] as opposed to a tax, which is set by law. The second thing is, of course, the humbling effect of a father telling his son, 'We'll go out and pay some little bribes. That's the way life is, son.' This is a very corrupting atmosphere. The other part is bribes that don't look like bribes, like the amount of untruthful friendships that you keep up just to make sure that you are in touch with everybody. There are many ways of measuring this. For example, in a country like Peru, you have provincial industries, but 90 percent of the managers live in Lima, and not next to their factories, where they could help by su-

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pervising. This is true in practically every country that we have been to because it's much more important to be close to [the] people in power, and make sure the law provides an advantage for you, than to actually supervise your factory. The idea about the formal economy is that it brings you all the advantages that you receive from the ability to have proof of your assets — to guarantee your credit or to pledge them against investments.

Financial inclusion and inequality are buzzwords of our time. What could banks contribute to achieving inclusion and overcoming inequality in a country with a very potent banking industry, like Lebanon?

They could do all sorts of things. The question is how many of them have the initiative of someone like Mr. Obegi and try to do something. In places like the United States, the banks haven't done innovation. It's been other forms of financing. I'm not sure that banks are in a position [to be innovative] because they tend to be conservative. If they do [participate in the financing of projects], they are in business, and if they don't, they can be replaced, which is happening in many parts of the world.

In Lebanon, there is currently a debate over the validity of juxtaposing capital markets versus debt markets, because most of financing of the public sector and private sector economy is still done via banks and debt markets. Could an increase in capital market activity in a country be beneficial to the economy or would it make no difference?

What you mean by debt and capital markets is investments or loans that don't come through banking. First of all, I believe in competition. I believe that taking initiatives [in new forms of finance] like Mr. Obegi's is good, but if they don't come from banking, they have to come from someplace else. If [this competition to banks] is not there, you have a huge black market with interest rates that go through the ceiling under the fictitious motive of getting to micro credit, which is extremely exploitative. I don't believe in monopolies of any sort.

In one of your works, The Mystery Of Capital, you wrote that 'The bell jar makes capitalism a private club open only to a privileged few and enrages the billions standing on the outside and looking in.' Has your assessment changed in any way since you made this statement at the end of the last century?

Unfortunately, I don't think so. The countries I've worked in may be a little more democratic, but [the development] has been too slow to stop terrorism and to stop feelings of inequality, frustration, learned helplessness, whatever you want to call it. My calculation is that people who are outside the bell jar make up 5 billion of the world's 7.5 billion.

When I talk of the 5 billion, I'm not talking about people like me, who can take whatever they want and combine it. The people who can combine things [into economic products] are only 2.5 billion. The other 5 billion are looking in from the outside and are angry like hell. To me, that was part of the [catalyst for] Arab Spring and all terrorist wars.

Proponents of contemporary capitalism say that to have 2.5 out of 7.5 billion included in the capitalist model is better than 1,500 or even 150 years ago, when only one out of every 100 people was included. As British economist Joan Robinson famously said in the 1960s, 'The only thing worse than being exploited by capitalism is not being exploited by capitalism.'

I agree. I absolutely agree. Everything seems to indicate that between the time of Jesus Christ and just after the end of WWII we grew less than between the 1950s and today. The question is what's politically viable, and we suddenly find that people voted in the United States either for Donald Trump or Bernie Sanders, who both said they want to stop globalization. I'm not criticizing the 2.5 billion. What I'm saying is that maybe we've arrived

■ The fact is that there is a rising mood on the left and the right against globalization

at a moment where the system might not hold unless you give some kind of outlook to the 5 billion who aren't seeing the light. They're starting to act up all over the place and go to the right

or left [extreme] to topple the system. If that can be done is another story; the fact is that people are genuinely unhappy. The fact is that there is a rising mood on the left and the right against globalization. Let's call it de-globalization. [In facing this trend], I think it's a good idea to make the system much more inclusive.

We've just seen the renewed assertion of an alliance during President Trump's visit to Saudi Arabia, which resulted in very large bilateral agreements. Do such collaborations between a key country in the Islamic realm and the United States, under a president considered by many to be anti-Islamic, mean that globalization is back on track, and we don't need to worry anymore about anti-globalization politics in the US?

I don't have a view on what the significance of Mr. Trump's visit is, among other things because we still have yet to find out if it will be a consistent [policy] over time. He seems to be a man who's finding out that the world isn't exactly the way he thought, as a result of which he's improvising solutions at the moment. Some people would say what a practical politician he is, but I don't think that we can actually see what's really going to be the outcome of the new proposal because there

#### Banking

is nothing in the background of Mr. Trump that you could've said would lead to this trip to Saudi Arabia. Obviously his government, or he himself, is still in the learning process, and we don't have enough evidence to say whether this will look consistent and good. What is obvious is that he's changing the game, and if his [previous] idea was to isolate the United States, he's now getting the United States involved in a new war.

# Are we heading into dangerous times in the global economic and political situation, or are we still proceeding in moderately risky scenarios as we have over the past few years?

In terms of dangers, I think the dangers started way before. I think that we've been in dangerous times since the West decided to intervene in Afghanistan [in 2001] in the way it did, since we went into Iraq [in 2003], and since [the financial crisis in] 2008.

## This recalls sentiments voiced by other economists, who have been warning for some years now that we aren't in a stable situation.

Yes, we're off the charts now. That's quite clear.

# Do you see yourself in any specific school as an economist, such as behavioral economics, development economics, post-Keynesianism, or what have been called the saltwater (coastal) and freshwater (Chicago) schools in the United States? Do you identify with any of those?

No. At a certain moment of course in Peru, when I saw that people were working in the market, and the law was against the market, my position became very pro-market [with regards to] the countries I worked in. But, if I were a European or an American citizen, I wouldn't necessarily take that view. [On the other hand], I can't subscribe to the views of those who classify themselves as liberal in the European sense, or libertarian in the American sense. They assume in everything they talk about — on how to do markets, how you deal with bilateral trade, etc. - that the institutional revolution which occurred in Europe and in North America has also taken place in my part of the world. That's a wrong perception. If they were [proposing] a system that is built on law and good contracts, copyrights and respect etc., why do they not think of those measures when it comes to a developing country? I don't agree. I understand the compassion that the left has very strongly, but I don't like their idea that the solution isn't the market but the government. I think this is completely off-track. I find it difficult to fall into any specific classification.

#### Q&A

#### DEVELOP YOUR CHO

Although the name might remind some of excursions into Chinese speculative philosophy, the CHO project promoted by Banque BEMO Chairman Riad Obegi is not about finding your life force, the essence of your soul, or the seat of your mind. And, although CHO stands for Certificat Hypothecaire Obegi, it neither is about collateralizing a property in a cash loan contract nor a new version of the home purchase and development loans commonly associated with mortgage lending. According to a press release, the CHO concept, the topic of Obegi's 2008 PhD thesis at the Université Lyon Lumière, is a financial instrument which "allows real estate owners to increase their income and contributes to the economic growth of their country." Obegi said he once did an exercise for estimating the value locked in Lebanese property assets and arrived at a figure of \$1 trillion. When bankerized through an instrument like CHO (which is designed as a real estate guarantee with a maximum one-year lifespan, which would be renewable), the bank would pay moderate interest to the property owner — Obegi estimated about 1 percent — and be able to leverage this deposit to borrow more easily, improve its liquidity position and nourish more economic activity. The vision behind this concept, which according to Obegi was inspired by de Soto's books, is to improve the standard of living in developing countries by capitalizing their real estate wealth. Some small hurdles have yet to be overcome, according to Obegi, as the idea requires legislative initiative. But, given his self-declared mission of bankerizing "10 percent of the real estate assets of participating countries within 10 years," CHO could, come to think of it, turn out to be a life force in developing economies.

# E Would you agree then to be called an undogmatic economist? You're being hailed as a global influencer in economic thinking, so would that be an undogmatic version of economics?

I like the word and am flattered. I'm flattered because I just haven't found one place where to find the whole thing. If you look at The Mystery of Capital, my last chapter is called 'The Ghost of Marx' because I don't think he's exhausted.

#### In the philosophical or the economic sense?

In the philosophical sense, first of all because he has something over libertarians. By tendency, libertarians ignore the class phenomenon, and I don't think you can see the big picture without classes. And the classes vary. The philosophical thinking of a great philosopher is helpful, but you have to avoid being captured by the last book you read. And you have to do what happens in revolutionary moments, which was said by the man who invented modern medicine in Britain, Thomas Sydenham, that 'there is a moment when you have to close your books and open your eyes.'

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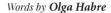
YOUR INSURANCE BROKER OF CHOICE



"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood

## ASKING IMPORTANT QUESTIONS

#### 6TH BEIRUT DESIGN WEEK SUPPORTS LEBANESE DESIGNERS





very year Beirut Design Week (BDW) brings together more and more people — designers and buyers, thinkers and doers. While some might write off BDW as just another trade fair for local designers, it couldn't be more different. This year's BDW, held across the city from May 19-26, asked a critical question, "Is design a need?" This sparked debate about what design is, what needs are, and the different ways the two interact.

Doreen Toutikian, board president, co-founder and director of the MENA Design Research Center, the nonprofit that organizes BDW, says the question stirred conversation about design in general and BDW itself, and this is exactly what they wanted. "From the very beginning, in 2012, we've been talking about design as a problem-solving tool, a problem-finding tool and how design can help different businesses. Design is a process that you can inject into lots of different systems," says Toutikian, adding that BDW aims to

create a more informed understanding of design as a discipline.

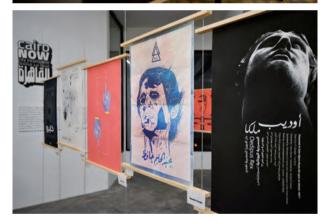
To many, design is about the aesthetically pleasing end-product — a nice shirt, a beautiful piece of jewelry, a cool website, a trendy chair or a modern building — and design is all of those things. But design is also about the process of creating and innovating with a purpose, what many call 'design thinking.' "As a designer, you're critical of things that are going on around you. You realize that there's some sort of issue or challenge or problem, and you want to do something about it," explains Toutikian.

With over 150 events, the mission of the BDW is to encourage designers to go beyond their crafts, comfort zones and commercialization. BDW asked the whole spectrum of designers in Lebanon where they stand on the value of design and that meant self-reflection: What is being designed and what is its

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BDW 2017's program included workshops, talks and other events throughout the week. A conference was held at the Sursock Museum with international guest speakers from professional and academic de-







sign backgrounds who discussed issues in the relatively new field of critical design, which challenges assumptions and norms rather than just looking at problem-solving and production. The conference examined how designers can become agents of change and disruption, while shedding light on contemporary social issues. Another highlight was a celebration of Beirut's Dalieh, as visitors were encouraged to visit the beautiful, disputed coastal stretch. A Silent Room

"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood





was also erected for the week in Mar Mikhael, in an effort to show that we need more silence in our hyperconsumerist society.

BDW included events in one part of Beirut each day, creating little geographic communities of design that are easy for attendees to access. Designers opened their doors, launched new collections, and used innovative, engaging, and fun ways of showcasing their work.

Some participants found ways to answer, "Is design a need?" with a direct social impact. Birth & Beyond (Assameh) collaborated with different designers on children's products, sold at ForeandAft Shop, the profits from which will benefit the Governmental Hospital of Karantina's pediatrics ward. The restaurant Liza donated proceeds from food and retail sales to the Lebanese Food Bank.

Annabel Kassar's AKK Architects found need in preserving Lebanon's past, giving visitors a tour of a glamorous, Ottoman-era villa in the middle of Gemmayze that they are currently restoring. Placing the project in its wider historical and cultural context, the space featured talks about the changing cityscape of

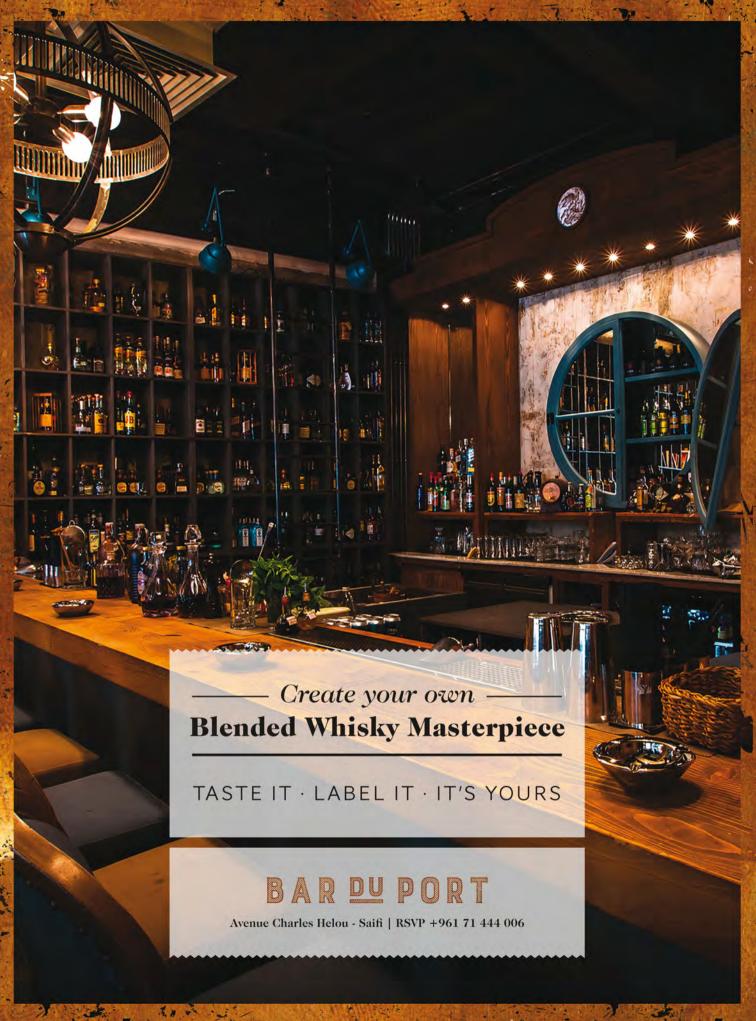


Beirut and the role of design in saving architectural heritage and preserving national identity.

A central part of BDW is the KED space in Karantina, which launched during last year's BDW and is now open year-round. The building was originally a metallurgical plant belonging to a family of refugees who fled the Armenian Genocide, and was later squatted in by militias. Throughout BDW, exhibits and events focusing on social and cultural issues were hosted at KED. In one, visitors saw prototypes inspired by needs we may have in the future. Another exhibition looked at the mundane objects of design, like street signs and cooking utensils, correcting misperceptions that design must be luxury-oriented.

KED also played host to Lebanese and regional designers selling their work. Toutikian explains this was the first year that BDW made a conscious shift from promoting European designers to regional ones from Iran, Egypt, Jordan, Palestine, and Morocco. "This year we thought, let's look for talent in the region and find people that we can collaborate with and be inspired from, and stop copying what's happening in the West," she says. "We are focusing on the region from now on."

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"People use technology only to mean digital technology. Technology is actually everything we make." - Margaret Atwood

The question "Is design a need?" also meant that organizers asked themselves about the value of having a design week in Lebanon. Of course conversations about design are important, but the organizers believe that it must also be about helping designers make a living. "We're supporting entrepreneurship, young designers who are creating things, and hoping that they make sales this week. Without them being sustainable economically, we would not be able to be economically sustainable either," says Toutikian.

BDW helps support the local creative community, where government support doesn't exist. Toutikian points out that Lebanon has a lot of potential in the creative fields and is disappointed that there is no public funding for the sector. She compares Lebanon to the Netherlands in terms of the number of designers, but points out that a key difference is government support. "[In the Netherlands] there are funds coming from the government that are specifically for design," she says. To her, design is exactly where Lebanon should be investing. "Our crafts heritage background, everything that's been happening in fashion, all the

and furniture design industry — there's a lot of potential."

The local design community shares challenges with the rest of the country — like difficulties obtain-

great architects that are here, the booming product

The local design community shares challenges with the rest of the country — like difficulties obtaining visas. Toutikian tells of exasperated designers who have been invited to exhibit in prestigious international fairs but were not granted visas. There are other problems too, like shipping costs and complications for those who wish to exhibit abroad. "There are a lot of international laws about what goes in and out of Lebanon, which means that every transaction needs a lot of paperwork and costs way more than anywhere else. They make it difficult for you," she says.

Even the market in Lebanon is riddled with obstacles. For one, the perception of Lebanese products is not always positive. Although she admits that this is changing slowly, thanks in part to visiting expats who enthusiastically buy Lebanese products, Toutikian says there's still the idea that if people are looking to buy something expensive, and have a choice between a Lebanese and foreign brand, they will trust the foreign one more. She says she consciously supports Lebanese designers, but not many people think the same way.

Design is yet another sector in Lebanon experiencing a talent drain, and designers who have the opportunity to leave often do. "This is something that we definitely want to avoid. We want to keep these people here in Lebanon," she says.

But Toutikian is hopeful. She's noticed more young Lebanese wearing local designers and believes BDW can contribute to creating a more positive perception of local design. "This is something I hope we can work on. One of the reasons we have BDW is so that people are much more engaged with the designers' work," she says, adding, "I think in the next 10 years things will be very different."



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## FACILITIES AVAILABLE ZERO DOWN PAYMENI

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كانون الاول	کما فی ۳۱	(القيم بملايين ل.ل.)	
5-17	5.10	الأرباح والخسائر	
1./15	۵.۱۱۸	الفوائد والايرادات المشابهة	
(٣.٢١٠)	(117.1)	الفوائد والاعباء المشابهة	
7.102	5.9.5	صافي الايرادات من الفوائد	
۵۰.۳۱۱	17.28.	الايرادات من العمولات	
(17.72)	(A.) OA)	الأعباء من العمولات	
17,117	٤٬٢٧٢	صافي الايرادات من العمولات	
		صافي أرباح/خسائر عمليات الأدوات المالية المصنفة	
		بالقيمة العادلة مقابل حساب الأرباح والخسائر	
		منها: صافي ارباح وخسائر غير محققة	
		صافي أرباح/خسائر الاستثمارات المالية	
۲۸۸.٤	V.V9V	ايرادات تشغيلية أخرى	
٣٦,٢٠٣	12,971	مجموع الايرادات التشغيلية	
		خسائر الائتمان	
		منها: خسائر الائتمان العائدة لادوات الدين	
		الصنفة بالكلفة الطفاة	
		مؤونات تدني قيمةالاستثمارات المالية الأخرى	
		(شركات تابعة وزميلة)	
77,50	12,971	صافي الايرادات التشغيلية	
(1.721)	(1٣٥)	اعباء المستخدمين وملحقاتها	
(1775.0)	(0.711)	مصاريف ادارية وأعباء تشغيلية أخرى	
(٣٨٩)	(٤١٠)	مخصصات استهلاكات ومؤونات الأصول الثابتة المادية	
		اطفاء الأصول الثابتة غير المادية	
(, , , , , , )	(1.5	مخصصات تدني قيمة الشهرة	
(15.2.5)	(1501)	مجموع الأعباء التشغيلية	
۲۳.۸۰۱	7.910	الأرباح التشغيلية	
		حصتنا في نتائج مؤسسات مرتبطة	
		وفقا للحقوق الصافية	
Γ٣.Λ· )	5,910	صافي أرباح أو (خسائر) بيع أو استبعاد الموجودات الأخرى	
(٣.٥٥٤)	(227)	النتائج قبل الضريبة	
(1.002)	(22))	الضريبة على الأرباح	
		النتيجة بعد الضريبة من النشاطات العادية النتيجة بعد الضريبة للنشاطات المتوقفة	
		التنيجة بعد الصريبة للتساطات المتوفقة أو قيد التصفية	
۲۰,۲٤۷	۲,٤٧٢	النتائج الصافيــة	
		النتائج الصافية – حصة الأقلية	
		النتائج الصافية - حصة المجموعة	
		حصة السهم العادي من الأرباح	
۰.۲۰۲۵	٧٤٦٠.٠	(earnings per share (EPS))	
		حصة السهم العادي المخفضة من الأرباح (diluted EPS)	

قيم بملايين ل.ل.)	كما في ٣١	كانون الاول
ارج الميزانيّة 📗 ۵	5.10	5-17
هدات تمویل		
هدات معطاة للمصارف والمؤسسات المالية	٤.١١٦	۲
هدات مستلمة من المصارف والمؤسسات المالية   ٩	7.779	
هدات للزبائن		
هدات ضمان		
فل وكفالات وضمانات أخرى معطاة		
مصارف والمؤسسات المالية		
ها: أدوات المشتقات الائتمانية (credit derivatives)		
فل وكفالات وضمانات أخرى مستلمة		
ن المصارف والمؤسسات المالية:		
ها: أدوات المشتقات الائتمانية (credit derivatives)		
غل وكفالات وضمانات معطاة للزبائن		
غل وكفالات وضمانات مستلمة من الزبائن ا	٦٣.١١٩	91.7.7
هدات على سندات مالية		
ندات مالية للاستلام		
ها: قيم مباعة مع حق اعادة الشراء أو الاسترداد		
ندات مالية للتسليم		
ها: قيم مشتراة مع حق اعادة الشراء أو الاسترداد		
مليات بالعملات الأجنبية		
ملات أجنبية للاستلام ٥	0.910	77.7V9
ملات أجنبية للتسليم ٥	0.910	۳٦.٣V٦
هدات على الأدوات المالية لأجل		
هدات أخرى		
طالبات ناجمة عن نزاعات قضائية	۵۵.۹۰۸	۵.۱۸۷
سابات الائتمان		
خاضعة لتعليمات محددة		
خاضعة لتوظيفات استنسابية		
بجودات حسابات ادارة الأموال		
<u> </u>	۳٧.٦٩٢	٤٣.٦٣٥
دوات والمنتجات المالية المرتبطة بمؤشرات		
	۳۸۵.٤٥٠	٣٩٤.٣٢٤
هدات مشكوك بتنفيذها		
ون الزبائن الرديئة المنقولة للذكر الى خارج الميزانية 🏻 ٥	0.020	٥.٥١١

## مجلس الادارة

الرئيس	السيد انطون صحناوي
عضو	بنك سوسيتيه جنرال في لبنان ش.م.ل.
عضو	الاستاذ نجيب السعد
عضو	السيد طارق شهاب
عضو	السيد خليل صحناوي
عضو	ألسيد جورج صغبيني
عضو	آلسيد سليمان معرّاوي

## مفوّضو المراقبة

السادة Ernst & Young السادة سمعان غلام وشركاهم

#### الميزانية المعدة للنشر

كانون الأول	کما في ۳۱	(القيم ملايين ل.ل.)	
5-17	5.10	الموجودات	
9 . 9	٥٢	الصندوق ومؤسسات الاصدار	
۸۹.۳۹٤	727.77	الودائع لدى المصارف والمؤسسات المالية	
		المركز الرئيسي، المؤسسة الأم.	
11 £Λ	12.954	المصارف والمؤسسات المالية الشقيقة والتابعة	
		قروض للمصارف وللمؤسسات المالية	
		واتفاقيات اعادة البيع	
		أصول مالية معطاة كضمانة	
		ادوات مشتقات مالية	
		اسهم وحصص بالقيمة العادلة مقابل	
٣٠٠	۳۱۲	حساب الارباح والخسائر	
		أدوات دين موجودات مالية اخرى بالقيمة العادلة	
184.189	٤٧٦.٣٣١	مقابل حساب الأرباح والخسائر	
		منها صافي التسليفات والقروض المصنفة	
18V.189	٤٧٦.٣٣١	بالقيمة العادلة مقابل حساب الارباح والخسائر	
		صافي التسليفات والقروض للزبائن بالكلفة المطفاة	
	10V	صافي التسليفات والقروض للجهات المقربة	
		المدينون بموجب قبولات	
		ادوات دين بالكلفة المطفاة	
		أسهم وحصص بالقيمة العادلة مقابل	
		عناصر الدخل الشامل الاخر	
		حصص ومساهمات في الشركات التابعة والزميلة	
		أصول مأخوذة استيفاء لديون	
۵۰۸.٤	٤.٦٥٧	أصول ثابتة مادية	
۳۳۰	٣٤٠	أصول ثابتة غير مادية	
		أصول غير متداولة برسم البيع	
1.510	1.051	موجودات أخرى	
		الشهرة	
TV05	V0+,150	مجموع الموجودات (**)	

<sup>(\*)</sup> ان وجدت في الوضعية المجمعة

<sup>(\*\*)</sup> بعد تنزيل مبلغ ٨٤٢٦ يمثل مؤونة الديون والقيم المشكوك بتحصيلها ومبلغ ٩٣٨٠ يمثل فوائد غير محققة.

كانون الأول	کما في ۳۱	(القيم بملايين ل.ل.)	
1.11	5-10	المطلوبات	
	۵٤٣	مؤسسات الاصدار	
۱۰۸.۱۱۵	1109.111	مصارف ومؤسسات مالية واتفاقيات إعادة شراء	
		المركز الرئيسي. الفروع. المؤسسة الام	
۸.۷۸۸	۷۱.۸۵٠	والشقيقة والتابعة	
		أصول مالية مأخوذة كضمانة	
		أدوات مشتقات مالية	
		مطلوبات مالية بالقيمة العادلة مقابل	
NO.V £ 1	٤٠٣.٤٤٩	حساب الأرباح والخسائر	
13V.0A	٤٠٣.٤٤٩	منها: الودائع وحسابات الزبائن الدائنة	
٥		ودائع وحسابات الجهات المقربة	
		مطلوبات متمثلة بأوراق مصرفية أو مالية	
		تعهدات بموجب قبولات	
۵۹.۷۰۷	۲۸.۱۳٤	مطلوبات اخرى	
٣.٩٩٣	۵.۰٤١	مؤونات لمواجهة الاخطار والاعباء	
		ديون مرؤوسـة وما بماثلها	
		المطلوبات غير متداولة برسم البيع	
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#### Unicamels

By Matt Nash

### Unicorns with humps



MENA entrepreneurs find success in adaptation

When venture capitalist Aileen Lee first employed the term "unicorn" to refer to startups valued at or above \$1 billion, she intended to stress just how uncommon a creature she was describing. In a November 2013 post that spawned a Forbes list, Lee identified and analyzed 39 "US-based tech companies started since January 2003 and most recently valued at \$1 billion by private or public markets." While her lens was US-focused, that was fewer than four unicorns born per year, on average, during the 10 years under study. Even if she missed some in the wider world, the beasts have undeniably been breeding like rabbits since she named them. The tech and entrepreneurship news website

CrunchBase's unicorn roll included 229 of the horned wonders as of May 23 (more than five times the number Lee found when she went hunting less than four years ago).

At the moment, taxihailing app Careem is the only Arab company on the CrunchBase list, having earned the title in December 2016 after a \$350 million funding round. At ArabNet in

March, Christian Eid, Careem's head of marketing, joked that the company was a "unicamel," later explaining to EXECUTIVE that growth and keeping customers and drivers happy were more important than milestones and mythical monikers.

Gone from the list as of mid-March, however, is the MENAfounded Souq.com. The site began as part of a larger web portal (Maktoob) and followed an e-Bay auction model. In 2009, proof of concept for this type of MENA entrepreneurship came when Yahoo! bought Maktoob (but not its sister sites, including Soug). At the time, the deal had a rumored value near \$100 million, although in a disclosure to the US Securities and Exchange Commission (SEC), Yahoo! later revealed that it spent \$168 million on Maktoob. The acquisition was a confidence booster for the ecosystems around the region, and after switching to an Amazon-style business model, Souq.com kept growing. In fact, on the heels of a \$275 million funding round in February 2016 (eight months before Careem), Soug became the first Arab unicorn, at a time when it was being courted for purchase by Amazon. In March, the global e-commerce platform announced it had acquired Soug, without disclosing a price. Amazon refused to comment on press reports that the deal is far below \$1 billion. (The magic number will eventually

At the moment, taxi-hailing app Careem is the only Arab company on the CrunchBase list

be revealed, as Amazon cannot decline comment to the SEC.) Like the Maktoob deal, however, a significant added value of this transaction is the confidence boost it brings.

While Arabian Business might have gone too far with the May 26



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Beirut, Lebanon

BIEL, HALL 2

#### Unicamels

#### A BILLION-DOLLAR GAMBLE

Emirati billionaire Mohamed Alabbar has been on a shopping spree in the past year. In April 2016, the head of Emaar Properties paid 100 million euros for a 4 percent stake in the Italian luxury e-commerce platform Yoox Net-a-Porter (the two set up a JV in November), according to Bloomberg. In July, Alabbar was the lead investor on two deals for a combined total of 16.45 percent in Lebanese logistics firm Aramex (value undisclosed), according to Reuters. Then came the big reveal — in November, Alabbar announced a \$1 billion investment war chest to build Noon, a regional e-commerce platform he said would be operational by end of January.

While Noon is not up and running, Alabbar assured the world via a statement in mid-May the site is "on track to launch this year." The statement coincided with news of layoffs at the fledgling company and perhaps the worst news yet for Noon. Alabbar began the month by acquiring the Dubai-based e-commerce platform JadoPado and making its founder, Omar Kassim, chief technology officer of Noon. On May 22, Kassim quit, telling the UAE's The National "I just didn't know how deep the problems ran." While the fate of Noon is arguably once again in question, another Alabbar purchase in May could be leveraged to assist in building a startup. For an undisclosed sum, Alabbar bought a significant but non-controlling stake in Lebanon's Middle East Venture Partners. Co-founder Walid Hanna tells Executive the deal will result in MEVP doubling staff in Dubai from four to eight and raising a new fund that will "probably triple our assets under management." Hanna deferred announcing many of the details to Alabbar — who Executive was unable to reach for comment — but added that MEVP will give Alabbar two of five board seats but retain control over day-to-day operations.

headline "Gulf e-commerce market seen exploding after Amazon entry" (and inadvertently frightened readers), venture capitalists in Beirut tell EXECUTIVE that, regardless of size, the psychological impact of the purchase makes it a big deal at a time when ecosystems around the region are teeming with growth.

#### NO SHORTAGE OF MONEY

Detailed data is hard to come by, but Magnitt, a Dubai-based regional platform for startups and investors, offers something by way of numbers, which are looking better and better in terms of the maturity of ecosystems. Unfortunately, the company follows the modern trend of publishing "reports" as flashy infographics as opposed to text-heavy tomes with annexed raw data. For example, Magnitt's 2016 State of MENA Funding reports that both the total value of investments and average ticket sizes have shown strong growth between 2014 and 2016, but fails to define clearly in the report (or anywhere EXECUTIVE could find on their website) what countries are included in MENA. That said, there is plenty more money on the way, although not specifically earmarked for MENA spending.

In October last year, Saudi Arabia announced a partnership with Japan's SoftBank aimed at creating a \$100 billion (yes, that is billion with a b) VC fund, with the Kingdom's coffers contributing the first \$45 billion. On May 21, the SoftBank Vision Fund announced commitments of \$93 billion and plans to hit its target within six months. Five days later, Saudi Telecom Company announced it would soon launch a self-funded \$500 million VC fund.

#### WAITING FOR DISRUPTION

One critique still raised about MENA entrepreneurship, at least by those in the Lebanese ecosystem, is the tendency to clone. Yahoo! wanted Maktoob because of its Arabic-language email service (translation is arguably not innovation). Souq.com and Careem are similarly tailoring winning ideas to local markets. This is not to say there is no innovation in MENA, or that ecosystems are not adding value to their home countries even if they are not pumping out unicorns. What is undeniable is the increase in activity, in terms of new startups forming (even if exact numbers are elusive), new VC funds operating, and new support infrastructure (by Magnitt's count, in the undefined MENA there are today 31 accelerators and 27 incubators).

For Fadi Bizri, an active member of Lebanon's entrepreneurship ecosystem for nearly a decade and today working with the local VC B&Y Venture Partners, recent good news in the regional startup space — from unicorns to a high-profile acquisition and a Gulf billionaire's foray into ecommerce (see box above) - is creating a buzz that's drawing welcome attention, both from international investors and local high-networth individuals and governments. If success breeds success, this is arguably an exciting time for MENA entrepreneurs.

## **#LifeBackToNormal**



EAST MOSUL **BEFORE** 



EAST MOSUL AFTER

Mosul, the second largest city of Iraq, has been in the top news for the last three years. It has witnessed a major change three months ago and business is back to normal in East Mosul. This positive turn of events allowed us to refresh our advertising panels, make them fully operational with the iconic yellow bar and launch the hashtag: **#LifeBackToNormal**. Pikasso, the number one OOH advertising company in Iraq, enables you to run your campaigns and get maximum reach in East Mosul, with our 32 Rooftops 14x4, 25 Panels 8x3, all in prime locations. You can book as of today.



#### Photo Essav

By Greg Demarque





## CO-WORKING SPACES

In the past year, new co-working spaces have been popping up around Lebanon. Executive takes a look at a few in and around Beirut. Prices and packages reflect the lowest price point for flexible and fixed-desk access.





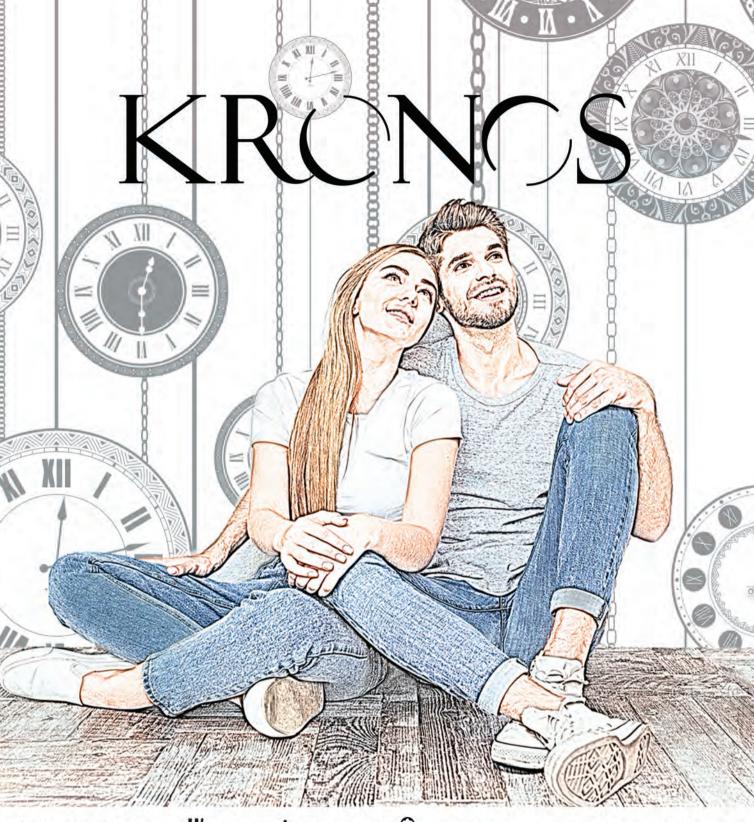
#### BERYTECH MATHAF, NATIONAL MUSEUM AREA

**Opened:** January 2017 **Maximum capacity:** 30

Prices and packages: Flexible access: \$175/month

Fixed desk: \$250/month

78 \_\_\_\_\_\_\_executive-magazine.com



**AUDEMARS PIGUET** 

MONT<sup>O</sup> BLANC

BOMBERG SWOTCH - fluk flak

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#### **Photo Essay**





#### ANTWORK, SPEARS

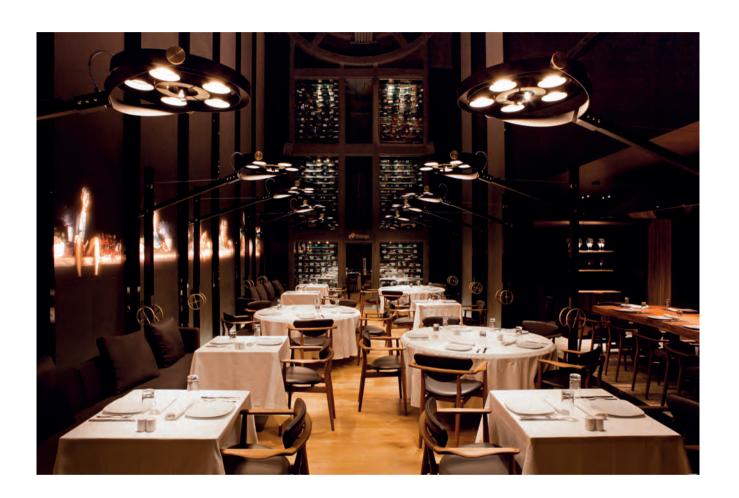
Opened: January 2017
Maximum capacity: 500
Prices and packages: Flexible
access: \$29 for two days/month
Fixed desk: \$349/month





80 \_\_\_\_\_\_executive-magazine.com

## **NEW INTERIOR**



RESTAURANT BAR

Mar Maroun st. Saifi

**CENTRALE** 

RESERVATIONS: 03 915 925 / 01 57 58 58



#### **Photo Essay**





## BEIT WARAQ, CORNICHE EL MAZRAA Opened: September 2016

**Opened:** September 2016 **Maximum capacity:** 30

Prices and packages: [Beit Waraq did not disclose their prices & packages]







. executive-magazine.com



#### Photo Essay







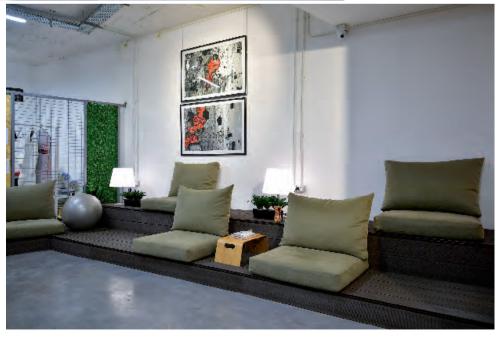
## THE SUBMARINE, JNAH Opened: October 2016

Opened: October 2016

Maximum capacity: 40

Prices and packages: Flexible access: \$18/day

Fixed desk: \$210/month



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Your monthly donation will help Lynn, 6 years, fight cancer.

#### Photo Essay





## FORWARDLB, JAL EL DIB Opened: November 2016

**Opened:** November 2016 **Maximum capacity:** 90

Prices and packages: Flexible access: \$30/month

Fixed desk: \$150/month





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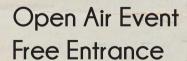


**Lebanese & International Short Films** 

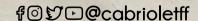
June 9-10-11, 2017

St Nicolas Stairs, Gemmayze 8:00 p.m.

# ITAVELE



cabrioletfilmfestival.com



















































#### F&B Goes Digital

By Nabila Rahhal

#### When restaurants and tech meet

F&B apps ease users' food experiences

Digital transactions — via websites or mobile applications — have become commonplace in everyday life. From shopping to booking a vacation, most tasks can be accomplished with just a few steps through an app — at least in more developed countries.

In Lebanon, those wishing to outsource such interactions to apps have fewer options, though this is beginning to change. With more apps and (functioning) websites on the market, consumers are now able to settle their phone bills or manage their bank accounts on their smart phones.

More recently, apps have begun to appear in the Lebanese food and beverage (F&B) industry. From booking a favorite restaurant online, to home delivery, to simply choosing which restaurant to dine out at, one can now easily satisfy a food craving with minimal human interaction.

#### FROM THE WORLD TO LEBANON

As with many trends, online delivery and booking apps were common globally and regionally before penetrating the Lebanese market. For example, the online reservation platform Open Table was launched in the late 1990s in San Francisco. Talabat, an online delivery website and app, launched in Kuwait in 2005.

Despite Lebanon's well-developed F&B industry, it took a little longer for these types of apps to make a mark here. Onlivery — an online delivery app — was one of the first F&B apps to be launched in the country in 2013, with others soon following suit.

By 2014, the market was more open to convenience apps, encouraging entrepreneurs to take the leap. "The first



time I came back [to Lebanon] in 2011, I wanted to do it, but it was too early because no one had apps then. But now everyone has gone digital, even the banks have apps and everything, so I felt the appetite was there and it was the right time to launch," says Aoni Ahdab, who launched Wizmates, another online delivery app, in 2017.

Zomato, a restaurant search and discovery startup founded in India with a global reach of 23 countries, also saw potential for their app in Lebanon's F&B industry. "It's a small market compared to India and other markets, but it is [also] a very food-centric country, and eating is one of the main activities in Lebanon," says Bechara Haddad, country manager of Zomato Lebanon, explaining that, for example, all of Portugal has around 12,000 F&B outlets while much smaller Lebanon has around 10,000.

## HOMEGROWN VERSUS INTERNATIONAL

Some of these apps, like Zomato, or Reserve Out, an online reserva-

tion platform launched in Amman by a Jordanian American, were active outside of Lebanon before entering the local market. Others, such as Wizmates or Onlivery, were developed in Lebanon, but inspired by successful international models.

In that sense, these app founders have not reinvented the wheel, they have simply tailored a global product to a Lebanese clientele. "We're not innovative, but we proved the concept in a place where no one had before. We have a solid business model and growth plan because we know where we are going, and we know this is going to work because it's been proven outside," says Daniel Kofdrali, founder of Onlivery.

#### WHAT'S IN A BUCK?

Finding funding is challenging for tech entrepreneurs in Lebanon, so getting off the ground was not easy for these homegrown apps. "Funding in Lebanon is very hard [to get] and takes time, and this is why we are getting funded from Europe. In Lebanon, it can take six to nine months after your funding is approved [to get the money], and some startups can't last that long," says Kofdrali. He wishes that investors in Lebanon would be a bit more aggressive and a bit less traditional, and asks them to believe in the region, rather than wait for an international acquisition before they take interest.

Being part of a company with international reach has its perks.

"Being part of a global startup is an advantage for us because we have faster access to funds. I know a lot of local startups who spent their own money while waiting for the papers to be completed or for compliance issues in the banks to be sorted out and this affected their business and continuity. When we needed funds, we asked our HQ for them and it got done in a few days; our investor is basically Zomato HQ India," says Haddad, explaining that Zomato Global was funded by Info Edge

Limited, Sequoia Capital, VY Capital, and Temasek.

## STARTING AT THE VERY BEGINNING

Even as banking and mobile top-up apps are being used more and more frequently by Lebanese consumers, there is still some reluctance to trust technology over good old-fashioned human contact.

In fact, most of the developers and founders EXECUTIVE talked to mentioned changing consumer habits as

#### **DELIVERY APPS IN LEBANON**



#### **RESERVE OUT**

Launched in Lebanon: 2014

Launch funded by: Reserve Out Amman and Dubai Number of app downloads in Lebanon: 13,000 Number of registered users on the website: 12,000

Number of restaurants: 200

**Team**: 50 employees in Amman (tech and marketing offices), 15 in Dubai (customer relationship management (CRM) and admin offices) plus country managers

Usage: Online booking app and website for consumers/table management software for restaurant operators



#### **ZOMATO**

Launched in Lebanon: 2014

Launch funded by: Zomato Global

Number of Zomato Lebanon pages opened per month: 500,000 (web) and 9 million (app pages)

Number of users in Lebanon: 550,000

**Number of restaurants:** 6,200 restaurants in the directory (covering the north up to Chekka and the south down to Saida)/350 restaurants registered in the delivery service as of publication of this review

Team: 33 employees in Lebanon

Usage: Restaurant directory and exploration/online delivery



#### **ONLIVERY**

Launched in Lebanon: 2013

Launch funded by: Private investors in Europe

Number of users: 320,000+ Number of restaurants: 545

Team: 80 employees and drivers in Lebanon

Usage: Online delivery



#### **WIZMATES**

Launched in Lebanon: 2017

Launch funded by: MG Holding (Lebanese private incubator)

Number of app downloads: 70,000+ Number of restaurants: 100+ Team: 10+ employees in Lebanon

**Usage:** Online delivery

#### F&B Goes Digital



Lebanon moves closer to the digital age

a challenge they faced when they first entered the market. "In Lebanon, one of the issues we tackled is that some people don't really trust technology and prefer to talk to a human. We tackled this issue through the push notifications that provide reassurance to customers that their order has been received and is being executed," explains Wizmate's Ahdab.

At first, Reserve Out also faced some difficulty in encouraging users to book tables online, but having a presence in the region helped. "In Lebanon, we have all kinds of customers. There are those that still prefer to call and reserve and those who prefer to book online. In Dubai, everybody is open to online booking and many prefer booking online, which is great because when they travel in the region, including Lebanon, they can use the app as well," says Moussa Rida, country manager of Reserve Out Lebanon.

Kofdrali recalls struggling with restaurant operators when entering the Lebanese market. "It was very hard to convince the big players of its worth when we first started. They weren't convinced that we were going to get them a large volume of orders, and they weren't convinced that we would give them the kind of customer service that wouldn't jeopardize their brand name, but we proved ourselves and paved the way for newcomers," says Kofdrali proudly.

#### WARMING UP

Despite hesitance from older consumers, F&B apps in Lebanon found an almost immediate audience in the younger crowd. The app founders EXECUTIVE spoke with say those between 18 and 35 years old readily welcomed their products.

For those who were still unsure, incentives have been used to pique their interest and convince them to at least try the app once. "Those who lived abroad, or who are tech savvy and familiar with this type of app, will use it without any prompting, and then you have those that are reluctant to use it. But what attracts those customers is the exclusive deals and offers that are only available through our app and the ability to order from restaurants that do not have delivery services," explains Ahdab.

Other apps also use rewards to encourage engagement. Rida explains that users get a certain number of points once they download the app and gain points with each reservation. Once they reach a specific number of points, they can redeem them as money to pay for their meals.

Kofdrali says they invest heavily in marketing Onlivery, through campaigns and competitions to raise the app's visibility among consumers. "It is a challenge to market this in Lebanon, and this is why we are happy there are other apps. Competition is good from a perspective of helping create awareness. Today we are reinvesting every dollar into marketing; if they [the other delivery apps] help me in marketing, this shortens the distance for [all of us]," he explains.

According to Kofdrali, once a user orders through Onlivery two or three times, they are hooked and become repeat users, Ahdab also says that 90 percent of Wizmates' customers are repeat users. It seems that these little incentives have been key to creating new habits.

#### MAKING MONEY

A few years into their operations, the F&B apps active in Lebanon all say they have profitable business models.

Reserve Out makes its money through a fixed fee it takes from participating restaurants on bookings, and from a table management software which it sells to restaurants. "Restaurants pay a monthly fee to utilize the Reserve Out reservations and table management system, which also includes all support, training and future software updates. We also charge a fee per reservation (depending on the number of people who reserved) if the reservation materializes: when the restaurant makes money, we make money," says Rida explaining that both aspects of the business are profitable.

Zomato spent the first four months of operation in Lebanon getting restaurant menus, GPS coordinates, pictures, and phone numbers before going live, then the focus turned to increasing consumer engagement with reviews and photo uploads. Once they had enough users and traffic, they started to generate money. "We started as a restaurant directory, and once we gathered enough users and enough traffic, we were able to sell advertisement spots (on the platform) to restaurants to promote themselves. But the prices were proportional to the number of users we had back then. We review our prices and zones constantly, to adapt to market demand and zones' web and

#### THE CASE FOR ONLINE DELIVERY

Having food delivered has never been a problem in Lebanon: A quick phone call to almost any F&B outlet gets you what you need straight to your door. However, in tandem with the growing prevalence of apps in consumers' daily lives, online delivery apps are marketing themselves as a more efficient way of doing things.

The number of online delivery apps and their popularity seem to be on the rise in Lebanon. Onlivery, Wizmates and Toters made news back in March, when Prime Minister Saad Hariri used them to have food delivered to a parliamentary session. In May, Zomato Lebanon added online delivery to its platform. According to Kofdrali, ordering food from an app is more convenient, and makes choosing your next meal easier, as all the menu items are aggregated on one platform, eliminating the need to dig around for hard copies that might be outdated.

Ordering online also reduces human error when customizing an order. "While you can do that over the phone, it's time consuming and tedious, with the chance of being misheard. Within the app there is almost no room for human error, and much less than with the telephone since it is all documented. Plus, users have the time to write it down, while on the phone they might be in a hurry," says Kofdrali.

According to Haddad, ordering food from an app also reduces the nuisance of listening to an operator peddle the newest menu items, especially when busy at the office. And while some restaurants already have their own delivery app, being present on a shared platform has its advantages. "Customers would rather have one app with all the restaurants they like, than have an app for each restaurant that delivers. Also, it opens up doors for new customers. Say you are hungry, and you go into Wizmates and see a certain restaurant listed among the other restaurants, it might prompt you to order from it," explains Ahdab.

These apps also have the potential to activate dormant customers, who may have tried a restaurant once or twice, and are inspired to try it again when they see it on the app. Both Onlivery and Wizmates recently expanded their services by investing in a fleet of drivers, allowing them to deliver food themselves. Kofdrali says this aims to reduce the hassle and cost of restaurants operating their own delivery crew, explaining that Onlivery charges a fixed monthly fee for delivery, which he hopes to decrease once he has a bigger fleet.

Ahdab explains that having his own delivery fleet gives Wizmates the advantage of being able to deliver from takeaway restaurants. "They have takeaway but they don't want the hassle of managing their own drivers, so our drivers pick up the order and deliver," he explains.

In a landscape cluttered with online delivery apps, it can be hard to distinguish oneself, but each of the current players feels they have unique advantages.

Ahdab believes it is the quality of restaurants on Wizmates that makes it different. "I am selective with the restaurants I profile, and would rather have a 100 good restaurants than 1,000 names, just to have quantity. We recommend the restaurants and have tried them before." he says.

For Kofdrali, it is Onlivery's simple and user-friendly interface combined with its high quality customer service that gives them their competitive edge.

Zomato sees that its high number of users who are already familiar and comfortable with the app gives it an advantage over other delivery apps in the market. "We already have huge traffic and provide good user experience with a fast and easy to navigate app, so why use another delivery app?" asks Haddad.

With multiple options to chose from, both apps and restaurants, next time you have a food craving, reach for your phone and place your order the digital way.

app traffic," explains Haddad.

Both Onlivery and Wizmates take a commission or percentage from each delivery made through their apps. Onlivery, which has started its own delivery fleet, takes an additional commission from restaurants that have subscribed to their service.

#### WHAT THE FUTURE HOLDS

The size of the market in Lebanon could be limiting to app founders with big ambitions. "The market is small, so you can never make it big if you stay in Lebanon. But for us, we wanted to start from Lebanon because it is our home, and we believe in it and want this to be a Lebanese app. We have a plan to expand [outside of Lebanon] and are working on it very seriously," says Wizmate's Ahdab.

Regional player Reserve Out, which has reach across seven cities in the Middle East, also has further expansion in mind. Rida says that they have already signed an agreement with a big restaurant chain in Tokyo; Turkey and Egypt are also on their radar.

None of the F&B apps operating in Lebanon have completed their domestic expansion yet — all say they want to cover more areas across the country. "We want to expand in the Lebanese market as well, to areas which are beautiful but not as exposed online, such as in Sour or the north, where there are very good restaurants with little publicity. I would like to collect all these restaurants so they have coverage abroad and in Lebanon as well," concludes Rida.

## **BUSINESS ESSENTIALS**

#### **Company Bulletin**

- Elevate Accelerator, in partnership with UNICEF, Google Developers Launchpad and Hult Prize organized the Elevate Startup Sprint Competition featuring entries from 200 entrepreneurs.
- Under the patronage and presence of His Beatitude John X, Patriarch of Antioch and All the East, the University of Balamand inaugurated the Issam Fares Library Learning Center and the Nour Fares Wing at its main campus in Koura on May 20.
- A conference organized by

  Banque BEMO and Ecole Supérieure
  des Affaires (ESA) entitled "Growing
  the Economy through Formalization,
  Integration and Real Estate Bankarization" took place at the ESA Campus on May 22 featuring a speech
  delivered by renowned international
  economist Dr. Hernando De Soto.
- In an effort to offer high-quality financial advisory services in order to address investor needs, **Banque Libano-Française** gathered more than 120 clients at a conference entitled "Opportunities for Your Capital to Grow."
- Byblos Bank issued the results of the **Byblos Bank Real Estate Demand Index** for the first quarter of 2017. The Index posted a monthly average of 43.5 points in the first quarter of 2017.
- Lebanon's leading destination expert, **Kurban Travel**, has been appointed as the authorized sales agent in Lebanon for the **Official Hospitality Programme of the 2018 FIFA World Cup Russia** and the **FIFA Confederations Cup 2017**.
- Under the patronage and in the presence of Minister of Telecommu-

- nications Jamal Al Jarrah, **LibanPost** celebrated International Museum Day on May 18.
- In line with its strategy to support youth in their educational and career paths, **Bankmed** concluded its second **Online Trading University Competition** in a special ceremony at its headquarters in Clemenceau on May 5. The ceremony gathered university deans, professors, and students from the **American University of Beirut**, the **Lebanese American University**, and **Université Saint-Joseph**.
- Samsung Electronics Levant & Cherfane, Tawil & CO., Samsung Mobile's authorized distributor in Lebanon, celebrated the domestic launch of its new smartphone, the GALAXY S8IS8+, at OCIEL, Dbayeh.
- In recognition of its efforts to establish a distinct position among the biggest Lebanese banks, the World Union of Arab Bankers gave LGB Bank its Banking Executive Award for Excellence in E-banking and Mobile Banking. The bank also received the MEFTECH award for Retail Bank of the Year, the Industry Award of Best Financial Transformation, and the Product Awards of Best Credit Card and Best Co-branded Credit Card by Banker Middle East CPI Financial.
- The Euromoney Lebanon Conference was held on May 15 at the InterContinental Phoenicia Hotel in Beirut. The one-day event, supported by Banque du Liban and the Capital Markets Authority, brought together high-level government officials, investors, financiers, business leaders and entrepreneurs from Lebanon and around the world to examine the economic impact of domestic political stability, the challenges facing Leba-

non's economy and the prospects for the financial sector.

- The 3rd Lebanon International Oil & Gas Summit (LIOG 2017), held at the Hilton Habtoor Grand Hotel Beirut from May 9-10, concluded successfully with record participation. LIOG 2017 was held under the patronage of Minister of Energy and Water Cesar Abi Khalil, who inaugurated the summit and organized the conference in cooperation with the Lebanese Petroleum Administration.
- Château Ksara, Lebanon's leading winery, is continuing to solidify Lebanon's place as a pioneer in the wine industry. Château Ksara's acclaimed Sunset 2016 is setting new standards for domestic wine, winning a gold medal at the 14th Mondial du Rosé in Cannes.
- BLOM Bank and Visa are proud to announce the launch of their new campaign, "Design Your Event" which runs through June 31. For the first time ever, BLOM Visa cardholders will be able to win a reward of their choice, worth \$5,000, when using their BLOM Visa card in Lebanon or abroad.
- The highly anticipated **World Class Competition 2017** has begun, as **Diageo** brings together international and local mixology experts to team up with star Lebanese chefs to partake in the industry's most exciting event.
- IFP Group (International Fairs and Promotions) announced on May 9 that it will hold the 10th edition of **Beirut Boat**, under the patronage of His Excellency President Michel Aoun, at Marina Solidere, from May 20-24.

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Under the Patronage of the President of the Council of Ministers H.E.Mr. Saad Hariri



16-19 **MAY 2017** 

4-10 PM **BIEL-BEIRUT** 

projectlebanon.com

2016 **EDITION AT A GLANCE** 

465 **EXHIBITORS** 

**PARTICIPATING COUNTRIES** 

21,678 **VISITORS** 

# **CONSTRUCTION PLATFORM**

With 21 successful editions, Project Lebanon established itself as one of the region's biggest platforms for building regional and international construction networks. Held under the patronage of H.E. Mr. Saad Hariri, the 22<sup>nd</sup> edition of Project Lebanon is expecting more than 400 companies from over 10 countries.

As Lebanon's only international exhibition specialized in construction, power generation and sustainability, Project Lebanon is your gateway to Lebanon's prosperous construction opportunities. The Lebanese Council for Development and Reconstruction (CDR) is already supervising USD 3.4 billion pipeline of public works: infrastructure being the second largest funded sector with USD 780 million worth of projects under implementation.

With more than 22,000 expected visitors, Project Lebanon is the largest and busiest business event in the country (and in the Levant region!). Its specialized B2B matchmaking platform is the most effective tool to directly meet targeted buyers, distributors, investors, architects, engineers, consultants and key decision-makers.

"Project Lebanon is an unmissable event... It is a platform of regional opportunities and beyond..."

Marie Maamari – Export Consultant – Business France



## **BUSINESS ESSENTIALS**

#### **Company Bulletin**

- In collaboration with the **Beirut Traders Association, BLOM BANK**organized a special lunch at Sultan
  Ibrahim Downtown to honor top
  merchants participating in the Beirut Traders Shopping Card Program.
- sub Resto-Bar is debuting a revamped identity in parallel with the re-opening of its Mar Mikhael branch. SUD Resto-Bar is now presenting a live music series on Sundays, Wednesdays and Thursdays, and is open from 12 pm to 2am.
- LGB BANK, part of the Lebanese Alpha banks, achieved leading marks in the latest banking reports, which evaluate and identify the rankings of the Lebanese Alpha Banks for the year 2016, due to its outstanding financial performance in terms of vital growth indicators.
- Bang & Olufsen is introducing a wireless speaker system that combines superb sound with customizable design and soothing indoor acoustics. BeoSound Shape is a unique wireless speaker system that contributes to the improvement of indoor acoustics, even when it is switched off.
- Live Organic inaugurated its second store in Ashrafieh on May 18. More than just a health food store, Live Organic promises its clients a unique lifestyle experience for a well-nourished body and soul.
- Driven by ongoing innovation, open collaboration and exceptional quality, **Huawei Consumer Business Group** is constantly investing in the future of innovation to create unique experiences and bolster its technological leadership.
- HM Management and ROHD Design joined forces on May 23 for a

- special event at **The Dress Concept** boutique in Gemmayze for **Beirut Design Week**. Addressing the question, "Is design a need?" it featured furniture by HM Management, expert design advice by ROHD design and live furniture production.
- At the adrenaline-fueled "Camaro Fest Lebanon 2017," **Camaro Club Lebanon** and **IMPEX**, the exclusive dealer for Chevrolet, launched the iconic Camaro ZL1. The launch took place May 21 at Pit Stop Karting Arena in Zouk.
- To celebrate stellar results, **Securite Assurance** gathered 450 invitees, from industry stakeholders to socialites, in a grand event that took place on May 23 at Sursock Palace. 2016 saw a 35 percent growth rate, 10 times greater than the industry as a whole.
- Summer was welcomed to Byblos in spectacular form on May 21. There was a "flowerful" display of creativity, as visitors competed to make the prettiest May Basket at the **Alice Eddé Boutique**.
- The Beirut Design Fair has assembled an exceptional selection committee for its inaugural event, whose members are attached to Beirut and Lebanon either by origin or by affinity. India Mahdavi, Aline Asmar d'Amman, Marc Baroud, Marianne Brabant, and Mathias Orhel will bring their expertise to the selection of exhibitors, and will participate in the jury for of the Beirut Design Award for creativity and innovation during the salon, which runs from September 20 to 24.
- The United Nations Industrial Development Organization and the Ministry of Industry inaugurated

- the "Vocational Training Center on Carpentry" at the **Zgharta Official Technical Institute** on May 22.
- A study conducted by the Data Science Department at **GlobeMed Group** demonstrated a 50 percent decrease in the number of insured patients undergoing coronary artery bypass graft (CABG) surgery in Lebanon during 2010-2016. **GlobeMed Lebanon** has played an essential role in this transformation over the last five years, encouraging insurance companies to expand coverage to include the latest stents.
- INSEAD Business School, Google and the Center for Economic Growth released this year's edition of the Middle East and North Africa Talent Competitiveness Index (MTCI) on May 21, a study ranking countries in the region based on their ability to attract, grow and retain talent.
- With the soft opening of **The Spot** in Choueifat, **Landmark Group** is furthering its expansion across Lebanon. And with the opening of a new **Centrepoint** outlet covering an area of 27,800 sq.ft. and a new **Max** outlet covering an area of 11,900 sq.ft, the group now operates a total of 213,400 sq.ft. of retail nationwide.
- Just in time for Ramadan, **Spinneys**, the premier supermarket retailer in the region, is opening the doors of a new branch in the **Spot Mall** in Choueifat. The newest Spinneys is in a key location, serving the southern suburbs of Beirut, the Chouf area and the main road to the south.
- Ever since its creation, **de GRISOGONO** has brought together women and gemstones, and is proudly proclaiming its commitment

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#### JOIN THE 8TH EDITION OF "PULSE 5K OR 1K"

ON SUNDAY, JULY 30, 2017, IN FARRA CLUB

#### UNDER THE PATRONAGE OF SILVIO CHIHA



The PULSE 5K OR 1K is a most enjoyable outdoor family outing in the mountainous environment of the Faqra Club, AND an opportunity to support a good cause!

It is MYSCHOOLPULSE's main fundraising event, organized with the logistical support of Beirut Marathon Association and Fagra Club.

MYSCHOOLPULSE is a non-profit organization bringing school to hospitals in Lebanon.

Since inception in 2010, it has catered to the education of 445 children suffering from life-threatening illnesses, enabling them to continue their education during their long treatment away from school and friends.

MYSCHOOLPULSE is present in six major hospitals where it employs 13 permanent and experienced teachers: At Saint George Hospital, Hôtel-Dieu de France, Lebanese Hospital Geitaoui, Rafic Hariri Hospital, Makassed Hospital and Hospital Notre Dame de Secours in Byblos. To date, the organization has provided about 17,000 hours of tutorship to children aged 4 to 18. Classes take place mostly at the child's hospital bed.

In addition, MYSCHOOLPULSE provides art therapy sessions at hospital, private lessons at the child's home and, in some cases, tutorship fees to siblings of the sick child.

More on www.myschoolpulse.com

MYSCHOOLPULSE's work has had a significant impact on the children's academic performance: 91% of children passed class in June 2016! More importantly, the support provided helps the children's morale, giving them the confidence they need when they resume school at the end of their treatment.

Join us to enjoy a fun day and help us pursue our mission!

The registration fee is \$30 per person and is all inclusive (race, food, drinks, activities, nursery for kids whose parents take part in the race). For event details, please visit www.myschoolpulse.com/pulse5k.asp or call +961 76 370 589

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				E C
Date	Sunday, July 30th, 2017			
Where	Faqra Club	(Parking & S	huttle bus provic	ded just before the Club's entrance gate.)
Time	9:45 am (to	o have time t	o reach start arch	n)
			Start Time	Age categories by birth year (eligible for awards)
Races	1K Run with Mom		10:45 am	2 age categories: 2009 & younger, 2008-2007-2006 Children should be accompanied by a parent or a guardian
naces	5K Run		11:00 am	9 age categories: 2005 & younger, 2000-2004, 1993-1999, 1988-1992, 1983-1987, 1978-1982, 1973-1977, 1967-1972, 1966 & older
	5K Walk		11:05 am	All ages
Entrance Fee	30\$ per ticket (Children aged 3y & below are admitted free of charge and don't need to be registered)			
Awards	1K & 5K winners will be awarded medals & gifts.  12:15 pm The award ceremony will be followed by an outdoor lunch buffet offered by Myschoolpulse, Faqra Club and Taanayel.			
To Register	- Online on www.myschoolpulse.com  - ABC Achrafieh, L1, from July 6 to 27, at Myschoolpulse booth (next to Furla)			
Contact	If you wish to be timed and eligible to awards, the deadline to register is Friday, July 21st at 10pm.  +961 76 370589 or info@myschoolpulse.com			

## **BUSINESS ESSENTIALS**

#### **Company Bulletin**

to this service by gathering friends for a special event entitled "LOVE ON THE ROCKS" on May 23 at the Cap-Eden-Roc Hotel.

- The Middle East Consultancy Association (MECA), having launched in the UAE market, is now offering the country's cleaning, hygiene, and facility management industry much needed regulation and standardized best practices.
- The ESA business school launched its first batch of the "Cercle des Dirigeants" students this year. ESA's new program targets Lebanese and regional leaders eager to apply advanced strategic thinking in their companies.
- Minister of Women's Affairs Jean Oghassabian opened a one-day conference on May 23 at the UN House entitled: "Women's Work: Towards gender-sensitive public policies." The event was held by the Ministry of Women's Affairs in cooperation with the UN Information Centre in Beirut and SMART Center for Media and Advocacy.
- The adidas Beat the Heat training session Climachill was held on May 17 at 180 Degrees Fitness & Spa Jnah in the presence of the public figure Zalfa Soufan.
- SLID sal., the exclusive representative of Schwarzkopf Professional in Lebanon, relaunched Blond Me, the first bonding color and care brand, on May 17 at Villa Dbayeh.
- Beirut-based online video subscription service **M.media** has announced the national launch of its beta platform on www.m.media. Starting in May, the platform provides entertainment with a twist from Beirut to the world.

- The Ahliah School Alumni and Old Scholars Association organized its annual mujadara lunch on May 19 as part of Ahliah School's centennial celebrations.
- The Lebanese American University hosted a ceremonial groundbreaking for the Antoun Nabil Sehnaoui SGBL Athletics Center at its Byblos campus. The event was attended by SGBL Chairman Mr. Antoun Sehnaoui and LAU president Dr. Joseph Jabbra.
- At the invitation of engineer Fouad Makhzoumi Honorary President of the **Makhzoumi Foundation** and **Beirutiyat** and his wife Mrs. May, Lebanon's Grand Mufti Sheikh Abed El-Lateef Daryan officially inaugurated the **Ramadan Village**, an event held on **Dar Al Fatwa's** land in Verdun.
- Under the patronage and in the presence of Minister of Telecommunications Jamal Al Jarrah, Alfa, managed by Orascom TMT, launched the Ikebana Spirit Exhibition on May 22. The new initiative is being held under its Alfa 4-Life CSR program for the benefit of the students of the Father Andeweg Institute for the Deaf.
- VIP clients, influencers and fashionistas got together at **TOD's Boutique** on May 9 for a one of a kind aperitivo of its new custom-made services. The Italian brand got its notoriety from its well-known "**Gommino**."
- LGB BANK participated at the University of Saint Joseph's Open Day event, held across its five campuses. Throughout the five-day event, LGB BANK held a Facebook contest for students.
- Minister of Tourism Mr. Owadis
  Kidanian inaugurated the 5th edition

of **Designer's Week** at Zaitunay Bay on May 18, organized under the patronage of the Ministry of Tourism by Gata Events & Promotions in collaboration with Solidere and the Beirut Waterfront Development Company.

- cma cgm group announced a strong performance increase and positive outlook for the first quarter of 2017. It recorded a further increase in the group's core EBIT margin and a positive net income of \$86 million.
- Hyundai's regional head of operations Mike Song said drivers across the region must take responsibility for making sure all their passengers are wearing seatbelts in a May 17 statement, especially those in the back seat.
- After the success of **Veuve Clicquot**'s partnerships with Nada

  Debs, Vanina and The Silly Spoon at the 2016 **Beirut Design Week**, the global champagne brand returned again this year on May 22-23.
- On May 13, Beirut hosted "City Picnic," for the second time in a row, the largest picnic ever in Lebanon, organized by Virgin Radio and Mindwhisk, the country's leading events planning agency.
- With the **BMW M760Li xDrive**, the new BMW 7 Series is gaining a prestigious flagship model. The boldly dynamic driving characteristics of the M760Li xDrive combine with superior ride comfort to make a compelling statement.
- The Manasseh Wedding List provides every comfort to the couples it serves, starting with financial benefits: the possibility of cashback for a portion of deposits, and no price increases for six months.

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## **BUSINESS ESSENTIALS**

#### Company Bulletin

- On May 17, **GWR Consulting** invited beauty and health media editors for a round table discussion to spread national awareness on the importance of hygiene in SPAs, salons and beauty shops. This lead to the launch of **GWR Safe Spa**, a seal granted after inspection and training.
- AROPE Insurance launched its latest service, Traffic Expert Mobile Application (TEMA), during a press conference held at its main branch in Zalka on May 24.
- LG Electronics Inc. announced first-quarter 2017 revenue of KRW 14.66 trillion (12.70 billion dollars) on May 18, an increase of 9.7 percent from the same period last year.
- SKIN marks the dawn of a new era for Swatch's thinnest watch line. Inspired by the thrill of the unknown, the beauty of movement and the anticipation of change, Swatch's SKIN collection introduces eleven minimalist styles in two new case sizes for men and women.
- As stars stunned crowds on the red carpet for the glittering opening of the 70th edition of the **Cannes Film Festival**, **de GRISOGONO's** founder and creative director, Fawaz Gruosi, walked down the red carpet alongside Sara Sampaio.
- Following the launch of the highly acclaimed **HUAWEI P10** and HUAWEI P10 Plus, Huawei is now bringing the HUAWEI P10 Lite to Lebanon.
- Volvo Cars announced a new partnership with Google on May 15 to develop the next generation of its award-winning in-car infotainment and connectivity solutions based on Android, offering access to a wide array of apps and services.

- Pepe Jeans, one of the largest denim brands in the world, opened a new outlet in Lebanon at City Centre Beirut on May 6.
- The Hilton Beirut Habtoor Grand hosted the French Gastronomic and Cultural Week under the auspices of French ambassador Mr. Emmanuel Bonne from May 12-19.
- The Middle East Social Media
  Festival is an annual social media
  marketing review event held in
  association with universities and targeting business professionals. Right
  Service partnered with the Beirut
  Arab University to hold the third
  edition of "MESMF" at its Beirut
  campus from May 10-11.
- On May 11, **LakayCreation** opened the doors of its new show-room in the Beirut Central District, in a glamorous event featuring renowned Lebanese architects, media representatives and social figures.
- LG Electronics recently announced the release of the newest Variable Refrigerant Flow solution, the Multi V5, and the official launch was commemorated with an exclusive event held at the Hilton Beirut Habtoor Grand Hotel on May 11.
- Vita Coco, the world's leading coconut water, kicked off the summer with an invigorating yoga session on May 11 for media and bloggers at Sporting Club Beach, hosted by yoga guru Aaed Ghanem.
- For the second consecutive year, Fernand Hosri group crowned the winning teams in the Unleash Your Creativity contest, a CSR initiative promoting sustainable development by engaging young talent in the economic and social world.

Fifty groups from seven universities participated in the competition where they had to create an integrated campaign for all seven products from **URMET** Group. The winners were announced on May 4, represented by **Sacotel**, your supplier of choice in telecom, security and automation.

- The Beirut Cultural Festivals
  Association, chaired by Mrs. Lama
  Tammam Salam, announced that
  the second edition of the festival
  will be held at the Beirut Hippodrome from June 28-July 7.
- Beirut Innovation Week 2017 began on May 9 at Antwork, Beirut's newest tech hub, in partnership with UK-based ecosystem accelerator Resolve, the UK Lebanon Tech Hub and AltCity.
- Lebanese restaurant **Abd el Wahab**, part of **Ghia Holding Group**,
  re-opened its doors on May 4 with a
  special gathering of media members, bloggers and some of the
  restaurant's most loyal customers.
- The Al Rifai Company has joined its four factories together to form the largest, most developed factory in the Middle East.
- BeitMisk announced that the fourth edition of its Summer Misk Festival is scheduled to be held June 29-30, under the auspices of the Ministry of Tourism and in partnership with Banque Libano-Francaise. One concert will feature Canadian singer Garou, another will star Lebanese artist Marcel Khalife.
- GWR's SafSpa and SafSalon services offer a professional plan to all beauty outlets to achieve perfect hygienic conditions.

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#### **ADVERTORIAL**



## **BUSINESS ESSENTIALS**

#### **Events**

#### CONFERENCES

ORGANIZERS	CONTACT	WEBSITE

	UNGANIZENS	CONTACT	MEDSILE
LEBANO	ON		
10 Jul	BEIRUT INTERNATIONAL HEALTHCARE INDUSTRY F Al Iktissad Wal Aamal	ORUM +961 1 740173; forums@iktissad.com	www.iktissadevents.com
2-3 Aug	PLANET LEBANON LIBC	+961 1 366053; info@libc.net	www.libc.net
23-25 Oct	FIFTEENTH INTERNATIONAL OPERATIONS AND MAIN Exicon	NTENANCE CONFERENCE IN THE ARAB COUNTRIES +961 1 821421; info@exicon-specialist.com	www.exicon-intl.com
DUBAI			
12-13 Jul	SEVENTEENTH GCC WORKFORCE NATIONALIZATION Datamatix Group	I STRATEGY DEVELOPMENT +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Aug	SEVENTEENTH GCC NATIONAL WOMEN LEADERS W Datamatix Group	/ORKING IN PRIVATE SECTOR SUMMIT +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
3 Aug	STARTUP GCC SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
16-17 Aug	GCC GOVERNMENT AND BUSINESS FROM HOME ST Datamatix Group	<b>TRATEGY SUMMIT</b> +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
7 Sep	SIXTEENTH GOVERNMENT FUTURE LEADERS CONFI Datamatix Group	ERENCE +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
11-12 Sep	GCC VAT FORUM IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
12-13 Sep	MIDDLE EAST CORPORATE BANKING FORUM Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
14 Sep	PEOPLE OF DETERMINATION LEADERSHIP AND EXC Datamatix Group	ELLENCE SUMMIT +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
18-19 Sep	TELECOMS WORLD MIDDLE EAST Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
18-19 Sep	MIDDLE EAST PACKAGING SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
24-25 Sep	THE BANKERS' CUSTOMER EXPERIENCE Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
27 Sep	ELEVENTH CYBER DEFENCE SUMMIT Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
27-28 Sep	SEVENTH GCC FOOD SUPPLIERS AND MANUFACTURE Datamatix Group	RERS SUMMIT +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Oct	<b>THE MINING SHOW</b> Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.co	m www.terrapinn.com
3-4 Oct	WORK 2.0 MIDDLE EAST 2017 Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	n www.terrapinn.com
3-4 Oct	FIFTEENTH ANNUAL MIDDLE EAST AIR FINANCE CO Euromoney Conferences	NFERENCE +44 20 7779 722; registrations@euromoneyplc.com	www.euromoneyseminars.com
7-12 Oct	GCC GOVERNMENT MANAGEMENT CONFERENCE Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
10-11 Oct	INSURANCE DISTRIBUTION FORUM MIDDLE EAST Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
11-12 Oct	PROCUREMENT STRATEGY SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
24-26 Oct	HEALTHCARE INVESTMENT MENA Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
25 Oct	NINETEENTH GLOBAL WOMEN IN LEADERSHIP Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
30 Oct	SECOND FINTECH SUMMIT Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
6-8 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
12-13 Nov	ANNUAL MEETING OF THE GLOBAL FUTURE COUNC World Economic Forum	ILS 2017 +41 22 869 1212; contact@weforum.org	www.weforum.org
14-15 Nov	<b>EDU TECH MIDDLE EAST</b> Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
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14-Nov	HITEC DUBAI Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
15-Nov	ELEVENTH CFO STRATEGIES FORUM MEN Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
ABU DH	IABI		
11-13 Sep	CYBER SECURITY FOR ENERGY AND UTIL IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
25-27 Sep	NINETH ANNUAL PROCESS SAFETY SUMI	MIT +65 6722 9388; enquiry@iqpc.com	www.iqpc.com
22-24 Oct	SUPER RETURN Informa Middle East	+44 20 7017 5965; info.events@knect365.	com www.superreturnme.com
QATAR			
25 Sep	TENTH CYBER DEFENCE SUMMIT Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
SAUDI	ARABIA		
!7 Sep	THE SECOND SAUDI INDUSTRIAL DEVELO Al Iktissad Wal Aamal	PMENT FORUM +961 1 740 173; forums@iktissad.com	www.iktissadevents.com
'8 Sep	SMART TRANSFORMATION SUMMIT Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
20-21 Sep	KINGDOM INDUSTRIAL IOT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
27-28 Sep	KINGDOM CALL CENTER TRANSFORMATION Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
7-19 Oct	THE SECOND INTERNATIONAL CONFEREN King Saud University	CE ON C4L SOLUTIONS +966 11 2932769; info@c4iconf.com	www.c4iconf.com
25 Oct	SECOND ANNUAL MUNICIPALITY EXCELLINASEDA	ENCE AND EXPANSION SUMMIT +971 4 367 1376; prachid@naseba.com	www.naseba.com
EGYPT			
10 Jul	THIRD EGYPT INVESTMENT FORUM Al Iktissad Wal Aamal	+961 1 740173; forums@iktissad.com	www.iktissadevents.com
JORDAN	<u> </u>		
21-24 Aug	INTERBUILT JORDAN FAIR Exhibition	+962 565 8501; goldgate@go.com.jo	www.jordan-fairs.com
OMAN			
16-17 Oct	HR OMAN SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
BAHRA	IN		
<b>ВАПКА</b> ! 10-13 Sep	SHARED SERVICES AND OUTSOURCING V	VEEK +65 6722 9388; enquiry@igpc.com	www.iqpc.com

#### EXHIBITIONS

ORGANIZERS		CONTACT	WEBSITE
<b>LEBANO</b>	N		
29 Sep-1 Oct	BEIRUT RESTAURANTS FESTIVAL Hospitality Services	+961 1 480 081; info@hospitalityservices.co	m.lb www.hospitalityservices.com.lb
10-12 Oct	EDUCATION AND ORIENTATION EXPO 2017 Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
19-21 Oct	WHISKY LIVE BEIRUT Hospitality Services	+961 1 480 081; info@hospitalityservices.co	m.lb www.hospitalityservices.com.lb
9-11 Nov	WEDDING FOLLIES Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
16-18 Nov	BEIRUT COOKING FESTIVAL Hospitality Services	+961 1 480081; info@hospitalityservices.com.lt	www.hospitalityservices.com.lb

## **BUSINESS ESSENTIALS**

		Events	
	ORGANIZERS	CONTACT	WEBSITE
DUBAI			
12-13 Jul	GCC NATIONAL IT JOB FAIR Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	n www.datamatixgroup.com
1-13 Sep	CITYSCAPE GLOBAL Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
27-28 Sep	THIRD ANNUAL SMART PARKING UAE ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
2-3 Oct	SECOND ANNUAL FUTURE ACCESSIBILITY AND ASS ACM	SISTIVE TECHNOLOGY +971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
ABU DHA	ABI		
25-27 Oct	NAJAH Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
2 Nov	INTERNATIONAL REAL ESTATE SHOW Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
BAHRAIN			
17 Sep	<b>SOLAR, TECHNOLOGY, AND ENVIRONMENT EXPO</b> Bahrain Tourism and Exhibitions Authority	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com
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## **LAST WORD**

By Matt Nash

## Tuning the rules

BDL boosts 331 transparency

It is an unfair cliche that Lebanese parliaments and governments do nothing. Movement is not always swift, but there is some semblance of policymaking in this country, ad hoc and questionable as it may often be. That said, the veracity of this cliché has been hard to deny since 2011. Into a very real and damaging void of power stepped Banque du Liban (BDL), Lebanon's central bank. Prior to recently pressing the panic button (i.e., financially engineering a not unsmall influx of foreign deposits in a way that managed to benefit private depositors, banks, and the treasury in one fell swoop), BDL made two major moves.

First, it offered an initial \$1 billion in subsidized loans in 2012 that the market did not fully absorb. The stimulus has since been rolled-over and added upon. A full 75 percent of uptake went toward housing loans, to the delight of the real estate sector (and hopefully new home owners).

Second, and far more unusual for a central bank, it made a pure policy play.

By 2013, the country's entrepreneurial ecosystem was small but vibrant and had been growing organically for over a decade. The complaint on every tongue was the dearth of finance. In August 2013, BDL allowed the country's banks to invest in startups or venture capital funds, offering a guarantee on 75 percent of the notoriously high-risk/huge-payout investments. The guarantee currently applies to around \$116 million in deployed funds (of some \$384 million committed), based on an EXECUTIVE survey of VC funds conducted in December 2016. To keep things in perspective, no public money has actually been spent, and will only be deployed if any of the



guaranteed money is lost seven years after it is invested.

#### GUARANTEED BY THE PEOPLE

The decision to allow for this guaranteed investment into startup companies was clearly intended to pour gasoline on a fire, but came with two risks that were not well-managed at the start: outright theft, and the fact that any company worth VC money simply must think much bigger than Lebanon. Monitoring was always a weakness. In late February, BDL slapped new and much more rigorous reporting requirements on banks and VCs (instead of a yearly financial statement for companies benefiting from guaranteed investments, BDL now wants detailed quarterly reports). BDL also made any spending outside of Lebanon subject to prior approval, however legitimate it may be (buying phones and laptops produced abroad or launching marketing campaigns to build brands abroad).

The new rules come off as reactionary, yet signs and rumors of monkey business with money guaranteed by the people have honestly been few and far between. Despite the anger of some VCs at the "draconian" new requirements, this is a step in the right direction. It is disappointing that BDL continues to refuse interview requests about this guarantee (as it has for over a year now) nor lifted a finger to make sure the public can follow the money (no database of investments made, funds created, etc.), but transparency is still not Lebanon's strong suit, so it is not that surprising.

While these rules may add a level of bureaucracy that sucks a bit of the fun out of this space, they are both welcome and overdue. It is an odd experiment for BDL to attempt to rear this baby sector into early adulthood. Some VCs worry the new rules will spook the banks, whose appetite for committing more money in the future may dwindle. That is fine. This decision was meant as an accelerant, and the ecosystem has undeniably boomed in the past few years. Maybe one round of free money is all the sector needs.

MATT NASH is Executive's economics & policy editor

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