



FINTECH SECTOR IN LEBANON

► 2017 FACTSHEET



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SECTOR OVERVIEW

SECTOR DEFINITION

Financial technology (fintech) refers to an emerging financial services sector that is using ICT and technology innovations to disrupt the traditional financial system. Fintech encompasses a number of different services, including:

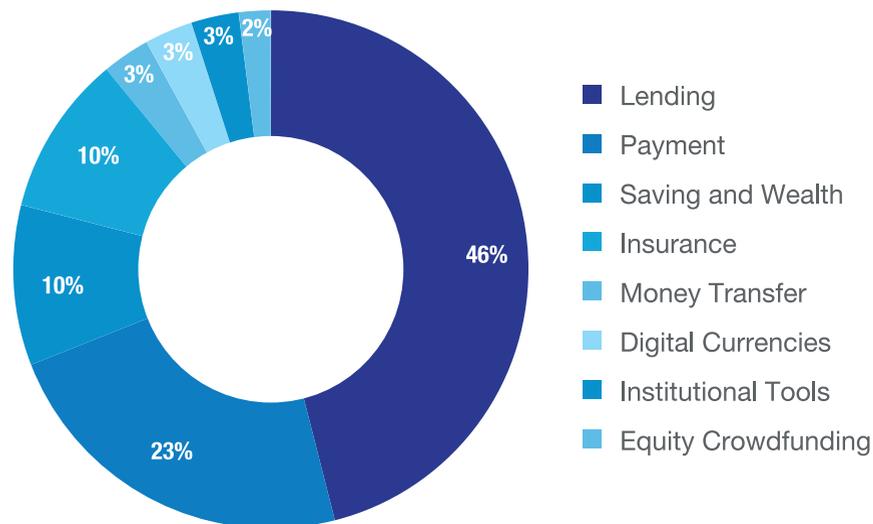
- ▶ Mobile and online banking
- ▶ Payment platforms
- ▶ Lending and capital raising platforms
- ▶ Money transfer platforms
- ▶ Blockchain and crypto-currencies
- ▶ Wealth management
- ▶ Insurance services

GLOBAL OVERVIEW

Global investments in fintech are growing at a rapid pace. In 2015, fintech companies backed by venture capitals raised USD 13.8 billion, a 106% increase from USD 6.7 billion in 2014¹. The number of investment deals in Fintech reached 653 in 2015, up from 586 in 2014².

In 2015, lending and payment innovations were the most popular fintech subsectors for private investments, accounting for 46% and 23% of total private investments respectively (Figure 1).

Figure 1: Capital Deployed in Private Fintech Companies by Business Area % | 2015



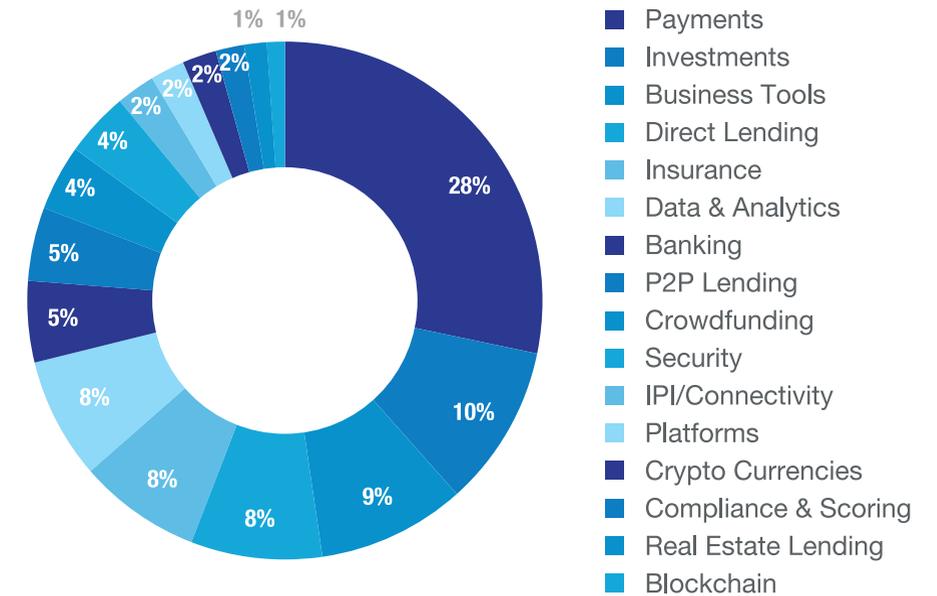
Source: CBS Insight, KPMG, Crunchbase, and Citi Research

1 KPMG, 2015
2 KPMG, 2016

In 2016, there were around **1130 fintech companies in the world**, the majority of which were focused on payment or

investment activities, accounting for 28% and 10% of total fintech startups respectively (Figure 2)³.

Figure 2: Distribution of Fintech Startups by Activity % | 2016



Source: VB Profiles, 2016

The fast rise of fintech can act either as an opportunity or a challenge for the traditional banking sector, depending on the startups and the banks' strategy. Startups that seek to partner with banks, however, represent the largest majority, and receive the largest share

of investments. Global investments in collaborative fintech startups increased by 138% from 2014 to 2015, compared to only 23% for competitive ones during the same period⁴.

3 KPMG, 2016

4 Accenture, 2016: Fintech and the evolving landscape: landing points for the industry

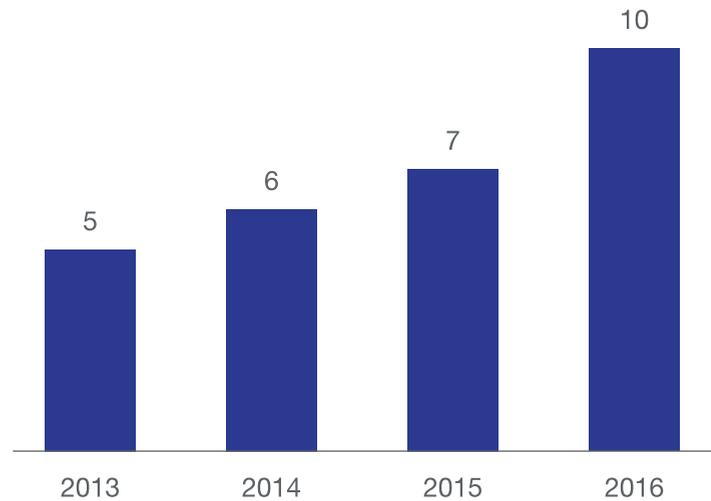
REGIONAL OVERVIEW

The MENA region is following the global trend. MENA fintech startups raised more than USD 100 million in funding in the last 10 years, and this number is expected to double by 2020⁵. In 2017 alone, MENA startups forecasted to raise USD 50 million in funding, a 270% increase from USD 18 million in 2016⁶. The number of disclosed investment deals in MENA fintech startups also doubled from 5 in 2013, to 10 in 2016⁷ (Figure 3).

The number of fintech startups increased at a CAGR of 40% from 2011 to 2015, totaling **105 fintech startups in 2015**⁸, currently surpassing the number of education, energy, and healthcare startups. This number is expected to reach 250 by 2020⁹.

The main activity of these startups also follow the global trends, with 84% offering payment solution or money lending and capital raising activities¹⁰.

Figure 3: Number of Investment Deals in Fintech in MENA | 2010 - 2016



Source: Wamda, 2017

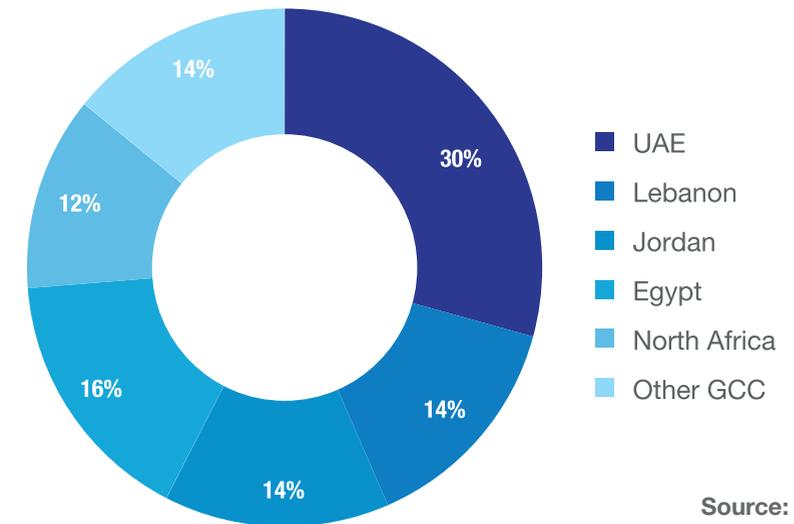
5 Wamda, 2017
6-7 Disclosed Investments - Wamda, 2017
8 Payfort, 2017
9-10 Wamda, 2017

LOCAL OVERVIEW

Lebanon is the region's second most advanced fintech startup ecosystem, hosting **14% of the region's fintech startups**¹¹ (Figure 4), and is the 4th most

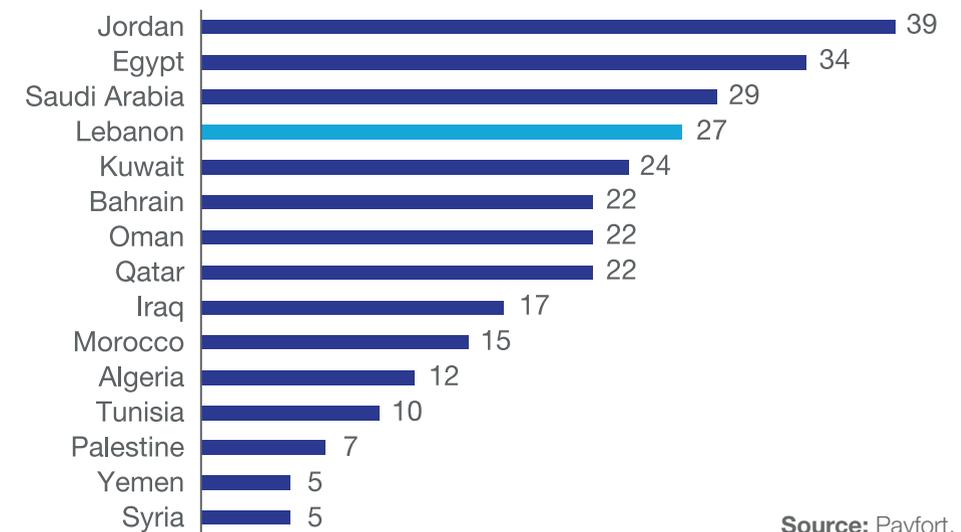
served market by fintech companies, with **27% of MENA fintech startups serving the Lebanese market**¹² (Figure 5).

Figure 4: Share of Fintech Startups by MENA Countries % | 2015



Source: Payfort, 2015

Figure 5: Percentage of MENA Fintech Startups Serving each Market % | 2016



Source: Payfort, 2016

10 Wamda, 2017
11 Payfort, 2017

LEBANON'S COMPETITIVE ADVANTAGES

1. STRONG AND SUPPORTIVE BANKING SYSTEM

The Lebanese population is adapting to financial technology innovations. In 2017, 54% of people with a bank account have adopted digital banking in Lebanon, an important increase from 38% in 2016¹³.

Lebanon ranks **3rd** in the region for the **Adoption of Digital Banking Services (Figure 6)**, and **2nd** for **Percentage of People who only use Mobile Banking (Figure 7)**.

Lebanon has one of the strongest banking systems in the region, and ranks **23rd worldwide on the Soundness of Banks' ranking (Figure 8)**. Despite continuing

regional imbalances, the banking sector played an important role in maintaining economic activity thanks to a stable and consistent monetary policy.

Figure 6: People who have a Bank Account and only use Online Banking % | 2016

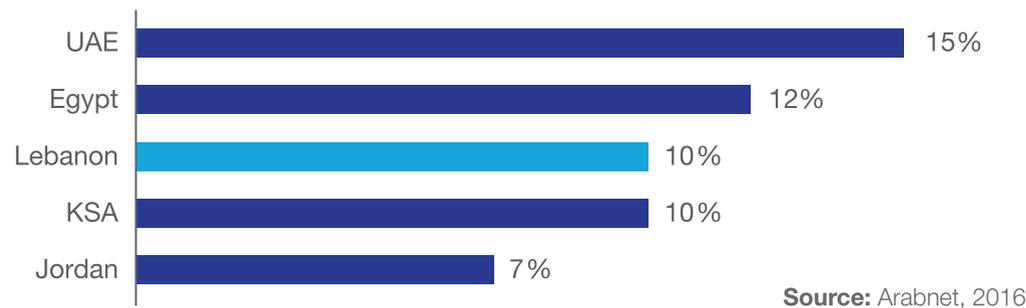
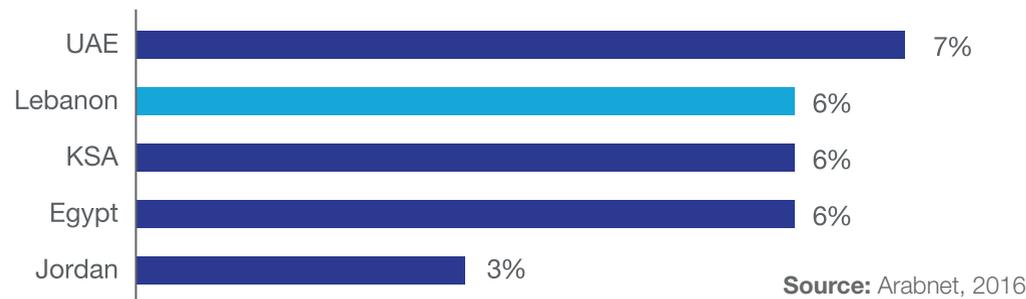


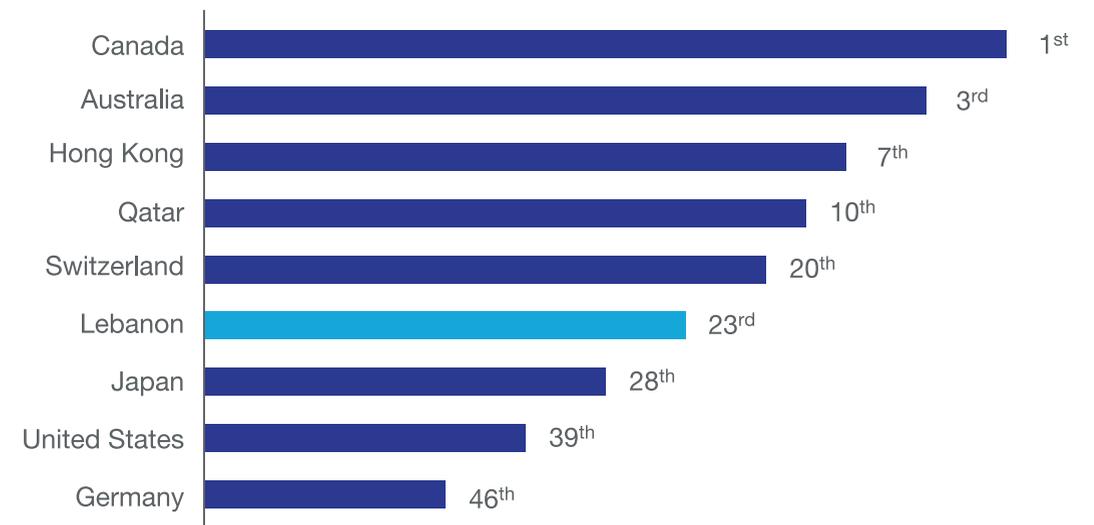
Figure 7: Percentage of People who have a Bank Account and only use Mobile Banking % | 2016



In Lebanon, fintech also represents an important opportunity to lower or even remove barriers to financial inclusion. In 2014, Lebanon had a bank account penetration rate of 46.9%¹⁴, due to geographical restrictions or lack of

appropriate banking services. Fintech innovations that provide digital financial services can bypass geographic constraints and can easily adapt to customers' demands.

Figure 8: Soundness of Banks Ranking | 2016



Note: Standing among 140 countries. Ranking on the degree of soundness of financial institutions.

Source: World Competitiveness Report 2015-2016

Lebanese banks have started to adopt financial innovations, presenting important opportunities for cooperation with fintech companies:

➤ Fransabank invested USD 2.5 million in local fintech startup PinPay¹⁵. Part of the investment deals stipulated that Fransabank will also adopt PinPay's payment provider platform for its customer, thereby replacing the Simba mobile payment application provided by Viamobile, a Tunisian payment provider.

➤ Bank Audi has launched a mobile contactless payment service, "Tap2Pay" to optimize cashless payments in Lebanon and in the region through different devices such as cards, mobiles, stickers, watches and bracelet.

¹³ Arabnet, 2017

¹⁴ Latest available data, World Bank Findex Database, 2014

2. HIGHLY SKILLED AND COST COMPETITIVE LABOR FORCE

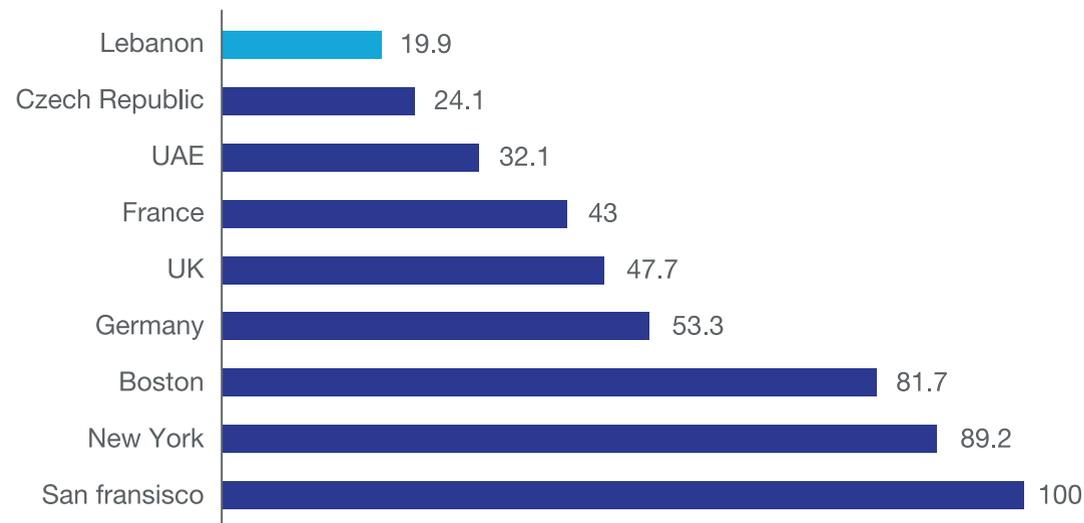
Lebanon's solid educational system is at the basis of the country's highly qualified labor force. Lebanon ranks **19th worldwide for the quality of its higher educational system**, while it occupies **6th place globally for the quality of its math and science education**¹⁶.

Around 2000 university graduates specialized in ICT related activities join the sector every year, and around 1,500 graduates specialize in Finance and business¹⁷.

The majority of the labor force is trilingual, and possesses one of the most competitive technical skills in the region.

The Lebanese workforce is not only adequately skilled but highly cost competitive as well. The labor base is relatively cheaper than the US, Europe and GCC countries, with the average wage of a software engineer nearly 37% lower than in the GCC and 50% lower than in selected developed economies (**Figure 9**).

Figure 9: Median annual wages of Software Engineers in selected countries USD Thousands | 2016



Source: Payscale 2016

15 Business News, 2016

16 Global Competitiveness Report 2015-2016.

17 IDAL study for Academic Year 2015-2016 (excluding summer term)

3. ENABLING INFRASTRUCTURE

High internet penetration rates and increasing smartphone penetration rates, pave the way for a flourishing fintech sector that can tap into the unbanked population.

Fixed broadband penetration rate reached 22.76% in 2015, a considerable increase from 9.95% in 2013¹⁸. This penetration rate is the highest amongst Levant countries and other MENA economies (**Figure 10**).

Mobile broadband penetration rate has also been on the rise, reaching 53.5% in 2014¹⁹, up from 43% in 2013²⁰. In 2015, there was an estimated 2.8 million subscribers using mobile data services²¹, recording a 768% increase from 280,000 subscribers in 2011²².

Lebanon occupies the 8th position in the MENA region in 2015 on the ICT Development Skills Index (IDI), which measures ICT capabilities and skills²³.

Companies operating out of Lebanon can also benefit from an adequate infrastructure and an enabling business environment. The growth of the ICT sector is among the government top priorities leading to increased investments in upgrading the existing telecom infrastructure. Lebanon's bandwidth has increased 10 folds since 2011²⁴. The average speed of mobile broadband has increased 18 times and prices have declined by 40% during the same period²⁵.

New business parks and clusters are being developed to host companies in the digital industry, including large scale developments such as the Beirut Digital District (BDD). These projects provide state of the art facilities and services at reduced rates, in addition to clustering opportunities within a friendly business environment.

19 UNESCO, The State of Broadband, 2015

20 Ministry of telecommunications, 2013

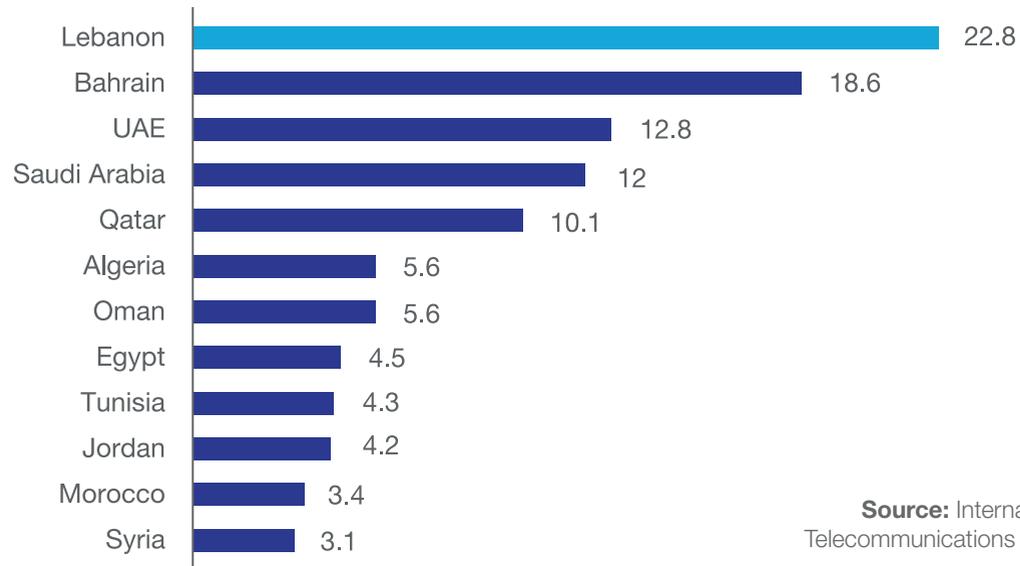
21 BMI, 2016

22 Ministry of telecommunications, 2013

23 International Telecommunication Union, Measuring the Information Society, 2015

24-25 Ministry of telecommunications, 2013

Figure 10: Fixed broadband Subscription in Selected Arab Countries | 2015



Source: International Telecommunications Union

4. SUPPORTIVE ECOSYSTEM

► FISCAL INCENTIVES

The country has one of the **lowest tax rates globally**. The Investment Development Authority of Lebanon offers **tax breaks for up to 10 years**, as well as other incentives to local and foreign companies operating in the ICT sector and meeting specific requirements. You can check IDAL's full range of incentives on our website.

► FINANCING

Today around **6 venture capital firms** have operations in Lebanon in addition to various regional VCs which have backed a number of local fintech companies. Middle East Venture Partners (MEVP) invested USD 1.1 million in PinPay in Lebanon²⁶. Zoomaal, one of the leading crowdfunding platforms in the region also received funding from MEVP.

The Central Bank of Lebanon issued **Circular No. 331 in 2013**, through which an amount of up to 400 Million USD was dedicated for Lebanese banks' equity investment into startups, incubators, accelerators, and funds operating in Lebanon. These investments are 75% guaranteed by the Central Bank. Other financing options include the **Kafalat loan guarantee scheme**: Kafalat provides financial guarantees for loans of up to USD 400,000 granted by commercial banks to SMEs. For more information on available financing schemes for ICT companies, please check out our financing your business fact sheet.

► INCUBATION AND ACCELERATION

Today, there are **8 incubators and accelerators** that provide training, technical & financial assistance to new and existing fintech companies in Lebanon.



FINTECH SUCCESS STORIES

A NUMBER OF FINTECH COMPANIES BASED OUT OF LEBANON HAVE GROWN INTO REGIONAL AND INTERNATIONAL PLAYERS OVER THE PAST 5 YEARS

BLUERING

▶ Bluering is a software company that delivers corporate and **retail credit management solutions** to the global banking and financial sector. Bluering has become the leader in providing credit risk solutions in the Levant and is looking to become a major player in the Middle East, North Africa and Central Asia. Bluering has managed to add some of the most prominent regional Banks to its clientele list and is now expanding into the global market.



BNOOKI

▶ Bnooki.com is a **bank comparison website** that allows its users to compare banks and financial institutions offers in terms of loans, cards, accounts, insurance plans, and services. Bnooki has convinced 20 Lebanese banks to display all their details about their retail products, including hidden fees and benefits.



CARD SWITCH

▶ Card Switch works to **eliminate card fraud**, combat cash transactions, and enhance customers' trust and experience as well as help drive banks' card income. Card Switch's flagship product is an application that connects all payment cards (credit, debit or prepaid) with the user's smartphone allowing users to 'Switch On or Off' their cards and decide when, where and how transactions should be authorized. Card Switch was shortlisted as a finalist for the 'Best Technological Innovation' award at the Seamless event in Dubai, and were selected as one of 12 startups to present their idea in front of an international jury at Seedstars Beirut.



CMO

▶ CMO is a **mobile payment** application that enables customers to make direct on-line payments to merchants, and to transfer money or withdraw cash without a card from any cardless ATM. CMO merchants include leading restaurant chains, stores and taxi companies in the country such as Crepaway, McDonalds, Zaatar w Zeit, Allo Taxi, Spinney's and Samsung.



PINPAY

▶ PinPay is the leading **mobile payment** and bill aggregation platform in Lebanon. The PinPay App, a mobile payment service App, allows its customers to pay anywhere, to anyone, anytime. They are currently owned by and operate with 2 of the biggest banks in Lebanon and the



REABLE

▶ Middle East, Bank Audi and Bankmed. Reable is a startup that develops and builds applications and tools for people with special needs. Their first product, the ReAble Wallet, is an **e-wallet** app that helps people with cognitive difficulties manage their finances and conduct transactions. They already operating in six care centers in Lebanon and Canada with a total of 3,000 patients. Reable was one of 10 companies selected from 400 applications to join the Techstars 13



CARD SWITCH

▶ week accelerator program in Cape Town. Zoomaal has quickly asserted itself as one of the leading **crowdfunding** platforms in the region and is backed by 4 middle eastern Venture Capital firms, raising more than USD 735,000 in 6 rounds of funding from investors such as MEVP, MVI, NV2, Saned Partners, Sawari Ventures, Wamda Capital, HIVOS, and Cairo Angels.



USEFUL ADDRESSES & CONTACTS

Altcity
www.altcity.me

Association of the Lebanese Software Industry - ASLI
www.alsionline.org

Association of Banks in Lebanon
www.abl.org.lb

Berytech
www.berytch.org

Beirut Creative Cluster
www.beirutcreativecluster.org

Beirut Digital District (BDD)
www.beirutdigitaldistrict.com

Business Incubation Association in Tripoli (BIAT)
www.biatcenter.org

Endeavor
www.endeavor.org

Investment Development Authority of Lebanon - IDAL
www.investinlebanon.gov.lb

Kafalat
www.kafalat.com.lb

Ministry of Economy and Trade
www.economy.gov.lb

Ministry of Telecommunications
www.mpt.gov.lb

MIT Enterprise Forum Pan Arab Region
www.mitefarab.org

Office of the Minister of State for Administrative Reform
www.omsar.gov.lb

OGERO
www.ogero.gov.lb

Presidency of the Council of Ministers, National ICT coordinating office
ict.pcm.gov.lb

Professional Computer Association of Lebanon - PCA
www.pca.org.lb

Smart ESA
www.esa.edu.lb

South Business Innovation Center (SOUTH BIC)
www.southbic.org

Telecommunications regulatory authority
www.tra.gov.lb

UK Lebanon Tech Hub
www.uklehub.com

Speed@BDD
www.speedlebanon.com

Flat6Labs
www.flat6labs.com

MEVP
www.mevp.com

Cedrus Venture
www.entrepreneurslebanon.com



CONTACT US

If you require any further information on investing in Lebanon or on the services IDAL can offer you, please do not hesitate to contact us at the following:

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