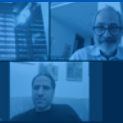
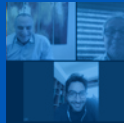


CHO

CERTIFICAT HYPOTHÉCAIRE OBEGI

2020 EVENTS HIGHLIGHTS



OPENING NOTE

As a growth-positive banking tool, the “Certificat Hypothécaire Obegi - CHO” was created to serve as a solution that contributes to the economic well-being and the standard of living in emerging countries by building on their real estate capital. In 2018, we submitted the CHO bill in Lebanon and Paraguay, and despite receiving affirmative feedback, local constraints delayed the adoption of the necessary laws. We remained persistent nonetheless in moving forward.

2020 was an extremely challenging year, especially in Lebanon considering the Covid19- pandemic, coupled with the aggravating economic crisis, and the devastating Beirut port blast on August 4 and its heavy repercussions. In spite of it all, we strive to continue finding solutions that can contribute to salvage the Lebanese economy.

We moved to online webinars and roundtables, with a focus on carrying on with our promotion efforts. Because of the urgent needs of the Lebanese economy, we shifted gears and developed the CHO PRO (Tier II capital): a new application of the CHO Project that does not require a law, but only a circular issued by the Central Bank.

We introduced it as a cost-efficient tool to recapitalize the banks, restore their lending capacity and hence revive economic activity. We hope that we will be able to implement it in 2021.

Our major achievement in 2020 was conceptualizing the CHO PRO, developing the simulation that proves its positive impact on the Lebanese banks and on the Lebanese economy, which would in turn restore confidence and enhance economic growth.

We are keen on overcoming all obstacles with fortitude, strength and positivity, spreading a message of hope. We are determined to carry forward with our mission, knowing that faith is key on the path to salvation and success.



Dr. Riad Obegi | Chairman of Obegi Group

EXECUTIVE SUMMARY

Despite the economic turmoil and the Covid 19 pandemic, the public affairs activities and frequent meetings held with regulators and financial institutions in Lebanon and abroad, mainly in France and Syria, continued throughout 2020.

2020 was a year of adaptation and innovation for the CHO, during which we shifted to virtual meetings, online webinars and roundtables to meet the set objectives, while focusing on maintaining the CHO's promotional efforts, and staying determined to adapt to uncertainties.

Because of the urgent need to revive the Lebanese economy, a new version of the project was developed called the CHO PRO (subordinated real estate guarantee): a new application that does not require a law, but only a circular issued by the Central Bank.

In parallel, the CHO project obtained significant exposure in the local media to shed light on this financial innovation as a possible solution to the current economic crisis, which may restore confidence in the banking sector and contribute to economic growth.

Furthermore, we worked on developing and launching the all-new website for the CHO Project, and established a good presence on social media by creating and activating pages on Facebook, Instagram, LinkedIn, and YouTube.

PUBLIC AFFAIRS ACTIVITY

JAN 27 FEB 20 MAR 11 MAR 16 APR 17 JUN 4

MEETING WITH REGULATORS & FINANCIAL INSTITUTIONS

FEB 6 APR 14 JUL 09 NOV 11

CONFERENCES, ROUNDTABLES & WEBINARS

JAN 28 MAR 02 MAR 05 JUN 03

CHO IN THE MEDIA

APR APR 29

KEY EVENTS 2020

AN OVERALL SUMMARY

JUN 11

MAY 20

JUL 07 JUL 08

OCT 29 NOV 18 NOV 25

SEP 23



NOV 10



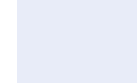
NOV 19



NOV 24



DEC 15



CHO PRO

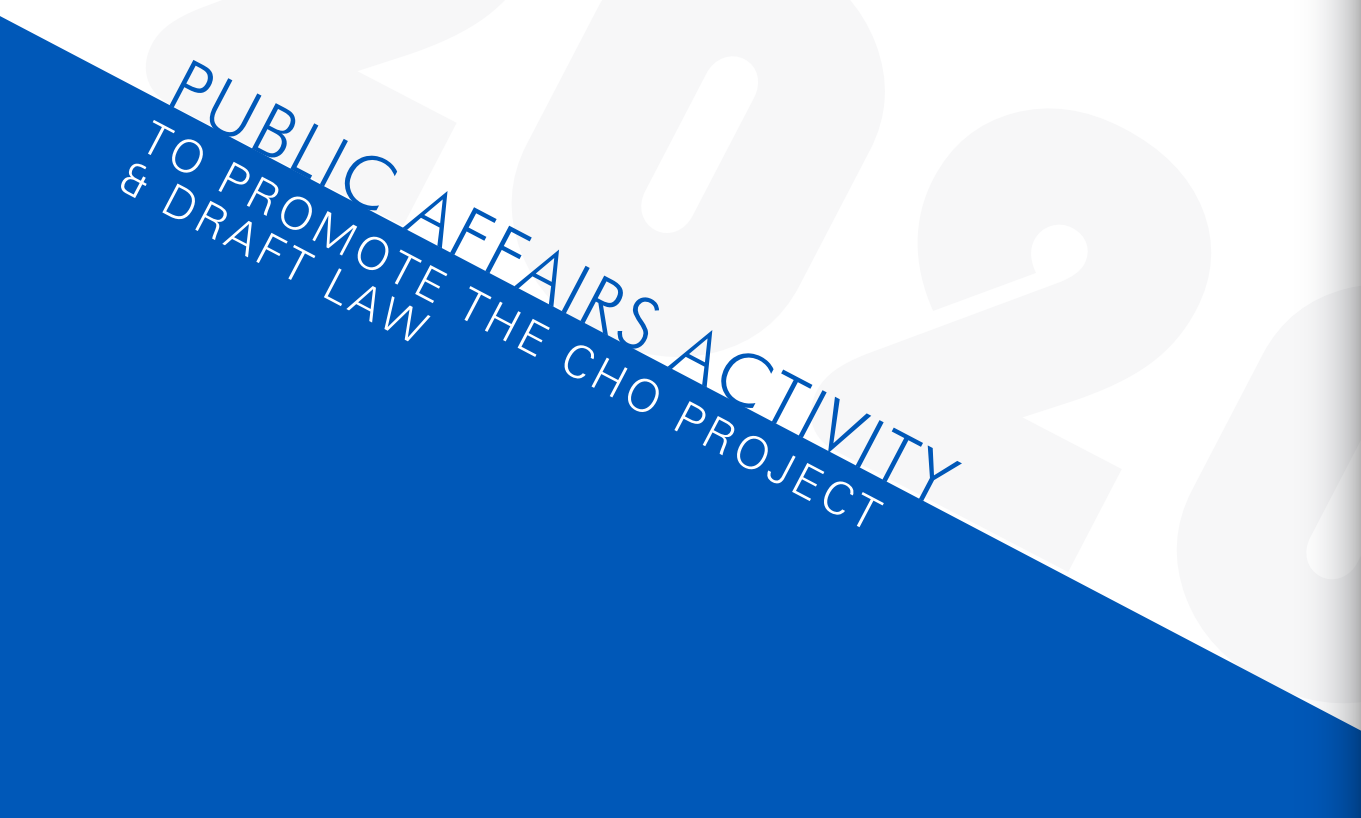


WEBSITE

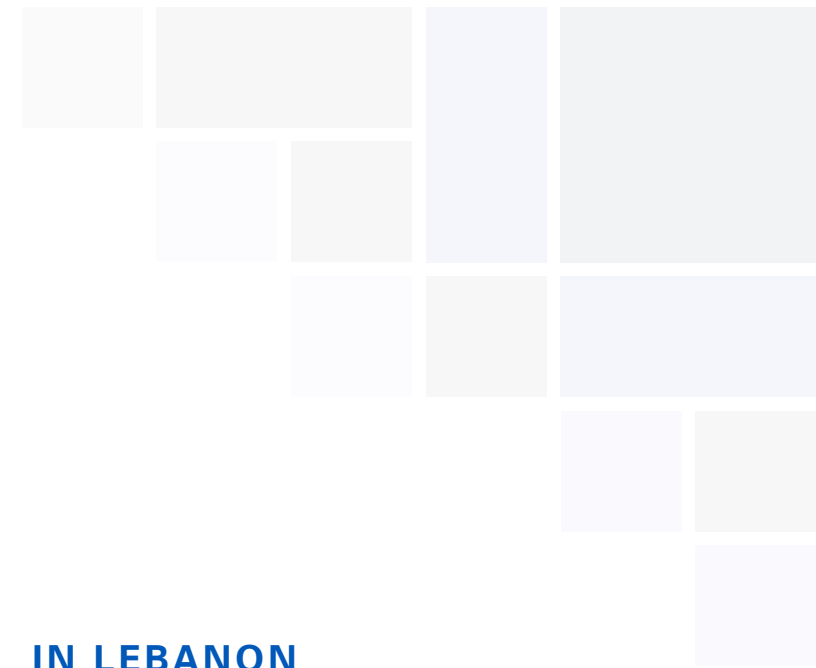


SOCIAL M.





PUBLIC AFFAIRS ACTIVITY
TO PROMOTE THE CHO PROJECT
& DRAFT LAW



**IN LEBANON
& FRANCE**



At the Beirut Bar Association

Dr. Obegi met with **Mr. Melhem Khalaf**, *President of the Beirut Bar Association*, to introduce the CHO Project.

Mr. Khalaf expressed interest in the project, promising to organize a roundtable with several members of the Beirut Bar Association in order to introduce the CHO Draft law.

February 20, 2020

Left to right: Dr. Riad Obegi & Mr. Melhem Khalaf

At the Ministry of Finance

Dr. Obegi met with **H.E. Dr. Ghazi Wazni**, *Minister of Finance*, to introduce the CHO Project and the CHO PRO version, as a means to restore confidence in the local banking sector by stimulating the banks' lending opportunities, thereby leading to GDP growth.

The meeting took place in the presence of Dr. Roger Melki, Economist.

March 16, 2020



Left to right: H.E. Dr. Ghazi Wazni & Dr. Riad Obegi

At the Ministry of Justice

Dr. Obegi met with **H.E. Dr. Marie-Claude Najm**, *Minister of Justice*, to congratulate her on her recent appointment to this position and update her on the latest news regarding the CHO Project.

March 11, 2020



Left to right: Dr. Riad Obegi & H.E. Dr. Marie-Claude Najm



Top to Bottom: Mr. Adel Satel, Mr. Pios Coussa, Dr. Riad Obegi, Mr. Jean Tawile & MP Samy Gemayel

With the Leader of the Phalange Party/KATAEB

Dr. Obegi held a conference call with **MP Samy Gemayel**, *Member of Parliament and the Leader of the Phalange Party/KATAEB*, to update him on the latest news regarding the CHO Project and introduce the CHO PRO version as a means to restore confidence in the local banking sector by stimulating the lending opportunities for banks, thereby leading to GDP growth.

The conference call took place in the presence of **Mr. Jean Tawile**, *Head of the KATAEB Economic & Social Council* & **Mr. Adel Satel**, *Chief Risk Officer of Obegi Group*.

April 17, 2020



Top to Bottom: Dr. Riad Obegi, Mr. Pios Coussa & MP Nazih Najem.

With MP Nazih Najem

Dr. Riad Obegi held a conference call with **MP Nazih Najem**, member of the *Future Movement*, to update him on the latest news regarding the CHO project.

Discussions were held in view of the current economic situation in Lebanon and the potential solutions to be considered.

The CHO PRO version (Tier II capital) was presented to MP Najem as an efficient tool to recapitalize the banks, boost their lending capacity and relaunch economic activity.

The conference call took place in the presence of *CHO Advisory S.A.L.* board member **Riad Arslan** and *COO Pios Coussa*.

June 4, 2020

At the Embassy of France in Lebanon

Dr. Riad Obegi met with **Mr. Francois de Ricolfis**, *Minister Counsellor for Economic Affairs & Head of the Regional Economic Department at the Embassy of France in Lebanon*, in the framework of introducing the CHO PRO version.

Dr. Obegi also handed Mr. de Ricolfis a sample of the proposed draft of the Mortgage Agreement & the Guaranty Contract between the depositor and his bank.

September 23, 2020



Left to right: Mr. Francois de Ricolfis & Dr. Riad Obegi



Left to right: H.E. Mr. Hubert Cooreman & Dr. Riad Obegi

With H.E. the Ambassador of the Kingdom of Belgium

Dr. Obegi met with **H.E. Mr. Hubert Cooreman**, *Ambassador of the Kingdom of Belgium in Lebanon* at his residence in Yarze.

November 10, 2020



With H.E. the Ambassador of the United Kingdom of Great Britain and Northern Ireland

Dr. Obegi met with **H.E. Mr. Chris Rampling**, *Ambassador of the United Kingdom of Great Britain and Northern Ireland* at his residence in Yarze.

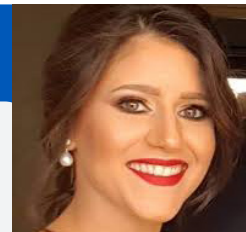
November 19, 2020

Left to right: Dr. Riad Obegi & H.E. Mr. Chris Rampling

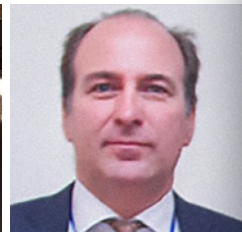
With the Economy & Local Development Section of the European Union Delegation

Dr. Obegi held a conference call with **Mr. Eulogio Montijano**, *Program Manager, Private Sector Development and Trade* and **Mrs. Maria El Hassrouni**, *Program Manager* to introduce the CHO Project and the CHO PRO version as a possible solution to the current economic crisis. He also highlighted the importance of the CHO Project in order to restore confidence in the banking sector and stimulate GDP growth.

December 15, 2020



Mrs. Maria El Hassrouni



Mr. Eulogio Montijano

In France

Dr. Obegi met with **Mr. Pascal Lamy**, *French Political Consultant*, to introduce the CHO Project.

Mr. Lamy is the former Director - General of the World Trade Organization from 2005 to 2013.

January 27, 2020



Left to right: Mr. Pascal Lamy & Dr. Riad Obegi



MEETINGS WITH
REGULATORS & FINANCIAL
INSTITUTIONS

**IN LEBANON
& SYRIA**



Mr. Marcel Rached

At the IFC Headquarters

Dr. Obegi met with **Mr. Marcel Rached**, *Country Officer Levant at the International Finance Corporation (IFC)*, to introduce the CHO Tier II Capital version and initiate a cooperation with IFC related to the financing of small and medium sized companies in Lebanon.

The meeting took place in the presence of **Mr. Claude Khayat**, *CHO Contributing Consultant* and **Mr. Bassam Frem**, *BSEC Executive Director Investment Banking Group*.

February 6, 2020

At The Central Bank

Three meetings took place at the Central Bank to discuss the CHO PRO instrument, which was submitted for review and approval in September 2020. This instrument can help bolster the banking sector in Lebanon.

Most meetings were held in the presence of **Mr. Ronald Yazbeck**, *Senior Executive Officer & General Manager of BSEC (Bemo Securitisation SAL)*, **Mr. Alexandre Sakr**, *Attorney at Law* and **Mr. Bassam Frem**, *Vice President of Investment Banking Group at BSEC*.

November 11, 13 & 24 2020



First Meeting with the Governor of the Central Bank

Dr. Obegi met with **Dr. Riad Salame**, *Governor of the Central Bank*, to update him on the latest news regarding the CHO Project.

Discussions were held in view of the current economic situation in Lebanon and Dr. Obegi introduced the CHO PRO version as an efficient tool to recapitalize the banks, boost their lending capacity and relaunch economic activity.

Banque BEMO will submit to the Central Bank a first case of the CHO PRO for increasing its own Tier II capital, as proof of concept.

July 9, 2020



Dr. Riad Salame



Mr. Pierre Kanaan



Mr. Rabih Nehme

With Mr. Pierre Kanaan and Mr. Rabih Nehme

Dr. Obegi met with **Mr. Pierre Kanaan**, *Director of the Legal Affairs Department at the Central Bank* and **Mr. Rabih Nehme**, *Head of the Risk Assessment Department at the Banking Control Commission*.

November 11, 2020



**At the Central Bank (Continued)
2nd meeting with the Governor of the Central Bank**

Dr. Obegi met with **Dr. Riad Salame**, *Governor of the Central Bank.*

November 13, 2020

Dr. Riad Salame

With the Head of the Banking Control Commission

Dr. Obegi met with **Mrs. Maya Dabbagh**, *Head of the Banking Control Commission of Lebanon* in the presence of **Dr. Joseph Haddad**, *Executive BOD member & Member of the Higher Council at the Banking Control Commission of Lebanon*, **Mr. Adel Dreik**, *Executive BOD member at the Banking Control Commission of Lebanon* & **Mr. Kamel Wazne**, *Expert on Middle Eastern, American and Economic Financial Studies.*

November 24, 2020



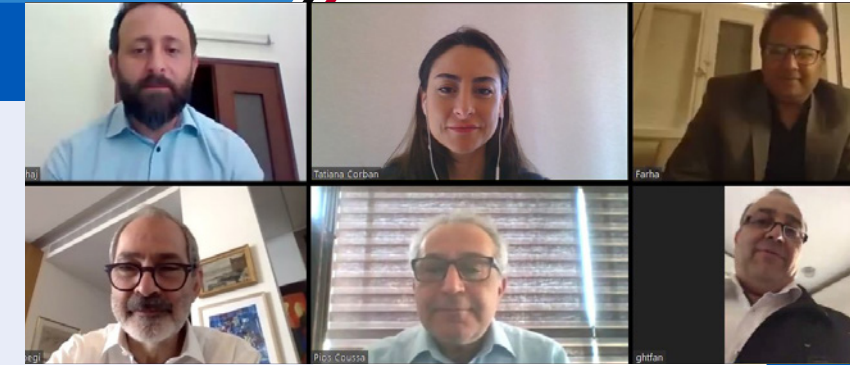
Left to right: Mr. Adel Dreik, Dr. Riad Obegi, Dr. Joseph Haddad & Mr. Ronald Yazbeck

With The First Microfinance Institution - FMFI

Dr. Obegi held a conference call with **Mr. Ghtfan Ajjoub**, *FMFI Board Member & the Board Representative in Syria*, and **Mr. Farhad Zulfqar**, *FMFI Bank CEO in Syria* to introduce the CHO Project and the CHO PRO version as a means to generate GDP growth through the remobilization of Syrian Real Estate wealth in the National Economy.

Mr. Ajjoub and Mr. Zulfqar expressed interest in the project, promising to discuss it during their next board meeting and help introduce the project through their FMFI branches in other emerging countries.

April 14, 2020



Top to Bottom: Mr. Ahed Alhaj, Ms. Tatiana Corban, Mr. Farhad Zulfqar, Dr. Riad Obegi, Mr. Pios Coussa & Mr. Ghtfan Ajjoub

2020
CONFERENCES,
ROUNDTABLES & WEBINARS



**IN LEBANON
& FRANCE**



At a Conference held by the Rotary Club of Beirut

Dr. Obegi was hosted as a guest speaker at a conference entitled **“Crise et Moyens d’en Sortir”** (The Crisis and Ways of Overcoming it) at the invitation of **Mr. Roger Achi: President of the Rotary Club of Beirut.**

He had the opportunity to go over the current economic situation in the country and concluded with a presentation about the CHO Project and the CHO PRO Version, as one of the solutions that could restore confidence in the banking sector and revitalize the lending opportunities of banks. According to Dr. Obegi, the remobilization of the real estate wealth in the national economy will generate GDP growth estimated at 2% per year.

The conference was followed by a lunch at Hotel Le Bristol in Beirut and was attended by several Lebanese dignitaries, key stakeholders from the banking sector and Rotary Club members.

March 2, 2020



1st Roundtable with the Lebanese Media

The CHO Advisory S.A.L. organized a roundtable followed by a lunch for the Lebanese Media at Hotel Sofitel Beirut Le Gabriel, where Dr. Riad Obegi met with journalists covering the economy for various local audiovisual media outlets. The roundtable was attended by CHO Advisory S.A.L. board members and executives and the following media figures:



Mr. Alphonse Dib *Voix Du Liban - Dbayeh*
 Ms. Hala Haddad *Voice of Van*
 Mrs. Ildico Elia *Radio Liban Libre*
 Mr. Mounir Kabalan *NBN television channel*
 Mrs. Neyla Chehwan *Tele Liban television*
 Mrs. Pamela Ibrahim *Voix Du Liban – Achrafieh*
 Ms. Rindala Jabbour *Sawt El Mada radio*

Dr. Obegi introduced the CHO Project as a new banking instrument that would contribute to economic growth by remobilizing Lebanon’s real estate capital estimated at 1000 billion dollars in the national economy.

In addition, he noted that with the latest economic situation in Lebanon, the CHO PRO version which he is proposing may restore some confidence in the banking sector, stating that the economy would not improve if the banks were not able to proceed with their lending operations, given the correlation

between their lending capacity and GDP. Dr. Obegi further explained the importance of the CHO PRO, which does not require a law ratification but only a circular issued by the Central Bank. He also pointed out that the CHO PRO allows the real estate owner to contribute to the bank’s Tier 2 capital merely as a guarantor.

The event was featured in the press. The articles can be viewed by clicking on the links below:

- [AIMorakebAIMali](#)
- [AGORALEAKS](#)

March 5, 2020



Top to Bottom: Mrs. Joanne Sarraf Chehab, Mr. Albert Kostanian, Mr. Henry Obegi, Dr. Riad Obegi, Mr. Roger Zaccar, Mr. Michel Helou & Mrs. Joumana Hobeika.

Along with Dr. Obegi, the webinar featured the following speakers: **Mrs. Joanne Sarraf Chehab**, CEO of Malia Holding, **Mr. Michel Helou**, Executive Director of l'Orient le Jour, **Mr. Albert Kostanian**, Economist and Expert in Strategy, **Mr. Henry Obegi**, CEO of Al Wadi al Akhdar and Obegi Group SA, and **Mr. Roger Zaccar**, Board Member of Commercial Insurance and Founder of Comin.

Dr. Obegi proposed the CHO Project as a possible solution to the current economic crisis and highlighted its importance in order to restore confidence in the banking sector and stimulate GDP growth.

Banque BEMO Webinar

Dr. Riad Obegi participated in an insightful Crisis Management Webinar held by Banque BEMO under the title, "**Solutions to the Economic Crisis: The Next Gen Point of View**", where speakers discussed solutions to the current economic crisis in Lebanon.



June 3, 2020

LSE Alumni Lebanon Association Webinar

Dr. Riad Obegi participated as a guest speaker in a Webinar organized by the LSE Alumni Lebanon Association entitled "**A Real Estate of Crisis**", where speakers discussed solutions to the current economic crisis in Lebanon and its repercussions on the real estate sector.

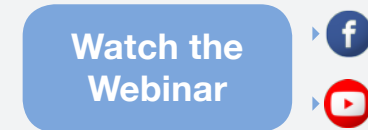
Along with Dr. Obegi, the webinar also featured **Mr. Tarek Zebian**, President of LSE Alumni Lebanon Association, **Mr. Ali Abdel Latif**, Managing Director of RED-PRO Real Estate, and was moderated by **Mr. Omar El Merehbi**, Secretary of LSE Lebanon Alumni Association.

Dr. Obegi stressed the importance of the CHO Project as a possible solution to the current crisis and highlighted the need to capitalize Lebanon's real estate estimated at a trillion dollars, thereby leading to economic growth.

June 11, 2020



Top to Bottom: Dr. Riad Obegi, Mr. Omar El Merehbi, Mr. Tarek Zebian, Mr. Raja Makarem & Mr. Ali Abdel Latif.



CHO PRO Webinar

CHO Advisory S.A.L, in collaboration with Banque BEMO S.A.L, organized a webinar on “The CHO PRO I A new financial instrument for the recovery of the Lebanese Economy”.

The webinar featured **Dr. Riad Obegi**, *Chairman of CHO Advisory S.A.L & Banque BEMO*, **Mr. Georges Emmanuel Rosmade**, *Co-Head of the Master’s program in Finance & Strategy at SciencesPo School of Management & Innovation*, and **Dr. Habib Zoghbi**, *President of Harvard Business School Club of Lebanon & Formerly a Banker at JP Morgan & Professor of Finance at NYU*.

Discussions were held in light of the current economic situation in Lebanon and the potential solutions to be considered.

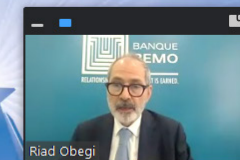
Dr. Obegi stressed the importance of the CHO Project as a possible solution to the current eco-

conomic crisis that would not require a massive injection of capital from the outside and highlighted the need to capitalize on Lebanon’s real estate estimated at a trillion dollars, thereby leading to economic growth.



CHO PRO

A NEW INSTRUMENT
TO INCREASE COMMERCIAL BANKS’
TIER II CAPITAL
THROUGH SUBORDINATED
REAL ESTATE GUARANTEES



The CHO PRO version (Tier II capital) was introduced to the audience as an efficient tool to recapitalize the banks, boost their lending capacity and relaunch economic activity.

July 7, 2020

Watch
the
Webinar



2nd Roundtable with the Local Media

The CHO Advisory S.A.L. organized a roundtable entitled “**Lebanon is not Bankrupt**” for the Lebanese Media at Hotel Sofitel Beirut Le Gabriel, where Dr. Riad Obegi met with editors-in-chief and journalists from various local media outlets. The roundtable was attended by:



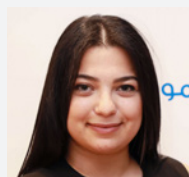
Mr. Ramzi Abdel Khalek
Al-Binaa newspaper



Mr. Michel Abou Najem
Zahle Politics website



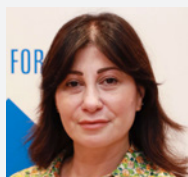
Mrs. Eliane Daccache
Le Commerce du Levant and L'Orient-le-Jour



Ms. Maria Daou
Tayyar.org website



Mr. Joseph Farah
Addiyar newspaper



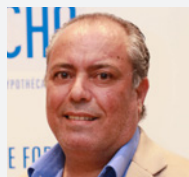
Mrs. Christiane Gemayel
LebTalks digital media platform



Mr. Osama Habib
The Daily Star newspaper



Ms. Jenny Harb
Al Morakeb Al Mali magazine



Mr. Rachid Hatoum
Icon News website



Mrs. Rasha Osman
Al Mal Wal Alam magazine

July 8, 2020

The roundtable discussion began with a debate about the current economic situation during which Dr. Obegi stated that Lebanon is not Bankrupt but rather in debt and that it is going through a crisis of confidence which resulted in a liquidity problem which then turned into a solvency crisis.

He believes that trust should be restored first and insisted that the Lebanese State is not necessarily bankrupt because it has more assets than liabilities and that the country is certainly not bankrupt mainly because of its human capital. He added that the Real Estate Capital of Lebanon is estimated at 1 trillion dollars which is about a hundred times what we hope to get from the International Monetary Fund. If a small part of it is used, this could revive the economy.

In addition, he noted that the CHO PRO version which he is proposing may restore some confidence in the banking sector, stating there are international standards that prevent

banks from lending if they do not have adequate solvency ratios and the economy would not improve if the banks were not able to proceed with their lending operations, given the strong correlation between their lending and GDP. Therefore, the recovery of the economy will not take place if the banks are not able to lend. Hence, the capital of banks must be increased to ensure the recovery of the economy.

Dr. Obegi further explained that the CHO PRO allows the real estate owner to contribute to the bank's Tier II capital merely as a guarantor and highlighted its accessibility, which does not require a law ratification but only a circular issued by the Central Bank.

The event was featured in the press. The articles can be viewed by clicking on the links below:

- [Al-Binaa newspaper](#)
- [L'Orient-le-Jour](#)
- [Addiyar newspaper](#)
- [Al Morakeb Al Mali](#)
- [Al Mal Wal Alam Magazine](#)

At the French National Assembly

The Forum of Lebanese Experts (Forum des Experts Libanais) organized a colloquium at the French National Assembly in Paris entitled “The economic and financial crisis in Lebanon: Which solutions to restore confidence”. Mrs. Nada Chehab, President of the Forum, organized the conference with the support of the Lebanese-French Friendship Committee at the French National Assembly and its president, **MP Loïc Kervran** in the presence of **H.E. Mr. Rami Adwan**, *Ambassador of Lebanon to France*.

Dr. Obegi participated in a panel entitled “Roles of Lebanese Banks in Restoring Confidence and Economic Renewal” alongside **Mr. Jean Riachi**, *Chairman & CEO of FFA Private Bank* and **Mr. Georges Mallat**, *Attorney at Law and Partner at Hyam G. Mallat Law firm*. The panel



was moderated by **Mr. Farid Aractingi**, *Secretary General of the Franco-Lebanese Chamber of Commerce*.

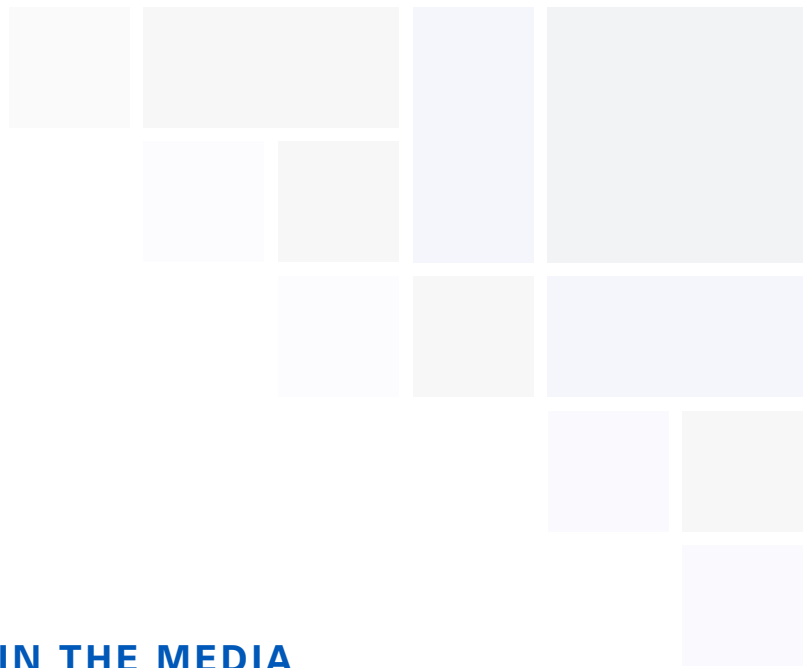
Dr. Obegi introduced the CHO Project as a solution that can boost the Lebanese economy through the “Bankarization” of its real estate wealth, esti-

mated at 1 Trillion dollars. He also suggested resuming bank loans in order to revive economic activity, stating that Lebanese banks have abundant liquidity in Lebanon and limiting credit can only increase the economic slump.

He concluded by stating that the current crisis demonstrates above all the intrinsic strength of the Lebanese economy and the resilience of the Lebanese people.

January 28, 2020

2020
THE CHO PROJECT
2020



IN THE MEDIA



Interviews with the Local Press

Dr. Obegi was interviewed by the local press to discuss the current economic situation in Lebanon. He proposed the CHO PRO Version as a solution to restore confidence in the banking sector and stimulate GDP growth, while shedding light on its additional advantages.

Click on the media outlets names below to view the full articles published in Arabic:

- [Al Afkar](#)
- [Al Mal Wal Alam](#)
- [Al Diyar](#)
- [AlKalima Online](#)
- [AlMorakeb Al Mali](#)

April 2020

Radio Voice of Van interview

Dr. Riad Obegi was hosted by Radio Voice of Van (95.0 – 94.7 Mhz) for an interview with the *journalist Hala Haddad* to discuss the current Lebanese economic and financial crisis, covering many topics such as the latest speech of the *Governor of the Central Bank Dr. Riad Salameh*, the reasons behind the severe Lebanese Lira devaluation against the high rates of U.S. dollar, the means to restore confidence in the banking sector, and the required steps to overcome the economic impasse.



 [Click here to listen to the interview](#)

April 29, 2020



OTV Interview

Journalist George Akl hosted Dr. Riad Obegi on local Lebanese television channel OTV during a live interview that was broadcast on Wednesday May 20, 2020.

Dr. Obegi discussed important current economic issues such as the economic plan developed by the Lebanese government, the feasibility of merging banks and the ongoing problem with the LBP/USD exchange rate, while insisting on the necessity of restoring confidence in Lebanon and the banking sector.



Left to right: Journalist George Akl & Dr. Riad Obegi

[Click here to watch the interview](#) 



He also highlighted the importance of the CHO Project, and its draft law that is being reviewed by the Lebanese Parliament's joint committees, as a possible solution to the current economic crisis and stressed the need to invest in Lebanon's real estate capital estimated at 1000 billion dollars, thereby leading to economic growth.

May 20, 2020



MTV Lebanon News Report

The CHO Project was introduced and highlighted as a possible solution to the current economic crisis on MTV News. The report was produced by *Journalist and Financial Analyst Maurice Matta* who interviewed Dr. Obegi to talk about this Lebanese financial innovation. The report stressed the need to capitalize on Lebanon's real estate wealth assessed at around 20 times the value of the GDP, to stimulate economic growth estimated at more than 2% per year.

The report was also featured on

[Al Morakeb Group Website.](#)

October 29, 2020

mtv [CLICK HERE TO WATCH THE INTERVIEW](#)

Télé Liban's Interview

Journalist Rimane Daou hosted Dr. Riad Obegi on Lebanon's national television Télé Liban during a live interview that was broadcast on Wednesday November 18, 2020.

Dr. Obegi discussed rising economic issues such as the current situation of Lebanese banks and their future, the possible lifting of the Central Bank subsidies and the ongoing problem with the LBP/USD exchange rate, while insisting on the need to restore confidence in Lebanon and in the banking sector.

He also highlighted the importance of the CHO Project, and its draft law that is being reviewed by the Lebanese Parliament's Joint Committees, as a possible solution to the current economic crisis and stressed the need to invest in Lebanon's real estate capital estimated at 1 Trillion dollars, thereby leading to economic growth.



TL [CLICK HERE TO WATCH THE INTERVIEW](#)

November 18, 2020

Radio Free Lebanon's Interview

Dr. Riad Obegi was hosted by Radio Free Lebanon - RLL (102.3 - 102.5 - 102.7 Mhz FM) for a live interview with *journalist Ildico Elia* to discuss the remarkable real estate activity in Lebanon during the current economic and financial crisis.

He shed light on the CHO Project and its draft law which is being reviewed by the Lebanese Parliament's Joint Committees, and he introduced it as a possible solution to the ongoing economic crisis, stressing the need to invest in and leverage Lebanon's real estate capital estimated at 1 Trillion dollars, as well as Lebanon's Human Capital with an unemployment rate hovering around 30%.

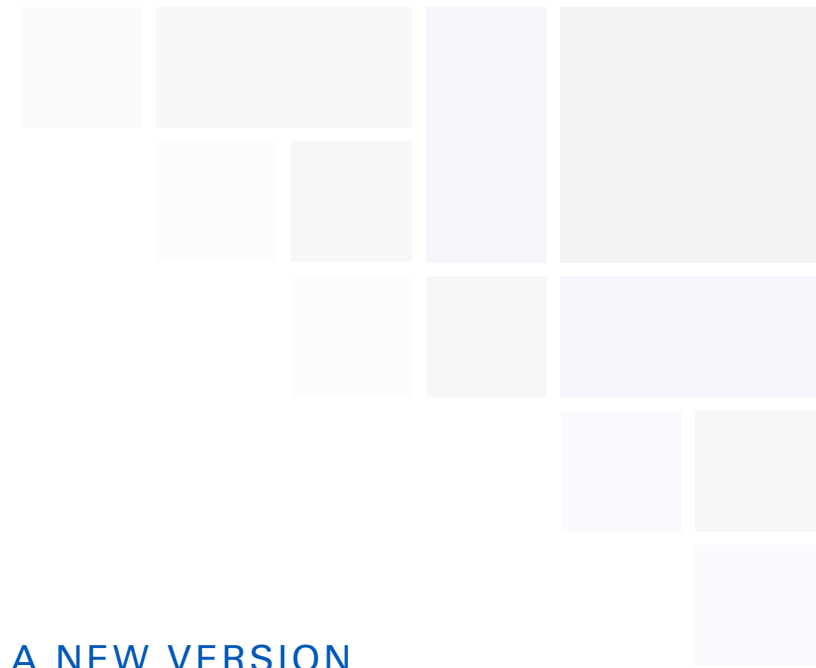
He also introduced the CHO PRO version, which does not require a legal ratification but rather a circular issued by the Central Bank, as an efficient tool to recapitalize banks, boost their lending capacity and relaunch the economic activity.

November 25, 2020



RLL [CLICK HERE TO LISTEN TO THE INTERVIEW](#)

2020
THE CHO PROJECT
2020



A NEW VERSION
THE CHO PRO



An introduction to the CHO PRO

The CHO PRO is a means for investors to provide banks with a real estate guarantee in favor of the creditors of the bank, in the form of a long-term subordinated liability; as such it shall be considered as part of the Tier2 capital of Banks. In return, Investors shall get a fee, banks shall beef up their capital and the granting of loans shall become easier.

This does not require any legislation, but only the issue of a Central Bank circular.

The CHO PRO could offer options for dealing with the current crisis in the country.

A NEW INSTRUMENT
TO INCREASE
COMMERCIAL BANKS'
TIER II CAPITAL
THROUGH SUBORDINATED
REAL ESTATE GUARANTEES

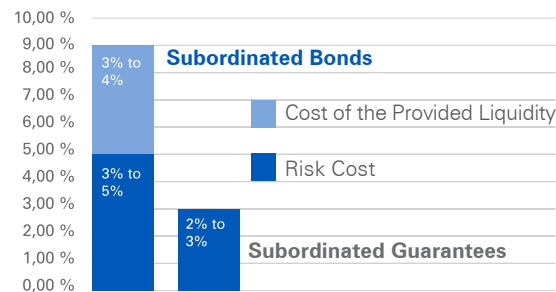


CONCEPT
To increase a bank's Tier II capital through subordinated guarantees instead of subordinated bonds.

Quick features

- ▲ The subordinated guarantees are in the form of first rank real estate mortgages provided by guarantors (real estate owners) and assigned to the bank in favor of its creditors.
- ▲ The subordinated guarantees could have a tenor of 5 to 7 years and will be added to the calculation of the Tier II capital.
- ▲ Banks will be able to increase their assets at a lower cost and realize a better Return On Equity.

Comparative Costs



More Investment Options are available for Cash than for Real Estate.

Cost of Subordinated Bonds vs. Subordinated Guarantees

▲ For the Banks

- ↓ Weighted Average Cost of Capital (WACC) will decrease
- ↑ Net Income should improve
- ↑ Better Return On Equity (ROE)

▲ For the Real Estate Owners

- ↑ New Income on Idle Real Estate
- No Cash is required unless triggered by bankruptcy of the bank.

Regulations

- ▲ CHO PRO is a structure that can be implemented without legislation.
- ▲ Approval from the Central Bank is required.



Impacts of the CHO PRO

▲ On the Banks

- Reinforces the Equities of commercial Banks
- Improves the Banks' Rating
- Reduces the Cost of Funding
- Increases the Banks' Lending Capacity
- Increases the profitability of the Banks

▲ On the Shareholders

- Contributes to avoiding dilution at a very cheap price.

▲ On the National Economy

- Contributes to the growth of the national economy by allowing more funding for the economy.

CHO PRO | A Simulation Model

To assess the impact of CHO PRO, we have run a 3-year basic model considering the 3 medium sized Lebanese Banks:

BBAC | FNB | Banque BEMO

Model Assumptions

Based on the historical average of the core capital of the 3 banks above which stands at the equivalent of **USD 300 Million**.

We ran **2 scenarios** from the base case generated out of the average data of the 3 mid-sized banks above.

SCENARIO 1

We considered an increase of Tier I capital of USD 60 million.

SCENARIO 2

We considered an increase of the same amount for the Tier I plus another USD 60 million for the Tier II.

We assumed:

1. Interest rate is low and would remain low during the entire analysis period.
2. The economy is running below capacity and there is borrowing appetite.
3. The solvency ratio is 15%.
4. Banks will use a multiplier of 5 loans to additional Tier I and 4 loans to additional Tier II.
5. In both scenarios, we will not consider the natural increase in activities so as to be able to compare both scenarios.
6. Apart from the loans, we will not evaluate the other effects of the use of the CHO PRO.
7. Additional revenues generated from the loans will be integrated in the total interest income, applying a spread of 2% in both scenarios.
8. Apart from the additional loans, all other assets remain unchanged.
9. Growth of the loans will be linear and spread over a period of 3 years.
10. All profits would be reinvested in the Tier I capital.
11. Liquid assets generate 0% revenue.
12. Cost of the CHO PRO is 3%.

Quantitative Model Assumptions

SCENARIO 1		Investment Type	
		Cash	CHOPRO
Tier I	Injection → 60,000	60,000	-
Contribution to Loans	Multiple x 5	300,000	-

SCENARIO 2		Investment Type	
		Cash	CHO PRO
Tier I	Injection → 60,000	60,000	-
Contribution to Loans	Multiple x 5	300,000	-
Tier II	CHO PRO Injection →		60,000
Impact on Loans	Multiple x 4		240,000

Model with Both Scenarios | Balance Sheet

Balance Sheet Key Figures	Base Case	Scenario 1	Scenario 2
<i>Based on the Historical Average of the Sample Banks</i>	Assets In USD Million		
Liquid Assets	582,138	342,138	102,138
Loans	1,142,138	1,442,138	1,682,138
Other placements (mostly sovereign)	2,723,064	2,723,064	2,783,064
Other assets	656,261	656,261	656,261
Total Assets	5,103,602	5,163,602	5,223,602
	Liabilities In USD Million		
Deposits	3,833,008	3,833,008	3,833,008
Other Liabilities	881,446	881,446	881,446
Total Liabilities	4,714,453	4,714,453	4,714,453
	Shareholder's Equity In USD Million		
Tier I Capital	81,784	141,784	141,784
Additional net profit after tax generated by Scenario 1 in Tier I	1,870	3,400	5,100
Additional net profit after tax generated by Scenario 2 in Tier I	1,530	4,590	7,650
Tier II Capital	8,073	8,073	8,073
Total Shareholder's Equity	389,149	449,149	449,149
Off Balance Sheet Tier II			60,000

Profit & Loss Key Figures

SCENARIO 1	Year 1	Year 2	Year 3
Items	All figures are denominated in USD Million		
Additional Net Interest income	2,000	4,000	6,000
Profit Before Tax	2,200	4,000	6,000
Net profit After Tax (Tax rate:%15)	1,870	3,400	5,100
Cumulative Excess of Revenues			656,261

SCENARIO 2	Year 1	Year 2	Year 3
Items	All figures are denominated in USD Million		
Additional Net Interest income	2,000	4,000	6,000
Additional Net Interest income due to the CHO PRO	1,600	3,200	4,800
Cost of the CHO PRO	-1,800	-1,800	-1,800
Profit Before Tax	1,800	5,400	9,000
Net profit After Tax (Tax rate:15%)	1,530	4,590	7,650
Cumulative Excess of Revenues			13,770

With the CHO PRO, the contribution to net profit after tax provides additional revenue compared to scenario 1, amounting to USD Million 3,400 or a higher profit of 32.79%

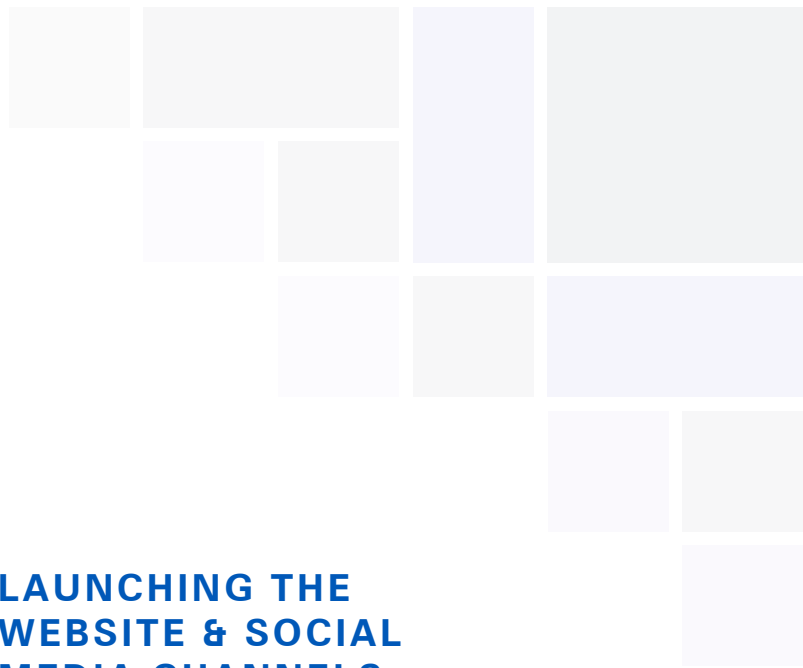
The Outcome

By comparing scenario 1 and 2, it is evident that the introduction of the CHO PRO will have the following impact:

- Substantial increase in banking loans.
- A higher profitability of 36.81% in scenario 2.
- Better market share
- Additional business opportunities

More generally, in applying the same model to most of the country's banks, it will turn out to be a major contribution to the national economy.

2020
THE CHO PROJECT
2020



**LAUNCHING THE
WEBSITE & SOCIAL
MEDIA CHANNELS**

Launching the CHO Website

The all-new CHO Website was developed and launched during 2020: www.choproject.com



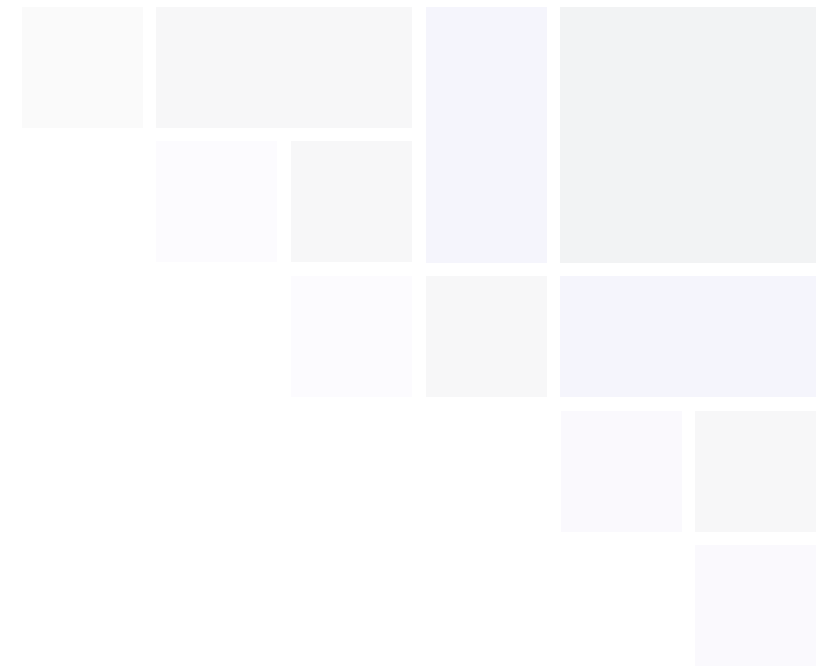
Launching the Social Media Channels

Keep up with us on Social Media:



2020

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