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The Alpha Group's¹ total assets sustained their healthy growth in the first quarter of 2016 (Q1 2016). According to Bank Data, the Alpha Group's total assets rose by 4.9% year-on-year to \$203.49B. As such, the assets of the Alpha Group would represent more than 400% of Lebanon's GDP. Domestic assets, which constitute 85% of total assets, registered a 5.26% annual upturn to \$164.49B while foreign assets, representing 20% of total assets, registered a 3.39% yearly increase to \$39.00B.

In millions of USD	Mar-15	Mar-16	YOY
Domestic Assets	156,266	164,486	5.26%
Foreign Assets	37,726	39,004	3.39%
Total Assets	193,992	203,490	4.90%

Lending activity remained robust despite the general economic gloom. Overall, total customer loans grew by an annual 8.46% to \$64.23B. Domestic loans, which hold a share of 69% in total loans, grew by an annual 7.94% to \$44.46B. Domestically, although the share of foreign currency loans is greater than that of local currency loans, the latter managed to grow at a faster rate than the former. Loans to customers denominated in Lebanese Pounds (LBP) grew by an annual 9.45% to \$11.73B while foreign currency loans progressed by a yearly 7.41% to \$32.74B. This shows that loan-takers are looking to benefit from the attractive interest rates offered on the local currency loans subsidized by the Central Bank of Lebanon. The lending activity abroad was also solid with foreign loans rising by 9.65% year-on-year to \$19.76B.

In millions of USD	Mar-15	Mar-16	YOY
Total Loans	59,216	64,226	8.46%
Domestic loans	41,193	44,463	7.94%
Of which in LBP	10,713	11,725	9.45%
Of which in FC	30,479	32,738	7.41%
Foreign loans	18,023	19,763	9.65%

¹ Top Lebanese Banks with more than \$2B in deposits

The banking sector has long been reliant on a steady inflow of deposits mainly from the Lebanese diaspora. In Q1 2016, customer deposits represented 82% of total assets. Deposits from customers advanced by an annual 4.28% to \$167.26B in Q1 2016. The biggest bulk of total deposits is accounted for by domestic deposits which grew by 4.81% to \$138.20B while deposits in foreign entities grew by a yearly 1.83% to \$29.05B. Domestically, deposits in foreign currency still account for the lion's share of total deposits but their growth was surpassed by that of deposits in Lebanese Pound. The latter grew by 6.17% to \$51.01B, which indicates more confidence in the Lebanese Pound. Another factor behind the faster growth in LBP deposits is the fact that the interest rates they offer are more attractive than the ones offered on foreign currency deposits.

In millions of USD	Mar-15	Mar-16	YOY
Deposits from customers	160,394	167,255	4.28%
Domestic deposits	131,864	138,203	4.81%
Of which in LBP	48,043	51,009	6.17%
Of which in FC	83,822	87,194	4.02%
Foreign deposits	28,530	29,052	1.83%

The loans to deposits ratio indicates that Alpha Banks are pursuing their conservative approach and that they are achieving their function of financial intermediation without running through all of their liquidity. The loans-to-deposits ratio, which is low by MENA standards, increased marginally from 37% in Q1 2015 to 38% in Q1 2016. The domestic loans to deposits ratio also grew from 31% in Q1 2015 to 32% in Q1 2016. Also standing testimony to the banks' conservative approach are the net provisions for credit losses which totaled \$106M in Q1 2016.

The effectiveness of the Alpha banks' hedging and cautious approach to doing business is reflected by the high asset quality they portray. The ratio of gross doubtful loans in total gross loans decreased from 5.75% in Q1 2015 to 5.62% in Q1 2016.

Banks in Lebanon are the main financiers of the Lebanese government. The Alpha banks' subscription to Lebanese Treasury Bills denominated in Lebanese Pound decreased from \$18.12B in Q1 2015 to \$16.97B in Q1 2016. However, the banks' subscription to Lebanese sovereign Eurobonds rose marginally from \$16.68B in Q1 2015 to \$16.96B in Q1 2016. It is worth noting that the growth in deposits outpaced the growth in subscription to government debt. Therefore, the ratio of Lebanese Treasury bills to LBP deposits fell from 37.72% in Q1 2015 to 33.27% in Q1 2016 and the ratio of Lebanese sovereign Eurobonds in foreign currency to foreign currency deposits fell from 14.84% to 14.59% over the same period.

Return metrics remained somewhat stable over the first three months of 2016. The Alpha group's Return on Average Assets (ROAA) increased marginally from 0.99% in Q1 2015 to 1.00% in Q1 2016. As for the Return on Average Equity (ROAE), it stabilized at 11.06%. BLOM Bank ranked first in terms of ROAA with 1.48%, it was followed by IBL Bank and Creditbank with respective ROAAs of 1.29% and 1.14%, respectively.

The Alpha Group maintained its profitability in Q1 2016. The group's net profit totaled \$510M in Q1 2016 compared to \$479M in Q1 2015. 77% of 2016's profit was generated domestically compared to 78% in the same period last year. The group's net interest income and net fee and commission income both rose by an annual 8.18% and 11.34% to \$913M and \$216M, respectively. The income tax, which is around 20%, amounted to \$127M in Q1 2016.

Alpha Banks are still keen on their expansion plans in Lebanon and abroad. The total number of branches grew from 1,213 in Q1 2015 to 1,241 in Q1 2016. In details and over the same period, the number of domestic branches grew from 799 to 814 while the number of foreign branches grew from 414 to 427. The banking sector is one of the top job recruiters in the country with the number of staff employed in domestic banking entities rising from 20,205 in Q1 2015 to 20,967 in Q1 2016.

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