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The banking industry, one of the most resilient sectors in Lebanon, is beginning to show slower growth rates, as the economic slowdown crisis is gradually spreading across the country. Banks are still maintaining a steady pace and showing effective strategies to overcome the critical situation.

Bank Data showed the performance of the Lebanese Alpha banks during the first half of 2016, noting that the Alpha Banks are banks with deposits over USD 2 billion.

A sluggish year-to-date growth is still trailing around the group's total assets. Alpha Banks' total assets reached \$206.71B by June 2016, registering a slower year-to-date increase by 1.46%, compared to 1.99% by the same time last year. Domestic assets, representing 80.7% of total assets, rose by 2.54% from December 2015 to \$166.81B by June 2016. In contrast, foreign assets fell by 2.81% to \$39.90B, corresponding to 19.3% of total assets.

Breakdown of total assets

in millions of USD	Dec-15	Jun-16	YTD
Domestic Assets	162,675	166,812	2.54%
<i>Of which in LBP</i>	64,588	66,180	2.46%
<i>Of which in FC</i>	98,087	100,632	2.59%
Foreign Assets	41,058	39,903	-2.81%
Total Assets	203,734	206,714	1.46%

Source: Bank Data, Alpha Banks report

Deposits continued to grow slowly, driven by domestic customers. A 1.16% YTD increase was in favor of the total customers' deposits, to reach \$17.03B by June 2016, however, it is still a lower rate compared to 2.16% YTD growth on June 2015. Domestic deposits, retaining 82.64% of total deposits, rose by 2.25% from December 2015, with the clear domination of the foreign currency by 63.27% of the domestic deposits. On the other hand, foreign customer deposits fell by 3.72% from the end of 2015, to \$29.55B by H1 2016. The dollarization ratio of 69.64% barely dropped from 70.03% by December 2015.

Deposits in LBP and FC recorded respective increases of 2.47% and 2.12%. It is worth noting that BLOM Bank ranked first in deposits from customers in LL, with 3.19% YTD increase, meanwhile two of the biggest banks in Lebanon, Bank Audi and Byblos Bank marked a year-to-date fall by 0.82% and 0.42%, respectively. As for the deposits from customers in foreign currency ranking, BLOM Bank ranked second with \$18.15B, with a 0.54% YTD increase, while Bank Audi came first with deposits of \$30.66B, but registered a year-to-date decline of 1.86%.

Breakdown of total deposits

in millions of USD	Dec-15	Jun-16	YTD
Domestic Deposits	137,654	140,746	2.25%
<i>of which in LBP</i>	50,453	51,700	2.47%
<i>of which in FC</i>	87,201	89,047	2.12%
Foreign Deposits	30,698	29,555	-3.72%
Total Deposits from customers	168,352	170,302	1.16%
Dollarization of deposits	70.03%	69.64%	

Source: Bank Data, Alpha Banks report

The lending activity improved noticeably on a YTD basis. Total loans to customers grew by 2.90% YTD, to \$65.67B in H1 2016, while they were almost immobile, with a slight 0.10% YTD increase by June 2015. This increase was due to the injection of \$995.02B by the central bank, in 2015, as an incentive to boost the lending activity at low interest rates. Total loans represented 124% of Lebanon's estimated GDP for 2016, noting that the later was estimated at \$52.79B,

according to the IMF. Domestic loans rose by 2.63% to \$45.28B, whereas the \$20.39B foreign branches loans increased by 3.53% from the end of 2015.

Domestic loans in local currency grew 5.04% to \$12.12B, while loans in foreign currency increased at a slower pace of 1.77% YTD, to reach \$33.16B, where the dollarization ratio of loans reached 81.54%.

The ratio of net doubtful and substandard loans to gross loans increased to 2.18% by June 2016, after recording 2% by December 2015. Gross doubtful loans totaled \$3.89B, from the \$69.45B gross loans, while they represented \$3.73B from the total of \$67.41B gross loans by December 2015.

As for the loans-to-deposits ratio, it increased from 37.91% by December 2015 to 38.56% by June this year.

Breakdown of total loans

<i>in millions of USD</i>	<i>Dec-15</i>	<i>Jun-16</i>	<i>YTD</i>
Domestic Loans	44,124	45,283	2.63%
<i>Of which in LBP</i>	<i>11,541</i>	<i>12,123</i>	<i>5.04%</i>
<i>Of which in FC</i>	<i>32,583</i>	<i>33,160</i>	<i>1.77%</i>
Foreign Loans	19,698	20,393	3.53%
Total Loans to customers	63,822	65,676	2.90%
Dollarization of loans	81.92%	81.54%	

Source: Bank Data, Alpha Banks report

Alpha Banks maintain sufficient liquidity levels. Net primary liquidity-to-deposits ratio dropped to 30.59% from 31.45% on a year-to-date basis. BLOM Bank managed to stay in the first rank, with the net primary liquidity-to-deposits ratio of 46.38%, followed by 40.10% for Byblos Bank and 33.21% for IBL Bank.

Sovereign Eurobonds subscription is rising at the expense of exposure to treasury bills. The exposure of Alpha banks to Lebanese treasury bills fell by 12.29%, from \$17.51B by end of 2015 to \$15.36B by June 2016, while their exposure to Lebanese Sovereign Eurobonds rose by 13.30% to reach \$18.42B. The government had issued \$1B Eurobonds in April 2016.

The ratio of Lebanese treasury bills-to-deposits in LBP kept falling to stand at 29.70% by June, compared to 34.70% by last year, while the Lebanese Sovereign Eurobonds-to-deposits in foreign currency ratio, rose to 15.53% after registering 13.79% by December 2015.

Breakdown of portfolio securities

in millions of USD	Dec-15	Jun-16	YTD
Lebanese Treasury Bills in LBP	17,517	15,363	-12.29%
Lebanese sovereign Eurobonds in foreign currency	16,264	18,428	13.30%

Source: Bank Data, Alpha Banks report

Return metrics showed no significant changes during H1 2016. The return on average asset (ROAA) and the return on average equity (ROAE) each showed a slight improvement; where ROAA of Alpha Banks recorded 1.05%, compared with 1.02% by December last year, and ROAE recorded 11.73%, after 11.47% in 2015. BLOM Bank had the highest ROAA of 1.55% by June 2016, and came in the second place by ROAE at 16.67%.

Alpha Banks' income statement revealed a sustained profitability. According to Alpha banks' income statement, the net profit rose to \$1.07B, compared to \$995M by June 2015. Net interest income showed a year-on-year increase of 7.66% to \$1.83B, and the net fees and commission income slightly increased by 0.63% to \$433M. Net operating income rose by 9.49% to \$2.82B, after the net provisions for credit losses dropped by 5.17% to \$197M.

Attractive dividend yields for listed alpha banks. 7 of the alpha Banks are listed on Beirut Stock Exchange. BLOM and Audi GDR are also on London Stock Exchange. The dividend yields of the listed Alpha banks ranged between 2.30% (Banque BEMO) and 8.29% (BLOM Bank).

Amid their continuous efforts for survival, Alpha Banks kept spreading within Lebanon and foreign countries. During the first half of 2016, alpha banks kept growing to make a total of 1,252 brick and mortar banks, with 39 new branches, 20 of them opened domestically, and 19 abroad, compared to 1,213 branches in total by H1 2015. Also, the total number of staff employed reached 31,360 by June 2016, compared to 30,171 by the same time last year.

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