



December 09, 2016

Contact Information

Research Analyst: Lana Saadeh
lana.saadeh@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department
Tel: +961 1 991 784

Alpha Group Main Financial Highlights (in \$B)

	Sep-15	Sep-16	Change
Total assets	199.61	214.19	7.30%
Loans and Advances to Customers	61.12	66.84	9.36%
Customers Deposits	165.24	173.69	5.12%
Shareholders' Equity	17.52	19.31	10.22%
Net Profit	1.50	1.64	9.73%

Source: Bank Data Alpha Report

The Alpha Group of Banks, the top 14 Lebanese banks whose deposits exceed \$2B, displayed intact yearly progresses in the first three quarters (Q3) of 2016, as their assets reached 413% of GDP.

Alpha Banks' total assets, including that of subsidiaries in foreign countries, broadened 7.30% year-on-year (y-o-y) to \$214.19B, by September 2016. Assets in domestic branches grew by an annual 8.92% to \$173.78B, whereas those in foreign branches increased marginally by 0.87% to \$40.41B by September 2016. In details, net loans and advances to customers inched up by 9.36% to \$66.84B, where loans of domestic branches increased 8.17% to \$45.86B, while loans of foreign branches edged up by 12.05% to \$20.98B end of Q3 2016. Debt instruments at amortized costs increased by 3.46%, during the same period, to \$65.08B.

Cash and balances with Central Banks broadened by an annual 20.94% to \$56.14B, by September 2016. This might be due to the BDL swap with local banks, which consisted of the BDL buying back T-bills denominated in Lira at a premium discount against local bank's subscription to financial instruments denominated in dollars and their commitment to place foreign currency deposits at BDL.

Customers remained confident in the banking sector, as their deposits grew by 5.12% to \$173.69B. In fact, deposits in foreign currency swelled by 5.46% to \$121.38B, while that in local currency grew at a slower pace of 4.33% to \$52.31B. Moreover, deposits in domestic branches of Alpha Banks rose 6.23% y-o-y to \$143.60B, where the dollarization rate went up from 62.91% in Q3 2015 to 63.57% in Q3 2016. Foreign branches saw a slight growth in deposits of 0.12% to \$30.09B end of September 2016.

Solvency, one of the main pillars of banks, progressed, as net primary liquidity-to-deposits increased from 31.60% in Q3 2015 to 33.58% in Q3 2016. In addition, the loans-to-deposits ratio went up from 36.99% to 38.48% in September 2016. In terms of net primary liquidity to deposits ratio, Byblos Bank ranked the first with a ratio of 54.67% followed by BLOM Bank and Credit Libanais with respective ratios of 48.55% and 41.83%.

Profitability remained robust, with the Alpha Group's net profit rising by 9.73% y-o-y to \$1.64B. Net interest income increased by 8.64% to \$2.81B, while net fees and commission income amplified by 96.61% to \$1.28B. Domestically, Alpha banks posted a 3.98% yearly rise in net profit to \$1.24B, however, their profits abroad expanded by 32.34% to \$401.96M in Q3 2016.

Return ratios showed an improvement, as return on average asset (ROAA) went up from 1% to 1.17%, while return on average common equity (ROACE) increased from 12.80% to 12.85%. In terms

of ROAA, Bank Audi had the highest among the Alpha Group with a ratio of 1.65%, followed by BLOM Bank and IBL Bank with respective ROAA of 1.55% and 1.30. In terms of ROCE, the highest ratios were that of IBL Bank (19.36%), Creditbank (19.21%) and BLOM Bank (17.39%).

Ranking by Return on Average Assets

Bank	Ratio
Bank Audi	1.65%
BLOM Bank	1.55%
IBL Bank	1.30%
Creditbank	1.25%
Bank of Beirut	1.22%
Lebanon and Gulf Bank	1.10%
Bankmed	0.98%
Banque Libano-Francaise	0.94%
SGBL	0.94%
BBAC	0.89%
First National Bank	0.89%
Fransabank	0.80%
Byblos Bank	0.75%
Credit Libanais	0.68%

Source: Bank Data Alpha Report

The Alpha Group continued adopting a conservative policy as shown by the 41.31% annual increase in net provisions for credit losses to \$348.02M end of September 2016.

Asset quality remained almost the same, where the ratio of net doubtful and substandard loans to gross loans went up marginally from 1.99% in Q3 2015 to 2.23% in Q3 2016. Equity to assets ratio went up from 8.78% to 9.02%.

Banks have been implementing cost control measures, as shown by the cost-to-income ratio that decreased from 49.88% to 48.43% in September 2016. In fact, the 10.38% yearly increase in staff expenses, which represents 51.64% of total operating expenses, was outpaced by the 24.09% y-o-y rise in net operating income.

In spite of the global economic slowdown, Alpha Group maintained its expansion and diversification efforts, as shown by the slight increase in the number of branches from 1,220 to 1,232. In details, 22 new branches were opened in Lebanon, however 10 branches closed abroad. Moreover, the number of staff employed grew from 30,399 in September 2015 to 31,148 by September 2016.

Despite the political and security situations, the banking sector has proved to be resilient, preserving a high level of liquidity and profitability.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Lana Saadeh, Research Analyst
Tel: +961 1 991 784
ana.saadeh@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.