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Beta Group Main Financial Highlights (in \$M)

	Jun-15	Jun-16	Change
Total assets	11,432.28	12,486.77	9.22%
Loans and Advances to Customers	4,618.91	5,077.15	9.92%
Customers Deposits	9,615.23	10,253.30	6.64%
Shareholders' Equity	876.54	949.22	8.29%
Net Profit	42.78	48.27	12.85%

Source: Bank Data Beta Report

Despite the tough economic and political challenges that Lebanon has been passing through, the Beta group was able to post positive returns in the first half of 2016.

The Beta group of banks, Lebanese banks whose deposits range between \$500M and \$2B, revealed resilient yearly improvements in the first half (H1) of 2016. Noting that 2016's report includes 8 banks instead of 13 as Emirates Lebanon Bank, Federal Bank of Lebanon, Fenicia Bank, HSBC Bank, and Lebanese Swiss Bank did not release their figures.

Beta Banks' total assets, including that of subsidiaries in foreign countries, grew 9.22% year-on-year (y-o-y) to end H1 2016 at \$11.43B. Assets in domestic branches broadened by an annual 9.31% to \$12.41B, while those in foreign branches declined by 3.22% to \$76.34M by June 2016. In fact, net loans and advances to customers increased by 9.92% to \$5.08B, where loans of domestic branches inched up 9.98% to \$5.06B, while loans of foreign branches decreased by 1.99% to \$21.65M end of H1 2016. Debt instruments at amortized costs added 1.77%, during the same period, to \$3.54B. However, the ratio of Lebanese sovereign Eurobonds held by Beta banks to deposits in foreign currency dropped from 15.79% to 12.91% in June 2016.

Customers continued to show confidence in the sector, as their deposits, which are the anchor of the banking sector, increased by 6.64% to \$10.25B. In details, deposits in foreign currency augmented by 7.45% to \$6.70B, while that in local currency grew at a slower pace of 5.14% to \$3.56B. Moreover, deposits in domestic branches of Beta Banks added 6.69% y-o-y to \$10.21B, where the dollarization rate increased from 64.66% in H1 2015 to 65.17% in H1 2016. Foreign branches experienced a 6.15% decrease in their deposits to \$40.97M end of June 2016.

Solvency remained almost unchanged, as shown by net primary liquidity-to-deposits which went from 20.71% in H1 2015 to 20.70% in H1 2016. On the other hand, the loans-to-deposits ratio increased from 48.04% to 49.52% in June 2016. In terms of net primary liquidity-to-deposits ratio, Saradar Bank ranked the first with a ratio of 36.44% followed by Bemo Bank and Arab Bank with respective ratios of 24.64% and 22.57%.

Looking at profitability, Beta Group's net profit surged 12.85% y-o-y to \$48.27M, with most of the profits attained domestically. Net interest income edged up 7.85% to \$116.05M, whereas net fees and commission income grew 4.32% to \$32.47M. Domestically, Beta banks posted a 19.38% yearly surge in net profit to \$47.84M. However, their profits abroad dropped from \$2.71M in H1 2015 to \$433,831 in H1 2016.

Return ratios remained relatively stable as return on average asset (ROAA) went from 0.75% to 0.78%, while return on average equity (ROAE) slipped from 10.28% to 9.87%. In terms of ROAA, Arab Bank had the highest among the Beta Group with a ratio of 1.25%, followed by Al-Mawarid Bank with a ROAA of 1.11%. In terms of ROAE, the highest ratios were also that of Al-Mawarid Bank (65.20%) and Arab Bank (17.48%).

Ranking by Return on Average Equity

Bank	Ratio
Al-Mawarid Bank	65.20%
Arab Bank	17.48%
Bemo Bank	10.79%
Jammal Trust Bank	9.62%
MEAB	8.42%
Banque Misr Liban	6.51%
BSL Bank	4.99%
Saradar Bank	3.57%

Source: Bank Data Beta Report

As for net provisions, they shifted from a \$677,944 recovery of credit losses in H1 2015, to \$4.16M net provisions for credit losses in H1 2016.

Asset quality declined during 2016, as shown by the ratio of net doubtful and substandard loans-to-gross loans that inched up from 2.69% in H1 2015 to 4.50% in H1 2016. Equity-to-assets ratio decreased marginally from 7.67% to 7.60%.

Beta banks have become more efficient, as the cost-to-income ratio declined from 66.93% to 65.05% in June 2016. In fact, the 22.74% yearly increase in staff expenses, which represents 55% of total operating expenses, was outpaced by the 23.68% y-o-y rise in net operating income.

Due to the global economic slowdown, Beta Banks were reluctant to increase the number of their branches. Only one new branch opened in Lebanon, with their number reaching 145, while the number of branches abroad remained at 7. Meanwhile, the number of staff employed grew from 2,532 in June 2015 to 2,592 by June 2016.

The Beta banks have proved to be unwavering towards the economic, political and security hurdles that Lebanon has been facing since 2011.

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