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Alpha Banks' Financial Highlights (\$B)

	Dec-15	Dec-16	Change
Total Assets	203.67	216.92	6.51%
Loans and Advances	63.74	65.13	2.18%
Customers' Deposits	168.3	174.85	3.89%
Shareholders' Equity	18.2	20.38	11.98%
Net Profit	2.03	2.27	11.82%

The latest BANKDATA report revealed that the performance of Alpha Banks in Lebanon maintained a consisted upward trend despite the political deadlock that characterized the first three quarters of 2016. In fact, the number of Alpha banks (commercial banks with deposits exceeding \$2B) stood at 14. However, the worldwide economic slowdown weighed down on the Alpha Group's global presence, where 69 branches closed abroad. Nonetheless, the mentioned banks witnessed an expansion domestically with 22 new branches opening this year. Moreover, the number of staff employed fell from 30,745 in 2015 to 30,556 in 2016.

Moving to total assets at the aforementioned banks, including that of subsidiaries in foreign countries, they grew by a yearly 6.51% to \$216.92B by the end of the year 2016. In details, assets in domestic branches grew by an annual 10.83% to \$180.22B, whereas those in foreign branches plunged by 10.62% to \$36.69B by the end of 2016. Net loans and advances to customers inched up by 2.18% to \$65.14B, where loans of domestic branches increased 4.55% to \$46.06B, while loans of foreign branches dropped by 3.15% to \$19.08B. However, the ratio of net doubtful and substandard loans to gross loans went up marginally from 2.11% in 2015 to 2.45% in 2016.

Worth mentioning, as a result of the swap in July 2016, cash and balances with Central Banks widened by an annual 27.31% to \$59.34B since banks deposited their return in Lebanese pounds and allocated their foreign currency (FX) liquidity towards purchasing Eurobonds and CDS from the Central Bank. The Central Bank offered banks substantial incentives in exchange for their FX liquidity; that's what compelled Lebanese banks to gather additional FX liquidity through sales of Eurobonds and through the introduction of new high-yielding products, to attract foreign deposits.

Customers' deposits witnessed a slowdown in growth this year; nonetheless, confidence in the Lebanese banking sector and mainly in the local currency persisted. In fact, deposits grew by 3.89% to \$174.85B. In particular, deposits in foreign currency broadened by 3.63% to \$122.22B, while that in local currency grew at a faster pace of 4.50% to \$52.63B. Moreover, deposits in domestic branches of Alpha Banks increased by 7.49% y-o-y to \$147.92B, where the dollarization rate went up from 63.39% in 2015 to 64.42% in Q3 2016. Nonetheless, foreign branches' deposits plummeted by 12.28% y-o-y to \$26.93B end of December 2016.

On another note, the Lebanese banks maintained a conservative approach, domestically and abroad, regarding their credit policies. This can be depicted by the loans-to-deposits ratio which dropped from 37.88% in 2015 to 37.26% in 2016. Moreover, solvency improved as net primary liquidity-to-deposits increased from 31.60% in 2015 to 33.58% in 2016. In terms of net primary liquidity to deposits ratio, BLOM Bank ranked the first with a ratio of 53.79% followed by IBL Bank and Byblos Bank with respective ratios of 42.40% and 44.69%.

The swap operation as well as the attractiveness of the Lebanese papers to international investors boosted Lebanese banks' profitability. As such, Alpha Group's net profit rose by 9.73% y-o-y to \$1.64B. Net interest income increased by 11.91% to \$2.27B and net fees and commission income broadened by 75.53% to \$1.54B. Domestically, Alpha banks registered a marginal yearly rise of 0.96% in net profit to \$1.68B; however, their profits abroad expanded by 62.25% to \$589M in 2016. The rise in the banks' profits abroad can be attributed to the decrease in their costs as several branches shut down as well as the improved economic situations in other countries that allowed higher profits. Bank Audi ranked first with net profits of \$470.11M, followed by BLOM Bank with \$463.30M, and Fransabank with \$200.81M.

Over the past four quarters, Lebanon's Alpha banks maintained a positive profitability as disclosed by the rising Return on Average Assets (ROAA) that went up from 1.02% in 2015 to 1.08% in 2016. BLOM stood first with a 1.58% ROAA and was followed by IBL Bank at 1.29% and Credit Libanais at 1.23%. As for Return on Average Common Equity (ROACE), the rate of return on shareholders' equity stood in 2016 at 13.02%, compared to 12.76% in 2015. The highest ratios were that of IBL Bank (19.03%), Creditbank (17.39%) and BLOM Bank (17.15%).

In the recent years, banks have been implementing cost control measures to buffer the repercussions of the local and regional instabilities. As such, the cost-to-income ratio decreased from 49.86% in 2014 to 48.69% in 2015, and 47.70% in 2016. BLOM Bank ranked first with a cost-to-income ratio of 27.97%, followed by IBL (29.06%) and Lebanon and Gulf Bank (40.59%).

In light of the mentioned earlier, Alpha Banks' performance in 2016 proves the resilience of the Lebanese banking sector as a whole. Yet, a sustained economic growth and political stability in the coming period, following a potential parliamentary election, will definitely trigger further progress in the Lebanese financial sector.

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