



Some deconsolidation efforts led by a few banks and the un-even participation of the Alpha Banks in the swap operation initiated by the Central Bank could affect the comparability analysis between banks for this particular quarter; this is why we have abstained from sharing rankings and comparisons.

It is important to note that all the figures in the below report are consolidated figures, combining the banks' domestic and foreign entities.

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The Alpha Group's¹ total assets registered a sound growth in the first quarter of 2017 (Q1 2017). According to Bank Data, the Alpha Group's total assets rose by 7.51% year-on-year to \$218.78B. Domestic assets, which constitute 83% of total assets, registered a 10.62% annual upturn to \$181.95B. Meanwhile, foreign assets, representing 17% of total assets, registered a 5.59% yearly decrease to \$36.82B.

Alpha Banks' Assets			
In millions of USD	Mar-16	Mar-17	YOY
Total Assets	203,486	218,776	7.51%
of which domestic assets	164,482	181,952	10.62%
In LL	65,302	71,572	9.60%
In FC	99,180	110,380	11.29%
Foreign Assets	39,004	36,824	-5.59%

Alpha banks maintained a high level of asset quality. The ratio of gross doubtful loans in total gross loans decreased from 5.62% in the first quarter of 2016 to 5.45% in the first quarter of 2017. Accordingly, the net doubtful loans to gross loans ratio dropped from 1.48% to 1.44% over the same above mentioned period.

The growth in total loans to customers eased on account of lower lending in foreign entities. While total loans grew by an annual 8.46% by March 2016, they only grew by 0.7% by March 2017 to \$64.67B. In fact, the value of loans granted by foreign entities dropped by a yearly 4.44% to \$18.89B by March 2017 on account of tough operating conditions in the foreign countries where Alpha banks are present. This drop is also partially due to some deconsolidation efforts; BLOM Bank deconsolidated entities in Syria for the year 2016, Byblos Bank deconsolidated its subsidiaries in Syria and Sudan effective as of 31 December 2016, Credit Bank deconsolidated with Anelik CJSC Armenia and Bank Audi wrote off investments in Syria and Sudan in December 2016.

Alpha Banks' Loans to Customers			
In millions of USD	Mar-16	Mar-17	YOY
Total Loans	64,222	64,672	0.70%
of which domestic	44,459	45,786	2.98%
in LL	11,721	13,366	14.03%
in FC	32,738	32,420	-0.97%
of which foreign loans	19,763	18,886	-4.44%

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

Deposits maintained their healthy growth in Q1 2017. Total customers' deposits at Alpha Banks grew by an annual 5.35% to reach \$176.20B, faster than the 4.28% growth rate registered in the same period in 2016. Domestic deposits, which represented 85% of total deposits, increased by 8.26% to reach \$149.63B by Q1 2017. The domestic deposits are mostly made up of foreign currency deposits which rose by 10.96% on an annual basis to reach \$96.79B while local currency deposits edged up by a yearly 3.65% to \$52.84B. Deposits in foreign entities also decreased by 8.53% year-on-year to \$26.57B, which could also partially be due to the deconsolidation activity of some banks.

Alpha Banks' Customer Deposits			
In millions of USD	Mar-16	Mar-17	YOY
Total Customer Deposits	167,255	176,198	5.35%
of which domestic	138,203	149,625	8.26%
in LL	50,977	52,837	3.65%
in FC	87,226	96,788	10.96%
of which foreign deposits	29,052	26,573	-8.53%

Since the growth in deposits outpaced the growth in loans, the Loans to Deposits ratio declined. According to the Alpha report, the loans to deposits ratio fell from 38.40% by March 2016 to 36.7% by March 2017. Since the Lebanese economy is highly dollarized, the loans to deposits ratio in LBP is lower than the loans to deposits ratio in FC. The LBP loans to deposits ratio rose from 22.99% by March 2016 to 25.3% by March 2017 while the FC loans to deposits ratio decreased from 45.15% by March 2016 to 41.59% by March 2017.

The effect of the swap operation undertaken by the Lebanese banks and the Central Bank can be seen in many accounts on the Alpha Banks' Q1 2017 report. According to the Central Bank's Circular #446, Lebanese banks ought to, among other things, use the surplus resulting from financial operations to meet provisioning requirements in LBP. Accordingly, the provisions for risks and charges almost doubled from \$674.56M by March 2016 to \$1.29B by March 2017. Since the swap operation also entailed that Lebanese banks purchase Eurobonds from the Central Bank and deposit foreign currencies at the Central Bank, Cash and Balances with the Central Bank surged by an annual 25% to \$58.01B by March 2017.

The deconsolidation activity was also reflected in the decline of number of branches abroad. The total number of Alpha banks branches decreased from 1,243 in March 2016 to 1,192 in March 2017. In fact, between March 2016 and March 2017, the number of domestic branches rose from 815 to 834 while the number of foreign branches dropped from 428 to 358.

The Alpha Banks' profits grew at a slower rate in Q1 2017. According to the Alpha report, the banks' profits rose by an annual 1.7% to \$518.5M in Q1 2017 compared to a much faster annual growth rate of 6.5% in Q1 2016. In Q1 2017, total operating income dropped by an annual 5.8% to \$1.37B on account of lower gains on financial assets. Meanwhile, operating expenses declined with staff expenses, accounting for 57% of total operating expenses, dropping by 1.55% year-on-year to \$399.53M. The staff expenses dropped also on account of the deconsolidation activity of some Alpha Banks.

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