BANKDATA

Beta Group Overview | Q4-2013

Beta banks report a strong lending growth and a corollary rise in earning power

The Beta Report, outlining the performance and positioning of 12 banks in Lebanon with deposits between US$ 500 million and US$ 2 billion, was issued by Bankdata Financial Services for the full-year 2013.

According to the report, Beta banks have seen a satisfactory activity growth of 7.8% in 2013, accounted for by domestic activity which grew by 8.8%. The growth in domestic activity was in turn mainly accounted for by the LL side which grew by 12.2% while the foreign currency activity rose by 7.0%. The more significant growth in LL deposits compared to FX deposits (12.9% and 8.7% respectively) lead to a drop in domestic deposit dollarization from 68.0% in 2012 to 67.2% in 2013, though it remains higher than the deposit dollarization of the sector at large.

The important growth area was that tied to lending as domestic activity grew by 17.9%, driven mainly by the LP side which rose by 42.5% while foreign currency lending rose by 12.4%. Although Beta banks loans to deposits corollarily increased from 40.0% in 2012 to 43.3% in 2013, the banks remain highly liquid with a net primary liquidity ratio of 24.7% of total deposits (net primary liquidity in foreign currency as a percentage of foreign currency deposits of 33.3% in 2013). In parallel, their sovereign exposure to the State in foreign currency, or the ratio of their holdings of Lebanese sovereign Eurobonds as a percentage of foreign currency deposits has reached 16.1% in 2013 (16.9% in 2012).

The growth in activity of Beta banks was registered on the back of an increase in their number of branches by 4 to reach a network size of 175 branches and an increase in their number of staff employed by 130 employees to reach a staff count of 3,272 employees. The increase in the activity base has outpaced the increase in network size and staff count, with average footings per staff growing from LL 7.1 billion to LL 7.5 billion and the average footings per branch increasing from LL 132.0 billion to LL 139.6 billion. Within the context of a rising efficiency across Beta banks as outlined by a decline in their cost to income ratio from 65.7% to 62.6%, the total income per staff has risen from LL 158 million to LL 176 million.

The analysis of the profitability of Beta banks shows that these banks considerably reinforced their profit positions over the past year. Net profits grew by 20.6% in 2013, reinforcing return ratios at large. The return on average assets rose from 0.65% in 2012 0.72% in 2013, while the return on average equity increased from 8.04% to 8.64% (8.80% return on average common equity). The increase in return ratios comes within the context of an improvement in asset utilization from 2.44% in 2012 to 2.55% in 2013 along with an improvement in the net operating margin from 26.65% to 28.16%.

Last but not least, Beta banks have witnessed an improvement in asset quality in 2013. The ratio of gross doubtful loans as a percentage of gross loans decreased from 7.55% in December 2012 to 7.17% in December 2013. When adding substandard loans, the ratio improves from 8.97% in 2012 to 8.82% in 2013. The loan portfolio remains well provisioned and collateralized, with a ratio of loan loss provisions of 85.79% of doubtful loans, notwithstanding collective provisions which represented 0.42% of net loans in 2013.

