

Relative slowdown in consolidated activity growth of Alpha banks in 2015

The Alpha Report, outlining the performance and positioning of the first 14 banks in Lebanon with deposits exceeding US\$ 2 billion, was issued by Bankdata Financial Services for the full-year 2015.

Alpha banks witnessed a slowdown in activity growth in 2015, though the latter remains at acceptable levels. As a matter of fact, the consolidated assets of Alpha banks reached US\$ 203.8 billion at year-end, growing by 4.8% between December 2014 and December 2015, compared to a 10.3% growth in 2014 and 10.1% in 2013. In particular, foreign assets reported a slow growth of 3.3% in 2015, impacted by the depreciation of currencies in emerging markets relative to the US\$, particularly those of the countries of presence of Lebanese banks abroad.

Customer deposits, which represent 82.6% of assets, reached US\$ 168.3 billion with a modest growth rate of 4.6% in 2015 compared to 9.4% in 2014 and 9.9% in 2013. Domestic deposits grew by 5.2% while foreign deposits grew by 1.7%. However, the growth in domestic deposits remains yet sufficient to finance the domestic economy in its private and public components. In parallel, loans to customers reached US\$ 63.7 billion with a growth of 5.7%, while domestic loans to the private sector grew by 7.0% in 2015, supported by the stimulus package of the Central Bank for the third consecutive year.

Alpha banks maintained their highly liquid status in 2015. Their net primary liquidity as a percentage of deposits registered 31.45% at end-December 2015, with the primary liquidity ratio in foreign currency registering 37.23% while the primary liquidity ratio in Lebanese Pounds reported 17.95% at year-end 2015. It is yet worth mentioning that the breakdown of liquidity suggests a decline in liquidity in foreign banks, which reported 8.49% of assets while liquidity at the Central Bank reported 22.88% of assets at year-end 2015.

At the asset quality level, the year 2015 witnessed a further improvement in lending quality. The ratio of gross doubtful loans to total gross loans decreased from 5.77% in December 2014 (6.45% when adding substandard loans) to 5.41% in December 2015 (6.14% when adding substandard loans). Within the context of a provisioning ratio of 75.06% of doubtful loans, the ratio of net doubtful loans to gross loans was maintained at a low of 1.35% (1.92% when adding substandard loans). In parallel, collective provisions to net loans rose from 1.04% in December 2014 to 1.15% in December 2015.

At the profitability level, net profits managed to rise by 8.6% in 2015, with a growth of 6.2% for domestic profits, stabilizing return ratios. The return on average assets was maintained at 1.02% and the return on average equity was maintained at 11.50% (12.82% for the return on average common equity) within the context of a relative decline in leverage from 11.42 to 11.25 times.

The components of return ratios suggest that the spread maintained its level of 1.90% (1.99% in LL and 1.86% in FC). Stable interest spreads were coupled with a slightly declining non-interest income to average assets ratio, from 0.97% to 0.95%, to generate a stable asset utilization of 2.86%. In parallel, an improvement in net operating margin was reported in 2015, moving from 35.30% to 35.81%. Such an improvement was driven by a decline in cost to income ratios from 49.86% to 48.65%, despite a rise in credit cost from 6.96% to 7.49%. Finally, the drop in cost to income ratios reflects efficiency enhancement efforts on behalf of Alpha banks in a period of tough operating conditions in Lebanon and major countries of presence.