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BEIRUT: Lebanon's 15 largest banks in terms of assets and deposits saw their net profits rise by 6 percent to \$2.4 billion in 2017, according to Bankdata Financial Services for full-year 2017. "A rise in Alpha banks' net profits was recorded in 2017 to reach \$2.4 billion, growing by 6 percent year-on-year, with domestic profits managing to achieve a noticeable 28.7 percent growth over the year," the report said.

The report further added that 2017 was a year of modest growth for the Lebanese banking sector, due to the resignation of Prime Minister Saad Hariri in November last year.

Hariri rescinded his resignation on Dec. 5.

It added that the resignation had generated some outflows, although limited in volume, from the domestic banking system, before these returned to normality from the beginning of December.

"In fact, Alpha banks' consolidated customer deposits grew by 3.5 percent during the year.

"Their domestic deposits grew by 4.8 percent and their foreign entities deposits contracted by 4.3 percent," the report said.

The report added that the return on average assets stabilized at 1.06 percent in 2017, while the return on average common equity dropped from 12.81 percent to 12.57 percent, below the cost of equity of Alpha banks.

"The components of return ratios suggest that Lebanese pound spread rose by 26 basis points moving from 1.88 percent to 2.14 percent, foreign currency spread declined by 15 bps moving from 1.95 percent to 1.80 percent, coupled with a decline in the ratio of noninterest income to average assets from 1.67 percent to 1 percent, all generating a retreat in asset utilization from 3.6 percent to 2.91 percent," the report said.

It noted that lending activity growth in 2017 was relatively small.

"At the level of lending activity, consolidated loans witnessed a 1.7 percent growth in full-year 2017, while domestic loans achieved a larger growth of 6.1 percent, marking a higher volume growth than the year 2016. This reflects the continuous BDL support through subsidized lending programs. In this respect, domestic figures show a 13.7 percent increase in Lebanese pound loans along with a 3.2 percent rise in foreign currency loans," the report explained.

Bankdata Financial Services said that Lebanon's financial standings remained strong despite the challenges faced by the banking sector.

"The Alpha banks' growth performance was coupled with good financial standing which continued to bear witness to a strong financial soundness in the realms of liquidity, asset quality, capitalization and profitability. At the level of liquidity, net primary liquidity placed with the Central Bank and foreign banks represented 41.44 percent of customer deposits as at end-December 2017, up from 36.42 percent at end-December 2016, a high level when compared to regional and global averages," the report said.

But many bankers fear that the profits in 2018 may be below the 2017 and 2016 levels following the introduction of new taxes that took effect at the beginning of this year.