

The Financial Results of the Three Largest Lebanese Banks in 2013



**BLOMINVEST
BANK**

Sustainable Growth in balance sheets despite difficult operating environment

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Contact Information

	Profits (in \$M)	Return on Average Equity (ROAE %)	Return on Average Assets (ROAA %)	Cost to Income (%)
BLOM Bank	353	16.75	1.38	37.8
Audi Bank	305	12.60	0.90	56.5
Byblos Bank	157	10.77	0.89	48.1

Source: Companies Data

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The banking sector continued to put in a strong performance during 2013 despite the slowdown of economic growth in Lebanon and the instability in countries where Lebanese banks are present. Although BLOM Lebanon PMI showed a contraction of private sector's economic activity in the second half of the year, the three largest Lebanese banks succeeded in increasing their loans portfolios and their deposits, while maintaining high level of profits. This performance was reflected through the un-audited 2013 financial results of the three largest banks, BLOM Bank, Audi Bank and Byblos Bank, as their consolidated profits recorded \$815 million despite having taken large amounts of net provisions to face any deterioration in the credit and investment conditions.

In this context, BLOM bank ranked at the top regarding profits and was the only one among the three largest banks to have registered an increase (5%) in net income that hit \$353 million in 2013. Audi Bank came second with a decline of 15% of profits to \$305 million, while Byblos came third with a profit level of \$157 million, an annual decline of 6% on 2012.

BLOM bank will maintain its top rank when comparing the three banks' performance through the profitability ratios which measure the efficiency in generating earnings from the use of capital and assets. Based on these indicators, BLOM Bank came first with a return on average equity (ROAE) of 16.75% and a return on average assets (ROAA) of 1.38%, whereas Audi Bank came second with an ROAE of 12.60% and an ROAA of 0.9%, while Byblos scored 10.77% and 0.89% for the same respective ratios. BLOM's superior results are attributed to its efficiency in realizing revenues and its effectiveness in controlling operational costs compared to other banks. In fact, BLOM's cost to income ratio (after including credit losses) recorded 37.8% while Audi and Byblos banks posted 56.5% and 48.1% respectively.

Balance sheets' accounts for each of the three large banks were generally characterized by a strong and balanced growth. Regarding Audi bank, the reported assets increased by 15.36% yoy to \$36.12 billion, and loans registered a surge by 43.18% to \$14.6 billion. The noticeable increase in Audi's balance sheets is primarily credited to its activities in Turkey, where 2013 is the first full year of activity in this market. Regarding BLOM Bank, it also persisted in its strong organic and balanced growth with total reported assets increasing by 4.4% to \$26.15 billion and the loans portfolio growing 5.23% to \$6.33 billion. As for Byblos bank, its balance sheet witnessed strong growth as total assets increased 8.65% to \$18.49 billion, loans rose 9.52% to \$4.5 billion.

All three banks managed to increase their shareholders' equity with BLOM bank's shareholders' equity adding 7.66% to \$2.35 billion, while that of Audi and Byblos added 1% and 0.73% to reach \$2.7 billion and \$1.7 billion respectively.

There is no doubt that 2013 was a challenging year for Lebanon in matter of political as well as security instability, which in turn, impacted the economic performance. However Lebanese banks were able to cope with the situation while maintaining good results. This was due to their conservative and flexible approach of dealing with

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the economic and political setbacks in Lebanon and the region, especially that these results come in conjunction with sound financial ratios relating to capital adequacy, liquidity and doubtful loans coverage.

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