



Sustainability in Growth and Profit despite Difficult Operating Conditions

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	Profit(in \$m)	ROAE (%)	ROAA(%)	Cost-to-Income (%)
BLOM	365.37	15.80	1.35	38.93
Audi	350.33	13.60	0.90	56.69
Byblos	175.72	11.35	0.94	45.90

The un-audited financial results for the three largest Lebanese banks (BLOM, Audi, and Byblos) for 2014 show that they have maintained their growth and profit rise, despite difficult operating conditions resulting from the political and economic turmoil locally and in neighboring countries. Aggregate profit increased to \$891.42 million, growing by 9.57% over 2013. This increase in profit was obtained as a result of the increase in profit of the banks' units outside Lebanon. Aggregate profit was also attained after sizable provisions were taken by the three banks against any deterioration in credit quality. The distribution of net provisions was as follows: \$137.32 million by Bank Audi, \$41.18 million by BLOM bank, and \$28.19 million by Byblos bank.

On an individual basis, BLOM bank reported the highest profit of \$365.37million, growing by 3.67% over 2013. Bank Audi came second, growing its profit by 15.03% to reach \$350.33 million; while Byblos Bank's profit ranked third, growing by 12.51% to \$175.72 million. These increases in profit for the three banks were driven by good increases in commissions and interest income, as marked by notable increases in net commissions for Bank Audi at 32.15% and for BLOM bank at 18.23% and increases in net interest income for Byblos bank at 6.45%.

The profit performance of the three banks can also be seen from looking at profitability ratios, namely the rate of return on average equity (ROAE) and on average assets (ROAA), which measure the productivity to generate earnings from equity and assets. BLOM Bank recorded the highest ROAE at 15.8% and the highest ROAA at 1.35%. The two other banks followed, with Bank Audi's ROAE at 13.6% and ROAA at 0.9%, and Byblos bank's ROAE at 11.35% and ROAA at 0.94%. BLOM bank's high profitability ratios can be attributed to its superior managerial and operational efficiency. This is demonstrated by BLOM bank's cost-to-income ratio of 38.93%, the lowest of all three, followed by 45.9% for Byblos Bank and 56.69% for Bank Audi.

Growth was not limited to profit only, since the three banks registered notable and balanced increases in all key balance sheet items. As for Audi, its assets grew by 15.93% to \$41.96 billion, with its loan portfolio increasing by 16.49% to \$17.18 billion, while its shareholder's equity increased by 23.99% to \$3.34 billion. This marked increase in Bank Audi's balance sheet aggregates is due to its expansion into the Turkish market which commenced in Fall 2012. BLOM reported \$27.98 billion in assets, growing by 7%, while its loan portfolio grew by 8.88% to \$6.91 billion and its shareholder's equity went up by 7.46% to \$2.52 billion. Assets at Byblos reached \$19.04 billion, growing at 2.98%, while its loan portfolio increased by 4.85% to \$4.73 billion, and its shareholder's equity rose to \$1.69 billion at a rate of 2.33%.

In fact, the three banks' notable performance was not restricted to growth in profit and the balance sheet, but it also involved very sound banking fundamentals. In this respect, for all three banks, net non-performing loans ratios did not exceed 1.6%, capital adequacy ratios did not go below 13.7%, and primary liquidity ratios did not go below 45.2% as well.

Once again, these results show the top three Lebanese banks' ability to maintain healthy growth and financial strength by pursuing conservative and cautious policies, given the exceptional circumstances facing them. As a result, they reiterate the Lebanese banking sector's position as the leading financial and economic pillar in the country.

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