

Flash Note

29 January 2010

Byblos Bank Q4 '09 Results
Sector: Banking
Country: Lebanon

Total assets continue to expand as deposits swell

Total assets grew by USD 2,347 mn in 2009, of which USD 539 mn were added in the 4th quarter of the year. This growth embodies a 20.9% yoy increase, translating into an asset base of USD 13,577 mn at the end of 2009, up from USD 11,230 mn at year-end 2008, beating our expectations by 7.6%

Total assets picked up triggered by a surge in customer deposits, which witnessed a healthy expansion of USD 1,922 mn, (23% growth yoy) surpassing our expectations by 7%. At these growth levels, Byblos Bank's deposit base reached USD 10,285 mn at the end of 2009.

Strong loan book expansion over the year (+14.6%), supported by a significant loan growth in Q4 '09 (+8.4%)

Bank Byblos' loan book progressed in line with our estimates and reached USD 3,196 mn by the end of 2009, just 1.6% above our expectations. Loans grew considerably over the year and were mostly driven by a dynamic lending activity during the 4th quarter of the year. In fact, loans and advances recorded a 14.6% yoy increase, translating into a significant net addition of USD 406 mn to the loan portfolio, out of which USD 247 mn were delivered in the fourth quarter.

Also, it is worth noting that interbank assets rose drastically (+ 24.3% yoy) to reach USD 2,083 mn versus Interbank liabilities of USD 1,119 mn by the end of 2009 (an increase of 9.1% yoy)

Shareholders' equity substantially up

Shareholders' equity jumped by 23.1% qoq moving from USD 1,053 mn at the end of Q3 09 to USD 1,296 mn at the end of Q4 09, notably on the back of a preferred share issuance of USD 100 mn during the 4th quarter.

Table 1: Summary Balance Sheet

| <i>USD million</i> | Q4 08 actual | Q3 09 actual | Q4 09 actual | Q4 09 FFA Est. | Act. Vs FFA Est. | QoQ change | Ytd change |
|---|-------------------------|-------------------------|-------------------------|---------------------------|-----------------------------|-----------------------|-------------------|
| Cash & Balances with BDL | 1,343 | 1,538 | 1,680 | 1,501 | 11.9% | 9.2% | 25.1% |
| Financial instruments | 5,000 | 5,808 | 6,140 | 5,572 | 10.2% | 5.7% | 22.8% |
| Due from Banks | | 2,277 | 2,083 | 1,927 | 8.1% | -8.5% | 24.3% |
| Loans & advances | 2,790 | 2,949 | 3,196 | 3,147 | 1.6% | 8.4% | 14.6% |
| Other assets | 421 | 466 | 478 | 468 | 2.1% | 2.7% | 13.5% |
| Total Assets | 11,230 | 13,038 | 13,577 | 12,615 | 7.6% | 4.1% | 20.9% |
| Due to banks and other financial institutions | 1,025 | 1,144 | 1,119 | 1,006 | 11.2% | -2.2% | 9.1% |
| Deposits | 8,363 | 9,912 | 10,285 | 9,615 | 7.0% | 3.8% | 23.0% |
| Subordinated debt | 196 | 201 | 199 | 187 | 6.4% | -0.8% | 1.3% |
| Other Liabilities | 572 | 728 | 678 | 655 | 3.5% | -6.9% | 18.6% |
| Shareholder's Equity | 1,074 | 1,053 | 1,296 | 1,152 | 12.5% | 23.1% | 20.7% |
| Total Liabilities and Shareholders' Equity | 11,230 | 13,038 | 13,577 | 12,615 | 7.6% | 4.1% | 20.9% |

Source: Byblos Bank and FFA Private Bank estimates

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Net interest income significantly on the rise despite pressures on interest spreads

Despite a narrowing spread environment and pressures on Libor, Byblos Bank has managed to increase its net interest income by 8.8% yoy, to USD 257 mn in FY 09, up from USD 236 mn in FY 08. This achievement came in line with our forecast as a result of a significant expansion in the Bank's deposit base.

Spectacular gains in trading and investment income boost non-interest income

Non-interest income slightly exceeded our expectations and reached USD 110 mn in Q4 '09, up 26.4% yoy. This was mostly the result of an outstanding surge in trading and investment income (+96.6% yoy) which reached USD 31 mn in FY 09 versus USD 16 mn generated in FY 08. This substantial growth in trading and investment income surpassed our expectations by a dazzling 36.8%. On the other hand, net fees and commissions income increased by 10.5% yoy and came in on par with our expectations to reach USD 78 mn in FY 09 which represents a USD 7 mn addition over the previous year.

Operating expenses increased 9.0% yoy, in line with our expectations

On the costs front, operating expenses reached USD 160 mn in FY 09, a 9% increase compared to FY 08 figures of USD 147 mn. Operating expenses were in line with our forecasts and the cost-to-income ratio was maintained at around 47% by year-end '09. In addition, a drastic increase in credit provisioning was reported from USD 4 mn in 2008 to USD 18 mn in 2009 while impairment on investments has declined from 25 mn in 2008 to 6 mn in 2009. Credit loss expense can still be perceived as negligible with minimal impact on profits.

Net profit on the rise, surpassing estimates

Net profit rose from USD 123 mn in 2008 to USD 146 mn in 2009, representing an impressive 18.8% yoy growth of USD 23 mn. These results are better than anticipated, beating our estimates by 6.7% and will reflect positively on the fair value estimate of the share upon its revision shortly.

Table 2: Summary Income Statement

| <i>USD million</i> | Q4 08 actual | Q4 09 actual | Q4 09 FFA Est. | Act. Vs FFA Est. | Ytd change |
|-------------------------------|-----------------|-----------------|-------------------|---------------------|------------|
| Net interest income | 236 | 257 | 254 | 1.1% | 8.8% |
| Net fees & commissions income | 71 | 78 | 79 | -0.7% | 10.5% |
| Trading and investment income | 16 | 31 | 23 | 36.8% | 96.6% |
| Non-interest income | 87 | 110 | 102 | 7.8% | 26.4% |
| Other operating income | 12 | 11 | 13 | -12.0% | -4.7% |
| Operating income | 335 | 378 | 369 | 2.5% | 12.9% |
| Operating expenses | (147) | (160) | (163) | -1.7% | 9.0% |
| Depreciation and amortization | (11) | (17) | (12) | 39.8% | 52.5% |
| Credit loss expenses | (4) | (18) | (5) | 259.3% | 349.2% |
| Provisions | (25) | (6) | (21) | -69.1% | -74.0% |
| Profit before taxes | 148 | 177 | 168 | 5.2% | 19.4% |
| Income tax expense | (25) | (31) | (31) | -1.5% | 22.1% |
| Net profit | 123 | 146 | 137 | 6.7% | 18.8% |

Source: Byblos Bank and FFA Private Bank estimates

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