

**Flash Note**

 5<sup>th</sup> of May 2010

**Byblos Bank Q1 '10 Results**
**Sector:** Banking

**Country:** Lebanon

**Substantial qoq increase in deposits and assets of 9% and 6% respectively**  
 Byblos Bank's deposit base reached USD 11,166 mn by the end of Q1 10, following a 9% qoq increase, suggesting that the Bank's performance in terms of attracting additional customer deposits has remained robust over the first three months of 2010. Total assets grew by 6% over Q1 10 and amounted to USD 14,367 mn by the end of the quarter. More generally, Byblos Bank managed to expand its deposit base and its assets by a respective 28% and 24% yoy.

**Sustained lending activity over Q1 2009, in line with the yoy growth**

Following a substantial 23% yoy increase, Byblos Bank's lending activity has remained solid over Q1 10, as evidenced by a 6% qoq growth. At this growth level, the Bank's loan portfolio reached USD 3,400 mn by the end of March 2010, up from USD 3,197 mn at year-end 2009. On the back of a higher growth in deposits compared to the growth in loans, the loans-to-deposits ratio gradually declined to 30.4% in Q1 10 down from 31.5% and 31.1% in Q1 09 and Q4 09 respectively, implying higher liquidity levels. On another front and despite a robust loan portfolio growth, Byblos Bank's asset quality indicators further improved as witnessed by the NPL ratio gradually declining from 3.2% in Q1 09 to 2.3% in Q1 10; along with a provision coverage ratio standing at 130% as of Q1 2010.

**Slight retreat in the net interest income qoq, while non-interest income maintained its solid growth**

Byblos Bank's net interest income stream amounted to USD 64 mn in Q1 10, 4% higher yoy. However, it should be noted that the figure retreated on a quarterly basis (-11%) on the back of the Bank's strategy to reduce its exposure to Lebanese government papers, which translated into pressures on the interest spreads. On the other hand, non-interest income was up 22% qoq and 37% yoy, a growth that was mainly triggered by an important surge in the trading and investment income. In Q1 2010, Byblos Bank's non-interest income amounted to USD 37 mn, with a 45% contribution from trading and investment income.

**Decreasing cost-efficiency in Q1 2010 as a result of higher operating expenses**

Operating expenses reached USD 50 mn in Q1 2010, up from USD 36 mn in Q4 09, reflecting a 39% qoq increase. This surge is due to over budgeting in Q1 2010 and is expected to decrease in further quarters. In parallel, the cost-to-income ratio increased from 46.8% for the full year 2009 to 54.4% in Q1 2010 as costs' growth came noticeably higher than the growth in operating income.

**Byblos Bank's bottom line up 24% yoy, however down 16% qoq on the back of higher operating expenses and pressures on the net interest income**

Byblos Bank generated USD 31 mn in net profit over Q1 2010. At this level, the net profit came noticeably higher on a yearly basis (+24%). However, it is worth noting that the figure was USD 19 mn lower compared to Q4 09. This downside can be interpreted by a substantial increase in operating expenses over Q1 2010, along with a pressure on spreads that lead to a retreat in the net interest income. It should be noted that the Bank recently distributed dividends for 2009 of LBP 200 per share for holders of common shares; and is in the process of increasing capital by USD 250 mn through a rights issue of 3 shares to 1 right.

**Summary Balance Sheet**

<i>USD million</i>	<b>Q1 09</b>	<b>Q4 09</b>	<b>Q1 10</b>	<b>qoq %</b>	<b>yoy %</b>
Cash & Balances with BDL	1,464	1,681	1,776	6%	21%
Financial Assets	5,218	6,141	6,265	2%	20%
Due from Banks	1,788	2,085	2,440	17%	36%
Loans & advances	2,754	3,197	3,400	6%	23%
Other assets	394	473	485	3%	23%
<b>Total Assets</b>	<b>11,617</b>	<b>13,576</b>	<b>14,367</b>	<b>6%</b>	<b>24%</b>
Due to banks and other financial institutions	895	1,119	974	-13%	9%
Deposits	8,748	10,286	11,166	9%	28%
Other Liabilities	200	199	203	2%	1%
Subordinated debt	669	676	702	4%	5%
Shareholder's Equity	1,105	1,295	1,323	2%	20%
<b>Total Liabilities and Shareholder's Equity</b>	<b>11,617</b>	<b>13,576</b>	<b>14,367</b>	<b>6%</b>	<b>24%</b>

**Summary Income Statement**

<i>USD million</i>	<b>Q1 09</b>	<b>Q4 09</b>	<b>Q1 10</b>	<b>qoq %</b>	<b>yoy %</b>
<b>Net interest income</b>	<b>62</b>	<b>72</b>	<b>64</b>	<b>-11%</b>	<b>4%</b>
Net fees & commissions income	20	21	20	-5%	1%
Trading and investment income	7	9	17	85%	138%
<b>Non-interest income</b>	<b>27</b>	<b>30</b>	<b>37</b>	<b>22%</b>	<b>37%</b>
Other operating income	1	9	2	-77%	63%
<b>Operating income</b>	<b>90</b>	<b>111</b>	<b>103</b>	<b>-7%</b>	<b>15%</b>
Operating expenses	(42)	(36)	(50)	39%	19%
Depreciation and amortization	(4)	(5)	(6)	33%	50%
Credit loss expenses	(4)	(7)	(6)	-11%	43%
Provisions	(6)	(5)	(1)	-79%	-84%
<b>Profit before taxes</b>	<b>33</b>	<b>59</b>	<b>41</b>	<b>-31%</b>	<b>23%</b>
Income tax expense	(8)	(9)	(10)	10%	19%
<b>Net profit</b>	<b>25</b>	<b>50</b>	<b>31</b>	<b>-38%</b>	<b>24%</b>

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