

Flash Note

4 Nov 2009

Byblos Bank Q3 '09 Results

Sector: Banking
Country: Lebanon

Customer deposits and total assets growth above expectations

At the end of Q3 09, Byblos Bank's deposit base reached USD 9,912 mn, which implies a 6.1% qoq increase and an 18.5% ytd increase. Growth of deposits already surpassed our expectations for 2009 by USD 297 mn. Given the strong growth in the Bank's balance sheet, we can assume that Byblos Bank will witness a surge in its earnings when Libor regains momentum and downward pressures on interest spreads ease.

Loans-to-deposits ratio declines

In parallel to the rapid expansion in the deposit base, loans and advances witnessed a more reticent but decent growth, reaching USD 2,949 mn by the end of Q3 09, up 3% qoq and 5.7% on an ytd basis. Byblos Bank's loans-to-deposits ratio declined as reflected by the ratio moving from 33.4% at year-end 2008 to 29.8% in Q3 09.

Byblos' inter-bank assets up strongly

Byblos' inter-bank assets increased sharply during the first three quarters of 2009 (+ 35.9%), while peers' inter-bank assets remained almost flat over the same period (+ 2.4% for Bank Audi and + 1.7% for Blom Bank) implying a different strategy adopted with respect to deposit placements.

Net interest income up

Over the first three quarters of 2009, Byblos Bank managed to increase its net interest income by 10.6% yoy, while the figure remained flat for Bank Audi (-0.2% yoy) and increased slightly for Blom Bank (+ 3.2% yoy).

Trading and investment income surge of 58.2% yoy, positively impacting non-interest income

As a result of improved market conditions, trading and investment income reached USD 57 mn, which implies a 58.2% yoy growth. This led to a substantial increase in the non-interest income (+17.9% yoy).

Bottom line up 21.3% yoy on the back of substantial top line growth

Byblos Bank's net profit registered a 21.3% yoy growth, the highest among its peers. This was mainly driven by substantial top line figure growth despite an 8.2% yoy growth in operating expenses.

Conclusion

Byblos Bank has witnessed a substantial growth in both interest and non-interest income. We expect our net profit target of USD 137 mn for 2009 to be reached or exceeded and our fair value estimate of USD 2.47 per share to be revised following year end results.

Contacts:

Head of Research and Advisory: Marwan Salem
m.salem@ffapivatebank.com
+961 1 985 195

Analyst: Raya Freyha
r.freyha@ffapivatebank.com
+961 1 985 195

Sales and Trading, FFA Private Bank (Beirut)
+961 1 985 225

Sales and Trading, FFA Dubai Ltd (DIFC)
+ 971 4 3230300

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Summary Balance Sheet

<i>USD million</i>	Q4 08	Q2 09	Q3 09	q-o-q%	Ytd%
Cash & Balances with BDL	1,343	1,410	1,538	9.1%	14.6%
Financial instruments	5,000	5,424	5,808	7.1%	16.2%
Due from banks	1,676	2165	2,277	5.2%	35.9%
Loans & advances	2,790	2,864	2,949	3.0%	5.7%
Other assets	422	437	466	6.5%	10.4%
Total Assets	11,230	12,300	13,038	6.0%	16.1%
Due to banks	1,025	955	1,144	19.8%	11.5%
Deposits	8,363	9,344	9,912	6.1%	18.5%
Subordinated debt	196	199	201	0.8%	2.1%
Other liabilities	572	811	728	-10.2%	27.4%
Shareholder's equity	1,074	991	1,053	6.2%	-1.9%
Total Liabilities and Equity	11,230	12,300	13,038	6.0%	16.1%

Summary Income Statement

<i>USD million</i>	Q3 08	Q3 09	y-o-y %
Net interest income	167	184	10.6%
Net fees & commissions income	54	57	7.3%
Trading and investment income	14	22	58.2%
Non-interest income	68	80	17.9%
Other operating income	2	3	33.5%
Operating income	237	267	12.9%
Operating expenses	(115)	(124)	8.2%
Depreciation and amortization	(10)	(12)	26.0%
Credit loss expenses	(11)	(11)	1.1%
Provisions	(3)	(2)	-39.4%
Profit before taxes	98	117	20.1%
Income tax expense	(19)	(21)	14.7%
Net profit	79	96	21.3%