

Flash Note

August 4, 2010

Byblos Bank H1 '10 Results

Sector: Banking
Country: Lebanon

Despite a slow down in Q2 2010, assets and deposits' growth remained robust on an ytd basis

In Q2 2010, Byblos Bank reported a moderate growth in its assets as witnessed by a 1.7% increase from Q1 2010 as a direct result of a deceleration in its deposits' growth (+0.2% qoq). However, it is worth mentioning that both indicators grew robustly on an ytd basis with the bulk of growth originated from the first quarter of 2010. From USD 10,286 mn at the end of 2009, Byblos Bank's deposit base reached USD 11,193 mn at the end of H1 2010 implying a 9% ytd growth rate. Simultaneously, the Bank reported an 8% growth in its asset base over the same period; which translated into total assets moving from USD 13,576 mn at year-end 2009 to USD 14,609 mn at the end of H1 2010.

Summary Balance Sheet

USD million	Q4 09	Q1 10	Q2 10	ytd%	qoq%
Cash and balances with BDL	1,681	1,776	1,676	0%	-6%
Financial assets	6,141	6,265	6,577	7%	5%
Due from banks	2,085	2,440	2,383	14%	-2%
Loans&advances	3,197	3,400	3,480	9%	2%
Other assets	473	485	493	4%	2%
Total assets	13,576	14,367	14,609	8%	2%
Due to banks&other financial institutions	1,119	974	992	-11%	2%
Deposits	10,286	11,166	11,193	9%	0%
Other liabilities	676	702	690	2%	-2%
Subordinated debt	199	203	199	0%	-2%
Shareholders' equity	1,295	1,323	1,536	19%	16%
Total liabilities&shareholders' equity	13,576	14,367	14,609	8%	2%

Loans and advances up by 2% qoq and 9% ytd

At the end of H1 2010, figures reveal that Byblos Bank managed to increase its loan portfolio by 9% over the first half of 2010, translating into a USD 283 mn addition relative to the end of 2009. At this growth level, loans and advances totaled USD 3,480 mn by the end of H1 2010 up from USD 3,197 in Q4 2009. As for the quarterly progression, it reveals that Q2 2010 added USD 80 mn to the loan portfolio, equivalent to a 2% qoq growth rate, which highlights that Byblos Bank's lending growth slightly decelerated in Q2 2010 relative to Q1 2010. The loans-to-deposits ratio, an essential liquidity indicator, stood at 31.1% in Q2 2010 which suggests that it has remained unchanged relative to the end of 2009. However, a slight increase in the ratio has been reported relative to 30.4% in Q1 2010 as loans grew slightly faster than deposits over the last quarter. Also, Byblos Bank is witnessing a further improvement in the asset quality of its loan portfolio despite the later's substantial expansion. In this regard, it should be noted that Byblos Bank exhibited a NPL ratio of 2.21% in H1 2010 against 2.3% in Q1 2010, along with a provision coverage ratio of 136.2%.

Net interest income substantially up yoy and qoq

Triggered by a significant reduction in the cost of funding and the consequent easing pressures on interest spreads, Byblos Bank has been signing a significant growth in its net interest income since the beginning of 2010. The latter totaled USD 133 mn for the first half of 2010, up by 10% from the USD 121 mn generated in the first half of 2009. As for the quarterly progression of the net interest income, it reflects a robust pick-up as the figure amounted to USD 69 mn in Q2 2010, up by 7% from USD 64 mn in Q1 2010.

Summary Income Statement

USD million	H1 09	Q1 10	H1 10	qoq %	yoy %
Net interest income	121	64	133	7%	10%
Net fees & commissions income	37	20	41	6%	11%
Trading and investment income	16	17	26	-48%	66%
Non-interest income	53	37	68	-19%	27%
Other operating income	3	2	4	-14%	41%
Operating income	177	104	204	-2%	16%
Operating expenses	(81)	(50)	(96)	-8%	17%
Depreciation and amortization	(8)	(6)	(11)	0%	38%
Credit loss expenses	(8)	(6)	(9)	-41%	14%
Impairment losses on financial investments, net	(3)	(1)	(0)	-168%	-92%
Profit before taxes	77	42	88	12%	15%
Income tax expense	(14)	(10)	(16)	-44%	18%
Net profit	63	31	72	30%	15%

Non-interest income at USD 68 mn in H1 10, up by 27% relative to H1 09

Net fees and commissions income, the non-interest income major component, reported a solid progression both on a yearly and on a quarterly basis. (+11% and +6% respectively). While the trading and investment income expanded by 66% in the first half of 2010 relative to the same period of previous year, it retreated by 48% in Q2 2010 relative to Q1 2010. More generally, Byblos Bank generated USD 68 mn in non-interest income over the first half of 2010, up by 27% from USD 53 mn in the first half of 2009 and the breakdown of revenues highlights a rising contribution of the non-interest income to the Bank's operating income: from 30.1% in H1 2009 to 33.2% in H1 2010.

Cost-efficiency level improved qoq, yet lower yoy

Over H1 2010, the growth in operating expenses surpassed the one in operating income which translated into an increase in Byblos Bank's cost-to-income ratio from 50.6% in H1 2009 to 52.2% in H1 2010. Nonetheless, it should be noted that operating expenses were contained during Q2 2010 (-8% qoq).

Byblos Bank's bottom line up 15% qoq and 30% qoq

Byblos Bank generated USD 41 mn in net earnings in Q2 2010, up by 30% from USD 31 mn in Q1 2010. This strong qoq performance was mainly spurred by a containment in operating expenses over Q2 2010. On a broader level, it is worth mentioning that the Bank's net profit totaled USD 72 mn over the first six months of 2010 up by 15% relative to the same period of 2009.

Contacts:

Disclaimer:

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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