

Flash Note

 5th of May 2010

Bank Audi Q1 '10 Results

Sector: Banking
Country: Lebanon

Strong yoy growth in deposits, yet almost flat qoq

Bank Audi's deposits' growth was dynamic yoy as witnessed by a 32% surge, which translated into total assets growing 30% yoy. Over the first three months of 2010, deposits and assets growth decelerated: while Bank Audi's deposit base registered a 1% growth, moving from USD 22,985 mn at the end of 2009 to USD 23,222 mn in Q1 10, the asset base reached USD 26,830 mn by the end of Q1 10, up from USD 26,486 mn at year-end 2009.

Increased lending over Q1 2009

Contrasting with the moderate growth in deposits qoq, the loan portfolio's growth was strong over Q1 2010. Loans and advances reached USD 7,540 in Q1 2010, up from USD 6,747 mn at the end of 2009 and 6,030 at Q1 2009, highlighting a progression of 12% qoq and 25% yoy. Consequently, the loans-to-deposits ratio, which stood at 28.9% in Q4 09, increased to 32% in Q1 10, maintaining a primary liquidity of 51.4%. With regard to the asset quality, it is worth noting that Bank Audi held a NPL ratio of 2.95% in Q1 2010, reflecting sound asset quality, while provisioning coverage stood at 95.8%.

Healthy growth in net interest income while trading and investment income continue to boost non-interest income

Bank Audi's net interest income stream amounted to USD 108 mn in Q1 10, up 5% qoq, 13% yoy and contributed 53% to operating income. On the other hand, non-interest income demonstrated a strong performance yoy (+72%), despite a 6% retreat over Q1 2010 as compared to Q4 2009. Taking a closer look at the non-interest income's components, it is notable that revenues from fees and commissions have increased yoy (+31%) but retreated qoq (-21%), while trading and investment income have remarkably picked up as demonstrated by a 13% and a 140% surge on a quarterly and annual basis, respectively.

Cost-efficiency improved as operating income's growth surpassed costs' growth

Bank Audi managed to contain its costs' growth, as evidenced by a minor increase in operating expenses as compared to Q1 09 (+8%) and further sustained by an 11% retreat over Q4 09 figures. Ultimately, this translated into the cost-to-income ratio decreasing from 49% in Q4 09 to 46% in Q1 10, suggesting a remarkable improvement in the Bank's cost efficiency.

Bank Audi's bottom line up 6% qoq and 31% yoy

Bank Audi generated USD 80.2 mn in net profit over Q1 2010. With a net profit amounting to USD 61 mn and USD 76 mn in Q1 09 and Q4 09 respectively, Bank Audi's Q1 2010's net profit came 6% and 31% higher on a qoq and yoy basis respectively. This stronger performance was mainly the result of higher trading and investment income coupled with an improved cost-efficiency level. Regarding the capitalization level, Bank Audi managed to maintain its Basle II Capital Adequacy Ratio at 11.5%, with its equity reaching USD 2,246 mn.

Summary Balance Sheet

<i>USD million</i>	Q1 09	Q4 09	Q1 10	qoq %	yoy %
Cash & Balances with BDL	2,939	4,117	4,360	6%	48%
Financial Assets	7,347	9,646	10,245	6%	39%
Due from Banks	3,494	5,133	3,819	-26%	9%
Loans & advances	6,030	6,747	7,540	12%	25%
Other assets	894	843	866	3%	-3%
Total Assets	20,703	26,486	26,830	1%	30%
Due to banks and other financial institutions	366	603	642	6%	75%
Deposits	17,636	22,985	23,222	1%	32%
Other Liabilities	722	705	720	2%	0%
Shareholder's Equity	1,979	2,193	2,246	2%	13%
Total Liabilities and Shareholders' Equity	20,703	26,486	26,830	1%	30%

Summary Income Statement

<i>USD million</i>	Q1 09	Q4 09	Q1 10	qoq %	yoy %
Net interest income	96	103	108	5%	13%
Net fees & commissions income	32	53	42	-21%	31%
Trading and investment income	19	41	46	13%	140%
Non-interest income	51	93	88	-6%	72%
Other operating income	15	8	6	-30%	-60%
Operating income	162	205	202	-2%	25%
Operating expenses	(79)	(96)	(85)	-11%	8%
Depreciation and amortization	(7)	(7)	(7)	2%	12%
Net provisions for credit losses	(5)	(4)	(10)	143%	111%
Provision on impairment of financial instruments	(0)	(8)	(0)	-95%	33%
Operating profit before taxes	71	90	99	10%	39%
Share of profit of associates under equity method	0	0	0	-53%	100%
Net gain (loss) on sale or disposal of other assets	0	(1)	0	-100%	-100%
Income tax expense	(11)	(14)	(19)	39%	82%
Net profit	61	76	80	6%	31%

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