

Flash Note

 November 2nd, 2010

Byblos Bank Q3 '10 Results

Sector: Banking

Country: Lebanon

Assets and deposits growth picks up qoq in Q3 10

Byblos Bank reported 3% qoq growth in assets in Q3 10, reaching USD 15,079 mn, mainly driven by a 4% qoq growth in deposits to USD 11,590 mn after a flat 0% in Q2 10 and 9% in Q1 10 explained by a timing impact from increased shareholders' deposits during Q1 10 ahead of the USD 249 mn capital increase. More generally, assets and deposits grew 11% and 13% ytd, respectively, which we consider as healthy in a time of decelerating deposit inflows into the sector.

Loans and advances edge up 1% qoq as placements with banks increase by 15%

Since year-end 2009, the growth in uses of funds translated into an increase of 31% in placements with banks, 6% in financial assets, 7% in placements with Central Bank, and 10% in loans & advances. The substantial increase in placements with banks to USD 2,729 mn, representing 23.5% of deposits, results from the Bank's accumulation in liquidity given its "wait and see" approach amid an uncertain domestic political scene and assessment of potentially more attractively yielding securities. In Q3 10, the Bank saw its loans-to-deposits ratio drop to 30.4% from 31.1% in Q2 10 as the loan portfolio edged up by 1% qoq to USD 3,525 mn outpaced by deposits growth. The NPLs at 2.4% of gross loans highlights a sound asset quality despite a slight increase from 2.2% in Q2 10, as the Bank boasts the highest coverage among its domestic peers at 132%.

Net interest income up 13% yoy

Driven by a growing balance sheet fueling earnings assets, and impacted by improving yet weaker net interest margins (NIM) in 9M-10, net interest income was up nearly 13% yoy to USD 208 mn, compared to USD 184 mn in the corresponding 9M-09. NIM has been improving since the beginning of 2010, with NIM of 1.90% in March, 1.94% in June, and 1.99% in September (compared to 2.15% in December 09). The similar easing of pressures on interest margin spreads during 2010 and improving yoy starting in Q3 10 is a trend also seen among the Bank's domestic banking peers.

Non-interest income reaches USD 102 mn in 9M-10, up by 28% vs. 9M-09

In 9M-10, net fees and commissions income grew 8% to USD 62 mn relative to the same period of previous year, while trading & investment income jumped by 80% to USD 40 mn; as Byblos Bank registered solid gains on financial assets (USD 28.4 mn vs. USD 1.5 mn in 9M-09) partially offset by lower trading income (USD 11.6 mn vs. USD 20.7 mn in 9M-10). Non-interest income totaled USD 102 mn, representing a growing share of total operating income (32.5% compared to 29.8% in 9M-09). Net fees & commissions income contributed 60.7% to non-interest income in 9M-10, with the balance generated from trading and investment income.

Improvement in cost efficiencies supports yoy earnings growth

Cost-to-income ratio dropped to 50.0% in 9M-10 from 51.1% in the corresponding 2009 period, as the growth in operating expenses and depreciation & amortization to USD 141 mn and USD 17 mn, respectively, was outpaced by total operating income growth reaching USD 314 mn in 9M-10. Credit costs totaled USD 11 mn in 9M-10, unchanged over the same period of the previous year given recoveries in provisions.

Byblos Bank's bottom line up by a solid 26% yoy

Up 26% compared to the same period of previous year, Byblos Bank saw its net earnings reach USD 121 mn in 9M-10 as operating income growth of 18% was complemented by improved cost-efficiencies as well as flat credit costs and lower income tax rate yoy. Diluted EPS to common ordinary shares were USD 0.17. The return on average common equity was 13.03% in the first nine months of 2010.

Summary Balance Sheet

USD million

Cash and balances with BDL	1,794	1,676	1,681	7%	7%
Financial assets	6,512	6,577	6,141	-1%	6%
Due from banks & other financial institutions	2,729	2,383	2,085	15%	31%
Loans & advances	3,525	3,480	3,197	1%	10%
Other assets	521	493	473	6%	10%
Total assets	15,079	14,609	13,576	3%	11%
Due to banks & other financial institutions	986	992	1,119	-1%	-12%
Deposits	11,590	11,193	10,286	4%	13%
Other liabilities	702	690	676	2%	4%
Subordinated debt	203	199	199	2%	2%
Shareholders' equity	1,598	1,536	1,295	4%	23%
Total liabilities and shareholders' equity	15,079	14,609	13,576	3%	11%

	Q3 10	Q2 10	Q4 09	qoq %	ytd %
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Summary Income Statement

USD million

Net interest income	208	184	13%
Net fees & commissions income	62	57	8%
Trading & investment income	40	22	80%
Non-interest income	102	80	28%
Other operating income	4	3	51%
Operating income	314	267	18%
Operating expenses	(141)	(124)	13%
Depreciation & amortization	(17)	(12)	36%
Credit loss expenses	(11)	(11)	0%
Impairment losses on financial investments, net	0	(2)	-88%
Profit before tax	146	117	24%
Income tax	(25)	(21)	17%
Net profit	121	96	26%

	Q3 10 ytd	Q3 09 ytd	yoy %
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