

Flash Note

 7th of May 2010

Blom Bank Q1 '10 Results
Sector: Banking
Country: Lebanon

Healthy balance sheet expansion yoy, however moderate qoq

Total balance sheet growth was healthy on a yearly basis as witnessed by total assets moving from USD 18,511 mn in Q1 09 to USD 21,123 mn in Q4 09, a 14% addition. On a quarterly basis, Blom Bank's balance sheet expanded by a modest 2%, which was mainly the result of a slower growth rate in its deposit base. Taking a closer look at the balance sheet components, it should be noted that deposit growth was dynamic yoy (+16%) and slowed down during Q1 2010 as evidenced by a 2% qoq growth.

Sustained lending momentum over Q1 2009 translates into an increase in the loans-to-deposits ratio

Over Q1 2010, Blom Bank managed to grow its lending activity substantially (+7%), moving total loans and advances from USD 4,021 mn in Q4 09 to USD 4,297 mn in Q1 10. The results, on a yearly basis, pinpoint that loans and advances grew by 23%, equivalent to a USD 806 mn addition to the portfolio, while asset quality improved from 3.95% in Q1 09 to 3.2% in Q1 10. As for the loans-to-deposits ratio, it slightly increased yoy and qoq to reach 23.4% in Q1 2010, up from 22.1% and 22.4% in Q1 09 and Q4 09 respectively.

Net interest income grows yoy but flat qoq while non-interest income retreats after its strong surge in FY 09

Net interest income growth was healthy yoy (+11%), yet remained flat compared to previous quarter. Looking ahead, we believe strong additions in loans will impact the net interest income stream in coming quarters. On the other hand, and following its strong surge in 2009, trading and investment income declined compared to Q4 09 (-43%) despite an addition of USD 2 mn yoy. Consequently, non-interest income retreated qoq (-24%) and amounted to USD 34 mn for Q1 2010. Nevertheless, the figure is 20% higher than Q1 09.

Operating expenses contained yoy and qoq

Operating expenses remained contained in Q1 2010 as evidenced by a moderate increase of 10% qoq and yoy. On a yearly basis, costs' expansion was notably lower than the growth in operating income (+16% yoy). Consequently, the cost-to income ratio dropped from 45% in Q1 2009 to 43% in Q1 2010, implying an improved cost-efficiency level.

Blom Bank's bottom line up 16% yoy, yet retreated 16% qoq

Blom Bank's bottom line registered a 16% growth yoy and a 16% drop qoq. Q1 2010 figures showed signs of slowing net income's growth in line with expectations, as a result of weaker trading income. With a net profit amounting to USD 74 mn in Q1 2010, Blom Bank's return ratios improved with a ROaE and a ROaA standing at a respective 18.57% and 1.41% in Q1 2010. Also, it is worth noting a dividend distribution of USD 4 per common share over fiscal year 2009.

Summary Balance Sheet

<i>USD million</i>	Q1 09	Q4 09	Q1 10	qoq %	yoy %
Cash & Balances with BDL	2,387	3,117	2,862	-8%	20%
Financial Assets	8,081	9,176	9,555	4%	18%
Due from Banks	3,985	3840	3,813	-1%	-4%
Loans & advances	3,491	4,021	4,297	7%	23%
Other assets	568	567	596	5%	5%
Total Assets	18,511	20,719	21,123	2%	14%
Due to banks and other financial institutions	675	474	378	-20%	-44%
Deposits	15,807	17,968	18,325	2%	16%
Other Liabilities	558	572	635	11%	14%
Shareholder's Equity	1,472	1,705	1,785	5%	21%
Total Liabilities and Shareholders' Equity	18,511	20,719	21,123	2%	14%

Summary Income Statement

<i>USD million</i>	Q1 09	Q4 09	Q1 10	qoq %	yoy %
Net interest income	99	110	110	0%	11%
Net fees & commissions income	16	18	19	3%	20%
Trading and investment income	13	26	15	-43%	21%
Non-interest income	28	45	34	-24%	20%
Other operating income	9	15	14	-6%	59%
Operating income	136	169	158	-7%	16%
Operating expenses	(57)	(57)	(62)	10%	10%
Depreciation and amortization	(5)	(6)	(6)	2%	19%
Credit loss expenses	3	(0)	(1)	448%	-128%
Profit before taxes	77	106	89	-17%	15%
Income tax expense	(14)	(18)	(15)	-18%	7%
Net profit / loss from sale or disposal of other assets	0	0	0	100%	100%
Net profit	63	88	74	-16%	16%

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