

Flash Note

4 Nov 2009

Blom Bank Q3 '09 Results

Sector: Banking
Country: Lebanon

Growth in assets and customer deposits to slightly outperform our expectations for 2009

Blom Bank witnessed a 13.2% growth in its balance sheet during the first three quarters of 2009, with total assets reaching USD 20,258. Deposits' growth stood at 5% and 16% on a qoq and ytd basis respectively. In absolute terms, Blom Bank's deposit base expanded by USD 2,410 mn on a ytd basis, of which USD 828 mn were accumulated during Q3 09.

Loans up 5.8% qoq and 9.6% ytd while loans-to-deposits ratio declines

The expansion of Blom Bank's loan portfolio till Q3 of 2009 (+ 9.6% ytd), was mainly attributed to a surge of 5.8% in loans during the third quarter of the year, contrasting with the cautious attitude towards lending that prevailed during the pre-elections period. On the back of a slower lending activity growth during the period compared to the inflows of deposits, Blom Bank's loans-to-deposits ratio has decreased to 21.7% in Q3 09, down from 23% at December 08. Most of deposit placements were allocated to cash at Central Bank (+22.6% ytd) and financial assets (+18.7% ytd), mainly consisting of government securities.

Non-interest income unfavorably impacted by a retreat in fees & commissions income

Blom Bank's non-interest income growth stood at 9.1% yoy, which reflects a slower growth compared to Bank Audi (+35.5%) and Byblos Bank (+17.9%). This is mainly the result of a 7.5% yoy retreat in the fees and commissions income despite a 59.4% yoy increase in the trading and investment income.

Operating expenses up 21.7% yoy leading to higher cost-to-income ratio

Operating expenses witnessed an important growth by Q3 09 (+21.7% yoy). Consequently, the Bank's cost-to-income ratio stood at 48.2% in Q3 09, up from 43% at the end of December 2008, suggesting lower cost-efficiency levels.

Bottom line figures are up by a modest 3.5% yoy

Net profit in Q3 09 have increased by a slight 3.5% yoy, significantly below peer's growth of 18.76% for Bank Audi and 21.3% for Byblos Bank.

Conclusion

The Bank's overall Q3 09 performance consolidated Blom Bank's conservative profile and 2nd rank among Lebanese banks in all major criteria. The modest growth in net profit in Q3 09 might impact the end of year results and require a review of our outlook for Blom Bank. Nonetheless we expect the difference compared to our expectations to be minimal and the net profit for 2009 to be slightly below our expectations of USD 276 mn.

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Summary Balance Sheet

USD million	Q4 08	Q2 09	Q3 09	q-o-q%	Ytd%
Cash & Balances with BDL	2,375	2,528	2,911	15.1%	22.6%
Financial assets	7,640	8,856	9,066	2.4%	18.7%
Due from banks	3,859	3,885	3,923	1.0%	1.7%
Loans & advances	3,474	3,598	3,808	5.8%	9.6%
Other assets	550	554	549	-0.9%	-0.1%
Total Assets	17,898	19,421	20,258	4.3%	13.2%
Due to banks	794	620	558	-10.0%	-29.7%
Deposits	15,109	16,691	17,519	5.0%	16.0%
Other liabilities	536	596	580	-2.7%	8.2%
Shareholder's equity	1,459	1,513	1,600	5.8%	9.7%
Total Liabilities and Equity	17,898	19,421	20,258	4.3%	13.2%

Summary Income Statement

USD million	Q3 08	Q3 09	y-o-y %
Net interest income	300	310	3.2%
Net fees & commissions income	54	50	-7.5%
Trading and investment income	18	28	59.4%
Non-interest income	72	78	9.1%
Other operating income	37	56	50.8%
Operating income	409	444	8.5%
Operating expenses	(162)	(197)	21.7%
Depreciation and amortization	(12)	(17)	37.4%
Credit loss expenses	3	13	292.8%
Profit before taxes	238	243	2.0%
Income tax expense	(41)	(38)	-5.8%
Net profit / loss from sale or disposal of other assets	1	0	-22.4%
Net profit	198	205	3.5%