

Flash Note

 30th of July 2010

Blom Bank H1 '10 Results
Sector: Banking
Country: Lebanon

Assets and deposits growth at 4% ytd and 2% qoq

Following a 4% ytd progression, Blom Bank's asset base totaled USD 21,509 mn at the end of June 2010 as compared to USD 20,702 mn at the end of 2009. Simultaneously, deposits signed a comparable 4% growth rate over the first six months of 2010 to reach USD 18,677 mn by the end of H1 2010 up from USD 17,970 mn at the end of 2009. During Q2 2010, both indicators grew by 2% which suggests that the Bank witnessed a homogenous growth of its assets and deposits in Q2 2010 relative to Q1 2010.

Dynamic lending activity: + 15% yoy, +8% qoq

At the end of H1 2010, figures revealed that Blom Bank's lending activity was strong as evidenced by a 15% ytd progression and an 8% qoq increase. At these growth levels, the loan portfolio grew from USD 4,019 mn at the end of 2009, to reach USD 4,636 mn by the end of June 2010. Contrasting with the moderate growth in deposits, the strong pick-up in lending activity led to an increase in the loans-to-deposits ratio to 25% in Q2 2010, up from 23% in Q1 2010 and 22% at the end of 2009. Regarding the quality of the loan portfolio, it should be noted that Blom Bank is witnessing an improvement in its asset quality indicators as mirrored by an NPL ratio of 2.95% in H1 2010 compared to 3.21% in Q1 2010.

Rising net interest income

Blom Bank's net interest income totaled USD 232 mn for the first six months of 2010, which implies a 15% progression as compared to the same period of 2009. The contribution of Q2 2010 amounted to USD 121 mn, suggesting a 10% qoq increase. This substantial growth in the net interest income was mainly triggered by a reduction in cost of funds which alleviated pressures on the Bank's interest margins. Regarding the breakdown of revenues, it should be noted that the net interest income accounted for 74% of the operating income over H1 2010, as compared to 72% in H1 2009.

Substantial yoy increase in non-interest income

On the back of a significant yoy surge in net fees and commission income (+18%) and a considerable pick-up in trading and investment income (+38%), Blom Bank saw its non-interest income progressing robustly. The latter amounted to USD 76 mn in H1 2010, which implies a 25% yoy growth rate. Over Q2 2010, the non-interest income stream amounted to USD 39 mn, 4% higher qoq and was mainly driven by a 10% qoq increase in net fees and commissions income as trading and investment income slightly retreated (-5% qoq).

Further improvement in the cost-efficiency level

On the back of a continuous focus on cost-control initiatives and a substantial rise in its income from operations (+17% yoy) compared to a 12% yoy increase of its operating expenses, Blom Bank saw its cost-to income ratio decreasing from 41.6% in H1 2009 to 39.8% in H1 2010. This net drop in the cost-to-income ratio evidences a further improvement in the Bank's cost-efficiency level. It should be noted that Blom Bank has traditionally boasted high a cost-efficiency as compared to the sector's average which has played a catalytic role in the Company's ability to maintain high levels of profitability.

Blom Bank's bottom line up 13.1% yoy and 12.5% qoq

Blom Bank's generated USD 83 mn in net earnings in Q2 2010, 12.5% higher than the USD 74 mn which were generated during Q1 2010. On a broader level, it is worth mentioning that the Bank's net profit totaled USD 156 mn over the first six months of 2010 which represents a 13.1% increase relative to the same period of 2009. This considerable performance on the profitability front can be mainly attributed to a substantial rise of the operating income, along with a net improvement in cost-efficiency levels. Finally, it is important to mention that Blom Bank held an estimated Basel II CAR ratio of 13.8 % in H1 2009, which evidences a robust capital base.

Summary Balance Sheet

<i>USD million</i>	Q4 09	Q1 10	Q2 10	ytd %	qoq%
Cash and balances with BDL	3,114	2,862	2,859	-8%	0%
Financial assets	9,177	9,555	9,730	6%	2%
Due from banks	3,839	3,813	3,709	-3%	-3%
Loans & advances	4,019	4,297	4,636	15%	8%
Other assets	555	596	575	4%	-4%
Total assets	20,702	21,123	21,509	4%	2%
Due to banks and other financial institutions	468	378	424	-9%	12%
Deposits	17,970	18,325	18,677	4%	2%
Other liabilities	556	635	649	17%	2%
Shareholders' equity	1,708	1,785	1,759	3%	-1%
Total liabilities and shareholders' equity	20,702	21,123	21,509	4%	2%

Summary Income Statement

<i>USD million</i>	H1 09	Q1 10	H1 10	qoq%	yoy%
Net interest income	202	110	232	10%	15%
Net fees and commission income	39	22	46	10%	18%
Trading and investment income	21	15	29	-5%	38%
Non-interest income	60	37	76	4%	25%
Other operating income	5	4	4	-89%	-11%
Total operating income	267	151	312	6%	17%
Operating expenses	(100)	(55)	(112)	4%	12%
Depreciation & amortization	(11)	(6)	(12)	-8%	9%
Credit loss expenses	7	(1)	1	-269%	-93%
Profit before tax	163	89	188	10%	15%
Income tax expense	(26)	(15)	(32)	11%	24%
Net profit	138	74	156	13%	13%

Contacts:

Head of Research and Advisory: Marwan Salem
 m.salem@ffaprivatebank.com
 +961 1 985 195
Analyst: Raya Freyha
 r.freyha@ffaprivatebank.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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