

April 15, 2010

BANK MUSCAT (BMAO.OM)

12-Month Fair Value: RO 0.928

Last Close (14 April 2010): RO 0.866

Recommendation: Accumulate - Risk Level: 3

- Bank Muscat announced its preliminary results for 1Q2010, where net profit stood at RO 24.5 million, 49% below 1Q2009. The net profit in 1Q2009, however, included a RO 35.3 million gain on the sale of Bank Muscat's stake in HDFC. Excluding that, net profit in 1Q2010 would be 87% over 1Q2009.
- Net interest income stood at RO 44.4 million, 12% above 1Q2009 but 7% below 4Q2009. Non-interest income reached RO 17.3 million in 1Q2010, 23% above 1Q2009 (excluding the sale of HDFC). Operating income reached RO 61.7 million, 15% above 1Q2009 but 4% below 4Q2009. Costs reached RO 24.6 million, 16% above 1Q2009 and 38% above 4Q2009.
- Loan loss provisioning charges (excluding recoveries) stood at RO 11.8 million in 1Q2010, slightly higher than the RO 11.2 million taken in 1Q2009. Loan growth was weak with loans remaining at almost the same level as December 2009. Customer deposits (including CDs) expanded by a high 13% compared with their level at the end of 2009.
- Overall, we believe Bank Muscat's results carry little surprise and were very much in-line with our forecast in terms of operating income. Moreover, the fact that loan loss provisioning dropped compared to the average of FY2009 but remained high is also in-line with our view on Bank Muscat's provisioning in FY2010. However, loan growth was weaker than expected as our loan growth forecast for Bank Muscat in FY2010 stands at 10%. Our fair value for Bank Muscat (RO 0.928) is 7% above the bank's latest closing price (RO 0.866), hence, our recommendation on the stock is "Accumulate".

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Related Research

- Bank Muscat Analyst Comment - 22 March 2010
- Bank Muscat Update - 11 march 2010

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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