

April 16, 2009

BANK MUSCAT (BMAO.OM)

- Bank Muscat announced its preliminary results for 1Q2009. Net profit stood at RO 48.4 million, including a post-tax gain of RO 35.3 from the sale of 81% of Bank Muscat's 2.67% stake in HDFC Bank in India. Excluding this gain, net profit for Bank Muscat would have stood at RO 13.1 million, 51% below 1Q2008.
- An impairment loss of RO 7.5 million on the bank's available-for-sale investment (AFS) portfolio was taken in 1Q2009. Bank Muscat announced that the bank has substantially de-risked its investment portfolio and does not expect any major write-downs on its AFS portfolio during 2009. Excluding both the gain from the sale of HDFC and the impairment of the AFS portfolio, Bank Muscat's net profit would have stood at RO 20.6 million, still 22% below 1Q2008.
- Net interest income stood at RO 39.6 million, 7% over 1Q2008, but 15.5% below the record RO 46.9 million achieved in 4Q2008. This is the first time since the 4Q2006 that Bank Muscat witnesses a drop (quarter-on-quarter basis) in its net interest income. Operating expenses stood at RO 21.3 million, 1.5% over 1Q2008 but 8% over 4Q2008. Gross credit loss provisions stood at RO 11.2 million, 72% over 1Q2008.
- Net loans increased by a marginal 1.3% in 1Q2009 compared with their December 2008 level. Customer deposits (including certificates of deposits) stood at RO 3.23 billion, almost unchanged compared with their December 2008 level.
- Overall, we believe this is a weak set of operational results especially the sluggish earning stream (both interest earnings and non-interest earnings), the increase in loan provisioning which most probably indicates weakening asset quality, and the muted growth in loans and deposits. We will issue an update report on Bank Muscat after the release of full financial statements.

Raja Ghossoub, CFA

T. +971-4-365 2857

E. raja.ghossoub@nbkcapital.com

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NBK CAPITAL**Kuwait****Head Office**

17th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O.Box 4950, Safat 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6905

MENA Research

19th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq,
P.O.Box 4950, Safat 13050, Kuwait
Tel: +965 2224 6663
Fax: +965 2224 6905
E: menaresearch@nbkcapital.com.kw

Brokerage

8th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O.Box 4950, Safat 13050, Kuwait
Tel: +965 2224 6964
Fax: +965 2224 6978
E: brokerage@nbkcapital.com

United Arab Emirates**NBK Capital Limited**

Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506, Dubai,
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Turkey**NBK Capital**

Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
Tel: +90 212 276 5400
Fax: +90 212 276 5401

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