

BANK MUSCAT (BMAO.OM)

- Bank Muscat announced its preliminary results for 9M2009, where net profit stood at RO 80.4 million, 11% below 9M2008. Net profit for 3Q2009 amounts to RO 20 million, 38% below 3Q2008, but 66% over 2Q2009. Gross loan loss provisions reached RO 68.7 million in 9M2009, indicating that gross loan loss provisions stood at RO 17.2 million in 3Q2009, which includes provisions against the bank's exposure to the Al Gosaibi and Saad groups.
- Net interest income stood at RO 43.4 million in 3Q2009, growing by 7% year-on-year but nearly unchanged compared with 2Q2009. Non-interest income in 9M2009 (excluding the gain from the sale of HDFC Bank and realized losses on the AFS portfolio) continued to be weak, dropping by 9% compared with 9M2008. Cost control remained good, with operating expenses increasing by 4.7% year-on-year and 3.5% quarter-on-quarter.
- Lending was weak with net loans dropping by around 2.5% in 3Q2009, resulting in no-growth in the loan book so far in 2009. Deposits, including CDs, increased by around 2.5%, resulting in a YTD growth of around 2%.
- Since our last update on Bank Muscat in May 2009, the share price increased by 23% to close at RO 0.932. Our current fair value (RO 0.99) is now 6% over that price, hence, our recommendation on the stock is a "Hold". However, we will issue an update report on Bank Muscat after the release of the full financial statements for 3Q2009.

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