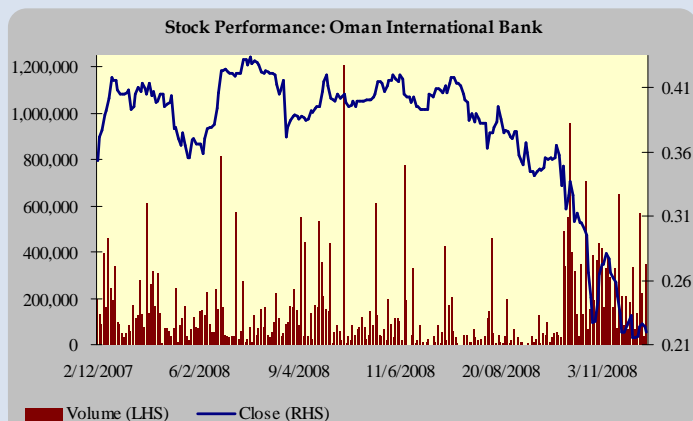


## Oman International Bank: Q3 2008

Company	Oman International Bank
CMP (RO)	0.215
Ticker	OIBB
Established	Jan-79
Industry	Banking
Shares outstanding	91,325,718
Market Cap. (RO)	19,635,029

## Price History



## Financial Summary

(RO '000)	Q3 2008	Q3 2007	% Change
Interest income	33,132	42,954	-22.9%
Interest Expense	(11,498)	(17,990)	-36.1%
Other Income	11,930	7,184	66.1%
Net profit	21,258	19,011	11.8%
Loans & Advances	596,925	490,801	21.6%
Deposits from Customers	741,692	733,010	1.2%
Share Capital	91,325	83,023	10.0%
Total Assets	1,019,910	980,739	4.0%
Basic EPS	0.233	0.229	1.7%
P/E Ratio	9.2	9.4	-1.6%
Int. earned (% annualized)	4.3%	5.7%	-24.6%
Cost of funds (% annualized)	1.6%	2.6%	-35.9%

Source: Company Financials, Al Madina Research

**Analyst:** Hafsa Al Hassani  
[hafsa.hassani@almadina.com](mailto:hafsa.hassani@almadina.com)

**Brokerage:** +968 2482 3900

## Preview: Q3 2008

OIB continued to achieve lower net interest income due to the increasing pressure of higher interest cost. Net interest income declined by 13% (y-o-y) to RO 21.6 million during the nine months ended on Sep 2008. The bank's non-interest income stands strong at RO 11.9 million, a growth of 66% (y-o-y). The company result revealed an increase of 11.8% in its bottom line contributable to high commission fees income and lower provision of taxation. The company achieved net profit of RO 21.25 million.

## Company &amp; Industry Overview

OIB operates through a large network of 86 branches across Oman and have international branches in Mumbai and Cochi in India and Karachi & Lahore in Pakistan. It is the only bank in Oman to have a fully automated branch network.

The total assets of Omani commercial banks increased by 47% (y-o-y) to RO 10.7 billion during the nine months ended on September 2008. The rapid growth in commercial banks' assets was driven by 50% growth in credit. Total credits have grown up by 50% from RO 4.7 billion to RO 7.1 billion.

Commercial banks' total deposits stood at RO 6.3 billion by the end of September, representing an increase of 31% over the corresponding period last year.

Total consolidated net profit of the commercial banks increased notably by 35% to RO 1.7 billion during the nine months period. OIB witness the least growth in profit compared to other commercial banks in the sector.

The CBO has relaxed its earlier lending ratio and reserve requirement of the banks. It defers the earlier decision to implement a stricter lending ratio of 82.5% from 85% imposed in June this year. Also, the CBO has allowed banks to hold 3% as CDs and cash portfolio of banks of the 8% reserve requirement.

The Omani banking market is still considered the smallest in the Gulf and the local banks are operating in an increasingly competitive market.

OIB is ranked third among other commercial banks in Oman based on its total credits, deposits, assets, and equity. Similarly, OIB gained the third ranking based on the bank's ROA and ROE. Having high credits, deposits, assets, and equity does not always mean that the bank has better profitability performance.

During the nine months ended on Sep 2008, OIB has witness an increase in its loan book of 21.6% to RO. 596.9.7 million. However, during the three months only the loan portfolio has gone up by only 6% (q-o-q).

Deposits have grown a little bit to RO 741.6 million during the nine months against RO 733 million registered the same period last year.

The bank earned interest at 4.3% and its cost of fund during the period was 1.6% achieving a spread of 2.6% which is lower than (3.18%) the spread reported the same period last year.

#### Quarterly Income statement

Statement of Income (RO 000): OIB	Q3 08	Q2 08	Q1 08	Yr 2007	Q4 07	Q3 07	Q2 07	Q1 07
Interest Income	10,794	10,429	11,909	56,579	13,625	14,686	13,998	14,270
Interest Expense	(3,504)	(3,646)	(4,348)	(23,738)	(5,748)	(5,977)	(5,869)	(6,144)
<b>Net Interest Income</b>	<b>7,290</b>	<b>6,783</b>	<b>7,561</b>	<b>32,841</b>	<b>7,877</b>	<b>8,709</b>	<b>8,129</b>	<b>8,126</b>
Other Operating Income	2,912	3,021	5,997	11,435	4,251	2,293	2,741	2,150
<b>Total Income</b>	<b>10,202</b>	<b>9,804</b>	<b>13,558</b>	<b>44,276</b>	<b>12,128</b>	<b>11,002</b>	<b>10,870</b>	<b>10,276</b>
Other Operating Expenditure	(4,819)	(4,773)	(4,366)	(17,399)	(4,284)	(4,390)	(4,547)	(4,178)
<b>Operating profit before provisions</b>	<b>5,383</b>	<b>5,031</b>	<b>9,192</b>	<b>26,877</b>	<b>7,844</b>	<b>6,612</b>	<b>6,323</b>	<b>6,098</b>
Provision for loan impairment	(830)	(353)	(734)	(2,779)	(515)	(636)	(700)	(928)
Loan recoveries and writeback	2,146	2,246	1,748	7,548	2,717	795	3,236	800
Proposed directors remuneration		0	0	0	0	0	0	0
<b>Profit before taxation</b>	<b>6,699</b>	<b>6,924</b>	<b>10,206</b>	<b>31,646</b>	<b>10,046</b>	<b>6,771</b>	<b>8,859</b>	<b>5,970</b>
Taxation	(804)	(794)	(973)	(3,570)	(981)	(814)	(999)	(776)
<b>Net profit for the year</b>	<b>5,895</b>	<b>6,130</b>	<b>9,233</b>	<b>28,076</b>	<b>9,065</b>	<b>5,957</b>	<b>7,860</b>	<b>5,194</b>

Source: Company Financials & Al-Madina research

## Outlook & Recommendations

Omani commercial banks are still doing better than other GCC countries banks. Despite the global crisis and its related losses, Oman's Banks are achieving better and double digit growth rate in their profit during the period. The CBO actions to ease the lending and reserve requirement will yield to the reintroduction of liquidity worth of nearly RO 300 million in the banking sector. This will ease the coming up liquidity crunch in our market. Oman's stable economy growth outlook supports its banking sector future development.

OIB is still facing a decline in its core income improvement and is planning to strengthen its loan book to improve its income growth. Gaining high spread is going to enhance the bank net income. We expect positive outlook in the banking sector in Oman supported by the stable economic growth.

## Al Madina Research: Rating Methodology

Rating	Explanation
Buy	Capital gain of >20% to the CMP over the year.
Accumulate	Capital gain in the range of 10%-20% to the CMP over the year.
Hold	Capital gain in the range of 0%-10% to the CMP over the year.
Reduce	Capital likely to depreciate in the range of 0%-10% to the CMP over the year.
Sell	Capital likely to depreciate >10% to the CMP over the year.

*Disclaimer: The information and opinions in this report were prepared by Al Madina Financial & Investment Services Co. (SAOC). Al Madina does not undertake to advise you of changes in its opinion or information. Al Madina and other associated with it may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also or seek to perform investment banking services for other companies. This memorandum is based on information available to the public. No representation is made that it is accurate or complete. This memorandum is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned. The investment discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Where an investment is denominated in a currency other than the investor's currency changes in rates of exchange may have an adverse effect on the value, price of, or income derived from the investment. Past performance is not necessarily a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.*