

## Bank Muscat (BKMB) - 3Q22 Result Review

Date: 13-Oct-22

### Recommendation:

**Hold**

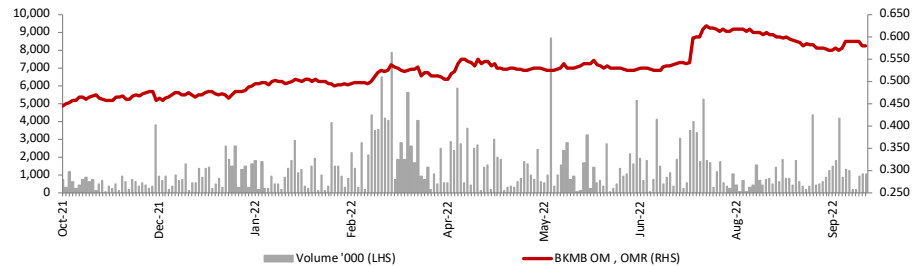
**TP (OMR): 0.640**

Reco. Date: 15-Aug-22

Upside / (Downside): 10%

Analyst: Ayisha Zia

Bloomberg Ticker	BKMB OM
Current Market Price (OMR)	0.580
52wk High / Low (OMR)	0.64/0.442
12m Average Vol. (000)	1,290.4
Mkt. Cap. (USD/OMR mn)	5,654 / 2,177
Shares Outstanding (mn)	3,753.2
Free Float (%)	76%
3m Avg Daily Turnover (000)	680.2
6m Avg Daily Turnover (000)	686.3
P/E'22e (x)	11.2
P/B'22e (x)	1.3
Dividend Yield '22e (%)	5.7%
Price Perf. (1m/3m) (%)	0 / 10.7



### Bank Muscat's 3Q22 net profit in line with our estimate

The bank has posted a net profit of OMR 49mn in 3Q22, up by 8%YoY but down by 4%QoQ, in line with our estimate. Net profit for 9M22 is higher by 6% YoY. Its net interest & Islamic financing income for 3Q22 rose 6%YoY and 5%QoQ, beating our estimate by 7%. Its other operating income has increased 14%YoY but fallen 20%QoQ, 15% below our estimate. BKMB's 3Q22 operating income is higher by 8%YoY but down 3%QoQ at OMR 124.3mn for the quarter, meeting our expectation.

### Operating expense growth surprised negatively while net ECL charges surprised positively

The bank's operating expenses grew 9%YoY and 3%QoQ, landing 7% higher than expected. Cost to income ratio was 43%. The bank's operating profit was lower than expected (5% below estimate, but largely in line). In 9M22, net ECL charges have dropped by 11% YoY, and in 3Q22, net ECL charges are higher by 15% YoY but lower by 20% QoQ, landing 14% below our estimate.

### Net loans & Islamic financing growth and Customer Deposit growth is in line with our estimates

The bank has posted a 1%YoY and 3%QoQ increase in its net loans & Islamic financing portfolio, in line with our estimates. Its customer deposits were flat YoY with marginal decline QoQ, in line with our estimate. Loan-to-Customer Deposit Ratio was 106% vs. 102% in 2Q22 and 105.3% in 3Q21.

#### Income Statement

(OMR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)	9M21	9M22	YoY (%)
Net Interest & Islamic Finance Income	84.0	83.1	82.1	84.2	88.7	82.9	6%	5%	7%	252.5	254.9	1%
Other operating income	31.2	34.1	37.0	44.4	35.7	41.8	14%	-20%	-15%	105.8	117.1	11%
<b>Operating Income</b>	<b>115.2</b>	<b>117.2</b>	<b>119.1</b>	<b>128.6</b>	<b>124.3</b>	<b>124.7</b>	<b>8%</b>	<b>-3%</b>	<b>0%</b>	<b>358.3</b>	<b>372.0</b>	<b>4%</b>
Operating expenses	(49.2)	(47.1)	(50.9)	(51.8)	(53.5)	(50.2)	9%	3%	7%	(144.3)	(156.2)	8%
<b>Operating Profit</b>	<b>66.0</b>	<b>70.0</b>	<b>68.2</b>	<b>76.8</b>	<b>70.9</b>	<b>74.5</b>	<b>7%</b>	<b>-8%</b>	<b>-5%</b>	<b>214.0</b>	<b>215.9</b>	<b>1%</b>
Net ECL charge / net impairment	(11.4)	(13.4)	(12.0)	(16.4)	(13.2)	(15.3)	15%	-20%	-14%	(46.8)	(41.6)	-11%
Tax	(9.0)	(7.3)	(8.4)	(9.6)	(7.9)	(8.8)	-12%	-17%	-10%	(27.1)	(26.0)	-4%
<b>Net Profit</b>	<b>45.5</b>	<b>49.3</b>	<b>48.3</b>	<b>51.0</b>	<b>49.0</b>	<b>50.4</b>	<b>8%</b>	<b>-4%</b>	<b>-3%</b>	<b>140.2</b>	<b>148.3</b>	<b>6%</b>

#### Balance Sheet

(OMR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)
Assets	12,819	13,073	12,806	12,858	12,773	12,810	0%	-1%	0%
Shareholders' Equity	1,972	2,021	1,961	1,998	2,043	2,048	4%	2%	0%
Net Loans & Islamic Financing	9,158	9,191	9,009	9,002	9,229	8,978	1%	3%	3%
Customers' Deposits & Islamic Investment	8,698	8,775	8,853	8,834	8,709	8,820	0%	-1%	-1%

#### Key Ratios

	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e
Cost to Income	42.7%	40.2%	42.8%	40.2%	43.0%	40.2%
Loans to Customer Deposits	105.3%	104.8%	101.8%	101.9%	106.0%	101.8%
ROaE	9.3%	9.9%	9.7%	10.3%	9.7%	10.0%
Annualized EPS (OMR)	0.051	0.055	0.051	0.054	0.052	0.054
BVPS (OMR)	0.552	0.565	0.522	0.532	0.544	0.546
TTM P/E (x)					11.0	
P/BV (x)					1.1	

Source: Financials, MSX Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

### Ubhar Capital SAOC (U Capital)

Website: [www.u-capital.net](http://www.u-capital.net)

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: [research@u-capital.net](mailto:research@u-capital.net)

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