

Bank Nizwa (BKNZ) - 1Q24 Result Review

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Recommendation:

Hold

Target Price (TP), OMR:

0.102

Reco Date:

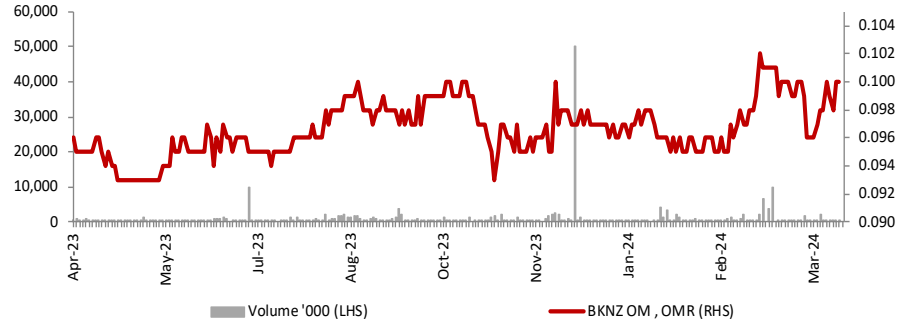
25 July 2023 (Rating Issued)

Upside / (Downside):

2%

Date: 15-Apr-24

Bloomberg Ticker	BKNZ OM
Current Market Price (OMR)	0.100
52wk High / Low (OMR)	0.102/0.092
12m Average Vol. (000)	911.4
Mkt. Cap. (USD/OMR mn)	581 / 224
Shares Outstanding (mn)	2,237.0
Free Float (%)	87%
3m Avg Daily Turnover (000)	74.1
6m Avg Daily Turnover (000)	61.1
P/E'24e (x)	11.2
P/B'24e (x)	0.8
Dividend Yield '24e (%)	5%
Price Perf. (1m/3m) (%)	1 / 2



Bank Nizwa 's 1Q24 net profit increased 10% YoY and down 28% QoQ, missing U Capital estimates

BKNZ posted net profit of OMR 3.9mn, +10% YoY and down 28% QoQ - below U Capital estimate for the quarter. The Bank reported lower than expected ECL charges in the quarter. The ECL charges for 1Q24 are 2.2m compared to U Capital estimate of 2.5m, down 27% YoY.

Operating Income flat YoY and Operating Profit decreased YoY on higher expenses

The bank has posted quarterly operating income at OMR 13.5mn, flat% YoY and down 8% QoQ, 7% below our estimate. Its operating expenses increased 4% YoY, in line with our estimates. This resulted in an Operating Profit decrease of 6%YoY, although 5% up QoQ to OMR 6.8mn.

Net Islamic financing and customer deposits in line with U Capital estimates

The bank has posted a 13%YoY growth and +5% QoQ increase for its net Islamic financing portfolio. Its customer deposits increased by 12%YoY and 4%QoQ. Loans-to-Customer Deposits Ratio rose to 104.4% in 1Q24 vs. 103.3% in 4Q23, vs. 103.1% a year ago.

U Capital view

We maintain Hold rating on Bank Nizwa with a target price of OMR 0.102. BKNZ is currently trading at P/BV 2024e of 0.8x.

Income Statement

(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	1Q23	1Q24	YoY (%)
Operating Income	13.7	13.4	13.5	14.7	13.5	14.6	-1%	-8%	-7%	13.7	13.5	-1%
Operating expenses	(6.5)	(6.4)	(6.4)	(8.3)	(6.7)	(6.8)	4%	-19%	0%	(6.5)	(6.7)	4%
Operating Profit	7.2	7.0	7.1	6.4	6.8	7.8	-6%	5%	-14%	7.2	6.8	-6%
Net ECL charge	(3.0)	(2.7)	(1.8)	(0.4)	(2.2)	(2.5)	-27%	NM	-13%	(3.0)	(2.2)	-27%
Profit Before Tax	4.1	4.3	5.3	6.1	4.5	5.3	10%	-25%	-14%	4.1	4.5	10%
Tax	(0.6)	(0.6)	(0.8)	(0.7)	(0.7)	(0.7)	10%	-5%	-7%	(0.6)	(0.7)	10%
Net Profit	3.5	3.7	4.5	5.3	3.9	4.5	10%	-28%	-15%	3.5	3.9	10%

Balance Sheet

(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Assets	1,497	1,560	1,632	1,608	1,668	1,653	11%	4%	1%
Shareholders' Equity	240	244	252	253	251	258	4%	-1%	-3%
Net Islamic Financing	1,257	1,296	1,321	1,360	1,423	1,401	13%	5%	2%
Cus. Dep & Islamic Equity Inv.	1,219	1,279	1,341	1,316	1,363	1,302	12%	4%	5%

Key Ratios

	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e
Cost to Income	47.6%	47.8%	47.4%	56.4%	50.0%	46.4%
Loans to Customer Deposits	103.1%	101.3%	98.5%	103.3%	104.4%	107.6%
ROaE	5.8%	6.1%	7.1%	8.4%	6.2%	8.1%
Annualized EPS (OMR)	0.009	0.010	0.012	0.014	0.007	0.008
BVPS (OMR)	0.160	0.163	0.168	0.169	0.112	0.115
TTM P/E (x)					10.7	
P/BV (x)					0.9	

Source: Company Reports, U Capital Research


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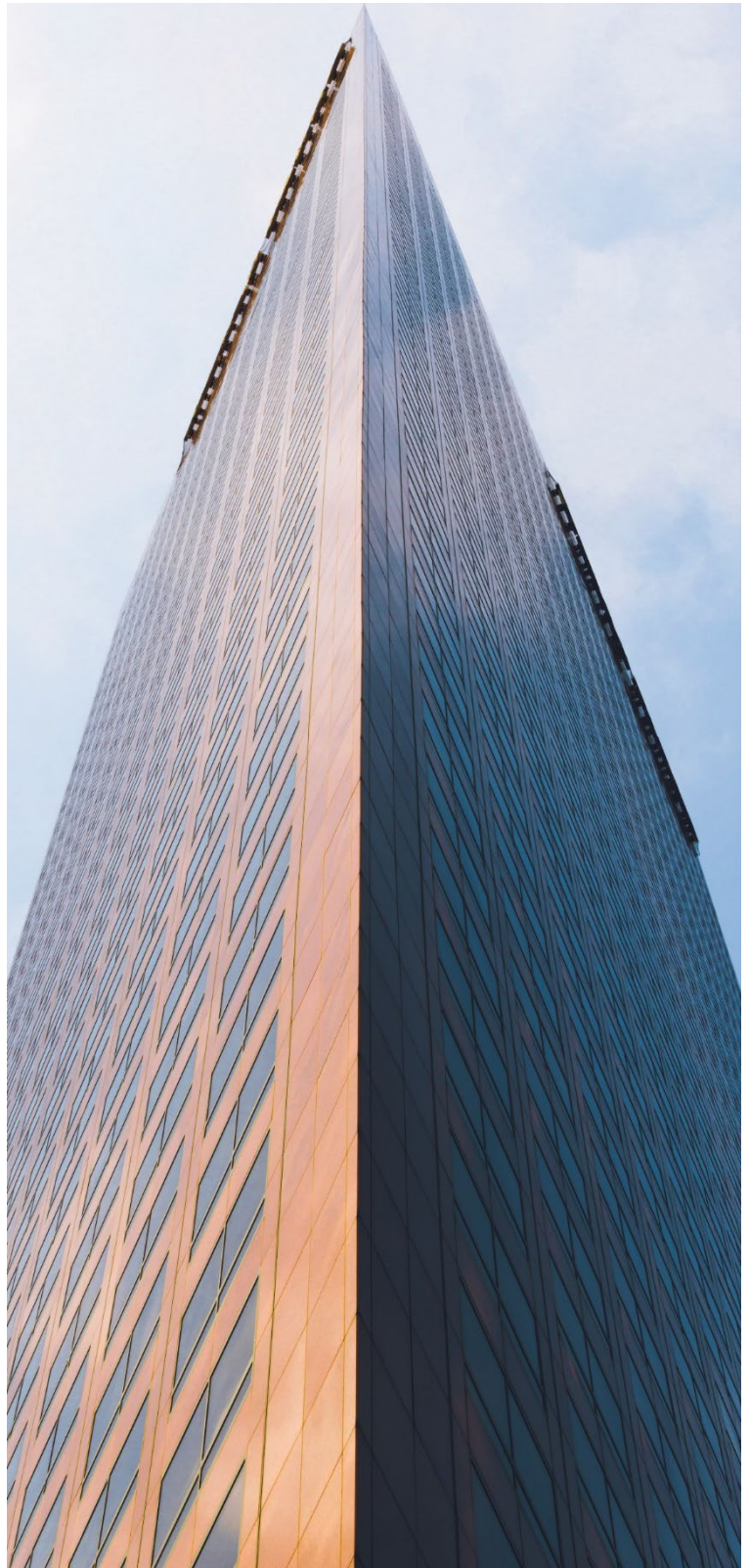
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Disclaimer

Recommendation

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

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