

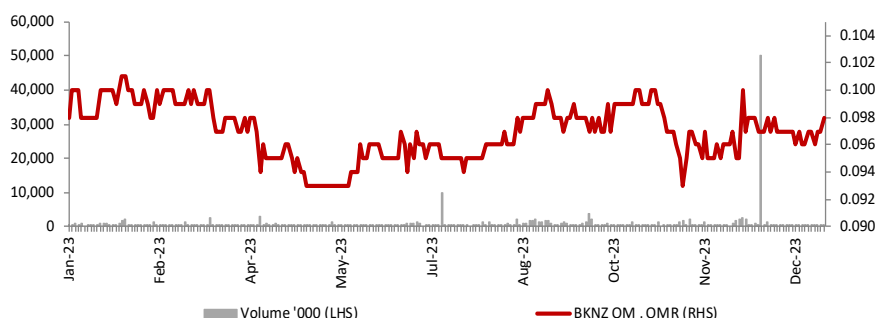
# Bank Nizwa (BKNZ) - 4Q23 Result Review

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<b>Recommendation:</b>	<b>Hold</b>	<b>Target Price (TP), OMR:</b>	<b>0.102</b>
<b>Reco Date:</b>	25 July 2023 (Rating Issued)	<b>Upside / (Downside):</b>	<b>4%</b>
		<b>Date:</b>	<b>15-Jan-24</b>

Bloomberg Ticker	BKNZ OM
Current Market Price (OMR)	0.098
52wk High / Low (OMR)	0.101/0.092
12m Average Vol. (000)	780.8
Mkt. Cap. (USD/OMR mn)	569 / 219
Shares Outstanding (mn)	2,237.0
Free Float (%)	77%
3m Avg Daily Turnover (000)	47.2
6m Avg Daily Turnover (000)	62.4
P/E'24e (x)	11.4
P/B'24e (x)	0.8
Dividend Yield '24e (%)	4%
Price Perf. (1m/3m) (%)	0 / -1



## Bank Nizwa 's 2023 net profit increased 7% YoY ; 4Q23 net profit down 7% YoY ahead of U Capital estimates

BKNZ posted net profit decline of 7 YoY, +20% QoQ and 4% ahead of our estimate for 4Q23. Bank Nizwa net profit was ahead of our estimate with a 4% variance due to much better than expected ECL charges in the quarter. The ECL charges for 4Q23 are 0.4m compared to U Capital estimate of 3.4m, down 87% YoY. On a full-year basis, ECL charge is down 25% YoY.

## Operating Income decreased YoY and Operating Profit increased YoY

The bank has posted quarterly operating income at OMR 14.7mn, down 6% YoY and up 9% QoQ. Its operating expenses increased YoY and QoQ, ahead of our estimates. This resulted in an Operating Profit decrease of 30%YoY and 10% QoQ to OMR 6.4mn.

## 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 5%YoY and declined 6%QoQ. Loans-to-Customer Deposits Ratio rose to 109.9% in 4Q23, vs. 102.2% 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)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	2022	2023	YoY (%)
Operating Income	15.7	13.7	13.4	13.5	14.7	16.4	-6%	9%	-10%	53.4	55.4	4%
Operating expenses	(6.6)	(6.5)	(6.4)	(6.4)	(8.3)	(6.9)	26%	30%	21%	(24.4)	(27.7)	14%
Operating Profit	9.1	7.2	7.0	7.1	6.4	9.5	-30%	-10%	-32%	29.0	27.7	-5%
Net ECL charge	(2.8)	(3.0)	(2.7)	(1.8)	(0.4)	(3.4)	-87%	-80%	-89%	(10.6)	(7.9)	-25%
Profit Before Tax	6.4	4.1	4.3	5.3	6.1	6.1	-5%	15%	-1%	18.4	19.8	7%
Tax	(0.6)	(0.6)	(0.6)	(0.8)	(0.7)	(1.0)	20%	-10%	-25%	(2.5)	(2.7)	11%
Net Profit	5.8	3.5	3.7	4.5	5.3	5.2	-7%	20%	4%	15.9	17.0	7%
Balance Sheet												
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Assets					1,611	1,713	#DIV/0!	#DIV/0!	-6%			
Shareholders' Equity	246	240	244	252	254	257	3%	1%	-1%			
Net Islamic Financing	1,227	1,257	1,296	1,321	1,386	1,333	13%	5%	4%			
Cus. Dep & Islamic Equity Inv.	1,200	1,219	1,279	1,341	1,260	1,304	5%	-6%	-3%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Cost to Income	41.9%	47.6%	47.8%	47.4%	56.4%	42.1%						
Loans to Customer Deposits	102.2%	103.1%	101.3%	98.5%	109.9%	102.2%						
ROaE	9.3%	5.8%	6.1%	7.1%	8.7%	9.3%						
Annualized EPS (OMR)	0.015	0.009	0.010	0.012	0.010	0.009						
BVPS (OMR)	0.164	0.160	0.163	0.168	0.113	0.115						
TTM P/E (x)					9.6							
P/BV (x)					0.9							

Source: Company Reports, U Capital Research

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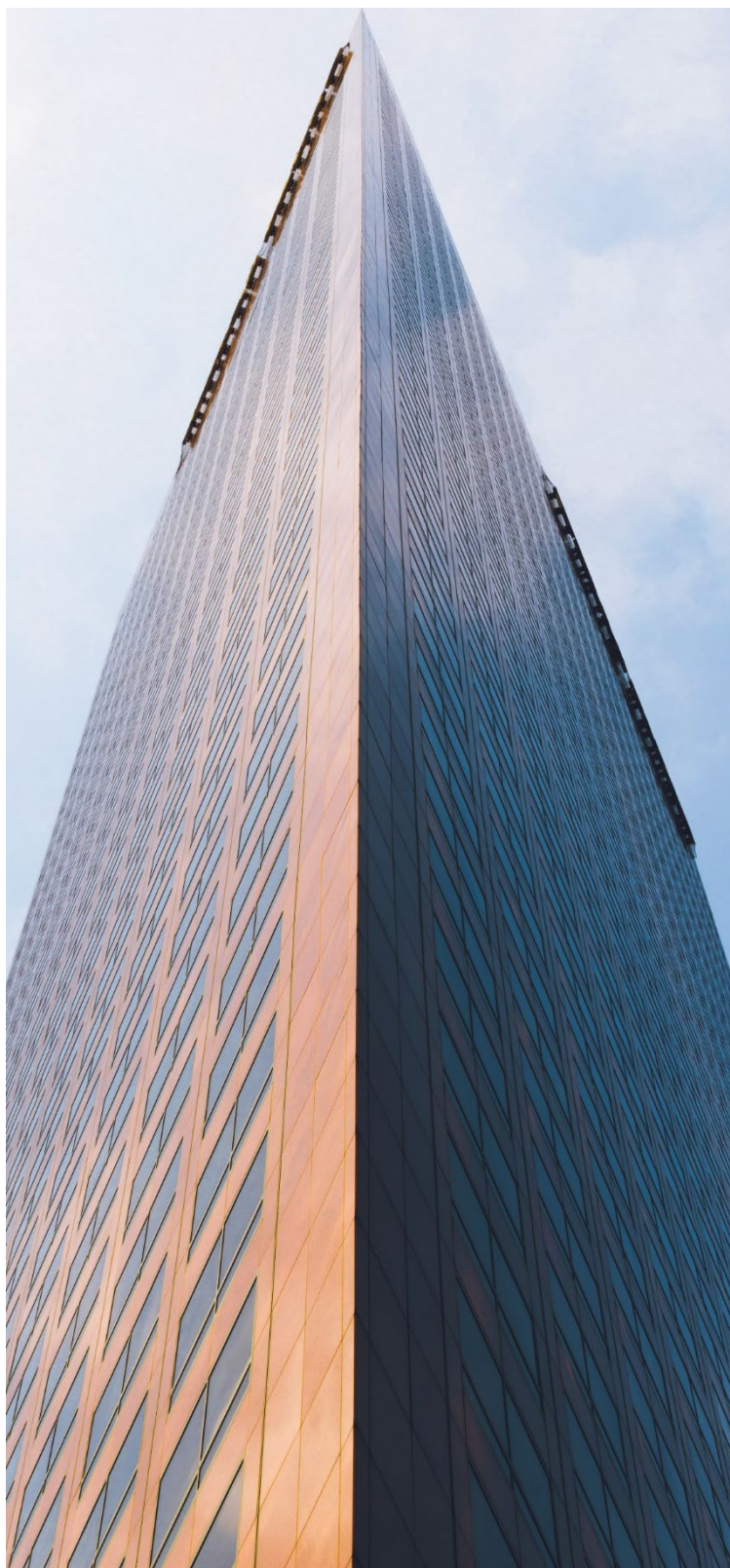
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# Disclaimer

## 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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