

Banking

National Bank of Oman

First Cut – National Bank of Oman

Operating revenue above our estimates: NBOB reported 1Q24 operating revenue of RO 37.4mn (vs. 37.8mn, -1.2% YoY), this was above our estimates of RO 36.7mn. The YoY decline in operating revenues was mainly driven by decline in net interest income and Islamic financing by 12.1% YoY, while the other operating income grew by 33.7% YoY. The decline in net interest income and Islamic financing can be attributed to the faster pace of growth in deposits at 24.1% vs. loan growth of 4.7%. The interest cost due to higher deposits may have contributed to the decline in NII. On a QoQ basis, the operating income grew by 5.4%.

Operating expenses remain stable: The bank's operating expenses in 1Q24 stood at RO 15.4mn vs. RO 15.2mn in 1Q23, flat at 0.8% YoY. NBOB's cost to income ratio declined by 80bps YoY to 41.1% in 1Q24. On a sequential basis however, the cost to income ratio improved by 210bps, the company continues to invest in process and technology to improve operational efficiencies.

Impairments continue to decline: The bank reported 1Q24 impairments at RO 3.9mn, (vs. 5.4mn in 1Q23, -27.9% YoY), resulting in cost of credit declining by 20bps from 0.63% in 1Q23 to 0.43% in 1Q24. On QoQ basis, however, the impairment charge increased by 14.6%.

Net income in line with our estimates: NBOB reported 1Q24 net income at RO 15.5mn, +7.8% YoY, largely driven by decrease in provisions even as the operating profit declined by 2.5% YoY. The reported net income was in line with our estimates of RO 15.3mn.

Deposits outpace loan growth: The net loan book stood at RO 3.6bn, a growth of +4.7% YoY and sequentially 2.8%, however the pace of deposit growth was far higher at 24.1% YoY and 13.6% QoQ. The faster pace of growth in deposits as compared to the loans, resulted in decline in loan to deposit ratio from 104.8% in 1Q23 to 88.5% in 1Q24.

At current valuations the stock is trading at 0.8x book value and 6.9x its FY24EPS. We retain our BUY recommendation with TP of RO 0.323/Share.

in RO mn	1Q24	4Q23	QoQ (%)	1Q23	YoY (%)	2023A	2022A	YoY	2024E	2023A
Operating Income	37.4	35.4	5.4%	37.8	-1.2%	145.9	138.2	5.5%	154.3	145.9
Operating Expenses	15.4	15.3	0.3%	15.2	0.8%	61.9	60.5	2.3%	63.9	61.9
Operating Profit	22.0	20.1	9.3%	22.6	-2.5%	84.0	77.7	8.0%	90.5	84.0
Provision Expenses	3.9	3.4	14.6%	5.4	-27.9%	15.7	20.2	-22.5%	15.6	15.7
Profit before tax	18.1	16.7	8.3%	17.2	5.5%	68.3	57.5	18.8%	74.8	68.3
Taxation	2.7	2.0	30.3%	2.8	-6.3%	10.2	9.3	10.5%	12.0	10.2
Profit after tax*	15.5	14.7	5.2%	14.3	7.8%	58.0	48.2	20.4%	62.9	58.0
Loan Book	3,593	3,496	2.8%	3,431	4.7%	3,496	3,354	4.2%	3,721.7	3,496
Deposits	4,059	3,573	13.6%	3,272	24.1%	3,573	3,047	17.2%	3,787.4	3,573
Total Equity*	509	507	0.3%	477	6.7%	507	474	7.1%	527.5	507
Cost to Income	41.13%	43.23%		40.33%		42.44%	43.78%		41.38%	42.44%
Cost of credit	0.43%	0.39%		0.63%		0.45%	0.60%		0.42%	0.45%
Loan to Deposit	88.52%	97.84%		104.86%		97.84%	110.05%		98.27%	97.84%
Reported ROE	12.16%	11.59%		12.04%		11.44%	10.18%		11.92%	11.44%
Earnings Per Share (2024E)						0.036			0.039	
Book Value Per Share (2024E)						0.312			0.324	
PE						7.45			6.88	
PB						0.85			0.82	

*excluding Tier 1 bonds/interest

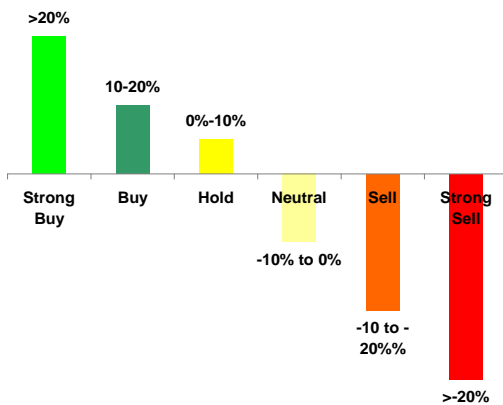
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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