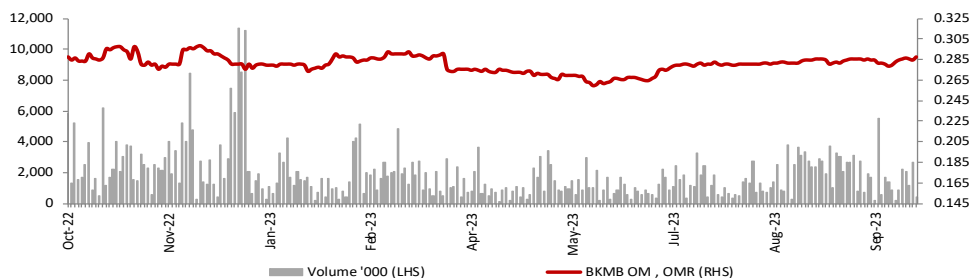


Bank Muscat (BKMB) - 3Q23 Result Review

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Recommendation:	Accumulate	Target Price (TP), OMR:	0.310
Reco. Date:	25-Jul-23	Upside / (Downside):	9%
		Date:	15-Oct-23

Bloomberg Ticker	BKMB OM	
Current Market Price (OMR)	0.285	
52wk High / Low (OMR)	0.302/0.146	
12m Average Vol. (000)	1,888.4	
Mkt. Cap. (USD/OMR mn)	5,557 / 2,139	
Shares Outstanding (mn)	7,506.4	
Free Float (%)	76%	
3m Avg Daily Turnover (000)	488.6	
6m Avg Daily Turnover (000)	407.1	
P/E'23e (x)	9.7	
P/B'23e (x)	1.1	
Dividend Yield '23e (%)	5.0%	
Price Perf. (1m/3m) (%)	0 / 2.2	



Bank Muscat's 3Q23 net profit in-line with our estimates despite higher ECL charges

Bank Muscat posted a net profit of OMR 54.6mn in 3Q23, up by 11%YoY and 3%QoQ, in line with our estimate. Net profit for 9M23 is higher by 7% YoY. Its net interest & Islamic financing income for 3Q23 increased 9% YoY and 4%QoQ, 6% ahead of our estimate. Other operating income decreased 6% YoY and 4%QoQ. BKMB's 3Q23 operating income was up 4% YoY and up 1%QoQ at OMR 129.8mn for

Operating expense decline surprised positively, yet again, while net ECL charges surprised negatively

The bank's operating expenses declined 8%YoY, 18% below our estimate. Cost to income ratio is a record low 37.8% for 3Q23 after a low level reported in 2Q23 at 38.1%. The bank's operating profit, up 14% YoY is exactly in line with our estimate. In 9M23, net ECL charges are up 13% YoY, and in 3Q23, net ECL charges are up 27% YoY and up 2% QoQ, 9% ahead of our estimate.

Net loans & Islamic financing growth is in line with estimate and Customer Deposit up YoY and QoQ, 4% below our estimate

The bank has posted a 7%YoY increase in its net loans & Islamic financing portfolio, in line with our estimates. Its customer deposits increased 9%YoY and 4%QoQ, 4% lower than our estimate. Loan-to- Customer Deposit Ratio is 104.0% in 3Q23 vs. 108.8% in 2Q23 and 106% in 3Q22.

U Capital view

In-line set of results. We are encouraged with the consistent progress on the cost-to-income ratio. The cost-to-income ratio has consistently declined for the last 5 quarters now. We maintain our target price at OMR 0.310 and Accumulate rating on the stock. Bank Muscat is currently trading at a P/B of 1.2x, compared to peer average P/B 2023e stands at 0.96x.

Income Statement												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e/oY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)	
Net Interest & Islamic Finance Income	88.7	89.9	91.7	93.0	96.3	90.9	9%	4%	6%	254.9	281.0	10%
Other operating income	35.8	45.2	31.6	35.1	33.6	49.2	-6%	-4%	-32%	112.8	100.2	-11%
Operating Income	124.5	135.1	123.3	128.1	129.8	140.1	4%	1%	-7%	367.7	381.2	4%
Operating expenses	(53.5)	(56.3)	(48.7)	(48.7)	(49.0)	(59.5)	-8%	1%	-18%	(151.0)	(146.5)	-3%
Operating Profit	71.0	78.8	74.6	79.3	80.8	80.7	14%	2%	0%	216.7	234.7	8%
Net ECL charge / net impairment	(13.2)	(17.4)	(13.7)	(16.4)	(16.8)	(15.4)	27%	2%	9%	(41.6)	(46.9)	13%
Tax	(8.8)	(8.9)	(9.6)	(9.9)	(9.4)	(10.3)	7%	-5%	-8%	(26.8)	(28.9)	8%
Net Profit	49.0	52.5	51.3	53.0	54.6	55.0	11%	3%	-1%	148.3	158.9	7%
Balance Sheet												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e/oY (%)	QoQ (%)	Var (%)				
Assets	12,742	12,776	13,076	13,356	13,521	13,454	6%	1%	0%			
Shareholders' Equity	2,042	1,727	1,668	1,732	1,803	1,763	-12%	4%	2%			
Net Loans & Islamic Financing	9,229	9,417	9,762	9,879	9,869	10,014	7%	0%	-1%			
Customers' Deposits & Islamic Investm	8,709	8,647	8,992	9,084	9,485	9,862	9%	4%	-4%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Cost to Income	43.0%	41.7%	39.5%	38.1%	37.8%	42.4%						
Loans to Customer Deposits	106.0%	108.9%	108.6%	108.8%	104.0%	101.5%						
ROaE	9.7%	11.1%	12.1%	12.5%	12.3%	12.6%						
Annualized EPS (OMR)	0.052	0.028	0.027	0.028	0.029	0.029						
BVPS (OMR)	0.544	0.230	0.222	0.231	0.240	0.235						
TTM P/E (x)					10.1							
P/BV (x)					1.2							

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


For our Banks sector report, click [here](#).

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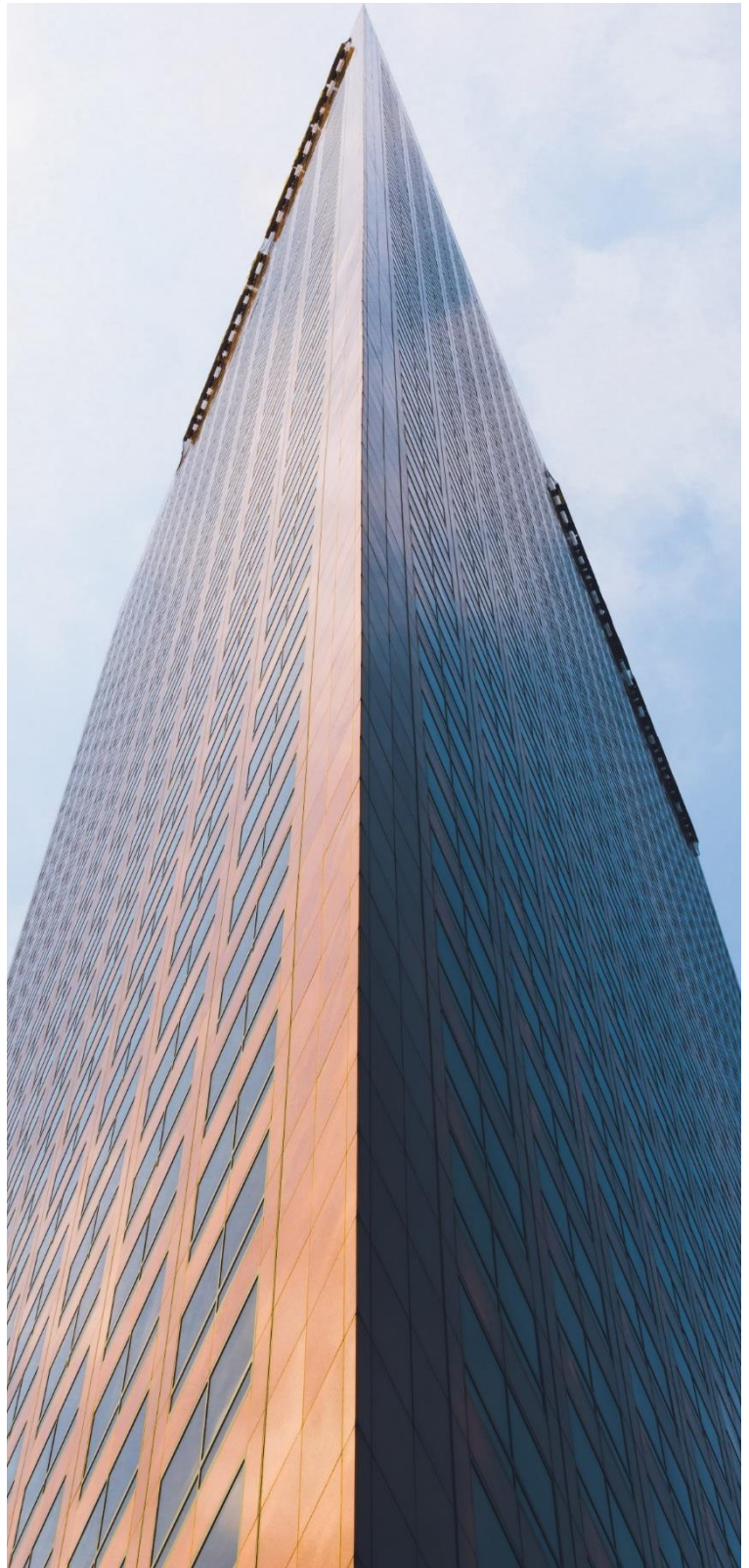
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Disclaimer

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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