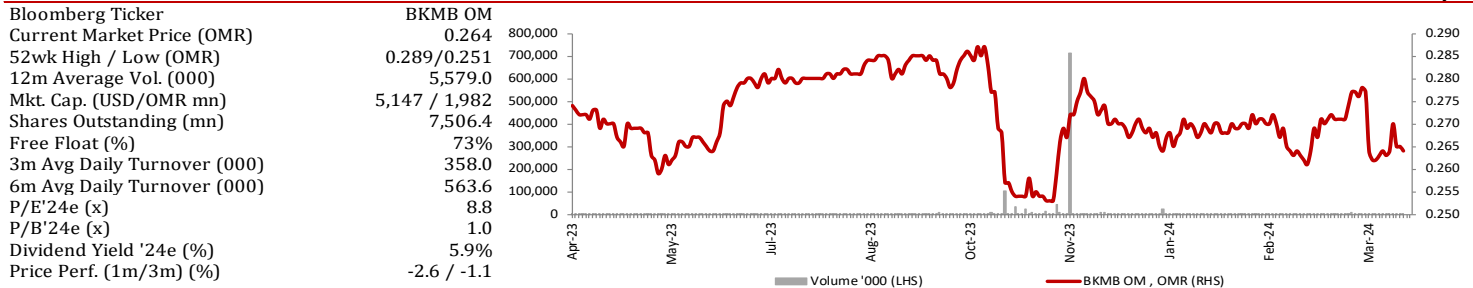


Bank Muscat (BKMB) - 1Q24 Result Review

Analyst: **Neetika Gupta**
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Recommendation: Accumulate
Reco. Date: 25-Jul-23
Target Price (TP), OMR: 0.310
Upside / (Downside): 17%
Date: 15-Apr-24



Bank Muscat's 1Q24 net profit in line with our estimates

Bank Muscat posted a net profit of OMR 54.2mn in 1Q24, up 6%YoY and 1%QoQ, in line with Bloomberg consensus and U Capital estimate. Its Net Interest & Islamic financing income for 1Q24 increased 4% YoY and 2%QoQ, also in line with our estimate. Other operating income increased 18% YoY and decreased 2%QoQ. BKMB's 1Q24 operating income was up 8% YoY and up 1%QoQ at OMR 132.7mn for the quarter, highlighting a steady performance YoY.

Operating expense increase YoY

The bank's operating expenses increased 6%YoY, broadly in-line with our estimate. Cost to income ratio stands at 39% for 1Q24. This compares to the cost to income ratio at 38.3% for 2023 and 39.5% reported in 1Q23. The bank's operating profit for 1Q24, up 8% YoY is exactly in line with our estimate. For the quarter, net ECL charges were reported at OMR 16.1m which compares to our estimate of OMR 16.6m, declining by 9% QoQ.

Net loans & Islamic financing growth is in line with estimate and Customer Deposits head of U Capital estimates

The bank has posted a 1%YoY increase in its Net Loans & Islamic financing portfolio, in line with our estimates. Its customer deposits increased 8%YoY and 3%QoQ, ahead of our estimate. Loan-to- Customer Deposit Ratio is 101.1% in 1Q24 vs. 104.7% in 4Q23 and 108.6% for 1Q23.

U Capital view

Overall in-line results reported by Bank Muscat. We are encouraged with the consistent progress in improving the operating income and focus on improving the cost-to-income ratio. 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 1.0x on our 2024 estimates.

Income Statement												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	1Q23	1Q24	YoY (%)
Net Interest & Islamic Finance Income	91.7	93.0	96.3	93.8	95.5	94.7	4%	2%	1%	91.7	95.5	4%
Other operating income	31.6	35.1	33.9	37.8	37.3	37.9	18%	-2%	-2%	31.6	37.3	18%
Operating Income	123.3	128.1	130.2	131.7	132.7	132.6	8%	1%	0%	123.3	132.7	8%
Operating expenses	(48.7)	(48.7)	(49.0)	(49.9)	(51.8)	(50.0)	6%	4%	4%	(48.7)	(51.8)	6%
Operating Profit	74.6	79.3	81.2	81.8	80.9	82.6	8%	-1%	-2%	74.6	80.9	8%
Net ECL charge / net impairment	(13.7)	(16.4)	(16.8)	(17.8)	(16.1)	(16.6)	18%	-9%	-3%	(13.7)	(16.1)	18%
Tax	(9.6)	(9.9)	(9.8)	(10.5)	(10.5)	(10.4)	9%	1%	1%	(9.6)	(10.5)	9%
Net Profit	51.3	53.0	54.6	53.6	54.2	55.7	6%	1%	-3%	51.3	54.2	6%
Balance Sheet												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)			
Assets	13,076	13,356	13,515	13,673	14,003	13,530	7%	2%	3%			
Shareholders' Equity	1,668	1,732	1,800	1,850	1,796	1,882	8%	-3%	-5%			
Net Loans & Islamic Financing	9,762	9,879	9,865	9,877	9,854	10,129	1%	0%	-3%			
Customers' Deposits & Islamic Investment	8,992	9,084	9,485	9,438	9,750	9,165	8%	3%	6%			
Key Ratios												
	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e				1Q24		
Cost to Income	39.5%	38.1%	37.7%	37.9%	39.0%	37.7%				39.0%		
Loans to Customer Deposits	108.6%	108.8%	104.0%	104.7%	101.1%	110.5%				101.1%		
ROaE	12.1%	12.5%	12.4%	11.7%	12.1%	11.9%				3.0%		
Annualized EPS (OMR)	0.027	0.028	0.029	0.029	0.029	0.030				0.007		
BVPS (OMR)	0.222	0.231	0.240	0.246	0.239	0.251				0.239		
TTM P/E (x)						9.2				9.2		
P/BV (x)						1.1				1.1		

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


For our last report, please click [here](#).


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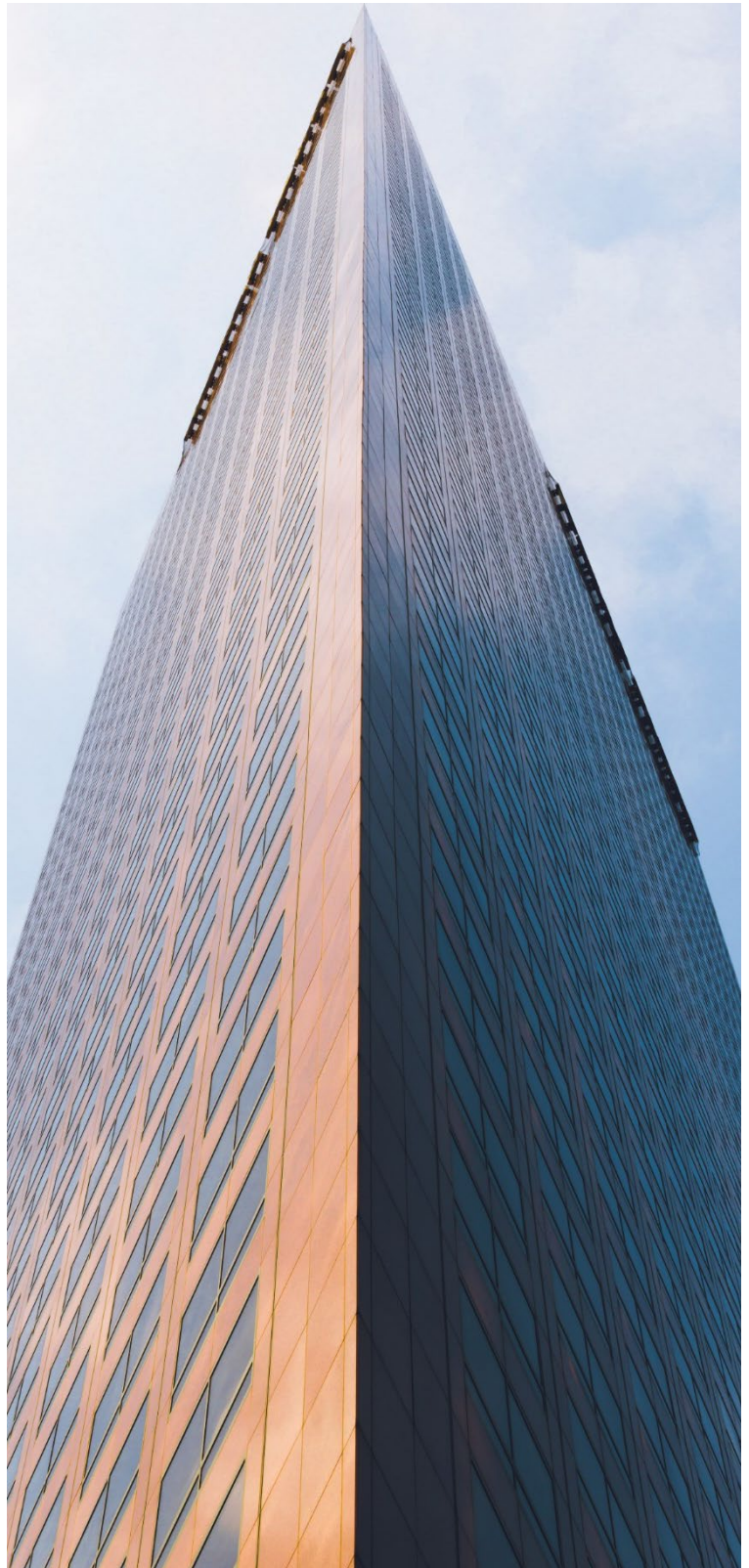
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Recommendation

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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