

## Financials

**BUY: 12M TP @ 0.677**

### Valuation Summary (TTM)

Price (RO)	0.568
PER TTM (x)	11.6
P/Book (x)	1.1
P/Sales (x)	3.2
EV/EBITDA (x)	11.0
Dividend Yield (%)	6.8
Free Float (%)	55%
Shares O/S (mn)	3,753
YTD Return (%)	24%
Beta	1.1

(mn)	OMR	USD	
Market Cap	2,139	5,557	
Total assets	13,073	33,955	
<b>Price performance (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Bank Muscat SAOG	-1%	-5%	22%
MSX 30 Index	-2%	2%	8%
MSX Services Index	-2%	-4%	9%

<b>Trading liquidity (,000)</b>	<b>1M</b>	<b>3M</b>	<b>6M</b>
Avg daily turnover (RO ,000)	557	666	659
Avg Daily Volume (,000)	1,213	1,148	1,237
<b>52 week</b>	<b>High</b>	<b>Low</b>	<b>CTL*</b>
Price (RO)	0.640	0.451	26.3

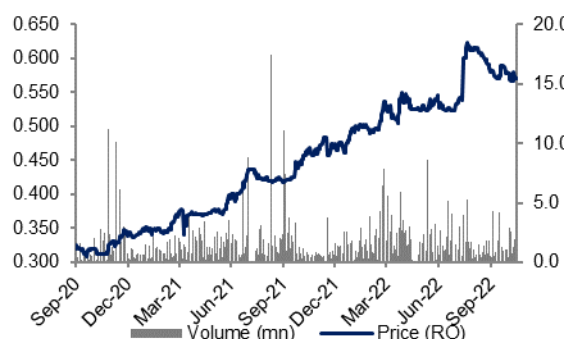
\* CTL is % change in CMP to 52wk low

### Major shareholders

Royal Court Affairs	23.6%
Dubai Financial Group	11.8%
Jabreen International Development	10.0%
Others	54.6%

### Other details

Exchange	MSX
Sector	Banks
Index weight (%)	12%



## Bank Muscat SAOG

Bank Muscat has the largest banking franchise in Muscat with robust asset quality and strong capital base, besides being best proxy on the economy supported by strong fundamentals in terms of asset quality, capital buffer & liquidity. Bank Muscat's Tier 1 ratio is expected to be maintained at 20% in FY22E, depicting strong capital base. The proposed changes in capital intended to carry out through a comprehensive, out-of-box thinking, capital optimization process is likely to help in enhanced shareholder rewards through increased payout ratio, and interest on perpetual bonds. The icing on the cake is that this has one of the lowest interest rate on a perpetual basis, which compares favorably with the best in class returns ratio that the Bank enjoys. We reinitiate Bank Muscat with a BUY recommendation and 12M target price of RO 0.677.

With its high liquidity and capital ratios, Bank Muscat is well positioned to benefit from the anticipated infrastructural and project spending in Oman. Given that the bank has a good corporate franchise, we feel that it would be in driving the project lending market in the country over the medium term. The Bank's strong relations with GREs result in high deposit mobilization potential while the high CASA mix in deposit helps control the cost of funds. Given the size of the business, Bank Muscat can lend up to RO 300mn to a single borrower, which no other bank can lend, given a lenders' lending ability in relation to the capital.

**Unparalleled Banking Franchise:** Bank Muscat has a very strong consumer banking franchise with 198 branches and 31% credit market share and possesses 33% of total banking assets in the country. It also has one of the strongest wholesale banking divisions in the country, which contributes around 20% of the operating income for the bank. The unparalleled franchise ensures that machinery is well-oiled to generate interest & fee income with a relatively higher degree of certainty as compared to other banks.

**Very good operating parameters:** Bank Muscat has one of the best earnings profiles among Omani banks, with favorable asset yield of ~4.5% on average assets, backed by low cost of funds of ~ 2.0%, leading the better spreads and better NIMs. The investment book is ~ 23% of its loan book, which aids in effective yield management, despite the possibility of re-pricing of loan book with a lag. The higher CASA ratio of ~ 66% ensures cost of funds is low.

**The Group has clear & focused strategy for sustaining & consolidating its leading position in Oman.** It aims to achieve this by focusing on three main aspects, which includes: (i) Capitalizing on growth opportunities in Oman due to renewed thrust by Government on infrastructure spends; (ii) Leveraging the Group's large network of branches and delivery channels, covering major parts of the country; and (iii) Focusing on fee-based income, which is granular, repetitive and has less capital consuming compared to lending, this it intends to achieve through focus on bancassurance, credit cards, treasury, investment, and transaction banking.

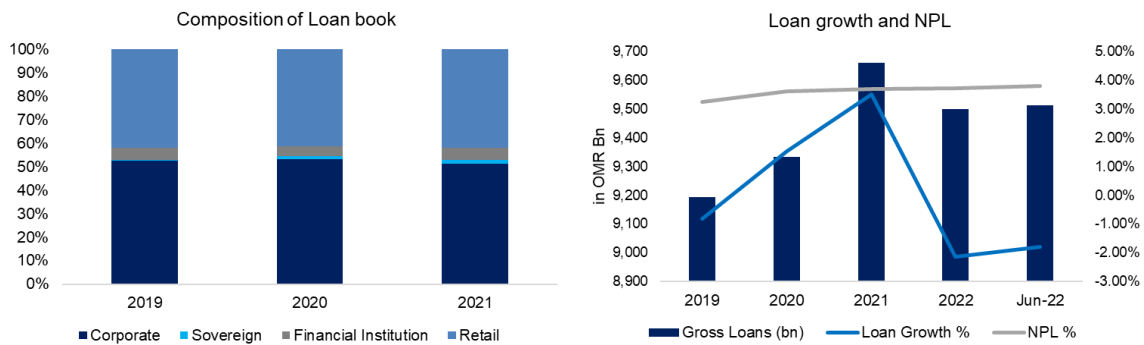
**Undemanding valuations; Recommend BUY with TP of 0.677:** At current prices, the stock is trading at par with book value, 9.3x FY23E earnings, and 6.7% FY23E dividend yield, which we feel are attractive. The bank has announced a capital optimization plan which will result in doubling its share capital and issue of AT1 perpetual bonds to shareholders. We estimate the bank to achieve loan book CAGR of 7% and net income CAGR of 11.4% during FY21-25E. We have arrived at blended DDM-Relative valuation target price of RO 0.677/Share, which offers upside potential of 19%. We recommend investors to BUY the stock.

**Unparalleled Banking Franchise:** Bank Muscat enjoys a market share of around 32.8% of total banking assets, and around 33.6% of deposits in the country. The nearest competitor is at least 1/3<sup>rd</sup> of its size. It has superior asset quality as evidenced by gross NPL ratio of 3.8%, and provision coverage of 156% despite the size. The franchise enables Bank Muscat not just with wider reach, but also pricing power, which is critical given the crowded banking space in Oman. The higher balance sheet size and extensive branch network enables Bank Muscat to raise funds at a lower cost as compared to its competitors. The consistent high CASA ratio of 66% is testimony to the fact, that the franchise is deep, enjoys superior trust and is almost a proxy to good credit rating (Ba3 (stable) by Moody's, BB-(stable) by S&P, BB(stable) by Fitch). A lower cost of funds, with reasonable yield and unparalleled franchise acts a fly-wheel effect, creating a sustainable moat

Given the size of the Bank, Bank Muscat's growth prospects are closely linked to Oman's economy. There have been very many initiatives by the Government over the past few years to reduce the risk associated out of dependency on Oil and due to which Bank Muscat has been the primary beneficiary of the same. The increased focus on Non-Oil business has put a fresh thrust on funding capital expenditure, which in turn has increased demand for funding.

Bank Muscat derives its strength not only from its leadership, but also from the strong balance sheet both on the asset and liability side. Despite being a banking behemoth, it has been able to keep a tight leash on the Non-Performing Loans under 3.80% consistently over a long period, across various cycles, including during Covid pandemic. The Bank has been able to handle the Covid period deftly, by not compromising on growth in the Loans and also keeping Non Performing Loans under a check.

The resilient loan book of the Bank is due to its primary focus on spreading its risk across both Corporate & Retail sector. Over the years the composition of the loan book has fairly remained stable as depicted below:-

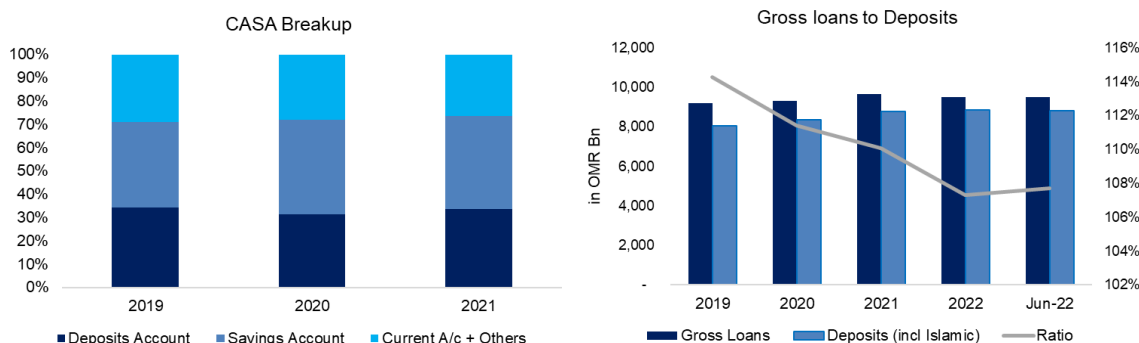


Source: Company reports, US Research

Given the inherent strength of the Banks' Balance sheet, we expect the Bank to grow its Loan Book at 4% in FY2022 over FY2021. Our view is based on the fact that the negative impact of Covid Pandemic is behind and we see green shoots both on Corporate & Retail segment that the Bank caters to. We expect increase in demand for loans to fuel due to capital expenditure by corporates, various initiatives taken by Government to spur big ticket spending on large scale projects. Besides, the bandwidth of the management in terms of managing the ghost of restructuring is also behind, letting them focus on growing the Loan Book. We also note that the increase in Oil prices will result in higher cash flows for the Corporates who in turn will look to increase their capital expenditure which was on hold due to uncertainty over the last two years.

We also expect the Bank to gear up its growth plans by leveraging its Retail Banking segment. There have been increase in disposable income in the hands of retail customers buoyed by increase in salaries after two years and improvement in economic activity across the board, arising from revenue spends by customers.

The Bank has also done a commendable job of managing its liability book quite well both in terms of CASA Breakup and Loan deposit ratio. The CASA ratio, which not just helps liquidity, but also the cost of funds, has been pretty stable, given the size of the Bank. In terms of Loans to deposit ratio, the ratio has been above 100% over last three years and during the current two quarters as well. This again reinforces the fact, that the Bank has been able to mine its customers well by tapping both the sides of its customer's balance sheet at macro level.



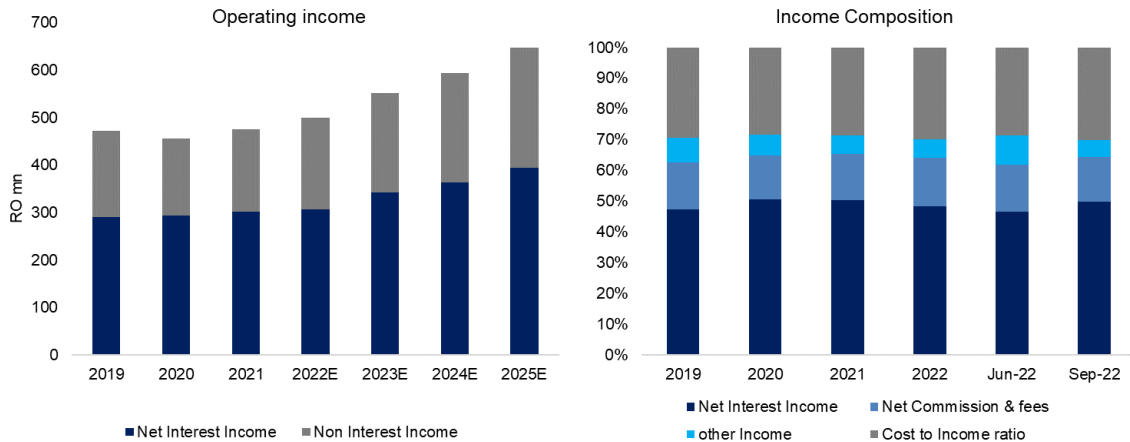
Source: Company reports, US Research

We expect both the Loan to Book ratio and CASA ratio to remain stable at these levels going forward due to a combination of factors like increase in interest rates, uptick in income levels and improved economic activity.

**It's not just quantity (size of the pie), but also the quality:** Despite Bank Muscat's larger size in the Oman Banking sector, the quality of the Bank's earnings has been top notch as measured by right income mix, and adequately provided lending book. Bank Muscat has been able to change the lever in terms of quality of income both from on the income side and on the cost side as evidenced from the change in cost to income ratio over the last 4 years, which has reached 40.3% in FY21 from 42.2% in FY17.

The Bank has seen an improvement in its core income in the form of increase in Net Interest Income, from 67% in FY19, to 71% in FY22. The non-interest income has also been stable over the years, thanks to focus on transaction banking and granular fee income from all the segments.

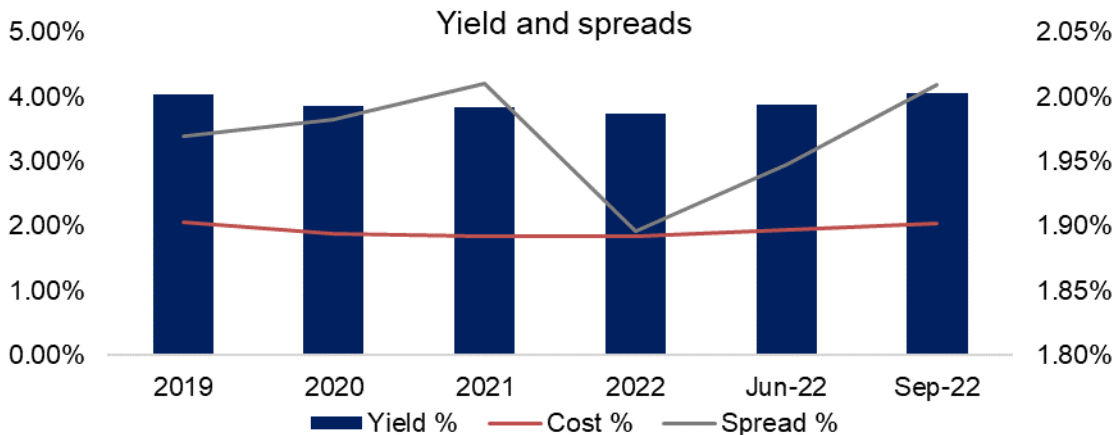
We expect Bank Muscat to maintain resilience in operating performance going forward. The bank has been able to increase its asset yield by 12 bps during the first half of the year, which reached 4.53% in 1H22. It has been maintaining very stable spread of 2.5% and Cost of Funds had been maintained at around 2.0%.



Source: Company reports, US Research

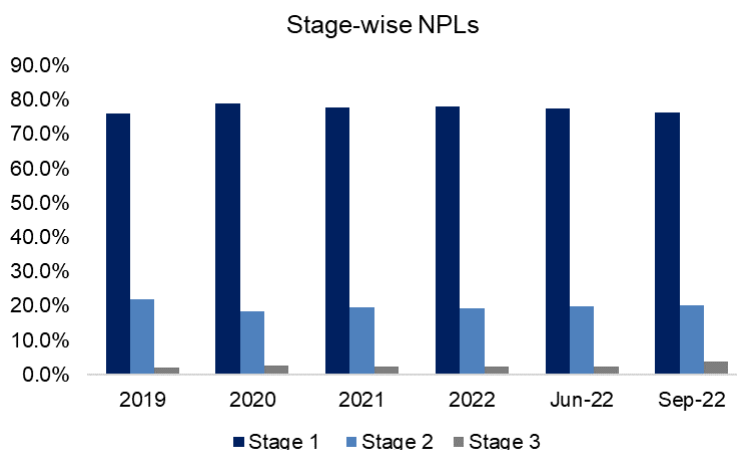
On the cost side, the Bank has been able to hold a tight leash on its Interest expense (relative in stable range around ~1.90% - 2.00% as a percentage of interest bearing liabilities). Total operating costs as a percentage of income has come down by around 200bps over a 5 year period.

We expect the Bank to continue to have a tight control over the cost to income ratio, as it has demonstrated in the past. The investments in digital banking has helped Bank reign on cost despite growth in business.



Source: Company reports, US Research

Bank Muscat has been able to prove its strength by making sure that the NPL ratios have been within a range for the Bank of its scale. The Bank has proactively carried out restructuring of weak assets within the time frame provided by the CBO. The Bank has infact emerged relatively unscathed from the Covid induced stress in its book. This is evidenced by the loan movement across stages during the last couple of years. We expect the Bank to continue to effectively manage its loan book and keep a steady incremental move of its assets in Stage 1 over next couple of years, backed by increased cash flows arising out of its customers increased income and higher Oil prices.



Source: Company reports, US Research

**Balance sheet optimization plan is positive:** In the 3QFY22, the Bank has announced a capital restructuring and optimization plan which comprises of (i) issue of bonus shares in the ratio of 1:1 resulting in increase of paid up capital to RO 750.6 million; and (ii) issue of AT1 perpetual bond of RO 1 each for every 10 ordinary shares aggregating to 375mn bonds. These bonds will be listed on Muscat Stock exchange and will carry a coupon of 4.25% per annum, with no fixed maturity and callable at the option of Bank after 5 years of issuance.

We see it as a positive development and is aimed at rewarding long term investors by (i) improving the quantum of prospective dividends, thereby increasingly providing certainty to shareholders in terms of investment returns; (ii) fix a coupon on the costliest mode of raising money, resulting in improvement in Return on Equity; and (iii) support Bank's future growth as the bank is well capitalised.

The different and innovative thinking on the part of the Bank helps it achieve multiple objectives with a single event. The proposed dividend has been approved by Central Bank of Oman and Capital Market authority, this clearly signals an intent on the part of the Bank to find ways and means of rewarding shareholders, despite the cap placed in terms of dividends and other regulatory obligations.

**Encouraging results in 9M22:** The Bank's Nine Month performance has been in line with the our expectations, across all key parameters. The Bank has been able to fire all its cylinders across all the products, as evidenced by good growth in Interest Income (around 95.6% of total operating income, as compared to 88% in last quarter), There has been a slight uptick on the yield on assets at around 4.1%, which the Bank has been witnessing before pandemic. NIMs are at 5 year high. The Cost to Income ratio has gone up slightly owing to a jump in operating expenses, by over 9.6% year on year. However, the bottom line has one up by around 7.7% year on year. With two quarters of 7%+ growth, the Bank is on track to achieve our projected target growth of 8%+ growth this year.

Conventional Loans and advances has been more or less flat with a slight degrowth of 0.3%, however, the Islamic Banking arm has seen a good growth of 7%, with overall Gross loan book growing at around 1.5% year on year.

The Bank continues to demonstrate its leadership position as a deposit franchise machine, as can be witnessed from the growth of deposits from Islamic banking activities, though the overall deposit growth has remained flat.

The NPL ratios are well within expectations at around 3.70%, this is highly commendable, given the size of the Bank. We look at this data point very positively given the once in a century event that had happened and the Bank has been able to navigate this phase very deftly. Pre-Pandemic NPL ratio has been around 3.25% in FY2019. The ability of the Bank to tackle this single big event reinforces our belief on the strengths of the Bank and its ability to grow while keeping the NPL ratio in control. The coverage ratio of 147.4% is at all time high indicating conservativeness when it comes to providing for asset quality, yet being aggressive when it comes to loan book growth.

**DDM valuation at RO 0.679; blended valuation at RO 0.677. We reinitiate with BUY Rating:** We have valued Bank Muscat using blended DDM-Relative Valuation method. Despite the run-up in share prices over the last 18 months, the current price do not reflect the earnings growth, ROE expansion due to higher interest rates and safe haven effect on oil prices and currency peg. The bank offers ~6% in terms of dividend yield, which we believe is good given the currency peg to USD. We arrived at target price of OMR 0.677, implying ~19% upside potential from the stock. We have valued Bank Muscat using the blended valuation approach, with 50% weight to intrinsic valuation based on DDM, 25% weight to relative valuation using P/E, and 25% weight to relative valuation using P/B.

DDM Valuation of BKMB	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Net income	207,746	238,535	262,403	287,827
Total equity	2,096,793	2,185,057	2,282,868	2,390,849
Total dividends	124,648	143,121	157,442	172,696
Payout ratio	60%	60%	60%	60%
PV of dividend	122,354	125,937	124,153	122,077
PV of terminal value				1,932,866
Fair value of equity				2,427,386
Shares outstanding				3,574,475
<b>Fair value per share (RO)</b>				<b>0.679</b>
CMP				0.568
Upside/Downside				19.6%

Valuation parameters		
Risk free rate		5.00%
Equity risk premium	▼	6.00%
Beta	▼	1.09
<b>Cost of equity</b>		<b>11.6%</b>
Terminal year ROE		12.3%
Terminal year retention ratio		40.0%
Sustainable growth rate		4.9%

Relative Valuation - Bank Muscat		Relative valuation parameters	
EPS 2023e (RO)	0.064	Risk free rate	5.0%
BVPS 2023e (RO)	0.582	Equity risk premium	6.0%
Target Price/Earnings Multiple for 2023E (x)	11.00x	Beta	1.09
Target Price/Book multiple for 2023E (x)	1.12x	<b>Cost of equity</b>	<b>12%</b>
<b>Fair value per share (RO) - P/E Multiple</b>	<b>0.699</b>	Sustainable growth rate	4.9%
<b>Fair value per share (RO) - P/B Multiple</b>	<b>0.649</b>	ROE 2025e	12.3%
		<b>Justified P/B</b>	<b>1.12x</b>

**Blended 12M target price**

Valuation Method	Fair Value per share (RO)	Weight	Upside/Downside
Relative Valuation - P/E	0.699	25.0%	23.1%
Relative Valuation - P/B	0.649	25.0%	14.3%
Intrinsic valuation - DDM	0.679	50.0%	19.6%
<b>Target Price (RO)</b>		<b>0.677</b>	<b>19.1%</b>
CMP (RO)		0.568	0.0%
Forward Dividend Yield 2023E			6.7%
<b>Total return including dividend</b>			<b>25.8%</b>

### About Bank Muscat

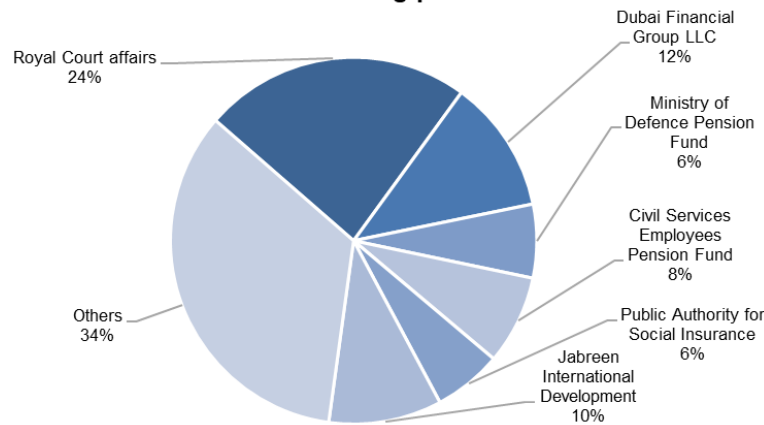
Bank Muscat is the leading financial institution in Oman with a strong presence in corporate banking, personal banking, investment banking, Islamic banking, treasury, private banking and asset management. The bank has the largest network of branches and electronic channels in Oman, as well as branches in Saudi Arabia, Kuwait and representative offices in Dubai (UAE), Iran and Singapore.

Established in 1982, Bank Muscat is Oman's largest bank in almost all parameters (assets, loans, deposits, and net profit), with a network of 174 branches across Oman, besides 2 branches overseas, and 3 representative offices. It is a fully diversified commercial bank offering corporate & retail banking services. Meethaq, its Islamic Banking services, is one of the pioneers in Oman, which was launched in 2013.

The Bank's key shareholders include Royal Court Affairs, the investment arm of the Omani government, major pension funds in Oman, Dubai Financial Group, and companies owned by H.E. Sheikh Mustahail Ahmed Al Mashani. The Bank was established following the voluntary merger of two banks: Bank Muscat and Bank Al Ahli Al Omani, which had been operating in Oman since 1982 and 1976, respectively. In 2000, the entity merged with Commercial Bank of Oman, an indirect successor of ANZ Grindlays Bank's Omani subsidiary, which began operating in Oman in 1969. In 2001, the Bank merged with the Industrial Bank of Oman. This merger facilitated the rapid expansion of its industrial and project finance business.

The Bank opened its first branch in Saudi Arabia in April 2007. In April 2010, the Bank opened its first branch in Kuwait and in 2011 it opened a representative office in Singapore. The Bank has had a representative office in Dubai since 1996.

**Shareholding pattern**



The Bank has had its primary listing on the Muscat Securities Exchange since January 1993 following the merger between Bank of Muscat and Bank Al Ahli Al Omani, which had been listed on the MSX since November 1976. The Group has undertaken a number of significant acquisitions and disposals since 2000. In 2002, the Bank acquired the Bahrain operations of ABN AMRO Bank N.V., comprising a full commercial branch and an offshore banking unit, and the operations of Al Ahlia Securities Co., a leading securities and brokerage firm in Oman which accounted for over 15 per cent of the turnover on the MSX when acquired.



In 2005, the Bank co-founded BMI Bank, Bahrain with a 49 per cent shareholding. Following the acquisition of BMI Bank by Al Salam Bank (a Bahrain based Islamic Bank) through a share-swap in March 2014, the Bank is now a 14.7 per cent shareholder in Al Salam Bank, which it accounts for as an associate reflecting the significant influence it retains through its shareholding and representation of the board of directors of Al Salam Bank. In April 2007, the Bank acquired a strategic stake in MKH, one of the top 20 security houses in India in terms of market share. In 2015, the Bank completed the full exit of its investment in MKH through share buyback programme initiated by MKH. During its history, the Group has won a large number of awards.

#### Board of Directors

Sheikh Khalid bin Mustahail Al Mashani	Chairman
Sheikh Ahmed bin Hamed bin Hilal Al Sadi	Deputy Chairman
Nasser bin Mohamed Al Harthy	Director
Sheikh Said bin Mohammed Al Harthy	Director
Sheikh Saud bin Mustahail Al Mashani	Director
Khalid Nasser Al Shamsi	Director
Sudhir George	Director
Brig. General Saif bin Salim Al Harthi	Director
Dr. Faisal bin Abdullah bin Shaban Al Farsi	Director

The Group's strategy for consolidating its leading position in Oman has three principal aspects:

**Capitalise on growth opportunities in Oman:** The Group believes that it is well positioned to capitalise on the infrastructure and industrial development projects which focus on economic diversification and developing tourism in Oman. This is expected to support wholesale banking business growth in Oman. In addition, the Group believes that there are significant opportunities to grow its consumer banking business by attracting young Omanis entering the workforce given that approximately 21.9 per cent. of the population in Oman is under 15 years old.

**Leverage the Group's large network of branches and delivery channels:** The Group's customer-centric approach to doing business and its vision of "We Can Do More" by leveraging its large network of branches, other delivery channels and experienced employees is an important element of the Group's strategy. The Group continues to increase its branch network and focus on electronic delivery channels to deliver increased customer convenience and service quality.

**Focus on fee-based income:** The Group aims to continue to increase the contribution from non-interest income by expanding its fee-based activities in all business areas. There are number of strategic initiatives to grow the Group's non-interest income in areas such as bancassurance, credit cards, treasury, investment banking and transaction banking.

In the last few years, the Group has made significant investments in technology and other infrastructure to improve efficiency and provide best in class customer service. The Group continues focus on efficiency and high-quality services through improving processes and implementing new technologies. The Group has a direct presence in most of the GCC countries through a strategic investment in Bahrain, a subsidiary in Saudi Arabia, a branch in each of Riyadh and Kuwait and a representative office in Dubai. Its medium-term strategy is to scale up its operations outside Oman and look for growth opportunities in related markets. Regional expansion is expected to be focused on business opportunities between Oman and other GCC countries and will be undertaken in a focused and controlled manner. The Group continues to monitor opportunities to expand within the GCC, both organically and by acquisition.

Income Statement (RO '000)	2019	2020	2021	2022E	2023E	2024E	2025E
Interest Income	452,017	437,772	444,705	467,400	536,183	573,809	615,063
Interest Expense	-161,137	-143,536	-143,020	-160,920	-192,714	-209,718	-220,269
<b>Net Interest Income</b>	<b>290,880</b>	<b>294,236</b>	<b>301,685</b>	<b>306,480</b>	<b>343,469</b>	<b>364,090</b>	<b>394,795</b>
Non Interest Income	181,291	162,303	173,795	193,759	208,727	229,810	252,959
<b>Net Operating Income</b>	<b>472,171</b>	<b>456,539</b>	<b>475,480</b>	<b>500,240</b>	<b>552,196</b>	<b>593,901</b>	<b>647,753</b>
Operating Expenses	-195,931	-179,852	-191,459	-205,598	-217,565	-226,870	-246,146
Provision expense	-56,127	-81,038	-60,050	-50,234	-54,001	-58,321	-62,987
<b>Profit Before Taxation</b>	<b>220,113</b>	<b>195,649</b>	<b>223,971</b>	<b>244,407</b>	<b>280,629</b>	<b>308,709</b>	<b>338,620</b>
Tax expense	-34,563	-32,291	-34,346	-36,661	-42,094	-46,306	-50,793
<b>Profit for the year</b>	<b>185,550</b>	<b>163,358</b>	<b>189,625</b>	<b>207,746</b>	<b>238,535</b>	<b>262,403</b>	<b>287,827</b>
Interest on Perpetual Tier I capital	-7,150	-7,168	-7,150	-7,150	-7,150	-7,150	-7,150
<b>Profit attributable to shareholder</b>	<b>178,400</b>	<b>156,190</b>	<b>182,475</b>	<b>200,596</b>	<b>231,385</b>	<b>255,253</b>	<b>280,677</b>
Balance sheet (RO '000)	2019	2020	2021	2022E	2023E	2024E	2025E
Cash and balances with CBO	781,755	656,891	1,047,224	1,200,748	1,160,176	894,318	606,887
Due from banks	869,804	573,886	765,151	811,060	859,724	911,307	965,986
Loans, advances & financing	8,878,041	8,937,373	9,191,417	9,524,291	10,249,413	11,081,030	11,967,513
Investment securities	1,444,832	1,835,461	1,811,496	1,865,841	1,921,816	1,979,471	2,038,855
Fixed Assets	79,482	71,389	74,187	73,687	82,522	93,212	106,167
Other Assets	236,694	378,765	183,063	200,543	219,770	240,921	264,186
<b>Total Assets</b>	<b>12,290,608</b>	<b>12,453,765</b>	<b>13,072,538</b>	<b>13,676,170</b>	<b>14,493,421</b>	<b>15,200,258</b>	<b>15,949,593</b>
Due to banks	1,173,479	938,007	1,218,465	1,340,312	1,407,327	1,477,693	1,551,578
Customers' deposits	8,043,666	8,377,274	8,774,606	9,160,707	9,801,956	10,318,858	10,863,480
Borrowings	501,795	489,887	480,979	480,979	480,979	480,979	480,979
Other liabilities	569,032	604,949	447,644	467,380	488,102	509,861	532,707
<b>Total Liabilities</b>	<b>10,287,972</b>	<b>10,410,117</b>	<b>10,921,694</b>	<b>11,449,377</b>	<b>12,178,365</b>	<b>12,787,391</b>	<b>13,428,744</b>
Paid-up Capital	841,013	856,487	888,983	888,983	888,983	888,983	888,983
Other Reserves	505,136	519,606	537,014	537,014	537,014	537,014	537,014
Retained earnings	526,487	537,555	594,847	670,796	759,060	856,871	964,852
<b>Shareholder's Equity</b>	<b>1,872,636</b>	<b>1,913,648</b>	<b>2,020,844</b>	<b>2,096,793</b>	<b>2,185,057</b>	<b>2,282,868</b>	<b>2,390,849</b>
Tier 1 Perpetual subordinated bonds	130,000	130,000	130,000	130,000	130,000	130,000	130,000
<b>Total Equity</b>	<b>2,002,636</b>	<b>2,043,648</b>	<b>2,150,844</b>	<b>2,226,793</b>	<b>2,315,057</b>	<b>2,412,868</b>	<b>2,520,849</b>
<b>Total Liabilities and Equity</b>	<b>12,290,608</b>	<b>12,453,765</b>	<b>13,072,538</b>	<b>13,676,170</b>	<b>14,493,421</b>	<b>15,200,258</b>	<b>15,949,593</b>
Cash Flow Statement (RO '000)	2019	2020	2021	2022E	2023E	2024E	2025E
Cash flow from operating activities	-162,085	541,975	351,893	357,175	193,284	-13,917	-15,813
Cash flow from investing activities	-204,771	-193,507	-57,950	-71,853	-83,585	-87,350	-91,772
Cash flow from financing activities	-77,802	-128,575	-101,478	-131,798	-150,271	-164,592	-179,846
Net change in cash	-444,658	219,893	192,465	153,524	-40,572	-265,859	-287,431
<b>Cash at the end of period</b>	<b>982,185</b>	<b>1,202,078</b>	<b>1,394,543</b>	<b>1,548,067</b>	<b>1,507,495</b>	<b>1,241,637</b>	<b>954,206</b>

Key Ratios	2019	2020	2021	2022E	2023E	2024E	2025E
Yield on average earning assets	4.0%	3.9%	3.8%	3.9%	4.3%	4.3%	4.3%
Cost of funds	2.1%	1.9%	1.8%	1.9%	2.2%	2.2%	2.2%
NIM	2.6%	2.6%	2.6%	2.5%	2.6%	2.6%	2.6%
Cost to income ratio	41.5%	39.4%	40.3%	41.1%	39.4%	38.2%	38.0%
Gross NPL ratio	3.3%	3.6%	3.7%	3.9%	3.9%	3.9%	3.9%
Provision as a % of gross loans	3.4%	4.2%	4.9%	5.2%	5.1%	5.0%	5.0%
NPL Coverage	105%	117%	132%	133%	131%	128%	128%
Capital Adequacy	19.7%	20.8%	21.3%	21.2%	20.5%	20.1%	20.0%
Interest income/operating income	95.7%	95.9%	93.5%	93.4%	97.1%	96.6%	95.0%
Dividend yield	6.2%	4.4%	5.3%	5.8%	6.7%	7.4%	8.1%
Net Equity to Gross Loans	20.4%	20.5%	20.9%	20.9%	20.2%	19.6%	19.0%
Net Equity to Total Assets	15.2%	15.4%	15.5%	15.3%	15.1%	15.0%	15.0%
Gross Loan to Deposit Ratio	114.3%	111.4%	110.1%	109.7%	110.2%	113.0%	116.0%
Net Loan to Deposit Ratio	110.4%	106.7%	104.8%	104.0%	104.6%	107.4%	110.2%
ROE	10.3%	8.8%	9.8%	10.3%	11.1%	11.7%	12.3%
Adjusted ROE	9.9%	8.4%	9.4%	9.9%	10.8%	11.4%	12.0%
ROA	1.5%	1.3%	1.5%	1.6%	1.7%	1.8%	1.8%
RoRWA	1.9%	1.7%	1.9%	2.0%	2.1%	2.2%	2.3%
BVPS (RO)	0.605	0.589	0.565	0.559	0.582	0.608	0.637
EPS (RO)	0.055	0.048	0.051	0.053	0.062	0.068	0.075
DPS (RO)	0.035	0.025	0.030	0.033	0.038	0.042	0.046
Price	0.434	0.394	0.484	0.568	0.568	0.568	0.568
P/E (x)	10.3	11.8	11.1	10.6	9.2	8.4	7.6
P/BV (x)	0.9	1.0	1.0	1.0	1.0	0.9	0.9
Dividend Yield (%)	6.2%	4.4%	5.3%	5.8%	6.7%	7.4%	8.1%

## Key contacts

### Research Team

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### Rating Criteria and Definitions

Rating	Rating Definitions
	<b>Strong Buy</b> 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%
	<b>Buy</b> 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%
	<b>Hold</b> 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%
	<b>Neutral</b> 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%
	<b>Sell</b> 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%
	<b>Strong Sell</b> 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%
	<b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe

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