

## **OMAN BANKING SECTOR**

*Revised Central Bank Regulations to benefit the local banks...*



## ***Oman Banking Sector – Regulatory amendments to benefit the local banks, Omani Banks to re-rate...***

### **The Event: CBO Amended Regulations (Effective 1st April 2018) and its Implications**

#### **New set of regulations to provide cushion for the local banks...**

We have seen an unprecedented set of regulations amended by the Central Bank of Oman- CBO (effective 1<sup>st</sup> April 2018) addressing the pending concerns of the local banks and taken overall efforts to improve the business environment, banking sector liquidity, increase in credit growth and there by stimulating economic growth. We believe the regulator has become adoptive to the changes in the global markets and emerging regulations internationally by remaining as key accommodator and enabler to the local banks operating under this evolving regulatory environment.

**We remain positive on these recent regulatory developments and this would wholly benefit the local banks to sustain the macro economic challenges and emerge stronger.**

The performance of the local listed banks has been relatively resilient over last three years despite challenging macro environment, tighten liquidity and higher capital requirements. The new set of regulations which are implemented post the concerns raised by the local banks reveal positive trend for the overall emergence of regulations going forward. This would be accommodative for the overall development of the local banking sector. **We believe the Central Bank with their consultative approach would address several other concerns of the local banks during the coming months.**

#### **Positive for Local Banks- to boost credit growth, liquidity and sound capital position...**

#### **Key regulatory changes done by CBO are given below**

- Reduce the overall capital adequacy ratio from 12% to 11% levels
- To expand the deposit base by including Local Banks deposits, under the current allowed permitted lending rate of 87.5%
- To remove the regulatory restrictions imposed on the risk weights to claims on sovereign and central banks.
- To increase the prudential limit for all currencies from (-15%) to (-20%) for 3-6 months buckets and negative (-25%) for 6 to 9 months buckets and 9 to 12 months buckets
- To increase prudential limit ratio of Credit Exposure to Non-Residents and Placement of Banks Funds Abroad to banks local net worth from 50% to 75%

**We believe these measures by the CBO as accommodative stance and this would improve the overall liquidity and capital position of the local banks.**

**We remain positive on the Omani Banking stocks which are trading at distressed valuations and we believe these stocks are set for re-rating during the coming months. With oil price trading ranging USD 65/ barrel, the estimated improvement in liquidity position, non-oil diversification efforts, big-ticket project announcements, improvement in credit off-take and the lowering of fiscal deficit to boost investor sentiments in Oman.**

Caveat to remain on the oil price trend, delay in new projects, increase in provisioning and the regional geopolitical developments

### Regulation 1 – Lowering total CAR by 1%

- As per the CBO, Lowering the capital adequacy ratio (CAR) of the banks from 12% to 11%; This would effectively increase the lending ability of the banks and relieve the capital raising concerns.
- As per estimates, the reduction in CAR to increase the available credit to RO 7.8 billion from previous level of RO 5.2 billion. This is expected to improve the credit growth of the sector.
  - **As per our view, this would mean the 2018 end total CAR would lower to 12.875% as against earlier 13.875% levels.**
  - The 2019 end total capital requirement would lower to 13.5% levels as compared to previous levels of 14.5%. This may delay the capital raising program of the banks to an extent.

**Our views and Implication: We believe effectively, the CBO has accommodated the banks by lowering the capital requirements.** This may have addressed concerns towards IFRS 9 implementation (effective 1<sup>st</sup> Jan 2018). This would mean the pressure on capital increase would ease to an extent and the return ratios of the local banks may tend to increase over the short to medium term, this would be beneficial.

Find below the table with the details of Capital Adequacy Ratio of the local Banks

Oman Banking Sector- CAR (end 2017)	CET 1 Ratio (%)	Tier 1 Capital (%)	Tier 2 Capital (%)	Total CAR (%)
Bank Muscat	15.55%	16.9%	1.6%	18.5%
Bank Nizwa	16.31%	16.3%	0.9%	17.3%
National Bank of Oman	12.50%	16.1%	1.2%	17.3%
HSBC Oman	15.97%	16.0%	0.9%	16.9%
Ahli Bank	12.30%	15.0%	1.7%	16.7%
Alizz Islamic Bank	15.55%	15.6%	1.1%	16.7%
Bank Sohar	10.28%	13.9%	2.3%	16.2%
Oman Arab Bank	12.64%	14.1%	1.6%	15.7%
Bank Dhofar	10.53%	13.3%	2.2%	15.4%

Source: Company Report, GBCM Research, CAR- as at end of Dec 2017

In terms of CAR, we see Bank Muscat and HSBC Oman to remain strong. While for the other banks, the relaxation would benefit in terms of planning their upcoming capital raising program.

### **Regulation 2 – Change in the calculation of regulatory lending ratio**

- Change in the calculation of regulatory lending ratio (limit of 87.5%). Going forward as per the amended regulation, the local inter-bank positions shall be allowed to be reckoned for the lending ratio purposes. CBO took this decision based on the requests from the banks to achieve the objective of optimum utilization of domestic liquidity
- CBO has decided to expand the deposit base by including the local banks deposits, under which the allotted rate of 87.5% lending ratio.
- This would improve the liquidity position, lending ability and enhance the local interbank market.

**Our views and Implication:** As at end of 2017, the sector average lending ratio is at c. 80% levels much lower as compared to regulatory limit of 87.5% levels. While the recent change in Lending ratio calculations would improve the numbers further for the local banks and thereby stimulating the credit growth to improve. **Added, this regulation may create a more liquid inter-bank market in Oman.**

### **Regulation 3 – Revision in risk weight of Sovereign exposure**

In line with guidelines of the Basel Committee on Banking Supervision, **the CBO has decided to remove the regulatory restrictions imposed on the risk weights to claims on sovereign and central banks.**

Previously, the rule was to have 100% risk weight for non-Omani sovereign exposures which has impacted the CAR of the banks. The revision of this regulation would mean that the change in risk weights would effectively boost the capital position of the banks.

**Our views and Implication:** This has been the demand from most of the local banks. With this revision, the total CAR of the local banks would be further strengthened. This would also mean effective utilization of capital for the banks. HSBC Bank Oman to majorly benefit on this move.

#### **Regulation 4 - Maturity of Assets and Liabilities (MAL)**

MAL of the banks captures the maturing assets and liabilities with various pre-set time buckets. The mismatch indicate the liquidity gap and the CBO has increased this set limit in certain time brackets of cumulative liabilities (outflows) on mismatches in time buckets up to one year. Previously this has been set at 15% levels.

The CBO has decided to increase the prudential limit for all currencies from (-15%) to (-20%) for 3-6 months buckets and negative (-25%) for 6 to 9 months buckets and 9 to 12 months buckets.

**Our views and Implication:** The MAL regulation would give further cushion for the local banks in terms of managing the liquidity gaps within the 12-month horizon. This would give more flexibility for the banks to utilize the available credit lines to them with their foreign and local banks at reasonable cost. Despite the new regulations, the liquidity management would remain critical for the banks.

#### **Regulation 5- Increase in credit exposure to Non-residents and Placement of Banks Funds Abroad**

**CBO has decided to increase the ratio of credit exposure to non-residents and placement of Banks funds abroad to banks local networth to 75% levels from 50%.** This would be beneficial for the banks to manage the liquidity position, diversifying the revenues and increase in external borrowing capacity.

**Our views and Implication:** This has been one of the key concerns raised by few of the local banks. With the increase in the ratio of credit to non-residents and placements, the banks do have more avenues to park the liquidity and earn incremental revenues. This would also enhance the external borrowing facility of the banks to fund the local projects.

### Banking Sector Outlook and Latest Valuations

Overall, we believe that the new regulations to be accommodative and remain beneficial for all the local Omani Banks in terms of improving liquidity, strengthen the capital and able to stimulate credit growth. **We do see a compelling case for the re-rating of the local banks amid prevailing distressed valuations and improvement in the macro environment during the coming months.**

**we remain positive on Bank Muscat and HSBC Bank Oman amid liquidity and strong capital position.** The valuations of both the banks are deeply discounted as compared to the sector average.

Find below the Latest Oman Banking Sector Valuations along with our recommendations for your reference.

Banks	Oman Banking Sector- Valuations										
	Closing	Rating	Market Cap (In RO 000s)	PE (2017)	PE (2018E)	PBV (2017)	PBV (2018E)	Div. Yield (2017)	Div. Yield (2018E)	RoAE (2017)	RoAE (2018E)
	(2-Apr-2018)										
Bank Muscat	0.374	BUY	1,102,331	6.0	5.9	0.6	0.6	8.0%	8.0%	10.9%	10.5%
Bank Dhofar	0.196	NEUTRAL	477,944	9.3	9.9	0.9	0.9	6.1%	6.1%	10.7%	9.8%
National Bank of Oman	0.183	ACCUMULATE	297,548	6.4	6.6	0.7	0.7	8.2%	8.2%	10.3%	10.2%
Ahli Bank	0.152	ACCUMULATE	227,436	8.1	7.5	0.9	0.8	6.6%	6.6%	10.7%	11.6%
HSBC Oman	0.101	BUY	202,031	10.6	10.1	0.6	0.6	5.6%	5.9%	6.0%	6.1%
Bank Sohar	0.140	ACCUMULATE	274,836	9.8	9.9	0.9	0.9	3.6%	3.6%	9.0%	9.2%
<b>Sector Average- Weighted</b>				<b>7.6</b>	<b>7.6</b>	<b>0.7</b>	<b>0.7</b>	<b>6.9%</b>	<b>6.9%</b>	<b>10.2%</b>	<b>10.0%</b>

Source: Company Report, GBCM Research Estimates, Closing Price as on 2-Apr-2018

## IFRS 9- Transition Impact for Omani Banks

**Find below the table with the details of Omani Banks- Transition Impact (Based on 2017 Audited results)**

IFRS 9- Transition Impact	Impact on Shareholders' Equity	Comment
Bank Muscat	To increase shareholders equity in a range of 1% to 2% of equity	Positive impact
Bank Dhofar	To impact the shareholders equity by 1% to 2%	Negative impact
National Bank of Oman	To impact shareholders equity by 4% to 5%	Negative impact
Bank Sohar	Credit loss impairment required to be lower by 5% to 8% against the loan loss reserves	Positive impact
Ahli Bank	To reduce the shareholders equity by RO 5.5 million (c. 2% of equity)	Negative impact
HSBC Bank Oman	To reduce net equity by 1.3% levels	Negative impact
Bank Nizwa	To positively reflect shareholders equity by 15-20%	Positive impact
Al Izz Islamic Bank	IFRS9 related provisions to be lower by RO 1.45 million as compared to CBO regulations.	Positive impact

Source: Company Report, GBCM Research Estimates

**CBO has released the IFRS 9 Implementation guidelines to Banks in 2017, which states that the if the CBO provisioning requirements is higher than the impairment allowance under IFRS 9, then the difference (net of tax), should be transferred to an impairment reserve and this reserve would not be available for dividends or for inclusion in regulatory capital.**

**Kindly note these IFRS 9 related adjustments would be taken directly in Shareholders equity in Q1 2018. This would not impact the income statement**

\*\* The above are preliminary estimates and the actual impact of adopting IFRS 9 may change accordingly which would be disclosed along with Q1 2018 estimates.

These Bank will record adjustments to its opening on 1<sup>st</sup> Jan 2018 retained earnings, to reflect the application of the new requirements of Impairment at the adoption date and will not restate comparative periods.

The estimated impact relates primarily to the implementation of the expected credit loss (ECL) requirements and classification and measurement of assets.

Find below the link which details the Implementation of IFRS 9 (CBO regulations) with regards to the licensed Banks and Leasing companies operating in Oman

Source: <http://www.cbo-oman.org/circulars/2017/CBOBM1149Apr17.pdf>

**Oman Banking Sector Data – Key Statistics**

Aggregate Banking Sector (RO Million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Total Assets	14,174	15,648	18,388	20,856	22,903	26,005	30,249	29,892	31,515	11.8%
YoY (%)	2.9%	10.4%	17.5%	13.4%	9.8%	13.5%	16.3%	-1.2%	5.4%	
Total Credit	9,834	10,724	12,515	14,320	15,612	17,948	20,098	22,131	23,550	13.7%
YoY (%)	6.2%	9.0%	16.7%	14.4%	9.0%	15.0%	12.0%	10.1%	6.4%	
Total Deposits	9,091	10,517	12,573	14,172	15,758	17,968	19,413	20,424	21,569	12.8%
YoY (%)	6.0%	15.7%	19.6%	12.7%	11.2%	14.0%	8.0%	5.2%	5.6%	
Aggregate Addition -YoY	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Total Assets	396	1,474	2,741	2,468	2,047	3,103	4,244	(357)	1,623	
Total Credit	577	890	1,791	1,805	1,292	2,336	2,150	2,033	1,420	
Total Deposits	512	1,426	2,057	1,598	1,586	2,210	1,445	1,011	1,145	
Aggregate Commercial Bank Interest Rate Structure	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Wtd Avg Yield on Assets	7.44	6.84	6.19	5.65	5.41	5.08	4.76	5.08	5.20	
YoY (%)	4.8%	-8.2%	-9.5%	-8.7%	-4.3%	-6.0%	-6.3%	6.8%	2.4%	
Wtd Avg Cost of Funds	2.23	1.69	1.42	1.32	1.17	0.98	0.94	1.49	1.67	
YoY (%)	-11.3%	-24.0%	-16.4%	-7.1%	-11.0%	-16.0%	-5.0%	59.7%	11.7%	
<b>Wtd Avg. Spreads</b>	<b>5.22</b>	<b>5.14</b>	<b>4.77</b>	<b>4.34</b>	<b>4.24</b>	<b>4.10</b>	<b>3.83</b>	<b>3.59</b>	<b>3.54</b>	
YoY (%)	13.7%	-1.4%	-7.2%	-9.2%	-2.2%	-3.3%	-6.6%	-6.2%	-1.5%	
Credit to Deposits	108.2%	102.0%	99.5%	101.0%	99.1%	99.9%	103.5%	108.4%	109.2%	

Source: Company Report, GBCM Research, CAGR- Compounded Annual Growth Rate



### Oman Listed Banks – Key Statistics

#### Total Assets and Gross Loans Trend- Since 2009

Total Assets (RO Million)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Bank Muscat	5,851	5,851	7,228	7,914	8,486	9,728	12,545	10,820	11,149	10.2%
NBO	1,798	1,805	2,229	2,538	2,896	2,976	3,263	3,533	3,470	8.9%
HSBC Bank Oman	1,039	1,156	1,251	2,413	2,221	2,243	2,200	2,254	2,334	8.0%
Bank Dhofar	1,487	1,664	1,961	2,144	2,605	2,970	3,593	3,952	4,247	16.1%
Ahli Bank	616	806	930	1,099	1,339	1,645	1,898	1,900	2,015	20.7%
Bank Sohar	1,025	1,258	1,432	1,787	1,886	2,075	2,208	2,520	2,843	21.1%
OAB	859	954	1,115	1,370	1,456	1,816	1,983	2,066	2,139	12.6%
<b>Total Commercial Bank</b>	<b>14,174</b>	<b>15,648</b>	<b>18,388</b>	<b>20,856</b>	<b>22,903</b>	<b>26,005</b>	<b>30,249</b>	<b>29,892</b>	<b>31,515</b>	<b>11.8%</b>
Gross Loan (RO '000s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Bank Muscat	4,052	4,194	4,996	5,812	6,360	7,045	7,628	8,271	8,657	12.0%
NBO	1,429	1,432	1,734	1,986	2,157	2,396	2,622	2,768	2,770	11.0%
HSBC Bank Oman	686	717	772	1,293	1,081	1,244	1,284	1,501	1,465	8.6%
Bank Dhofar	1,258	1,333	1,573	1,748	1,983	2,379	2,828	3,107	3,387	16.3%
Ahli Bank	447	660	776	939	1,119	1,407	1,541	1,545	1,659	21.2%
Bank Sohar	799	920	1,011	1,133	1,273	1,455	1,683	1,954	2,148	21.6%
OAB	583	682	857	966	1,111	1,297	1,564	1,645	1,704	15.4%

Source: Company Report, GBCM Research, CAGR- Compounded Annual Growth Rate

**Total Deposits and Credit to Deposit Ratio Trend- Since 2009**

Total Deposits (RO '000s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Bank Muscat	3,068	3,527	4,749	5,324	5,646	6,582	7,363	7,458	7,419	12.3%
NBO	1,261	1,325	1,600	1,887	2,179	2,178	2,250	2,399	2,461	10.2%
HSBC Bank Oman	730	797	998	1,852	1,793	1,852	1,802	1,867	1,932	9.1%
Bank Dhofar	1,101	1,250	1,519	1,635	2,032	2,456	2,592	2,885	3,068	16.4%
Ahli Bank	467	632	669	738	955	1,076	1,301	1,271	1,451	25.3%
Bank Sohar	832	999	1,171	1,337	1,392	1,552	1,464	1,532	1,643	21.1%
OAB	696	770	910	1,031	1,149	1,468	1,601	1,637	1,747	12.6%
<b>Total Commercial Bank Deposit</b>	<b>9,091</b>	<b>10,517</b>	<b>12,573</b>	<b>14,172</b>	<b>15,758</b>	<b>17,968</b>	<b>19,413</b>	<b>20,424</b>	<b>21,569</b>	<b>12.8%</b>

Source: Company Report, GBCM Research, CAGR- Compounded Annual Growth Rate

Credit to Deposit Ratio (%)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bank Muscat	125.1%	113.6%	101.5%	105.2%	108.8%	103.1%	99.5%	106.7%	112.3%
NBO	107.9%	102.9%	104.4%	101.3%	94.9%	106.4%	112.6%	111.3%	107.8%
HSBC Bank Oman	84.2%	80.2%	69.0%	64.5%	54.7%	62.7%	66.6%	76.0%	72.2%
Bank Dhofar	108.4%	101.0%	98.4%	102.3%	93.6%	93.0%	105.3%	103.6%	105.9%
Ahli Bank	95.0%	103.8%	114.9%	125.6%	115.7%	129.1%	116.7%	119.8%	112.7%
Bank Sohar	94.5%	90.4%	84.5%	82.8%	89.6%	91.7%	112.5%	124.9%	127.8%
OAB	81.2%	85.8%	91.2%	90.7%	93.7%	85.8%	94.9%	97.4%	94.7%
<b>Oman Banking Sector Average</b>	<b>108.2%</b>	<b>102.0%</b>	<b>99.5%</b>	<b>101.0%</b>	<b>99.1%</b>	<b>99.9%</b>	<b>103.5%</b>	<b>108.4%</b>	<b>109.2%</b>

Source: Company Report, GBCM Research

**Non- Performing Assets (NPA) and Provisioning Trend- Since 2009**

NPA's (RO '000s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Bank Muscat	196.5	175.9	149.1	173.7	168.4	200.1	209.5	240.3	254.2	13.1%
NBO	71.7	61.3	64.0	53.2	61.3	58.5	61.6	73.9	112.9	4.1%
HSBC Bank Oman	72.3	77.5	83.9	92.4	94.7	69.1	71.9	69.1	55.3	-3.3%
Bank Dhofar	58.9	63.0	59.7	55.7	58.5	59.8	64.9	83.3	105.5	11.2%
Ahli Bank	1.4	2.0	5.1	9.6	9.7	11.6	13.6	14.8	17.1	34.2%
Bank Sohar	1.9	8.1	16.0	18.3	13.6	21.9	20.7	33.1	49.8	NM
OAB	15.8	21.0	24.4	26.1	36.6	38.2	44.8	47.9	50.3	11.4%
Provisions (RO '000s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	10Yr CAGR
Bank Muscat	213.8	186.3	176.5	210.8	217.6	258.9	297.7	313.9	327.8	11.7%
NBO	68.1	69.0	62.9	74.8	88.6	78.9	88.2	98.0	116.5	5.4%
HSBC Bank Oman	71.2	77.7	83.6	99.0	101.0	82.4	83.3	82.3	69.9	-1.3%
Bank Dhofar	63.6	71.7	77.6	75.5	80.6	94.9	98.6	118.9	138.0	11.8%
Ahli Bank	3.0	3.5	7.4	11.6	14.4	18.3	22.6	23.0	24.1	23.6%
Bank Sohar	12.7	17.1	21.4	25.3	25.3	31.7	35.8	41.0	49.5	27.4%
OAB	17.8	22.0	27.2	31.5	34.3	37.0	44.8	50.1	50.5	9.8%

Source: Company Report, GBCM Research, CAGR- Compounded Annual Growth Rate

**NPA to Gross Loans and Provision Coverage- Since 2009**

<b>NPA's to Gross Loans</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Bank Muscat	4.9%	4.2%	3.0%	3.0%	2.6%	2.8%	2.7%	2.9%	2.9%
NBO	5.0%	4.3%	3.7%	2.7%	2.8%	2.4%	2.3%	2.7%	4.1%
HSBC Bank Oman	10.5%	10.8%	10.9%	7.1%	8.8%	5.6%	5.6%	4.6%	3.8%
Bank Dhofar	4.7%	4.7%	3.8%	3.2%	2.9%	2.5%	2.3%	2.7%	3.1%
Ahli Bank	0.3%	0.3%	0.7%	1.0%	0.9%	0.8%	0.9%	1.0%	1.0%
Bank Sohar	0.2%	0.9%	1.6%	1.6%	1.1%	1.5%	1.2%	1.7%	2.3%
OAB	2.7%	3.1%	2.9%	2.7%	3.3%	2.9%	2.9%	2.9%	2.9%
<b>Average</b>	<b>4.1%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>2.7%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.9%</b>
<b>Provision Coverage</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Bank Muscat	108.8%	105.9%	118.4%	121.4%	129.2%	129.4%	142.1%	130.6%	128.9%
NBO	95.0%	112.6%	98.3%	140.7%	144.6%	135.0%	143.3%	132.7%	103.2%
HSBC Bank Oman	98.5%	100.3%	99.7%	107.1%	106.7%	119.2%	115.8%	119.1%	126.6%
Bank Dhofar	108.0%	113.8%	130.0%	135.6%	137.9%	158.8%	151.9%	142.7%	130.8%
Ahli Bank	212.6%	171.6%	144.5%	121.2%	148.8%	157.4%	165.7%	155.6%	140.9%
Bank Sohar	655.6%	212.4%	133.6%	138.2%	185.9%	144.6%	172.9%	124.0%	99.4%
OAB	113.0%	105.0%	111.1%	120.8%	93.7%	96.9%	99.9%	104.4%	100.4%
<b>Average</b>	<b>198.8%</b>	<b>131.7%</b>	<b>119.4%</b>	<b>126.4%</b>	<b>135.3%</b>	<b>134.5%</b>	<b>141.7%</b>	<b>129.9%</b>	<b>118.6%</b>

Source: Company Report, GBCM Research

### GCC Banks- Relative Valuation

	Last Price **	Market Cap (In USD)	%YTD	P/E (TTM)	P/BV (Latest)	Div. Yield - TTM (%)	Return on Equity (%)	Return on Assets (%)
<b>Omani Banks</b>								
Bank Muscat	0.370	2,835,411,051	-1.4	6.1	0.6	7.7	10.9	1.6
Bank Dhofar	0.198	1,255,332,767	-3.7	12.4	1.0	5.6	8.9	1.2
NBO	0.183	773,625,276	-3.9	8.5	0.7	7.8	8.2	1.3
Ahli Bank	0.150	583,552,301	-9.0	8.4	0.9	6.3	10.7	1.4
Bank Sohar	0.153	709,932,229	0.7	11.0	0.9	3.2	8.9	0.9
HSBC Bank Oman	0.105	546,085,392	-18.0	10.8	0.6	5.4	6.0	0.8
Bank Nizwa	0.086	335,400,000	-4.4	NA	1.0	NA	2.9	0.6
Al Izz Islamic Bank	0.080	208,000,000	21.2	NA	1.0	NA	NM	NM
<b>Omani Banks- Average</b>				<b>9.5</b>	<b>0.9</b>	<b>6.0</b>	<b>8.1</b>	<b>1.1</b>
<b>Saudi Banks</b>								
National Commercial Bank	65.1	34,784,760,000	18.3	13.6	2.3	3.2	17.4	2.2
Al Rajhi Bank	75.5	32,744,546,250	16.8	13.5	2.2	5.3	16.9	2.7
Samba Financial Group	26.7	14,279,160,000	13.8	10.7	1.2	4.7	11.5	2.2
Riyad Bank	13.9	11,109,870,000	11.0	10.5	1.1	5.3	10.4	1.8
Saudi British Bank	31.3	12,547,665,000	16.0	11.9	1.4	4.5	12.2	2.1
Banque Saudi Fransi	29.4	9,445,721,171	2.6	10.0	1.1	5.3	11.5	1.8
Alinma Bank	20.6	8,246,295,000	7.6	15.3	1.5	2.4	10.1	1.8
Arab National Bank	29.3	7,815,090,000	18.5	9.6	1.2	3.4	12.7	1.8
Alawwal Bank	12.2	3,729,546,737	3.2	10.5	1.0	2.0	10.2	1.3
Bank Albilad	22.8	3,649,356,000	11.2	14.5	1.8	3.5	12.8	1.6
Saudi Investment Bank	15.5	3,099,870,000	2.7	8.2	0.9	3.0	10.7	1.5
Bank Al-Jazira	11.2	1,627,098,000	-3.4	7.4	0.7	3.1	10.1	1.3
<b>Saudi Banks- Average</b>				<b>11.3</b>	<b>1.4</b>	<b>3.8</b>	<b>12.2</b>	<b>1.8</b>
<b>Qatari Banks</b>								
Qatar National Bank	130.0	33,020,232,138	3.2	9.6	1.8	4.6	19.8	1.7
Masraf Al Rayan	35.3	7,288,875,000	-6.4	13.1	2.0	5.7	15.7	2.1
Qatar Islamic Bank	97.5	6,335,611,425	0.5	11.0	1.5	5.1	14.2	1.7
Commercial Bank Qsc	30.0	3,338,984,344	3.8	33.1	0.7	3.3	2.3	0.4
Doha Bank Qsc	27.0	2,302,096,762	-5.3	8.2	0.8	11.1	8.8	1.2
Qatar International Islamic	50.0	2,081,736,563	-8.4	9.1	1.3	8.0	13.3	1.9
Al Ahli Bank	31.5	1,822,247,268	-15.2	10.2	1.3	3.0	13.5	1.7
Al Khalij Commercial Bank	11.1	1,094,940,000	-22.1	8.0	0.6	6.8	7.4	0.9
<b>Qatari Banks- Average</b>				<b>12.8</b>	<b>1.2</b>	<b>6.0</b>	<b>11.9</b>	<b>1.4</b>



<b>UAE Banks</b>								
FAB	11.7	34,680,348,220	14.1	10.8	1.4	6.0	15.1	2.2
National Bank of RAK	4.4	1,983,333,590	-8.4	9.3	0.9	6.9	10.4	1.8
National Bank of UAQ	3.0	1,492,888,332	-1.0	14.4	1.3	3.4	8.8	2.5
United Arab Bank Pjsc	1.2	684,436,807	-32.8	NM	0.9	NA	0.8	0.1
National Bank of Fujairah	3.0	1,194,721,377	-35.7	11.2	1.1	2.3	10.7	1.3
Commercial Bank Int.	0.8	359,151,824	-17.4	8.3	0.7	NA	8.2	0.9
Sharjah Islamic Bank	1.2	989,867,894	-8.8	6.7	0.7	6.5	9.2	1.3
Bank of Sharjah	1.1	628,320,000	-10.6	8.7	0.6	7.0	6.3	0.9
Emirates Nbd Pjsc	10.8	16,326,519,029	31.7	7.7	1.2	NA	15.2	1.8
Dubai Islamic Bank	5.3	7,138,102,249	-14.2	6.4	1.4	8.5	22.7	2.3
Commercial Bank of Dubai	4.0	3,049,374,557	-2.4	11.2	1.2	4.4	11.3	1.5
Mashreqbank	70.0	3,380,186,870	0.0	6.1	0.6	5.7	10.5	1.7
Ajman Bank Pjsc	1.0	466,188,674	-8.9	13.4	0.8	3.4	6.4	0.7
<b>UAE Banks- Average</b>				<b>9.5</b>	<b>1.0</b>	<b>5.4</b>	<b>10.4</b>	<b>1.5</b>
<b>Kuwait Banks</b>								
National Bank of Kuwait	760.0	15,724,669,988	9.6	14.9	1.6	3.8	10.4	1.3
Kuwait Finance House	596.0	11,443,056,693	3.5	18.4	1.8	2.6	10.0	1.1
Ahli United Bank B.S.C	0.7	17,946,526,327	1.4	9.2	1.4	6.0	15.9	1.9
Commercial Bank of Kuwait	449.0	2,461,539,699	12.3	13.3	1.1	3.0	8.8	1.3
Burgan Bank	280.0	2,006,363,603	-8.8	11.1	0.9	1.7	8.2	0.9
Ahli United Bank	320.0	1,993,692,850	-8.3	13.1	1.3	3.5	10.4	1.2
Gulf Bank	256.0	2,598,468,071	7.6	15.1	1.2	3.5	8.2	0.9
Al Ahli Bank of Kuwait	335.0	1,806,260,929	15.5	15.1	0.9	3.6	6.3	0.8
Kuwait International Bank	231.0	797,942,796	1.3	12.2	0.9	4.3	6.9	0.9
<b>Kuwait Banks- Average</b>				<b>13.6</b>	<b>1.2</b>	<b>3.6</b>	<b>9.5</b>	<b>1.1</b>
<b>Bahrain Banks</b>								
Ahli United Bank B.S.C	0.710	14,335,663,672	1.4	9.2	1.4	6.0	15.9	1.9
National Bank of Bahrain Bsc	0.610	2,069,542,600	4.0	13.8	1.9	3.7	14.1	2.0
Bbk Bsc	0.450	1,294,732,599	8.7	10.9	1.2	7.8	12.9	1.6
Al-Salam Bank	0.119	677,690,220	4.4	14.0	0.8	5.9	5.8	1.1
Ithmaar Bank Bsc	0.110	886,798,921	-18.5	NA	0.9	NA	NM	NM
Khaleeji Commercial Bank	0.086	240,198,000	-27.1	NA	0.7	NA	1.7	0.3
<b>Bahrain Banks- Average</b>				<b>12.0</b>	<b>1.2</b>	<b>5.9</b>	<b>10.1</b>	<b>1.4</b>
<b>GCC Banks Average</b>				<b>11.4</b>	<b>1.1</b>	<b>4.9</b>	<b>10.6</b>	<b>1.4</b>

Source: \*\* Price taken from Bloomberg as on 1<sup>st</sup> April 2018 at 10.25 AM, Bloomberg, GBCM Research

**Omani Banking sector is trading at considerable discount as compared to the GCC Banking sector average amid macro challenges, economic slowdown and the exit of foreign portfolio investors**



### **Stock Rating Methodology:**

**Buy** - Upside more than 20%

**Accumulate** - Upside between 10% and 20%

**Neutral** - Upside or downside less than 10%

**Reduce** - Downside between 10% and 20%

**Sell** - Downside more than 20%

**Not Rated** - Stocks not in regular research coverage

### **Time Horizon**

**LT** – Long Term rating with a 12 to 18-month horizon

**ST** – Short Term rating with a 3 to 6-month horizon

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