

Omani Banks

Good Things Come in Small Packages

We are initiating coverage on Oman's four leading banks. Our view on the sector is constructive, supported by the ongoing rate-cut cycle, strong capital positions, improving asset quality, and visible operating leverage potential.

Why Oman matters in GCC & GEM portfolios? MSX30 long term (30Y+) monthly correlation vs MSCI EM stands at 0.466 offering diversification and hard-currency hedge under the USD-pegged OMR. With banks accounting for 32% of the index, the prudent regulation limits cyclical earnings volatility making them more domestic agenda driven. For global EM investors seeking lower-beta, USD-pegged exposure ahead of a potential 2027 upgrade to EM with upside optionality at 30%+ discount vs rest of GCC, banks offer compelling risk-reward.

Top-Down View: Oman is well positioned to fund Vision 2040-linked capex while preserving risk metrics. Sovereign return to investment grade compressed wholesale spreads enabling structural growth with banking assets to GDP of 108% vs GCC avg of 198% and room for consolidation (top-3 banks share 60% vs 70% in the rest of GCC) with visible operating leverage potential. We forecast top-3 banks to grow organically to 65% by 2030F and to 70-75% in case of M&A.

Market Consolidation is Driving Returns. The 2023 SIB / HSBC Oman merger clearly signalled regulatory support for scale and mid-tier banks are likely next in line for M&A, with SIB / Ahli talks likely paused rather than shelved. SIB and Bank Dhofar have significant room for gaining market share with the former capitalising on HSBC merger and the latter on investment into 'phygital' (physical + digital) distribution.

Bottom-Up View: Omani banks combine solid capital profiles with improving profitability, while trading at compelling discounts to regional peers. Bank Muscat offers unmatched scale and dividend reliability; Sohar International is set to harvest merger synergies; Bank Dhofar provides cyclical upside as provisions taper from 2H26, with ongoing investment into the branch network bearing fruit. NBO fully valued; a new 5-year strategic plan could provide future catalysts.

Valuation and Catalysts: We value the sector using a two-stage DDM, assuming CoE of 8.9–10.7% and terminal growth of 5%. Omani banks currently trade at 0.8–1.2x P/BV and offer dividend yields around 5% (except NBO at 2.6%). Stock-specific catalysts—SIB's M&A optionality, provision normalisation at BKDB are the key levers to narrow the 30%+ valuation gap versus higher ROE GCC peers as MSX liquidity deepens.

Risks: Faster NIM compression as deposits migrate to term products unless offset by volumes and fees; potentially dilutive capital actions to fund growth / M&A / buffers; execution risks in case of M&A, international expansion.

Figure 1. Omani Banks Multiples vs GCC Banks

	Bank Muscat	Sohar Int. (SIB)	Bank Dhofar	NBO	GCC avg
P/E'26F					
P/BV'25F					
ROE 2026F					

Source: Bloomberg, Oman Investment Bank Research.

Oman
Banks
Equity research

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BKMB

12m Price Target (OMR)

Current price (OMR)	Available in the full report
Dividend Yield	

Total Expected Return (%)

BKSB

12m Price Target (OMR)

Current price (OMR)	Available in the full report
Dividend Yield	

Total Expected Return (%)

NBOB

12m Price Target (OMR)

Current price (OMR)	Available in the full report
Dividend Yield	

Total Expected Return (%)

BKDB

12m Price Target (OMR)

Current price (OMR)	Available in the full report
Dividend Yield	

Total Expected Return (%)

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