

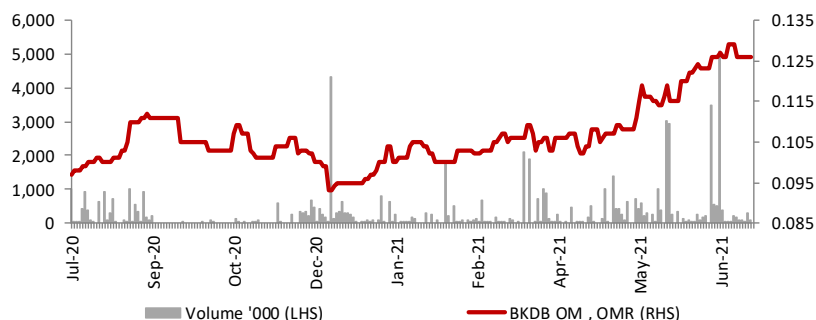
Bank Dhofar (BKDB) - 2Q21/1H21 Result Review

Recommendation: HOLD

TP (OMR): 0.135
Upside / (Downside): 7%

Analyst: Hettish Karmani

Bloomberg Ticker	BKDB OM
Current Market Price (OMR)	0.126
52wk High / Low (OMR)	0.13/0.09
12m Average Vol. (000)	257.9
Mkt. Cap. (USD/OMR mn)	980 / 378
Shares Outstanding (mn)	2,996.4
Free Float (%)	66%
3m Avg Daily Turnover (000)	51.9
6m Avg Daily Turnover (000)	36.3
P/E 2021e (x)	11.8
P/Bv 2021e (x)	0.70
Cash Dividend Yield 2021e (%)	4.0%
Price Perf. (1m/3m) (%)	3.28 / 21.15



Net income for 2Q21 inline with our estimates

The bank reported net income of OMR 8.1mn for 2Q21 which was inline with our estimates of OMR 7.8mn, deviation of merely 2.9%. For 2Q21, banks profitability was down 10% QoQ but was higher on YoY basis by 15.4%. Overall for 1H21, the bank reported net income of OMR 17.05mn compared to OMR 15.76mn for 1H20, growth of 8%.

Operating profit inline with our estimates

The bank posted operating profit of OMR 15.6mn for 2Q21 which was inline with our estimates. Operating income reported by the bank in 2Q21 was higher on YoY basis but was down on QoQ basis by 9.0% while operating expenses dropped substantially during the quarter on both YoY and QoQ basis, boosting the operating profit.

ECL charges increase in 2Q21

The bank booked a net ECL charge of OMR 6.2mn in 2Q21 vs OMR 3.4mn in 1Q20. The net ECL charge was higher on YoY and QoQ basis by 72.7% and 81.2% respectively.

Customer deposits and loan growth of 9.1% and 4.1% reported on YoY basis

The bank's net loans & Islamic financing grew by 4.1%YoY and 0.9%QoQ. Customer deposits increased by 9.1% YoY. Loan-to-deposit ratio rose to 109.2% in 2Q21 compared to 106.4% in 1Q21.

Income Statement									
(OMR mn)	1Q20	2Q20	1Q21	2Q21	2Q21e	YoY (%)	QoQ (%)	Var (%)	
Operating Income	31.1	30.0	33.0	30.0	32.0	0.1%	-9.0%	-6.1%	
Operating expenses	(18.6)	(18.2)	(19.2)	(14.4)	(16.4)	-20.8%	-25.3%	-12.3%	
Operating Profit	12.5	11.8	13.7	15.6	15.6	32.2%	13.7%	0.4%	
Net ECL charge	(2.2)	(3.6)	(3.4)	(6.2)	(6.4)	72.7%	81.2%	-1.8%	
PBT	10.3	8.2	10.3	9.4	9.2	14.3%	-8.9%	1.8%	
Tax	(1.5)	(1.2)	(1.3)	(1.3)	(1.4)	8.4%	1.1%	-4.1%	
Net Profit	8.8	7.0	9.0	8.1	7.8	15.4%	-10.3%	2.9%	
Balance Sheet									
(OMR mn)	1Q20	2Q20	1Q21	2Q21					
Assets	4,356	4,112	4,515	4,441					
Shareholders' Equity	524	530	548	539					
Net Loans & Islamic Financing	3,193	3,205	3,307	3,337					
Customers' Deposits & Islamic Invest	3,096	2,800	3,108	3,056					
Key Ratios									
	1Q20	2Q20	1Q21	2Q21					
Cost to Income	59.8%	60.6%	58.3%	47.9%					
Loans to Customer Deposits	103.1%	114.5%	106.4%	109.2%					

Source: Company Reports, U Capital Research

Date: 15 July 2021

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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