



Sohar International Bank (BKSB) -2Q22 Result Review

Date: **14-Jul-22**

Recommendation:	HOLD					Target	Price (TP), OMR:	0.103
Reco Date:	TP: OMR 0.086, Ratin	g: Hold, Date: 23-Aug-	2021				Upside / (Downside):	-1.0%
							Analys	t: Ayisha Zia
Bloomberg Ticker	BKSB OM							
Current Market Price (OMR)	0.104	18,000 ¬						□ 0.130
52wk High / Low (OMR)	0.125/0.089	16,000 -				٨	1	0.120
12m Average Vol. (000)	1,215.2	14,000		• /~~	-Man	~~~~	~	
Mkt. Cap. (USD/OMR mn)	808/311	12,000 -		/////////////////////////////////////	V	\cup $^{\vee}$	~~~~	0.110
Shares Outstanding (mn)	2,990.1	10,000	/				,	0.100
Free Float (%)	76%	8,000		.				0.090
3m Avg Daily Turnover (000)	135.3	6,000 - 4,000 -			1. 1	.		0.080
6m Avg Daily Turnover (000)	137.8	2,000						0.070
P/E'22e (x)	10.7	0	<u> </u>		حابا النابا البيابات		بالفاطانا المالحان المساولين	0.060
P/B'22e (x)	0.9	21	21	21	52	7	72 73	2
Dividend Yield '22e (%)	5.6%	Ä	Sep-	Dec-	Jan-	Feb-	Арг- Мау-	Jul-2:
Price Perf. (1m/3m) (%)	1 / -9		Volume '00		٦		, OMR (RHS)	

BKSB's net profit beat our estimate by 11%

The bank has posted a 21%YoY and an 17%QoQ growth in its net profit for 2Q22. Operating income for the quarter was in line with our estimate, it increased by 8%YoY and was almost the same QoQ, while operating expenses dropped -5%QoQ. Operating profit grew 7%YoY and 4%QoQ, in line with our estimate. Net profit for 1H22 stood at OMR 15.2mn, and was higher 22% YoY. Operating income for 1H22 was also higher by 12% and stood at OMR 54.2mn

Net ECL charge for 2Q22 down -13%YoY and -14%; -8% below our estimate

BKSB's net ECL provision charge stood at OMR 5.9mn for 2Q22. BKSB had the highest non-performing loan (NPL) ratio within its local peer group at end-FY21 (about 5.4% of gross loans vs. peer-group's simple-average of about 4.4%).

Net loan & Islamic Financing in line with our estimate

The bank's net loans & Islamic financing assets are up 8%YOY and 2%QoQ, in line with our estimate. Its customer deposits have risen by 11%YOY and 7%QoQ, in line with our estimate. Net loan-to-deposit ratio reached about 106.4% from 110.8% in 1Q22 and is below the 109.6% recorded a year ago.

Income Statement												
(OMR mn)	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)	1H21	1H22	YoY
Operating Income	28.0	28.0	28.5	30.4	30.3	29.8	8%	0%	2%	54.2	60.7	12%
Operating Expenses	(11.6)	(11.9)	(14.8)	(13.4)	(12.8)	(12.9)	10%	-5%	-1%	(23.6)	(26.2)	11%
Operating Profit	16.4	16.0	13.7	16.9	17.5	16.9	7%	4%	4%	30.6	34.5	12%
Net ECL charge	(6.8)	(5.9)	(8.4)	(6.8)	(5.9)	(6.4)	-13%	-14%	-8%	(12.8)	(12.7)	0%
PBT	9.7	10.1	5.3	10.1	11.6	10.5	20%	15%	10%	17.9	21.7	22%
Tax	(1.5)	(1.5)	(0.8)	(1.6)	(1.7)	(1.6)	15%	7%	8%	(2.7)	(3.3)	22%
Net Profit	8.2	8.6	4.5	8.5	9.9	9.0	21%	17%	11%	15.2	18.5	22%
Balance Sheet												
(OMR mn)	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)			
Assets	4,031	4,023	4,134	4,196	4,364	4,319	8%	4%	1%			
Shareholders' Equity	340	392	397	385	396	396	16%	3%	0%			
Net Loans & Islamic Financing	2,526	2,550	2,612	2,671	2,732	2,732	8%	2%	0%			
Customers' Deposits & Islamic Invest	2,304	2,229	2,394	2,410	2,568	2,451	11%	7%	5%			
Key Ratios												
	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e						
Cost to Income	41.3%	42.6%	51.8%	44.2%	42.2%	43.3%						
Loans to Customer Deposits	109.6%	114.4%	109.1%	110.8%	106.4%	111.4%						
ROaE	9.8%	9.4%	4.6%	8.7%	10.2%	9.2%						
Annualized EPS (OMR)	0.013	0.012	0.006	0.012	0.013	0.012						
BVPS (OMR)	0.139	0.160	0.134	0.131	0.132	0.134						
TTM P/E (x)					9.8							
P/BV (x)					0.8							

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

For our earlier report on the bank, please click here.





Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%



Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9000
Fax: +968 2494 9099
Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.