

## Sohar International Bank (BKSJ) -2Q22 Result Review

Date: 14-Jul-22

### Recommendation:

**HOLD**

Target Price (TP), OMR:

**0.103**

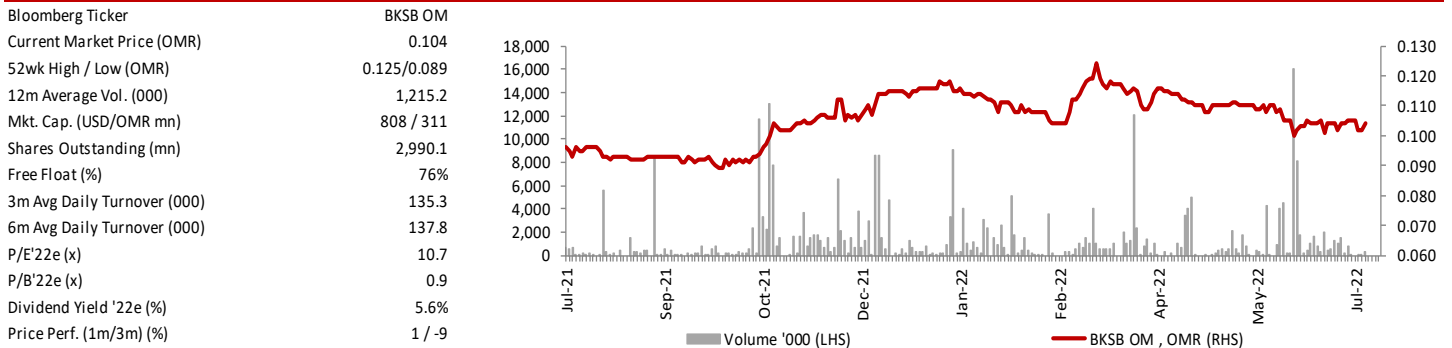
Reco Date:

TP: OMR 0.086, Rating: Hold, Date: 23-Aug-2021

Upside / (Downside):

-1.0%

Analyst: Ayisha Zia



### BKSJ'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

BKSJ's net ECL provision charge stood at OMR 5.9mn for 2Q22. BKSJ 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%