

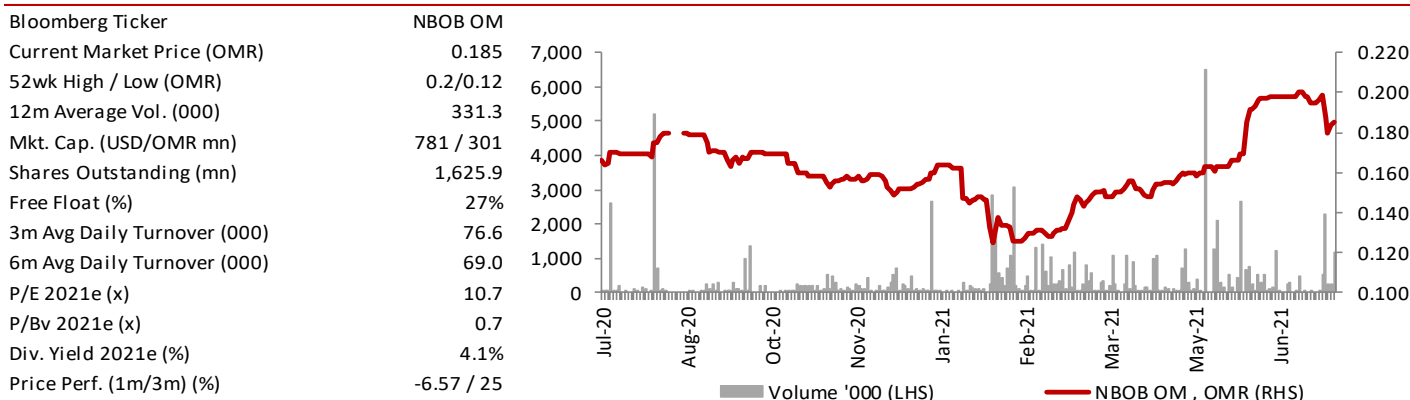
## National Bank of Oman (NBOB) - 2Q21/1H21 Result Review

**Recommendation: HOLD**

**TP (OMR): 0.170**

Upside / (Downside): -8%

Analyst: Hettish Karmani



### Net income for 2Q21 jumped on lower impairments

The bank posted net income of OMR 8.8mn for 2Q21 compared to OMR 6.9mn in 1Q21 and OMR 5.2mn in 2Q20. Higher profitability was largely because of lower impairments by the banks in 2Q21. Overall, 1H21 the bank reported net income of OMR 15.65mn compared to OMR 15.03mn in 1H20, growth of 4.1%.

### Operating income inline with our estimates

The bank reported operating income of OMR 31.2mn for 2Q21 compared to U Capital estimates of OMR 30.4mn, deviation of merely 2.8%. Operating income was higher on YoY basis by 8.8% and 0.4% on QoQ basis in 2Q21.

### Net ECL provision charge down 7.2% YoY and 22.6% QoQ

The bank reported net ECL charge of OMR 5.3mn in 2Q21 compared to OMR 6.9mn in 1Q21 and OMR 5.8mn in 2Q20. U Capital estimated ECL to remain inline with 1Q21 at OMR 7.0mn, higher than the actual. Overall, impairments for 1H21 were recorded at OMR 12.24mn compared to OMR 9.37mn in 1H20.

### Customer deposits and net loans registered YoY and QoQ growth in 2Q21

The bank has posted an increase in net loans & Islamic financing of 5.1%YoY and 2.1%QoQ while Customer deposits were up 1.1%YoY and 2.4% QoQ. Loan-to-deposit ratio eased to 111.6% in 2Q21, from about 112% in 1Q21.

Income Statement								
(OMR mn)	1Q20	2Q20	1Q21	2Q21	2Q21e	YoY (%)	QoQ (%)	Var (%)
Net interest & Islamic finance income	22.4	22.8	22.1	22.9	22.4	0.4%	3.8%	2.5%
Other operating income	8.4	5.9	9.0	8.3	8.0	41.3%	-8.0%	3.5%
Operating Income	30.7	28.7	31.1	31.2	30.4	8.8%	0.4%	2.8%
Operating Expenses	(15.5)	(16.8)	(16.0)	(15.6)	(16.3)	-6.9%	-2.5%	-4.1%
Operating Profit	15.2	11.9	15.1	15.6	14.1	30.8%	3.4%	10.8%
Net ECL charge	(3.6)	(5.8)	(6.9)	(5.3)	(7.0)	-7.2%	-22.6%	-23.7%
PBT	11.6	6.2	8.2	10.3	7.1	66.2%	25.2%	44.9%
Tax	(1.8)	(0.9)	(1.3)	(1.5)	(1.1)	62.7%	16.9%	42.9%
Net Profit	9.8	5.2	6.9	8.8	6.0	66.8%	26.8%	45.2%
Balance Sheet								
(OMR mn)	1Q20	2Q20	1Q21	2Q21				
Assets	3,818	3,689	3,773	3,823				
Shareholders' Equity	413	415	422	430				
Net Loans & Islamic Financing	2,866	2,826	2,910	2,970				
Customers' Deposits & Islamic Invest	2,691	2,631	2,598	2,661				
Key Ratios								
	1Q20	2Q20	1Q21	2Q21				
Cost to Income	50.6%	58.4%	51.4%	50.0%				
Loans to Customer Deposits	106.5%	107.4%	112.0%	111.6%				

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%