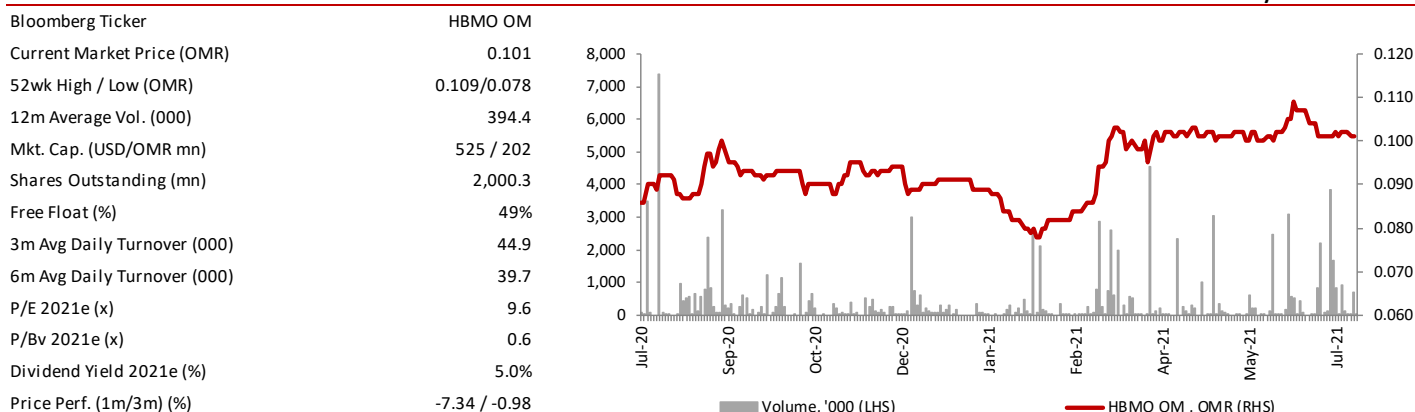


HSBC Oman (HBMO) - 2Q21/1H21 Result Review

Recommendation: ACCUMULATE

TP (OMR): 0.120
Upside / (Downside): 19%

Analyst: Hettish Karmani



Operating income in line with our estimate

The bank posted an operating income of OMR 16.5mn for 2Q21 which is in line with our estimate of OMR 16.9mn. Operating income reported by the bank was down 8.1% YoY and 0.6% QoQ in 2Q21. Operating expenses were also inline with our estimates at OMR 13.1mn for 2Q21. Operating profit reported by the bank was at OMR 3.4mn compared to U Capital estimate of OMR 3.8mn.

Net Profit for 2Q21 beats our estimate on a net ECL release of OMR 3.5mn for 2Q21

The bank posted a net ECL release of OMR 3.5mn in 2Q21, as compared to a net ECL release of OMR 2.2mn in 1Q21. The bank booked sizable ECL provisions in 2020, and with improvement in overall outlook U Capital also estimated an ECL release of OMR 1.5mn, however it was lower than the actual release of OMR 3.5mn.

Customer deposits witnessed growth of 0.4% YoY whereas net loans declined on YoY basis by 8.8% in 2Q21

Net loans of the bank declined by 8.8%YoY and 1.0%QoQ while customer deposits rose by 0.4%YoY but were down 4.0% in QoQ. Loan-to-deposit ratio stood at 69.3% in 2Q21 vs. 67.3% in 1Q21 and 76.3% a year ago at the end of 2Q20.

Income Statement								
(OMR mn)	1Q20	2Q20	1Q21	2Q21	2Q21e	YoY (%)	QoQ (%)	Var (%)
Operating Income	19.0	18.0	16.6	16.5	16.9	-8.1%	-0.6%	-2.2%
Operating expenses	(12.2)	(11.4)	(13.6)	(13.1)	(13.1)	14.8%	-3.7%	0.4%
Operating Profit	6.9	6.5	3.0	3.4	3.8	-48.0%	13.3%	-10.8%
Net ECL charge	(11.3)	(6.0)	2.2	3.5	1.5	-158.6%	59.1%	133.3%
Net Profit	(4.5)	1.3	4.3	5.7	4.5	347.4%	32.6%	26.2%
Balance Sheet								
(OMR mn)	1Q20	2Q20	1Q21	2Q21				
Assets	2,543	2,403	2,480	2,364				
Shareholders' Equity	331	332	331	337				
Net Loans	1,522	1,461	1,347	1,333				
Customers' Deposits	2,074	1,914	2,002	1,923				
Key Ratios								
	1Q20	2Q20	1Q21	2Q21				
Cost to Income	64.0%	63.5%	81.9%	79.4%				
Loans to Customer Deposits	73.4%	76.3%	67.3%	69.3%				

Source: Company Reports, MSX, U Capital Research

Date: 14 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%