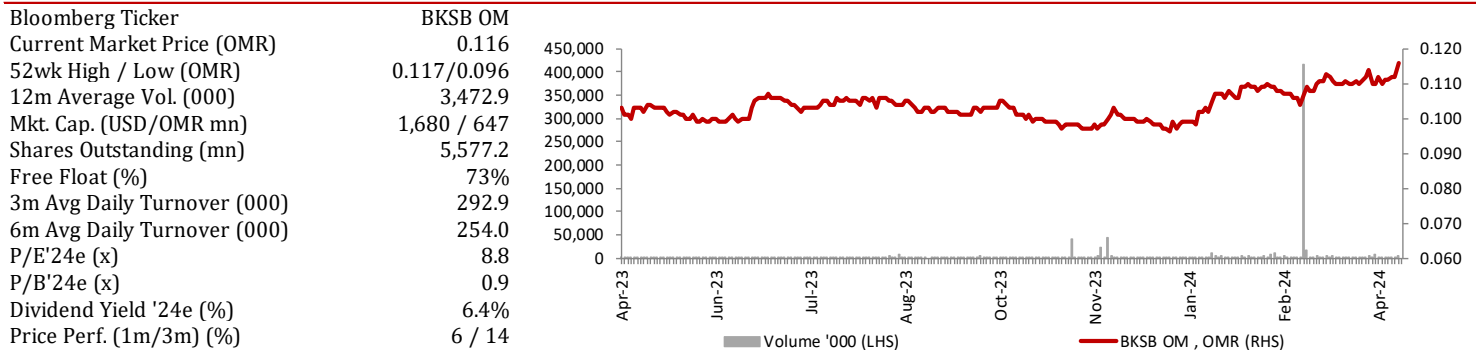


## Sohar International Bank (BKSBI) - 1Q24 Result Review

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**Recommendation:** Under Review (UR) **Target Price (TP), OMR:** UR  
Date: 15-Apr-24



### BKSBI's 1Q24 net profit up 89% YoY, in line with U Capital estimates

Sohar International Bank has posted a 89%YoY growth (inorganic growth included) and a 38%QoQ (like for like basis) increase in its net profit for 1Q24. Profit before tax is reported at OMR 30.4mn, as per the initially disclosed results. Due to limited disclosures at this stage, we cannot estimate the ECL charges incurred as there could be an element of one-off income resulting from the merger. The Operating income for the quarter was up 67% YoY, the operating expenses rose at a lower pace up 62% YoY. Operating profit for the quarter was reported at OMR 35.8mn. Net profit for the quarter stood at OMR 25.1mn, in line with our estimates, up 89%YoY.

### Net loan & Islamic Financing and customer deposits grew 28% YoY and 88% YoY respectively, both flat sequentially

The bank's net loans & Islamic financing assets are up 28%YoY and were flat on a QoQ basis. Its customer deposits have risen by 88%YoY and 2%QoQ. Net loan-to-deposit ratio stands at 75.1% as of end-1Q24 and is well below the 110.6% recorded a year ago.

### U Capital view

We await detailed financial results on a consolidated basis to update the investment case on Sohar International Bank. Cost to income ratio is reported at 40.2% (vs. 41.5% in 1Q23), slightly below U Capital estimates which is encouraging and highlights the focus on cost control. In our view, it is still early days for the merger and there is significant potential to tap synergies by lowering cost for the combined entity. BKSBI benefits from the highest percent of low-cost deposits (CASA deposits) among Oman banks, which we believe could help the combined entity emerge as a strong performer going forward.

Income Statement												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	1Q23	1Q24	YoY
Operating Income*	35.9	33.1	56.9	122.9	59.9	73.4	67%	-51%	-18%	35.9	59.9	67%
Operating Expenses	(14.9)	(15.4)	(19.1)	(27.5)	(24.1)	(29.8)	62%	-12%	-19%	(14.9)	(24.1)	62%
<b>Operating Profit</b>	<b>21.0</b>	<b>17.7</b>	<b>37.8</b>	<b>95.4</b>	<b>35.8</b>	<b>43.6</b>	<b>70%</b>	<b>-62%</b>	<b>-18%</b>	<b>21.0</b>	<b>35.8</b>	<b>70%</b>
PBT	15.6	12.1	26.1	13.0	30.4	31.2	95%	133%	-2%	15.6	30.4	95%
Tax	(2.3)	(1.7)	(4.1)	5.2	(5.3)	(4.7)	NM	NM	13%	(2.3)	(5.3)	128%
<b>Net Profit</b>	<b>13.3</b>	<b>10.4</b>	<b>22.0</b>	<b>18.3</b>	<b>25.1</b>	<b>26.5</b>	<b>89%</b>	<b>38%</b>	<b>-5%</b>	<b>13.3</b>	<b>25.1</b>	<b>89%</b>
Balance Sheet												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)			
Assets	4,632	4,352	6,369	6,689	6,797	6,818	47%	2%	0%			
Shareholders' Equity	554	565	689	702	693	717	25%	-1%	-3%			
Net Loans & Islamic Financing	3,069	3,041	4,131	3,921	3,920	4,214	28%	0%	-7%			
Customers' Deposits & Islamic Invest	2,775	2,709	4,626	5,103	5,221	5,202	88%	2%	0%			
Key Ratios												
	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e						
Cost to Income	41.5%	46.5%	33.6%	22.4%	40.2%	40.5%						
Loans to Customer Deposits	110.6%	112.3%	89.3%	76.8%	75.1%	81.0%						
ROaE	9.5%	7.4%	14.0%	10.5%	14.4%	15.0%						
Annualized EPS (OMR)	0.012	0.009	0.018	0.013	0.018	0.019						
BVPS (OMR)	0.122	0.124	0.151	0.125	0.124	0.128						
TTM P/E (x)							8.5					
P/BV (x)							0.9					

Source: Financials, MSX Disclosure, Bloomberg, U Capital Research. NM = Not Meaningful. \*Operating Income for 4Q23 and U Capital estimates include one-offs reported By Sohar International Bank in 4Q23


For our last report, click [here](#).


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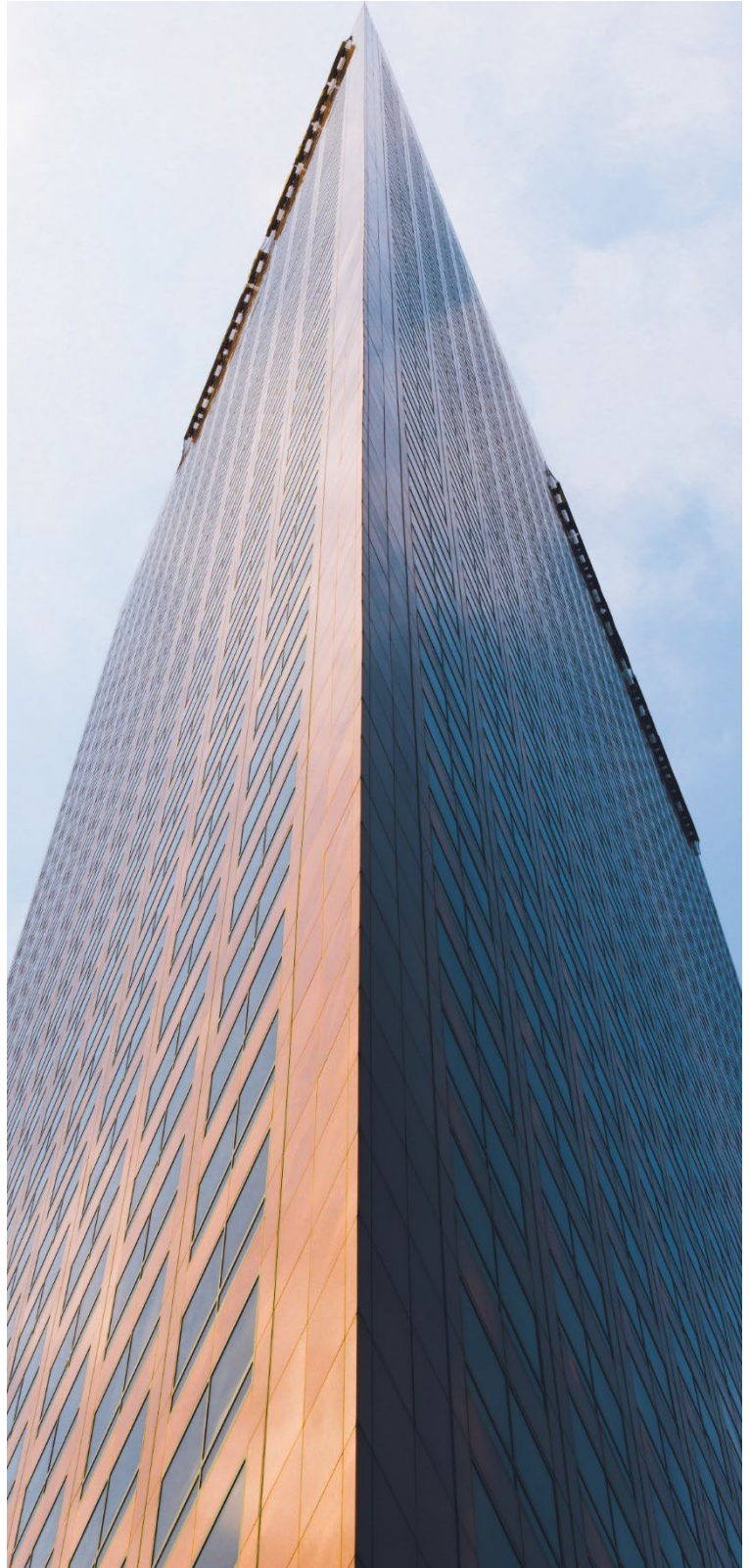
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## Disclaimer

### 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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