

Sohar International Bank (BKSB) - 2Q21/1H21 Result Review

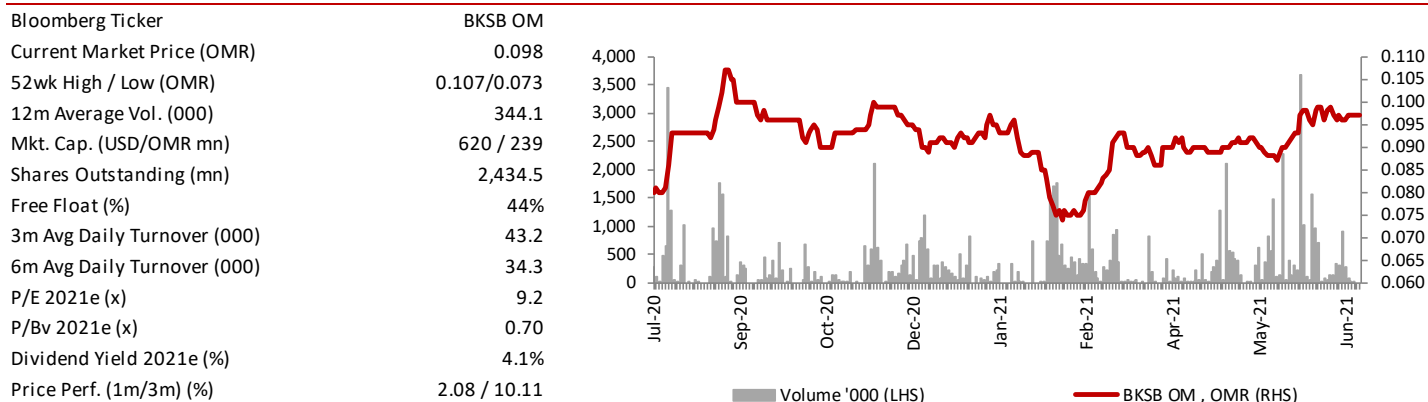
Recommendation:

ACCUMULATE

TP (OMR): **0.110**

Upside / (Downside): **12.2%**

Analyst: Hettish Karmani



Bank reported sizable jump in Operating profit in 2Q21

The bank posted an operating income increase of 14.2%YoY and 7.0%QoQ, beating our estimate by 11.6%. Operating expenses on the other hand dropped by 3.4%QoQ, leading to operating profit jump of 18.4% YoY and 15.9% QoQ in 2Q21. Cost-to-income for the quarter contracted to 41.3% in 2Q21 compared to 45.8% in 1Q21 and 43.4% in 2Q20.

Net ECL charge for 2Q21 up 19.2%YoY and 12.8%QoQ

BKSB's net ECL provision charge rose to OMR 6.8mn for the quarter. Net profit for 2Q21 increased by 17.4% YoY and 17.8% QoQ in 2Q21. Overall profitability for 1H21 stood at OMR 15.2mn compared to OMR 13.2mn in 1H20.

Net loan & Customer deposit increase on YoY basis

The bank's net loans & Islamic financing assets were up 3.4%YoY but were down 0.2% QoQ in 2Q21. Customer deposits on the other hand jumped on both YoY and QoQ basis in 2Q21 by 2.8% and 0.5%, respectively. Net loan-to-deposit ratio contracted to 109.6% from 112.2% in 4Q20 and 110.4% in 1Q21.

Income Statement

(OMR mn)	1Q20	2Q20	1Q21	2Q21	2Q21e	YoY (%)	QoQ (%)	Var (%)
Operating Income	23.1	24.5	26.2	28.0	25.1	14.2%	7.0%	11.6%
Operating Expenses	(10.8)	(10.7)	(12.0)	(11.6)	(11.7)	8.8%	-3.4%	-0.9%
Operating Profit	12.3	13.9	14.2	16.4	13.4	18.4%	15.9%	22.5%
Net ECL charge	(5.0)	(5.7)	(6.0)	(6.8)	(6.0)	19.2%	12.8%	12.8%
PBT	7.3	8.2	8.2	9.7	7.4	17.7%	18.1%	30.4%
Tax	(1.1)	(1.2)	(1.2)	(1.5)	1.1	19.5%	19.8%	-230.4%
Net Profit	6.2	7.0	7.0	8.2	6.3	17.4%	17.8%	30.4%

Balance Sheet

(OMR mn)	1Q20	2Q20	1Q21	2Q21
Assets	3,416	3,584	3,754	4,031
Shareholders' Equity	328	332	333	340
Net Loans & Islamic Financing	2,461	2,442	2,531	2,526
Customers' Deposits & Islamic Invest	2,131	2,241	2,293	2,304

Key Ratios

	1Q20	2Q20	1Q21	2Q21
Cost to Income	46.7%	43.4%	45.8%	41.3%
Loans to Customer Deposits	115.5%	109.0%	110.4%	109.6%

Date: 14 July 2021

Source: Company Reports, U Capital Research

Recommendation

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