

**Bloomberg Ticker** 

Free Float (%)

P/E 2021e (x)

P/Bv 2021e (x)

Current Market Price (OMR)

52wk High / Low (OMR)

12m Average Vol. (000)

Mkt. Cap. (USD/OMR mn)

Shares Outstanding (mn)

3m Avg Daily Turnover (000)

6m Avg Daily Turnover (000)

Dividend Yield 2021e (%)

Price Perf. (1m/3m) (%)



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

**BKSB OM** 

0.107/0.073

620 / 239

2,434.5

44%

43.2

34.3

0.70

4.1%

2.08 / 10.11

9.2

0.098

344.1

Recommendation: ACCUMULATE TP (OMR): 0.110

Upside / (Downside): 12.2%

BKSB OM, OMR (RHS)

Analyst: Hettish Karmani 4,000 0.110 0.105 3,500 0.100 3,000 0.095 2,500 0.090 2,000 0.085 0.080 1,500 0.075 1,000 0.070 500 0.065 0.060 Jul-20 Oct-20 Jan-21 Jun-21

### 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.

Volume '000 (LHS)

#### 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%
РВТ	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%



## **Ubhar Capital SAOC (U Capital)**

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9000
Fax: +968 2494 9099
Email: research@u-capital.net

**Disclaimer:** This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.