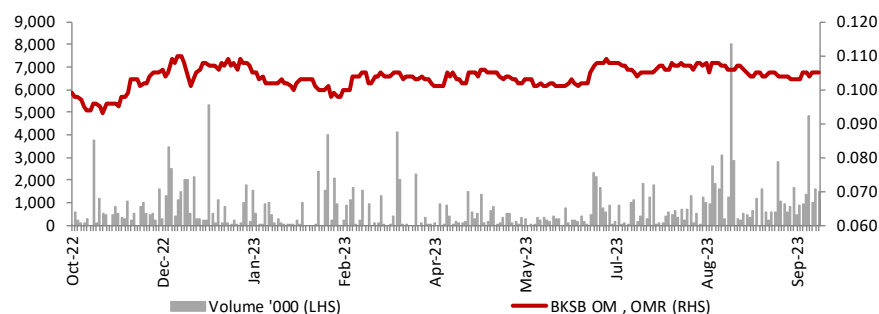


Sohar International Bank (BKSB) - 3Q23 Result Review

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Recommendation: Under Review (UR) **Target Price (TP), OMR:** UR
Upside / (Downside): -
Date: 15-Oct-23

Bloomberg Ticker	BKSB OM
Current Market Price (OMR)	0.107
52wk High / Low (OMR)	0.115/0.09
12m Average Vol. (000)	708.4
Mkt. Cap. (USD/OMR mn)	1,520 / 585
Shares Outstanding (mn)	5,467.9
Free Float (%)	73%
3m Avg Daily Turnover (000)	112.9
6m Avg Daily Turnover (000)	79.7
P/E'23e (x)	10.6
P/B'23e (x)	0.8
Dividend Yield '22e (%)	1.8%
Price Perf. (1m/3m) (%)	2 / 1



BKSB's 3Q23 net profit ahead of our estimates by 12%

The 3Q23 results are the first results reported by Sohar International Bank post merger with HSBC Oman (completed in August 2023). The combined entity has posted a 129%YoY growth and a 112%QoQ increase in its net profit for 3Q23. Operating income was 5% below our estimate, increasing by 58%YoY and 72%QoQ, while operating expenses rose 42%YoY and 24%QoQ, 7% below our estimate. Operating profit grew 68%YoY and 113%QoQ, broadly in line with our estimates. Net profit for 9M23 stood at OMR 45.7mn, and is higher by 63%YoY due to the merger.

Net ECL charge for 3Q23 up 4% YoY and 3% below our estimate

BKSB's net ECL provision charges stood at OMR 11.7mn for 3Q23 which was below our estimate of OMR 12mn for the quarter. For 9M23, ECL charges declined 5% YoY to OMR 22.7mn.

Net loan & Islamic Financing and customer deposits grew 11% YoY and 5% YoY respectively

The bank's net loans & Islamic financing assets are up 11%YoY and broadly flat QoQ, 6% below our estimate. Its customer deposits have risen by 5%YoY but fell 2%QoQ, largely in line with our estimate. Net loan-to-deposit ratio shot up to about 112.3% from 110.6% in 1Q23 and is above the 106.4% recorded a year ago due to higher growth reported in net loans compared to customer deposits in the quarter.

Income Statement												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY
Operating Income	36.0	36.2	35.9	33.1	56.9	59.8	58%	72%	-5%	96.7	125.9	30%
Operating Expenses	(13.5)	(15.4)	(14.9)	(15.4)	(19.1)	(20.5)	42%	24%	-7%	(39.7)	(49.4)	24%
Operating Profit	22.5	20.7	21.0	17.7	37.7	39.3	68%	113%	-4%	56.9	76.5	34%
Net ECL charge	(11.2)	(15.8)	(5.4)	(5.6)	(11.7)	(12.0)	4%	107%	-3%	(23.9)	(22.7)	-5%
PBT	11.3	5.0	15.6	12.1	26.1	27.3	131%	116%	-5%	33.0	53.7	63%
Tax	(1.7)	1.8	(2.3)	(1.7)	(4.1)	(4.1)	nm	nm	nm	(4.9)	(8.1)	63%
Net Profit	9.6	6.8	13.3	10.4	22.0	19.6	129%	112%	12%	28.1	45.7	63%
Balance Sheet												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Assets	4,248	4,131	4,632	4,352	6,369	6,767	50%	46%	-6%			
Shareholders' Equity	558	565	554	565	689	NM	23%	22%	NM			
Net Loans & Islamic Financing	2,797	2,924	3,069	3,041	4,131	NM	48%	36%	NM			
Customers' Deposits & Islamic Inve:	2,626	2,560	2,775	2,709	4,626	NM	76%	71%	NM			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Cost to Income	37.6%	42.7%	41.5%	46.5%	33.6%	34.3%						
Loans to Customer Deposits	106.5%	114.2%	110.6%	112.3%	89.3%	NM						
ROaE	8.1%	4.8%	9.5%	7.4%	14.0%	13.9%						
Annualized EPS (OMR)	0.008	0.006	0.012	0.009	0.016	0.014						
BVPS (OMR)	0.189	0.124	0.122	0.124	0.126	0.124						
TTM P/E (x)					11.1							
P/BV (x)					0.8							

Source: Financials, MSX Disclosure, Bloomberg, U Capital Research. NM = Not Meaningful


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


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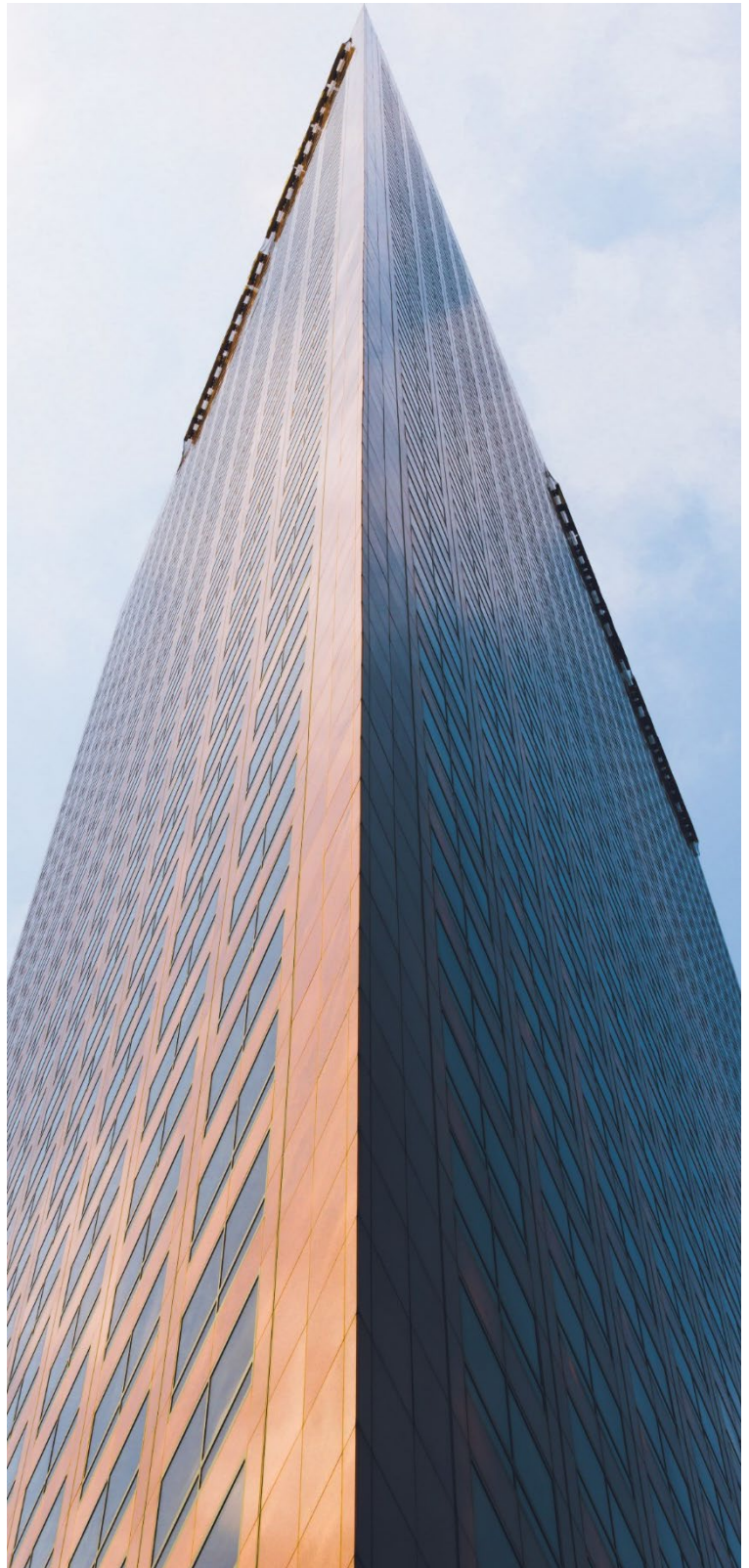
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Disclaimer

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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