

Credit Agricole Egypt [CIEB]

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Egypt / Reason for note: Q2 2020 results



Profitability still hurt despite quick lending recovery

Shihab M. Helmy

Equity Analyst

Tel.: +202 3300 5723

SMohammed@egy.primegroup.org

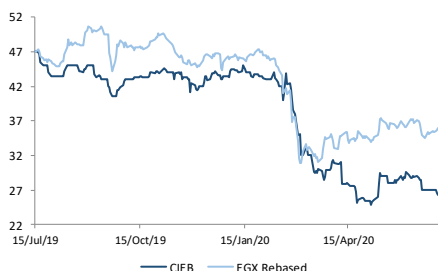
Bank Data

Ticker	CIEB
52 Weeks High/Low	47/24.85
52-W MDTV* (EGP000)	2,343
Market Cap (EGPmn)	8,395
No. of Shares out. (Mn)	311
Free float (%)	39.1%
YTD Stock Return	-38%
P/B	1.3x
P/E	4.8x

Last price as of 12 August, 2020

*Median Traded Value

Stock price performance (last 12 months)



*Last price as of 12 August 2020.

Source: Bloomberg.

- **Stand-alone net profit after tax fell by 42% q/q to EGP257mn in Q2 2020.** Lower earnings were driven by a 10% q/q drop in NII to EGP671mn and higher provisions (+EGP123mn q/q). This lifted the cost of risk (CoR) to 238bps in Q2 2020, up from 51bps in Q1 2020.
- **ROAE falls on narrower NIM despite higher lending activity.** NIM narrowed by 70bps to 6.0% in Q2 2020 as a result of the 300bps corridor rates cut by the CBE. Hence, ROAE retreated to 16.1% in Q2 2020, down from 26.5% in Q1 2020. The pressure was due to CIEB's short-term maturity gap. From the financial position perspective, net lending inched up 6.7% q/q to c. EGP26bn in June 2020, while total deposits grew marginally by 1% Q/Q to EGP40.7bn in June 2020.
- **Still maintaining a solid asset quality with a strong capital base:** Evidenced by its low NPL ratio of only 2.5%, CIEB continues to enjoy a very solid asset quality. However, this might be affected in the coming period in view of rising credit risk. So far, the higher exposure to credit risk is comfortably backed by a solid CAR of 19.5%, thanks to a current NPL coverage ratio of 180%.
- **Valuation:** CIEB is currently trading at a P/B of 1.29x vs. a historical average above 2x. That used to be justified by its above-average ROAE vs. peers, which is not the case nowadays, hence the discounted multiple.

DuPont analysis

	H1 2020	H1 2019		Q1 2020
	Jun-20	Jun-19	Δ Jun-20 Vs. Jun-19	Mar-20
ROAE	21.1%	45.3%	-24.26%	26.5%
Tax Burden	73.0%	80.1%	-7.1%	74.4%
Financial Leverage	7.64	9.04	-1.4	7.52
ROAA Du Pont	3.8%	6.3%	-2.5%	4.7%
Net operating Income Index	4.5%	5.4%	-0.8%	5.0%
Core banking Income Index	6.5%	7.2%	-0.7%	7.0%
Non-Core banking Income Index	0.6%	0.3%	0.3%	0.6%
Operating Expense Index	-2.6%	-2.2%	-0.4%	-2.6%
Non-Recurring Items Index	0.0%	0.0%	0.0%	0.0%
Cost Of Risk	1.4%	-2.1%	3.5%	0.5%
Net Loans/ATA	50.8%	43.4%	7.4%	47.8%

Source: Prime Research.

Income statement summary & KPIs

Cumulative Results				P&L Highlights	Quarterly Results						
Jun-20	Jun-19	Δ Jun-20 Vs. Jun-19	% Δ		Jun-20	Mar-20	Δ Jun-20 Vs. Mar-20	% Δ	Jun-19	Δ Jun-20 Vs. Jun-19	% Δ
1,418	1,576	(158)	-10.0%	Net interest income	671	747	(76)	-10.1%	771	(99)	-12.9%
230	299	(70)	-23.30%	Net fees & Commissions income	98	132	(35)	-26.2%	145	(48)	-32.9%
1,648	1,876	(227)	-12.1%	Core Banking Income	769	879	(110)	-12.5%	916	(147)	-16.1%
151	90	61	68.3%	Other Operating Income	75	77	(2)	-2%	53	22	42%
1,800	1,966	(166)	-8.4%	Operating Income	844	956	(112)	-11.7%	969	(125)	-12.9%
(655)	(566)	(89)	15.6%	Administrative expenses	(327)	(328)	2	-0.5%	(289)	(37)	12.9%
(342)	(318)	(25)	7.8%	Personnel Cost	(170)	(173)	3	-1.5%	(159)	(11)	7.0%
(184)	237	(421)	-178%	Impairment of Credit losses	(154)	(31)	(123)	402.0%	81	(235)	-289.6%
960	1,636	(676)	-41.3%	Net profit before taxes	364	597	(233)	-39.1%	761	(397)	-52.2%
(259)	(326)	67	-20.5%	Income tax	(106)	(153)	47	-30.6%	(152)	46	-30.3%
701	1,310	(609)	-46.5%	Net Profit	257	444	(187)	-42.0%	608	(351)	-57.7%
27%	20%	7.1%		Tax Margin	29%	26%	3.6%		20%	9.2%	
36.4%	28.8%	7.58%		Cost to Income Ratio	38.7%	34.4%	4.4%		29.9%	8.8%	
143	-209	352		Cost of Risk (bps)	238	51	188		-142	381	
6.4%	7.1%	-0.7%		NIM	6.0%	6.7%	-0.7%		6.9%	-0.9%	
21.1%	45.3%	-24.3%		ROAE	16.1%	26.5%	-10.4%		43.3%	-43.3%	
2.8%	5.0%	-2.3%		ROAA	2.0%	3.5%	-1.5%		4.7%	-4.7%	

Source: Bank reports.

Balance sheet summary & KPIs

Jun-20	Dec-19	Δ Jun-20 Vs. Dec-19	% Δ	CAGR '12 'Jun-20	BS Highlights	Mar-20	Δ Jun-20 Vs. Mar-20	% Δ	Jun-19	Δ Jun-20 Vs. Jun-19	% Δ
6,862	6,871	(9)	-0.1%	2%	Due from banks	7,028	(166)	-2.4%	8,454	(1,592)	-18.8%
4,857	7,189	(2,333)	-32.4%	1%	Treasury bills and Central Bank of Egypt notes	6,851	(1,995)	-29.1%	8,323	(3,466)	-41.6%
11,747	14,131	(2,384)	-16.9%	57%	Financial Investments	13,949	(2,202)	-15.8%	6,357	5,390	84.8%
25,864	23,348	2,516	10.8%	10%	Loans and advances to customers(Net)	24,233	1,631	6.7%	22,845	3,019	13.2%
27,153	24,420	2,733	11.2%	10%	Gross Loans	25,346	1,807	7.1%	23,922	3,231	13.5%
18,682	16,901	1,780	10.5%	8%	Corp Loans	17,468	1,214	6.9%	16,737	1,945	11.6%
8,471	7,519	952	12.7%	15%	Retail Loans	7,878	593	7.5%	7,185	1,286	17.9%
51,440	50,427	1,012	2.0%	8.4%	Total assets	50,921	518	1.0%	52,159	(719)	-1.4%
40,725	39,637	1,089	2.7%	8.1%	Customers' deposits	40,318	407	1.0%	41,933	(1,208)	-2.9%
18,789	18,783	6	0.0%	9%	Corp Deposits	18,733	55	0.3%	21,543	(2,754)	-12.8%
21,937	20,854	1,082	5.2%	7%	Retail Deposits	21,585	352	1.6%	20,391	1,546	7.6%
44,907	43,218	1,689	3.9%	8%	Total liabilities	44,657	250	0.6%	46,209	(1,302)	-2.8%
6,533	7,210	(677)	-9.4%	15%	Total shareholders' equity	6,265	268	4.3%	5,950	583	9.8%
66.7%	61.6%	5.1%			LDR	62.9%	3.8%		57.0%	9.6%	
2.5%	3.0%	-0.5%			NPL Ratio (Year End)	2.7%	-0.2%		3.0%	-0.5%	
19.5%	18.3%	1.3%			Capital Adequacy Ratio (%)	18.3%	1.3%		17.7%	1.8%	
10.7%	10.2%	0.5%			Leverage Ratio	10.4%	0.3%		9.5%	1.2%	

Source: Bank reports.

PRIME SECURITIES

Shawkat El Maraghy

Managing Director

Tel.: +202 3300 5622

SElmaraghy@egy.primegroup.org

SALES

Mohamed Ezzat

Head of Sales & Branches

Tel.: +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

Tel.: +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa, CFE

Team Head – Institutional Desk

Tel.: +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

Tel.: +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

Tel.: +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

Tel.: +202 3300 5110

SRaslan@egy.primegroup.org

Mohamed El Henawy

Nasr City Branch Manager

Tel.: +202 3300 5166

MElhenawy@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

Tel.: +202 3300 5173

NAbuelatta@egy.primegroup.org

RESEARCH

Amr Hussein Elalfy, CFA

Head of Research

Tel.: +202 3300 5724

AElalfy@egy.primegroup.org

HEAD OFFICE

PRIME SECURITIES S.A.E.

Regulated by FRA License No. 179.

Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7th Fl.

Mohandessin, Giza

Egypt

Tel: +202 3300 5700/770/650/649

Fax: +202 3760 7543

BRANCHES

HELIOPOLIS

7 Elhegag Square

Heliopolis, Cairo

Egypt

Tel: +202 2777 0600

Fax: +202 2777 0604

NASR CITY

9 Elbatrawy St.

Nasr City, Cairo

Egypt

Tel: +202 3300 8160

Fax: +202 3305 4622

ALEXANDRIA

7 Albert Al Awal St.

Smouha, Alexandria

Egypt

Tel: +202 3300 8170

Fax: +202 3305 4622

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