



**Price**  
**EGP66.60** (as of 21 Oct 2020)

**Fair Value**  
**EGP94** (as of 6 Oct 2020)

**12M PT**  
**EGP83** (+25%, as of 25 Oct 2020)

Investment Rating  
Risk Rating

**Overweight**  
**Medium**

★ ★ ★  
! ! !

**Shihab M. Helmy** | Equity Analyst  
T +202 3300 5723  
SMohammed@egy.primegroup.org

Short-term pain for longer-term gain

Overweight maintained but price target cut on potentially higher provisions

**The CBE’s purported reprimand:** Last Thursday, trading on CIB’s [COMI] stock was suspended at the request of the Financial Regulatory Authority (FRA) without revealing the reason behind the suspension. Later that day, [a letter reportedly sent by the Central Bank of Egypt \(CBE\) to CIB’s CEO](#) spread throughout the different social media channels, citing some “serious violations” to the country’s recently-enacted Banking Law and the CBE’s rules and regulations. The letter also referred to “severe deficiency” in the bank’s internal audit environment which have resulted in “huge financial losses”, all of which can be described as “financial crimes”. The letter revealed that the CBE’s board of directors had convened on 20 October and decided to discharge CIB’s chairman in accordance with Article 144 (i) of the Banking Law No. 194/2020. Later on Friday afternoon, CIB issued [a press release](#) referring to the letter and announced the resignation of Mr. Hisham Ezz Al-Arab, the bank’s chairman and managing director, and the appointment of Mr. Sherif Samy, the bank’s independent board member and chairman of the bank’s Governance & Nomination Committee, as the new non-executive chairman.

**What this could means for CIB:** Until further details are revealed, we note that the Banking Law grants the CBE several powers, such as discharging one or several board members, obliging the bank to increase its deposit with the CBE beyond the current 14%, or imposing financial penalties. However, until the financial impact, if any, is known and made public,

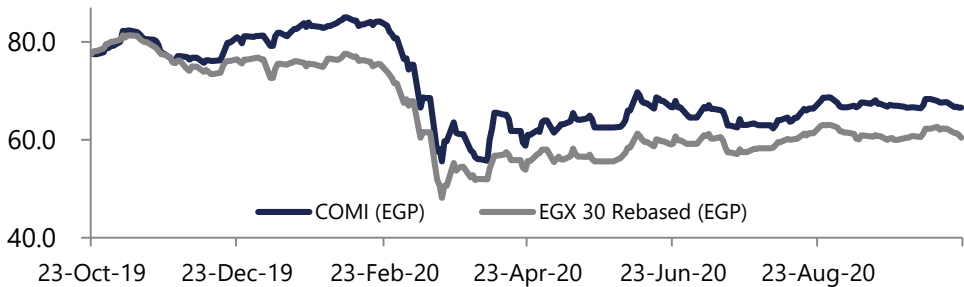
there remains a risk that CIB could be subject to other sanctions depending on the findings of the CBE’s investigations (expected to be made available to CIB some time this week). For instance, if CIB is asked to increase its interest-free deposits with the CBE, we would expect less utilization of funds which could dent profitability in the near term.

**GDR trading setting the scene for today:** Trading of CIB’s GDR [CBKD] on London Stock Exchange was highly volatile; it fell 17% on Thursday before jumping 14% on Friday, concurrent with CIB holding a conference call to address investors’ concerns. Please read Page 2 for our key takeaways from the call. Nonetheless, CBKD was still down 5.5% off Wednesday’s close. This means we would expect COMI to fall at the beginning of today’s EGX session when trading resumes to catch up with CBKD. However, we note that COMI has historically been trading on average at a premium of 6% to CBKD.

VALUATION & RATING

**Rating maintained; 12M PT trimmed:** While we did not change our long-term view of COMI, we cut our estimates for 2020 net profit by 17% from EGP11.2bn to EGP9.3bn in view of potentially higher provisions of EGP4.8bn (vs. EGP2.7bn previously), in line with CIB’s management guidance on the call. While the impact on our FV was minimal, we cut our 12M PT by 2% from EGP85/share to EGP83/share, set at 2.1x 2020e P/BV (+25%), hence maintaining our Overweight.

STOCK RELATIVE PERFORMANCE CHART (5 YEARS)



KEY STOCK STATISTICS

Shares outstanding (mn)	1,477.7
Free float	75%
Market cap (mn)	EGP98,413
Market cap (mn)	USD6,272
52w range	EGP87.10 – 51.20
EGP100 invested 5y ago	EGP229
TTM EPS	EGP7.74
TTM P/E	8.6x
2020e EPS	EGP7.50
2020e P/E	8.9x
2020e P/B	1.7x
Last fiscal year's DPS	EGP1.00
Dividend yield	1.2%
5Y beta	0.95
5Y Proj. EPS CAGR	15%

REVENUES / EARNINGS DATA

		Q1	Q2	Q3	Q4	Year
Net Interest Income (EGPmn)						
2020		6,195	6,282	e6,020	e5,845	e24,382
2019		4,939	5,066	5,442	6,130	21,579
2018		3,260	4,593	5,455	4,529	17,837
2017		2,783	2,959	3,567	3,194	12,504
2016		2,268	2,266	2,532	2,952	10,018
2015		1,870	1,939	2,099	2,208	8,115
Net Profit (EGPmn)						
2020		2,399	2,599	e2,173	e2,162	e9,333
2019		2,644	2,711	3,187	3,259	11,800
2018		2,018	2,399	2,586	2,247	9,249
2017		1,785	1,821	2,082	1,861	7,550
2016		1,329	1,401	1,703	1,518	5,951
2015		1,080	1,119	1,312	1,130	4,641



## CONFERENCE CALL SUMMARY

### Our Key Takeaways

- The investor conference call, which was held at 5 pm CLT on Friday and lasted for just above one hour, addressed the resignation of CIB's Chairman & Managing Director Hisham Ezz Al-Arab, the naming of Sherif Samy as Non-Executive Chairman, and the appointment of Hussein Abaza as the bank's Managing Director in addition to his role as CEO.
- Abaza assured investors that the bank's operations will not be exposed to any risk, stressing that Ezz Al-Arab committed no financial misconduct. CIB awaits a final report from the CBE with its findings hopefully early this week, after which the Audit Committee will determine the next move forward.
- CIB's financial position is very solid, Abaza confirmed, assuring that depositors are prone to no risk whatsoever, quoting CBE's announcement where the bank's position was seen as "prudentially sound". He went on to say that the bank has tripled cash in its vaults and replenished ATMs over the past two days, pointing up its awareness of the worst-case scenario.
- While no material threats are facing its P&L, he said, CIB will continue to pursue its prudent strategy, targeting EGP4-5bn in provisions and EGP8-9bn in net profit for 2020.

- CIB's management will keep updating the market. As per the CEO, the stock will resume trading on the Egyptian Exchange (EGX) today.
- No other member of the management team is stepping down.

### Summary of the Q&A Session

**Q:** Is there a gap in the bank's balance sheet? How did the CBE discover major violations in CIB?

**A:** Fundamentals are not to be worried about. We are waiting for the Audit Committee's final report. The CBE's findings are not shared with us until its final report is released. We are audited by two international auditors.

**Q:** Would CIB face lending limitations in the near time by the CBE if it found misconduct?

**A:** We are facing no potential credit risk or any risk observable by the CBE. Again, there's nothing to worry about regarding our financial position.

**Q:** Why is this happening now, and in this manner in particular?

**A:** I have no clue.

**Q:** What are the Managing Director's responsibilities that you will assume?

**A:** My job responsibilities and Ezz Al-Arab's are not much different, Abaza replied, but he had all the regulatory functions, and I had the business functions. As an MD, he was my direct boss, which is no longer the case. "[He] did not sit on any of our credit or investment committees; we even ran the bank through a management committee which [he] was not on. So, there's not much real change," as per Abaza.

###

*You can listen to the whole conference call from [this link](#).*



## CORPORATE PROFILE

Commercial International Bank was established in 1975 as a joint venture between the National Bank of Egypt (51%) and the Chase Manhattan Bank (49%) under the name Chase National Bank of Egypt. Following Chase's decision to divest its equity stake in 1987, National Bank of Egypt (NBE) increased its shareholding to 99.9%, and the Bank changed its name to Commercial International Bank – Egypt. CIB has been the most profitable commercial bank operating in Egypt for more than 40 years.

### Office

Nile Tower Building, 21/23 Charles de Gaulle,  
P.O. Box 2430, Cairo, Giza, Egypt.

### Telephone

+20237472000

### E-mail

[investor.relations@cibeg.com](mailto:investor.relations@cibeg.com)

### Website

<https://www.cibeg.com>

### Branches

180

### Non-Executive Chairman

Mr. Sherif S. Samy

### Managing Director & CEO

Mr. Hussein Abaza

### COO & EVP

Mr. Mohamed Sultan

### EVP & CFO

Mr. Loay Amin

### Board Members

1. Mr. Sherif S. Samy, Non-Executive Chairman.
2. Mr. Hussein Abaza, MD & CEO.
3. Dr. Amani Abou-Zeid, Lead Director.
4. Mr. Bijan Khosrowshahi, FairFax Representative.
5. Mrs. Magda Habib, Non-Executive Independent Director.
6. Mr. Paresh Sukthankar, Non-Executive Independent Director.
7. Mr. Rajeev Kakar, Non-Executive Independent Director.

### Auditor

PricewaterhouseCoopers (PwC).

### Domicile

Giza, Egypt.

### Founded

1975.

### Number of Employees

6,963.

### Number of Stockholders

13,133.

### Listings

EGX: COMI (75.6% of shares).

LSE: CBKD (1 GDR = 1 local share, 24.4% of shares).

## SHAREHOLDER STRUCTURE

Shareholder	Stake
National Bank of Egypt (NBE)	7.9%
FairFax Holding	6.5%
Others	10.2%
Free float	75.4%

## PRIME RESEARCH'S RESEARCH COVERAGE

Date	Rating	12M PT
<a href="#">6 Oct 2020</a>	Overweight Medium Risk	EGP85
25 Oct 2020	Overweight Medium Risk	EGP83



## Prime Securities

### Shawkat El Maraghy

Managing Director

T +202 3300 5622

[SElmaraghy@egy.primegroup.org](mailto:SElmaraghy@egy.primegroup.org)

## Sales

### Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

[MEzzat@egy.primegroup.org](mailto:MEzzat@egy.primegroup.org)

### Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

[MAshmawy@egy.primegroup.org](mailto:MAshmawy@egy.primegroup.org)

### Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

[AAlaa@egy.primegroup.org](mailto:AAlaa@egy.primegroup.org)

### Mohamed El Metwaly

Manager

T +202 3300 5610

[MElmetwaly@egy.primegroup.org](mailto:MElmetwaly@egy.primegroup.org)

### Emad El Safoury

Manager

T +202 3300 5624

[EElsafoury@egy.primegroup.org](mailto:EElsafoury@egy.primegroup.org)

### Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

[SRaslan@egy.primegroup.org](mailto:SRaslan@egy.primegroup.org)

### Mohamed El Henawy

Nasr City Branch Manager

T +202 3300 5166

[MElhenawy@egy.primegroup.org](mailto:MElhenawy@egy.primegroup.org)

### Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

[NAbuelatta@egy.primegroup.org](mailto:NAbuelatta@egy.primegroup.org)

## Research

### Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

[AElalfy@egy.primegroup.org](mailto: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, 7<sup>th</sup> Fl.  
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

## Branches

### Heliopolis

7 Elhegaz Square  
Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

### Nasr City

9 Elbatrawy St.  
Nasr City, Cairo, Egypt

T +202 3300 8160

F +202 3305 4622

### Alexandria

7 Albert Al Awal St.  
Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

## Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2020, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.