

Price
EGP23.6
 at close of 19 May 2021

Fair Value
EGP36.3
 set on 13 Apr 2021

12M PT
EGP33 (+40%)
 set on 13 Apr 2021

Investment Rating **Overweight** ★ ★ ★
 Risk Rating **Medium** ! ! !

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Key Stock Statistics

Shares outstanding (mn)	310.9
Free float	32%
Market cap (mn)	EGP7,346
Market cap (mn)	USD468
52w range (EGP/share)	30.45-21.05
EGP100 invested 5y ago	EGP144
TTM EPS	EGP4.2
TTM P/E	5.7x
P/BV	0.9x
2021e EPS	EGP5.20
2021e P/E	4.5x
2021e P/B	0.9x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	0.95
5Y Proj. EPS CAGR	9.1%

Slowing Lending Inhibits Earnings Growth

Overweight and 12M PT maintained

Earnings slow down: Q1 2021 stand-alone net profit retreated 16% y/y to EGP373mn as a result of higher provisions build-up (+4.2x y/y) of EGP128mn (-1.6% q/q) and lower net interest income (NII) (-6.6% y/y) of EGP697mn (-2.6% q/q). Earnings came in 19% lower than our estimates of EGP461mn, due to lower NII (-5.0%) and higher provisions by 83% (vs. our estimates of EGP70mn).

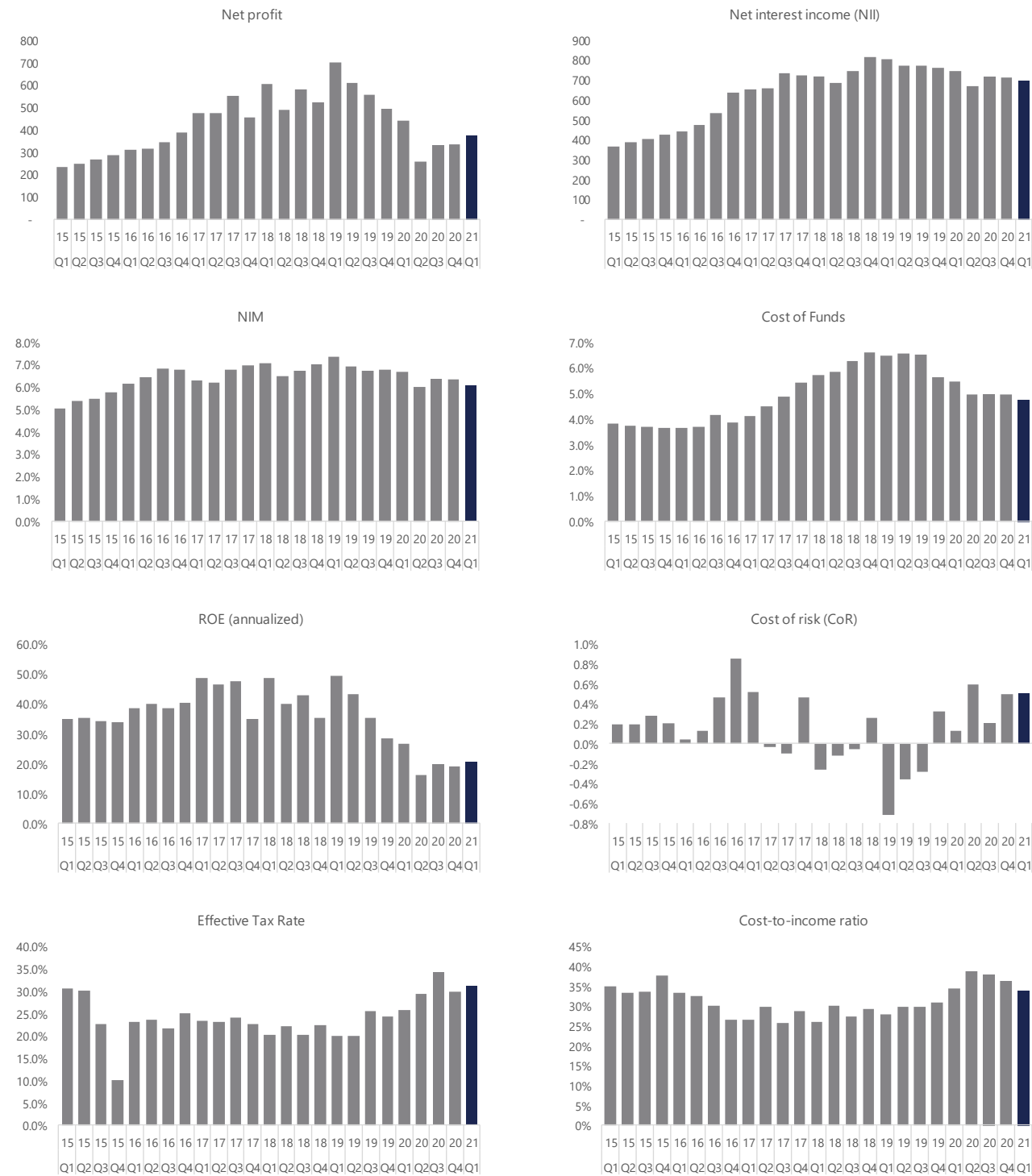
Profitability falls; ROAE normalizing: Net interest margin (NIM) retreated 60bps y/y to 6.1% in Q1 2021 (-20bps q/q). This came despite a 68bps lower cost of funds to 4.8%. ROAE declined by 595bps y/y to 20.5% on the back of a 145bps y/y higher cost of risk, along with a higher effective tax rate and lower financial leverage.

Balance sheet grows; asset quality slipping slightly: Total assets grew 5.5% ytd to EGP54.6bn in Q1 2021. However, net lending retreated marginally by 0.6% ytd to EGP25.3bn. Meanwhile, deposits grew 5.7% ytd to EGP43.6bn. Hence, the gross loans-to-deposits ratio slipped from 65.1% to 61.5%. Asset quality slipped slightly in view of a 40bps higher non-performing loans (NPL) ratio of 3.5%. However, the bank is leaning on a high provision coverage ratio of 154%.

Overweight and 12M PT maintained: CIEB is currently trading at a TTM P/E of 5.7x and P/BV of 0.9x. In view of Q1 2021 results, which came generally lower than our expectations, we are still counting on the bank to overcome COVID-19 repercussions, particularly on the asset quality side and lending recovery. Thus, we maintain our 12-month price target (12M PT) at EGP33/share, implying an upside potential of +40%. Hence, we maintain our Overweight rating.



FINANCIAL KPIS (figures in EGPmn, unless otherwise noted)





OPERATIONAL KPIs (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.

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