

Price
EGP54.33
at close of 12 July 2021

Fair Value
EGP94.0
set on 6 Oct 2020

12M PT
EGP83.0 (+53%)
set on 25 Oct 2020

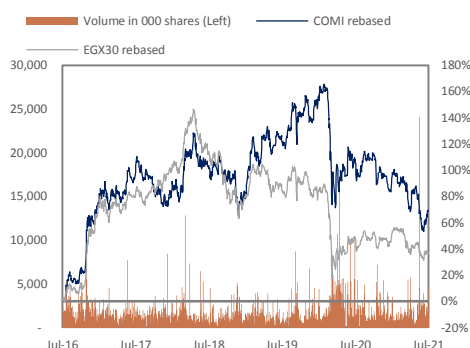
Investment Rating **Overweight** ★ ★ ★
Risk Rating **Medium** ! ! !

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Source: Bloomberg.

Key Stock Statistics

Shares outstanding (mn)	1,478
Free float	68%
Market cap (mn)	EGP80,282
Market cap (mn)	USD5,120
52w range (EGP/share)	68.99-48.70
EGP100 invested 5y ago	EGP170
TTM EPS	EGP7.70
TTM P/E	7.1x
P/BV	1.3x
2021e EPS	EGP9.40
2021e P/E	5.8x
2021e P/B	1.2x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	1.0
3Y Proj. EPS CAGR	23%

Tamed Credit Provisions Spur Annual Growth

Overweight and 12M PT maintained

Double-digit earnings growth, thanks to lower provisions

build-up: H1 2021 separate net profits grew 22% y/y to EGP6.1bn as a result of lower provisions build-up of EGP1.02bn (-55% y/y). This was despite lower net interest income (NII) of EGP11.7bn (-6.4% y/y). The bank's strong earnings growth was further complemented by higher net fees and commissions income of EGP1.1bn (+13% y/y), as well as lower effective tax rates of 29.7% (-400bps y/y).

NIM slips but ROAE stabilizes: Net interest margin (NIM) retreated 137bps y/y to 5.8% in Q2 2021. Meanwhile, from a quarterly perspective, NIM stabilized due to stable cost of funds of 4.6%. Furthermore, ROAE almost unchanged at 20.3%, thanks to lower cost of risk (-200bps y/y), and a subdued effective tax rate of c.30%. We note that, ROAE stabilized despite slightly lower equity multiplier level of 7.4x in Q2 2021 vs. 7.8x in Q2 2020. In return, lower equity multiplier points to robust Capital Adequacy Ratio (CAR) of 32%.

Balance sheet grew, supported by immense lending and T-bills growth, with shaking asset quality:

Total assets grew 10% ytd to EGP467.5bn in Q2 2021. This came due to a 10% ytd growth in net lending of EGP130.5bn, while T-bills inched up 49% ytd to EGP58.7bn. Moreover, Treasuries amounted to EGP201bn, representing 43% of total assets vs. 38% in 2020. Meanwhile, deposits grew 13.2% ytd to EGP385bn. Hence, the gross loans-to-deposits ratio slipped from 39.7% to 38.5%. Asset quality is shaking evidenced by higher non-performing loans ratio (NPL) of 5.7% (+139bps ytd), despite leaning on a comfortable higher provision coverage ratio of 204%.

Overweight and 12M PT maintained: In our opinion, the bank will be able to meet our full-year 2021 estimates of EGP14bn. Our projections rely on booking EGP1.8bn in estimated provisions, which more than likely to happen on a more favorable conditions expected in H2 2021. Meanwhile, COMI is currently traded at a forward P/E of 5.8x and forward P/BV of 1.2x. We maintain our 12-month price target (12M PT) for the name at EGP83/share, implying an upside potential of +53%.



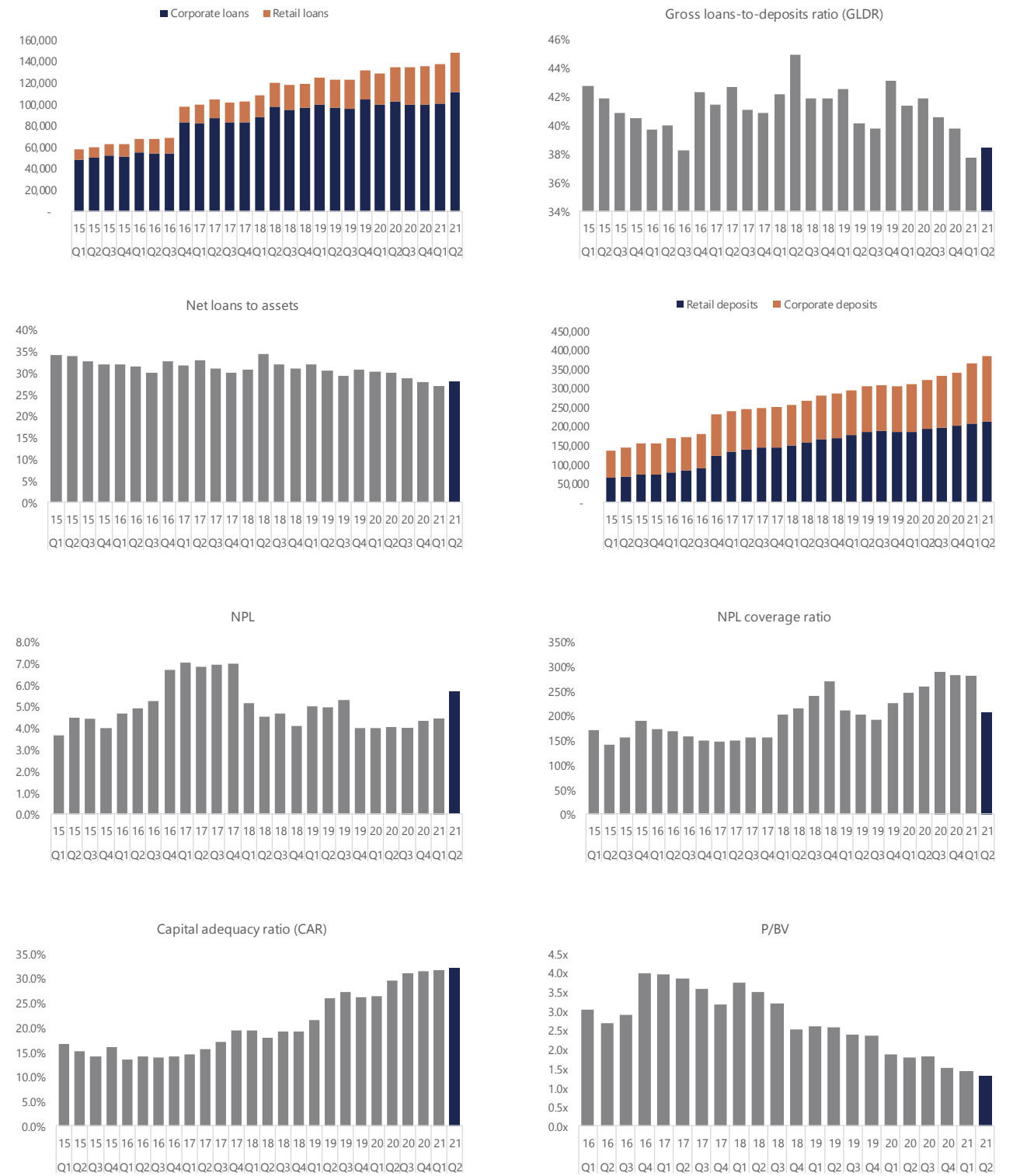
FINANCIAL KPIS (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.



OPERATIONAL KPIs (figures in EGPmn, unless otherwise noted)



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