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COMI Q2 2021 Conference Call Highlights**1. Today's Trading Playbook****TABLE OF CONTENTS****KEY THEMES**

Yesterday, Commercial International Bank [COMI] closed 2.4% higher, as investors cheered the solid 22% growth in net earnings during H1 2021. Management has held a conference call afterwards, discussing Q2 2021 results; here are the main call highlights, presented by our senior banking analyst, Shihab M. Helmy.

NIM weakening vs. stable core banking income: Weaker NIM is a reflection of two important variables. First, the maturity of exceptionally high yielding government bonds that COMI bought before. Second, NIM contraction comes with higher lending volumes, as growth in local currency loan book alleviated the negative impact on the net interest income level. However, from a core banking income perspective, growth in net fees and commissions income was apparent in H1 2021, growing some 13% y/y, as the demand on LCs and LGs products reflatd mainly by exporters from Kenya.

Features of COMI's financing portfolio: Lending growth in Q2 2021 came sponsored by working capital and SMEs finance. The bank expects higher lending volumes on the retail front down the road, supported by the real estate mortgage initiatives, with the CBE affording the entire subsidizing burden. Furthermore, COMI still view T-bills investments up to the moment as more attractive than inter-bank assets, given that the net yield on T- bills still lucrative, with effective tax rates kept at 30%.

Quality funding is a top management priority: COMI is using all sorts of incentives to obtain high quality low-cost funding; focusing on elevating CASA levels in new deposit booking. In doing so, management opt to use different kind of promotions plans. Such plans include bonus points, higher credit cards limits, and an upgrade of customer's other benefits.

The state of asset quality isn't anywhere near scary: Addressing the issue with asset quality, management isn't particularly worried regarding higher NPLs ratio. Management attributed the rise in NPLs ratio in light of certain transition from stage two loans to stage three. Such transition is derived from the fact that under the current conditions, most sectors like cement, tourism, and steel are considered stage two loans already. Management also ruled out the

possibility of higher defaults post the six-month installment postponement initiative. In saying so, nearly 60% of corporate clients refused to postpone any installments to avoid paying higher interest charges after the aforementioned six-month period run its course.

What to expect in 2021? With EGP6.1bn already secured as net earnings during H1 2021, management expects full year bottom-line to range between EGP12bn to EGP12.5bn. Management's expectations spout from projecting EGP1.5bn to EGP2bn in credit provisions this year, where the bank has already booked around EGP200mn in provisions during Q3 2021 so far. The bank is planning to obtain the digital banking license in the near future, as digitization provides less costly expansion. Such digital expansion plan is in line with other expansion plans in traditional branches. Finally, COMI will most likely ask for CBE's permission to distribute a special dividend during this year.

COMI offers the best exposure to Egypt's banking sector, at very depressed multiples:

COMI is currently traded at a forward P/E of 5.9x and forward P/BV of 1.2x. We have an Overweight recommendation on the name, with a 12-month price target (12M PT) at EGP83/share, implying an upside potential of +49%.

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt signed up to the African Medicines Agency (AMA) treaty which aims to unify medical regulations among African countries and improve access to medicines. ([Ministry release](#))

The Central Bank of Egypt launched a new mortgage lending initiative which offers 3% interest rate for low and middle-income earners. ([CBE](#))

EGX-listed companies and Non-banking financial services players will be required to submit Environmental, Social, and Governance (ESG) disclosures at the same time as they file their annual financial statements, under a decree issued by FRA. This came as the FRA is casting the requirements as part of a long-term strategy to position Egypt as a sustainable finance hub. ([Enterprise](#))

The Dabaa nuclear plant will likely be finished two years later than planned due to disruption caused by the COVID-19 pandemic. Work on the 4.8GW facility will likely now finish in 2030 rather than in FY2028. ([Enterprise](#))

The CBE's Deputy Governor revealed that banks have approved credit facilities worth EGP480bn as part of the initiative to finance industrial sector projects at an 8% decreasing interest rate. ([Al-Mal](#))

CORPORATE NEWS

CI Capital Holding's [CICH] BoD approved the independent financial advisor's valuation for its consumer finance arm, Sohuoola, and the sale of CICH's stake in Sohuoola to Banque Misr. CICH, which is 90%-owned by Banque Misr, holds a 98.01% stake in Sohuoola. ([Company disclosure](#)) *We valued Sohuoola at EGP96mn (EGP0.1/CICH share) in our core coverage report.*

Arabian Food Industries [DOMT] CEO has reportedly mentioned that the company turned profitable in June after 5 months of losses so far in 2021. DOMTY showed a net loss of EGP3mn in Q1 after phasing out many of its agents, in an effort to restructure its distribution network. ([Al-Mal](#))

Raya Holding's [RAYA] Raya Customer Experience (RCX) announced the launch of its first corporate accelerator Raya FutureTECH, which will support early-stage tech startups, powered by the venture builder, Openner. ([Company disclosure](#))

Bahrain's Bank ABC has submitted a mandatory tender offer to acquire up to 100% of Blom Bank Egypt. ([Enterprise](#))

GLOBAL NEWS

U.S. consumer price index increased 5.4% from a year earlier, the largest jump since August 2008, just before the worst of the financial crisis. Economists surveyed by Dow Jones had been expecting a 5% gain. Stripping out volatile food and energy prices, the core CPI rose 4.5%, the sharpest move for that measure since September 1991 and well above the estimate of 3.8%. On a monthly basis, headline and core prices rose 0.9% against estimates of 0.5%. ([CNBC](#))

Rising coronavirus infection rates, driven by the fast-spreading Delta variant, are forcing more countries around Europe to re-impose restrictions that could cast a pall over the region's economic recovery prospects. ([Reuters](#))

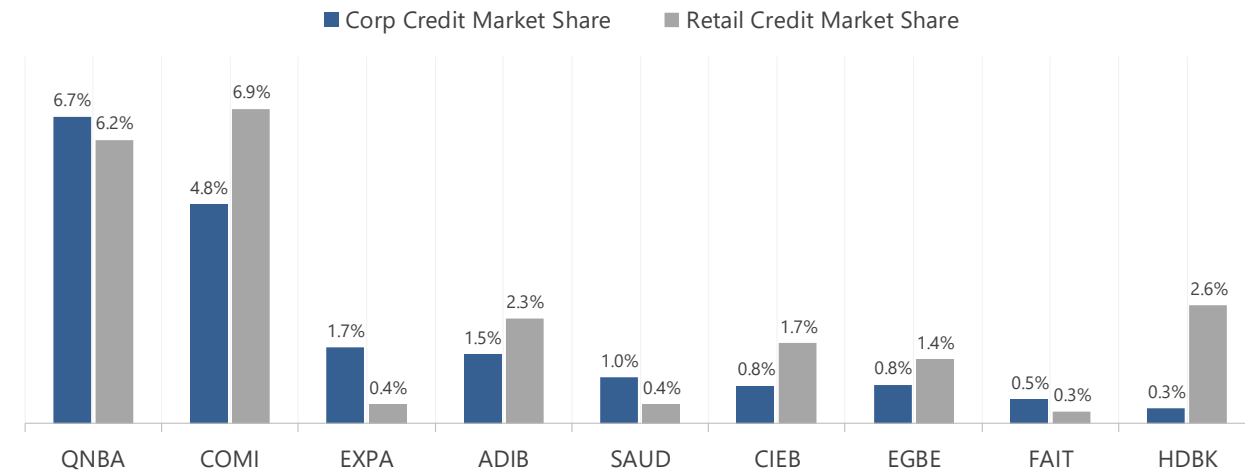
The oil market will see tighter supply for now amid a dispute inside OPEC+ about how to ease production curbs. However, it still faces the risk of a dash for market share if the disagreement persists, according to the **International Energy Agency (IEA)** on Tuesday. ([Reuters](#))

3. CHART OF THE DAY

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Shihab M. Helmy | Senior Equity Analyst

Smohammed@egy.primegroup.org



Source: Banks' Financials, CBE.

Egypt banks' Q1 2021 credit market share: As depicted above, QNB ALAHLI [**QNBA**] held a market share of 6.7%, the largest, in terms of corporate lending among listed banks during Q1 2020, followed by non-other than CIB [**COMI**] at 4.8%, down from 5.4% in Q4 2020. Meanwhile, exporters captured over 70% of Export Development Bank's [**EXPA**] credit portfolio, placing the bank at the third spot in terms of corporate lending. EXPA is currently seeking to increase the contribution of the retail component in its current lending portfolio.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
668.8					2,250.4 1,178.6				

* As of market close, except for commodities and currencies at 8.02am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

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[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
14-Jul-21	OCDI	MTO	The submission deadline for Aldar Properties' [ADX: ALDAR] MTO for a minimum of 51% stake in SODIC [OCDI].
14-Jul-21	RAYA	Cash dividend	Date for ex-dividends of EGP0.045/share.
14-Jul-21	EXPA	OGM	Approving the estimated budget.
15-Jul-21	TMGH	Cash dividend	Date for a payout of EGP0.072/share (2nd round).
18-Jul-21	RAYA	Cash dividend	Date for paying out a dividend of EGP0.045/share.
21-Jul-21	PHDC	Decreasing issued capital	Decreasing the issued capital to EGP6.16bn from EGP6.23bn by writing off 36.5mn treasury shares.
24-Jul-21	PIOH	EGM	Ratification of PIOH's split.
25-Jul-21	HRHO	Stock dividend	Last date for eligibility for a 0.2-for-1 stock dividend.
25-Jul-21	ECAP	Stock dividend	Last date for eligibility for a 0.045-for-1 stock dividend.
25-Jul-21	NBKE	Stock dividend	Last date for eligibility for a 2.33-for-1 stock dividend.
25-Jul-21	MNHD	Stock dividend	Last date for eligibility for a 0.04-for-1 stock dividend.
26-Jul-21	HRHO	Stock dividend	Date for distributing a 0.2-for-1 stock dividend.
26-Jul-21	ECAP	Stock dividend	Date for distributing a 0.045-for-1 stock dividend.

26-Jul-21	NBKE	Stock dividend	Date for distributing a 2.33-for-1 stock dividend.
26-Jul-21	MNHD	Stock dividend	Date for distributing a 0.04-for-1 stock dividend.
26-Jul-21	MICH	EGM	Approving new articles of association and other agenda items.
27-Jul-21	HELI		Last day for buying a copy of the bidding terms for Heliopark.
29-Jul-21	ZMID	Cash dividend	Payment date for EGP0.15/share (2nd installment).
1-Aug-21	FWRY	OGM	Discussing netting contracts and the financial statements ending 31 Dec. 2020.
2-Aug-21	POUL	OGM	Appointment of independent board member & amending board of directors capacities.
2-Aug-21	PHDC	OGM	Discussing netting contracts
2-Aug-21	ORAS	Cash dividend	Last date for eligibility for a dividend of USD0.2313/share.
5-Aug-21		MPC Meeting	Determining the CBE's policy rate.
5-Aug-21	DAPH	EGM	Increasing the capital from EGP249.48mn to EGP299.37mn and amending articles No. 4, 6 & 7 of the bylaws.
8-Aug-21	SKPC	EGM	Approving increasing the issued capital and amending articles No. 6 & 7 of the bylaws.
10-Aug-21	ORAS	Cash dividend	Date for paying out a dividend of USD0.2313/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
13-Jul-21	<u>Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth</u>
8-Jul-21	<u>MACROView – Inflation Edged Up, As Expected</u>
8-Jul-21	<u>MACROView – External Buffers Still Powering Ahead</u>
6-Jul-21	<u>MACROView – A Steady and Slow Recovery in the Making</u>
5-July-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
16-June-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-June-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-June-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-June-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-June-21	<u>MACROView – Further Enhancement</u>
3-June-21	<u>MACROView – Contraction Eased</u>
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>CréditAgricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>

18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
13-Apr-21	<u>CréditAgricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>
10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH]– Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>
3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
3-Feb-21	<u>MACROView – External Woes vs. Cautious Optimism</u>
1-Feb-21	<u>STANDPoint – Egypt 2021 Investing Playbook</u>
14-Jan-21	<u>CI Capital Holding [CICH] – New Expansions = Further Growth</u>
10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>



28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>
25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
10-Sep-20	<u>MACROView – A Stunning Chapter Towards Targets</u>
8-Sep-20	<u>MACROView – Crawling Out of the Troughs</u>
3-Sep-20	<u>MACROView – Job losses and the bumpy road to recovery</u>
18-Aug-20	<u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u>
13-Aug-20	<u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u>
10-Aug-20	<u>MACROView – Muted inflation environment still dominates</u>
9-Aug-20	<u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u>
5-Aug-20	<u>MACROView – Toward gradual recovery</u>
29-Jul-20	<u>MACROView – CAD gains eroded by financial account vulnerability</u>

Prime Securities

Shawkat El Maraghy

Managing Director

T +20233005622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +20233005784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +20233005612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head-Institutional Desk

T +20233005609

AAlaa@egy.primegroup.org

Mohamed ElMetwaly

Manager

T +20233005610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +20233005624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +20233008130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +20233005173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +20233005724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi El Nil St., Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +20233005700/770/650/649

F +20237607543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +20227770600

F +20227770604

Alexandria

7 Albert Al Awa St.
Smouha, Alexandria, Egypt

T +20233008170

F +20233054622

Website

www.primeholdingco.com

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