

Price
EGP24.83
 at close of 11 August 2021

Fair Value
EGP36.3
 set on 13 Apr 2021

12M PT
EGP33 (+33%)
 set on 13 Apr 2021

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

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Source: Bloomberg.

Key Stock Statistics

| | |
|-------------------------|--------------------|
| Shares outstanding (mn) | 310.9 |
| Free float | 40% |
| Market cap (mn) | EGP7,720 |
| Market cap (mn) | USD491 |
| 52w range (EGP/share) | 30.04-21.93 |
| EGP100 invested 5y ago | EGP144 |
| TTM EPS | EGP4.6 |
| TTM P/E | 5.3x |
| P/BV | 1.0x |
| 2021e EPS | EGP5.20 |
| 2021e P/E | 4.8x |
| 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% |

Non-Interest Income Heals Earnings Growth

Overweight and 12M PT maintained

Earnings recovered, backed by fee income and one-off gain despite higher opex and provisions: Crédit Agricole Egypt's (CAE) [CIEB] H1 2021 stand-alone net profit inched up 9% y/y to EGP764mn after booking a non-recurring profit of EGP89mn in H1 2021 (due in part to gain on sale of land amounting to EGP47mn) vs. other operating expenses of EGP13.3mn in H1 2020. This came along with higher fees & commission income of EGP285mn (+24% y/y, Q2 2021: +0.3% q/q) and higher net interest income (NII) of EGP1.4bn (+0.8% y/y, Q2 2021: +5% q/q). Q2 2021 earnings came in 4% higher than our estimates of EGP375mn on higher NII (+12% variance vs. our estimate of EGP652mn) and higher provisions (+121% variance vs. our estimate of EGP28mn).

NIM narrows slightly; ROAE normalizing: Net interest margin (NIM) fell to 5.8% in H1 2021 (-55bps y/y) despite a 69bps lower cost of funds of 4.5%. ROAE slipped to 20.5% (-59bps y/y) on the back of lower financial leverage and a higher effective tax rate despite a stable cost of risk.

Net loans recover, but asset quality slips slightly: Total assets grew 6.5% ytd to EGP55.1bn by end of Q2 2021 as net lending recovered by 6.4% ytd to EGP27.1bn. With deposits growing 6.9% ytd to EGP44.1bn, gross loans-to-deposits ratio retreated marginally from 65.1% to 64.2%. Asset quality, however, slipped slightly in view of a 60bps higher non-performing loans (NPL) ratio of 3.7%. However, the bank is leaning on a high provision coverage ratio of 138%.

Overweight and 12M PT maintained: CIEB is currently trading at a TTM P/E of 5.3x and P/BV of 0.97x. Against the backdrop of Q2 2021 results, which came slightly higher than our expectations, we are still counting on the bank to overcome the repercussions of COVID-19, particularly in terms of lending recovery and asset quality, to achieve our expected net profit of EGP1.6bn by end of 2021. Thus, we maintain our 12-month price target (12M PT) at EGP33/share, implying an upside potential of +33%. Hence, we maintain our Overweight rating.



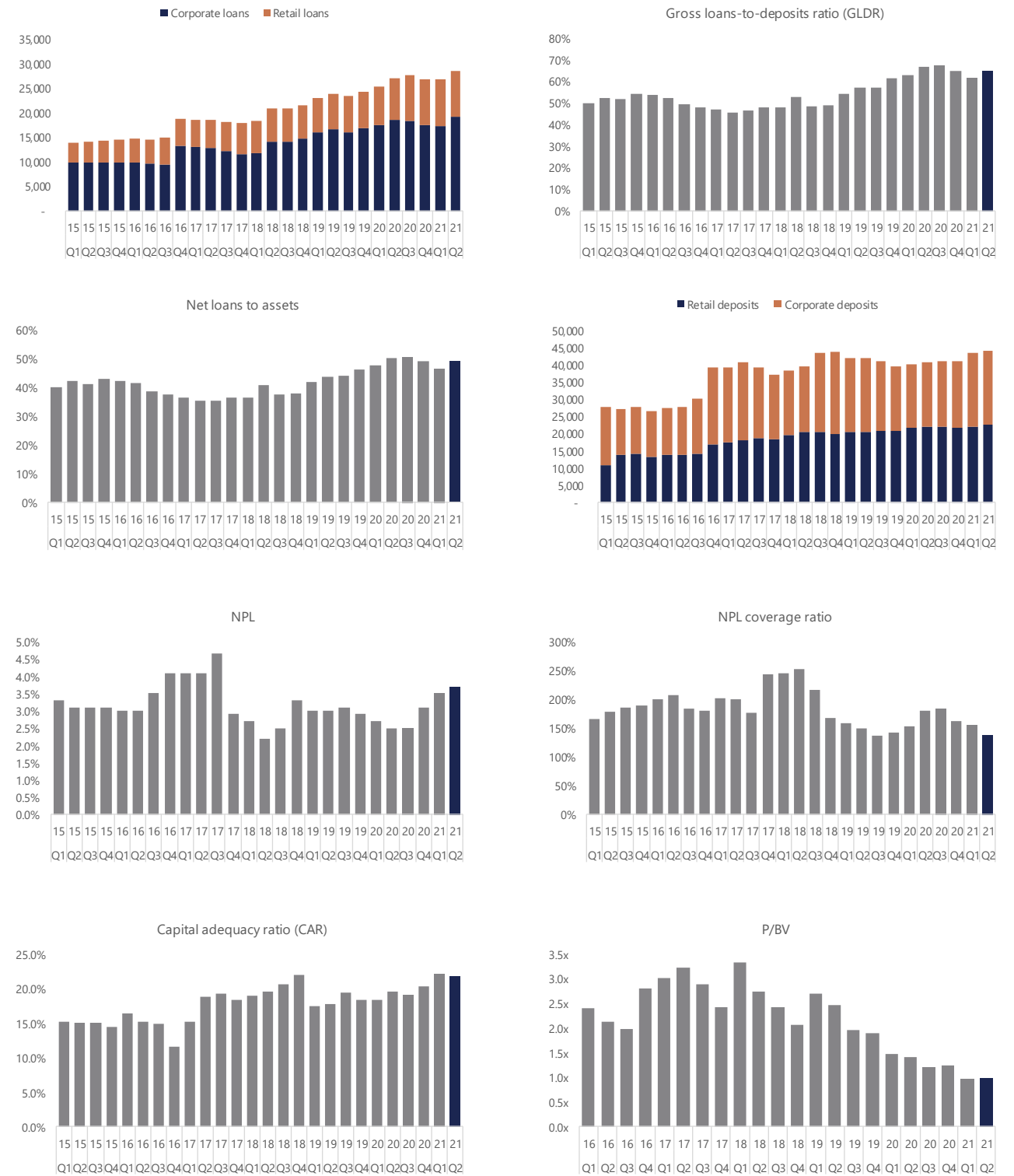
FINANCIAL KPIS (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.



OPERATIONAL KPIs (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.

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