

Price
EGP14.44
at close of 16 Feb 2022

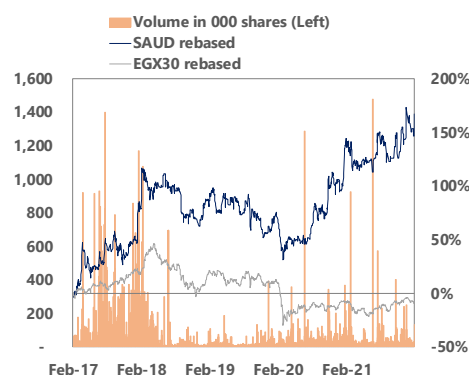
Fair Value
EGP27.5
set on 7 Dec 2021

12M PT
EGP25.6 (+77%)
set on 7 Dec 2021

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

Amany Shaaban

Equity Analyst
T +202 3300 5720
ashaaban@egy.primegroup.org



Source: Bloomberg.

Key Stock Statistics

Shares outstanding (mn)	221
Free float	22.2%
Market cap (mn)	EGP3,191
Market cap (mn)	USD203
52w range (EGP/share)	16.12-12.0
EGP100 invested 5y ago	EGP267
TTM EPS	EGP5.12
TTM P/E	2.8x
P/BV	0.53x
2022e EPS	EGP6.90x
2022e P/E	2.0x
2022e P/B	0.44x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	0.95
3Y Proj. EPS CAGR	6%

Source: Bloomberg.

Earnings Pressured by Higher Cost of Risk

Hefty credit provisions cast shadows on profitability

Lower earnings due to higher opex and credit provisions: Al Baraka Bank Egypt [SAUD] reported its 2021 stand-alone figures, with a bottom line of EGP1.1bn (-9% y/y) due to weaker efficiency. G&A recorded EGP781mn (+19% y/y), coupled with an intensive upping in provisions (+49% y/y) to EGP554mn, out of which EGP140mn (i.e. 25% of total credit provisions) was booked in Q4 2021. This implied a cost of risk (CoR) of 236bps vs. 176bps a year ago and 234bps in Q3 2021. Accordingly, Q4 2021 bottom line fell 80% q/q to EGP101mn. Net interest income (NII) grew 12.2% y/y to EGP2.7bn despite lower yields on the back of lower interest cost (-13% y/y). Hence, NIM slipped to 3.08% (-58bps y/y).

ROAE weakened on earnings drop: Total assets grew by 9% y/y to EGP82.3bn, shadowing the growth in deposits of 9% y/y to EGP72.6bn. However, balance sheet growth did not filter through to earnings. Hence, ROAA dropped marginally to 1.43% (-25bps y/y), whereas ROAE fell by c.7pp to 20.5%, as equity multiplier slipped to 13.7x vs. 15x in 2020. However, we note that the NPL ratio decreased to 4.5% (-150bps y/y), while overall coverage ratio rose to 184% in 2021 vs. 127% a year earlier and higher than the 171% recorded in Q3 2021.

Balance sheet growth driven by interbank assets: Total assets growth was driven by a 120% leap in interbank assets to EGP29.7bn capturing the highest share (36%) of total assets. Moreover, the loan book grew by 7.4% y/y to EGP21bn, representing 25.5% of total assets. GLDR fell slightly to 31.6% (-38bps) due to a higher increase in deposits to EGP72.6bn (+9% y/y). We note that SAUD has a short-term (ST) negative repricing gap of c.18% of total assets. This means its ST financial assets are much lower than its ST financial liabilities, making the event of higher interest rates of a negative impact on the bank's NIM.

Maintaining Overweight rating: SAUD market price remained within range since we published [our banking sector note in December 2021](#). In view of 2021 results, we maintain our 12MPT at EGP25.60/share (ETR +77%), hence we maintain our Overweight rating. SAUD is currently traded at 2022e P/E of 2.0x and P/BV of 0.44x.


Financial KPIs (figures in EGPmn, unless otherwise noted)

Balance Sheet EGPmn			
	2020	2021	y/y
Cash	6,410	6,526	1.8%
Due from banks	13,468	29,711	120.6%
Treasury bills	13,640	3,020	-77.9%
Loans and advances to customers	19,565	21,031	7.5%
Financial investments	18,344	17,443	-4.9%
Other	4,105	4,591	11.8%
Total assets	75,533	82,322	9.0%
Due to banks	1,053	897	-14.9%
Deposits	66,471	72,569	9.2%
Other liabilities	2,981	2,851	-4.3%
Total liabilities	70,505	76,318	8.2%
Shareholders equity	5,028	6,004	19.4%
Total liabilities & owners equity	75,533	82,322	9.0%

Income Statement EGPmn			
	2020	2021	y/y
Interest income	7,576	7,206	-4.9%
Interest expenses	(5,126)	(4,456)	-13.1%
Net interest income	2,450	2,750	12.2%
Fees and commission income	239	291	21.4%
Fees and commission expense	(43)	(19)	-55.4%
Net fee and commission income	197	272	37.9%
Total revenues	2,725	3,102	13.9%
G&A and other operating income	(357)	(801)	124.6%
Operating profit	2,368	2,302	-2.8%
Impairment for credit losses	(372)	(555)	49.3%
Profit before income tax	1,997	1,747	-12.5%
Income tax expense	(749)	(615)	-18.0%
Net profit	1,248	1,132	-9.2%

Source: Bank reports, Prime Research.

Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 8130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

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, 7th 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

Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Website

www.primeholdingco.com

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 © 2022, 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.