

Price
EGP13.65
at close of 20 Feb 2022

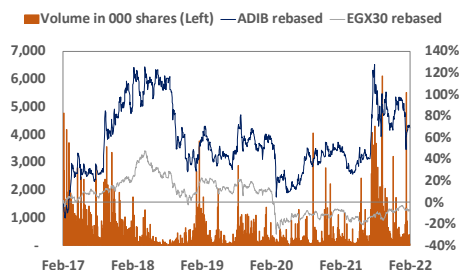
Fair Value
EGP18.4
set on 7 Dec 2021

12M PT
EGP21.7 (+59%)
set on 7 Dec 2021

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

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Source: Bloomberg.

Key Stock Statistics

Shares outstanding (mn)	200
Free float	27%
Market cap (mn)	EGP2,730
Market cap (mn)	USD174
52w range (EGP/share)	19.0-10.0
EGP100 invested 5y ago	EGP166
TTM EPS	EGP3.45
TTM P/E	3.9x
P/BV	0.85x
2022e EPS	EGP4.75
2022e P/E	2.9x
2022e P/B	0.7x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	0.95
3Y Proj. EPS CAGR	15.0%

Source: Bank reports, Prime Research.

Wise Utilization Enhances Profitability

Significantly lower provisions boost net earnings

Earnings growth on the back of lower credit provisions: Abu Dhabi Islamic Bank - Egypt [ADIB] reported its 2021 figures, with a satisfying bottom line of EGP1.4bn (+20% y/y) on a higher net interest income (NII) of EGP3.6bn (+13% y/y). Full-year earnings matched our estimates (PRE). ADIB managed to achieve NII growth despite a slight y/y decrease in NIM of 4.57% (-33bps), in light of a strong interest earning assets (IEA) growth, driven by Treasuries and loans. Also, strong earnings growth was the product of booking much lower credit provisions which dropped to EGP166mn (-62% y/y), coming below PRE.

Diversified asset allocation, albeit with a lower ROAA: Total assets grew boldly by 23% y/y, as the bank managed to grow its investments by 40% y/y, its interbank assets by 26%, and most importantly, its lending by 13% y/y to EGP45.3bn. This shows how the bank efficiently utilized higher total deposits (+21% y/y) and interbank liabilities (+243% y/y due to a low base). Accordingly, ROAA dropped slightly to 1.70% (-4bps y/y), whereas ROAE weakened by 142bps to 23.75%, given a slow expansion in the bank's equity multiplier. It is clear that the IEA mix of the bank leaned more towards risk-free investment vehicles, as government debt securities as a percentage of total assets increased to 34% (up from 30% a year before), while loans represented 51% (down from 55% a year before). This clearly translated into a lower GLDR of 67% in 2021, down from 74% in 2020. Moreover, ADIB has a positive short-term asset repricing gap (29% of total assets), making the bank a beneficiary in case of interest rate hikes.

Credit quality maintained despite double-digit loan book growth: Despite the increase in the bank's loan book, ADIB booked 62% lower credit provisions in 2021, with the cost of risk (CoR) decreasing materially to 34bps from 104bps a year earlier. Meanwhile, NPL ratio upped a bit to 3.81% (+67bps y/y); hence, overall coverage ratio slipped to 115% in 2021, down from 146% a year earlier. We note that the increase in loans was mainly driven by corporate lending.

Overweight maintained with a positive outlook: In view of 2021 results, we maintain our 12MPT at EGP21.7/share (ETR +59%); hence, we maintain our Overweight rating. ADIB is currently traded at 2022e P/E of 2.9x and P/BV of 0.7x. We note that the stock faced downward pressures ever since the bank announced its plans for a rights issue in 2022. ADIB plans to raise its paid-in capital to EGP5bn by August 2022, which will be through a combination of rights issue and bonus shares distribution. While the impact of the rights issue is a short-term negative for ADIB, we note that it will have a minimal impact on our 12MPT as well as long-term growth prospects.



Financial KPIs (figures in EGPmn, unless otherwise noted)

Balance Sheet EGPmn			
	2020	2021	y/y
Cash	4,630	6,068	31%
Due from banks	3,714	4,675	26%
Treasury bills	21,634	30,356	40%
Loans and advances to customers	40,225	45,355	13%
Financial investments	314	311	-1%
Non-earning and other assets	2,252	2,686	19%
Total assets	72,769	89,450	23%
Due to banks	687	2,352	243%
Deposits	62,825	75,803	21%
Other liabilities	4,099	4,831	18%
Total liabilities	67,611	82,987	23%
Shareholders equity	5,159	6,464	25%
Total liabilities & owners equity	72,769	89,451	23%

Income Statement EGPmn			
	2020	2021	y/y
Interest income	7,168	8,094	13%
Interest expenses	(4,029)	(4,540)	13%
Net interest income	3,138	3,554	13%
Net fee and commission income	458	514	12%
Total revenue	3,802	4,211	11%
G&A and other operating income	(1,669)	(1,871)	12%
Operating profit	2,132	2,340	10%
Impairment for credit losses	(434)	(166)	-62%
Profit before income tax	1,699	2,174	28%
Income tax expense	(547)	(794)	45%
Net profit	1,151	1,380	20%

Source: Bank reports, Prime Research.

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