

**Price**  
**EGP8.12**  
at close of 20 Feb 2022

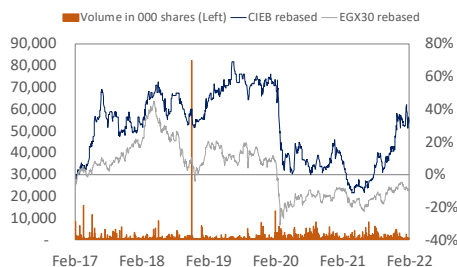
**Fair Value**  
**EGP9.00**  
set on 13 April 2021

**12M PT**  
**EGP9.9** (+22%)  
set on 21 Feb 2022

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

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Source: Bloomberg.

## Key Stock Statistics

Shares outstanding (mn)	<b>1,250</b>
Free float	<b>39%</b>
Market cap (mn)	<b>EGP10,150</b>
Market cap (mn)	<b>USD646</b>
52w range (EGP/share)	<b>9.00-5.24</b>
EGP100 invested 5y ago	<b>EGP134</b>
TTM EPS	<b>EGP1.27</b>
TTM P/E	<b>6.4x</b>
P/BV	<b>1.2x</b>
2022e EPS	<b>EGP1.31</b>
2022e P/E	<b>6.2x</b>
2022e P/B	<b>1.1x</b>
Last fiscal year's DPS	<b>EGP0.0</b>
Dividend yield	<b>0.0%</b>
5Yr beta	<b>0.6</b>
3Y Proj. EPS CAGR	<b>9%</b>

Source: Bank reports, Prime Research.

## Non-Interest Income Saves the Day

Raising our 12MPT; Overweight maintained

**Net interest income grew on lower funding cost:** Credit Agricole Egypt's [CIEB] net earnings grew in a decent fashion to EGP1.6bn in 2021 (+17% y/y), coming in line with our estimates (PRe). However, CIEB achieved a marginal y/y growth in net interest income (NII) of only 2% to EGP2.9bn. The main driver for NII growth was lower funding cost, which declined by 2%. On the other hand, interest income was mainly flat y/y. CIEB was able to utilize a volume effect, only to the extent that evened out weaker yields in 2021, resulting in a tepid NII growth.

### Non-interest income and lower credit provisions supported earnings growth:

Despite faint NII growth, net earnings growth was very satisfactory. This comes in light of higher net fees & commissions income of EGP571mn (+16% y/y), besides one-off gains from the sale of a land in the Fifth Settlement for EGP46mn, first booked in Q1 2021. Furthermore, the bank booked 12% lower credit provisions during 2021, adding around EGP320mn, resulting in a 30bps y/y lower cost of risk (CoR) to 112bps. This occurred as the NPL ratio upped marginally by 30bps y/y to 3.3%, while NPL coverage ratio declined from 164% to 149%. We note that the bank's effective tax rate came 157bps lower y/y at 28%.

**Nifty balance sheet growth:** CIEB saw total assets grow by 16% y/y to EGP60bn, accompanied by a 17% y/y growth in total deposits to EGP48bn. Meanwhile, CIEB's gross loan portfolio grew 15% y/y to EGP31bn. Accordingly, GLDR did not move much, settling at 63% vs. 65% a year earlier. The bank's paid-in capital is now EGP5bn, distributed over 1.25bn shares, at a par value of EGP4.0/share. This comes in compliance with the new minimum paid-in capital requirements specified by the New Banking Law. We note that both ROAE and ROAA have improved to 20% (+110bps y/y) and 2.84% (+17bps y/y), respectively.

### A return to the high-yield era — Overweight maintained;

**12MPT raised:** In view of 2021 results, we up our 12MPT to EGP9.9/share (ETR +22%) based on a P/BV multiple of 1.43x. Hence, we maintain our Overweight rating. We note that our latest fair value (FV) was EGP9/share (dated 13 April 2021), but we see room for upgrade in view of the recent results. The bank's BoD has suggested a DPS of EGP0.99/share, implying a payout ratio of 78%, subject to approval by the Central Bank of Egypt. Going forward, we expect CIEB's payout ratio to normalize at an average of 60%. CIEB is currently traded at 2022e P/E of 6.2x and P/BV of 1.1x.



## Financial KPIs (figures in EGPmn, unless otherwise noted)

Balance Sheet EGPmn			
	2020	2021	y/y
Cash	5,085	5,148	1%
Due from banks	6,928	10,247	48%
Treasury bills	4,988	5,343	7%
Loans and advances to customers	25,442	28,894	14%
Financial investments:	7,225	8,095	12%
Non-earning and other assets	2,068	2,508	21%
<b>Total assets</b>	<b>51,736</b>	<b>60,235</b>	<b>16%</b>
Due to banks	44	6	-87%
Deposits	41,254	48,216	17%
Other liabilities	3,181	3,345	5%
<b>Total liabilities</b>	<b>44,478</b>	<b>51,566</b>	<b>16%</b>
<b>Shareholders equity</b>	<b>7,258</b>	<b>8,669</b>	<b>19%</b>
<b>Total liabilities &amp; owners equity</b>	<b>51,736</b>	<b>60,235</b>	<b>16%</b>
Income Statement EGPmn			
	2020	2021	y/y
Interest income	5,138	5,157	0%
Interest expenses	(2,287)	(2,239)	-2%
<b>Net interest income</b>	<b>2,851</b>	<b>2,918</b>	<b>2%</b>
Fees and commission income	765	916	20%
Fees and commission expense	(271)	(344)	27%
<b>Net fee and commission income</b>	<b>495</b>	<b>571</b>	<b>16%</b>
<b>Total revenue</b>	<b>3,640</b>	<b>3,825</b>	<b>5%</b>
G&A and other operating income	(1,338)	(1,294)	-3%
<b>Operating profit</b>	<b>2,302</b>	<b>2,532</b>	<b>10%</b>
Impairment for credit losses	(364)	(320)	-12%
<b>Profit before income tax</b>	<b>1,938</b>	<b>2,211</b>	<b>14%</b>
Income tax expense	(573)	(619)	8%
<b>Net profit</b>	<b>1,365</b>	<b>1,592</b>	<b>17%</b>

Source: Bank reports, Prime Research.

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