

Price
EGP51.43
at close of 21 Feb 2022

Fair Value
EGP70.5
set on 6 Oct 2020

12M PT
EGP72.0 (+40%)
set on 30 Jan 2022

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

2021, a Grand Finale

Overweight and 12MPT maintained

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Remarkable increase in net earnings on lower provisions:

Commercial International Bank's (CIB) [COMI] 2021 separate net profits grew 30% y/y to EGP13.4bn, broadly in line with Prime Research estimates (PRE). Earnings grew in a spectacular manner despite a flat net interest income of EGP24.8bn (-0.8% y/y) due to an increase in interest cost which grew 18% y/y given the huge size of interest-earning assets (IEAs). Strong earnings growth came on the back of: (1) Significantly lower cost of risk (CoR) of 112bps vs. 374bps in 2020; credit provisions were lower 66% y/y, as 2020 was a very strong base year, so this decline brings us back to pre-pandemic levels. (2) Higher non-interest income of EGP3.8bn (+10% y/y). (3) Lower other operating expenses of EGP1.9bn (-28% y/y) due to lower other general provisions. The bank's strong earnings growth was further complemented by a lower effective tax rate of 30% (-300bps y/y vs. 2020).

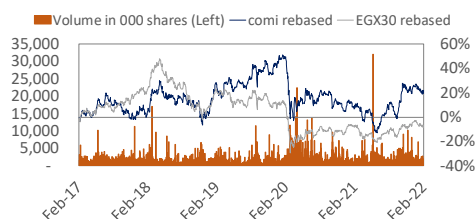
ROAE improved on lower CoR: Net interest margin (NIM)

retreated 84bps y/y to 5.95% in 2021, in light of weaker yields in 2021 vs. 2020; COMI's yield slipped to 10.0% vs. 10.8% a year earlier. The reason behind the annual slippage in yields is that rate cuts that took place in 2020 materialized in 2021. Furthermore, ROAE widened to 20.9% in 2021 (+240bps y/y), while ROAA rose to 2.9% (+38bps y/y), with the bank's equity multiplier stabilizing at 7.2x.

Local-currency lending grew at the highest pace since 2011:

Total assets grew 16.5% y/y to EGP497bn in 2021, driven by a 19% y/y growth in total deposits of EGP406bn. On the other hand, gross lending grew to EGP145bn (+22% y/y), driven by robust growth in local-currency loans (+28.5% y/y). We note that Treasury exposure for COMI increased to 43% of total assets. Gross loans-to-deposits ratio (GLDR) remained constant at 40% in 2021. While CoR improved y/y, asset quality weakened on an annual basis, with non-performing loans (NPL) ratio inching higher to 5.14% (+84bps y/y). Hence, NPL coverage ratio declined from 281% to 213%. We note that COMI's short-term asset repricing gap has turned positive to EGP10bn or 2% of total assets by end of 2021. This could make COMI somewhat beneficiary in the case of any interest rate hike.

Overweight and 12M PT maintained: In view of 2021 results, we maintain our 12MPT at EGP72.0/share (ETR +40%). Hence, we maintain our Overweight rating. COMI is currently traded at 2021 P/E and P/B of 7.5x and 1.5x, respectively. We note that the BoD proposed a DPS of EGP1.36, implying a payout ratio of 20%. Also, the BoD has approved a capital increase of EGP165.4mn (+0.8%) at a par value of EGP10/share for ESOP, pending approval of the Central Bank of Egypt.



Source: Bloomberg.

Key Stock Statistics

Shares outstanding (mn)	1,970
Free float	76%
Market cap (mn)	EGP101,317
Market cap (mn)	USD6,453
52w range (EGP/share)	54.15-36.53
EGP100 invested 5y ago	EGP120
TTM EPS	EGP6.8
TTM P/E	7.5x
P/BV	1.5x
2022e EPS	EGP8.4
2022e P/E	6.1x
2022e P/B	1.29x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	1.02
3Y Proj. EPS CAGR	20%

Source: Bank reports, Prime Research.


Financial KPIs (figures in EGPmn, unless otherwise noted)

Balance Sheet EGPmn			
	2020	2021	y/y
Cash	33,573	43,385	29%
Due from banks	86,997	79,991	-8%
Treasury bills	173,027	212,951	23%
Loans and advances to customers	118,855	144,766	22%
Financial investments	874	1,014	16%
Non-earning and other assets	12,819	14,544	13%
Total assets	426,145	496,651	17%
Due to banks	8,816	863	-90%
Deposits	340,087	406,101	19%
Other liabilities	17,838	20,759	16%
Total liabilities	366,740	427,723	17%
Shareholders equity	59,405	68,928	16%
Total liabilities & owners equity	426,145	496,651	17%

Income Statement EGPmn			
	2020	2021	y/y
Interest income	42,071	44,945	7%
Interest expenses	(16,981)	(20,058)	18%
Net interest income	25,090	24,888	-1%
Net fee and commission income	2,070	2,382	15%
Total revenue	28,577	28,736	1%
G&A and other operating income	(8,290)	(8,077)	-3%
Operating profit	20,286	20,658	2%
Impairment for credit losses	(4,989)	(1,677)	-66%
Profit before income tax	15,297	18,981	24%
Income tax expense	(4,997)	(5,561)	11%
Net profit	10,300	13,420	30%

Source: Bank reports, Prime Research.

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