

Price
EGP8.32
at close of 27 Feb 2022

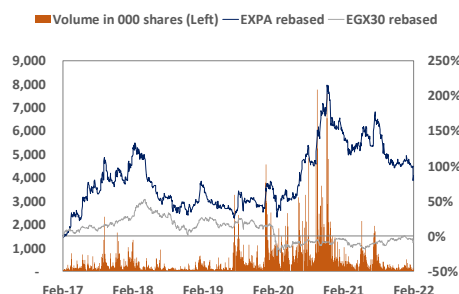
Fair Value
EGP16.2
set on 7 Dec 2021

12M PT
EGP11.1 (+33%)
set on 7 Dec 2021

Investment Rating **Overweight** ★ ★ ★
Risk Rating **High** ! ! !

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Key Stock Statistics

Shares outstanding (mn)	327.4
Free float	24.5%
Market cap (mn)	EGP2,724
Market cap (mn)	USD174
52w range (EGP/share)	8.00-12.78
EGP100 invested 5y ago	EGP186
TTM EPS	EGP1.53
TTM P/E	5.4x
P/BV	0.4x
2022e EPS	EGP3.09x
2022e P/E	2.6x
2022e P/B	0.4x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	0.95
3Y Proj. EPS CAGR	38%

Source: Bank reports, Prime Research.

A Year to Forget

Overweight and 12MPT maintained; risk raised to High

Earnings eroded on lower efficiency and higher CoR: Export Development Bank of Egypt's [EXPA] 2021 (12M from Jan. to Dec. 2021) separate net profits were slashed by 40% y/y to EGP500mn. Earnings slumped despite a 6% y/y growth in net interest income to EGP1.8bn. Furthermore, total banking revenues rose to EGP2.5bn (+9% y/y) on better non-interest income of EGP572mn (+18% y/y). However, revenue growth during 2021 was not enough to absorb the notable upping in the bank's general and administrative (G&A) expenses. Total G&A grew by 21% y/y to EGP1.3bn in 2021, whereas total opex grew by 23% y/y. Opex growth was driven by growth in annual wages and salaries. Consequently, EXPA's cost-to-income ratio deteriorated, registering a whopping c.50% in 2021 (+6pp y/y). Furthermore, credit provisions grew significantly, as EXPA nearly did not book credit provisions during 2020. Accordingly, cost of risk (CoR) inched up to 0.73% (+68bps y/y). Finally, significantly higher effective tax rate also dented EXPA's bottom line; its effective tax rate recorded 45% (+15pp y/y).

ROE deteriorated despite a higher equity multiplier: ROE slipped to 7.5% in 2021 from 13.4% in 2020 (-6pp y/y). Despite a higher equity multiplier of 11.5x (+13% y/y), the drop in ROA was more severe. ROA dropped below the 1% mark in 2021, scoring only 0.7% (-67bps y/y) on lower operating margin and higher CoR. We note that despite the higher equity multiplier, CAR remained stable, albeit low at 14.14% (+6bps y/y) on higher Treasury exposure.

Balance sheet grew, lending utilization retreated: Total assets grew 20% y/y to EGP76bn in 2021, driven by a 27% y/y growth in total deposits of EGP64bn. On the other hand, gross lending was unchanged at EGP36bn (+0.3% y/y). Meanwhile, Treasury exposure increased marginally to 24% of total assets vs. 23% a year earlier. Gross loans-to-deposits ratio (GLDR) fell notably, as lending growth lagged, recording 56% in 2021 vs. 72% a year earlier. While CoR upped y/y, asset quality weakened on an annual basis, with non-performing loans (NPL) ratio inching higher to 3.3% (+1.23pp y/y). Hence, NPL coverage ratio declined from 144% to 111%.

Overweight and 12M PT maintained; risk raised to High: In view of 2021 results, we alter our risk rating from Medium to High on unpredictable efficiency measures and to reflect the risks associated with the upcoming 60% rights issue. While the capital increase will help the bank solve its recurring issue of undercapitalization, given that its CAR has always been at a slim margin above the minimum CBE threshold due to its loan book concentration. However, the scenario for capital increase remains questionable given that the stock is trading below its par value of EGP10/share. Meanwhile, EXPA's BoD has proposed a 10% stock dividend for the financial period ending December 2021. That said, we maintain our 12MPT at EGP11.1/share (ETR +33%); hence, we maintain our Overweight.



Financial KPIs (figures in EGPmn, unless otherwise noted)

	C 2021	C 2020	
	Jan 21 - Dec 21	Jan 20 - Dec 20	y/y
Total Interest income	5,866	4,923	19%
Total Interest expense	(3,994)	(3,163)	26%
Net interest income	1,872	1,760	6%
Net fees & Commissions	356	318	12%
Dividends income	10	13	-23%
Trading income	192	150	27%
Gain or loss on financial Investments	15	4	243%
Other	-	-	
Total Non interest income	572	486	18%
Total Revenues	2,445	2,246	9%
G&A	(1,297)	(1,075)	21%
Other (Opex) Income	22	35	-37%
Total Opex	(1,276)	(1,041)	23%
Operating profit	1,169	1,205	-3%
Credit loss provisions	(264)	(17)	1431%
EBT	904	1,188	-24%
Taxes	(404)	(347)	16%
Net income	500	841	-40%
Book value of equity	6,683	6,281	6%
Total assets	76,173	63,389	20%
Deposits	64,381	50,583	27%
Net lending	34,901	35,147	-1%
<i>Net Loans-to-Deposits Ratio (NLDR)</i>	54%	69%	
Treasuries	18,401	14,290	29%
<i>Treasuries as % Deposits</i>	29%	28%	
Cost-to-income ratio	52%	46%	
Effective tax rate	45%	29%	
CAR	14.14%	14.08%	
ROA	0.7%	1.3%	
ROE	7.5%	13.4%	
FLM	11.40x	10.09x	
NPL ratio	3.3%	2.1%	
NPL coverage ratio	111%	144%	
CoR	0.73%	0.05%	

Source: Bank reports, Prime Research.

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