

**Market Price**  
**EGP25.12**

at close of 26 Sep 2022

**Fair Value**

**EGP39.5** (was EGP46.0)

set on 27 Sep 2022

**12MPT**

**EGP41.1** (+63%, was EGP47.0)

set on 27 Sep 2022

Investment Rating

**Overweight**

★

★

★

Risk Rating

**Medium**

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## Commander-in-Chief

A leader even at times of war; OW/M maintained despite a lower 12MPT

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Equity Analyst

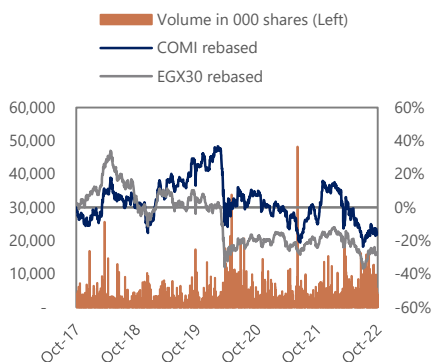
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**Commercial International Bank – Egypt (CIB) [COMI] is considered a gateway, not only to the banking sector but also to the entire EGX. Being the biggest private-sector bank in terms of asset size, deposits base, and market cap magnifies its importance as well as its challenges. However, COMI proved its resilience, preserving the hard-earned strong status even at times of war, following a pandemic, without jeopardizing risk control for the sake of growth.**

**Tried and true:** COMI knows how to steer its wheel of funds through unusual times, producing very strong profitability ratios using a well-calculated asset/liability mixture. The bank's net earnings grew 28% y/y in H1 2022, as Q1 2022 alone has seen its highest-ever recorded net income. NIM widened to 6.12% in H1 2022, while COMI's annualized ROAE stood at 23%. Surprisingly, the bank managed to keep its huge pool of deposits of EGP428bn at a very affordable cost of 5% in Q2 2022 which boosted its profitability even further. The bank also held a sizeable lending market share of 5.4% in Q2 2022 and continued to grow its loan book to EGP170bn in Q2 2022. This comes while maintaining a trademark credit quality, with a lower NPL ratio of 4.9% (vs. 5.1% in December 2021) and the highest coverage ratio in the market (209% in June 2022). As for soundness indicators, COMI has one of the highest capital adequacy ratios (CARs) in the market, at 28.8% in Q2 2022, leaving more than enough space for generous future payouts. This strong capital covers for the risk of increasing investments in financial investment at fair value through other comprehensive income (FVOCI) reaching EGP216bn in H1 2022, representing 41% of total assets. This is because any mark-to-market losses on the bank's FVOCI portfolio directly affects capital, not profitability. This also explains the negative change in COMI's comprehensive income statement in H1 2022 amounting to EGP7.4bn. While this might come as a threat for a bank with a weaker capital, COMI's capital on the other hand can absorb any changes in FVOCI. Also, this can reflect positively on the bank's ROE, denting its equity without affecting its bottom line.

### RELATIVE PERFORMANCE (5Y)



Source: Bloomberg, Prime Research.

### KEY STOCK STATISTICS

Shares outstanding (mn)	2,983
Free float	60.7%
Market cap (EGPmn)	74,932
Market cap (USDmn)	3,842
52w range (EGP/share)	35.9–22.5
EGP100 invested 5y ago	EGP83.4
EPS (TTM / 2022e) (EGP)	5.07 / 5.31
BVPS (TTM / 2022e) (EGP)	21.97 / 26.02
P/E (TTM / 2022e)	5.0x / 4.7x
P/BV (TTM / 2022e)	1.1x / 1.0x
Last fiscal year's DPS (EGP)	0.90
Dividend yield	3.6%
5y historical beta	1.01
5y Proj. EPS CAGR (2021-26)	15%

Source: Prime Research.



**Great expectations:** We believe COMI's strong performance will persist, with a net income 5y CAGR (2021-26) of 12%, mainly attributed to the 13% 5y CAGR in net interest income. We expect the bank's market share to increase steadily throughout the years, reaching 6.5% by 2026, thanks to a 5y CAGR of 21% in its loan book. We anticipate gross loans-to-deposits ratio (GLDR) to reach 50% by 2026 as the bank focuses more on growing its loan portfolio and cutting its investment in Treasuries in view of the gradual decrease in yield. We have also taken the new RRR measure into consideration while setting our IEA expectations. As for credit quality, we expect cost of risk (CoR) to average -0.5% throughout our forecast horizon, with a decreasing NPL ratio to reach 4.1% by 2026. Correspondingly, we expect NPL coverage ratio to slide from 213% in 2021 to 149% in 2026. For 2022, we expect net income to reach EGP15.8bn (+18% y/y) on the back of: (1) higher net interest income of EGP28.8bn (+16%), (2) significantly lower credit booked provisions of EGP180mn vs. EGP1.7bn, and (3) high gains on sale of financial investments of EGP1.2bn.

**OW/M maintained, 12MPT cut by 13% to EGP41.1/share:** Our residual income based FV is EGP39.5/share, assuming LT ROE of 21.3% and a terminal COE of 18%. However, we set our 12MPT at EGP41.1/share based on a 3y historical average P/E and P/BV of 8.5x and 1.6x, respectively. Our new 12MPT, which we cut by 13%, currently implies a 2022e P/E of 7.7x and P/BV of 1.6x. **Key catalysts:** Higher-than-anticipated corporate lending with improving economic conditions. Higher-than-expected earnings growth. **Key risks:** Persisting competition from state-owned banks affecting COMI's deposits. Deterioration in asset quality.



VALUATION MODEL

Excess Return Model	2021a	2022e	2023e	2024e	2025e	2026e	Terminal
Figures in EGPmn							
Net Income	13,420	15,838	17,114	18,344	20,886	24,066	28,571
Ending Book Value	68,928	77,598	89,452	102,113	116,906	134,036	
Less: Equity cost		(13,892)	(13,372)	(14,519)	(18,191)	(21,007)	(24,085)
Excess equity return		1,946	3,741	3,825	2,695	3,059	4,486
Terminal Value							47,372
ROE (beginning)		23.0%	22.1%	20.5%	20.5%	20.6%	21.3%
Terminal growth rate							8.5%
Discount factor		1.00	0.85	0.73	0.62	0.53	
PV of excess return - 5 years		1,946	3,191	2,807	1,679	1,615	
PV of Terminal Value							25,014
Current BV (adjusted for latest DPS)		68,928					
PV of equity excess return - next 5 years		11,238					
PV of Terminal value		25,014					
Target Equity Value		105,180					
NOS (mn)		2,983					
FV/Share (end of 2021)		35.3					
Mkt price		25.12					
FV/Share (today - adjusted for DPS)		39.5					
Upside (downside)		57%					
12MPT (based on historical multiples)		41.1					
Upside (downside)		63%					

Source: Prime Research.

FV SENSITIVITY ANALYSIS

		Terminal COE				
		16.0%	17.0%	18.0%	19.0%	20.0%
Terminal GR	10.5%	56.4	48.1	42.0	37.4	33.7
	9.5%	52.3	45.7	40.6	36.6	33.4
	8.5%	49.3	43.8	39.5	36.0	33.1
	7.5%	47.0	42.3	38.6	35.4	32.8
	6.5%	45.2	41.1	37.8	35.0	32.6

PEERS ANALYSIS (AS OF 26-SEP-2022)

Ticker	Market cap (EGPmn)	ROE	ROA	FLM	P/E	P/BV	NIM
COMI	74,932	20.9%	3.0%	6.9x	5.0x	1.1x	5.85%
QNBA	33,615	15.7%	2.3%	6.8x	4.7x	0.7x	5.08%
FAIT	10,576	20.9%	2.8%	7.4x	2.8x	0.5x	5.03%
CIEB	7,625	22.7%	3.2%	7.2x	4.1x	0.9x	5.87%
HDBK	5,617	22.1%	2.8%	7.8x	2.4x	0.4x	5.70%
EGBE	3,690	12.0%	0.9%	13.2x	5.7x	0.7x	4.08%
ADIB	2,803	26.6%	2.0%	13.0x	1.6x	0.4x	4.85%
CANA	2,193	12.6%	1.0%	12.8x	4.2x	0.5x	3.19%

Source: Prime Research.



## FINANCIAL MODEL

Financials (ended Dec., EGPmn)	2020a	2021a	2022e	2023e	2024e	2025e
<b>Balance Sheet</b>						
Cash & other at CBE	33,573	43,385	56,348	67,859	78,443	90,102
Interbank assets	86,997	79,991	52,708	66,260	66,272	65,281
Net customer loans	118,855	144,766	178,914	222,112	267,242	319,267
Securities holdings (assets)	131,530	169,048	186,405	219,230	250,922	285,346
T-bills	39,465	41,580	58,213	53,185	61,480	70,618
Fixed assets	2,260	2,404	2,659	2,977	3,281	3,629
Intangibles	-	-	-	-	-	-
Non-earning and other assets	13,465	15,477	15,497	15,877	16,311	16,808
<b>Total assets</b>	<b>426,145</b>	<b>496,651</b>	<b>550,744</b>	<b>647,499</b>	<b>743,951</b>	<b>851,051</b>
Interbank liabilities	8,816	863	4,591	5,440	6,278	7,201
Customer deposits	340,087	406,101	447,796	531,848	614,802	706,185
Other liabilities	17,838	20,759	20,759	20,759	20,759	20,759
<b>Total liabilities</b>	<b>366,740</b>	<b>427,723</b>	<b>473,146</b>	<b>558,048</b>	<b>641,839</b>	<b>734,145</b>
<b>Shareholders' equity</b>	<b>59,405</b>	<b>68,928</b>	<b>77,598</b>	<b>89,452</b>	<b>102,113</b>	<b>116,906</b>
<b>Total liabilities &amp; equity</b>	<b>426,145</b>	<b>496,651</b>	<b>550,744</b>	<b>647,499</b>	<b>743,951</b>	<b>851,051</b>
<b>Income Statement</b>						
Interest income	42,071	44,945	51,629	61,014	64,349	70,756
Interest expense	(16,981)	(20,058)	(22,801)	(27,601)	(28,566)	(31,151)
<b>Net interest income</b>	<b>25,090</b>	<b>24,888</b>	<b>28,828</b>	<b>33,413</b>	<b>35,783</b>	<b>39,605</b>
Net fees & commissions	2,070	2,382	2,588	3,041	3,497	3,999
Net trading income	396	697	734	863	992	1,135
Other net income	1,021	769	1,320	737	845	963
<b>Non-interest income</b>	<b>3,487</b>	<b>3,848</b>	<b>4,642</b>	<b>4,641</b>	<b>5,334</b>	<b>6,097</b>
<b>Total revenue</b>	<b>28,577</b>	<b>28,736</b>	<b>33,470</b>	<b>38,054</b>	<b>41,117</b>	<b>45,702</b>
G&A	(5,553)	(6,096)	(6,706)	(7,376)	(8,114)	(8,925)
<b>Operating profit</b>	<b>23,024</b>	<b>22,639</b>	<b>26,764</b>	<b>30,677</b>	<b>33,003</b>	<b>36,777</b>
Loan loss charge	(4,989)	(1,677)	(180)	(1,537)	(1,858)	(1,579)
Non-operating Inc./(exp.)	(2,738)	(1,981)	(2,678)	(2,945)	(3,182)	(3,536)
<b>Pre-tax profit</b>	<b>15,297</b>	<b>18,981</b>	<b>23,906</b>	<b>26,196</b>	<b>27,963</b>	<b>31,662</b>
Taxes	(4,997)	(5,561)	(8,069)	(9,083)	(9,619)	(10,776)
<b>Net profit</b>	<b>10,300</b>	<b>13,420</b>	<b>15,838</b>	<b>17,114</b>	<b>18,344</b>	<b>20,886</b>



## FINANCIAL MODEL (CONT'D)

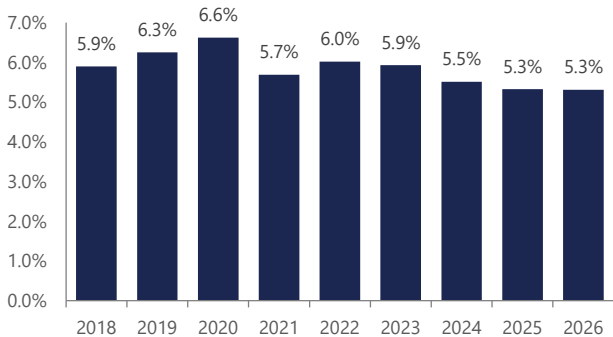
Ratio & Multiples	2020a	2021a	2022e	2023e	2024e	2025e
<b>Per-Share Data</b>						
Price	28.68	34.23	25.12	25.12	25.12	25.12
EPS	3.45	4.50	5.31	5.74	6.15	7.00
BVPS	19.92	23.11	26.02	29.99	34.24	39.20
DPS	-	0.90	1.06	1.15	1.23	1.40
Dividend yield	0.0%	2.6%	4.2%	4.6%	4.9%	5.6%
PER (x)	8.3x	7.6x	4.7x	4.4x	4.1x	3.6x
P/B (x)	1.4x	1.5x	1.0x	0.8x	0.7x	0.6x
<b>Profitability &amp; Efficiency</b>						
RoAA	2.5%	2.9%	3.0%	2.9%	2.6%	2.6%
RoAE	18.5%	20.9%	21.6%	20.5%	19.2%	19.1%
Payout ratio	0%	20%	20%	20%	20%	20%
NII/total banking income	88%	87%	86%	88%	87%	87%
NIM	6.6%	5.7%	6.0%	5.9%	5.5%	5.3%
Spread	6.4%	5.6%	5.9%	6.1%	5.6%	5.5%
Cost to income %	19%	21%	20%	19%	20%	20%
<b>Capital</b>						
Tier 1 capital	28%	27%	20%	22%	22%	23%
CAR	31%	30%	24%	26%	25%	26%
RWA as % of Total Assets	47%	47%	43%	41%	45%	45%
<b>Asset Quality</b>						
NPLs/gross loans	4.3%	5.1%	4.8%	4.5%	4.3%	4.2%
NPLs Coverage Ratio	281%	213%	191%	182%	173%	161%
<b>Liquidity &amp; Leverage</b>						
Gross L/D	40%	40%	44%	46%	47%	49%
Earning Assets/Total Assets	91%	90%	88%	88%	88%	88%
Leverage	11.6%	11.3%	7.9%	8.1%	8.5%	9.1%
Equity Multiplier	7.2x	7.2x	7.1x	7.2x	7.3x	7.3x
<b>Growth Rates</b>						
Assets	10%	17%	11%	18%	15%	14%
Equity	15%	16%	13%	15%	14%	14%
Net loans	0%	22%	24%	24%	20%	19%
Deposit	12%	19%	10%	19%	16%	15%
Net Income	-13%	30%	18%	8%	7%	14%

Source: Bank financials, Prime Research.

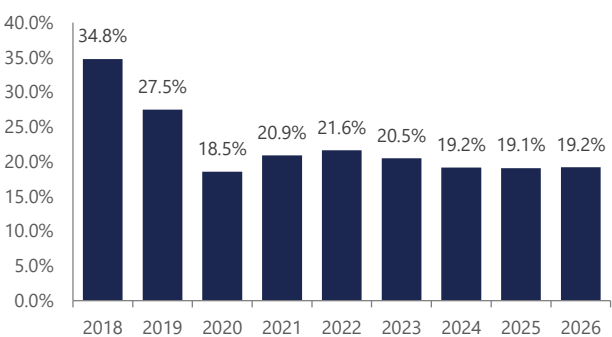


STORY IN CHARTS

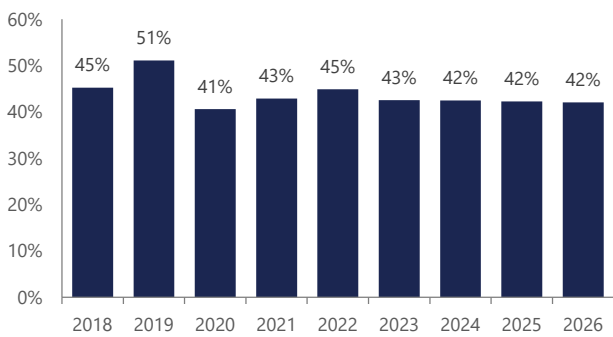
NIM



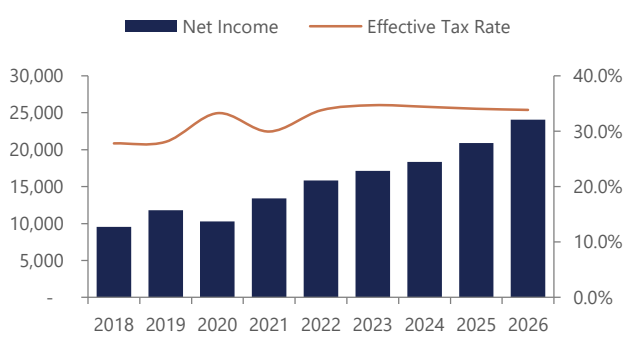
ROAE



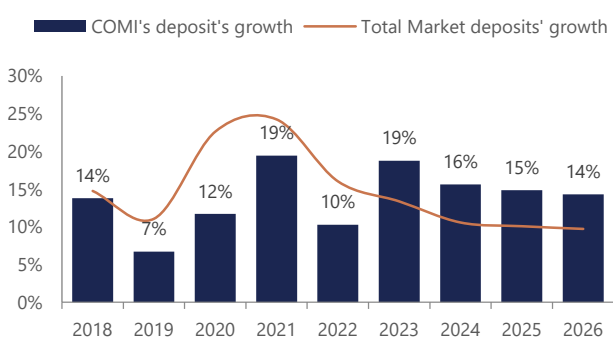
Total Treasuries as % of Total Assets



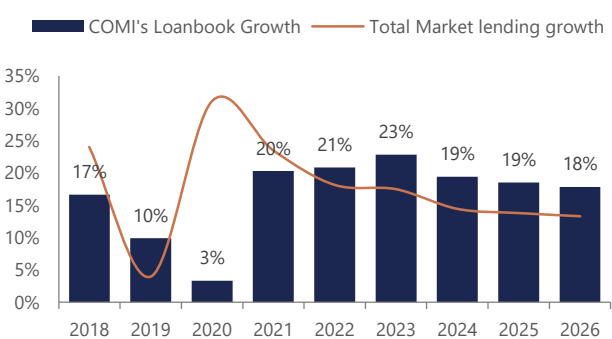
COMI's Net Income



COMI's Deposits Growth Against The Market's



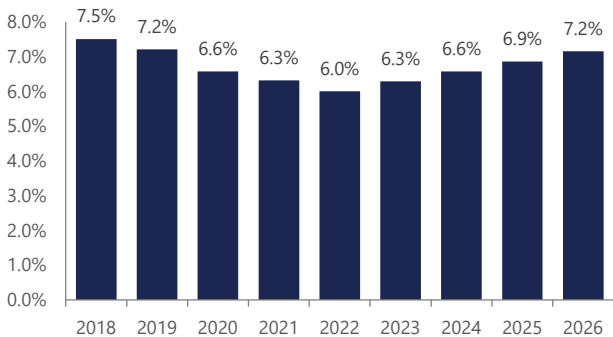
COMI's Loanbook Growth Against The Market



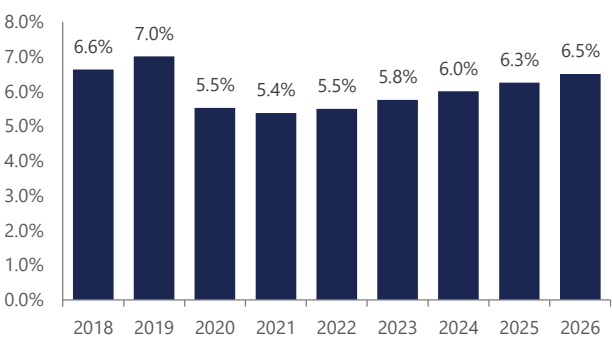


STORY IN CHARTS (CONT.'D)

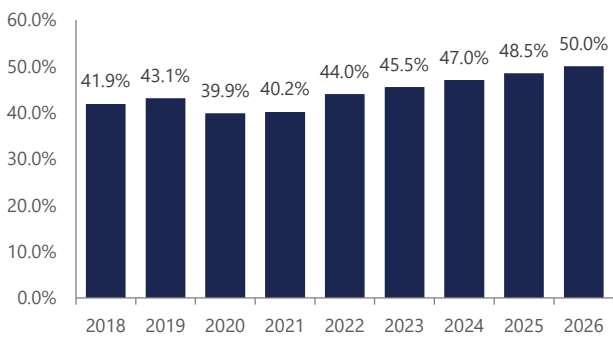
COMI's deposits market share



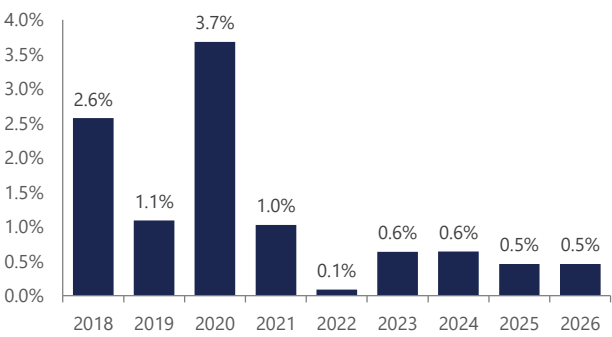
COMI's Loans market share



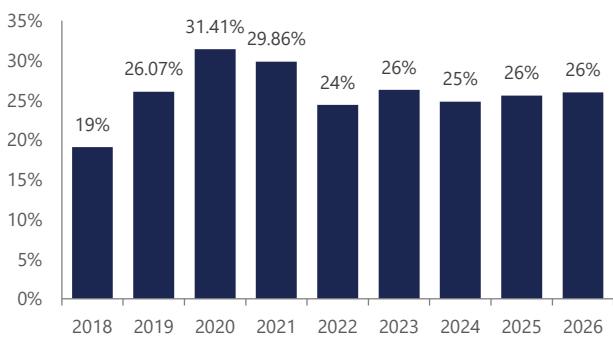
COMI's GLDR



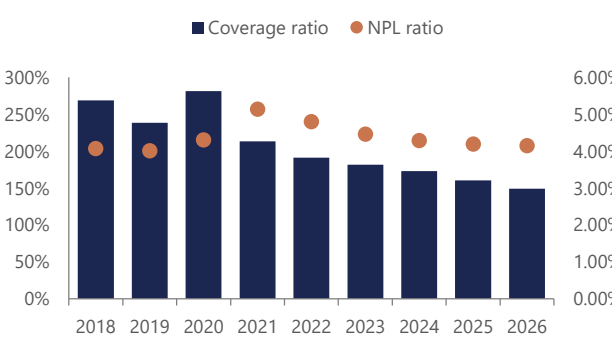
COMI's CoR



COMI's CAR



COMI's Credit Quality



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