

**Market Price**  
**EGP51.81**

at close of 11 May 2023

**Fair Value**

**EGP52.2** (was EGP42.9)  
set on 14 May 2023

**12MPT**

**EGP59.4** (was EGP54.5)  
set on 14 May 2023

Investment Rating

Neutral

★

★

★

Risk Rating

Medium

!

!

!

## Coping Mechanisms

12MPT upped, yet downgraded to N/M on recent rally

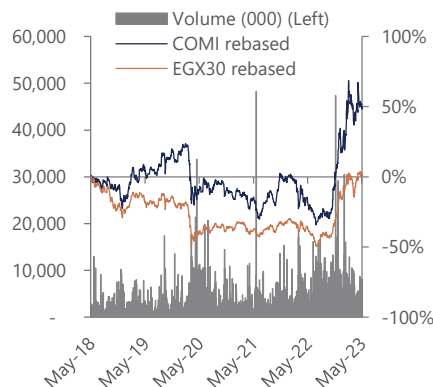
### Amany Shaaban

Equity Analyst

T +202 3300 5720

[ashaaban@egy.primegroup.org](mailto:ashaaban@egy.primegroup.org)

### RELATIVE PERFORMANCE (5Y)



Source: Bloomberg, Prime Research.

The fact that Commercial International Bank – Egypt [COMI] is the largest private-sector bank in Egypt comes at a high cost, just like it comes with benefits. The bank had to be the first to make several changes in its strategy to cope with market conditions, launching new products at a high cost to fend off fierce competition. In turn, other private-sector banks followed suit, which changed the whole sector's dynamics. However, the distinction here is that these changes, which are usually negative for any bank, only made COMI stronger. Indeed, COMI already had enough space and flexibility to withstand the market conditions and even make the best out of it. This confirms COMI's strength and leadership in such a volatile economic environment. That said, we update our valuation for COMI, raising our 12MPT by 9% to EGP59.4/share but downgrading our rating to Neutral / Medium Risk.

**Reaching new heights:** 2022 was an exceptional year for COMI as it managed to record net interest income (NII) of EGP30.8bn (+24% y/y), filtering through to net income which grew by 20% y/y to EGP16bn, an all-time high, on the back of high interest rates. Reflecting the significant increase in NII, COMI's NIM increased to 6.1% (up from 5.7% a year earlier), while ROAE increased to 25% (up from 21.9%). The balance sheet also showed significant growth as COMI's net loan book grew by 35% y/y to EGP195.5bn, with a lower NPL ratio of 4.8% and a slightly higher coverage ratio of 229%. Meanwhile, deposits increased by 31% y/y to EGP530bn, implying a GLDR of 41.8%. Unlike many local peers, this stupendous earnings growth came mainly from core banking activities. Also, although the devaluation was the main driver of balance sheet growth in most banks, it was not the case for COMI which managed to grow its local currency loans alone by 35% y/y.

**Attack and counter-attack:** Since 2022, COMI has been facing a couple of challenges it had to deal with by adopting different strategies, as follows:

- The first challenge is dealing with the outflow of deposits whenever the two largest state-owned banks issue high-yield CDs. Addressing this, COMI offers attractive products to the market, locking in funds, besides introducing new unique products, like CDs in GCC currencies. With more than 50% of its deposits in CASA, COMI could afford the high cost of such products by (1) setting a minimum ticket per product to target certain client segments and, in our opinion, (2) adjusting its product offerings subject to reaching a pre-determined target of proceeds, thus putting a lid on their effect on the bank's total cost.

### KEY STOCK STATISTICS

Shares outstanding (mn)	2,999
Free float	56%
Market cap (EGPmn)	155,378
Market cap (USDmn)	5,028
52w range (EGP/share)	59.0–22.5
EGP100 invested 5y ago	EGP148
EPS (TTM / 2023e) (EGP)	5.41 / 6.99
BVPS (TTM / 2023e) (EGP)	22.70 / 27.74
P/E (TTM / 2023e)	9.6x / 7.4x
P/BV (TTM / 2023e)	2.3x / 1.8x
Last fiscal year's DPS (EGP)	0.54
Dividend yield	1.0%
5y historical beta	1.01
5y Proj. EPS CAGR (2022-27)	20%

Source: Prime Research.



- The second challenge is COMI's high exposure to sovereign debt, leading to unrealized losses in Financial Investments at fair value through Other Comprehensive Income (FI-OCI). For instance, the unrealized losses of around EGP12bn directly affected COMI's equity at end of 2022, which in turn affected the bank's CAR. This, coupled with its devaluation-led inflated foreign currency assets, caused COMI's CAR to drop to 22.6% from 30% a year earlier. Nonetheless, the bank managed to distribute dividends of EGP0.54/share, thanks to the already comfortable levels of its CAR. Meanwhile, COMI is in discussions with the CBE to reclassify a portion of its bond portfolio from FI-OCI to FI-Amortized Cost, thus avoiding such a negative impact in the future. When done, this will not eliminate existing losses but will remove any uncertainty or volatility going forward with future rate hikes. Furthermore, to further support its CAR, the bank approved issuing financial instruments for around USD1bn to act as a Tier 2 capital if needed, in addition to the current USD300mn.

**More heights to reach:** In 2023, we expect COMI's net income to reach EGP21bn (+30% y/y) on the back of a 45% y/y increase in NII to EGP44.6bn. We expect COMI's loan market share to increase to 5.9%, pushing its gross loan book to EGP262bn, with an NPL ratio at 5% and a coverage ratio of 207%. Meanwhile, we expect deposits growth to be around 21% y/y to EGP641bn, implying a GLDR of 43% (including Stage III loans).

**We up our 12MPT by 9% to EGP59.4/share yet downgrade our rating to N/M:** Our residual income-based fair value came out as EGP52.2/share, assuming a long-term ROE of 23% and a terminal COE of 15%. However, we set our 12MPT at EGP59.4/share based on a historical average P/E of 8.5x applied to 2023e earnings. This offers an upside potential of 15%, which is still lower than COMI's COE. Hence, we downgrade our rating from Overweight to Neutral with the same Medium Risk. Our new 12MPT implies a 2023e P/BV of 2.1x.

**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	2023e	2024e	2025e	2026e	2027e	Terminal
Figures in EGPmn						
Net income	20,959	25,256	29,221	32,896	40,408	33,468
Ending book value	83,193	101,489	122,322	145,514	174,998	
Less: Equity cost	(19,267)	(19,517)	(21,423)	(20,652)	(21,827)	(21,827)
Excess equity return	1,692	5,740	7,797	12,244	18,581	11,641
Terminal value						166,301
ROAE	27.78%	27.35%	26.11%	24.56%	25.21%	23.00%
Terminal growth rate						8.00%
Discount factor	0.73	0.57	0.46	0.38	0.33	
PV of excess return (5 years)	1,236	3,263	3,590	4,655	6,044	
PV of terminal value						54,090
BV (2022)	67,721					
PV of equity excess return (next 5 years)	18,787					
PV of terminal value	54,090					
Equity value	140,597					
NOS (mn)	2,999					
FV/share (end of 2022)	46.9					
Market price (11 May 2023)	51.81					
FV/share (today - adjusted for DPS)	52.2					
Upside potential	1%					
12MPT	59.4					
Upside potential	15%					

Source: Prime Research.

FV SENSITIVITY ANALYSIS

		Terminal COE				
		13%	14%	15%	16%	17%
Terminal GR	6%	57.6	52.0	47.7	44.1	41.2
	7%	61.8	54.9	49.6	45.5	42.2
	8%	67.7	58.7	52.2	47.2	43.4
	9%	76.6	64.0	55.5	49.5	44.8
	10%	91.4	72.0	60.3	52.4	46.7

PEERS ANALYSIS (AS OF 11-MAY-2023)

Ticker	Market cap (EGPmn)	ROE	ROA	FLM	P/E	P/BV	NIM
COMI	155,378	23.8%	2.5%	9.4x	9.6x	2.3x	6.0%
QNBA	38,744	25.3%	2.8%	9.0x	2.1x	0.7x	5.2%
FAIT	18,753	23.3%	3.4%	6.9x	5.3x	0.9x	5.0%
CIEB	12,750	26.0%	3.6%	7.3x	5.3x	1.3x	6.2%
HDBK	9,542	23.1%	2.9%	7.9x	3.9x	0.7x	5.7%
ADIB	9,399	27.9%	2.1%	13.2x	2.5x	1.0x	5.2%
EGBE	6,995	15.3%	1.0%	15.1x	8.7x	1.4x	4.1%
SAUD	5,832	25.7%	2.1%	12.4x	3.8x	0.8x	4.4%
CANA	3,582	21.0%	1.6%	13.3x	3.9x	0.7x	5.0%

Source: Prime Research.



## FINANCIAL MODEL

Financials (ended Dec., EGPmn)	2021a	2022a	2023e	2024e	2025e	2026e
<b>Balance Sheet</b>						
Cash & other at CBE	43,385	47,385	91,531	87,413	82,862	73,433
Interbank assets	79,991	133,766	118,123	151,448	178,235	209,677
Net customer loans	144,766	192,621	246,334	328,957	398,596	481,669
Securities holdings (assets)	169,048	175,300	212,049	266,567	308,154	356,085
T-bills	41,580	59,147	64,126	80,613	93,189	107,684
Fixed assets	2,404	2,305	2,477	2,728	3,066	3,448
Intangibles	-	-	-	-	-	-
Non-earning and other assets	15,477	23,120	23,491	23,914	24,396	24,946
<b>Total assets</b>	<b>496,651</b>	<b>633,643</b>	<b>758,131</b>	<b>941,640</b>	<b>1,088,498</b>	<b>1,256,941</b>
Interbank liabilities	863	3,476	1,357	1,702	1,964	2,267
Customer deposits	406,101	530,125	641,259	806,128	931,890	1,076,839
Other liabilities	20,759	32,322	32,322	32,322	32,322	32,322
<b>Total liabilities</b>	<b>427,723</b>	<b>565,922</b>	<b>674,938</b>	<b>840,151</b>	<b>966,176</b>	<b>1,111,428</b>
<b>Shareholders' equity</b>	<b>68,928</b>	<b>67,721</b>	<b>83,193</b>	<b>101,489</b>	<b>122,322</b>	<b>145,514</b>
<b>Total liabilities &amp; equity</b>	<b>496,651</b>	<b>633,643</b>	<b>758,131</b>	<b>941,640</b>	<b>1,088,498</b>	<b>1,256,941</b>
<b>Income Statement</b>						
Interest income	44,945	55,442	84,787	95,399	106,117	115,175
Interest expense	(20,058)	(24,606)	(40,206)	(45,220)	(48,281)	(50,399)
<b>Net interest income</b>	<b>24,888</b>	<b>30,836</b>	<b>44,581</b>	<b>50,179</b>	<b>57,836</b>	<b>64,776</b>
Net fees & commissions	2,382	3,066	3,473	4,453	5,241	6,166
Net trading income	697	2742	668	857	1008	1186
Other net income	769	1,179	706	879	1,015	1,171
<b>Non-interest income</b>	<b>3,848</b>	<b>6,986</b>	<b>4,848</b>	<b>6,189</b>	<b>7,264</b>	<b>8,523</b>
<b>Total revenue</b>	<b>28,736</b>	<b>37,822</b>	<b>49,428</b>	<b>56,368</b>	<b>65,101</b>	<b>73,300</b>
G&A	(6,096)	(7,177)	(9,434)	(11,463)	(13,360)	(15,257)
Non-operating Inc./ (exp.)	(1,981)	(5,071)	(3,906)	(4,454)	(5,144)	(5,792)
<b>Operating profit</b>	<b>20,658</b>	<b>25,574</b>	<b>36,089</b>	<b>40,451</b>	<b>46,597</b>	<b>52,250</b>
Loan loss charge	(1,677)	(1,512)	(4,202)	(2,228)	(2,779)	(3,335)
<b>Pre-tax profit</b>	<b>18,981</b>	<b>24,062</b>	<b>31,887</b>	<b>38,223</b>	<b>43,817</b>	<b>48,915</b>
Taxes	(5,561)	(5,561)	(8,543)	(10,413)	(10,724)	(11,583)
<b>Net profit</b>	<b>13,420</b>	<b>16,130</b>	<b>20,959</b>	<b>25,256</b>	<b>29,221</b>	<b>32,896</b>

Source: Bank financials, Prime Research.



## FINANCIAL MODEL (CONT.'D)

Ratio & Multiples	2021a	2022a	2023e	2024e	2025e	2026e
<b>Per-Share Data</b>						
Price	35.22	41.48	51.81	51.81	51.81	51.81
EPS	4.53	5.41	6.99	8.42	9.74	10.97
BVPS	23.26	22.70	27.74	33.84	40.79	48.52
DPS	0.90	0.54	1.40	1.68	1.95	2.19
Dividend yield	2.5%	1.3%	2.7%	3.3%	3.8%	4.2%
P/E (x)	7.8x	7.7x	7.4x	6.2x	5.3x	4.7x
P/BV (x)	1.5x	1.8x	1.8x	1.5x	1.3x	1.1x
<b>Profitability &amp; Efficiency</b>						
RoAA	2.9%	2.9%	3.0%	3.0%	2.9%	2.8%
RoAE	20.9%	23.6%	27.8%	27.4%	26.1%	24.6%
Payout ratio	20%	10%	20%	20%	20%	20%
NII/Total banking income	87%	82%	90%	89%	89%	88%
NIM	5.97%	6.02%	7.22%	6.70%	6.32%	6.01%
Spread	5.57%	5.67%	6.98%	6.57%	6.09%	5.72%
Cost-to-income ratio	21%	19%	19%	20%	21%	21%
<b>Capital</b>						
Tier 1 capital	27%	19%	21%	20%	20%	20%
CAR	30%	23%	25%	23%	23%	23%
RWA as % of Total Assets	47%	52%	52%	54%	55%	57%
<b>Asset Quality</b>						
NPLs/gross loans	5.1%	4.9%	5.0%	5.0%	5.2%	5.4%
NPLs Coverage Ratio	213%	229%	207%	171%	148%	131%
<b>Liquidity &amp; Leverage</b>						
Gross L/D	40%	41%	43%	45%	47%	48%
Earning Assets/Total Assets	90%	91%	87%	89%	91%	93%
Leverage	11.3%	8.7%	10.0%	9.4%	9.6%	9.8%
Equity Multiplier	7.2x	9.4x	9.1x	9.3x	8.9x	8.6x
<b>Growth Rates</b>						
Assets	17%	28%	20%	24%	16%	15%
Equity	16%	(2%)	23%	22%	21%	19%
Net loans	22%	33%	28%	34%	21%	21%
Deposit	19%	31%	21%	26%	16%	16%
Net Income	30%	20%	30%	21%	16%	13%

Source: Bank financials, Prime Research.

## Prime Securities

### Shawkat El Maraghy

Managing Director

T +202 3300 5622

[SElmaraghy@egy.primegroup.org](mailto:SElmaraghy@egy.primegroup.org)

## Sales

### Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

[MEzzat@egy.primegroup.org](mailto:MEzzat@egy.primegroup.org)

### Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

[MAshmawy@egy.primegroup.org](mailto:MAshmawy@egy.primegroup.org)

### Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

[AAAlaa@egy.primegroup.org](mailto:AAAlaa@egy.primegroup.org)

### Mohamed El Metwaly

Manager

T +202 3300 5610

[MElmetwaly@egy.primegroup.org](mailto:MElmetwaly@egy.primegroup.org)

### Emad El Safoury

Manager

T +202 3300 5624

[EElsafoury@egy.primegroup.org](mailto:EElsafoury@egy.primegroup.org)

### Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 8130

[SRaslan@egy.primegroup.org](mailto:SRaslan@egy.primegroup.org)

### Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

[NAbuelatta@egy.primegroup.org](mailto:NAbuelatta@egy.primegroup.org)

## Research

### Amr Hussein Elalfy MBA, CFA

Head of Research

T +202 3300 5724

[AElalfy@egy.primegroup.org](mailto:AElalfy@egy.primegroup.org)

## Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.  
Member of the Egyptian Exchange.

2 Wadi Elnil St, Liberty Tower, 7<sup>th</sup> Fl.  
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

## Branches

### Heliopolis

7 Elhegaz Square

Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

### Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

## Website

[www.primeholdingco.com](http://www.primeholdingco.com)

## Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2023, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.