

Commercial Bank International (COMI) - Egypt

Higher funded income supported by growth in advances drove operating income

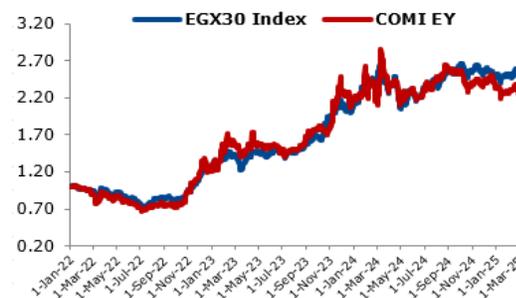
Current Price
EGP 77.50

Target Price
EGP 110.00

Upside/Downside (%)
+42%

Rating
BUY

- Net advances grew 49.7% YOY and 14.9% QOQ to EGP 353.1 Bn in 4Q24, primarily driven by a continuous rise in local currency loans.
- NIMs grew 138 bps YOY to 9.43% in 4Q24.
- The Bank's asset quality strengthened as the NPL ratio improved from 3.5% in 4Q23 to 3.2% in 4Q24, owing to the ability to effectively reduce risk.
- The Bank's pragmatic management strategy with respect to the market conditions has consistently contributed to the expansion of its asset base.
- COMI network consists of 212 branches, an ATM network of 1,388 and a total of over two million clients.



4Q24 Net Profit lower than our estimate

Commercial International Bank's (COMI/ the Bank) net profit grew significantly from EGP 7,229 Mn in 4Q23 to EGP 12,848 Mn in 4Q24, which is lower than our estimate of EGP 14,196 Mn. The growth in net profit is due to a rise in net funded income coupled with lower impairments, partially offset by an increase in operating expenses, lower non-funded income, and higher tax charges.

P&L Highlights

The Bank's Funded income grew substantially from EGP 31.0 Bn in 4Q23 to EGP 51.7 Bn in 4Q24, primarily due to a solid growth in net advances and asset yield. Asset yield increased 294 bps YOY to 18.5% in 4Q24. Funded expenses grew in line with funded income from EGP 15.8 Bn in 4Q23 to EGP 26.4 Bn in 4Q24 driven by the higher cost of funds. The Bank's cost of funds grew 153 bps YOY and declined 32 bps QOQ to 10.5% in 4Q24. As a result, net funded income grew from EGP 15.2 Bn in 4Q23 to EGP 25.4 Bn in 4Q24. Moreover, reported NIMs also grew 138 bps YOY to 9.43% in 4Q24. Furthermore, fees and commission income rose 25.3% YOY to EGP 1,860 Mn in 4Q24. Income from Trading gain surged from EGP 778 Mn in 4Q23 to EGP 2,278 Mn in 4Q24. Other non-funded expenses grew substantially from 705 Mn in 4Q23 to EGP 5,502 Mn in 4Q24. Furthermore, the Bank's total operating income rose 43.3% YOY to EGP 24,017 Mn in 4Q24. Operating expenses grew 31.9% YOY to EGP 4,715 Mn in 4Q24. The cost-to-income ratio declined by 170 bps YOY but increased by 627 bps QOQ to 19.6% in 4Q24. Impairment charges sharply declined from EGP 3,053 Mn in 4Q23 to EGP 779 Mn in 4Q24 owing to improved asset quality. The Bank's share of profit from associates improved from loss of EGP 16 Mn in 4Q23 to loss of EGP 9 Mn in 4Q24. Tax charges also grew significantly from EGP 2,795 Mn in 4Q23 to EGP 5,605 Mn in 4Q24. Profit to NCI increased from EGP 31 Mn in 4Q23 to EGP 60 Mn in 4Q24.

Stock Information

Market Cap (EGP, Mn)	235,844.75
Paid Up Capital (Mn)	30,431.58
52 Week High	97.50
52 Week Low	70.50
3M Avg. daily value (EGP)	152,659,300

4Q24 Result Review (EGP, Mn)

Total Assets	1,214,973
Total Liabilities	1,062,154
Total Equity	152,819
Total Deposits	972,596
Net Profit	12,848

Financial Ratios

Dividend Yield (12m)	0.71
Dividend Pay-out (%)	6.03
Price-Earnings Ratio(x)	4.74
Price-to-Book Ratio (x)	1.55
Book Value (EGP)	50.16
Return-on Equity (%)	40.70

Stock Performance

5 Days	2.38%
1 Months	-0.64%
3 Months	-5.49%
6 Months	-11.33%
1 Year	-6.63%
Month to Date (MTD%)	2.38%
Quarter to Date (QTD%)	-1.27%
Year to Date (YTD%)	-1.27%

Balance Sheet Highlight

COMI's total assets grew 45.5% YOY and 8.5% QOQ to EGP 1,215 Bn in 4Q24 due to strong growth in cash balances, loans & advances, financial investments and other assets. Net advances grew 49.7% YOY and 14.9% QOQ to EGP 353.1 Bn in 4Q24, primarily driven by a continuous rise in local currency loans. COMI's loan market share stood at 4.5% as of December 2024. Customer deposits grew 43.6% YOY and 8.0% QOQ to EGP 972.6 Bn in 4Q24 driven by individual and CASA deposits. The Bank also maintained a healthy CASA ratio of 56%. The Bank's deposit market share stood at 7.0% as of December 2024. As per our calculations, the Bank's loan-to-deposit ratio rose 101 bps YOY and 126 bps QOQ to 40.3% in 4Q24. The Bank's total equity grew 68.6% YOY and 10.4% QOQ to EGP 152.8 Bn in 4Q24. The reported capital adequacy ratio declined from 26.2% in 4Q23 to 24.1% in 4Q24.

Target Price and Rating

We maintain our BUY rating on COMI with an unchanged target price of EGP 110.0. COMI is the first bank in Egypt to achieve a net profit of USD 1 Bn, driven by organic growth, increasing customer base, and rising deposits. The Bank's pragmatic management strategy with respect to the market conditions has consistently contributed to the expansion of its asset base. COMI has the largest deposit among other private institutions, with a CASA ratio of 56%, majorly consisting of fixed income-bearing deposits. The treasury management strategy and prudent asset allocation demonstrated growth in the net interest margin of 138 bps YOY to 9.43% in 4Q24. The net profit attributable to shareholders rose 86.3% YOY to EGP 55.2 Bn in FY2024, driven by an increase in net funded income and a lower cost-to-income ratio. The Bank upholds a gross loan portfolio of EGP 399 Bn as of December 2024, making COMI the largest private sector lender in the Egyptian Banking Sector. COMI aims to expand in underpenetrated markets for financial inclusion and to serve non-resident Egyptians, especially in the GCC region. Furthermore, the Bank is shifting towards Robotics Process Automation (RPA) and digitalization of branches to reduce cost and increase operational efficiency. COMI network consists of 212 branches, an ATM network of 1,388 and a total of over two million clients. CIB managed to attract 275K New-to-Bank Customers during 2024, with the Bank's Clientele Base reaching 2.2 Mn Customers by 2024. The Bank's asset quality strengthened as the NPL ratio improved from 3.5% in 4Q23 to 3.2% in 4Q24, owing to the ability to effectively reduce risk. NPL coverage ratio grew significantly from 309% in 4Q23 to 351% in 4Q24, enhancing the capability to the bank to tackle bad loans. COMI maintained a capitalization with a total reported CAR ratio of 24.1% in 4Q24. The reported Tier 1 ratio of 20.1% in 4Q24. Thus, based on our analysis, we assign a BUY rating on the stock.

COMI - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PB	2.6	2.2	3.4	2.6	1.5	1.1
PE	14.9	19.4	23.2	13.1	6.8	3.3
Dividend yield	NA	1.2%	0.5%	0.7%	1.3%	1.3%

FABS Estimates & Co Data

COMI – P&L

EGP mn	4Q23	3Q24	4Q24	4Q24F	VAR	YOY Ch	QOQ Ch	2023	2024	Change
Funded income	31,022	49,307	51,736	49,887	3.7%	66.8%	4.9%	104,028	182,735	75.7%
Funded expense	-15,823	-25,161	-26,355	-25,844	2.0%	66.6%	4.7%	-51,099	-91,671	79.4%
Net funded income	15,199	24,146	25,381	24,043	5.6%	67.0%	5.1%	52,930	91,064	72.0%
Fees and commissions	1,484	1,816	1,860	1,934	-3.8%	25.3%	2.4%	5,438	7,085	30.3%
Trading gain/(loss)	778	804	2,278	1,170	94.7%	192.8%	183.3%	3,943	20,472	NM
Other non-funded income	-705	-1,467	-5,502	-1,520	262.1%	680.8%	275.1%	-6,135	-23,049	275.7%
Non-funded income	1,558	1,153	-1,364	1,584	-186.1%	-187.6%	-218.3%	3,246	4,509	38.9%
Operating income	16,756	25,299	24,017	25,627	-6.3%	43.3%	-5.1%	56,176	95,573	70.1%
Operating expenses	-3,574	-3,382	-4,715	-3,453	36.5%	31.9%	39.4%	-10,076	-13,896	37.9%
Pre-provision profit	13,182	21,917	19,302	22,174	-13.0%	46.4%	-11.9%	46,100	81,677	77.2%
Impairment (charge)	-3,053	-1,693	-779	-3,079	-74.7%	-74.5%	-54.0%	-4,270	-4,524	5.9%
Share of profits assoc	-16	-5	-9	-3	213.8%	-43.9%	82.5%	-56	-18	NM
PBT	10,047	20,219	18,514	19,092	-3.0%	84.3%	-8.4%	41,653	77,136	85.2%
Tax	-2,795	-5,419	-5,605	-4,787	17.1%	100.6%	3.4%	-11,942	-21,879	83.2%
Profit before NCI	7,252	14,801	12,909	14,306	-9.8%	78.0%	-12.8%	29,711	55,257	86.0%
Discont operation	8	0	0	0	NM	NM	NM	-42	0	NM
Profit for the year	7,260	14,801	12,909	14,306	-9.8%	77.8%	-12.8%	29,669	55,257	86.2%
Minority interest	31	0	60	109	-44.7%	94.8%	-16116.7%	34	60	75.8%
Net Profit after NCI	7,229	14,801	12,848	14,196	-9.5%	77.7%	-13.2%	29,635	55,196	86.3%

FABS estimate & Co Data

COMI - KPI

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Net FI/OI	90.7%	95.4%	105.7%	1497	1024	94.2%	95.3%	106
Fees & comms/OI	8.9%	7.2%	7.7%	-111	57	9.7%	7.4%	-227
NIM (Reported)	8.1%	9.46%	9.4%	138	-3	7.6%	9.5%	193
NIS	6.6%	8.0%	8.0%	141	-8	7.3%	9.4%	205
Trading/OI	4.6%	3.2%	9.5%	484	631	7.0%	21.4%	1440
Cost to income	21.3%	13.4%	19.6%	-170	627	17.9%	14.5%	-340
Impairment/PPP	23.2%	7.7%	4.0%	-1913	-369	9.3%	5.5%	-372
Tax/PBT	27.8%	26.8%	30.3%	246	348	28.7%	28.4%	-31
NP/OI	43.1%	58.5%	53.5%	1036	-501	52.8%	57.8%	500
Cost of risk	4.6%	1.9%	0.8%	-379	-113	1.6%	1.2%	-45
Loan-to-deposit	39.3%	39.1%	40.3%	101	126	39.3%	40.3%	101
NPL (Reported)	3.5%	4.4%	3.2%	-30	-123	3.5%	3.2%	-30
NPL Coverage (Reported)	309.0%	289.0%	351.0%	4200	6200	309.0%	351.0%	4200
Tier 1 (Reported)	22.0%	24.6%	20.1%	-185	-450	22.0%	20.1%	-185
Capital adequacy (Reported)	26.2%	26.2%	24.1%	-210	-210	26.2%	24.1%	-210
ROAE	40.5%	47.1%	45.9%	535	-123	37.5%	45.4%	795
ROAA	3.9%	5.2%	5.3%	137	14	4.0%	5.4%	136

FABS estimate & Co Data

COMI – Key BS Items

(EGP mn)	4Q23	1Q24	2Q24	3Q24	4Q24	YOY Ch
Net advances	235,808	271,637	287,648	307,367	353,098	49.7%
QOQ change	5.7%	15.2%	5.9%	6.9%	14.9%	
Total assets	834,866	977,148	1,057,168	1,119,958	1,214,973	45.5%
QOQ change	2.9%	17.0%	8.2%	5.9%	8.5%	
Customer deposits	677,237	796,081	861,720	900,967	972,596	43.6%
QOQ change	1.4%	17.5%	8.2%	4.6%	8.0%	
Total Equity	90,641	100,992	119,378	138,406	152,819	68.6%
QOQ change	17.1%	11.4%	18.2%	15.9%	10.4%	

FABS estimate & Co Data

Valuation:

We use the Residual Income and Relative Valuation (RV) method to value Commercial International Bank. We have assigned 70% weight to Residual Income, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
Residual Income	105.2	70.0%	73.62
Relative Valuation (RV)	121.3	30.0%	36.38
Weighted Average Valuation (EGP)			110.00
Current market price (EGP)			77.50
Upside/Downside (%)			+42%

1) Residual Income Method:

We have discounted the economic profit/excess equity using the cost of equity of 19.0%. Cost of equity is calculated by using Egypt's 10-year government bond yield of 22.8%, beta of 1.1, and negative equity risk premium of 3.7%. We arrive at a negative risk premium due to a higher risk-free rate compared to the expected equity market return. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (EGP, Mn)	123,605
Terminal value (EGP, Mn)	43,814
Book Value of Equity (as of Dec 2024)	152,636
FV to Common shareholders (EGP, Mn)	320,056
No. of share (Mn)	3,043
Current Market Price (EGP)	77.50
Fair Value per share (EGP)	105.2

Residual Income Method

(All Figures in EGP Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Profit	79,642	85,517	88,612	92,230	94,520
(-) Equity Charge	27,501	37,822	51,801	65,016	78,330
Excess Equity	52,141	47,694	36,811	27,214	16,190
Discounting Factor	0.87	0.73	0.61	0.52	0.43
Present Value of Excess Equity	45,228	34,777	22,564	14,023	7,013

Source: FAB Securities

2) Relative Valuation:

We have used international peers to value Commercial International Bank and it is valued using the PB multiple. It is valued at a 2025 PB multiple of 1.68x..

Company	Market (USD Mn)	P/B (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Alinma Bank	20,104	2.1	1.8	16.9	16.9
Abu Dhabi Islamic Bank PJSC	17,622	2.6	2.3	20.9	19.8
Commercial Bank of Dubai	6,665	1.5	1.4	17.1	NA
Gulf Bank K.S.C.P.	4,304	1.5	1.4	9.2	8.9
Banque Saudi Fransi	11,383	1.0	1.0	11.7	11.7
Bank Al Bilad	12,519	2.3	2.1	15.9	16.1
Qatar Islamic Bank	13,630	1.7	1.5	14.6	15.5
Average		1.8x	1.7x	15.2x	14.8x
Median		1.7x	1.5x	15.9x	15.8x
Max		2.6x	2.3x	20.9x	19.8x
Min		1.0x	1.0x	9.2x	8.9x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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