

## Commercial International Bank

Strong loan growth and NIMs aided profitability

### 3Q22 Net Profit higher than our estimate

Commercial International Bank Egypt SAE (COMI/The Bank) net profit rose 15.6% YOY to EGP 4,408 Mn in 3Q22, higher than our estimate of EGP 4,188 Mn. The increase in net profit was mainly attributed due to lower impairments charges, and higher net funded income partially offset by a decrease in non-funded income and an increase in operating expenses.

### P&L highlights

COMI's net funded income expanded 25.3% YOY to EGP 8,089 Mn in 3Q22. Funded income increased 25.7% YOY to EGP 14,625 Mn in 3Q22 owing to a rise in asset yield and strong growth in interest-bearing assets of the bank. On a YTD basis, gross advances rose 21.4% to EGP 199.1 Bn in 3Q22 with real growth of 14% net of the EGP devaluation impact. While the funded expense also rose from EGP 5,179 Mn in 3Q21 to EGP 6,536 Mn in 3Q22 due to an increase in benchmark rates and growth in deposits. NIM of the bank grew 43 bps YOY to 6.0% in 3Q22. Fees and commissions income recorded a robust growth of 27.9% YOY to EGP 840 Mn in 3Q22 owing to the increase in fees from banking services. Trading income increased significantly to EGP 420 Mn in 3Q22 as compared to EGP 212 Mn in 3Q21 mainly due to an increase in profit from foreign exchange transactions. Other elements of non-funded income generated a loss of EGP 862 Mn in 3Q22 due to an increase in other operating expenses partially offset by an increase in dividend and investment income. Other operating expenses increased to EGP 893 Mn in 3Q22 from EGP 255 Mn in 3Q21. Resultantly, non-funded income declined 42.2% YOY to EGP 398 Mn in 3Q22. Thus, operating income rose 18.8% YOY to EGP 8,487 Mn in 3Q22. Operating expenses grew 25.4% YOY to EGP 1,872 Mn in 3Q22. As a result, COMI's cost-to-income ratio rose 117 bps YOY to 22.1% in 3Q22. Impairment charges fell significantly from EGP 303 Mn in 3Q21 to EGP 224 Mn in 3Q22 due to an improvement in asset quality. Furthermore, taxes expenses rose 26.5% YOY to EGP 1,938 Mn in 3Q22 due to an increase in profit. Share to non-controlling interest remains nearly unchanged at EGP 10.1 Mn in 3Q22.

### Balance Sheet highlights

Net advances increased 28.4% YOY to EGP 179.6 Bn in 3Q22. The growth in gross loans was driven by local currency loans, which increased to EGP 32.3 Bn, offsetting net foreign currency loan repayments of USD 393 Mn. The loan market share of the bank reached 5.40% as of July 2022. Excluding this, the impact of EGP devaluation net loans grew 14% on a YTD basis in 3Q22. Whereas the customer deposits expanded 23.5% YOY to EGP 499.0 Bn in 3Q22, this also includes inward transfer of deposits of EGP 20 Bn that took place on 29 September 2022 and will be withdrawn on 2 October 2022. Deposit grew 18% on a YTD basis and after excluding the impact of EGP devaluation it grew 11% on a YTD basis. The market share of customer deposits stood at 5.84% as of July 2022. COMI's total assets increased 20.1% YOY to EGP 592.4 Bn in 3Q22. While the total equity declined 2.2% YOY to EGP 65.0 Bn in 3Q22.

**Rating : BUY**

### First Look Note – 3Q22

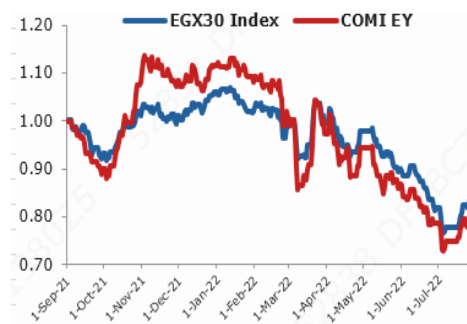
**Sector: Banking**

#### Recommendation

Current Price (10-Nov-22)	34.50
Target Price (EGP)	50.00
Upside/Downside (%)	+45%

#### Stock Information

Market Cap (mm)	102,896.71
Paid Up Capital (mm)	29,825.13
52 Week High	36.21
52 Week Low	22.49
3M Avg. daily value (EGP)	160,539,200



#### Financial Ratios

Dividend Yield (12m)	2.61
Dividend Pay-out (%)	0.00
Price-Earnings Ratio (x)	7.34
Price-to-Book Ratio (x)	1.06
Book Value (EGP)	32.52
Return-on Equity (%)	21.34
Earning Per Share (EGP)	4.70
Beta	1.18

#### Stock Performance

5 Days	7.48%
1 Months	33.72%
3 Months	33.42%
6 Months	20.12%
1 Year	-2.07%
Month to Date (MTD)	6.76%
Quarter to Date (QTD)	37.64%
Year to Date (YTD)	-1.80%

### Target price and rating

We maintain our BUY rating on COMI with a target price of EGP 50.0. COMI is Egypt's third largest private bank, with a loan and deposit market share of 5.40% and 5.84%, respectively, in 3Q22. COMI is planning to position itself as the trade finance hub for Egypt and Africa. The bank is also expected to benefit from the government's initiative to increase private sector investment and upcoming mega projects in the country. The Bank recorded strong growth in loans and deposits of 23.1% and 22.5% on a YTD basis which is higher than industry growth. The increase is aided by a growth in local currency loans which rose EGP 32.3 Bn and excluding the effect of EGP devaluation grew EGP 20.4 Bn in 3Q22, offset by net foreign currency loan repayments of USD 393 Mn. In addition, the Bank intends to increase institutional funding to large MNCs, institutions, and banks, and it is also concentrating to expand the retail banking segment by focusing on consumer banking and business banking solutions for SMEs. Institutional banking accounts for nearly 73% of loan volume, while retail banking accounts for 27%. The customer deposit of the Bank rose to EGP 499.0 Bn in 3Q22 COMI NIM rose 43 bps YOY to 6.0% in 3Q22 and is further expected to grow as the CASA ratio rose from 55.1% in 2Q22 to 56.7% in 3Q22. Furthermore, the Bank focuses on improving efficiency, reducing cost, automation, and operations centralization strategy. This will result in an improvement in the cost-to-income ratio from 23.1% in 2021 to 22.5% in 2022. The asset quality of the bank also remained resilient as the NPL ratio declined from 4.87% in 2Q22 to 4.65% in 3Q22. The coverage ratio stood strong at 214.9% in 3Q22. The healthy coverage of the non-performing loans offers a good buffer against potential loan losses in the future. The Bank's capital adequacy ratio (CAR) stood at 26.7% in 3Q22 significantly above the CBE standard and Basel III rules. Considering these aforementioned factors, we assign a BUY rating on the stock.

### COMI - Relative valuation

(at CMP)	2018	2019	2020	2021	2022E
P/E	10.21	8.29	9.61	7.41	6.02
P/B	3.98	1.89	1.65	1.43	1.21
Dividend yield	1.2%	1.9%	NA	2.7%	3.3%

FABS Estimates & Co Data

### COMI - P&L

EGP mm	3Q21	2Q22	3Q22A	3Q22F	Var	YOY Ch	QOQ Ch	2021	2022F	% Ch.
Funded income	11,637	12,307	14,625	14,023	4.3%	25.7%	18.8%	45,078	53,376	18.4%
Funded expense	-5,179	-5,296	-6,536	-6,170	5.9%	26.2%	23.4%	-20,112	-23,360	16.1%
<b>Net funded income</b>	<b>6,458</b>	<b>7,011</b>	<b>8,089</b>	<b>7,853</b>	<b>3.0%</b>	<b>25.3%</b>	<b>15.4%</b>	<b>24,966</b>	<b>30,015</b>	20.2%
Fees and commissions	656	650	840	801	4.9%	27.9%	29.1%	2,390	3,076	28.7%
Trading gain/(loss)	212	281	420	399	5.2%	97.8%	49.2%	708	1,893	167.2%
Other non-funded income	-180	-1,037	-862	-905	-4.8%	378.6%	-16.9%	-1,332	-3,180	138.7%
<b>Non-funded income</b>	<b>689</b>	<b>-105</b>	<b>398</b>	<b>295</b>	<b>34.8%</b>	<b>-42.2%</b>	<b>-477.5%</b>	<b>1,767</b>	<b>1,788</b>	1.2%
<b>Operating income</b>	<b>7,146</b>	<b>6,906</b>	<b>8,487</b>	<b>8,148</b>	<b>4.2%</b>	<b>18.8%</b>	<b>22.9%</b>	<b>26,732</b>	<b>31,804</b>	19.0%
Operating expenses	-1,492	-1,599	-1,872	-1,874	-0.1%	25.4%	17.0%	-6,183	-7,161	15.8%
<b>Pre-provision profit</b>	<b>5,654</b>	<b>5,307</b>	<b>6,615</b>	<b>6,274</b>	<b>5.4%</b>	<b>17.0%</b>	<b>24.7%</b>	<b>20,550</b>	<b>24,643</b>	19.9%
Provisions	-303	-113	-224	-281	-20.3%	-26.1%	98.9%	-1,680	-778	-53.7%
Share of profits of associates	7	2	-22	5	NA	NA	NA	15	-11	-176.2%
Goodwill Amortization	-10	-10	-10	0	NA	0.0%	0.0%	-41	-31	-25.0%
Intangible Assets Amortization	-3	-3	-3	0	NA	0.0%	0.0%	-10	-8	-25.0%
Profits from subs acquisition	0	0	0	0	NA	NA	NA	0	0	NA
<b>PBT</b>	<b>5,344</b>	<b>5,183</b>	<b>6,357</b>	<b>5,998</b>	<b>6.0%</b>	<b>18.9%</b>	<b>22.6%</b>	<b>18,833</b>	<b>23,814</b>	26.4%
Tax	-1,532	-1,663	-1,938	-1,799	7.7%	26.5%	16.6%	-5,566	-7,323	31.6%
<b>Profit before Minority Interest</b>	<b>3,812</b>	<b>3,521</b>	<b>4,419</b>	<b>4,198</b>	<b>5.2%</b>	<b>15.9%</b>	<b>25.5%</b>	<b>13,268</b>	<b>16,492</b>	24.3%
Minority interest	0	10	10	10	-3.8%	NA	5.4%	-4	46	-1128.9%
<b>Net Profit</b>	<b>3,812</b>	<b>3,511</b>	<b>4,408</b>	<b>4,188</b>	<b>5.3%</b>	<b>15.6%</b>	<b>25.6%</b>	<b>13,272</b>	<b>16,446</b>	<b>23.9%</b>

FABS Estimates & Co Data

**COMI - P&L KPI**

	3Q21	2Q22	3Q22	YOY Ch	QOQ Ch	2021	2022F	Change
Net FI/OI	90.4%	101.5%	95.3%	495	-621	93.4%	94.4%	99
Fees & comms/OI	9.2%	9.4%	9.9%	71	47	8.9%	9.7%	73
NIM	5.5%	5.5%	6.0%	43	46	5.6%	5.9%	30
NIS	5.0%	4.8%	5.6%	68	80	5.2%	5.3%	10
Trading/OI	3.0%	4.1%	4.9%	198	87	2.6%	6.0%	330
Cost to income	20.9%	23.2%	22.1%	117	-111	23.1%	22.5%	-61
Impairment/PPP	5.4%	2.1%	3.4%	-198	126	8.2%	3.2%	-502
Tax/PBT	28.7%	32.1%	30.5%	182	-159	29.6%	30.7%	120
NP/OI	53.3%	50.8%	51.9%	-140	110	49.6%	51.7%	206
ROAE	14.7%	22.9%	23.9%	919	104	20.7%	21.8%	112
ROAA	2.1%	2.8%	2.8%	72	-7	2.9%	3.1%	24

FABS estimate & Co Data

**COMI - Key BS Items**

(EGP mm)	3Q21	4Q21	1Q22	2Q22	3Q22	YOY Ch
Net advances	139,923	145,887	158,855	171,927	179,655	28.4%
QOQ change	6.0%	4.3%	8.9%	8.2%	4.5%	
Total assets	493,032	498,236	524,816	523,463	592,368	20.1%
QOQ change	5.1%	1.1%	5.3%	-0.3%	13.2%	
Customer deposits	404,203	407,242	429,022	428,866	499,020	23.5%
QOQ change	4.7%	0.8%	5.3%	0.0%	16.4%	
Total Equity	66,461	69,303	65,687	66,047	65,010	-2.2%
QOQ change	4.9%	4.3%	-5.2%	0.5%	-1.6%	



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Best Brokerage House in UAE 2016, 2017, 2019 and 2020 by "IFA"



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Best New Mobile Application in UAE 2016 by "IFA"



Best Equity Finance Company in UAE 2016 by "IFA"