

Commercial International Bank

Lower Impairments & higher non-funded income drove the profit growth

3Q21 profit higher than our estimate

Commercial International Bank (COMI) reported a strong increase by 62.3% YOY to EGP3,812 Mn in 3Q21, as compared to EGP2,349 Mn in 3Q20, beating our estimate by 7.5%. This was mainly attributed to lower Impairments and a significant increase in non-funded income.

P&L highlights

COMI's Funded income has increased by 9.8% YOY to EGP11,637 Mn in 3Q21, up from EGP10,599 Mn in 3Q20. Whereas the Funded expenses also increased by 22.3% YOY to EGP5,179 Mn from EGP4,236 Mn in 3Q20. Resultantly, the Net funded income rose by 1.5% YOY to EGP6,458 Mn in 3Q21, up from EGP6,363 Mn in 3Q20. Fees and commissions income increased by 85.9% YOY to EGP656 Mn, up from EGP353 Mn in 3Q20. Furthermore, Trading income has significantly increased to EGP212 Mn in 3Q21, up from EGP51 Mn in 3Q20. Therefore, Net Non-funded income has strongly increased to EGP689 Mn from EGP284 Mn in 3Q20. Thus, Operating income has increased by 7.5% YOY to EGP7,146 Mn in 3Q21. Similarly, Operating expenses have increased by 10.3% YOY to EGP1,505 Mn, as compared to EGP1,364 Mn in 3Q20. As a result, COMI's Cost to income ratio increased by 54 bps to 20.9% in 3Q21, up from 20.3% in 3Q20. Impairment charges has significantly decreased by 81.1% YOY to EGP303 Mn, down from EGP1,603 Mn in 3Q20, that supported the increase in the Net profit. Moreover, the Taxes has increased by 13.4% YOY reaching EGP1,532 in 3Q21.

Balance sheet highlights

The Net advances increased by 17.4% YOY to EGP139.92 Bn in 3Q21, up from EGP119.17 Bn in 3Q20. Whereas the Customer deposits increased by 21.6% YOY to EGP404.2 Bn, as compared to EGP332.33 Bn in 3Q20. The ADR ratio has declined by 124 bps to 34.6% from 35.9% in 3Q20. COMI's Total assets increased by 18.9% YOY to EGP493.03 Bn in 3Q21 and the Total equity has increased by 21.8% YOY to EGP66.01 Bn from EGP54.19 Bn in 3Q20.

Target price and rating

We assign a BUY rating on COMI with a target price of EGP66.75. COMI is one of the leading banks in Egypt with 215 branches operating all over Egypt having a well-built strategy oriented towards customer satisfaction and focused on learning and development. COMI has launched a digital transformation and ever since a significant progress have been made on the Analytics and Data Management, on building the bank's digital channels and on the digital innovation and international recognition. COMI is the first bank in Egypt to issue a Corporate Green Bond in 2021. COMI mainly operates through 2 segments - Institutional Banking

Rating : BUY

First Look Note – 3Q21

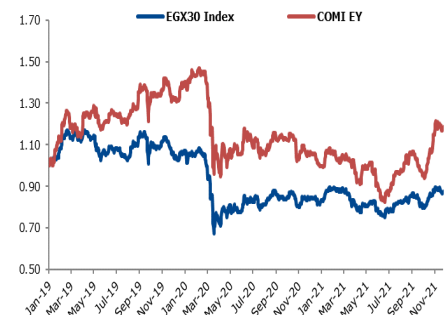
Sector: Banking

Recommendation

Current Price (23 - Nov)	52.53
Target Price (EGP)	66.75
Upside (%)	+27%

Stock Information

Market Cap (EGP/mm)	103,496.80
Paid Up Capital (EGP)	19,702.42
52 Week High	54.15
52 Week Low	36.53
3M Avg. daily value	101,952,500



Financial Ratios

Dividend Yield (12month)	NA
Dividend Payout	0.00
Price-Earning Ratio	9.07
Price-to-Book Ratio	1.57
Book Value	33.50
Return-on Equity	18.96
Earning Per Share	5.79
Beta	1.03

Stock Performance

5 Days	-0.89%
1 Months	11.17%
3 Months	13.21%
6 Months	20.72%
1 Year	12.79%
Month to Date (MTD%)	2.81%
Quarter to Date (QTD%)	23.51%
Year to Date (YTD%)	18.69%

and Consumer Banking segments. The Institutional Banking being the prime contributor to profitability of COMI focusing mainly on Large and Medium-size businesses, Project Finance and Syndicated Loans, Treasury & Capital Markets, and Transactional Banking Services. It contributes for 74% of Total Loans and 36% of Total Deposits. The Consumer Banking segment contributes to 26% of Total Loans and 64% of Total Deposits of COMI focusing mainly on Retail customers and Small Businesses. In 3Q21 COMI has recorded a significant increase by 62.8% YOY in profitability reaching EGP3.81 Bn as compared to EGP2.34 Bn in 3Q20. Nevertheless, Net Interest Income increased by 1.49% YOY to EGP6.46 Bn in 3Q21 as compared to EGP6.36 Bn in 3Q20. Net Trading Income increased significantly YOY to EGP212 Mn in 3Q21 up from EGP51 Mn in 3Q20. Administrative Expenses increased by 10.34% YOY to EGP1.49 Bn in 3Q21 up from EGP1.35 Bn in 3Q20 with Cost to Income ratio increasing by 4% YOY reaching 21.4% from 20.5% in 3Q20. The Return on Average Assets (ROAA) increased by 37% reaching 3.17% as compared to 2.31% same period last year and Return on Average Equity (ROAE) witnessed an increase by 34% reaching 23.7% from 17.6% in 3Q20. NIM decreased by 15% on a standalone basis reaching 5.7% from 6.71% same period last year. Total Assets of the bank increased by 15% YTD to EGP493 Bn from EGP 428 Bn as at 4Q20 with an increase in loans by 16% YTD to EGP140 Bn from EGP120 Bn in 4Q20. The NPL ratio also increased from 3.97% in 3Q20 to 5.43% in 3Q21 while the coverage ratio decreased by 29% from 289% in 3Q20 to 206% in 3Q21. Deposits increased as well by 18% reaching EGP404 Bn in 3Q21 from EGP341 Bn in 4Q20 and Loan to Deposit ratio stood stable QOQ at 39%. Shareholders' Equity increased by 11% YTD reaching EGP66 Bn in 3Q21 as compared to EGP59.4 Bn as at end of year 2020. The bank's capital adequacy ratio (CAR) increased to 32.1% in 3Q21 up from 31.03% in 3Q20, highest ratio among its peers. The bank is rated B with stable outlook by S&P and B2 with a stable outlook by Moody's. Finally, The bank paid EGP1.36 Bn in Cash Dividends at the end of September 2021. Based on the above, we maintain our BUY rating on the stock.

COMI – Relative Valuation

(at CMP)	2017	2018	2019	2020	2021F
P/E (x)	11.07	7.26	7.19	8.42	7.52
P/B (x)	3.59	2.99	1.99	1.75	1.52
Dividend yield	1.1%	1.4%	1.8%	0.0%	1.8%

FABS Estimates & Co data

COMI - P&L

	3Q20	2Q21	3Q21	3Q21F	Var.	YOY Ch	QOQ Ch	2020	2021F	Change
EGP mm										
Funded income	10,599	10,895	11,637	11,419	1.9%	9.8%	6.8%	42,196	44,582	5.7%
Funded expense	-4,236	-4,876	-5,179	-5,082	1.9%	22.3%	6.2%	-17,024	-19,807	16.4%
Net funded income	6,363	6,019	6,458	6,338	1.9%	1.5%	7.3%	25,172	24,775	-1.6%
Fees and commissions	353	604	656	612	7.3%	85.9%	8.7%	2,076	2,437	17.4%
Trading gain/(loss)	51	166	212	180	17.8%	NM	28.0%	407	714	75.5%
Other non-funded income	-120	-417	-180	-137	31.9%	50.5%	-56.8%	-1770	-849	-52.0%
Net Non-funded income	284	353	689	655	5.1%	NM	95.2%	712	2,301	NM
Operating income	6,647	6,372	7,146	6,993	2.2%	7.5%	12.1%	25,885	27,076	4.6%
Operating expenses	-1,364	-1,484	-1,505	-1,474	2.1%	10.3%	1.5%	-5,660	-6,012	6.2%
Pre-provision profit	5,283	4,889	5,641	5,519	2.2%	6.8%	15.4%	20,225	21,064	4.1%
Impairment	-1603	-318	-303	-447	-32.1%	-81.1%	-4.7%	-5,019	-1,624	-67.6%
Share of Profit of Associates	17	1	7	5	19.3%	-62.2%	795.0%	22	27	18.4%
PBT	3,697	4,571	5,344	5,077	5.3%	44.6%	16.9%	15,228	19,467	27.8%
Tax	-1,351	-1,356	-1,532	-1,531	0.1%	13.4%	12.9%	-5,000	-5,657	13.1%
Profit after tax	2,346	3,215	3,812	3,547	7.5%	62.5%	18.6%	10,228	13,810	35.0%
Non-controlling interest	2	2	0	1	-58.6%	-89.5%	-89.7%	2	2	30.5%
Net profit attributable	2,349	3,217	3,812	3,547	7.5%	62.3%	18.5%	10,238	13,812	34.9%

FABS estimate & Co Data

COMI - KPI

	3Q20	2Q21	3Q21	YOY Ch	QOQ Ch	2020	2021F	Change
EGP mm								
Net FI/OI	95.7%	94.5%	90.4%	-536	-410	97.2%	91.5%	-575
NIM	8.0%	12.0%	11.8%	378	-27	6.9%	6.1%	-80
NIS	8.0%	11.3%	11.0%	298	-29	6.5%	5.6%	-94
Fees & comms/OI	5.3%	9.5%	9.2%	387	-29	8.0%	9.0%	98
Trading/OI	0.8%	2.6%	3.0%	220	37	1.6%	2.6%	106
Cost to income	20.3%	23.1%	20.9%	54	-220	21.7%	22.0%	28
Impairment/PPP	30.3%	6.5%	5.4%	-2491	-113	24.8%	7.7%	-1708
NP/OI	35.3%	50.5%	53.3%	1802	287	39.6%	51.0%	1146
ROAE	23.4%	20.8%	22.6%	-81	173	18.4%	21.3%	293
ROAA	2.8%	2.7%	3.0%	15	24	2.5%	3.1%	58

FABS estimate & Co Data

COMI - Key BS Items

	3Q20	4Q20	1Q21	2Q21	3Q21	YOY Ch
EGP mm						
Net advances	119,165	120,347	121,805	132,034	139,923	17.4%
QOQ Change	-1.4%	1.0%	1.2%	8.4%	6.0%	
Total assets	414,720	427,842	447,676	469,149	493,032	18.9%
QOQ Change	3.7%	3.2%	4.6%	4.8%	5.1%	
Customer deposits	332,327	341,169	366,249	386,001	404,203	21.6%
QOQ Change	3.8%	2.7%	7.4%	5.4%	4.7%	
Total equity	54,185	59,476	59,470	62,850	66,006	21.8%
QOQ Change	3.4%	9.8%	0.0%	5.7%	5.0%	

FABS estimate & Co Data

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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