

## Commercial Bank International

Rise in Funded & Non-Funded income and Lower Provisions supported Profits

### 4Q21 Net Profit beats our estimate

Commercial Bank International (CBI) has reported a significant increase in Net Profit to AED165 Mn in 4Q21, up from AED23 Mn in 4Q20, strongly beating our estimate of AED31 Mn. This increase was mainly attributed to a significant increase in Funded income and Non-funded income in addition to lower Impairment charges.

### P&L highlights

The Bank recorded a decrease by 6.3% YOY in the Funded Income to AED131 Mn in 4Q21, down from AED139 Mn in 4Q20. Similarly, the Funded Expenses reduced by 28.7% YOY to AED43 Mn in 4Q21, down from AED60 Mn in 4Q20. However, the reduction in Funded expenses impacted the Net Funded Income to increase by 7.2% YOY to AED96 Mn in 4Q21, as compared to AED90 Mn in 4Q20. Fees and Commissions increased by 9.6% YOY to AED31 Mn in 4Q21, up from AED28 Mn in 4Q20. Whereas the Other Operating Income strongly increased to AED84 Mn in 4Q21, as compared to AED10 Mn in 4Q20. As a result, the Total Non-funded income robustly increased to AED115 Mn in 4Q21, up from AED38 Mn in 4Q20. Therefore, the Total Operating Income was impacted due to the unfavourable outcome and rose by 64.4% YOY to AED211 Mn in 4Q21, up from AED128 Mn in 4Q20. The Operating Expenses increased by 40.6% YOY to AED74 Mn in 4Q21, up from AED53 Mn in 4Q20. Resultantly, the Cost to income ratio declined to 35.2%, down from 41.1% in 4Q20. The Impairment charges have significantly decreased reaching a positive of AED39 Mn in 4Q21.

### Balance sheet highlights

The Net Advances increased by 13.6% YOY to AED11.8 Bn in 4Q21, as compared to AED10.4 Bn in 4Q20. The Total Assets increased by 21.3% YOY to AED20.8 Bn in 4Q21 from AED17.1 Bn in 4Q20. Similarly, the Customer Deposits increased by 20% YOY to AED12.6 Bn in 4Q21, as compared to AED10.5 Bn in 4Q20. While the Total equity increased by 5% YOY to AED2.6 Bn in 4Q21, up from AED2.5 Bn in 4Q20.

### Target price and rating

We assign a HOLD rating on CBI with target price of AED0.70. Commercial Bank International (CBI) is a local UAE bank, listed on the Abu Dhabi Securities Exchange with a rating of BBB+ on the long-term by Fitch, with the mission to serve the customers by helping them prosper in their personal and business lives, in support of the Nation's vision. For the year ended 31 December 2021, the Bank continued improving its performance by reporting a significant increase in the Net profit to AED 122 Mn, compared to a Net loss of AED 27 Mn in the same period last year. This increase was mainly attributed to a strong decline by 54.8% YOY in the Total Impairment charges reaching AED 197 Mn, down from

**Rating : HOLD**

### First Look Note – 4Q21

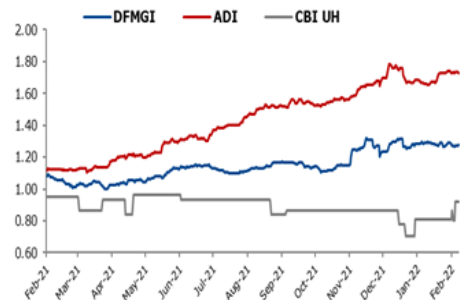
Sector: Banking

#### Recommendation

Current Price (9-Feb)	0.69
Target Price	0.70
Upside/Downside (%)	1.4%

#### Stock Information

Market Cap (AED/mm)	1,198.79
Paid Up Capital (USD)	1,737.38
52 Week High	0.72
52 Week Low	0.53
3M Avg. daily value	5,616



#### Financial Ratios

Dividend Yield (12month)	NA
Dividend Payout	0.00
Price-Earning Ratio	9.74
Price-to-Book Ratio	0.57
Book Value	1.20
Return-on Equity	6.01
Earning Per Share	0.07
Beta	0.53

#### Stock Performance

5 Days	13.30%
1 Months	13.30%
3 Months	6.15%
6 Months	-1.43%
1 Year	-3.23%
Month to Date (MTD%)	13.30%
Quarter to Date (QTD%)	13.30%
Year to Date (YTD%)	13.30%

AED 437 Mn end of year 2020, led by lower ECL charge for the year as well as the lower Impairment loss on property inventory. However, the Total Operating income has declined to AED 631 Mn in 2021 due to a drop by 9.9% and 21.1% YOY in both Net funded income and Non-funded income to AED 376 Mn and AED 255 Mn, respectively in 2021. The Operating expenses have increased to AED 303 Mn, compared to AED 264 Mn in 2020. Thus, the Cost to income ratio (C/I) increased to 48%, from 35.7% in 2020. The Bank operates via five segments namely – Wholesale Banking, Retail Banking, Treasury, Real Estate and Other. The Treasury, Wholesale Banking unit and Other segments contributed the most to the Net Profit. Furthermore, Retail Banking and Real Estate incurred losses during FY 2021. The Wholesale Banking segment has rebounded to AED61.2 Mn in Net Profit, as compared to Net Loss of AED67.7 Mn in 2020. It was mainly due lesser Impairment charges in 2021. On the other hand, the Real estate segment witnessed the highest decline to Net Loss of AED7.8 Mn in 2021, down from Net Profit of AED104.7 Mn in 2020. It was driven by a significant decline in Other Operating Income from AED130.2 Mn in 2020, to AED2.2 Mn in 2021. The Retail Banking segment reported a decline in Net Loss to AED45.8 Mn in 2021, down from Net Loss of AED53.7 Mn in 2020. The slight improvement was mainly due to decline in Impairment charges related to the segment. The Treasury segment positively contributed to the Bank's Net Profit mainly due to significant growth in Inter-segmental Net Interest Income in 2021. Lastly, the Other segment grew significantly because of robust growth in Other Operating Income in 2021. On the other hand, the Bank has shown growth in the Balance sheet with an increase by 21% YOY in the Total Assets to AED 20.8 Bn, from AED 17.1 Bn. Whereas the Net loans and advances have increased by 14% YOY reaching AED 11.8 Bn at the end of 2021. Similarly, the Customers deposits have grown up by 20% YOY to AED 12.6 Bn, up from AED 10.5 Bn in 2020. Resultantly, the Advances to Deposits (ADR) ratio has dropped by 528 bps to 93.7% in 2021, down from 99% in 2020. The Bank's Capital Adequacy ratio remained strong at 14.8% in 2021. In 2021, the Net Interest Margin (NIM) has declined to 3.1% from 3.4% in 2020, whereas the Net Interest Spread also dropped to 3.1% from 3.5% in 2020. While the profitability ratios such as Return on Average Asset (ROAA) and Return on Average Equity (ROAE), have both increased to 0.6% and 4.8%, respectively in 2021. The Bank will continue focusing on the customers and help them grow their businesses and realise their ambitions. Based on our analysis, we assign a HOLD rating on the stock.

**CBI- Relative Valuation**

AED mm	2017	2018	2019	2020	2021
PE (x)	7.93	6.22	12.97	-43.13	9.86
P/B (x)	0.60	0.62	0.60	0.61	0.57

FABS Estimate & Co Data

**CBI - P&L**

AED mm	4Q20	3Q21	4Q21	4Q21F	Var	YOY Ch	QOQ Ch	2020	2021	Change
Funded income	139	126	131	132	-1.4%	-6.3%	3.6%	667	513	-23.1%
Income from Islamic financing and investing assets	13	13	12	13	-9.9%	-6.9%	-4.8%	41	50	20.5%
Funded expenses	-60	-41	-43	-46	-7.0%	-28.7%	6.0%	-275	-178	-35.3%
Depositors' share of profits	-2	-2	-4	-2	NM	49.2%	68.3%	-15	-9	-43.3%
<b>Net funded income</b>	<b>90</b>	<b>96</b>	<b>96</b>	<b>98</b>	<b>-2.1%</b>	<b>7.2%</b>	<b>0.0%</b>	<b>418</b>	<b>376</b>	<b>-9.9%</b>
Fees and commissions	28.0	25.0	30.7	28.0	9.9%	9.6%	23.1%	146	121	-17.0%
Other operating income, net	10	37	84	6	NM	NM	NM	177	133	-24.4%
<b>Total non-funded income</b>	<b>38</b>	<b>62</b>	<b>115</b>	<b>34</b>	<b>NM</b>	<b>NM</b>	<b>85.7%</b>	<b>323</b>	<b>255</b>	<b>-21.1%</b>
<b>Total operating income</b>	<b>128</b>	<b>158</b>	<b>211</b>	<b>132</b>	<b>59.2%</b>	<b>64.4%</b>	<b>33.5%</b>	<b>740</b>	<b>631</b>	<b>-14.8%</b>
Operating expenses	-53	-76	-74	-76	-1.9%	40.6%	-1.8%	-264	-303	14.6%
<b>Pre provision profit</b>	<b>75</b>	<b>82</b>	<b>137</b>	<b>57</b>	<b>NM</b>	<b>81.0%</b>	<b>65.9%</b>	<b>476</b>	<b>328</b>	<b>-31.1%</b>
Impairment	-50	-58	39	-26	NM	NM	NM	-437	-197	-54.8%
Share of results of associates	-2	0	0	0	NA	NM	NA	-5	0	NM
Non-controlling interests	0	1	-11	0	NA	NM	NM	-61	-9	-85.6%
<b>Net profit</b>	<b>23</b>	<b>25</b>	<b>165</b>	<b>31</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-27</b>	<b>122</b>	<b>NM</b>

FABS estimate & Co Data

**CBI - P&L KPI**

	<b>4Q20</b>	<b>3Q21</b>	<b>4Q21</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2020</b>	<b>2021</b>	<b>Change</b>
AED mm								
Net FI/OI	70.0%	60.9%	45.6%	-2,435	-1,529	56.4%	59.6%	321
NIM	3.3%	3.0%	3.1%	-22	6	3.4%	3.1%	-38
NIS	3.4%	3.0%	3.1%	-32	7	3.5%	3.1%	-34
Fees & comms/OI	21.9%	15.8%	14.6%	-729	-123	19.7%	19.2%	-51
Trading/OI	8.1%	23.3%	11.9%	371	-1,140	23.9%	11.8%	-1204
Cost to income	41.1%	47.8%	35.2%	-596	-1,266	35.7%	48.0%	1230
Impairment/PPP	43.6%	70.1%	-16.9%	-6,051	-8,699	84.0%	60.4%	-2363
NP/OI	18.2%	16.0%	78.2%	6,000	6,217	-3.7%	19.3%	2300
ROAE	-1.1%	-0.8%	4.7%	577	552	-1.1%	4.8%	587
ROAA	-0.1%	-0.1%	0.6%	73	74	-0.2%	0.6%	80

*FABS estimate & Co Data*
**CBI- Key BS Items**

	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>YOY Ch</b>
AED mm						
<b>Net advances</b>	<b>10,372</b>	<b>10,226</b>	<b>10,082</b>	<b>10,603</b>	<b>11,779</b>	<b>13.6%</b>
QOQ Change	-1.8%	-1.4%	-1.4%	5.2%	11.1%	
<b>Total assets</b>	<b>17,129</b>	<b>15,970</b>	<b>17,053</b>	<b>17,495</b>	<b>20,774</b>	<b>21.3%</b>
QOQ Change	-6.2%	-6.8%	6.8%	2.6%	18.7%	
<b>Customer deposits</b>	<b>10,481</b>	<b>9,929</b>	<b>10,670</b>	<b>10,236</b>	<b>12,574</b>	<b>20.0%</b>
QOQ Change	-1.7%	-5.3%	7.5%	-4.1%	22.8%	
<b>Total equity</b>	<b>2,491</b>	<b>2,393</b>	<b>2,420</b>	<b>2,445</b>	<b>2,615</b>	<b>5.0%</b>
QOQ Change	2.9%	-3.9%	1.1%	1.0%	6.9%	

*FABS estimate & Co Data*

**Research Rating Methodology:**

<b>Rating</b>	<b>Upside/Downside potential</b>
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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