

CIB: 2Q12 missing estimate on higher provisions



EARNINGS FLASH • 2Q12 • Egypt/Banking • 15 August 2012

NET INTEREST INCOME

EGP932m +48%

Q2 2011: EGP630m

OPERATING INCOME

EGP1,253m +25%

Q2 2011: EGP1,005m

NET PROFIT

EGP523m +18%

Q2 2011: EGP443m

Recommendation	BUY
Market price (EGP)	28.6
Target price (EGP)	34.1
Upside potential (%)	19.2%
Free float (%)	90.7
Market cap. (EGPm)	17,081
Market cap. (USDm)	2,810
Shares outstanding (m)	597.2
Reuters code	COMI.CA
Bloomberg code	COMI EY

Commercial International Bank (CIB) posted a net profit of EGP523m in 2Q12 (+3.6% QoQ and +18.1% YoY), 5.1% below our estimate of EGP551m, but 2.6% above market consensus. The variance came mainly from booking much higher-than-expected provisions.

Net interest income (NII) was EGP932m in 2Q12, up 7.1% QoQ and 47.9% YoY (12.5% above our estimate), with annualised net interest margin (NIM) increasing QoQ to 4.23%, 57bps above our estimate. The QoQ increase stemmed primarily from an increase in income from T-bills (up 37.8% QoQ and 90.9% YoY). Further, fees and commissions rose 1.7% and 0.2% YoY to EGP217m, but was 2.7% below our forecast of EGP223m. Total operating income rose 5.5% QoQ and 24.7% YoY to EGP1.25bn, 3.7% higher than our estimate.

Operating costs were up 1.1% QoQ and 18.6% YoY to EGP408m, coming better than our estimate of EGP439m, giving a cost-to-income ratio of 30.5%, vs. 1Q12's level of 34.0% and 2Q11's 34.3%.

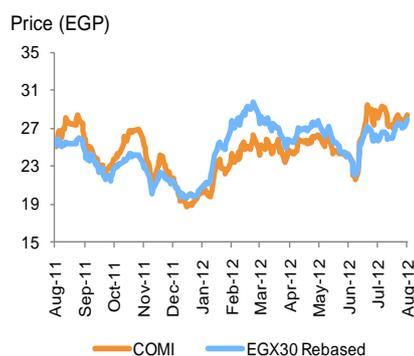
Total assets rose by 14.9% QoQ and 3.6% YoY to EGP89.6bn in 2Q12, 5.1% below our estimate. Gross loans were up 2.0% QoQ and 9.6% YoY to EGP42.8bn, (6.0% weaker than our estimate). The QoQ increase resulted mainly from a combined growth in both retail and corporate loans, each adding more than EGP500m to loan book. Deposits rose 3.4% QoQ and 14.1% YoY to EGP76.8bn (2.2% above our estimate), with certificates of deposit (CDs) being the main driver for growth increasing 9.2% QoQ. LDR fell to 55.8% from 56.6% in 1Q12 and 58.0% in 2Q11.

Non-performing loans (NPLs) went down in 2Q12, with the NPL ratio falling to 2.77% from 2.91% in 1Q12 and 2.90% in 2Q11. Coverage ratio stood at 134.8%. Credit-related provisions, on the other hand, increased by a whopping 762.7% QoQ and 81.9% YoY to EGP143m (far above our estimate of EGP33m).

Overall CIB's operations fared well during the quarter, despite posting weaker-than-expected balance sheet growth. Asset quality also held up well, with the NPL ratio actually declining over the quarter and past-dues ratio remaining almost flat. Accordingly, the surprisingly high provision charge in 2Q12 indicates that CIB is most likely accounting for possible future downgrades in its loan book.

We will provide full analysis of the results following today's analyst's call. For the time being, we maintain our target price at EGP34.1 and BUY.

COMI vs. EGX30 Rebased



Source: Bloomberg, NAEEM Research
Closing price as of 14 August 2012

CIB: 2Q12 Results Summary

In EGPm	2Q12a	2Q11a	1Q12a	YoY Δ	QoQ Δ	2Q12f	Variance
Net interest income	932	630	870	+47.9%	+7.1%	828	+12.5%
Total operating income	1,253	1,005	1,189	+24.7%	+5.5%	1,208	+3.7%
Operating cost	(382)	(344)	(404)	+11.1%	-5.3%	(439)	-12.9%
Net provisions/recoveries	(143)	(80)	(17)	+78.2%	+762.7%	(33)	+334.8%
Net profit	523	443	505	+18.1%	+3.6%	551	-5.1%

Source: Company data, NAEEM Research

May El Hagggar

+202 3300 5322

may.elhagggar@naeemholding.com

Lamia El Etriby

+202 3300 5327

lamia.eletriby@naeemholding.com

Disclosure Appendix

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Rating	Upside/Downside potential	Rating distribution as of 15 August 2012
BUY	>20%	52%
ACCUMULATE	>10% to 20%	13%
HOLD	+10% to -10%	32%
REDUCE	<-10% to -20%	0%
SELL	< -20%	3%

Research Contacts

Mike Millar, CA	Regional Head of Research	+202 3300 5321	mike.millar@naeemholding.com
May El Hagggar	Deputy Head of Research	+202 3300 5322	may.elhagggar@naeemholding.com
Hisham Halaldeen	Sales Research	+202 3300 5323	hisham.halaldeen@naeemholding.com

Sales and Trading Contacts

Sherine Ezzat	Regional Director, MENA Trading, Foreign Markets & GDRs	+202 3300 5401	sherine.ezzat@naeemholding.com
Teymour El Derini	Director of MENA Sales & Trading	+202 3300 5402	teymour.elderini@naeemholding.com
Tarek Abaza	Head of Trading Desk - Egypt	+202 3300 5416	tarek.abaza@naeemholding.com
