Egypt Banking Sector 2021|

Bright Year for Lending; Less Bright for Profits

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BANKS | LENDING RECUPERATES BUT PROFITS CAPPED BY HIGH TAXES AND POLICY RATE CUTS

Sector Outlook and Trends

- Corporate capex lending should come into play in 2021, supported by meaningful policy rate cuts in 2020 (300 bps in March followed by two 50 bps cuts in September and November). Full recovery expected in 2022, supported by macro dynamics.
- Lending growth should surpass that of funding beefing up utilization ratios.
- Competition should intensify on deposit accumulation, especially if lending picked up significantly.
- Allocation to treasury instruments should diminish on 1) lower budget deficit, 2) new tax law, and 3) anticipated pick-up in private investments and lending.
- Asset quality may come under pressure over 1H2021, post the moratorium which ended in September 2020. Most banks have built more than adequate provisions in 2020.
- NIM already started to decline in 2H20 and should continue through 2021/2022 with further expected rate cuts (200bps in 2021). Pressure on margins for some banks could be lowered or postponed due to: 1) shorter maturity of liabilities that could be rolled over at lower rates faster than assets, 2) having large investments of LT treasury bonds, which not only lock in high rates but also flee from the application of the new tax law.
- Profit growth will be impacted by the new tax law as its impact becomes more visible in 2020, being applied on a larger portion of treasury investments, and since banks parked high assets in treasury in 2020.
- Small banks that are on expansion mode always lag on efficiency, while big banks lead as inflation decelerates.
- New capital requirements (raising the minimum capital for commercial banks to EGP5.0 billion up from EGP500 million) could trigger a wave of profit retention, capital raising and M&As in the sector. CARs meet the CBE minimum requirement of 12.5% for 2020. However, it may subside as lending picks up making capital hikes imminent.

Sector Outlook and Trends (cont'd)

- We account for 1) healthcare tax calculated at the lower of: 0.25% of interest income or EGP10k, 2) new tax treatment law for banking sector, and 3) 1% industry development fund dues 4) emergency bailout fund which should reach 0.5% of total deposits in 10 years. All four combined had a direct negative impact on earnings growth in 2021 and valuation. It is worth noting that the impact of the healthcare tax and the industry development fund dues is low.

The Hopes

- Economic recovery reflects on corporate earnings and lending appetite with lower-than-expected deterioration of asset quality
- Revival in corporate lending, and capex lending, to fuel non-interest income, compensating for the compression in NIMs
- Recent banking sector acquisition multiples to drive stock prices
- CBE lowers Required Reserve Ratio (14% currently) freeing up more deposits to be utilized in lending, improving profitability
- Better than expected efficiency ratios as inflation stabilizes
- Lower than expected impact of new tax law

The Fears

- Interest rate cuts would bring higher than projected margin compression
- Slower-than-anticipated recovery in purchasing power or capex lending that would hold back lending
- Higher than expected taxes from the new tax law application
- Delayed recovery in business environment or higher SME lending would push NPLs upwards and lead to higher COR
- More strict CBE regulations on the banking sector that might pressure profitability
- Negative investor sentiment on sector due to bank's potential capital hikes and weak stock market conditions

Top Picks

- **COMI (FV: EGP80.00, OW)** continues to be the perfect proxy for the macro transformation story in Egypt. The bank is well capitalized and is to deliver ROAE of 17% on strong NIM of 6.8% in 2021. The stock has been under pressure followed by the stepping down of the Chairman as per the CBE request on serious violations. We believe that the story had a much higher impact on the stock than what fundamentals warrant, and it has been overshadowing stock price performance.
- **CIEB's (FV: EGP47.00, OW)** favorable funding structure makes it amongst the most aggressive players for profitability despite conservative growth strategy. CIEB is among our top dividend plays. We expect several rounds of bonus shares to increase paid in capital from retained earnings and reach new minimum capital of EGP 5 billion.

Value stocks with market overhang

- **ADIB (FV: EGP20.00, EW)** The potential rights issue that is to settle the amounts paid under capital increase from ADIB UAE has been acting as a key overhang on share price performance. We expect the adjusted market price of the stock to rally post finalizing the capital increase which should take place soon.
- **HDBK's (FV: EGP59.14, OW)** real estate segment along with the diversified bank's investments keep delivering high earnings growth that sometimes compensates for any relative weakness in commercial banking operations. The potential demerger of the stock into banking and real estate could unlock its upside potential. Also, the bank awaits two rounds of bonus shares (1:10 and 1:5) that could happen soon to beef up paid in capital, which could also support share price performance. It enjoys favorable funding structure which supported strong NIM above 500 bps and ROE of 18% in 2021, with healthy dividend yield of 5.5% in 2021.
- **QNBA's (FV: EGP26.26, OW)** free float increase can unlock upside potential. The bank's latest free float recorded 5%. The bank's financial soundness and size of operations makes it a direct competitor to COMI. Unlike COMI, QNBA trades at very cheap multiples penalized by very low free float and daily traded volumes.

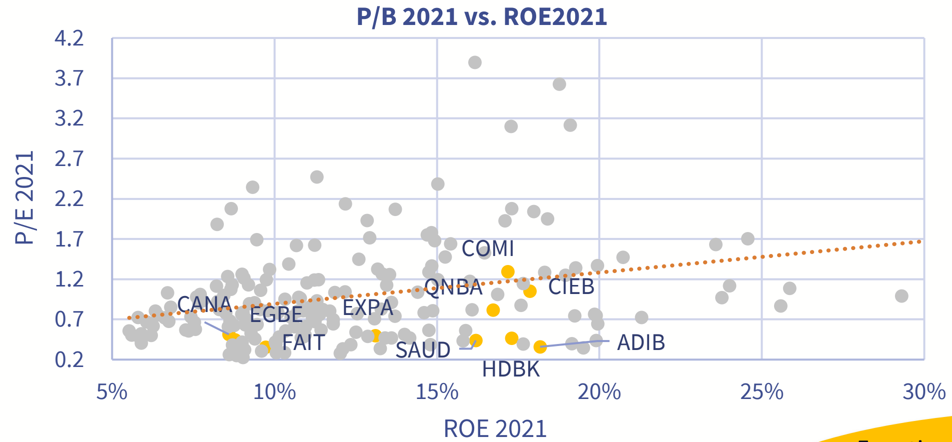
SECTOR VALUATION TABLE AND MULTIPLES

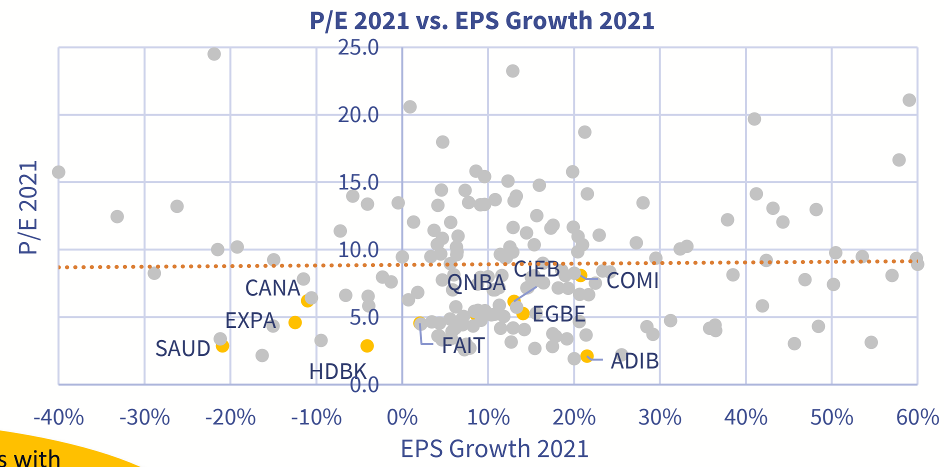
Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)	Price change	PE ratio (x)			PB ratio (x)			DY %		ROE (%)		EPS growth (%)	
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2021	2020	2021	2020	2021
Banks																				
ADIB Egypt	ADIB EY Equity	11.66	20.00	71.5	Equalweight	148.6	219,864	(5.4)	2.1	2.6	2.1	0.5	0.4	0.4	0.0	0.0	18.3	18.2	-25.6	21.5
Al Baraka Bank Egypt	SAUD EY Equity	11.23	15.00	34.0	Overweight	158.1	37,542	10.6	1.9	2.3	2.9	0.5	0.5	0.4	6.2	7.6	24.1	16.2	22.4	-20.9
CIB	COMI EY Equity	59.88	80.00	33.6	Overweight	5,639.2	6,575,814	(27.9)	9.2	9.8	8.1	1.6	1.5	1.3	2.1	1.9	16.4	17.2	-13.1	20.7
Credit Agricole Egypt	CIEB EY Equity	27.34	47.00	71.9	Overweight	541.7	479,066	(37.4)	5.5	7.0	6.2	1.2	1.2	1.1	12.5	7.4	16.8	17.9	-42.6	13.0
Egyptian Gulf Bank	EGBE EY Equity	0.40	0.49	20.8	Equalweight	169.9	27,981	(7.8)	4.5	6.0	5.3	0.5	0.5	0.4	0.0	0.0	8.7	8.8	-23.5	14.1
Export Development Bank	EXPA EY Equity	13.85	18.50	33.6	Overweight	240.8	1,279,470	81.3	4.2	4.0	4.6	0.6	0.6	0.6	3.6	2.9	16.8	13.1	0.1	-12.5
Faisal Islamic Bank (EGP)	FAIT EY Equity	12.08	14.51	20.1	Equal weight	404.3	183,910	(3.4)	---	4.6	4.5	0.4	0.4	0.4	10.6	5.1	9.9	9.7	-44.9	2.1
Housing & Development Bank	HDBK EY Equity	36.54	59.14	61.9	Overweight	294.6	169,448	(14.6)	2.1	2.8	2.9	0.6	0.5	0.5	6.8	5.7	21.0	17.3	-16.5	-4.1
QNB Alahli Bank	QNBA EY Equity	17.15	26.26	53.1	Overweight	2,355.2	110,670	(20.3)	3.4	5.6	5.2	1.0	0.9	0.8	5.3	4.7	17.5	16.7	-14.5	8.6
Suez Canal Bank	CANA EY Equity	10.62	10.45	(1.6)	Equalweight	135.4	62,231	57.8	4.4	5.5	6.2	0.6	0.6	0.5	0.0	0.0	10.8	8.6	-21.1	-11.0
Simple average									**4.2**	**5.0**	**4.8**	**0.8**	**0.7**	**0.6**	**4.7**	**3.5**	**16.0**	**14.4**	**(17.9)**	**3.1**

LT Fundamental Top Pick

Event-Driven/Awaits Catalyst

All prices and multiples in the presentation are calculated based on December 22, 2020 closing prices





Egyptian banks trade at low multiples with strong ROEs, but some banks lag on EPS growth in 2021 like HDBK and EXPA due to postponed provisions or due to high eps base in 2020 (SAUD and CANA)

Interbank Comparison

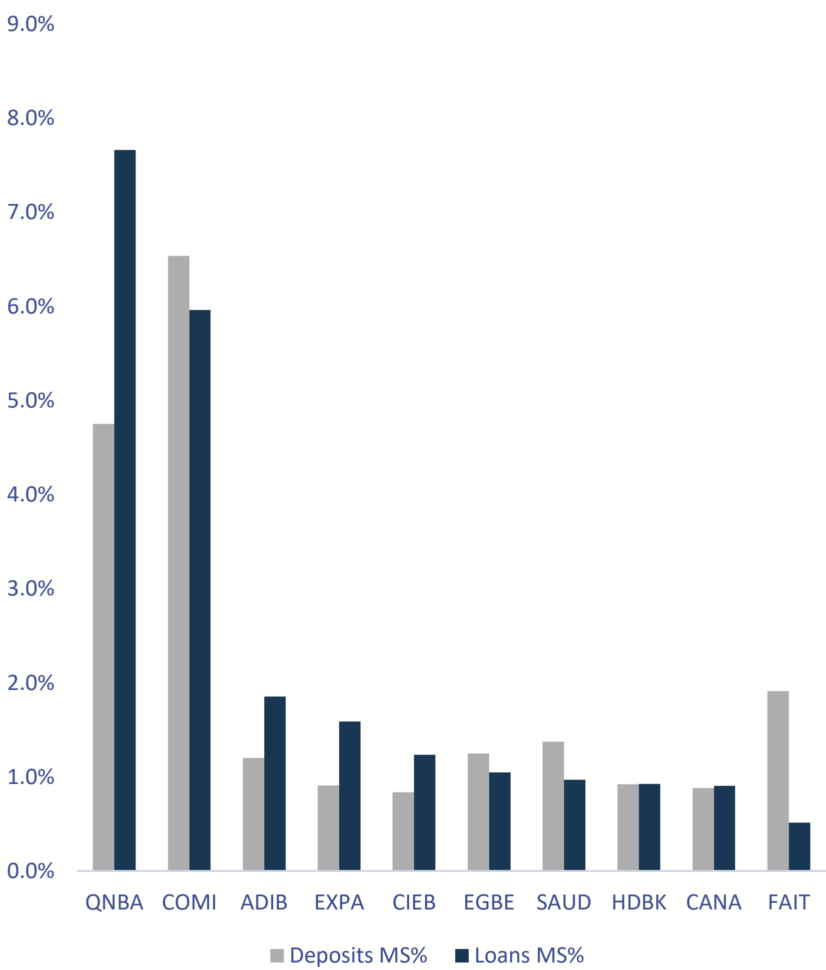
1. Market Share and Utilization Ratio

- Ten listed banks constitute 21% of total system deposits and 23% of total system loans, where the biggest two private banks (COMI and QNBA) represent more than half of that share.

- QNBA ranks first in terms of loans but is led by COMI in terms of deposits, which explains the higher liquidity for COMI versus that of QNBA.

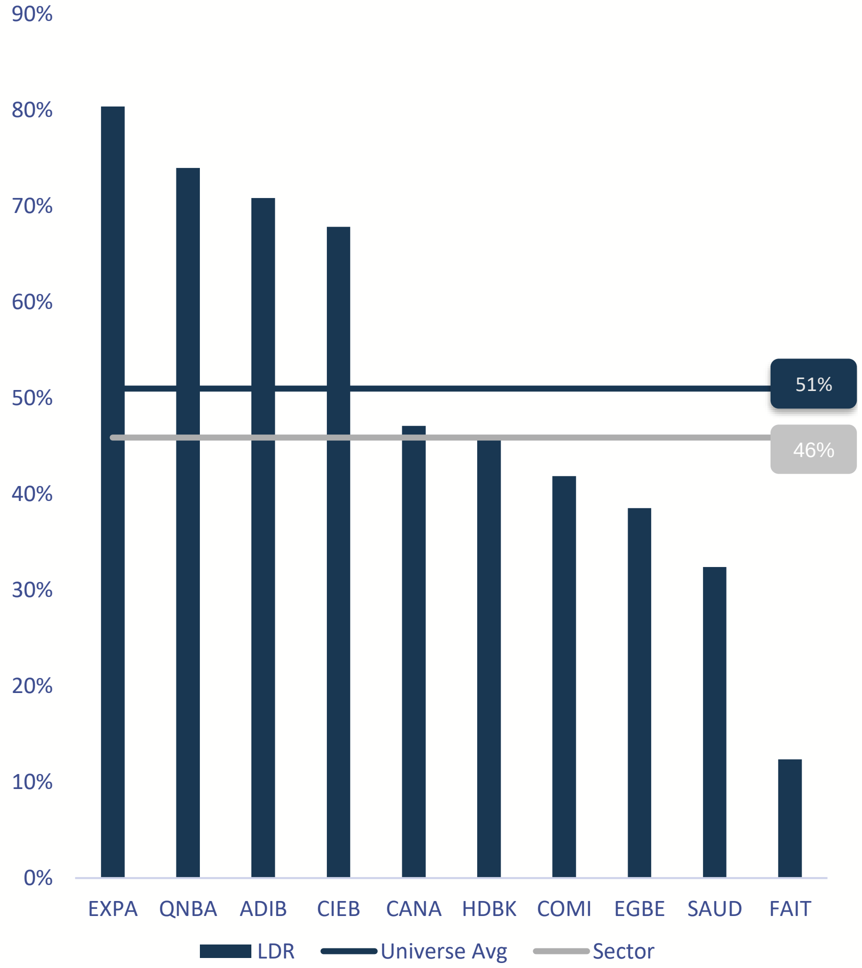
- EXPA has the highest LDR of 80% followed by QNBA while FAIT has the lowest as it mainly parks funding in treasury and interbank investments other than lending.

Market Shares



Data as of Sep 2020, CBE data as of Aug 2020 (Latest Reported)
Source: Banks financial statements, CBE, and Pharos Research

Loan-to-Deposit Ratios (LDR, %)

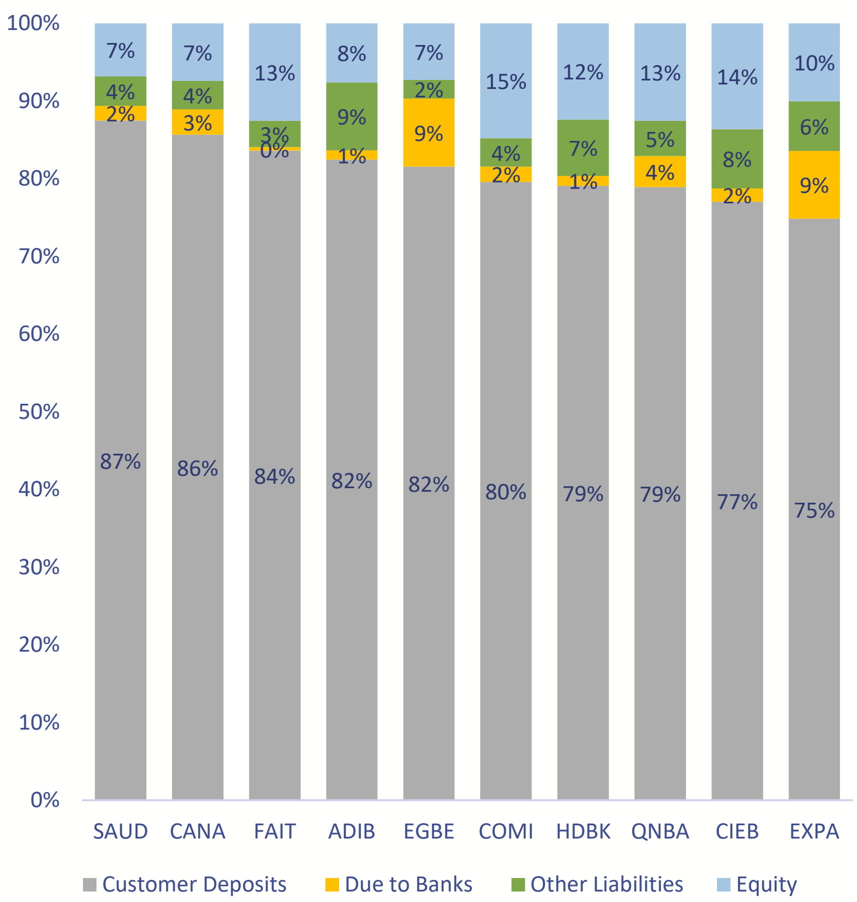


Data as of Sep 2020, CBE data as of Aug 2020 (Latest Reported)
Source: Banks financial statements, CBE, and Pharos Research

2. Balance Sheet | Funding and Investment Structure

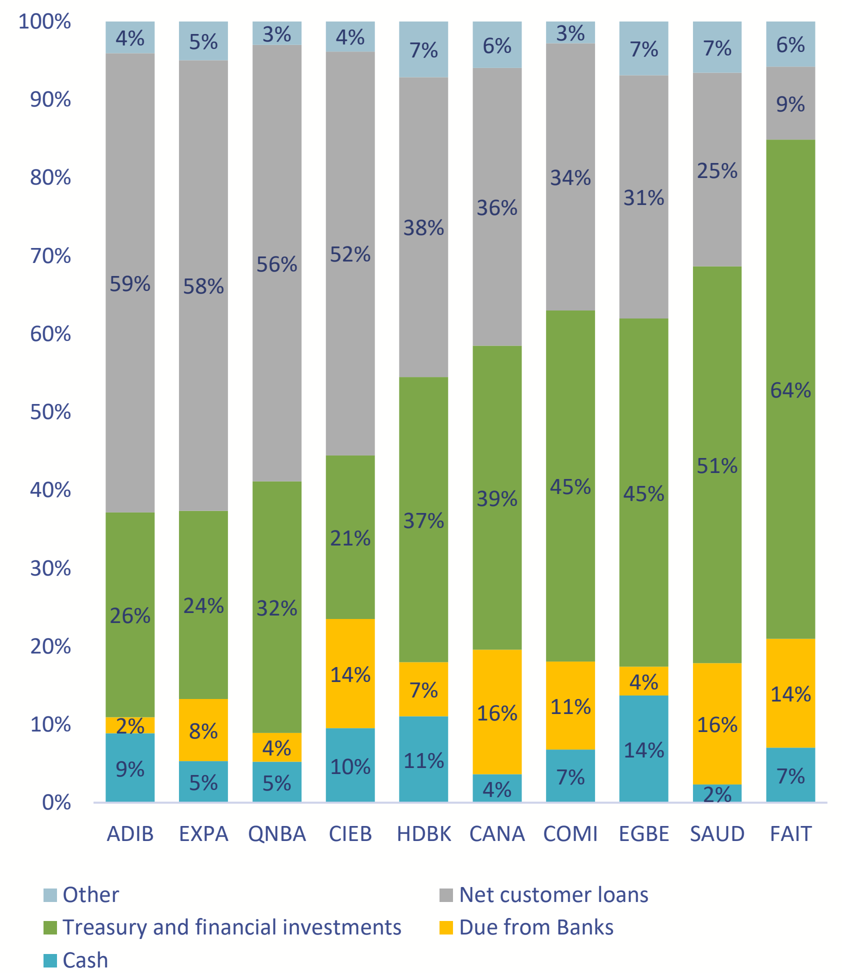
- SAUD has the highest reliance on sustainable customer deposits in its funding base (88% of total funding sources) versus 77% for EXPA in 2020e.
- Equity funding constitutes an average of 11% among banks, with COMI showing the highest at 15% which explains its high CAR while CANA, SAUD, EGBE, ADIB, and EXPA have low equity contribution and low CAR.
- We anticipate FAIT will allocate 78% of its assets in interbank deposits and treasury investments versus ADIB with 29% in 2020e, which reiterates its lending efficiency. We estimate that this trend will continue in 2021.

Funding Structure 2021



Source: Banks financial statements and Pharos Research

Investment Structure 2021f



Source: Banks financial statements and Pharos Research

I. Balance Sheet | Maturity Gap and Net Foreign Position

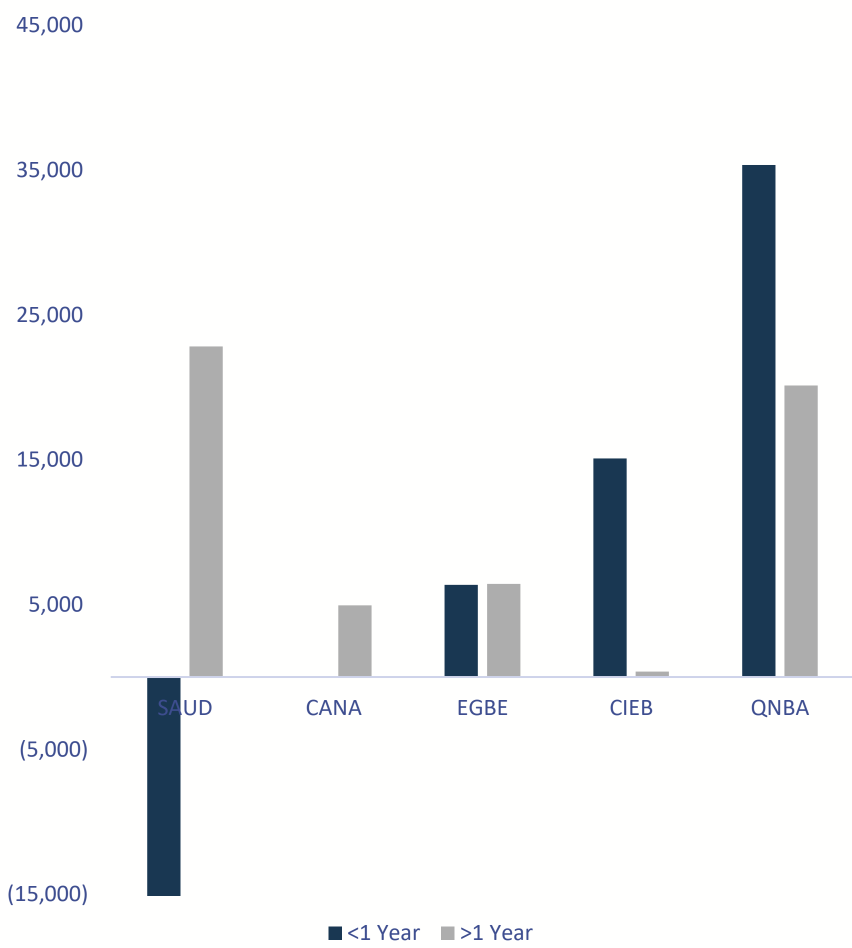
- Banks with negative <1year maturity gap (liabilities maturing in less than 1 year more than assets of same tenor) will be at an advantage **if interest rates decline** as they will be able to re-price interest-bearing liabilities at lower rates faster than assets. SAUD is a good example here.

- Banks with positive >1year maturity of assets will benefit with rate cuts because of their ability to lock up high rates for interest earned through longer periods.

- SAUD is the only bank that will be least impacted from rate cuts, at least over the short-term. The bank more liabilities than assets of tenor within-a-year and more assets of tenor longer-than-one-year.

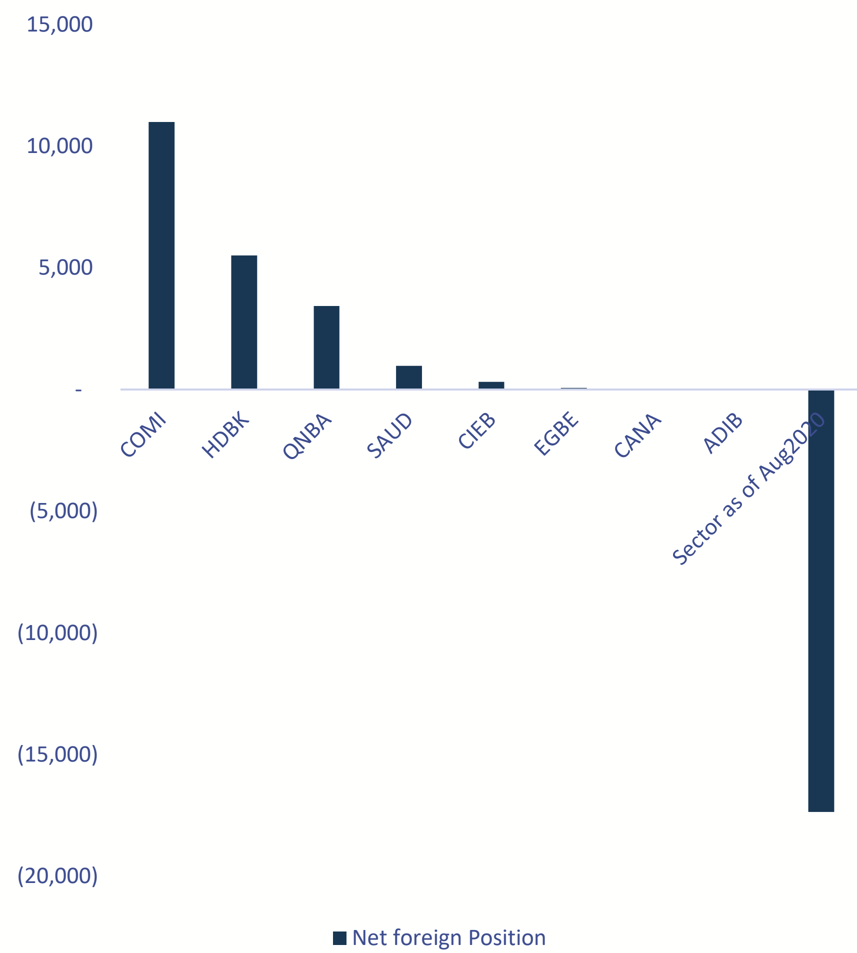
- Banks with positive net foreign position will make FX gains if local currency weakens. Almost all banks under coverage have either positive net foreign position or square FX position. The total banking system net foreign position recorded a negative figure as of Aug. 2020 after public sector banks started securing the exit of foreign investors from the local treasury market, amid pandemic fears.

Maturity Gap, EGP mn



Data as of Sept-20
Source: Banks financial statements and Pharos Research
COMI, ADIB, HDBK, FAIT and EXPA don't disclose balance sheet maturity

Net Foreign Position, EGP mn



Data as of Sept-20, CBE data as of Aug 2020 (latest reported)
Source: Banks financial statements and Pharos Research

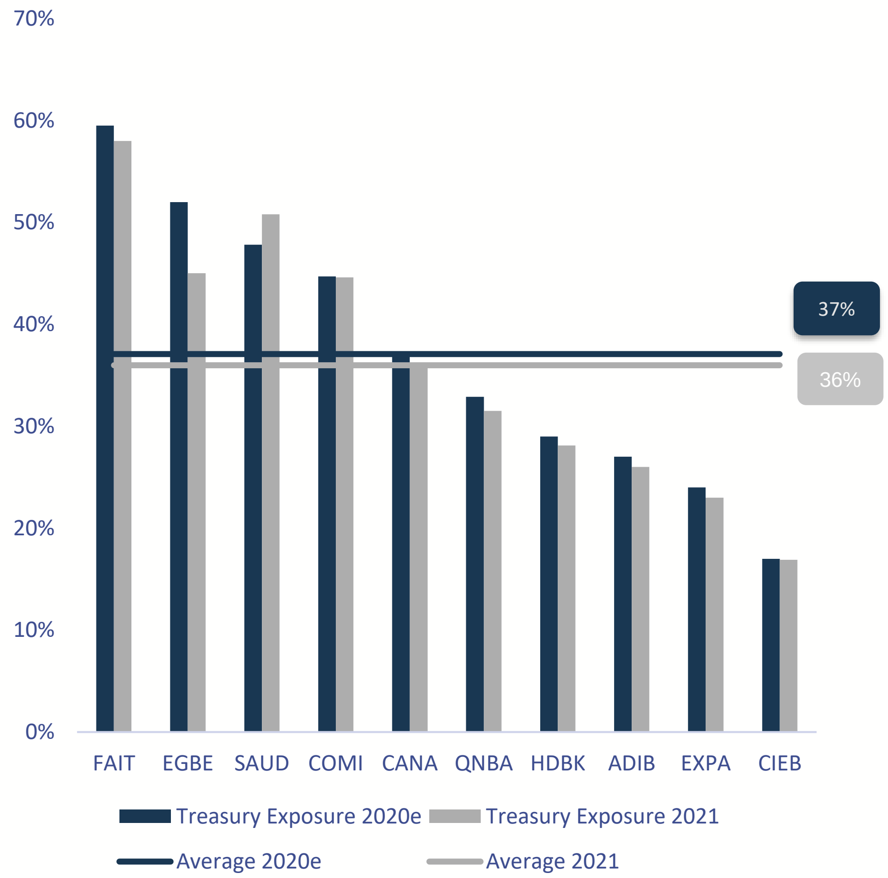
II. Balance Sheet| Treasury Exposure and Low-Cost Deposits

- Our coverage universe average treasury exposure stands at 37% in 2020e, headed by FAIT (60%) and EGBE (52%), while lagged by CIEB (17%) and EXPA (24%).

- We expect treasury exposure to total asset will decline to stand at 36% in 2021.

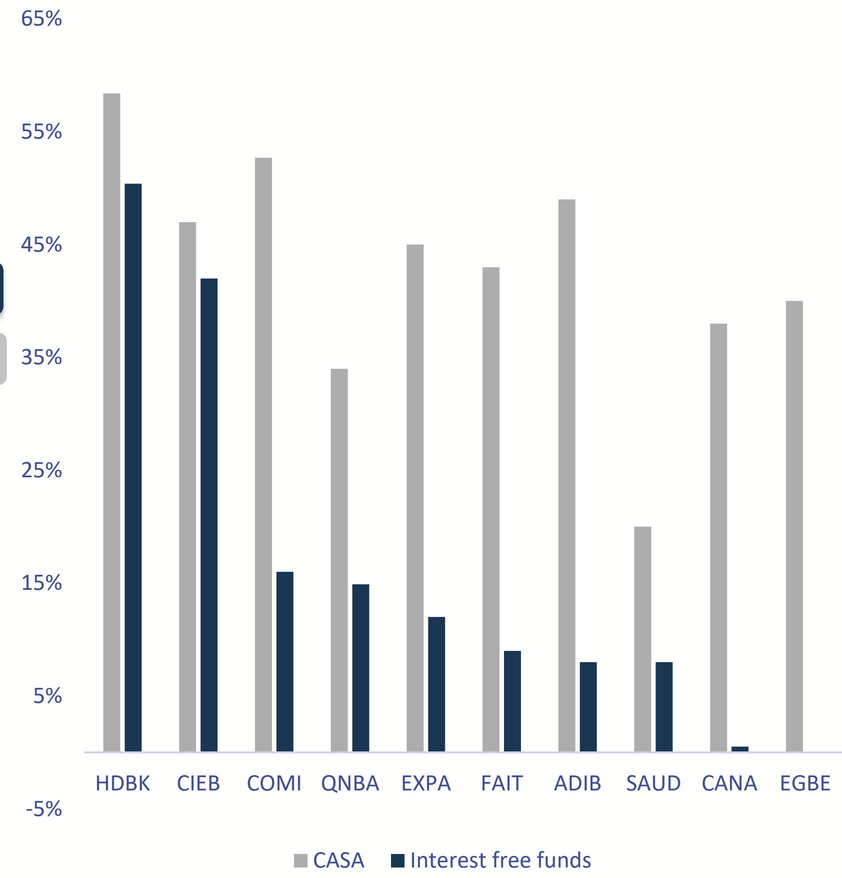
- HDBK, CIEB, and COMI have the highest interest free funds recording 50%, 42%, and 16%, respectively. HDBK is supported by large retail deposits from real estate down-payments, while COMI's strategy is highly focused on accumulating low-cost deposits.

Treasury Exposure to Total Assets, %



Source: Banks financial statements and Pharos Research

Low-Cost Deposits to Total Deposits, %



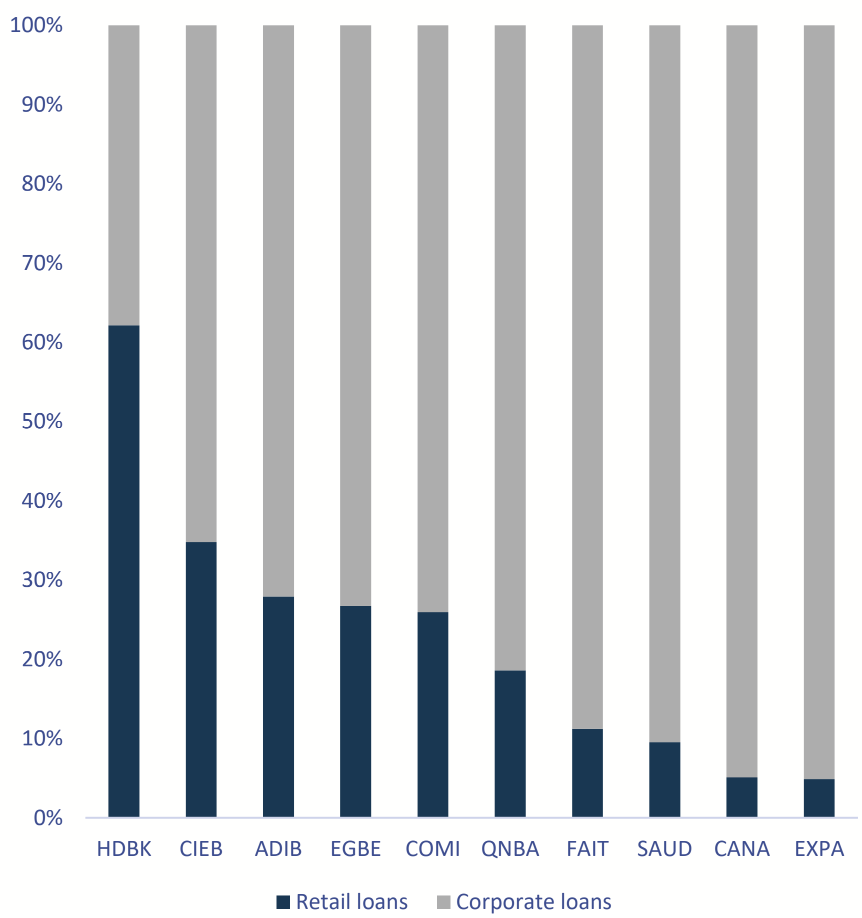
Data as of Sep-20
Source: Banks financial statements and Pharos Research

III. Balance Sheet| Corporate and Retail Exposure

- Retail loans represent an average of 23% across our coverage universe with EXPA and CANA having the lowest concentration, with 5% retail loan contribution to total lending. HDBK, CIEB, and ADIB have the highest retail-lending concentration of 62%, 35%, and 28%, respectively. This fact granted them the highest NIMs across our universe.

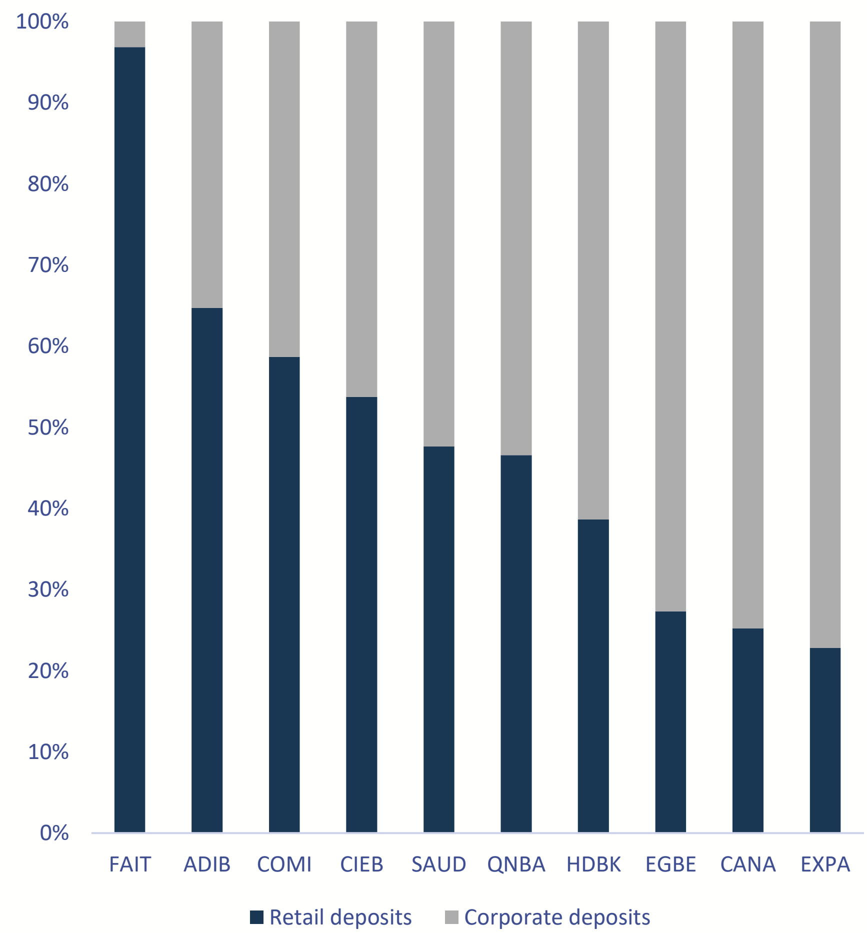
- Our coverage universe is 48% funded by sustainable retail deposits with FAIT having the highest concentration of 97% retail deposits and EXPA lowest concentration of 23% retail deposits.

Lending by Segment



Data as of Sep-20
Source: Banks financial statements and Pharos Research

Deposits by Segment



Data as of Sep-20
Source: Banks financial statements and Pharos Research

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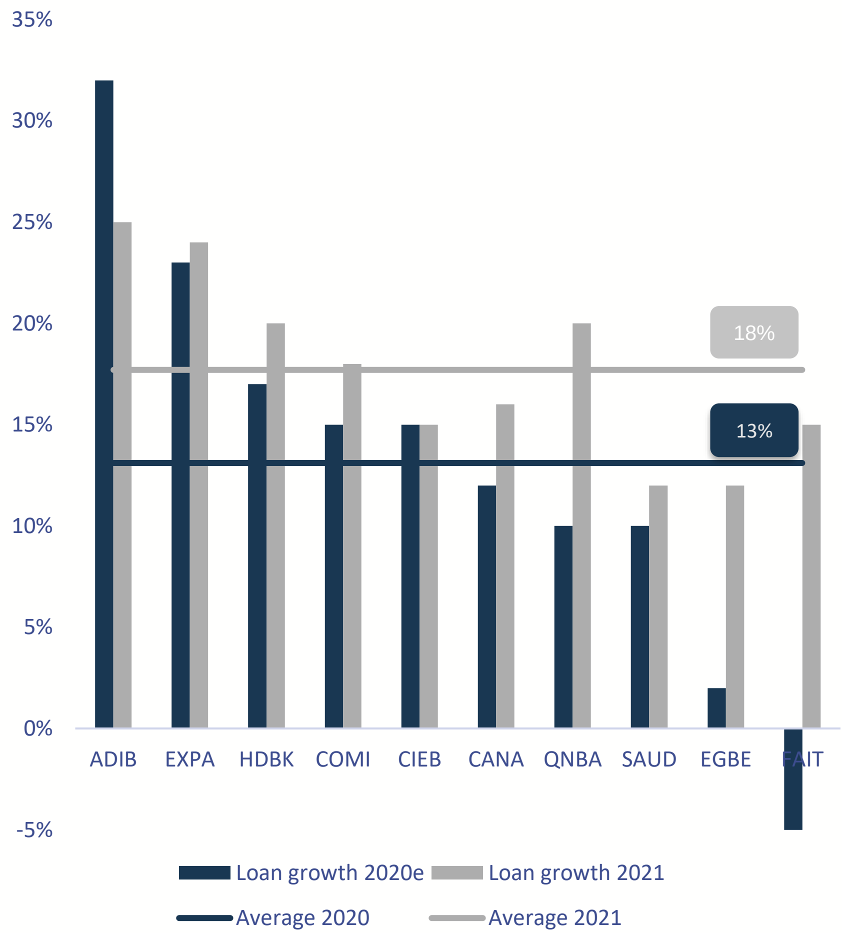
IV. Balance Sheet | Funding and Lending Momentum

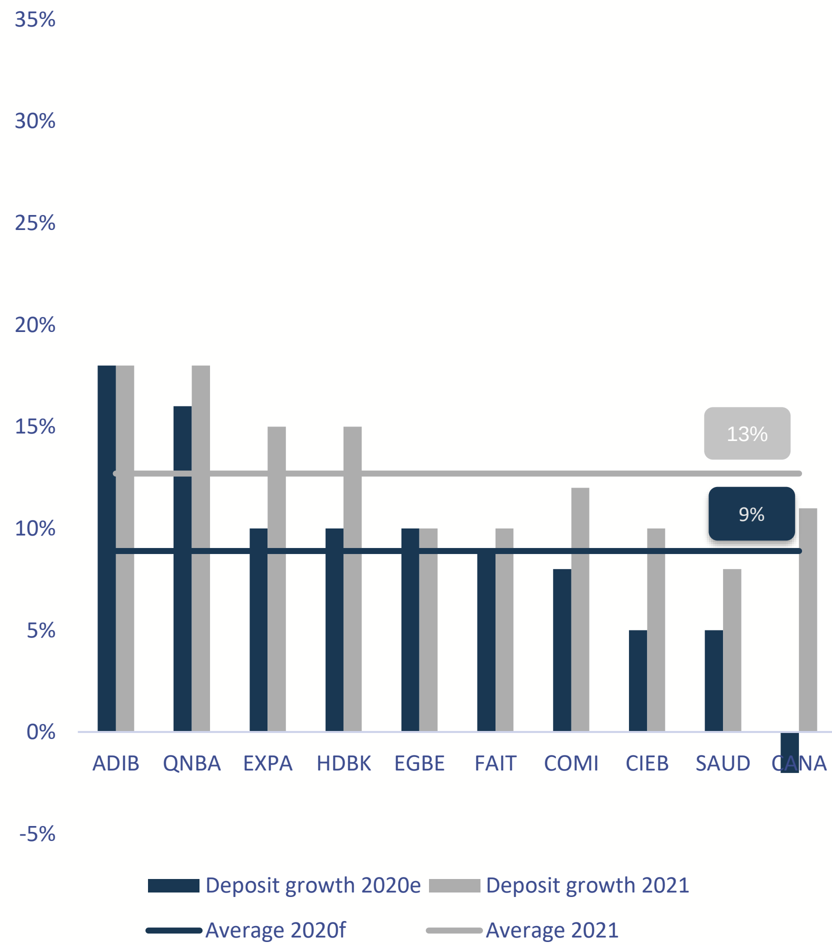
- ADIB's loan growth expected to score 32% in 2020e, above coverage universe average of 13%. FAIT will experience loan shrinkage in 2020e.
- We anticipate that loan growth will recover across all banks in 2021, to record an average of 18%, which might be driven by working capital financing, recovery in capex financing after rate cuts, as well as retail lending.
- Deposits expanded by an average of 9% in 2020e, led by the healthy growth for ADIB (18%) and QNBA (16%) deposit bases. However, CANA experienced deposit shrinkage by 2% in 2020e.
- We expect deposits to grow by an average of 13% in 2021, lower than loan growth which we forecast at 18% in 2021.

Loan Growth, %



Source: Banks financial statements and Pharos Research

Deposit Growth, %

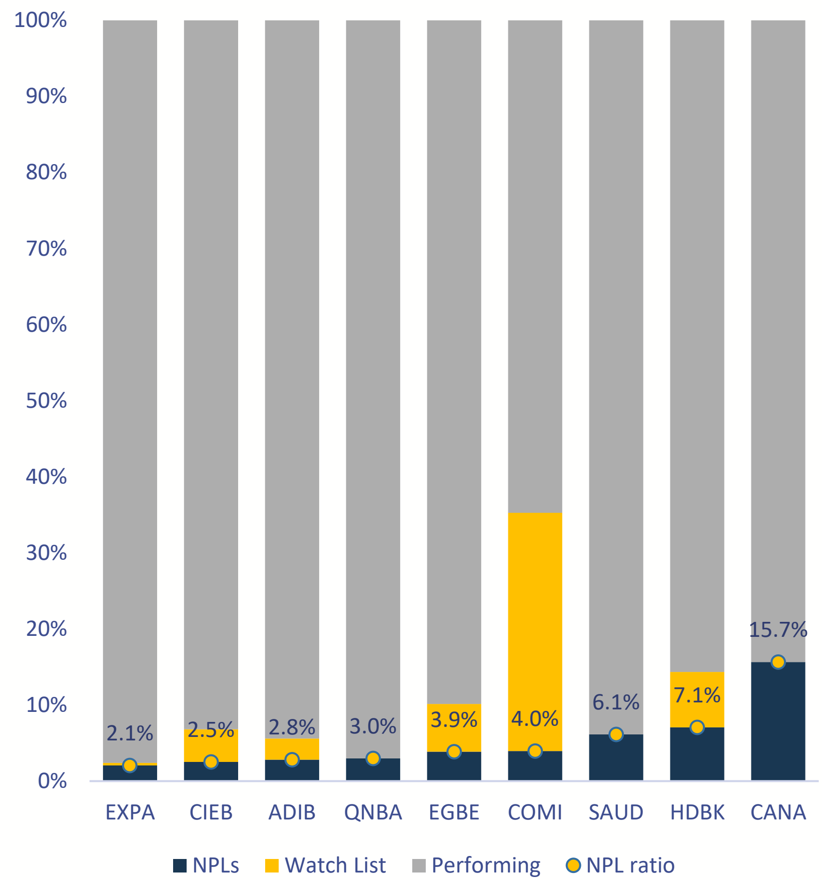


Source: Banks financial statements and Pharos Research

VI. Balance Sheet | Asset Quality

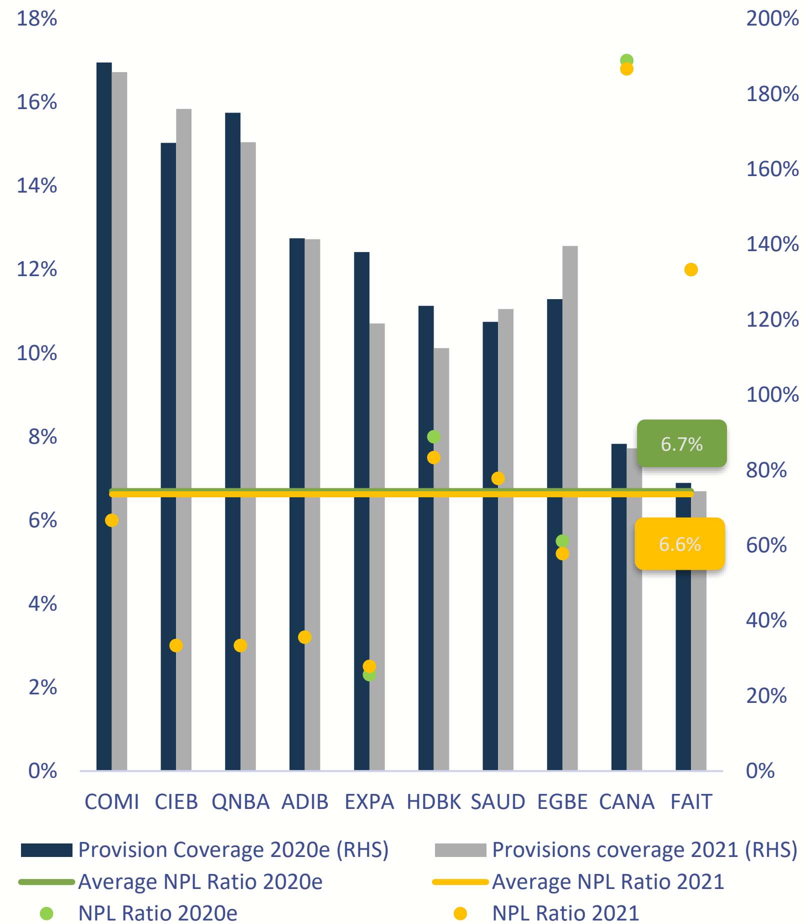
- EXPA, CIEB, QNBA and ADIB have the lowest NPL ratio while CANA and FAIT have the highest as of Sep 2020.
- COMI's watch list is alarming. If added to NPL ratio it would shoot to 35% from 4.0% of total portfolio.
- The average NPL ratio among our coverage universe stands at 6.7% in 2020e, largely skewed by CANA's NPL ratio of 17% and FAIT's of 12%. Excluding CANA and FAIT, the average NPL ratio becomes 4.8%.
- We anticipate that the NPL ratio will remain stable in 2021, across all banks, and our coverage universe average would then record 6.6%.
- Our coverage universe has a solid provisions coverage of 134% in 2020e, which normalizes to 132% in 2021. FAIT and CANA are the only ones with coverage ratios below 100%.

Portfolio quality breakdown, %



Data as of Sep-2020
QNBA and SAUD do not report watch list category. FAIT does not disclose a breakdown of asset quality
Source: Banks financial statements and Pharos Research

Non-Performing Loans (NPL), %

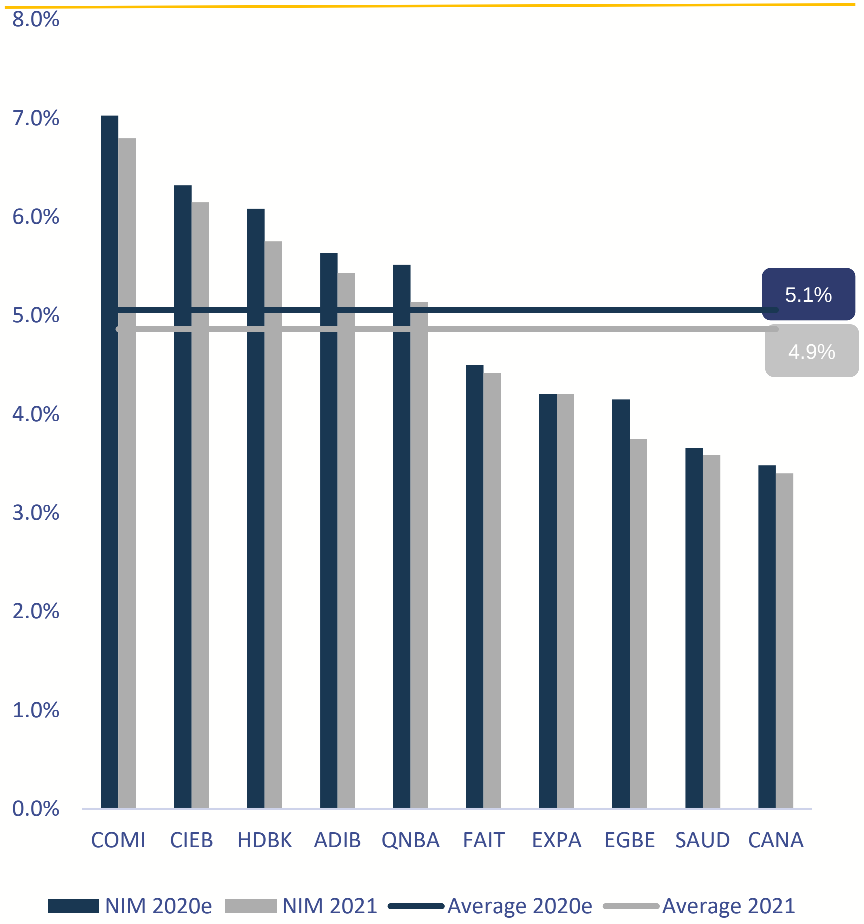


Source: Banks financial statements and Pharos Research

3. Income Statement | Banking Revenue

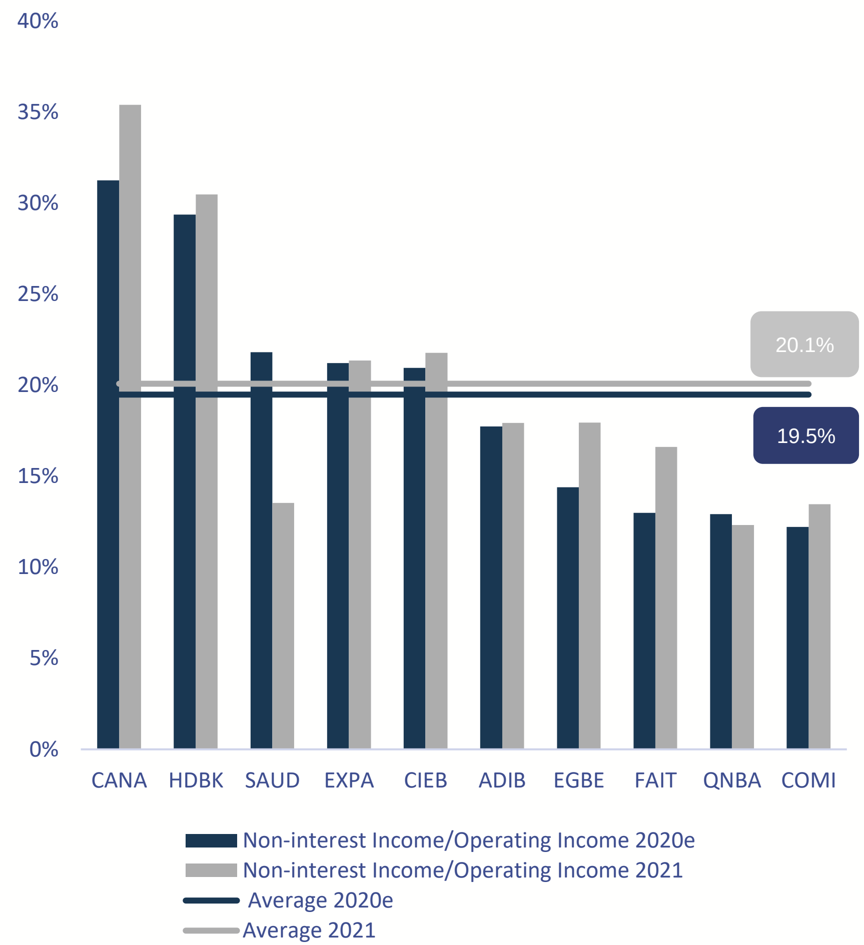
- COMI, CIEB, HDBK, ADIB, and QNBA enjoyed the highest margins as they came above our universe average of 5.1% in 2020e, due to high reliance on either wide base low-cost deposits or treasury investments.
- CANA, SAUD, EGBE and EXPA witnessed the tightest margins due to low treasury exposure, low retail lending, or weak base of low-cost funding.
- We expect margins to decline, on rate cuts and lower treasury exposure, along with higher focus on corporate capex financing.
- CANA has the most diversified operating revenue base in 2020e with a non-interest income contribution of 31%. This is partially a spike, created by the sale of non-core investments which we expect to continue in 2021. HDBK demonstrated high diversification as well, due to real estate operations supporting non-interest income.
- We expect non-interest income to show a slightly higher contribution to operating income in 2021 among most banks, with a universe average of 20% in 2021, up from 19% 2020e. This should happen as the CBE initiative of removing transaction fees ends on December 31, 2020 and as lending and trading activity pick up.

Net Interest Margin (NIM)



Source: Banks financial statements and Pharos Research

Non-Interest income/ Operating Income

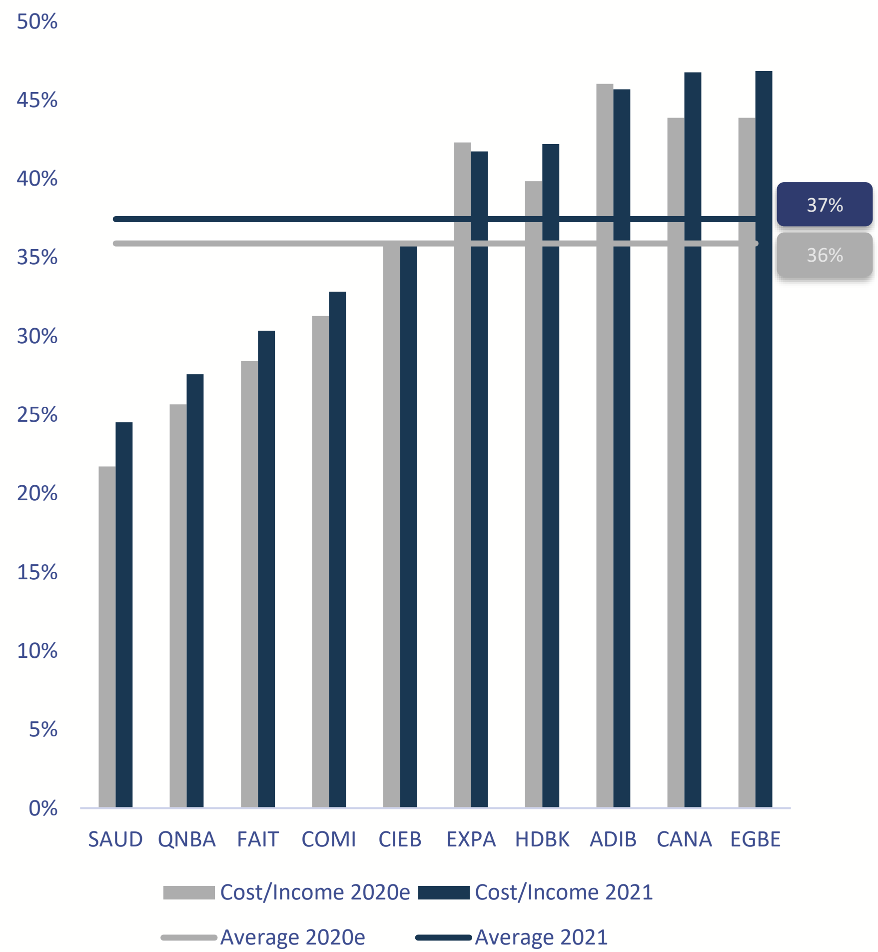


Source: Banks financial statements and Pharos Research

I. Income Statement | Efficiency and Profitability

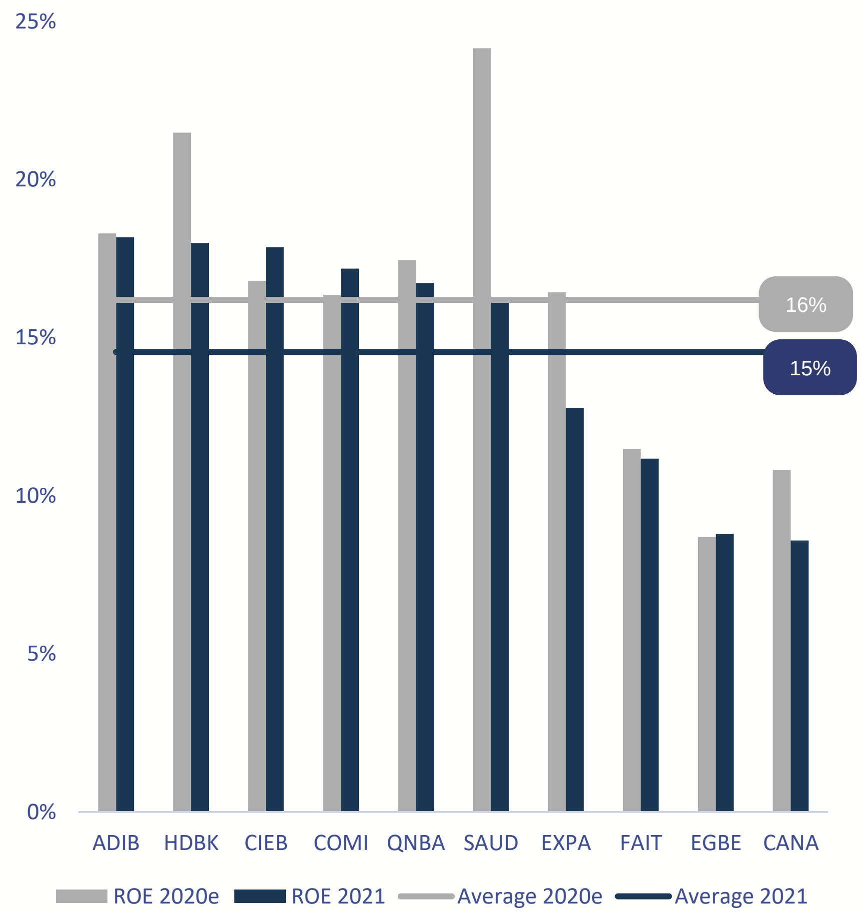
- SAUD, QNBA, FAIT, COMI, and CIEB came in as the most efficient banks with a cost to income ratio below our universe average of 37% in 2021f.
- Universe average efficiency to slightly decrease by 100bps in 2021f versus 2020e, on faster growth of revenues than costs.
- ADIB, HDBK, and CIEB should offer the highest ROE in 2021, among our coverage universe, recording 18%.
- ROE is expected to worsen in 2021, recording an average of 15%, due to a decline in 2021 profits of SAUD, CANA, EXPA and HDBK, created by a higher comparable base boosted by one-off income like in case of SAUD and CANA, or very low booked provisions like in EXPA (provisions reversal) and HDBK, which to us means delayed spike in provisions to 2021.

Cost to Income, %



Source: Banks financial statements and Pharos Research

Return on Equity (ROAE), %



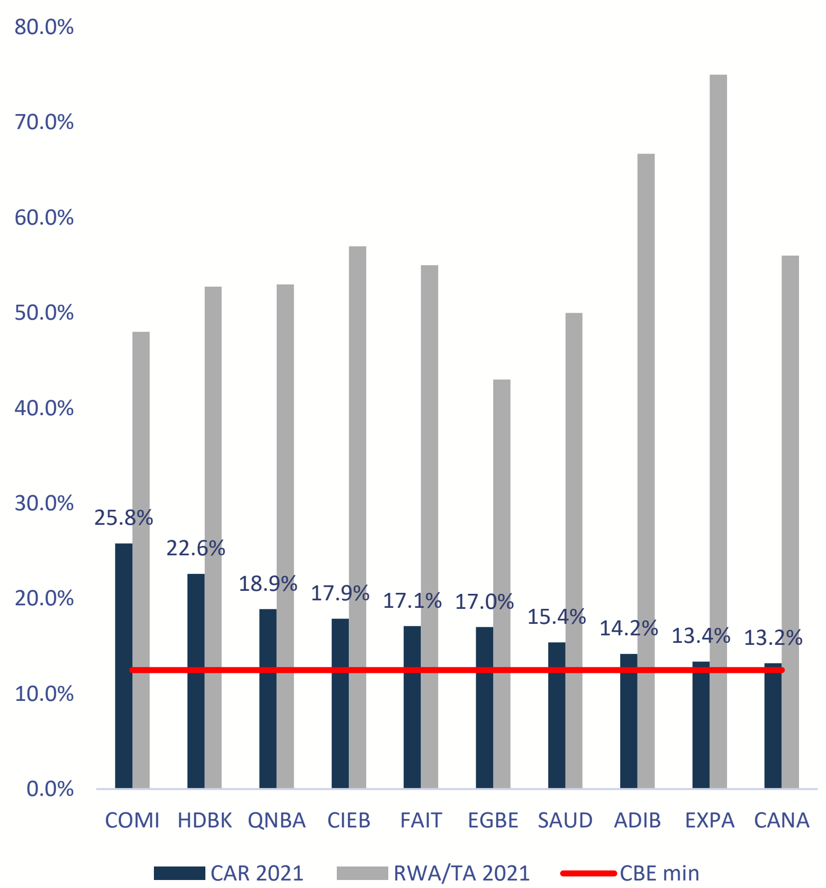
Source: Banks financial statements and Pharos Research

4. Capital Adequacy

- EXPA, CANA, and ADIB may need to raise capital in 2021 or will have to control asset growth to remain above the minimum required CAR of 12.5%.

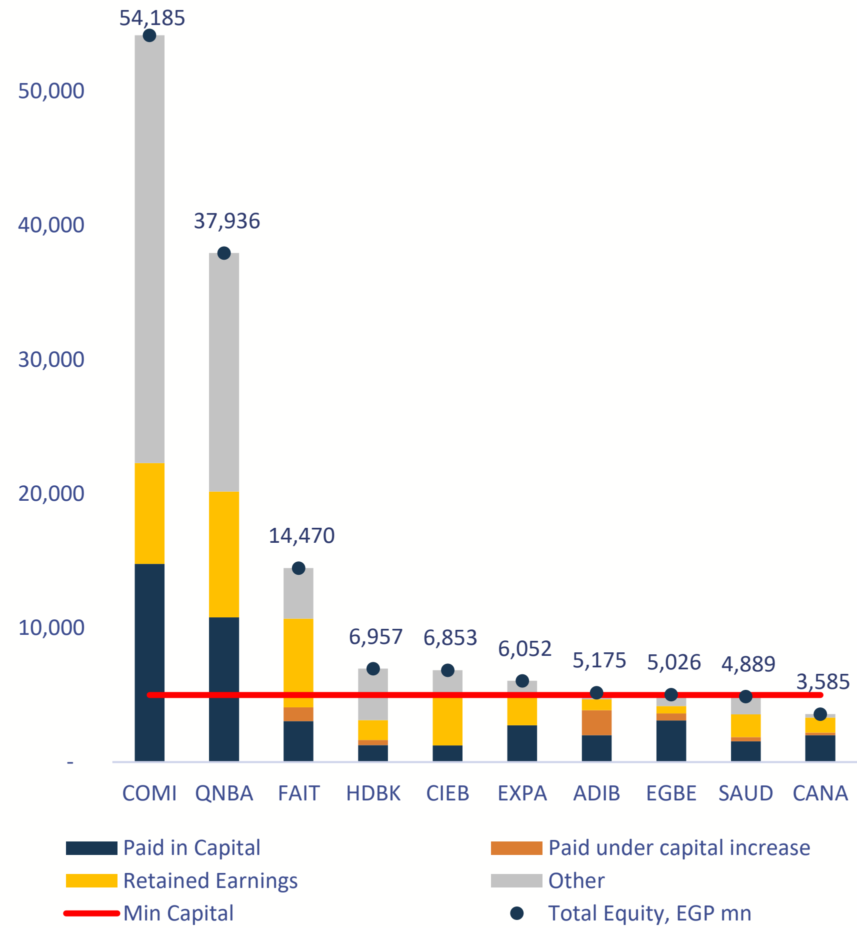
- Paid in capital for some banks under or coverage fall below the minimum required capital by the new banking law of EGP 5.0 billion. However, in 3 years' time, we expect the retained earning to have closed the gap for most of them, *expect for CANA where a rights issue will be inevitable.*

Capital Adequacy Ratios (CAR), %



Source: Banks financial statements and Pharos Research

Paid in Capital (as of Sep 2020), EGP mn



Source: Banks financial statements and Pharos Research

5. Taxes and Impact on Profits

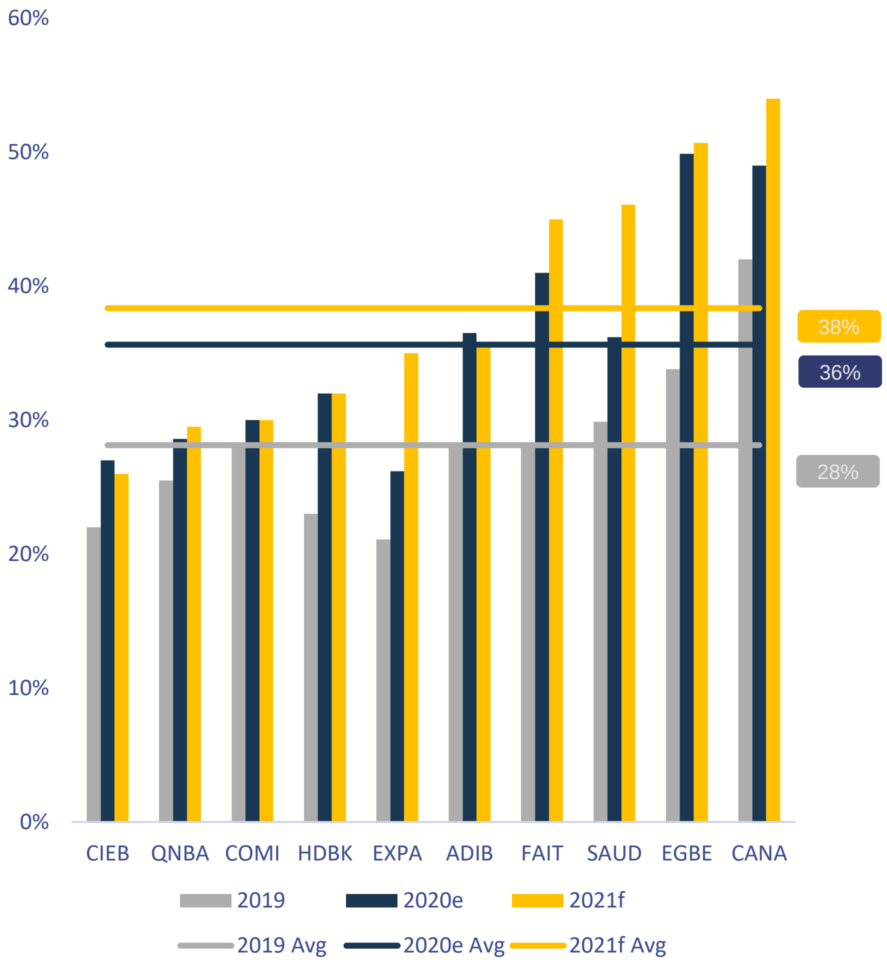
- New tax amendments started to be applied on new treasury investments in 2019 after its passage in February 2019. The impact was clear on the average tax rate for coverage universe in 2020 (36%) versus that recorded in 2019 (28%).

- We expect that CANA, EGBE, SAUD, and FAIT will pay the highest effective tax rate in 2021f. Average effective tax rate for our universe records 38% in 2021 versus 36% in 2020e and 28% in 2019, due to the application of the new tax law and excess provisions that were booked in 2020e. We expect a similarly high tax rate to exist in 2021. It is notable that excess or precautionary provisions are not tax deductible. Banks pay taxes, after disregarding extra provisions that are not taken against actual default or deterioration in asset quality. This effectively increases income taxes and decrease bottom line causing an inflated effective tax rate.

- COMI, EGBE and CANA recorded the highest COR in 2020e of 3.2%, 2.4%, and 1.8% respectively, above the universe average of 1.4%. While EXPA made provisions reversal and we expect HDBK to book very low provisions by year end.

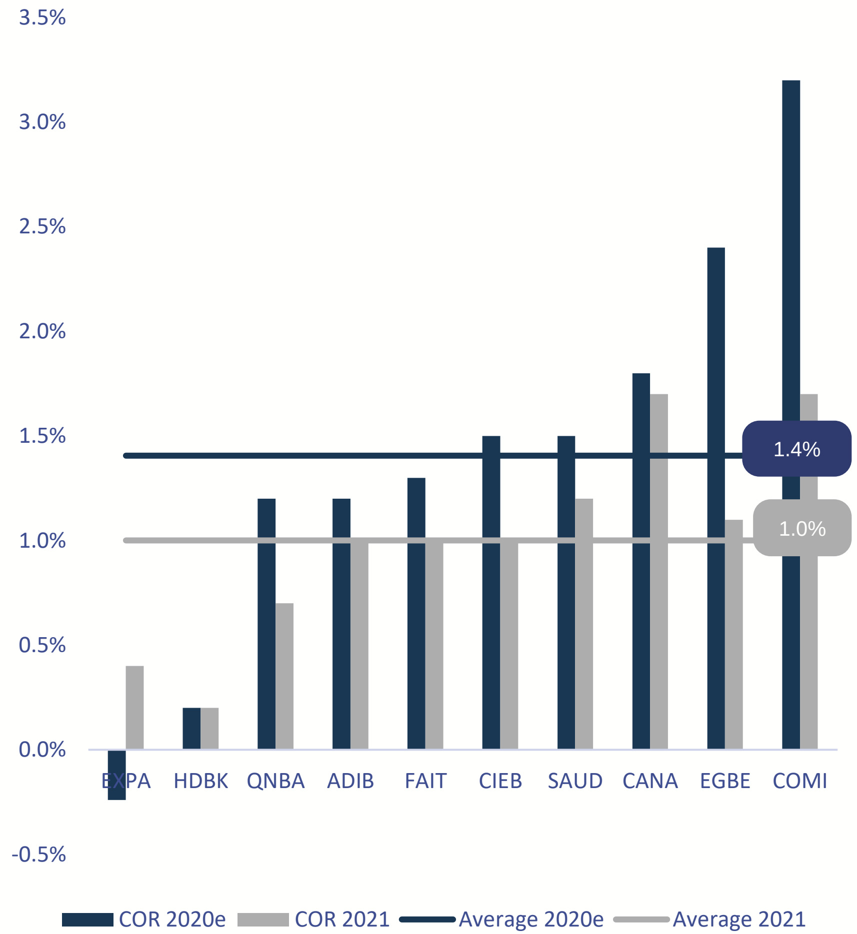
- We expect to see high provisions in 2021 but lighter than 2020e, with universe average COR of 1.0%, which would contribute to inflating the effective tax rate, as explained above.

Effective Tax Rate 2019-2021, %



Source: Banks financial statements and Pharos Research

Cost of Risk (COR), %

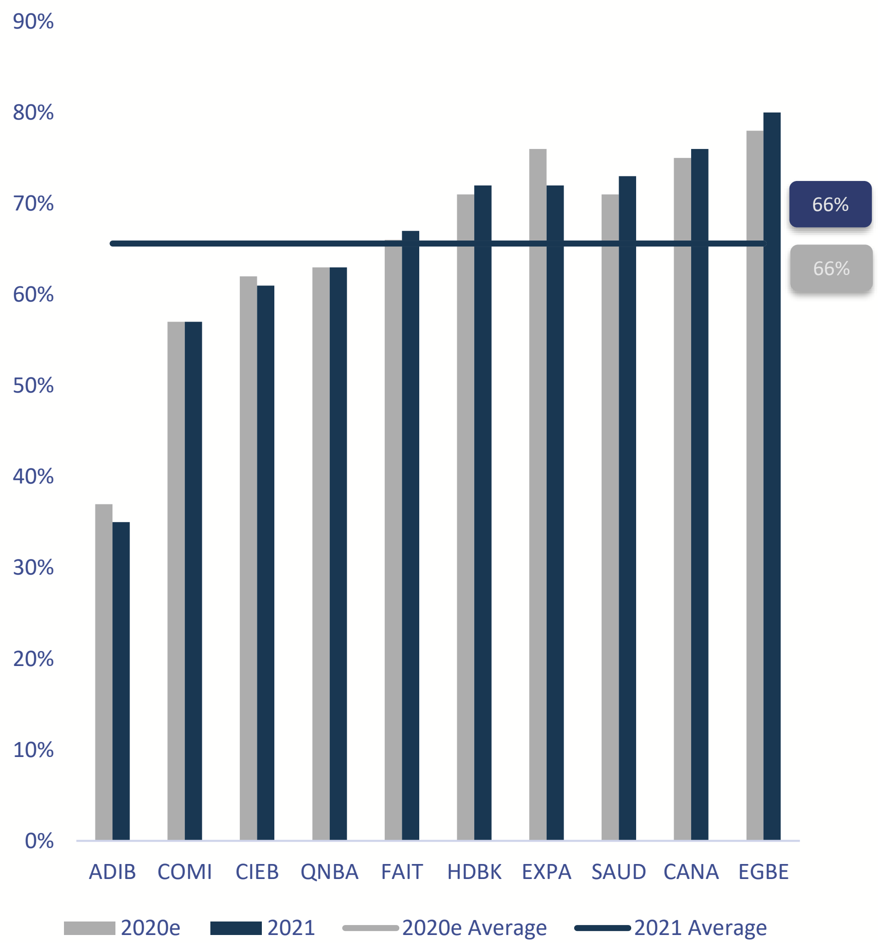


Source: Banks financial statements and Pharos Research

I. Taxes| Worst and Best Positioned

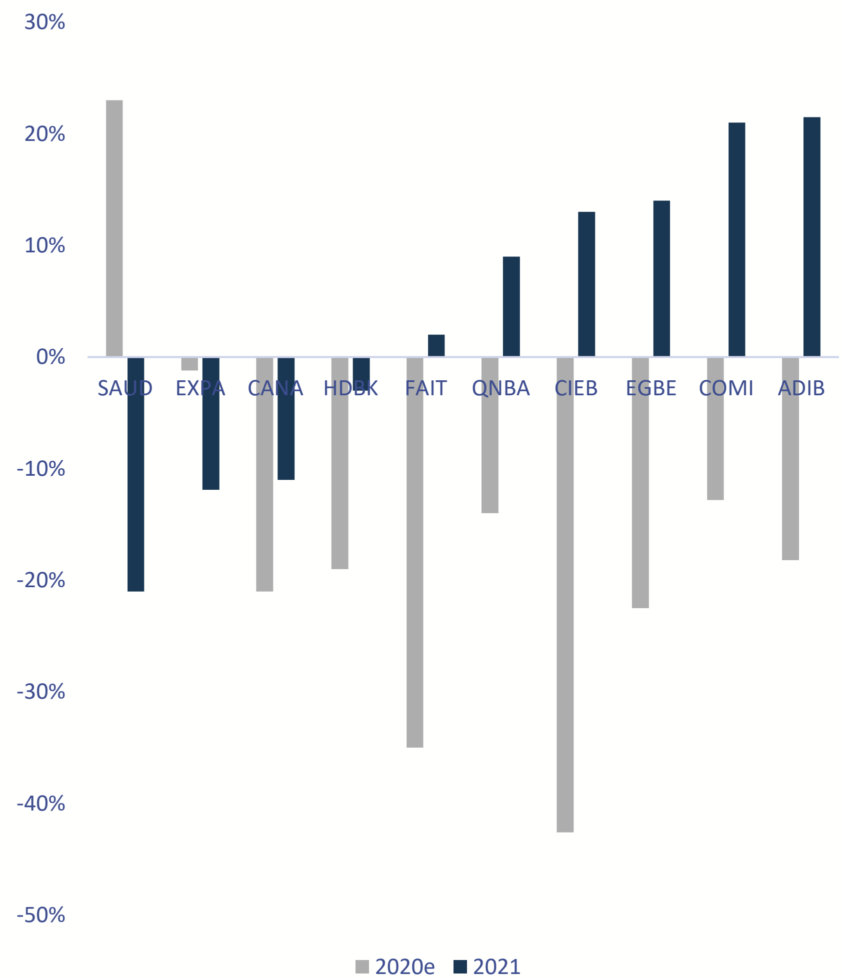
- Banks with high cost-ratio, headed by EGBE and CANA, will be at a disadvantage in 2021 due to the new tax treatment.
- Net profits for many banks under our coverage will fall in 2020e except for SAUD, due to high "other operating income", which represents more than 25% of bottom line. Bottom line will fall by 4% if we adjust for it.
- In 2021, banks with stronger lending ability, better asset quality, high coverage, and lower cost ratio (lower effective tax rate) will have their profits grow while others will lag. Growth in profit will be highest for ADIB, COMI, EGBE and CIEB.

Cost Ratio by Ministry of Finance, %



Source: Banks financial statements and Pharos Research

Bottom Line Growth 2020e-2021f, %



Source: Banks financial statements and Pharos Research

2021 Individual Fundamental Review

1. Commercial International Bank (COMI) | Overweight

Trading Data

Reuters / Bloomberg: c	COMI.CA/COMI EY
Market Cap, EGP m:	88,483.56
52W H-L, EGP/Share:	86.91 – 56.06
Last Price, EGP/Share:	59.88
Fair Value, EGP/Share:	80.00
52W ADTV, EGP m:	140.67
Valuation Gap:	33.6%
Shares Outstanding, m:	1,477.7
Free Float	99.81%

Pitch

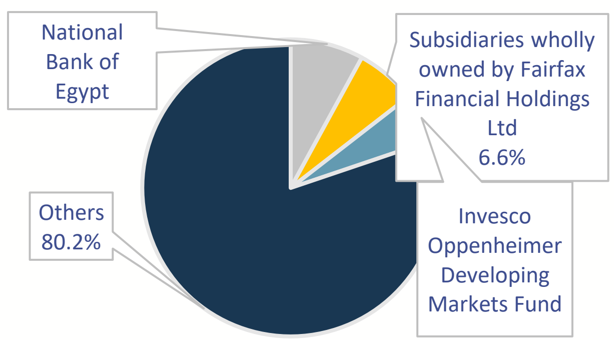
CIB continues to be the perfect proxy for the macro transformation story in Egypt. Its one of the big five private banks in Egypt with a rep office in Ethiopia and a 51% stake in Kenya's Mayfair Bank*, which anchors CIB's expansion into the East African region and benefit from the trade and investment ties between Kenya and Egypt. However, the stock has been under pressure after the stepping down of the Chairman as per the CBE request on some violations. We believe that the story had a much higher impact on the stock than what fundamentals warrant, and it has been overshadowing stock price performance. The bank is working with a new independent international advisor to identify current possible shortcomings, if any, within the bank's compliance and internal control processes in order to develop a remedy plan. By the end of 1Q21, management expects to be able to share the details and action plan and management expects some financial impact from the ongoing remedies, but they don't see significant impact or overshooting in the cost to income ratio. The bank is well capitalized and is to deliver ROAE of 17% on strong NIM of 6.8% in 2021.

COMI is trading at P/E21 of 8.1x, and P/B21 of 1.3x, which is below its historical average P/B of 2.8x between 2004-2020, below the historical "good-times" average P/B of 3.0x, and of course much below its historical-high P/B of 4.4x P/B. T*his confirms a good entry point at the current levels.*

Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 22%, deposits at 16%, and treasury investments at 13% so that LDR ratio reaches 59% in 2025, up from 41% as of Sep 2020. We project that treasury investments would start declining as a percentage of assets on the back of the implementation of the new tax treatment and to start being substituted by lending after meaningful rate cuts, reaching 38% in 2025 down from 43% as of June 2020. We estimate margins to decline gradually, dropping from 7.0% in 2020e to 6.2% in 2025, but remain healthy supported by high yield LT Treasury bonds and the accumulation of low-cost deposits (interest-free deposits stood at 15% in Sep-20, CASA at 53%).

Non-interest income is expected to grow at a CAGR of 20%, with lending growth revival, to reach 16% of operating income in 2025, up from 12% in 2020e. Risk weighted Assets (RWA) would grow at a CAGR of 14% with Capital Adequacy Ratio (CAR) staying comfortably above the minimum required by the CBE despite a sustained payout ratio of 16%.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Positive impact on margins from retail lending, which would reduce pressure on NIM
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment
- Expansion plans in Africa

Downside Triggers

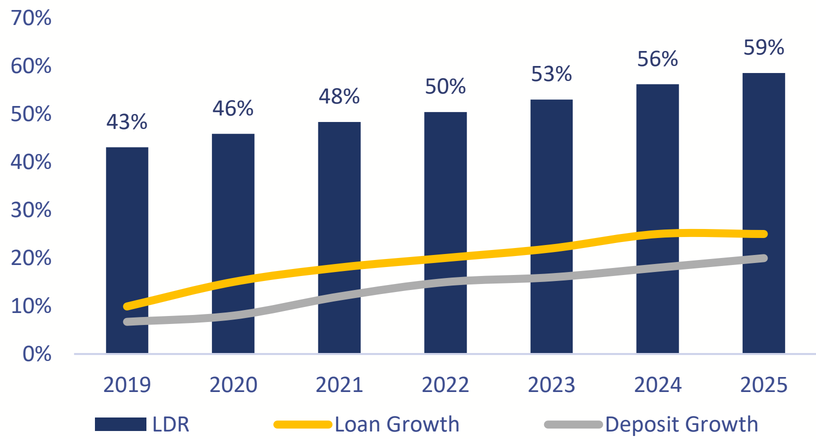
- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality
- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- More strict CBE regulations on the banking sector that might pressure profitability

*Mayfair bank started up in August 2017, controls just 0.2% of the Kenyan market by having a network of five branches.

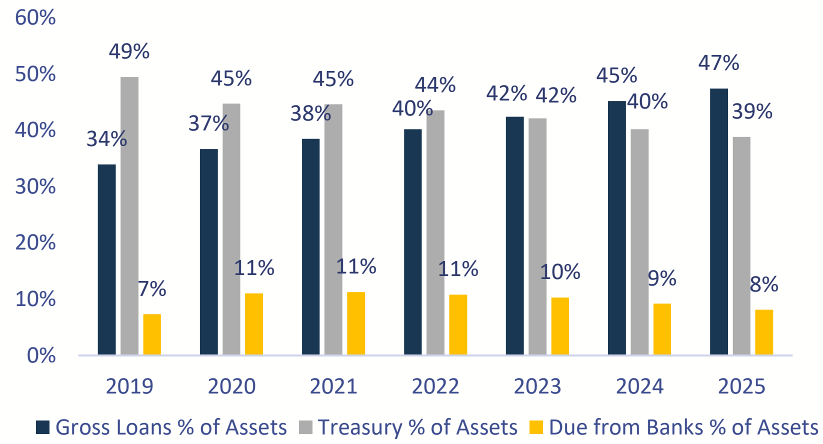
I. COMI Balance Sheet| LDR to improve; Strong capital base to sustain growth

- We project lending would grow at a CAGR of 22% over our forecast horizon (2020-2025) versus 20% over 2014-2019 to reach EGP407 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 13% over the same period versus 22% over 2014-2019, to reach EGP333 billion in 2025.
- On the funding side, we expect customer deposits to increase at a CAGR of 16%, over our forecast horizon, to reach EGP696 billion by 2025. Since customer deposits are growing at a slower pace than loans, we expect that the LDR ratio to rise from 42% as of Sep 2020 to stand at 59% in 2025.
- We project NPLs to grow at a CAGR of 12% over 2020-2025 stabilizing at 4.0% of gross loans by 2025, where COR normalizes over time and records an average of 1.5% and results in an average NPL coverage of 200% over our forecast horizon.
- CAR is expected remain high above the CBE minimum even with a maintained dividend payout ratio of 16%.

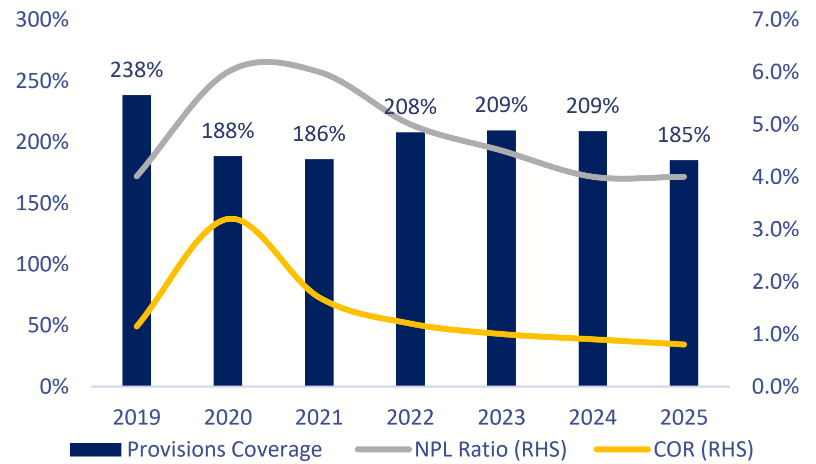
Loans and deposits grow at a CAGR of 22% and 16%, respectively; LDR reaches 59%



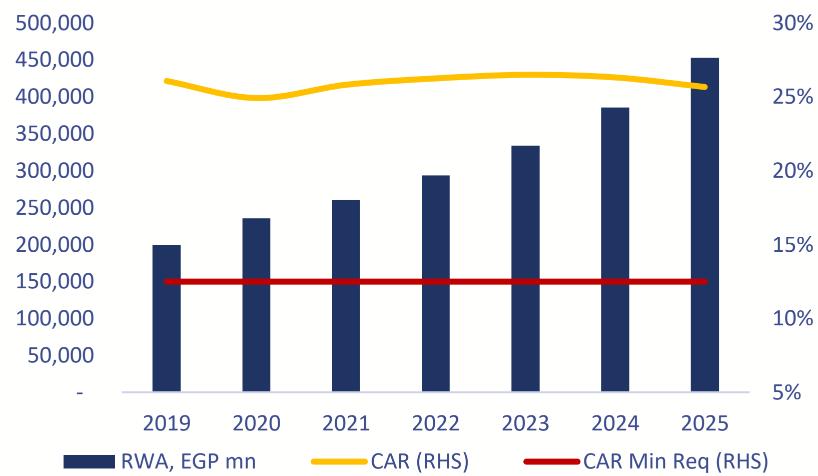
Gross loans to assets should surpass treasury allocation starting 2023, coupled with lower interbank deposits



NPL ratio to decline to 4% in 2025; Coverage records an average of 199%, with a normalizing COR to 0.8% in 2025



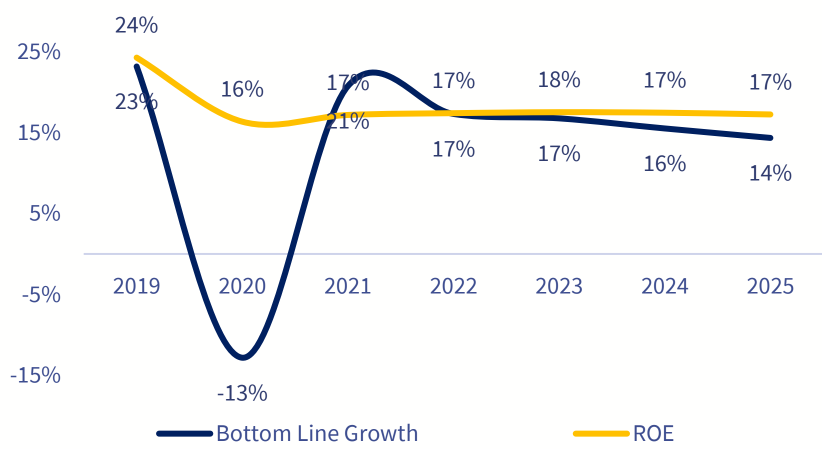
RWA grow at a CAGR of 14%; CAR remains above the CBE minimum over our forecast horizon



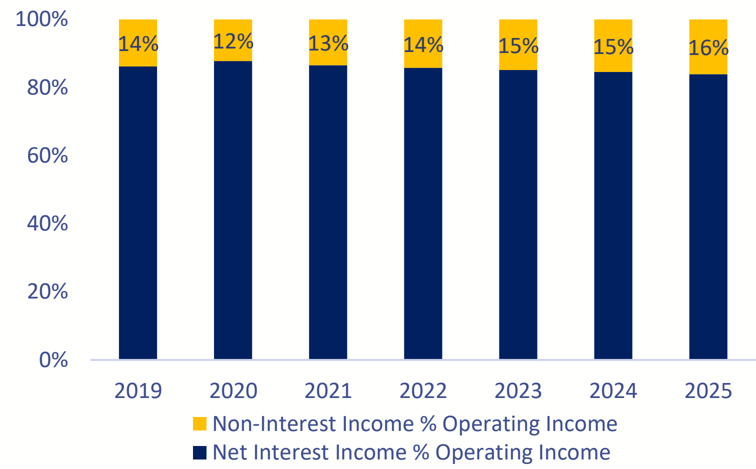
II. COMI Income Statement| Declining but resilient margins supported by LT bonds; Efficiency to slightly decline

- Bottom line to grow, according to our estimates, at a CAGR of 17% over 2020-2025, dragged by 2020 performance.
- Non-interest income is forecasted to gradually constitute 16% by 2025 from the current 12% in 2020e, which is still lower than 2012-2019 average of 23%, growing at a CAGR of 20%.
- COMI's cost to income ratio to record 31% in 2020e. We project the bank's opex to grow at a CAGR of 16% and operating income at a CAGR of 14%; therefore, cost to income ratio will gradually increase to reach 35% by the end of our forecast horizon.
- Due to COMI's increased treasury exposure coupled with controlled funding costs, the bank recorded a relatively high NIM of 7.0% in 2020e. However, we estimate margins will start to decline in 2021, to finally reach 6.2% in 2025. This is still perceived to be high due to a 2018 year-end accounting adjustment which caused unearned interest of non-performing loans to appear in interest income and booked provisions, rather than appearing on a separate account called unearned interest that is deducted from gross loans.

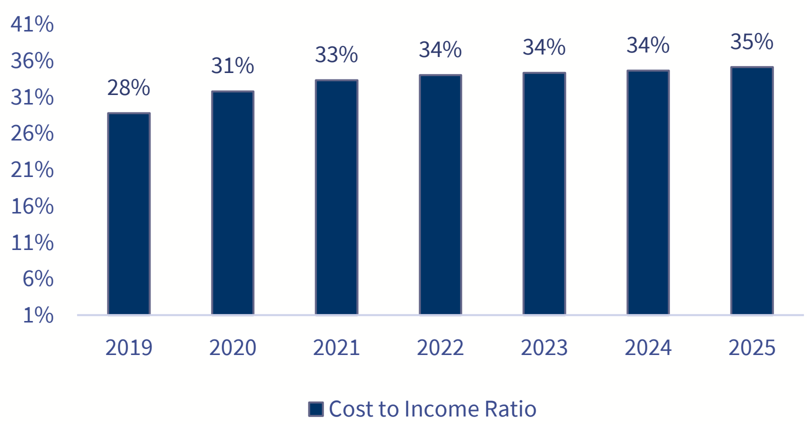
Bottom line declines on provision surge then normalizes; ROE averages 17% (2020-2025)



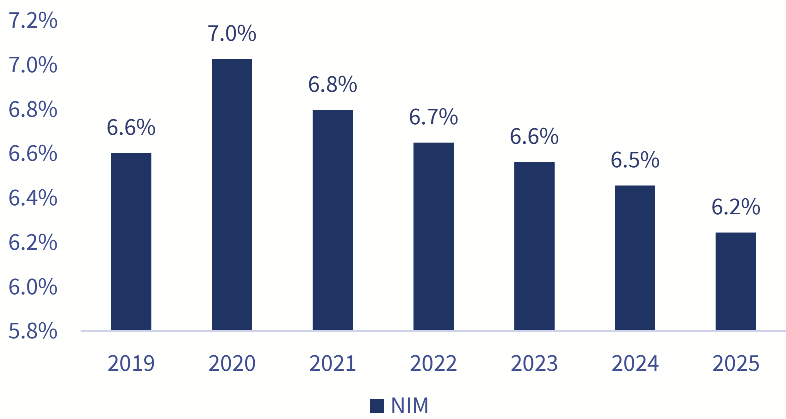
Non-interest income contribution to total operating income to rise from 12% in 2020e to 16% in 2025f



Cost to income ratio is expected to increase on faster growth in opex than revenues; Hovers around 33%



NIM in 2020e to strengthen supported by LT bonds then gradually declines to reach 6.2% in 2025



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III. COMI Taxes| A shift in investment strategy and low cost-ratio provide support to bottom line against new tax treatment

- Average effective tax rate over our forecast horizon is 29% up from an average of 28% over 2015-2019.

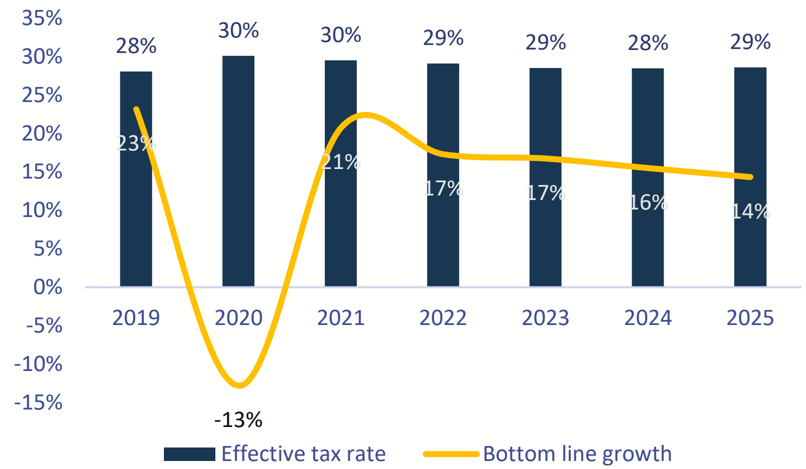
- COMI's cost ratio over 2020-2025, records 57% on average on controlled cost of funds.

	2020	2021	2022
-(Interest Exp	(17,020)	(17,028)	(19,300)
+Admin Exp	(6,059)	(7,270)	(8,725)
+Other op Exp)	(2,872)	(2,929)	(3,075)
÷			
(Interest Income	42,080	43,918	49,504
+Non-interest income)	3,485	4,182	5,018
Cost Ratio	**57%**	**57%**	**57%**

- We segmented the bank's income statement into two, based on the MoF executive regulations, which splits expenses based on a given calculation for the cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- COMI's paid-in capital is adequately above the new minimum requirement.

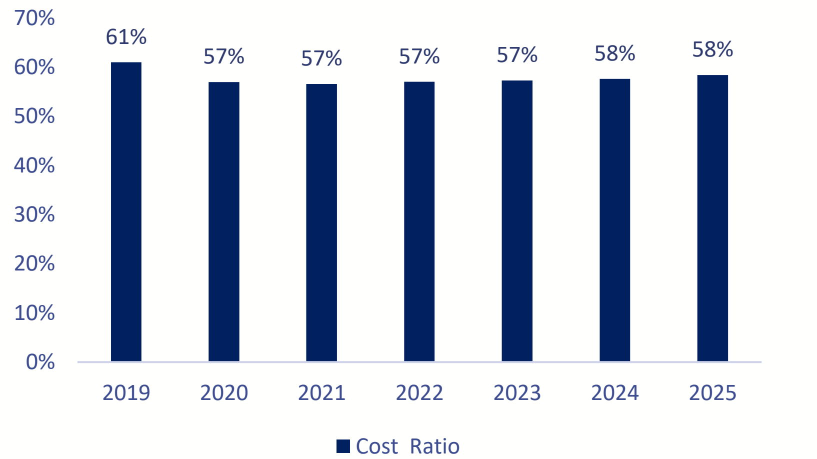
Bottom lines grows healthily as effective tax rate stabilizes; Effective tax rate records an average of 29%



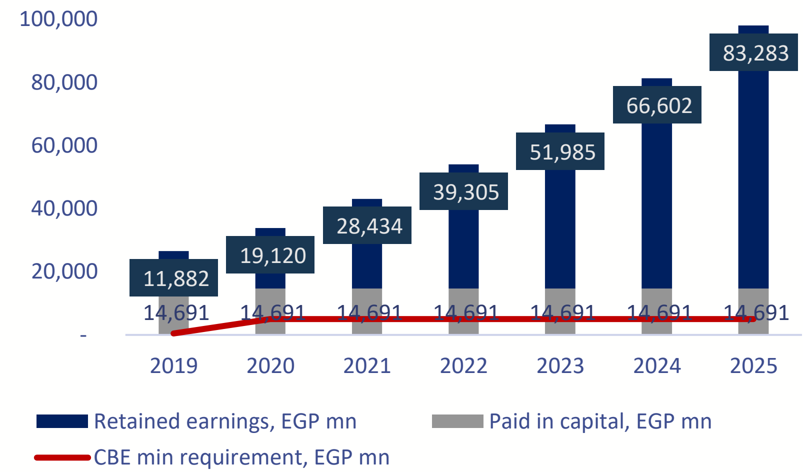
Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024
Interest on new Treasuries	14,750	16,479	17,823	18,747	21,288
Expenses on Treasury	(6,720)	(7,463)	(8,133)	(8,594)	(9,818)
EBT- Treasury	**8,029**	**9,016**	**9,689**	**10,152**	**11,470**
T.bill Tax	**(2,950)**	**(3,296)**	**(3,565)**	**(3,749)**	**(4,258)**
Interest Income-Banking	27,330	27,439	31,681	37,950	44,233
Total Expenses -Banking	(23,745)	(22,562)	(25,318)	(29,719)	(34,760)
Non-Interest Income	3,485	4,182	5,018	6,022	7,226
EBT-Banking	7,070	9,059	11,381	14,252	16,699
Corporate tax	(1,591)	(2,038)	(2,561)	(3,207)	(3,757)
Total EBT	**15,100**	**18,075**	**21,070**	**24,405**	**28,169**
Total Income Tax	(4,541)	(5,334)	(6,125)	(6,956)	(8,015)
Effective Tax Rate	**30%**	**30%**	**29%**	**29%**	**28%**

COMI's cost ratio stabilizes over time; Records an average of 57% (2020-2025)



COMI's paid-in capital is already above the CBE's new minimum requirement of EGP5 billion



IV. COMI| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement EGP million							
Net Interest Income	21,579	25,060	26,890	30,203	34,454	39,537	45,166
Non-Interest Income	3,474	3,485	4,182	5,018	6,022	7,226	8,671
Operating Income	25,053	28,545	31,071	35,221	40,476	46,763	53,837
Loan-Loss Provisions	(1,435)	(4,515)	(2,797)	(2,351)	(2,372)	(2,640)	(2,933)
Operating Expenses	(7,082)	(8,930)	(10,199)	(11,800)	(13,699)	(15,954)	(18,636)
Net Profit Before Taxes	16,535	15,100	18,075	21,070	24,405	28,169	32,268
Net Profit After Taxes	11,801	10,559	12,741	14,945	17,449	20,154	23,043
Net Attributtable Profit	10,444	9,075	10,957	12,853	15,006	17,332	19,817
Growth y/y	18%	-16%	11%	12%	21%	21%	14%
Balance Sheet EGP million							
Cash & Due from Central Bank	28,274	34,136	31,474	36,537	41,494	51,499	63,365
Due from banks	28,353	45,365	52,170	57,387	63,126	66,282	69,596
Financial investments securities	197,542	185,636	207,976	232,871	260,585	291,404	334,895
Loans & Discounts, gross	131,244	150,931	178,098	213,718	260,736	325,920	407,400
Loans & Discounts, net	119,321	133,874	158,244	191,513	236,159	298,703	377,250
Total Assets	386,742	411,727	462,797	531,464	614,750	721,513	858,978
Due to Banks	11,811	8,267	9,094	10,004	11,004	12,655	15,185
Customer Deposits	304,448	328,804	368,261	423,500	491,260	579,687	695,624
Total Liabilities	334,862	352,609	394,364	452,160	522,767	614,912	735,696
Total Net Worth	51,880	59,119	68,433	79,303	91,983	106,601	123,282
Key Indicators							
NIM	6.6%	7.0%	6.8%	6.7%	6.6%	6.5%	6.2%
Non-interest income/Op income	13.9%	12.2%	13.5%	14.2%	14.9%	15.5%	16.1%
OPEX-to-assets	1.9%	2.2%	2.3%	2.4%	2.4%	2.4%	2.4%
Cost-to-Income	28.3%	31.3%	32.8%	33.5%	33.8%	34.1%	34.6%
Cost of Risk	1.1%	3.2%	1.7%	1.2%	1.0%	0.9%	0.8%
ROAE	24.3%	16.4%	17.2%	17.4%	17.5%	17.5%	17.2%
ROAA	2.9%	2.3%	2.5%	2.6%	2.6%	2.6%	2.5%
CAR	26.1%	24.9%	25.8%	26.3%	26.5%	26.3%	25.7%
Treasury Exposure	49.4%	44.7%	44.6%	43.5%	42.1%	40.2%	38.8%
LDR	43.1%	45.9%	48.4%	50.5%	53.1%	56.2%	58.6%
NPL Ratio	4.0%	6.0%	6.0%	5.0%	4.5%	4.0%	4.0%
Provisions Coverage	238.4%	188.4%	185.8%	207.8%	209.5%	208.8%	185.0%

	2019a	2020f	2021f	2022f	2023f	2024f	2025f
Multiples							
Net Income, EGP mn	11,801	10,559	12,741	14,945	17,449	20,154	23,043
Net Atributable Income*, EGP mn	10,444	9,075	10,957	12,853	15,006	17,332	19,817
Book Value, EGP mn	51,880	59,119	68,433	79,303	91,983	106,601	123,282
ROAE, %	24%	16%	17%	17%	18%	17%	17%
EPS, EGP	7.07	6.14	7.42	8.70	10.15	11.73	13.41
P/E, x	8.5	9.7	8.1	6.9	5.9	5.1	4.5
BVPS, EGP	35.11	40.03	46.36	53.72	62.30	72.19	83.48
P/B, x	1.7	1.5	1.3	1.1	1.0	0.8	0.7
DPS, EGP	0.99	1.24	1.08	1.34	1.57	1.84	2.12
Dividend Yield	1.6%	2.1%	1.8%	2.2%	2.6%	3.1%	3.5%
Payout ratio	15.2%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Implied P/E, x	11.3	13.0	10.8	9.2	7.9	6.8	6.0
Implied P/B, x	2.3	2.0	1.7	1.5	1.3	1.1	1.0
EPS Growth	0.2	(0.1)	0.2	0.2	0.2	0.2	0.1
*Post minority and appropriations							
Cost of Equity Assumptions							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate							
Valuation							
Net Attributable Income			10,957	12,853	15,006	17,332	19,817
+Non cash items (Depreciation)			643	708	778	856	942
-Capital charge			(3,111)	(4,168)	(5,045)	(6,455)	(8,363)
Cash flow to shareholders			8,489	9,393	10,739	11,734	12,396
PV of ECF			7,318	7,202	7,364	7,096	6,610
Sum of PV	35,590						
Terminal value	154,948						
Discounted terminal value	82,627						
Valuation	118,217						
Number of shares	1,478						
FV/Share, EGP	**80.00**						

2. QATAR NATIONAL BANK ALAHLI (QNBA) | OVERWEIGHT

Trading Data

Reuters / Bloomberg:	QNBA.CA/QNBA EY
Market Cap, EGP m:	36,955.21
52W H-L, EGP/Share:	23.54 – 14.29
Last Price, EGP/Share:	17.15
Fair Value, EGP/Share:	26.26
52W ADTV, EGP m:	1.71
Valuation Gap:	53.1%
Shares Outstanding, m:	2,154.8
Free Float	5.0%

Pitch

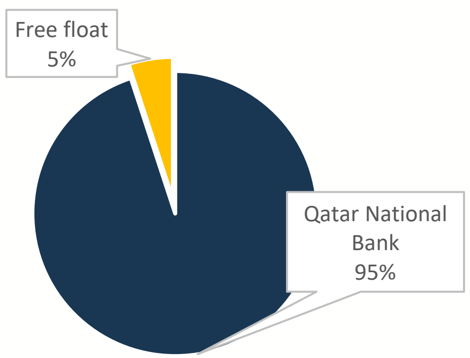
The bank's financial soundness coupled with its high market share make it a direct competitor to COMI. Unlike COMI, QNBA has a one of the highest loan-to deposit (LDR) ratios in the market which makes it a little less profitable than COMI which deploys a huge portion of its funds in treasury investments and interbank deposits. However, that conveys the bank's strong corporate connections and lending ability amidst weak lending environment, and ensures earnings sustainability when rates go down or when treasury investments decrease. The bank's balance sheet structure enjoys a good percentage of cheap deposits where CASA stands at 34% as of Sep-2020.

QNBA is trading at attractive multiples, with P/E21 of 5.2, and P/B21 of 0.8x, which is below COMI's P/E21 of 8.1x, and P/B21 of 1.3.x penalized by its low free float (5%) and low daily traded volumes.

Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 21%, deposits at 20%, and treasury investments at 12% so that the LDR ratio reaches 78% in 2025 from 74% as of Sep-20. We assume treasury investments would continue to decline as a percentage of assets post new tax treatment and to start being substituted by loans in 2021 after meaningful rate cuts, reaching 25% in 2025 from 33% in 2020e. We estimate margins to decline on rate cuts dropping from 5.5% in 2020e to 4.8% in 2025, however, stay solid supported by the growth of the high-margin retail lending (which constituted 18% of total loans as of Sep-20).

Non-interest income is expected to grow at a CAGR of 14% with lending growth revival, remaining mostly stable at 13% of operating income. Risk weighted Assets (RWA) would grow at a CAGR of 16% with Capital Adequacy Ratio (CAR) slightly getting pressured but staying comfortably above the minimum required by the CBE despite sustained dividend payout ratio of 23%.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Positive impact on margins from retail lending, which would reduce pressure on NIM
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

Downside Triggers

- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality resulting
- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- More strict CBE regulations on the banking sector that might pressure profitability

I. QNBA Balance Sheet| Leads in market share; Lags on profitability with lower treasury allocation

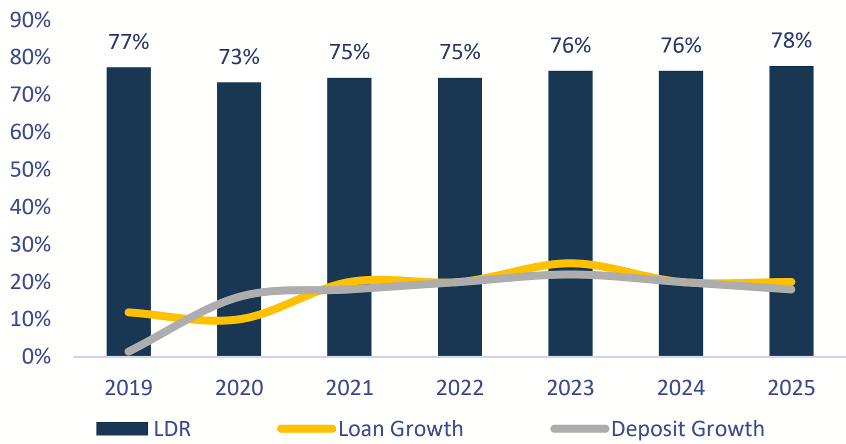
- We project lending would grow at a CAGR of 21% over our forecast horizon (2020-2025) versus 18% over 2016-2019 to reach EGP459 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 12% over the same period versus 8% over 2016-2019 and reach EGP180 billion in 2025.

- On the funding side, we expect customer deposits to increase at a CAGR of 20%, over our forecast horizon, to reach EGP590 billion by 2025. Since customer deposits are growing at a slower pace than loans, we expect that the LDR ratio will rise from 73% as of Dec-20 to stand at 78% in 2025 (+5 pps).

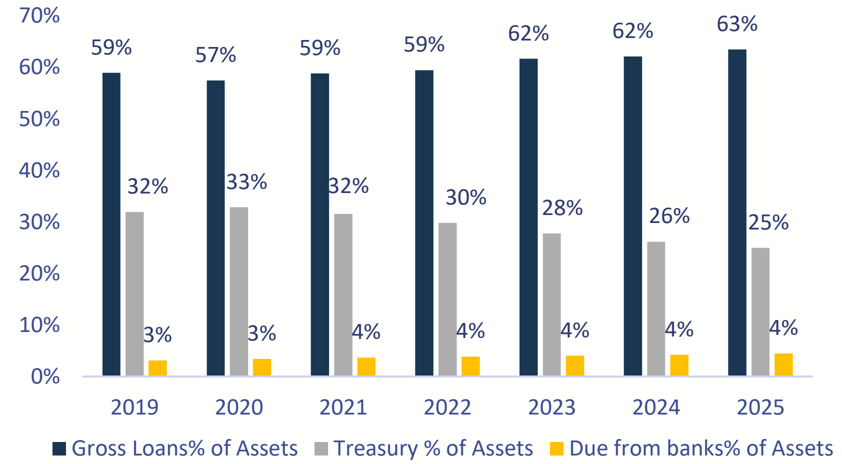
- We project NPLs to grow at a CAGR of 18% over 2020-2025 recording an average of 2.8%, with adequate provisioning north of 100% where COR eventually stabilizes at 0.5% at the end of our forecast horizon from 1.2% in 2020e.

- CAR is expected to slightly decline with lending pick up and maintained payout ratio of 23%. CAR is to record an average of 18.4%, but will remain well above the CBE minimum requirement of 12.5%.

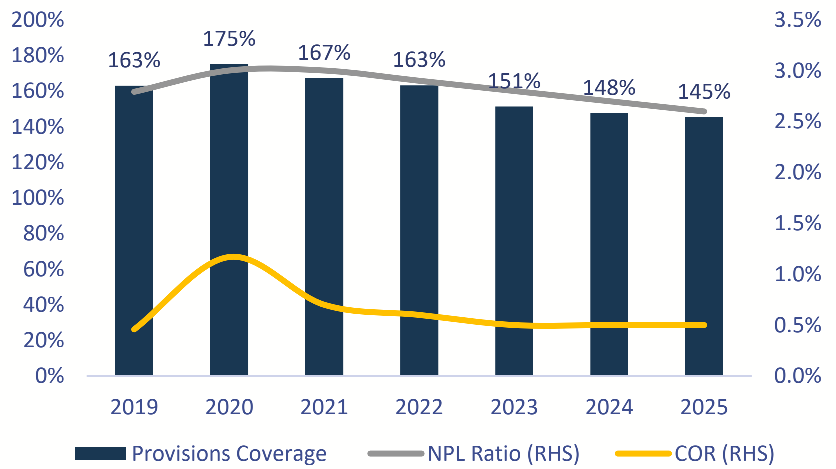
Loans and deposits grow at a CAGR of 21% and 20%, respectively; LDR reaches 78%



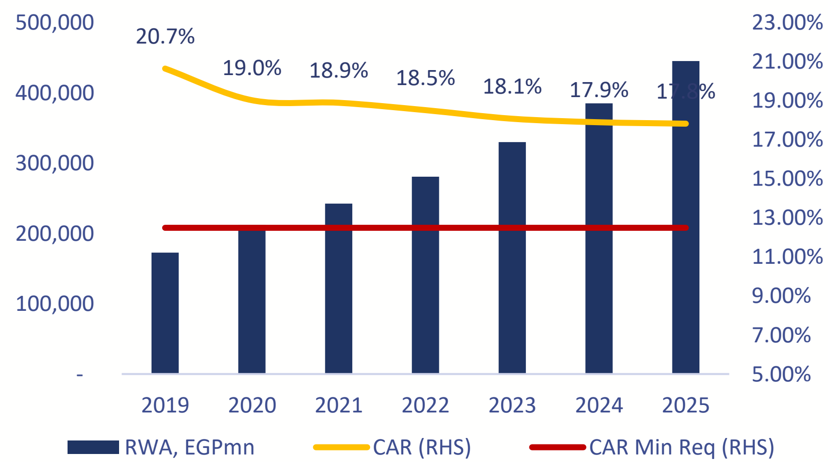
Gross loans to assets expands while treasury allocation shrinks, coupled with stable interbank deposits



NPL peaks to 3.0% then levels off; COR peaks in tandem with NPLs then normalizes



RWA grow at a CAGR of 16%; CAR remains above the CBE minimum over our forecast horizon



II. QNBA Income Statement| Earnings decline on higher provisions then recovers slowly

- Bottom line to decline in 2020 on a surge in provisions, where most of which is not met by actual deterioration in asset quality. Bottom line is to gradually grow back, according to our estimates, at a CAGR of 15% over 2020-2025.

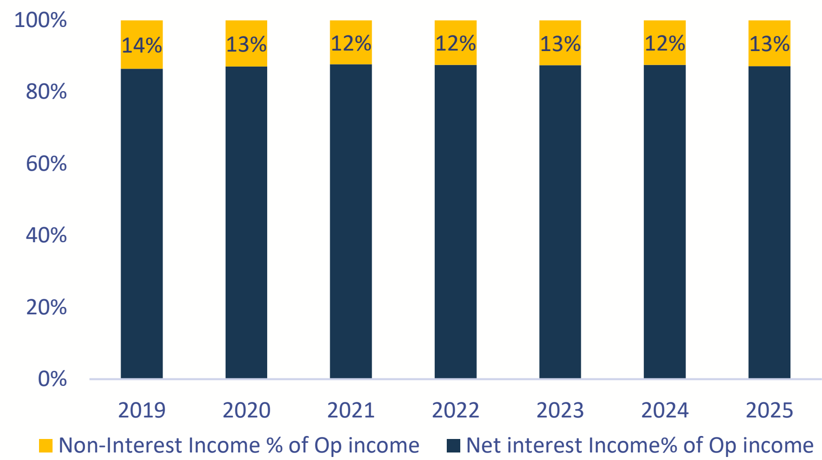
- Non-interest income is forecasted to remain stable at an average of 13%.

- QNBA's cost to income ratio is expected to increase to 30% on the back of slower earnings growth versus costs, and lower treasury exposure coupled with a decline in rates. We project the bank's opex to grow at a CAGR of 18% and operating income at a CAGR of 15%.

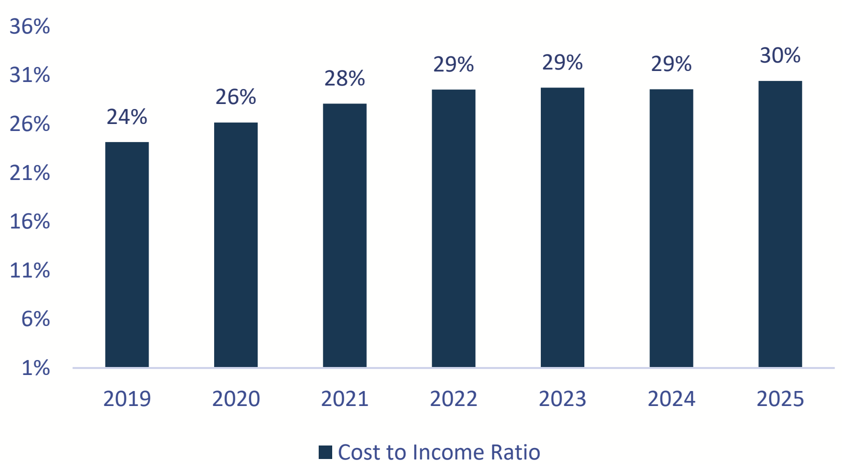
- The bank recorded resilient NIM, north of 5% which started to decline in 2020 onward on significant rate cuts and lower treasury yield. NIMs should gradually stabilize post 2022 to reach 4.8% in 2025.

Bottom line declines in 2020 then grows back slowly recording a CAGR of 15%; ROE records an average of 17.5% (2020-2025)

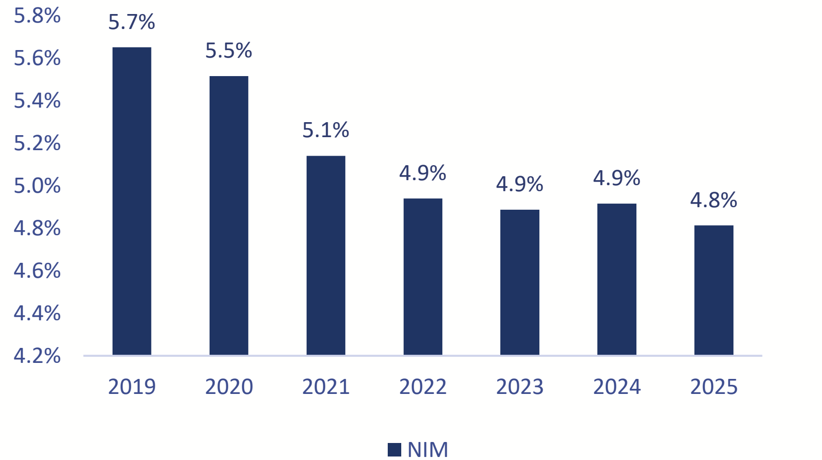
Non-interest income contribution hovers around 13%



Cost to income ratio is expected to increase and reach 30% on lower earning growth



NIM to start declining from its peak on lower rates despite lending pick up



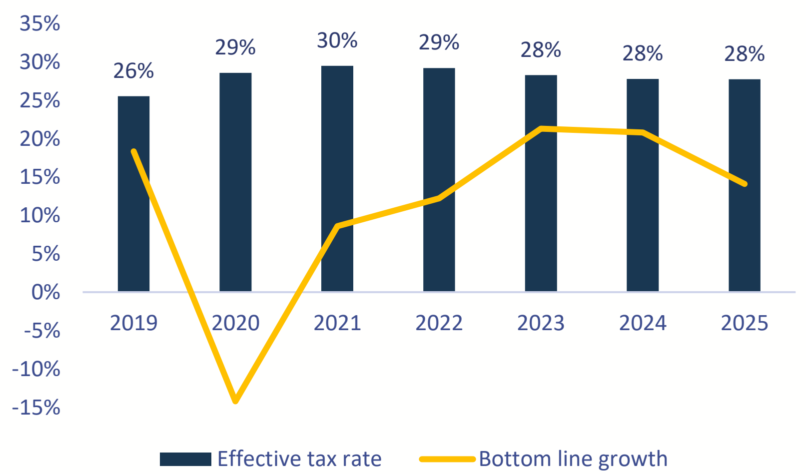
III. QNBA Taxes| Effective tax rate declines slightly on controlled cost ratio

- Average effective tax rate over our forecast horizon is 29% up from an average of 25% over 2015-2020.
- QNBA's average cost ratio over 2020-2025 records 62%. It declines from 2020 level of 63% to reach 60% in 2025 mainly on slower growth of cost of funds.

	2020	2021	2022
-(Interest Exp	(16,541)	(17,111)	(18,151)
+Admin Exp	-4,032	-4,636	-5,564
+Other op Exp)	(280)	(294)	(309)
÷			
(Interest Income	31,173	32,790	35,868
+Non-interest income)	2,169	2,201	2,520
Cost Ratio	**63%**	**63%**	**63%**

- We segmented the bank's income statement into two, based on the MoF executive regulations, which splits expenses based on a given calculation for the cost ratio. Wet hen taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.
- QNBA's paid-in capital is adequately above the new minimum requirement.

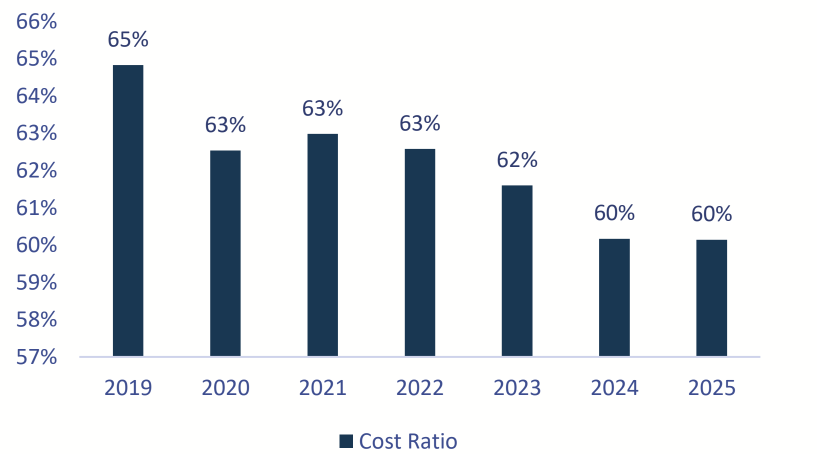
Bottom line growth recovers gradually in 2021 in tandem with lower tax rate which records an average of 29%



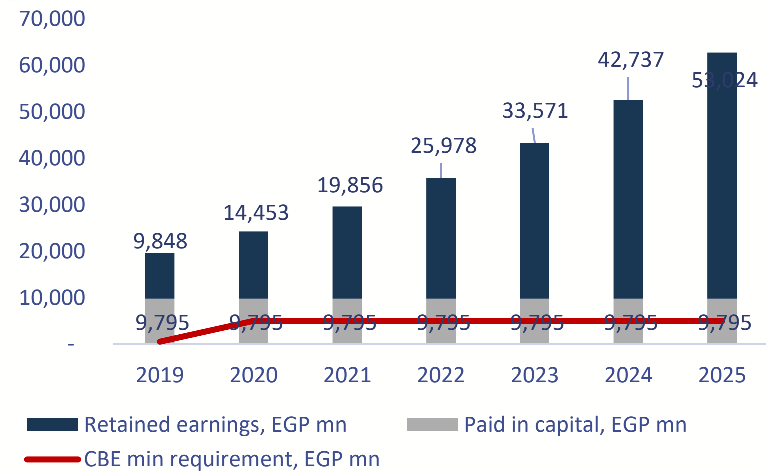
Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024
Interest on new Treasuries	7,295	9,207	9,937	10,443	11,859
Expenses on Treasury	(3,650)	(4,640)	(4,975)	(5,147)	(5,709)
EBT- Treasury	**3,645**	**4,567**	**4,962**	**5,296**	**6,150**
T.bill Tax	(1,459)	(1,841)	(1,987)	(2,089)	(2,372)
Interest Income-Banking	23,878	23,583	25,932	30,716	35,744
Total Expenses -Banking	(19,180)	(18,765)	(20,451)	(23,492)	(26,840)
Non-Interest Income	2,169	2,201	2,520	3,001	3,575
EBT-Banking	**6,866**	**7,019**	**8,001**	**10,225**	**12,479**
Corporate tax	(1,545)	(1,579)	(1,800)	(2,301)	(2,808)
Total EBT	**10,511**	**11,587**	**12,963**	**15,521**	**18,629**
Total Income Tax	(3,004)	(3,421)	(3,788)	(4,389)	(5,179)
Effective Tax Rate	**29%**	**30%**	**29%**	**28%**	**28%**

QNBA's cost ratio decreases on lower cost of funds, reaching 60% in 2025 from 63% in 2020



QNBA's paid-in capital is already above the CBE's new minimum requirement of EGP5 billion



PHAROS

IV. QNBA| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement EGP million							
Net Interest Income	13,753	14,632	15,680	17,718	20,955	25,158	29,072
Non-Interest Income	2,148	2,169	2,201	2,520	3,001	3,575	4,262
Operating Income	15,901	16,801	17,881	20,238	23,956	28,734	33,335
Loan-Loss Provisions	(697)	(1,978)	(1,364)	(1,402)	(1,434)	(1,753)	(2,104)
Operating Expenses	(3,760)	(4,312)	(4,930)	(5,872)	(7,000)	(8,352)	(9,971)
Net Profit Before Taxes	11,444	10,511	11,587	12,963	15,521	18,629	21,260
Net Profit After Taxes	8,522	7,507	8,166	9,176	11,132	13,449	15,357
Net Attributable Profit	7,673	6,564	7,128	7,999	9,703	11,725	13,378
Growth y/y	18%	-14%	9%	12%	21%	21%	14%
Balance Sheet EGP million							
Cash & Due from Central Bank	12,013	16,362	18,968	27,157	31,995	44,825	45,409
Dur from banks	8,464	10,580	13,225	16,532	20,665	25,831	32,289
Treasury Bills and Gov't Notes	46,195	54,685	61,459	69,034	77,499	86,950	97,493
Loans & Discounts, gross	160,984	177,083	212,499	254,999	318,749	382,498	458,998
Loans & Discounts, net	153,527	167,648	201,701	242,798	305,114	367,110	441,506
Total Assets	273,014	308,267	361,022	428,646	516,715	615,435	722,978
Due to Banks	16,031	12,023	14,428	17,313	20,776	24,931	29,917
Customer Deposits	208,127	241,427	284,884	341,860	417,070	500,484	590,571
Total Liabilities	237,711	268,359	315,711	377,213	457,689	547,243	644,499
Total Net Worth	35,303	39,908	45,311	51,432	59,026	68,192	78,479
Key Indicators							
NIM	5.7%	5.5%	5.1%	4.9%	4.9%	4.9%	4.8%
Non-interest income to operating income	13.5%	12.9%	12.3%	12.5%	12.5%	12.4%	12.8%
OPEX-to-assets	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Cost-to-Income	23.6%	25.7%	27.6%	29.0%	29.2%	29.1%	29.9%
Cost of Risk	0.5%	1.2%	0.7%	0.6%	0.5%	0.5%	0.5%
ROAE	24.0%	17.5%	16.7%	16.5%	17.6%	18.4%	18.2%
ROAA	2.9%	2.3%	2.1%	2.0%	2.1%	2.1%	2.0%
CAR	20.7%	19.0%	18.9%	18.5%	18.1%	17.9%	17.8%
Treasury Exposure	17.0%	17.8%	17.1%	16.1%	0.0%	0.0%	0.0%
LDR	77.3%	73.3%	74.6%	74.6%	76.4%	76.4%	77.7%
NPL Ratio	2.8%	3.0%	3.0%	2.9%	2.8%	2.7%	2.6%
Provisions Coverage	162.9%	175.0%	167.2%	163.1%	151.2%	147.7%	145.4%

	2019	2020	2021	2022	2023	2024	2025
Multiples							
Net Income, EGP mn	8,522	7,507	8,166	9,176	11,132	13,449	15,357
Net Income*, EGP mn	7,673	6,564	7,128	7,999	9,703	11,725	13,378
Book Value, EGP mn	35,303	39,908	45,311	51,432	59,026	68,192	78,479
ROAE, %	24%	17%	17%	17%	18%	18%	18%
EPS, EGP	3.56	3.05	3.31	3.71	4.50	5.44	6.21
P/E, x	4.8	5.6	5.2	4.6	3.8	3.2	2.8
BVPS, EGP	16.38	18.52	21.03	23.87	27.39	31.65	36.42
P/B, x	1.0	0.9	0.8	0.7	0.6	0.5	0.5
DPS, EGP	1.00	0.91	0.80	0.87	0.98	1.19	1.43
Dividend Yield	5.8%	5.3%	4.7%	5.1%	5.7%	6.9%	8.4%
Payout Ratio	30%	23%	23%	23%	23%	23%	23%
Implied P/E, x	7.4	8.6	7.9	7.1	5.8	4.8	4.2
Implied P/B, x	1.6	1.4	1.2	1.1	1.0	0.8	0.7
Cost of Equity Assumptions							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate	5.0%						
Valuation							
Net Attributable Income		6,564	7,128	7,999	9,703	11,725	13,378
+Non cash items (Depreciation)		237	259	284	312	342	375
-Capital charge		(4,904)	(3,800)	(4,800)	(6,171)	(6,893)	(7,495)
Cash flow to shareholders		1,896	3,588	3,483	3,844	5,173	6,258
PV of ECF		-	3,093	2,671	2,636	3,128	3,337
Sum of PV	14,865						
Terminal value	78,224						
Discounted terminal value	41,713						
Valuation	56,578						
Number of shares	2,155						
FV/Share, EGP	**26.26**						

3. Credit Agricole Egypt (CIEB) | Overweight

Trading Data

Reuters / Bloomberg:	CIEB.CA/CIEB EY
Market Cap, EGP m:	8,500.47
52W H-L, EGP/Share:	45.00 - 24.77
Last Price, EGP/Share:	27.34
Fair Value, EGP/Share:	47.00
52W ADTV, EGP m:	8.7
Valuation Gap:	71.9%
Shares Outstanding, m:	310.9
Free Float	39.1%

Pitch

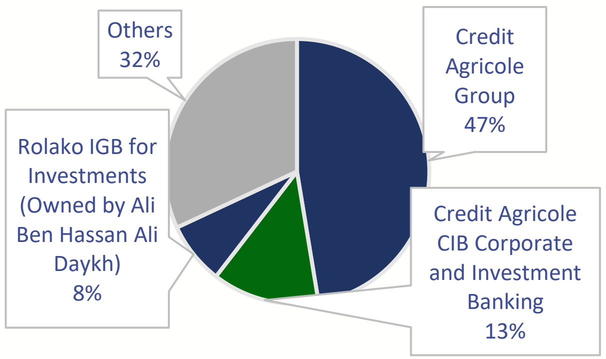
Credit Agricole has cleverly placed itself in an ideal position by maintaining one of the highest base of cheap funds among peers by not joining the race of offering high-rate CDs during the past monetary tightening cycle. This has assisted in generating impressive NIMs among peers but limited its balance sheet growth. Going forward, we expect the bank to continue delivering relatively higher NIMs in the sector on an agile balance sheet that is to benefit from the ongoing monetary easing cycle with 42% interest free funding as of Sep-2020. The bank offers one of the highest exposure to retail lending and ROAE amongst listed peers.

CIEB has always been ahead of Egyptian Banking stocks in terms of cash dividend distribution, with attractive dividend yield, that we estimate at 7.4% in 2021. CIEB is trading at attractive multiples with P/E21 of 6.2, and P/B21 of 1.1x, which is below COMI's at P/E21 of 8.1x, and P/B21 of 1.2x. The attractiveness of these multiples is even higher when looking at the ROAE of 18% in 2021. CIEB share price performance is also penalized by its low liquidity and stock has been hammered in 2020, due to large drop in earnings.

Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 13%, deposits at 10%, and treasury investments at 9% so that LDR ratio reaches 79% in 20245 from 68% as of Sep-20. We assume that lending would gradually start substituting treasury investments, post new tax treatment and after meaningful rate cuts. We estimate margins to be continue falling, from 6.3% in 2020e to 5.4% in 2025, but would remain healthy supported by the growth of the high-margin retail lending and cheap funding base.

Non-interest income is expected to grow at a CAGR of 10%, with lending growth revival, to reach 24% of operating income up from a current 21% in 2020e. Risk weighted Assets (RWA) would grow at a CAGR of 11% with Capital Adequacy Ratio (CAR) getting slightly pressured on the back of lending revival but staying comfortably above the minimum required by the CBE at an average of 18% over 2020-2025 despite sustained dividend payout ratio of 45%. However, over the next period the bank should increase capital financed from equity to reach the minimum required paid in capital of EGP 5 billion in 3 years.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Positive impact on margins from retail lending would reduce pressure on NIM
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

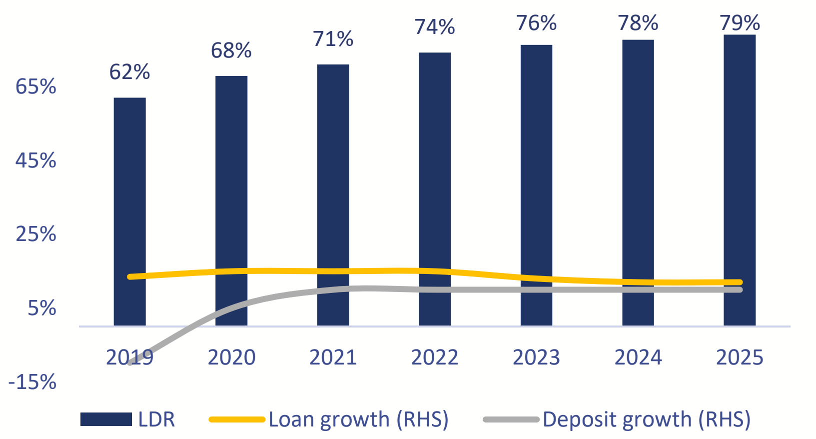
Downside Triggers

- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- More strict CBE regulations on the banking sector that might pressure profitability

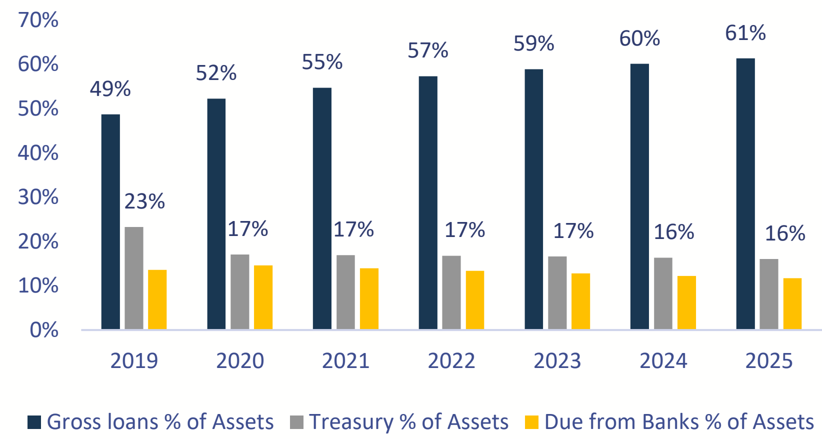
I. CIEB Balance Sheet| Focuses on lending with good quality and high NPL coverage

- We project lending would grow at a CAGR of 13% over our forecast horizon (2020-2025) versus 13% over 2014-2019 to reach EGP53 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 9% over the same period versus 6% over 2014-2019 and reach EGP14 billion in 2025.
- On the funding side, we expect customer deposits to increase at a CAGR of 10%, over our forecast horizon, to reach EGP62 billion by 2025. Since customer deposits are growing at a slower pace than loans, we expect that the LDR ratio will rise up from 68% as of Sept-20 to stand at 79% in 2025.
- We project NPLs to grow at a CAGR of 13% over 2020-2025 stabilizing at 3%, with an adequate provisioning where COR increases then stabilizes at 0.5%, resulting in NPL coverage ratio north of 160% over our forecast horizon.
- CAR is expected to slightly decline when lending picks up in 2021 onwards and also on sustainable dividend payout ratio of 45%. However, it should remain well above the CBE minimum requirement of 12.5%, by recording an average of 17.7%.

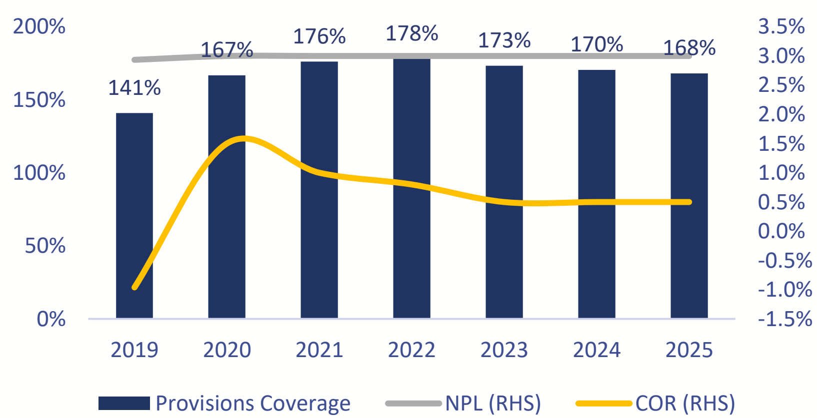
Loans and deposits grow at a CAGR of 13% and 10%, respectively; LDR reaches 79% in 2025



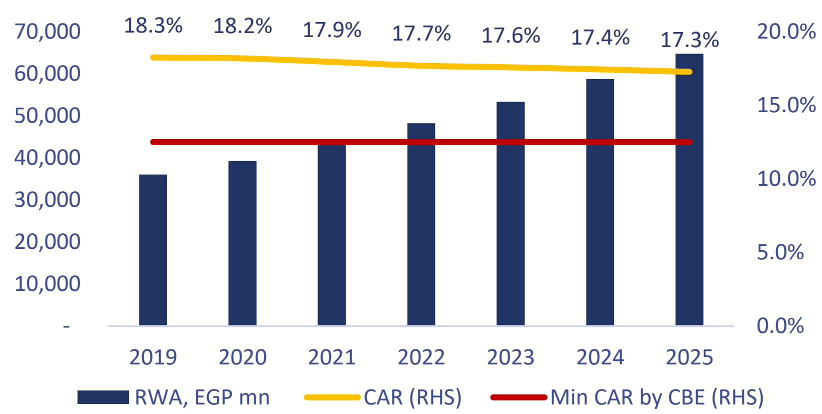
Treasury and interbank deposits contribution to assets fall while gross loans contribution increases



NPL ratio stabilizes at 3%; COR rises on then stabilizes at 0.5% starting 2023; Coverage above 160%



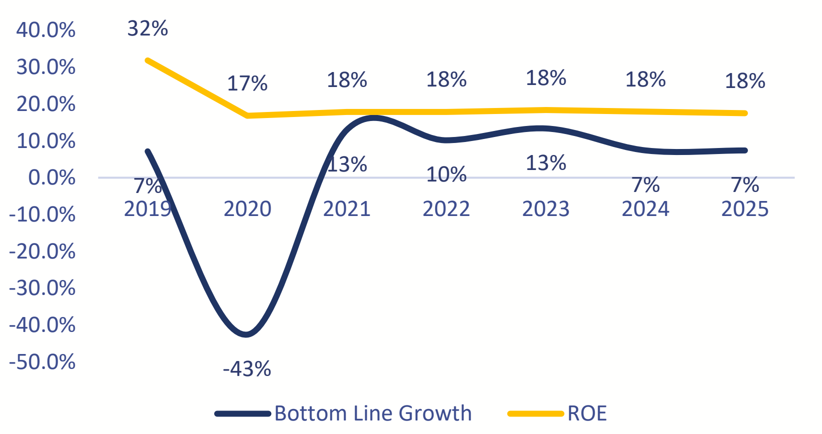
RWA to grow at a CAGR of 11%; CAR remains above the CBE minimum over our forecast horizon



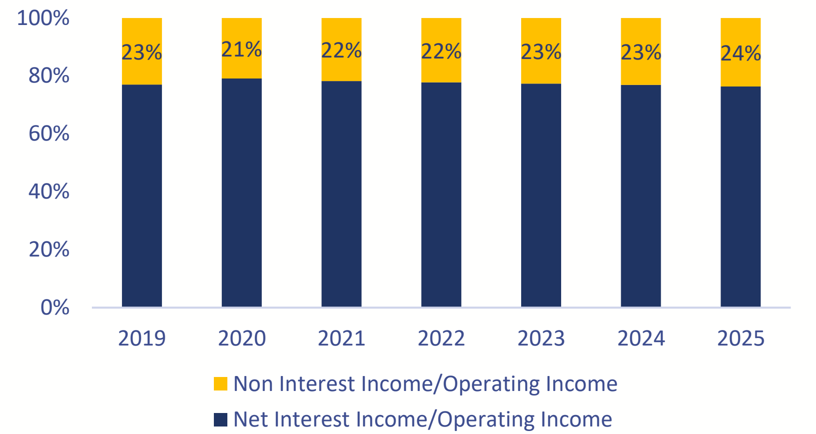
II. CIEB Income Statement| Low cost of funds and retail lending support margins and earning; Stable efficiency

- Bottom line to grow, according to our estimates, at a CAGR of 10% over 2020-2025 after declining in 2020 on significant rate cuts and high booked provisions.
- Non-interest income is forecasted to gradually constitute 24% of operating income by 2025 from 21% in 2020e, and to grow at a CAGR of 10%.
- Given CIEB large low-cost deposit-base (42% of total deposits as of Sept-20), the bank succeeded in achieving a relatively high Net Interest Margin (NIM) over the past years. Margins were also aided high retail lending constitution. However, margins started to decline in 2020, to reach 6.3% and we expect it to decline further with rate cuts and as lending picks up and competition intensifies on deposit accumulation, to reach 5.4% in 2025.
- CIEB's cost to income ratio to record 36% in 2020e. We project the bank's opex and operating income to grow at a CAGR of 7% each, resulting in a stable cost to income ratio of 36%.

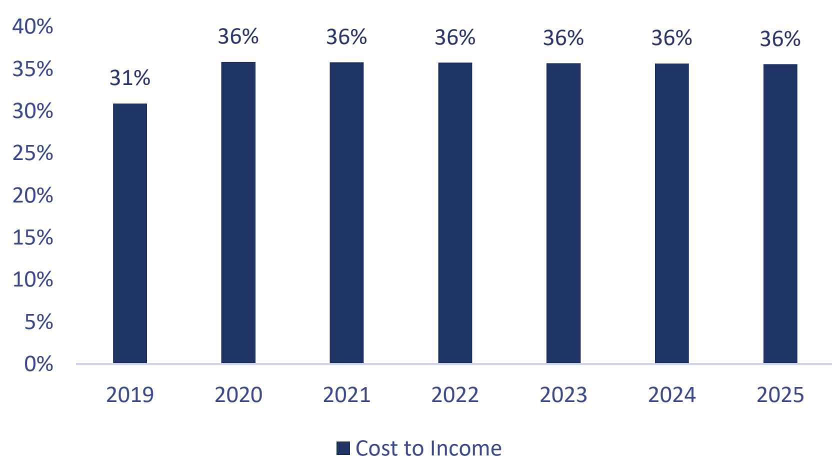
Bottom line grows back in 2021 after declining in 2020; Grows at a CAGR of 10%, ROE records an average of 18%



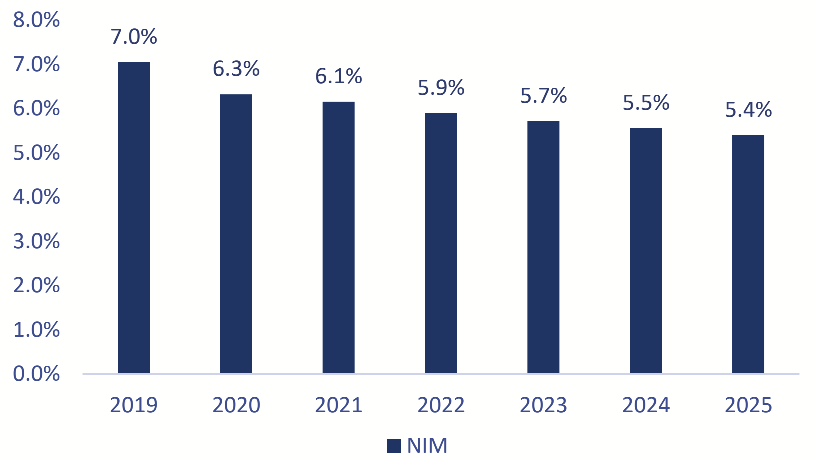
Non-interest income contribution of total operating income slightly increases to 24% from 21% in 2020e



Cost to income ratio is expected to remain stable at 36%



NIM to decline on rate cuts but to remain solid above 500 bps supported but low-cost funds (42% as of Sept-20)



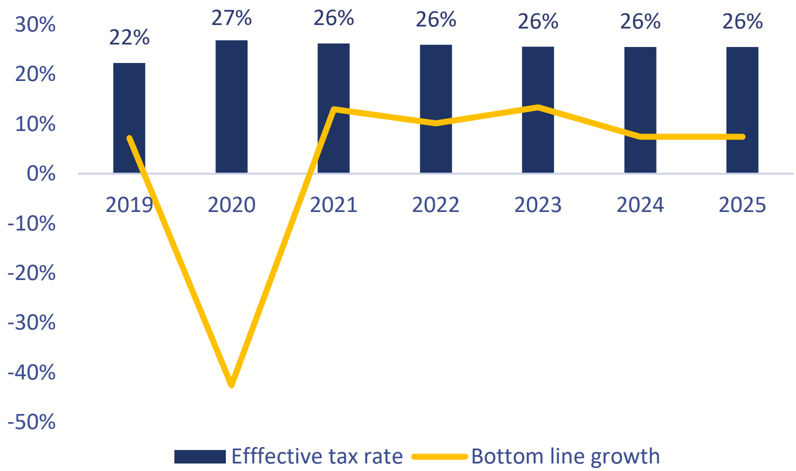
III. CIEB Taxes| Well-positioned to withstand the challenge

- Average effective tax rate over our forecast horizon is 26% up from an average of 23% over 2015-2019.
- CIEB's average cost ratio, over 2020-2025, recorded 60%.

	2020	2021	2022
-(Interest Exp	(2,459)	(2,489)	(2,587)
+Admin Exp	-1,255	-1,328	-1,428
÷			
(Interest Income	5,294	5,458	5,758
+Non-interest income)	751	826	908
Cost Ratio	**61%**	**61%**	**60%**

- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.
- CIEB paid in capital falls below the new minimum requirement, but retained earnings adequately cover the gap despite a sustained dividend payout ratio of 45%.

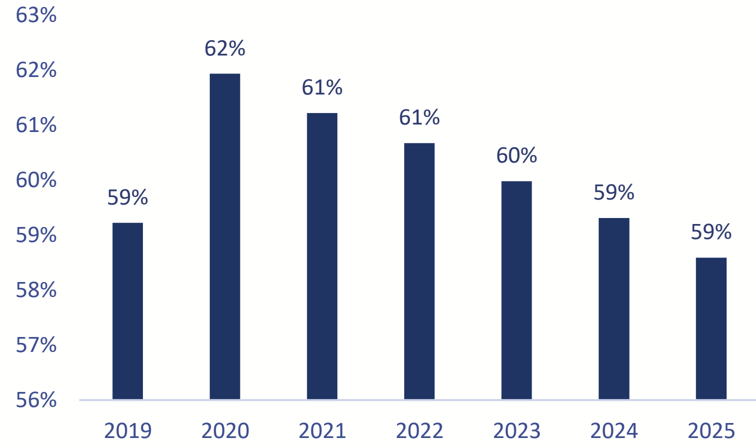
Bottom line grows adequately in tandem with stable average effective tax rate of 26% (2020-2025)



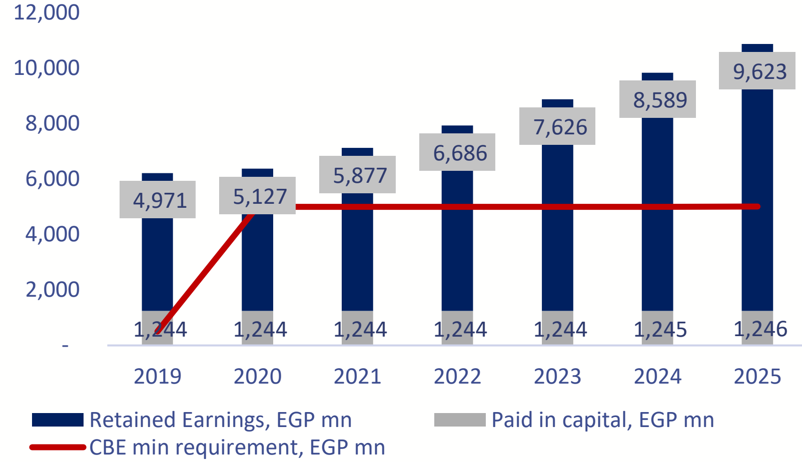
Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024
Interest on new Treasuries	958	931	966	974	1,057
Expenses on Treasury	(475)	(456)	(469)	(467)	(502)
EBT- Treasury	**483**	**475**	**497**	**507**	**556**
T.bill Tax	(192)	(186)	(193)	(195)	(211)
Interest Income-Banking	4,336	4,527	4,792	5,121	5,367
Total Expenses -Banking	(3,666)	(3,695)	(3,856)	(3,987)	(4,184)
Non-Interest Income	751	826	908	999	1,099
EBT-Banking	**1,421**	**1,658**	**1,845**	**2,133**	**2,281**
Corporate tax	(320)	(373)	(415)	(480)	(513)
Total EBT	**1,904**	**2,133**	**2,342**	**2,640**	**2,837**
Total Income Tax	(511)	(559)	(608)	(675)	(725)
Effective Tax Rate	**27%**	**26%**	**26%**	**26%**	**26%**

CIEB's cost ratio improves over time on controlled cost of funds; records an average of 60% (2020-2025)



CIEB paid in capital is below the new minimum requirement; Retained earnings cover the gap



PHAROS

IV. CIEB | Financial Statements and Valuation

	2018	2019	2020	2021	2022	2023	2024	2025
Income Statement EGP million								
Net Interest Income	2,994	3,135	2,835	2,969	3,171	3,415	3,656	3,910
Non-Interest Income	890	938	751	826	908	999	1,099	1,209
Operating Income	3,884	4,073	3,586	3,795	4,079	4,414	4,755	5,119
Loan-Loss Provisions	27	222	(397)	(304)	(280)	(199)	(224)	(251)
Operating Expenses	(1,117)	(1,258)	(1,285)	(1,358)	(1,458)	(1,575)	(1,694)	(1,821)
Net Profit before Taxes	2,794	3,037	1,904	2,133	2,342	2,640	2,837	3,047
Net Profit after Taxes	2,201	2,360	1,393	1,573	1,734	1,965	2,112	2,270
Net Attributable Profit	1,981	2,124	1,219	1,377	1,518	1,721	1,849	1,986
Balance Sheet EGP million								
Cash & Due from Central Bank	6,346	4,228	5,741	5,667	5,351	5,505	5,952	6,402
Due from banks	11,080	6,872	7,908	8,303	8,718	9,154	9,612	10,092
Treasury Bills and Gov't Notes	7,668	7,199	4,419	4,828	5,260	5,713	6,183	6,666
Loans & Discounts, gross	21,673	24,593	28,282	32,525	37,404	42,266	47,338	53,018
Loans & Discounts, net	20,427	23,513	26,794	30,721	35,307	39,957	44,793	50,208
Total Assets	53,559	50,501	54,102	59,419	65,247	71,706	78,739	86,444
Due to Banks	188	186	901	919	937	956	975	995
Customer Deposits	43,933	39,635	41,617	45,778	50,356	55,392	60,931	67,024
Total Liabilities	47,391	43,320	46,766	51,332	56,352	61,871	67,939	74,609
Total Net Worth	6,168	7,181	7,337	8,087	8,895	9,835	10,800	11,835
Key Indicators								
NIM	7.3%	7.0%	6.3%	6.1%	5.9%	5.7%	5.5%	5.4%
Non-interest income to Op Income	22.9%	23.0%	20.9%	21.8%	22.3%	22.6%	23.1%	23.6%
OPEX-to-assets	2.3%	2.4%	2.5%	2.4%	2.3%	2.3%	2.3%	2.2%
Cost-to-Income	28.8%	30.9%	35.8%	35.8%	35.7%	35.7%	35.6%	35.6%
Cost of Risk	-0.1%	-1.0%	1.5%	1.0%	0.8%	0.5%	0.5%	0.5%
ROAE	34.4%	31.8%	16.8%	17.9%	17.9%	18.4%	17.9%	17.5%
ROAA	4.0%	4.1%	2.3%	2.4%	2.4%	2.5%	2.5%	2.4%
CAR	20.3%	18.3%	18.2%	17.9%	17.7%	17.6%	17.4%	17.3%
Treasury Exposure	21.6%	23.3%	17.0%	16.9%	16.8%	16.6%	16.4%	16.1%
LDR	49.3%	62.0%	68.0%	71.0%	74.3%	76.3%	77.7%	79.1%
NPL Ratio	3.3%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Provisions Coverage	168.2%	140.9%	166.6%	176.1%	178.0%	173.2%	170.5%	168.0%

	2018	2019	2020	2021	2022	2023	2024	2025
Multiples								
Net Income, EGP mn	2,201	2,360	1,393	1,573	1,734	1,965	2,112	2,270
Net attributable Income, EGP mn	1,981	2,124	1,219	1,377	1,518	1,721	1,849	1,986
Book Value, EGP mn	6,168	7,181	7,337	8,087	8,895	9,835	10,800	11,835
ROAE, %	34%	32%	17%	18%	18%	18%	18%	18%
EPS, EGP	6.37	6.83	3.92	4.43	4.88	5.54	5.95	6.39
P/E, x	4.3	4.0	7.0	6.2	5.6	4.9	4.6	4.3
BVPS, EGP	19.84	23.10	23.60	26.01	28.61	31.63	34.74	38.06
P/B, x	1.4	1.2	1.2	1.1	1.0	0.9	0.8	0.7
DPS, EGP	3.77	4.24	3.42	2.02	2.28	2.50	2.83	3.03
Dividend Yield, %	13.8%	15.5%	12.5%	7.4%	8.3%	9.2%	10.4%	11.1%
Payout Ratio	60%	60%	45%	45%	45%	45%	45%	45%
Implied P/E	7.4	6.9	12.0	10.6	9.6	8.5	7.9	7.4
Implied P/B	2.4	2.0	2.0	1.8	1.6	1.5	1.4	1.2
Cost of Equity Assumptions								
Risk Free Rate (After Tax)			10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium			6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta			1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity			16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate	5.0%							
Valuation								
Net Attributable Income				1,377	1,518	1,721	1,849	1,987
+Non cash items (Depreciation)				168	194	225	262	305
-Capital charge				(535)	(595)	(639)	(676)	(747)
Cash flow to shareholders				1,010	1,117	1,307	1,435	1,545
PV of ECF				871	857	896	868	824
Sum of PV		4,316						
Terminal value		19,312						
Discounted terminal value		10,298						
Valuation		**14,614**						
Number of shares		**311**						
FV/Share, EGP		**47.00**						

4. Housing and Development Bank (HDBK) | Overweight

Trading Data

Reuters / Bloomberg:	HDBK.CA/HDBK EY
Market Cap, EGP m:	4,622.3
52W H-L, EGP/Share:	45.00 – 28.95
Last Price, EGP/Share:	36.54
Fair Value, EGP/Share:	59.14
52W ADTV, EGP m:	1.4
Valuation Gap:	61.9%
Shares Outstanding, m:	126.5
Free Float	70.2%

Pitch

HDBK has one of the highest margins owing to the bank's ability to accumulate interest-free deposits. The bank provides a blended play between commercial banking and real estate, which we believe weighted down on the stock over the last two years.

Over our forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 20%, deposits at 15%, and treasury investments at 12% so that LDR ratio reaches 62% up from 46% as of Sep-20. We assume treasury investments contribution to decline on the new tax treatment, and to be gradually substituted by lending starting 2021 after meaningful rate cuts. We estimate margins to decline on the back of lower allocation to the high-yield treasury investments and rate cuts, dropping from 6.1% in 2020e to 5.4% in 2025, but would remain healthy supported by the growth of the high-margin retail lending (c.62% of total lending as of Sep-2020) and low-cost funds (interest free deposits recorded 50% as of Sep-2020 and CASA recorded 58%). Non-interest income is expected to grow at a CAGR of 13%, driven by lending revival and the slower growth of real estate profits (34% of non-interest income for 9m20), to stand at 30% of operating income up from 29% in 2020e. Risk weighted Assets (RWA) would grow at a CAGR of 17% with Capital Adequacy Ratio (CAR) staying comfortably above the minimum required by the CBE despite a sustained dividend payout ratio of 16%.

HDBK is currently trading at P/E21 of 2.9.x and P/B21 of 0.5x. HDBK has always been among the top Egyptian Banking stocks in terms of cash dividend distribution, with attractive dividend yield, that we estimate at 5.8% in 2021. The developments regarding the stock demerger continue to be unclear and seem farfetched at this point.

HDBK valuation breakdown is as follows:

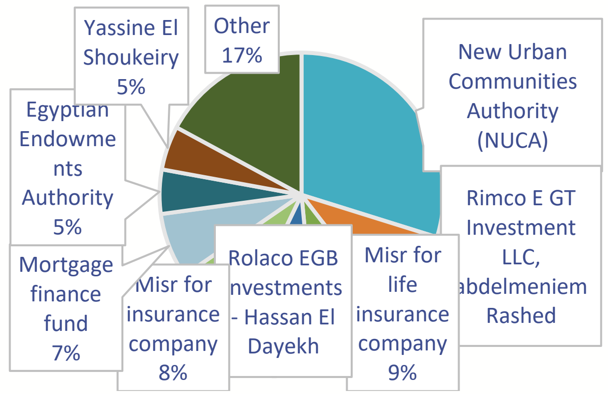
a) Commercial bank yields a FV of EGP38.98/share (53% of FV) using Discounted Equity Cash flow method (DECF) based on the stand-alone financial statements of the bank after excluding the effect of profits coming from housing projects and other investments.

b) Real estate yields a FV of EGP22.19/share (30% of FV) based on Net Asset Valuation approach. Real estate assets that are 100% owned by the bank have a FV of EGP6.34/share, and other real estate investments result in a FV of EGP15.85/share after deducting associated liabilities.

c) Other Investments: We value other investments of the bank where ownership is less than 50%- except for Hyde park where ownership is 54%- but the bank accounts for it as equity investment, based on book value, arriving at a FV of EGP12.76/share (17% of FV).

We apply a 20% conglomerate discount to the sum of the parts valuation of the bank due to its intertwined business operations.

Shareholders' structure



Upside Triggers

- Demerging of the stock into real estate stock and banking stock
- Improved performance of the bank's equity investments
- Higher real estate prices
- Higher than expected cheap deposits accumulation
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Positive impact on margins from retail lending would reduce pressure on NIM
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

Downside Triggers

- Deterioration of equity investments or real estate prices
- Lower real estate prices
- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- More strict CBE regulations on the banking sector that might pressure profitability

I. HDBK Balance Sheet| Lending contribution expands; NPLs improve but with rising COR; Strong CAR

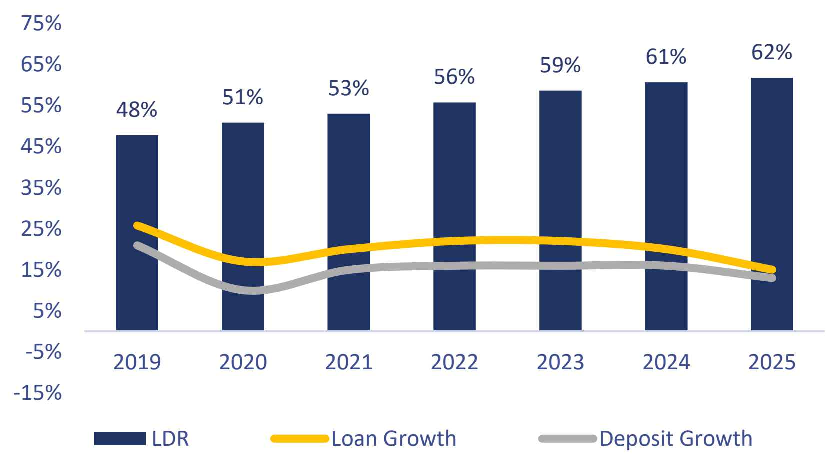
- We project lending would grow at a CAGR of 20% over our forecast horizon (2020-2025) versus 23% over 2014-2019 to reach EGP57 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 12% over the same period versus 14% over 2014-2019 to reach EGP29 billion in 2025.

- On the funding side, we expect customer deposits to increase at a CAGR of 15%, over our forecast horizon, to reach EGP92 billion by 2025. Since customer deposits are growing at a slower pace than loans, we expect that the LDR ratio will rise from 46% (as of Sept-20) to stand at 62% in 2025.

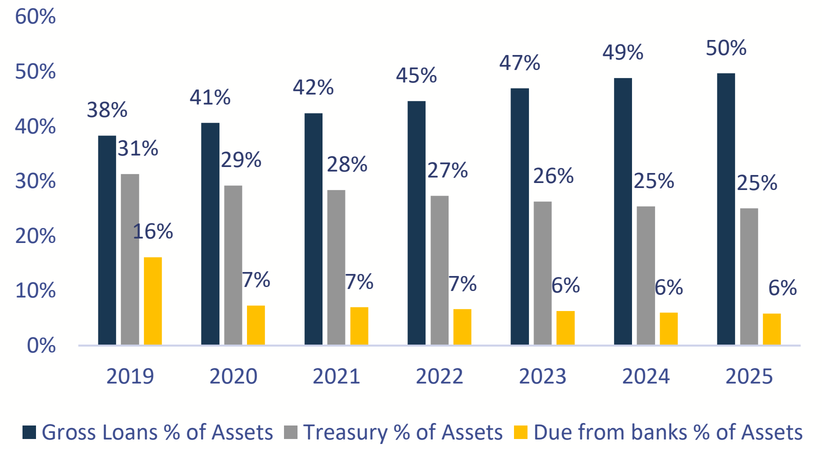
- We project NPLs to grow at a CAGR of 11% over 2020-2025 eventually reaching 5.5% of gross loans in 2025, with an increasing COR reaching 0.7% up from 0.2% in 2020 in order to maintain adequate provisioning north of 100%.

- CAR is expected to remain solid above 20% even with maintained dividend payout ratio of 16%.

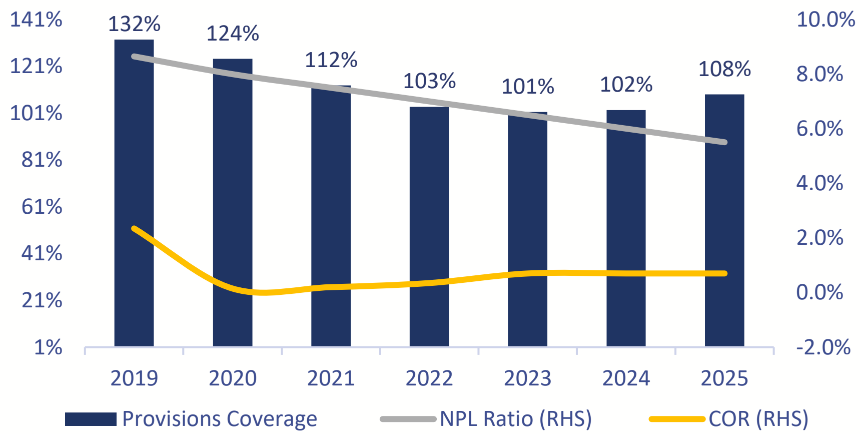
Loans and deposits grow at a CAGR of 20% and 15%, respectively; LDR reaches 62%



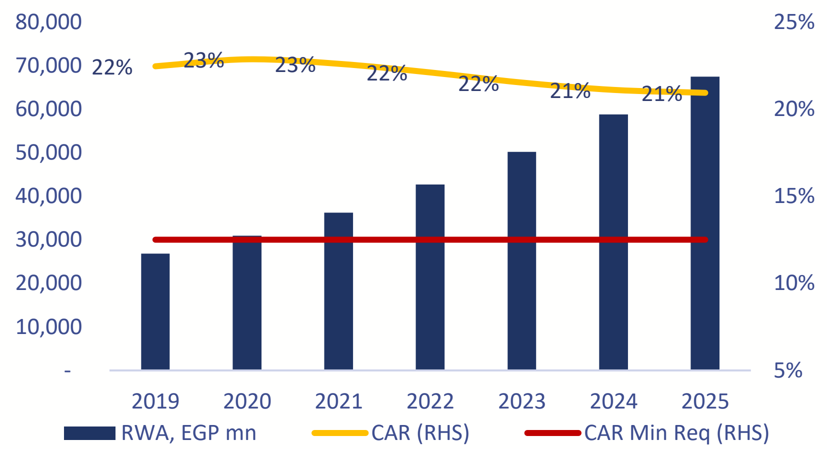
Gross loans to assets to grow, while treasury exposure shrink coupled with mostly stable interbank deposits



NPL ratio improves to 5.5% in 2025; COR increases with lending pick up reaching 0.7% to main coverage above 100%



RWA grow at a CAGR of 17%; CAR declines on lending pickup and sustained dividend payout ratio of 16% but stays above min.



All HDBK numbers presented are based on standalone financial statements except for the multiples

II. HDBK Income Statement| Profitability pressured by rate cuts, taxes, and low efficiency

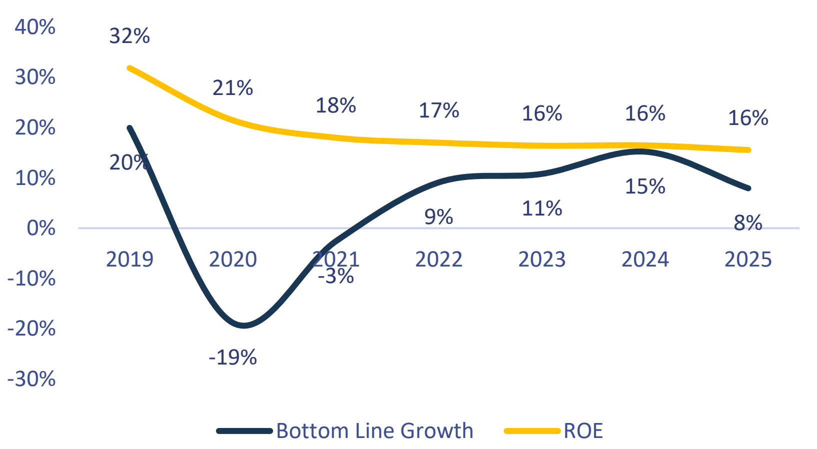
- Bottom line to grow, according to our estimates, at a CAGR of 8% over 2020-2025, after declining in 2020 and 2021 mainly on higher effective tax rate and significant rate cuts.

- Non-interest income is forecasted to remain stable at 30% of operating income.

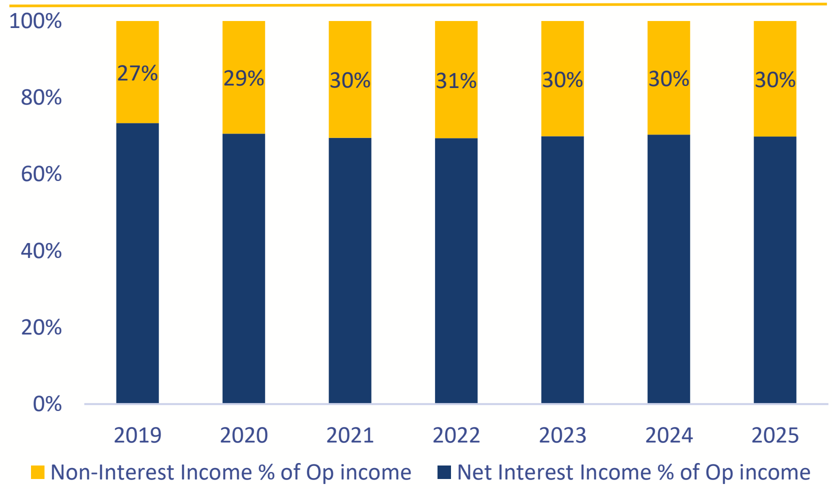
- We project the bank's opex to grow at a CAGR of 15% while operating income at a CAGR of 13% on continued branch expansion and internal reforms. Therefore, cost to income ratio will gradually increase to reach 44% by the end of our forecast horizon up from 40% in 2020e.

- Due to HDBK's wide base of interest free funds and high treasury yields, the bank recorded a high NIM of 8.6% in 2019. However, it started to drop in 2020 due to rate cuts to stand at 6.1%. We estimate margins will drop further with rate cuts to land at 5.4% in 2025, which is still perceived to be high due to the bank's ability of accumulating large base of cheap funds, which recorded 50% as of Sept-20.

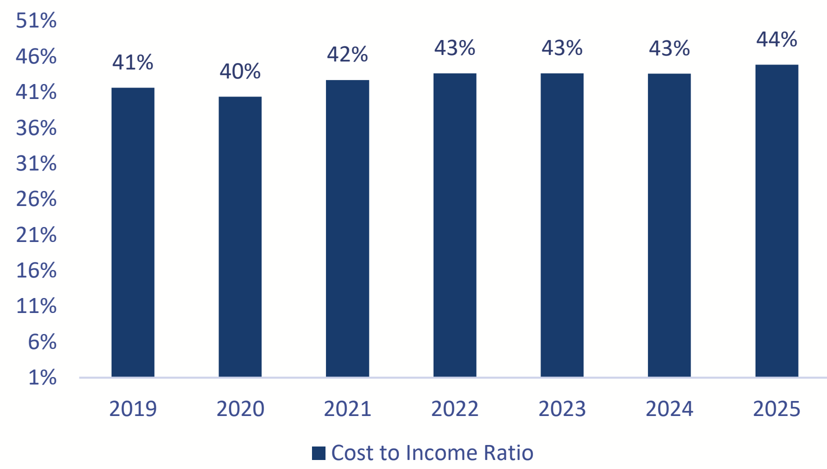
Bottom line growth declines post new tax treatment; Grows at a CAGR of 8%; ROE records an average of 17%



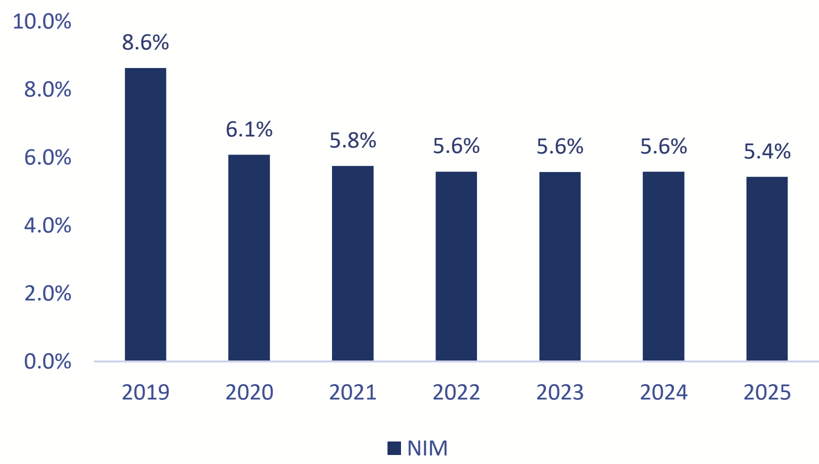
Non-interest income contribution to total operating income remains stable at 30%



Cost to income ratio is expected to increase on slower growth in base due to rate cuts and lower treasury allocation



NIM declined in 2020 on rate cuts and lower treasury exposure; To reach 5.4% in 2025 with low cost of funds



PHAROS

All HDBK numbers presented are based on standalone financial statements except for the multiples

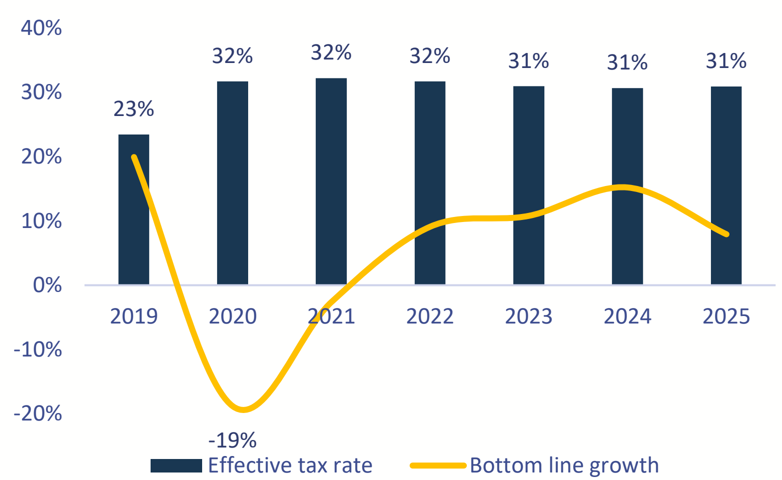
III. HDBK Taxes| Low cost of funds mitigate impact of new tax treatment cost-ratio

- Average effective tax rate over our forecast horizon is 31% up from an average of 27% over 2015-2019.
- HDBK's average cost ratio, over 2020-2025, records 71%.

	2020	2021	2022
(Interest Exp	(3,100)	(3,321)	(3,678)
+Admin Exp	(1,516)	(1,744)	(2,005)
+Other op Exp)	-	-	-
÷			
(Interest Income	5,787	6,194	6,905
+Non-interest income)	1,117	1,259	1,421
Cost Ratio	**67%**	**68%**	**68%**

- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.
- HDBK's paid in capital and retained earnings exceed the EGP5.0 billion minimum requirement, and thus will comfortably convert a portion of the retained earnings to paid in capital before the deadline in 2023.

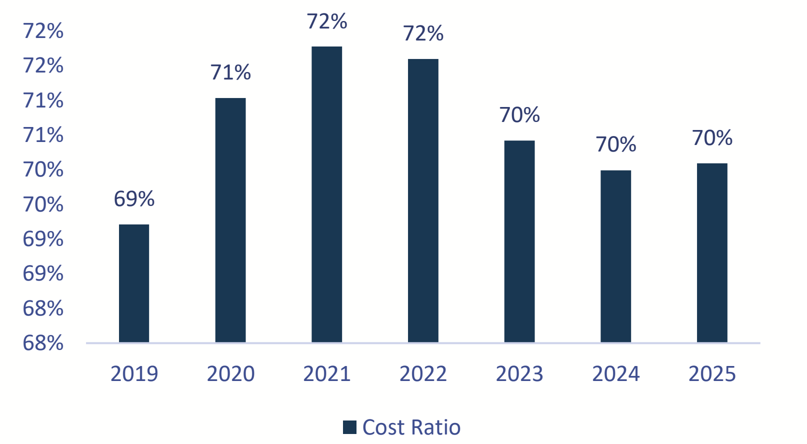
Bottom line grows slowly on high effective tax rate; Average effective tax rate of 31% (2020-2025)



Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024
Interest on new Treasuries	2,119	2,173	2,249	2,300	2,565
Expenses on Treasury	(1,204)	(1,248)	(1,288)	(1,295)	(1,437)
EBT- Treasury	**915**	**925**	**961**	**1,004**	**1,129**
T.bill Tax	(424)	(435)	(450)	(460)	(513)
Interest Income-Banking	3,668	4,021	4,655	5,521	6,291
Total Expenses -Banking	(3,324)	(3,868)	(4,502)	(5,354)	(6,054)
Non-Interest Income	1,117	1,259	1,421	1,607	1,822
EBT-Banking	**1,461**	**1,412**	**1,574**	**1,774**	**2,059**
Corporate tax	(318)	(354)	(399)	(463)	(495)
Total EBT	**2,337**	**2,535**	**2,778**	**3,188**	**3,455**
Total Income Tax	(752)	(804)	(859)	(976)	(1,067)
Effective Tax Rate	**32%**	**32%**	**31%**	**31%**	**31%**

HDBK's cost ratio declines on controlled cost of funds; Records an average of 71% (2020-2025)



HDBK will easily convert a portion from retained earnings to paid in capital to reach the EGP5.0 billion in min. capital

PHAROS

All HDBK numbers presented are based on standalone financial statements except for the multiples

IV. HDBK| Financial Statements and Valuation (Stand Alone)

	2019	2020	2021	2022	2023	2024	2025
Income Statement EGP million							
Net Interest Income	2,942	2,687	2,873	3,227	3,740	4,335	4,808
Non-Interest Income	1,069	1,117	1,259	1,421	1,607	1,822	2,069
Operating Income	4,011	3,804	4,132	4,648	5,347	6,157	6,877
Loan-Loss Provisions	(415)	(32)	(51)	(108)	(263)	(317)	(372)
Operating Expenses	(1,648)	(1,516)	(1,744)	(2,005)	(2,306)	(2,652)	(3,050)
Net Profit Before Taxes	2,548	2,376	2,337	2,535	2,778	3,188	3,455
Net Profit After Taxes	1,951	1,623	1,585	1,731	1,919	2,211	2,389
Net Attributtable Standalone Profit	1,741	1,410	1,372	1,497	1,659	1,911	2,062
Consolidated Net Profit	2,004	1,673	1,605	1,764	1,947	2,247	2,422
Balance Sheet EGP million							
Cash & Due from Central Bank	4,276	5,468	7,315	9,389	11,736	14,518	17,257
Dur from banks	8,309	4,154	4,570	5,027	5,529	6,082	6,691
Financial Investments	14,344	22,122	24,106	26,305	28,740	31,432	34,404
Loans & Discounts, gross	19,730	23,084	27,701	33,795	41,230	49,476	56,898
Loans & Discounts, net	17,460	20,766	25,340	31,323	38,497	46,425	53,474
Total Assets	51,460	57,139	66,035	76,826	89,365	103,403	117,073
Due to Banks	951	761	837	921	1,013	1,114	1,226
Customer Deposits	41,285	45,414	52,226	60,582	70,275	81,520	92,117
Total Liabilities	45,403	50,067	57,853	67,404	78,565	91,003	102,968
Total Net Worth	6,057	7,072	8,181	9,422	10,800	12,400	14,105
Key Indicators							
NIM	8.6%	6.1%	5.8%	5.6%	5.6%	5.6%	5.4%
Non-interest income to op income	26.7%	29.4%	30.5%	30.6%	30.1%	29.6%	30.1%
OPEX-to-assets	3.5%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Cost-to-Income	41.1%	39.9%	42.2%	43.1%	43.1%	43.1%	44.3%
Cost of Risk	2.3%	0.2%	0.2%	0.4%	0.7%	0.7%	0.7%
ROAE CS	30.0%	21.0%	17.3%	16.5%	15.8%	15.9%	15.0%
ROAA CS	3.8%	2.9%	2.4%	2.3%	2.2%	2.2%	2.0%
CAR	22.5%	22.9%	22.6%	22.1%	21.5%	21.1%	20.9%
Treasuries Bills/Total Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LDR	47.8%	50.8%	53.0%	55.8%	58.7%	60.7%	61.8%
NPL Ratio	8.7%	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%
Provisions Coverage	131.9%	123.7%	112.4%	103.2%	100.9%	101.8%	108.5%

	2019	2020	2021	2022	2023	2024	2025
Multiples (Consolidated)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net Income*, EGP mn	2,004	1,673	1,605	1,764	1,947	2,247	2,422
Book Value, EGP mn	7,342	8,621	9,962	11,469	13,135	15,072	17,137
ROAE, %	30%	21%	17%	16%	16%	16%	15%
EPS, EGP	15.84	13.23	12.69	13.94	15.39	17.76	19.15
P/E, x	2.3	2.8	2.9	2.6	2.4	2.1	1.9
BVPS, EGP	58.04	68.15	78.75	90.66	103.84	119.15	135.47
P/B, x	0.6	0.5	0.5	0.4	0.4	0.3	0.3
DPS, EGP	5.00	2.50	2.08	2.03	2.22	2.46	2.83
Dividend Yield	14%	7%	6%	6%	6%	7%	8%
Pay out ratio	39%	16%	16%	16%	16%	16%	16%
Implied P/E, x	4.3	5.2	5.4	4.9	4.5	3.9	3.6
Implied P/B, x	1.2	1.0	0.9	0.8	0.7	0.6	0.5
EPS Growth	13%	-16%	-4%	10%	10%	15%	8%

*Stand-alone bottom-line post minority and appropriations

	2019	2020	2021	2022	2023	2024	2025
Cost of Equity Assumptions							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate	5.0%						
Valuation of bank alone excluding real estate profits and dividends from subsidiaries and affiliates							
Net Attributable Income			939	1,020	1,134	1,333	1,427
+Non cash items (Depreciation)			121	125	129	133	137
-Capital charge			(634)	(776)	(914)	(1,039)	(1,038)
Cash flow to shareholders			426	369	349	427	526
PV of ECF			367	283	239	258	280
Sum of PV	1,428						
Terminal value	6,570						
Discounted terminal value	3,504						
Valuation	**4,931**						
Number of shares	**127**						
FV/Share, EGP	**38.98**						

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V. HDBK| Real Estate Segment and HDBK SoTP Valuation

100% owned real estate NAV valuation

100% Owned Real Estate as of Sept 2020			
All in EGP	**Area**	**price/square meter**	**Value**
Residential Units AVS	119,908	5,000	599,540,000
Commercial units and buildings	7,191	10,000	71,910,000
Land	131,056	1,000	131,056,000
Total	**258,155**		**802,506,000**
Shares outstanding			**126,500,000**
FV/Share			**6.34**

Other 100% Owned Real Estate Investments			
All in EGP		**Comments**	
FV as per SA FS	374,100,000	As of 31 Dec 2019 post 5% annual depreciation	
Discounted NAV	224,460,000	40% discount	
S/O			**126,500,000**
FV/ Share			**1.77**

Share of consolidated real estate investments

Bank's share in Real estate of consolidated subsidiaries (9 companies)				
All in EGP	**Area**	**price/square meter**	**Stake**	**Value**
Residential units AVS	123,979	5,000	89%	549,337,174
Commercial units and buildings	14,329	10,000	89%	126,980,414
Land	2,284,944	1,000	89%	2,024,866,596
Liability				921,100,445
FV/Share				**14.07**
Total value of real estate investments				**1,780,083,739**
Shares outstanding				**126,500,000**
FV/Share				**14.07**

Equity investments valuation

BV of Equity investments (Ownership <50%, Hyde park is an exception with ownership of 54%)			
Company, values in EGP million	**HDBK Total Stake**	**Total equity**	**HDBK Share of Equity**
El-Tameer Co. for Mortgage Finance	25%	837	208
Zayed City Edge	40%	1,650	657
Hyde Park for Real Estate Development	54%	1,341	719
El-Tameer Co. for Housing & Utlilities	35%	84	29
Total Ownership that is below 50%			**1,614**
S/O, mn			**127**
FV/share			**12.76**

HDBK SOTP valuation summary

SOTP, values in EGP			
	FV/share	**Contribution**	**Method**
Commercial Banking Activities	38.98	45%	Residual Income
100% owned real estate	6.34	13%	Net Asset Value
Consolidated real estate (9 companies of average stake of 89%)	14.07	24%	Net Asset Value
Other Real Estate Investments	1.77	2%	Discounted NAV
Equity Investments (4 companies inc Hyde Park)	12.76	16%	Book Value
Total	**73.93**	**100%**	
Total after 20% conglomerate discount	**59.14**		

5. Export Development Bank of Egypt (EXPA)| Overweight

Trading Data

Reuters / Bloomberg:	EXPA.CA/EXPA EY
Market Cap, EGP m:	3,778.28
52W H-L, EGP/Share:	16.92 – 6.83
Last Price, EGP/Share:	13.85
Fair Value, EGP/Share:	18.50
52W ADTV, EGP m:	9.83
Valuation Gap:	33.6%
Shares Outstanding, m:	272.8
Free Float	24.5%

Pitch

EXPA has witnessed a change of management in 2016, which positively affected the bank's financial standing and outlook. The new management has been doubling the size of the balance sheet and growing bottom line significantly. Also, as per management guidance, the bank is planning to grow across boarders after the existing four years strategy is complete, and once the dust settles globally, potentially in 2022.

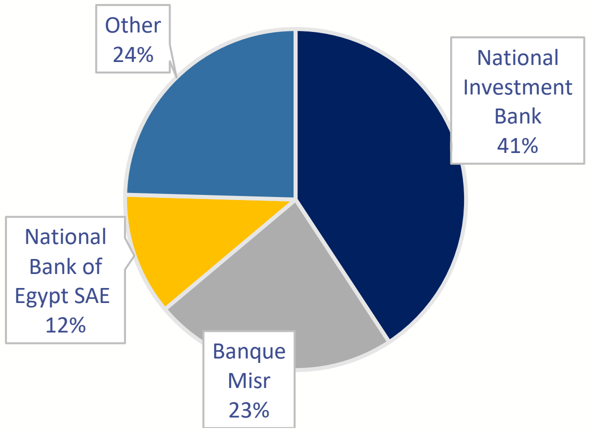
EXPA is trading at P/E21 of 4.6x, and P/B21 of 0.6x, on ROAE of 13%. These multiples are in line with Egypt's sector average of P/E21 of 4.8x, and P/B21 of 0.6x.

Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 22%, deposits at 15%, and treasury investments at 14% so that LDR ratio reaches 99% in 2025, up from 80% as of Sep-2020.

We assume that lending would gradually start substituting treasury investments on the back of the new tax treatment and after rate cuts. We estimate margins to slightly decline over our forecast horizon on the back of the projected reduction in rates and competition between banks for growth, to record 4.0% in FY24/25, down from 4.2% in FY19/20. Non-interest income is expected to grow at a CAGR of 20% with lending growth revival, to reach a contribution to operating income of 23% in 2024/2025. Risk weighted Assets (RWA) to grow at a CAGR of 15% with Capital Adequacy Ratio (CAR) staying above the minimum required by the CBE with sustained payout ratio of 10%.

We should see EXPA raising its paid in capital from a current EGP2.7 billion to the EGP5.0 billion mark within 3 years, financed from retained earnings through many rounds of bonus shares.

Shareholders' structure



Upside Triggers

- Higher than expected targets
- Higher than expected cheap deposits accumulation
- Positive impact on margins from retail lending would reduce pressure on NIM
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

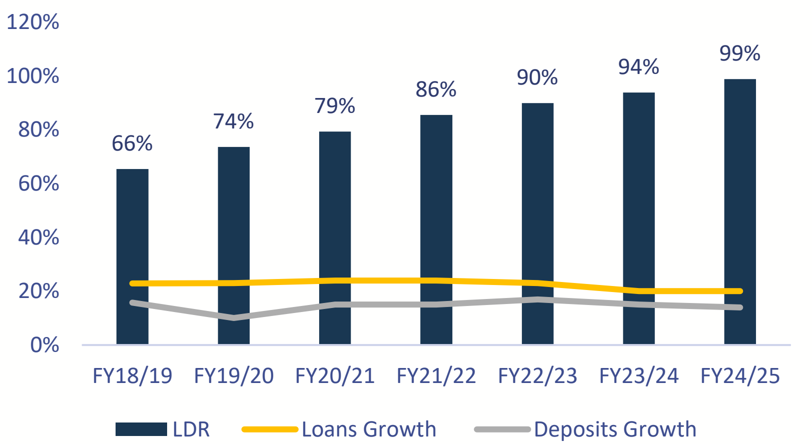
Downside Triggers

- Strategic plan targets are not met
- Capital increase to maintain CAR above CBE minimum
- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- Slower than estimated growth in lending portfolio

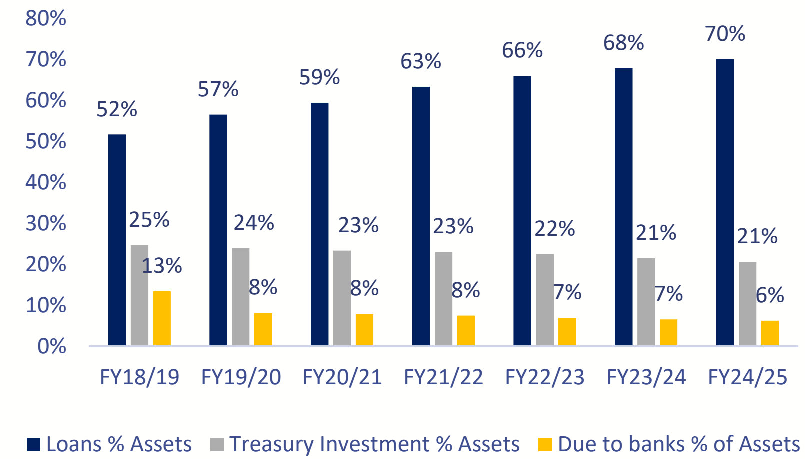
I. EXPA Balance Sheet | Healthy balance sheet growth; CAR is comfortably above CBE minimum

- We project lending to grow at a CAGR of 22% over our forecast horizon (2020-2025) to reach EGP88 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 14% over the same period and reaches EGP26 billion in 2025.
- On the funding side, we expect customer deposits to increase at a CAGR of 15%, over our forecast horizon, to reach EGP89 billion by 2025. LDR is expected to rise gradually to stand at 99% in FY24/25.
- We project NPLs to grow at a CAGR of 20% over 2020-2025 with a declining NPL ratio to stand at 2% in 2025 down from 2.5% in 2021, and a stable COR of 0.4% in order to maintain provision coverage above 100% to record an average of 116% over our forecast horizon.
- CAR recorded 14.6% in FY19/20 - above the CBE minimum requirement of 12.5%. CAR is expected to stay comfortably above the CBE minimum, recording an average of 13.7% over forecast horizon and 14.1% in FY23/24., despite a sustained dividend payout ratio of 10%.

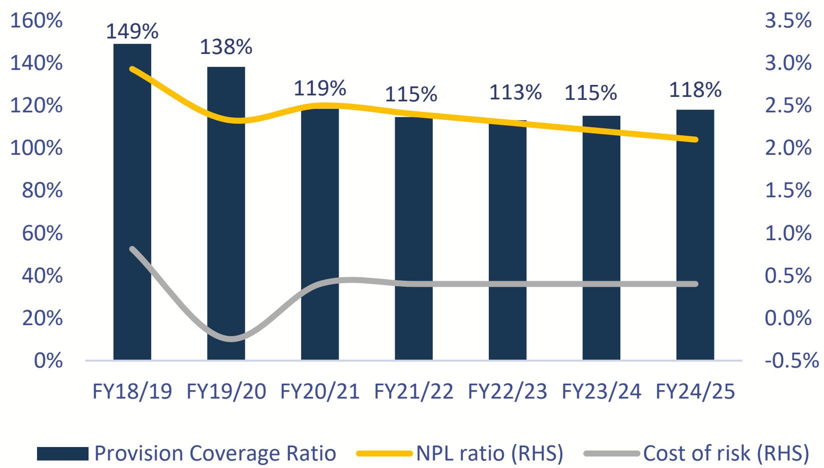
Loans and deposits grow at a CAGR of 22% and 15%, respectively; LDR reaches 99% in FY24/25



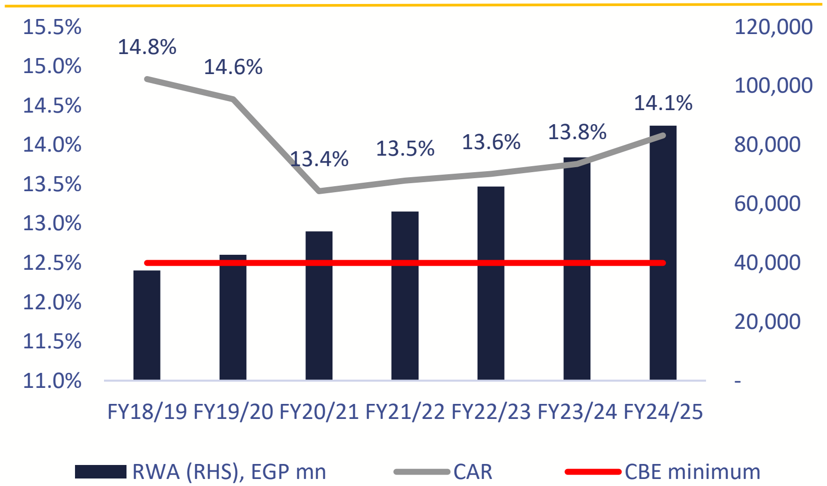
Loans to assets to expand while treasury exposure and interbank deposits contribution decline



NPL ratio reaches 2% in FY24/25; COR to stabilize at 0.4% over our forecast horizon to maintain coverage above 100%



CAR is securely above the CBE minimum; To record 14.1% by the end of our forecast horizon



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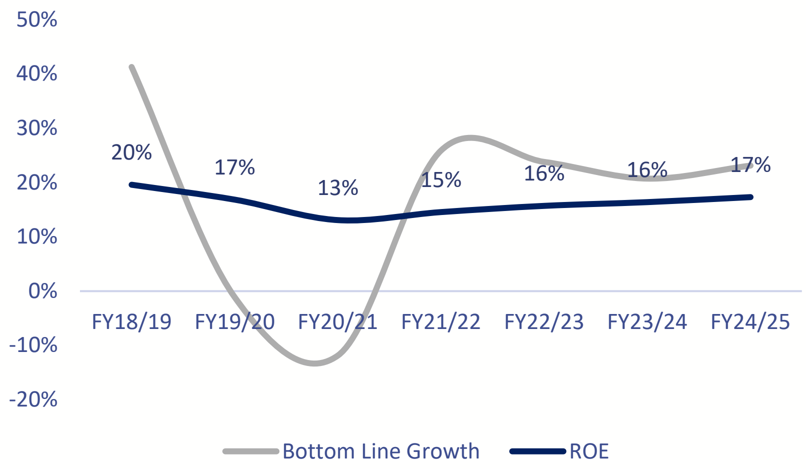
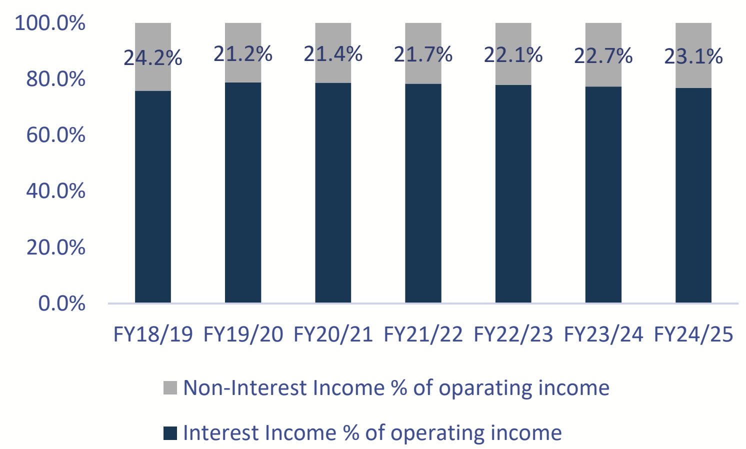
II. EXPA Income Statement | Resilient bottom-line growth on high efficiency despite declining margins

- According to our estimates, bottom line would decline in 2020/2021 due to high booked provisions and high effective tax rate after the bank ended 2019/2020 with provisions reversals. Hence, bottom line would grow at a CAGR of 15% over 2020-2025, with a rising ROE.
- Non-interest income is forecasted to rise slightly from a low base, however, stay in line with historical average over our forecast horizon, reaching 23% by FY24/25.
- The bank recorded a relatively low NIM of 4.2% in FY19/20 on rate cuts, therefore, we expect that EXPA's margins will keep declining to stand at 4.0% in FY24/25.
- EXPA's cost to income ratio surged to 42% in FY19/20. on weak growth in base. We project the bank's opex to grow at a CAGR of 15% and operating income at a CAGR of 18%. Accordingly, cost to income ratio will keep improving over our forecast horizon to reach 37% by FY24/25.

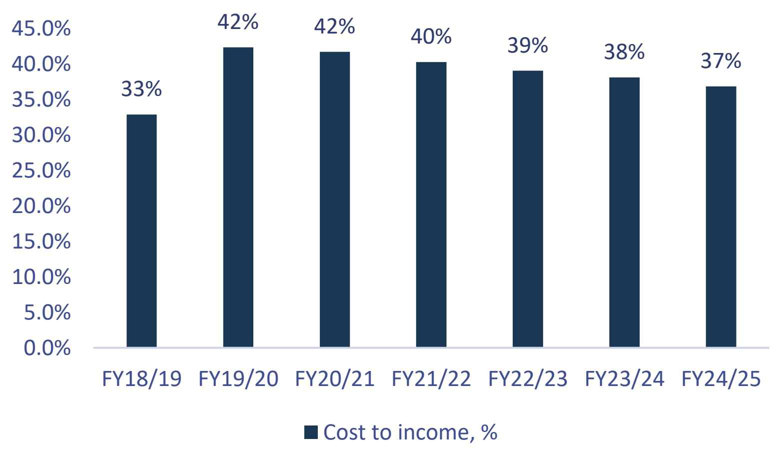
Bottom line grows at a CAGR of 15% (2020-2025); ROE records an average of 15%



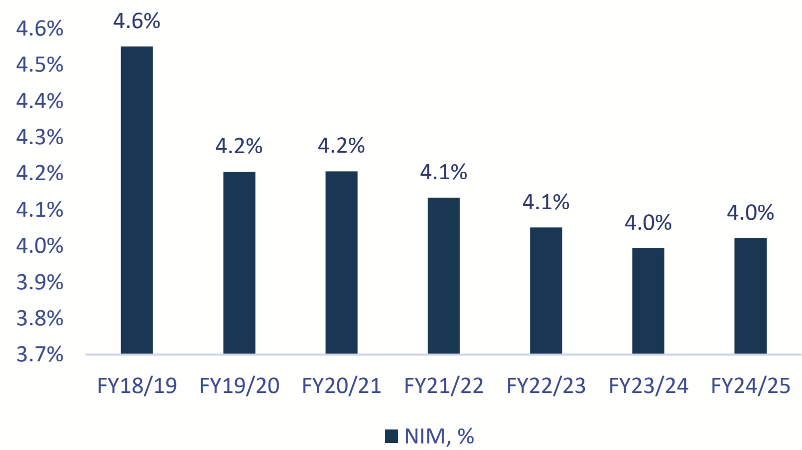
Non-interest income to total operating income to stay broadly in line with historical average



Cost to income ratio is expected to improve and reach 37% by FY24/25, down from 42% in FY19/20



NIM is expected to slightly decline after it took a big hit in 19/20 until it reaches 4.0% in FY24/25



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III. EXPA Taxes| Declining cost ratio cushions profitability; Retained earnings already cover gap in capital

- Average effective tax rate over our forecast horizon is 32%, up from an average of 28% over 2015-2020, with the highest level of 35% recorded in 2021 which caused bottom line to decline along with high booked provisions.

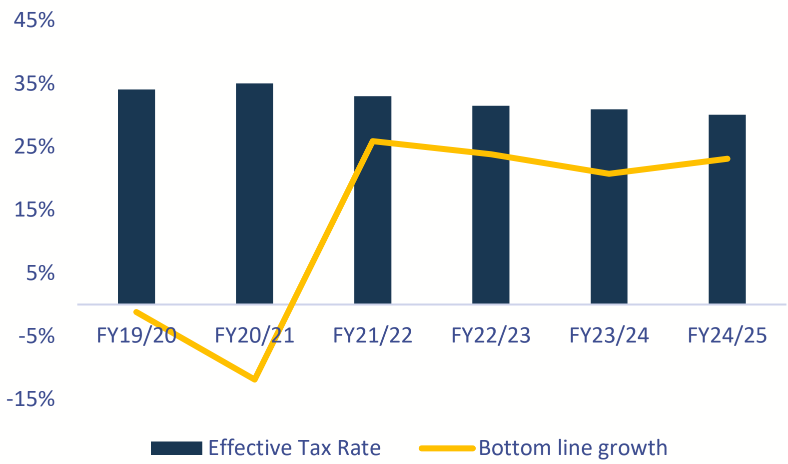
- EXPA's average cost ratio, over 2020-2025 records 70%.

	FY19/20	FY20/21	FY20/22
-(Interest Exp	(3,587)	(3,234)	(3,524)
+Admin Exp	(1,055)	(1,214)	(1,396)
+Other op Exp)	-	-	-
÷			
(Interest Income	5,553	5,522	6,238
+Non-interest income)	529	621	751
Cost Ratio	**76%**	**72%**	**70%**

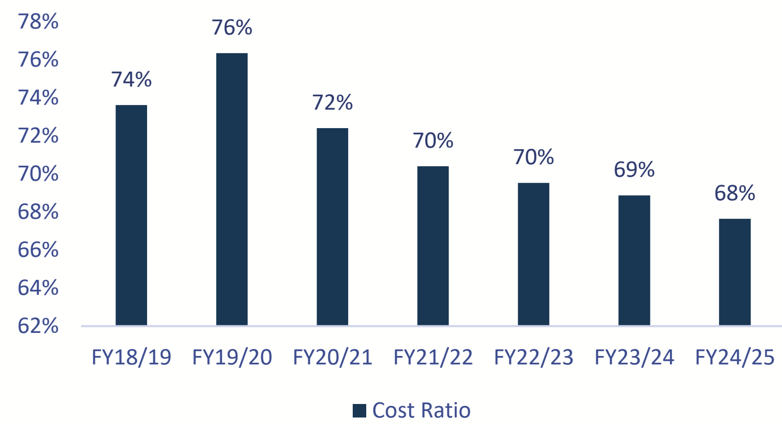
- We segmented the bank's income statement into two, based on the MoF executive regulations, which splits expenses based on a given calculation for the cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- EXPA's paid-in capital and retained earnings exceeds the EGP5.0 bn minimum requirement in FY19/20, and thus will comfortably covert a portion from the retained earnings to paid-in capital before the deadline in 2023.

Bottom line declines in 2021 on the new tax treatment and provisions; Effective tax rate records an avg. of 32% over 2020-2025



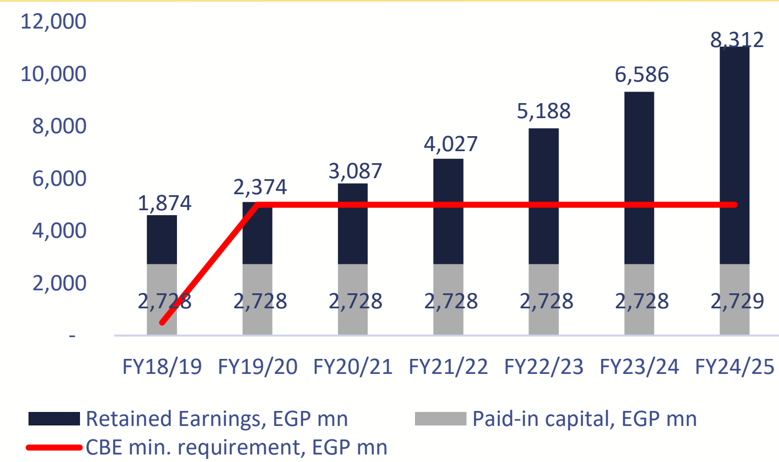
Cost ratio records an average of 70% over 2020-2025 but improves over time on fast growth of non-interest income



Segregated statements based on new tax treatment

	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Interest on new Treasuries	1,550	1,841	1,948	2,045	2,315
Expenses on Treasury	(947)	(1,066)	(1,097)	(1,138)	(1,276)
EBT- Treasury	**603**	**775**	**851**	**908**	**1,040**
T.bill Tax	**(310)**	**(368)**	**(390)**	**(409)**	**(463)**
Interest Income-Banking	4,002	3,680	4,290	5,267	6,218
Total Expenses -Banking	(3,624)	(3,526)	(4,003)	(4,799)	(5,627)
Non-Interest Income	529	621	751	908	1,100
EBT-Banking	**906**	**776**	**1,038**	**1,375**	**1,690**
Corporate tax	**(204)**	**(175)**	**(234)**	**(309)**	**(380)**
Total EBT	**1,510**	**1,550**	**1,889**	**2,283**	**2,730**
Total Tax Income	**(514)**	**(543)**	**(623)**	**(719)**	**(843)**
Effective Tax Rate	**34%**	**35%**	**33%**	**31%**	**31%**

EXPA's paid-in capital and retained earnings exceed the EGP5.0 bn as of FY19/20



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IV. EXPA| Financial Statements and Valuation

	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	FY24/25
Income Statement in EGP million							
Net interest Income	1,803	1,965	2,288	2,714	3,202	3,746	4,428
Non-interest Income	607	529	621	751	908	1,100	1,333
Operating Income	2,411	2,494	2,909	3,464	4,110	4,845	5,761
Provisions	(193)	71	(145)	(180)	(222)	(269)	(323)
Operating Expenses	(793)	(1,055)	(1,214)	(1,396)	(1,605)	(1,846)	(2,123)
Net profit before tax	1,424	1,510	1,550	1,889	2,283	2,730	3,315
Net profit after tax	1,117	1,104	972	1,224	1,515	1,829	2,251
Balance Sheet in EGP million							
Cash & Due from Central Bank	3,670	3,867	3,596	2,184	1,741	2,132	1,882
Due from Banks	6,841	4,662	5,361	5,897	6,487	7,135	7,849
Treasury bills	9,556	8,549	9,831	11,306	13,002	14,515	16,190
Loans & Discounts, net	25,096	31,298	38,935	48,384	59,606	71,576	85,940
Total Assets	50,833	57,237	67,531	78,557	92,735	108,266	125,878
Due to Banks	2,334	3,931	5,897	7,076	8,492	10,190	12,228
Customer Deposits	40,073	43,947	50,539	58,120	68,000	78,200	89,148
Total Liabilities	45,467	51,187	60,738	70,789	83,762	97,841	113,663
Total Net Worth	5,366	6,052	6,793	7,768	8,973	10,425	12,216
Key Indicators							
NIM	4.6%	4.2%	4.2%	4.1%	4.1%	4.0%	4.0%
OPEX-to-assets	1.7%	2.0%	1.9%	1.9%	1.9%	1.8%	1.8%
Non-Interest Income/Op Income	25.2%	21.2%	21.4%	21.7%	22.1%	22.7%	23.1%
Cost-to-Income	32.9%	42.3%	41.7%	40.3%	39.1%	38.1%	36.9%
COR	0.8%	-0.2%	0.4%	0.4%	0.4%	0.4%	0.4%
Annualized ROAE	19.6%	16.8%	13.1%	14.6%	15.7%	16.4%	17.3%
Annualized ROAA	2.0%	1.7%	1.3%	1.4%	1.5%	1.5%	1.6%
CAR	14.8%	14.6%	13.4%	13.5%	13.6%	13.8%	14.1%
Treasury Exposure	24.6%	23.9%	23.3%	23.1%	22.5%	21.5%	20.6%
Loans-to-Deposits	65.5%	73.6%	79.4%	85.6%	90.0%	93.9%	98.8%
NPL Ratio	2.9%	2.3%	2.5%	2.4%	2.3%	2.2%	2.1%
Provisions Coverage	149.0%	138.2%	118.5%	114.6%	113.0%	115.1%	118.0%

	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24	FY23/25
Trading Multiples							
EPS, EGP	3.43	3.44	3.01	3.79	4.69	5.67	6.97
P/E x	4.0	4.0	4.6	3.7	3.0	2.4	2.0
BVPS, EGP	19.15	21.71	24.32	27.76	32.02	37.15	43.47
P/B, x	0.7	0.6	0.6	0.5	0.4	0.4	0.3
DPS, EGP	0.50	0.50	0.40	0.35	0.44	0.54	0.65
DY	3.6%	3.6%	2.9%	2.5%	3.1%	3.9%	4.7%
Payout ratio	18%	13%	10%	10%	10%	10%	10%
Implied P/E, x	5.4	5.4	6.1	4.9	3.9	3.3	2.7
Implied P/B, x	1.0	0.9	0.8	0.7	0.6	0.5	0.4
Cost of Equity Assumptions							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.00	1.00	1.00	1.00	1.00	2.00
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate							
Valuation							
Net Asttributable Income			821	1,034	1,280	1,545	1,903
+Non cash Items (Depreciation)			55	58	61	64	68
Minus: Capital Charge			(992)	(837)	(1,062)	(1,243)	(1,340)
Cash Flow to Shareholders			(116)	255	279	367	630
PV of FCFF			(100)	195	191	222	336
Sum of PV		845					
Terminal Value		7,879					
Discounted Terminal Value		4,202					
Valuation		5,047					
Number of Shares		273					
FV/Share, EGP		18.50					

6. Abu Dhabi Islamic Bank of Egypt (ADIB) | Equalweight

Trading Data

Reuters / Bloomberg:	ADIB.CA/ADIB EY
Adjusted Market Cap, EGP m:	2,332.00
52W H-L, EGP/Share:	13.21 – 8.47
Last Price, EGP/Share:	11.66
Fair Value, EGP/Share:	20.00
52W ADTV, EGP m:	2.4
Valuation Gap:	71.5%
Shares Outstanding, m:	200
Free Float	28.39%

Pitch

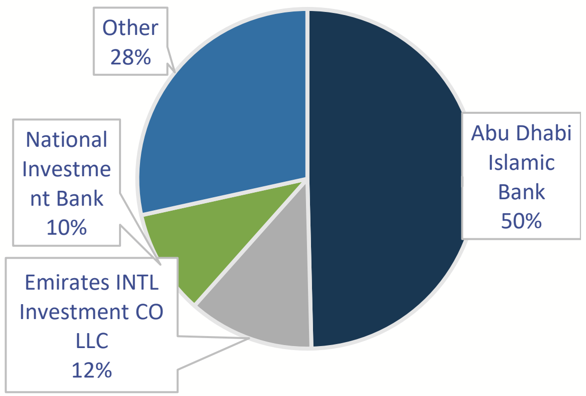
With the new banking law by CBE requiring banks to increase their paid in capital to EGP5.0 bn during the next three years, we see ADIB's management encouraged to resolve the capital increase issue as soon as possible, in three years at the most. Management intends to increase capital by EGP3.0 bn while maintaining the same ownership structure (49% for ADIB UAE) without diluting the ownership of minority shareholders. ADIB UAE will use EGP1.5 bn of a total of EGP1.8 billion already injected under capital increase to subscribe to the capital increase and redeem back the excess that is almost EGP300 mn. Minority shareholders will subscribe to the remaining EGP1.5 bn. In case there aren't enough subscriptions, ADIB UAE related parties will subscribe. Technically speaking, the fresh capital injected is only EGP1.2 bn (if ADIB UAE withdraws the remaining EGP300 mn, but EGP1.5 bn if not). *We do not account for the impact of the anticipated capital increase in our valuation of the bank to have a fair market comparison, until it takes place.* At current prices, we recommend ST trading of the stock until the rights issue takes place since we expect that it will have a negative impact on the price of the stock, given that the outstanding shares will increase by 300 million shares against only EPP1.2-1.5 bn increase in market cap (fresh capital) while the remainder EGP 1.5 bn will be transferred to paid in capital within equity.

However, after the conclusion of the capital increase, we see a huge potential in the bank, with a higher upside and would recommend buying the stock after any potential pressure created by the announcement.

Over the forecast horizon (2020-2025), we project financing growth at a 5-year CAGR of 23%, deposits at 18%, and treasury investments at 14% so that LDR ratio reaches 90% by 2025, from 71% in 2020e. We estimate margins to decline in 2021 on the back of the projected reduction in rates and competition against banks for growth, to drop from 5.6% in 2020e to 5.0% in 2025. Non-funded income is expected to grow at a CAGR of 18% with financing growth revival remaining stable at 18% to operating income. Risk weighted Assets (RWA) would grow at a CAGR of 18% with CAR staying comfortably above the minimum required by the CBE.

ADIB is trading at P/E21 of 2.1x, and P/B21 of 0.4x, on ROAE of 18%. These multiples are considerably below Egypt's sector average of P/E21 of 4.8x, and P/B21 of 0.6x.

Shareholders' structure



Upside Triggers

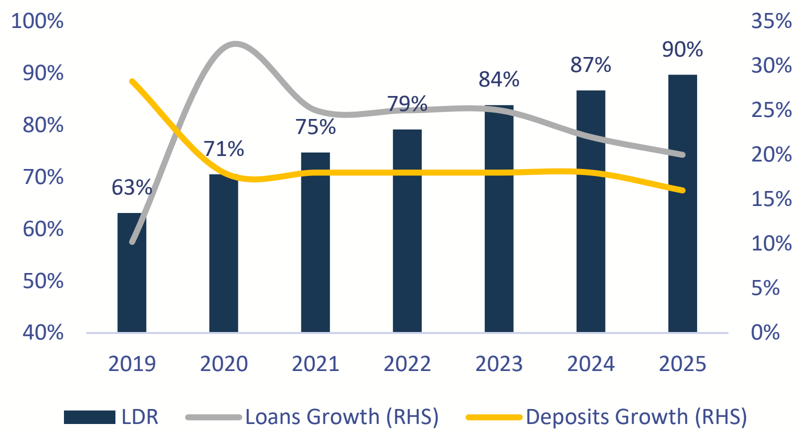
- Resolving capital increase case
- Higher than expected cheap deposits accumulation
- Faster than expected pick up in non-funded income
- Faster than expected pick up in financing growth
- Positive impact on margins from retail financing would reduce pressure on NIM
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

Downside Triggers

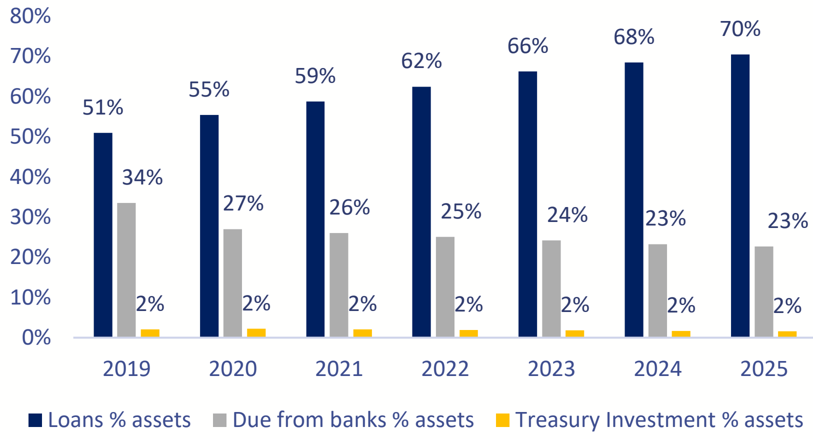
- Dilution of ownership
- Margin compression that is higher than projections
- Slower than estimated growth in non-funded income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders financing growth for both corporate and retail sectors
- More strict CBE regulations on the banking sector that might pressure profitability
- Slower than estimated growth in lending portfolio

- We project financing would grow at a CAGR of 23% over our forecast horizon (2020-2025) to reach EGP122 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 14% over the same period and reaches EGP37 billion in 2025.
- On the funding side, we expect customer deposits to increase at a CAGR of 18%, over our forecast horizon, to reach EGP136 billion by 2025. LDR will keep increasing to stand at 90% in 2025.
- We project NPLs to grow at a CAGR of 17% over 2020-2025 with a declining NPL ratio reaching 2.5% by the end of our forecast horizon, and an increasing provision coverage recording an average 155% over our forecast horizon reaching 168% in 2025. We estimate Cost of Risk (COR) will level off from a high of 1.2% in 2020 to 0.8%.
- CAR should record 14.4% in 2020e - well above the CBE minimum requirement of 12.5% - and remain around the 14% figure throughout forecast horizon.

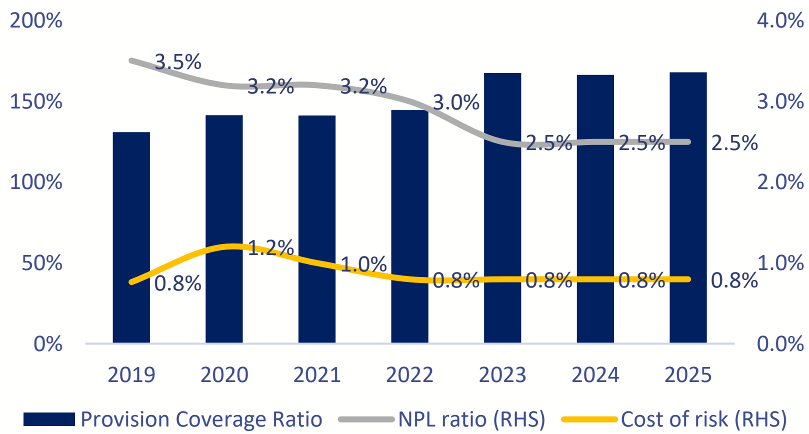
Financing and deposits grow at a CAGR of 23% and 18%, respectively; LDR reaches 90% in 2025



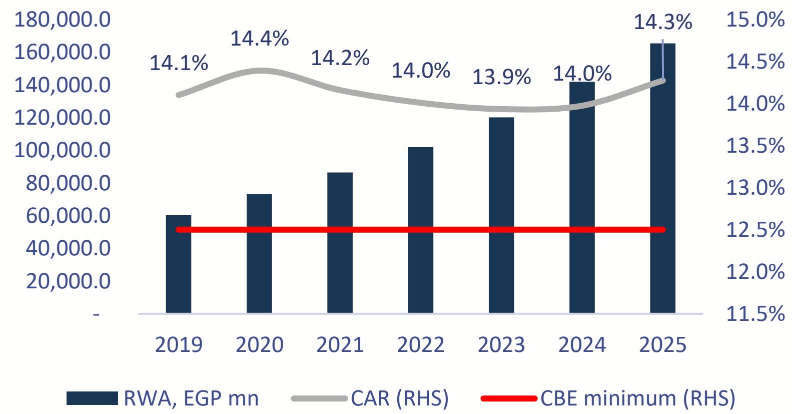
Treasury investment to total assets is expected to fall while loans grow and interbank remains stable



NPL ratio improves from 3.5% to 2.5% in 2025; COR decreases to 0.8% with increasing coverage



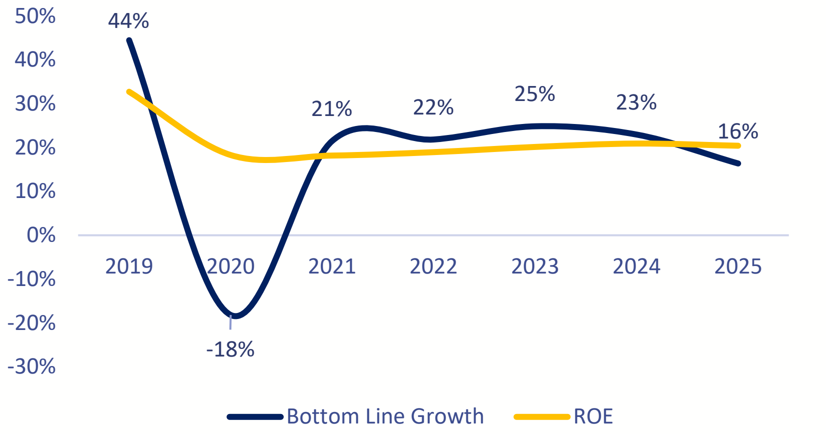
CAR's average is 14.1% over our forecast horizon, above the CBE minimum



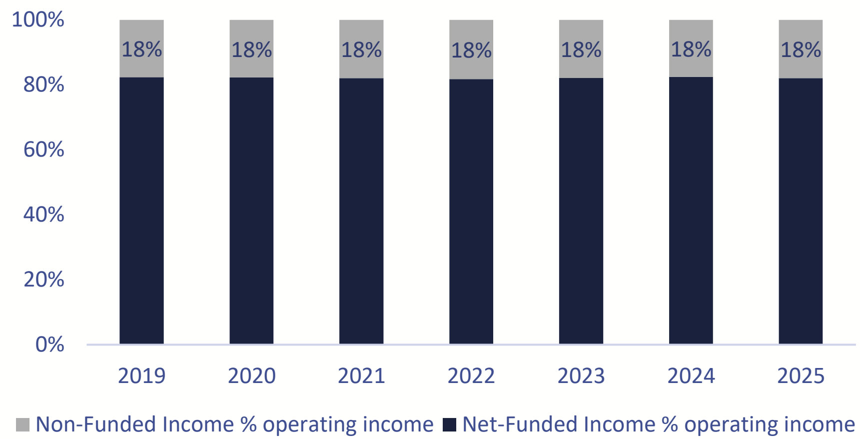
II. ADIB Income Statement | Bottom line bounces after 2020 provisions spike

- Bottom line to grow, according to our estimates, at a strong CAGR of 21% over 2020-2025, with a strong ROE.
- Non-funded income is forecasted to stabilize at 18% until 2025.
- ADIB's NFM already dropped declined in 2020, on significant rate cuts, from 6.4% in 2019 to 5.6% in 2020e. We estimate the bank will continue to face pressure on margins with further rate cuts and the shift in allocation from treasury to financing post the new tax treatment, and thus NFM will hit 5.0% by the end of our forecast period.
- ADIB's cost to income ratio recorded 46% in 2020e. We project the bank's opex to grow at a CAGR of 17% and operating income at a CAGR of 18%; to result in a slightly improved cost to income ratio reaching 44.0% by the end of our forecast horizon.

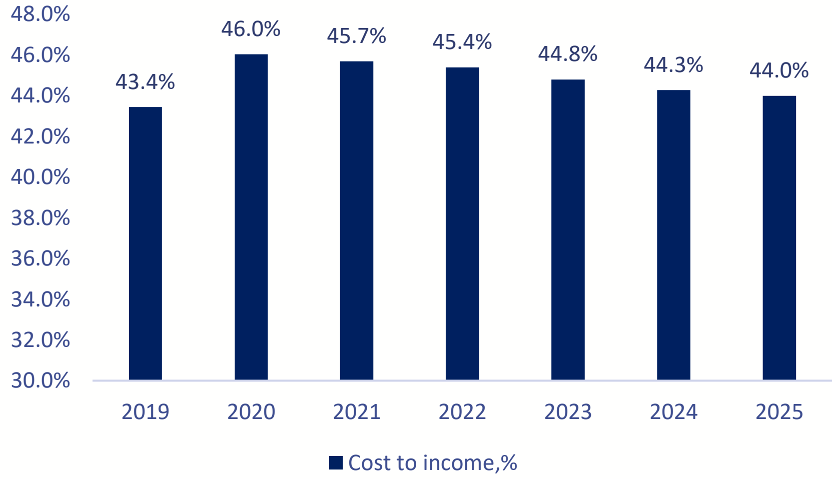
Strong bottom line growth at a CAGR of 21%; ROE records an average of 20% (2020-2025)



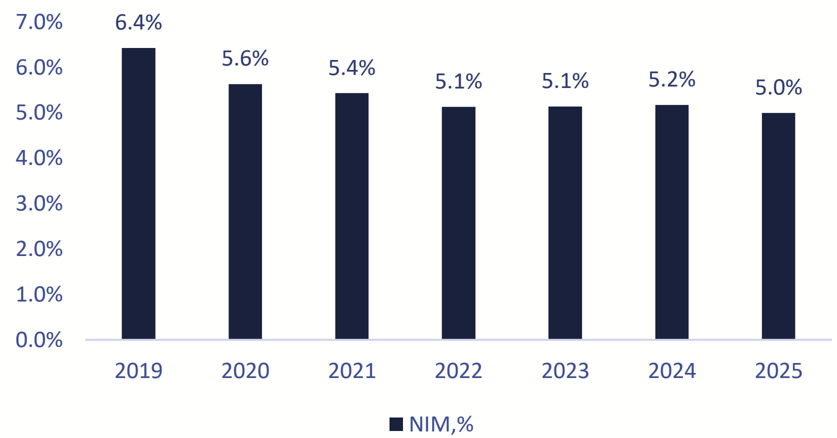
Non-funded income contribution to total operating income to stabilize over our forecast horizon



Cost to income ratio is expected to slightly improve from 46% in 2020e to 44% in 2025



NFM already declines after rate cuts in 2020, Expected to continue trend until it hits 5.0% in 2025



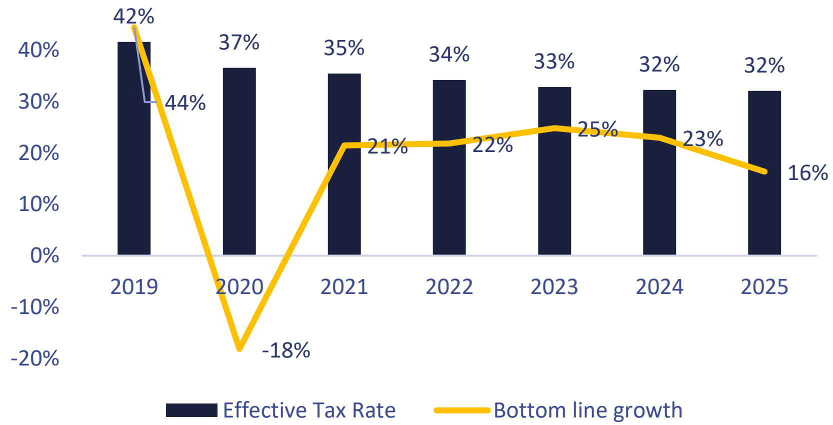
III. ADIB Taxes| High cost-ratio results in high effective tax rate; Paid in capital easily scalable

- Average effective tax rate over our forecast horizon is 34% up from an average of 28% (excluding deferred taxes) over 2015-2019.
- ADIB's average cost ratio over 2020-2025 records 73%.

	2020	2021	2022
(Interest Exp	(4,069)	(4,673)	(5,505)
+Admin Exp	(1,516)	(1,756)	(2,020)
+Other op Exp)	(273)	(301)	(331)
÷			
(Interest Income	7,266	8,368	9,740
+Non-interest income)	689	807	945
Cost Ratio	**74%**	**73%**	**74%**

- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed funded income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.
- ADIB's paid-in capital can easily reach the CBE minimum requirement in 2021 with the planned capital increase.

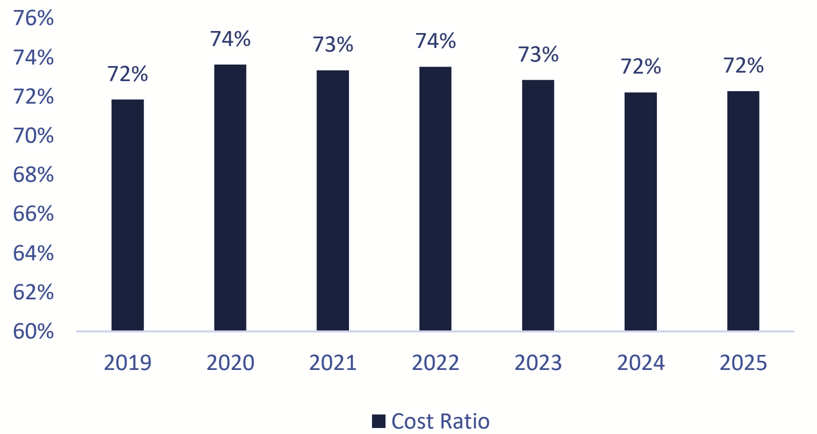
Average effective tax rate records an average of 34% (2020-2025)



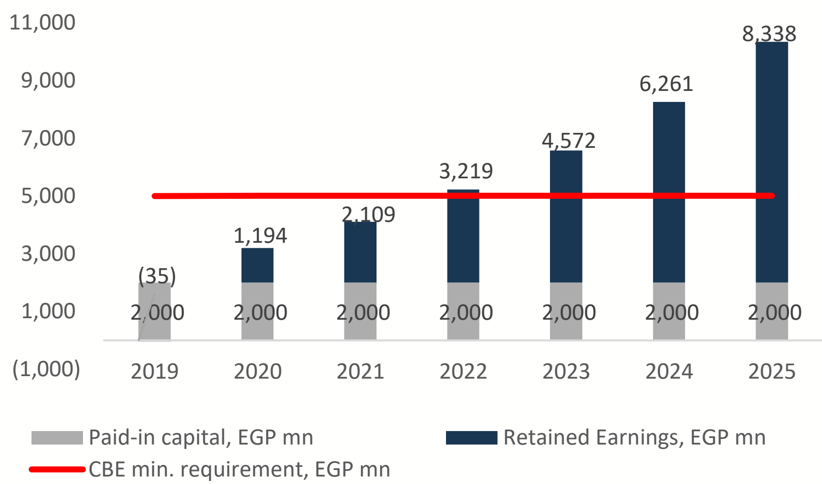
Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024
Interest on new Treasuries	2,153	2,377	2,568	2,790	3,258
Expenses on Treasury	(1,268)	(1,395)	(1,511)	(1,626)	(1,883)
EBT- Treasury	**885**	**982**	**1,058**	**1,164**	**1,376**
T.bill Tax	**(431)**	**(475)**	**(514)**	**(558)**	**(652)**
Interest Income-Banking	5,113	5,992	7,172	8,855	10,650
Total Expenses -Banking	(5,039)	(5,814)	(6,825)	(8,273)	(9,863)
Non-Interest Income	689	807	945	1,122	1,332
EBT-Banking	**764**	**984**	**1,292**	**1,704**	**2,119**
Corporate tax	**(172)**	**(221)**	**(291)**	**(383)**	**(477)**
Total EBT	**1,648**	**1,966**	**2,350**	**2,868**	**3,495**
Total Tax Income	**602**	**697**	**804**	**941**	**1,128**
Effective Tax Rate	**37%**	**35%**	**34%**	**33%**	**32%**

Cost ratio records an average of 73% over 2020-2025



ADIB's paid-in capital should reach the CBE's minimum requirement with the planned capital increase



IV. ADIB| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement in EGP million							
Net interest Income	3,078	3,197	3,695	4,234	5,157	6,264	7,250
Non-interest Income	660	689	807	945	1,122	1,332	1,582
Operating Income	3,738	3,887	4,502	5,180	6,280	7,596	8,833
Provisions	(407)	(449)	(479)	(479)	(599)	(739)	(893)
Operating Expenses	(1,624)	(1,789)	(2,057)	(2,351)	(2,813)	(3,363)	(3,885)
Net profit before tax	1,708	1,648	1,966	2,350	2,868	3,495	4,055
Net profit after tax	1,228	1,005	1,221	1,488	1,858	2,284	2,658
Balance Sheet in EGP million							
Cash & Due from Central Bank	5,078	7,712	7,673	6,791	5,085	4,746	3,657
Due from Banks	1,252	1,628	1,791	1,970	2,167	2,384	2,622
Treasury bills	12,571	10,491	11,924	13,551	15,398	17,495	19,873
Loans & Discounts, net	30,726	40,609	50,776	63,604	79,640	97,199	116,600
Total Assets	60,325	73,291	86,388	101,885	120,229	141,988	165,431
Due to Banks	283	849	1,018	1,222	1,467	1,760	2,112
Customer Deposits	51,161	60,370	71,237	84,059	99,190	117,044	135,771
Total Liabilities	55,979	67,643	79,812	94,183	111,156	131,201	152,538
Total Net Worth	4,345	5,649	6,575	7,701	9,074	10,786	12,893
Key Indicators							
NIM	6.4%	5.6%	5.4%	5.1%	5.1%	5.2%	5.0%
OPEX-to-assets	3.0%	2.7%	2.6%	2.5%	2.5%	2.6%	2.5%
Non-Interest Income/Op Income	17.7%	17.7%	17.9%	18.3%	17.9%	17.5%	17.9%
Cost-to-Income	43.4%	46.0%	45.7%	45.4%	44.8%	44.3%	44.0%
COR	1.3%	1.2%	1.0%	0.8%	0.8%	0.8%	0.8%
Annualized ROAE	32.7%	18.3%	18.2%	19.0%	20.1%	20.9%	20.4%
Annualized ROAA	2.2%	1.5%	1.5%	1.6%	1.7%	1.8%	1.7%
CAR	14.1%	14.4%	14.2%	14.0%	13.9%	14.0%	14.3%
Treasury Exposure	33.6%	27.0%	26.0%	25.1%	24.2%	23.2%	22.7%
Loans-to-Deposits	63.1%	70.5%	74.7%	79.2%	83.9%	86.7%	89.7%
NPL Ratio	3.5%	3.2%	3.2%	3.0%	2.5%	2.5%	2.5%
Provisions Coverage	130.9%	141.6%	141.4%	144.7%	167.7%	166.6%	168.1%

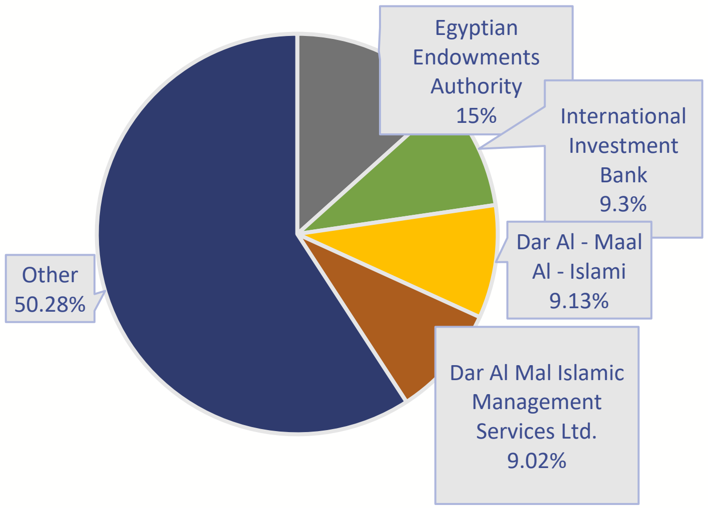
	2019	2020	2021	2022	2023	2024	2025
Trading Multiples							
EPS, EGP	6.15	4.57	5.55	6.76	8.45	10.38	12.08
P/E x	1.9	2.6	2.1	1.7	1.4	1.1	1.0
BVPS, EGP	21.64	28.10	32.67	38.22	44.99	53.43	63.83
P/B, x	0.5	0.4	0.4	0.3	0.3	0.2	0.2
DPS, EGP	-	-	-	-	-	-	-
DY	0%	0%	0%	0%	0%	0%	0%
Implied P/E, x	1.30	1.75	1.44	1.18	0.95	0.77	0.66
Implied P/B, x	0.37	0.28	0.24	0.21	0.18	0.15	0.13
Cost of Equity Assumptions							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate							
Valuation							
Net Astttributable Income			1,111	1,353	1,689	2,077	2,417
+Non cash Items (Depreciation)			75	83	91	100	110
Minus: Capital Charge			(1,114)	(1,323)	(1,572)	(1,871)	(2,037)
Cash Flow to Shareholders			72	113	208	306	489
PV of FCFF			62	87	143	185	261
Sum of PV		738					
Terminal Value		6,118					
Discounted Terminal Value		3,262					
Valuation		**4,000**					
Number of Shares		**200**					
FV/Share, EGP		**20.00**					

7. Faisal Islamic Bank (FAIT) | Equalweight

Trading Data

Reuters / Bloomberg:	FAIT.CA/FAIT EY
Market Cap, EGP m:	5317.58
52W H-L, EGP/Share:	14.75-9.46
Last Price, EGP/Share:	12.08
Fair Value, EGP/Share:	14.49
52W ADTV, EGP m:	1.70
Valuation Gap:	20.1%
Shares Outstanding, m:	440.2
Free Float	59.78%

Shareholders' structure



Pitch

FAIT is one of the few sharia-compliant Islamic banks in Egypt, that has been following a passive strategy of allocating a great portion of its assets to treasury investments and interbank deposits instead of corporate financing. Over 2015-2017, its average treasury exposure to total assets was 50%, which was the highest among listed banks. However, the contribution of treasury exposure to total assets started to decline in 2018 recording 28% and getting closer to the sector average. However, the allocation started to go back up starting 2019 and is to remain at high levels in 2020e and 2021 to record 60% and 58%, respectively. We assume FAIT will keep relying mostly on treasury investments and due from banks, with soft pickup in financing activity, mainly extended to corporations.

Over our forecast horizon (2020-2025), we project financing growth at a 5-year CAGR of 17%, deposits at 12%, and treasury investments at 6% so that LDR ratio reaches 15% by 2025. We assume that financing would slightly start substituting treasury investments starting 2021 after meaningful rate cuts in 2020.

Margins stood at its peak in 2020, then it is anticipated to decrease gradually to reach 4.2% in 2025 on the back of lower allocation to the high-yield treasury investments. Non-funded income contribution to operating income starts to increase gradually over the forecast horizon, as financing growth picks up, and is expected to stand at 16% of total operating income by 2025. Risk weighted Assets (RWA) would grow at a CAGR of 12% with Capital Adequacy Ratio (CAR) staying above the minimum required by the CBE.

FAIT is trading at P/E21 of 3.2x, and P/B21 of 0.3x, on ROAE of 11.2% for 2021. These multiples are below Egypt's sector average of P/E21 of 4.8x, and P/B21 of 0.6x.

`Upside Triggers

- Faster than expected pick up in financing growth
- Higher than expected cheap deposits accumulation
- Positive impact on margins from retail financing would reduce pressure on NIM
- Faster than expected pick up in non-funded income
- Faster than expected pick up in financing growth
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by taxes.

Downside Triggers

- Margin compression that is higher than projections
- Slower than estimated growth in non-Funded income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders financing growth for both corporate and retail sectors

I. FAIT Balance Sheet | Passive balance sheet strategy

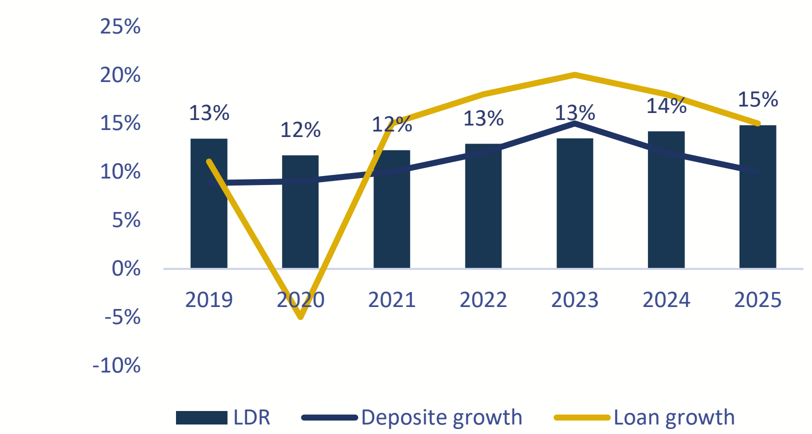
- Unlike the market norm, FAIT relies significantly on treasury investments with treasury ratio to total assets standing at 60% in 2020e, while net financing facilities to customers contributed around 9%. We project financing growth at a CAGR of 17% over our forecast horizon (2020-2025) to reach EGP24 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 6% over the same period and reaches EGP88 billion in 2025. This is expected to take place following the rate cuts that took place in 2020, increased taxes due to the new tax treatment and the economy's movement towards higher financing growth.

- On the funding side, we expect customer deposits to increase at a CAGR of 12%, over our forecast horizon, to reach EGP164 billion by 2025. Since customer deposits are growing at a slower pace than financing, we expect that the LDR ratio to increase slightly and stand at 15% in 2025.

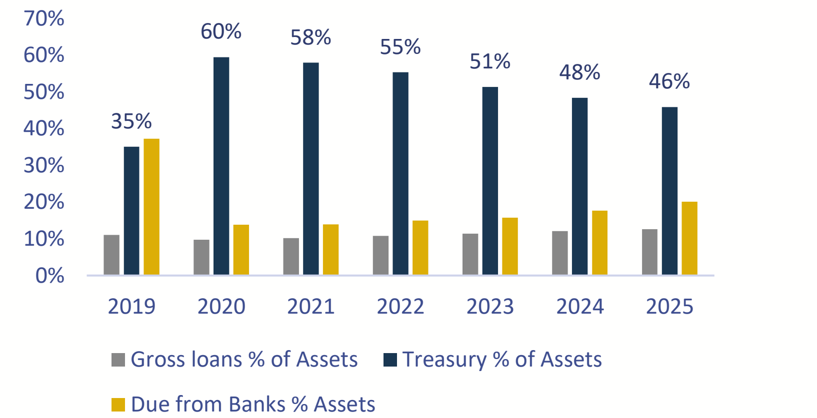
- We project NPAs to grow at a CAGR of 12% over 2020-2025, resulting in a decreased NPA ratio at 9.7% in 2025, and provisions coverage standing at 73% by 2025. We estimate a slightly falling Cost of Risk (COR) stabilizing around 0.9% over 2020-2025, down from 1.3% in 2020e.

- CAR is anticipated to record an average of 16.5% over the forecast horizon- well above the CBE minimum requirement of 12.5% - and to stand at 15.4% by 2025.

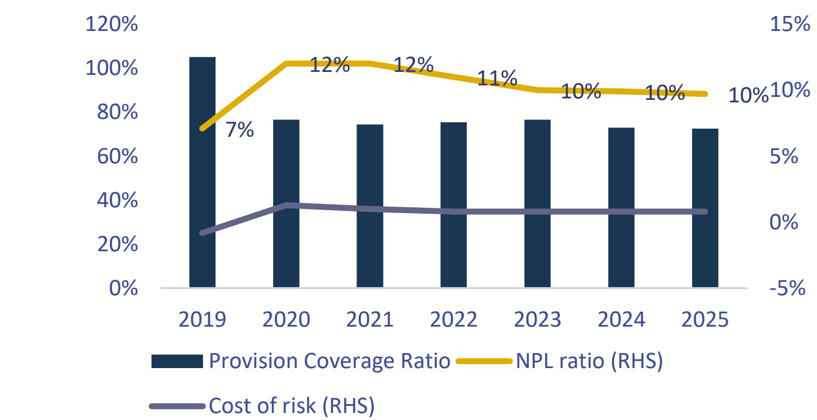
Financing and deposits grow at a CAGR of 17% and 12%, respectively; LDR reaches 15%



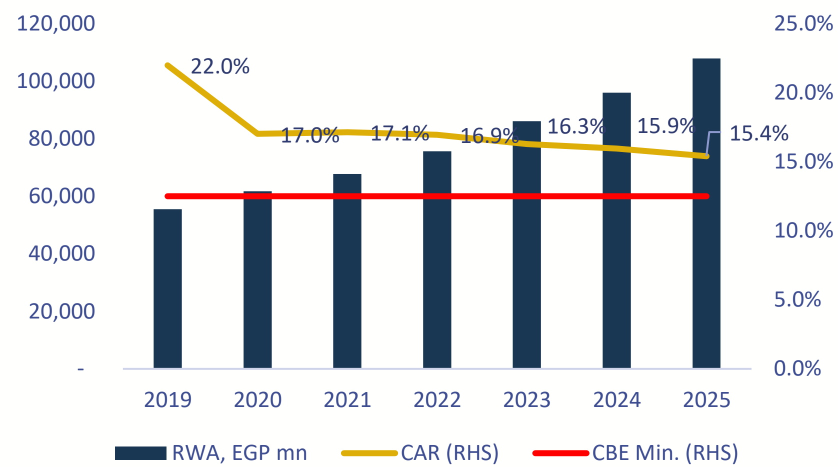
Investment strategy to change gradually as financing allocation increases and interbank and treasury investments decline



NPA ratio reaches 10% in 2025; COR decreases gradually to stand at 0.8% in 2025



CAR's average is 16.5% over our forecast horizon, well-above the CBE minimum



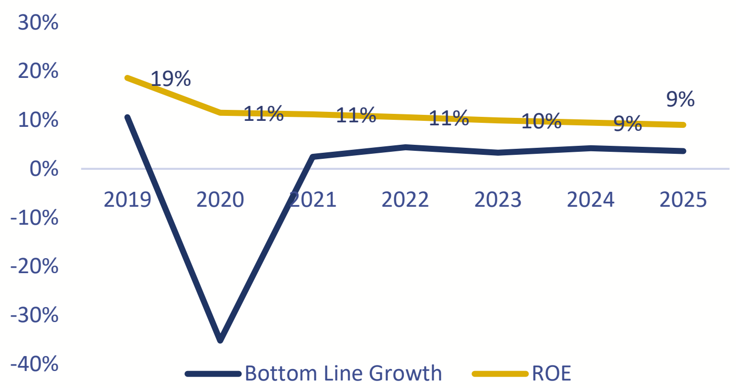
II. FAIT Income Statement | Low margins and non-funded income weaken bottom line growth

- The bottom line has decreased due to weakened top line affected by the interest rate cuts that took place in 2020 and the change in the interest-bearing assets porftolio of the bank as it started to move funds from interbank to treasuries. However, margins are expected to normalize in 2023 at 4.2%, therefore, the top line and bottom line will start to revert to historical trends. Bottom line is to grow, according to our estimates, at a CAGR of 4% over 2020-2025.

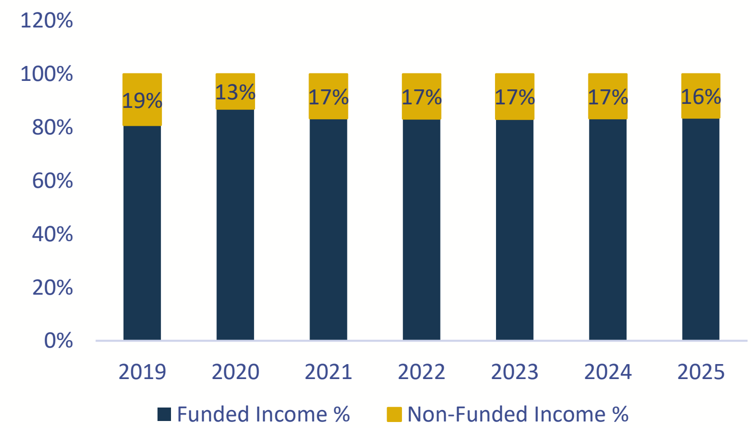
- Non-funded income is forecasted to constitute 17% of the total operating income by 2025, up from 13% in 2020e as the bank shifts its interest earning assets composition. We estimate margins to level off from 4.5% in 2020 to 4.2% in 2025.

- FAIT's cost to income ratio is expected to increase over the forecast horizon, as we project the bank's opex to grow at a CAGR of 17% and operating income at a CAGR of 9%. Cost to income ratio settles at 41% by the end of our forecast horizon.

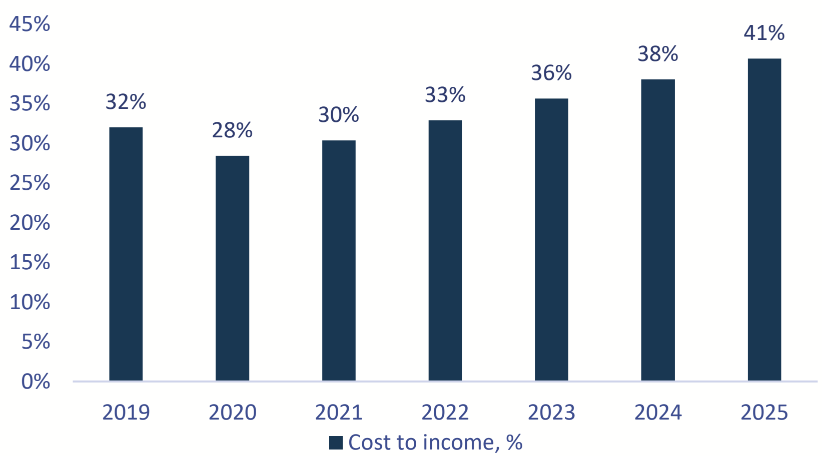
Slow bottom-line growth at a CAGR of 4%; ROE records an average of 10.3% (2020-2025)



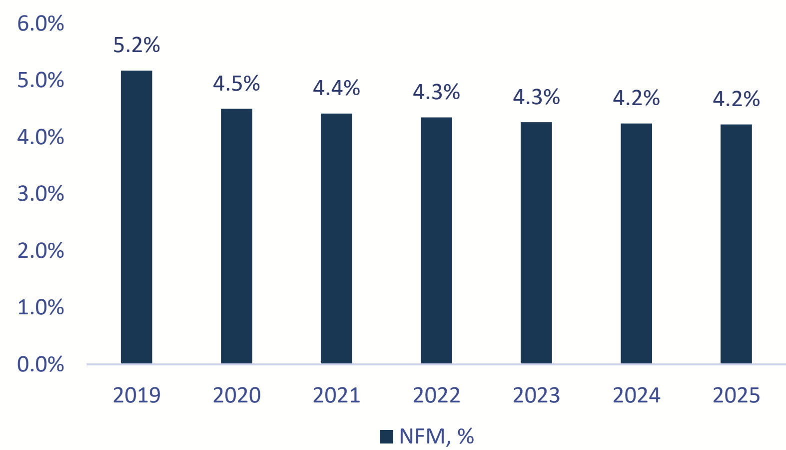
Non-Funded income contribution to total operating income mostly 17%



Cost to income is expected to keep increasing to reach 41% by 2025



NFM to peak on high treasury yield then decline amid financing pickup



III. FAIT Taxes| Highest effective tax rates

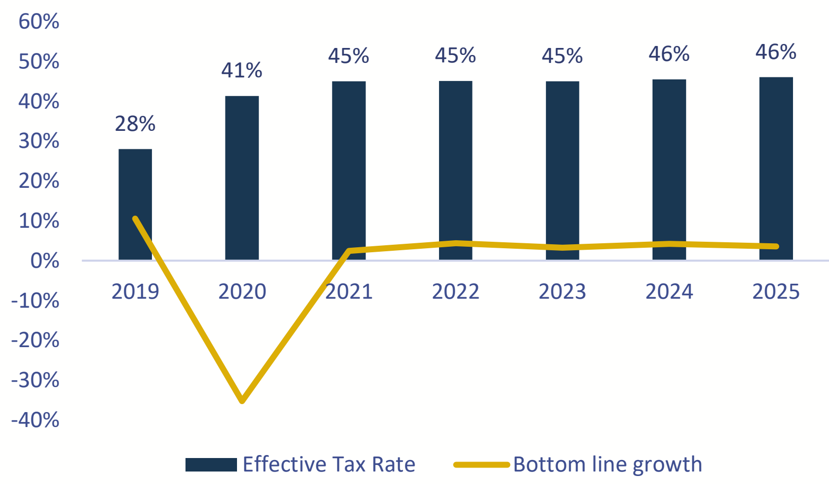
- Average effective tax rate over our forecast horizon is 45%, up from an average of 29% over 2017-2020.
- FAIT average cost ratio, as per proposed Ministry of Finance definition, over 2020-2025 is 69%.

	2021	2022
(Interest Exp	(5,626)	(6,135)
+Admin Exp	(1,422)	(1,678)
+Other op Exp)	(115)	(121)
÷		
(Interest Income	9,849	10,691
+Non-interest income)	841	917
Cost Ratio	**67%**	**68%**

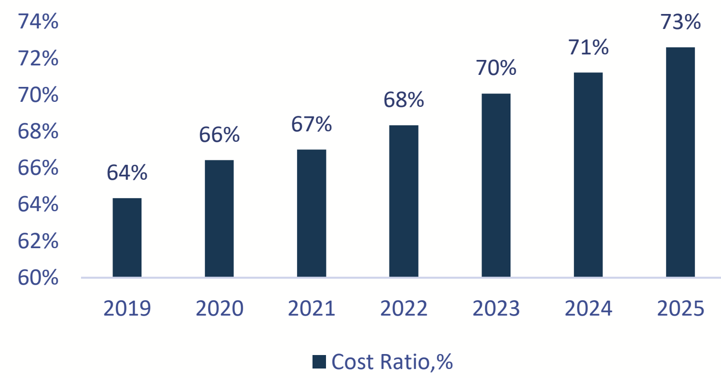
- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed funded income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- FAIT's paid in capital falls short of the new CBE requirement of EGP5 billion, however, the retained earnings cover this gap.

Effective tax rate records an average of 45% over 2020-2025



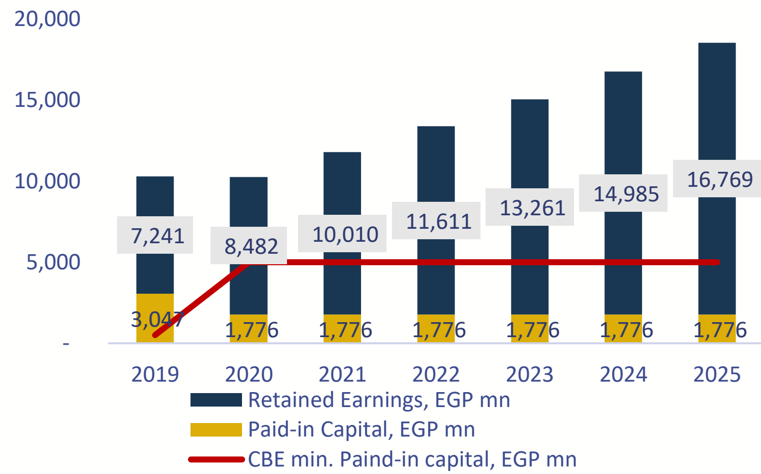
Cost ratio records an average of 69% over 2020-2025



Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024	2025
Interest on new Treasuries	6,210	8,043	8,232	8,183	8,626	9,017
Expenses on Treasury	(3,300)	(4,311)	(4,501)	(4,588)	(4,915)	(5,237)
EBT- Treasury	**2,910**	**3,732**	**3,731**	**3,596**	**3,712**	**3,780**
T.bill Tax	**(1,242)**	**(1,609)**	**(1,646)**	**(1,637)**	**(1,725)**	**(1,803)**
Interest Income-Banking	2,917	1,806	2,459	3,544	4,276	5,253
Total Expenses -Banking	(3,302)	(2,969)	(3,543)	(4,456)	(5,194)	(6,148)
Non-Interest Income	592	841	917	992	1,074	1,162
EBT-Banking	**207**	**(322)**	**(166)**	**79**	**155**	**267**
Corporate tax	**(47)**	**73**	**37**	**(18)**	**(35)**	**(60)**
Effective Tax Rate	**41%**	**45%**	**45%**	**45%**	**46%**	**46%**

FAIT's paid in capital is below the CBE's new minimum requirement of EGP5 billion, but retained earnings cover up



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IV. FAIT| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2023	2025
Income Statement in EGP million							
Net interest Income	4,183	3,966	4,223	4,557	4,921	5,419	5,963
Non-interest Income	984	592	841	917	992	1,074	1,162
Operating Income	5,167	4,558	5,065	5,474	5,913	6,493	7,126
Provisions	88	(146)	(118)	(110)	(131)	(156)	(181)
Operating Expenses	(1,654)	(1,295)	(1,537)	(1,799)	(2,107)	(2,470)	(2,898)
Net profit before tax	3,601	3,117	3,409	3,565	3,675	3,867	4,047
Net profit after tax	2,787	1,805	1,850	1,931	1,994	2,079	2,154
Balance Sheet in EGP million							
Cash & Due from Central Bank	8,559	8,403	8,704	8,894	16,245	19,763	20,549
Due from Banks	38,948	15,579	17,137	20,564	24,677	30,847	38,558
Treasury bills	17,716	36,710	39,305	39,189	41,462	42,267	43,978
Loans & Discounts, net	9,540	9,956	11,483	13,642	16,487	19,545	22,524
Total Assets	94,927	94,928	94,929	94,930	94,931	94,932	94,933
Due to Banks	645	516	547	580	614	651	690
Customer Deposits	85,945	93,680	103,048	115,414	132,726	148,653	163,518
Total Liabilities	90,330	98,161	107,758	120,365	137,930	154,123	169,269
Total Net Worth	14,039	13,990	15,500	17,081	18,711	20,414	22,176
Key Indicators							
NIM	5.2%	4.5%	4.4%	4.3%	4.3%	4.2%	4.2%
OPEX-to-assets	1.6%	1.2%	1.3%	1.4%	1.4%	1.5%	1.6%
Non-Interest Income/Op Income	19.0%	13.0%	16.6%	16.8%	16.8%	16.5%	16.3%
Cost-to-Income	32.0%	28.4%	30.4%	32.9%	35.6%	38.0%	40.7%
COR	-0.8%	1.3%	1.0%	0.8%	0.8%	0.8%	0.8%
Annualized ROAE	18.7%	11.5%	11.2%	10.6%	9.9%	9.5%	9.0%
Annualized ROAA	2.5%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%
CAR	22.0%	17.0%	17.1%	16.9%	16.3%	15.9%	15.4%
Treasury Exposure	35.1%	59.5%	58.0%	55.4%	51.4%	48.4%	45.9%
Loans-to-Deposits	13.4%	11.7%	12.2%	12.9%	13.5%	14.2%	14.8%
NPL Ratio	7.1%	12.0%	12.0%	11.0%	10.0%	9.9%	9.7%
Provisions Coverage	105.1%	76.6%	74.4%	75.5%	76.5%	73.0%	72.5%

	2019	2020	2021	2022	2023	2024	2025	TV
Trading Multiples								
EPS, EGP	5.64	3.65	3.74	3.91	4.84	5.04	5.22	
P/E x	2.1	3.3	3.2	3.1	2.5	2.4	2.3	
BVPS, EGP	31.89	31.78	35.21	38.80	51.01	55.50	60.29	
P/B, x	0.4	0.4	0.3	0.3	0.2	0.2	0.2	
DPS, EGP	1.28	1.28	0.73	0.75	0.94	0.97	1.01	
DY	10.6%	10.6%	6.0%	6.2%	7.8%	8.0%	8.3%	
Payout Ratio	25%	23%	20%	20%	20%	20%	20%	
Implied P/E, x	2.6	4.0	3.9	3.7	3.0	2.9	2.8	
Implied P/B, x	0.5	0.5	0.4	0.4	0.3	0.3	0.2	
Cost of Equity Assumptions								
Risk Free Rate (After Tax)			10.0%	9.2%	8.4%	8.4%	8.4%	
Risk Premium			6.0%	5.0%	5.0%	5.0%	5.0%	
Beta			1.00	1.00	1.00	1.00	1.00	
Cost of Equity			16.0%	14.2%	13.4%	13.4%	13.4%	13.4%
Terminal Growth Rate								5.0%
Valuation								
Net Asttributable Income		1,608	1,648	1,720	1,777	1,852	1,919	
+Non-cash Items (Depreciation)		103	108	113	119	125	131	
Minus: Capital Charge		(778)	(764)	(975)	(1,320)	(1,230)	(1,492)	
Cash Flow to Shareholders		933	992	858	576	747	558	
PV of FCFF		-	855	658	395	451	298	
Sum of PV		2,657						
Terminal Value		6,979						
Discounted Terminal Value		3,722						
Valuation		6,379						
Number of Shares		440						
FV/Share, EGP		14.49						

8. Egyptian Gulf Bank (EGBE) | Equalweight

Trading Data

Reuters / Bloomberg:	EGBE.CA/EGBE EY
Market Cap, USD m:	169.9
52W H-L, USD/Share:	0.51 - 0.36
Last Price, USD/Share:	0.40
Fair Value, USD/Share:	0.49
52W ADTV, USD m:	0.02
Valuation Gap:	20.8%
Shares Outstanding, m:	422.7
Free Float	19.16%

Pitch

EGBE has been expanding significantly up till 2016 where the bottom-line grew at an average rate of 40%. However, the momentum has slowed down starting 2018, due to increased operating expenses and slower top-line growth. We project bottom line CAGR of 8% between 2020-2025.

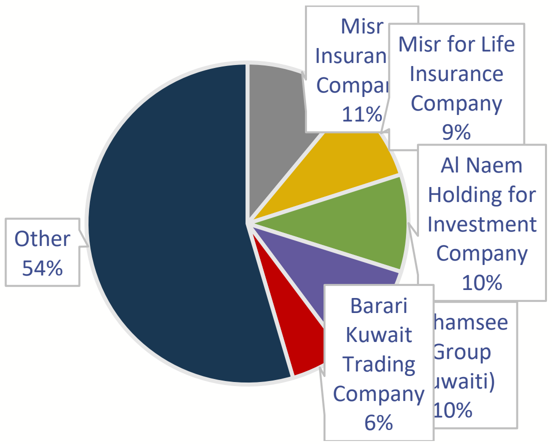
Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 16%, funding at 10%, and treasury investments at 3% so that LDR ratio reaches 53% as the treasury investments are substituted by lending, given the interest rate cuts that took place in 2020 and the negative effect the new tax treatment will have with high treasury exposure. We assume a decreasing treasury exposure over the next 5 years, to stand at 38% in 2025, down from 52% in 2020.

Provisions and NPLs have significantly increased in 2020, however, NPLs are expected to normalize with economic growth and provisioning is expected to revert to their normal levels accordingly, over the forecast horizon.

We project compressed margins given the interest rate cuts and the bank's movement towards lending rather than treasury investments. Operating income is expected to grow at a CAGR of 7% with 80% and 20% average contribution from interest income and non-interest income, respectively. Risk weighted Assets (RWA) are expected to grow at a CAGR of 10% with Capital Adequacy Ratio (CAR) comfortably above CBE minimum over our forecast horizon.

EGBE is trading at P/E21 of 5.3x, and P/B21 of 0.4x, on ROAE of 8.8%. The bank is trading at lower P/B21 compared to the sector average, which is 0.6x, but higher than Egypt's sector average P/E21 of 4.8x.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Positive impact on margins from retail lending would reduce pressure on NIM
- Faster than expected pick up in lending growth
- Lower COR, driven by higher asset quality
- Lower than expected taxes paid due to decreasing treasury exposure

Downside Triggers

- Slower economic recovery which hinders lending growth for both corporate and retail sectors
- Margin compression that is higher than projections
- Higher than expected cost-to-income ratio

I. EGBE Balance Sheet| Decreasing treasury exposure and increasing lending momentum drive investment strategy

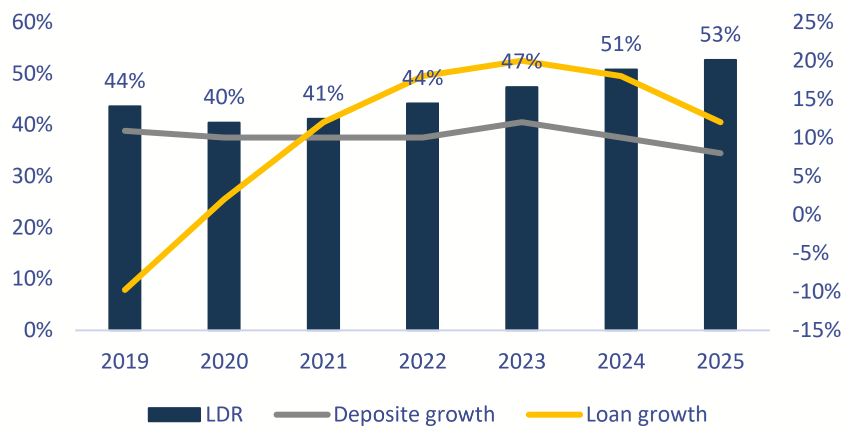
- We project lending growth at a CAGR of 16% over our forecast horizon (2020 -2025) to reach EGP52 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 3% over the same period and reaches EGP46 billion in 2025.

- On the funding side, we expect customer deposits to increase at a CAGR of 10%, over our forecast horizon, to reach EGP99 billion by 2025. Accordingly, LDR escalates until it reaches 53% by the end of our forecast period.

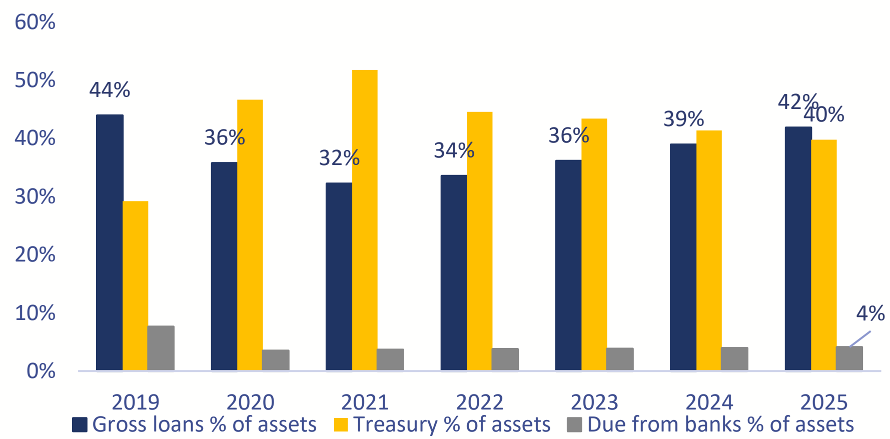
- We project NPLs to grow at a CAGR of 7% over 2020-2025 with an average NPL ratio of 4.7% and increasing provision coverage recording 180% in 2025. We estimate a decreasing Cost of Risk (COR) over the forecast period settling at 0.7% in 2025, supported by higher asset quality.

- CAR is anticipated to record 16.7% over the next 5 years- well above the CBE minimum requirement of 12.5%. It is expected to settle at 16.4% in 2025.

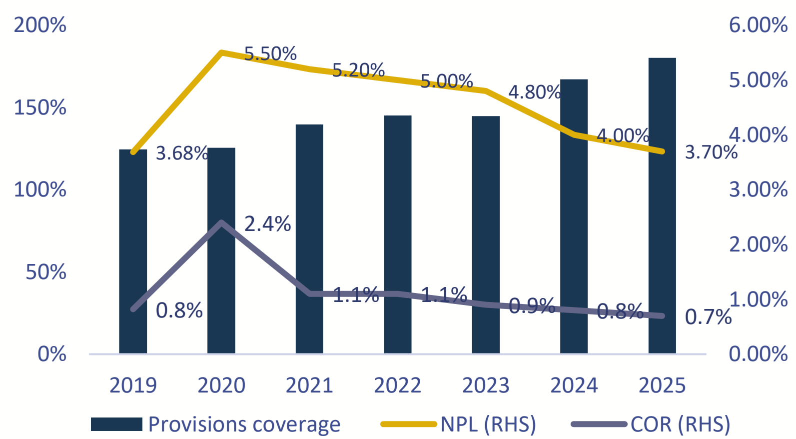
Loans and deposits grow at a CAGR of 16% and 10%, respectively; LDR reaches 51% in 2025



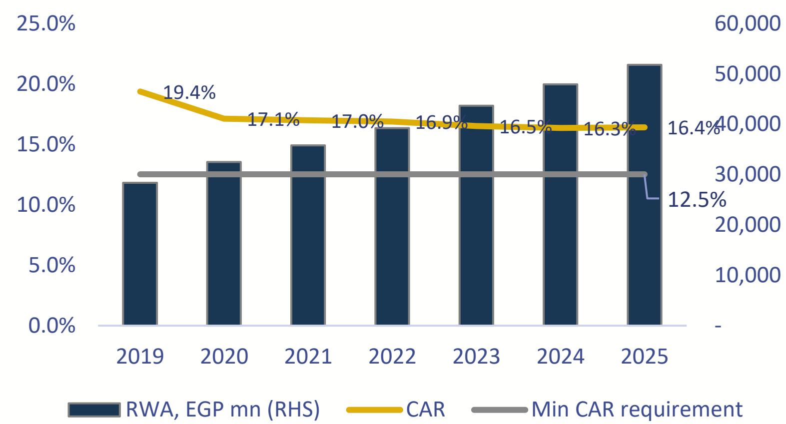
The contribution of treasury investment to total assets will fall gradually until it reaches 38% in 2025, down from 52% in 2020



NPL ratio and COR stabilize over our forecast horizon at 3.7% and 0.7%, respectively



CAR hovers around 17% over our forecast horizon, and stands at 16.4% in 2025



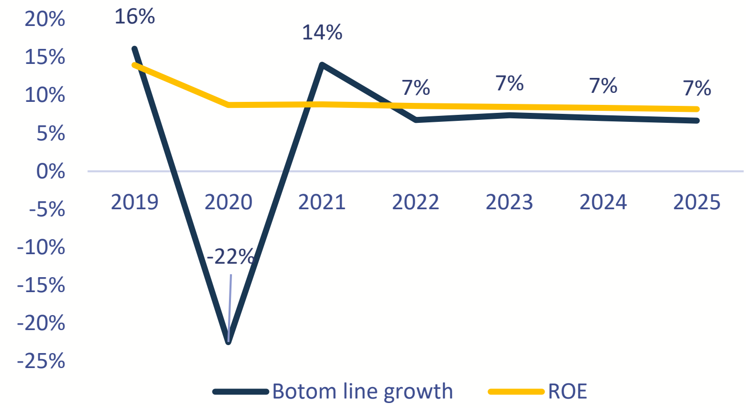
II. EGBE Income Statement| Low efficiency and weak margins cap bottom line growth

- According to our estimates, bottom line would grow at a CAGR of 8% over 2020-2025, with a slightly decreasing ROE. The bottom line reached its worst levels in 2020 as a result of the increased provisions which amounted to EGP598 million compared to an average of EGP243 million in the past four years. The contribution of non-interest income to operating income is expected to increase gradually over our forecast horizon to reach 27% by 2025 due to the changes expected in the asset allocation.

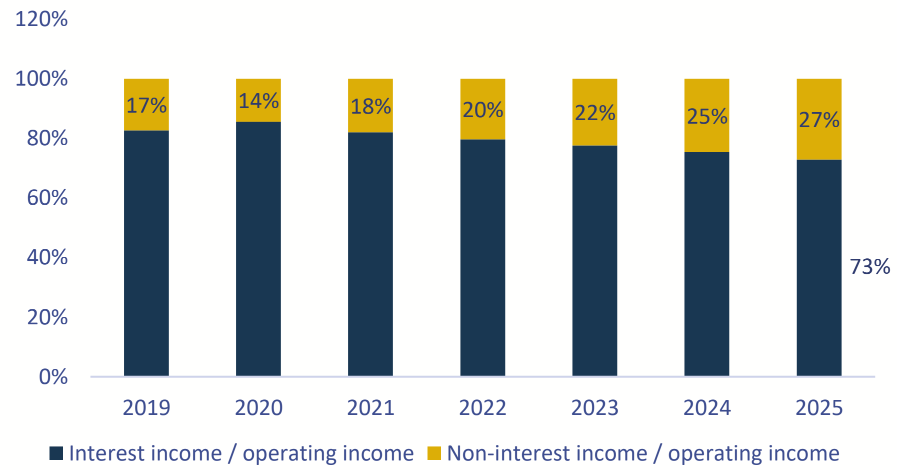
- We anticipate that the bank would record the highest NIM of 4.1% in 2020. However, we estimate margins will start leveling off to stand at 3.4% by the end of our forecast period as a result of the interest rate cuts and the bank's increased lending momentum.

- EGBE's cost to income ratio will record 44% in 2020. We project the bank's opex to grow at a CAGR of 12% on the back of increased administrative expenses, while the operating income grows at a CAGR of 8%; therefore, cost to income ratio will increase gradually to reach 53% by the end of our forecast horizon.

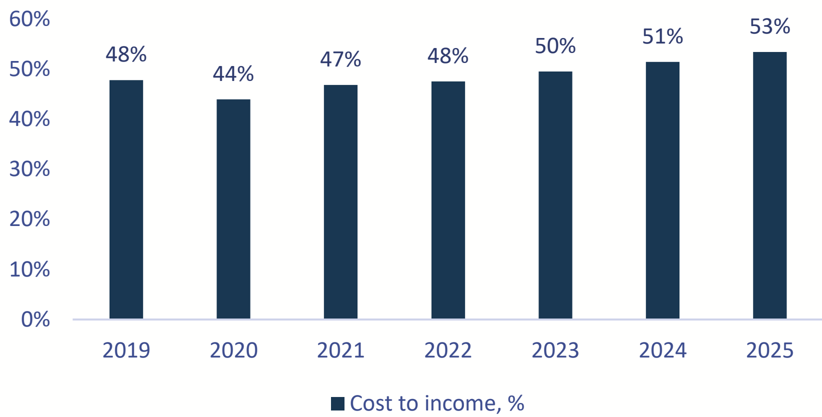
Bottom line grow at a CAGR of 8% over our forecast horizon; ROE records an average of 8.5% (2020-2025)



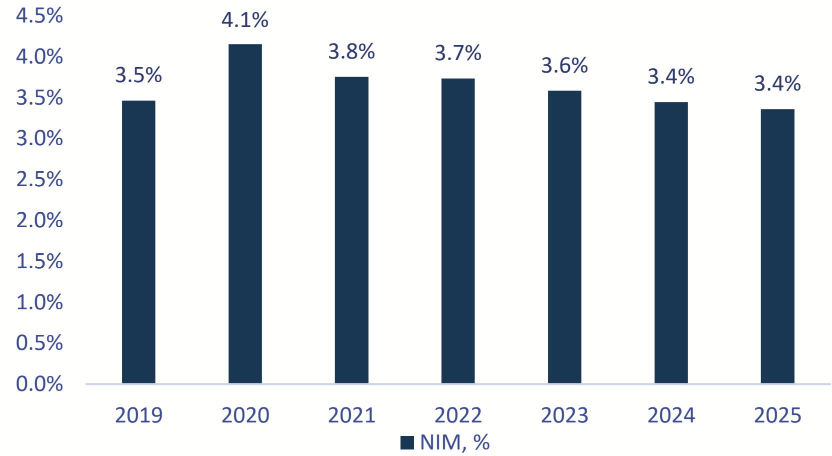
Non-interest income contribution to total operating income to slightly increase over our forecast horizon and stands at 25% in 2025



Cost to income ratio is expected to increase over our forecast horizon to reach 53% in 2025



NIM to peak on high treasury yield then decline on lending pickup



III. EGBE Taxes| High effective tax rate weaken bottom line growth

- Average effective tax rate over our forecast horizon is 50% up from an average of 40% over 2016-2019.

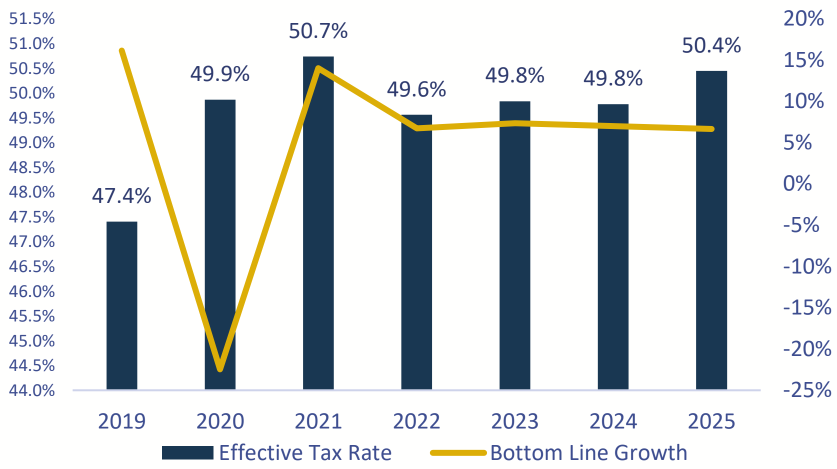
- EGBE's average cost ratio, as per proposed Ministry of Finance definition, over 2020-2025 records 80%.

	2021	2022
(Interest Exp	(5,169)	(5,353)
+Admin Exp	(1,406)	(1,547)
+Other op Exp)	(3)	(3)
÷		
(Interest Income	7,639	7,953
+Non-interest income)	540	664
Cost Ratio	**80%**	**80%**

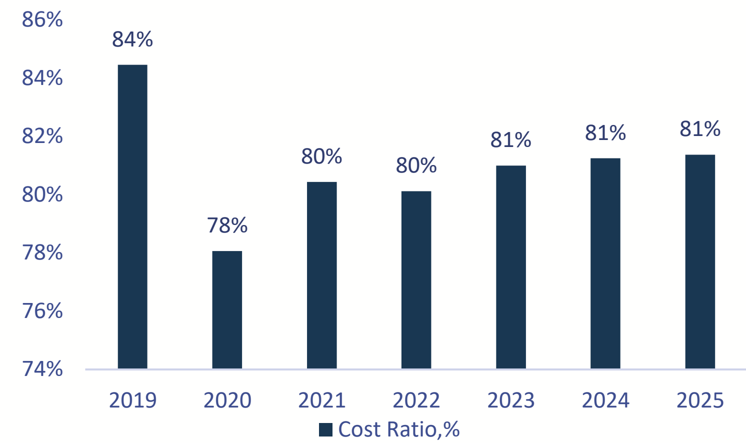
- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- EGBE's paid in capital is below the CBE's new minimum requirement of EGP5 billion, however, retained earnings added to the paid-in capital will be sufficient before the deadline, which implies low chances for capital increase.

Effective tax rate records an average of 50% over 2020-2025



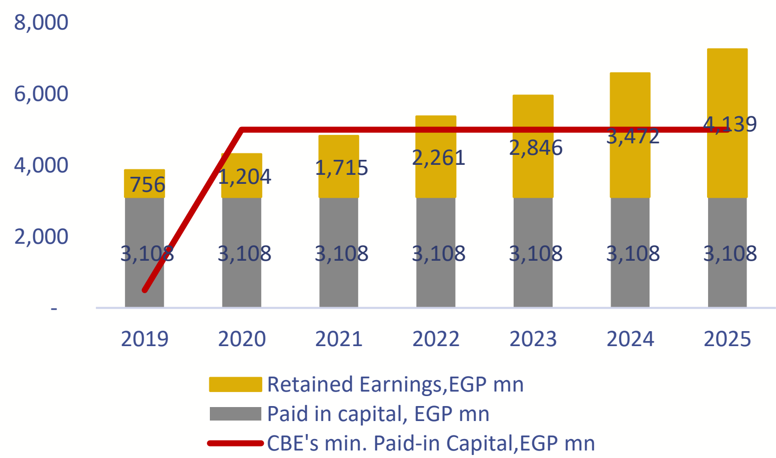
Cost Ratio records an average of 80% over 2020-2025



Segregated statements based on new tax treatment

	2019	2020	2021	2022	2023	2024	2025
Interest on new Treasuries	2,000	2,646	3,050	3,066	3,308	3,520	3,894
Expenses on Treasury	(1,351)	(1,653)	(1,962)	(1,965)	(2,143)	(2,288)	(2,535)
EBT- Treasury	**649**	**994**	**1,087**	**1,101**	**1,165**	**1,232**	**1,359**
T.bill Tax	**(400)**	**(529)**	**(610)**	**(613)**	**(662)**	**(704)**	**(779)**
Interest Income-Banking	5,508	4,734	4,589	4,887	5,445	5,827	5,957
Total Expenses -Banking	(5,546)	(5,050)	(4,923)	(5,301)	(5,955)	(6,477)	(6,819)
Non-Interest Income	408	440	540	664	807	982	1,195
EBT-Banking	**371**	**123**	**206**	**250**	**297**	**332**	**333**
Corporate tax	**(83)**	**(28)**	**(46)**	**(56)**	**(67)**	**(75)**	**(75)**
Total EBT	**1,020**	**1,117**	**1,294**	**1,351**	**1,462**	**1,564**	**1,692**
Total Tax Income	**483**	**557**	**656**	**669**	**728**	**779**	**854**
Effective Tax Rate	**47%**	**50%**	**51%**	**50%**	**50%**	**50%**	**50%**

EGBE's paid in capital is below the CBE's new minimum requirement of EGP5 billion.



IV. EGBE| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement in EGP million							
Net interest Income	1,950	2,618	2,470	2,600	2,793	3,006	3,220
Non-interest Income	408	440	540	664	807	982	1,195
Operating Income	2,358	3,058	3,010	3,264	3,600	3,987	4,415
Provisions	(212)	(598)	(307)	(362)	(356)	(373)	(366)
Operating Expenses	(1,127)	(1,342)	(1,410)	(1,550)	(1,783)	(2,050)	(2,357)
Net profit before tax	1,020	1,117	1,294	1,351	1,462	1,564	1,692
Net profit after tax	675	524	597	637	684	732	781
Balance Sheet in EGP million							
Cash & Due from Central Bank	4,050	6,307	11,408	11,182	11,826	11,546	12,065
Due from Banks	5,228	2,719	3,072	3,472	3,923	4,433	5,009
Treasury bills	22,788	23,628	21,863	23,346	24,783	26,125	27,313
Loans & Discounts, net	23,318	23,207	25,892	30,556	36,790	43,535	48,768
Total Assets	68,390	77,378	83,156	91,191	101,522	111,395	120,424
Due to Banks	5,446	6,644	7,308	7,673	8,057	8,460	8,883
Customer Deposits	56,046	61,650	67,815	74,597	83,549	91,904	99,256
Total Liabilities	63,650	71,815	77,082	84,572	94,318	103,565	111,926
Total Net Worth	4,739	5,563	6,074	6,619	7,204	7,830	8,498
Key Indicators							
NIM	3.5%	4.1%	3.8%	3.7%	3.6%	3.4%	3.4%
OPEX-to-assets	1.7%	1.8%	1.8%	1.8%	1.8%	1.9%	2.0%
Non-Interest Income/Op Income	17.3%	14.4%	17.9%	20.3%	22.4%	24.6%	27.1%
Cost-to-Income	47.8%	43.9%	46.8%	47.5%	49.5%	51.4%	53.4%
COR	0.8%	2.4%	1.1%	1.1%	0.9%	0.8%	0.7%
Annualized ROAE	14.0%	8.7%	8.8%	8.6%	8.5%	8.3%	8.2%
Annualized ROAA	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
CAR	19.4%	17.1%	17.0%	16.9%	16.5%	16.3%	16.4%
Treasury Exposure	34.1%	30.0%	31.1%	33.5%	36.2%	39.1%	40.5%
Loans-to-Deposits	43.6%	40.4%	41.2%	44.2%	47.3%	50.8%	52.6%
NPL Ratio	3.7%	5.5%	5.2%	5.0%	4.8%	4.0%	3.7%
Provisions Coverage	124.6%	125.5%	139.6%	145.1%	144.7%	167.1%	180.2%

	2019	2020	2021	2022	2023	2024	2025	TV
Multiples								
EPS, EGP	1.38	1.06	1.21	1.29	1.38	1.48	1.58	
P/E x	4.6	6.0	5.3	5.0	4.6	4.3	4.1	
BVPS, EGP	11.21	13.16	14.37	15.66	17.04	18.52	20.10	
P/B, x	0.6	0.5	0.4	0.4	0.4	0.3	0.3	
DPS, EGP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Implied P/E, x	5.6	7.3	6.4	6.0	5.6	5.2	4.9	
Implied P/B, x	0.7	0.6	0.5	0.5	0.5	0.4	0.4	
Multiples								
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	8.4%	
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	
Beta		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%	13.4%
Terminal Growth Rate								5.0%
Multiples								
Net Attributable Income		448	511	545	585	626	667	
+Non-cash Items (Depreciation)		102	107	121	139	160	184	
Minus: Capital Charge		(520)	(407)	(432)	(555)	(531)	(485)	
Cash Flow to Shareholders		30	211	234	169	255	366	
PV of FCFF		-	30	180	116	154	195	
Sum of PV		827						
Terminal Value		4,575						
Discounted Terminal Value		2,439						
Valuation		3,266						
Number of Shares		423						
FV/Share, EGP		7.73						
USD/EGP		15.91						
FV/Share, USD		0.49						

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9. AL BARAKA BANK (SAUD) | OVERWEIGHT

Trading Data

Reuters / Bloomberg:	SAUD.CA/SAUD EY
Market Cap, EGP m:	2,480.9
52W H-L, EGP/Share:	12.34 - 8.20
Last Price, EGP/Share:	11.23
Fair Value, EGP/Share:	15.00
52W ADTV, EGP m:	0.44
Valuation Gap:	34%
Shares Outstanding, m:	220.9
Free Float	26.03%

Pitch

SAUD is one of the few sharia-compliant Islamic banks in Egypt that has been following a passive strategy of allocating a great portion of its assets to treasury investments and due from banks instead of corporate financing. Over the past four years, its average treasury exposure to total assets started to decline slightly and stood at an average of 35%, however, with the slowed financing momentum in 2020 following the pandemic, the contribution increased to 48% as the bank started to utilize interbank and customer deposits available to invest in treasuries and support the margins in 2020.

Over our forecast horizon (2020-2025), we project financing growth at a 5-year CAGR of 13%, deposits at 10%, and treasury investments at 7% so that LDR ratio reaches 37% in 2025 as financing gradually starts substituting treasury investments in 2021 after meaningful rate cuts. The contribution of treasury exposure to total assets is expected to decline over the forecast horizon and settle at 43.3% in 2025.

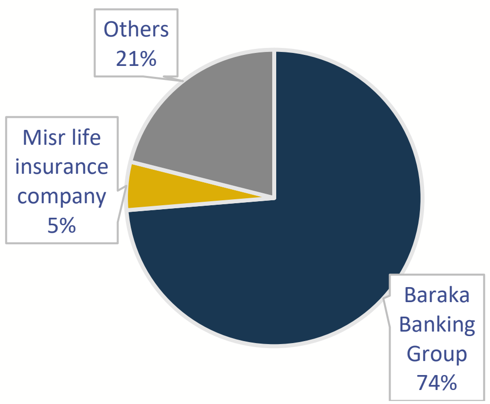
Net Interest Margin starts to level off in 2021 as the effect of interest rate cuts and the expected shift towards lending over the forecast horizon start to appear. This comes after the peak in 2020 that took place as result of increased treasury investments.

The Bottom-line declines in 2021, as old treasury investments begin to mature and the new tax treatment takes effect, the effective tax rate takes reaches 46% in 2020 compared to an average of 33% over 2017-2020e.

Non-interest income is expected to grow at a CAGR of 10% with increasing contribution to operating income settling at 13% in 2025. Risk weighted Assets (RWA) would grow at a CAGR of 10% with Capital Adequacy Ratio (CAR) staying comfortably above the minimum required by the CBE.

SAUD is trading at P/E21 of 2.9x, and P/B21 of 0.4x, on ROAE of 16.2% for 2021. These multiples are below Egypt's sector average of P/E21 of 4.8x, and P/B21 of 0.6x.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Positive impact on margins from retail financing would reduce pressure on NIM
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Less than expected deduction from bottom line by the new tax treatment

Downside Triggers

- More than expected deduction from bottom line by the new tax treatment
- Margin compression that is higher than projections
- Slower than estimated pick up in lending growth
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders financing growth for both corporate and retail sectors

I. Saud Balance Sheet | Pick-up in financing momentum and improved asset quality improve passive balance sheet

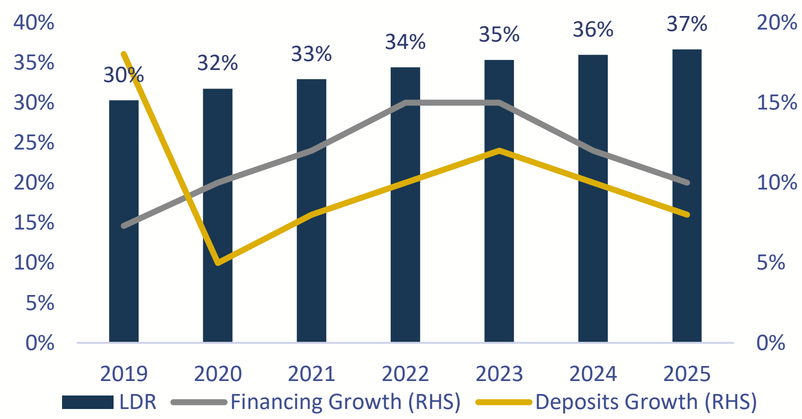
- We project financing would grow at a CAGR of 13% over our forecast horizon (2020-2025) to reach EGP39 billion in 2025, out-pacing the rate of treasury investments, which will grow at a CAGR of 7% over the same period and reaches EGP53 billion in 2025. Treasury investments will be substituted by financing over the forecast horizon, supported by the policy rate cuts and the effect of the new tax treatment.

- On the funding side, we expect customer deposits to increase at a CAGR of 10%, over our forecast horizon, to reach EGP107 billion by 2025. LDR will fluctuate around 35% and stands at 37% in 2025.

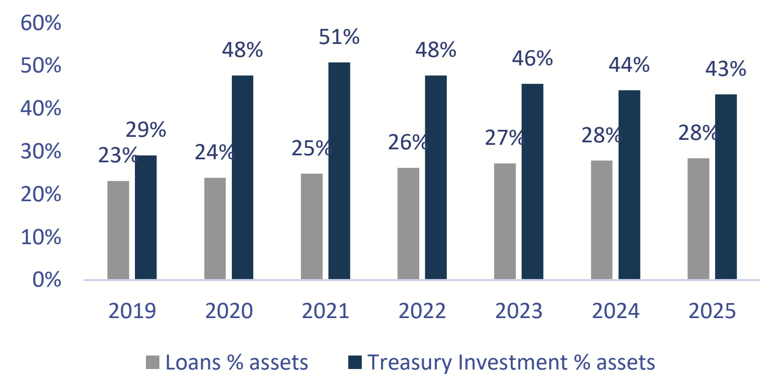
- We project NPAs to grow at a CAGR of 10% over 2020-2025 with a decreasing NPL ratio settling at 6.2% and increasing provisions coverage recording 134% in 2025. We estimate a decreasing Cost of Risk (COR), which should gradually go down from 1.5% in 2020e to 0.9% by the end of our forecast horizon.

- CAR is anticipated to hover around 15.9% and to record 16.4% in 2025, well above the CBE minimum requirement of 12.5%.

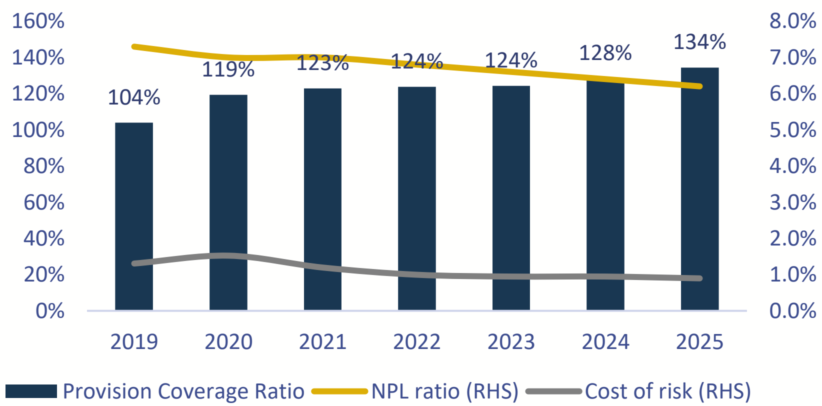
Financing and deposits grow at a CAGR of 13% and 10%, respectively; LDR reaches 36%



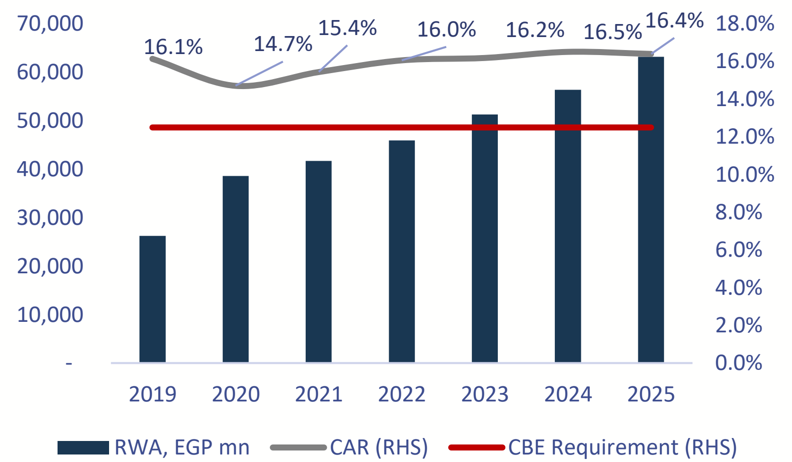
The contribution of treasury investment to total assets will decline throughout our forecast horizon to reach 44% by 2025



NPA ratio reaches 6.2% in 2025; COR decline gradually to stand at 0.9% by the end of our forecast horizon



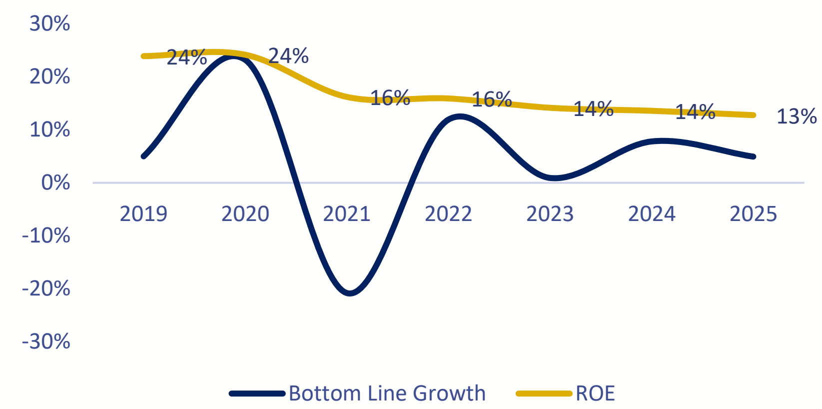
CAR's average is 15.8% over our forecast horizon, above the CBE minimum



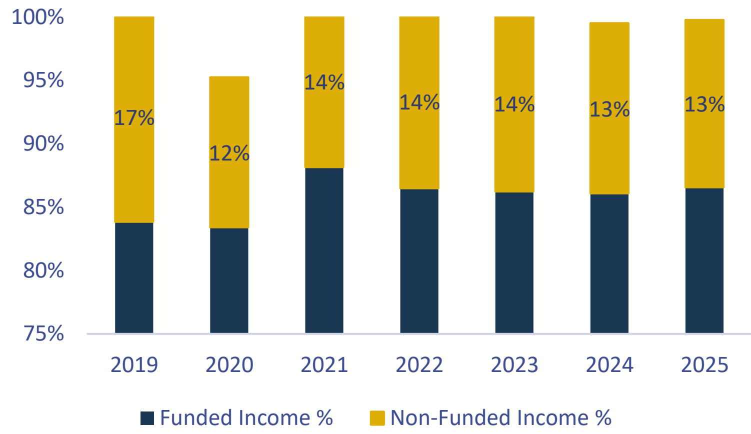
II. SAUD Income Statement | Compressed bottom line growth due to taxes and low margins

- Bottom line to grow, according to our estimates, at a CAGR of 0.2% over 2020-2025, with a declining ROE as a result of compressed bottom-line growth.
- Non-funded income contribution to total operating income is forecasted to stabilize around 14% over our forecast horizon.
- Given SAUD's high exposure to treasury investment, the bank recorded a NFM of 3.7% in 2020 despite interest rate cuts. However, we estimate shifting from treasury allocation to financing post the new tax treatment and policy rate cuts will compress the margins and the NFM will level off starting 2021 to reach 3.3% in 2025.
- We project SAUD's opex to grow at a CAGR of 10% and operating income growth at a CAGR of 5%, which will lead to gradual increases in the cost to income ratio to reach 27% by the end of our forecast horizon.

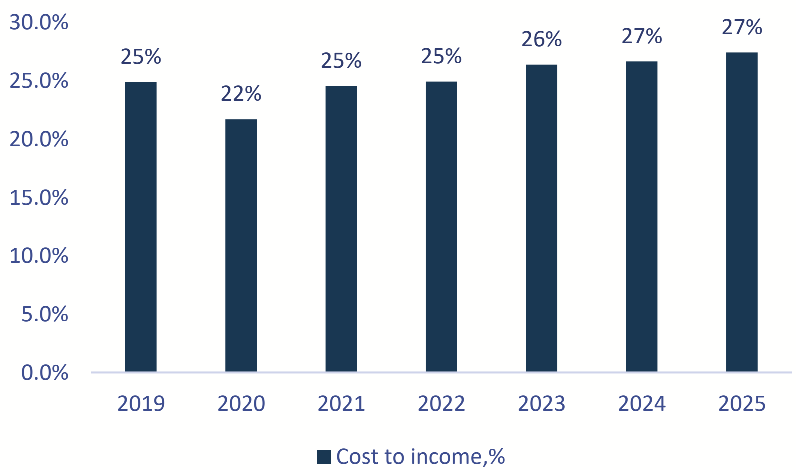
Bottom line growth dips in 2021 due to higher taxes; ROE records an average of 16% (2020-2025)



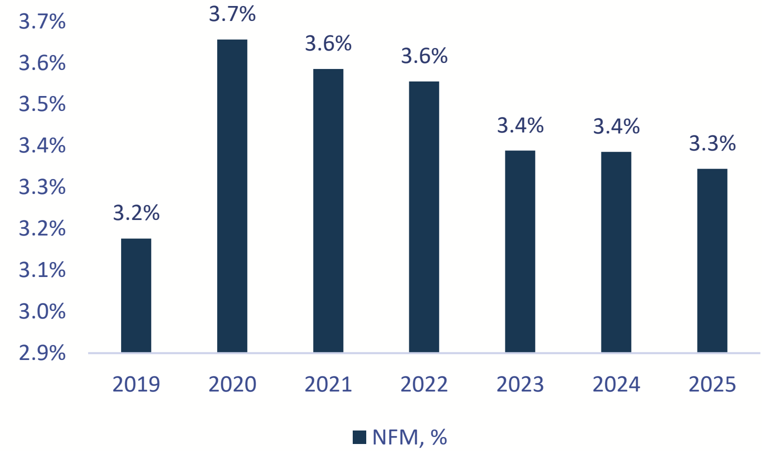
Non-funded income contribution to total operating income to stabilize around 14% over our forecast horizon



Cost to income ratio is expected to increase and record 27% in 2025, up from 22% in 2020



NFM to level off starting 2021 and to stand at 3.3% by 2025



III. SAUD Taxes| High cost-ratio and treasury investments push taxes up

- Average effective tax rate over our forecast horizon is 44% up from an average of 33% over 2016-2020.

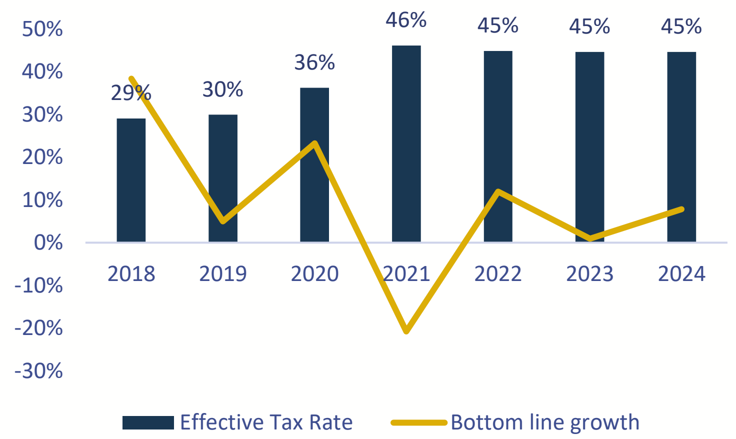
- SAUD's average cost ratio over 2020-2025 records 74%.

	2021	2021
-(Interest Exp	(5,525)	(5,953)
+Admin Exp	(727)	(800)
+Other op Exp)	(11)	(11)
÷		
(Interest Income	8,126	8,757
+Non-interest income)	407	447
Cost Ratio	**73%**	**73%**

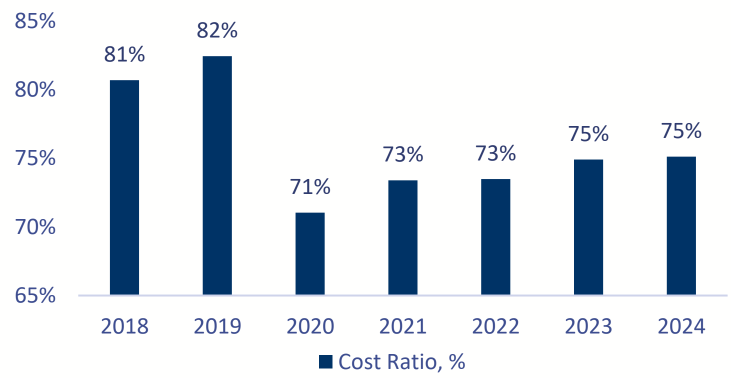
- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed funded income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- SAUD's paid in capital is way lower than the CBE's new requirement of EGP5 billion. However, the retained earnings would be sufficient to cover the gap before the deadline.

Effective tax rate records an average of 44% over 2020-2025



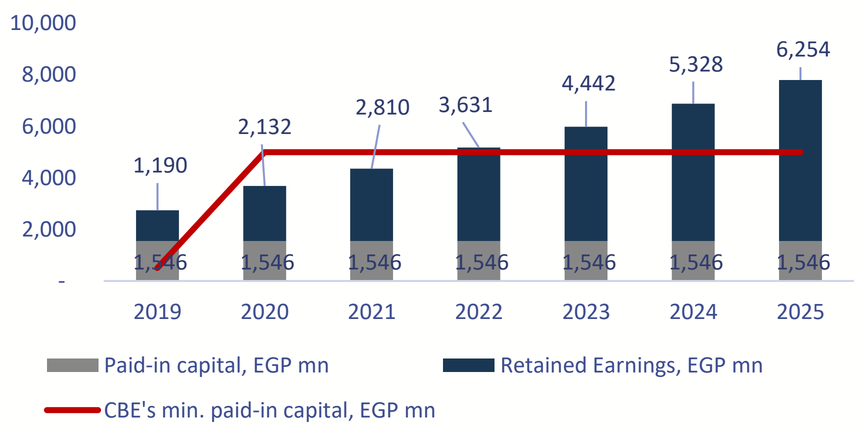
Cost ratio records an average of 74% over 2020-2025



Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024	2025
Interest on new Treasuries	2,814	4,404	4,551	4,439	4,758	5,066
Expenses on Treasury	(1,599)	(2,586)	(2,675)	(2,660)	(2,859)	(3,068)
EBT- Treasury	**1,215**	**1,818**	**1,876**	**1,778**	**1,899**	**1,998**
T.bill Tax	**(563)**	**(881)**	**(910)**	**(888)**	**(952)**	**(1,013)**
Non-Interest Income	675	407	447	470	493	518
EBT-Banking	**895**	**179**	**307**	**424**	**475**	**513**
Corporate tax	**(201)**	**(40)**	**(69)**	**(95)**	**(107)**	**(115)**
Total EBT	**2,110**	**1,997**	**2,183**	**2,202**	**2,374**	**2,510**
Total Tax Income	**(764)**	**(921)**	**(979)**	**(983)**	**(1,058)**	**(1,129)**
Effective Tax Rate	**36%**	**46%**	**45%**	**45%**	**45%**	**45%**

SAUD's paid in capital is lower than CBE's new requirement of EGP5 billion.



IV. SAUD| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement in EGP million							
Net interest Income	1,880	2,420	2,601	2,805	2,906	3,180	3,405
Non-interest Income	452	675	407	447	470	493	518
Operating Income	2,331	3,095	3,008	3,252	3,376	3,673	3,923
Provisions	(247)	(313)	(273)	(258)	(282)	(320)	(336)
Operating Expenses	(581)	(672)	(738)	(811)	(891)	(979)	(1,076)
Net profit before tax	1,504	2,110	1,997	2,183	2,202	2,374	2,510
Net profit after tax	1,054	1,299	1,028	1,151	1,162	1,253	1,315
Balance Sheet in EGP million							
Cash & Due from Central Bank	6,430	5,162	1,944	3,638	5,430	6,908	7,572
Due from Banks	23,585	11,793	12,972	14,269	15,696	17,266	18,992
Treasury bills	7,109	18,413	19,057	19,724	21,107	22,462	23,748
Loans & Discounts, net	16,793	18,376	20,678	24,023	27,886	31,379	34,601
Total Assets	72,699	77,101	83,421	91,793	102,509	112,679	121,830
Due to Banks	1,270	1,422	1,564	1,721	1,893	2,082	2,290
Customer Deposits	64,368	67,587	72,993	80,293	89,928	98,921	106,834
Total Liabilities	68,627	72,088	77,729	85,280	95,185	104,468	112,694
Total Net Worth	4,072	5,014	5,691	6,512	7,324	8,210	9,135
Key Indicators							
NIM	3.2%	3.7%	3.6%	3.6%	3.4%	3.4%	3.3%
OPEX-to-assets	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Non-Interest Income/Op Income	19.4%	21.8%	13.5%	13.8%	13.9%	13.4%	13.2%
Cost-to-Income	24.9%	21.7%	24.5%	24.9%	26.4%	26.7%	27.4%
COR	1.3%	1.5%	1.2%	1.0%	1.0%	1.0%	0.9%
Annualized ROAE	23.9%	24.1%	16.2%	15.9%	14.2%	13.6%	12.8%
Annualized ROAA	1.6%	1.8%	1.3%	1.4%	1.3%	1.2%	1.2%
CAR	16.1%	14.7%	15.4%	16.0%	16.2%	16.5%	16.4%
Treasury Exposure	29.1%	47.8%	50.8%	47.8%	45.8%	44.3%	43.3%
Loans-to-Deposits	30.3%	31.7%	32.9%	34.4%	35.3%	36.0%	36.6%
NPL Ratio	7.3%	7.0%	7.0%	6.8%	6.6%	6.4%	6.2%
Provisions Coverage	103.9%	119.4%	122.8%	123.7%	124.3%	128.5%	134.4%

	2019	2020	2021	2022	2023	2024	TV
Multiples							
EPS, EGP	4.05	4.96	3.92	4.39	4.43	4.78	
P/E x	2.8	2.3	2.9	2.6	2.5	2.4	
BVPS, EGP	18.43	22.69	25.76	29.48	33.15	37.16	
P/B, x	0.6	0.5	0.4	0.4	0.3	0.3	
DPS, EGP	0.70	0.70	0.86	0.68	0.76	0.77	
DY	6.2%	6.2%	7.6%	6.0%	6.8%	6.8%	
Payout Ratio	18.1%	17.3%	17.3%	17.3%	17.3%	17.3%	
Implied P/E, x	3.7	3.0	3.8	3.4	3.4	3.1	
Implied P/B, x	0.8	0.7	0.6	0.5	0.5	0.4	
Multiples							
Risk Free Rate (After Tax)		10.8%	10.0%	9.2%	8.4%	8.4%	
Risk Premium		6.0%	6.0%	5.0%	5.0%	5.0%	
Beta		1.00	1.00	1.00	1.00	1.00	
Cost of Equity		16.8%	16.0%	14.2%	13.4%	13.4%	13.4%
Terminal Growth Rate							5.0%
Multiples							
Net Asttributable Income		1,097	867	971	979	1,055	
+Non-cash Items (Depreciation)		39	47	53	59	65	
Minus: Capital Charge		(1,568)	(419)	(555)	(705)	(674)	
Cash Flow to Shareholders		(432)	495	469	333	446	
PV of FCFF		(370)	427	360	228	270	
Sum of PV		1,435					
Terminal Value		3,523					
Discounted Terminal Value		1,879					
Valuation		3,314					
Number of Shares		221					
FV/Share, EGP		15.00					

10. Suez Canal Bank (CANA) Equal weight

Trading Data

Reuters / Bloomberg:	CANA.CA/CANA EY
Market Cap, EGP m:	2,124
52W H-L, EGP/Share:	12.62 - 4.49
Last Price, EGP/Share:	10.62
Fair Value, EGP/Share:	10.45
52W ADTV, EGP m:	0.53
Valuation Gap:	-1.6%
Shares Outstanding, m:	200
Free Float	10.64%

Pitch

CANA has managed to reverse its fortune after years of zero bottom line to cover the gap between non-performing loans and provisions. The year of positive surprise was 2017, when the bank started to book profits. However, we expect that CANA would witness significant turnaround in asset quality over 2020-2025 which will affect the bottom-line, keeping its growth rate within the negative boundaries, as a result of the bank's inability to raise efficiency, and improper investment strategy that depends largely on selling assets rather than lending and treasury investments.

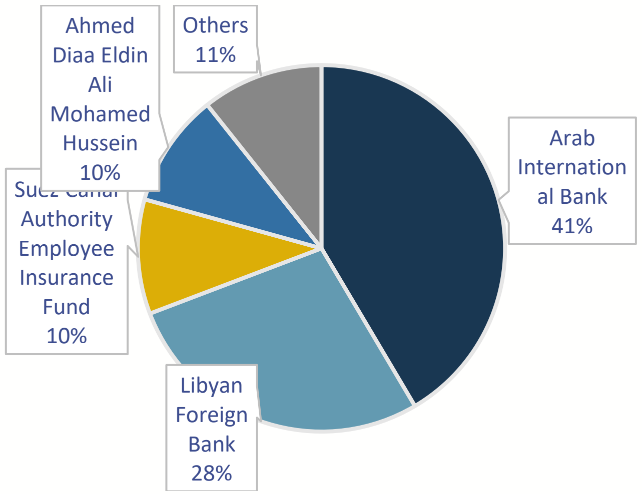
Over the forecast horizon (2020-2025), we project lending growth at a 5-year CAGR of 18%, deposits at 12%, and treasury investments at 4% so that LDR ratio reaches 61% by 2025.

The contribution of non-interest income to total operating income stands at 31.3% in 2020e reflecting the bank's investment strategy, this is expected to remain as is following the policy rate cuts that will slightly encourage lending and will translate to a slightly increasing contribution standing at 39% in 2025.

Risk weighted Assets (RWA) would grow at a CAGR of 9% with Capital Adequacy Ratio (CAR) slightly standing above CBE minimum over our forecast horizon, we also expect a capital increase in 2020 in order to maintain paid-in capital above CBE minimum.

CANA is trading at P/E21 of 6.2x, and P/B21 of 0.5x, on ROAE of 8.6%. The bank's P/E21 is not attractive compared to Egypt's sector average of P/E21 of 4.8x, however, it is trading at P/B21 that is lower than average of 0.6x.

Shareholders' structure



Upside Triggers

- Higher than expected cheap deposits accumulation
- Positive impact on margins from retail lending would reduce pressure on NIM
- Faster than expected pick up in non-interest income
- Faster than expected pick up in lending growth
- Lower COR, driven by higher asset quality
- Less than expected deduction from bottom line by the new tax treatment

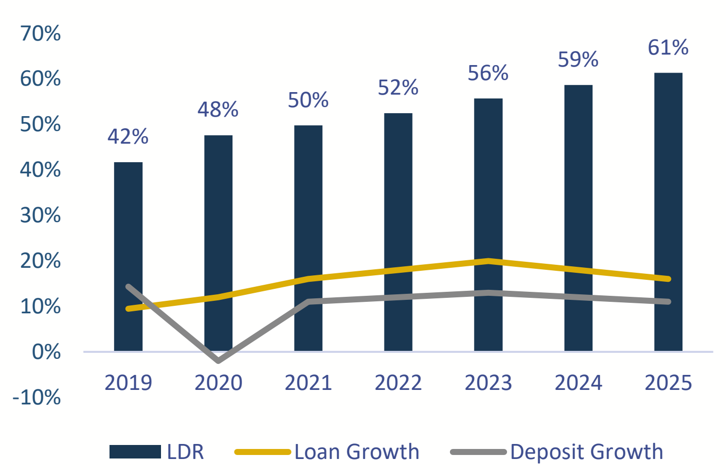
Downside Triggers

- Margin compression that is higher than projections
- Slower than estimated growth in non-interest income
- More than expected deterioration in asset quality resulting from SME financing
- Slower economic recovery which hinders lending growth for both corporate and retail sectors

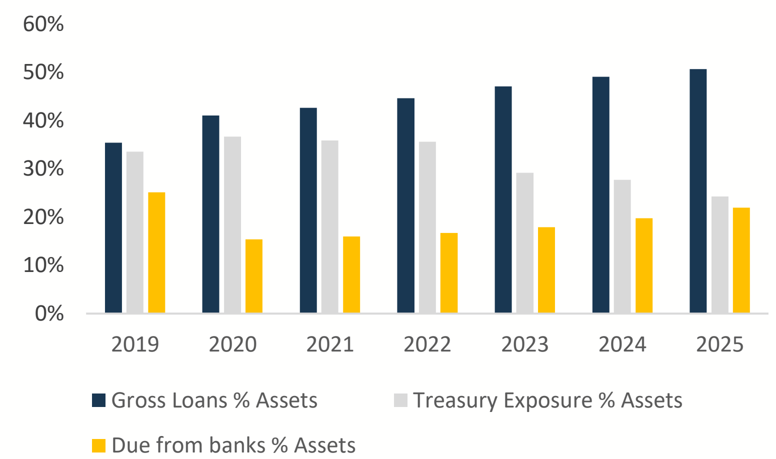
I. CANA Balance Sheet| Controlled balance sheet growth and Capital increase needed in 2022

- We project lending growth at a CAGR of 18% over our forecast horizon (2020-2025) to reach EGP46 billion in 2025, out-pacing the rate of treasury investment, which will grow at a CAGR of 4% over the same period and reaches EGP20 billion in 2025.
- On the funding side, customer deposits have seen a surge in 2020, therefore, CANA has utilized a significant amount from its cash at interbank deposits to maintain its performance. We expect deposits to increase at a CAGR of 12% over our forecast horizon, to reach EGP76 billion by 2025. LDR stabilizes at 61% in 2025.
- We project NPLs to grow at a CAGR of 16% over 2020-2025 with broadly stable NPL ratio at 16%, and a decreasing provisions coverage recording 73% in 2025. Provisions coverage will decrease on the back of increased lending momentum and the bank's relatively high NPLs.
- CAR is anticipated to record an average of 14% over the next 5 years settling at 13% in 2025- above the CBE minimum requirement of 12.5%.

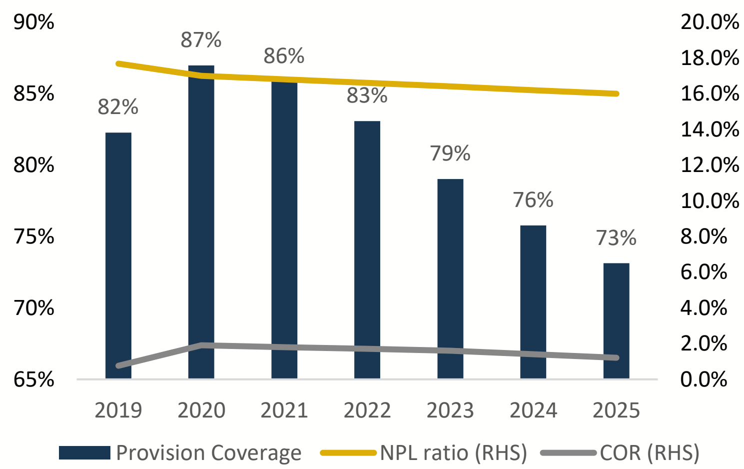
Loans and deposits grow at a CAGR of 18% and 12%, respectively; LDR reaches 60% in 2025



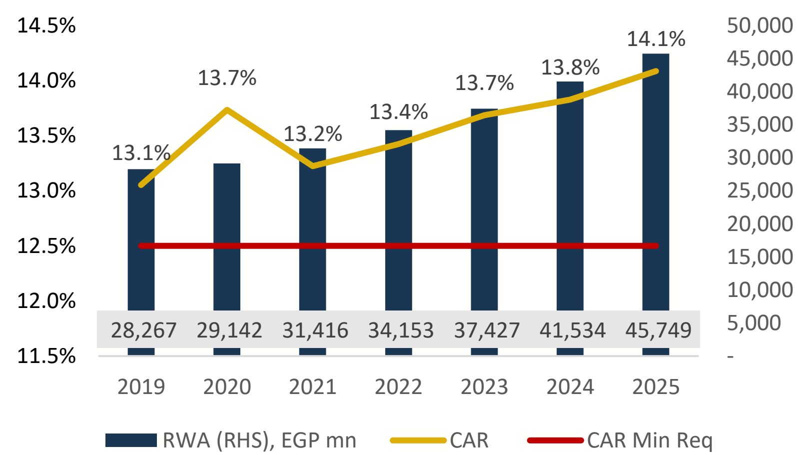
Treasury exposure to total assets is expected to decline gradually over our forecast horizon



NPL ratio at 16% in 2025; COR stands at 0.9% by 2025, down from 1.9% in 2020



CAR lies above the CBE minimum requirement; Capital increase is still needed to hit EGP5 bn in paid in capital



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II. CANA Income Statement| Compressed margins and increased provisions negatively affect bottom line

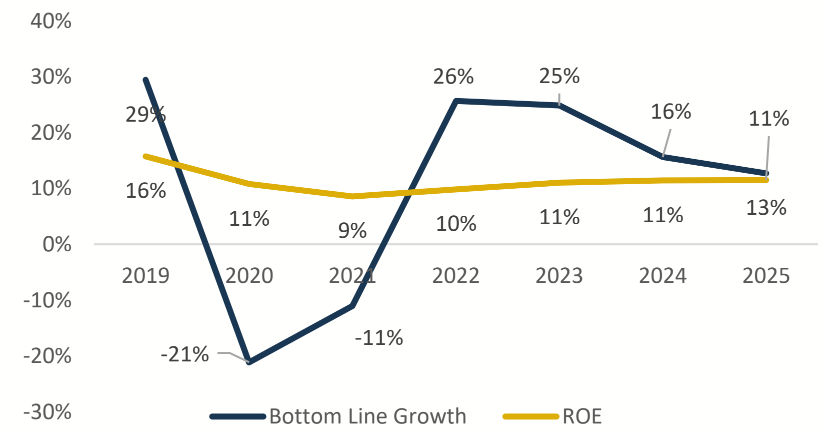
- According to our estimates, bottom line would grow at a CAGR of 13% over 2020-2025, after it plunges in 2020 and 2021 following the interest rate cuts and the slowed lending momentum and weak treasury investments.

- The expected changes in the investment strategy of the bank helps anticipating that the bank would record compressed margins over our forecast period.

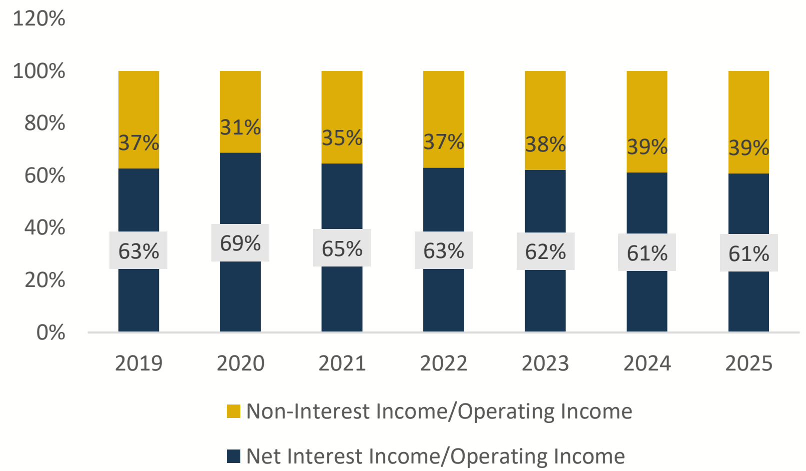
- The non-interest income contribution to total operating income is forecasted to slightly rise over our forecast horizon and settles at 39% in 2025, up from 31% in 2020.

- CANA's cost to income ratio is expected to increase over the years, affected by the compressed margins. We project opex to grow at a CAGR of 15% and operating income at a CAGR of 12% which translates into an increasing cost to income ratio.

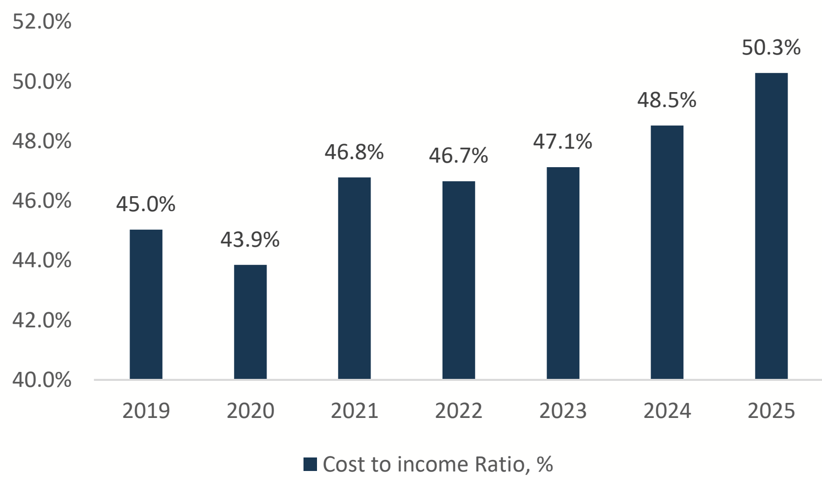
Bottom line grows at a CAGR of 13%; ROE records an average of 10.5% (2020-2025)



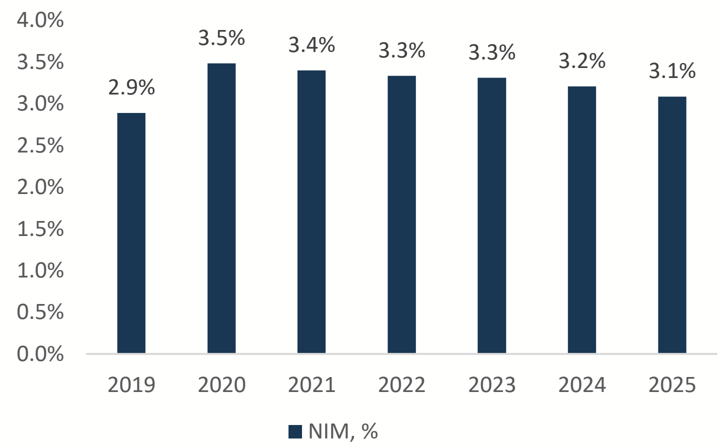
Non-interest income contribution to total operating income to slightly increase and stabilize at 39% in 2025



Cost to income ratio ratio is expected to increase to 50% by 2025, up from 44% in 2020e



NIM is expected to shrink gradually as the bank slightly moves towards more lending



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III. CANA Taxes| High cost-ratio magnifies the negative impact of the new tax treatment

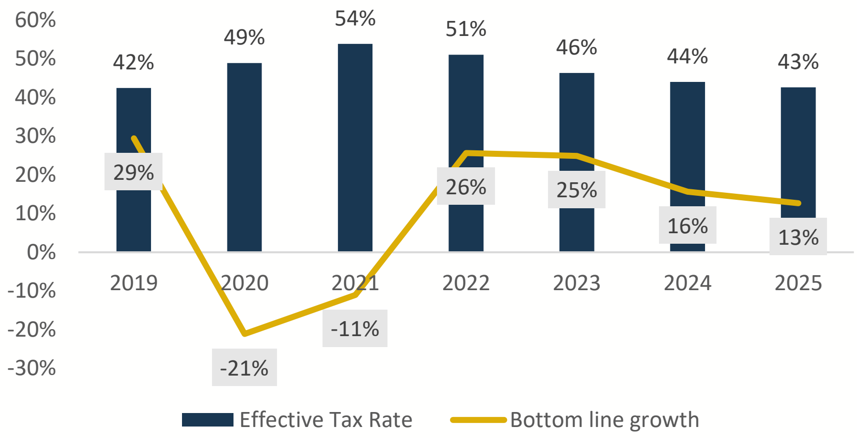
- Average effective tax rate over our forecast horizon is 47% and it stands at its highest levels in 2020-2021 due to the high cost-ratio which is expected to record 76% in 2021.

	2021	2022
(Interest Exp	(2,848)	(3,096)
+Admin Exp	(1,131)	(1,301)
+Other op Exp)	-	-
÷		
(Interest Income	4,409	4,854
+Non-interest income)	856	1,030
Cost Ratio	**76%**	**75%**

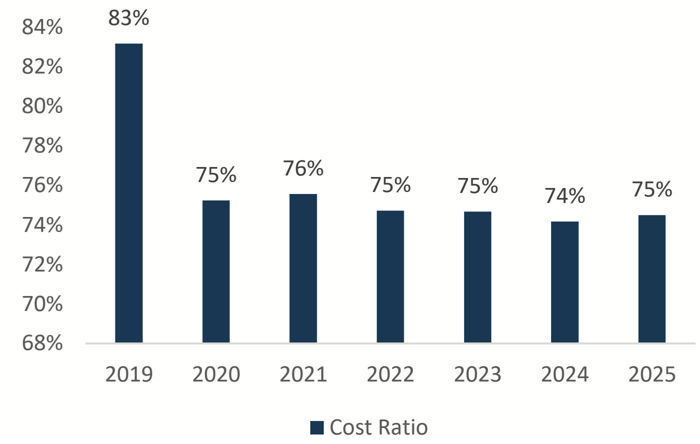
- We segmented the bank's income statement into two, based on the MoF proposal, which splits expenses based on a proposed cost ratio. We then taxed interest income from treasury operations at 20% and net earnings from corporate banking operations at 22.5%. Net earnings from banking operations are allocated only a portion of the expenses, based on the cost ratio noted before.

- CANA must increase in its paid-in capital because retained earnings are not sufficient to cover the gap between paid in capital and the CBE new minimum requirement of EGP5 billion.

Bottom line growth is affected negatively by the new tax treatment; Average effective tax rate is 47% (2021-2025)



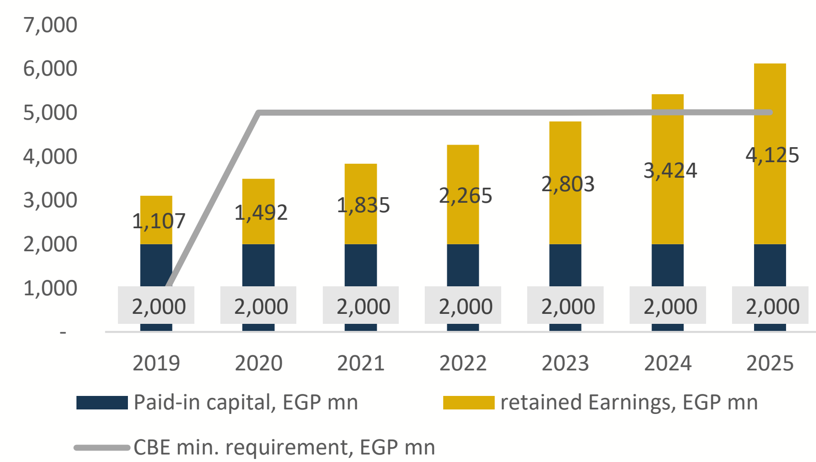
Cost Ratio records an average of 75% (2020-2025)



Segregated statements based on new tax treatment

	2020	2021	2022	2023	2024	2025
Interest on new Treasuries	2,125	2,500	2,726	2,574	2,594	2,658
Expenses on Treasury	(1,279)	(1,511)	(1,629)	(1,537)	(1,539)	(1,584)
EBT- Treasury	**846**	**989**	**1,096**	**1,036**	**1,055**	**1,074**
T.bill Tax	**(425)**	**(500)**	**(545)**	**(515)**	**(519)**	**(532)**
Interest Income-Banking	2,261	1,910	2,128	2,853	3,095	3,473
Total Expenses -Banking	(2,919)	(2,869)	(3,211)	(3,907)	(4,216)	(4,649)
Non-Interest Income	701	856	1,030	1,200	1,374	1,540
EBT-Banking	**43**	**(103)**	**(53)**	**145**	**253**	**364**
Corporate tax	**(10)**	**23**	**12**	**(33)**	**(57)**	**(82)**
Total EBT	**888**	**886**	**1,044**	**1,181**	**1,308**	**1,438**
Total Tax Income	**(435)**	**(477)**	**(533)**	**(547)**	**(576)**	**(614)**
Effective Tax Rate	**49%**	**54%**	**51%**	**46%**	**44%**	**43%**

CANA needs a capital increase in 2021 or 2022



IV. CANA| Financial Statements and Valuation

	2019	2020	2021	2022	2023	2024	2025
Income Statement in EGP million							
Net interest Income	1,246	1,542	1,561	1,758	1,975	2,171	2,394
Non-interest Income	740	701	856	1,030	1,200	1,374	1,540
Operating Income	1,091	1,259	1,286	1,487	1,678	1,825	1,956
Provisions	(133)	(371)	(401)	(443)	(497)	(517)	(518)
Operating Expenses	(894)	(984)	(1,131)	(1,301)	(1,496)	(1,720)	(1,978)
Net profit before tax	958	888	886	1,044	1,181	1,308	1,438
Net profit after tax	542	428	381	478	597	691	778
Balance Sheet in EGP million							
Cash & Due from Central Bank	2,066	2,459	2,045	830	3,085	1,632	1,583
Due from Banks	13,061	7,707	8,940	10,549	12,869	16,087	20,108
Treasury bills	8,535	7,365	8,046	9,010	8,401	9,017	8,888
Loans & Discounts, net	15,373	17,058	19,957	23,821	28,970	34,551	40,430
Total Assets	52,016	50,245	56,101	63,247	71,975	81,439	91,590
Due to Banks	3,131	1,409	1,832	2,381	3,095	4,024	5,231
Customer Deposits	44,182	43,298	48,061	53,828	60,826	68,125	75,619
Total Liabilities	48,708	46,434	51,947	58,662	66,853	75,695	85,146
Total Net Worth	3,308	3,812	4,154	4,584	5,122	5,743	6,444
Key Indicators							
NIM	2.9%	3.5%	3.4%	3.3%	3.3%	3.2%	3.1%
OPEX-to-assets	1.8%	1.9%	2.1%	2.2%	2.2%	2.2%	2.3%
Non-Interest Income/Op Income	37.3%	31.3%	35.4%	36.9%	37.8%	38.7%	39.1%
Cost-to-Income	45.0%	43.9%	46.8%	46.7%	47.1%	48.5%	50.3%
COR	0.7%	1.8%	1.7%	1.6%	1.5%	1.3%	1.1%
Annualized ROAE	15.8%	10.8%	8.6%	9.9%	11.1%	11.4%	11.5%
Annualized ROAA	1.0%	0.8%	0.6%	0.7%	0.8%	0.8%	0.8%
CAR	13.1%	13.7%	13.2%	13.4%	13.7%	13.8%	14.1%
Treasury Exposure	33.6%	36.6%	35.9%	35.6%	29.2%	27.7%	24.3%
Loans-to-Deposits	41.7%	47.6%	49.8%	52.4%	55.7%	58.7%	61.3%
NPL Ratio	17.7%	17.0%	16.8%	16.6%	16.4%	16.2%	16.0%
Provisions Coverage	82.3%	87.0%	85.8%	83.1%	79.0%	75.8%	73.1%

	2019	2020	2021	2022	2023	2024	2025	TV
Multiples								
EPS, EGP	2.44	1.92	1.71	2.15	2.69	3.11	3.50	
P/E x	4.4	5.5	6.2	4.9	4.0	3.4	3.0	
BVPS, EGP	16.54	19.06	20.77	22.81	25.36	28.29	31.74	
P/B, x	0.6	0.6	0.5	0.5	0.4	0.4	0.3	
DPS, EGP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Implied P/E, x	4.3	5.4	6.1	4.9	3.9	3.4	3.0	
Implied P/B, x	0.6	0.5	0.5	0.5	0.4	0.4	0.3	
Assumptins								
Risk Free Rate (After Tax)			10.0%	9.2%	8.4%	8.4%	8.4%	
Risk Premium			6.0%	5.0%	5.0%	5.0%	5.0%	
Beta			1.00	1.00	1.00	1.00	2.00	
Cost of Equity			16.0%	14.2%	13.4%	13.4%	13.4%	13.4%
Terminal Growth Rate								5.0%
Valuation								
Net Asttributable Income		385	342	430	538	621	700	
+Non-cash Items (Depreciation)		42	45	48	51	55	59	
Minus: Capital Charge		(109)	(284)	(342)	(409)	(513)	(527)	
Cash Flow to Shareholders		317	103	136	180	163	232	
PV of FCFF		-	89	105	123	99	124	-
Sum of PV		540						
Terminal Value		2,906						
Discounted Terminal Value		1,550						
Valuation		2,089						
Number of Shares		200						
FV/Share, EGP		10.45						

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