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Egyptian Gulf Bank

9M FY12 Update

Egypt

Share Data	
Report Date	December 31, 2012
Sector	Banking
Company Traded Market	EGX
Report Reason	9M FY12 Update
Exchange Rate	LE5.35/US\$
Stock Currency	USD
Reuters Code	EGGB.CA
Outstanding Shares (mn)	207.7
Par Value/Share (US\$)	1.0
Financial Year Ending	December
Mkt. Cap (LE mn)	2,120
Paid-in Capital (LE mn)	951.4
Av. Daily Volume (000)	30.4
Price Low - High (US\$)	1.3-1.7

Shareholders	Ownership Stake
Misr Insurance	10.40%
Nasem Holding	8.67%
Misr Company for Life	8.98%
Others	12.83%
Free Float	59.12%

Egyptian Gulf Bank released its 9M FY12 financial results ending September 2012, reflecting 153% y-o-y growth in net income reaching LE121.8 million. This increase resulted from 60% y-o-y increase in net banking income, due to high interest rate on government treasuries coupled with 35% decline y-o-y in provision.

Net Interest Income mounted to LE205.7 million, up by 39% y-o-y. Interest income from government treasuries increased by 172 y-o-y corresponding to increasing bank's holding of government treasuries reaching LE1.6 billion. Interest income from clients and banks, on the other side increased by only 10% y-o-y reflecting 5% y-o-y decline in net loans.

Non-Interest Income escalated to LE51.7 million from LE16 million in 9M FY11. This growth came from recording trading securities gains of LE1.7 million versus trading securities losses in the previous year. In addition to increasing forex gains to LE10.6 million from LE1.1 million in the last year.

On the expenses side, non-interest expenses inched up 5% y-o-y to LE106.8 million. Hence, Cost/Income ratio improved to 42% from 62% in 9M FY11.

NPL's extended to 14.4% from 10.4% in September FY11 of total loans combined with low coverage ratio of 95%. Hence, low asset quality.

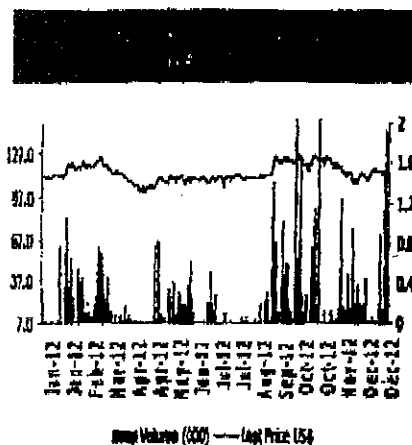
On the balance sheet side, deposits recorded 36% growth y-o-y reaching LE6.4 billion. On the other hand, net Loans declined by 5.5% y-o-y, reaching LE3.1 billion, resulting in L/D ratio of 48.8% in comparison to its level at 70% in 9M FY11. On the other side, Egyptian Gulf increased its holdings of government treasuries to LE1.55 billion from LE1.49 million in September FY11, representing 24% of deposits. With regard to financial investments, it contributed 51% of deposits.

Research Opinion:

At a market price of US\$1.62/share (LE10.29/share), the bank is trading at P/E 13.2X and P/B is 1.77x. The 9M FY12 financials reflects strong good profitability as reflected in:

- High profitability with ROA and ROE estimated at 2.1% and 13.5% respectively.
- Adequate liquidity with L/D standing at 48.8%.

However, the bank reflects low asset quality ratio with NPL's extended to 14.4% combined with low coverage ratio estimated at 95%.



Please refer to disclaimer on last page

FY Ending Dec	2010	2011	2012
Deposits (LE mn)	4,958	4,867	5,472
Growth	16.3%	-1.2%	11.7%
Loans (LE mn)	3,510.3	4,019.2	3,227.6
Growth	6.7%	14.5%	-19.7%
Net Int. Inc. (LE mn)	161	200	208
Growth	2.8%	23.8%	4.1%
Net Banking Inc. (LE mn)	203	268	220
Growth	-18.0%	31.7%	-17.7%
Non-Tax Provisions (Reversal)	18	-24	20
Net Attrib. Inc. (LE mn)	48	151	52
EPS (LE)	0.23	0.73	0.25
EPS Growth	-23.9%	214.0%	-65.7%
P/E x	43.9	14.0	40.8
BVPS (LE)	4.8	5.7	7.0
P/B x	2.1	1.8	1.5

Source: Bank Financials/Prime Estimates



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