

CIB achieves impressive results amidst a historical year

CAIRO, August 10th, 2011 – Commercial International Bank (CIB), the leading financial institution in Egypt, today released its first half financial results.

Business Highlights as of 30 June 2011 – Consolidated Performance

- On a consolidated basis, CIB achieved EGP 751 million of Net Profit After Tax (NPAT) in June 2011 declining by 26.64% compared to EGP 1,023 mn in June 2010. After normalizing the provision charges taken along with the one off items in both years, Consolidated NPAT would record EGP 886 mn as of June 2011 as compared to EGP 910 mn in June 2010 thus recording a drop of 2.66% y-o-y.
- Q2'2011 NPAT increased by 44% over Q1'2011, mainly driven by an increase in operating income by 9% due to a rise of 27.2% in Non interest income, and a drop in operating expenses by 13%.
- ROAE and ROAA stood at 17.89% and 1.96% respectively.
- On a stand alone basis, Net Interest Margin in June 2011 remained healthy at 3.6% reflecting management's efficiency in managing the Bank's liquidity.
- The Bank's loans increased by 6.37% as of June 2011, while the overall market for loans grew by 2.81% during the first five months of the year. In addition, the Bank saw a rise in deposits by 6.16%.
- CIB total assets grew by 3.83% compared to December 2010, predominately driven by the increase in institutional loans by 6.14% and the retail loan portfolio by 8.33%.
- Worthy to mention that 90% of the growth achieved in Retail loans and more than 60% of the growth in retail deposits for the first half of 2011 were witnessed in the second quarter alone. The consumer banking business in Q2'2011 recovered from the impact of the Revolution in Q1 and the closure of banks for almost 30 days in the first quarter. The acquisition momentum on almost all products is back to the sourcing levels witnessed in 2010 with loans and deposits growing 7.5% and 6.1% respectively Q-o-Q.
- The institutional banking performance showed resilience throughout the second quarter, where contribution of the performance of that line of business in Q2'2011 was approximately 33% of the 6.14% growth witnessed in the first half.
- CIB successfully maintained high levels of liquidity throughout the past few months where its loans to deposits ratio recorded 58.04%.
- Finally, CIB's market shares in both loans and deposits increased to record a steady share of 8.18% and 7.14% respectively, as of May 2011.
- CIB continues to maintain strong asset quality, with NPLs/Gross Loans of 2.9%, and a prudent coverage ratio of 147.2%.

Key Operating Ratios (Consolidated)

	YTD June-11	YTD June-10	Variance %
NIM (%)	3.6%	3.6%	1.34%
ROAA (%)	1.96%	3.06%	-36%
ROAE (%)	17.89%	28.16%	-36.48%
Cost/Income (%)	39.98%	37.27%	7.28%

Summary Consolidated Income Statement

<i>EGP millions</i>	YTD June-11	YTD June-10	Variance %
Net Interest Income	1,262	1,092	15.61%
Non Interest Income	656	842	-22.11%
Operating Income	1,919	1,934	-0.81%
<i>Less:</i>			
Operating Expenses	(767)	(700)	9.51%
Provisions	(201)	(2)	-9811.16%
Operating Profit before taxes	951	1,236	-23.11%
Taxes	(200)	(212)	-5.76%
Net Profit After Taxes	751	1,024	-26.69%
Minority Interest	0	1	
Net Profit After Taxes	751	1,023	-26.64%

Revenues

- During the first half of 2011, consolidated revenues recorded EGP 1,919 mn decreasing by 0.81%, broken down into both a healthy rise of 15.61% in net interest income and a drop of 22.11% in non interest income.
- The contribution of non interest income to total revenues has been increasing YOY. However, due to the political turmoil Egypt has witnessed and its impact on the economic activity, the first half of 2011 has shown a decrease in other non operating income by 45.97%, driven by the fall in dividends, foreign exchange income as well as profit and loss from selling investments which were adversely affected by the Egyptian upheaval. The first half also witnessed lower banking fees and commissions short falling the correspondent period from last year by 1%. The evolution of the GTS initiative to enhance cash management and trade finance business, along with the initiatives taken by the Bank to encourage the Bancassurance business and the new retail products helped us curb the drop in Fees and commissions income, insinuating that the route to recovery is underway.
- CIB succeeded in remaining very liquid throughout the past events where its LDR was maintained at 58.04%. LCY and FCY loans to deposits ratios recorded 54.51% and 62.82% respectively, LCY loans grew 13.32% compared to December 2010, while FCY loans declined by 1.07%.

Expenses

- Total expenses increased by 9.51% to record a cost to income ratio of 39.98% up from 37.27% in June 2010 mainly attributable to the decline in total revenues and increase in staff expenses however as we move forward in the year the ratio is expected to fall back within the targeted range of management.
- Given that our branch network is already among the largest within the private banking sector, with 150 outlets and an ATM network of 491, only a few select outlets in important strategic locations will be added moving forward.

Summary Consolidated Balance Sheet

<i>L.E Million</i>	June 30, 2011	Dec.31, 2010	Variance %
Cash and Due From Central Bank	6,075	5,675	7%
Due from Banks	9,813	7,055	39.1%
Gross Loans	39,056	36,717	6.4%
Provisions and Unearned items	(1,808)	(1,542)	17.25%
Net Loans	37,248	35,175	6%
Treasuries & Investments	22,127	24,556	-9.9%
Intangibles	483	537	-10.1%
Other Assets	2,263	2,427	-6.76%
Total Assets	78,009	75,425	3.4%
Due to Banks	630	1,322	-52%
Customer Deposits	67,288	63,364	6.2%
Other Liabilities	1,826	2,120	-13.9%
Total Liabilities	69,744	66,806	4.4%
Equity	8,218	8,572	-4.1%
Minority Interest	47	47	0.14%

Credit Quality and Capital Adequacy

- The Bank's NPLs/Loans ratio remained healthy at 2.9% as of June 2011.
- In line with CIB's conservative credit culture and in light of the current levels of uncertainty, CIB provided for EGP 201 million in its provisions based on IFRS methodology.
- CIB maintained its strong equity base with a conservative Capital Adequacy Ratio (CAR) of 15.64%, providing a solid cushion for adverse market movements.

Stand-alone Performance

- On a stand-alone basis, the Bank achieved an NPAT for H1'2011 of EGP 809 million. After normalizing one-off capital gains, NPAT would record EGP 784 million to show a decline of 21.91% compared to the same period last year. In addition, if we recast the NPAT figure for the provision charges of 201 mn that were taken, NPAT would record a 5.9% decline over June 2010 on a normalized basis.
- CIB has managed to realize a Return on Average Equity (ROAE) of 20.12% and a Return on Average Assets (ROAA) of 2.12% as of June 2011.
- Cost: income ratio stood at 37.77% recording a 9.39% increase over the same period last year, mainly attributable to an increase in staff expenses.

Summary Unconsolidated Income Statement

<i>EGP millions</i>	YTD June-11	YTD June-10	Variance %
Net Interest Income	1,258	1,091	15.35%
Non Interest Income	605	794	-23.85%
Net Operating Income	1,863	1,885	-1.16%
Non Interest Expense	(655)	(580)	12.88%
Provisions	(201)	2	-
Net Profit before Tax	1,007	1,307	-22.96%
Income Tax	(213)	(204)	4.56%
Deferred Tax	16	(2)	-960.34%
Net Profit	809	1,101	-26.49%

Summary Unconsolidated Balance Sheet

<i>L.E Million</i>	June 30, 2011	Dec.31, 2010	Variance %
Cash and Due From Central Bank	6,075	5,675	7%
Due from Banks	9,717	6,770	44%
Gross Loans	39,056	36,717	6.37%
Provisions and Unearned Items	(1,808)	(1,542)	17.3%
Net Loans	37,248	35,175	5.9%
Treasuries & Investments	22,825	25,273	-9.7%
Other Assets	2,104	2,200	-4.4%
Total Assets	77,969	75,093	4%
Due to Banks	630	1,322	-52%
Customer Deposits	67,392	63,480	6%
Other Liabilities	1,625	1,677	-3%
Total Liabilities	69,647	66,479	5%
Equity	8,321	8,614	-3.4%

Key Operating Ratios (Unconsolidated)

	YTD Jun-11	YTD Jun-10	Variance %
NIM (%)	3.6%	3.6%	1.34%
ROAA (%)	2.12%	3.30%	-35.89%
ROAE (%)	20.12%	31.92%	-36.97%
Cost/Income (%)	37.77%	34.53%	9.39%

Summary of the first half of 2011

In a challenging year filled with unprecedented circumstances, CIB managed to maintain a healthy liquidity position where the bank's balance sheet grew by 3.43% over December 2010 with both deposits and loans growing 6.2% and 6.37% respectively, maintaining a solid LDR of 58.04%, such a feat was achieved on the back of a gradual recovery in the lending activity, with Gross loans recording a decent growth of 6.37% compared to December 2010 thus increasing CIB's market share in the loans market to register 8.18% compared to 8.02% in December 2010. The contribution of the banks retail business to this growth cannot be forgone. The consumer banking area focused on growing the deposits base with a special emphasis on low cost funding and succeeded in growing the deposits base by 10.04% over December 2010. On the assets side, risk policies were amended post the revolution. Such amendments were driven by the lack of customer access to making payments. However, we are gradually opening up risk policies and in Q2 2011 we witnessed encouraging improvements in delinquency rates, where retail loans grew by 8.33% and we'll be reverting back to pre revolution levels and BAU levels soon. On the institutional side of business, the IB group succeeded in pushing up the loan portfolio to increase in the first half of 2011 over December 2010 by EGP 2 bn translating into a 6.14% growth thus enhancing our market shares.

On the Funding side, deposits increased by 6.2% as of June 2011, due to an increase in FCY deposits by 13.83% while LCY deposits recorded a growth of 1.4%, raising CIB's market share in deposits to record 7.14%, reiterating the flight to quality and reflecting confidence in CIB.

In continuation of CIB's legacy of having strong risk management proven to be best-in-sector time and again through out the organizations history, the Bank took an additional provision of 201 mn over the first half of the year to provide a healthy cushion that will enable CIB to bounce back and recover as soon as clarity and stability returns. An NPL ratio of 2.9%, with a coverage ratio of 147.2% and a high-quality corporate loan book was maintained, which should help mitigate expected near-term pressure on credit cost along with maintaining strong liquidity and balance sheet growth.

As such, from an operational perspective, CIB delivered impressive results considering the challenges that came about due to the Revolution. Moreover, CIB continued to lay down the groundwork to set the scene for stronger future performance.

All these factors combined prove once again how CIB established its leadership of the sector during these past turbulent times where asset quality is the name of the game and has positioned itself to benefit from the upcoming stability and the prosperity Egypt will witness in the years to come.

Conclusion

While the continued political unrest will likely continue to hurt the macro picture and impact the near - term economic fundamentals and equity market, we are confident that the future of Egypt will be positive and the economic performance should eventually improve. The question is how long will the transitional period take and what will be the direction of the future economic policy thereafter. That said the emergence of a stable government capable of presenting and implementing a coherent macro framework in coordination with multi-lateral institutions will be the most important factor for providing advancements on both the political and economical fronts.

As previously stated, we feel that CIB demonstrated its leadership of the sector time and time again and is well positioned to take advantage of opportunities more rapidly than some of its peers. In fact, being a major local player enables CIB to be more nimble. Thus allowing CIB with its full understanding of the Egyptian market, competent management, staff efficiency and prudent risk management policies to further strengthen its competitive position and healthily increase its share of wallet and continue to build on its legacy of being the best bank in Egypt.