CIB posts impressive results, reinforcing its leadership among Egyptian Banks

CAIRO, November 11, 2009 – Commercial International Bank (CIB), the largest financial institution in Egypt by market capitalization, today released its third quarter results. With its market leading corporate franchise, rapidly-growing consumer business and disciplined risk management, CIB continues to produce consistent profit growth and high returns on assets and equity, while maintaining strong asset quality.

Business Highlights as of 30 September 2009 – Consolidated Performance

- Year-to-date, CIB generated net operating income of EGP 2,600 million and NPAT of EGP 1,324 million, reflecting normalized growth rates of 9% and 15%, respectively, versus the same period in 2008 (adjusting for one-time gains and the change to accrual accounting for operating expenses).
- Through the third quarter, CIB achieved a return on average assets of 2.99% and a return on average equity of 28.2%.
- Impressively, CIB was able to maintain net loan growth of 3.2% through the first three quarters of 2009, a period in which overall borrowing across the private sector in Egypt actually fell 3.5%[1].
- Year-to-date, customer deposits have increased 4.2% to reach EGP 50.9 billion as CIB's strong brand name and extensive branch network continued to attract institutional and retail customers.
- During a period in which CIB continued its investment in human resources and technology, total cash operating expenses grew by only 15% (adjusting for the change to accrual accounting and intangibles) due to prudent cost management.
- CIB continues to maintain solid liquidity, with net loans/deposits of 55.9%, strong asset quality, with NPLs/gross loans of 2.92%, and a comfortable coverage ratio of 179.4%.
- This year CIB adopted accrual accounting for operating expenses in its financial reporting. Wherever appropriate, historical financial information is adjusted to allow for comparability in operating performance across time periods.

Key Operating Ratios

	2005	2006	2007	2008	YTD Sep-08	YTD Sep-09
NIM (%)[2]	3.50	3.14	3.27	3.90	3.83	4.06
ROAA (%)[3]	2.09	2.25	3.02	2.59	3.31	2.99
ROAE (%)[4]	23.8	26.5	33.1	26.4	36.0	28.2
Cost/Income (%)[5]	32.7	37.0	29.6	39.6	29.0	35.9
CAR (%)[2]	13.05	12.79	14.70	14.99	11.85	14.36
NPL/Gross Loans (%)[2]	5.57	3.82	2.98	3.00	2.49	2.92

1 Market loan data based on Central Bank of Egypt data through August 2009
2 On standalone basis
3 Normalized 2008 ROAA would equal 2.97%
4 Normalized 2009 YTD ROAE would equal 32.75%
5 Adjusting for accrual accounting, cost/income in 2008 would have been 33%

Summary of the third quarter of 2009

Through the third quarter of 2009, CIB nearly met its full-year 2008 net profit of 1,365 million, despite continuing challenges across the global economy and financial markets, a slowdown in the Egyptian economy and a sharp drop in interest rates.

The steep drop in economic activity and subsequent reduction in interest rates directly impacted CIB's profitability. Despite the global turmoil over the past 12 months, the Egyptian economy recorded annual real GDP growth of 4.7% in 2008/09 due to the significant domestic demand component of GDP. While such economic resilience is impressive given the outright contractions that occurred across many emerging economies, the general rise in risk aversion and uncertainty over this time period led to a contraction of 3.5% in private sector borrowing in Egypt during the first eight months of the year.

Despite this, year-to-date CIB has been able to maintain normalized revenue growth of 9%, net loan growth of 3.2% and deposit growth of 4.2%. The year-to-date growth in CIB's loan portfolio is particularly noteworthy given the contraction in private sector borrowing. Continuing strong liquidity and solid capital adequacy provide CIB with a tremendous opportunity to capitalize on the continuing growth across the under-penetrated Egyptian economy, particularly in the consumer sector.

We continue to focus on opportunities to cross-sell across all of our business lines and with our subsidiaries. In addition, we are in the process of broadening our portfolio of products and services across many of our businesses to further diversify our revenue streams and offer a more compelling value proposition to our customers.

Due to ongoing investment in our consumer banking business, technology platform and facilities, operating expenses grew at a slightly faster rate than revenue. This reflects our steadfast commitment to the long-term secular growth opportunity in the Egyptian economy, regardless of short-term fluctuations in economic growth. We also remain firmly committed to a conservative cost discipline. We continue to diligently review all our expenses as well as any new initiatives from the perspectives of economic value creation and resource optimization.

Our net profit after tax increased by 15% over the same period last year, after adjusting for one-time gains and accrual accounting for operating expenses.

Given our ongoing investments in people, processes and infrastructure, we believe we have the framework in place to deliver value to our customers and, as a result, value for our shareholders and our employees.

Summary Consolidated Income Statement

EGP Million	**YTD Sept-09**	**YTD Sept-08**	**Variance %**
Net Interest Income	1,509	1,164	30%
Non Interest Income[6]	1,090	1,269	-14%
Operating Income	**2,600**	**2,433**	**7%**
Less:			
Operating Expenses[7]	933	705	32%
Provisions	89	199	-55%
Net Profit Before Taxes	1,577	1,529	3%
Taxes	253	216	17%
Net Profit After Taxes[8]	1,324	1,313	1%

6 2008 figure includes a one-time gain of EGP 50 million due to the sale of Contact
7 Adjusting for accrual accounting, 2008 expenses were EGP 786 million and the y-o-y increase was 15%
8 Adjusting for one-time gain and accrual accounting, 2008 NPAT was EGP 1,192 million and y-o-y change was 15%

Revenues

- Consolidated revenues increased by 7% this year, with a 30% rise in net interest income and a 14% decline in non-interest income. Adjusting for one-time gains in 2008, revenues rose by 9% and non-interest income declined by 0.5%.
- The trend in non-interest income was mainly attributable to a decrease in brokerage commissions due to the drop in economic and market activity in the first nine months of the year.
- Our stand-alone net interest margin increased to 4.06% from 3.77% in 1st half 2009. The expansion shown was mainly attributable to the efficient and proactive balance sheet management as well as pricing of loans and deposits.
- LCY loans grew 11% since December 31, 2008, while FCY loans declined by 5%. Starting in early Q4 2008, the Bank began proactively reducing its FCY exposure with customers potentially vulnerable to foreign exchange risk. In addition, the Bank successfully shifted some FCY exposures to LCY.
- Total customer deposits grew by 4.2% to reach EGP 50.8 billion.

EGP million	**Consolidated Sept - 2009**	**Consolidated Dec - 2008**	**% Change**
LCY Net Loans	14,321	12,918	11%
FCY Net Loans	14,383	15,090	-5%
LCY Deposits	29,601	27,189	9%
FCY Deposits	21,236	21,601	-1.7%
LCY Loans/Deposits	**48.38%**	**47.51%**	
FCY Loans/Deposits	**67.73%**	**69.86%**	

Expenses

- Adjusting for accrual accounting and intangibles, operating expenses increased 15% over the same period last year.
- On a consolidated basis and adjusting for intangibles and non cash items, CIB's cost to income increased to 33.96%.
- In line with CIB's strategic investments in human capital, head count increased 10.1% to reach 4,538 as of end of September 2009 from 4,123 compared to the same period last year, owing to CIB's retail expansion initiative.
- In the fourth quarter of 2008, CIB started accruing expenses based on the accrual method. This accounting change eliminates the intra-year volatility in our operating expenses witnessed in previous years.
- Given our extensive branch network, which currently stands at 153 branches and units, CIB will only be adding a few select outlets in key locations in the near term.
- CIB continued to invest in its alternative distribution channels as its total ATMs grew to 509, and POS machines reached 8,295.
- CIB's effective tax rate increased from 14.1% to 16.1% partially due to the implementation of tax on T-Bills and Bonds, versus last year.

Summary Consolidated Balance Sheet

EGP Million	Sept-2009	Dec-2008	Variance %
Cash and Due From Central Bank	4,175	4,473	-6.7%
Due from Banks	6,671	6,572	1.5%
Net Loans	27,183	26,330	3.2%
Treasuries & Investments	19,604	17,353	13%
Intangibles	791	841	-6%
Other Assets	2,075	1,892	9.7%
Total Assets	***60,498***	***57,462***	***5.3%***
Due to Banks	746	229	226%
Customer Deposits	50,836	48,790	4.2%
Other Liabilities	2,130	2,618	-18.6%
Total Liabilities	***53,713***	***51,637***	***4.02%***
Equity	***6,785***	***5,825***	***16.5%***

Credit Quality and Capital Adequacy

- Total provision expenses were EGP 89 million as of September 30, 2009 versus EGP 199 million during the comparable period last year, with a healthy coverage ratio of 179.4%. The reduction in the coverage ratio is largely due to a fully provisioned write-off.
- Continuous efforts to recoup written-off loans have resulted in CIB recovering EGP 33.2 million year-to-date, exceeding the EGP 31.5 million recovered throughout the year ending December 2008.
- CIB further strengthened its capital base, as its Stand alone capital adequacy ratio reached 14.36%, well above the CBE requirement of 10%.

Employee Stock Ownership Plan (ESOP)

In accordance with the Extraordinary General Assembly approval on 26 June 2006 and after meeting the vesting and eligibility terms and conditions for granting the first tranche of shares under the ESOP, as of 4 November 2009 shares amounting to 2,572,180 will be issued to eligible employees after paying the par value of EGP 10. Upon such issuance and payment for the granted shares, the Bank's issued and paid-in capital will increase to EGP 2,950,721,800, representing 295,072,180 ordinary shares at par value of EGP 10.