



News Bulletin

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Egyptian Gulf Bank (EGB) (EGBE EY), (EGBE.CA)

1Q08 Results: Marked Improvement

Solid Net Interest Income Growth

EGB's net interest income grew by a solid 18.9% YoY to EGP37.9 million in 1Q08. Growth was driven by a 21.2% YoY growth in interest from loans and due from banks, which came on the back of a 61.7% YoY increase in gross loans. Interest expense, on the other hand, grew by 2.0% YoY to EGP46.5 million.

Interest from T-bills and bonds, however, dropped by 22.9% YoY to EGP16.6 million, although the bank's holding of T-bills and bonds grew by 9.8% YoY, due to lower yields in the local treasuries market.

Interest spread advanced by 37 bps to 2.10%. The drop in treasury income affected EGB's NIM, which declined by 4 bps to 3.16%.

Non-Interest Income Increases by 2.5x YoY

Non-interest income advanced 2.5x YoY to register EGP47.8 million. Growth was mainly due to a substantial increase in other income from EGP2.9 million to EGP25.4 million, in addition to a 72.8% YoY increase in net fees and commissions to EGP13.9 million.

Cost-to-Income Decreases

EGB's operating expenses increased by 28.6% YoY to EGP20.9 million. Given a greater increase in operating income of 67.1% YoY, the bank's cost-to-income dropped from 31.7% in 1Q07 to 24.4% in 1Q08.

Net Income Grew by 36.5% YoY, Despite Higher Provisions

EGB booked provisioning charges of EGP21.6 million in 1Q08, up 6.4x from EGP3.4 million in 1Q08. However, this didn't hold net income from growing at a notable 36.5% YoY to register EGP43.1 million.

Improved Utilization

EGB's gross loans grew an impressive 13.1% YTD to 2.6 billion. Deposits however, declined by 5.4% to 4.0 billion. Accordingly, EGB's loans-to-deposits improved from 53.9% in December 2007 to 64.5% in March 2008.

An Approved 7:100 Stock Dividend

EGB's GAM and EGAM held on March 1st, 2008 approved the bank's FY07 results and a proposed 7:100 stock dividend. Dividend dates are yet to be announced.

Recently Imposed Taxation to Likely Affect Performance

The Egyptian government announced on May 6th, 2008, the removal of tax exemptions on interest income on T-bills, issued as of May 5th, 2008. Given that T-bills only represent 3.1% of EGB's total assets, we expect a minimal effect on the bank's results.

A proposal to remove tax exemption on treasury bonds would have a more significant affect if passed. Fixed income securities (bonds and bills) stand at 15.2% of total assets.

EGB's Price Multiples

EGB is trading at a P/BV (08) of 3.15x and a P/E (08) of 19.23x, compared to the market average of 16.1x.

1Q08 Financials

EGP Mil.	1Q08	1Q07	% Δ
Income Statement			
Interest from Loans & Banks Dues	67.9	56.0	21.2%
Interest from T-Bills & Bonds	16.6	21.5	-22.9%
Interest Expense	(46.5)	(45.6)	2.0%
Net Interest Income	37.9	31.9	18.9%
Net Fees & Commissions	13.9	8.0	72.8%
FX Income	3.7	2.8	31.6%
Investment Income	4.8	5.7	-16.4%
Other Income, Net	25.4	2.9	790.6%
Operating Income	85.7	51.3	67.1%
Operating Expenses	(20.9)	(16.3)	28.6%
Provisions	(21.6)	(3.4)	528.5%
Non-Operating Income/Losses	0.0	0.0	
Pre-Tax Income	43.2	31.6	36.6%
Taxes	0.0	0.0	
Net Income	43.1	31.6	36.5%
Interest Spread (Annualized)	2.10%	1.73%	
NIM (Annualized)	3.16%	3.20%	
Cost-to-Income	24.4%	31.7%	

EGP Mil.	Mar. 08	Dec. 07	% Δ
Balance Sheet			
Cash & Due from CBE	360.6	117.2	207.8%
Due from Banks	1,488.5	2,174.3	-31.5%
Treasury Bills	153.6	200.4	-23.4%
Trading Investments	129.2	197.5	-34.6%
Available for Sale Investments	629.6	556.0	13.2%
Net Loans & Overdrafts	1,992.0	1,743.1	14.3%
Held to Maturity Investments	5.0	5.0	0.0%
Investments in Subs. & Affiliates	82.6	15.2	443.7%
Debit Balances & Other Assets	99.7	78.1	27.5%
Net Fixed Assets	51.6	48.2	7.1%
Total Assets	4,992.4	5,135.0	-2.8%
Dues to Banks	49.3	14.7	235.7%
Customer Deposits	4,044.4	4,275.8	-5.4%
Credit Balances & Other Liabilities	57.4	51.2	12.3%
Long-Term Loans	25.1	28.9	-13.4%
Other Provisions	79.4	65.3	21.5%
Distributions Payable	5.5	11.0	-50.0%
Deferred Taxes	1.5	1.5	2.0%
Total Liabilities	4,262.5	4,448.3	-4.2%
Shareholders' Equity	729.8	686.7	6.3%
Off Balance Sheet Commitments	914.2	722.1	26.6%

Source: EGB, HC Brokerage.

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