

National Société Générale Bank 2009 and Q4 2009 results and highlights

Earnings Flash Note

Monday February 22, 2010

National Société Générale Bank (NSGB) reported FY 09 and Q4 09 results above our estimates driven by a provision reversal

Q4 2009 Highlights

- Q4 2009 net income came in at EGP 391.8 million or EGP 1.18 per share compared to our estimate of EGP 256.3 million and EGP 0.77 respectively.
- Net interest margins (NIMs) reached 4.3% in Q4 2009 compared to an estimated 4.0%.
- Total non-performing loans (NPLs) stood at EGP 1.3 billion. Q4 2009 NPLs ratio improved 200 basis points to reach 4.8% driven primarily by a EGP 214.0 million provision reversal compared to 6.8% and 7.0% at the end of Q3 2009 and 2008, respectively.
- Provision expenses in Q4 2009 came in at EGP 65.6 million above our estimate of EGP 17.9 million.
- Coverage ratio came in at 118.5% at the end of the quarter.
- Interest income for the quarter increased 1.2% to EGP 884.0 million, lower than our expectation of EGP 815.4 million.
- Net banking fees and commissions for the quarter rose 15.5% to EGP 136.4 million in Q4 2009, in line with our forecast of EGP 134.7 million.
- Net loans were up 3.0% in Q4 2009 to EGP 26.4 billion compared to our estimate of EGP 25.5 billion.
- Deposits grew marginally to EGP 43.7 billion during the quarter in line with our forecast of EGP 44.0 billion.
- Shareholders' equity ended the quarter and year at EGP 5.4 billion.

2009 Highlights

- 2009 net income reached EGP 1.2 billion or EGP 3.55 per share compared to our estimate of EGP 1.0 billion and EGP 3.15, respectively.
- Net interest margins (NIMs) ended the year at 4.1% compared to 3.9% in 2008.
- The improvement in NIM came on the back of better asset allocation and pricing on the funding side. NSGB shifted its excess funds from interbank assets to government securities that earn higher interest.
- Non-performing loans (NPLs) ratio improved significantly to reach 4.8% at the end of 2009 compared to 6.8% and 7.0% at the end of Q3 2009 and 2008, respectively. The ratio came in lower than our estimate of 6.8%.
- Provision expenses came in at EGP 102.7 million at the end of the year well above our estimate of EGP 54.5 million. NSGB reversed provisions of EGP 265.5 million during the year, which we did not account for in our forecasts.
- Coverage ratio came in at 118.5% at the end of 2009 compared to 108.8% in 2008.



Recommendation

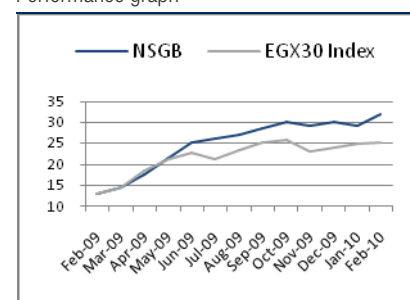
Buy

Stock Data

Price (as of Feb 21 2010) (EGP)	32.1
Target Price (EGP)	33.6
Upside / Downside	4.7%
Market Cap (EGP mn)	10,687
Market Cap (USD mn)	1,946
Number of Shares (mn)	333.2
52 Wk Av. value traded (USD mn)	0.5
Reuters / Bloomberg	NSGB.CA / NSGB EY
Exchange Rate (EGP/ USD)	5.5

Source: Reuters, Rasmala Research

Performance graph



Source: Reuters, Rasmala Research

12m High / Low (EGP) 32.7/13.1

	1M	3M	12M
NSGB	9.6%	9.6%	145.7%
EGX 30 Index	2.0%	9.4%	94.4%

Source: Reuters, Rasmala Research

Major Shareholders

	(%)
Société Générale (France)	77.2
Free Float	22.8

- Interest income grew 5.9% to EGP 3.4 billion during the year above our estimate of EGP 3.3 billion.
- 2009 net interest income was up 17.9% to EGP 1.7 billion, matching our estimate of EGP 1.7 billion.
- Net banking fees and commissions for the year grew by a modest 0.8% to EGP 549.9 million, in line with our forecast of EGP 548.0 million.
- Cost to income ratio came in at 31.7% in 2009 below our estimate of 33.4%. The lower than expected ratio came on the back of higher income (higher reversal of provisions).
- Net loans rose 5.4% to EGP 26.4 billion in 2009 and came in above our forecasted EGP 25.4 billion.
- 2009 deposits were up 18.5% to EGP 43.7 billion compared to our forecast of EGP 44.0 billion.
- Shareholders' equity stood at EGP 5.4 billion at the end of 2009.

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Summary financials and forecasts

Table 1: 2009A vs. 2009E

EGP mn (YE 31 Dec)	2008A	2009A	Growth	2009E	Variance
Interest Income	3,200	3,390	5.9%	3,321	2.0%
Net Interest Income	1,428	1,683	17.9%	1,651	(1.9%)
Net Fees and Commission Income	545.3	549.8	0.8%	548.0	(0.3%)
Provisions	(213.4)	(102.2)	(52.1%)	(54.5)	(46.7%)
Net Profit	1,137	1,183	4.1%	1,048	(11.5%)
Loans (net)	25,011	26,360	5.4%	25,457	(3.1%)
Deposits	36,889	43,715	18.5%	44,046	0.8%
Shareholders Equity	4,313	5,495	27.4%	5,105	(7.1%)

Source: Company reports, Rasmala Research estimates

Table 2: Summary income statement

EGP mn (YE 31 Dec)	2008A	2009A	2010E	2011E	2012E
Interest Income	3,200	3,390	3,685	4,201	4,731
Interest Expense	(1,772)	(1,707)	(1,837)	(2,093)	(2,422)
Net Interest Income	1,428	1,683	1,849	2,108	2,309
Net Fees and Commission Income	545.3	549.8	589.7	672.2	757.0
Other Income	623.2	468.2	248.5	259.7	291.9
Total Fee Income	1,168.5	1,018	838.1	931.9	1,048.9
Provisions	(213.4)	(102.2)	(71.7)	(210.2)	(210.7)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Tax	(160.2)	(220.3)	(251.4)	(338.8)	(374.6)
Attributable Profit	1,137	1,183	1,148	1,533	1,721

Source: Company reports, Rasmala Research

Table 3: Summary balance sheet

EGP mn (YE 31 Dec)	2008A	2009A	2010E	2011E	2012E
Assets					
Cash and Equiv.	3,103	4,073	3,884	4,556	5,203
Due from Banks	9,027	5,848	7,447	9,250	11,877
Treasury Bills & Other Government Securities	2,976	9,096	12,730	12,827	12,925
Net Loans & Overdrafts	25,011	26,360	27,627	34,169	39,673
Investment Assets	3,801.3	5,767	4,855.3	5,694.9	6,503.7
Other Assets	1,399	1,080	1,060	1,249	1,442
Fixed Assets	729.5	805.7	804.3	844.5	886.7
Total Assets	46,048	53,029	58,408	68,590	78,510
Liabilities					
Due to Banks	1,460	725.5	828.8	1,025	1,190
Deposits	36,889	43,715	48,553	56,949	65,037
Long Term Debt	821.5	829.4	810.3	805.7	771.9
Provisions	689.3	573.8	761.4	941.6	1,093
Others	1,875	1,690	1,482	1,738	1,987
Total Liabilities	41,735	47,534	52,436	61,459	70,080
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Shareholders Equity	4,313	5,495	5,972	7,130	8,430
Total Liabilities and Shareholders Equity	46,048	53,029	58,408	68,590	78,510
Contingent Liabilities	12,649	12,129	14,602	17,147	19,627

Source: Company reports, Rasmala Research

Table 4: Financial ratios

	2008A	2009A	2010E	2011E	2012E
PE (x)	7.1	6.9	6.7	6.8	6.0
PB (x)	2.3	1.8	1.6	1.4	1.2
Div. Yield (%)	1.6	1.7	1.7	2.2	2.5
Net Interest Margin (%)	3.9%	4.1%	3.9%	3.7%	3.6%
Interest Income/Total Revenues (%)	73.3%	76.9%	81.5%	81.8%	81.9%
Net Fee Income/Total Revenues (%)	12.5%	12.5%	13.0%	13.1%	13.1%
Cost to Income (%)	29.6%	31.7%	32.8%	32.5%	32.3%
Loans / Total Assets (%)	54.3%	49.7%	47.3%	49.8%	50.5%
Loans / Deposits (%)	67.8%	60.3%	56.9%	60.0%	61.0%
Deposits/Assets (%)	80.1%	82.4%	83.1%	83.0%	82.8%
NPLs/Gross Loans (%)	7.0%	4.8%	6.7%	6.0%	5.5%
NPLs Coverage Ratio (%)	108.8%	117.7%	109.0%	108.3%	110.9%
Shareholders Equity/Total Assets (%)	9.4%	10.4%	10.2%	10.4%	10.7%
Capital Adequacy Ratio (%)	14.1%	17.0%	17.1%	16.5%	16.6%
ROAE (%)	34.4%	29.3%	25.6%	22.8%	22.1%
ROAA (%)	3.2%	3.1%	2.7%	2.4%	2.3%
Payout Ratio (%)	6.56	15.0	6.51	6.41	5.71

Source: Company reports, Rasmala Research



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