

RESEARCH REPORT

EQUITY

MARCH
2025

CFG BANK : REVISION OF OUR 2025E-2026E **FORECASTS**

- 03 | A visible commercial effort on NBI dynamics
- 04 | A slight revision of our forecasts and our target price
- 05 | Summary table: Financial indicators 2020-2026E



Attijari
Global Research

Report intended for institutional investors

HOLD

Initial opinion	HOLD
Release date	09/01/2025
Initial target price	MAD 246

CFG Bank

Sector	BANKING
Reuters	CFG.CS
Bloomberg	CFG MC

MAD 253

Actual 03/04/2025	MAD 236
Potential	+7.0%
Horizon	12 MONTHS

EXECUTIVE SUMMARY

At the end of FY 2024, CFG Bank recorded operational achievements higher than our initial forecasts, particularly in terms of NBI and Cost to Income. The NIGS, for its part, is in line with our expectations, at around MAD 260 Mn (*Banking Sector Report - January 2025*). Reassuring performances which led us to slightly revise our growth forecasts over the period 2024E-2026E.

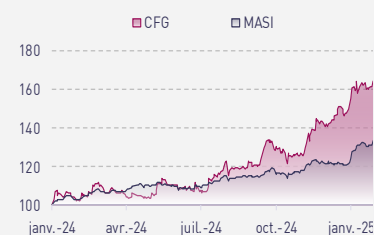
Following our analysis of CFG Bank's annual results as well as the conference held by the Top-Management, we come away with the following messages:

- Thanks to a sustained commercial effort, particularly in the Corporate segment, the bank continues to increase its market share. This is supported by the strong growth in credit activity of +22.1%⁽¹⁾ in 2024 to MAD 17.4 Bn. In parallel with this commercial dynamic, we note the strong increase in the fees income of +52.8% to MAD 401 Mn. A development which attests to the remarkable performance of asset management;
- Despite the resumption of the investment program at the level of the branch network, marketing and the IT system, CFG Bank was able to reduce its Cost to Income ratio by -7.2 pts in 2024 to 58.8%. The bank manages to control the evolution in its management fees (+27.6%) below the growth level its commercial activity (+43.2%);
- CFG Bank's positioning on relatively less risky segments, namely investment credits dedicated to Medium & Large Corporates as well as real estate loans, allows it to display a CoR rate vastly different from the sector average, i.e. 23 BPS⁽²⁾ Vs. 120 BPS respectively;
- At the end of our update, we come out with a target price of MAD 253, showing an upside potential of +7.0% compared to the stock's price of MAD 236 on 03/04/2025. To this end, we recommend **HOLDING** CFG Bank stock.

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STOCK EVOLUTION (BASIS 100)



MARKET INDICATORS

Performances (%)	1 M	3 M	12 M
CFG BANK	+2.6	+15.7	+48.6
MASI	+6,6	+15,1	+29,5

ADV (MAD Mn)	1 M	3 M	12 M
CFG BANK	5.0	10.5	6.6
MASI	361	372	263

Capitalisation	As of 02/25/2025
In MAD Mn	8,402
In \$ Mn	845

Price as of 02/25/2025

(1) Consolidated net customer loans (end of period) (2) For reasons of comparability with the listed banking sector, the CoR Rate is calculated on the basis of gross customer loans at the end of period.

A VISIBLE COMMERCIAL EFFORT ON NBI DYNAMICS

For the FY 2024, CFG Bank recorded overall higher achievements than our initial expectations. Therefore, the annual achievement rates of NBI and NIGS stood at 111% and 102% respectively.

Strong NBI dynamics, mainly driven by Corporate loans

The bank's NBI shows a strong increase of +43.2% to MAD 941 Mn in 2024. This is a growth rate higher than the AAGR observed over the last 6 years (2018-2023), i.e. +34.3%. This performance is driven by all business lines:

- The **interest income** increased by +40.9% to MAD 373 Mn (+ MAD 108 Mn) mainly thanks to a volume effect. As a new entrant in the Moroccan bank credit market, CFG Bank recorded a sustained growth of +22.1%⁽¹⁾ mainly driven by Corporate loans;
- The **fees income** increased by +52.8% to MAD 401 Mn (+ MAD 138 Mn), more than double the average growth observed during the 2019-2023 period, i.e. +24.2%. To this end, the weight of commissions in the NBI structure settled at 42.6% for CFG Bank compared to an average of 19.3% for the listed banking sector;
- The **income from Market Activities**⁽²⁾ increased by +28.5% to MAD 167 Mn (+ MAD 37 Mn), supported by the performance of the bond and equity portfolios. In fact, 2024 was marked by a downward trend in Rates combined with an increase in the MASi index of +22.2%.

Accelerated normalization of the C/I ratio..., better than expected

As expected, the cost to income continues its normalization to gradually approach the sector standards. Thanks to the positive momentum of the NBI, this ratio fell by -7.2 pts during the FY 2024 against an initial AGR estimate of -6.1 pts.

We believe CFG Bank has considerable room to improve its cost-to-income ratio in the Medium Term. In fact, this ratio stood at 58.8% for CFG Bank during 2024, above the average of the listed banking sector which settled at 47.3% in 2023.

Well control of the CoR thanks to a positioning on less risky segments

At the end of 2024, the cost of risk stood at MAD 41 Mn, up +65.2% compared to 2023. A level equivalent to a CoR rate⁽³⁾ of 23 BPS against 120 BPS for the listed sector.

At the origin of this gap, CFG Bank's positioning on relatively "less risky" segments. These include investment credits dedicated to Medium and Large Enterprises as well as real estate loans.

A solid growth in profits, in line with our forecasts

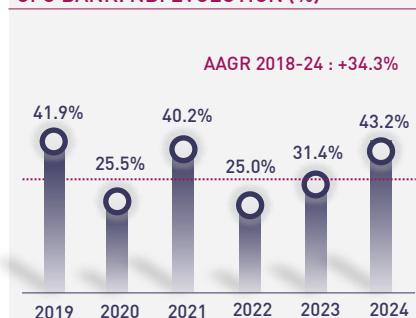
Thanks to the good dynamics of the "loan" activity, the relative control of operating expenses compared to the growth of the NBI and the stability of the CoR rate, the bank's NIGS reached MAD 262 Mn, up +57.7%. An achievement in line with our initial forecasts of MAD 256 Mn (*Banking Sector Report - January 2025*). Note that the bank's corporate tax rate is in the phase of gradual normalization by 2026 due to the consumption of tax losses carried forward.

CFG BANK: 2024 CONSOLIDATED RESULTS VS. AGR INITIAL FORECASTS 2024E

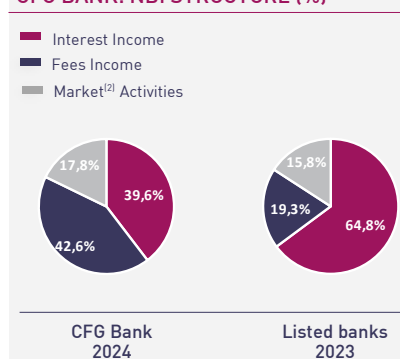
In MAD Mn	2023	2024	VAR 2024/2023	AGR 2024E	AR ⁽⁴⁾ 2024/24E
NBI	657	941	+43.2%	847	111%
Interest Income	265	373	+40.9%	368	101%
Fees Income	262	401	+52.8%	341	118%
IMA & Others ⁽²⁾	130	167	+28.5%	138	121%
GOI	224	388	+73.5%	340	114%
Cost to Income	66,0%	58,8%	-7.2 pts	59,9%	-
CoR	25	41	+65.2%	39	106%
CoR ⁽³⁾ Rate (BPS)	17	23	+6 BPS	23	-
Reported NIGS	166	262	+57.7%	256	102%

(1) Consolidated net customer loans (end of period) (2) Income from market activities and other activities (4) Annual achievement rate 2024 against AGR initial forecasts 2024E

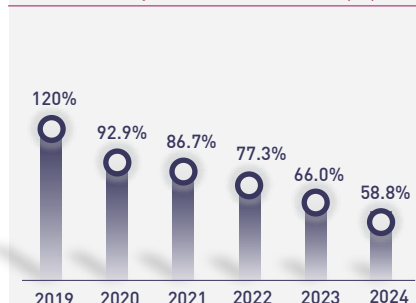
CFG BANK: NBI EVOLUTION (%)



CFG BANK: NBI STRUCTURE (%)



CFG BANK: C/I RATIO EVOLUTION (%)



CFG BANK: CoR⁽³⁾ RATE (BPS)



(3) For reasons of comparability with the listed banking sector, the CoR Rate is calculated on the basis of gross customer credits at the end of the period.

Sources: CFG Bank Presentation Conference, CFG Bank Financial Statements, AGR Calculations & Estimates



A SLIGHT REVISION OF OUR FORECASTS AND OUR TARGET PRICE

Following the update of our growth forecasts during the period 2025E-2026E, we emerge with the following conclusions:

- NBI growth of +12.4% in 2025E to MAD 1,058 Mn against MAD 992 Mn initially. In 2026E, we project an increase of +13.5%;
- Decrease of the Cost to income in 2025E by -4.1 pts to 54.7% against an initial forecast of 55.5%. The target C/I by 2026E is 51.3%;
- CoR⁽¹⁾ rate would remain unchanged at 25 BPS in 2025E then 29 BPS from 2026E;
- Increase in the NIGS of +12.3% to MAD 294 Mn in 2025E against MAD 273 Mn initially. In 2026E, we forecast a growth of +12.5% to MAD 331 Mn.

CFG BANK: UPDATE OF OUR FORECASTS 2025E-2026E

IN MDH	2023	2024	2025E OLD ⁽²⁾	2025E NEW	2026E
NBI	657	941	992	1.058	1.201
Growth	+31.4%	+43.2%	+17.1%	+12.4%	+13.5%
Cost to Income	66.0%	58.8%	55.5%	54.7%	51.3%
Variation	-11.3 pts	-7.2 pts	-4.4 pts	-4.1 pts	-3.4 pts
CoR	25	41	48	51	70
Variation	-19.8%	+65.2%	+25.0%	+25.2%	+35.7%
CoR rate (BPS)	17	23	25	25	29
NIGS	166	262	273	294	331
Growth	+278%	+57.7%	+6.6%	+12.3%	+12.5%
DPS (MAD)	3.3	3.3	3.5	3.4	3.5
Variation	-	0.0%	+2.9%	+3.0%	+2.9%

(1) For reasons of comparability with the listed banking sector, the CoR Rate is calculated on the basis of gross customer loans at the end of the period (2) Initial growth forecasts AGR 2025E versus estimated results 2024E and non-achieved results 2024R

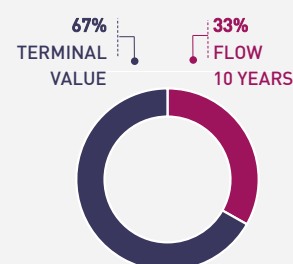
A stock to HOLD based on a target price of MAD 253

The main assumptions used in our valuation exercise for CFG Bank stock are as follows:

- AAGR of NBI of +12.9% over the period 2024-2026E. Beyond that, the target growth rate is +13.2% on average per year over 2026E-2030E. Our scenario is supported by the bank's growth potential in terms of market share on the loan activity;
- Continued normalization of the C/I to gradually approach the average levels of the banking sector. Our target for the period 2025E-2030E is 48.4% on average compared to a normative level of 43.0% for the banking sector;
- AAGR of CoR of +30.4% over the period 2024-2026E, equivalent to an average annual CoR⁽¹⁾ rate of 27 BPS. During the period 2027E-2030E, the average retained is 32 BPS, consistent with the bank's relatively less risky positioning;
- AAGR of NIGS of +12.4% during the period 2024-2026E then +16.0% over 2026E-2030E. A development which takes into account the gradual normalization of the effective Corporate Tax rate as a result of the consumption of tax losses carried forward;
- The cost of Equity (Kcp) is 9.24%. This takes into account an Equity Risk Premium of 6.4%, a beta of 0.95 and a 10-year TB yield of 3.2%. The Terminal Growth Rate retained is 3.0%.

The fundamental value of CFG Bank's Equity settled at MAD 8,869 Mn, equivalent to a target price of MAD 253 against a price of MAD 236 on the stock market as of 03/04/2025. To this end, we recommend HOLDING the stock taking into consideration an upside potential of +7% over the MT.

CFG: TARGET EQUITY BREAKDOWN



CFG : CALCULATION OF COST OF EQUITY

FEBRUARY 2025	Levels
10 years TB	3.2%
Adjusted Beta	0.95
Equity Risk Premium	6.4%
Cost of Equity	9.24%

(1) For reasons of comparability with the listed banking sector, the CDR Rate is calculated on the basis of gross customer loans at the end of the period.

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BLOOMBERG: CFG MC

Balance Sheet (MAD Mn)	2020	2021	2022	2023	2024	2025E	2026E
Equity Group share	820	762	852	1666	1813	1991	2 203
Customer Deposits	4 284	5 823	8 033	8 647	10 574	12 371	14 474
Customer Loans	5 612	6 680	8 806	14 251	17 394	20 351	23 811
Total Assets	8 853	11648	15 372	22 134	24 902	27 301	29 933
Growth (%)	2020	2021	2022	2023	2024	2025E	2026E
Net Banking Income (NBI)	285	400	500	657	941	1058	1201
Management fees	265	347	387	434	553	579	616
Gross Operating Income	20	53	114	224	388	479	585
Cost of Risk	18	36	31	25	41	51	70
Taxes	44	17	25	17	63	110	158
Net Income Group Share (NIGS)	-42	29	44	166	262	294	331
Croissance (%)	2020	2021	2022	2023	2024	2025E	2026E
NBI	25,5%	40,2%	25,0%	31,4%	43,2%	12,4%	13,5%
Gross Operating Income	-	161,8%	113,0%	96,7%	73,5%	23,5%	22,0%
Cost of Risk	56,7%	97,1%	-13,8%	-19,8%	65,2%	25,2%	35,7%
NIGS	-	-	53,7%	278,3%	57,7%	12,3%	12,5%
DPS	-	-	-	-	0,0%	3,0%	2,9%
Customer Deposits	22,2%	35,9%	37,9%	7,6%	22,3%	17,0%	17,0%
Customer Loans	43,4%	19,0%	31,8%	61,8%	22,1%	17,0%	17,0%
Profitability	2020	2021	2022	2023	2024	2025E	2026E
Cost/Income ratio (%)	92,9%	86,7%	77,3%	66,0%	58,8%	54,7%	51,3%
Cost of Risk rate (BPS)	32	53	35	17	23	25	29
Effective Tax Rate (Income statement)	-	35,8%	31,9%	8,6%	18,5%	26,0%	31,0%
Net Margin	-	7,1%	8,8%	25,3%	27,8%	27,8%	27,5%
ROA	-	0,31%	0,40%	0,95%	1,18%	1,20%	1,23%
ROE	-	3,6%	5,4%	13,2%	15,1%	15,5%	15,8%
Payout (Parent company accounts)	0%	0%	0%	110%	86%	79%	72%
Data per share (MAD)	2020	2021	2022	2023	2024	2025E	2026E
Price End of Period	-	-	-	142	222	240	240
Earning per Share (EPS)	-	-	-	4,7	7,5	8,4	9,4
Dividend per Share (DPS)	-	-	-	3,3	3,3	3,4	3,5
Book Value per Share (BVPS)	-	-	-	48	52	57	63
Multiples	2020	2021	2022	2023	2024	2025E	2026E
P/E (x)	-	-	-	29,8	29,7	28,6	25,4
D/Y (%)	-	-	-	2,3%	1,5%	1,4%	1,5%
P/B (x)	-	-	-	2,97	4,29	4,22	3,81
Market Capitalization (MAD Mn)	-	-	-	4 954	7 772	8 402	8 402

[1] Consolidated net customer loans [end of period] [2] For reasons of comparability with the listed banking sector, the CoR Rate is calculated on the basis of gross customer loans at the end of the period [3] End of period rates as of February 25th 2025

Sources: CFG Bank Financial Statements, AGR Calculations & Estimates



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