

Crédit Agricole Egypt, H1 2023 Standalone Financial Results - Press Release

The Board of Directors of Credit Agricole Egypt approved the Bank's results for the first half ended on June 30, 2023, at its meeting on Tuesday, August 1, 2023.

Main Highlights

- Net Profit at record EGP 2,509 million, up 146% Year-on-Year;
- Customer Deposits reached EGP 75 billion, up 53% Year-on-Year;
- Gross Loans reached EGP 36.7 billion, up 10% Year-on-Year;
- Current and Saving Accounts to Total Deposits reached 57.4% up by 268 bps Year-on-Year;
- Non-performing Loans ratio at 2.66% and Coverage Ratio at 156.7%;
- Loans-to-Deposit Ratio at 49%, down 19% Year-on-Year driven by high increase in deposits vis-à-vis loans and EGP devaluation effect;
- Resilient Capital Structure, Capital Adequacy ratio of 19.09%;
- Return on Average Assets at 6.0% up 3% and Return on Average Equity at 45.9% up 22%;

Economic Dynamics:

On the global front, forecasts for key international commodity prices continue to be revised downwards, as monetary policy tightening and lower energy prices have contributed to easing global inflationary pressures, yet inflation rates remain above their respective target levels in key global economies.

Domestically, inflationary pressures persist recording a historical high in June 2023, headline at 35.7% and core at 41%, driven by recent government measures and seasonal demand on select core food items.

The MPC decided to keep policy rates unchanged in its June 2023 meeting i.e. bid-Corridor at 18.25%, assessing the cumulative impact of previously enacted tightening policies and its transmission to the economy.

Crédit Agricole Egypt: Record performance continues despite challenging environment

Crédit Agricole Egypt (CAE) continues to maintain its solid performance through H1 2023, generating a Net Banking Income of EGP 4,489 million, up 108%YoY, on the back of good performance by business lines. Gross Loans outstanding reaching EGP 36.7billion, up 10%YoY and Customer Deposits reaching EGP 75billion, up 53%YoY.

Corporate banking continues to achieve remarkable results in H1 2023 driven by SMEs and Mid-Caps segments, despite the challenging market conditions, where the lending portfolio increased by EGP 3.3billion, thereby achieving a 14% YoY growth, with resilient and high quality of assets. Further robust growth in corporate deposits, increasing by EGP 24billion, achieving a 91% YoY growth. The strong performance in H1 2023 reflects CAE commitment to providing best-in-class financial solutions and services to our corporate clients, in light of the bank strategy i.e. ongoing growth in the Egyptian market while maintaining our lead position for Multinationals.

Overall limited portfolio growth on YoY basis for Retail. Cash loans had good growth, and slower auto loans due to market conditions, however, record mortgage loans achieved in terms of volume during H1 2023 (mortgage outstanding portfolio increased by 144%YoY).

New products launched during Q2 2023 i.e. New Cash Loan for Club Membership, My Community Account Launching, Addition of new approved projects for Housing finance to promote mortgage, signing new closed community partnerships with Al-Rehab and Madinaty clubs. During the period, variety of campaigns/offers organized to existing and new to bank customers related to acquisition/activation and financial inclusion. This resulted in the overall active customer growth by 3% QoQ (sequentially) and 4% YoY.

CAE aims to provide the highest level of services and attaining customers' satisfaction, through cross-selling activities, improving customer equipment ratio and credit cards utilization.



Dynamic Commercial Activity and Solid Balance Sheet Structure

Commercial activity growth continues to be good with limited impact due to the evolution of the CDs and FX market thereby providing both Corporate and Individual customers with adequate financial solutions and increasing the active customer base. Gross Loans portfolio (*including Loans to Banks*) increased +5% YTD and +10%YoY, to reach EGP 36.7billion, while Customer Deposits increased +24%YTD and +53%YoY, to reach EGP 75billion.

(Clients and Banks)	Jun-23	Mar-23	QtD	Dec-22	YtD	Jun-22	YoY
Gross Loans Portfolio	EGP billion	EGP billion	Jun-23 vs Mar-23	EGP billion	Jun-23 vs Dec-22	EGP billion	Jun-23 vs Jun-22
Corporate Loans	26.7	26.1	2%	24.5	9%	23.4	14%
Retail Loans	10.0	9.9	1%	9.9	1%	9.9	1%
Loans to Banks	0.0	0.0	-100%	0.7	-100%	0.0	-100%
Gross Loans	36.7	36.0	2%	35.1	5%	33.4	10%

Customer Deposits	Jun-23	Mar-23	QtD	Dec-22	YtD	Jun-22	YoY
	EGP billion	EGP billion	Jun-23 vs Mar-23	EGP billion	Jun-23 vs Dec-22	EGP billion	Jun-23 vs Jun-22
Corporate Deposits	50.2	43.9	14%	36.2	38%	26.2	91%
Retail Deposits	24.8	24.0	4%	24.3	2%	22.9	8%
Customer Deposits	75.0	67.9	11%	60.5	24%	49.1	53%

L/D Ratio	49%	53%	-4%	58%	-9%	68%	-19%
------------------	------------	------------	------------	------------	------------	------------	-------------

*Corporate and Retail breakdown based on Published Financial Statements

Profitability Performance

Net Banking Income (NBI) increased +108% YoY, reaching EGP 4,489 million, where Net Interest Income increased +99% YoY, reaffirming the bank's commercial activity and efficient control on the cost of funding. Operating Expenses increased +23% YoY driven by efficient controls on costs despite higher inflation and pressure through EGP devaluation of ~25% (at the end of June). Accordingly, Cost to Income Ratio (C/I) reduced significantly to 20.8% from 35.2% and Gross Operating Income (GOI) increased +154% YoY to reach EGP 3,556million.

Normal cost of risk at EGP -187 million, compared to -1 million in the same period last year (specific recoveries in 1H22) driven by prudent risk management including additional provisions on specific sectors and counterparties during the period.

Net Profit reached EGP 2,509million, +146% YoY, driven by higher NBI with effective control on cost of funds and operating expenses ably complemented by prudent risk management.

QoQ sequentially, NBI and GOI grew by +8% and +7% respectively, where NII increased by +15% on the back of higher yields on earning assets, volumes increase and exercised control on cost of funding, complemented with good momentum on commissions +6% driven by trade finance, banc-assurance and cards in addition to control on operating expenses.

Income Statement	2Q23	1Q23	QoQ	2Q22	YoY	Jun-23	Jun-22	YoY
	EGP million	EGP million	2Q23 vs 1Q23	EGP million	2Q23 vs 2Q22	EGP million	EGP million	6M23 vs 6M22
Net Interest Income	1,731	1,500	15%	853	103%	3,231	1,626	99%
Fees and Commission	430	406	6%	180	139%	836	320	161%
Other Operating Income	167	255	-35%	99	68%	422	212	100%
Net Banking Income	2,328	2,161	8%	1,132	106%	4,489	2,158	108%
Overhead Expenses	-488	-445	10%	-385	27%	-933	-759	23%
Gross Operating Profit	1,840	1,716	7%	746	147%	3,556	1,399	154%
Other Income/Expense	-31	-7	331%	0	n.a.	-38	-9	319%
Impairment Charges	-87	-100	-13%	-24	268%	-187	-1	n.a.
Net Profit before Tax	1,723	1,609	7%	723	138%	3,331	1,389	140%
Income Tax	-435	-387	12%	-190	128%	-822	-370	122%
Net Profit	1,288	1,221	5%	532	142%	2,509	1,019	146%

* Income Statement based on managerial reporting



High Quality of Assets, Strong Solvency and Liquidity

CAE NPL ratio of 2.66% continues to improve and remain among one of the lowest ratios within the banking sector, coupled with a decent coverage buffer, demonstrating the high quality credit positioning of the bank to pursue healthy lending portfolio growth, with prudent risk management practices in place.

Furthermore, the bank’s strong liquidity position and solid capital buffer, well above regulatory requirements, provide adequate safeguard to absorb shocks, if any.

Key Indicators	Jun-23	Mar-23	QtD Change	Dec-22	Ytd Change	Jun-22	YoY Change
Liquidity							
Loans-to-Deposits Ratio	49%	53%	-4%	58%	-9%	68%	-19%
Liquidity Coverage Ratio	551%	460%	91%	448%	103%	572%	-21%
Net Stable Funding Ratio	186%	181%	5%	175%	11%	169%	17%
Assets Quality							
Capital Adequacy Ratio	19.09%	19.72%	-1%	18.69%	0%	20.93%	-2%
Leverage Ratio	8.69%	9.46%	-1%	8.61%	0%	11.33%	-3%
Non-performing Loans Ratio	2.66%	2.77%	0%	2.82%	0%	3.56%	-1%
Coverage Ratio	156.7%	169.6%	-13%	164.4%	-8%	138.0%	19%

*CAR excluding Top 50 Concentration risk for periods other than 2023

Key Financial and Business Indicators

Key Indicators	Jun-23	Mar-23	QtD Change	Dec-22	Ytd Change	Jun-22	YoY Change
Financial Indicators							
Net Interest Margin NIM	8.94%	8.67%	0%	6.72%	2%	6.03%	3%
Cost-to-Income Ratio	20.8%	20.6%	0%	31.8%	-11%	35.2%	-14%
Return on Assets ROAA	6.0%	6.1%	0%	3.6%	2%	3.3%	3%
Return on Equity ROAE	45.9%	47.7%	-2%	26.0%	20%	23.7%	22%
Earnings per Share	1.81	0.88	0.9	1.74	0.1	0.74	1.1
Non-Financial Indicators							
Staff Headcount	2,546	2,541	0%	2,515	1%	2,507	2%
Active Customers	310,795	302,355	3%	302,081	3%	298,173	4%
Number of Branches	83	83	0%	83	0%	81	2%
Number of ATMs	602	559	8%	521	16%	591	2%

*Net Interest Margin “NIM” based on managerial reporting

Digital Development

Another successful quarter for CAE digital channels banki Mobile, showing very competitive positive achievements.

For retail, banki Mobile proved to be an essential tool for customers with the average login per customer close to 8 times/month, and the app rating remaining steady at 4.3 (average on app stores) up from 3.7 in 2021. Our digital channels have witnessed more than 771K transactions executed during Q2 2023, with a remarkable 96% of domestic transfers done online. Banki Wallet usage and transactions reached a new record of +223K transactions in Q2 2023, with an increase of +12% compared to Q1 2023.

CAE went live on **InstaPay** in May 2023 and since its launch has made a significant contribution i.e. over 115K outgoing and 100K incoming transactions as well as attracting more than 30K registered users emphasizing the contribution of the bank towards financial inclusion in light of the Central Bank continuous efforts.

As for corporate and SMEs customers, more than 97% have subscribed to banki Business, compared to 95% in Q2 2022, and being digitally active on the platform, with almost half of the domestic transfers now done digitally and more than 219 customers on-boarded/reactivated on banki Business. CAE witnessed an increase in digital governmental payments volumes by around 24% in Q2 2023 vis-à-vis Q1 2023.

As for e-commerce, by end of Q2 2023 CAE continued its momentum in the digital payment acceptance field with the successful launch of banki Commerce in 2022, payment gateway. As e-commerce continues to grow, CAE also



contributes to the CBE efforts towards a "less cash society". By the end of Q2 2023, banki Commerce had generated a total of EGP 38M payment inflows, with 30K ecommerce transactions processed through the new gateway. CAE consistently remains committed to its ambitious vision in the payment acceptance field, and its unique journey continues to make it easy for all customers to onboard.

Corporate Social Responsibility and Foundation activities

CAE launched community development project in collaboration with Schneider Electric Egypt, for an investment of EGP 4.2M, the project provides 2 villages in Delta (26000 lives to be positively impacted) with advanced agricultural solutions that secure solar-powered water pumps for efficient water sourcing & irrigation, increased crops i.e. food resources, and reduction of CO2 emissions, as well as securing work opportunities.

Moreover, CAE launched Autistic Youth Inclusion project with The Egyptian Autistic Society (NGO in charge), for an investment of EGP 2M, the project will fully equip a new vocational training center named "IMPACT", offering 7 types of workshops that provide young adults challenging autism income-generating skills.

Conclusion

Credit Agricole Egypt continues to leverage on its digital infrastructure, diversified expertise, solid balance sheet structure, prudent risk management, strong liquidity position and adequate capital buffer allowing the bank to pursue its strategic profitable growth by serving its customers as well as the economy.