

PRESS RELEASE – 2017 RESULTS

Credit Agricole Egypt reports a net Profit of EGP 1,957.9 million at end of 2017 with a rise of 43.2% over 2016

HIGHLIGHTS ON 2017 RESULTS IN COMPARISON TO 2016:

- Significant growth of Net Profit at +43.2% over 2016, reaching EGP 1,957.9 million.
- Continued improving efficiency, with a Cost to Income Ratio of 27.4% in 2017
- Substantial Return on Equity at 57% in 2017, after 51% in 2016.

Credit Agricole Egypt has announced its 2017 results showing a robust performance and the sustainable growth of the bank. The Managing Director of the Bank, Mr. Pierre Finas commented: “our ambition placing at the heart the usefulness for our clients, staff, shareholders and environment has led to sustainability of our global banking business and a strong growth of all the bank’s activities and services. As a result, our well-balanced and innovation-driven business model generated a rise of +43.2% of 2017 net profit contributed by all lines of business: Retail, Private banking, Corporates and Capital Markets”.

A SUSTAINABLE COMMERCIAL DEVELOPMENT:

The healthy revenue increase is driven by a well-balanced performance as well as the growth of the different business activities across the Bank.

The client activities remained very dynamic during the year, which resulted in the acquisition of over 50 thousand new customers leading to the expansion of the Retail customers’ base by 3.7% over December 2016.

On the assets side, the Bank achieved a significant growth of local currency loans for both Corporate and Retail loans, with a growth of respectively +27.5% and +14% Year-on-Year, balancing main part of the managed decrease in foreign currency loans (-43% YoY). The Bank started also leveraging on CBE initiatives to offer funding for the SMEs in line with CBE initiative program.

On the deposits side, despite a challenging market due to increased interest rates during 2017, the Bank managed to maintain its low cost/high cost structure of deposits, with a slight decrease in total outstanding (-5.3% YoY).

Deposits - EGP Million	Dec-2017	Dec-2016	Δ 2017 2016
Time & Certificate Deposits	22,588.0	23,612.0	-4.3%
Other Deposits	14,495.0	15,541.4	-6.7%
Total	37,083.0	39,153.4	-5.3%

Loans - EGP Million	Dec-2017	Dec-2016	Δ 2017 2016
Corporate	11,693.6	13,375.7	-12.6%
Retail	6,165.9	5,393.1	14.3%
Banks	201.5	433.8	-53.6%
Total	18,060.9	19,202.6	-5.9%

SHARP GROWTH OF PROFITABILITY

During 2017, Credit Agricole Egypt recorded again a robust rise of results demonstrating ongoing efficient and focused banking operations. The Net Banking Income reached EGP 3,755.5 million, increasing by +33.4% over 2016 triggered by the Net Interest Income, up by +32.5% year-on-year, thanks to both volumes and higher margins in LCY activities. It is worth noting that the growth of volumes has helped to partially offset the impact of the mandatory increase of CBE deposit reserve (+40% since October 2017) on the Net Interest Income of Q4 2017. The Net Commissions and Fees have also contributed significantly to the growth of revenues, up by +48.1% over 2016 driven by all activities, Trade Finance as well as Retail commissions. The Net Trading Income (mainly foreign exchange commissions) achieved a growth of +9.3% at EGP 264.9 million, with erratic evolutions in quarterly commissions.

Steady efforts are deployed to optimize costs despite higher inflation, VAT and the impact of EGP devaluation. Total expenses increased by +18.3% over 2016, mainly explained by compensation increase of our employees and operational expenses, as well as continuous investments to support the digital transformation of the bank to offer a continuing enhanced customer experience. Credit Agricole Egypt has launched in May 2017 the version 2.0 of its state-of-the-art mobile application bringing more advanced features for customers' convenience.

Credit Agricole Egypt continued to improve its efficiency, achieving a Cost to Income Ratio of 27.4% in 2017 after 30.9% in 2016, positioning well the Bank among its peer banks.

Net Income reached EGP 1,957.9 million, up by +43.2% compared to 2016.

Income Statement - EGP Million	Q4 2017			Q4 2016		YTD Dec-17		YTD Dec-16	
	Q42017	Q32017	Δ Q4-17 Q3-17	Q42016	Δ Q4-17 Q4-16	YTD Dec-17	YTD Dec-16	Δ 12M17 12M16	
Net Interest Income	722.5	736.7	-1.9%	638.1	13.2%	2,774.7	2,093.9	32.5%	
Net Fees & Commission Income	155.6	172.1	-9.6%	106.2	46.6%	660.9	446.1	48.1%	
Net Trading Income	30.3	81.6	-62.9%	120.2	-74.8%	264.9	242.3	9.3%	
Other Operating Income	7.1	14.7	-51.8%	17.3	-59.0%	55.0	31.9	72.2%	
Net Banking Income	915.5	1,005.2	-8.9%	881.9	3.8%	3,755.5	2,814.3	33.4%	
Total Expenses	(267.8)	(248.0)	8.0%	(241.5)	10.9%	(1,029.9)	(870.6)	18.3%	
Gross Operating Profit	647.7	757.2	-14.5%	640.4	1.2%	2,725.6	1,943.6	40.2%	
Other Income (Expenses)	15.6	(42.8)	-136.5%	30.4	-48.6%	(29.2)	78.7	-137.1%	
Income Before Impairment & Tax	663.4	714.4	-7.1%	670.7	-1.1%	2,696.4	2,022.3	33.3%	
Impairment	(76.6)	15.6	-590.1%	(149.2)	-48.6%	(144.2)	(238.7)	-39.6%	
Net Income Before Tax	586.8	730.0	-19.6%	521.5	12.5%	2,552.2	1,783.6	43.1%	
Tax	(132.4)	(175.5)	-24.5%	(130.4)	1.6%	(594.4)	(416.8)	42.6%	
Net Income	454.3	554.5	-18.1%	391.2	16.1%	1,957.9	1,366.9	43.2%	
Cost / Income Ratio	29.2%	24.7%		27.4%		27.4%	30.9%		

STRONG QUALITY OF ASSETS, SOLVENCY AND LIQUIDITY:

Non-Performing Loans (NPL) decreased at 2.90% of total exposure in December 2017 compared to 4.16% end of 2016. The Bank has pursued its risk conservative management by increasing provisions by EGP 144.2 million allowing a coverage of NPL of 264% as of December 2017 comparing to 186% as of December 2016. In addition to such high level of provisions, Credit Agricole Egypt set up the special reserve of EGP 214 Million (amounting 1% of credit risk weight assets as of December 2017) from 2017 Net Profit as instructed by the Central Bank of Egypt for the implementation of IFRS 9, which has no impact on CAE's policy regarding dividends distribution; knowing the bank has already started on 2017 the implementation of IFRS9 according to Credit Agricole Group consolidation standards

Capital Adequacy Ratio reached 18.55% at end of 2017, well above regulatory threshold (11.25% in 2017) and sharply increasing over December 2016 (11.57%). The ratio includes, in the capital base, 2016 profit retention and 2017 interim profit 6 months, in addition to USD subordinated loan fully issued since June 2017. This strong solvency allows the bank to pursue its strategy of developing actively its franchise in Egypt in Retail banking as well as in Corporate banking. Such level of solvency drove also Board of Directors decision to submit to next General Assembly of shareholders the proposal distribution of dividends for 2017 at 60% of the distributable profit, which amounts EGP1,172.2 million (3.77 EGP per share) subject to the approval of Central Bank of Egypt.

Good level also of liquidity of the Bank, evidenced by NSFR (Net Stable Funding Ratio), recorded 202% for local currency and 224% for foreign currency, and by LCR (Liquidity Coverage Ratio) recording 47% for local currency and 62% for foreign currency, well above CBE requirement and Basel II guidelines.

Ratios	YTD Dec 2017	YTD Dec 2016	Δ YTD Dec-17 YTD Dec-16
Profitability			
Return on equity	57.0%	51.0%	11.8%
Return on assets	4.3%	3.0%	45.4%
Efficiency			
Cost - to - Income	27.4%	30.9%	-11.4%
Liquidity			
Loans - to - Deposits	48.7%	49.0%	-0.7%
Assets Quality			
Capital adequacy ratio	18.55%	11.57%	60.16%
Non-performing loans ratio	2.90%	4.16%	-30.18%
Provision Coverage	264%	186%	42%

CONTINUOUS SUPPORT TO OUR COMMUNITY

In line with its commitment to the community and the environment, Credit Agricole Egypt set up its own foundation “Credit Agricole Egypt Foundation for Development” in May 2017 to support more actively its CSR projects in healthcare, education, environment and social development with a broad geographical coverage all over Egypt. In July, Credit Agricole Egypt has inaugurated, in the presence of the Minister of Electricity and Renewable Energy, Mr. Mohamed Shaker, the largest solar station owned by a bank in Egypt with a capacity 201.135 kw. The station, located on the roof of its Head Office in New Cairo, generates an average of 294,977 kWh per year, which suffices the consumption of 110 households per year.

CONCLUSION:

Credit Agricole Egypt managed to achieve in 2017 again a solid sustainable growth, based on quality of service provided to its clients. The Bank’s profitability has sharply increased, with robust quality of assets and solvency in a market that is showing signs of positive evolution.

The Board of Directors and Executive Management will continue to actively monitor the environment of Credit Agricole Egypt, in order to make sure that the Bank and its clients are remaining well positioned to benefit from improvement of the economic situation and business opportunities.

CAE strategy, to be the Reference European Bank in Egypt, with quality services to all its clients based on long term relationship, will continue to be strengthened by important investments in IT and processes led by experienced bank’s staff.

CAE will continue to support key investment projects in Egypt, in association with other entities of Credit Agricole Group and will continue to reinforce its Proximity Banking activities, with a strong drive on digital transformation.
