

Crédit Agricole Egypt, 9M 2022 Standalone Financial Results - Press Release

The Board of Directors of Credit Agricole Egypt approved the Bank's results for the 9 Months ended September 30, 2022, at its meeting on Thursday, November 10, 2022.

Main Highlights

- ☒ Gross Loans reached EGP 35 billion, up 16% Year-on-Year / 13% Year-to-Date
- ☒ Customer Deposits reached EGP 54 billion, up 19% Year-on-Year / 11% Year-to-Date
- ☒ Loans-to-Deposit Ratio of 65%
- ☒ CASA¹ to Total Deposits reached 57.7% up by 280 bps Year-on-Year/300 bps Year-to-Date
- ☒ Good quality of assets, Non-performing Loans ratio of 2.92%
- ☒ Resilient capital structure, Capital Adequacy ratio of 19.86%
- ☒ Net Profit recorded EGP 1,604 million, up 37% Year-on-Year
- ☒ Return on Average Assets of 3.4% and Return on Average Equity of 24.3%

Economic Context:

Economic activities in Egypt continued to be impacted, by the strengthening economic headwinds and global markets evolution. In response, the Central Bank of Egypt raised key policy rates by 300 basis points since beginning 2022 to reign inflation, increased the required reserve ratio for EGP to 18% from 14% in 3Q22 thereby tightening liquidity conditions in the market. In addition, the EGP has devalued by 24% and acts as a shock absorber for Egypt's competitiveness. Furthermore, on 27th of October the Central Bank of Egypt increased key policy rates by 200 basis points, together with commitment for an exchange rate flexibility in order to restore country's external competitiveness.

Crédit Agricole Egypt: Good performance continues despite persistent challenging environment

Crédit Agricole Egypt maintains its solid performance through 9M22, generating a Net Banking Income of EGP 3,444 million, up 20%YoY, on the back of good performance by business lines, gross loan portfolio reaching EGP 35billion, up 16%YoY, and customer deposits reaching EGP 54billion, up 19%YoY.

Robust corporate lending despite current market conditions, witnessing an increase in bookings during 9M22, leading to net increase of the portfolio around EGP 4.9billion, achieving a 25% YoY growth. Corporate customers' deposits grew by EGP 8.0billion, achieving 36% YoY growth driven by low cost deposits. CAE aims to continue strengthening its position across all corporate segments, via diversified products and service offering to meet customers' needs.

On the retail lending, CAE initiated marketing campaigns (Mega Campaign) to increase new-to-bank acquisitions, promote cross-selling activities, and improve customer equipment ratio & credit cards utilization to support the portfolio growth at 3% YoY. Targeted protocol, have been signed with real estate developers, which resulted in 116% YoY growth in mortgage loans.

New Credit cards issuance have witnessed an increase during 2022 i.e. 21% YoY, driven by several acquisition and utilization campaigns initiated through 9M22 including the Mega campaign.

Dynamic Commercial Activity and Solid Balance Sheet Structure

Commercial activity growth continues to be good across business lines with limited impact due to the evolution of the CDs market thereby providing both Corporate and Individual customers with adequate financial solutions and increasing the active customer base. Gross loans portfolio (*including Loans to*

¹ CASA: Current accounts Saving accounts



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Banks) increased +16%YoY, to reach EGP 35billion, while Customer Deposits increased +19%YoY, to reach EGP 54billion.

(Clients and Banks)	Sep-22	Jun-22	QtD	Dec-21	YtD	Sep-21	YoY
Gross Loans Portfolio	EGP billion	EGP billion	Sep-22 vs Jun-22	EGP billion	Sep-22 vs Dec-21	EGP billion	Sep-22 vs Sep-21
Corporate Loans	24.9	23.4	6%	20.9	19%	19.9	25%
Retail Loans	9.9	9.9	0%	9.6	4%	9.7	3%
Loans to Banks	0.1	0.0	114%	0.4	-80%	0.4	-80%
Gross Loans	34.9	33.4	4%	30.9	13%	30.0	16%

Customer Deposits	Sep-22	Jun-22	QtD	Dec-21	YtD	Sept-21	YoY
	EGP billion	EGP billion	Sep-22 vs Jun-22	EGP billion	Sep-22 vs Dec-21	EGP billion	Sep-22 vs Sep-21
Corporate Deposits	30.4	26.2	16%	24.9	22%	22.4	36%
Retail Deposits	23.3	22.9	2%	23.3	0%	22.8	2%
Customer Deposits	53.7	49.1	9%	48.2	11%	45.3	19%

L/D Ratio	65%	68%	-3%	64%	1%	66%	-1%
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Profitability Performance

Net Banking Income (NBI) increased +20% YoY, reaching EGP 3,444 million, where Net Interest Income increased +20% YoY, reaffirming the bank's commercial growth and efficient control on the cost of funding. Operating Expenses increased +13% YoY driven by efficient controls on costs despite higher inflation and pressure through EGP devaluation of ~24% (as end of September). Accordingly, cost to Income Ratio (C/I) reduced to 33.7% from 35.8% and Gross Operating Income (GOI) increased +24% YoY to reach EGP 2,281 million.

CAE benefited from lower cost of risk at EGP 51 million, -80% YoY driven by prudent risk management including additional provisions on specific sectors and specific recoveries during the period.

Net Profit reached EGP 1,604million +37% YoY in 9M22 driven by higher NBI with effective control on expenses and cost of risk.

QoQ sequentially, NBI and GOI grew by +14% and +18% respectively, where NII increased by +14% on the back of volumes' increase, combined with good momentum on commissions +13% driven by trade finance and good control on expenses +5%.

Income Statement	3Q22	2Q22	QoQ	3Q21	YoY	Sep-22	Sep-21	YoY
	EGP million	EGP million	3Q22 vs 2Q22	EGP million	3Q22 vs 3Q21	EGP million	EGP million	9M22 vs 9M21
Net Interest Income	968	853	14%	735	32%	2,594	2,165	20%
Fees and Commission	203	180	13%	129	58%	523	414	26%
Other Operating Income	115	99	16%	98	18%	327	289	13%
Net Banking Income	1,286	1,132	14%	962	34%	3,444	2,868	20%
Overhead Expenses	-403	-385	5%	-345	17%	-1,162	-1,027	13%
Gross Operating Profit	883	746	18%	617	43%	2,281	1,841	24%
Other Income/Expense	-27	0	n.a.	1	n.a.	-36	48	-174%
Impairment Charges	-50	-24	114%	-71	-29%	-51	-252	-80%
Net Profit before Tax	806	723	11%	547	47%	2,194	1,637	34%
Income Tax	-220	-190	16%	-144	52%	-590	-470	26%
Net Profit	586	532	10%	403	45%	1,604	1,167	37%

*Income Statement figures is based on managerial reporting

High Quality of Assets, Strong Solvency and Liquidity

NPL ratio at 2.96% remains among the lowest within the banking sector and supplemented by good coverage ratio demonstrating prudent risk management.



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The bank's strong liquidity and capital positions, well above regulatory requirements along with a balanced Loans-to-Deposits Ratio (65%), provides adequate safeguard to absorb shocks, if any, and provide the ability to pursue healthy organic growth in the portfolio.

Key Indicators	Sep-22	June-22	QtD Change	Dec-21	Ytd Change
Liquidity					
Loans-to-Deposits Ratio	65%	68%	-3%	64%	1%
Liquidity Coverage Ratio	666%	572%	94%	581%	85%
Net Stable Funding Ratio	163%	169%	-6%	185%	-22%
Assets Quality					
Capital Adequacy Ratio	19.86%	20.93%	-1.1%	20.87%	-1.0%
Leverage Ratio	9.84%	11.33%	-1.5%	10.95%	-1.1%
Non-performing Loans Ratio	2.96%	3.56%	-0.6%	3.33%	-0.4%
Coverage Ratio	150.45%	138.02%	12.4%	164.42%	-14.0%

*CAR excluding Top 50 Concentration risk

Key Business Indicators

Key Indicators	Sep-22	Dec-21	YtD Change	Sep-21	YoY Change
Non-Financial Indicators					
Staff Headcount	2,505	2,504	0%	2,484	1%
Active Customers	301,763	296,170	2%	294,862	2%
Number of Branches	81	81	0%	81	0%
Number of ATMs	249	249	0%	235	6%

Digital Development

In 3Q22, CAE's application "banki Mobile" was crowned as "The Most Innovative Retail Banking App" by Global Banking and Finance Review, in addition to being awarded as "The best mobile banking app in Egypt" by the Global Finance magazine for the second year in a row. The app is a one-stop-shop for customers to bank on the go, it also provides unparalleled convenience, allowing customers to submit requests and redeem Loyalty Points online using the app (the first bank in Egypt).

The app rating for the application in Android store reached 4.9 stars i.e. the highest score since the launch of the app in 2016.

More than 88K digitally active customers logged on to CAE digital channels more than 2Mn times this quarter. 3Q22 also witnessed a high record of monthly transactions across multiple channels i.e. digital, wallets etc.

For Corporates and SMEs customers, more than 97% subscribed to "banki business" with 44% companies being digitally active on the platform. More than 1/3rd of domestic transfers are now digitally processed. The e-Governmental payments through Corporate Payment Service (CPS) has witnessed growing adoption with more payments processed digitally through the system (up 3 folds in 3Q22vs 1Q22).

Corporate Social Responsibility and Foundation activities

As part of its continuous support to Social entrepreneurship, Credit Agricole Foundation signed a collaboration protocol with Education First Foundation (EFF) and the British University in Egypt (BUE) in support of "Social Innovation Competition" which is the latest addition to EBHAR MISR Program. The University will provide scientific validation of competition participants' submissions, as well as offering their incubation center to help the participants improve their projects presentations before final selection of winning projects.



Moreover, in the context of the scheduled COP27 summit in Sharm El-Sheikh, CAE has sponsored and supported the COP27 simulation model at the BUE in October 2022, a global youth-led climate conference bringing students together from around the world to simulate the actual COP27 activities.

Credit Agricole acquires a 4.8% stake in Credit Agricole Egypt

Credit Agricole purchased 60 million shares of Credit Agricole Egypt, its EGX-listed subsidiary, on 8th September 2022. Accordingly, the shareholding percentage of Credit Agricole S.A. increased from 47.385% to 52.185% and the Group holding increased from 60.452% to 65.252%.

This bears witness to the confidence of Credit Agricole S.A. in the development and the performance of Credit Agricole Egypt.

Conclusion

Credit Agricole Egypt continues to leverage on its digital infrastructure, diversified expertise, solid balance sheet structure, high quality credit portfolio, strong liquidity position and adequate capital buffer to ensure business growth by serving its customers as well as the economy.