

Crédit Agricole Egypt, 9M 2023 Standalone Financial Results - Press Release

The Board of Directors of Credit Agricole Egypt approved the Bank's results for the 9 months ended on September 30, 2023, at its meeting on Thursday, November 09, 2023.

Main Highlights

- Net Profit at record EGP 3,806 million, up 137% Year-on-Year;
- Customer Deposits reached EGP 80.8 billion, up 50% Year-on-Year;
- Gross Loans reached EGP 38.5 billion, up 10% Year-on-Year;
- Current and Saving Accounts to Total Deposits reached 54.8% down by 118 bps Year-on-Year;
- Non-performing Loans ratio at 2.5% and Coverage Ratio at 166%;
- Loans-to-Deposit Ratio at 48%, down 17% Year-on-Year driven by high increase in deposits vis-à-vis loans and EGP devaluation effect;
- Resilient Capital Structure, Capital Adequacy ratio of 18.81%;
- Return on Average Assets at 5.8% up 2% and Return on Average Equity at 44.0% up 20%;

Economic Dynamics:

On the global front, forecasts for key international commodity prices continue to be revised upwards (especially energy due to enhanced geopolitical evolution) thereby posing a strong challenge to price stability. Further, inflation rates is expected to remain above respective target levels for central banks in major economies thereby running the risk of high interest rates for longer period in 2024.

Domestically, inflationary pressures persist with headline inflation at 38% and core inflation at 39.7%, driven by recent government measures and seasonal demand on select core food items. The MPC decided to increase policy rates by 100 bps in its August 2023 meeting i.e. bid-Corridor at 19.25%, further tightening the monetary stance with the aim of anchoring inflation expectations.

Crédit Agricole Egypt: Record performance continues despite challenging environment

Crédit Agricole Egypt (CAE) continues to maintain its solid performance through Q3 2023, generating a Net Banking Income of EGP 6,916 million, up 101%YoY, on the back of good performance by business lines. Gross Loans outstanding reaching EGP 38.5billion, up 10%YoY and Customer Deposits reaching EGP 80.8billion, up 50%YoY.

Corporate banking continues to achieve remarkable results in Q3 2023 driven by all segments, despite the challenging market conditions, where the lending portfolio increased by EGP 3.2billion, thereby achieving a 13% YoY growth, with resilient and high quality of assets. Further robust growth in corporate deposits, increasing by EGP 25.5billion, achieving 84% YoY growth. The strong performance in Q3 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 while auto loans were slow due to current market conditions. However, record mortgage loans achieved in terms of volume during Q3 2023 (mortgage outstanding portfolio increased by 113%YoY).

The bank continued to witness good growth in active customer i.e. 3% QoQ (sequentially) and 6% YoY driven by campaign/offers directed to customer acquisition, account acquisition, financial inclusion, loans and cross-sell. This was also supported by launching new product i.e. Education Loans and participation in events hosted by Clubs. In light of our ambition to expand in the green finance space, CAE has completed the development of a new solar loan program to be launched in Q4 23.



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 +10% YTD and +10%YoY, to reach EGP 38.5billion, while Customer Deposits increased +33%YTD and +50%YoY, to reach EGP 80.8billion.

(Clients and Banks)	Sep-23	Jun-23	QtD	Dec-22	YtD	Sep-22	YoY
Gross Loans Portfolio	EGP billion	EGP billion	Sep-23 vs Jun-23	EGP billion	Sep-23 vs Dec-22	EGP billion	Sep-23 vs Sep-22
Corporate Loans	28.1	26.6	6%	24.5	15%	24.9	13%
Retail Loans	10.4	10.0	4%	9.9	5%	9.9	5%
Loans to Banks	0.0	0.0	0%	0.7	-100%	0.1	-100%
Gross Loans	38.5	36.6	5%	35.1	10%	34.9	10%

Customer Deposits	Sep-23	Jun-23	QtD	Dec-22	YtD	Sep-22	YoY
Customer Deposits	EGP billion	EGP billion	Sep-23 vs Jun-23	EGP billion	Sep-23 vs Dec-22	EGP billion	Sep-23 vs Sep-22
Corporate Deposits	55.9	50.2	11%	36.2	54%	30.4	84%
Retail Deposits	24.9	24.8	0%	24.3	2%	23.3	7%
Customer Deposits	80.8	75.0	8%	60.5	33%	53.7	50%

L/D Ratio	48%	49%	-1%	58%	-10%	65%	-17%
------------------	------------	------------	------------	------------	-------------	------------	-------------

*Corporate and Retail breakdown based on Published Financial Statements

Profitability Performance

Net Banking Income (NBI) increased +101% YoY, reaching EGP 6,916 million, where Net Interest Income increased +101% YoY, reaffirming the bank's commercial activity and efficient control on the cost of funding. Operating Expenses increased +29% YoY driven by efficient controls on costs despite higher inflation and pressure through EGP devaluation of ~25% in 2023. Accordingly, Cost to Income Ratio (C/I) reduced significantly to 21.6% from 33.7% and Gross Operating Income (GOI) increased +138% YoY to reach EGP 5,419million.

Normal cost of risk at EGP -259 million, compared to -51 million in the same period last year (specific recoveries in 9M22) driven by prudent risk management including additional provisions on specific sectors and counterparties during the period.

Net Profit reached EGP 3,806million, +137% YoY, driven by higher NBI with effective control on cost of funds and operating expenses complemented by prudent risk management.

QoQ sequentially, NBI and GOI grew by +4% and +1% respectively, where NII increased by +15% on the back of higher yields on earning assets, volumes increase and exercised control on cost of funding despite net commissions decreasing by 23% due to less trade finance & corporate commissions. OPEX increased by 16%.

Income Statement	3Q23	2Q23	QoQ	3Q22	YoY	Sep-23	Sept-22	YoY
	EGP million	EGP million	3Q23 vs 2Q23	EGP million	3Q23 vs 3Q22	EGP million	EGP million	9M23 vs 9M22
Net Interest Income	1,990	1,731	15%	968	106%	5,221	2,594	101%
Fees and Commission	333	430	-23%	203	64%	1,168	523	123%
Other Operating Income	104	167	-38%	115	-10%	527	327	61%
Net Banking Income	2,427	2,328	4%	1,286	89%	6,916	3,444	101%
Overhead Expenses	-564	-488	16%	-403	40%	-1,496	-1,162	29%
Gross Operating Profit	1,863	1,840	1%	883	111%	5,419	2,281	138%
Other Income/Expense	-37	-31	19%	-27	38%	-75	-36	109%
Impairment Charges	-72	-87	-17%	-50	42%	-259	-51	404%
Net Profit before Tax	1,754	1,723	2%	806	118%	5,086	2,194	132%
Income Tax	-458	-435	5%	-220	108%	-1,280	-590	117%
Net Profit	1,296	1,288	1%	586	121%	3,806	1,604	137%

* Income Statement based on managerial reporting



High Quality of Assets, Strong Solvency and Liquidity

CAE NPL ratio of 2.5% 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	Sep-23	Jun-23	QtD Change	Dec-22	Ytd Change	Sep-22	YoY Change
Liquidity							
Loans-to-Deposits Ratio	48%	49%	-1%	58%	-10%	65%	-17%
Liquidity Coverage Ratio	584%	551%	33%	448%	136%	666%	-82%
Net Stable Funding Ratio	195%	186%	9%	175%	20%	163%	32%
Assets Quality							
Capital Adequacy Ratio	18.81%	19.09%	0%	18.69%	0%	19.86%	-1%
Leverage Ratio	8.19%	8.69%	-1%	8.61%	0%	9.84%	-2%
Non-performing Loans Ratio	2.5%	2.67%	0%	2.82%	0%	2.96%	0%
Coverage Ratio	166.0%	156.7%	9%	164.4%	2%	150.5%	16%

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

Key Financial and Business Indicators

Key Indicators	Sep-23	Jun-23	QtD Change	Dec-22	Ytd Change	Sep-22	YoY Change
Financial Indicators							
Net Interest Margin NIM	9.2%	8.9%	0%	6.7%	2%	6.3%	3%
Cost-to-Income Ratio	21.6%	20.8%	1%	31.8%	-10%	33.7%	-12%
Return on Assets ROAA	5.8%	6.0%	0%	3.6%	2%	3.4%	2%
Return on Equity ROAE	44.0%	45.9%	-2%	26.0%	18%	24.3%	20%
Earnings per Share	2.74	1.81	0.9	1.74	1.0	1.16	1.6
Non-Financial Indicators							
Staff Headcount	2,535	2,546	0%	2,515	1%	2,505	1%
Active Customers	319,071	310,795	3%	302,081	6%	301,763	6%
Number of Branches	83	83	0%	83	0%	81	2%
Number of ATMs	651	602	8%	521	25%	639	2%

*Net Interest Margin "NIM" based on managerial reporting

Digital Development

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

For retail, banki Mobile proved to be an essential tool for customers with the average login per customer around 8 times per month. While app rating remained steady at 4.0 (average on app stores) up from 3.7 in 2021. Our digital channels have witnessed more than 1.1M transactions executed during Q3 2023, with a remarkable 96% of domestic transfers done online. Banki Wallet usage and transactions reached a new record of +242K transactions in Q3 2023, with an increase of +40% compared to Q3 2022.

CAE went live on **InstaPay** in May 2023 and since its launch has made a significant contribution i.e. over 500K outgoing transactions as well as attracting more than 50K 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 Q3 2022, and being digitally active on the platform, with almost half of the domestic transfers now done digitally



Press Release - Third Quarter and Nine months 2023

with 13% increase over Q3 2022 and more than 282 customers on-boarded/reactivated on banki Business. CAE witnessed an increase in digital governmental payments volumes by around 8% in Q3 2023 vis-à-vis Q2 2023.

As for e-commerce, by end of Q3 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 Q3 2023, banki Commerce had generated a total of EGP 40M payment inflows, with 31K 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

In September 2023, CAE foundation has witnessed the graduation ceremony for the EBHAR MISR program, which provided the students two weeks boot camp that allowed them to have a training in various fields of the program: Art, Science and Technology. Overall, 22 students successfully completed the camp in 2023.

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.