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Crelan Group records solid result during first half of the year

Strong commercial dynamics and qualitative financial management support excellent operating results and a further solvency increase

- The net underlying earnings of Crelan Group - Crelan, AXA Bank and Europabank combined - amounts to EUR 150.3 million in the first half of 2023. This is an increase of EUR 81.7 million or 119% compared to the first half of 2022.
- After taking into account the costs for the integration and migration of AXA Bank to Crelan and after linearisation of the banking levies, Crelan Group accounted for a solid adjusted net income of EUR 96.4 million (+2.4 million) in the first half of 2023.
- The Core Equity Tier 1 (CET1) ratio continued to rise to 23.3% on 30 June 2023 versus 21.3% at the end of 2022. The financial solidity of Crelan Group therefore continues to consolidate and remains at a particularly high level.
- These solid financial results are underpinned by strong commercial dynamics in a difficult market. The customer deposits portfolio increased by EUR 697 million to EUR 43.3 billion, the loan portfolio by EUR 580 million to EUR 46.56 billion and gross sales of investment products amount to EUR 1.1 billion which meant the total portfolio now exceeds EUR 14 billion.
- AXA Bank's integration and merger project with Crelan is progressing steadily and according to the initial schedule.

We refer to the Crelan Group in the message below for the consolidated figures of Crelan, its subsidiary Europabank and AXA Bank Belgium.



Emmanuel Vercoustre, CFO Crelan and AXA Bank: "Group Crelan is achieving an excellent operational result thanks to an excellent balance sheet, allowing it to fully absorb the large investment in IT migration and in the banking platform optimisation."

Strong financial results

Crelan Group's underlying net operating profit for the first half year was EUR 150.3 million, representing an increase of EUR 81.7 million compared to the first half of 2022.

The banking group owes this excellent operating result in particular to the EUR 205.3 million increase in net interest income. These now amount to EUR 508.9 million compared to EUR 303.6 million in the first half of 2022.

The adjusted net result amounted to EUR 96.4 million (+2.4 million) after taking into account the costs of the migration and integration project from AXA Bank to Crelan and after linearisation of banking fees.

A strengthening of financial soundness

With the CET1 ratio rising further from 21.3% to 23.3% and an overall solvency ratio increasing from 26.3% to 28.7%, Crelan Group further strengthens its already strong solvency position. These figures far exceed the regulatory requirements in that regard.

The ratings of both S&P (BBB+ LT and A-2 ST) and Moody's (A3 LT and P-2 ST) remain solid with a stable outlook.

Strong commercial dynamics in a difficult market

In terms of savings and investments, as well as loans, we operate in a difficult market environment dominated by economic uncertainty. Nevertheless, Crelan Group managed to sustain its growth path and strengthen its market position.

Term accounts and structured Notes are a great success.

The total customer deposits portfolio increased by EUR 697 million to EUR 43.3 billion during the first half of the year.

Increased market interest rates and stock market volatility are prompting an increasing number of customers to reposition savings for a longer period through term accounts, currently amounting to a EUR 3.16 billion (+160%) turnover. After taking into account the EUR 960 million outflow from regulated savings deposits, with a current circulation of EUR 28.76 billion, the customer deposit portfolio increases to EUR 43.30 billion.

The gross production of EUR 1.1 billion in off-balance products confirms our clients' interest in funds and bonds and underlines the qualitative aspect of our commercial offering in this segment.

The total portfolio of off-balance products for the group is now EUR 14 billion (+ EUR 930 million).

EUR 3.14 billion of new loans granted to our customers

During the first half of the year, Crelan Group financed EUR 2.2 billion worth of new projects by Belgian households and EUR 900 million worth of investments by the self-employed, SMEs and farmers.

This makes Crelan Group manage a total loan portfolio of EUR 46.56 billion (+ EUR 580.3 million) on 30/06/2023.

Increased interest rates, inflation and the associated increased cost of building materials have had a significant impact on the housing market since mid-2022. In terms of production of home loans, Crelan and AXA Bank were also affected by the general market decline (-40%) but managed to maintain their market share.

In a favourable environment for consumer loans, mainly boosted by LOAs for home renovations, Crelan and AXA Bank managed to increase production by 7% compared to the first half of 2022.

The total production of professional loans was EUR 892 million (-8.6%). Uncertainty related to nitrogen regulations in the north of the country continues to weigh heavily on the willingness of Flemish farmers to invest.

Since the spring of 2022, AXA Bank branches, like Crelan branches, can also use Europabank's know-how and services in certain loan formulas and in processing card transactions and payment terminals, as well as offer these products to customers.

This extended cooperation and amended taxation rules for company cars resulted in a solid 73% increase in the amount granted for financial leases and renting contracts to EUR 88.2 million.

Preparation for merger between Crelan and AXA Bank Belgium steadily progressing

On track for IT migration

Since the acquisition of AXA Bank by Crelan in December 2021, the teams have been actively preparing the merger of the two banks. The process involves the migration and integration of data from the AXA Bank IT platform to Crelan's.

In that context, Crelan's IT platform is being prepared and modernised in phases so that it can handle future larger data flows. In addition, the coming months will also be marked by extensive testing phases with the aim of ensuring a secure migration process. An initial test phase was successfully completed this summer in that context.

The process is coming along in line with the overall acquisition planning and aims to offer a modern and high-quality platform to our customers.

In addition to focusing on migration, innovation and the conformity of our operations also remain priorities

The strong focus on migration and integration does not keep us from being on the lookout for innovations. One of these innovations is the development and imminent testing phase of a new mobile app. This was also the first innovative project developed together by colleagues from Crelan and AXA Bank.

The new application will soon be extensively tested and will then be rolled out in the Crelan network first. Once AXA Bank customer data is migrated to the Crelan platform, they will also be able to use the new app.

With this new application, the bank wants to continue to support the qualitative nature and increasing use of its digital services (more than 60% of customers use digital channels).

At the same time, Crelan Group drew up an action plan, including IT measures, in response to a number of internal observations relating to controls against embargoes and sanctions and which are considered to be an absolute priority by management. Crelan group confirms the implementation of such action plan in consultation with the regulator to fully meet its recommendations and expectations.

A branch network dedicated to service

After the merger, when all AXA Bank branches will operate under Crelan logo, Crelan will operate in line with its proximity strategy with the largest branch network in Belgium.



Joris Cnockaert, CCO of Crelan and AXA Bank: In many municipalities, a Crelan and AXA Bank branch are often located near each other. In some cases, these will be joined together to provide an increasingly optimised service and greater accessibility. A strong local presence remains one of the pillars of our strategy. The synergies with Europabank will also continue to provide nice added value in terms of product range and profitability in the future."

A strengthened cooperative anchoring

Crelan decided to strengthen its cooperative roots and therefore set up a department reporting to the CEO, with a clear determination to put cooperative values at the heart of our strategy and actions.

Given the close link between sustainability and the cooperative culture, the Environment, Social and Governance (ESG) function has also been integrated into this department.



Philippe Voisin, Crelan and AXA Bank Belgium CEO: "The cooperative bank is one of our key strategic pillars that we want to fully commit to. This cooperative dimension sets us apart from other financial institutions and should ensure that Crelan has a little extra to offer compared to the big banks. On behalf of the Management Committee, I would like to thank our clients for the trust they have placed in us, and all Crelan Group employees and agents for the work they have done and the successes they have achieved in a complex environment."

About Crelan Group

The financial group is formed by the cooperative society CrelanCo, the public limited company Crelan, the public limited company Europabank and the public limited company AXA Bank Belgium. Based on the balance sheet total, it is in the fifth position in relation to Belgian retail banks.

In the streetscape, the Crelan Group represents the following with three bank logos: Crelan, AXA Bank and Europabank. On 30/06/2023 Crelan Group consists of: 4,532 employees (both members of staff and independent bank agents and their staff), 817 branches, 276,805 cooperative shareholders, nearly 1.8 million customers and a balance sheet total of EUR 54 billion. In addition, the banking group manages EUR 43 billion in customer deposits, EUR 14 billion in off-balance sheet investments and supports Belgian families and enterprises with EUR 46.5 billion in loans.

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Annexes

Income Statement of the Crelan Group (1H 2023)

Consolidated Income statement (Internal representation)	06/2022	06/2023	Difference
Net Banking Income	452,9	633,6	180,7
Fee income, commissions and others	149,3	124,7	-24,6
Net Interest Income	303,6	508,9	205,3
Operational expenses	-369,1	-412,4	-43,4
Commissions paid	-117,3	-143,6	-26,2
Goods & Services	-202,1	-212,1	-9,9
Bank Taxes	-49,6	-56,8	-7,2
Cost of Risk	6,4	-16,5	-22,9
Other Provisions	1,0	-0,1	-1,1
Taxes	-22,7	-54,3	-31,6
Net Underlying Earnings	68,6	150,3	81,7
Net Income Elements	25,5	-53,9	-79,4
Adjusted Net Income (adjusted bank taxes)	94,0	96,4	2,4
Net Income	56,0	53,2	-2,7

Crelan Group's ratios

	06/22	06/23	Difference
Loan Loss Ratio*	-0,03%	0,07%	0,10%
Cost Income Ratio*	81%	65%	-16%
Underlying Return on Equity*	6,1%	12,8%	6,7%
Return on Assets	0,21%	0,20%	-0,01%
CET1 Ratio	20,8%	23,3%	2,4%
Total Capital Ratio	25,9%	28,6%	2,8%
LCR	200%	191%	-9%

* Based on internal computation

Portfolio evolution and production numbers

In million EUR	06/22	06/23	Evolution	%
Retail credits production	3.332	2.243	-1.089	-33%
Saving accounts	29.593	28.755	-838	-3%
Production of agricultural loans	205	163	-42	-20%
Production business loans	771	729	-42	-5%
Off balance sheet Assets under management	13.176	14.009	833	6%
Off balance sheet production	1.200	1.107	-93	-8%