



Housing & Development Bank (HDB) Robust growth achieving Bottom-Line Growth of 83% y-o-y to EGP 2.4 Bln in Q1-2024

Financial Highlights

Q1-2024 Standalone Financial Results

- Net income of EGP **2.4 Bln**, up **83%** y-o-y
- Net operating income of EGP **4.2 Bln**, up **64%** y-o-y
- Return on average equity of **63.0%**
- Return on average assets of **7.5%**
- Net operating margin (NOM) of **12.7%**
- Net interest margin (NIM) of **13.4%**

May 29th, 2024 | Cairo, Egypt

Housing & Development Bank (EGX: HDBK) has announced a standalone net income of EGP **2.4 Bln** for the first quarter of 2024, expanding by **83%** y-o-y. In addition to achieving net operating income EGP **4.2 Bln**, as an increase of **64%** y-o-y.

• Growth Across the Bank's Portfolio

- Customer deposits recorded an increase of **5.2%** YTD to EGP **106.5 Bln** as at 31 Mar 2024. On the back, a 7.6% YTD rise in corporate deposits.
- The Bank's gross customer loans increased by **6.6%** YTD to EGP **48.5 Bln** as at 31 Mar 2024.
- Gross loan-to-deposit ratio stood at **46%** in the period ended 31 Mar 2024.

• A Strong Performance Across the Balance Sheet

- HDB's Capital Adequacy Ratio (CAR) stood at **22.0%**, far above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of **20.9%** for Tier-1 and **1.1%** for Tier-2 as of 31 Mar 2024.
- HDB reported an NSFR ratio of **197.5%** and an LCR ratio of **866.8%** as at 31 Mar 2024.
- Customer deposits constituted **91%** of HDB's total liabilities as at 31 Mar 2024.
- Nonperforming loans (NPL) ratio stood at **6.7%** while the Bank's coverage ratio recorded **119.9%** in Q1-2024.

Based on HDB's standalone financials.



Chairman's Message

Commenting on HDB's results for the year, Executive Chairman and Managing Director Hassan Ghanem said: "I am proud of the bank's ability to maintain its sustainable growth trajectory and continue achieving strong growth rates across all sectors during the financial period ending March 31, 2024. Despite the current challenges, the bank managed to achieve significant and accelerating growth rates in both revenues and net profits amid a strong competitive environment. This reflects the strength of its strategy and its ability to adapt to successive changes in the banking market by adopting a unique business model. Through this model, the bank successfully maximized the benefits of available opportunities while effectively managing resources to sustain profitability rates. It also committed to the highest standards of operational efficiency to achieve continuous success. In this regard, the Bank's net operating income witnessed a surge of **64% y-o-y to EGP 4.2 Bln** in Q1-2024, and parallel to this, HDB's net profit reached to EGP 2.4 increased by **EGP 1.1 Bln** with grew by **83%** compared to EGP 1.3 at the close of Q1-2023.

"The bank's success in executing its ambitious strategy, which places customer centrality at the forefront of its priorities. He highlighted its ability to understand the needs of both current and new customers and effectively meet those needs. As a result of this approach, the bank managed to expand its customer base and increase its market share. It continued to enhance their trust and encourage them to invest in a diverse range of its products and services. This contributed to a **5.2% increase in deposits YTD**, reaching **EGP 106.5 Bln in Q1-2024** compared to EGP 101.3 Bln at the end of 2023. During the financial period ending March 31, 2024, deposits increased by **EGP 5.2 Bln**, driven by a rise in corporate deposits, which reached **EGP 59.3 Bln** with a growth rate of **7.6%**. The Bank prioritized diversifying its corporate deposits portfolio, given its role in reducing risks and enhancing financial stability, by directing deposits to a variety of sectors and companies to ensure the bank's sustainable growth.

"Referring to the bank's continued development and reinforcement of its long standing position in the Egyptian banking market, which has contributed to reaping the rewards and achieving sustainable growth of its own assets. Total assets reached **EGP 132.9 Bln** compared to **EGP 125.1 Bln** at the end of 2023, with an increase of **EGP 7.8 Bln** and a growth rate of **6.3% YTD**. This growth is attributed to the expansion of the bank's loan portfolio through both retail and corporate loan portfolio, with total loans amounted in Q1-2024 to **EGP 48.5 Bln** and a growth rate of **6.6% YTD**. This growth was primarily driven by the expansion of corporate loans portfolio, which reached **EGP 22.7 Bln**, representing an increase of **EGP 2.1 Bln** and a growth rate of **10.4%**. The retail loan portfolio reached 25.8 billion pounds, with an increase of 866 Mln pounds and a growth rate of 3.5% YTD.

Furthermore, the bank reduced **the ratio of non-performing loans (NPL)** to **6.7%** in Q1-2024 compared to **6.9%** at end of 2023, The Bank is committed to further reducing the NPL ratio along with an increase in the coverage ratio to **120% YTD** compared to **114%** at end of previous year, ensuring its commitment to continue increasing its financing volume while maintaining quality standards and diversifying financing across various sectors to ensure sustainable growth.

"The **gross loan-to-deposit ratio reached 45.5 %** during the period ended March 31, 2024, compared to 44.9% compared to end of year. The increase in the **return on loans and similar income by 56.1%**, and **the increase in the cost of deposits and similar expenses by 21%**, contributed to the increase in net income on the return to record **EGP 3.7 Bln** compared to **EGP 2 Bln**, with a growth rate of **82.6%**.

"Moreover, HDB's robust bottom-line performance in Q1-2024 successfully translated into an impressive return profile, where HDB achieved an **ROAE of 63%** and an **ROAA of 7.5%** in FY-2023 compared to **50.5%** and **4.8%**, respectively, in the previous year with an **ROAA growth rate of 56.03%**. In addition, HDB's **CAR stood at 22%** far above the CBE's minimum requirements underscoring our commitment to maximizing value for our shareholders and stakeholders alike.

"Also, I would like to shed the light on the consolidated results of the bank and its subsidiaries where the net profit of the consolidated financial statements grew **to EGP 2.8 Bln** with a growth rate of **111% Q1-2024** compared to **EGP 1.3 Bln** from previous year. This confirms the bank's success in implementing an effective strategic plan to develop its group of companies and increase its investments.

"Furthermore, the Bank continue its strategic role in supporting SMEs reflecting HDB's strong believe in their role to support country's



financial prosperity and providing job opportunities in the Egyptian market. In this regard, the Bank was able to successfully achieve the Central Bank's targets by directing **25%** of its loan portfolio to SMEs.

"In the field of digital transformation, we have adopted an ambitious expansion strategy to include the implementation of all the latest financial technology, along with the development and modernization of the technological infrastructure that meets the rapid and successive digital transformation. These efforts have resulted in a significant increase in the number of subscribers of the internet and mobile banking, with a growth rate of **9%** Q1-2024 y-o-y. Additionally, the number of users of the mobile wallet application has increased by a growth rate of **10%** at the closing of Q1-2021 y-o-y.

"In addition to our outstanding financial performance, I am proud to highlight HDB's commitment to sustainability. We firmly believe that integrating sustainability principles into our operations is not just a moral imperative but also a strategic imperative that contributes to long-term value creation for all stakeholders. HDB's is keen to effectively implementing consolidating sustainability standards in various operational activities of the Bank. These efforts are clearly reflected in The Bank's strategy, given its importance in supporting financial and banking stability to achieve sustainable development goals. We are also committed to adhering to all sustainable practices recognized in the banking sector, along with participating in financing several strategic projects that support the government's direction towards green economy transformation and sustainable development. Additionally, The Bank has an ongoing focus on implementing environmentally friendly solutions through participation in numerous initiatives aimed at achieving sustainability. The Bank has also made strong progress with its efforts in green financing for both SMEs and corporate clients. On this front, I would like to highlight that **EGP 3.3 Bln** of the Bank's corporate and syndicated loans were dedicated to financing sustainable projects in Q1-2024.

"Additionally, HDB is keen to providing community support and adopting a sustainability approach in all aspects and fields, being one of the most important entities in the Egyptian banking market. Given the fact that the health and education sectors are top priorities for the Bank's sustainability development initiatives; the Bank participated in the construction and launch of **"El Sewedy and Housing and Development Bank Technical Academy"** in Sadat City, with total contribution amounting to **EGP 12.5 Mln**, aiming to enhance the capabilities of youth and provide them with technical training, contributing to comprehensive economic development in Egypt. Furthermore, the Bank has contributed to equipping **"The First Two Surgical Operating Rooms" at Bahya Hospital** in Sheikh Zayed, with total contribution reaching **EGP 21 Mln**. This initiative, in cooperation with Bahya Foundation for Early Detection and Treatment of Breast Cancer, aims to perform breast cancer surgeries within the hospital, facilitating treatment for over 3500 cases annually and providing comprehensive medical service according to the highest quality and efficiency standards.

"Our results for Q1-2024 are a clear reflection of the Bank's ability to demonstrating solid resilience, navigating economic uncertainties with prudence and determination. Looking ahead, we approach the future with cautious optimism. Our strategic priorities of customer-centricity, prudent risk management, and expansion will continue to be the pillars of our success. And by adapting to the evolving landscape and leveraging our core strengths, we are confident in our ability to capitalize on opportunities, overcome the challenges ahead, and continue to expand our operations in our efforts to further cement HDB's position as a leading banking institution."

"Finally, I would like to extend my gratitude to the Bank's shareholders, the Board of Directors, the Executive Management and our clients for their continuous support, especially during these turbulent times, and their trust in the Bank's ability to maximize the value generated from its operations. Moreover, HDB's success over the years would not have been possible without our people, who are the backbone of our operations and the linchpin of the Bank's success. Their commitment to operational excellence will continue to be the key to the sustainability of the business as we navigate through 2024, and I am confident that they will once again support HDB in delivering a solid set of results in the next quarter."

Hassan Ghanem

Executive Chairman and Managing Director



Corporate Social Responsibility

As one of the leading banks in the Egyptian market, sustainability is a core value at HDB and the Bank is committed to implementing equitable and mindful business practices that ensure social development and the sustainability of the environments the Bank operates in. On this front, HDB has successfully delivered on multiple sustainability initiatives across various sectors aimed at promoting sustainable development. These efforts are in line with the Egyptian government's agenda for sustainable development and Egypt's Vision 2030.

Standalone Financial Highlights

Net Interest Income

Standalone net interest income (NII) booked EGP **3.7** Bln in Q1-2024, reflecting an increase of **83 %** y-o-y on the back of enhanced optimization of the Bank's earning asset instruments driven by increasing of **24.0%** Y-o-Y in gross customer loans, and an **19.2%** Y-o-Y increase for Financial investments. Moreover, net interest margin recorded **13.4%** in Q1-2024 as the Bank demonstrated higher efficiencies in portfolio management.

Non-Interest Income

Net non-interest income grew by **2%** y-o-y to register EGP **553** Mln in Q1-2024 compared to EGP 545 Mln in Q1-2023 due to increased commercial banking services combined with growth in customer fees and commissions recording 212 Mln as 29.2% Y-o-Y increase, besides Dividends income increased of 43.6% y-o-y recording 187 Mln in Q1-2024. Revenues of housing project decreased 41.7% versus Q1 2023.

Net Operating Income

Net operating income rose **64.1%** y-o-y to EGP **4.2** Bln, attributable to a **65.5%** increase in core banking income as commercial banking activities continued to grow in Q1-2024. And also reflects the impact of Egypt's rising interest rate environment effected by the sudden MPC decisions in 6th march to increase policy rate by 600 bps, as policy rate increased 800 bps YTD.

Administrative Expenses

Administrative expenses in Q1-2024 stood at EGP **600** Mln, increased **6.9%** y-o-y due to higher costs driven by the impact of inflationary pressures in Egypt. Despite these pressures, the Bank's cost to income ratio decreased by **7.6%** point's y-o-y to book **14.2%** in Q1-2024 versus **21.8%** booked in Q1-2023. Versus 2023 also back to material increase in Q1 2024 revenues.

Asset Quality and Solvency

Non-performing loans (NPL) recorded **6.7%** as at 31 Mar 2024, with HDB remaining steady with its efforts to further reduce its non-performing loans ratio and align with the market average. Moreover, the Bank's NPL coverage ratio stood at 119.9% as at 31 Mar 2024.

Commercial Business Highlights

Gross Loans

HDB's gross loan portfolio grew by **6.6%** YTD to EGP **48.5** Bln in Q1-2024 fueled by dual-driven growth in the Bank's retail and corporate loan portfolios. In Q1-2024, retail clients accounted for **53%** of the Bank's gross loans and corporate clients accounted for the remaining **47%**.



Customer Deposits

Deposits inched up by **5.2%** YTD to EGP **106.5** Bln in Q1-2024, where a **7.6%** YTD increase in corporate deposits and a **2.3%** increase in retail deposits. In terms of contribution, corporate clients accounted for **56%** of deposits, while retail clients accounted for **44%** as of 31 Mar 2024.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans increased **3.5%** YTD to EGP **25.8** Bln as of 31 Mar 2024 compared to EGP **24.9** Bln at year-end 2023.
- Retail deposits increased **2.3%** YTD to EGP **47.2** Bln as of 31 Mar 2024 versus EGP **46.1** Bln booked at year-end 2023.
- HDB's branch network has reached nearly 100 branches as at 31 Mar 2024.
- HDB's ATM network grew to 451 in 31 Mar 2024, up from 445 at year-end 2023.

Corporate Banking

- Gross corporate and syndication loans booked EGP **22.7**Bln, reflecting a **10.4%** YTD increase compared to EGP **20.6** Bln in year-end 2023. Gross corporate loans represent **47%** of the Bank's total portfolio.
- Corporate deposits came in at EGP **59.3** Bln, reflecting an increase of **7.6%** YTD compared to EGP **55.2** Bln in year-end 2023.

Real Estate Activity

- The Bank sold 56 residential and commercial units in Q1-2024, generating gross contracted sales of EGP 145 Mln during the period.
- Finished units available for sale were valued at EGP 288 Mln as of 31 Mar 2024.
- Works in progress stood at EGP 758 Mln in Q1-2024, which includes a range of residential and commercial developments across Greater Cairo, Hurghada, the Red Sea, and Luxor.
- HDB continues to hold an extensive land bank valued at a cost of EGP 187 Mln across Greater Cairo, Hurghada, and the Red Sea.



Standalone Financial Highlights

Standalone Income Statement	Q1-2024	Q4-2023	Q-o-Q Change	Q1-2023	Y-o-Y Change
	EGP Mn	EGP Mn	(%)	EGP Mn	(%)
Net Interest Income	3,720	3,154	18%	2,037	83%
Net Non-Interest Income	553	330	68%	545	2%
Core Banking Income	4,273	3,484	23%	2,582	65%
Other Operating Income	-42	1	-3237%	-4	969%
Net Operating Income	4,231	3,485	21%	2,578	64%
Operating Expense	-73	8	-990%	6	-1242%
Administrative Expense	-600	-984	-39%	-561	7%
Credit Loss Impairment	-294	-180	63%	-215	37%
Net Profit Before Tax	3,264	2,329	40%	1,808	81%
Income Tax	-838	-717	17%	-483	73%
Net Profit	2,426	1,612	51%	1,325	83%



Balance Sheet		Standalone	
	31-Mar-24	31-Dec-23	YTD Change
	EGP Mn	EGP Mn	(%)
Cash & Due from Central Bank	16,711	15,511	8%
Due from Banks	26,565	14,049	89%
Financial Investments	36,330	45,970	-21%
Investments in Subsidiaries	2,195	2,195	0%
Loans and Advances to Customers (Net)	44,599	41,914	6%
Gross Loans:	48,494	45,485	7%
Corporate Loans	22,712	20,569	10%
Retail Loans	25,782	24,916	4%
Real Estate	1,225	1,198	2%
Other Assets	4,262	3,070	39%
Fixed Assets	1,057	1,196	-12%
Total Assets	132,944	125,102	6%
Customer Deposits:	106,494	101,274	5%
Corporate Deposits	59,321	55,154	8%
Retail Deposits	47,172	46,120	2%
Other Liabilities	11,010	8,471	30%
Total Liabilities	117,503	109,745	7%
Shareholders' Equity	15,441	15,357	1%
Total Liabilities & Shareholders' Equity	132,944	125,102	6%



Financial Indicators	Q1-2024	Q4-2023	Q-o-Q Change	Q1-2023	Y-o-Y Change
Profitability					
ROAE	63.0%	44.4%	+18.6 pp	50.5%	+12.5 pp
ROAA	7.5%	5.3%	+2.2 pp	4.8%	+2.7 pp
Margins					
Net Operating Margin (NOM)	12.7%	11.1%	+1.6 pp	8.9%	+3.9 pp
Net Interest Margin (NIM)	13.4%	12.0%	+1.4 pp	8.5%	+4.9 pp
Efficiency					
Cost-to-Income	14.2%	28.2%	-14.1 pp	21.8%	-7.6 pp
Liquidity					
Gross Loans to Deposits	45.5%	44.9%	+0.6 pp	40.6%	+4.9 pp
Net Loans to Deposits	42.1%	41.4%	+0.7 pp	37.3%	+4.8 pp
Asset Quality					
NPLs-to-Gross Loans	6.7%	6.9%	-0.2%	7.8%	-1.2 pp
Capital Adequacy Ratio	22.0%	29.5%	-7.5%	19.1%	+2.9 pp



About Housing & Development Bank

Established in 1979, Housing & Development Bank (HD Bank) had a mandate to finance moderate housing units to Egyptians and play a leading role in addressing gaps in the local real estate market. Since 2003, HD Bank embarked on a transformation to integrate into the competitive market of commercial banking, leveraging its legacy as a pioneer in housing real estate.

Currently HD Bank has a network of nearly 100 branches across Egypt, covering all governorates and offering digital services, including internet and mobile banking, in addition to catering to our growing network of corporate and high net worth clients.

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