



Housing & Development Bank (HDB) Doubles Net Operating Income and Achieves Bottom-Line Growth of 152% y-o-y to EGP 4.4 Bln in 9M-2023

Financial Highlights

9M-2023 Standalone Financial Results

- Net income of EGP **4.4 Bln**, up **152%** y-o-y
- Net operating income of EGP **8.8 Bln**, up **100%** y-o-y
- Return on average equity of **49.0%**
- Return on average assets of **5.3%**
- Net operating margin (NOM) of **10.5%**
- Net interest margin (NIM) of **10.5%**

Q3-2023 Standalone Financial Results

- Net income of EGP **1.4 Bln**, up **156%** y-o-y
- Net operating income of EGP **3.2 Bln**, up **95%** y-o-y
- Return on average equity of **43.4%**
- Return on average assets of **4.9%**
- Net operating margin (NOM) of **11.2%**
- Net interest margin (NIM) of **11.6%**

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Housing & Development Bank (EGX: HDBK) has announced a standalone net income of EGP **1.4 Bln** for the third quarter of 2023, expanding by **156%** y-o-y. On YTD basis, HDB recorded a standalone net income increase of **152%** y-o-y to EGP **4.4 Bln** in 9M-2023.

• A Strong Performance Across the Balance Sheet

- HDB's Capital Adequacy Ratio (CAR) stood at **24.9%**, far above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of **23.7%** for Tier-1 and **1.1%** for Tier-2 as of 30 Sept 2023.
- HDB reported an NSFR ratio of **209.7%** and an LCR ratio of **758.5%** as at 30 Sept 2023.
- Customer deposits constituted **91%** of HDB's total liabilities as at 30 Sept 2023.
- Nonperforming loans (NPL) ratio stood at **7.2%** while the Bank's coverage ratio recorded 118.5% in 9M-2023.

Based on HDB's standalone financials.



- **Growth Across the Bank's Portfolio and Commercial Business Highlights**

Gross Loans

HDB's gross loan portfolio grew by 12.3% YTD to EGP 42.9 Bln in Q3-2023 fueled by dual-driven growth in the Bank's retail and corporate loan portfolios. In Q3-2023, retail clients accounted for 56% of the Bank's gross loans and corporate clients accounted for the remaining 44%.

Customer Deposits

Deposits inched up by 6.7% YTD to EGP 95.5 Bln in Q3-2023, where a 65.7% YTD increase in retail deposits outweighed a 19% YTD drop in corporate deposits. In terms of contribution, corporate clients accounted for 53% of deposits, while retail clients accounted for 47% as of Sept 2023.

Gross loan-to-deposit ratio stood at 45% as of 30 Sept 2023.

- **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.



Chairman's Message

Commenting on HDB's results for the year, Executive Chairman and Managing Director Hassan Ghanem said: "After a successful close to the first 9 months of 2023, I am proud to announce that HDB continues to achieve stellar results of strong performance and exceptional growth rates across revenue and net profit. What we have achieved during the current global and local conditions reflects the bank's ability to professionally and dynamically adapt to the ever-changing circumstances, while adhering to the highest standards of operational efficiency. Our results was achieved through the implementation of an ambitious and proactive strategy to meet the needs of the Egyptian market as we aim to widen the customer base we serve and provide superior banking services.

In addition, the bank has adopted a distinctive and unique business model, which has enabled it to maximize the opportunities in order to achieve this exceptional success. In this regard, the Bank's net operating income reached 100% year-on-year to EGP 8.8 Bln in 9M-2023, and parallel to this, HDB's net profit grew by 152% year-on-year to EGP 4.4 Bln at the close of the nine-month period.

"The Bank's success in 9M-2023 was dual-driven. Our focus on customer-centricity and strategic expansion efforts allowed the Bank to book robust growth in total assets, which climbed by 14% YTD to EGP 118 Bln during the period on the back of Gross loans portfolio growth by 12.3% recording EGP 42.9Bln across HDB's retail and corporate loan portfolios of which 11% growth in corporate portfolio reaching EGP 18.8 Bln and 17% growth in retail loans reaching EGP 11.8 Bln and 10.5% growth in mortgage loans reaching EGP 12.2Bln . Additionally, the Bank's diverse and comprehensive portfolio benefitted from favorable interest rates, further supporting our performance in 9M-2023, with HDB's net interest margin standing at 10.5% compared to 6% in the previous year. In tandem, the Bank has maintained same level of 7.2% in non-performing loans (NPL) in 9M-2023 and is committed to further reducing the NPL ratio further, aligning ourselves with the market average, and ensuring sustainable growth for the Bank.

"Meanwhile, the Bank has continued to reap the rewards of its long-standing position as a trusted financial partner and recorded an increased in deposits of 6.7% year-to-date to EGP 95.5 Bln in 9M-2023 on the back of a strong 65.7% year-to-date increase in retail deposits. Moreover, HDB's robust bottom-line performance in 9M-2023 successfully translated into an impressive return profile, where HDB achieved an ROAE of 49.0% and an ROAA of 5.3% in 9M-2023 compared to 24.6% and 2.6%, respectively, in the previous year, underscoring our commitment to maximizing value for our shareholders and stakeholders alike.



“In the field of digital transformation, we have adopted an ambitious expansion strategy to include the implementation of all of the latest financial technology, along with the development and modernization of the technological infrastructure that meet 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 79% during the nine months ending in 2023 compared to the same period in 2022. Additionally, the number of users of the mobile wallet application has increased by a growth rate of 115% at the closing of the third quarter of 2023, compared to the end of 2022.

“In addition to our outstanding financial performance, I am proud to highlight HDB's commitment to sustainability during the nine months of 2023. 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. In our steadfast commitment to furthering sustainability, we have taken decisive steps to reinforce our efforts.

“Over the past nine months, HDB has demonstrated solid resilience, navigating economic uncertainties with prudence and determination. We remain steadfast in our commitment to delivering strong financial and operational results, while keeping our focus on providing exceptional services to our customers. 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.”

Hassan Ghanem

Executive Chairman and Managing Director



Non-Interest Income

Net non-interest income grew 39% vs 2022 Q3 and 63% y-o-y to register EGP 1.45 Bln in 9M-2023 due to increased commercial banking services combined with growth in customer fees and commissions recorded. This was further supported by double income from real estate activities in 9M-2023 recording EGP 639 Mln.

Net Operating Income

Net operating income rose 95% vs 2022 Q3 and 100% y-o-y to register EGP 8.8 Bln in 9M-2023, attributable to doubling income in core banking income as commercial banking activities continued to grow in Q3-2023, and reflects the impact of Egypt's rising interest rate environment. Moreover, commercial banking activities contributed the majority of the Bank's standalone net operating income in Q3-2023.

Administrative Expenses

Administrative expenses in Q3-2023 stood at EGP 649 Mln, up 10% vs Q3 2022 due to higher costs driven by the impact of inflationary pressures in Egypt. Despite these pressures, Bank cost to income ratio booked 20.2% in Q3-2023 versus 20.7% booked in Q2-2023. On YTD basis, YTD administrative expenses stood at EGP 1.83 Bln, up 17.8% y-o-y, yielding a cost to income ratio of 20.8% during 9M-2023 compared to 35.4% in 9M-2022.

Asset Quality and Solvency

Non-performing loans (NPL) recorded 7.2% as at 30 Sept 2023, 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 118.5% as at 30 Sept 2023.



Customer Portfolio Breakdown

Retail Banking

- Gross retail loans increased 13.4% YTD to EGP 24.0 Bln as of 30 Sept 2023 compared to EGP 21.2 Bln at year-end 2022.
- Retail deposits grew by 66% YTD to EGP 45.1 Bln as of 30 Sept 2023 versus EGP 27.2 Bln booked at year-end 2022.
- HDB's branch network has reached nearly 100 branches as at 30 Sept 2023.
- HDB's ATM network grew to 434 in Q3-2023.

Corporate Banking

- Gross corporate and syndication loans booked EGP 18.8 Bln, reflecting a 10.9% YTD increase compared to EGP 17.0 Bln in year-end 2022. Gross corporate loans represent 44% of the Bank's total portfolio.
- Corporate deposits came in at EGP 50.4 Bln, reflecting 53% of total customer deposits as of Sep 2023.

Real Estate Activity

- The Bank sold **375** residential and commercial units in 9M-2023, generating gross contracted sales of EGP **726** Mln during the period.
- Finished units available for sale were valued at EGP **317** Mln as of Sept 2023.
- Works in progress stood at EGP **615** Mln in 9M-2023, 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	Q3-2023	Q2-2023	Q-o-Q Change	Q3-2022	Y-o-Y Change	9M-2023	9M-2022	Y-o-Y Change
	EGP Mn	EGP Mn		EGP Mn		EGP Mn	EGP Mn	
Net Interest Income	2,769	2,493	11%	1,311	111%	7,299	3,408	114%
Net Non-Interest Income	435	475	-9%	314	38%	1,454	895	63%
Core Banking Income	3,204	2,968	8%	1,625	97%	8,753	4,302	103%
Other Operating Income	11	10	9%	20	-44%	17	76	-77%
Net Operating Income	3,215	2,978	8%	1,645	95%	8,771	4,379	100%
Operating Expense	(227)	(13)	1587%	83	-373%	(234)	54	-536%
Administrative Expense	(649)	(617)	5%	(588)	10%	(1,827)	(1,551)	18%
Credit Loss Impairment	(432)	(126)	244%	(296)	46%	(773)	(361)	114%
Net Profit Before Tax	1,907	2,222	-14%	844	126%	5,937	2,520	136%
Income Tax	(502)	(532)	-6%	(296)	70%	(1,518)	(768)	98%
Net Profit	1,404	1,690	-17%	549	156%	4,419	1,753	152%
Earnings Per Share (EGP)	2.5	3.0		1.0		7.7	2.9	

Financial Indicators	Q3-2023	Q2-2023	Q-o-Q Change	Q3-2022	Y-o-Y Change	9M-2023	9M-2022	Y-o-Y Change
Profitability								
ROAE	43.4%	59.2%	-15.8 pp	22.8%	+20.6 pp	49.0%	24.6%	+24.4 pp
ROAA	4.9%	6.0%	-1.1 pp	2.3%	+2.6 pp	5.3%	2.6%	+2.7 pp
Margins								
Net Operating Margin (NOM)	11.2%	10.5%	+0.7 pp	6.8%	+4.4 pp	10.5%	6.5%	+4 pp
Net Interest Margin (NIM)	11.6%	10.6%	+1 pp	6.3%	+5.3 pp	10.5%	6.0%	+4.6 pp
Efficiency								
Cost-to-Income	20.2%	20.7%	-0.5 pp	35.8%	-15.6 pp	20.8%	35.4%	-14.6 pp
Liquidity								
Gross Loans to Deposits	44.9%	44.6%	+0.2 pp	39.3%	+5.6 pp	44.9%	39.3%	+5.6 pp
Net Loans to Deposits	41.1%	41.0%	+0.1 pp	36.3%	+4.8 pp	41.1%	36.3%	+4.8 pp
Asset Quality								
NPLs-to-Gross Loans	7.2%	0.0%	+7.2 pp	0.0%	+7.2 pp	0.0%	0.0%	-0 pp
Capital Adequacy Ratio	24.9%	21.2%	+3.7 pp	0.0%	+24.9 pp	0.0%	0.0%	-0 pp



Balance Sheet

Standalone

	30-Sep-23	30-Sep-22	31-Dec-22	Y-o-Y Change	YTD Change
	EGP Mn	EGP Mn	EGP Mn	(%)	(%)
Cash & Due from Central Bank	16,226	10,768	12,722	51%	28%
Due from Banks	26,504	18,018	19,024	47%	39%
Financial Investments	28,783	34,994	29,645	-18%	-3%
Investments in Subsidiaries	2,196	2,138	2,199	3%	0%
Loans and Advances to Customers (Net)	39,209	31,655	35,215	24%	11%
Gross Loans:	42,858	34,282	38,163	25%	12%
Corporate Loans	18,815	14,017	16,969	34%	11%
Retail Loans	24,043	20,265	21,194	19%	13%
Real Estate	1,111	1,152	1,106	-4%	0%
Other Assets	3,140	2,489	2,585	26%	21%
Fixed Assets	1,204	1,121	1,135	7%	6%
Total Assets	118,374	102,335	103,632	16%	14%
Customer Deposits:	95,509	87,245	89,485	9%	7%
Corporate Deposits	50,406	59,641	62,261	-15%	-19%
Retail Deposits	45,104	27,604	27,225	63%	66%
Other Liabilities	9,178	5,320	3,805	73%	141%
Total Liabilities	104,688	92,565	93,290	13%	12%
Shareholders' Equity	13,686	9,770	10,342	40%	32%
Total Liabilities & Shareholders' Equity	118,374	102,335	103,632	16%	14%



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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