



Housing & Development Bank (HDB) Delivers Strong Results Despite Challenging Market Conditions in FY-2022

Financial Highlights

FY-2022 Standalone Financial Results

- Net income of EGP 2,257 million, up 23% y-o-y
- Net operating income of EGP 6,281 million, up 38% y-o-y
- Return on Average Equity of 23.1%
- Return on Average Assets of 2.5%
- Net operating margin (NOM) of 7.0%
- Net interest margin (NIM) of 6.7%

Q4-2022 Standalone Financial Results

- Net income of EGP 504 million, up 27% y-o-y
- Net operating income of EGP 1,902 million, up 52% y-o-y
- Return on Average Equity of 20.0%
- Return on Average Assets of 2.0%
- Net operating margin (NOM) of 7.4%
- Net interest margin (NIM) 7.1%

March 1st, 2023 | Cairo, Egypt

Housing & Development Bank (EGX: HDBK) has announced a standalone net profit of EGP 2,257 million, reflecting an increase of 23% y-o-y in FY-2022. The Bank's operating income also recorded a strong increase of 38% y-o-y to EGP 6,281 million in FY-2022.

• Robust Growth Across the Bank's Portfolio

- Net customer loans increased by 43% y-o-y to EGP 35,215 million driven by solid growth across all customer segments in FY-2022.
- Deposits grew by 42% y-o-y to EGP 89,485 million as the Bank continued to benefit from a diversified product offering, ensuring the stability of its cost of funding base in FY-2022.
- Gross loan-to-deposit ratio stood at 42.6% as of 31 December 2022.

Based on HDB's standalone financials.



- **Strong Solvency Ratios Driven by Optimized Balance Sheet Management**

- HDB's Capital Adequacy Ratio (CAR) stood at 21.85%, well above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of 20.70% and 1.15% for Tier-1 and Tier-2 Capital, respectively.
- HDB reported an NSFR ratio of 199.0% and an LCR ratio of 478.9% as at 31 December 2022.
- Customer deposits represented 96% of HDB's total liabilities in FY-2022.
- The Bank's nonperforming loans (NPL) ratio marginally improved and stood at 7.1% in FY-2022 compared to 10.0% in FY-2021, while the Bank's coverage ratio stood at 108.8% in FY-2022 compared to 83.3% in FY-2021.

- **CSR Updates**

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.

Education

HDB was the first bank to establish an academy specialized in technical education and vocational training, this was accomplished through a partnership with El Sewedy Foundation.

Healthcare

- HDB contributed EGP 15 million to establish the first center in Qasr El Eyni Hospital for the treatment of diabetes foot care.
- HDB contributed EGP 12 million to the Ayadi Hospital for Skin Cancer Treatment

Nilepreneurs Initiative

- HDB has played a vital role in financing the NilePreneurs initiative, which aims to support the growth and development of up-and-coming businesses and micro small companies in Egypt.
- In cooperation with the Central Bank of Egypt and Nile University, HDB has established two business units within the NilePreneurs initiative to provide non-financial services to entrepreneurs.

Supporting Egypt's "Decent Life" Initiative

HDB supports marginalized groups, including orphans and vulnerable communities across Egypt by providing them with access to basic needs, including housing, education, and healthcare services.

- The Bank contributed EGP 6 million to establish six healthcare units in Upper Egypt in collaboration with the Ibrahim Badran Foundation
- HDB contributed EGP 4.2 million to support the "Family Empowerment Project" in Aswan in collaboration with the Kheir and Baraka Foundation.
- The Bank contributed EGP 3 million and collaborated with the Al Omran Association to build and equip houses west of Aswan that were impacted by floods.



Chairman's Message

Commenting on HDB's results for the year, Chairman and Managing Director Hassan Ghanem said: "2022 has presented global markets with challenging headwinds that significantly impacted economies across the world. These headwinds were elevated in our home market of Egypt, where we witnessed multiple devaluations to Egypt's local currency that created a suboptimal FX environment and rising inflationary pressures that hindered business performance across various sectors. However, despite this turbulent environment, we reaped the rewards of our focus on operational excellence as we continued to deliver on our strategies, grow HDB's commercial banking operations, and booked solid results for the year. The Bank successfully recorded strong double-digit growth on various fronts, including a 36% y-o-y expansion in total assets to EGP 103.6 billion, which supported the 38% y-o-y increase in net operating income to EGP 6.3 billion in 2022. This performance trickled down to the Bank's bottom-line where the Bank booked a net income increase of 23% y-o-y to EGP 2.3 billion in 2022.

"HDB's commercial banking activities continued to drive the Bank's growth as we expanded our portfolio across all customer segments in 2022. Consequently, HDB's loan portfolio has maintained its solid growth trajectory, booking a 42% y-o-y increase in gross loans as we continued to offer more comprehensive financing solutions to retail and corporate clients. Moreover, our successful customer-centric efforts have reflected positively on HDB's deposits, which delivered an increase of 42% for the year. These results reflect our efforts in enhancing our product and service offering across our branch network and digital platforms, amidst a turbulent macroeconomic environment, to capture a wider customer base across multiple industries and grow our market share in the banking space.

"Furthermore, the impacts of these challenging market conditions are especially pronounced on smaller scale enterprises, where access to financing and working capital is crucial to maintaining the sustainability of the business. As a key player in the banking space, we acknowledge our responsibility in supporting these enterprises to gain access to essential financial services. On this front, I want to highlight that our SME loan portfolio has grown by 30% this year and that HDB is successfully aligned with the Central Bank of Egypt's requirement to dedicate 25% of loan portfolios to serve SMEs. 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 27% of the Bank's corporate and syndicated loans were dedicated to financing sustainable projects in 2022.

"Moreover, the Bank's asset quality continues to be a key area of focus, with management keen on enhancing HDB's non-performing loans ratio. On this front, I am pleased to report that HDB has successfully witnessed a declining trend in the Bank's NPL ratio, which stood at 7.1% in 2022 compared to 10.0% in the previous year. We are confident that as we maintain this focus, we will be able to further enhance the quality of our loan portfolio and align with the market average. Parallel to these efforts, the Bank has continued to present a strong and attractive return profile, boasting a ROAE of 23.1% and ROAA of 2.5% in 2022.

"Our results for 2022 are a clear reflection of the Bank's abilities to deliver strong results despite the headwinds. Looking ahead at 2023, I am optimistic that as we maintain our focus on identifying strategic opportunities for growth that will unlock value for the Bank, we will be able to deliver a promising performance in the new year.

"Finally, I would like to extend my gratitude to the Board of Directors and the Bank's shareholders 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 the new year, and I am confident that they will once again support HDB in delivering a solid set of results in 2023."

Hassan Ghanem

Chairman of the Board and Managing Director



Standalone Financial Highlights

Net Interest Income

Standalone net interest income (NII) grew by 50% y-o-y to EGP 4,908 million in FY-2022. The Bank's NII performance was supported by growth across the Bank's earnings assets instruments, which included a 42% y-o-y increase in gross customer loans, a 35% y-o-y increase in bank placements, and a 22% y-o-y increase in investments in FY-2022. Additionally, the Bank was able to further optimize its net interest margins through solid management of its funding portfolio and the associated funding costs during the year. On this front, the Bank booked a net interest margin of 6.7% in FY-2022.

Net Non-Interest Income

Standalone net non-interest income recorded an increase of 24% y-o-y to EGP 1,361 million in FY-2022. Growth in net non-interest income was driven primarily by a 37% y-o-y increase in net customer fees and commissions in FY-2022. Moreover, a 32% y-o-y increase in income from legacy real estate activities to EGP 526 million, as well as the EGP 193 million generated from dividend income, further supported the growth of net non-interest income in FY-2022.

Net Operating Income

Standalone net operating income increased by 38% y-o-y to EGP 6,281 million in FY-2022, driven by a 44% y-o-y increase in core banking income due to growing commercial banking activities over the course of the year. Commercial banking activities contributed the majority of the Bank's standalone net operating income at 89% in FY-2022.

Administrative Expenses

Standalone administrative expenses increased by 27% y-o-y to EGP 2,230 million due to the impacts of a rising inflationary environment coupled with an increase in investments across the Bank's technology infrastructure in FY-2022. It is worthy to note that the Bank's cost to income ratio stood at 35.5% in FY-2022 compared to 38.5% in FY-2021.

Asset Quality and Solvency

A key focus for HDB is improving the Bank's non-performing loans (NPL) ratio and to maintain a declining trend in NPLs to align with the market average. On this front, HDB has reduced its NPL ratio to 7.1% in FY-2022, down from 10.0% in the previous year. Moreover, the Bank's NPL coverage ratio has also increased by 25.5 percentage points year-on-year to 108.8% in FY-2022.



Commercial Business Highlights

Gross Loans

The Bank's gross loan portfolio expanded by 42% y-o-y to EGP 38,163 million in FY-2022 on the back of solid growth across retail and corporate loans during the period as the Bank continued to reap the rewards of the successful and ongoing expansion of its commercial banking activities. Retail clients accounted for 55.5% of the Bank's gross loan portfolio and corporate clients accounted for the remaining 44.5% in FY-2022.

Customer Deposits

Deposits recorded an increase of 42% y-o-y to EGP 89,485 in FY-2022. Growth was supported by a 54% y-o-y increase in corporate deposits, which accounted for 70% of the Bank's deposits, while retail clients accounted for the remaining 30% of deposits in FY-2022. It is worthy to note that the Bank's low-cost CASA accounts increased by 52% y-o-y to EGP 66,781 million in FY-2022.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans grew by 32% y-o-y and recorded EGP 21,194 million in FY-2022, up from EGP 16,060 million recorded in the previous year.
- Retail deposits increased by 21% y-o-y to EGP 27,225 million in FY-2022 compared to EGP 22,433 million in FY-2021.
- HDB's branch network is nearing the 100-branch mark.
- The Bank's ATM network increased to 431 ATMs as at 31 December 2022, up from 407 in the previous year.

Corporate Banking

- Gross standalone corporate loans recorded EGP 11,873 million, reflecting an increase of 71% y-o-y compared to EGP 6,953 million in FY-2021.
- Corporate deposits booked EGP 62,261 million, up by 54% y-o-y compared to EGP 40,462 million in FY-2021.

SME Banking

- Gross SME loans increased by 30% y-o-y to EGP 5,096 million in FY-2022 and constituted 13% of the Bank's total gross loans and 30% of the Bank's gross corporate loan book.

Real Estate Activity

- The Bank generated EGP 596 million from the sale of 368 residential and commercial units in FY-2022.
- Finished units available for sale stood at EGP 493 million as at 31 December 2022.
- Works in progress came in at EGP 448 million in FY-2022, representing a range of residential and commercial developments.
- HDB continues to hold an extensive land bank valued at a cost of EGP 187million.



Standalone Financial Highlights

Income Statement	Q4-2022	Q3-2022	Q-o-Q Change	Q4-2021	Y-o-Y Change	FY-2022	FY-2021	Y-o-Y Change
	EGP Mn	EGP Mn		EGP Mn	EGP Mn	EGP Mn	EGP Mn	
Net Interest Income	1,500	1,311	14%	818	83%	4,908	3,269	50%
Net Non-Interest Income	466	314	48%	315	48%	1,361	1,098	24%
Core Banking Income	1,966	1,625	21%	1,133	73%	6,268	4,367	44%
Other Operating Income	(64)	20	-422%	117	-155%	13	181	-93%
Net Operating Income	1,902	1,645	16%	1,250	52%	6,281	4,548	38%
Operating Expense	(110)	83	-232%	(121)	-9%	(56)	(21)	167%
Administrative Expense	(679)	(588)	15%	(502)	35%	(2,230)	(1,753)	27%
Credit Loss Impairment	(284)	(296)	-4%	(53)	440%	(645)	(162)	299%
Net Profit Before Tax	830	844	-2%	575	44%	3,350	2,613	28%
Income Tax	(326)	(296)	10%	(179)	82%	(1,094)	(782)	40%
Net Profit	504	549	-8%	396	27%	2,257	1,830	23%
<i>Earnings Per Share (EGP)</i>	<i>0.9</i>	<i>1.0</i>	<i>-</i>	<i>0.7</i>	<i>-</i>	<i>3.8</i>	<i>3.0</i>	<i>-</i>

Balance Sheet	Standalone		
	31 December 2022	31 December 2021	Y-o-Y Change
	EGP Mn	EGP Mn	(%)
Cash & Due from Central Bank	12,722	6,773	88%
Due from Banks	19,024	14,138	35%
Financial Investments	29,645	24,390	22%
Subsidiaries	2,199	1,944	13%
Loans and Advances to Customers (Net)	35,215	24,672	43%
Gross Loans:	38,163	26,936	42%
<i>Corporate Loans</i>	16,969	10,876	56%
<i>Retail Loans</i>	21,194	16,060	32%
Real Estate	1,106	1,114	-1%
Other Assets	2,655	2,212	20%
Fixed Assets	1,066	1,034	3%
Total Assets	103,632	76,278	36%
Customer Deposits:	89,485	62,896	42%
<i>Corporate Deposits</i>	62,261	40,462	54%
<i>Retail Deposits</i>	27,225	22,433	21%
Other Liabilities	3,802	4,153	-8%
Total Liabilities	93,288	67,049	39%
Shareholders' Equity	10,345	9,229	12%
Total Liabilities & Shareholders' Equity	103,632	76,278	36%



Financial Indicators	Q4-2022	Q3-2022	Q-o-Q Change	Q4-2021	Y-o-Y Change	FY-2022	FY-2021	Y-o-Y Change
Profitability								
ROAE	20.0%	22.8%	-2.8 pp	17.8%	+2.3 pp	23.1%	22.0%	+1.0 pp
ROAA	2.0%	2.3%	-0.3 pp	2.2%	-0.2 pp	2.5%	2.7%	-0.2 pp
Margins								
Net Operating Margin (NOM)	7.4%	6.8%	+0.6 pp	6.9%	+0.5 pp	7.0%	6.8%	+0.2 pp
Net Interest Margin (NIM)	7.1%	6.5%	+0.6 pp	5.5%	+1.7 pp	6.7%	5.9%	+0.8 pp
Efficiency								
Cost-to-Income	35.7%	35.8%	-0.1 pp	40.2%	-4.5 pp	35.5%	38.5%	-3.0 pp
Liquidity								
Gross Loans to Deposits	42.6%	39.3%	+3.4 pp	42.8%	-0.2 pp	42.6%	42.8%	-0.2 pp
Net Loans to Deposits	39.4%	36.3%	+3.1 pp	39.2%	+0.1 pp	39.4%	39.2%	+0.1 pp
Asset Quality								
NPLs-to-Gross Loans	7.1%	8.5%	-1.4 pp	10.0%	-2.9 pp	7.1%	10.0%	-2.9 pp
Capital Adequacy Ratio	21.9%	22.4%	-0.5 pp	24.7%	-2.8 pp	21.9%	24.7%	-2.8 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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