

## News Release

25<sup>th</sup> May 2022

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### **Housing & Development Bank (HDB) Reports Q1-2022 Net Profit Growth of 3.2% Year-on-Year Amid Transformation to Full-Fledged Commercial Bank**

- **Q1-2022 Standalone Financial Results<sup>1</sup>**

- Net income of EGP 640 million, up 3.2% year-on-year (y-o-y)
- Net income of EGP 640 million, up 38.2% quarter -on-quarter (q-o-q)
- Operating income of EGP 1,278 million, up 4.8% y-o-y
- Operating income of EGP 1,278 million, up 11.7% q-o-q
- Return on equity of 7%
- Return on assets of 1%
- Net operating margin (NOM) of 48%
- Net interest margin (NIM) of 5.4%

- **Focused Balance Sheet Management**

- Tier-2 capital representing 23.47% of risk-weighted assets.
- As a result, HDB's Tier-1 and Tier-2 capital adequacy ratios continue to exceed CBE minimum requirements of 8.5% for Tier-1 and 12.5% for Tier-2
- HDB reported an NSFR ratio of less than 1% and an LCR ratio of 99% for Q1-2022.
- Customer deposits constituted 83.9% of HDB's total liabilities, ensuring a stable funding base
- Nonperforming loans (NPL) ratio is 7% while coverage ratio is 85%

- **Strong Business Expansion**

- Funding to Corporate and retail clients expanded by 23% y-o-y in Q1-2022 Vs. Q1-2021 and 6% Q/Q, recording EGP 28,616 million.
- Deposits rose by 30% y-o-y in Q1-2022 Vs. Q1-2021, booking EGP 70,058 billion.
- Loan-to-deposit ratio stood at 40.8% by Q1- 2022.

- **Fulfilling Our Legacy Real Estate Mandate**

- HDB recorded gross contracted real estate sales of EGP 60 million during Q1-2022, down from EGP 128 million during Q1-2021, representing a 53% decline y-o-y.
- Units available for sale recorded 906 at Q1-2022.

- **A Responsible Corporate Actor**

- The Bank continued with efforts to support Egypt's healthcare sector through a number of effective contributions, including efforts to combat the impact of COVID-19 on local communities.
- Such efforts include financing for Egypt's largest field hospital in cooperation with the Jazira Club, an initiative to support affected day workers in partnership with the Egyptian Food Bank, and the establishment of an independent fund to treat fixed-term workers suffering from COVID-19 and their families.

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<sup>1</sup> Standalone financials represent HDB's commercial activities and only real estate assets that are wholly owned by HDB.

- HDB is a key financial partner of the Nile Pioneers Initiative, which incubates young innovators and entrepreneurs from a variety of fields and provides them with facilities and technical, marketing, legal, and financial support. After the first successful round, HDB's incubator has continued to support and develop 9 further projects, with a focus on environmental sustainability.
- The Bank has forged a partnership with Right to Live Association, pioneers in providing care and training for people with intellectual disabilities in Egypt. HDB continues to exert efforts in this regard, which include the establishment of an inclusive education initiative and the financing of the Rotary Club's Inclusive Schools Project.

**Cairo** – Housing & Development Bank (EGX: HDBK) has announced Q1-2022 standalone net income of EGP 640 million, or EGP 3.76 per share.

**Commenting on HDB's results for the year, Chairman and Managing Director Hassan Ghanem said:** "With 2021 behind us, HDB can look back on several important achievements. The Bank has successfully weathered the uncertainties of recent years and has made remarkable progress in its transition from an institution focused on real estate development and the financing of large projects to a full-fledged commercial bank that is increasingly aligned with the cutting edge of the Egyptian and global markets. This strategic progress is displayed in our strong financial performance for the quarter: Operating income was up by 4.8% year-on-year (y-o-y), while HDB's net income of EGP 640 million for Q1-2022 marks growth of 3.2% y-o-y, and our net interest margin (NIM) above 5%.

HDB's strong performance for Q1-2022 reflects our successful efforts to institute three parallel transformations over recent years; **modernizing our business model, enhancing HDB's market visibility, and leveraging digital tools** to enhance controls and operational efficiency.

Firstly, we have **modernized the Bank's business model**. Previously focused on financing for large state projects and real estate development, today HDB enjoys a solid and rapidly growing presence in the retail and corporate banking markets. Commercial banking activities now generate the overwhelming majority of the Bank's bottom-line, with legacy real estate activities playing a smaller role. Our retail and corporate loan books have expanded rapidly. We have quickly met the CBE-mandated target of allocating 20% of our loan book to SMEs, helping level the playing field of Egypt's business landscape while creating economic opportunities. Mortgage finance has been another area of rapid growth, further diversifying our asset profile.

Secondly, HDB has transformed its profile and greatly **enhanced the Bank's visibility** to prospective and existing customers. We have optimized the geographic footprint of HDB's branch network, placing branches in more accessible, high-traffic areas suited to our new focus as a full-fledged commercial bank, while carrying out comprehensive facelifts that give our locations a more inviting and modern profile. We have reallocated the Bank's talent in a targeted manner to address the operational needs presented by new business lines, a purpose which has also been served by our investment in training and knowledge transfer. HDB's ATM coverage has witnessed tremendous growth of 100% since 2017.

Meanwhile, we have taken a data-based approach to customer segmentation, seizing opportunities to understand customers' specific needs and preferences. Today, more than 97 branches provide special Royal-class services to qualifying clients, with such services extending significantly beyond Cairo to underpenetrated governorates. On another front, we have partnered with MasterCard to expand our credit card offering from just one product in 2016 to eleven at year-end 2021. Combined with effective marketing campaigns, these efforts have driven a strong increase in retail deposits, providing HDB with a low-cost source of local currency funding.

Thirdly, we have **leveraged digital technologies** to significantly boost the efficiency of front-office, back-office, and central operations. Thanks to our heavy investment in IT and our new core banking system, HDB has successfully automated a variety of business processes. Automation has allowed us to boost transparency and to streamline workflows. This has driven our broader transformation, helping management identify paths to optimizing the allocation of the Bank's human resources in a manner that substantially improves the customer experience both at branches and through our other channels. Besides significantly easing bottlenecks and improving service speed, our automation efforts have allowed HDB to offer more than 50 services through its digital platforms, including internet banking and mobile banking, compared to just 15 services in 2020. Loan disbursement processes have been modernized and standardized across all units, further enhancing the customer experience. Additionally, HDB has worked to maximally align the interests of the Bank's employees with those of its shareholders. We are committed to developing in-house talents and to filling leadership positions with young bankers from within HDB, putting our trust in them.

Looking ahead, the Bank is poised to make even greater strides on its path to increased competitiveness. HDB will leverage the platform it has built over recent years to continue expanding the loan book, and will seek to widen its footprint particularly among corporate and SME clients. As our loan book expands, the Bank expects to see substantial relief on the NPL front, which rose during the year on the back of new regulatory requirements. We also aim to expand our presence in trade finance, leveraging the CBE's new regulations requiring banks to begin only accepting letters of credit to facilitate the purchase of imports. In addition, the Bank aims to fashion a leaner, more efficient balance sheet through a calibrated program of noncore asset disposals.

The HDB team has worked hard to kickstart a triple transformation that has already yielded positive results and leaves us better placed than ever to achieve our vision of being one of Egypt's leading commercial banks. By continuously developing our human capital and nurturing a bank-wide culture of customer service, we are confident that HDB can provide its shareholders with competitive and sustainable returns for many years to come."

## **Standalone Financial Highlights**

### ***Operating Income***

Standalone operating income booked EGP 1,278 million for Q1-2022, an increase of 4.8% from the figure recorded in Q1-2021. Growth in revenues during the quarter was driven primarily by a pick-up in fees and commission income. In the first 3 months of 2022, Net fees and commission income increased by 40% compared to Q1-2021. Commercial banking activities generated 84% of the Bank's operating income in Q1-2022. Other income, including income from legacy real estate activities, contributed 16% of operating income for Q1-2022. On a quarterly basis, standalone operating income came in at EGP 1,278 million for Q1-2022, up by 13.2% q/q against Q4-2021.

### ***Net Interest Income***

Standalone net interest income (NII) registered EGP 968 million in Q1-2022, up by 18.4% y-o-y on the back of increased gross loans and CBE deposits. Standalone NII recorded EGP 968 million for Q1-2022, up by 18.4% y-o-y from the same quarter of the previous year.

### ***Non-Interest Income***

HDB reported standalone non-interest income of EGP 109 million in Q1-2022, an increase of 40% y-o-y driven by growth in lending and an enhanced loan portfolio, in addition to trade finance. The increase in

non-interest income came despite the persistence of a CBE waiver on fees and commissions for cash withdrawals from ATMs and bank transfers since the onset of the COVID-19 pandemic.

### ***Operating Expense***

Standalone operating expenses amounted to EGP 439 million for Q1-2022, up by 17% y-o-y. HDB reported a cost-to-income ratio of 35% during the quarter.

### ***Loans***

HDB's gross loan portfolio stood at EGP 28,616 million by Q1- 2022, expanding by 23% y-o-y. The expansion in HDB's loan book was driven mainly equally by growth in retail and corporate loans and advances. Corporate loans grew by 45% y-o-y, or EGP 3,447 million, in Q1-2022 to record EGP 11,110 million at the quarter. Meanwhile, the Bank's retail loan portfolio grew by 21.7%, or EGP 3,121 million, in Q1-2022 to record EGP 17,506 million at the quarter.

### ***Deposits***

Deposits booked EGP 70,058 million at Q1- 2022, expanding by 37.7%, or EGP 19,195 million, y-o-y. The climb in deposits came on the back of corporate deposits, which increased by 41.2% y-o-y. Corporate clients accounted for 64.3% of deposits at the Bank in Q1- 2022, with retail customers accounting for 35.7% and growth of 31.7% y-o-y.

### ***Asset Quality***

Standalone nonperforming loans stood at 7% as a percentage of HDB's gross loan portfolio at Q1-2022, down from 10% in full year 2021. The Non-performing loans (NPL) coverage Ratio stands at 85%.

## **Operational Highlights**

### ***Retail Banking***

- Gross retail loans recorded EGP 17,506 billion at Q1-2022, up by 21.7% y-o-y and constituting 61% of the Bank's total loan book.
- Retail deposits booked EGP 24,635 million at Q1-2022, up by 31.7% y-o-y and representing 35.2% of HDB's total deposits.
- HDB has rapidly expanded its network in recent years. The Bank's network encompassed 97 branches at Q1-2022, up from 80 in 2017. HDB operated a network of 450 ATMs at the close of Q-2022, up from 224 in 2017.

### ***Corporate Banking***

- Gross corporate loans recorded EGP 11,110 billion at Q1-2022, up by 45% y-o-y and constituting 38.8% of the Bank's total loan book.
- Corporate deposits booked EGP 45,422million at Q1-2022, up by 41.1% y-o-y and representing 64.8% of HDB's total deposits.

## Standalone Financial Highlights

Housing and Development Bank	Y on Y			
P&L Highlights	Mar-22	Mar-21	Δ Mar-22 Vs. Dec-21	% Δ
Net interest income	968,576,963	817,918,123	150,658,840	18.4%
Net fees & Commissions income	109,369,650	78,152,378	31,217,272	39.9%
<b>Core Banking Income</b>	<b>1,077,946,613</b>	<b>896,070,501</b>	<b>181,876,112</b>	<b>20.3%</b>
Other Operating Income	200,386,335	323,203,373	(122,817,038)	-38.0%
<b>Operating Income</b>	<b>1,278,332,948</b>	<b>1,219,273,874</b>	<b>59,059,074</b>	<b>4.8%</b>
<b>Administrative expenses</b>	<b>(439,413,477)</b>	<b>(374,721,681)</b>	<b>(64,691,796)</b>	<b>17.3%</b>
<b>Personnel Cost</b>	<b>(439,413,477)</b>	<b>(374,721,681)</b>	<b>(64,691,796)</b>	<b>17.3%</b>
Impairment of Credit losses	0	30,067,750	(30,067,750)	-100.0%
<b>Net Profit before Income Tax</b>	<b>837,129,275</b>	<b>861,768,297</b>	<b>(24,639,022)</b>	<b>-2.9%</b>
Income tax	(196,840,769)	(241,303,578)	44,462,809	-18.4%
<b>Net Profit</b>	<b>640,288,506</b>	<b>620,464,719</b>	<b>19,823,787</b>	<b>3.2%</b>
Tax Margin	23.5%	28.0%		-4.5%
Cost to Income Ratio	34.4%	28.3%		6.1%
NIM	5.40%	7.2%		-1.8%
ROE	7.0%	8.0%		-1.0%
ROA	1%	1.0%		-0.2%

Housing and Development Bank	Quarterly Results						
P&L Highlights	Mar-22	Mar-21	Dec-21	Δ Mar-22 Vs. Mar-21	% Δ	Δ Mar-22 Vs. Dec-21	% Δ
Net interest income	968,576,963	817,918,123	817,943,887	150,658,840	15.6%	150,633,076	15.6%
Net fees & Commissions income	109,369,650	78,152,378	160,032,886	31,217,272	28.5%	(50,663,236)	-46.3%
<b>Core Banking Income</b>	<b>1,077,946,613</b>	<b>896,070,501</b>	<b>977,976,773</b>	<b>181,876,112</b>	<b>16.9%</b>	<b>99,969,840</b>	<b>9.3%</b>
Other Operating Income	200,386,335	323,203,373	151,147,189	(122,817,038)	-61.3%	49,239,146	24.6%
<b>Operating Income</b>	<b>1,278,332,948</b>	<b>1,219,273,874</b>	<b>1,129,123,962</b>	<b>59,059,074</b>	<b>4.6%</b>	<b>149,208,986</b>	<b>11.7%</b>
<b>Administrative expenses</b>	<b>(439,413,477)</b>	<b>(374,721,681)</b>	<b>(501,890,830)</b>	<b>(64,691,796)</b>	<b>14.7%</b>	<b>62,477,353</b>	<b>-14.2%</b>
<b>Personnel Cost</b>	<b>(439,413,477)</b>	<b>(374,721,681)</b>	<b>(501,890,830)</b>	<b>(64,691,796)</b>	<b>14.7%</b>	<b>62,477,353</b>	<b>-14.2%</b>
Impairment of Credit losses	0	30,067,750	(52,616,128)	(30,067,750)	-	52,616,128	-
<b>Net Profit before Income Tax</b>	<b>837,129,275</b>	<b>861,768,297</b>	<b>574,617,004</b>	<b>(24,639,022)</b>	<b>-2.9%</b>	<b>262,512,271</b>	<b>31.4%</b>
Income tax	(196,840,769)	(241,303,578)	(178,802,569)	44,462,809	-22.6%	(18,038,200)	9.2%
<b>Net Profit</b>	<b>640,288,506</b>	<b>620,464,719</b>	<b>395,814,435</b>	<b>19,823,787</b>	<b>3.1%</b>	<b>244,474,071</b>	<b>38.2%</b>
Tax Margin	23.5%	28.0%	31%		-4.5%		7.6%
Cost to Income Ratio	34.4%	28.3%	49%		6.1%		14.7%
NIM	5.40%	7.2%	6.7%		-1.8%		1.3%
ROE	7.0%	8.0%	19.8%		-1.0%		12.8%
ROA	1%	1.0%	2.4%		-0.2%		1.6%



Housing and Development Bank	Y on Y			
BS Highlights	Mar-22	Mar-21	Δ Mar-22 Vs. Dec-21	% Δ
Cash and balances with central Bank	8,637,382,724	6,154,050,343	2,483,332,381	40.4%
Due from banks	14,621,182,010	5,300,349,830	9,320,832,180	175.9%
Financial Investments	28,789,044,193	27,927,201,187	861,843,006	3.1%
<b>Loans and advances to customers(Net)</b>	<b>26,341,127,484</b>	<b>19,980,139,465</b>	<b>6,360,988,019</b>	<b>31.8%</b>
Gross Loans	28,616,899,327	22,048,143,340	6,568,755,987	29.8%
<i>Corp Loans</i>	11,110,491,040	7,663,376,884	3,447,114,156	45.0%
<i>Retail Loans</i>	17,506,408,287	14,384,766,456	3,121,641,831	21.7%
Real Estate	1,225,646,970	1,175,071,767	50,575,203	4.3%
Other Assets	2,844,873,217	1,776,964,474	1,067,908,743	60.1%
Fixed Assets	1,001,892,463	995,696,423	6,196,040	0.6%
<b>Total assets</b>	<b>83,461,149,061</b>	<b>63,309,473,489</b>	<b>20,151,675,572</b>	<b>31.8%</b>
<b>Customers' deposits</b>	<b>70,058,546,666</b>	<b>50,862,792,411</b>	<b>19,195,754,255</b>	<b>37.7%</b>
<i>Corp Deposits</i>	45,422,805,288	32,157,803,348	13,265,001,940	41.2%
<i>Retail Deposits</i>	24,635,741,378	18,704,989,063	5,930,752,315	31.7%
<b>Total liabilities</b>	<b>74,370,983,608</b>	<b>55,595,363,826</b>	<b>18,775,619,782</b>	<b>33.8%</b>
<b>Total shareholders' equity</b>	<b>9,090,165,453</b>	<b>7,714,109,663</b>	<b>1,376,055,790</b>	<b>17.8%</b>
LDR (Gross)	40.8%	43.3%		-2.5%
NPL Ratio	7.1%	10.0%		-2.9%
Capital Adequacy Ratio	23.47%	23.6%		-0.2%
Net Loans /TA %	31.6%	31.6%		0.0%
Corp Loans %	38.8%	34.8%		4.1%
Retail Loans %	61.2%	65.2%		-4.1%
Due From Banks/Total Assets%	17.5%	8.4%		9.1%
Investments/Total Assets%	34.5%	44.1%		-9.6%
Deposits/Total Assets%	83.9%	80.3%		3.6%
Retail Deposits/Total Deposits%	35.2%	36.8%		-1.6%
Corporate Deposits/Total Deposits%	64.8%	63.2%		1.6%
Shareholders' equity/Total assets%	10.9%	12.2%		-1.3%



Housing and Development Bank	Quarterly Results						
BS Highlights	Mar-22	Mar-21	Dec-21	Δ Mar-22 Vs. Dec-21	% Δ	Δ Mar-22 Vs. Mar21	% Δ
Cash and balances with central Bank	8,637,382,724	6,154,050,343	6,773,137,496	1,864,245,228	21.6%	2,483,332,381	28.8%
Due from banks	14,621,182,010	5,300,349,830	14,137,932,823	483,249,187	3.3%	9,320,832,180	63.7%
Financial Investments	28,789,044,193	27,927,201,187	26,334,439,187	2,454,605,006	8.5%	861,843,006	3.0%
Loans and advances to customers(Net)	26,341,127,484	19,980,139,465	24,672,409,680	1,668,717,804	6.3%	6,360,988,019	24.1%
Gross Loans	28,616,899,327	22,048,143,340	26,936,380,483	1,680,518,844	5.9%	6,568,755,987	23.0%
Corp Loans	11,110,491,040	7,663,376,884	10,488,419,550	622,071,490	5.6%	3,447,114,156	45.0%
Retail Loans	17,506,408,287	14,384,766,456	16,447,960,933	1,058,447,354	6.0%	3,121,641,831	21.7%
Real Estate	1,225,646,970	1,175,071,767	1,205,838,140	19,808,830	1.6%	50,575,203	4.1%
Other Assets	2,844,873,217	1,776,964,474	2,120,529,787	724,343,430	25.5%	1,067,908,743	37.5%
Fixed Assets	1,001,892,463	995,696,423	1,034,050,238	(32,157,775)	-3.2%	6,196,040	0.6%
Total assets	83,461,149,061	63,309,473,489	76,278,337,351	7,182,811,710	8.6%	20,151,675,572	24.1%
Customers' deposits	70,058,546,666	50,862,792,411	62,895,517,607	7,163,029,059	10.2%	19,195,754,255	27.4%
Corp Deposits	45,422,805,288	32,157,803,348	40,462,208,637	4,960,596,651	10.9%	13,265,001,940	29.2%
Retail Deposits	24,635,741,378	18,704,989,063	22,433,308,970	2,202,432,408	8.9%	5,930,752,315	24.1%
Total liabilities	74,370,983,608	55,595,363,826	67,048,897,687	7,322,085,921	9.8%	18,775,619,782	25.2%
Total shareholders' equity	9,090,165,453	7,714,109,663	9,229,439,664	(139,274,211)	-1.5%	1,376,055,790	15.1%
LDR (Gross)	40.8%	43.3%	42.8%		-2.5%		2.0%
NPL Ratio	7.1%	10.0%	10.0%		-2.9%		2.9%
Capital Adequacy Ratio	23.47%	23.6%	23.6%		-0.2%		0.2%
Net Loans /TA %	31.6%	31.6%	32.3%		0.0%		0.8%
Corp Loans %	38.8%	34.8%	38.9%		4.1%		0.1%
Retail Loans %	61.2%	65.2%	61.1%		-4.1%		-0.1%
Due From Banks/Total Assets%	17.5%	8.4%	18.5%		9.1%		1.0%
Investments/Total Assets%	34.5%	44.1%	34.5%		-9.6%		0.0%
Deposits/Total Assets%	83.9%	80.3%	82.5%		3.6%		-1.5%
Retail Deposits/Total Deposits%	35.2%	36.8%	35.7%		-1.6%		0.5%
Corporate Deposits/Total Deposits%	64.8%	63.2%	64.3%		1.6%		-0.5%
Shareholders' equity/Total assets%	10.9%	12.2%	12.1%		-1.3%		1.2%

## 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 97 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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