



Housing & Development Bank (HDB) Doubles Net Operating Income and Achieves Bottom-Line Growth of 150% y-o-y to EGP 3.0 billion in H1-2023

Financial Highlights

H1-2023 Standalone Financial Results

- Net income of EGP 3.0 billion, up 150% y-o-y
- Net operating income of EGP 5.6 billion, up 103% y-o-y
- Return on average equity of 53.5%
- Return on average assets of 5.6%
- Net operating margin (NOM) of 10.4%
- Net interest margin (NIM) of 10.5%

Q2-2023 Standalone Financial Results

- Net income of EGP 1.7 billion, up 200% y-o-y
- Net operating income of EGP 3.0 billion, up 110% y-o-y
- Return on average equity of 59.2%
- Return on average assets of 6.0%
- Net operating margin (NOM) of 10.5%
- Net interest margin (NIM) of 11.0%

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Housing & Development Bank (EGX: HDBK) has announced a standalone net income of EGP 1.7 billion for the second quarter of 2023, expanding by 200% y-o-y. On a YTD basis, HDB recorded a standalone net income increase of 150% y-o-y to EGP 3.0 billion in H1-2023.

- **Growth Across the Bank's Portfolio**
 - Customer deposits grew by 2% YTD to EGP 90.9 billion as at 30 June 2023 on the back a 40% YTD rise in retail deposits.
 - The Bank's gross customer loans increased by 6% YTD to EGP 40.6 billion as at 30 June 2023.
 - Gross loan-to-deposit ratio stood at 45% in the period ended 30 June 2023.
- **A Strong Performance Across the Balance Sheet**
 - HDB's Capital Adequacy Ratio (CAR) stood at 21.18%, far above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of 20.04% for Tier-1 and 1.14% for Tier-2 as of 30 June 2023.
 - HDB reported an NSFR ratio of 199.2% and an LCR ratio of 700.6% as at 30 June 2023.
 - Customer deposits constituted 92% of HDB's total liabilities as at 30 June 2023.
 - Nonperforming loans (NPL) ratio stood at 7.98% while the Bank's coverage ratio recorded 102% in H1-2023.

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: "After a successful close to the first half of the year, I am pleased to report that HDB has delivered stellar results across the board in H1-2023 and has achieved triple-digit increases across revenue and net profit. Our results for the period stand testament to our commitment to customer centricity and delivering on the Bank's strategic expansion initiatives across the Egyptian market as we aim to widen the customer base we serve and provide superior banking services. In this regard, the Bank's net operating income witnessed a surge of 103% year-on-year to EGP 5.6 billion in H1-2023, and parallel to this, HDB's net profit grew by 150% year-on-year to EGP 3.0 billion at the close of the six-month period.

"The Bank's success in H1-2023 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 7% year-to-date to EGP 111 billion during the period on the back of growth witnessed across HDB's retail and corporate loan portfolios. Additionally, the Bank's diverse and comprehensive portfolio benefitted from favorable interest rates, further supporting our performance in H1-2023, with HDB's net interest margin standing at 10.5% compared to 6.0% in the previous year. In tandem, the Bank has maintained an adequate ratio of 7.98% in non-performing loans (NPL) in H1-2023 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 2% year-to-date to EGP 90.9 billion in H1-2023 on the back of a strong 40% year-to-date increase in retail deposits. Moreover, HDB's robust bottom-line performance in H1-2023 successfully translated into an impressive return profile, where HDB achieved an ROAE of 53.5% and an ROAA of 5.6% in H1-2023 compared to 25.7% and 2.9%, respectively, in the previous year, underscoring our commitment to maximizing value for our shareholders and stakeholders alike.

"In addition to our outstanding financial performance, I am proud to highlight HDB's commitment to sustainability during the first half 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. As previously communicated, a dedicated sustainability department has been established within HDB to focus on identifying opportunities through which we can reduce our carbon footprint and enhance the environmental scope of our sustainable financing activities. This department will work diligently to ensure that HDB remains at the forefront of sustainable practices within the Egyptian banking industry.

"Over the past six 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



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 2.5 billion in Q2-2023, reflecting an increase of 121% y-o-y on the back of enhanced optimization of the Bank's earning asset instruments coupled with solid management of the Bank's cost and funding structure. This includes a 6% YTD increase in gross customer loans, and a 32% YTD increase in bank placements. Moreover, net interest margin recorded 11.0% in Q2-2023 as the Bank demonstrated higher efficiencies in portfolio management. On a YTD basis, NII went up 116% y-o-y to EGP 4.5 billion in H1-2023.

Non-Interest Income

Net non-interest income grew 75% y-o-y to register EGP 475 million in Q2-2023 due to increased commercial banking services combined with growth in customer fees and commissions recorded. This was further supported by 102% y-o-y increase in income from real estate activities in Q2-2023. On a YTD basis, net non-interest income increased by 76% y-o-y to EGP 1.0 billion in H1-2023.

Net Operating Income

Net operating income rose 110% y-o-y to EGP 3.0 billion, attributable to a 112% increase in core banking income as commercial banking activities continued to grow in Q2-2023, and also 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 at 90% in Q2-2023. On a YTD basis, HDB's net operating income grew by 103% y-o-y to EGP 5.6 billion in H1-2023.

Administrative Expenses

Administrative expenses in Q2-2023 stood at EGP 617 million, up 18% 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 16 percentage points year-on-year to book 20.7% in Q2-2023 versus 36.9% booked in Q2-2022. On a YTD basis, administrative expenses stood at EGP 1.2 billion, up 22% y-o-y, yielding a cost to income ratio of 21.2% in H1-2023 compared to 35.2% in H1-2022.

Asset Quality and Solvency

Non-performing loans (NPL) recorded 7.98% as at 30 June 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 102% as at 30 June 2023.



Commercial Business Highlights

Gross Loans

HDB's gross loan portfolio grew by 6% YTD to EGP 40.6 billion in H1-2023 fueled by dual-driven growth in the Bank's retail and corporate loan portfolios. In H1-2023, retail clients accounted for 57% of the Bank's gross loans and corporate clients accounted for the remaining 43%.

Customer Deposits

Deposits inched up by 2% YTD to EGP 90.9 billion in H1-2023, where a 40% YTD increase in retail deposits outweighed a 15% YTD drop in corporate deposits. In terms of contribution, corporate clients accounted for 58% of deposits, while retail clients accounted for 42% as of June 2023.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans increased 8% YTD to EGP 22.9 billion as of 30 June 2023 compared to EGP 21.2 billion at year end 2022.
- Retail deposits grew by 40% YTD to EGP 38.0 billion as of 30 June 2023 versus EGP 27.2 billion booked at year end 2022.
- HDB's branch network has reached nearly 100 branches as at 30 June 2023.
- HDB's ATM network grew to 445 in H1-2023, up from 431 in FY-2022.

Corporate Banking

- Gross corporate and syndication loans booked EGP 17.6 billion, reflecting a 4% YTD increase compared to EGP 17.0 billion in FY-2022. Gross corporate loans represent 44% of the Bank's total portfolio.
- Corporate deposits came in at EGP 52.9 billion, reflecting a drop of 15% YTD compared to EGP 62.3 billion in FY-2022.

Real Estate Activity

- The Bank sold 323 residential and commercial units in H1-2023, generating gross contracted sales of EGP 559 million during the period.
- Finished units available for sale were valued at EGP 362 million as of June 2023.
- Works in progress stood at EGP 550 million in H1-2023, 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 million across Greater Cairo, Hurghada, and the Red Sea.



Standalone Financial Highlights

Income Statement	Q2-2023	Q1-2023	Q-o-Q Change	Q2-2022	Y-o-Y Change	H1-2023	H1-2022	Y-o-Y Change
	EGP Mn	EGP Mn		EGP Mn	EGP Mn	EGP Mn	EGP Mn	
Net Interest Income	2,493	2,037	22%	1,128	121%	4,530	2,096	116%
Net Non-Interest Income	475	545	-13%	271	75%	1,020	581	76%
Core Banking Income	2,968	2,582	15%	1,399	112%	5,550	2,677	107%
Other Operating Income	10	(4)	-350%	18	-43%	6	57	-89%
Net Operating Income	2,978	2,578	16%	1,417	110%	5,556	2,734	103%
Operating Expense	(13)	6	-310%	9	-244%	(7)	(29)	-76%
Administrative Expense	(617)	(561)	10%	(523)	18%	(1,178)	(963)	22%
Credit Loss Impairment	(126)	(215)	-42%	(64)	97%	(341)	(66)	420%
Net Profit Before Tax	2,222	1,808	23%	839	165%	4,030	1,676	140%
Income Tax	(532)	(483)	10%	(275)	93%	(1,015)	(472)	115%
Net Profit	1,690	1,325	28%	564	200%	3,015	1,204	150%
<i>Earnings Per Share (EGP)</i>						5.08	2.02	

Balance Sheet	Standalone		
	30 June 2023	31 December 2022	YTD Change
	EGP Mn	EGP Mn	
Cash & Due from Central Bank	13,929	12,722	9%
Due from Banks	25,177	19,024	32%
Financial Investments	26,537	29,645	-10%
Investments in Subsidiaries	2,196	2,199	0%
Loans and Advances to Customers (Net)	37,259	35,215	6%
Gross Loans:	40,573	38,163	6%
<i>Corporate Loans</i>	17,639	16,969	4%
<i>Retail Loans</i>	22,934	21,194	8%
Real Estate	1,089	1,106	-2%
Other Assets	3,439	2,655	30%
Fixed Assets	1,040	1,066	-2%
Total Assets	110,666	103,632	7%
Customer Deposits:	90,890	89,485	2%
<i>Corporate Deposits</i>	52,854	62,260	-15%
<i>Retail Deposits</i>	38,036	27,225	40%
Other Liabilities	7,555	3,805	99%
Total Liabilities	98,445	93,290	6%
Shareholders' Equity	12,221	10,342	18%
Total Liabilities & Shareholders' Equity	110,666	103,632	7%



Financial Indicators	Q2-2023	Q1-2023	Q-o-Q Change	Q2-2022	Y-o-Y Change	H1-2023	H1-2022	Y-o-Y Change
Profitability								
ROAE	59.2%	50.5%	8.7 pp	24.3%	34.9 pp	53.5%	25.7%	27.8 pp
ROAA	6.0%	4.8%	1.2 pp	2.6%	3.4 pp	5.6%	2.9%	2.7 pp
Margins								
Net Operating Margin (NOM)	10.5%	9.4%	1.1 pp	6.5%	4.0 pp	10.4%	6.5%	3.9 pp
Net Interest Margin (NIM)	11.0%	9.2%	1.8 pp	6.3%	4.7 pp	10.5%	6.0%	4.5 pp
Efficiency								
Cost-to-Income	20.7%	21.8%	1.1 pp	36.9%	16.2 pp	21.2%	35.2%	14.0 pp
Liquidity								
Gross Loans to Deposits	44.6%	40.6%	4.0 pp	39.8%	4.8 pp	44.6%	39.8%	4.8 pp
Net Loans to Deposits	41.0%	37.3%	3.7 pp	36.8%	4.2 pp	41.0%	36.8%	4.2 pp
Asset Quality								
NPLs-to-Gross Loans	8.0%	7.8%	0.2 pp	8.8%	-0.8 pp	8.0%	8.8%	-0.8 pp
Capital Adequacy Ratio	21.2%	19.1%	2.1 pp	22.4%	-1.2 pp	21.2%	22.4%	-1.2 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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