



Housing & Development Bank (HDB) Doubles Revenue and Bottom-Line, Accomplishing a Net Income of EGP 1.3 bn

Financial Highlights

Q1-2023 Standalone Financial Results

- Net income of EGP 1.3 billion, up 107% y-o-y
- Net operating income of EGP 2.6 billion, up 96% y-o-y
- Return on Average Equity of 50.5%
- Return on Average Assets of 4.8%
- Net operating margin (NOM) of 9.4%
- Net interest margin (NIM) of 9.2%

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Housing & Development Bank (EGX: HDBK) has announced a standalone net profit of EGP 1.3 billion for the three-month period ended 31 March 2023, accomplishing an increase of 107% y-o-y during the period. Additionally, the Bank's operating income booked an increase of 96% y-o-y to EGP 2.6 billion in Q1-2023.

• An Expanding Portfolio

- HDB has continued to benefit from a diversified product offering and customer deposits recorded an increase of 8% YTD to EGP 96.4 billion in Q1-2023.
- The Bank booked a 3% YTD increase in gross customer loans to EGP 39.1 billion
- The Bank's gross loan-to-deposit ratio stood at 41% in Q1-2023.

• Strong Solvency Ratios Driven by Optimized Balance Sheet Management

- HDB's Capital Adequacy Ratio (CAR) stood at 21.77%¹, well above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of 20.64% and 1.13% for Tier-1 and Tier-2 Capital, respectively.
- HDB reported an NSFR ratio of 220% and an LCR ratio of 777% in Q1-2023.
- Customer deposits represented 91% of HDB's total liabilities in Q1-2023.
- The Bank's nonperforming loans (NPL) ratio stood at 7.8% in Q1-2023, while the Bank's coverage ratio stood at 104% in Q1-2023 vs 84% in Q1-2022.

Based on HDB's standalone financials.

¹ Takes into consideration net profit for the period.



Chairman's Message

Commenting on HDB's results for the year, Executive Chairman Managing Director Hassan Ghanem said: "I am pleased to report Housing and Development Bank's exceptional performance during the first quarter of 2023. Our commitment to excellence and delivering on our strategies has enabled us to achieve strong financial results where the Bank booked stellar double-digit growth across its top and bottom lines. Our net operating income surged by 96% year-on-year to reach EGP 2.6 billion and drove an expansion in net profit by 107% year-on-year to EGP 1.3 billion. The expansion of our commercial banking activities coupled with our customer-centric focus across the Bank's divisions continued to drive our growth during the period. Additionally, the Bank's performance and profitability were further bolstered by solid operational management as Egypt witnessed rate hikes of 800 basis points throughout 2022.

Furthermore, we maintained a strong asset base, with total assets growing by 12% year-to-date to reach EGP 116 billion in Q1-2023. We are particularly proud of the improvement in our net interest margin, which increased to 9.2% compared to 7.1% in the previous quarter. This improvement underscores our ability to effectively manage our funding portfolio structure, interest rate risk and optimize our asset-liability mix. Moreover, our ongoing efforts to expand our portfolio of corporate clients and further strengthen our presence in the corporate lending segment has reflected positively the Bank's gross loans, recording EGP 39.1 billion in March 2023.

Parallel to this, the Bank's deposits also booked solid growth, increasing by 8% year-to-date to EGP 96 billion in Q1-2023. This growth was primarily driven by robust increases in retail and corporate deposits, which rose by 14% and 5% respectively during the period. These deposit inflows demonstrate the trust and confidence our customers and clients have in our services and offerings. The Bank has also maintained its strong and attractive return profile on the back of effective business strategies across our divisions and prudent resource management, successfully booking a return on average equity (ROAE) of 50.5% and return on average assets (ROAA) of 4.8%.

We have also continued making strides across key and strategic focus areas. Our acceleration of digital transformation investments has continued to yield positive results and further modernized the Bank's infrastructure. On this front, HDB recorded a 124% year-on-year increase in the number of mobile and internet banking users during the period, and parallel to this, the number of users adopting the Bank's mobile wallet application recorded a solid increase of 63% year-on-year in Q1-2023. Meanwhile, we remained steadfast in our efforts to integrate the principles of sustainability into all aspects of the Bank's activities, maximizing the responsible utilization of natural resources and implementing effective measures to promote the shift towards a green economy. In this regard, the Bank has designated EGP 1.3 billion from its portfolio towards sustainable financing, which reflects an increase of 12% year-to-date in the total amount allocated. We have also established a dedicated sustainability department, which will focus on identifying avenues through which HDB can reduce its carbon footprint, as well as enhancing the environmental scope of the Bank's sustainable financing activities.

Moreover, as we aim to deliver on governance best practices by separating the role of non-executive chairman of the board and the CEO as per the new CBE banking law issued in September 2020, Basel El Hini was elected as HDB's non-executive chairman of the board of directors. I am pleased to welcome him amongst the Bank's experienced board members, and I am confident that the Board will continue to drive HDB's success and its ability to deliver strong results over the coming period.

As we navigate through the current challenging conditions facing the Egyptian economy, I am confident that HDB's proven track record of successfully managing headwinds will continue to fuel our growth over the coming period. Our focus remains steadfast on providing innovative and customer-centric solutions as we continue expanding our commercial banking activities, growing our digital and technological infrastructure, and delivering sustainable growth as we aim to achieve our financial and operational targets for the year. I would like to express my sincere gratitude to our loyal shareholders, esteemed customers, dedicated employees, and supportive stakeholders for their unwavering trust and support. Together, we will continue to drive HDB's success and contribute to the growth and development of Egypt's banking sector.

Hassan Ghanem

Executive Chairman 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

Net interest income (NII) booked EGP 2.0 billion, up 110% y-o-y in Q1-2023. This growth was primarily driven by a strong performance across the Bank's earnings assets instruments, which recorded an increase of 11% YTD during the period. which included a 3% YTD increase for gross customer loans and investments, coupled with a 39% YTD increase in bank placements. The Bank also booked a net interest margin of 9.2% in Q1-2023 compared to 7.1% at year-end 2022 on the back of optimized management of its funding portfolio during the period.

Net Non-Interest Income

Net non-interest income grew by 76% y-o-y to EGP 545 million in Q1-2023 driven by a 50% y-o-y increase in net customer fees and commissions coupled with a 325% y-o-y rise in income from legacy real estate activities during the period. Additionally, the 131 million generated from dividend income provided additional support for net non-interest income growth in Q1-2023.

Net Operating Income

Net operating income grew by 96% y-o-y to EGP 2.6 billion in Q1-2023 on the back of a 102% y-o-y increase in core banking income, as HDB benefitted from the 800 basis point rate hikes witnessed in 2022. Commercial banking activities stood as the primary contributor to the Bank's standalone net operating income at 89% in Q1-2023.

Administrative Expenses

Administrative expenses went up by 28% y-o-y to EGP 561 million primarily due to an increase in the Bank's cost driven by growing inflationary pressures across Egypt. The Bank's cost to income ratio stood at 21.8% in Q1-2023 compared to 33.4% in Q1-2022 driven by the significant growth in net operating income during the period.

Asset Quality and Solvency

HDB maintained an adequate ratio of 7.8% in non-performing loans (NPL) in Q1-2023 and continues to implement strategies to reduce its non-performing loans ratio and align with the market average. Parallel to this, the Bank's NPL coverage ratio grew by 21 percentage points y-o-y to 104% in Q1-2023.



Commercial Business Highlights

Gross Loans

Gross loans booked an increase of 3% YTD to EGP 39.1 billion in Q1-2023 driven by growth across the Bank's retail and corporate loan portfolios during the period. In terms of contribution, retail clients accounted for 56% of the Bank's gross loan portfolio while corporate clients accounted for the remaining 44% in Q1-2023.

Customer Deposits

Deposits grew by 8% YTD to EGP 96.4 billion in Q1-2023 on the back of increases in retail and corporate deposits, which rose by 14% and 5% YTD, respectively, during the period. Moreover, HDB's low-cost CASA accounts, including other deposits, grew by 11% YTD to EGP 74 billion in Q1-2023. Corporate deposits accounted for 68% of the Bank's deposits, while retail clients accounted for the remaining 32% of deposits in Q1-2023.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans grew by 3.4% YTD and recorded EGP 21.9 billion in Q1-2023 compared to EGP 21.2 billion in Dec 2022.
- Retail deposits grew by 14.5% YTD to EGP 31.2 billion in Q1-2023, up from EGP 27.2 billion in the previous year.
- HDB's branch network is nearing the 100-branch mark.
- The Bank added over 30 ATMs to its network over the last year, increasing its total number of ATMs to nearly 440 in Q1-2023.

Corporate Banking

- Gross standalone corporate and syndication loans stood at EGP 12.2 billion, recording an increase of 2.4% YTD compared to EGP 11,873 million in FY-2022. Standalone corporate loans represent 31% of the Bank's total portfolio.
- Corporate deposits booked EGP 65.2 billion, reflecting an increase of 4.8% YTD compared to EGP 62.3 billion in FY-2022.

SME Banking

- Gross SME loans remained flat at EGP 5.0 billion in Q1-2023 and constituted 13% of the Bank's total gross loans.

Real Estate Activity

- The Bank generated EGP 295 million from the sale of 148 residential and commercial units in Q1-2023.
- Finished units available for sale stood at EGP 421 million in Q1-2023.
- Works in progress came in at EGP 493 million in Q1-2023, representing 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	Q1-2023	Q4-2022	Q-o-Q Change	Q1-2022	Y-o-Y Change
	EGP Mn	EGP Mn	(%)	EGP Mn	(%)
Net Interest Income	2,037	1,500	36%	969	110%
Net Non-Interest Income	545	466	17%	309	76%
Core Banking Income	2,582	1,966	31%	1,278	102%
Other Operating Income	(4)	(64)	-94%	39	-110%
Net Operating Income	2,578	1,902	36%	1,317	96%
Operating Expense	6	(110)	-106%	(39)	-117%
Administrative Expense	(561)	(679)	-17%	(439)	28%
Credit Loss Impairment	(215)	(284)	-24%	(2)	11915%
Net Profit Before Tax	1,808	830	118%	837	116%
Income Tax	(483)	(326)	48%	(197)	146%
Net Profit	1,325	504	163%	640	107%
<i>Earnings Per Share (EGP)</i>	<i>2.2</i>	<i>0.9</i>	<i>36%</i>	<i>1.1</i>	<i>-</i>

Balance Sheet	Standalone		
	31 March 2023	31 December 2022	YTD Change
	EGP Mn	EGP Mn	(%)
Cash & Due from Central Bank	15,850	12,722	25%
Due from Banks	26,490	19,024	39%
Financial Investments	30,488	29,645	3%
Subsidiaries	2,196	2,199	0%
Loans and Advances to Customers (Net)	35,920	35,215	2%
Gross Loans:	39,120	38,163	3%
<i>Corporate Loans</i>	17,212	16,969	1%
<i>Retail Loans</i>	21,908	21,194	3%
Real Estate	1,080	1,106	-2%
Other Assets	3,198	2,655	20%
Fixed Assets	1,056	1,066	-1%
Total Assets	116,277	103,632	12%
Customer Deposits:	96,391	89,485	8%
<i>Corporate Deposits</i>	65,232	62,261	5%
<i>Retail Deposits</i>	31,159	27,225	14%
Other Liabilities	9,258	3,802	143%
Total Liabilities	105,649	93,288	13%
Shareholders' Equity	10,628	10,345	3%
Total Liabilities & Shareholders' Equity	116,277	103,632	12%



Financial Indicators	Q1-2023	Q4-2022	Q-o-Q Change	Q1-2022	Y-o-Y Change
Profitability					
ROAE	50.5%	20.0%	+30.5 pp	27.9%	+22.6 pp
ROAA	4.8%	2.0%	+2.9 pp	3.2%	+1.6 pp
Margins					
Net Operating Margin (NOM)	9.4%	7.4%	+2.0 pp	6.6%	+2.8 pp
Net Interest Margin (NIM)	9.2%	7.1%	+2.1 pp	5.9%	+3.3 pp
Efficiency					
Cost-to-Income	21.8%	35.7%	-13.9 pp	33.4%	-11.6 pp
Liquidity					
Gross Loans to Deposits	40.6%	42.6%	-2.1 pp	40.8%	-0.3 pp
Net Loans to Deposits	37.3%	39.4%	-2.1 pp	37.6%	-0.3 pp
Asset Quality					
NPLs-to-Gross Loans	7.8%	7.1%	+0.8 pp	7.1%	+0.8 pp
Capital Adequacy Ratio	21.8%	22.9%	-1.2 pp	23.5%	-1.7 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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