



Housing & Development Bank (HDB) Continued to Deliver Solid Growth Across its Net Operating Income and Bottom-Line in 9M-2022

Financial Highlights

9M-2022 Standalone Financial Results¹

- Net income of EGP 1,753 million, up 22.2% y-o-y
- Operating income of EGP 4,379 million, up 32.8% y-o-y
- Return on Average Equity of 24.6%
- Return on Average Assets of 2.6%
- Net operating margin (NOM) of 5.7%
- Net interest margin (NIM) of 5.4%

Q3-2022 Standalone Financial Results

- Net income of EGP 549 million, up 26.6% y-o-y
- Operating income of EGP 1,645 million, up 71.6% y-o-y
- Return on Average Equity of 22.8%
- Return on Average Assets of 2.3%
- Net operating margin (NOM) of 6.4%
- Net interest margin (NIM) 6.2%

November 15th, 2022 | Cairo, Egypt

Housing & Development Bank (EGX: HDBK) has announced a standalone net profit of EGP 549 million in Q3-2022, reflecting an increase of 26.6% y-o-y compared to Q3-2021. On a YTD basis, the Bank recorded a standalone net profit increase of 22.2% to EGP 1,753 million.

• Strong Business Expansion

- Net customer loans grew by 28.3% YTD to EGP 31,655 million across all customer segments.
- Deposits grew by 38.7% YTD to EGP 87,245 million on the back of the Bank's diversified product mix, which has supported it in maintaining a stable cost of funding.
- Gross loan-to-deposit ratio stood at 39.3% as of 30 September 2022.

¹ Standalone financials represent HDB's commercial activities and only real estate assets are wholly owned by HDB.



- **Focused Balance Sheet Management Resulted in Healthy Solvency Indicators**

- HDB's Capital Adequacy Ratio (CAR) stood at 22.36% well above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of 21.22% and 1.14% for Tier-1 and Tier-2 Capital, respectively.
- HDB reported an NSFR ratio of 119.9% and an LCR ratio of 909.6% as at 30 September 2022.
- Customer deposits represented 94.3% of HDB's total liabilities.
- The Bank's nonperforming loans (NPL) ratio marginally improved during the period and stood at 8.5%, while the Bank's coverage ratio recorded 90%.

- **CSR Updates**

Nilepreneurs Initiative

- HDB has played 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.

Participating in COP27

- HDB participated in the COP27 with the objective of exploring opportunities to contribute in sustainable finance in order to support efforts to confront the climate crisis all by highlighting our role in the sustainable development while sharing/exchanging experiences, knowledge and resources with other entities. As sustainability is one of our main core values and which is reflected in our overall strategy, HDB has been able to share in COP27 its continuous efforts in sustainable finance, technical innovation, sustainable use of natural resources and energy. And as one of the main players in the banking sector, HDB has gotten the opportunity to share its effective role on the community including the wellbeing of people, inclusion, equality, diversity and the empowering of youth and women.



Chairman's Message

Commenting on HDB's results for the year, Chairman and Managing Director Hassan Ghanem said: "The past nine months have seen turbulent market conditions hamper the Egyptian economy, from rising inflationary pressures, global supply chain constraints, to the floatation of the Egyptian Pound. However, despite a suboptimal economic backdrop, HDBK has been able to deliver on its three-pronged strategy and book growth across various fronts, thanks to its modernized business model, enhanced visibility, and focus on digitalized technology. Our solid results for the period have not only continued to reflect the success of HDB's strategy, which focuses on expanding the Bank's commercial banking activities, but further cements our position as one of Egypt's leading banking institutions. During the 9M-2022 period, the Bank's net income grew by 22.2% y-o-y to EGP 1,753 million on the back of a 32.8% y-o-y increase in standalone operating income to EGP 4,379 million.

Over the course of the period, we have also maintained our steady focus on improving the quality of the Bank's loan portfolio, and on this front, we have successfully reduced the Bank's NPL ratio to 8.5% in 9M-2022 versus 10.2% in the comparable period last year. Additionally, I would like to reiterate our commitment to further reducing the Bank's NPL ratio in our efforts to align with the Egyptian market average going forward. Meanwhile, the Bank has continued to deliver solid returns and achieved strong ROAA and ROAE figures, at 2.6% and 24.6%, respectively, in 9M-2022.

Meanwhile, the past nine months has seen us further elevate the Bank's services and overall customer experience to drive increased growth across our corporate and retail deposits. Corporate deposits contributed to nearly two-thirds of all customer deposits, in line with the Bank's strategic direction to cater to a wide variety of businesses across the nation and further deliver on our mission of becoming the bank of choice in Egypt and play our role in bolstering the Egyptian economy.

I would also like to highlight our commitment to the Central Bank of Egypt's initiatives to support Egypt's SME space and we have made strong progress in meeting the CBE's requirement for Egyptian banks to dedicate 25% of their loan portfolios towards SMEs. The Bank recognizes the vital role Egypt's SME space plays in driving economic growth and we are keen to continue supporting the sustainability of this segment going forward. On the financial inclusion front, the Bank has continued catering to the needs of SMEs, which resulted in our SME loan portfolio to exceed the EGP 4 billion mark during the period.

Parallel to these developments, I would also like to note that the Bank has distributed free shares of 2.5 shares per share to our shareholders, and we have continued to adhere to all requirements for banks set by the CBE. On this front, I am pleased to report that the Bank has successfully aligned with the CBE's new minimum capital requirements of EGP 5 billion in paid-in capital where fully funded from internal bank resources.

As we near the end of 2022, I am confident that the Bank will be able to maintain its growth trajectory and close out 2022 on a strong note. Looking further ahead, we will remain steadfast in our efforts to expand and enhance our commercial banking activities and leverage our nationwide footprint and our growing investments in advanced technological infrastructures to fuel our growth and deliver value to our shareholders."

Hassan Ghanem

Chairman of the Board and Managing Director



Standalone Financial Highlights

Net Interest Income

Standalone net interest income (NII) increased by 16.3% q-o-q to EGP 1,311 million in Q3-2022. On a YTD basis, NII grew by 39.1% EGP 3,408 million in 9M-2022, on the back of increases across the Bank's earnings assets instruments, including a 27.3% increase in gross customer loans, a 27.4% increase in bank placements, and a 43.5% increase in investments. Moreover, optimal management of the Bank's funding portfolio and funding costs has allowed the Bank to further optimize its net interest margins.

Net Non-Interest Income

Standalone net non-interest income grew by 15.7% q-o-q and 14.3% YTD driven by increased financing activities coupled with growth in customer fees and commissions recorded during the period. It is worthy to note that this performance was further supported by the removal of the CBE's waiver on fees and commissions for cash withdrawals from ATMs and bank transfers during the onset of the COVID-19 pandemic.

Net Operating Income

Standalone net operating income grew by 16.1% q-o-q to EGP 1,645 million in Q3-2022 and by 32.8 % YTD to EGP 4,379 million. This was driven by the Bank's growing commercial banking operations driving an increase in core banking income, which grew by 16.2% q-o-q and 33.1% YTD.

Commercial banking activities contributed the majority of the Bank's standalone total revenues at 95% YTD 2022. Net non-interest income, which includes income from legacy real estate activities, recorded EGP 317 million in 9M 2022, which was primarily comprised of EGP 243 million generated from the sale of real estate units, as well as YTD Net operating income include EGP 162 million generated from dividend income during the period. On a YTD basis, standalone net operating income grew by 32.8% to EGP 4,379 million in 9M-2022 due to a 33.1% increase in core banking income during the period.

Administrative Expenses

Standalone administrative expenses booked EGP 1,551 million, reflecting a 24.0% YTD increase primarily driven by high inflation rates and ongoing investments in technology systems and infrastructures. The Bank's cost to income ratio stood at 34.2% in 9M-2022.

Asset Quality and Solvency

Standalone non-performing loans (NPL) improved marginally to 8.5% as at 30 September 2022, down from 8.8% in Q2-2022 and 10.2% in the comparable financial period in 2021. This reflects HDB's successful focus on managing and maintaining a trend of NPL reduction in an effort to align with market average. HDB's NPL coverage ratio currently stands at 90.0%. Credit loss impairment increased to EGP 361 million in 9M-2022 compared to EGP 109 million in 9M-2021.



Commercial Business Highlights

Gross Loans

HDB's gross loans portfolio grew by 27.3% YTD to EGP 34,283 million, driven by growth across all customer segments on the back of the Bank's continued extensive efforts to expand its commercial banking activities. Retail clients accounted for 59% of the Bank's gross loans and corporate clients accounted for the remaining 41% as at 30 September 2022.

Customer Deposits

Deposits grew by 38.7% YTD to EGP 87,245 million. This was primarily driven by the 47.4% YTD increase in corporate deposits, which accounted for 68% of the Bank's deposits, while retail clients accounted for the remaining 32%. It is worth highlighting that current accounts increased by 60% YTD to EGP 50,653 million and savings accounts grew by 5% YTD to EGP 13,165 million.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans increased by 23.2% YTD and booked EGP 20,266 million, up from EGP 16,448 million in FY 2021.
- Retail deposits recorded an expansion of 23.0% YTD to EGP 27,604 million compared to EGP 22,433 million in FY 2021.
- HDB's branch network is nearing the 100-branch mark.
- HDB's ATM network increased to 425 ATMs as at 30 September 2022.

Corporate Banking

- Gross corporate loans recorded EGP 14,017 million, reflecting an increase of 33.6% YTD compared to EGP 10,488 million in FY 2021.
- Corporate deposits booked EGP 59,641 million, up by 47.4% YTD compared to EGP 40,462 million in FY 2021.

SME Banking

- Gross SME loans recorded EGP 4,430 million as at 30 September 2022, reflecting an increase of 26.2% YTD and constituted 31.6% of the Bank's gross corporate loan book.

Real Estate Activity

- The Bank generated **revenue** EGP 317 million EGP 243 million sales and EGP 74 million others services in 9M-2022.
- CAPEX on real estate development and finished units available for sale recorded EGP 564 million
- Works in progress came in at EGP 424 million as at 30 September 2022, representing a range of residential and commercial developments.
- HDB continues to hold an extensive land bank of around 120K Sqm, valued at a cost of EGP 185.3 million



Standalone Financial Highlights

Income Statement	Q3-2022	Q2-2022	Q-o-Q Change	Q3-2021	Y-o-Y Change	9M-2022	9M-2021	Y-o-Y Change
	EGP Mn	EGP Mn		EGP Mn	EGP Mn	EGP Mn	EGP Mn	
Net Interest Income	1,311	1,128	16.3%	833	57.4%	3,408	2,451	39.1%
Net Non-Interest Income	314	271	15.7%	169	85.8%	895	783	14.3%
Core Banking Income	1,625	1,399	16.2%	1,002	62.2%	4,302	3,234	33.1%
Other Operating Income	20	18	12.3%	(43)	-145.6%	76	64	18.7%
Net Operating Income	1,645	1,417	16.1%	959	71.6%	4,379	3,298	32.8%
Operating Expense	83	9	789.7%	80	4.1%	54	100	-46.3%
Administrative Expense	(588)	(523)	12.4%	(447)	31.7%	(1,551)	(1,251)	24.0%
Credit Loss Impairment	(296)	(64)	363.8%	(4)	7746.9%	(361)	(109)	231.3%
Net Profit Before Tax	844	839	0.6%	588	43.5%	2,520	2,038	23.7%
Income Tax	(296)	(275)	7.4%	(155)	90.9%	(768)	(604)	27.2%
Net Profit	549	564	-2.7%	433	26.6%	1,753	1,434	22.2%

Balance Sheet	Standalone		
	30 September 2022	31 December 2021	YTD Change
	EGP Mn	EGP Mn	(%)
Cash & Due from Central Bank	10,768	6,773	59.0%
Due from Banks	18,018	14,138	27.4%
Financial Investments	34,994	24,390	43.5%
Subsidiaries	2,138	1,944	10.0%
Loans and Advances to Customers (Net)	31,655	24,672	28.3%
Gross Loans:	34,283	26,936	27.3%
<i>Corporate Loans</i>	14,017	10,488	33.6%
<i>Retail Loans</i>	20,266	16,448	23.2%
Real Estate	1,152	1,114	3.4%
Other Assets	2,568	2,212	16.1%
Fixed Assets	1,042	1,034	0.8%
Total Assets	102,335	76,278	34.2%
Customer Deposits:	87,245	62,896	38.7%
<i>Corporate Deposits</i>	59,641	40,462	47.4%
<i>Retail Deposits</i>	27,604	22,433	23.0%
Other Liabilities	5,320	4,153	28.1%
Total Liabilities	92,565	67,049	38.1%
Shareholders' Equity	9,770	9,229	5.9%
Total Liabilities & Shareholders' Equity	102,335	76,278	34.2%



Net Income Breakdown	Commercial Banking Activity		Real Estate Activity		Total	
	9M-2022	9M-2021	9M-2022	9M-2021	9M-2022	9M-2021
	EGP Mn	EGP Mn	EGP Mn	EGP Mn	EGP Mn	EGP Mn
Total Revenue	7,622	5,634	443	345	8,064	5,979
Total Expense	(5,300)	(3,725)	(245)	(216)	(5,544)	(3,941)
Net Profit Before Tax	2,322	1,908	198	129	2,520	2,038
Tax	(723)	(574)	(45)	(30)	(768)	(604)
Net Profit After Tax	1,599	1,334	154	100	1,753	1,434
<i>Contribution (%)</i>	91.2%	93.0%	8.8%	7.0%		

Financial Indicators	Q3-2022	Q2-2022	Q-o-Q Change	Q3-2021	Y-o-Y Change	9M-2022	9M-2021	Y-o-Y Change
Profitability								
ROAE	22.8%	24.3%	-1.5 pp	20.8%	2.0 pp	24.6%	24.0%	0.6 pp
ROAA	2.3%	2.6%	-0.3 pp	2.6%	-0.3 pp	2.6%	3.0%	-0.4 pp
Margins								
Net Operating Margin (NOM)	6.4%	6.2%	0.2 pp	5.5%	0.9 pp	5.7%	6.4%	-0.7 pp
Net Interest Margin (NIM)	6.2%	5.9%	0.3 pp	5.9%	0.3 pp	5.4%	5.2%	0.2 pp
Efficiency								
Cost-to-Income	30.7%	36.3%	-5.6 pp	38.3%	-7.6 pp	34.2%	34.9%	-0.7 pp
Liquidity								
Gross Loans to Deposits	39.3%	39.8%	-0.5 pp	44.6%	-5.3 pp	39.3%	44.6%	-5.3 pp
Net Loans to Deposits	36.3%	36.8%	-0.6 pp	40.7%	36.3 pp	36.3%	40.7%	-4.4 pp
Asset Quality								
NPLs-to-Gross Loans	8.5%	8.8%	-0.3 pp	10.2%	-1.7 pp	8.5%	10.2%	-1.7 pp
Capital Adequacy Ratio	22.4%	22.4%	0.0 pp	22.4%	0.0 pp	22.4%	22.4%	0.0 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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