

## News Release

8 March 2022

### **Housing & Development Bank (HDB) Reports FY2021 Operating Income Growth of 17.9% Year-on-Year Amid Transformation to Full-Fledged Commercial Bank**

- **FY-2021 Standalone Financial Results<sup>1</sup>**
  - Net income of EGP 1,830 million, up 1.6% year-on-year (y-o-y)
  - Operating income of EGP 4,527 million, up 17.9% y-o-y
  - Return on equity of 19.8%
  - Return on assets of 2.4%
  - Net operating margin (NOM) of 47%
  - Net interest margin (NIM) of 5.5%
- **Q4-2021 Standalone Financial Results**
  - Net income of EGP 396 million, up 5.3% y-o-y
  - Operating income of EGP 1,129 million, up 6.8% y-o-y
  - Return on equity of 19.8%
  - Return on assets of 2.4%
  - Net operating margin (NOM) of 48%
  - Net interest margin (NIM) of 6.7%
- **Focused Balance Sheet Management**
  - Tier-2 capital booked EGP 33 billion, representing 22.5% of risk-weighted assets for 2020, while Tier-2 capital recorded EGP 38 billion, representing 23.6% of risk-weighted assets.
  - 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 FY2021.
  - Customer deposits constituted 93.8% of HDB's total liabilities, ensuring a stable funding base
  - Nonperforming loans (NPL) ratio is 10% while coverage ratio is 83%
- **Strong Business Expansion**
  - Funding to businesses and retail clients expanded by 27.5% y-o-y in FY2021, recording EGP 24,672 million.
  - Deposits rose by 33.5% y-o-y in FY2021, booking EGP 62,895 billion.
  - Loan-to-deposit ratio stood at 42.8% by year-end 2021.

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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.

- **Fulfilling Our Legacy Real Estate Mandate**
  - HDB recorded gross contracted real estate sales of EGP 402 million during FY2021, down from EGP 448 million during 2020, representing a 10% decline y-o-y.
  - Units available for sale recorded 906 at year-end 2021.
  
- **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.
  - 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 a full-year 2021 standalone net income of EGP 1,830 million, or EGP 10.61 per share, an increase of 1.6% y-o-y. HDB recorded a standalone net income of EGP 396 million for the fourth quarter of 2021, an increase of 5.3% y-o-y.

**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 year: Operating income was up by 17.9% year-on-year (y-o-y), while HDB’s net income of EGP 1,830 million for FY2021 marks growth of 1.6% y-o-y, and our net interest margin (NIM) climbed to 6.7% from the 6.1% booked one year previously.

HDB’s strong performance for 2021 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 4,527 million for FY2021, an increase of 17.9% from the figure recorded in FY2020. Growth in revenues during the year was driven primarily by a pick-up in fees and commission income. In the last 3 months of 2021, fees and commission income increased by 53% compared to Q4-2020 and 72% q-o-q in 2021. On a full year basis, income from fees and commission rose by 15% for the full year 2021. Commercial banking activities generated 81.3% of the Bank's operating income in FY2021. Other income, including income from legacy real estate activities, contributed 18.7% of operating income for FY2021. On a quarterly basis, standalone operating income came in at EGP 1,129 million for Q4-2021, up by 6.8% y-o-y against Q4-2020.

### *Net Interest Income*

Standalone net interest income (NII) registered EGP 3,629 million in FY2021, up by 16.9% y-o-y on the back of increased gross loans and CBE deposits. Standalone NII recorded EGP 818 million for Q4-2021, down by 0.8% y-o-y from the same quarter of the previous year.

### *Non-Interest Income*

HDB reported standalone non-interest income of EGP 411 million in FY2021, an increase of 14.6% 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 1,753 million for FY2021, up by 16.7% y-o-y. HDB reported a cost-to-income ratio of 42.3% during the year, a decline of 150bp from the ratio booked one year previously.

### *Loans*

HDB's gross loan portfolio stood at EGP 26,963 million by year-end 2021, expanding by 25.7% 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 36.7% y-o-y, or EGP 2,817 million, in FY2021 to record EGP 10,488 million at year-end. Meanwhile, the Bank's retail loan portfolio grew by 19.5%, or EGP 2,682 million, y-o-y. Mortgage loans constituted approximately 32.1% of the Bank's gross retail loan portfolio at year-end 2021.

### *Deposits*

Deposits booked EGP 62,895 million at year-end 2021, expanding by 33.5%, or EGP 15,773 million, y-o-y. The climb in deposits came on the back of corporate deposits, which increased by 39% y-o-y. Corporate clients accounted for 64.3% of deposits at the Bank in 2021, with retail customers accounting for 35.7%.

### *Asset Quality*

Standalone nonperforming loans stood at 10.0% as a percentage of HDB's gross loan portfolio at year-end 2021, up from 8.0% in 2020 following the adoption of new regulatory requirements. The Non-performing loans (NPL) coverage Ratio stands at 83%. HDB recorded a loan loss provision expense of EGP 161 million for FY2021, down by 191% y-o-y from EGP 178 million in FY2020.

### ***Capital and Liquidity***

HDB booked Tier-2 capital of EGP 33 billion as at 31 December 2020, representing 22.51% of total tier capital. Tier-2 capital stood at EGP 38 billion by year-end 2021. The Bank continues to maintain a strong liquidity position.

### **Operational Highlights**

#### ***Retail Banking***

- Gross retail loans recorded EGP 16,448 billion at year-end 2021, up by 19.5% y-o-y and constituting 61.1% of the Bank's total loan book.
- Retail deposits booked EGP 22,433 million at the close of 2021, up by 24.6% y-o-y and representing 35.7% of HDB's total deposits.
- HDB has rapidly expanded its network in recent years. The Bank's network encompassed 97 branches at year-end 2021, up from 80 in 2017. HDB operated a network of 450 ATMs at the close of 2021, up from 224 in 2017.

#### ***Corporate Banking***

- Gross corporate loans recorded EGP 10,488 billion at year-end 2021, up by 36.7% y-o-y and constituting 38.9% of the Bank's total loan book.
- Corporate deposits booked EGP 40,462 million at the close of 2021, up by 38.9% y-o-y and representing 64.3% of HDB's total deposits.

#### ***SME Banking***

- Gross SME loans recorded EGP 3.9 billion at year-end 2021, up by 27% y-o-y and constituting 36% of the Bank's gross corporate loan book.
- SME loans represented 14% of HDB's total loan book at the close of the year 2021.

#### ***Real Estate Activity***

- On a standalone basis, HDB sold 106 residential and commercial units during FY2021, generating gross contracted sales of EGP 403 million, down by 10% y-o-y from the figure booked in FY2020.
- Net cash collections from real estate activities reached EGP 403 million in FY2021, down 10 % y-o-y.
- CAPEX spent on real estate development amounted to EGP 130 million for FY2021, up 68% y-o-y.
- Works in progress came in at EGP 321 million by year-end 2021, representing a range of residential and commercial developments.
- HDB continues to hold an extensive land bank of more than 117,641 square meters, valued at a cost of EGP 185 million.

## Standalone Financial Highlights

Income Statement	Q4- FY21	Q3- FY21	Q-o-Q Change	Q4- FY20	Y-o-Y Change	FY2021	FY2020	Y-o-Y Change
	EGP mn	EGP mn		EGP mn	EGP mn	EGP mn	EGP mn	
Net Interest Income	818	833	-1.9%	825	-0.8%	3,269	2,797	16.9%
Net Non-Interest Income	160	93	71.8%	104	53.2%	411	359	14.6%
<b>Core Banking Income</b>	<b>978</b>	<b>927</b>	<b>5.6%</b>	<b>929</b>	<b>5.2%</b>	<b>3,680</b>	<b>3,156</b>	<b>16.6%</b>
Other Operating Income	151	117	28.9%	128	18.0%	847	683	24.0%
<b>Net Operating Income</b>	<b>1,129</b>	<b>1,044</b>	<b>8.2%</b>	<b>1,058</b>	<b>6.8%</b>	<b>4,527</b>	<b>3,839</b>	<b>17.9%</b>
Operating Expense	(502)	(495)	1%	(444)	13%	(1,796)	(1,502)	20%
Administrative Expense	(502)	(452)	11.0%	(444)	13.1%	(1,753)	(1,502)	16.7%
Credit Loss Impairment	(53)	(4)	-	(11)	-	(162)	(179)	-9.6%
<b>Net Profit Before Tax</b>	<b>577</b>	<b>588</b>	<b>-2.3%</b>	<b>603</b>	<b>-4.6%</b>	<b>2,613</b>	<b>2,516</b>	<b>3.8%</b>
Income Tax	(179)	(155)	15.5%	(227)	-21.1%	(782)	(715)	9.4%
<b>Net Profit</b>	<b>396</b>	<b>433</b>	<b>-8.7%</b>	<b>377</b>	<b>5.3%</b>	<b>1,830</b>	<b>1,801</b>	<b>1.6%</b>
Earnings Per Share (EGP)	<b>10.61</b>	<b>9.2</b>	<b>1.4%</b>	<b>10.48</b>	<b>0%</b>	<b>10.61</b>	<b>10.48</b>	<b>0%</b>

Balance Sheet	Standalone		
	FY2021	FY2020	Y-o-Y Change
	EGP mn	EGP mn	
Cash & Due from Central Bank	6,773	5,800	16.8%
Due from Banks	14,138	3,790	-
Financial Investments	26,334	25,840	1.9%
<b>Loans and Advances to Customers (Net)</b>	<b>24,672</b>	<b>19,350</b>	<b>27.5%</b>
Gross Loans:	26,936	21,438	25.6%
Corporate Loans	10,488	7,671	36.7%
Retail Loans	16,448	13,766	19.5%
Real Estate	1,206	1,100	9.6%
Other Assets	2,121	1,426	48.7%
Fixed Assets	1,034	1,010	2.4%
<b>Total Assets</b>	<b>76,278</b>	<b>58,316</b>	<b>30.8%</b>
Customer Deposits:	62,896	47,122	33.5%
Corporate Deposits	40,462	29,122	38.9%
Retail Deposits	22,433	18,001	24.6%
Other Liabilities	4,153	3,816	8.8%
<b>Total Liabilities</b>	<b>67,049</b>	<b>50,938</b>	<b>31.6%</b>
<b>Shareholders' Equity</b>	<b>9,229</b>	<b>7,378</b>	<b>25.1%</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>76,278</b>	<b>58,316</b>	<b>30.8%</b>

Net Income Breakdown	Commercial Banking Activity		Real Estate Activity		Total	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
EGP mn						
Total Revenue	7,773	6,781	511	512	8,285	7,294
Total Expense	5,365	4,506	307	272	5,672	4,778
<b>Net Profit Before Tax</b>	<b>2,408</b>	<b>2,275</b>	<b>205</b>	<b>240</b>	<b>2,612</b>	<b>2,525</b>
Tax	735	661	47	54	782	715
<b>Net Profit After Tax</b>	<b>1,672</b>	<b>1,614</b>	<b>158</b>	<b>186</b>	<b>1,830</b>	<b>1,800</b>
Contribution (%)	91%	89%	9%	11%	100%	100%

Financial Indicators	Q4- FY21	Q3- FY21	Q-o-Q Change	Q4- FY20	Y-o-Y Change	FY2021	FY2020	Y-o-Y Change
	EGP mn	EGP mn		EGP mn	EGP mn	EGP mn	EGP mn	
<b>Profitability</b>								
ROE	19.8%	25.3%	-5.5%	21.2%	-1.4%	19.8%	27.6%	-7.8%
ROA	2.4%	3.2%	-0.8%	2.6%	-0.2%	2.4%	3.4%	-1.0%
<b>Efficiency</b>								
Cost-to-Income	49.0%	43.7%	5.3%	43.0%	6.0%	42.3%	43.8%	-1.5%
<b>Liquidity</b>								
Gross Loans to Deposits	42.8%	44.6%	1.8%	45.5%	-2.7%	42.8%	45.5%	-2.7%
<b>Asset Quality</b>								
NPLs-to-Gross Loans	10.0%	10%	0%	8%	2%	10.0%	8.0%	2.0%
Capital Adequacy Ratio	23.6%	22.4%	1.2%	22.5%	1.1%	23.6%	22.5%	1.1%

### 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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