



Housing & Development Bank (HDB) Reports Robust Expansion in Commercial Business and Double-Digit Growth at the Operating and Net Income Levels in H1-2022

Financial Highlights

H1-2022 Standalone Financial Results¹

- Net income of EGP 1,204 million, up 20.3% y-o-y
- Operating income of EGP 2,734 million, up 16.9% y-o-y
- Return on equity of 25.4%
- Return on assets of 2.6%
- Net operating margin (NOM) of 6.0%
- Net interest margin (NIM) of 5.5%

Q2-2022 Standalone Financial Results

- Net income of EGP 564 million, up 48.2% y-o-y
- Operating income of EGP 1,417 million, up 23.4% y-o-y
- Return on equity of 23.8%
- Return on assets of 2.5%
- Net operating margin (NOM) of 6.2%
- Net interest margin (NIM) of 5.9%

August 15th, 2022 | Cairo, Egypt

Housing & Development Bank (EGX: HDBK) has announced a standalone net income of EGP 564 million for the second quarter of 2022, reflecting an increase of 48.2% y-o-y in Q2-2022. On a YTD basis, HDB recorded a standalone net income increase of 20.3% y-o-y to EGP 1,204 million, representing EGP 7.07 earnings per share, in H1-2022.

• Strong Business Expansion

- Net funding to corporate and retail clients increased by 17.4% YTD to EGP 28,956 million as at 30 June 2022.
- Deposits grew by 25.0% YTD to EGP 78,590 million as at 30 June 2022.
- Gross loan-to-deposit ratio stood at 40% in the period ended 30 June 2022.

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



- **Focused Balance Sheet Management**

- HDB's Capital Adequacy Ratio (CAR) stood at 22.4%, far above the Central Bank of Egypt's (CBE) minimum requirements. The Bank booked a CAR of 21.3% for Tier-1 and 1.1% for Tier-2 as of 30 June 2022.
- HDB reported an NSFR ratio of 126.9% and an LCR ratio of 304.8% for H1-2022.
- Customer deposits constituted 95.7% of HDB's total liabilities as at 30 June 2022, ensuring a stable funding base.
- Nonperforming loans (NPL) ratio stood at 8.8% while the Bank's coverage ratio recorded 84.7% in H1-2022.

- **Fulfilling Our Legacy Real Estate Mandate**

- HDB generated gross contracted sales of EGP 156 million in H1-2022.
- Units available for sale recorded 834 in H1-2022.

- **A Responsible Corporate Actor**

- The education sector is a key focus for HDB's CSR activities as the Bank looks to create sustainable impact and contribute to the development of this vital space in Egypt by supporting multiple initiatives. These include financing literacy programs and university scholarships, as well as financing the construction of the El Sewedy Academy in the Sadat Industrial Area, which focuses on technical and vocational training for students.
- Other key initiatives in the education sector include HDB supporting Nile University in equipping their industrial engineering department, as well as aiding in elevating the infrastructures of 20 schools in the Marsa Matrouh governorate in cooperation with the Misr El Kheir Foundation and the Ministry of Education and Technical Education. Additionally, HDB also supported the MOE in developing resource rooms in 30 public schools across 7 governorates to serve special needs students.
- Other key efforts in the healthcare space include supporting the establishment of the Magdi Yacoub Foundation in 6th of October City, as well as financing the comprehensive renovation and development of two departments at the Qasr Al-Aini OBGYN Hospital, which ranks second globally in terms of number of patients served annually at around 105,000 patients. Parallel to this, the Bank has also contributed over EGP 21 million to support the establishment of the Ahl Masr Hospital, which is anticipated to be the first and largest specialized hospital in the Middle and North Africa (MENA) to treat burns at no cost to the patient.
- In its aim to tackle women empowerment and support the preservation of Egypt's local heritage, HDB partnered with the Mazala Foundation to train women on niche artistic skills as well as support them in showcasing their final products across various prestigious exhibitions. Additionally, HDB partnered with Al Masry Alaseel to train women on sewing, carpet weaving, as well as reading and writing, and also partnered with ACT to train women on cosmetology.
- On the inclusion front, HDB collaborated with the Ministry of Local Development to revamp sidewalks in "Maadi", a district in Cairo, to facilitate the daily movement of people with disabilities and improve their access to governmental facilities and public transportation services in the area.

Commenting on HDB's results for the year, Chairman and Managing Director Hassan Ghanem said: "I am exceptionally pleased with our performance for the first half of 2022. Over this period, we have reaped the rewards of HDB's modernized business model, enhanced visibility, and digitalized technology, bringing us closer to accomplishing our goal of becoming a fully-fledged leading commercial bank in Egypt. We have made significant strides in delivering on our strategy and our financial performance for the first half of 2022 reflects the success and positive impact of our team's efforts. On this front, HDB's net income grew by 20.3% y-o-y to EGP 1,204 million in H1-2022, primarily driven by the 16.9% y-o-y increase in operating income to EGP 2,734 million during the period. Additionally, I would like to highlight that we have continued to bear the fruits of our efforts to enhance the quality of our loan portfolio, where we successfully maintained the Bank's



trend of reducing its NPL ratio, which now stands at 8.8% compared to 11.5% in the same period last year. We look forward to further reducing our NPL ratio over the course of the year and align with the Egyptian market average. Parallel to this, I am proud to say that HDB delivered one of the highest annualized ROA and ROE indicators compared to Egyptian peers, at 2.6% and 25.4%, respectively, which stands testament to the health and optimized management of the Bank's balance sheet.

The Bank's positive results for the period reflect our **modernized business model's** focus on continuously growing and generating revenue from core commercial banking activities across the retail, corporate, and SME fronts. HDB's corporate and retail loan portfolios have expanded significantly as more individual and corporate clients trust us with managing their business and day-to-day banking needs as well as leverage HDB's attractive rates and wide range of services. The corporate loan portfolio expanded by 20.9% to EGP 12,684 million in the period ended 30 June 2022 compared to year-end 2021, and on the retail front, the portfolio grew by 13.2% to EGP 18,615 million in the period ended 30 June 2022 compared to year-end 2021.

Moreover, our continued focus on enhancing our product and service offering has greatly benefited the Bank's customer deposits, which increased by 25.0% YTD to EGP 78,590 million in H1-2022 compared to FY2021, primarily driven by growing corporate deposits. Furthermore, in our efforts to continuously cater to a wider client base, I am pleased with the performance of our "Royal" service offering, which targets high-net-worth individuals through HDB's bespoke banking services. Parallel to this, we are also reaping the rewards of our financial inclusion efforts, especially on the lower income segment as we leverage HDB's well-established and trusted name to attract underserved and unbanked individuals across this key customer segment. On the women empowerment front, HDB promoted a savings account with special benefits specifically targeted at women, as the Bank recognizes the important role women play in the sustainability and development of the economy.

Moreover, we have continued our efforts towards **enhanced visibility** to a wide spectrum of clients as well as improve the Bank's overall product and service offering. We have undertaken several measures to bolster HDB's retail presence, including doubling-down on our branch location optimization efforts, where HDB has relocated multiple branches across more high-traffic areas across Egypt. Additionally, our teams have continued to revamp our branches in an effort to align with the needs of our target segments and to further attract increased traffic across HDB's branch network. Parallel to this, we have also expanded our product and service offering significantly in recent years, and now provide our retail clients over 20 plastic cards through our partnership with Mastercard and have grown the Bank's ATM network to 424 ATMs.

On the **digitalized technology** front, our teams focused on improving HDB's internet and mobile banking experience, as we are cognizant of the shift and preference of our customers towards a more digital approach to everyday banking. I am proud to say that HDB now offers more than 50 services through our digital platforms, compared to just 15 services in 2020. Parallel to our customer facing efforts in the digital space, HDB has also benefitted greatly from the digital and technology focused investments across the Bank's infrastructure, as we reaped the operational efficiency rewards from our new core banking system.

Our solid performance in the first half of the year is a continued reflection of the success of our three-pronged transformation strategy and the exceptional team of people who work tirelessly to deliver on its milestones. Looking ahead, we are aiming to double-down on our efforts to leverage HDB's brand equity, expand our commercial banking activities and grow our portfolio and presence in Egypt. By delivering on this strategy's milestones and capitalizing on our trusted and long-standing name in the Egyptian banking sector, we are well-positioned to deliver on our goals and catapult HDB to a leading position amongst its peers in the nation," **concluded Ghanem.**



Standalone Financial Highlights

Operating Income

Standalone operating income increased by 7.6% q-o-q and 23.4% y-o-y to EGP 1,417 million in Q2-2022 primarily on the back of growing core banking income, which increased by 16.3% q-o-q and 42.5% y-o-y. This performance was driven by the Bank's expanding commercial business portfolio coupled with solid balance sheet management. Commercial banking activities contributed the lion's share of the Bank's standalone operating income at 88% in Q2-2022. Other operating income, which includes income from legacy real estate activities, recorded EGP 163.5 million in Q2-2022. This was primarily comprised of EGP 127 million generated from the sale of real estate units, as well as EGP 15 million generated from dividend income during the period. On a YTD basis, standalone net operating income increased by 16.9% y-o-y to EGP 2,734 million in H1-2022 due to a 31.3% y-o-y increase in core banking income during the period.

Net Interest Income

Standalone net interest income (NII) booked EGP 1,128 million in Q2-2022, reflecting an increase of 16.4% q-o-q and 41.1% y-o-y driven by growth across customer loans, CBE deposits, and sovereign investment during the period. On a YTD basis, NII increased by 29.6% y-o-y to EGP 2,096 million in H1-2022.

Non-Interest Income

Standalone net non-interest income increased by 14.7% q-o-q and 56.6% y-o-y to EGP 125.4 million in Q2-2022 driven by increased financing activities coupled with growth in customers fees and commissions recorded. On a YTD basis, net non-interest income grew by 48.4% y-o-y to EGP 234.8 million in H1-2022 as the Bank reaped the benefits of 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.

Administrative Expenses

Standalone administrative expenses stood at EGP 963 million, reflecting a 19.7% y-o-y increase primarily driven by increased investments in technology systems and infrastructures in H1-2022. The Bank's cost to income ratio stood at 35.2% in H1-2022.

Asset Quality

Standalone non-performing loans (NPL) stood at 8.8% as at 30 June 2022, down from 11.5% in June 2021. This reflects HDB's successful focus on managing and maintaining a trend of NPL reduction in an effort to align with the Egyptian market average. HDB's NPL coverage ratio currently stands at 84.7% as at 30 June 2022. Credit loss impairment declined by 37.7% y-o-y to EGP 65.5 million in H1-2022 compared to EGP 105.3 million in H1-2021.



Commercial Business Highlights

Loans

HDB's gross loan portfolio grew by 16.2% YTD to EGP 31,299 million in H1-2022 on the back of healthy growth at the Bank's corporate and retail loan operations as HDB continued to expand its commercial banking activities. Retail clients accounted for 59.5% of the Bank's gross loans and corporate clients accounted for the remaining 40.5% as of H1-2022.

Deposits

Deposits increased by 25.0% YTD to EGP 78,590 million in H1-2022 and were primarily driven by the 31.0% YTD increase in corporate deposits during the period. Corporate clients account for 67.4% of bank deposits and retail clients accounted for 32.6% as of H1-2022.

Customer Portfolio Breakdown

Retail Banking

- Gross retail loans grew by 13.2% YTD to EGP 18,615 million in H1-2022 compared to EGP 16,448 million in FY 2021.
- Retail deposits increased by 14.1% YTD to EGP 25,595 million in H1-2022 compared to EGP 22,433 million in FY 2021.
- HDB's branch network has reached nearly 100 branches as at 30 June 2022.
- HDB's ATM network grew to reach 424 in H1-2022.

Corporate Banking

- Gross corporate loans grew by 20.9% YTD to EGP 12,684 million as at 30 June 2022 compared to EGP 10,488 million in FY 2021.
- Corporate deposits increased by 31.0% YTD to EGP 52,995 million as at 30 June 2022 compared to EGP 40,462 million in FY 2021.

SME Banking

- Gross SME loans recorded EGP 4,202 million as at 30 June 2022, up by 7.11% YTD and constituted 33.1% of the Bank's gross corporate loan book.

Real Estate Activity

- The Bank sold 66 residential and commercial units in H1-2022, generating gross contracted sales of EGP 156.4 million during the period.
- Net cash collections from real estate activities reached EGP 33.3 million in H1-2022.
- CAPEX on real estate development recorded EGP 608.0 million as of 30 June 2022.
- Works in progress came in at EGP 380.9 million in H1-2022, 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	Q2-2022	Q1-2022	Q-o-Q Change	Q2-2021	Y-o-Y Change	H1-2022	H1-2021	Y-o-Y Change
	EGP Mn	EGP Mn		EGP Mn	EGP Mn	EGP Mn	EGP Mn	
Net Interest Income	1,127.8	968.6	16.4%	799.5	41.1%	2,096.4	1,617.4	29.6%
Net Non-Interest Income	125.4	109.4	14.7%	80.1	56.6%	234.8	158.2	48.4%
Core Banking Income	1,253.2	1,077.9	16.3%	879.5	42.5%	2,331.2	1,775.6	31.3%
Other Operating Income	163.5	239.0	-31.6%	268.1	-39.0%	402.5	563.4	-28.6%
Net Operating Income	1,416.7	1,316.9	7.6%	1,147.7	23.4%	2,733.7	2,339.0	16.9%
Operating Expense	9.3	(38.6)	-124.2%	(13.0)	-171.6%	(29.3)	20.2	-245.0%
Administrative Expense	(523.3)	(439.4)	19.1%	(424.2)	23.4%	(962.7)	(804.1)	19.7%
Credit Loss Impairment	(63.7)	(1.8)	3460.2%	(122.5)	-48.0%	(65.5)	(105.2)	-37.7%
Net Profit Before Tax	839.0	837.1	0.2%	588.0	42.7%	1,676.2	1,449.8	15.6%
Income Tax	(275.3)	(196.8)	39.8%	(207.5)	32.6%	(472.1)	(448.8)	5.2%
Net Profit	563.8	640.3	-11.9%	380.5	48.2%	1,204.1	1,001.0	20.3%
<i>Earnings Per Share (EGP)</i>	3.31	3.76	-12.0%	5.89	-43.8%	7.07	5.89	20.0%

Balance Sheet	Standalone		
	30 June 2022	31 December 2021	YTD Change
	EGP Mn	EGP Mn	
Cash & Due from Central Bank	8,386	6,773	23.8%
Due from Banks	17,034	14,138	20.5%
Financial Investments	32,123	26,334	22.0%
Loans and Advances to Customers (Net)	28,956	24,672	17.4%
Gross Loans:	31,299	26,936	16.2%
<i>Corporate Loans</i>	12,684	10,488	20.9%
<i>Retail Loans</i>	18,615	16,448	13.2%
Real Estate	1,152	1,114	3.4%
Other Assets	2,911	2,212	31.6%
Fixed Assets	1,055	1,034	2.1%
Total Assets	91,617	76,278	20.1%
Customer Deposits:	78,590	62,896	25.0%
<i>Corporate Deposits</i>	52,995	40,462	32.7%
<i>Retail Deposits</i>	25,595	22,433	10.9%
Other Liabilities	3,550	4,153	-14.5%
Total Liabilities	82,140	67,049	22.5%
Shareholders' Equity	9,477	9,229	2.7%
Total Liabilities & Shareholders' Equity	91,617	76,278	20.1%



Net Income Breakdown	Commercial Banking Activity		Real Estate Activity		Total	
	1H-2022	1H-2021	1H-2022	1H-2021	1H-2022	1H-2021
	EGP Mn	EGP Mn	EGP Mn	EGP Mn	EGP Mn	EGP Mn
Total Revenue	4,786.7	3,824.7	252.9	266.6	5,039.6	4,091.3
Total Expense	(3,221.8)	(2,502.1)	(141.6)	(139.4)	(3,363.4)	(2,641.5)
Net Profit Before Tax	1,564.8	1,322.6	111.3	127.2	1,676.2	1,449.8
Tax	(447.1)	(419.2)	(25.0)	(29.6)	(472.1)	(448.8)
Net Profit After Tax	1,117.8	903.4	86.3	97.5	1,204.1	1,001.0
Contribution (%)	23.4%	23.6%	34.1%	36.6%	23.9%	24.5%

Financial Indicators	Q2-2022	Q1-2022	Q-o-Q Change	Q2-2021	Y-o-Y Change	H1-2022	H1-2021	Y-o-Y Change
Profitability								
ROE	23.8%	28.2%	-4.4 pp	18.8%	+5 pp	25.4%	24.7%	+0.7 pp
ROA	2.5%	3.1%	-0.6 pp	2.4%	+0.1 pp	2.6%	3.1%	-0.5 pp
Efficiency								
Cost-to-Income	36.9%	33.4%	+3.6 pp	37.0%	-0 pp	35.2%	34.4%	+0.8 pp
Liquidity								
Gross Loans to Deposits	39.8%	40.8%	-1 pp	44.8%	-5 pp	39.8%	44.8%	-5 pp
Asset Quality								
NPLs-to-Gross Loans	8.8%	7.7%	+1.1 pp	11.5%	-2.7 pp	8.8%	11.5%	-2.7 pp
Capital Adequacy Ratio	22.4%	23.5%	-1.1 pp	21.6%	+0.8 pp	22.4%	21.6%	+1.5 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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