

Cairo, June 2021

Press Release: Housing and Development Bank (HDB)

MERIS (Middle East Rating & Investors Service) affirms the National Scale Rating (NSR) of an "A-" grade for Housing and Development Bank "HDB", with a "Stable" Outlook

MERIS (Middle East Rating & Investors Service) affirms the national scale rating assigned to Housing and Development Bank (HDB) at **(A-)**, with a **"Stable"** Outlook. **MERIS** analysis is based on the audited standalone financial statements for the period ending December 31st, 2020.

An **"A"** rated issuer or issue is considered **Above Average Creditworthiness** relative to other domestic issuers or issues. The (+/-) signs denote relative status within each rating category.

In 2020, HDB loan portfolio reached EGP 21.4 billion, up from EGP 19.7 billion in 2019. On the other hand, total deposits reached EGP 47.1 billion in 2020, achieving a Y-o-Y growth of 14.1%. The Bank's net loan to deposit (excluding CDs) ratio, reached around 45% in 2020 versus a market average of 48.2% in December 2020. In terms of profitability, HDB net income reached EGP 1.8 billion in 2020, achieving a ROE of 24.4%.

The rating grade is driven by HDB's key strengths, which are:

- Well-recognized Bank that has long track record in the domestic market, with a competitive edge when it comes to housing loans in the Egyptian market;
- Growth potential following the restructuring of the Bank's management and key departments;
- Extensive upgrade in the Bank's core banking system along with the development witnessed in other programs/modules across the Bank's main functions, which are expected to facilitate the Bank's operations;
- Reliance on stable core funding sources;
- Healthy profitability ratios compared to the market peers;
- Strong participation in the mortgage finance market in Egypt, in light of the CBE's mortgage finance initiative to support this sector.

At the same time, the rating grade takes into consideration the main challenges, including:

- Uncertainties arising from the COVID-19 pandemic and its short and long-term negative economic implications;
- Although the Bank developed significantly when it comes to digitization of the Banks' product offering, it still lags behind other domestic banks with similar profile;
- The Bank size is relatively small when compared to peers, holding a market share of less than 1% in terms of loans and deposits;
- NPL ratio is on the rise compared to the domestic market average, reflecting the higher risk associated with expansion in the SME's portfolio;
- More efforts are needed for attracting long-term funding to meet the Bank's long-term loans.

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