Press Release

STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2020

PERFORMANCE HIGHLIGHTS

- **Profit After Tax for the quarter ended June 30, 2020 stood at ₹ 3,052 crore**
- **17% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Gross non-performing loans at 1.87% compared to 1.99% as at March 31, 2020**
- **Comfortable liquidity position; strong y-o-y growth in deposits at 26%**
- **Capital Adequacy at 17.3% as against regulatory requirement of 14%**
- **Consolidated Profit After Tax attributable to the Corporation for the quarter ended June 30, 2020 at ₹ 3,614 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financial results for the quarter ended June 30, 2020 at its meeting held on Thursday, July 30, 2020 in Mumbai. The accounts have been subjected to a limited review by the Corporation's statutory auditors in line with the regulatory guidelines.

In India, most part of the quarter ended June 30, 2020 entailed a strict national lockdown in order to prevent the spread of COVID-19. Unlock 1.0 (with restrictions) commenced on June 8, 2020.

Given these circumstances, the current and previous year's numbers are not directly comparable. The Corporation has endeavoured to provide a like-for-like comparison on certain key items.

FINANCIAL RESULTS

The reported profit before tax for the quarter ended June 30, 2020 stood at ₹ 3,607 crore compared to ₹ 3,985 crore in the previous year.

After providing ₹ 555 crore for tax, the reported profit after tax stood at ₹ 3,052 crore as compared to ₹ 3,203 crore in the previous year.

The profit numbers for the quarter ended June 30, 2020 are not directly comparable with that of the previous year for the following reasons:

- Dividend income received during the quarter ended June 30, 2020 stood at ₹ 298 crore (PY: ₹ 1 crore)
- Profit on Sale of Investments stood at ₹ 1,241 crore (PY: ₹ 1,894 crore)
- Net gains on de-recognition of assigned loans of ₹ 183 crore (PY: ₹ 296 crore)
- Additional provisioning, including provisioning for the impact of COVID-19 of ₹ 1,199 crore (PY: ₹ 890 crore)
- Negative carry on account of higher liquidity of ₹ 181 crore (PY: nil)

To facilitate a like-for-like comparison, after adjusting dividend, profit on sale of investments, net gains on de-recognition of assigned loans, provisioning and the impact of negative carry on account of higher liquidity, the adjusted profit before tax for the quarter ended June 30, 2020 is ₹ 3,265 crore compared to ₹ 2,684 crore in the previous year, reflecting a growth of 22%.

Total Comprehensive Income for the quarter ended June 30, 2020 was ₹ 5,070 crore compared to ₹ 3,465 crore in the corresponding quarter of the previous year, representing a growth of 46%.

LENDING OPERATIONS

Owing to the national lockdown, the retail business was impacted during the quarter. However, successive month-on-month improvements have been seen in the individual loan business since April 2020, with June 2020 disbursements being 68% of the corresponding month in the previous year and the increasing trend continuing in the month of July 2020.

During the quarter, the Corporation focused on lending to select AAA rated corporates.

Affordable Housing

During the quarter ended June 30, 2020, 37% of home loans approved in volume terms and 19% in value terms have been to customers from the Economically Weaker Section (EWS) and Low Income Groups (LIG).

The average home loan to the EWS and LIG segment stood at ₹ 10.5 lac and ₹ 17.8 lac respectively.

Overall Lending Operations

The average size of individual loans stood at ₹ 24.6 lac (compared to ₹ 27 lac in FY20). The lower average loan during the quarter was largely on account of the fact that a number of Tier 1 cities were under lockdown.

As at June 30, 2020, the assets under management stood at ₹ 5,31,555 crore as against ₹ 4,75,933 crore in the previous year.

As at June 30, 2020, individual loans comprise 74% of the Assets Under Management (AUM).

On an AUM basis, the growth in the individual loan book was 11%. The growth in the non-individual loan book was 15%. The growth in the total loan book was 12%.

During the quarter ended June 30, 2020, the Corporation assigned loans amounting to ₹ 1,376 crore to HDFC Bank. Loans sold in the preceding 12 months amounted to ₹ 18,273 crore (PY: ₹ 22,666 crore).

As at June 30, 2020, the outstanding amount in respect of individual loans sold was ₹ 65,695 crore. HDFC continues to service these loans.

The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 17%. The growth in the total loan book after adding back loans sold was 16%.

Moratorium

In accordance with the directions by the Reserve Bank of India, the Corporation had offered the moratorium to customers whose loans were standard as at February 29, 2020 for the period March 1, 2020 and May 31, 2020 (moratorium 1). The Corporation adopted an 'opt-in' structure for the moratorium.

Individual loans under moratorium 1 accounted for 22.6% of the individual loan portfolio. 27.0% of the Corporation's total loans under management were under moratorium 1.

On May 23, 2020, the RBI further permitted an extension of the moratorium period by 3 months from June 1, 2020 up to August 31, 2020 (moratorium 2).

As of date, individual loans under moratorium 2 accounted for 16.6% of the individual loan portfolio. 22.4% of the Corporation's total loans under management have opted for moratorium 2.

Non-Performing Assets (NPAs) & Provisioning

As per National Housing Bank norms, the gross non-performing loans as at June 30, 2020 stood at ₹ 8,631 crore (as compared to ₹ 8,908 crore as at March 31, 2020). This is equivalent to 1.87% of the loan portfolio (1.99% as at March 31, 2020).

The non-performing loans of the individual portfolio stood at 0.92% while that of the non-individual portfolio stood at 4.10%.

As per NHB norms, the Corporation is required to carry a total provision of ₹ 4,452 crore. Of this, ₹ 1,999 crore is towards provisioning for standard assets and ₹ 2,453 crore is towards non-performing assets.

The provisions as at June 30, 2020 stood at ₹ 12,285 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.64%.

The Corporation's Expected Credit Loss charged to the Statement of Profit and Loss stood at ₹ 1,199 crore (PY: ₹ 890 crore). This includes a COVID-19 provision of ₹ 404 crore made during the quarter.

Net Interest Income

The net interest income (NII) for the quarter ended June 30, 2020 stood at ₹ 3,392 crore compared to ₹ 3,079 crore in the previous year, representing a growth of 10%.

The NII numbers, however, are not comparable with each other owing to the higher liquidity levels and equity investments made in the recent period.

After considering the impact of the above, the adjusted NII for the quarter ended June 30, 2020 is ₹ 3,609 crore, reflecting a growth of 17%.

Net Interest Margin

The reported Net Interest Margin (NIM) was 3.1%, compared to 3.3% in the corresponding quarter last year. Adjusting the NIM for the impact of negative carry on account of significantly higher liquidity levels, the NIM stood at 3.3%, the same as the previous year.

INVESTMENTS

All investments in the Corporation's subsidiary and associate companies are carried at cost and not at fair value.

Accordingly, as at June 30, 2020, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 1,92,151 crore.

COST INCOME RATIO

For the quarter ended June 30, 2020, cost to income ratio stood at 9.0% compared to 9.5% in the previous year.

CAPITAL ADEQUACY RATIO

The Corporation's capital adequacy ratio stood at 17.3%, of which Tier I capital was 16.2% and Tier II capital was 1.1%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 14% and 10% respectively.

CONSOLIDATED FINANCIAL RESULTS

For the quarter ended June 30, 2020, the consolidated profit after tax stood at ₹ 4,059 crore as compared to ₹ 3,540 crore in the previous year, representing a growth of 15%.

For the quarter ended June 30, 2020, the consolidated profit after tax attributable to the Corporation stood at ₹ 3,614 crore as compared to ₹ 3,094 crore in the previous year, representing a growth of 17%.

DISTRIBUTION NETWORK

HDFC's distribution network spans 584 outlets which include 205 offices of HDFC's distribution company, HDFC Sales Private Limited (HSPL). HDFC covers additional locations through its outreach programmes. Distribution channels form an integral part of the distribution network with home loans being distributed through HSPL, HDFC Bank Limited and third party direct selling associates. The Corporation also has online digital platforms for loans and deposits.

To cater to non-resident Indians, HDFC has offices in London, Dubai and Singapore and service associates in the Middle East.

July 30, 2020