Press Release

STANDALONE FINANCIAL RESULTS FOR THE QUARTER ENDEDJUNE 30,2018

PERFORMANCE HIGHLIGHTS

- **18% growth in the overall loan book on an Assets Under Management (AUM) basisfor the quarter endedJune 30, 2018**
- **25% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **37% of home loans approved interms of numbers during the quarter are towards the Economically Weaker Section & Low Income Group[1]**
- **20% growth in Net Interest Income**
- **Spreads at 2.28%, Net Interest Margin at 3.5%**
- **Under Ind AS, Profit After Tax (Before Other Comprehensive Income) stood at ₹2,190crore(Previous Year:₹1,424crore)**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financialresults for the quarter ended June 30, 2018, following its meeting on Monday, July 30, 2018 in Mumbai. The accounts have been subjected to a limited review by the Corporation's statutory auditors in line with the regulatory guidelines.

TRANSITION TO IND AS

In accordance with the notifications issued by the Ministry of Corporate Affairs and National Housing Bank, the Corporation has adopted the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) notified under Section 133 of the Companies Act, 2013 with effect from April 1, 2018.

For the quarter ended June 30, 2018, the Corporation has adopted Ind AS for its standalone financials.The comparative Statement of Profit and Loss for the quarter ended June 30, 2017 is based on the erstwhile Indian Generally Accepted Accounting Principles (Previous GAAP). This has been restated to meet Ind AS requirements.

---

[1] Economically Weaker Section: Household income up to Rs 3 lac p.a.
Low Income Group: Household income greater that Rs 3 lac up to Rs 6 lac p.a.

The effective date of transition to Ind AS is April 1, 2017.

The summary of the reconciliation of the Net Profit as reported under the erstwhile Indian GAAP and Ind AS is given in the Annex.

FINANCIAL RESULTS

Financials for the quarter ended June 30, 2018

The profit before tax, dividend and sale of investments for the quarter ended June 30, 2018 stood at ₹ 2,484crore compared to ₹ 1,960crore in the corresponding quarter of the previous year, representing a growth of 27%.

For the quarter ended June 30, 2018, the Corporation received dividend of ₹ 511 crore from HDFC Bank Limited, while in the previous year, dividend from HDFC Bank was received in the second quarter.

The profit before tax for the quarter ended June 30, 2018 stood at ₹ 3,070crore compared to ₹ 2,022crore in the corresponding quarter of the previous year.

The reported profit after tax before other comprehensive income as per Ind ASfor the quarter ended June 30, 2018 stood at ₹ 2,190crore compared to ₹ 1,424crore in the corresponding quarter of the previous year, representing an increase of 54%.

LENDING OPERATIONS

Focus on Affordable Housing

In support of the government's flagship scheme, 'Housing For All', the Corporation has increased its efforts towards loans to the Economically Weaker Section (EWS) and Low Income Group (LIG).

During the quarter ended June 30, 2018, 37% of home loans approved in volume terms and 19% in value terms have been to customers from the EWS and LIG segment.

The Corporation on an average has been approving ~8,300 loans on a monthly basis to the EWS and LIG segment, with monthly such average approvals at approximately ₹1,346crore.

The average home loan to the EWS and LIG segment stood at ₹10.1 lac and ₹17.6 lac respectively.

The Corporation has been recognised by the Ministry of Housing and Urban Affairs for its contribution towards the PradhanMantriAwasYojana's Credit Linked Subsidy Scheme (CLSS)for the second consecutive year.On July 29, 2018, the Honourable Prime Minister, ShriNarendraModipresented an award to the Corporationfor being the best performing primary lending institutionin the EWS & LIG segment and the second best in the MIG segmentof the CLSS.

Overall Lending Operations

Total individual loan disbursements grew by 17%.The average size of individual loans stood at₹26.7lac.

On an Assets under Management (AUM) basis, the growth in the individual loan book was 18% and the non-individual loan book was 17%. The growth in the total loan book was 18%.

As at June 30, 2018, individual loans comprise 72% of the AUM.

As at June 30, 2018, the loan book stood at₹371,988croreas against₹3,13,573crorein the previous year.

During the quarter, the Corporation sold individual loans amounting to ₹9,714crore (PY: 2,922 crore). All the loans assigned during the quarter were to HDFC Bank pursuant to the buyback option embedded in the home loan arrangement between the Corporation and HDFC Bank. Income on these loans will continue to be recognised over the life of the loan.

The increase in the amount of loans assigned to HDFC Bank was due to the fact that no loan assignments were done to HDFC Bank since August 2017. Thus, the entire loan assignments during the quarter ended June 30, 2018 pertained to the backlog under the arrangement.

Total loans sold during the preceding twelve months was ₹13,245 crore as against ₹ 13,841 crore in the previous year.

As at June 30, 2018, the outstanding amount in respect of individual loans sold was ₹46,810crore. HDFC continues to service these loans and is entitled to the residual income on the loans sold. The residual income on the individual loans sold stood at 1.25% per annum and is being recognised over the life of the loans.

The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 25% (19% net of loans sold). The non-individual loan book grew at 18%. The growth in the total loan book after adding back loans sold was 23% (19% net of loans sold).

Non-Performing Assets (NPAs)

Under Ind AS, the Corporation's assets have been classified as follows based on Exposure at Default:

- Stage 1: Performing Assets
- Stage 2: Under Performing Assets
- Stage 3: (a) Performing but identified as assets having some degree of stress; (b): Non-Performing Assets

Under Ind AS, asset classification and provisioning moves from the 'rule based', incurred losses model to the Expected Credit Loss (ECL) model of providing for expected future credit losses. Thus, loan loss provisions are made on the basis of the Corporation's historical loss experience, future expected credit loss and after factoring in various macro-economic parameters. (*For further details, refer to Statement on Analysis of HDFC's Transition to Ind AS).*

As per NHB norms, the gross non-performing loans as at June 30, 2018stood at ₹4,409 crore. This is equivalent to 1.18% of the loan portfolio.The non-performing loans of the individual portfolio stood at 0.66% while that of the non-individual portfolio stood at 2.32%.

As per National Housing Banknorms, the Corporation is required to carry a total provision of ₹3,006crore.

As against this, the balance in the Provisions and Loan Losses Accountas atJune 30, 2018stood at₹4,758 crore.This is equivalent to 1.27% of the loan portfolio.

Net Interest Income

The net interest income for the quarter ended June 30, 2018 stood at ₹2,890crore compared to ₹2,412crore in the corresponding quarter of the previous year, representing a growth of 20%.

Spread and Margin

The spread on loans over the cost of borrowings for the quarter ended June 30, 2018 stood at 2.28%.The spread on the individual loan book was 1.91% and on the non-individual book was 3.14%.

Net Interest Margin stood at3.5%.

INVESTMENTS

As at June 30, 2018, the unaccountedgains on listed investments in subsidiary and associate companies amounted to₹1,68,000crore.

COST INCOME RATIO

For the quarter ended June 30, 2018, the cost to income ratio excluding expenses on employee stock option scheme pursuant to Ind AS and spend on corporate social responsibility stood at 9.8%.

CAPITAL ADEQUACY RATIO

The Corporation's capital adequacy ratio stood at 16.3%, of which Tier I capital was 15.0% and Tier II capital was 1.3%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 12% and 6% respectively.

DISTRIBUTION NETWORK

HDFC's distribution network spans 491outlets which include 159offices 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 andthird party direct selling associates.

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

July 30, 2018

Annex

Summary of the reconciliation of the Net Profit as reported under the erstwhile Indian GAAP and Ind AS:

Particulars	Quarter ended June 30, 2017
	Rscr
Net Profit After Tax as per Previous GAAP	1,552.42
Adjustments:	
Adjustment on account of effective interest rate / forex valuation / net interest on credit impaired loans	(106.31)
Adjustment on account of expected credit loss	(50.55)
Adjustment due to fair value of stock options	(95.16)
Fair value change in investments	17.49
Reversal of Deferred tax liability on Section 36(1)(viii) for the quarter	105.21
Other Adjustments	1.37
Total effect of Transition to Ind AS	(127.95)
Net Profit After Tax as per Ind AS	1,424.47
Other Comprehensive Income (net of tax)	(14.56)
Total Comprehensive Income (net of tax) as per Ind AS	1,409.91