**Press Release**

## STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE HALF-YEAR ENDED SEPTEMBER 30, 2020

### PERFORMANCE HIGHLIGHTS

- **For the quarter ended September 30, 2020, individual loan approvals grew 9%; disbursements at 95% levels of the previous year**
- **Individual loan disbursements for the month of September 2020 were 11% higher than in September 2019**
- **15% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Spreads at 2.27%**
- **Net Interest Margin at 3.2% for half-year ended September 30, 2020 (3.3% for the second quarter)**
- **Capital Adequacy at 20.7% as against regulatory requirement of 14%**
- **Profit After Tax for the quarter ended September 30, 2020 stood at ₹ 2,870 crore**
- **Consolidated Profit After Tax attributable to the Corporation for the quarter ended September 30, 2020 stood at ₹ 4,600 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financial results for the quarter and six months ended September 30, 2020 at its meeting held on Monday, November 2, 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, the six-months of the financial year ended September 30, 2020 entailed a combination of a strict national lockdown to prevent the spread of COVID-19 followed by a gradual unlocking of the economy.

While there has been significant improvement in business on a month-on-month basis, given the circumstances of the pandemic, 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

### *Financials for the quarter ended September 30, 2020*

The reported profit before tax for the quarter ended September 30, 2020 stood at ₹ 3,532 crore compared to ₹ 4,530 crore in the previous year.

After providing ₹ 662 crore for tax, the reported profit after tax stood at ₹ 2,870 crore as compared to ₹ 3,962 crore in the previous year.

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

- Dividend income & Profit on Sale of Investments: ₹ 323 crore (PY: ₹ 2,701 crore).
  In accordance with the directions by the Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority, the Corporation has not received any dividend from its investments in banks and insurance companies during the current financial year so far.

- Gain/loss on fair value adjustments: ₹ 166 crore (PY: loss ₹ 322 crore)

- Net gains on loans assigned: ₹ 159 crore (PY: ₹ 264 crore)

- Charge for employee stock options : ₹ 46 crore (PY: ₹ 4 crore)

- Provisioning, including provisioning for the impact of COVID-19: ₹ 436 crore (PY: ₹ 754 crore)

To facilitate a like-for-like comparison, after adjusting dividend, profit on sale of investments, fair value adjustments, net gains on loans assigned, charge for employee stock options and provisioning the adjusted profit before tax for the quarter ended September 30, 2020 is ₹ 3,366 crore compared to ₹ 2,646 crore in the previous year, reflecting a growth of 27%.

### *Financials for the half-year ended September 30, 2020*

The profit numbers for the half-year ended September 30, 2020 are not directly comparable with that of the previous year.

The reported profit before tax for the half-year ended September 30, 2020 stood at

₹ 7,139 crore compared to ₹ 8,515 crore in the corresponding period of the previous year.

To facilitate a like-for-like comparison, after adjusting dividend, profit on sale of investments, fair value adjustments, net gains on loans assigned, employee stock options charge an provisioning, the adjusted profit before tax for the half-year ended September 30, 2020 is ₹ 6,356 crore compared to ₹ 5,379 crore in the previous year, reflecting a growth of 18%.

After providing for tax of ₹ 1,217 crore (previous year: ₹ 1,350 crore), the reported profit after tax for the half-year ended September 30, 2020 stood at ₹ 5,922 crore compared to ₹ 7,165 crore in the corresponding period of the previous year.

Total comprehensive income for the half-year ended September 30, 2020 stood at ₹ 6,535 crore compared to ₹ 7,331 crore in the corresponding period of the previous year.

**LENDING OPERATIONS**

With the unlocking of the Indian economy, traction in individual loans gained momentum with successive month-on-month improvements. The prevailing low interest rates, softer property prices, reduction in stamp duty in certain states and inherent strong demand for home loans bodes well for the housing finance sector.

During the quarter ended September 30, 2020, individual loan application receipts grew 12% and approvals grew by 9% compared to the corresponding quarter of the previous year. Individual disbursements during the quarter ended September 30, 2020 were at 95% levels of the previous year.

The months of September and October 2020 have seen the strongest recovery since the outbreak of the pandemic.

| **Individual Loans** | **% Growth (Sep 20 over Sep 19)** | **% Growth (Oct 20 over Oct 19*)** |
|---|---|---|
| Approvals (value) | 31% | 58% |
| Disbursements (value) | 11% | 35% |

**Note: Last year Diwali was in the month of October. Based on the average level for the third quarter in the previous year, growth in October 2020 over the previous year was: Approvals: 32% and Disbursements: 22%.*

These trends are indicative that business is reverting to pre-COVID levels.

## Affordable Housing

During the half-year ended September 30, 2020, 35% of home loans approved in volume terms and 18% 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 ₹ 10.7 lac and ₹ 18.2 lac respectively.

## Overall Lending Operations

The average size of individual loans stood at ₹ 26.7 lac (PY: ₹ 27 lac).

As at September 30, 2020, the assets under management stood at ₹ 5,40,270 crore as against ₹ 4,90,072 crore in the previous year.

As at September 30, 2020, individual loans comprise 75% of the Assets Under Management (AUM).

On an AUM basis, the growth in the individual loan book was 9%. The growth in the non-individual loan book was 13%. The growth in the total loan book on an AUM basis was 10%.

During the quarter ended September 30, 2020, the Corporation assigned loans amounting to ₹ 3,026 crore to HDFC Bank. Loans sold in the preceding 12 months amounted to ₹ 14,138 crore (PY: ₹ 23,767 crore).

As at September 30, 2020, the outstanding amount in respect of individual loans sold was ₹ 64,974 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 15%. The growth in the total loan book after adding back loans sold was 15%.

## Collections, Non-Performing Assets (NPAs) & Provisioning

The overall collection efficiency for individual loans for the month of September 2020 (the first month after the moratorium) was 96.3%. The collection efficiency for non-moratorium customers stood at 99.5%.

As per regulatory norms, the gross non-performing loans as at September 30, 2020 stood at ₹ 8,511 crore. This is equivalent to 1.81% of the loan portfolio.

The non-performing loans of the individual portfolio stood at 0.84% while that of the non-individual portfolio stood at 4.19%. The quarter ended September 30, 2020, saw resolutions in certain non-individual loans.

If the Honourable Supreme Court order of maintaining the classification of accounts as status quo till further orders were not to be considered, the non-performing loans would have been only two basis points higher at 1.83% of the loan portfolio; with individual NPLs at 0.88% and non- individuals NPLs at 4.19%.

As per regulatory norms, the Corporation is required to carry a total provision of ₹ 5,621 crore. Of this, ₹ 3,168 crore is towards provisioning for standard assets and ₹ 2,453 crore is towards non-performing assets.

The provisions as at September 30, 2020 stood at ₹ 12,304 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.60%.

The Corporation's Expected Credit Loss charged to the Statement of Profit and Loss for the half-year ended September 30, 2020 stood at ₹ 1,635 crore (PY: ₹ 1,644 crore).

## NET INTEREST INCOME

The net interest income (NII) for the quarter ended September 30, 2020 stood at ₹ 3,647 crore compared to ₹ 3,021 crore in the previous year, representing a growth of 21%.

## SPREAD AND MARGIN

The spread on loans over the cost of borrowings for the half year ended September 30, 2020 was 2.27%. The spread on the individual loan book was 1.91% and on the non-individual book was 3.15%.

Net Interest Margin for quarter ended September 30, 2020 stood at 3.3% and for the half-year ended stood at 3.2%.

## INVESTMENTS

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

Accordingly, as at September 30, 2020, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 1,96,344 crore.

## COST INCOME RATIO

For the half-year ended September 30, 2020, cost to income ratio stood at 8.5% compared to 9.7% in the previous year.

## CAPITAL RAISE

In August 2020, the Corporation raised ₹ 10,000 crore of equity capital through a Qualified Institutions Placement. The Corporation also received ₹ 307 crore upfront through the issue of warrants.

## CAPITAL ADEQUACY RATIO

The Corporation's capital adequacy ratio stood at 20.7%, of which Tier I capital was 19.5% and Tier II capital was 1.2%. 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 September 30, 2020, the consolidated profit after tax attributable to the Corporation stood at ₹ 4,600 crore as compared to ₹ 10,389 crore in the previous year. During the quarter ended September 30, 2019, ₹ 8,000 crore pertained to profit on loss of control of a subsidiary, GRUH Finance Limited. The stake sale of GRUH Finance by the Corporation was to facilitate the merger of GRUH with Bandhan Bank.

For the half-year ended September 30, 2020, the consolidated profit after tax attributable to the Corporation stood at ₹ 8,213 crore compared to ₹ 13,483 crore in the previous year.

## DISTRIBUTION NETWORK

HDFC's distribution network spans 588 outlets which include 204 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.

## IMPACT OF COVID-19

In continuation with the former updates detailing the impact of COVID-19 on the business, all offices of the Corporation are now open for business and are following the necessary hygiene protocols, safety precautions and social distancing requirements. Staff will continue to work in office on a rotational basis and in accordance with extant regulations.

Individual loans are reverting to pre-COVID levels. As per RBI regulations, the moratorium period is over and restructuring if required, will be invoked before December 31, 2020.

The Corporation made a provision of ₹ 1,200 crore towards COVID-19 related provisioning.

Further, in accordance with RBI norms, loans for which asset classification benefits have been extended aggregated ₹ 7,977 crore. The Corporation carries adequate provisioning on such accounts.

The Corporation has gradually unwound its high liquidity levels as seen in the previous quarter. The average daily balance in liquid funds during the quarter ended September 30, 2020 was ₹ 22,500 crore compared to ₹ 32,000 crore in the previous quarter.

With various liquidity measures taken by the RBI coupled with a less risk averse environment, the Corporation is maintaining comfortable liquidity levels, whilst also endeavouring to minimise negative carry.

The Corporation has continued to raise resources from a diversified base. Deposit growth has remained strong, registering a growth of 21% as at September 30, 2020.

*November 2, 2020*