Press Release

STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2020

PERFORMANCE HIGHLIGHTS

- **26% growth in individual loan disbursements during the quarter ended December 31, 2020 compared to the corresponding quarter of the previous year**
- **16% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Spreads at 2.28% for the nine months ended December 31, 2020**
- **Net Interest Margin at 3.4% for nine months ended December 31, 2020**
- **Capital Adequacy at 20.9%; Tier 1 Capital at 19.9%.**
- **Standalone Profit After Tax for the quarter ended December 31, 2020 stood at ₹ 2,926 crore**
- **Consolidated Profit After Tax attributable to the Corporation for the quarter ended December 31, 2020 stood at ₹ 5,177 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financial results for the quarter and nine months ended December 31, 2020 at its meeting held on Tuesday, February 2, 2021 in Mumbai. The accounts have been subjected to a limited review by the Corporation's statutory auditors in line with the regulatory guidelines.

There has been a significant recovery and strong growth in the individual business during the quarter ended December 31, 2020. On a nine month basis from April 1, 2020 to December 31, 2020, the impact of the pandemic induced lockdown has to be factored in and hence the current and previous year's numbers are not directly comparable.

Further, the profit numbers for the quarter/nine months ended December 31, 2020 are not comparable with that of the corresponding quarter/period of the previous year. The merger of GRUH Finance with Bandhan Bank was effective October 17, 2019. As per

IndAS, the Corporation had on derecognition of the investment in GRUH, recorded a fair value gain of ₹ 9,020 crore through the Statement of Profit and Loss during the quarter ended December 31, 2019.

The Corporation has endeavoured to provide a like-for-like comparison on certain key items.

FINANCIAL RESULTS

Financials for the quarter ended December 31, 2020

The reported profit before tax for the quarter ended December 31, 2020 stood at ₹ 3,753 crore compared to ₹ 9,143 crore in the previous year.

After providing ₹ 827 crore for tax, the reported profit after tax stood at ₹ 2,926 crore as compared to ₹ 8,372 crore in the previous year.

The profit numbers for the quarter ended December 31, 2020 are not directly comparable with that of the previous year for the following reasons:

- Profit on sale of part stake in HDFC Life and dividend: ₹ 159 crore (PY: ₹ 4 crore)
- Net gain on fair value changes and income on loans assigned: ₹ 641 crore (PY: ₹ 209 crore)
- Fair value gain consequent to the merger of GRUH with Bandhan Bank: Nil (PY: ₹ 9,020 crore).
- Charge for employee stock options: ₹ 147 crore (PY: ₹ 3 crore)
- Provisioning (including provisioning for the impact of COVID-19): ₹ 594 crore (PY: ₹ 2,995 crore)

To facilitate a like-for-like comparison, after adjusting for the above, the adjusted profit before tax for the quarter ended December 31, 2020 is ₹ 3,694 crore compared to ₹ 2,908 crore in the previous year, reflecting a growth of 27%.

Financials for the nine months ended December 31, 2020

The profit numbers for the nine months ended December 31, 2020 are not directly comparable with that of the previous year.

The reported profit before tax for the nine months ended December 31, 2020 stood at ₹ 10,891 crore.

To facilitate a like-for-like comparison, after adjusting profit on sale of investments and dividend, fair value adjustments and income on loans assigned, fair value gain consequent to the merger of GRUH with Bandhan Bank, employee stock options charge and provisioning, the adjusted profit before tax for the nine months ended December 31, 2020 is ₹ 10,050 crore compared to ₹ 8,287 crore in the previous year, reflecting a growth of 21%.

After providing for tax of ₹ 2,044 crore, the reported profit after tax for the nine months ended December 31, 2020 stood at ₹ 8,847 crore.

Total comprehensive income for the nine months ended December 31, 2020 stood at ₹ 11,787 crore.

LENDING OPERATIONS

The demand for home loans continued to remain strong owing to low interest rates, softer property prices, concessional stamp duty rates in certain states and continued fiscal incentives on home loans.

The month of December 2020 witnessed the highest ever levels in terms of receipts, approvals and disbursements.

During the quarter ended December 31, 2020, 91% of individual disbursements entailed property deals entered over the past four months, re-affirming that housing demand remains robust and is not pent-up demand.

The COVID-19 induced pandemic has given a strong fillip to various digitalisation initiatives offered by the Corporation. Despite the easing of lockdown restrictions, the trend of digital on-boarding of customers continued. Approximately 81% of new employed borrowers opted for the digital mode.

During the quarter ended December 31, 2020, individual loan disbursements grew at 26% over the corresponding quarter of the previous year. Growth in home loans was seen in both, the affordable housing segment as well as high-end properties.

Affordable Housing

During the nine months ended December 31, 2020, 34% of home loans approved in volume terms and 17% in value terms were 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 ₹ 18.5 lac respectively.

Overall Lending Operations

The average size of individual loans disbursed during the nine months ended December 31, 2020 stood at ₹ 28.5 lac. The average loan size for the quarter ended December 31, 2020 was higher at ₹ 30.0 lac.

As at December 31, 2020, the loans on an assets under management (AUM) basis stood at ₹ 5,52,167 crore as against ₹ 5,05,401 crore in the previous year.

As at December 31, 2020, individual loans comprise 76% of the Assets Under Management (AUM).

As at December 31, 2020, the individual loan book on an AUM basis grew 10% and the non-individual loan book grew by 7%. The growth in the total AUM was 9%.

During the quarter ended December 31, 2020, the Corporation assigned loans amounting to ₹ 7,076 crore to HDFC Bank compared to ₹ 4,258 crore in the corresponding quarter of the previous year. Loans sold in the preceding 12 months amounted to ₹ 16,956 crore (PY: ₹ 21,066 crore).

As at December 31, 2020, the outstanding amount in respect of individual loans sold was ₹ 68,073 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 16%. The growth in the total loan book after adding back loans sold was 13%.

Collections, Non-Performing Assets (NPAs) & Provisioning

Overall collection efficiency ratios for individual loans have improved, nearing pre-COVID levels. The collection efficiency for individual loans in the month of December 2020 stood at 97.6% compared to 96.3% in the month of September 2020.

As per regulatory norms, the gross non-performing loans as at December 31, 2020 stood at ₹ 8,012 crore. This is equivalent to 1.67% of the loan portfolio.

The non-performing loans of the individual portfolio stood at 0.79% while that of the non-individual portfolio stood at 4.00%. The quarter ended December 31, 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 higher at 1.91% of the loan portfolio; with individual NPLs at 0.98% and non-individuals NPLs at 4.35%.

As per regulatory norms, the Corporation is required to carry a total provision of ₹ 6,579 crore. The regulatory provisioning for non-performing loans is determined solely on the period of default.

The provisions as at December 31, 2020 stood at ₹ 12,342 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.56%.

The Corporation's Expected Credit Loss charged to the Statement of Profit and Loss for the nine months ended December 31, 2020 stood at ₹ 2,229 crore.

NET INTEREST INCOME

The net interest income (NII) for the quarter ended December 31, 2020 stood at ₹ 4,068 crore compared to ₹ 3,240 crore in the previous year, representing a growth of 26%.

SPREAD AND MARGIN

The spread on loans over the cost of borrowings for the nine months ended December 31, 2020 was 2.28%. The spread on the individual loan book was 1.94% and on the non-individual book was 3.14%.

Net Interest Margin for the nine months ended December 31, 2020 stood at 3.4%.

COST INCOME RATIO

For the nine months ended December 31, 2020, cost to income ratio stood at 8.1% compared to 9.6% in the previous year.

SUBSIDIARY COMPANIES

During the quarter ended December 31, 2020, the Corporation sold 25,48,750 equity shares of HDFC Life Insurance Company Limited (HDFC Life). The profit on sale of investments was ₹ 157 crore. The Corporation's equity shareholding in HDFC Life stands at 49.99%. This has met the Reserve Bank of India's (RBI) mandate of reducing the Corporation's shareholding in HDFC Life to 50% or below by December 16, 2020.

During the quarter ended December 31, 2020, following the receipt of requisite approvals, HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) merged with HDFC ERGO General Insurance Company Limited (HDFC ERGO). The appointed date of the Scheme of Amalgamation for the merger is March 1, 2020.

As at December 31, 2020, the Corporation's shareholding in HDFC ERGO, the merged entity stood at 50.56%. As per RBI directions, the Corporation is required to reduce its shareholding in the merged entity to 50% or below within 6 months of the merger.

INVESTMENTS

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

Accordingly, as at December 31, 2020, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 2,52,910 crore.

CAPITAL ADEQUACY RATIO

The Corporation's capital adequacy ratio stood at 20.9%, of which Tier I capital was 19.9% and Tier II capital was 1.0%. 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 December 31, 2020, the consolidated profit after tax attributable to the Corporation stood at ₹ 5,177 crore as compared to ₹ 3,835 crore in the previous year.

For the nine months ended December 31, 2020, the consolidated profit after tax attributable to the Corporation stood at ₹13,390 crore compared to ₹ 17,318 crore in the previous year.

DISTRIBUTION NETWORK

HDFC's distribution network spans 589 outlets which include 202 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 open for business and are following the necessary hygiene protocols, safety precautions and social distancing requirements. Where mandated, staff continue to work in office on a rotational basis and in accordance with extant regulations.

Various schemes and regulatory forbearances have been put in place by the government and the RBI to facilitate revival of real sector activities and mitigate the impact on customers.

Though the overall sentiment in the construction finance sector has improved considerably in the recent period, challenges continue to remain owing to financial stress in some projects and efforts are on-going to find suitable resolutions.

As at December 31, 2020, ₹ 5,010 crore is being restructured under the RBI's Resolution Framework for COVID-19 Related Stress. This is 0.9% of AUM. Of the loans being restructured, 26% are individual loans and 74% non-individual loans. The largest account under the resolution framework accounted for 0.5% of AUM.

Cumulative COVID-19 provision as at December 31, 2020 stood at ₹ 959 crore.

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 December 31, 2020 was ₹ 16,800 crore compared to ₹ 22,500 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.

February 2, 2021