

Press Release

STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2022

PERFORMANCE HIGHLIGHTS

- **22% growth in Profit After Tax for the quarter ended June 30, 2022 at ₹ 3,669 crore**
- **66% growth in individual disbursements**
- **28% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Highest percentage growth in individual loans on an AUM basis in the past 8 years**
- **Significant improvement in asset quality**
- **Lower credit costs at 33 bps (PY: 50 bps)**
- **Capital Adequacy at 21.9%; Tier 1 Capital at 21.4%**
- **Propose to raise an international social loan of US\$ 1.1 billion – this is the first international social loan from India and amongst the largest globally**
- **Consolidated Profit After Tax for the quarter ended June 30, 2022 stood at ₹ 5,574 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financial results for the quarter ended June 30, 2022 at its meeting held on Friday, July 29, 2022 in Mumbai. The accounts have been subjected to

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a limited review by the Corporation's joint statutory auditors in line with the regulatory guidelines.

FINANCIAL RESULTS

The quarter ended June 30, 2022 entailed a volatile environment. Some of the financials of the current quarter are not directly comparable with that of the previous year.

- The monetary policy and interest rate actions have had a short-term impact on the net interest income and to a slightly lesser extent on the net interest margin. This has been due to the transmission lag between the interest rate increase in borrowing costs and the increase in lending rates.
- On account of volatile equity markets, the net gain on investments fair valued through the profit and loss account stood at ₹ 8 crore (PY: ₹ 402 crore)
- Dividend income: ₹ 687 crore (PY: ₹ 16 crore)
- Profit on Sale of Investments: ₹ 184 crore (PY: ₹ 263 crore)
- Non-interest expense ratios were higher largely due to an increase in upfront expenses on staffing, loan processing, branch expansion and information technology to enable meeting the increased demand for home loans. These expenses have been incurred upfront, though benefits will accrue over the ensuing quarters.

The profit before tax for the quarter ended June 30, 2022 stood at ₹ 4,590 crore compared to ₹ 3,905 crore in the previous year.

After providing ₹ 921 crore for tax, the reported profit after tax stood at ₹ 3,669 crore compared to ₹ 3,001 crore in the previous year, representing a growth of 22%.

LENDING OPERATIONS

During the quarter ended June 30, 2022, individual loan disbursements grew by 66% over the corresponding quarter of the previous year. Disbursements during the quarter marked

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the highest ever disbursements for the Corporation in the first quarter of any financial year so far.

The demand for home loans and the pipeline of loan applications continues to remain strong. Growth in home loans was seen in both, the middle income segment as well as in high end properties.

During the quarter ended June 30, 2022, 92% of new loan applications were received through digital channels.

Affordable Housing

During the quarter ended June 30, 2022, 23% of home loans approved in volume terms and 10% in value terms have been to customers from the Economically Weaker Section (EWS) and Low Income Group (LIG).

The average home loan to the EWS and LIG segment stood at ₹ 11.1 lac and ₹ 19.7 lac respectively.

Overall Lending Operations

The average size of individual loans stood at ₹ 35.7 lac compared to ₹ 33.1 lac in FY22.

As at June 30, 2022, the assets under management stood at ₹ 6,71,364 crore as against ₹ 5,74,136 crore in the previous year.




As at June 30, 2022, individual loans comprise 79% of the Assets Under Management (AUM).

On an AUM basis, the growth in the individual loan book was 19%. This marks the highest percentage growth in the individual loan AUM in 8 years.

During the quarter ended June 30, 2022, the Corporation assigned individual loans amounting to ₹ 9,533 crore (PY: ₹ 5,489 crore) to HDFC Bank. Individual loans sold in the preceding 12 months amounted to ₹ 32,499 crore (PY: ₹ 23,093 crore).

As at June 30, 2022, the outstanding amount in respect of individual loans sold was ₹ 88,856 crore. HDFC continues to service these loans.

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The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 28%.

The growth in the total loan book after adding back loans sold was 23%.

Collection Efficiency, Non-Performing Assets (NPAs) & Provisioning

The collection efficiency for individual loans on a cumulative basis stood at over 99% during the quarter ended June 30, 2022.

On November 12, 2021, the Reserve Bank of India (RBI) issued a notification to lending institutions on harmonisation of Prudential Norms on Income Recognition, Asset Classification & Provisioning (IRACP norms). Subsequently, RBI deferred the effective date to September 30, 2022. The Corporation has continued to report NPLs in accordance with the November 12, 2021 circular.




As at June 30, 2022, the gross individual non-performing loans (NPLs) stood at 0.98% of the individual portfolio, while the gross non-performing non-individual loans stood at 4.44% of the non-individual portfolio. The gross NPLs as at June 30, 2022 stood at ₹ 10,288 crore. This is equivalent to 1.78% of the portfolio.

This marks an improvement compared to December 31, 2021 (the first time of reporting under the new norms), where the gross individual NPLs stood at 1.44% and the gross non-individual NPLs stood at 5.04% of the non-individual portfolio. Total NPLs as at June 30, 2022 has reduced to stand at 1.78% as against 2.32% as at December 31, 2021.

Based on the earlier NPL norms and to provide a like-for-like comparison with the previous year, the gross individual NPLs at June 30, 2022 was 0.75% (PY: 1.37%) of the individual portfolio and total NPLs was 1.61% (PY: 2.24%) of the loan portfolio. This reflects significant improvement in the overall asset quality.

To reiterate, the Corporation has not opted for the deferment, but declared its NPLs and made provisioning based on the November 12, 2021 notification of RBI.

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As at June 30, 2022, the Corporation carried a total provision of ₹ 13,328 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.30%.

The Corporation's Expected Credit Loss (ECL) charged to the Statement of Profit and Loss for the quarter ended June 30, 2022 was lower at ₹ 514 crore (PY: ₹ 686 crore). Credit costs for the quarter ended June 30, 2022 stood at 33 basis points (PY: 50 basis points).

This clearly reflects an improvement in the asset quality as well as stabilisation of credit costs on a marginal basis.

Net Interest Income & Spreads

The net interest income (NII) for the quarter ended June 30, 2022 stood at ₹ 4,447 crore compared to ₹ 4,125 crore in the previous year.



- In Q1FY23, interest rate actions have had an immediate impact on borrowing costs, without a simultaneous transmission on the asset side.
- In the corresponding quarter of the previous year, due to the second wave of COVID-19, there was ample liquidity in the system and consequently, overnight interest swap rates fell to very low levels, thus expanding NII and Net Interest Margin (NIM).

The reported NIM during the quarter ended June 30, 2022 was 3.4%.

The spread on loans over the cost of borrowings for the quarter ended June 30, 2022 was 2.25%. The spread on the individual loan book was 1.91% and on the non-individual book was 3.45%.

The Corporation has increased its benchmark lending rates and has incrementally shifted from a quarterly reset for individual loans to a monthly reset to reduce the impact of transmission of rate changes.

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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, 2022, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 2,17,223 crore.

COST INCOME RATIO

For the quarter ended June 30, 2022, the cost to income ratio stood at 9.5%.

CAPITAL ADEQUACY RATIO

As at June 30, 2022, the Corporation's capital adequacy ratio stood at 21.9%, of which Tier I capital was 21.4% and Tier II capital was 0.5%.

As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 15% and 10% respectively.




CONSOLIDATED FINANCIAL RESULTS

For the quarter ended June 30, 2022, the consolidated profit after tax stood at ₹ 5,574 crore. The consolidated profit after tax attributable to the Corporation stood at ₹ 5,309 crore.

INTERNATIONAL SOCIAL LOAN

In July 2022, the RBI increased the limit of External Commercial Borrowings (ECB) under the automatic route from US\$ 750 million to US\$ 1.5 billion per financial year. The Corporation is in the process of raising a three year international social loan for on-lending for affordable housing and the facility will also align with some of the Sustainable Development Goals. The expected all-in cost on a fully hedged basis will be comparable with domestic borrowing rates for a similar tenor. This will mark the first social ECB loan from India and is amongst the largest social loans globally.

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DISTRIBUTION NETWORK

HDFC's distribution network spans 695 outlets which include 214 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 29, 2022

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