

Basel III - Disclosures Under Pillar 3 as per the Banking Act Direction No.01 of 2016

Disclosure 1

Key Regulatory Ratios - Capital and Liquidity

	As at 31.12.2019	As at 30.09.2019
Regulatory Capital (LKR '000)		
Common Equity Tier 1	4,501,083	4,073,298
Tier 1 Capital	4,751,083	4,323,298
Total Capital	4,751,083	4,323,298
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio <i>(Minimum Requirement - for 2019 -7.00)</i>	16.864	15.684
Tier 1 Capital Ratio <i>(Minimum Requirement - for 2019 - 8.50)</i>	17.801	16.647
Total Capital Ratio <i>(Minimum Requirement - for 2019 - 12.50)</i>	17.801	16.647
Leverage Ratio <i>(Minimum Requirement - for 2019 - 3%)</i>	8.85	8.28
Regulatory Liquidity		
Statutory Liquid Assets (LKR '000)	10,746,912	9,151,802
Statutory Liquid Assets Ratio <i>(Minimum Requirement - for 2019 - 20%)</i>		
Domestic Banking Unit (%)	26.07	23.04
Off-Shore Banking Unit (%)	-	-
Liquidity Coverage Ratio (%) - Rupee <i>(Minimum Requirement - for 2019 - 100 ,)</i>	191.31	191.20
Liquidity Coverage Ratio (%) - All Currency <i>(Minimum Requirement -for 2019 - 100)</i>	-	-

Disclosure 2

Basel III Computation of Capital Ratios

	Amount (LKR ' 000)	
	As at 31.12.2019	As at 30.09.2019
Common Equity Tire 1 (CET1) Capital Afer Adjustment	4,501,083	4,073,298
Common Equity Tire 1 (CET1) Capital	4,773,323	4,773,323
Equity Capital (Stated Capital)/Assigned Capital	962,093	962,093
Reserve Fund	188,425	188,425
Published Retained Earnings/(Accumulated Retained Losses)	3,319,554	3,319,554
Published Accumulated Other Comprehensive Income (OCI)	-	-
General and other Disclosed Reserves	303,251	303,251
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	272,240	700,025
Goodwill (net)	-	-
Intangible Assets (net)	152,781	154,735
Others (Specify)	119,459	545,290
Additional Tier 1 (AT1) Capital after Adjustments	250,000	250,000
Additional Tier 1 (AT1) Capital	250,000	250,000
Qualifying Additional Tiere 1 Capital Instruments	250,000	250,000
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital		
Investment in Own Shares	-	-
Others (Specify)	-	-
Tier 2 Capital after Adjustments		
Tier 2 Capital	252,429	226,618
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	252,429	226,618
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	252,429	226,618
Investment in Own Shares	-	-
Others (Specify)	252,429	226,618
CET1 Capital		
Total Tier 1 Capital	4,751,083	4,323,298
Total Capital	4,751,083	4,323,298

	Amount (LKR ' 000)	
	As at 31.12.2019	As at 30.09.2019
Total Risk Weighted Amount	26,690,554	25,970,629
R W As for Credit Risk	23,358,546	22,747,421
R W As for Market Risk	40,000	40,000
R W As for Operational Risk	3,292,008	3,183,208
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	16.864	15.684
of Which : Capital Conservation Buffer (%)	-	-
of Which : Countercyclical Buffer (%)	-	-
of Which : Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	17.801	16.647
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	17.801	16.647
of Which : Capital Conservation Buffer (%)	-	-
of Which : Countercyclical Buffer (%)	-	-
of Which : Capital Surcharge on D-SIBs (%)	-	-

Disclosure 3

Computation of Leverage Ratio

	Amount (LKR '000)	
	As at 31.12.2019	As at 30.09.2019
Tier 1 Capital	4,751,083	4,323,298
Total Exposures	53,710,325	52,184,316
On Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	53,149,802	51,033,668
Derivative Exposures		
Securities Financing Transaction Exposures	560,523	1,150,648
Other Off- Balance Sheet Exposures		
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	8.85	8.28

Disclosure 4

Basel III Computation of Liquidity Coverage Ratio

	Amount (LKR '000)			
	As at 31.12.2019		As at 30.09.2019	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High - Quality Liquid Assets (HQLA)	3,113,868	3,113,868	3,065,067	3,056,177
Total Adjusted Level 1A Assets	3,113,868	3,113,868	3,047,286	3,047,286
Level 1 Assets	3,113,868	3,113,868	3,047,286	3,047,286
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	17,781	8,891
Level 2B Assets	-	-	17,781	8,891
Total Cash Outflows	43,306,915	6,510,584	41,149,948	6,393,609
Deposits	32,641,218	3,264,122	30,281,822	3,028,182
Unsecured Wholesale Funding	9,901,155	3,149,467	10,099,619	3,264,467
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	764,542	96,995	768,507	100,960
Additional Requirements				
Total Cash Inflows	7,570,311	6,696,091	6,096,326	5,223,842
Maturing Secured Lending Transactions Backed by Collateral	580,839	580,839	514,289	514,289
Committed Facilities	800,000	-	800,000	-
Other Inflows by Counterparty which are Maturing within 30 Days	6,184,788	6,112,910	4,777,965	4,707,517
Operational Deposits	-	-	-	-
Other Cash Inflows	4,684	2,342	4,072	2,036
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Nexty 30 Callender Days) * 100		191.31		191.20

Disclosure 5

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Stated Capital	Basel III Compliant -Tier 1 Perpetual Bond with a Non - viability Conversion
Issuer	HDFC Bank	General Treasury
CSE Security Code	HDFC N0000	Unlisted
Governing Law (s) of the Instrument	Sri Lanka	Sri Lanka
Original Date of Issuance	Multiple	Multiple
Par Value of Instrument	N/A	100
Perpetual or Dated	Perpetual	Perpetual
Original Maturity Date, if Applicable	N/A	N/A
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	962,093	250,000
Accounting Classification (Equity/Liability)	Equity	Liability
Issuer Call Subject to Prior Supervisory Approval		
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A
Coupons/ Dividends		
Fixed or Floating Dividend/Coupon	N/A	Fixed
Coupon Rate and any Related Index		12.5
Non - Cumulative or Cumulative	Non - Cumulative	Non - Cumulative
Convertible or Non-Convertible		
If Convertible, Conversion Trigger (s)	N/A	<p>A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Perpetual Bond upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), Upon the occurrence of a Trigger Event / point which would make the bank non-viable as determined by the Monetary Board as contemplated by section 11(iii) of item 20.2.2.1.1.1 of the Web Based Return Code of the Banking Direction there would be an allocation of losses to the instrument and the par value of the instrument would be reduced which would result in;"</p> <p>a. The claims of the AT1 Bond holder being reduced on a liquidation or upon a call option being exercised in terms of (1) above ; and</p> <p>b. A reduction in the amount of interest arising from the reduction of the principal sum on which the interest rate is applied.</p>
If Convertible, Fully or Partially	N/A	Fully
If Convertible, Mandatory or Optional	N/A	Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka up on occurrence of trigger points as detailed above.
If Convertible, Conversion Rate	N/A	As per the Bond Certificate

Disclosure 7

**Credit Risk under Standardised Approach
Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects**

Asset Class	Amount (LKR ' 000) as at 31.12.2019					
	Exposure before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On Balance Sheet Amount	Off Balance Sheet Amount	On Balance Sheet Amount	Off Balance Sheet Amount	RWA	RWA Density (ii)
Claims on Central Government and CBSL	2,963,655	-	2,963,655	-	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	8,467,684	-	8,467,684	-	2,208,392	26.08
Claims on Financial Institutions	2,590,038	-	2,590,038	-	1,398,490	53.99
Claims on Corporates	594,020	-	594,020	-	623,255	104.92
Retail Claims	10,141,935	5,870	10,141,935	5,870	7,408,369	73.05
Claims Secured by Gold	293,037	-	293,037	-	218,118	74.43
Claims Secured by Residential Property	12,313,427	-	12,313,427	-	6,903,252	56.06
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non - Performing Assets (NPAs) (i)	2,633,351	-	2,633,351	-	3,253,097	123.53
Higher - risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	1,495,787	-	1,495,787	-	1,345,574	89.96
Total	41,492,934	5,870	41,492,934	5,870	23,358,546	56.30

Disclosure 9

Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR ' 000) As at 31.12.2019
(a) RWA for Interest Rate Risk	-
General Interest Rate Risk	-
(i) Net Long or Short Position	-
(ii) Horizontal Disallowance	-
(iii) Vertical Disallowance	-
(iv) Options	-
Specific Interest Rate Risk	-
(b) RWA for Equity	5,000
(i) General Equity Risk	2,500
(ii) Specific Equity Risk	2,500
(c) RWA for Foreign Exchange & Risk	-
Capital Charges For Market Risk [(a) + (b) + (c)] * CAR	40,000

Disclosure 10

Operational Risk under Basic Indicator Approach/ The standardised Approach/The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR '000) As at 31.12.2019		
			1st year	2nd Year	3rd year
The Basic Indicator Approach	15%		2,177,590	2,712,314	3,340,113
The Standardised Approach					
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	15%		-	-	-
Retail Banking	12%		-	-	-
Commercial Banking	15%		-	-	-
The Alternative Standardised Approach					
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	12%		-	-	-
Retail Banking	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-
Capital Charges For Operational Risk (LKR'000)					
The Basic Indicator Approach	411,501				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk weighted Amount For Operational Risk (LKR' 000)					
The Basic Indicator Approach	3,292,008				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

Disclosure 11

Differences between Accounting and Regulatory Scopes and
Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank Only

Item	Amount (LKR ' 000) as at 31.12.2019				
	a	b	c	d	e
	Carrying values as reported in published Financial Statements	Carrying values under scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or subject to Deduction from Capital
Assets	55,983,881	53,853,630	41,492,934	19,250	12,342,146
Cash and Cash Equivalents	421,218	421,218	421,218	-	-
Balances with Central Banks	-	-	-	-	-
Placements with Banks	7,539,925	7,540,628	7,540,628	-	-
Securities purchased under re - sale agreements	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-
Financial assets recognized through profit or loss- measured at fair value	19,250	19,250	-	19,250	-
Financial Assets at amortised cost - Loans and advance to Banks	-	-	-	-	-
Financial Assets at amortised cost-Loans and advances to other customers	41,215,593	39,347,639	27,246,502	-	12,101,137
Financial assets at amortised cost-Debt and other financial instruments	4,909,627	4,939,011	4,939,011	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint Ventures	-	-	-	-	-
Property, Plant and Equipment	227,519	288,798	289,498	-	-
Lease ROUA	351,112	-	-	-	-
Investment Property	920,000	920,000	920,000	-	-
Intangible assets	152,781	153,481	-	-	153,481
Deferred Tax Assets	112,649	87,528	-	-	87,528
Other Assets	114,206	136,076	136,076	-	-
			-	-	-
Liabilities	50,840,268	50,486,651	-	-	-
Due to Banks	953,385	953,385	-	-	-
Derivative Financial Instruments	-	-	-	-	-
Securities sold under repurchase agreements	-	-	-	-	-
Financial Liabilities at amortised cost - due to depositors	42,504,294	42,518,591	-	-	-
Financial Liabilities at amortised cost -other borrowings	1,603,784	1,620,356	-	-	-
Debt Securities Issued	4,042,359	4,042,495	-	-	-
Retirement Benefits obligations	635,835	635,835	-	-	-
Current Tax Liabilities	338,359	298,089	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Other Provisions	310,149	-	-	-	-
Other Liabilities	452,103	417,901	-	-	-
			-	-	-
Off-Balance Sheet Liabilities	457,460	457,460	-	-	-
Guarantees	5,870	5,870	5,870	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Other contingent Items	-	-	-	-	-
Undrawn Loan Commitments	451,590	451,590	-	-	451,590
Other commitments	-	-	-	-	-
Shareholders' Equity	5,143,613	3,366,979	-	-	-
Equity Capital (stated Capital)/ Assigned Capital	962,093	-	-	-	-
of which Amount Eligible for CET1	962,093	962,093	-	-	-
of which Amount Eligible for ATI	-	-	-	-	-
Retained Earnings	3,701,729	1,959,501	-	-	-
Accumulated Other Comprehensive Income	(77,750)	(65,716)	-	-	-
Other Reserves	557,541	511,101	-	-	-