

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

**Disclosure 1**

**Key Regulatory Ratios - Capital and Liquidity**

	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
<b>Regulatory Capital (LKR '000)</b>		
Common Equity Tier 1	4,904,034	3,876,396
Tier 1 Capital	5,154,034	3,876,396
Total Capital	5,154,034	3,876,396
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio <i>(Minimum Requirement - for 2018 -6.375, for 2019 - 7.00)</i>	18.209	16.417
Tier 1 Capital Ratio <i>(Minimum Requirement - for 2018 - 7.875, for 2019 - 8.50)</i>	19.138	16.417
Total Capital Ratio <i>(Minimum Requirement - for 2018 - 11.875, for 2019 - 12.50)</i>	19.138	16.417
Leverage Ratio <i>(Minimum Requirement - for 2018 &amp; 2019 - 3%)</i>	8.85	6.73
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR '000)	10,746,912	7,618,054
Statutory Liquid Assets Ratio <i>(Minimum Requirement - for 2018 &amp; 2019 - 20%)</i>	26.07	20.56
Domestic Banking Unit (%)	26.07	20.56
Off-Shore Banking Unit (%)	-	-
Liquidity Coverage Ratio (%) - Rupee <i>(Minimum Requirement - for 2018 - 90 &amp; 2019 - 100)</i>	191.31	231.31
Liquidity Coverage Ratio (%) - All Currency <i>(Minimum Requirement - for 2018 - 90 &amp; 2019 - 100)</i>	-	-

**Disclosure 2**

**Basel III Computation of Capital Ratios**

	Amount (LKR ' 000)	
	As at 31.12.2019	As at 31.12.2018
<b>Common Equity Tire 1 (CET1) Capital Afer Adjustment</b>	<b>4,904,034</b>	<b>3,876,396</b>
<b>Common Equity Tire 1 (CET1) Capital</b>	<b>5,197,405</b>	<b>4,774,575</b>
Equity Capital (Stated Capital)/Assigned Capital	962,093	962,093
Reserve Fund	209,629	188,425
Published Retained Earnings/(Accumulated Retained Losses)	3,680,023	3,319,554
Published Accumulated Other Comprehensive Income (OCI)	-	-
General and other Disclosed Reserves	345,660	304,503
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-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	-	-
<b>Total Adjustments to CET1 Capital</b>	<b>293,371</b>	<b>898,179</b>
Goodwill (net)	-	-
Intangible Assets (net)	152,781	165,401
Others (Specify)	140,590	732,778
<b>Additional Tier 1 (AT1) Capital after Adjustments</b>	<b>250,000</b>	<b>-</b>
<b>Additional Tier 1 (AT1) Capital</b>	<b>250,000</b>	<b>-</b>
Qualifying Additional Tiere 1 Capital Instruments	250,000	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
<b>Total Adjustments to AT1 Capital</b>		
Investment in Own Shares	-	-
Others (Specify)	-	-
<b>Tier 2 Capital after Adjustments</b>		
<b>Tier 2 Capital</b>	<b>252,429</b>	<b>139,224</b>
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	252,429	139,224
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
<b>Total Adjustments to Tier 2</b>	<b>252,429</b>	<b>139,224</b>
Investment in Own Shares	-	-
Others (Specify)	252,429	139,224
<b>CET1 Capital</b>	<b>4,904,034</b>	<b>3,876,396</b>
<b>Total Tier 1 Capital</b>	<b>5,154,034</b>	<b>3,876,396</b>
<b>Total Capital</b>	<b>5,154,034</b>	<b>3,876,396</b>

	Amount (LKR ' 000)	
	As at 31.12.2019	As at 31.12.2018
<b>Total Risk Weighted Amount</b>	<b>26,931,561</b>	<b>23,612,420</b>
R W As for Credit Risk	23,625,809	20,481,532
R W As for Market Risk	40,000	42,105
R W As for Operational Risk	3,265,752	3,088,783
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>18.209</b>	<b>16.417</b>
of Which : Capital Conservation Buffer (%)	-	-
of Which : Countercyclical Buffer (%)	-	-
of Which : Capital Surcharge on D-SIBs (%)	-	-
<b>Total Tier 1 Capital Ratio (%)</b>	<b>19.138</b>	<b>16.417</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>19.138</b>	<b>16.417</b>
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 31.12.2018
<b>Tier 1 Capital</b>	<b>4,751,083</b>	<b>3,305,382</b>
<b>Total Exposures</b>	<b>53,710,325</b>	<b>49,143,544</b>
On Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	53,149,802	46,987,550
Derivative Exposures	-	-
Securities Financing Transaction Exposures	560,523	2,155,994
Other Off- Balance Sheet Exposures	-	-
<b>Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)</b>	<b>8.85</b>	<b>6.73</b>

Disclosure 4

Basel III Computation of Liquidity Coverage Ratio

	Amount (LKR '000)			
	As at 31.12.2019		As at 31.12.2018	
	Total Un - weighted Value	Total Weighted Value	Total Un - weighted Value	Total Weighted Value
<b>Total Stock of High - Quality Liquid Assets (HQLA)</b>	<b>3,113,868</b>	<b>3,113,868</b>	<b>4,454,830</b>	<b>4,442,315</b>
<b>Total Adjusted Level 1A Assets</b>	3,113,868	3,113,868	4,141,535	4,141,535
<b>Level 1 Assets</b>	3,113,868	3,113,868	4,429,799	4,429,799
<b>Total Adjusted Level 2A Assets</b>	-	-	-	-
<b>Level 2A Assets</b>	-	-	-	-
<b>Total Adjusted Level 2B Assets</b>	-	-	25,031	12,516
<b>Level 2B Assets</b>	-	-	25,031	12,516
<b>Total Cash Outflows</b>	<b>43,306,915</b>	<b>6,510,584</b>	<b>37,782,041</b>	<b>5,946,895</b>
Deposits	32,641,218	3,264,122	29,841,037	2,984,104
Unsecured Wholesale Funding	9,901,155	3,149,467	7,209,039	2,841,520
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	764,542	96,995	731,965	121,271
Additional Requirements	-	-	-	-
<b>Total Cash Inflows</b>	<b>7,570,311</b>	<b>6,696,091</b>	<b>5,001,911</b>	<b>4,026,374</b>
Maturing Secured Lending Transactions Backed by Collateral	580,839	580,839	506,986	506,986
Committed Facilities	800,000	-	900,000	-
Other Inflows by Counterparty which are Maturing within 30 Days	6,184,788	6,112,910	3,587,361	3,515,606
Operational Deposits	-	-	-	-
Other Cash Inflows	4,684	2,342	7,564	3,782
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Nexty 30 Callender Days) * 100</b>		<b>191.31</b>		<b>231.31</b>

**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
<b>Issuer Call Subject to Prior Supervisory Approval</b>		
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A
Subsequent Call Dates, if Applicable	N/A	N/A
<b>Coupons/ Dividends</b>		
Fixed or Floating Dividend/Coupon	N/A	Fixed
Coupon Rate and any Related Index		12.5
Non - Cumulative or Cumulative	Non - Cumulative	Non - Cumulative
<b>Convertible or Non-Convertible</b>		
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	1,763,050	-	1,763,020	-	1,612,837	91.48
<b>Total</b>	<b>41,760,197</b>	<b>5,870</b>	<b>41,760,167</b>	<b>5,870</b>	<b>23,625,809</b>	<b>56.57</b>

**Disclosure 9**

**Market Risk under Standardised Measurement Method**

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

**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
<b>The Basic Indicator Approach</b>	15%		2,177,590	2,679,560	3,307,230
<b>The Standardised Approach</b>					
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%		-	-	-
<b>The Alternative Standardised Approach</b>					
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	-	-	-
<b>Capital Charges For Operational Risk (LKR'000)</b>					
The Basic Indicator Approach	408,219				
The Standardised Approach	-				
The Alternative Standardised Approach	18,860				
<b>Risk weighted Amount For Operational Risk (LKR' 000)</b>					
The Basic Indicator Approach	3,265,752				
The Standardised Approach	-				
The Alternative Standardised Approach	150,880				

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
<b>Assets</b>	<b>55,954,646</b>	<b>54,146,014</b>	<b>41,760,197</b>	<b>19,250</b>	<b>12,366,567</b>
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	4,880,393	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	227,519	227,519	-	-
Lease ROUA	351,112	351,112	351,112	-	-
Investment Property	920,000	920,000	920,000	-	-
Intangible assets	152,781	152,781	-	-	152,781
Deferred Tax Assets	112,649	112,649	-	-	112,649
Other Assets	114,206	114,206	114,206	-	-
<b>Liabilities</b>	<b>50,835,538</b>	<b>50,835,538</b>	<b>-</b>	<b>-</b>	<b>-</b>
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	42,504,294	-	-	-
Financial Liabilities at amortised cost -other borrowings	1,603,784	1,603,784	-	-	-
Debt Securities Issued	4,042,359	4,042,359	-	-	-
Retirement Benefits obligations	635,835	635,835	-	-	-
Current Tax Liabilities	333,630	333,630	-	-	-
Deferred Tax Liabilities	-	-	-	-	-
Lease Liability	310,149	310,149	-	-	-
Other Liabilities	452,102	452,102	-	-	-
<b>Off-Balance Sheet Liabilities</b>	<b>432,241</b>	<b>432,241</b>	<b>5,870</b>	<b>-</b>	<b>426,371</b>
Guarantees	5,870	5,870	5,870	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	-	-	-	-	-
Other contingent Items	-	-	-	-	-
Undrawn Loan Commitments	426,371	426,371	-	-	426,371
Other commitments	-	-	-	-	-
<b>Shareholders' Equity</b>	<b>5,119,108</b>	<b>3,310,476</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity Capital (stated Capital)/ Assigned Capital</b>	<b>962,093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
of which Amount Eligible for CETI	962,093	962,093	-	-	-
of which Amount Eligible for ATI	-	-	-	-	-
Retained Earnings	3,679,558	1,870,926	-	-	-
Accumulated Other Comprehensive Income	(77,750)	(77,750)	-	-	-
Other Reserves	555,207	555,207	-	-	-