

# Capital Adequacy

## Computation of Risk-Weighted Assets

As at 31st December	Balance		Risk Weight	Risk Weighted Balance	
	2004	2003		2004	2003
	Rs.' 000	Rs.' 000	%	Rs.' 000	Rs.' 000
<b>On - Balance Sheet Items</b>					
<b>ASSETS</b>					
Cash, Statutory Deposit with Central Bank of Sri Lanka, Treasury Bills Government and other Securities	73,613,817	71,384,664	-	-	-
Loans secured by Cash/Gold and guaranteed by Central Bank of Sri Lanka & Government	43,261,458	32,424,029	-	-	-
Loans guaranteed by OECD					
Central Government & Central Banks	145,544	706	20	29,109	71
Loans guaranteed by Non OECD					
Central Government & Central Banks	443,598	109,806	20	88,720	21,961
Loans guaranteed by SLECIC	279,888	128,820	50	139,944	64,410
Loans secured by Primary Mortgages over Residential Property	20,836,325	17,242,188	50	10,418,163	8,621,094
Other Loans and Advances	47,016,462	39,126,867	100	47,016,462	39,126,867
Due from Banks Abroad	7,921,477	4,753,104	20	1,584,295	950,621
Due from Local Banks including Development Financial Institutions	4,375,000	5,758,185	20	875,000	1,151,637
Due from off - Shore Banking Center	83,115	224,692	10	8,312	22,469
Cash Items in process of collection	2,883,015	2,762,760	20	576,603	552,552
Investment excluding Investment in Financial Associates & Subsidiaries	8,667,046	11,039,156	100	8,667,046	11,039,156
Property, plant & Equipment	4,814,919	4,529,613	100	4,814,919	4,529,613
Other Assets	9,038,814	9,247,057	100	9,038,814	9,247,057
Credit Equivalent of Off - Balance sheet Items (as shown below)	7,532,749	8,159,929	100	7,532,749	8,159,929
<b>TOTAL</b>	<b>230,913,227</b>	<b>206,891,576</b>		<b>90,790,135</b>	<b>83,487,437</b>

	Balance		Credit	Credit Equivalent	
	2004	2003	Conversion	2004	2003
	Rs.' 000	Rs.' 000	Factor ( % )	Rs.' 000	Rs.' 000

## Off - Balance Sheet Items

### INSTRUMENTS

General Guarantees of Indebtedness (Credit Guarantees and Advances payment Guarantees)	1,670,637	950,200	100	1,670,637	950,200
Performance Bonds, Bid Bonds and Warranties	2,324,508	1,958,778	50	1,162,254	979,389
Shipping Guarantees	2,628,381	704,472	20	525,676	140,894
Documentary Letter of Credit	12,158,777	15,928,194	20	2,431,755	3,185,639
Trade related acceptances	62,148	2,115,408	20	12,430	423,082
Undrawn term Overdraft Facilities	4,317,504	2,948,154	-	-	-
Undrawn term Loans	108,475	657,890	50	54,238	328,945
Foreign Exchange and Interest rate related Contracts	3,351,519	4,303,560	50	1,675,760	2,151,780
<b>TOTAL</b>	<b>26,621,949</b>	<b>29,566,656</b>		<b>7,532,749</b>	<b>8,159,929</b>

# Capital Adequacy

## COMPUTATION OF CAPITAL

	2004 (Rs. '000)	2003 Rs. '000
<b>TIER 1 : CORE CAPITAL</b>		
Paid- up Ordinary Shares	49,998	49,998
Capital pending allotment	1,152,000	1,152,000
Statutory Reserve Fund	49,998	49,998
General and Other Reserve	<u>(3,866,235)</u>	<u>(5,242,249)</u>
<b>Total Tier 1 Capital</b>	<b><u>(2,614,239)</u></b>	<b><u>(3,990,253)</u></b>
<b>TIER 2 SUPPLEMENTARY CAPITAL</b>		
Revaluation Reserve (as approved by the Central Bank of Sri Lanka)	438,746	438,746
General Provisions	<u>347,484</u>	<u>-</u>
<b>Total Tier 2 Capital</b>	<b><u>(1,828,009)</u></b>	<b><u>(3,551,507)</u></b>
<b>Deductions</b>		
Investments in Banks and Financial Associates	165,000	165,000
Investments in Banks and Financial Subsidiaries	<u>57,500</u>	<u>57,500</u>
<b>Total Capital base</b>	<b><u>(2,050,509)</u></b>	<b><u>(3,774,007)</u></b>
<b>Computation of Ratios</b>		
Total Tier 1 : Core Capital	<b><u>(2,614,239)</u></b>	<b><u>(3,990,253)</u></b>
Total Capital Base	<b><u>(2,050,509)</u></b>	<b><u>(3,774,007)</u></b>
Total Risk Weighted Assets	<b>90,790,135</b>	<b>83,487,437</b>
 Core Capital Ratio - Tier I (Minimum required Ratio is 5%)	 %	 %
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$	<b>(2.9)</b>	<b>(4.8)</b>
 Total Risk Weighted Capital Ratio - Tier I & II (Minimum required Ratio is 10 %)		
$\frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$	<b>(2.3)</b>	<b>(4.5)</b>

## Capital requirement and guaranteed

	2004 (Rs. '000)	2003 Rs. '000
Total Risk Weighted Assets	90,790,135	83,487,437
Capital Required for CAR ( 10%)	9,079,013	8,348,744
Total Capital Base	<u>(2,050,509)</u>	<u>(3,774,007)</u>
<b>Total Capital Required and Guaranteed in Letter of Comfort</b>	<b><u>11,129,522</u></b>	<b><u>12,122,751</u></b>

### Notes :

- 1) The Bank has carried out a revaluation of Land and Buildings as at end of August 2002 and a surplus of Rs. 1.9 Bn. has been recorded on this revaluation.
- 2) As this revaluation is the first since 1991, The Bank intends to make a formal application to Central Bank of Sri Lanka to consider 50% of this value to be eligible for Capital Adequacy purposes.
- 3) The above computation therefore does not reflect this value as Capital. This application will be made as soon as the appropriate positive value is available in relation to Tier I Capital. When Central Bank approval is received a further value of Rs. 929 Mn. will be available as Capital. Thus the required Capital funding as at present effectively amounts to Rs. 10,200 Mn.
- 4) The full incremental value of Land and Buildings has been recognized for Risk Weighting, thus reflecting an updated yet conservative estimate of the Bank's latest Risk Weighting & Capital needs.