



**PEOPLE'S  
BANK**

**The Bank of the People**

**BASEL III DISCLOSURES (AS AT 31.12.2018)  
UNDER PILLAR III AS PER THE BANKING ACT  
DIRECTION NO 01 OF 2016**

# BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

## CAPITAL ADEQUACY

Capital adequacy is one of the key financial indicators which illustrate the soundness and the stability of a bank. This measures banks ability to withstand in an unexpected loss scenarios during various activities carried out by the bank.

Basle committee on Bank supervision (BCBS) has implemented set of stringent measures of capital, liquidity and funding reforms. Accordingly BASLE III accord was issued in December 2010 and it has come into force and effect in Sri Lanka on July 1, 2017 based on the Central Bank direction 01 of 2016 on capital requirement under BASLE III for licensed commercial banks. This replaces Basel II reforms which were in force and effect in Sri Lanka since January 1, 2008 onwards.

Commencing from 01st July 2017, every LCB and LSB has to comply with three tiers of capital ratios and banks has to comply these requirements on a staggered basis which outlined below.

	01.07.2017	01.01.2018	01.01.2019
Common Equity Tier I Capital Ratio (CETI)	6.25%	7.375%	8.5%
Total Tier I Capital Ratio (CET I+ AT I)	7.75%	8.875%	10.0%
Total Capital Ratio	11.75%	12.875%	14.0%

Common Equity Tier I (CET I) is mainly comprised of equity capital, other capital and retained earnings. CET I is the highest quality and effective capital in absorbing losses.

Additional Tier I capital includes capital instruments other than the instruments included in CET I capital.

Total capital comprised of Tier I plus other qualifying capital instruments; for the avoidance of any doubt, subordinated debentures subject to regulatory deduction, revaluation reserves on property plant and equipment with a cap of 50% and general loan loss provision

BASLE III has introduced new capital buffers and all banks are required to hold additional capital over and above minimum CET I , Tier I and Total Capital Adequacy levels. The above minimum requirements on capital includes the below mentioned additional buffer requirements as well

- ◆ Capital Conservation Buffer
- ◆ Surcharge of Domestically Significant Banks (D-SIBs) - Banks with Total assets of Rs 500 Bn and above
- ◆ Counter Cyclical Buffer

Three pillars introduced by BASLE II is continued to be applied in the BASLE III framework is mentioned below.

- ◆ **Pillar I** - Minimum Capital Requirements
- ◆ **Pillar II** - Supervisory Review Process
- ◆ **Pillar III** - Market Discipline

## Pillar I - Minimum Capital Requirement

Minimum Capital Requirement shall maintain as a percentage of Risk Weighted Assets (RWAs) and bank calculated its RWAs based on following approaches.

- ◆ The Standardized Approach for Credit Risk
- ◆ The Standardized Measurement Method for Market Risk
- ◆ The Basic Indicator Approach for Operational Risk

### Pillar II – Supervisory Review Process (SRP)

SRP framework assesses the bank's capital adequacy and determining whether bank is maintaining additional capital to cover its risks. Bank has developed an ICAAP (Internal Capital Adequacy Assessment Process) framework in this regard, which closely indicates risks and capital assessment processes to support the Bank's current and projected demand for capital under unexpected and stressed conditions.

### Pillar III – Market Discipline

Pillar III aims to provide consistent and comprehensive disclosure framework which enhances the comparability between banks. It requires number of disclosure requirements to give better understanding of capital adequacy to external share holders by providing an insight into the internal computation procedures followed by the bank.

Accordingly disclosures required to be published as per the Central Bank Direction 01 of 2016 are set out below.

### BASEL III DISCLOSURE REQUIREMENT

#### Template 01 : KEY REGULATORY RATIO - CAPITAL AND LIQUIDITY

	BANK		GROUP	
	As at 31st December 2018	As at 31st December 2017	As at 31st December 2018	As at 31st December 2017
<b>Regulatory Capital (Rs. 000)</b>				
Common Equity Tier 1 Capital	74,623,023	62,084,793	101,088,945	85,077,314
Total Tier I Capital	74,623,023	62,084,793	101,088,945	85,077,314
Total Capital	97,987,548	77,554,148	125,548,973	101,485,804
<b>Regulatory Capital Ratio (%)</b>				
Common Equity Tier I Capital Ratio (Minimum Requirement 2018 -7.375%, 2017-6.25%)	11.02	10.82	11.66	11.49
Total Tier I Capital (Minimum Requirement 2018-8.875%, 2017-7.75%)	11.02	10.82	11.66	11.49
Total Capital (Minimum Requirement 2018-12.875%, 2017-11.75%)	14.47	13.51	14.48	13.71
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets - Bank				
Domestic Banking Unit (Rs '000 )	337,865,692	298,497,361	NA	NA
Off - Shore Banking Unit (USD '000)	303,616	242,692	NA	NA
Statutory Liquid Assets - (minimum requirement 20%)				
Domestic Banking Unit (%)	23.01	24.07	NA	NA
Off - Shore Banking Unit (%)	30.36	32.35	NA	NA
Liquidity Coverage Ratio (%) Rupee (minimum requirement - 2018 - 90%, 2017- 80% )	144.90	104.00	NA	NA
Liquidity Coverage Ratio (%) All currency	100.42	95.08	NA	NA

**BASEL III DISCLOSURE REQUIREMENT**
**Template 02 : BASEL III - COMPUTATION OF CAPITAL RATIOS**

	BANK		GROUP	
	As at 31st December 2018	As at 31st December 2017	As at 31st December 2018	As at 31st December 2017
<b>Common Equity Tier 1 (CET I) Capital after adjustments</b>	<b>74,623,023</b>	62,084,793	<b>101,088,945</b>	85,077,315
<b>Common Equity Tier 1 (CET I) Capital</b>	<b>77,449,928</b>	63,359,558	<b>103,911,483</b>	85,756,976
Equity / Assigned Capital	12,201,998	12,201,998	12,201,998	12,201,998
Reserve Fund	6,669,488	5,814,742	6,669,488	5,814,742
Public Retained Earning /(Accumulated Retained Losses)	46,673,579	34,322,199	67,268,479	52,236,152
Publish accumulated Other Comprehensive Income (OCI)	78,262	67,882	78,262	81,875
General and other Disclosed Reserves	11,826,601	10,952,737	12,098,979	10,946,111
Unpublished Current Year's Profit / Loss and Gain reflected in OCI	-	-	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	5,594,277	4,476,098
<b>Total Adjustments to CETI Capital</b>	<b>2,826,905</b>	1,274,765	<b>2,822,538</b>	679,661
Goodwill (net)	-	-	-	-
Intangible Assets (Net)	439,517	225,058	869,469	679,661
Other ( Investment the in the Capital of Subsidiaries & Other Financial Institution	2,387,388	1,049,707	1,953,069	-
<b>Additional Tier I (AT i) Capital after adjustments</b>	-	-	-	-
<b>Additional Tier I (AT i) Capital</b>	-	-	-	-
Qualifying additional Tier I Capital instruments	-	-	-	-
Instrument issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
<b>Total Adjustments to AT I Capital</b>	-	-	-	-
Investment in own shares	-	-	-	-
Other ( Specify )	-	-	-	-
<b>Tier II Capital after adjustments</b>	<b>23,364,525</b>	15,469,355	<b>24,460,028</b>	16,408,487
<b>Tier II Capital</b>	<b>23,364,525</b>	15,469,355	<b>24,460,028</b>	16,408,487
Qualifying Tier II capital instruments	7,125,000	480,000	7,125,000	480,000
Revaluation Gains	8,797,393	8,797,393	8,797,393	8,797,393
Loan Loss Provisions	7,442,133	6,191,962	8,537,635	7,131,094
Instrument issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
<b>Total Adjustment to Tier II</b>	-	-	-	-
Investment in own shares	-	-	-	-
Other (specify)	-	-	-	-
<b>CET Capital</b>	<b>74,623,023</b>	62,084,793	<b>101,088,945</b>	85,077,315
<b>Total Tier I Capital</b>	<b>74,623,023</b>	62,084,793	<b>101,088,945</b>	85,077,315
<b>Total Capital</b>	<b>97,987,548</b>	77,554,148	<b>125,548,973</b>	101,485,802

	BANK		GROUP	
	As at 31st December 2018	As at 31st December 2017	As at 31st December 2018	As at 31st December 2017
<b>Total Risk Weghted Assets (RWA)</b>	<b>677,224,419</b>	574,005,436	<b>867,221,246</b>	740,159,181
RWA for Credit Risk ( refer table No 3)	<b>595,370,603</b>	495,356,958	<b>765,873,723</b>	642,727,842
RWA for Operational Risk ( refer table No 5)	<b>74,300,869</b>	73,396,393	<b>93,317,447</b>	91,223,325
RWA for Market Risk ( refer table No 6)	<b>7,552,947</b>	5,252,085	<b>8,030,076</b>	6,208,014
<b>CET I Capital Ratio (including Capital Conservstion Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIB) (%)</b>	<b>11.02</b>	10.82	<b>11.66</b>	11.49
of which: Capital Conservation Buffer (%)	<b>1.875</b>	1.25	<b>1.875</b>	1.25
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital surcharge Countercyclical Buffer (%)	<b>1.00</b>	0.50	<b>1.00</b>	0.50
<b>Total Tier I Capital Ratio (%)</b>	<b>11.02</b>	10.82	<b>11.66</b>	11.49
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>14.47</b>	13.51	<b>14.48</b>	13.71
of which: Capital Conservation Buffer (%)	<b>1.875</b>	1.25	<b>1.875</b>	1.25
of which: Countercyclical Buffer (%)	-	-	-	-
of which: Capital surcharge on D-SIBs (%)	<b>1.00</b>	0.50	<b>1.00</b>	0.50

**Note:**

First Day Impact on Adoption of SLFRS 09 to the Bank and Group is Rs 456,894 Mn and Rs 1,053,401 Mn respectively. As per the Guidelines to Licensed Banks on the adoption of SLFRS 09 issued by the Central Bank of Sri Lanka, the First day impact can be recognized throughout a transitional period of Four Years hence 25% of impact is recognized during year 2018. If the first day impact is adjusted fully for the current Year the Capital Adequacy Ratio of the Bank and the Group be 14.42% and 14.39% respectively.

**TEMPLATE 03 : COMPUTATION OF LEVERAGE RATIO**

	BANK		GROUP	
	As at 31st December 2018	As at 31st December 2017	As at 31st December 2018	As at 31st December 2017
Tier I Capital	<b>74,623,023</b>	62,084,793	<b>101,088,945</b>	85,077,315
Total Exposure	<b>1,808,606,489</b>	1,512,405,947	<b>1,985,824,469</b>	1,664,980,535
On balance Sheet items ( Excluding derivatives and securities financing transactions, but including collateral)	<b>1,709,800,708</b>	1,406,635,113	<b>1,886,628,389</b>	1,558,871,099
Deravitive Exposures	<b>3,135,654</b>	1,026,739	<b>3,135,654</b>	1,026,739
Securities financing transaction exposures	<b>18,000,000</b>	58,855,000	<b>18,390,299</b>	59,193,602
Other off-balance sheet exposures	<b>77,670,127</b>	45,889,095	<b>77,670,127</b>	45,889,095
Basel III Leverage ratio (%) (Tier I capital/ Total Exposure)	<b>4.13%</b>	4.11%	<b>5.08%</b>	5.11%

Leverage ratio is prepared based on Central Bank direction no 12 of 2018 and the minimum ratio is 3%.

**BASEL III DISCLOSURE REQUIREMENT**
**Template 04 : Computation of Liquidity Coverage Ratio**

	AS AT 31ST DECEMBER 2018		AS AT 31ST DECEMBER 2017	
	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>303,195,792</b>	<b>303,919,749</b>	209,576,585	210,556,463
<b>Total Adjusted Level 1A Assets</b>	<b>300,973,640</b>	<b>300,973,640</b>	205,608,413	205,608,414
<b>Level 1 Assets</b>	<b>302,283,687</b>	<b>302,283,687</b>	207,515,715	207,515,715
<b>Total Adjusted Level 2A Assets</b>	<b>1,499,960</b>	<b>1,274,966</b>	3,019,035	2,566,180
<b>Level 2A Assets</b>	<b>1,499,960</b>	<b>1,274,966</b>	3,019,035	2,566,180
<b>Total Adjusted Level 2B Assets</b>	<b>722,192</b>	<b>361,096</b>	949,137	474,568
<b>Level 2B Assets</b>	<b>722,192</b>	<b>361,096</b>	949,137	474,568
<b>Total Cash Outflows</b>	<b>1,808,148,158</b>	<b>419,217,632</b>	1,542,394,880	336,276,533
Deposits	964,258,606	96,425,861	867,812,307	86,781,231
Unsecured Wholesale Funding	501,902,159	252,564,530	388,276,563	204,161,629
Secured Funding Transactions	8,221,306	-	17,998,855	-
Undrawn Portion of Committed (Irrevocable)Facilities and Other Contingent Funding Obligations	286,321,471	22,782,625	247,268,129	24,294,647
Additional requirements	47,444,616	47,444,616	21,039,026	21,039,026
<b>Total Cash Inflows</b>				
Maturing Secured Lending Transactions Backed by Collateral	186,469,947	116,564,250	186,923,677	114,816,052
	31,225,082	13,102,046	47,175,521	8,833,348
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	-	-	-	-
	108,719,198	59,789,955	120,686,939	92,323,766
Operational deposits	2,853,418	-	4,568,707	-
Other Cash Inflows	43,672,249	43,672,249	14,492,510	13,658,938
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next Calendar Days)* 100</b>		<b>100.42</b>		95.08

**BASEL III DISCLOSURE REQUIREMENT**
**Template 05 : Main Features of Regulatory Capital Instruments**

	No 2 Debenture issued in 2009	No 3 Debenture issued in 2011	No 4 Debenture issued in 2013
Must be provided for each type of capital instrument separately			
<b>Description of the Capital Instrument</b>			
Issuer	People's Bank	People's Bank	People's Bank
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private placement)	2	3	4
Original Date of Issuance	30 th December 2009	30 th December 2011	15 th December 2013
Par Value of Instrument	N/A	N/A	N/A
Original Maturity Date, if Applicable	29 th December 2022	29 th December 2022	29 th December 2022
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting date)	2,500,000,000	5,000,000,000	5,000,000,000
Accounting Classification (Equity/Liability)	Liability	Liability	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	N/A
Subsequent Call Dates, if Applicable	N/A	N/A	N/A
<b>Coupons/Dividends</b>			
Fixed or Floating Dividend/Coupon	Fixed rate	Fixed rate	Fixed rate
Coupon rate and any Related Index	13.50%	13%	13%
Non-Cumulative or Cumulative	N/A	N/A	N/A
<b>Convertible or Non-Convertible</b>			
If Convertible, Conversion trigger (s)	Non-convertible	Non-convertible	Non-convertible
If Convertible, Fully or Partially	N/A	N/A	N/A
If Convertible, Mandatory or Optional	N/A	N/A	N/A
If Convertible, Conversion rate	N/A	N/A	N/A

## Template 06 : Summary discussion on the adequacy/ meeting current and future capital requirements

### Overview

- ◆ In accordance with CBSL stipulations, the Bank carries out an Internal Capital Adequacy Assessment Process annually. The assessment covers a five (5) year time horizon. The last carried out was for 2018-2023

### Material exposures

- ◆ Close to 40% of the Bank's total loan book is composed of exposures to the State and State Owned Enterprises. Those extended to State Owned Enterprises in most part are backed by an irrevocable sovereign undertaking by way of a guarantee/ indemnity or other form of government assurance
- ◆ Leaving aside such sovereign backed exposures, the Bank's single largest non sovereign exposure does not account for over 2% of its total loan book
- ◆ The Bank's industry sector exposures are also relatively diverse

### Initiatives taken to bolster regulatory capital during 2017 & 2018

During both 2017 & 2018 - the Bank has undertaken several initiatives in order to bolster its regulatory capital. These have included amongst other

#### 2017

- a. Raised LKR 5.0 billion from General Treasury, Ministry of Finance on July 21, 2017. This was first received over the last eight (8) years
- b. Reduced its dividend payout by LKR 3.0 billion being from LKR 8.2 billion in 2016 to LKR 5.2 billion in 2017
- c. Revalued all its land & buildings on July 1, 2017. This enabled the Bank recognize close to LKR 3.6 billion in Tier II Capital with requisite regulatory approval. The next revaluation is set to be carried out on July 1, 2020
- d. Ensured additional facilities extended to State Owned Enterprises are sovereign backed and, in case of other government assurances, they are routed through the Monetary Board of the Central Bank of Sri Lanka for prior approval

#### 2018

- a. Further reduced its dividend payout to LKR 3.4 billion in 2018 from LKR 5.2 billion in 2017
  - b. Highly risk measured/ controlled growth in loan book during 2018
- ◆ As a result thereto, the Bank was able to successfully meet all Basel III Risk Control measures during both 2017 & 2018 as applicable without any exception whatsoever, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

### Future plan and priority

- ◆ The Bank is continuously in the process of undertaking several initiatives with the objects of bolstering its regulatory capital from current levels
- ◆ The single most important of them all is the process of amending the People's Bank Act No 29 of 1961 (hereinafter 'the Act') primarily in relation to the issuance of Debentures. As it currently stands, the Act necessitates a Treasury Guarantee be obtained every time the Bank issues a Debenture - including for its regulatory capital purposes. This naturally has limited the Bank's ability to issue Debentures with ease. Needless to say, this is the single most impeding factor to the Bank's growth and growth potential. On February 7, 2017 and April 2, 2019 - respectively - the Cabinet of Ministers duly approved the proposed amendment and the draft language relating to the proposed amendment. The next step is to be placed in the Order Paper of Parliament for discussion and final approval to thereby after-which it will be enacted as legislation



Template 07 : Credit Risk under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation(CRM) Effects - Bank

Code	Item	Exposures Before CCF and CRM			Exposures After CCF and CRM			Risk weighted Assets	RWA Density (%)
		Exposures	Exposures	Total	Exposures	Exposures	Total		
		On	Off		On	Off			
		Balance Sheet	Balance Sheet		Balance Sheet	Balance Sheet			
20.3.1.0.0.0	Total Risk-weighted amount for Credit Risk	1,679,190,747	393,714,019	2,072,904,767	1,238,084,373	77,566,263	1,315,650,637	595,370,603	45%
20.3.1.1.0.0	Claims on Central Government and Central Bank of Sri Lanka	751,995,445	13,035,477	765,030,922	347,561,916	-	347,561,916	17,168,164	5%
20.3.1.2.0.0	Claims on Foreign sovereigns and their Central Banks	-	-	-	-	-	-	-	-
20.3.1.3.0.0	Claims on Public Sector Entities (PSEs)	76,929,669	171,671,322	248,600,991	76,929,669	23,379,626	100,309,295	42,988,197	43%
20.3.1.4.0.0	Claims on BIS,IMF and Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-
20.3.1.5.0.0	Claims on Banks Exposures	6,542,453	-	6,542,453	6,542,453	-	6,542,453	1,665,193	25%
20.3.1.6.0.0	Claims on Financial Institutions	20,350,843	-	20,350,843	20,350,843	-	20,350,843	7,170,309	35%
20.3.1.7.0.0	Claims on Corporates	113,629,811	183,678,624	297,308,434	113,480,413	49,120,918	162,601,331	148,099,702	91%
20.3.1.8.0.0	Retail claims	366,704,896	25,328,597	392,033,493	344,027,569	5,065,719	349,093,288	275,611,320	79%
20.3.1.8.3.0	Claims Secured by Gold	149,826,584	-	149,826,584	149,826,584	-	149,826,584	1,030	0%
20.3.1.9.0.0	Claims Secured by Residential Property	65,491,678	-	65,491,678	65,491,678	-	65,491,678	32,745,839	50%
20.3.1.10.0.0	Claims Secured by Commercial real Estate	-	-	-	-	-	-	-	-
20.3.1.11.0.0	Non Performing Assets (NPAs)	15,502,259	-	15,502,259	15,502,259	-	15,502,259	21,262,648	137%
20.3.1.13.0.0	Higher-risk Categories	750,573	-	750,573	750,377	-	750,573	1,876,434	250%
20.3.1.14.0.0	Cash Items, other assets	50,952,722	-	50,952,722	50,952,722	-	50,952,722	113,880	0%
20.3.1.14.2.0	Other Assets	60,513,813	-	60,513,813	46,667,889	-	46,667,889	46,667,889	100%

Template 07 : Credit Risk under Standardised Approach

Credit Risk Exposures and Credit Risk Mitigation(CRM) Effects - Group

Code	Item	Exposures Before CCF and CRM			Exposures After CCF and CRM			Risk weighted Assets	RWA Density (%)
		Exposures	Exposures	Total	Exposures	Exposures	Total		
		On	Off		On	Off			
		Balance Sheet	Balance Sheet		Balance Sheet	Balance Sheet			
20.3.1.0.0.0	Total Risk-weighted amount for Credit Risk	1,852,627,187	400,527,453	2,253,154,640	1,411,136,774	79,526,089	1,490,662,863	765,873,723	51%
20.3.1.1.0.0	Claims on Central Government and Central Bank of Sri Lanka	760,450,456	22,372,817	782,823,273	355,632,691	-	355,632,691	17,168,164	5%
20.3.1.2.0.0	Claims on Foreign sovereigns and their Central Banks	-	-	-	-	-	-	-	-
20.3.1.3.0.0	Claims on Public Sector Entities (PSEs)	76,929,669	162,333,982	239,263,651	76,929,669	23,379,626	100,309,295	42,988,197	43%
20.3.1.4.0.0	Claims on BIS,IMF and Multilateral Development Banks(MDBs)	-	-	-	-	-	-	-	-
20.3.1.5.0.0	Claims on Banks Exposures	11,458,612	-	11,458,612	11,458,612	-	11,458,612	3,775,409	33%
20.3.1.6.0.0	Claims on Financial Institutions	9,559,550	-	9,559,550	9,559,550	-	9,559,550	5,012,050	52%
20.3.1.7.0.0	Claims on Corporates	113,629,811	190,492,058	304,121,868	113,480,413	51,080,744	164,561,157	150,059,528	91%
20.3.1.8.0.0	Retail claims	527,046,573	25,328,597	552,375,169	504,369,246	5,065,719	509,434,965	435,952,997	86%
20.3.1.8.3.0	Claims Secured by Gold	149,826,584	-	149,826,584	149,826,584	-	149,826,584	1,030	-
20.3.1.9.0.0	Claims Secured by Residential Property	66,201,363	-	66,201,363	66,201,363	-	66,201,363	33,100,682	50%
20.3.1.10.0.0	Claims Secured by Commercial real Estate	-	-	-	-	-	-	-	-
20.3.1.11.0.0	Non Performing Assets (NPAs)	15,502,259	-	15,502,259	15,502,259	-	15,502,259	21,262,648	137%
20.3.1.13.0.0	Higher-risk Categories	-	-	-	-	-	-	-	-
20.3.1.14.0.0	Cash Items, other assets	51,737,246	-	51,737,246	51,737,246	-	51,737,246	113,880	-
20.3.1.14.2.0	Other Assets	70,285,064	-	70,285,064	56,439,140	-	56,439,140	56,439,140	100%

**BASEL III DISCLOSURE REQUIREMENT**
**Template 08 : Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights - Bank**

Description		Amount (LKR'000) as at 31.12.2017 (Post CCF & CRM)							Total Credit Exposures Amount
Asset Classes	Risk Weight	0%	20%	50%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka		261,721,097	85,840,819	-	-	-	-	-	347,561,916
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-	-
Claims on Public Sector Entities		-	71,651,373	-	-	28,657,922	-	-	100,309,295
Claims on Official Entities and Multilateral Development Banks		-	-	-	-	-	-	-	-
Claims on Banks Exposures		-	6,035,548	97,645	-	409,261	-	-	6,542,453
Claims on Financial Institutions		-	10,791,293	9,095,000	-	-	464,550	-	20,350,843
Claims on Corporates		-	13,795,857	7,430,980	-	140,873,401	501,093	-	162,601,331
Retail Claims		149,821,433	5,150	-	293,927,872	55,165,416	-	-	498,919,872
Claims Secured by Residential Property		-	-	65,491,678	-	-	-	-	65,491,678
Claims Secured by Commercial Real Estate		-	-	-	-	-	-	-	-
Non- Performing Assets (NPAs)		-	-	70,854	-	3,839,774	11,591,631	-	15,502,259
Higher-risk Categories		-	-	-	-	-	-	750,573	750,573
Cash Items and Other Assets		50,383,325	569,398	-	-	46,667,889	-	-	97,620,611
<b>Total</b>		<b>461,925,855</b>	<b>188,689,439</b>	<b>82,186,157</b>	<b>293,927,872</b>	<b>276,078,212</b>	<b>12,092,724</b>	<b>750,573</b>	<b>1,315,650,834</b>

**Template 08 : Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights - Group**

Description		Amount (LKR'000) as at 31.12.2017 (Post CCF & CRM)							Total Credit Exposures Amount
Asset Classes	Risk Weight	0%	20%	50%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka		269,791,872	85,840,819	-	-	-	-	-	355,632,691
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-	-
Claims on Public Sector Entities		-	71,651,373	-	-	28,657,922	-	-	100,309,295
Claims on Official Entities and Multilateral Development Banks		-	-	-	-	-	-	-	-
Claims on Banks Exposures		-	9,542,937	97,708	-	1,817,968	-	-	11,458,612
Claims on Financial Institutions		-	-	9,095,000	-	-	464,550	-	9,559,550
Claims on Corporates		-	13,795,857	7,430,980	-	142,833,227	501,093	-	164,561,157
Retail Claims		149,821,433	5,150	-	293,927,872	215,507,092	-	-	659,261,548
Claims Secured by Residential Property		-	-	66,201,363	-	-	-	-	66,201,363
Claims Secured by Commercial Real Estate		-	-	-	-	-	-	-	-
Non- Performing Assets (NPAs)		-	-	70,854	-	3,839,774	11,591,631	-	15,502,259
Higher-risk Categories		-	-	-	-	-	-	-	-
Cash Items and Other Assets		51,167,849	569,398	-	-	56,439,140	-	-	108,176,386
<b>Total</b>		<b>470,781,154</b>	<b>181,405,534</b>	<b>82,895,905</b>	<b>293,927,872</b>	<b>449,559,673</b>	<b>12,092,724</b>	<b>-</b>	<b>1,490,662,863</b>

Template 09 : Market Risk under Standardised Measurement Method

	BANK		GROUP	
	As at 31st December 2018	As at 31st December 2017	As at 31st December 2018	As at 31st December 2017
<b>(a) R W A for Interest Rate Risk</b>	<b>534,185</b>	248,106	<b>534,185</b>	248,106
General Interest Rate Risk	<b>371,277</b>	248,106	<b>371,277</b>	248,106
(i) Net Long or short Position	<b>371,277</b>	248,106	<b>371,277</b>	248,106
(ii) Horizontal Disallowance	-	-	-	-
(iii) Vertical Disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific Interest Rate Risk	<b>162,908</b>	-	<b>162,908</b>	-
<b>(b) R W A for Equity</b>	<b>275,707</b>	238,341	<b>337,137</b>	350,662
(i) General Equity Risk	<b>138,805</b>	121,975	<b>170,710</b>	183,072
(ii) Specific Equity Risk	<b>136,902</b>	116,366	<b>166,427</b>	167,590
<b>© RWA for foreign exchange &amp; gold</b>	<b>162,551</b>	130,673	<b>162,551</b>	130,673
<b>(d) Capital charge for Market Risk (a)+(b)+©</b>	<b>972,443</b>	617,120	<b>1,033,873</b>	729,441
<b>RWA for Market risk (d) *100/12.875 (2018) , *100 /11.75 (2017)</b>	<b>7,552,947</b>	5,252,085	<b>8,030,076</b>	6,208,009

Template 10 : Operational Risk under Basic Indicator Approach

		Bank				Group			
		Gross Income				Gross Income			
		1st Year	2nd Year	3rd Year	Average	1st Year	2nd Year	3rd Year	Average
<b>The Basic Indicator Approach</b>		54,638,097	61,963,686	74,722,956	63,774,913	68,007,563	77,625,737	94,659,125	80,097,475
<b>Capital Charges for Operational Risk (LKR'000)</b>									
The Basic Indicator Approach	15%	8,195,715	9,294,553	11,208,443	9,566,237	10,201,134	11,643,861	14,198,869	12,014,621
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>									
The Basic Indicator Approach	7.8	63,656,035	72,190,702	87,055,871	74,300,869	79,232,112	90,437,752	110,282,476	93,317,447

**BASEL III DISCLOSURE REQUIREMENT**
**Template 11 : Differences Between Accounting and Regulatory Scopes and mapping of Financial Statement Categories with Regulatory Risk**

## Categories - Bank Only

	Carrying value as reported in published Financial statements	Carrying value under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Subject to deduction from capital
<b>Assets</b>	1,734,702,989	1,731,539,934	1,675,887,151	54,778,368	874,415
Cash and Cash Equivalents	57,879,933	57,884,491	57,884,491	-	-
Balances with Central Bank of Sri Lanka	51,615,796	51,615,796	51,615,796	-	-
Placements with Banks	4,350,726	4,351,299	4,351,299	-	-
Derivative Financial Instruments	1,163,384	1,163,384	1,163,384	-	-
Financial Assets - At Fair Value through Profit or Loss	54,052,435	54,052,435	-	54,052,435	-
Financial Assets - At Amortised Cost					
Loans and Receivables to Banks	32,167,421	32,217,137	32,217,137	-	-
Loans and Receivables to Other Customers	1,265,667,467	1,274,300,318	1,274,300,318	-	-
Debt instruments measured at amortised cost	201,650,435	201,650,435	201,650,435	-	-
Financial Assets - At Fair Value through Other Comprehensive Income [ OCI ]					
Equity instruments at fair value through OCI	1,179,922	888,233	-	725,933	162,300
Debt instruments at fair value through OCI	4,731,261	4,731,261	4,731,261	-	-
Investments in Subsidiaries	1,027,542	1,027,542	754,944	-	272,598
Goodwill and Intangible Assets	439,517	439,517	-	-	439,517
Property, Plant and Equipment	26,259,745	26,259,745	26,259,745	-	-
Investment Properties	1,264,752	1,264,752	1,264,752	-	-
Prepaid Leases	461,043	461,043	461,043	-	-
Other Assets	30,791,610	19,232,546	19,232,546	-	-
<b>Liabilities</b>	1,643,493,064	1,638,449,782	-	-	-
Due to Banks	138,031,420	138,031,420	-	-	-
Derivative Financial Instruments	2,512,205	2,512,205	-	-	-
Due to Other Customers	1,422,961,240	1,423,244,820	-	-	-
Other Borrowings	35,575,554	35,575,554	-	-	-
Current Tax Liabilities	4,004,218	4,004,218	-	-	-
Net Deferred Tax Liabilities	3,954,834	3,647,244	-	-	-
Other Liabilities	23,919,689	18,900,417	-	-	-
Subordinated Term Debts	12,533,904	12,533,904	-	-	-
<b>Shareholders' Equity</b>	91,209,925	93,090,152	-	-	-
Stated Capital/Assigned Capital	12,201,998	12,201,998	-	-	-
Statutory Reserve Fund	6,669,490	5,814,744	-	-	-
Other Reserves	26,008,948	24,836,036	-	-	-
Retained Earnings	46,329,489	50,237,374	-	-	-
<b>Total Equity and Liabilities</b>	1,734,702,989	1,731,539,934	-	-	-
<b>Off-Balance Sheet Liabilities</b>	402,761,963		403,433,251	-	-
Acceptance	90,195,344		90,195,344	-	-
Guarantees	84,103,230		84,103,230	-	-
Letter of Credit	73,255,113		73,255,113	-	-
Other Contingent Items	99,087,601		99,087,601	-	-
Undrawn Loan Commitments	56,791,963		56,791,963	-	-
(-) Allowance for ECL/impairment losses	(671,288)		-	-	-

Template 12 : Explanation of Differences Between Accounting and regulatory Exposure Amounts

	Reasons for Differences									
	Carrying value as reported in published Financial statements	Carrying value under scope of regulatory reporting	Difference observed between accounting carrying value and amounts considered for regulatory purposes	Net Impact Arising from individual and collective impairment	Fair value Adjustments	Effective Interest Rate (EIR) Adjustment	Unamortized cost on staff loans (day 01 difference)	Other SLFRS adjustments	Tax impact on SLFRS adjustments	
<b>Assets</b>	1,734,702,989	1,731,539,934	3,163,055							
Cash and Cash Equivalents	57,879,933	57,884,491	(4,558)	(4,558)						
Balances with Central Bank of Sri Lanka	51,615,796	51,615,796	-	-						
Placements with Banks	4,350,726	4,351,299	(573)	(573)						
Derivative Financial Instruments	1,163,384	1,163,384	-	-						
Financial Assets - At Fair Value through Profit or Loss	54,052,435	54,052,435	-	-						
Financial Assets - At Amortised Cost										
Loans and Receivables to Banks	32,167,421	32,217,137	(49,716)	(49,716)						
Loans and Receivables to Other Customers	1,265,667,467	1,274,300,318	(8,632,851)	973,151	-	-	(9,606,001)	-	-	
Debt instruments measured at amortised cost	201,650,435	201,650,435	-	-	-	-	-	-	-	
Financial Assets - At Fair Value through Other Comprehensive Income [ OCI ]										
Equity instruments at fair value through OCI	1,179,922	888,233	291,689	-	291,689	-	-	-	-	
Debt instruments at fair value through OCI	4,731,261	4,731,261	-	-	-	-	-	-	-	
Investments in Subsidiaries	1,027,542	1,027,542	-	-	-	-	-	-	-	
Goodwill and Intangible Assets	439,517	439,517	-	-	-	-	-	-	-	
Property, Plant and Equipment	26,259,745	26,259,745	-	-	-	-	-	-	-	
Investment Properties	1,264,752	1,264,752	-	-	-	-	-	-	-	
Prepaid Leases	461,043	461,043	-	-	-	-	-	-	-	
Other Assets	30,791,610	19,232,546	11,559,064	-	-	-	9,606,001	1,953,063	-	
<b>Liabilities</b>	1,643,493,064	1,638,449,782	5,043,282			(283,580)		5,019,272	307,590	
Due to Banks	138,031,420	138,031,420	-	-	-	-	-	-	-	
Derivative Financial Instruments	2,512,205	2,512,205	-	-	-	-	-	-	-	
Due to Other Customers	1,422,961,240	1,423,244,820	(283,580)	-	-	(283,580)				
Other Borrowings	35,575,554	35,575,554	-	-	-	-	-	-	-	
Current Tax Liabilities	4,004,218	4,004,218	-	-	-	-	-	-	-	
Net Deferred Tax Liabilities	3,954,834	3,647,244	307,590	-	-	-	-	307,590	-	
Other Liabilities	23,919,689	18,900,417	5,019,272	-	-	-	-	5,019,272	-	
Subordinated Term Debts	12,533,904	12,533,904	-	-	-	-	-	-	-	
<b>Shareholders' Equity</b>	91,209,925	93,090,152	(1,880,227)	-	299,048	-	-	(2,179,275)	-	
Stated Capital/Assigned Capital	12,201,998	12,201,998	-	-	-	-	-	-	-	
Statutory Reserve Fund	6,669,490	6,669,490	-	-	-	-	-	-	-	
Other Reserves	26,008,948	25,709,900	299,048	-	299,048	-	-	-	-	
Retained Earnings	46,329,489	48,508,764	(2,179,275)	-	-	-	-	(2,179,275)	-	
<b>Total Shareholders' Equity</b>	1,734,702,989	1,731,539,934	3,163,055							