

**BASEL III – DISCLOSURE UNDER PILLAR 3
AS PER THE BANKING ACT DIRECTIONS NO. 01 OF 2016
AS AT 31 DECEMBER 2020**



**PEOPLE'S
BANK**

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 BASEL III accord was issued in December 2010 and it has come into force and effect in Sri Lanka on 1 July 2017 based on the Central Bank Direction 01 of 2016 on capital requirement under BASEL III for licensed commercial banks. This replaces Basel II reforms which were in force and effect in Sri Lanka since 1 January 2008 onwards.

Commencing from 1 July 2017, with the amendment thereto under Direction 11 of 2019 on Domestically Systemically Important Banks (D-SIBS) dated 20 December 2019; Bank has to maintain the Capital in three tiers as mentioned below:

Due to extraordinary measures taken by CBSL due to COVID-19 outbreak, minimum capital requirements are revised to support the economic stability and growth of the country. Accordingly minimum capital requirement of the bank are as follows:

	Minimum requirement
Common Equity Tier I capital ratio (CETI)	7.00%
Total Tier I capital ratio (CET I+ AT I)	8.50%
Total capital ratio	12.50%

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

Additional Tier I (AT 1) capital includes capital instruments other than the instruments included in CET I capital.

Total capital is comprised of Tier I plus other qualifying capital instruments (i.e. such as subordinated debentures subject to regulatory deductions, revaluation reserves on property, plant and equipment with a cap of up to 50% and general loan loss provision)

BASEL III has introduced new capital buffers and all banks are required to hold additional capital buffers over and above the minimum CET I and Total Capital Adequacy levels stipulated above.

- Capital conservation buffer
- High Loss Absorbency (HLA) requirement on Domestically Significant Banks (D-SIBs)
- Counter cyclical buffer

Three Pillars introduced by BASEL II is continued to be applied in the BASEL 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 standardised approach for credit risk
- The standardised measurement method for market risk
- The basic indicator approach for operational risk

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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 1 of 2016 are set out below:

Template 01: Key regulatory ratio – Capital and liquidity

	Bank		Group	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Regulatory capital (LKR '000)				
Common Equity Tier I capital	79,604,100	77,941,284	109,596,440	106,246,759
Total Tier I capital	79,604,100	77,941,284	109,596,440	106,246,759
Total capital	129,271,791	106,972,205	160,292,747	136,303,475
Regulatory capital ratio (%)				
Common Equity Tier I Capital Ratio (Minimum requirement – 7.00% - 2020, 8.0% - 2019)	9.53	10.68	10.69	11.58
Total Tier I capital (Minimum requirement – 8.50% - 2020, 9.5% - 2019)	9.53	10.68	10.69	11.58
Total Capital (Minimum requirement – 12.50% - 2020, 13.50% - 2019)	15.47	14.66	15.63	14.86
Regulatory liquidity				
Statutory liquid assets – Bank				
Domestic Banking Unit (LKR '000)	463,930,635	446,351,080	NA	NA
Off-Shore Banking Unit (USD '000)	1,165,688	504,025	NA	NA
Statutory liquid assets – (Minimum requirement 20%)				
Domestic Banking Unit (%)	25.61	29.54	NA	NA
Off-Shore Banking Unit (%)	60.46	34.61	NA	NA
Liquidity coverage ratio (%) Rupee (Minimum requirement – 2020 - 90%, 2019 - 100%)				
	166.82	160.80	NA	NA
Liquidity coverage ratio (%) all currency (Minimum requirement – 2020 - 90%, 2019 - 100%)				
	111.55	132.10	NA	NA

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Template 02: Key regulatory ratio – Capital and liquidity

	Bank		Group	
	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000
Common Equity Tier I (CET I) capital after adjustments	79,604,100	77,941,284	109,596,440	106,246,759
Common Equity Tier I (CET I) capital	83,062,102	80,750,618	111,748,610	109,238,461
Equity/Assigned capital	12,201,998	12,201,998	12,201,998	12,201,998
Reserve fund	8,024,521	7,315,774	8,024,521	7,315,774
Public retained earning/(Accumulated retained losses)	49,012,539	48,307,520	72,526,668	70,855,815
Publish accumulated other comprehensive income (OCI)	248,715	224,861	252,196	224,861
General and other disclosed reserves	13,574,329	12,700,465	13,574,329	12,700,465
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	-	-	5,168,898	5,939,548
Total adjustments to CET I capital	3,458,002	2,809,334	2,152,170	2,991,702
Goodwill (Net)	-	-	-	-
Deferred tax asset (Net)	695,424	-	-	-
Intangible assets (Net)	702,181	700,875	1,007,730	1,090,714
Other (Investment in the capital of subsidiaries and other financial institution)	2,060,397	1,412,952	1,144,440	1,205,481
Defined benefit asset	-	695,507	-	695,507
Additional Tier I (AT i) capital after adjustments	-	-	-	-
Additional Tier I (AT i) capital	-	-	-	-
Qualifying additional Tier I capital instruments	-	-	-	-
Instrument issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to AT I Capital	-	-	-	-
Investment in own shares	-	-	-	-
Other (Specify)	-	-	-	-
Tier II capital after adjustments	49,667,691	29,030,921	50,696,308	30,056,716
Tier II capital	49,667,691	29,030,921	50,696,308	30,056,716
Qualifying Tier II capital instruments	33,796,850	15,625,000	33,796,850	15,625,000
Revaluation gains	7,025,956	7,025,956	7,025,956	7,025,956
Loan loss provisions	8,844,885	6,379,965	9,873,502	7,405,760
Instrument issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustment to Tier II	-	-	-	-
Investment in own shares	-	-	-	-
Other (Specify)	-	-	-	-
CET capital	79,604,100	77,941,284	109,596,440	106,246,759
Total Tier I capital	79,604,100	77,941,284	109,596,440	106,246,759
Total capital	129,271,791	106,972,205	160,292,747	136,303,475

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	Bank		Group	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Total risk-weighted assets (LKR '000)	835,523,801	729,657,045	1,025,663,845	867,221,246
RWA for credit risk (LKR '000)	743,655,441	650,675,272	896,234,579	815,617,770
RWA for market risk (LKR '000)	5,591,325	6,430,053	18,454,779	8,402,021
RWA for operational risk (LKR '000)	86,277,034	72,551,719	110,974,487	93,362,542
CET I capital ratio (Including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	9.53	10.68	10.69	11.66
of which: capital conservation buffer (%)	1.50	2.50	1.50	2.50
of which: countercyclical buffer (%)	-	-	-	-
of which: capital surcharge on D-SIBs (%)	1.00	1.00	1.00	1.00
Total Tier I capital ratio (%)	9.53	10.68	10.69	11.66
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	15.47	14.66	15.63	14.48
of which: capital conservation buffer (%)	1.50	2.50	1.50	2.50
of which: countercyclical buffer (%)	-	-	-	-
of which: capital surcharge on D-SIBs (%)	1.00	1.00	1.00	1.00

Template 03: Computation of leverage ratio

	Bank		Group	
	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000
Tier I capital	79,604,100	77,941,284	109,596,440	106,246,759
Total exposures	2,319,824,014	1,956,281,017	2,492,962,547	2,134,461,039
On balance sheet items (Excluding derivatives and securities financing transactions, but including collateral)	2,215,313,018	1,852,096,324	2,387,054,979	2,028,282,425
Derivative exposures	1,817,796	553,750	1,817,796	553,750
Securities financing transaction exposures	28,184,933	18,410,000	28,197,532	18,410,000
Other off-balance sheet exposures	74,508,267	85,220,942	75,892,240	87,214,863
Basel III Leverage ratio (%) (Tier I/Total exposure)	3.43%	3.98%	4.40%	4.98%

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Template 04: Computation of liquidity coverage ratio

	As at 31 December 2020		As at 31 December 2019	
	Total unweighted value LKR '000	Total weighted value LKR '000	Total unweighted value LKR '000	Total weighted value LKR '000
Total stock of high-quality liquid assets (HQLA)	435,978,801	434,450,384	410,810,268	409,287,666
Level 1 assets	432,921,968	432,921,968	407,765,063	407,765,063
Level 2A assets	-	-	-	-
Level 2B assets	3,056,833	1,528,416	3,045,205	1,522,603
Total cash outflows	2,225,493,314	539,890,881	1,851,660,335	381,470,849
Deposits	1,281,030,229	128,103,023	1,034,947,511	103,494,751
Unsecured wholesale funding	594,546,403	307,322,741	486,161,256	240,769,480
Secured funding transactions	14,436,972	-	11,508,468	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	267,432,676	36,418,083	306,238,279	24,401,797
Additional requirements	68,047,034	68,047,034	12,804,821	12,804,821
Total cash inflows	218,809,926	150,423,304	135,011,332	71,650,766
Maturing secured lending transactions backed by collateral	23,992,082	12,740,676	29,841,508	11,415,369
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	116,278,613	71,457,687	95,505,309	52,853,956
Operational deposits	12,314,289	-	2,283,074	-
Other cash inflows	66,224,941	66,224,941	7,381,441	7,381,441
Liquidity coverage ratio (%) (Stock of high quality liquid assets/ Total net cash outflows over the next calendar days)* 100		111.55		132.10

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

Overview

- In accordance with CBSL stipulations, the Bank carries out an annual Internal Capital Adequacy Assessment Process. The assessment covers a five (5) year time horizon with the last carried out for 2019-2023

Material exposures

- At the end of 2020, close 50.2% of the Bank's total loan book was composed of exposures to the State and Other State-Owned Enterprises. State exposures mostly backed by sovereign undertaking(s) by way of either a Treasury guarantee/indemnity and/or another form of Government assurance
- Leaving aside such sovereign-backed exposures, the Bank's single largest exposure to a non-sovereign does not account for over 2.0% of the Bank's total loan book

Initiatives taken to bolster regulatory capital during 2017, 2018, 2019 and 2020

- During 2017, 2018, 2019 and 2020 – the Bank undertook several initiatives to bolster its regulatory capital and meet all requisite Basel III Risk Control measures. From a Capital Adequacy/Solvency perspective, these included amongst other.

2017

- a. Raise LKR 5.0 Bn. in New Capital from General Treasury, Ministry of Finance on 21 July 2017. This was first so received over the last eight (8) years
- b. Reduce its dividend payout, as measured as a function of post tax profit, to 28.6% during 2017 from 54.8% in 2016
- c. Revalued all its land and buildings on 1 July 2017. This enabled the Bank recognise close to LKR 3.6 Bn. in Tier II capital with requisite regulatory clearance
- d. Ensured new facilities extended to State-Owned Enterprises were backed by the sovereign backed and, in case of other forms of Government assurances, ensure they are as a general rule routed through the Monetary Board of the Central Bank of Sri Lanka for prior approval
- e. Carry-out an interim profit certification for the six-month period ended 30 June 2017 in view of ensuring interim regulatory capital pressures are managed in order to support loan book growth
- f. Undertake efforts necessary to amend the People's Bank Act to facilitate the issuance of Debentures to enable the Bank conform with Basel rules. This process was once again revived with the assistance of the line of Ministry

As a result of all the above, during 2017 – the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage.

2018

- a. The Bank endeavoured to further reduce its dividend payout ratio, as measured as a function of dividends over post tax profit, to 20.0% in 2018 from 28.6% in 2017.
- b. Loan book growth was risk measured during 2018
- c. Interim profit certifications were carried out for the six months period ended 30 June 2018 in view of ensuring interim regulatory capital requirements were met
- d. The process in relation to the People's Bank Act amendment continued. This was key to long-term sustainable loan book growth

As a result of all the above, during 2018 – the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage.

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2019

- a. The Bank further reduced its dividend payout ratio to 18.7% in 2019 from 20.0% in 2018
- b. Interim profit certifications were carried during the three months ended 31 March 2019, six months ended 30 June 2019 and the nine months ended 30 September 2019 in view of managing/avoiding interim regulatory capital pressures
- c. The People's Bank Act amendments was finalised in September 2019
- d. On 8 November 2019 – the Bank issued its first Basel III, Tier II compliant debenture for value LKR 10.0 Bn.

As a result of all the above, during 2019 – the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage.

2020

- a. On 1 July 2020 – as originally planned – the Bank revalued all its land and buildings. This resulted in a Tier II benefit of close to LKR 2.3 Bn. (Net of deferred tax) However, such benefit is likely to be recognised at 31 March 2021 once requisite regulatory clearance is received. The next detailed revaluation is set to be carried out on 1 July 2023
- b. On 27 July 2020 – the Bank issued LKR 20.0 Bn. in Basel III, Tier II debentures which was the single largest issuance for any Bank/Financial Services Provider to date in the country

As a result of all the above, during 2020 – the Bank successfully met all Basel III Risk Control measures without any exception or excuse, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage.

2021 plan

- The Bank is in a constant and continuous process of undertaking measures reasonably necessary to bolster its regulatory capital levels
- Following are slated to be undertaken during 2021
 - a. Issue Additional Tier I and Tier II Basel III compliant instruments
 - b. Continue to maintain its lower dividend/levy payout policy during the year
 - c. Carry-out an interim profit certifications in view of avoiding regulatory capital shortfalls

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Template 07: Credit risk under standardised approach credit risk exposures and credit risk mitigation (CRM) effects (Bank)

As at 31 December 2020								
Item	Exposures before CCF and CRM			Exposures after CCF and CRM			Risk-weighted assets LKR '000	RWA density %
	Exposures on-balance sheet LKR '000	Exposures off-balance sheet LKR '000	Total LKR '000	Exposures on-balance sheet LKR '000	Exposures off-balance sheet LKR '000	Total LKR '000		
Total risk-weighted amount for credit risk	2,184,319,318	493,038,170	2,677,357,488	2,012,619,949	76,807,673	2,089,427,622	743,655,441	36
Claims on Central Government and Central Bank of Sri Lanka	978,894,070	110,157,733	1,089,051,803	978,894,070	-	978,894,070	50,625,977	5
Claims on foreign sovereigns and their central banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)	266,113,331	120,570,641	386,683,971	115,535,473	15,967,442	131,502,915	78,134,064	59
Claims on BIS, IMF and Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-
Claims on bank exposures	28,412,420	-	28,412,420	28,412,420	-	28,412,420	11,701,070	41
Claims on financial institutions	4,454,573	-	4,454,573	4,454,573	-	4,454,573	2,708,497	61
Claims on corporates	87,844,827	219,684,773	307,529,600	87,748,702	52,315,226	140,063,928	134,025,919	96
Retail claims	454,922,074	42,625,023	497,547,097	433,896,688	8,525,005	442,421,693	348,331,918	79
Claims secured by gold	174,814,192	-	174,814,192	174,814,192	-	174,814,192	17,229	-
Claims secured by residential property	62,191,796	-	62,191,796	62,191,796	-	62,191,796	31,095,898	50
Claims secured by commercial real estate	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)	25,147,190	-	25,147,190	25,147,190	-	25,147,190	30,241,399	120
Higher risk categories	816,645	-	816,645	816,645	-	816,645	2,041,612	250
Cash items	46,023,864	-	46,023,864	46,023,864	-	46,023,864	47,522	-
Other assets	54,684,336	-	54,684,336	54,684,336	-	54,684,336	54,684,336	100

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**Template 07: Credit risk under standardised approach
credit risk exposures and credit risk mitigation (CRM) effects (GROUP)**

Item	Exposures before CCF and CRM			Exposures after CCF and CRM			Risk-weighted assets LKR '000	RWA density %
	Exposures on-balance sheet LKR '000	Exposures off-balance sheet LKR '000	Total LKR '000	Exposures on-balance sheet LKR '000	Exposures off-balance sheet LKR '000	Total LKR '000		
Total risk-weighted amount for credit risk	2,348,907,400	499,958,034	2,848,865,434	2,177,208,031	78,191,646	2,255,399,677	896,234,579	40
Claims on Central Government and Central Bank of Sri Lanka	987,144,585	110,157,733	1,097,302,318	987,144,585	-	987,144,585	50,625,977	5
Claims on foreign sovereigns and their central banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)	266,113,331	120,570,641	386,683,971	115,535,473	15,967,442	131,502,915	78,134,064	59
Claims on BIS, IMF and Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-
Claims on bank exposures	31,938,007	-	31,938,007	31,938,007	-	31,938,007	12,417,381	39
Claims on financial institutions	5,122,660	-	5,122,660	5,122,660	-	5,122,660	3,119,119	61
Claims on corporates	87,844,827	226,604,637	314,449,464	87,748,702	53,699,199	141,447,901	135,409,892	96
Retail claims	586,054,717	42,625,023	628,679,740	565,029,332	8,525,005	573,554,336	479,464,562	84
Claims secured by gold	174,814,192	-	174,814,192	174,814,192	-	174,814,192	17,229	0
Claims secured by residential property	62,191,796	-	62,191,796	62,191,796	-	62,191,796	31,095,898	50
Claims secured by commercial real estate	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)	34,666,518	-	34,666,518	34,666,518	-	34,666,518	39,760,727	115
Higher risk categories	-	-	-	-	-	-	-	-
Cash items	46,874,558	-	46,874,558	46,874,558	-	46,874,558	47,522	-
Other assets	66,142,209	-	66,142,209	66,142,209	-	66,142,209	66,142,209	100

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Template 08 : Credit risk under standardised approach: Exposures by asset classes and risk weights – Bank only

Description	Amount [LKR '000 as at 31 December 2020 (Post CCF and CRM)]								Total credit exposures amount
	Risk weight	0%	20%	50%	75%	100%	150%	>150%	
Asset classes									
Claims on Central Government and Central Bank of Sri Lanka	621,518,445	357,375,625	-	-	-	-	-	-	978,894,070
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	66,711,064	-	-	64,791,851	-	-	-	131,502,915
Claims on banks exposures	-	17,763,341	5,001,355	-	5,647,724	-	-	-	28,412,420
Claims on financial institutions	-	-	3,492,152	-	962,422	-	-	-	4,454,573
Claims on corporates	-	697,313	11,359,425	-	127,608,083	399,107	-	-	140,063,928
Retail claims	174,728,048	86,144	-	376,359,097	66,062,595	-	-	-	617,235,885
Claims secured by residential property	-	-	62,191,796	-	-	-	-	-	62,191,796
Non-performing assets (NPAS)	-	-	175,631	-	14,607,509	10,364,049	-	-	25,147,190
Higher-risk categories	-	-	-	-	-	-	-	816,645	816,645
Cash items and other assets	45,786,256	237,608	-	-	54,684,336	-	-	-	100,708,200
Total	842,032,750	442,871,094	82,220,359	376,359,097	334,364,520	10,763,157	816,645	2,089,427,622	

Template 08 : Credit risk under standardised approach: Exposures by asset classes and risk weights – Group only

Description	Amount [LKR '000 as at 31 December 2020 (Post CCF and CRM)]								Total credit exposures amount
	Risk weight	0%	20%	50%	75%	100%	150%	>150%	
Asset classes									
Claims on Central Government and Central Bank of Sri Lanka	629,768,960	357,375,625	-	-	-	-	-	-	987,144,585
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	66,711,064	-	-	64,791,851	-	-	-	131,502,915
Claims on banks exposure	-	21,274,936	5,001,355	-	5,661,716	-	-	-	31,938,007
Claims on financial institutions	-	-	4,007,082	-	1,115,578	-	-	-	5,122,660
Claims on corporates	-	697,313	11,359,425	-	128,992,055	399,107	-	-	141,447,901
Retail claims	174,728,048	86,144	-	376,359,097	197,195,239	-	-	-	748,368,529
Claims secured by residential property	-	-	62,191,796	-	-	-	-	-	62,191,796
Non-performing assets (NPAs)	-	-	175,631	-	24,126,837	10,364,049	-	-	34,666,518
Higher-risk categories	-	-	-	-	-	-	-	-	-
Cash items and other assets	46,636,950	237,608	-	-	66,142,209	-	-	-	113,016,767
Total	851,133,959	446,382,689	82,735,289	376,359,097	488,025,486	10,763,157	-	2,255,399,677	

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Template 09: Market risk under standardised measurement method

	Bank		Group	
	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000	As at 31 December 2020 LKR '000	As at 31 December 2019 LKR '000
(a) RWA for interest rate risk	165,101	419,575	165,101	419,575
General interest rate risk	161,553	408,483	161,553	408,483
(i) Net long or short position	161,553	408,483	161,553	408,483
(ii) Horizontal disallowance	-	-	-	-
(iii) Vertical disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific interest rate risk	3,548	11,092	3,548	11,092
(b) RWA for equity	288,307	434,005	1,896,238	710,080
(i) General equity risk	155,657	227,615	960,097	366,019
(ii) Specific equity risk	132,650	206,390	936,141	344,061
(c) RWA for foreign exchange and gold	245,508	46,628	245,508	46,628
(d) Capital charge for market risk (a)+(b)+(c)	698,916	900,207	2,306,847	1,176,283
RWA for market risk (d) *100/12.5 (2020) , *100 /13.5 (2019)	5,591,325	6,430,053	18,454,779	8,402,021

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	
The basic indicator approach (LKR '000)	70,029,465	73,841,041	71,822,080	71,897,529	89,987,284	96,521,789	90,927,144	92,478,739	
Capital charges for operational risk (LKR '000)									
The basic indicator approach	15%	10,504,420	11,076,156	10,773,312	10,784,629	13,498,093	14,478,268	13,639,072	13,871,811
Risk-weighted amount for operational risk (LKR '000)									
The basic indicator approach	8.0	84,035,358	88,609,249	86,186,496	86,277,034	107,984,741	115,826,147	109,112,573	110,974,487

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

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 LKR '000	Carrying value under scope of regulatory reporting LKR '000	Subject to credit risk framework LKR '000	Subject to market risk framework LKR '000	Subject to deduction from capital LKR '000
Assets	2,230,118,665	2,230,118,665	2,179,937,393	47,418,694	3,458,002
Cash and cash equivalents	71,461,242	71,461,242	71,461,242	–	–
Balances with Central Bank of Sri Lanka	14,196,565	14,196,565	14,196,565	–	–
Placements with banks	10,304,422	10,304,422	10,304,422	–	–
Derivative financial instruments	97,645	97,645	97,645	–	–
Financial assets – At fair value through profit or loss	46,425,027	46,425,027	–	46,425,027	–
Financial assets – At amortised cost	–	–	–	–	–
Loans and receivables to banks	23,610,101	23,610,101	23,610,101	–	–
Loans and receivables to other customers	1,635,579,343	1,635,579,343	1,635,579,343	–	–
Debt instruments measured at amortised cost	357,107,701	357,107,701	357,107,701	–	–
Financial assets – At fair value through other comprehensive income (OCI)	–	–	–	–	–
Equity instruments at fair value through OCI	1,937,778	1,937,778	–	993,667	944,111
Debt instruments at fair value through OCI	2,632,231	2,632,231	2,632,231	–	–
Investments in subsidiaries	1,937,881	1,937,881	821,595	–	1,116,286
Investments in associates	–	–	–	–	–
Goodwill and intangible assets	702,181	702,181	–	–	702,181
Property, plant and equipment	38,405,839	38,405,839	38,405,839	–	–
Investment properties	1,261,338	1,261,338	1,261,338	–	–
Net deferred tax assets	695,424	695,424	–	–	695,424
Other assets	23,763,947	23,763,947	23,763,947	–	–
Liabilities	2,128,135,067	2,128,135,067	–	–	–
Due to banks	164,489,623	164,489,623	–	–	–
Derivative financial instruments	976,486	976,486	–	–	–
Due to other customers	1,835,099,456	1,835,099,456	–	–	–
Other borrowings	36,362,434	36,362,434	–	–	–
Current tax liabilities	6,608,202	6,608,202	–	–	–
Net deferred tax liabilities	–	–	–	–	–
Other liabilities	41,041,170	41,041,170	–	–	–
Subordinated term debts	43,557,696	43,557,696	–	–	–
Shareholders' equity	101,983,598	101,983,598	–	–	–
Stated capital/assigned capital	12,201,998	12,201,998	–	–	–
Statutory reserve fund	8,024,521	8,024,521	–	–	–
Other reserves	32,859,237	32,859,237	–	–	–
Retained earnings	48,897,842	48,897,842	–	–	–
Total equity and liabilities	2,230,118,665	2,230,118,665	–	–	–
Off-balance sheet liabilities	489,938,882	489,938,882	490,486,441	–	–
Acceptance	53,034,225	53,034,225	53,034,225	–	–
Guarantees	74,750,532	74,750,532	74,750,532	–	–
Letter of credit	74,557,296	74,557,296	74,557,296	–	–
Other contingent items	112,418,576	112,418,576	112,418,576	–	–
Undrawn loan commitments	175,725,812	175,725,812	175,725,812	–	–
(-) Allowance for ECL/Impairment losses	(547,559)	(547,559)	(547,559)	–	–

**Template 12: Group assessment of domestic systemically important banks (D-SIBs)
As at 31 December 2020**

	LKR '000
Size indicator	
Section 1 – Total exposures	
Total exposure measure	2,492,962,547
Interconnectedness indicators	
Section 2 – Intra-financial system assets	
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)	27,082,621
(i) Funds deposited	22,117,519
(ii) Lending	4,965,102
b. Holdings of securities issued by other financial institutions	1,194,163
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	15,654
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	246,030
Intra-financial system assets	28,538,467
Section 3 – Intra-financial system liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	192,105,695
(i) Funds deposited	19,286,134
(ii) Borrowings	172,819,560
b. Net negative current exposure of securities financing transactions with other financial institutions	688,500
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	19,557
Intra-financial system liabilities	192,813,751
Section 4 – Securities outstanding	
Securities outstanding	56,868,035
Substitutability/Financial institution infrastructure indicators	
Section 5 – Payments made in the reporting year (excluding intra-group payments)	
Payments activity	3,278,253,047
Section 6 – Assets under custody	
Assets under custody	-
Section 7 – Underwritten transactions in debt and equity markets	
Underwriting activity	-
Section 8 – Trading volume	
a. Number of shares or securities	8,416
b. Value of the transactions	13,913

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	LKR '000
Complexity indicators	
Section 9 – Notional amount of over-the-counter (OTC) derivatives	
OTC derivatives	120,078,089
Section 10 – Level 2 Assets	
Level 2 assets	3,056,833
Section 11 - Trading and available for sale (AFS) securities	
a. Debt instruments	2,668,401
b. Equity instruments	8,308,266
c. Government Securities	46,430,116
d. Derivatives	97,645
Section 12 – Cross-jurisdictional liabilities	
Cross-jurisdictional liabilities (excluding derivatives and intra-group liabilities)	221,578,074
Section 13 – Cross-jurisdictional claims	
Cross-jurisdictional claims (excluding derivatives and intra-group claims)	49,460,734