

**BASEL III – DISCLOSURE UNDER PILLAR 3
AS PER THE BANKING ACT DIRECTIONS
NO. 01 OF 2016 AS AT 31 DECEMBER 2021**



**PEOPLE'S
BANK**

BASEL III – MARKET DISCIPLINE 6 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 bank's 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 1 July 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 1 January 2008 onwards.

Commencing from 1 July 2017, with the amendment thereto under Direction no 11 of 2019 on Domestically Systemically Important Banks (D-SIBS) dated 20 December 2019; Bank has to maintain the Capital in 3 tiers as mentioned below:

Due to the 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 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

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 Internal Capital Adequacy Assessment Process (ICAAP) 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 shareholders 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:

TEMPLATE 1 : KEY REGULATORY RATIO - CAPITAL AND LIQUIDITY

As at 31 December	Bank		Group	
	2021	2020	2021	2020
Regulatory capital (LKR '000)				
Common Equity Tier I capital	104,747,717	79,604,100	138,667,285	109,596,440
Total Tier I capital	109,747,717	79,604,100	143,667,285	109,596,440
Total capital	155,798,954	129,271,791	191,833,922	160,292,747
Regulatory capital ratio (%)				
Common Equity Tier I capital ratio (Minimum requirement - 7.00%)	11.99	9.53	12.95	10.69
Total Tier I capital (Minimum requirement - 8.50%)	12.56	9.53	13.41	10.69
Total capital (Minimum requirement - 12.50%)	17.83	15.47	17.91	15.63
Regulatory liquidity				
Statutory liquid assets - Bank				
Domestic Banking Unit (LKR '000)	502,575,831	463,930,635	NA	NA
Off-Shore Banking Unit (USD '000)	239,417	1,165,688	NA	NA
Statutory liquid assets - (Minimum requirement 20%)				
Domestic Banking Unit (%)	23.52	25.61	NA	NA
Off-Shore Banking Unit (%)	25.94	60.46	NA	NA
Liquidity coverage ratio (%) Rupee				
(Minimum requirement - 2021 - 100%, 2020 - 90%)	155.83	166.82	NA	NA
Liquidity Coverage Ratio (%) All currency				
(Minimum requirement - 2021 - 100%, 2020 - 90%)	105.71	111.55	NA	NA

TEMPLATE 2 : KEY REGULATORY RATIO - CAPITAL AND LIQUIDITY

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Common Equity Tier I (CET I) capital after adjustments	104,747,717	79,604,100	138,667,285	109,596,440
Common Equity Tier I (CET I) capital	114,565,325	83,062,102	146,338,443	111,748,610
Equity/Assigned capital	12,201,998	12,201,998	12,201,998	12,201,998
Reserve fund	9,210,528	8,024,521	9,210,528	8,024,521
Public retained earning/(Accumulated retained losses)	78,762,283	49,012,539	104,755,262	72,526,668
Publish accumulated other comprehensive income (OCI)	249,143	248,715	210,196	252,196
General and other disclosed reserves	14,141,373	13,574,329	14,141,373	13,574,329
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	-	-	5,819,087	5,168,898
Total adjustments to CET I capital	9,817,608	3,458,002	7,671,158	2,152,170
Goodwill (net)	-	-	-	-
Deferred tax asset (Net)	-	695,424	-	-
Intangible assets (Net)	2,077,544	702,181	2,252,557	1,007,730
Other (Investment in the capital of subsidiaries and other financial institution)	2,883,845	2,060,397	562,382	1,144,440
Defined benefit asset	4,856,219	-	4,856,219	-
Additional Tier I (AT I) capital after adjustments	5,000,000	-	5,000,000	-
Additional Tier I (AT I) capital	5,000,000	-	5,000,000	-
Qualifying additional Tier I capital instruments	5,000,000	-	5,000,000	-
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	46,051,238	49,667,691	48,166,637	50,696,308
Tier II Capital	46,051,238	49,667,691	48,166,637	50,696,308
Qualifying Tier II capital instruments	27,069,250	33,796,850	27,069,250	33,796,850
Revaluation gains	9,374,467	7,025,956	9,374,466	7,025,956
Loan loss provisions	9,607,521	8,844,885	11,722,921	9,873,502
Instrument issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustment to Tier II	-	-	-	-

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Investment in own shares	-	-	-	-
Other (specify)	-	-	-	-
CET capital	104,747,717	79,604,100	138,667,285	109,596,440
Total Tier I capital	109,747,717	79,604,100	143,667,285	109,596,440
Total capital	155,798,954	129,271,791	191,833,922	160,292,747
Total risk weighted assets (RWA)	873,669,797	835,523,801	1,071,197,412	1,025,663,845
RWA for credit risk	768,601,693	743,655,441	937,833,649	896,234,579
RWA for market risk	9,947,942	5,591,325	13,920,731	18,454,779
RWA for operational risk	95,120,162	86,277,034	119,443,032	110,974,487
CET I capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIB) (%)	11.99	9.53	12.95	10.69
of which: capital conservation buffer (%)	1.50	1.50	1.50	1.50
of which: countercyclical buffer (%)	-	-	-	-
of which: capital surcharge countercyclical buffer (%)	1.00	1.00	1.00	1.00
Total Tier I capital ratio (%)	12.56	9.53	13.41	10.69
Total capital ratio (Including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	17.83	15.47	17.91	15.63
of which: capital conservation buffer (%)	1.50	1.5	1.50	1.5
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

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Tier I capital	109,747,717	79,604,100	143,667,285	109,596,440
Total exposures	2,772,318,458	2,319,824,014	2,962,165,320	2,492,962,547
On balance sheet items (Excluding derivatives and securities financing transactions, but including collateral)	2,434,881,051	2,215,313,018	2,621,996,953	2,387,054,979
Derivative exposures	3,466,934	1,817,796	3,466,934	1,817,796
Securities financing transaction exposures	249,384,608	28,184,933	249,384,608	28,197,532
Other off-balance sheet exposures	84,585,865	74,508,267	87,316,825	75,892,240
Basel III leverage ratio (%) (Tier I/total exposure)	3.96%	3.43%	4.85%	4.40%

BASEL III DISCLOSURE REQUIREMENT

As at 31 December	2021		2020	
	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)	372,286,684	367,540,924	435,978,801	434,450,384
Level 1 assets	362,795,163	362,795,163	432,921,968	432,921,968
Level 2A assets	–	–	–	–
Level 2B assets	9,491,521	4,745,761	3,056,833	1,528,416
Total cash outflows	2,449,124,055	518,681,448	2,225,493,314	539,890,881
Deposits	1,465,808,681	146,580,868	1,281,030,229	128,103,023
Unsecured wholesale funding	632,974,981	314,332,823	594,546,403	307,322,741
Secured funding transactions	17,051,850	–	14,436,972	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	306,123,236	30,602,450	267,432,676	36,418,083
Additional requirements	27,165,307	27,165,307	68,047,034	68,047,034
Total cash inflows	198,896,001	171,005,309	218,809,925	150,423,304
Maturing secured lending transactions backed by collateral	18,124,786	18,124,786	23,992,082	12,740,676
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 days	149,501,619	126,208,496	116,278,613	71,457,687
Operational deposits	4,597,569	–	12,314,289	–
Other cash inflows	26,672,027	26,672,027	66,224,941	66,224,941
Liquidity coverage ratio (%) (Stock of high quality liquid assets/total net cash outflows over the next calendar days)* 100		105.71		111.55

TEMPLATE 5: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

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TEMPLATE 6: 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 2021, close 49.6% 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, 2020, and 2021

During 2017 and 2018, 2019, 2020, and 2021 – 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

- Raise LKR 5.0 Bn. in New Capital from General Treasury, Ministry of Finance on July 21, 2017. This was first so received over the last eight (8) years.
- Reduce its dividend payout, as measured as a function of post tax profit, to 28.6% during 2017 from 54.8% in 2016.
- Revalued all its land and buildings on 1 July 2017. This enabled the Bank to recognise close to LKR 3.6 Bn. in Tier II capital with requisite regulatory clearance.

- 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.
- Carry-out an interim profit certification for the six months period ended 30 June 2017 in view of ensuring interim regulatory capital pressures are managed in order to support loan book growth.
- 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

- 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.
- Loan book growth was risk measured during 2018.
- 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.
- 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

2019

- The Bank further reduced its dividend payout ratio to 18.7% in 2019 from 20.0% in 2018.
- 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.
- The People's Bank Act amendments was finalised in September 2019.
- 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

- 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. The next detailed revaluation is set to be carried out on July 1, 2023.
- On July 27, 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

- On 29 March 2021 and 03 August 2021 – as originally planned – the Bank issued LKR 3.5 Bn. and LKR 1.5 Bn. Basel III, Additional Tier I Compliant debentures.
- The Bank further reduced its dividend payout ratio to 9.2 % in 2021.
- Interim profit certifications were carried out during three months ended 31 March 2021, six months ended 30 June 2021 and nine months ended 30 September 2021 in view of managing regulatory capital pressure.

As a result of all the above, during 2021 – 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

2022 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 2022.
 - Issue Additional Tier I and Tier II Basel III compliant instruments.
 - Continue to maintain its lower dividend/levy payout policy during the year.
 - Carry-out an interim profit certifications in view of avoiding regulatory capital shortfalls.

TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH**Credit risk exposures and credit risk mitigation effects (Bank)**

Item	Exposures before CCF and CRM			Exposures after CCF and CRM			Risk weighted assets	RWA Density (%)
	Exposures On-balance Sheet	Exposures Off-balance Sheet	Total	Exposures On-balance Sheet	Exposures Off-balance Sheet	Total		
Total risk-weighted amount for credit risk	2,643,773,179	433,007,416	3,076,780,595	2,449,467,893	86,821,245	2,536,289,138	768,601,693	30
Claims on Central Government and Central Bank of Sri Lanka	1,334,169,282	16,253,547	1,350,422,829	1,334,169,282	20,296,443	1,354,465,725	35,604,738	3
Claims on foreign sovereigns and their central banks	-	-	-	-	-	-	-	-
Claims on Public sector entities (PSEs)	258,613,164	160,480,580	419,093,743	95,732,662	4,856,732	100,589,395	53,020,647	53
Claims on BIS, IMF and multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Claims on banks exposures	3,190,653	-	3,190,653	3,190,653	-	3,190,653	717,677	22
Claims on financial institutions	5,123,471	-	5,123,471	5,123,471	-	5,123,471	2,941,131	57
Claims on corporates	104,246,071	216,816,411	321,062,482	104,190,438	53,776,694	157,967,132	150,152,558	95
Retail claims	534,399,317	39,456,879	573,856,196	503,030,165	7,891,376	510,921,541	399,782,395	78
Claims secured by gold	194,769,226	-	194,769,226	194,769,226	-	194,769,226	1,387,067	1
Claims secured by residential property	61,873,841	-	61,873,841	61,873,841	-	61,873,841	21,655,844	35
Claims secured by commercial real estate	-	-	-	-	-	-	-	-
Non-performing assets (NPAs)	28,758,273	-	28,758,273	28,758,273	-	28,758,273	38,577,961	134
Higher-risk categories	1,076,316	-	1,076,316	1,076,316	-	1,076,316	2,690,789	250
Cash items	55,766,424	-	55,766,424	55,766,424	-	55,766,424	283,745	1
Other assets	61,787,140	-	61,787,140	61,787,140	-	61,787,140	61,787,140	100

TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH**Credit risk exposures and credit risk mitigation effects (Group)**

Item	Exposures before CCF and CRM			Exposures after CCF and CRM			Risk weighted Assets	RWA Density (%)
	Exposures On-balance Sheet	Exposures Off-balance Sheet	Total	Exposures On-balance Sheet	Exposures Off-balance Sheet	Total		
Total risk-weighted amount for credit risk	2,828,907,635	446,662,216	3,275,569,851	2,634,324,678	89,552,205	2,723,876,883	937,833,649	34
Claims on Central Government and Central Bank of Sri Lanka	1,349,852,120	16,253,547	1,366,105,667	1,349,852,120	20,296,443	1,370,148,563	35,604,738	3
Claims on foreign sovereigns and their central banks	–	–	–	–	–	–	–	–
Claims on public sector entities (PSEs)	258,335,492	160,480,580	418,816,072	95,454,991	4,856,732	100,311,723	52,742,976	53
Claims on BIS, IMF and multilateral development banks(MDBs)	–	–	–	–	–	–	–	–
Claims on banks exposures	3,190,653	–	3,190,653	3,190,653	–	3,190,653	717,677	22
Claims on financial institutions	8,689,199	–	8,689,199	8,689,199	–	8,689,199	6,506,859	75
Claims on corporates	104,246,071	230,471,211	334,717,282	104,190,438	56,507,654	160,698,092	152,883,518	95
Retail claims	686,947,744	39,456,879	726,404,624	655,300,921	7,891,376	663,192,297	552,053,151	83
Claims secured by gold	194,769,226	–	194,769,226	194,769,226	–	194,769,226	1,387,067	1
Claims secured by residential property	61,873,841	–	61,873,841	61,873,841	–	61,873,841	21,655,844	35
Claims secured by commercial real estate	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	31,479,469	–	31,479,469	31,479,469	–	31,479,469	41,299,157	131
Higher-risk categories	–	–	–	–	–	–	–	–
Cash items	56,824,902	–	56,824,902	56,824,902	–	56,824,902	283,745	–
Other assets	72,698,916	–	72,698,916	72,698,916	–	72,698,916	72,698,916	100

TEMPLATE 8: CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS - BANK ONLY

Description		Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM)									Total credit exposures amount
Asset classes	Risk weight	0%	10%	20%	50%	60%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka		998,418,342	292,389,651	63,657,732	–	–	–	–	–	–	1,354,465,725
Claims on Foreign Sovereigns and their Central Banks		–	–	–	–	–	–	–	–	–	–
Claims on public sector entities		–	59,460,935	–	–	–	41,128,460	–	–	–	100,589,395
Claims on banks exposures		–	2,952,819	221,441	–	–	16,392	–	–	–	3,190,653
Claims on financial institutions		–	–	4,364,678	–	–	758,792	–	–	–	5,123,471
Claims on corporates		–	252,480	15,617,589	–	–	141,704,655	392,408	–	–	157,967,132
Retail claims		187,833,894	6,935,333	–	1,662,519	441,896,552	67,362,470	–	–	–	705,690,768
Claims secured by residential property		–	–	61,873,841	–	–	–	–	–	–	61,873,841
Non-performing assets (NPAs)		–	–	7,940	–	–	9,103,016	19,647,316	–	–	28,758,273
Higher-risk categories		–	–	–	–	–	–	–	–	1,076,316	1,076,316
Cash items and other assets		54,347,698	1,418,726	–	–	–	61,787,140	–	–	–	117,553,564
Total		1,240,599,934	292,389,651	134,678,026	82,085,491	1,662,519	441,896,552	321,860,926	20,039,724	1,076,316	2,536,289,138

TEMPLATE 8: CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS - GROUP ONLY

Description		Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM)									Total Credit Exposures Amount
Asset classes	Risk weight	0%	10%	20%	50%	60%	75%	100%	150%	>150%	
Claims on Central Government and Central Bank of Sri Lanka		1,014,101,180	292,389,651	63,657,732	–	–	–	–	–	–	1,370,148,563
Claims on Foreign Sovereigns and their Central Banks		–	–	–	–	–	–	–	–	–	–
Claims on public sector entities		–	59,460,935	–	–	–	40,850,789	–	–	–	100,311,723
Claims on banks exposures		–	2,952,819	221,441	–	–	16,392	–	–	–	3,190,653
Claims on financial institutions		–	–	4,364,678	–	–	4,324,520	–	–	–	8,689,199
Claims on corporates		–	252,480	15,617,589	–	–	144,435,615	392,408	–	–	160,698,092
Retail claims		187,833,894	6,935,333	–	1,662,519	441,896,552	219,633,226	–	–	–	857,961,524
Claims secured by residential property		–	–	61,873,841	–	–	–	–	–	–	61,873,841
Non-performing assets (NPAs)		–	–	7,940	–	–	11,824,212	19,647,316	–	–	31,479,469
Higher-risk categories		–	–	–	–	–	–	–	–	–	–
Cash items and other assets		55,406,176	1,418,726	–	–	–	72,698,916	–	–	–	129,523,818
Total		1,257,341,250	292,389,651	134,678,026	82,085,491	1,662,519	441,896,552	493,783,670	20,039,724	–	2,723,876,883

TEMPLATE 9: MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

As at 31 December	Bank		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
(a) RWA for interest rate risk	748,043	165,101	748,043	165,101
General interest rate risk	387,643	161,553	387,643	161,553
(i) Net long or short position	387,643	161,553	387,643	161,553
(ii) Horizontal disallowance	—	—	—	—
(iii) Vertical disallowance	—	—	—	—
(iv) Options	—	—	—	—
Specific interest rate risk	360,400	3,548	360,400	3,548
(b) RWA for equity	363,033	288,307	859,631	1,896,238
(i) General equity risk	184,076	155,657	432,375	960,097
(ii) Specific equity risk	178,957	132,650	427,256	936,141
(c) RWA for foreign exchange and gold	132,417	245,508	132,417	245,508
(d) Capital charge for market risk (a)+(b)+(c)	1,243,493	698,916	1,740,091	2,306,847
RWA for market risk (d) *100/12.5 (2021)	9,947,944	5,591,325	13,920,731	18,454,779

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		73,841,041	71,822,080	92,137,283	79,266,801	96,521,789	90,942,446	111,143,345	99,535,860
The basic indicator approach	15%	11,076,156	10,773,312	13,820,592	11,890,020	14,478,268	13,641,367	16,671,502	14,930,379
The basic indicator approach	8.0	88,609,249	86,186,496	110,564,740	95,120,162	115,826,147	109,130,935	133,372,014	119,443,032

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	2,647,640,536	2,647,640,536	2,635,034,990	2,787,939	9,817,607
Cash and cash equivalents	57,538,351	57,538,351	57,538,351	–	–
Balances with Central Bank of Sri Lanka	56,717,820	56,717,820	56,717,820	–	–
Placements with banks	–	–	–	–	–
Derivative financial instruments	441,877	441,877	441,877		–
Financial assets – At fair value through profit or loss	1,558,850	1,558,850		1,558,850	
Financial assets – At amortised cost		–			
Loans and receivables to banks	10,131,952	10,131,952	10,131,952	–	–
Loans and receivables to other customers	1,835,697,108	1,835,697,108	1,835,697,108	–	–
Debt instruments measured at amortised cost	587,320,182	587,320,182	587,320,182		
Financial Assets – At fair value through other comprehensive income [OCI]		–		–	–
Equity instruments at fair value through OCI	1,621,375	1,621,375		1,229,089	392,286
Debt instruments at fair value through OCI	9,399,272	9,399,272	9,399,272	–	–
Investments in subsidiaries	3,572,824	3,572,824	1,081,266	–	2,491,558
Investments in associates	–	–			
Goodwill and intangible assets	2,077,544	2,077,544	–	–	2,077,544
Property, plant and equipment	46,761,157	46,761,157	46,761,157	–	–
Investment properties	–	–	–	–	–
Net deferred tax assets	–	–	–		–
Other assets	34,802,224	34,802,224	29,946,005		4,856,219

	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
Liabilities	2,511,563,440	2,511,563,440	-	-	-
Due to banks	107,745,916	107,745,916	-	-	-
Derivative financial instruments	1,761,220	1,761,220	-	-	-
Due to other customers	2,071,532,612	2,071,532,612	-	-	-
Other borrowings	241,419,125	241,419,125	-	-	-
Current tax liabilities	6,452,823	6,452,823	-	-	-
Net deferred tax liabilities	2,687,330	2,687,330	-	-	-
Other liabilities	31,102,734	31,102,734	-	-	-
Subordinated term debts	48,861,680	48,861,680	-	-	-
Shareholders' equity	136,077,096	136,077,096	-	-	-
Stated capital/assigned capital	12,201,998	12,201,998	-	-	-
Statutory reserve fund	9,210,528	9,210,528	-	-	-
Other reserves	35,902,287	35,902,287	-	-	-
Retained earnings	78,762,283	78,762,283	-	-	-
Total equity and liabilities	2,647,640,536	2,647,640,536	-	-	-
Off-balance sheet liabilities	428,771,195	428,771,195	428,771,195	-	-
Acceptance	94,817,795	94,817,795	94,817,795	-	-
Guarantees	73,281,666	73,281,666	73,281,666	-	-
Letter of credit	74,070,212	74,070,212	74,070,212	-	-
Other contingent Items	108,101,010	108,101,010	108,101,010	-	-
Undrawn loan commitments	79,068,727	79,068,727	79,068,727	-	-
(-) Allowance for ECL/impairment losses	(568,215)	(568,215)	(568,215)		

TEMPLATE 12: GROUP ASSESMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS) AS AT 31 DECEMBER 2021

As at 31 December	2021 LKR '000
Size Indicator	
Section 1 – Total Exposures	
Total exposures measure	2,962,165,320
(1) Counterparty exposure of derivatives contracts	
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)	12,630,396
(i) Funds deposited	6,739,989
(ii) Lending	5,890,407
b. Holdings of securities issued by other financial institutions	873,736
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	14,692,814
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	694,541
Intra-financial system assets	28,891,487
Section 3 – Intra-Financial System Liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	143,497,858
(i) Funds deposited	28,369,566
(ii) Borrowings	115,128,291
b. Net negative current exposure of securities financing transactions with other financial institutions	0
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	2,534,295
Intra-financial system liabilities	146,032,153

As at 31 December	2021 LKR '000
Section 4 – Securities Outstanding	
Securities outstanding	65,560,465
Substitutability/Financial Institution Infrastructure Indicators	
Section 5 – Payments made in the reporting year (excluding intragroup payments)	
Payments activity	3,734,602,448
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	10,510
b. Value of the transactions	29,644
Complexity indicators	
Section 9 – Notional Amount of Over-the-Counter (OTC) Derivatives	
OTC derivatives	116,437,523
Section 10 – Level 2 Assets	
Level 2 assets	9,491,521
Section 11 – Trading and Available for Sale (AFS) Securities	
a. Debt instruments	10,321,951
b. Equity instruments	3,137,357
c. Government Securities	1,580,105
d. Derivatives	441,877
Section 12 – Cross-jurisdictional Liabilities	
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	140,420,417
Section 13 – Cross-jurisdictional Claims	
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	37,201,487