

BASEL III – DISCLOSURE UNDER PILLAR 3
AS PER THE BANKING ACT DIRECTIONS NO. 01 OF 2016
AS AT 31 DECEMBER 2022



**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.

Basel 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 No. 1 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 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.

Accordingly minimum capital requirement of the Bank are as follows:

| Minimum requirement | % |
|--|-------|
| Common equity Tier 1 capital ratio (CET I) | 8.00 |
| Total Tier 1 capital ratio (CET I + AT I) | 9.50 |
| Total capital ratio | 13.50 |

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

Total capital is comprised of Tier 1 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 allowed impairment provisions.

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 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 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 No. 1 of 2016 are set out below:

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 1: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

| | Bank | | Group | |
|--|-------------|-------------|-------------|-------------|
| As at 31 December | 2022 | 2021 | 2022 | 2021 |
| Regulatory capital (LKR '000) | | | | |
| Common equity Tier 1 capital | 111,298,172 | 104,747,717 | 148,454,894 | 138,667,285 |
| Total Tier 1 capital | 116,298,172 | 109,747,717 | 153,454,894 | 143,667,285 |
| Total capital | 159,532,587 | 155,798,954 | 198,618,984 | 191,833,922 |
| Regulatory capital ratio (%) | | | | |
| Common equity Tier 1 capital ratio (Minimum requirement – 2022 – 8.00%, 2021 – 7.00%) | 11.37 | 11.99 | 12.83 | 12.95 |
| Total Tier 1 capital (Minimum requirement – 2022, 9.50%, 2021 – 8.50%) | 11.89 | 12.56 | 13.27 | 13.41 |
| Total capital (Minimum requirement – 2022 – 13.50%, 2021 – 12.50%) | 16.30 | 17.83 | 17.17 | 17.91 |
| Regulatory liquidity | | | | |
| Statutory liquid assets – Bank | | | | |
| Domestic Banking Unit (LKR '000) | 540,470,751 | 502,575,831 | NA | NA |
| Off-Shore Banking Unit (USD '000) | 70,182 | 239,417 | NA | NA |
| Statutory liquid assets – (Minimum requirement 20%) | | | | |
| Domestic Banking Unit (%) | 21.37 | 23.52 | NA | NA |
| Off-Shore Banking Unit (%) | 20.05 | 25.94 | NA | NA |
| Liquidity coverage ratio (%) Rupee (Minimum requirement 2022 – 90%, 2021 – 100%) | 213.00 | 155.83 | NA | NA |
| Liquidity coverage ratio (%) all currency (Minimum requirement 2022 – 90%, 2021 – 100%) | 119.47 | 105.71 | NA | NA |

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 2: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

| | Bank | | Group | |
|--|------------------|------------------|------------------|------------------|
| As at 31 December | 2022 LKR '000 | 2021 LKR '000 | 2022 LKR '000 | 2021 LKR '000 |
| Common equity Tier 1 (CET I) capital after adjustments | 111,298,172 | 104,747,717 | 148,454,894 | 138,667,285 |
| Common equity Tier 1 (CET I) capital | 121,208,499 | 114,565,325 | 155,377,215 | 146,338,443 |
| Equity/Assigned capital | 12,201,998 | 12,201,998 | 12,201,998 | 12,201,998 |
| Reserve fund | 10,070,131 | 9,210,528 | 9,972,747 | 9,210,528 |
| Public retained earning/(accumulated retained losses) | 84,624,172 | 78,762,283 | 113,457,633 | 104,755,262 |
| Publish accumulated other comprehensive income (OCI) | 170,825 | 249,143 | 66,665 | 210,196 |
| General and other disclosed reserves | 14,141,373 | 14,141,373 | 14,141,373 | 14,141,373 |
| 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 | - | - | 5,536,799 | 5,819,087 |
| Total adjustments to CETI capital | 9,910,326 | 9,817,608 | 6,922,321 | 7,671,158 |
| Goodwill (Net) | - | - | - | - |
| Deferred tax asset (Net) | - | - | - | - |
| Intangible assets (Net) | 1,719,177 | 2,077,544 | 1,859,475 | 2,252,557 |
| Other (Investment in the capital of subsidiaries and other financial institution) | 3,428,646 | 2,883,845 | 300,343 | 562,382 |
| Defined benefit asset | 4,762,503 | 4,856,219 | 4,762,503 | 4,856,219 |
| Additional Tier 1 (AT I) capital after adjustments | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Additional Tier 1 (AT I) capital | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Qualifying additional Tier 1 capital instruments | 5,000,000 | 5,000,000 | 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 2 capital after adjustments | 43,234,415 | 46,051,238 | 45,164,090 | 48,166,637 |
| Tier 2 capital | 43,234,415 | 46,051,238 | 45,164,090 | 48,166,637 |
| Qualifying Tier 2 capital instruments | 23,176,650 | 27,069,250 | 23,176,650 | 27,069,250 |
| Revaluation gains | 9,374,467 | 9,374,467 | 9,374,467 | 9,374,467 |
| Loan loss provisions | 10,683,298 | 9,607,521 | 12,612,973 | 11,722,921 |
| Instrument issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by third parties | | | | |
| Total adjustment to Tier 2 | - | - | - | - |
| Investment in own shares | - | - | - | - |
| Other (specify) | - | - | - | - |
| CET capital | 111,298,172 | 104,747,717 | 148,454,894 | 138,667,285 |
| Total Tier 1 capital | 116,298,172 | 109,747,717 | 153,454,894 | 143,667,285 |
| Total capital | 159,532,587 | 155,798,954 | 198,618,984 | 191,833,922 |
| Total Risk-Weighted Assets (RWA) | 978,475,894 | 873,669,797 | 1,156,661,175 | 1,071,197,412 |
| RWA for credit risk | 854,663,864 | 768,601,693 | 1,009,037,876 | 937,833,649 |
| RWA for market risk | 22,038,936 | 9,947,942 | 24,425,006 | 13,920,731 |
| RWA for operational risk | 101,773,095 | 95,120,162 | 123,198,293 | 119,443,032 |
| CET I capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%) | 11.37 | 11.99 | 12.83 | 12.95 |
| of which: Capital Conservation Buffer (%) | 2.50 | 1.50 | 2.50 | 1.50 |
| of which: Countercyclical Buffer (%) | - | - | - | - |
| of which: Capital surcharge on D-SIBs (%) | 1.00 | 1.00 | 1.00 | 1.00 |
| Total Tier 1 capital ratio (%) | 11.89 | 12.56 | 13.27 | 13.41 |
| Total capital ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%) | 16.30 | 17.83 | 17.17 | 17.91 |
| of which: Capital Conservation Buffer (%) | 2.50 | 1.5 | 2.50 | 1.5 |
| of which: Countercyclical Buffer (%) | - | - | - | - |
| of which: Capital surcharge on D-SIBs (%) | 1.00 | 1.00 | 1.00 | 1.00 |

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 03: COMPUTATION OF LEVERAGE RATIO

| As at 31 December | Bank | | Group | |
|--|------------------|------------------|------------------|------------------|
| | 2022 LKR '000 | 2021 LKR '000 | 2022 LKR '000 | 2021 LKR '000 |
| Tier 1 capital | 116,298,172 | 109,747,717 | 153,454,894 | 143,667,285 |
| Total exposures | 3,037,485,650 | 2,772,318,458 | 3,201,579,781 | 2,962,165,320 |
| On balance sheet items (Excluding derivatives and securities financing transactions, but including collateral) | 2,671,798,878 | 2,434,881,051 | 2,835,893,009 | 2,621,996,953 |
| Derivative exposures | 24,523,267 | 3,466,934 | 24,523,267 | 3,466,934 |
| Securities financing transaction exposures | 288,416,615 | 249,384,608 | 288,416,615 | 249,384,608 |
| Other off-balance sheet exposures | 52,746,891 | 84,585,865 | 52,746,891 | 87,316,825 |
| Basel III leverage ratio (%) (Tier 1/total exposure) | 3.83 | 3.96 | 4.79 | 4.85 |

BASEL III DISCLOSURE REQUIREMENT**TEMPLATE 4: COMPUTATION OF LIQUIDITY COVERAGE RATIO**

| As at 31 December | 2022 | | 2021 | |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | 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) | 505,483,388 | 502,751,126 | 372,286,684 | 367,540,924 |
| Level 1 assets | 497,480,281 | 497,480,281 | 362,795,163 | 362,795,163 |
| Level 2A assets | 3,626,548 | 3,082,566 | - | - |
| Level 2B assets | 4,376,559 | 2,188,280 | 9,491,521 | 4,745,761 |
| Total cash outflows | 2,705,630,537 | 583,061,521 | 2,449,124,055 | 518,681,448 |
| Deposits | 1,728,355,981 | 172,835,598 | 1,465,808,681 | 146,580,868 |
| Unsecured wholesale funding | 655,891,101 | 307,819,682 | 632,974,981 | 314,332,823 |
| Secured funding transactions | 5,054,298 | - | 17,051,850 | - |
| Undrawn portion of committed (Irrevocable) facilities and other contingent funding obligations | 234,679,545 | 20,756,629 | 306,123,236 | 30,602,450 |
| Additional requirements | 81,649,612 | 81,649,612 | 27,165,307 | 27,165,307 |
| Total cash inflows | 213,285,842 | 162,260,205 | 198,896,001 | 171,005,309 |
| Maturing secured lending transactions backed by collateral | 27,071,732 | 27,071,732 | 18,124,786 | 18,124,786 |
| Committed facilities | - | - | - | - |
| Other inflows by counterparty which are maturing within 30 days | 92,324,469 | 53,538,861 | 149,501,619 | 126,208,496 |
| Operational deposits | 12,240,029 | - | 4,597,569 | - |
| Other cash inflows | 81,649,612 | 81,649,612 | 26,672,027 | 26,672,027 |
| Liquidity coverage ratio (%) (Stock of high quality liquid assets/Total net cash outflows over the next calendar days)* 100 | - | 119.47 | - | 105.71 |

TEMPLATE 5: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

| | Type A Debenture issued in 2019 | Type B Debenture issued in 2019 | Type A Debenture issued in 2020 | Type B Debenture issued in 2020 | Additional Tier 1 Debenture 1 2021 | Additional Tier 1 Debenture 2 2021 |
|--|--|--|--|--|---|---|
| Must be provided for each type of capital instrument separately | | | | | | |
| Description of the capital instrument | | | | | | |
| Issuer | People's Bank | People's Bank | People's Bank | People's Bank | People's Bank | People's Bank |
| Unique identifier (e.g. ISIN or Bloomberg identifier for private placement) | A | B | A | B | 1 | 2 |
| Original date of issuance | 8 November 2019 | 8 November 2019 | 27 July 2020 | 27 July 2020 | 29 March 2021 | 3 August 2021 |
| Par value of instrument (LKR) | 6,563,000,000 | 3,437,000,000 | 12,900,000,000 | 7,100,000,000 | 3,500,000,000 | 1,500,000,000 |
| Original maturity date, if applicable | 8 November 2024 | 8 November 2027 | 27 July 2025 | 27 July 2028 | N/A | N/A |
| Amount recognised in regulatory capital (in LKR '000 as at the reporting date) | 3,609,650,000 | 3,437,000,000 | 9,030,000,000 | 7,100,000,000 | 3,500,000,000 | 1,500,000,000 |
| Accounting classification (equity/liability) | Liability | Liability | Liability | Liability | Liability | Liability |
| Issuer call subject to prior supervisory approval | | | | | | |
| Optional call date, contingent call dates and redemption amount (LKR '000) | N/A | N/A | N/A | N/A | N/A | N/A |
| Subsequent call dates, if applicable | N/A | N/A | N/A | N/A | N/A | N/A |
| Coupons/dividends | | | | | | |
| Fixed or floating dividend/coupon | Fixed rate | Fixed rate | Fixed rate | Fixed rate | Fixed rate | Fixed rate |
| Coupon rate and any related index (%) | 12.00 | 12.25 | 9.50 | 10.25 | 9.50 | 9.50 |
| Non-cumulative or cumulative | N/A | N/A | N/A | N/A | N/A | N/A |
| Convertible or Non-convertible | | | | | | |
| If convertible, conversion trigger (s) | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| If convertible, fully or partially | N/A | N/A | N/A | N/A | N/A | N/A |
| If convertible, mandatory or optional | N/A | N/A | N/A | N/A | N/A | N/A |
| If convertible, conversion rate | N/A | N/A | N/A | N/A | N/A | N/A |

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 2022, close 42.6% 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, 2021 and 2022

During 2017 and 2018 2019, 2020, 2021 and 2022 – 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 21 July 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 recognise close to LKR 3.6 Bn. in Tier 2 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.

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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 2 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 2 benefit of close to LKR 2.3 Bn. The next detailed revaluation is set to be carried out on 1 July 2023.
- On 27 July 2020 – the Bank issued LKR 20.0 Bn. in Basel III, Tier 2 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 3 August 2021 – as originally planned – the Bank issued LKR 3.5 Bn. and LKR 1.5 Bn. Basel III, Additional Tier 1 compliant debentures.
- The Bank further reduced its dividend payout ratio to 9.2 % in 2021.
- Interim profit certifications were carried out for 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

- The Bank further reduced its dividend payout ratio to 3.9% in 2022.
- Interim Profit Certifications were carried out for Six months ended 30 June 2022 in view of managing regulatory capital pressure.

As a result of all the above, during 2022 – 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.

2023 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 2023.
- Issue Additional Tier 1 and Tier 2 Basel III compliant instruments
- As originally planned carry-out revaluation of all its land and buildings to bolster Tier 2 capital.
- Continue to maintain its lower dividend/levy payout policy during the year.
- Carry-out an interim profit certification in view of avoiding regulatory capital shortfalls.

TEMPLATE 07: CREDIT RISK UNDER STANDARDISED APPROACH

Credit risk exposures and credit risk mitigation effects (Bank)

| 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 | 2,924,017,324 | 312,280,311 | 3,236,297,635 | 2,710,584,767 | 55,791,343 | 2,766,376,111 | 854,663,864 | 31 |
| Claims on Central Government and Central Bank of Sri Lanka | 1,557,154,500 | 12,520,987 | 1,569,675,487 | 1,557,154,500 | 35,534 | 1,557,190,034 | 104,078,413 | 7 |
| Claims on public sector entities (PSEs) | 287,952,805 | 26,176,785 | 314,129,591 | 110,058,417 | 1,967,321 | 112,025,739 | 34,966,728 | 31 |
| Claims on banks exposures | 11,566,209 | - | 11,566,209 | 11,566,209 | - | 11,566,209 | 4,949,674 | 43 |
| Claims on financial institutions | 6,701,868 | - | 6,701,868 | 6,701,868 | - | 6,701,868 | 3,604,999 | 54 |
| Claims on corporates | 132,329,105 | 227,145,432 | 359,474,537 | 132,220,158 | 44,501,067 | 176,721,225 | 176,709,703 | 100 |
| Retail claims | 513,376,937 | 46,437,106 | 559,814,043 | 477,947,715 | 9,287,421 | 487,235,137 | 380,310,299 | 78 |
| Claims secured by gold | 183,955,880 | - | 183,955,880 | 183,955,880 | - | 183,955,880 | 2,922 | - |
| Claims secured by residential property | 59,509,996 | - | 59,509,996 | 59,509,996 | - | 59,509,996 | 20,828,499 | 35 |
| Non-performing assets (NPAs) | 39,155,305 | - | 39,155,305 | 39,155,305 | - | 39,155,305 | 51,930,634 | 133 |
| Higher-risk categories | 1,147,268 | - | 1,147,268 | 1,147,268 | - | 1,147,268 | 2,868,170 | 250 |
| Cash items | 57,119,603 | - | 57,119,603 | 57,119,603 | - | 57,119,603 | 365,976 | 1 |
| Other assets | 74,047,847 | - | 74,047,847 | 74,047,847 | - | 74,047,847 | 74,047,847 | 100 |

TEMPLATE 07: CREDIT RISK UNDER STANDARDISED APPROACH

Credit risk exposures and credit risk mitigation 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 | 3,092,686,496 | 312,280,311 | 3,404,966,807 | 2,879,253,940 | 55,791,343 | 2,935,045,283 | 1,009,037,876 | 34 |
| Claims on Central Government and Central Bank of Sri Lanka | 1,570,065,905 | 12,520,987 | 1,582,586,892 | 1,570,065,905 | 35,534 | 1,570,101,439 | 104,078,413 | 7 |
| Claims on public sector entities (PSEs) | 287,952,805 | 26,176,785 | 314,129,591 | 110,058,417 | 1,967,321 | 112,025,739 | 34,966,728 | 31 |
| Claims on banks exposures | 14,767,304 | - | 14,767,304 | 14,767,304 | - | 14,767,304 | 7,318,902 | 50 |
| Claims on financial institutions | 6,701,868 | - | 6,701,868 | 6,701,868 | - | 6,701,868 | 3,604,999 | 54 |
| Claims on corporates | 132,329,105 | 227,145,432 | 359,474,537 | 132,220,158 | 44,501,067 | 176,721,225 | 176,709,703 | 100 |
| Retail claims | 644,347,513 | 46,437,106 | 690,784,619 | 608,918,291 | 9,287,421 | 618,205,712 | 511,280,874 | 83 |
| Claims secured by gold | 183,955,880 | - | 183,955,880 | 183,955,880 | - | 183,955,880 | 2,922 | - |
| Claims secured by residential property | 59,509,996 | - | 59,509,996 | 59,509,996 | - | 59,509,996 | 20,828,499 | 35 |
| Non-performing assets (NPAs) | 40,849,720 | - | 40,849,720 | 40,849,720 | - | 40,849,720 | 53,625,050 | 131 |
| Higher-risk categories | 1,487,552 | - | 1,487,552 | 1,487,552 | - | 1,487,552 | 3,718,881 | 250 |
| Cash items | 58,181,917 | - | 58,181,917 | 58,181,917 | - | 58,181,917 | 365,976 | 1 |
| Other assets | 92,536,931 | - | 92,536,931 | 92,536,931 | - | 92,536,931 | 92,536,931 | 100 |

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

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

| Description | Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM) | | | | | Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM) | | | | |
|--|---|---------------|-------------|------------|-----------|---|-------------|------------|-----------|-------------------------------|
| | Risk weight | 0% | 20% | 50% | 60% | 75% | 100% | 150% | >150% | Total Credit exposures amount |
| Asset classes | | | | | | | | | | |
| Claims on Central Government and Central Bank of Sri Lanka | | 1,036,797,969 | 520,392,066 | - | | - | - | - | - | 1,557,190,034 |
| Claims on public sector entities | | - | 96,323,763 | - | | - | 15,701,975 | - | - | 112,025,739 |
| Claims on banks exposures | | - | 8,080,959 | 423,018 | | - | 2,942,750 | 119,482 | - | 11,566,209 |
| Claims on financial institutions | | - | - | 6,193,738 | | - | 508,130 | - | - | 6,701,868 |
| Claims on corporates | | - | - | 23,044 | | - | 176,698,181 | - | - | 176,721,225 |
| SME exposures | | - | - | - | 1,595,021 | - | - | - | - | 1,595,021 |
| Retail claims | | 183,941,269 | 14,611 | - | | 425,147,318 | 60,492,797 | - | - | 669,595,995 |
| Claims secured by residential property | | - | - | 59,509,996 | | - | - | - | - | 59,509,996 |
| Non-performing assets (NPAs) | | - | - | 6,309 | | - | 13,592,029 | 25,556,967 | - | 39,155,305 |
| Higher-risk categories | | - | - | - | | - | - | - | 1,147,268 | 1,147,268 |
| Cash items and other assets | | 55,289,725 | 1,829,878 | - | | - | 74,047,847 | - | - | 131,167,451 |
| Total | | 1,276,028,962 | 626,641,277 | 66,156,105 | 1,595,021 | 425,147,318 | 343,983,709 | 25,676,449 | 1,147,268 | 2,766,376,111 |

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

| Description | Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM) | | | | | Amount (LKR '000) as at 31 December 2017 (Post CCF and CRM) | | | | |
|--|---|---------------|-------------|------------|-----------|---|-------------|------------|-----------|-------------------------------|
| | Risk weight | 0% | 20% | 50% | 60% | 75% | 100% | 150% | >150% | Total Credit Exposures Amount |
| Asset classes | | | | | | | | | | |
| Claims on Central Government and Central Bank of Sri Lanka | | 1,049,709,374 | 520,392,066 | - | - | - | - | - | - | 1,570,101,439 |
| Claims on public sector entities | | - | 96,323,763 | - | - | - | 15,701,975 | - | - | 112,025,739 |
| Claims on banks exposures | | - | 9,120,793 | 423,018 | - | - | 5,104,011 | 119,482 | - | 14,767,304 |
| Claims on financial institutions | | - | - | 6,193,738 | - | - | 508,130 | - | - | 6,701,868 |
| Claims on corporates | | - | - | 23,044 | - | - | 176,698,181 | - | - | 176,721,225 |
| SME exposures | | - | - | - | 1,595,021 | - | - | - | - | 1,595,021 |
| Retail claims | | 183,941,269 | 14,611 | - | - | 425,147,318 | 191,463,372 | - | - | 800,566,571 |
| Claims secured by residential property | | - | - | 59,509,996 | - | - | - | - | - | 59,509,996 |
| Non-performing assets (NPAs) | | - | - | 6,309 | - | - | 15,286,444 | 25,556,967 | - | 40,849,720 |
| Higher-risk categories | | - | - | - | - | - | - | - | 1,487,552 | 1,487,552 |
| Cash items and other assets | | 56,352,039 | 1,829,878 | - | - | - | 92,536,931 | - | - | 150,718,848 |
| Total | | 1,290,002,681 | 627,681,111 | 66,156,105 | 1,595,021 | 425,147,318 | 497,299,045 | 25,676,449 | 1,487,552 | 2,935,045,283 |

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

TEMPLATE 9: MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

| As at 31 December | Bank | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 LKR '000 | 2021 LKR '000 | 2022 LKR '000 | 2021 LKR '000 |
| (a) RWA for interest rate risk | 703,158 | 748,043 | 703,158 | 748,043 |
| General interest rate risk | 343,458 | 387,643 | 343,458 | 387,643 |
| (i) Net long or short position | 343,458 | 387,643 | 343,458 | 387,643 |
| (ii) Horizontal disallowance | - | - | - | - |
| (iii) Vertical disallowance | - | - | - | - |
| (iv) Options | - | - | - | - |
| Specific interest rate risk | 359,700 | 360,400 | 359,700 | 360,400 |
| (b) RWA for equity | 424,187 | 363,033 | 746,306 | 859,631 |
| (i) General equity risk | 213,567 | 184,076 | 374,627 | 432,375 |
| (ii) Specific equity risk | 210,620 | 178,957 | 371,679 | 427,256 |
| (c) RWA for foreign exchange and gold | 1,847,912 | 132,417 | 1,847,912 | 132,417 |
| (d) Capital charge for market risk (a)+(b)+(c) | 2,975,256 | 1,243,493 | 3,297,376 | 1,740,091 |
| RWA for market risk (d) *100/13.5 (2022), *100/12.5 (2021) | 22,038,936 | 9,947,944 | 24,425,006 | 13,920,728 |

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 | | 71,822,080 | 92,273,369 | 110,691,908 | 91,595,786 | 90,942,446 | 111,199,190 | 130,493,754 | 110,878,463 |
| Capital charges for operational risk (LKR '000) | | | | | | | | | |
| The basic indicator approach | 15% | 10,773,312 | 13,841,005 | 16,603,786 | 13,739,368 | 13,641,367 | 16,679,879 | 19,574,063 | 16,631,770 |
| Risk-weighted amount for operational risk (LKR '000) | | | | | | | | | |
| The basic indicator approach | 7.4 | 79,802,311 | 102,525,966 | 122,991,009 | 101,773,095 | 101,047,162 | 123,554,656 | 144,993,060 | 123,198,293 |

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 | Not Subject to capital requirement or subject to deduction from capital LKR '000 |
|--|--|---|--|--|---|
| Assets | | | | | |
| Assets | 2,972,028,452 | 2,972,028,452 | 2,933,869,731 | 6,918,067 | 31,240,654 |
| Cash and cash equivalents | 66,842,171 | 66,842,171 | 66,842,171 | - | - |
| Balances with Central Bank of Sri Lanka | 67,602,313 | 67,602,313 | 67,602,313 | - | - |
| Placements with Banks | - | - | - | - | - |
| Derivative financial instruments | 14,882,584 | 14,882,584 | 12,994,106 | - | 1,888,478 |
| Financial assets – At fair value through profit or loss | 5,556,754 | 5,556,754 | - | 5,556,754 | - |
| Financial assets – At amortised cost | | | | | |
| Loans and receivables to banks | 7,689,150 | 7,689,150 | 7,689,150 | - | - |
| Loans and receivables to other customers | 1,783,106,693 | 1,783,106,693 | 1,783,106,693 | - | - |
| Debt instruments measured at amortised cost | 913,099,927 | 913,099,927 | 913,099,927 | - | - |
| Financial Assets - At fair value through other comprehensive income (OCI) | | | | | |
| Equity instruments at fair value through OCI | 1,661,656 | 1,661,656 | | 1,361,313 | 300,343 |
| Debt instruments at fair value through OCI | 10,378,370 | 10,378,370 | 10,378,370 | - | - |
| Investments in subsidiaries | 4,280,522 | 4,280,522 | 1,152,218 | - | 3,128,304 |
| Investments in associates | - | - | - | - | - |
| Goodwill and intangible assets | 1,719,177 | 1,719,177 | - | - | 19,441,849 |
| Property, plant and equipment | 49,330,080 | 49,330,080 | 29,888,231 | - | - |
| Other assets | 45,879,055 | 45,879,055 | 41,116,552 | - | 4,762,503 |
| Liabilities | 2,826,734,321 | 2,826,734,321 | - | - | - |
| Due to banks | 111,452,491 | 111,452,491 | - | - | - |
| Derivative financial instruments | 1,888,478 | 1,888,478 | - | - | - |
| Due to other customers | 2,371,518,898 | 2,371,518,898 | - | - | - |
| Other borrowings | 191,527,573 | 191,527,573 | - | - | - |
| Current tax liabilities | 6,372,157 | 6,372,157 | - | - | - |
| Net deferred tax liabilities | 606,207 | 606,207 | - | - | - |
| Other liabilities | 106,765,050 | 106,765,050 | - | - | - |
| Subordinated term debts | 36,603,467 | 36,603,467 | - | - | - |
| Shareholders' equity | 145,294,131 | 145,294,131 | - | - | - |
| Stated capital/Assigned capital | 12,201,998 | 12,201,998 | - | - | - |
| Statutory reserve fund | 10,070,131 | 10,070,131 | - | - | - |
| Other reserves | 38,397,830 | 38,397,830 | - | - | - |
| Retained earnings | 84,624,172 | 84,624,172 | - | - | - |
| Total equity and liabilities | 2,972,028,452 | 2,972,028,452 | - | - | - |
| Off-balance sheet liabilities | 370,648,773 | 370,648,773 | 370,648,773 | - | - |
| Acceptance | 74,070,645 | 74,070,645 | 74,070,645 | - | - |
| Guarantees | 22,841,324 | 22,841,324 | 22,841,324 | - | - |
| Letter of credit | 68,387,765 | 68,387,765 | 68,387,765 | - | - |
| Other contingent items | 137,037,060 | 137,037,060 | 137,037,060 | - | - |
| Undrawn loan commitments | 68,828,585 | 68,828,585 | 68,828,585 | - | - |
| (-) Allowance for ECL/impairment losses | (516,606) | (516,606) | (516,606) | - | - |

TEMPLATE 12: GROUP ASSESSMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS) AS AT 31 DECEMBER 2022

| | Group LKR '000 |
|--|-------------------|
| Size Indicator | |
| Section 1 – Total Exposures | |
| Total exposures measure | 3,201,579,781 |
| 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) | 25,119,194 |
| (i) Funds deposited | 14,767,304 |
| (ii) Lending | 10,351,890 |
| b. Holdings of securities issued by other financial institutions | 914,913 |
| c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions | 12,962,606 |
| d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value | 16,324,642 |
| Intra-financial system assets | 55,321,355 |
| Section 3 – Intra-financial System Liabilities | |
| a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained) | 150,023,562 |
| (i) Funds deposited | 24,659,596 |
| (ii) Borrowings | 125,363,966 |
| b. Net negative current exposure of securities financing transactions with other financial institutions | - |
| c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value | 2,815,352 |
| Intra-financial system liabilities | 152,838,914 |
| Section 4 – Securities Outstanding | |
| Securities outstanding | 52,781,563 |
| Substitutability/Financial Institution Infrastructure Indicators | |
| Section 5 – Payments made in the Reporting Year (excluding intra-group payments) | |
| Payments activity | 3,837,588,965 |
| 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 | 11,141 |
| b. Value of the transactions | 202,578 |

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

| | Group LKR '000 |
|--|-------------------|
| Complexity indicators | |
| Section 9 – Notional amount of Over-the-Counter (OTC) derivatives | |
| OTC derivatives | 152,222,636 |
| Section 10 – Level 2 Assets | |
| Level 2 assets | 8,003,107 |
| Section 11 – Trading and Available-for-Sale (AFS) securities | |
| a. Debt instruments | 10,484,399 |
| b. Equity instruments | 2,424,409 |
| c. Government Securities | 6,280,524 |
| d. Derivatives | 14,882,584 |
| Section 12 – Cross-jurisdictional Liabilities | |
| Cross-jurisdictional liabilities (excluding derivatives and intra-group liabilities) | 159,319,755 |
| Section 13 – Cross-jurisdictional Claims | |
| Cross-jurisdictional claims (excluding derivatives and intra-group claims) | 24,683,406 |