



**PEOPLE'S
BANK**

**BASEL III –
DISCLOSURE UNDER PILLAR 3
AS PER THE BANKING ACT
DIRECTIONS NO. 01 OF 2016
AS AT 31 DECEMBER 2019**

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

CAPITAL ADEQUACY

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

Basle committee on Bank supervision (BCBS) has implemented set of stringent measures of capital, liquidity and funding reforms. Accordingly BASLE III accord was issued in December 2010 and it has come into force and effect in Sri Lanka on 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:

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

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

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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 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 share holders by providing an insight into the internal computation procedures followed by the Bank.

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

TEMPLATE 01: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

	Bank		Group	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Regulatory capital (LKR '000)				
Common equity Tier I capital	77,941,284	74,623,023	106,246,759	101,088,945
Total Tier I capital	77,941,284	74,623,023	106,246,759	101,088,945
Total capital	106,972,205	97,987,549	136,303,475	125,548,973
Regulatory capital ratio (%)				
Common equity Tier I capital ratio (Minimum requirement – 2019 - 8.00%, 2018 - 7.375%)	10.68	11.02	11.58	11.66
Total Tier I capital (Minimum requirement – 2019 - 9.50%, 2018 - 8.875%)	10.68	11.02	11.58	11.66
Total capital (Minimum requirement – 2019 - 13.50%, 2018 - 12.875%)	14.66	14.47	14.86	14.48
Regulatory liquidity				
Statutory liquid assets – Bank				
Domestic banking unit (LKR '000)	446,351,080	337,865,692	NA	NA
Off-Shore banking unit (USD '000)	504,025	303,616	NA	NA
Statutory liquid assets – (Minimum requirement 20%)				
Domestic banking unit (%)	29.54	23.01	NA	NA
Off-Shore banking unit (%)	34.61	30.36	NA	NA
Liquidity coverage ratio (%) Rupee				
(Minimum requirement – 2019 - 100%, 2018 - 90%)	160.80	144.90	NA	NA
Liquidity coverage ratio (%) all currency				
(Minimum requirement – 2019 - 100%, 2018 - 90%)	132.10	100.42	NA	NA

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TEMPLATE 02: KEY REGULATORY RATIO – CAPITAL AND LIQUIDITY

	Bank		Group	
	As at 31 December 2019 LKR '000	As at 31 December 2018 LKR '000	As at 31 December 2019 LKR '000	As at 31 December 2018 LKR '000
Common equity Tier I (CET I) capital after adjustments	77,941,284	74,623,023	106,246,759	101,088,945
Common equity Tier I (CET I) capital	80,750,618	77,449,928	109,238,461	103,911,483
Equity/Assigned capital	12,201,998	12,201,998	12,201,998	12,201,998
Reserve fund	7,315,774	6,669,490	7,315,774	6,669,490
Public retained earning/(Accumulated retained losses)	48,307,520	46,673,577	70,855,815	67,268,477
Publish accumulated other comprehensive income (OCI)	224,861	78,262	224,861	78,262
General and other disclosed reserves	12,700,465	11,826,601	12,700,465	12,098,979
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	-	-	5,939,548	5,594,277
Total adjustments to CETI capital	2,809,334	2,826,905	2,991,702	2,822,538
Goodwill (Net)	-	-	-	-
Intangible assets (Net)	700,875	439,517	1,090,714	869,469
Other (Investment the in the capital of subsidiaries and other financial institution)	1,412,952	434,319	1,205,481	-
Defined benefit asset	695,507	1,953,069	695,507	1,953,069
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	29,030,921	23,364,526	30,056,716	24,460,028
Tier II capital	29,030,921	23,364,526	30,056,716	24,460,028
Qualifying Tier II capital instruments	15,625,000	7,125,000	15,625,000	7,125,000
Revaluation gains	7,025,956	8,797,393	7,025,956	8,797,393
Loan loss provisions	6,379,965	7,442,133	7,405,760	8,537,635
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	77,941,284	74,623,023	106,246,759	101,088,945
Total Tier I capital	77,941,284	74,623,023	106,246,759	101,088,945
Total capital	106,972,205	97,987,549	136,303,475	125,548,973

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

	Bank		Group	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
RWA for Credit Risk (LKR '000)	650,675,272	595,370,603	815,617,770	765,873,723
RWA for Operational Risk (LKR '000)	72,551,719	74,300,869	93,362,542	93,317,447
RWA for Market Risk (LKR '000)	6,430,053	7,552,947	8,402,021	8,030,076
CET I capital ratio (Including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	10.68	11.02	11.58	11.66
of which: capital conservation buffer (%)	2.50	1.875	2.50	1.875
of which: countercyclical buffer (%)	–	–	–	–
of which: capital surcharge countercyclical buffer (%)	1.00	1.00	1.00	1.00
Total Tier I capital ratio (%)	10.68	11.02	11.58	11.66
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on D-SIBs) (%)	14.66	14.47	14.86	14.48
of which: capital conservation buffer (%)	2.50	1.875	2.50	1.875
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	
	31.12.2019 LKR '000	31.12.2018 LKR '000	31.12.2019 LKR '000	31.12.2018 LKR '000
Tier I capital	77,941,284	74,623,023	106,246,759	101,088,945
Total exposures	1,956,281,017	1,808,606,489	2,134,461,039	1,985,824,469
On balance sheet items (Excluding derivatives and securities financing transactions, but including collateral)	1,852,096,324	1,709,800,708	2,028,282,425	1,886,628,389
Derivative exposures	553,750	3,135,654	553,750	3,135,654
Securities financing transaction exposures	18,410,000	18,000,000	18,410,000	18,390,299
Other off-balance sheet exposures	85,220,942	77,670,127	87,214,863	77,670,127
Basel III Leverage ratio (%) (Tier I/Total exposure)	3.98%	4.13%	4.98%	5.08%

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

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TEMPLATE 04: COMPUTATION OF LIQUIDITY COVERAGE RATIO

	As at 31 December 2019		As at 31 December 2018	
	Total un weighted value LKR '000	Total weighted value LKR '000	Total un weighted value LKR '000	Total weighted value LKR '000
Total stock of high-quality liquid assets (HQLA)	410,810,268	409,287,666	304,505,839	303,919,749
Level 1 assets	407,765,063	407,765,063	302,283,687	302,283,687
Level 2A assets	–	–	1,499,960	1,274,966
Level 2B assets	3,045,205	1,522,603	722,192	361,096
Total cash outflows	1,851,660,335	381,470,849	1,808,148,158	419,217,632
Deposits	1,034,947,511	103,494,751	964,258,606	96,425,861
Unsecured wholesale funding	486,161,256	240,769,480	501,902,159	252,564,530
Secured funding transactions	11,508,468	–	8,221,306	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	306,238,279	24,401,797	286,321,471	22,782,625
Additional requirements	12,804,821	12,804,821	47,444,616	47,444,616
Maturing secured lending transactions backed by collateral	29,841,508	11,415,369	31,225,082	13,102,046
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 days	95,505,309	52,853,956	108,719,198	59,789,955
Operational deposits	2,283,074	–	2,853,418	–
Other cash inflows	7,381,441	7,381,441	43,672,249	43,672,249
Liquidity coverage ratio (%) (Stock of high quality liquid assets/ Total net cash outflows over the next calendar days)* 100		132.10		100.42

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TEMPLATE 05: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

	Number 2 Debenture issued in 2009	Number 3 Debenture issued in 2011	Number 4 Debenture issued in 2013	Type A Debenture issued in 2019	Type B Debenture issued in 2019
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
Unique identifier (e.g., ISIN or bloomberg identifier for private placement)	2	3	4	A	B
Original date of issuance	30 December 2009	30 December 2011	15 December 2013	08 November 2019	08 November 2019
Par value of instrument	2,500,000,000	5,000,000,000	5,000,000,000	6,563,000,000	3,437,000,000
Original maturity date, if applicable	29 December 2022	29 December 2022	29 December 2022	8 November 2024	8 November 2027
Amount recognised in regulatory capital (in LKR '000 as at the reporting date)	1,875,000,000	–	3,750,000,000	6,563,000,000	3,437,000,000
Accounting classification (equity/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
Subsequent call dates, if applicable	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
Coupon rate and any related index	13.50%	13.00%	13.00%	12.00%	12.25%
Non-cumulative or cumulative	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
If convertible, fully or partially	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
If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A

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TEMPLATE 06: SUMMARY DISCUSSION ON THE ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

Overview

- In accordance with CBSL stipulations, the Bank carries out an Internal Capital Adequacy Assessment Process annually. The assessment covers a five (5) year time horizon with the last carried out was for period 2019 - 2023
- In addition, Capital Adequacy levels are monitored at a frequency of at least one every two weeks

Material exposures

- At end 2019, close 45.0% of the Bank's total loan book was composed of exposures to the State and State Owned Enterprises. Those extended to State are mostly backed by an irrevocable sovereign undertaking by way of either or a treasury guarantee/indemnity or other form of government assurance
- Leaving aside such sovereign backed, the Bank's single largest exposure to a non sovereign does not account for over 2% of its total loan book
- The Bank's sector exposures are also fairly diverse

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

- During year 2017, 2018 and 2019 - the Bank undertook several initiatives to bolster its regulatory capital and meet Basel III Risk Control measures. These included amongst other.

2017

- a. Raised LKR 5.0 Bn. from General Treasury, Ministry of Finance on 21 July 2017. This was first received over the last eight (8) years.
- b. Reduce its dividend payout to 28.6% in 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 approval. The next revaluation is set to be carried out on 1 July 2020
- d. Ensured additional facilities extended to State Owned Enterprises are sovereign backed and, in case of other government assurances, they are routed through the Monetary Board of the Central bank of Sri Lanka for prior approval.
- e. Carry out an interim profit certification for the six months period ended 30 June 2017 in view of meeting interim regulatory capital requirements whilst supporting loan book growth
- f. Efforts to amend the People's Bank Act to facilitate the issuance of Debentures in conformity with Basel rules was once again revived with the assistance of Ministry Public Enterprise Development

2018

- a. The Bank was able to further reduce its dividend payout to 20.0% in 2018 from 28.6% in 2017
- b. Highly risk measured/controlled growth in loan book during 2018
- c. Carry out an interim profit certification for the six months period ended 30 June 2018 in view of meeting interim regulatory capital requirements
- d. The process in relation to the amendment of the People's Bank Act to facilitate the issuance of debentures continued

2019

- a. The Bank was able to further reduce its dividend payout to 18.7% in 2019 from 20.0% in 2018
 - b. Carry out an interim profit certifications for the three months ended 31 March 2019, six months ended 30 June 2019 and the nine months ended 30 September 2019 in view of avoiding regulatory capital shortfalls
 - c. The People's Bank Act amendments was finalised in September 2019
 - d. The Bank was thereby able to issue its first Basel III, Tier II compliant debenture issuance. A total LKR 10.0 Bn. was raised on 8 November 2019
- As a result thereto, the Bank was able to successfully meet all Basel III Risk Control measures during both 2018 and 2019 as applicable without any exception whatsoever, be Capital Adequacy Ratio, Liquidity Coverage Ratio, Net Stable Funding and Leverage

2020 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 2020
- a. Circumstances permitting, revalue its land and buildings. This will enable the Bank augment its Tier II Capital levels subject to regulatory approvals
 - b. Issue a minimum LKR 8.0 Bn. in Basel III, Tier II compliant Debentures
 - c. Continue to maintain its dividend/levy payout policy during the year

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**TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH
CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS (BANK)**

As at 31 December 2019								
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	1,794,596,948	364,396,256	2,158,993,204	1,673,141,565	85,700,340		
Claims on Central Government and Central Bank of Sri Lanka	829,059,528	34,507,963	863,567,491	745,914,337	0	745,914,337	30,730,516	4
Claims on Public Sector Entities (PSEs)	111,066,548	184,276,130	295,342,679	111,066,548	25,882,939	136,949,488	78,781,418	58
Claims on Bank exposures	12,713,010	0	12,713,010	12,713,010	0	12,713,010	4,079,104	32
Claims on Financial Institutions	10,321,902	0	10,321,902	10,321,902	0	10,321,902	5,369,002	52
Claims on Corporates	92,368,147	122,651,159	215,019,306	92,194,449	55,225,200	147,419,649	132,150,592	90
Retail claims	372,724,144	22,961,004	395,685,148	348,206,775	4,592,201	352,798,975	283,212,677	80
Claims Secured by Gold	162,582,929	0	162,582,929	162,582,929	0	162,582,929	31,908	0
Claims secured by Residential Property	62,007,332	0	62,007,332	62,007,332	0	62,007,332	31,003,666	50
Non-Performing Assets (NPAs)	23,361,466	0	23,361,466	23,361,466	0	23,361,466	28,482,214	122
Higher-risk categories	793,542	0	793,542	793,542	0	793,542	1,983,856	250
Cash Items	49,252,071	0	49,252,071	49,252,071	0	49,252,071	123,116	0
Other Assets	68,346,329	0	68,346,329	54,727,204	0	54,727,204	54,727,204	100

**TEMPLATE 07: CREDIT RISK UNDER STANDARDIZED APPROACH
CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS (GROUP)**

As at 31 December 2019								
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	1,969,790,022	371,466,113	2,341,256,135	1,848,334,640	87,694,261		
Claims on Central Government and Central Bank of Sri Lanka	838,863,484	34,507,963	873,371,447	755,718,293	0	755,718,293	30,730,516	4
Claims on Public Sector Entities (PSEs)	111,066,548	184,276,130	295,342,679	111,066,548	25,882,939	136,949,488	78,781,418	58
Claims on Bank Exposures	14,987,176	0	14,987,176	14,987,176	0	14,987,176	4,895,450	33
Claims on Financial Institutions	10,365,254	0	10,365,254	10,365,254	0	10,365,254	6,400,135	62
Claims on Corporates	92,368,147	129,721,016	222,089,163	92,194,449	57,219,121	149,413,570	134,144,513	90
Retail claims	522,070,286	22,961,004	545,031,290	497,552,917	4,592,201	502,145,117	432,558,819	86
Claims Secured by Gold	162,582,929	0	162,582,929	162,582,929	0	162,582,929	31,908	0
Claims secured by Residential Property	62,007,332	0	62,007,332	62,007,332	0	62,007,332	31,003,666	50
Non-Performing Assets (NPAs)	25,862,953	0	25,862,953	25,862,953	0	25,862,953	30,983,701	120
Higher-risk categories	0	0	0	0	0	0	0	0
Cash Items	50,032,260	0	50,032,260	50,032,260	0	50,032,260	123,116	0
Other Assets	79,583,653	0	79,583,653	65,964,528	0	65,964,528	65,964,528	100

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TEMPLATE 08 : CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS – BANK

Description	Amount [LKR '000 as at 31 December 2019 (Post CCF and CRM)]								
	Risk Weight	0%	20%	50%	75%	100%	150%	>150%	Total credit exposures amount
Asset classes									
Claims on Central Government and Central Bank of Sri Lanka	454,852,336	291,062,001	-	-	-	-	-	-	745,914,337
Claims on Public Sector Entities	-	72,710,088	-	-	64,239,400	-	-	-	136,949,488
Claims on Banks exposures	-	7,635,072	5,051,697	-	26,242	-	-	-	12,713,010
Claims on Financial Institutions	-	1,500,000	7,505,800	-	1,316,102	-	-	-	10,321,902
Claims on Corporates	-	4,532,622	23,546,022	-	119,080,901	260,104	-	-	147,419,649
Retail claims	162,423,387	159,542	-	278,345,192	74,453,783	-	-	-	515,381,904
Claims secured by Residential Property	-	-	62,007,332	-	-	-	-	-	62,007,332
Non-Performing Assets (NPAS)	-	-	162,326	-	12,795,318	10,403,822	-	-	23,361,466
Higher-Risk Categories	-	-	-	-	-	-	-	793,542	793,542
Cash items and Other Assets	48,636,493	615,578	-	-	54,727,204	-	-	-	103,979,276
Total	665,912,217	378,214,903	98,273,177	278,345,192	326,638,949	10,663,925	793,542	1,758,841,906	

TEMPLATE 08 : CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS – GROUP

Description	Amount [LKR '000 as at 31 December 2019 (Post CCF and CRM)]								
	Risk Weight	0%	20%	50%	75%	100%	150%	>150%	Total credit exposures amount
Asset classes									
Claims on Central Government and Central Bank of Sri Lanka	464,656,292	291,062,001	-	-	-	-	-	-	755,718,293
Claims on Public Sector Entities	-	72,710,088	-	-	64,239,400	-	-	-	136,949,488
Claims on Banks exposure	-	8,712,581	6,243,323	-	31,272	-	-	-	14,987,176
Claims on Financial Institutions	-	-	7,930,238	-	2,435,016	-	-	-	10,365,254
Claims on Corporates	-	4,532,622	23,546,022	-	121,074,822	260,104	-	-	149,413,570
Retail claims	162,423,387	159,542	-	278,345,192	223,799,925	-	-	-	664,728,046
Claims secured by Residential Property	-	-	62,007,332	-	-	-	-	-	62,007,332
Non-Performing Assets (NPAs)	-	-	162,326	-	15,296,805	10,403,822	-	-	25,862,953
Higher-risk categories	-	-	-	-	-	-	-	-	-
Cash items and Other Assets	49,416,682	615,578	-	-	65,964,528	-	-	-	115,996,789
Total	676,496,362	377,792,412	99,889,241	278,345,192	492,841,768	10,663,925	-	1,936,028,901	

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT
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TEMPLATE 09: MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

	Bank		Group	
	As at 31 December 2019 LKR '000	As at 31 December 2018 LKR '000	As at 31 December 2019 LKR '000	As at 31 December 2018 LKR '000
(a) RWA for Interest Rate Risk	419,575	534,185	419,575	534,185
General interest rate risk	408,483	371,277	408,483	371,277
(i) Net long or short position	408,483	371,277	408,483	371,277
(ii) Horizontal disallowance	-	-	-	-
(iii) Vertical disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific interest rate risk	11,092	162,908	11,092	162,908
(b) RWA for Equity	434,005	275,707	710,080	337,137
(i) General equity risk	227,615	138,805	366,019	170,710
(ii) Specific equity risk	206,390	136,902	344,061	166,427
© RWA for Foreign Exchange and Gold	46,628	162,551	46,628	162,551
(d) Capital charge for Market Risk (a)+(b)+(c)	900,207	972,443	1,176,283	1,033,873
RWA for market risk	6,430,053	7,552,947	8,402,021	8,030,076

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)									
	61,963,686	70,029,465	71,151,661	67,714,937	77,625,737	89,987,284	93,802,096	87,138,372	
Capital charges for operational risk (LKR '000)									
The basic indicator approach	15%	9,294,553	10,504,420	10,672,749	10,157,241	11,643,861	13,498,093	14,070,314	13,070,756
Risk weighted amount for operational risk (LKR '000)									
The basic indicator approach	7.1%	66,389,664	75,031,570	76,233,923	72,551,719	83,170,433	96,414,947	100,502,246	93,362,542

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

	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	1,873,406,218	1,873,406,218	1,790,785,957	80,506,434	2,113,827
Cash and cash equivalents	50,703,158	50,703,158	50,703,158	-	-
Balances with Central Bank of Sri Lanka	38,858,470	38,858,470	38,858,470	-	-
Placements with banks	9,689,132	9,689,132	9,689,132	-	-
Derivative financial instruments	90,560	90,560	90,560	-	-
Financial assets – At fair value through profit or loss	79,514,568	79,514,568	-	79,514,568	-
Financial assets – At amortised cost					
Loans and receivables to banks	29,771,919	29,771,919	29,771,919	-	-
Loans and receivables to other customers	1,310,150,137	1,310,150,137	1,310,150,137	-	-
Debt instruments measured at amortised cost	280,935,892	280,935,892	280,935,892	-	-
Financial assets – At fair value through Other Comprehensive Income (OCI)					
Equity instruments at fair value through OCI	1,997,896	1,997,896	-	991,866	1,006,030
Debt instruments at fair value through OCI	2,573,067	2,573,067	2,573,067	-	-
Investments in subsidiaries	1,205,414	1,205,414	798,492	-	406,922
Investments in associates	-	-	-	-	-
Goodwill and intangible assets	700,875	700,875	-	-	700,875
Property, plant and equipment	34,310,028	34,310,028	34,310,028	-	-
Investment properties	1,263,045	1,263,045	1,263,045	-	-
Prepaid leases	-	-	-	-	-
Other assets	31,642,057	31,642,057	31,642,057	-	-
Liabilities	1,778,441,778	1,778,441,778	-	-	-
Due to banks	207,484,446	207,484,446	-	-	-
Derivative financial instruments	59,748	59,748	-	-	-
Due to other customers	1,491,385,937	1,491,385,937	-	-	-
Other borrowings	17,324,960	17,324,960	-	-	-
Current tax liabilities	3,775,283	3,775,283	-	-	-
Net deferred tax liabilities	1,071,797	1,071,797	-	-	-
Other liabilities	34,625,117	34,625,117	-	-	-
Subordinated term debts	22,714,490	22,714,490	-	-	-
Shareholders' equity	94,964,440	94,964,440	-	-	-
Stated capital/assigned capital	12,201,998	12,201,998	-	-	-
Statutory reserve fund	7,315,774	7,315,774	-	-	-
Other reserves	27,368,542	27,368,542	-	-	-
Retained earnings	48,078,126	48,078,126	-	-	-
Total equity and liabilities	1,873,406,218	1,873,406,218	-	-	-
Off-Balance sheet liabilities	363,925,754	363,925,754	363,925,754	-	-
Acceptance	110,542,802	110,542,802	110,542,802	-	-
Guarantees	78,306,041	78,306,041	78,306,041	-	-
Letter of credit	82,058,147	82,058,147	82,058,147	-	-
Other contingent items	24,673,760	24,673,760	24,673,760	-	-
Undrawn loan commitments	69,519,348	69,519,348	69,519,348	-	-
(-) Allowance for ECL/Impairment losses	(1,174,344)	(1,174,344)	(1,174,344)	-	-

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT
UNDER PILLAR III

**TEMPLATE 12: GROUP ASSESSMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)
AS AT 31 DECEMBER 2019**

	LKR '000
Size Indicator	
Section 1 – Total exposures	
Total exposure measure	2,134,461,039
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)	14,090,794
(i) Funds deposited	4,758,363
(ii) Lending	9,332,430
b. Holdings of securities issued by other financial institutions	1,066,820
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	302,082
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	209,499
Intra-financial system assets	15,669,194
Section 3 – Intra-financial system liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	235,082,405
(i) Funds deposited	16,541,998
(ii) Borrowings	218,540,407
b. Net negative current exposure of securities financing transactions with other financial institutions	2,278,500
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	234,221
Intra-financial system liabilities	237,595,125
Section 4 – Securities outstanding	
Securities outstanding	40,513,091
Substitutability/Financial institution infrastructure indicators	
Section 5 – Payments made in the reporting year (excluding intragroup payments)	
Payments activity	3,083,801,286
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	14,216
b. Value of the transactions	297,060

BASEL III – MARKET DISCIPLINE DISCLOSURE REQUIREMENT UNDER PILLAR III

	LKR'000
Complexity indicators	
Section 9 – Notional Amount of over-the-counter (OTC) derivatives	
OTC derivatives	30,497,639
Section 10 – Level 2 Assets	
Level 2 assets	3,045,205
Section 11 – Financial assets recognised under fair value through profit or loss and fair value through other comprehensive income	
a. Debt instruments	2,604,590
b. Equity instruments	2,823,067
c. Government securities	79,324,214
d. Derivatives	90,560
Section 12 – Cross-jurisdictional liabilities	
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	249,360,664
Section 13 – Cross-jurisdictional claims	
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	35,834,471