

Basel III - Disclosures Under Pillar 3 as per the Banking Act Direction No.01 of 2016

Template 1

Key Regulatory Ratios - Capital and Liquidity

Item	Bank		Group	
	2018 June - Basel III	2017 June - Basel II	2018 June - Basel III	2017 June - Basel II
Regulatory Capital (LKR '000)				
Common Equity Tier 1	89,670,480	N/A	97,265,914	N/A
Tier 1 Capital	89,670,480	62,943,401	97,265,914	69,094,825
Total Capital	109,372,662	83,645,957	116,950,436	90,114,863
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.375%)	12.48%	N/A	12.69%	N/A
Tier 1 Capital Ratio (Minimum Requirement - 2018 - 8.875%)	12.48%	9.83%	12.69%	10.10%
Total Capital Ratio (Minimum Requirement - 12.875%)	15.22%	13.07%	15.25%	13.17%
Leverage Ratio (Minimum Requirement - 3%)	7.93%	N/A	8.20%	N/A
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	204,077,133	180,870,337	N/A	N/A
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)				
Domestic Banking Unit (%)	21.20%	21.47%	N/A	N/A
Off-Shore Banking Unit (%)	42.27%	31.97%	N/A	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2018-90% ; 2017-80%)	152.87%	102.02%	N/A	N/A
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2018-90% ; 2017-80%)	93.61%	74.24%	N/A	N/A

Template 2

Basel III Computation of Capital Ratios

Item	Bank	Group
	2018 June (LKR '000)	2018 June (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	89,670,480	97,265,914
Common Equity Tier 1 (CET1) Capital	94,439,721	101,298,247
Equity Capital (Stated Capital)/Assigned Capital	32,338,025	32,338,026
Reserve Fund	5,460,000	5,460,000
Published Retained Earnings/(Accumulated Retained Losses)	11,773,225	14,276,798
Published Accumulated Other Comprehensive Income (OCI)	1,688,209	1,688,209
General and other Disclosed Reserves	43,180,262	43,651,114
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	0	0
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		3,884,100
Total Adjustments to CET1 Capital	4,769,241	4,032,333
Goodwill (net)		122,942
Intangible Assets (net)	717,119	817,119
Others (specify)		
Defined benefit pension fund assets	1,719,510	1,719,510
Investments in the capital of banking and financial institutions where the bank does not own more than 10 per cent of the issued ordinary share capital of the entity	505,650	654,948
Significant investments in the capital of financial institutions where the bank owns more than 10 per cent of the issued ordinary share capital of the entity	1,826,962	717,814
Additional Tier 1 (AT1) Capital after Adjustments		
Additional Tier 1 (AT1) Capital		
Qualifying Additional Tier 1 Capital Instruments		
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to AT1 Capital		
Investment in Own Shares		
Others (specify)		
Tier 2 Capital after Adjustments	19,702,182	19,684,522
Tier 2 Capital	19,902,295	19,902,295
Qualifying Tier 2 Capital Instruments	14,623,279	14,623,279
Revaluation Gains	2,090,479	2,090,479
General Provisions	3,188,537	3,188,537
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	200,113	217,774
Investment in Own Shares		
Others (specify)		
Investments in the capital of financial institutions and where the bank does not own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	200,113	217,774
CET1 Capital		
Total Tier 1 Capital	89,670,480	97,265,914
Total Capital	109,372,662	116,950,436
Total Risk Weighted Assets (RWA)	718,741,238	766,721,550
RWAs for Credit Risk	663,700,651	698,703,729
RWAs for Market Risk	1,010,245	1,106,351
RWAs for Operational Risk	54,030,343	66,911,470
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	12.48%	12.69%
of which: Capital Conservation Buffer (%)	1.875%	1.875%
of which: Countercyclical Buffer (%)	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.00%	1.00%
Total Tier 1 Capital Ratio (%)	12.48%	12.69%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	15.22%	15.25%
of which: Capital Conservation Buffer (%)	1.875%	1.875%
of which: Countercyclical Buffer (%)	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.00%	1.00%

Template 3

Computation of Leverage Ratio*

Item	Amount (LKR '000)	
	Bank - June 2018	Group - June 2018
Tier 1 Capital	89,670,480	97,265,914
Total Exposures	1,130,471,720	1,185,695,302
On-Balance Sheet Items		
(excluding Derivatives and Securities Financing Transactions, but including Collateral)	990,972,014	1,045,280,931
Derivative Exposures	2,993,015	2,993,015
Securities Financing Transaction Exposures	12,997,871	13,912,536
Other Off-Balance Sheet Exposures	123,508,820	123,508,820
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	7.93%	8.20%

Template 4

Basel III Computation of Liquidity Coverage Ratio All CCY

Item	Amount (LKR'000)			
	2018 - June		2017 - June	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	84,540,599	80,948,572	68,654,626	65,959,947
Total Adjusted Level 1A Assets	69,784,675	69,784,675	65,005,411	65,005,411
Level 1 Assets	69,641,813	69,641,813	63,265,267	63,265,267
Total Adjusted Level 2A Assets	11,021,045	9,367,888	0	0
Level 2A Assets	11,021,045	9,367,888	0	0
Total Adjusted Level 2B Assets	3,877,742	1,938,871	5,389,359	2,694,680
Level 2B Assets	3,877,742	1,938,871	5,389,359	2,694,680
Total Cash Outflows	880,628,585	142,074,962	831,465,192	133,586,230
Deposits	588,240,713	58,824,071	528,810,310	52,881,031
Unsecured Wholesale Funding	149,575,578	57,912,140	143,590,995	56,458,520
Secured Funding Transactions	11,610,999	0	26,896,970	0
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	119,934,604	14,072,060	122,783,377	14,863,138
Additional Requirements	11,266,691	11,266,691	9,383,540	9,383,540
Total Cash Inflows	109,038,644	55,596,408	95,942,826	44,744,198
Maturing Secured Lending Transactions Backed by Collateral				
Committed Facilities	3,000,000	0	3,000,000	0
Other Inflows by Counterparty which are Maturing within 30 Days	96,767,482	52,259,641	82,681,609	41,340,806
Operational Deposits	2,690,436	0	3,828,777	0
Other Cash Inflows	6,580,726	3,336,767	6,432,440	3,403,393
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		93.61%		74.24%

Template 7

Credit Risk under Standardised Approach – Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR'000) as at June 30, 2018					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density ⁽ⁱⁱ⁾
Claims on Central Government and CBSL	277,237,572	-	238,887,723	-	24,795,169	0.10
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	4,967,880	-	4,967,880	-	2,481,155	0.50
Claims on Financial Institutions	25,703,063	3,086,200	25,703,063	3,086,200	16,352,294	0.57
Claims on Corporates	277,041,070	398,245,744	266,073,603	108,724,186	350,022,925	0.93
Retail Claims	309,429,925	59,688,465	271,925,813	14,061,202	198,898,717	0.70
Claims Secured by Residential Property	38,202,835	-	38,202,835	-	24,654,248	0.65
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	12,731,126	-	12,731,126	-	15,330,267	1.20
Higher-risk Categories	914,974	-	914,974	-	2,287,436	2.50
Cash Items and Other Assets	47,011,028	-	47,011,028	-	28,878,440	0.61
Total	993,239,474	461,020,409	906,418,046	125,871,588	663,700,651	

Template 9

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR'000)
	30-Jun-18
(a) RWA for Interest Rate Risk	0
General Interest Rate Risk	
(i) Net Long or Short Position	
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
(b) RWA for Equity	13,911
(i) General Equity Risk	7,314
(ii) Specific Equity Risk	6,597
(c) RWA for Foreign Exchange & Gold	116,158
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	1,010,245

Template 10

Operational Risk under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at June 30, 2018		
			1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		54,367,409	46,712,908	38,047,815
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					6,956,407
The Basic Indicator Approach					6,956,407
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					54,030,343
The Basic Indicator Approach					54,030,343
The Standardised Approach					
The Alternative Standardised Approach					

Template 11

**Differences between Accounting and Regulatory Scopes and
Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only**

Item	Amount (LKR '000) as at June 30 ,2018				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	1,000,448,569	995,304,561	896,641,889	111,618	91,521,420
Cash and Cash Equivalents	21,803,702	21,803,702	21,803,702		
Balances with Central Banks	37,797,323	37,797,323	37,797,323		
Placements with Banks					
Reverse repurchase agreements					
Derivative Financial Instruments	228,355	-			
Financial investments - Loans and receivables	139,165,824	136,426,660	136,426,660		
Financial investments - Fair value through profit or loss	111,618	111,618		111,618	
Loans and Receivables to Banks		-			
Loans and Receivables to Customers	695,725,917	692,472,456	605,651,029		86,821,428
Financial Investments - Available-For-Sale	71,030,827	66,098,996	64,025,017		2,073,979
Financial Investments - Held-To-Maturity		-			
Investments in Subsidiaries	3,017,285	3,017,285	1,973,000		1,044,285
Investments in Joint Ventures	755,000	755,000	-		755,000
Property, Plant and Equipment	18,006,049	18,006,049	18,006,049		
Investment Properties	326,641	326,641	326,641		
Goodwill and Intangible Assets	826,729	826,729	-		826,729
Deferred Tax Assets		-			
Other Assets	11,653,299	17,662,101	10,632,467		
Liabilities	887,205,019	888,809,042	-	-	-
Due to Banks	60,988,980	60,476,634			
Derivative Financial Instruments	803,008	-			
Securities sold under repurchase agreements	12,480,272	12,461,764			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	741,227,223	725,824,845			
Dividends payable	1,015,852	1,015,852			
Other Borrowings	24,908,153	24,674,967			
Debt Securities Issued	4,646,833	4,403,698			
Current Tax Liabilities	5,801,180	5,961,898			
Deferred Tax Liabilities	4,512,077	6,447,405			
Other Provisions	2,879,776	21,335,101			
Other Liabilities	6,205,808	5,427,559			
Due to Subsidiaries		-			
Subordinated Term Debts	21,735,857	20,779,319			
Off-Balance Sheet Liabilities	710,102,621	710,102,621	-	-	-
Guarantees	121,246,964	121,246,964	121,246,964		
Performance Bonds					
Letters of Credit	42,550,139	42,550,139	42,550,139		
Other Contingent Items	153,858,840	153,858,840	153,858,840		
Undrawn Loan Commitments	392,446,678	392,446,678	392,446,678		
Other Commitments					
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	32,338,028	32,002,075			
of which Amount Eligible for CET1		-			
of which Amount Eligible for AT1		-			
Retained Earnings	20,376,558	17,207,902			
Accumulated Other Comprehensive Income	3,163,160				
Other Reserves	57,365,804	57,285,542			
Total Shareholders' Equity	113,243,550	106,495,519	-	-	-

[Contd.]

Explanation of Significant Differences between Accounting and Regulatory Exposure Amounts

(a) Derivative financial instruments

Derivatives are financial instruments which derive values in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices.

The fair value of these derivative financial instruments are determined using forward pricing models. The positive fair value changes of these financial instruments as at the balance sheet date are reported as assets while the negative fair value changes are reported as liabilities.

(b) Loans and receivables to other customers

The loans and receivables to customers considered in regulatory reporting differs with the published financial statements since CBSL time based provisions were netted off when arriving at loans and receivables for regulatory reporting purposes, while impairment allowances based on incurred losses have been netted off in loans and receivables for publication purposes. The impairment allowance has been computed using established processes with judgments being exercised when

(c) Financial investments - Available for sale

Financial investments - Available for sale have been measured at fair value in published financial statements while these investments have been measured at cost for regulatory reporting purpose.