Template 1

Key Regulatory Ratios - Capital and Liquidity

Item	Bank		Group	
	2019 June - Basel III	2018 June - Basel III	2019 June - Basel III	2018 June - Basel III
Regulatory Capital (LKR '000)				
Common Equity Tier 1	**101,677,164**	**89,670,480**	**112,464,522**	**97,265,914**
Tier 1 Capital	**101,677,164**	**89,670,480**	**112,464,522**	**97,265,914**
Total Capital	**121,585,879**	**109,372,662**	**132,373,238**	**116,950,436**
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2019-8.5% ; 2018-7.375%)	**13.02%**	**12.48%**	**13.25%**	**12.69%**
Tier 1 Capital Ratio (Minimum Requirement - 2019-10% ; 2018 - 8.875%)	**13.02%**	**12.48%**	**13.25%**	**12.69%**
Total Capital Ratio (Minimum Requirement - 2019-14% ; 2018 - 12.875%)	**15.57%**	**15.22%**	**15.59%**	**15.25%**
Leverage Ratio (Minimum Requirement - 3%)	**8.42%**	**7.93%**	**8.81%**	**8.20%**
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	**262,091,271**	**204,077,133**	**N/A**	**N/A**
Statutory Liquid Assets Ratio (Minimum Requirement – 20%)				
Domestic Banking Unit (%)	**26.35%**	**21.20%**	**N/A**	**N/A**
Off-Shore Banking Unit (%)	**37.50%**	**42.27%**	**N/A**	**N/A**
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2019-100% ; 2018-90%)	**216.62%**	**152.87%**	**N/A**	**N/A**
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2019-100% ; 2018-90%)	**119.44%**	**93.61%**	**N/A**	**N/A**

Template 2

Basel III Computation of Capital Ratios

Item	Bank 2019 June (LKR '000)	Group 2019 June (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	**101,677,164**	**112,464,522**
Common Equity Tier 1 (CET1) Capital	**106,568,861**	**116,518,374**
Equity Capital (Stated Capital)/Assigned Capital	33,820,905	33,820,904
Reserve Fund	6,260,000	6,260,000
Published Retained Earnings/(Accumulated Retained Losses)	15,311,848	19,905,011
Published Accumulated Other Comprehensive Income (OCI)	0	0
General and other Disclosed Reserves	51,176,108	51,478,542
Unpublished Current Year's Profit/Loss and Gains reflected in OCI		
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	0	5,053,918
Total Adjustments to CET1 Capital	**4,891,697**	**4,053,852**
Goodwill (net)		122,942
Intangible Assets (net)	786,689	886,689
Others (specify)		
Defined benefit pension fund assets	1,150,510	1,150,510
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	322,643	402,607
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	2,631,855	1,491,104
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	**19,908,715**	**19,908,715**
Tier 2 Capital	**19,908,715**	**19,908,715**
Qualifying Tier 2 Capital Instruments	11,687,703	11,687,703
Revaluation Gains	2,090,479	2,090,479
General Provisions	6,130,534	6,130,534
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	**0**	**0**
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	0	0
CET1 Capital	**101677164**	**112464522.1**
Total Tier 1 Capital	**101,677,164**	**112,464,522**
Total Capital	**121,585,879**	**132,373,238**
Total Risk Weighted Assets (RWA)	**781,086,119**	**849,076,752**
RWAs for Credit Risk	721,446,637	775,197,270
RWAs for Market Risk	1,058,152	1,152,336
RWAs for Operational Risk	58,581,330	72,727,147
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**13.02%**	**13.25%**
of which: Capital Conservation Buffer (%)	2.500%	2.500%
of which: Countercyclical Buffer (%)	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.50%	1.50%
Total Tier 1 Capital Ratio (%)	**13.02%**	**13.25%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**15.57%**	**15.59%**
of which: Capital Conservation Buffer (%)	2.500%	2.500%
of which: Countercyclical Buffer (%)	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	1.50%	1.50%

Template 3

Computation of Leverage Ratio*

Item	Amount (LKR '000)	
	Bank - June 2019	Group - June 2019
Tier 1 Capital	**101,677,164**	**112,464,522**
Total Exposures	**1,207,172,580**	**1,276,039,656**
On-Balance Sheet Items		
(excluding Derivatives and Securities Financing Transactions, but including Collateral)	1,064,735,986	1,133,263,342
Derivative Exposures	3,876,125	3,876,125
Securities Financing Transaction Exposures	7,719,811	8,059,531
Other Off-Balance Sheet Exposures	130,840,658	130,840,658
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	**8.42%**	**8.81%**

Template 4

Basel III Computation of Liquidity Coverage Ratio All CCY

Item	Amount (LKR'000)			
	2019 - June		2018 - June	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	**132,108,602**	**126,689,443**	**84,540,599**	**80,948,572**
Total Adjusted Level 1A Assets	**104,207,804**	**104,207,804**	**69,784,675**	**69,784,675**
Level 1 Assets	**103,391,759**	**103,391,759**	**69,641,813**	**69,641,813**
Total Adjusted Level 2A Assets	**25,540,748**	**21,709,636**	**11,021,045**	**9,367,888**
Level 2A Assets	**25,540,748**	**21,709,636**	**11,021,045**	**9,367,888**
Total Adjusted Level 2B Assets	**3,176,095**	**1,588,047**	**3,877,742**	**1,938,871**
Level 2B Assets	**3,176,095**	**1,588,047**	**3,877,742**	**1,938,871**
Total Cash Outflows	**915,401,380**	**167,127,814**	**880,628,585**	**142,074,962**
Deposits	594,217,765	59,421,777	588,240,713	58,824,071
Unsecured Wholesale Funding	153,070,722	59,252,578	149,575,578	57,912,140
Secured Funding Transactions	5,667,479	0	11,610,999	0
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	147,003,539	33,011,584	119,934,604	14,072,060
Additional Requirements	15,441,875	15,441,875	11,266,691	11,266,691
Total Cash Inflows	**122,851,334**	**61,054,574**	**109,038,644**	**55,596,408**
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	107,256,229	55,326,927	96,767,482	52,259,641
Operational Deposits	1,500,765	0	2,690,436	0
Other Cash Inflows	11,094,340	5,727,646	6,580,726	3,336,767
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		**119.44%**		**93.61%**

Template 5

Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	Stated Capital	Debentures - 2007	Debentures - 2006 Type E	Debentures - 2006 Type F	Debentures - 2011	Debentures - 2016	Debentures - 2016	Debentures - 2016	Foreign Borrowing
Issuer	HNB PLC	HNB PLC	HNB PLC	HNB PLC	HNB PLC	HNB PLC	HNB PLC	HNB PLC	German Development Financial Institution
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)									
Governing Law(s) of the Instrument	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	German
Original Date of Issuance	N/A	August 1, 2007	April 1, 2006	April 1, 2006	September 5, 2011	March 28, 2016	November 1, 2016	November 1, 2016	June 12, 2012
Par Value of Instrument	N/A	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-	LKR 100/-	N/A
Perpetual or Dated	Perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original Maturity Date, if Applicable									
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	33,820,906	420,000	385,460	821,262	1,200,000	2,800,000	1,200,000	4,000,000	882,500
Accounting Classification (Equity/Liability)	Equity	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
Issuer Call subject to Prior Supervisory Approval	**No**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	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	N/A	N/A	N/A
Coupons/Dividends	Dividends	Coupons	Coupons	Coupons	Coupons	Coupons	Coupons	Coupons	Coupons
Fixed or Floating Dividend/Coupon	N/A	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating
Coupon Rate and any Related Index	N/A	16.75%	11.00%	11.25%	11.50%	11.25%	11.75%	13.00%	6 Month LIBOR + 4.25% p.a.
Non-Cumulative or Cumulative									
Convertible or Non-Convertible	N/A	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
If Convertible, Conversion Trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
If Convertible, Fully or Partially	N/A	N/A	N/A	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	N/A	N/A	N/A
If Convertible, Conversion Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Template 6

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

Asset Class	Amount (LKR'000) as at June 30, 2019					
	Exposures before Credit Conversion Factor (CCF)		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	314,617,950	-	274,958,649	-	29,076,781	0.11
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	7,519,574	-	7,519,574	-	4,269,079	0.57
Claims on Financial Institutions	23,759,392	5,937,098	23,759,392	5,937,098	16,325,860	0.55
Claims on Corporates	277,899,999	399,044,203	270,531,510	111,378,304	365,331,837	0.96
Retail Claims	335,949,645	74,250,834	292,749,014	16,557,980	221,098,852	0.71
Claims Secured by Residential Property	40,494,836	-	40,494,836	-	26,906,113	0.66
Claims Secured by Commercial Real Estate						
Non-Performing Assets (NPAs)(i)	22,268,861	-	22,268,861	-	24,285,075	1.09
Higher-risk Categories	1,043,090	-	1,043,090	-	2,607,725	2.50
Cash Items and Other Assets	51,404,677	-	51,404,677	-	31,545,314	0.61
Total	**1,074,958,025**	**479,232,136**	**984,729,604**	**133,873,383**	**721,446,637**	

Template 7

Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR'000) as at June 30, 2019
(a) RWA for Interest Rate Risk	**72,681**
General Interest Rate Risk	10,175
(i) Net Long or Short Position	10,175
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
(b) RWA for Equity	**78,056**
(i) General Equity Risk	5,749
(ii) Specific Equity Risk	5,178
(c) RWA for Foreign Exchange & Gold	**907,415**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**1,058,152**

Template 8

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, 2019		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		**46,712,908**	**54,367,409**	**62,947,407**
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)					**8,201,386**
The Basic Indicator Approach					8,201,386
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					**58,581,330**
The Basic Indicator Approach					58,581,330
The Standardised Approach					
The Alternative Standardised Approach					

Template 9

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 ,2019				
	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	**1,072,469,096**	**1,078,746,029**	**980,852,415**	**1,025,737**	**96,132,601**
Cash and Cash Equivalents	22,212,594	22,217,303	22,212,594		
Balances with Central Banks	24,374,582	24,374,582	24,374,582		
Placements with Banks	3,383,353	3,397,626	3,383,353		
Reverse repurchase agreements	1,091,122	1,090,000	1,091,122		
Derivative Financial Instruments	989,608				
Financial investments - Loans and receivables	149,281,450	150,304,280	150,304,280		
Financial investments - Fair value through profit or loss	1,025,737	1,025,737		1,025,737	
Loans and Receivables to Banks					
Loans and Receivables to Customers	724,883,925	737,480,101	647,251,681		90,228,420
Financial Investments - Available-For-Sale	104,113,757	101,602,391	98,391,495		3,210,896
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	21,351,404	21,351,404	21,351,404		
Investment Properties	324,995	324,995	324,995		
Goodwill and Intangible Assets	894,000	894,000	-		894,000
Deferred Tax Assets		-			
Other Assets	14,770,284	10,911,326	10,193,910		
Liabilities	**953,343,205**	**956,962,904**	**-**	**-**	**-**
Due to Banks	79,116,418	77,864,958			
Derivative Financial Instruments	1,116,781				
Securities sold under repurchase agreements	6,329,142	6,308,857			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	792,780,300	775,845,885			
Dividends payable	1,002,462	1,002,462			
Other Borrowings	20,397,634	20,096,372			
Debt Securities Issued	4,709,597	4,466,462			
Current Tax Liabilities	10,351,446	9,498,855			
Deferred Tax Liabilities	1,871,496	7,344,234			
Other Provisions	3,046,158	3,393,719			
Other Liabilities	10,317,428	29,782,717			
Due to Subsidiaries		-			
Subordinated Term Debts	22,304,343	21,358,383			
Off-Balance Sheet Liabilities	**764,161,162**	**764,161,162**	**-**	**-**	**-**
Guarantees	129,938,532	129,938,532	129,938,532		
Performance Bonds					
Letters of Credit	22,958,393	22,958,393	22,958,393		
Other Contingent Items	174,610,703	174,610,703	174,610,703		
Undrawn Loan Commitments	436,653,534	436,653,534	436,653,534		
Other Commitments					
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	33,820,906	33,484,953			
of which Amount Eligible for CET1		-			
of which Amount Eligible for AT1		-			
Retained Earnings	17,080,116	22,147,179			
Accumulated Other Comprehensive Income					
Other Reserves	68,224,869	66,150,994			
Total Shareholders' Equity	**119,125,891**	**121,783,125**	**-**	**-**	**-**