

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 September	2017 September	2018 September	2017 September
Regulatory Capital (LKR '000)				
Common Equity Tier 1	98,085,845	83,500,768	106,260,220	91,084,640
Tier 1 Capital	98,085,845	83,500,768	106,260,220	91,084,640
Total Capital	117,666,839	106,208,169	125,714,611	113,643,158
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 7.375%)	13.02%	12.91%	13.25%	13.07%
Tier 1 Capital Ratio (Minimum Requirement - 2018 - 8.875%)	13.02%	12.91%	13.25%	13.07%
Total Capital Ratio (Minimum Requirement - 12.875%)	15.62%	16.42%	15.67%	16.30%
Leverage Ratio (Minimum Requirement - 3%)	8.42%	6.43%	8.97%	6.80%
Regulatory Liquidity				
Statutory Liquid Assets (LKR'000)	216,855,350	225,174,554	N/A	N/A
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)				
Domestic Banking Unit (%)	22.57%	24.93%	N/A	N/A
Off-Shore Banking Unit (%)	41.74%	39.12%	N/A	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2018-90% ; 2017-80%)	163.81%	171.12%	N/A	N/A
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2018-90% ; 2017-80%)	109.61%	110.20%	N/A	N/A

Template 2

Basel III Computation of Capital Ratios

Item	Bank	Group
	2018 September (LKR '000)	2018 September (LKR '000)
Common Equity Tier 1 (CET1) Capital after Adjustments	98,085,845	106,260,220
Common Equity Tier 1 (CET1) Capital	102,483,935	109,918,979
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)	1,129,087	1,129,087
General and other Disclosed Reserves	43,180,262	43,564,625
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	8,603,336	9,109,116
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		4,041,327
Total Adjustments to CET1 Capital	4,398,090	3,658,758
Goodwill (net)		122,942
Intangible Assets (net)	697,497	797,497
Others (specify)		
Defined benefit pension fund assets	1,519,510	1,519,510
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	437,442	590,048
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	1,743,641	628,761
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	19,580,994	19,454,391
Tier 2 Capital	19,746,557	19,639,057
Qualifying Tier 2 Capital Instruments	14,364,158	14,256,658
Revaluation Gains	2,090,479	2,090,479
General Provisions	3,291,920	3,291,920
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	165,563	184,666
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	165,563	184,666
CET1 Capital		
Total Tier 1 Capital	98,085,845	106,260,220
Total Capital	117,666,839	125,714,611
Total Risk Weighted Assets (RWA)	753,259,282	802,136,604
RWAs for Credit Risk	696,249,897	731,562,879
RWAs for Market Risk	385,032	469,748
RWAs for Operational Risk	56,624,354	70,103,976
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	13.02%	13.25%
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%
Total Tier 1 Capital Ratio (%)	13.02%	13.25%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	15.62%	15.67%
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 - September 2018	Group - September 2018
Tier 1 Capital	98,085,845	106,260,220
Total Exposures	1,164,263,364	1,184,754,069
On-Balance Sheet Items		
(excluding Derivatives and Securities Financing Transactions, but including Collateral)	1,025,842,071	1,045,741,569
Derivative Exposures	3,192,542	3,192,542
Securities Financing Transaction Exposures	4,988,550	5,579,757
Other Off-Balance Sheet Exposures	130,240,201	130,240,201
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	8.42%	8.97%

Template 4

Basel III Computation of Liquidity Coverage Ratio All CCY

Item	Amount (LKR'000)			
	2018 - September		2017 - September	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	98,710,798	94,257,656	108,506,028	105,835,083
Total Adjusted Level 1A Assets	78,428,977	78,428,977	102,525,858	102,525,858
Level 1 Assets	78,041,138	78,041,138	103,164,138	103,164,138
Total Adjusted Level 2A Assets	16,804,822	14,284,099	0	0
Level 2A Assets	16,804,822	14,284,099	0	0
Total Adjusted Level 2B Assets	3,864,838	1,932,419	5,341,890	2,670,945
Level 2B Assets	3,864,838	1,932,419	5,341,890	2,670,945
Total Cash Outflows	903,550,248	144,928,915	832,881,366	137,574,346
Deposits	610,100,086	61,010,009	550,355,850	55,035,585
Unsecured Wholesale Funding	153,422,944	54,283,711	147,412,669	56,214,951
Secured Funding Transactions	3,610,591	0	4,115,486	0
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	121,695,830	14,914,398	119,398,397	14,724,846
Additional Requirements	14,720,798	14,720,798	11,598,965	11,598,965
Total Cash Inflows	116,396,904	58,933,699	89,101,280	41,534,628
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	104,368,000	54,811,063	76,839,650	38,419,826
Operational Deposits	956,638	0	3,211,848	0
Other Cash Inflows	8,072,266	4,122,636	6,049,783	3,114,802
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		109.61%		110.20%

Template 7

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

Asset Class	Amount (LKR'000) as at September 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	282,549,961	-	245,199,910	-	25,871,214	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	8,561,465	-	8,561,465	-	4,026,832	0.47
Claims on Financial Institutions	27,605,188	3,086,123	27,605,188	3,086,123	16,642,299	0.54
Claims on Corporates	278,885,184	424,978,366	271,228,372	114,046,013	361,414,177	0.94
Retail Claims	328,854,883	59,892,055	288,899,332	15,588,109	214,957,818	0.71
Claims Secured by Residential Property	39,137,412	-	39,137,412	-	25,307,506	0.65
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	14,005,492	-	14,005,492	-	16,427,330	1.17
Higher-risk Categories	998,295	-	998,295	-	2,495,737	2.50
Cash Items and Other Assets	48,975,636	-	48,975,636	-	29,106,983	0.59
Total	1,029,573,516	487,956,544	944,611,102	132,720,245	696,249,897	-

Template 9

Market Risk under Standardised Measurement Method

Item	RWA Amount
	(LKR'000)
	30-Sep-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	11,450
(i) General Equity Risk	6,024
(ii) Specific Equity Risk	5,426
(c) RWA for Foreign Exchange & Gold	38,123
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	385,032

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 September 30, 2018		
			1 st Year	2 nd Year	3 rd Year
The Basic Indicator Approach	15%		57,244,743	48,041,181	40,521,787
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)					7,290,386
The Basic Indicator Approach					7,290,386
The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					56,624,354
The Basic Indicator Approach					56,624,354
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 September 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	1,035,547,336	1,031,342,959	941,592,313	97,164	89,653,482
Cash and Cash Equivalents	21,536,640	21,536,640	21,536,640		
Balances with Central Banks	40,997,071	40,997,071	40,997,071		
Placements with Banks	5,256,466	5,254,125	5,254,125		
Reverse repurchase agreements	250,149	250,000	250,000		
Derivative Financial Instruments	2,347,691	-			
Financial investments - Loans and receivables	144,343,717	141,786,767	141,786,767		
Financial investments - Fair value through profit or loss	97,164	97,164		97,164	
Loans and Receivables to Banks		-			
Loans and Receivables to Customers	717,840,295	722,385,733	637,423,320		84,962,414
Financial Investments - Available-For-Sale	68,050,942	64,802,533	62,728,555		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	18,066,994	18,066,994	18,066,994		
Investment Properties	326,230	326,230	326,230		
Goodwill and Intangible Assets	817,805	817,805	-		817,805
Deferred Tax Assets		-			
Other Assets	11,843,887	11,249,611	11,249,611		
Liabilities	918,716,280	919,938,575	-	-	-
Due to Banks	63,284,708	63,142,635			
Derivative Financial Instruments	1,912,589	-			
Securities sold under repurchase agreements	4,238,096	4,218,714			
Financial Liabilities Designated at Fair Value Through Profit or Loss		-			
Due to Other Customers	776,275,043	761,070,774			
Dividends payable	1,013,384	1,013,384			
Other Borrowings	23,839,073	23,796,090			
Debt Securities Issued	4,489,040	4,419,387			
Current Tax Liabilities	7,177,782	7,467,962			
Deferred Tax Liabilities	4,284,607	6,498,821			
Other Provisions	3,532,724	21,464,776			
Other Liabilities	6,321,967	5,760,084			
Due to Subsidiaries		-			
Subordinated Term Debts	22,347,267	21,085,949			
Off-Balance Sheet Liabilities	758,870,091	758,870,091	-	-	-
Guarantees	127,987,205	127,987,205	127,987,205		
Performance Bonds					
Letters of Credit	43,949,869	43,949,869	43,949,869		
Other Contingent Items	174,006,908	174,006,908	174,006,908		
Undrawn Loan Commitments	412,926,109	412,926,109	412,926,109		
Other Commitments					
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	32,338,025	32,002,072			
of which Amount Eligible for CET1		-			
of which Amount Eligible for AT1		-			
Retained Earnings	24,912,085	22,116,772			
Accumulated Other Comprehensive Income	2,215,143				
Other Reserves	57,365,804	57,285,541			
Total Shareholders' Equity	116,831,056	111,404,384	-	-	-

[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.