

Market Discipline
- Disclosure Requirements
Under Pillar III

Market Discipline -Disclosure Requirements Under Pillar III

TEMPLATE 1

Key regulatory ratios - Capital and liquidity

As at December 31,	Bank		Group	
	2021	2020	2021	2020
Regulatory Capital				
Common Equity (Rs 000)	122,797,863	117,243,040	134,611,494	130,836,136
Tier 1 Capital (Rs 000)	122,797,863	117,243,040	134,611,494	130,836,136
Total Capital (Rs 000)	153,483,612	143,171,814	165,799,543	157,269,339
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2021-7% ; 2020-7%)	14.53%	14.73%	14.45%	14.99%
Tier 1 Capital Ratio (Minimum Requirement - 2021-8.5% ; 2020-8.5%)	14.53%	14.73%	14.45%	14.99%
Total Capital Ratio (Minimum Requirement - 2021-12.5% ; 2020-12.5%)	18.16%	17.98%	17.80%	18.02%
Leverage Ratio (Minimum Requirement - 3%)	7.97%	7.73%	8.22%	8.20%
Regulatory Liquidity				
Statutory Liquid Assets (Rs 000)	326,079,579	436,153,114		
Statutory Liquid Assets Ratio (Minimum Requirement – 20%)				
Domestic Banking Unit (%)	27.51%	38.95%		
Off-Shore Banking Unit (%)	24.95%	35.92%		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2021-90% ; 2020-90%)	191.38%	285.50%		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2021-90% ; 2020-90%)	207.99%	290.29%		

TEMPLATE 2

Basel III computation of capital ratios

As at December 31,	Bank		Group	
	2021	2020	2021	2020
	Rs 000	Rs 000	Rs 000	Rs 000
Common equity Tier 1 (CET1) Capital after Adjustments	122,797,863	117,243,040	134,611,494	130,836,136
Total common equity Tier 1 (CET1) Capital	132,774,260	121,925,658	144,168,933	135,425,972
Equity Capital (Stated Capital)/Assigned Capital	38,679,005	37,364,244	38,679,005	37,364,244
Reserve fund	8,560,000	7,660,000	8,560,000	7,660,000
Published retained earnings/(Accumulated retained losses)	30,266,696	19,730,429	38,687,797	26,501,436
Published accumulated other comprehensive income (OCI)	(1,831,441)	(150,378)	(4,838,668)	(179,654)
General and other disclosed reserves	57,100,000	57,321,363	57,541,056	58,601,235
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-	-	-
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	5,539,743	5,478,711
Total adjustments to CET1 Capital	9,976,396	4,682,618	9,557,439	4,589,836
Goodwill (net)	-	-	181,396	119,457
Intangible assets (net)	1,307,880	1,189,715	1,407,880	1,289,715
Deferred tax assets (net)	4,461,561	806,539	4,941,106	1,728,958
Defined benefit pension fund assets	1,248,708	-	1,248,708	-
Revaluation losses of property, plant & equipment	-	-	-	-
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	377,538	194,159	348,552	137,165
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	2,580,709	2,492,204	1,429,797	1,314,541
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	30,685,749	25,928,773	31,188,049	26,433,203
Total Tier 2 Capital	30,685,749	25,928,773	31,188,049	26,433,203
Qualifying Tier 2 capital instruments	18,963,673	15,835,122	18,644,442	15,522,576
Revaluation gains	2,090,479	2,090,479	2,090,479	2,090,479
General provision/eligible impairment	9,631,598	8,003,173	10,453,129	8,820,148
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total adjustments to Tier 2 capital	-	-	-	-
Investment in own shares	-	-	-	-
Others (specify)	-	-	-	-

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TEMPLATE 2 (Contd.)

Basel III computation of capital ratios

As at December 31,	Bank		Group	
	2021	2020	2021	2020
	Rs 000	Rs 000	Rs 000	Rs 000
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	-	-	-	-
CET1 capital	122,797,863	117,243,040	134,611,494	130,836,136
Total Tier 1 capital	122,797,863	117,243,040	134,611,494	130,836,136
Total capital	153,483,612	143,171,814	165,799,543	157,269,339
Total risk weighted amount (RWA)	845,057,594	796,090,230	931,653,271	872,777,199
RWAs for Credit Risk	770,527,810	724,293,579	836,250,291	781,917,200
RWAs for Market Risk	1,495,688	832,706	1,770,833	974,642
RWAs for Operational Risk	73,034,096	70,963,945	93,632,147	89,885,357
CET1 capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	14.53%	14.73%	14.45%	14.99%
Of which: capital conservation buffer (%)	1.50%	1.50%	1.50%	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 (%)	14.53%	14.73%	14.45%	14.99%
Total capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	18.16%	17.98%	17.80%	18.02%
Of which: capital conservation buffer (%)	1.50%	1.50%	1.50%	1.50%
Of which: countercyclical buffer (%)				
Of which: capital surcharge on D-SIBs (%)	1.00%	1.00%	1.00%	1.00%

TEMPLATE 3

Leverage Ratio

As at December 31,	Bank		Group	
	2021	2020	2021	2020
	Rs 000	Rs 000	Rs 000	Rs 000
Tier 1 capital	122,797,863	117,243,040	134,611,494	130,836,136
Total exposures	1,541,401,389	1,516,923,701	1,637,315,685	1,595,042,163
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	1,327,980,535	1,282,948,314	1,417,648,555	1,358,239,726
Derivative exposures	79,773,591	131,225,119	79,773,591	131,225,119
Securities financing transaction exposures	52,976,429	13,549,670	59,222,705	16,376,720
Other off-balance sheet exposures	80,670,834	89,200,598	80,670,834	89,200,598
Basel III leverage ratio (Tier 1/Total Exposure) (minimum requirement 3%)	7.97%	7.73%	8.22%	8.20%

TEMPLATE 4

Liquidity coverage ratio (LCR) - All currency

As at December 31,	2021		2020	
	Total	Total	Total	Total
	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
	Rs 000	Rs 000	Rs 000	Rs 000
Total stock of High-Quality Liquid Assets (HQLA)	258,645,986	248,265,881	325,892,151	314,678,021
Total adjusted level 1 assets	192,950,928	192,950,928	252,327,699	252,327,699
Level 1 assets	189,584,236	189,584,236	251,239,138	251,239,138
Total adjusted level 2A assets	69,002,201	58,651,871	74,606,790	63,415,772
Level 2A assets	69,002,201	58,651,871	74,606,790	63,415,772
Total adjusted level 2B assets	-	29,774	46,223	23,111
Level 2B assets	59,548	29,774	46,223	23,111
Total cash outflows	1,188,655,343	187,419,777	1,084,589,473	166,094,800
Deposits	853,805,013	85,380,501	762,154,997	76,215,500
Unsecured wholesale funding	160,097,825	64,375,197	161,856,305	53,062,438
Secured funding transactions	31,928,291	-	10,004,543	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	118,811,903	13,651,767	128,902,359	15,145,593
Additional requirements	24,012,312	24,012,312	21,671,269	21,671,269
Total cash inflows	128,226,432	68,057,930	116,452,064	57,693,065
Maturing secured lending transactions backed by collateral	-	-	-	-
Committed facilities	3,000,000	-	3,000,000	-
Other inflows by counterparty which are maturing within 30 days	103,361,643	60,560,978	92,526,949	50,962,224
Operational deposits	7,316,633	-	7,752,924	-
Other cash inflows	14,548,155	7,496,952	13,172,191	6,730,841
Liquidity coverage ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		207.99%		290.29%

TEMPLATE 5

Net Stable Funding Ratio (NSFR)

As at December 31,	Bank	
	2021	2020
	Rs 000	Rs 000
Total available stable funding (ASF)	1,005,970,929	929,169,118
Required stable funding – On balance sheet assets	839,667,564	810,951,321
Required stable funding – Off balance sheet items	15,944,363	14,191,261
Total required stable funding (RSF)	855,611,928	825,142,582
NSFR (minimum requirement - 2021 - 90%, 2020 - 90%)	117.57%	112.61%

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TEMPLATE 6

Main Features of Regulatory Capital Instruments

Description of the capital instrument	Stated Capital	Debentures - 2007	Debentures - 2006 Type F	Debentures - 2016
Issuer	HNB PLC	HNB PLC	HNB PLC	HNB PLC
Unique identifier				
Governing law(s) of the instrument	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka
Original date of issuance	Not Applicable	August 1, 2007	April 1, 2006	November 1, 2016
Par value of instrument		LKR 100/-	LKR 100/-	LKR 100/-
Perpetual or dated	Perpetual	Dated	Dated	Dated
Original maturity date, if applicable	Not Applicable	July 31, 2022	March 31, 2024	November 1, 2023
Amount recognised in regulatory capital (in Rs 000 as at the reporting date)	38,679,005	140,000	992,701	1,600,000
Accounting classification (equity/liability)	Equity	Liability	Liability	Liability
Issuer call subject to prior supervisory approval				
Optional call date, contingent call dates and redemption amount (Rs 000)	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Subsequent call Dates, if applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Coupons/Dividends	Dividends	Coupons	Coupons	Coupons
Fixed or floating dividend/coupon	Not Applicable	Fixed	Fixed	Fixed
Coupon rate and any related index		16.75% p.a.	11.25% p.a.	13% p.a.
Non-cumulative or cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative
Convertible or Non-Convertible	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If Convertible, Conversion Trigger (s)				
If Convertible, fully or partially	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, mandatory or optional	Not Applicable	Not Applicable	Not Applicable	Not Applicable
If convertible, conversion rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Debentures - 2019 (Basel III compliant – Tier 2 listed rated unsecured subordinated redeemable debentures with a non-viability conversion)	Debentures - 2019 (Basel III compliant – Tier 2 listed rated unsecured subordinated redeemable debentures with a non-viability conversion)	Debentures - 2021 (Basel III compliant – Tier 2 listed rated unsecured subordinated redeemable debentures with a non-viability conversion)
HNB PLC	HNB PLC	HNB PLC
Sri Lanka	Sri Lanka	Sri Lanka
September 23, 2019	September 23, 2019	July 28, 2021
LKR 100/-	LKR 100/-	LKR 100/-
Dated	Dated	Dated
September 22, 2024	September 22, 2026	July 28, 2031
1,153,542	8,077,430	7,000,000
Liability	Liability	Liability
Not Applicable	Not Applicable	Not Applicable
Not Applicable	Not Applicable	Not Applicable
Coupons	Coupons	Coupons
Fixed	Fixed	Fixed
12.3% p.a.	12.8% p.a.	9.50% p.a.
Cumulative	Cumulative	Cumulative
Convertible	Convertible	Convertible
A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e., conversion of the said Debentures upon occurrence of the Trigger Event will be affected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Direction No. 1 of 2016 of Web-Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of –	A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e., conversion of the said Debentures upon occurrence of the Trigger Event will be affected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Direction No. 1 of 2016 of Web-Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of –	A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e., conversion of the said Debentures upon occurrence of the Trigger Event will be affected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Direction No. 1 of 2016 of Web-Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of –
(a) A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR	(a) A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR	(a) A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR
(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.	(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.	(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.
Fully	Fully	Fully
Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.	Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.	Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.
The price based on the simple average of the daily volume of weighted average price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.	The price based on the simple average of the daily volume of weighted average price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.	The price based on the simple average of the daily volume of weighted average price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.

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TEMPLATE 6 (Contd.)

Main Features of Regulatory Capital Instruments

Notes

1. A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e., conversion of the said Debentures upon occurrence of the Trigger Event will be affected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Direction No. 1 of 2016 of Web-Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of –
 - (a) A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR
 - (b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board.
2. Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.
3. The price based on the simple average of the daily volume of weighted average price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.

TEMPLATE 7

Summary discussion on adequacy/meeting current and future capital requirements

The starting point for the Bank's capital planning exercise is the strategic plan and the 3 year financial projections which are reviewed annually. Expected macro-economic conditions, strategies planned to drive business growth and the Bank's risk appetite, underpin the financial projections.

Based on the financial projections, future capital requirements are assessed. Subsequently, the assessment proceeds towards gauging how much of required capital will be generated internally and the extent of which, if any is to be sourced externally.

If requirement for external capital is identified, the Bank could consider options such as rights Issues being the raising of capital from existing shareholders, debenture issues, divestment of capital inefficient Investments to free up capital etc. The option determined by management to be the most appropriate would then be recommended to the Board of Directors and a Board Decision would be taken on raising the sufficient amount of capital through one or more of the options identified above.

However, the Bank is extremely well placed on Capital Adequacy with Tier I and Total CAR at 14.53% and 18.16% respectively being among the best in the industry. The financial projections for the next 3 years indicate that HNB will continue to be comfortable on Tier I and Total Capital Adequacy.

In the event that loan growth exceeds forecasts by a considerable margin and/or unforeseen events impede profitability and internal capital generation the Bank would still be well placed to raise capital from one or more of the external sources identified previously as in the past.

TEMPLATE 8

Credit risk under standardised approach

Credit risk exposures and credit risk mitigation (CRM) effects - Bank

As at December 31, 2021	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-balance sheet amount (a)	Off-Balance Sheet Amount (b)	On-balance sheet amount (c)	Off-Balance Sheet Amount (d)	RWA (e)	RWA Density {e/(c+d)}
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on Central Government and CBSL	442,063,525	-	406,217,573	-	15,348,025	3.78%
Claims on foreign sovereigns and their central banks	-	-	-	-	-	-
Claims on public sector entities (PSEs)	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks (MDBs)	-	-	-	-	-	-
Claims on banks exposures	12,193,647	-	12,193,647	-	4,452,666	36.52%
Claims on financial institutions	28,800,025	1,664,011	28,800,025	1,664,011	18,092,323	59.39%
Claims on corporates	361,574,102	285,619,384	346,696,913	66,781,327	375,235,277	90.75%
Retail claims	410,042,810	103,053,076	364,549,776	17,847,033	270,082,333	70.63%
Claims secured by residential property	56,713,342	-	56,713,342	-	30,207,114	53.26%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	16,490,578	-	16,490,578	-	17,336,208	105.13%
Higher-risk categories	1,253,786	-	1,253,786	-	3,134,464	250.00%
Cash items and other assets	66,891,625	-	66,891,625	-	36,639,400	54.77%
Total	1,396,023,441	390,336,470	1,299,807,265	86,292,371	770,527,810	

Credit risk under standardised approach

Credit risk exposures and credit risk mitigation (CRM) effects - Group

As at December 31, 2021	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-balance sheet amount (a)	Off-Balance Sheet Amount (b)	On-balance sheet amount (c)	Off-Balance Sheet Amount (d)	RWA (e)	RWA Density {e/(c+d)}
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on Central Government and CBSL	451,527,304	-	415,681,351	-	15,348,025	3.69%
Claims on foreign sovereigns and their central banks	-	-	-	-	-	-
Claims on public sector entities (PSEs)	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks (MDBs)	-	-	-	-	-	-
Claims on banks exposures	22,127,241	-	22,127,241	-	8,119,213	36.69%
Claims on financial institutions	32,975,784	1,664,011	32,975,784	1,664,011	20,180,202	58.26%
Claims on corporates	369,256,580	285,619,384	354,379,391	66,781,327	382,610,805	90.85%
Retail claims	444,790,256	103,053,076	399,297,222	17,847,033	296,142,917	70.99%
Claims secured by residential property	56,713,342	-	56,713,342	-	30,207,114	53.26%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	16,490,578	-	16,490,578	-	17,336,208	105.13%
Higher-risk categories	1,360,413	-	1,360,413	-	3,401,032	250.00%
Cash items and other assets	95,975,005	-	95,975,005	-	62,904,774	65.54%
Total	1,491,216,502	390,336,470	1,395,000,327	86,292,371	836,250,291	

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TEMPLATE 9

Credit risk under standardised approach - Exposures by asset classes and risk weights (Post CCF & CRM) - Bank

As at December 31,2021	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on central government and Central Bank of Sri Lanka	252,737,318	153,480,255	-	-	-	-	-	-	-	-	406,217,573
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	-	-	6,656,270	-	4,927,481	-	-	514,346	95,550	-	12,193,647
Claims on financial institutions	-	-	-	-	24,898,857	-	-	5,409,750	155,429	-	30,464,037
Claims on corporates	-	-	27,957,665	-	31,832,463	-	-	353,609,307	78,804	-	413,478,239
Retail claims	-	-	-	-	-	98,224,862	179,754,265	76,331,716	-	-	354,310,844
Claims secured by gold	28,085,966	-	-	-	-	-	-	-	-	-	28,085,966
Claims secured by residential property	-	-	-	40,778,813	-	-	-	15,934,529	-	-	56,713,342
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	-	32,446	-	-	14,734,428	1,723,705	-	16,490,578
Higher-risk categories	-	-	-	-	-	-	-	-	-	1,253,786	1,253,786
Cash items and other assets	30,252,225	-	-	-	-	-	-	36,639,400	-	-	66,891,625
Total	311,075,509	153,480,255	34,613,935	40,778,813	61,691,246	98,224,862	179,754,265	503,173,477	2,053,488	1,253,786	1,386,099,636

Credit risk under standardised approach - Exposures by asset classes and risk weights (Post CCF & CRM) - Group

As at December 31,2021	0%	10%	20%	35%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on central government and Central Bank of Sri Lanka	262,201,096	153,480,255	-	-	-	-	-	-	-	-	415,681,351
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	-	-	10,990,435	-	10,526,910	-	-	514,346	95,550	-	22,127,241
Claims on financial institutions	-	-	-	-	29,074,616	-	-	5,409,750	155,429	-	34,639,795
Claims on corporates	-	-	28,105,777	-	32,209,384	-	-	360,766,752	78,804	-	421,160,717
Retail claims	-	-	-	-	-	98,224,862	214,501,711	76,331,716	-	-	389,058,290
Claims secured by gold	28,085,966	-	-	-	-	-	-	-	-	-	28,085,966
Claims secured by residential property	-	-	-	40,778,813	-	-	-	15,934,529	-	-	56,713,342
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	-	32,446	-	-	14,734,428	1,723,705	-	16,490,578
Higher-risk categories	-	-	-	-	-	-	-	-	-	1,360,413	1,360,413
Cash items and other assets	33,070,231	-	-	-	-	-	-	62,904,774	-	-	95,975,005
Total	323,357,293	153,480,255	39,096,212	40,778,813	71,843,355	98,224,862	214,501,711	536,596,297	2,053,488	1,360,413	1,481,292,697

TEMPLATE 10

Market risk under standardised measurement method

As at December 31,	Bank		Group	
	2021	2020	2021	2020
	Rs 000	Rs 000	Rs 000	Rs 000
(a) Capital charge for interest rate risk	-	-	-	-
General interest rate risk	-	-	-	-
(i) Net long or short position	-	-	-	-
(ii) Horizontal disallowance	-	-	-	-
(iii) Vertical disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific interest rate risk	-	-	-	-
(b) Capital charge for equity	12,251	8,439	46,644	26,181
(i) General equity risk	7,444	4,622	26,838	13,745
(ii) Specific equity risk	4,807	3,817	19,806	12,437
(c) Capital charge for foreign exchange & gold	174,710	95,649	174,710	95,649
Capital charge for market risk [(a) + (b) + (c)] * CAR	1,495,688	832,706	1,770,833	974,642

Market Discipline

-Disclosure Requirements Under Pillar III

TEMPLATE 11

Operational Risk under basic indicator approach - Bank

As at December 31,	Capital Charge Factor	Fixed Factor	2020			2021		
			1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
			Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross Income	N/A	N/A	60,830,747	60,000,953	56,578,162	60,000,953	56,578,162	66,006,125
Capital Charges	15%	N/A	9,124,612	9,000,143	8,486,724	9,000,143	8,486,724	9,900,919
Capital Charges for Operational Risk					8,870,493			9,129,262
The Basic Indicator Approach					8,870,493			9,129,262
Risk Weighted Amount for Operational Risk					70,963,945			73,034,096

Operational Risk under basic indicator approach - Group

As at December 31,	Capital Charge Factor	Fixed Factor	2020			2021		
			1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
			Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross Income	N/A	N/A	75,398,127	76,867,302	72,447,964	76,867,302	72,447,965	84,765,100
Capital Charges	15%	N/A	11,309,719	11,530,095	10,867,195	11,530,095	10,867,195	12,714,765
Capital Charges for Operational Risk					11,235,670			11,704,018
The Basic Indicator Approach					11,235,670			11,704,018
Risk Weighted Amount for Operational Risk					89,885,357			93,632,147

TEMPLATE 12

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

Amount as at December 31 ,2021	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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets	1,358,336,621	1,387,203,618	1,280,019,542	103,365	102,959,711
Cash and cash equivalents	38,185,254	38,194,133	38,194,133	-	-
Placements with banks	-	-	-	-	-
Balances with Central Bank of Sri Lanka	25,820,489	25,820,489	30,225,639	-	-
Reverse repurchase agreements	-	-	-	-	-
Derivative financial instruments	927,487	-	-	-	-
Financial assets measured at fair value through profit or loss	103,365	103,365	-	103,365	-
Financial assets at amortised cost - Loans and advances to banks	-	-	-	-	-
Financial assets measured at amortised cost - loans and advances to customers	876,254,693	899,569,691	803,353,515	-	96,216,176
Financial assets measured at amortised cost - debt and other instruments	160,677,520	172,133,698	172,133,698	-	-
Financial assets measured at fair value through other comprehensive income	203,426,433	200,666,754	197,030,383	-	3,636,370
Investment in joint venture	755,000	755,000	-	-	755,000
Investments in subsidiaries	3,017,285	3,017,285	1,973,000	-	1,044,285
Investments in associates	-	-	-	-	-
Investment properties	469,774	469,774	469,774	-	-
Property, plant and equipment	24,953,738	24,953,738	24,953,738	-	-
Right-of-use assets	5,439,384	5,439,384	-	-	-
Intangible assets and goodwill	1,429,544	1,429,544	-	-	1,307,880
Deferred tax assets	4,461,561	-	-	-	-
Other assets	12,415,094	14,650,764	11,685,662	-	-
Liabilities	1,206,295,267	1,214,858,973	-	-	-
Due to banks	17,075,502	17,075,502	-	-	-
Derivative financial instruments	353,356	-	-	-	-
Securities sold under repurchase agreements	33,524,226	33,524,226	-	-	-
Financial liabilities measured at amortised cost - due to depositors	1,075,709,287	1,076,274,453	-	-	-
Dividends payable	989,212	989,212	-	-	-
Financial liabilities measured at amortised cost - other borrowings	24,747,869	24,879,626	-	-	-
Debt securities issued	1,962,749	1,962,749	-	-	-
Current tax liabilities	10,051,689	10,961,395	-	-	-
Deferred tax liabilities	-	7,359,259	-	-	-
Other provisions	3,928,598	7,012,669	-	-	-
Other liabilities	14,400,456	11,267,559	-	-	-

Market Discipline

-Disclosure Requirements Under Pillar III

TEMPLATE 12 (Contd.)

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

Amount as at December 31 ,2021	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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Due to subsidiaries	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Subordinated term debts	23,552,323	23,552,323	-	-	-
Off-Balance Sheet Liabilities	676,242,350	676,242,350	-	-	-
Guarantees	56,870,256	56,870,256	56,870,256	-	-
Performance Bonds	43,904,180	43,904,180	43,904,180	-	-
Letters of Credit	32,567,799	32,567,799	32,567,799	-	-
Other Contingent Items	103,763,239	103,763,239	103,763,239	-	-
Undrawn Loan Commitments	439,136,875	439,136,875	439,136,875	-	-
Other Commitments	-	-	-	-	-
Shareholders' Equity	-	-	-	-	-
Equity Capital (Stated Capital)/Assigned Capital of which Amount Eligible for CET1	37,364,244	37,028,291	-	-	-
Of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	35,186,607	54,571,793	-	-	-
Accumulated Other Comprehensive Income	(1,254,053)	-	-	-	-
Other Reserves	80,744,556	80,744,562	-	-	-
Total Shareholders' Equity	152,041,354	172,344,645	-	-	-

TEMPLATE 12 (A)

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. The details of derivative financial instruments have been disclosed in Note 29 to the financial statements.

(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 determining the presence of objective evidences of impairment. The process used in determining the impairment provision has been described in detail in Note 31 (c) to the financial statements.

(c) Financial assets measured at fair value through OCI

Financial assets at fair value through OCI have been measured at fair value in published financial statements while these investments have been measured at cost for regulatory reporting purpose. The details of financial investments - available for sale have been disclosed in Note 33 to the financial statements.