



YOUR PARTNER IN PROGRESS

Market Risk Disclosures

For the year ended 31st December 2023

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

TEMPLATE 1

Key regulatory ratios - Capital and liquidity

As at 31st December	Bank		Group	
	2023	2022	2023	2022
Regulatory Capital				
Common Equity (Rs 000)	126,926,615	110,339,128	148,881,729	125,236,381
Tier 1 Capital (Rs 000)	126,926,615	110,339,128	148,881,729	125,236,381
Total Capital (Rs 000)	159,254,920	139,614,626	181,877,481	155,160,353
Regulatory Capital Ratios				
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 2023-8% ; 2022-8%)	13.66%	11.06%	14.70%	11.42%
Tier 1 Capital Ratio (Minimum Requirement - 2023-9.5% ; 2022-9.5%)	13.66%	11.06%	14.70%	11.42%
Total Capital Ratio (Minimum Requirement - 2023-13.5% ; 2022-13.5%)	17.13%	14.00%	17.95%	14.15%
Leverage Ratio (Minimum Requirement - 3%)	5.61%	6.22%	6.27%	6.65%
Net stable funding ratio (minimum requirement : 2023-100% , 2022-100%)	150.19%	130.85%		
Regulatory Liquidity				
Statutory Liquid Assets (Rs 000)	784,703,658	494,462,429		
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)				
Bank (%)	48.17%	33.95%		
Domestic Banking Unit (%)	46.53%	31.04%		
Off-Shore Banking Unit (%)	34.06%	29.10%		
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 2023-100% ; 2022-100%)	387.17%	255.83%		
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 2023-100% ; 2022-100%)	445.92%	519.47%		

TEMPLATE 2

Basel III computation of capital ratios

As at 31st December	Bank		Group	
	2023 Rs 000	2022 Rs 000	2023 Rs 000	2022 Rs 000
Common equity Tier 1 (CET1) Capital after Adjustments	126,926,615	110,339,128	148,881,729	125,236,381
Total common equity Tier 1 (CET1) Capital	170,009,255	148,633,241	191,079,377	163,216,182
Equity Capital (Stated Capital)/Assigned Capital	40,955,116	38,679,005	40,955,116	38,679,005
Reserve fund	10,410,000	9,310,000	10,410,000	9,310,000
Published retained earnings/(Accumulated retained losses)	56,305,768	40,600,740	68,245,890	50,141,139
Published accumulated other comprehensive income (OCI)	3,238,371	1,943,496	4,470,635	994,315
General and other disclosed reserves	59,100,000	58,100,000	59,399,407	57,296,627
Unpublished current year's profit/(losses) and gains reflected in OCI	-	-	-	-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	-	-	7,598,329	6,795,096
Total adjustments to CET1 Capital	43,082,640	38,294,113	42,197,648	37,979,801
Goodwill (net)	-	-	247,185	181,396
Intangible assets (net)	1,391,167	1,139,451	1,593,779	1,589,696
Deferred tax assets (net)	33,944,568	30,471,351	33,967,277	30,763,166
Defined benefit pension fund assets	4,158,958	3,479,578	4,158,958	3,479,578
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	344,997	499,670	238,823	443,345
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	2,618,180	2,704,063	1,366,856	1,522,620
Shortfall of capital in financial subsidiaries	624,770	-	624,770	-
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	32,328,305	29,275,498	32,995,753	29,923,972
Total Tier 2 Capital	32,328,305	29,275,498	32,995,753	29,923,972
Qualifying Tier 2 capital instruments	12,496,465	16,104,275	12,160,734	15,785,044
Revaluation gains	9,019,057	2,090,479	9,019,057	2,090,479
General provision/eligible impairment	10,812,784	11,080,745	11,815,963	12,048,450
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-	-	-
Total adjustments to Tier 2 capital	-	-	-	-

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

As at 31st December	Bank		Group	
	2023	2022	2023	2022
	Rs 000	Rs 000	Rs 000	Rs 000
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	-	-	-	-
CET1 capital	126,926,615	110,339,128	148,881,729	125,236,381
Total Tier 1 capital	126,926,615	110,339,128	148,881,729	125,236,381
Total capital	159,254,920	139,614,626	181,877,481	155,160,353
Total risk weighted amount (RWA)	929,502,175	997,470,892	1,013,065,509	1,096,482,202
RWAs for Credit Risk	865,022,689	886,459,570	945,277,000	963,875,964
RWAs for Market Risk	534,316	14,398,617	765,987	14,566,345
RWAs for Operational Risk	63,945,171	96,612,704	67,022,522	118,039,893
CET1 capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	13.66%	11.06%	14.70%	11.42%
Of which: capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%
Of which: countercyclical buffer (%)				
Of which: capital surcharge on D-SIBs (%)	1.00%	1.00%	1.00%	1.00%
Total Tier 1 capital ratio (%)	13.66%	11.06%	14.70%	11.42%
Total capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	17.13%	14.00%	17.95%	14.15%
Of which: capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%
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 31st December	Bank		Group	
	2023	2022	2023	2022
	Rs 000	Rs 000	Rs 000	Rs 000
Tier 1 capital	126,926,615	110,339,128	148,881,729	125,236,381
Total exposures	2,260,649,225	1,775,343,805	2,374,322,143	1,883,394,300
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	1,884,626,278	1,642,069,382	1,998,299,196	1,750,119,877
Derivative exposures	215,793,812	30,458,098	215,793,812	30,458,098
Securities financing transaction exposures	67,885,068	11,344,982	67,885,068	11,344,982
Other off-balance sheet exposures	92,344,067	91,471,343	92,344,067	91,471,343
Basel III leverage ratio (Tier 1/Total Exposure) (minimum requirement 3%)	5.61%	6.22%	6.27%	6.65%

TEMPLATE 4

Liquidity coverage ratio (LCR) - All currency

As at 31st December	2023		2022	
	Total Unweighted Value Rs 000	Total Weighted Value Rs 000	Total Unweighted Value Rs 000	Total Weighted Value Rs 000
Total stock of High-Quality Liquid Assets (HQLA)	671,333,413	662,093,727	331,494,802	323,526,317
Total adjusted level 1 assets	613,076,466	613,076,466	279,336,065	279,336,065
Level 1 assets	609,928,071	609,928,071	278,545,799	278,545,799
Total adjusted level 2A assets	61,322,813	52,124,391	52,874,333	44,943,183
Level 2A assets	61,322,813	52,124,391	52,874,333	44,943,183
Total adjusted level 2B assets	82,529	41,264	74,670	37,335
Level 2B assets	82,529	41,264	74,670	37,335
Total cash outflows	1,724,246,714	264,256,668	1,470,420,144	236,178,117
Deposits	1,232,269,148	123,226,915	1,069,409,787	106,940,979
Unsecured wholesale funding	232,043,461	99,548,714	243,495,449	92,090,974
Secured funding transactions	58,047,643	-	4,124,652	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	173,941,554	13,536,131	130,077,854	13,833,763
Additional requirements	27,944,908	27,944,908	23,312,402	23,312,402
Total cash inflows	212,567,005	115,778,746	315,131,003	173,897,663
Maturing secured lending transactions backed by collateral	-	-	-	-
Committed facilities	-	-	3,000,000	-
Other inflows by counterparty which are maturing within 30 days	166,070,878	104,266,174	202,682,130	132,795,609
Operational deposits	23,751,225	-	32,495,733	-
Other cash inflows	22,744,902	11,512,572	76,953,140	41,102,054
Liquidity coverage ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		445.92%		519.47%

TEMPLATE 5

Net stable funding ratio (NSFR)

As at 31st December	Bank	
	2023 Rs 000	2022 Rs 000
Total available stable funding (ASF)	1,400,762,424	1,243,182,006
Required stable funding – On balance sheet assets	897,935,193	931,918,978
Required stable funding – Off balance sheet items	34,750,231	18,132,061
Total required stable funding (RSF)	932,685,424	950,051,040
NSFR (minimum requirement - 2023 - 100%, 2022 - 100%)	150.19%	130.85%

TEMPLATE 6

[illegible]

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
384,514	4,846,458	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) "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."	"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."	"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."
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.

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

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 Bank's tier I and total capital adequacy ratios stood at 13.66% and 17.13% respectively as at end of 2023, against the regulatory requirements of 9.5% and 13.5% indicating the comfortable leeway of 416bps and 363bps available to the Bank. In addition, the Bank has the option to draw down up to 250bps on the capital conservation buffer as per the guidelines issued by the Central Bank of Sri Lanka.

The Bank has already provided 52% for impairment on its investments in international sovereign bonds on a prudent basis.

Bank has announced the plans to raise Rs 12Bn by way of tier II capital and will continue to look at other options to raise capital based on the need going forward.

TEMPLATE 8

Credit risk under standardised approach

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

As at 31st December 2023	Bank					
	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	(%)
Claims on Central Government and CBSL	785,502,493	-	750,851,375	-	18,845,266	2.51%
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	92,746,806	-	92,746,806	-	25,364,880	27.35%
Claims on financial institutions	28,726,366	1,682,021	28,726,366	1,682,021	16,204,708	53.29%
Claims on corporates	431,933,590	453,141,780	423,000,827	77,061,263	465,565,153	93.10%
Retail claims	374,286,477	110,366,351	313,379,039	16,671,712	202,183,234	61.26%
Claims secured by residential property	54,659,504	-	54,659,504	-	34,391,965	62.92%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	48,262,023	-	48,262,023	-	51,187,246	106.06%
Higher-risk categories	1,301,696	-	1,301,696	-	3,254,239	250.00%
Cash items and other assets	90,422,819	-	90,422,819	-	48,025,998	53.11%
Total	1,907,841,774	565,190,153	1,803,350,456	95,414,996	865,022,689	

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

TEMPLATE 8 (Contd.)

Credit risk under standardised approach

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

As at 31st December 2023	Group					
	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	(%)
Claims on Central Government and CBSL	800,400,609	-	765,749,491	-	18,845,266	2.46%
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	104,583,821	-	104,583,821	-	30,477,036	29.14%
Claims on financial institutions	31,398,346	1,682,021	31,398,346	1,682,021	17,540,698	53.02%
Claims on corporates	453,124,843	453,141,780	444,192,080	77,061,263	486,658,736	93.36%
Retail claims	408,250,852	110,366,351	347,343,414	16,671,712	227,656,515	62.54%
Claims secured by residential property	54,659,504	-	54,659,504	-	34,391,965	62.92%
Claims secured by commercial real estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	48,262,023	-	48,262,023	-	51,187,246	106.06%
Higher-risk categories	1,508,734	-	1,508,734	-	3,771,834	250.00%
Cash items and other assets	117,781,543	-	117,781,543	-	74,747,704	63.46%
Total	2,019,970,275	565,190,153	1,915,478,956	95,414,996	945,277,000	

TEMPLATE 9

Credit risk under standardised approach

Exposures by asset classes and risk weights (Post CCF & CRM) - Bank

As at 31st December 2023	Bank										
	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	656,625,046	-	94,226,329	-	-	-	-	-	-	-	750,851,375
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	-	-	74,563,079	-	15,603,066	-	-	2,440,519	140,142	-	92,746,806
Claims on financial institutions	-	-	554,916	-	27,519,494	-	-	2,333,978	-	-	30,408,388
Claims on corporates	-	-	18,457,083	-	39,462,540	-	-	442,142,466	-	-	500,062,090
Retail claims	-	-	-	-	-	-	221,838,375	35,804,453	-	-	257,642,828
Claims secured by gold	72,407,923	-	-	-	-	-	-	-	-	-	72,407,923
Claims secured by residential property	-	-	-	31,180,829	-	-	-	23,478,675	-	-	54,659,504
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	-	212,066	-	-	41,987,445	6,062,512	-	48,262,023
Higher-risk categories	-	-	-	-	-	-	-	-	-	1,301,696	1,301,696
Cash items and other assets	42,396,821	-	-	-	-	-	-	48,025,998	-	-	90,422,819
Total	771,429,790	-	187,801,408	31,180,829	82,797,167	-	221,838,375	596,213,533	6,202,653	1,301,696	1,898,765,451

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

TEMPLATE g (Contd.)

Credit risk under standardised approach

Exposures by asset classes and risk weights (Post CCF & CRM) - Group

As at 31st December 2023	Group										
	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	671,523,162	-	94,226,329	-	-	-	-	-	-	-	765,749,491
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	-	-	77,250,917	-	24,752,243	-	-	2,440,519	140,142	-	104,583,821
Claims on financial institutions	-	-	554,916	-	30,191,474	-	-	2,333,978	-	-	33,080,368
Claims on corporates	-	-	18,486,600	-	39,610,652	-	-	463,156,090	-	-	521,253,343
Retail claims	-	-	-	-	-	-	255,802,750	35,804,453	-	-	291,607,203
Claims secured by gold	72,407,923	-	-	-	-	-	-	-	-	-	72,407,923
Claims secured by residential property	-	-	-	31,180,829	-	-	-	23,478,675	-	-	54,659,504
Claims secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	-	-	212,066	-	-	41,987,445	6,062,512	-	48,262,023
Higher-risk categories	-	-	-	-	-	-	-	-	-	1,508,734	1,508,734
Cash items and other assets	43,033,839	-	-	-	-	-	-	74,747,704	-	-	117,781,543
Total	786,964,924	-	190,518,763	31,180,829	94,766,436	-	255,802,750	643,948,863	6,202,653	1,508,734	2,010,893,952

TEMPLATE 10

Market risk under standardised measurement method

As at 31st December	Bank		Group	
	2023 Rs 000	2022 Rs 000	2023 Rs 000	2022 Rs 000
(a) Capital charge for interest rate risk	14	1	14	1
General interest rate risk				
(i) Net long or short position	14	1	14	1
(ii) Horizontal disallowance	-	-	-	-
(iii) Vertical disallowance	-	-	-	-
(iv) Options	-	-	-	-
Specific interest rate risk				
(b) Capital charge for equity	29,810	20,161	61,086	42,804
(i) General equity risk	14,905	10,080	30,835	21,579
(ii) Specific equity risk	14,905	10,080	30,251	21,225
(c) Capital charge for foreign exchange & gold	42,308	1,923,651	42,308	1,923,651
Capital charge for market risk [(a) + (b) + (c)] * CAR	534,316	14,398,617	765,987	14,566,345

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

TEMPLATE 11

Operational Risk- Bank

Operational Risk under 'Alternative Standardised Approach'

As at 31st December 2023			Gross Income			Capital Charges		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
	%		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
The Alternative Standardised Approach			1,301,384,615	1,563,321,998	1,819,434,859	7,016,987	9,204,128	9,676,679
Sub Total			3,681,664	8,499,065	3,338,205	660,918	1,529,619	599,504
Corporate Finance	18%		-	-	-	-	-	-
Trading and Sales	18%		2,628,236	6,546,302	1,096,835	473,083	1,178,334	197,430
Payment and Settlement	18%		994,047	1,945,679	2,195,593	178,929	350,222	395,207
Agency Services	15%		59,380	7,085	45,777	8,907	1,063	6,866
Asset Management	12%		-	-	-	-	-	-
Retail Brokerage	12%		-	-	-	-	-	-
Sub Total			1,297,702,951	1,554,822,932	1,816,096,655	6,356,069	7,674,509	9,077,175
Retail Banking	12%	0.035	435,115,722	465,058,309	435,554,640	1,827,486	1,953,245	1,829,329
Commercial Banking	15%	0.035	862,587,230	1,089,764,623	1,380,542,015	4,528,583	5,721,264	7,247,846
Capital Charges for Operational Risk								8,632,598
The Alternative Standardised Approach								8,632,598
Risk-Weighted Amount for operational Risk								63,945,171
The Alternative Standardised Approach								63,945,171

Operational Risk under 'Basic Indicator Approach'

As at 31st December 2022			Gross Income			Capital Charges		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
	%		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
The Basic Indicator Approach	15%		56,578,162	66,006,125	138,270,013	8,486,724	9,900,919	20,740,502
Capital Charges for Operational Risk								13,042,715
The Basic Indicator Approach								13,042,715
Risk-Weighted Amount for operational Risk								96,612,704
The Basic Indicator Approach								96,612,704

Operational Risk- Group

Operational Risk under 'Alternative Standardised Approach'

As at 31st December 2023			Gross Income			Capital Charges		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
	%		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
The Alternative Standardised Approach			1,352,913,409	1,636,060,526	1,900,310,836	7,308,804	9,705,738	10,129,580
Sub Total			4,011,959	9,445,954	3,755,393	720,211	1,700,035	674,426
Corporate Finance	18%		-	-	-	-	-	-
Trading and Sales	18%		2,864,025	7,275,631	1,233,910	515,524	1,309,614	222,104
Payment and Settlement	18%		1,083,227	2,162,448	2,469,985	194,981	389,241	444,597
Agency Services	15%		64,708	7,875	51,497	9,706	1,181	7,725
Asset Management	12%		-	-	-	-	-	-
Retail Brokerage	12%		-	-	-	-	-	-
Sub Total			1,348,901,450	1,626,614,572	1,896,555,443	6,588,592	8,005,703	9,455,154
Retail Banking	12%	0.035	469,657,535	508,593,993	477,868,908	1,972,562	2,136,095	2,007,049
Commercial Banking	15%	0.035	879,243,914	1,118,020,579	1,418,686,535	4,616,031	5,869,608	7,448,104
Capital Charges for Operational Risk								9,048,040
The Alternative Standardised Approach								9,048,040
Risk-Weighted Amount for operational Risk								67,022,522
The Alternative Standardised Approach								67,022,522

Operational Risk under 'Basic Indicator Approach'

As at 31st December 2022			Gross Income			Capital Charges		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year
	%		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
The Basic Indicator Approach	15%		72,447,965	84,765,100	161,494,645	10,867,195	12,714,765	24,224,197
Capital Charges for Operational Risk								15,935,386
The Basic Indicator Approach								15,935,386
Risk-Weighted Amount for operational Risk								118,039,893
The Basic Indicator Approach								118,039,893

MARKET DISCIPLINE-DISCLOSURE REQUIREMENTS UNDER PILLAR III

TEMPLATE 12

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

As at 31st December 2023	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	1,934,252,484	1,934,252,484	1,907,841,774	115,641	145,555,097
Cash and cash equivalents	73,148,596	73,148,596	73,148,596	-	-
Placements with banks	55,991,134	55,991,134	55,991,134	-	-
Balances with Central Bank of Sri Lanka	12,234,361	12,234,361	12,234,361	-	-
Reverse repurchase agreements	-	-	-	-	-
Derivative financial instruments	452,193	452,193	452,193	-	-
Financial assets measured at fair value through profit or loss	115,641	115,641	-	115,641	-
Financial assets at amortised cost - Loans and advances to banks	-	-	-	-	-
Financial assets measured at amortised cost - loans and advances to customers	954,880,316	954,880,316	969,649,026	-	104,491,319
Financial assets measured at amortised cost - debt and other instruments	549,772,155	549,772,155	549,772,155	-	-
Financial assets measured at fair value through other comprehensive income	189,325,958	189,325,958	185,566,127	-	3,759,831
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	459,104	459,104	459,104	-	-
Property, plant and equipment	25,418,520	25,418,520	25,418,520	-	-
Right-of-use assets	5,081,338	5,081,338	5,081,338	-	-
Intangible assets and goodwill	1,560,099	1,560,099	-	-	1,560,099
Deferred tax assets	33,944,563	33,944,563	-	-	33,944,563
Other assets	28,096,221	28,096,221	28,096,221	-	-
Liabilities	1,749,275,307	1,749,275,307	-	-	-
Due to banks	9,019,582	9,019,582	-	-	-
Derivative financial instruments	1,365,523	1,365,523	-	-	-
Securities sold under repurchase agreements	61,793,694	61,793,694	-	-	-
Financial liabilities measured at amortised cost - due to depositors	1,579,780,228	1,579,780,228	-	-	-
Dividends payable	974,790	974,790	-	-	-
Financial liabilities measured at amortised cost - other borrowings	24,933,215	24,933,215	-	-	-
Debt securities issued	87,569	87,569	-	-	-
Current tax liabilities	23,953,823	23,953,823	-	-	-
Deferred tax liabilities	-	-	-	-	-

As at 31st December 2023	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
Other provisions	9,079,375	9,079,375	-	-	-
Other liabilities	19,325,952	19,325,952	-	-	-
Due to subsidiaries	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Subordinated term debts	18,961,556	18,961,556	-	-	-
Off-Balance Sheet Liabilities	883,033,112	883,033,112	565,190,153	-	-
Guarantees	46,529,666	46,529,666	43,321,221	-	-
Performance Bonds	68,398,070	68,398,070	61,487,141	-	-
Letters of Credit	26,964,874	26,964,874	26,574,160	-	-
Other Contingent Items	197,715,002	197,715,002	164,362,372	-	-
Undrawn Loan Commitments	543,425,500	543,425,500	269,445,259	-	-
Other Commitments	-	-	-	-	-
Shareholders' Equity	184,977,177	184,977,177	-	-	-
Equity Capital (Stated Capital)/Assigned Capital of which Amount Eligible for CET1	40,955,116	40,955,116	-	-	-
Of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	56,311,574	56,311,574	-	-	-
Accumulated Other Comprehensive Income	4,273,171	4,273,171	-	-	-
Other Reserves	83,437,316	83,437,316	-	-	-

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.