Pan Asia Banking Corporation PLC
Basel III - Pillar 3 Disclosures
As at 31st March 2020

PAN ASIA BANK
The Truly Sri Lankan Bank

Company Registration No. PQ 48

Registered Address: No. 450, Galle Road, Colombo 3

Pan Asia Banking Corporation PLC
Pillar 3 Disclosures
31st March 2020

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Introduction

The Bank recognizes, best corporate governance practices jointly with effective risk management techniques direct Bank towards the sustainable achievement in business goals while staying above the minimum regulatory requirements. Banks usually operate in a vulnerable environment and are highly exposed to risk. Therefore, the Bank places a higher emphasis on a continuous basis on improving risk management processes and operating with sufficient level of capital to support its risk absorption capacity and business expansions. The Bank's risk management team has to play a vital role in maintaining prudential risk management practices across the Bank which enables early detection of down side risks in all its businesses and other operations.

Based on historical data and careful analysis of market behavioural factors, the Bank is affirmative that effective investment in better risk management systems and processes would facilitate to mitigate the credit risk, market risk and the operational risk factors face by the Bank.

Further use of market discipline is deemed to be an important driver in the enhancement of the risk management system from Bank as well as stakeholders perspective. Therefore, the Bank believes comprehensive disclosure of capital level, credit risk, market and operational risk level would fulfill the expectations of the regulators as well as the investors.

Scope of Basel III Framework

The Basel Committee on Bank Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of reforms are to increase the quality, consistency and transparency of capital to enhance the risk management framework of Licensed Banks.

Accordingly, the Central Bank of Sri Lanka has issued Direction No. 01 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks (LCB's) and Licensed Specialized Banks (LSB's) on 29th December 2016. As per the direction, Capital Requirements applicable for a Licensed Commercial Bank from 1st July 2017 onwards consist of three pillars.

Pillar 1	• Minimum Capital Requirements and Buffers - Credit Risk, Market Risk & Operational Risk
Pillar 2	• Maintain Adequate Capital above the Minimum Requirement (ICAAP) - Additonal Risks
Pillar 3	• Disclosure Requirements - Regular disclosure to the market covering both qualitative and quantitative disclosures on Capital , Liqudity and Risk Management

Pillar 1 - Minimum Capital Requirements and Buffers

Commencing from 1st July 2017, every LCB & LSB has to comply with minimum capital ratios and the buffers as prescribed in the direction. The minimum required capitals ratios vary among the Banks depending on the size of the asset base. For the purpose of the direction Central Bank of Sri Lanka has identified Banks with over Rs.500 billion asset base as "Domestic Systemically Important Banks (D-SIB's)" and prescribed higher minimum Capital buffers than that of the banks with less than Rs.500 billion assets.

Accordingly, Banks have to maintain capital ratios and the buffers as prescribed in the below tables;

Minimum Capital Ratio Requirement for Banks with Assets of Rs.500 billion and above (Table 1)

Components of Capital	01.01.2019
Common Equity Tier 1 Including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	8.50%
Total Tier 1 Including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	10.00%
Total Capital Ratio Including Capital Conservation Buffer and Capital Surcharge on Domestic Systemically Important Banks	14.00%

Minimum Capital Ratio Requirement for Banks with Assets less than Rs.500 billion (Table 2)

Components of Capital	01.01.2019
Common Equity Tier 1 Including Capital Conservation Buffer	7.00%
Total Tier 1 Including Capital Conservation Buffer	8.50%
Total Capital Ratio Including Capital Conservation Buffer	12.50%

Since the Bank's asset base is below Rs. 500 billion at the moment, minimum capital ratio requirement stipulated in Table 2 is applicable.

However under the extraordinary measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed banks to support COVID 19 affected business and Individuals, as an immediate measure Central Bank has permitted Non- DSIBs to drawdown their Capital Conservation Buffer (CCB) by 50 bps until further notice. Hence Bank minimum capital ratio requirements has been come down by 0.5% with effect from 31.03.2020

Revised Minimum Capital Ratio Requirement for Banks with Assets less than Rs.500 billion (Table 3)

Components of Capital	31.03.2019
Common Equity Tier 1 Including Capital Conservation Buffer	6.50%
Total Tier 1 Including Capital Conservation Buffer	8.00%
Total Capital Ratio Including Capital Conservation Buffer	12.00%

Pillar 2 - Maintain Adequate Capital above the Minimum Requirement (ICAAP)

The Bank needs to maintain adequate capital buffers to safeguard itself from the risk exposures as specified in the direction. Under Pillar 2, a Board approved ICAAP document needs to be submitted to Central Bank for supervisory review process. ICAAP lets Banks to identify, analyze and quantify its risk exposures using different methodologies, techniques and to quantify required level of capital to absorb the risks.

Further under pillar 2, Banks are instructed to scrutinize different type of risks which are not covered/fully captured under Pillar 1. Accordingly, following risk categories also need to be quantified and allocation of capital needs to be done in computing the Pillar 2 Capital Ratios.

- Risks not fully captured under Pillar 1 - Concentration risk (credit risk), interest rate/rate of return risk in the Banking book (market risk) etc.
- Risk types not covered under Pillar 1 - Liquidity risk, concentration risk, reputational risk, compliance risk, strategic and business risk, residual risk. etc. (risks which are not specifically addressed under Pillar 1)

The Bank has already developed an ICAAP policy and framework which closely indicate the risk and capital assessment processes which ensures that adequate level of capital are maintained to support the Bank's current and projected demand for capital under expected and stressed conditions.

Pillar 3 - Disclosure Requirements

Commencing from 1st July 2017, the Bank has to disclose the regulator prescribed key information in relation to regulatory capital, liquidity and risk management with the published financial statements, in the annual report and in the web site.

Pillar 3 aims to provide consistent and comprehensive disclosure framework that enhances comparability between Banks and further promotes improvements in risk practices.

The Bank has implemented a Pillar 3 policy and procedure framework to address the requirements laid down for pillar 3 disclosure.

The complete disclosure report of information regarding capital management in accordance with Basel III-Pillar 3 is provided of which quantitative information regarding capital structure, capital adequacy and monitoring of liquidity standards is disclosed on quarterly basis. The disclosures on Bank's risk management approach and risk management related to key risk exposures are disclosed on annual basis.

Scope of Application

In compliance with the requirements under Basel III Pillar 3 and the Bank's approved policies, the Bank disclose below set of information on quarterly and annual basis as prescribed by CBSL.

1) Regulatory Requirements on Capital Adequacy and Liquidity
    i) Key Regulatory Ratios - Capital and Liquidity
    ii) Basel III Computation of Capital Adequacy Ratio
    iii) Basel III Computation of Leverage Ratio
    iv) Basel III Computation of Liquidity Coverage Ratio
    v) Basel III Computation of Net Stable Funding Ratio
    vi) Main Features of Regulatory Capital Instruments

2) Risk Weighted Assets (RWA)
    i) Capital Management
    ii) Credit under Standardized Approach - Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects
    iii) Credit Risk under Standardized Approach: Exposures by Asset Classes and Risk Weights
    iv) Market Risk under Standardized Measurement Method
    v) Operational Risk under Basic Indicator Approach

3) Linkages Between Financial Statements & Regulatory Exposures
    i) Differences Between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories
    ii) Explanations of Differences Between Accounting and Regulatory Exposure Amounts

4) Risk Management
    i) Bank Risk Management Approach
    ii) Risk Management related to Key Risk Exposures

Table A - Key Regulatory Ratios - Capital and Liquidity

As at	31.03.2020	31.12.2019
Regulatory Capital (Rs '000)		
Total Common Equity Tier 1 Capital	12,853,473	12,853,473
Common Equity Tier 1 Capital	12,575,860	12,572,621
Tier 1 Capital	12,575,860	12,572,621
Total Capital	14,230,101	13,978,793
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio *(Minimum Requirement -6.5%)*	11.71	12.87
Tier 1 Capital Ratio *(Minimum Requirement -8%)*	11.71	12.87
Total Capital Ratio *(Minimum Requirement -12%)*	13.25	14.31
Leverage Ratio *(Minimum Requirement - 3%)*	6.24	7.06
Regulatory Liquidity		
Statutory Liquid Assets DBU (Rs'000)	37,332,433	33,932,700
Statutory Liquid Assets OBU (USD'000)	12,905	9,835
Statutory Liquid Assets Ratio *(Minimum Requirement - 20%)*		
Domestic Banking Unit (%)	26.16	24.93
Off-Shore Banking Unit (%)	24.84	23.61
Liquidity Coverage Ratio (%)		
Rupee *(Minimum Requirement - 100%)*	104.09	128.84
All Currency *(Minimum Requirement - 100%)*	129.45	165.02
Net Stable Funding Ratio (%) - *(Minimum Requirement - 100%)*	118.51	128.24

Capital Structure and Capital Adequacy

The Bank's capital structure according to the Banking Act Direction No. 01 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks (LCB) and Licensed Specialized Banks (LSB) is revised in to Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital.

Common Equity Tier 1 (CET 1) Capital of the Bank comprises;

- Stated Capital
- Retained Earnings after appropriation
- Statutory Reserve Fund

At present Bank has no instrument eligible for Additional Tier 1 (AT1) Capital.

Tier 2 Capital Consist of

- Eligible Subordinated Debt (limited to 50% of CET 1 Capital)
- General provision for Performing and Special Mention Credit Facilities (limited to 1.25% of risk weighted assets on credit risk)
- Approved Revaluation Surpluses on Freehold Land and Building (Subject to discount of 50%)

As per the regulatory directive maximum eligible Tier 2 capital is capped at 100% of CET1 Capital.

Table B- Basel III Computation of Capital Ratios

As at	31.03.2020 Rs'000	31.12.2019 Rs'000
Common Equity Tier 1 (CET1) Capital after Adjustments	**12,575,860**	**12,572,621**
Common Equity Tier 1 (CET1) Capital	**12,853,473**	**12,853,473**
Equity Capital - Stated Capital	3,614,253	3,614,253
Reserve Fund	538,717	538,717
Published Retained Earnings	8,722,794	8,722,794
Published Accumulated Other Comprehensive Income (OCI)	(22,292)	(22,292)
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Losses and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank	-	-
Total Adjustments to CET1 Capital	**277,612**	**280,852**
Goodwill (net)	-	-
Intangible Assets (net)	277,612	280,852
Others	-	-
Additional Tier 1 (AT1) Capital after Adjustments	**-**	-
Additional Tier 1 (ATI) Capital	**-**	-
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and	-	-
Total Adjustmentsto AT1 Capital	-	-
Investment in Own Shares	-	-
Others	-	-
Tier 2 Capital after Adjustments	**1,654,241**	**1,406,172**
Tier 2 Capital	**1,654,241**	**1,406,172**
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	471,232	308,496
Loan Loss Provisions	1,183,009	1,097,676
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and	-	-
Total Adjustments to Tier 2 Capital	**-**	**-**
Investment in Own Shares	-	-
Others	-	-
CET1 Capital	**12,575,860**	**12,572,621**
Total Tier 1 Capital	**12,575,860**	**12,572,621**
Total Capital	**14,230,101**	**13,978,793**
Total Risk Weighted Assets (RWA)	**107,374,384**	**97,719,112**
RWAs for Credit Risk	94,640,749	87,814,094
RWAs for Market Risk	2,148,193	37,736
RWAs for Operational Risk	10,585,442	9,867,281
CET1 Capital Adequacy Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**11.71**	**12.87**
of which: Capital Conservation Buffer (%)	2.00	2.50
Total Tier 1 Capital Adequacy Ratio (%)	**11.71**	**12.87**
Total Capital Adequacy Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**13.25**	**14.31**
of which: Capital Conservation Buffer (%)	2.00	2.50

* The increase in credit risk during the period is due to increase in loans and advances of the Bank during first 3 months of the year.

Leverage Ratio

The Basel Committee on Banking Supervision (BCBS) introduced a leverage ratio in the 2010 under Basel III package of reforms with intention of introducing a framework with a simple, transparent, non-risk based.

The Leverage Ratio to act as a credible supplementary measure to the risk based capital requirement in order to restrict the build-up of leverage in the banking sector, helping to avoid any destabilising deleveraging processes which can damage the broader financial system and the economy, and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure.

The Central Bank has issued Direction No 12 of 2018 on "Leverage Ratio under Basel III for Licensed Commercial Banks and Licensed Specialized Banks" on 28th December 2018.

Commencing 1st January 2019, the minimum Leverage Ratio for licensed banks shall be 3% and need to be computed as prescribed below.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure}}{\text{Exposure Measure}}$$

Capital Measure is the Tier 1 Capital as specified in the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III and both on and off balance sheet exposures including derivative exposures has to be considered under exposure measure.

Computation of Leverage Ratio

As at	31.03.2020 Rs'000	31.12.2019 Rs'000
Tier 1 Capital	**12,575,860**	**12,572,621**
Total Exposures	**201,447,257**	**178,168,232**
On-Balance Sheet Items (excluding Derivatives and ecurities Financing Transactions, but including Collateral)	164,155,695	150,145,299
Derivative Exposures	28,535,210	19,792,154
Securities Financing Transaction Exposures	5,813,711	5,213,808
Other Off-Balance Sheet Exposures	2,942,641	3,016,971
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	**6.24**	**7.06**

Table C - Main Features of Regulatory Capital Instruments

	Ordinary Shares
Issuer	Pan Asia Banking Corporation PLC
CSE Security Code	PABC N0000
Governing Law(s) of the Instrument	Companies Act, No.7 of 2007
Original Date of Issuance	Multiple
Par Value of Instrument (Rs.)	N/A
Perpetual or Dated	Perpetual
Original Maturity Date	N/A
Regulatory Treatment	
Instrument Type	Common Equity Tier 1
Amount recognized in Regulatory Capital (in Rs '000 as at 31st March 2020)	3,614
Accounting Classification (Equity/Liability)	Shareholders' Equity
Issuer Call subject to Prior Supervisory Approval	No
Optional Call Date, Contingent Call Dates and Redemption Amount	N/A
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	Discretionary dividend amount
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend
Non-Cumulative or Cumulative	Non Cumulative
Convertible or Non-Convertible	Non-Convertible

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) ensures Banks maintaining sufficient unencumbered High Quality Liquid Assets (HQLA) to survive a significant liquidity stress scenario over 30 days horizon. The Central Bank of Sri Lanka issued Banking Act Direction No. 01 of 2015 on “Liquidity Coverage Ratio under Basel III Liquidity Standards for Licensed Commercial Banks and Licensed Specialized Banks” on 31st March 2015.

Commencing from 1st April 2015, the Bank has to maintain LCR Ratio for all currencies and for rupee as stipulated in the direction. The ratio which initially starts from 60% minimum requirement will be increased up to 100% on a staggered basis by 1st January 2019.

Liquid assets are distributed across the Bank to support regulatory and internal requirements and are consistent with the distribution of liquidity needs by currency. The composition of the high quality liquid asset portfolio has remained relatively stable over the reporting period and the previous period. The Bank has to maintain 100% as LCR for year 2019 and onwards for both Rupee and all currencies.

Table D - LCR Disclosure Template

As at	31.03.2020		31.12.2019	
	Total Un-weighted Value Rs'000	Total Weighted Value Rs'000	Total Un-weighted Value Rs'000	Total Weighted Value Rs'000
Total Stock of High-Quality Liquid Assets (HQLA)	**22,557,684**	**21,377,314**	**17,884,343**	**16,686,658**
Total Adjusted Level 1 Assets	**15,301,624**	**15,301,624**	**11,903,112**	**11,903,112**
Level 1 Assets	**15,456,655**	**15,456,655**	**11,848,613**	**11,848,613**
Total Adjusted Level 2A Assets	**6,550,368**	**5,567,813**	**5,278,368**	**4,486,613**
Level 2A Assets	**6,550,368**	**5,567,813**	**5,278,368**	**4,486,613**
Total Adjusted Level 2B Assets	**705,691**	**352,846**	**702,863**	**351,431**
Level 2B Assets	**705,691**	**352,846**	**702,863**	**351,431**
Total Cash Outflows	**147,529,210**	**19,346,722**	**137,992,204**	**14,377,161**
Deposits	111,016,288	9,649,079	107,773,714	9,349,618
Unsecured Wholesale Funding	17,775,736	9,255,052	9,427,007	4,866,510
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	18,450,140	155,544	20,791,483	161,033
Additional Requirements	287,046	287,046	-	-
Total Cash Inflows	**5,453,903**	**2,832,202**	**8,494,655**	**4,265,565**
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	5,229,547	2,832,202	8,242,674	4,247,958
Operational Deposits	224,356	-	234,373	-
Other Cash Inflows	-	-	17,607	17,607
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total net Cash Outflows over the Next 30 Calendar Days) *100		**129.45%**		**165.02%**

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. “Available stable funding” is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the Net Stable Funding Ratio, which extends to one year.

The Central Bank has issued Direction No 08 of 2018 on “Net Stable Funding Ratio under Basel III liquidity Standards for Licensed Commercial Banks and Licensed Specialized Banks” on 21st November 2018. As per the directions, the NSFR requirement will be staggered and come to full effect effective from 1st July 2019.

Effective Date	01.01.2019	01.07.2019
Minimum Requirement	90%	100%

Computation of Net Stable Funding Ratio

As at	31.03.2020 Rs'000	31.12.2019 Rs'000
Total Available Stable Funding	130,671,151	126,550,988
Required Stable Funding – On Balance Sheet Assets	110,116,222	98,532,948
Required Stable Funding – Off Balance Sheet Items	141,628	149,721
Total Required Stable Funding	110,257,850	98,682,668
NSFR	118.51%	128.24%

Available Stable Funding

Available Stable Funding (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon of one year. ASF factors such as 100%, 90%, 50% & 0% assigned according to presumed degree of stability of funding.

Required Stable Funding

Required Stable Funding (RSF) is a function of liquidity characteristics and residual maturities of various assets held and those of its off-balance sheet (OBS) exposures. RSF factors such as 0%, 5%, 10%, 15%, 50%, 65%, 85% and 100% are assigned to different asset categories accordingly.

Risk Weighted Assets

Credit Risk

Credit Risk is the potential for loss due to the failure counterparty to meet its obligation to pay the Bank in accordance with agreed terms. It is managed through a framework that setout credit policies and procedure and credit approval authority delegation. Further policies are decided to reflect the country specific risk environment and portfolio characteristics of the Bank.

The Bank computes risk weighted assets on credit exposures using the Standardized approach. In assigning risk weights for calculation of risk weighted assets using the standardized approach under Basel III, the Bank uses credit ratings from External Credit Assessment Institutions (ECAIs) who meet the qualifications specified by the CBSL. The credit ratings from External Credit Assessment institutions are applied to risk weight the claims on Banks, financial institutions and corporate customers. Claims on Retail and SME customers are risk weighted based on the criteria's specified in the directions.

Table E- Credit Risk under Standardized Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (Rs'000) as at 31.03.2020					
	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 Central Bank of Sri Lanka	40,882,631	-	38,723,084	-	3,973,364	10%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Bank's Exposures	638,173	39,543,650	638,173	790,873	1,270,895	89%
Claims on Financial Institutions	1,716,631	501,196	1,716,631	1,196	1,001,675	58%
Claims on Corporates	18,957,433	1,770,312	15,428,916	291,657	14,844,191	94%
Retail Claims	87,889,286	15,741,872	78,076,709	2,484,784	62,354,676	77%
Claims Secured by Gold	4,065,429	-	4,065,429	-	115,526	3%
Claims Secured by Residential Property	4,472,449	-	4,472,449	-	3,073,758	69%
Claims Secured by Commercial Real Est.	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	3,853,159	-	3,835,319	-	4,617,080	120%
Higher-risk Categories	6,158	-	6,158	-	9,237	150%
Cash Items and Other Assets	5,844,386	-	5,844,386	-	3,380,347	58%
Total Assets	**168,325,735.40**	**57,557,029**	**152,807,255**	**3,568,510**	**94,640,749**	**61%**

Notes: (i) NPA's - As per Banking Act Directions No. 03 of 2008 (as amended subsequently) on classification of Loans and Advances, income recognition and provisioning.

(ii) RWA Density - Total RWA/Exposures post CCF and CRM

Market Risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. It is managed under the market risk policies and processes to obtain the best balances of risk and return whilst meeting customer requirements.

The market risk subject to the capital charge requirements are:

- The Risk pertaining to Interest rate related instruments in the trading portfolios
- The Risk pertaining to the equities in the trading portfolios
- The Risk pertaining to the foreign exchange position.

The Bank follows the 'Standardized Measurement Method' for computing the capital charge for exposures capture under market risk.

Below table shows the RWA for market risk under Standardized Approach method:

Table F - Market Risk under Standardized Measurement Method

As at 31st March 2020	RWA Amount Rs'000
(a) RWA for Interest Rate Risk	**240,069**
General Interest Rate Risk	120,034
(i) Net Long or Short Position	120,034
(ii) Horizontal Disallowance	-
(iii) Vertical Disallowance	-
(iv) Options	-
Specific Interest Rate Risk	120,034
(b) RWA for Equity	**-**
(i) General Equity Risk	-
(ii) Specific Equity Risk	-
(c) RWA for Foreign Exchange & Gold	**17,715**
Risk Weighted Amount for Market Risk ((a+b+c) * Reciprocal of Total Capital Ratio)	**2,148,193**

Operational Risk

Operational risk is the potential for loss arising from the failure of people, processes or technology or the impact of external events. Operational risk exposures are managed through a set of processes that drive risk identification, assessment, control and monitoring. The senior management team under the guidance of the Board is responsible for overseeing potential risk across the Bank.

The Bank computes capital charges for operational risk based on the Basic Indicator Approach (BIA). When compared to other approaches, BIA is not an advanced approach. Therefore, the Bank is in the process of collecting information to move to 'The Standardized Approach (TSA)' with the prior approval of CBSL.

Capital Requirement under BIA is given below;

Table G - Operational Risk under Basic Indicator Approach

As at 31st March 2020 Business Lines	Capital Charge Factor	Fixed Factor	Gross Income		
			1st Year Rs'000	2nd Year Rs'000	3rd Year Rs'000
The Basic Indicator Approach	15%	-	9,405,584	9,030,499	6,968,978
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)					
The Basic Indicator Approach					**1,270,253**
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					**10,585,442**

Table H - Reconciliation of Regulatory Capital to Financial Statements

As at 31st March 2020	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	**168,428,098**	**168,768,373**	**167,459,355**	**1,031,406**	**277,612**
Cash and Cash Equivalents	2,682,599	2,683,595	2,683,595	-	-
Balances with Central Bank	4,307,163	4,307,163	4,307,163	-	-
Derivative Financial Instruments	31,120	31,120	-	31,120	-
Financial Assets recognized through Profit or Loss	1,000,286	1,000,286	-	1,000,286	-
Loans and Advances - at Amortized Cost	117,393,682	118,666,164	118,666,164	-	-
Debt and Other Instruments - at Amortized Cost	38,200,855	38,413,699	38,413,699	-	-
Financial Assets - Fair Value through Other	6,158	6,158	6,158	-	-
Property, Plant and Equipment	2,309,642	2,309,642	2,309,642	-	-
Right-of-Use Assets	845,604	-	-	-	-
Intangible Assets	277,612	277,612	-	-	277,612
Deferred Tax Asset	-	-	-	-	-
Other Assets	1,373,377	1,072,934	1,072,934	-	-
Liabilities	**168,428,098**	**168,768,373**	**-**	-	-
Due to Banks	3,681,488	3,681,488	-	-	-
Derivative Financial Instruments	42,053	42,053	-	-	-
Due to Depositors - at Amortized Cost	129,513,876	129,842,292	-	-	-
Due to Debt Securities holders - at Amortized Cost	15,373,401	15,405,460	-	-	-
Current Tax Liabilities	860,955	984,540	-	-	-
Deferred Tax Liabilities	134,156	296,655	-	-	-
Other Provisions and Accruals	321,881	318,577	-	-	-
Other Liabilities	4,755,810	3,857,835	-	-	-
Off-Balance Sheet Liabilities			-	-	-
Guarantees	2,287,616	2,287,616	2,287,616	-	-
Performance Bonds	696,477	696,477	696,477	-	-
Letters of Credit	2,615,765	2,615,765	2,615,765	-	-
Other Contingent Items	40,626,530	40,626,530	40,626,530	-	-
Undrawn Loan Commitments	12,850,282	12,850,282	12,850,282	-	-
Shareholders' Equity			-	-	-
Equity Capital - Stated Capital	3,614,253	3,614,253	-	-	-
of which Amount Eligible for CET1	3,614,253	3,614,253	-	-	-
of which Amount Eligible for AT1	-	-	-	-	-
Retained Earnings	8,649,044	9,263,100	-	-	-
Other Reserves	1,481,181	1,462,120	-	-	-
Total Shareholders' Equity	**13,744,478**	**14,339,473**	**-**	**-**	**-**