

# SUPPLEMENTARY INFORMATION

## Capital Adequacy

### Introduction

This term is used to describe the adequacy of Bank's aggregate capital in relation to the risks, which arise from its assets and off balance sheet transactions, its dealing operations and its human activities, technology and natural incidents. Central Bank of Sri Lanka has prescribed the minimum risk sensitive capital and effective from 1 January 2008 required the Bank to compute the minimum capital in accordance with the 'International Convergence of Capital Measurement and Capital Standards - a Revised Framework' (BASEL II). The aim is to ensure minimum capital, commensurate with risks assumed by the Bank, is maintained as a buffer to absorb foreseeable future credit, market and operational losses.

### Capital to Risk Weighted Assets Ratio

(Based on audited consolidated financial statements)

	Minimum Requirement	Actual 31.03.2009	31.03.2008
Tier I (%)	5.0	27.3	25.4
Deductions - Tier I (%)		5.4	5.0
		21.9	20.4
Tier II (%)		2.9	3.1
Deductions - Tier II (%)		4.9	4.5
		-2.0	-1.4
Capital base (%)	10.0	19.9	19.0

### Details of Computation

	31.03.2009 Rs 000	31.03.2008 Rs 000
<b>Capital Base</b>		
<b>Tier I: Core Capital</b>		
Paid-up ordinary shares	1,307,325	1,301,956
Share premium	3,260,011	3,236,338
Statutory reserve fund	801,539	674,120
Published retained profits	1,841,264	1,928,719
General & other reserves	11,528,042	10,233,117
Minority interests	641,251	605,691
	19,379,432	17,979,941
<b>Less: Deductions</b>		
Goodwill	146,602	146,658
Net deferred tax assets	0	83,571
Other intangible assets	169,482	170,107
50% Investments in the capital of other banks and financial institutions	3,510,044	3,157,811
<b>Total Tier I Capital</b>	15,553,304	14,421,794
<b>Tier II: Supplementary Capital</b>		
Revaluation reserve (as approved by the Central Bank of Sri Lanka)	134,129	134,129
Approved subordinated term debt	1,436,000	1,718,000
General provision	533,481	319,011
	2,103,610	2,171,140
<b>Less: Deductions</b>		
50% Investments in the capital of other banks and financial institutions	3,510,044	3,157,811
<b>Eligible Tier II Capital</b>	(1,406,434)	(986,671)
<b>Capital base</b>	14,146,870	13,435,123

## Risk Weighted Assets and Off-Balance Sheet Exposure

Assets Exposures	Balance		Risk Weights %	Risk-Weighted Balance	
	31.03.2009 Rs000	31.03.2008 Rs000		31.03.2009 Rs000	31.03.2008 Rs000
To Central Government and CBSL	14,995,547	8,930,872	0	0	0
To Banks	4,938,159	4,360,777	20-150	1,233,642	1,304,498
To Financial Institutions	678,895	519,704	20-150	392,612	260,853
To Corporates	45,803,897	52,901,515	20-150	44,410,504	50,245,511
Secured by Residential Property	157,451	67,485	50-100	87,563	43,786
Secured by Commercial Real Estate	4,074,071	1,544,346	100	4,074,071	1,544,346
Classified as Non-performing Advances	3,123,697	2,298,183	50-150	4,273,422	3,157,009
Cash Items	628,087	508,359	0-20	2,293	3,699
Other Assets	2,154,642	2,469,301	100	2,154,642	2,469,301
<b>Total assets</b>	<b>76,554,446</b>	<b>73,600,542</b>		<b>56,628,749</b>	<b>59,029,003</b>

Off Balance Sheet Exposure	Credit Conversion Factor %	Balance		Risk Weights %	Risk-Weighted Credit Equivalent	
		31.03.2009 Rs000	31.03.2008 Rs000		31.03.2009 Rs000	31.03.2008 Rs000
General guarantee of indebtedness	100	1,341,338	1,126,874	20-100	1,239,506	1,126,873
Performance bonds, bid bonds and warranties	50	538,778	1,134,706	100	269,389	567,353
Shipping guarantees	20	356,684	967,998	20-100	68,404	193,600
Documentary letters of credit	20	815,049	1,528,310	20-100	150,287	305,662
Trade related acceptances	20	1,056,664	688,178	20-100	198,933	137,636
Undrawn overdraft facilities & others	0	903,791	802,142	100	0	0
Others - Bills on collection	20	0	872,454	100	0	174,491
Undrawn term loans	50	6,736,776	6,075,158	100	3,368,388	3,037,579
Others - undrawn lease facilities	50	63,168	149,150	100	31,584	74,575
Forward foreign exchange contracts	2	4,246,271	728,340	100	84,925	14,567
<b>Total off-balance sheet exposure</b>		<b>16,058,519</b>	<b>14,073,310</b>		<b>5,411,416</b>	<b>5,632,336</b>
<b>Total risk weighted assets and off-balance sheet exposure for credit risk</b>					<b>62,040,165</b>	<b>64,661,339</b>
<b>Total risk weighted assets equivalent for market risk (Note 1)</b>					<b>1,977,830</b>	<b>119,560</b>
<b>Total risk weighted assets equivalent for operational risk (Note 2)</b>					<b>7,056,680</b>	<b>6,003,029</b>
<b>Total risk weighted assets</b>					<b>71,074,675</b>	<b>70,783,928</b>

### Market Risk (Note 1)

	Capital charge		Risk -Weighted assets Equivalent	
	31.03.2009 Rs000	31.03.2008 Rs000	31.03.2009 Rs000	31.03.2008 Rs000
Interest rate	13,256	2,941	132,560	29,410
Equity	2,554	2,639	25,540	26,390
Foreign Exchange & Gold	181,973	6,376	1,819,730	63,760
	<b>197,783</b>	<b>11,956</b>	<b>1,977,830</b>	<b>119,560</b>

### Operational Risk (Note 2)

	Capital charge		Risk -Weighted assets Equivalent	
	31.03.2009 Rs000	31.03.2008 Rs000	31.03.2009 Rs000	31.03.2008 Rs000
Average Gross income	4,704,453	4,002,019		
15% of Average Gross income	705,668	600,303		
	<b>705,668</b>	<b>600,303</b>	<b>7,056,680</b>	<b>6,003,029</b>

## Statement of Value Added - Bank

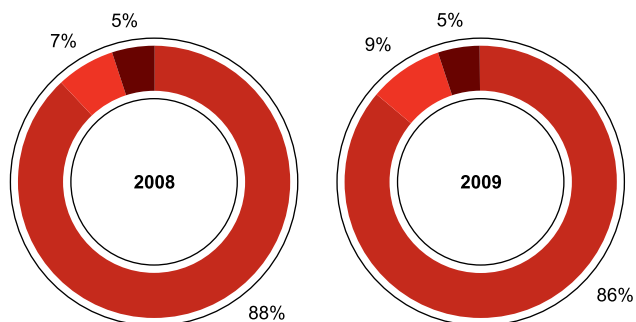
<i>For the year ended 31 March</i>	2009		2008	
	Rs million	%	Rs million	%
<b>Value Added</b>				
Gross income	9,888		9,636	
Cost of borrowing and support services	(5,983)		(6,155)	
Provision for bad debts and investments	(510)		(258)	
	3,395		3,223	
<b>Value Allocated</b>				
To employees				
Salaries, wages and other benefits	708	21	672	21
To providers of capital				
Dividends to shareholders	654	19	654	20
To Government				
Income tax on profit	646		665	
Value added tax on financial services	557	1,203	435	1,100
To expansion and growth				
Retained income	706		664	
Depreciation	124	830	133	797
	3,395	100	3,223	100

# Sources and Distribution of Income - Bank

For the year ended 31 March

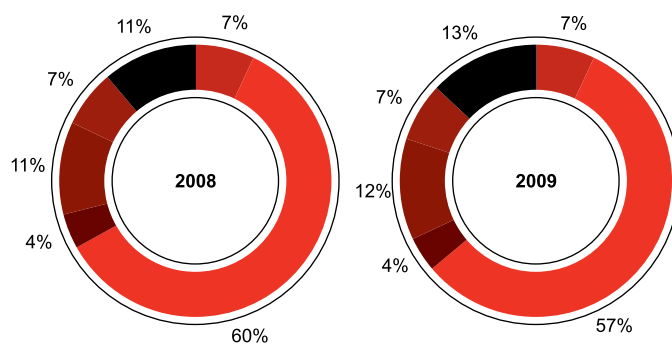
	2005	2006	2007	2008	2009
	Rupees million				
<b>Sources of Income</b>					
Interest income	3,645	4,508	6,018	8,491	8,529
Income from investments	521	436	436	687	913
Other	475	443	433	458	446
	4,641	5,387	6,887	9,636	9,888
<b>Distribution of Income</b>					
To employees as emoluments	438	523	612	672	708
To lenders as interest	1,873	2,376	3,537	5,815	5,624
To providers of supplies and services	230	257	335	340	359
To Government as taxation	629	742	1,113	1,100	1,203
To shareholders as dividends	316	346	454	654	654
Retained in the business:					
Depreciation set aside	107	119	128	133	124
Provision for losses	256	190	37	258	510
Reserves	792	834	671	664	706
	4,641	5,387	6,887	9,636	9,888

## Sources of Income



- Interest Income
- Income from Investment
- Other

## Distribution of Income



- Employees
- Lenders
- Suppliers & Services
- Government
- Shareholders
- Retained