

# 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 31.03.2010	Actual 31.03.2009
Tier I (%)	5.0	32.7	27.3
Deductions - Tier I (%)		6.5	5.4
		26.2	21.9
Tier II (%)		2.9	2.9
Deductions - Tier II (%)		6.0	4.9
		(3.1)	(2.0)
Capital base (%)	10.0	23.1	19.9

### Details of Computation

Capital Base	31.03.2010 Rs 000	31.03.2009 Rs 000
<b>Tier I: Core Capital</b>		
Paid-up ordinary shares	1,323,753	1,307,325
Share premium	3,375,410	3,260,011
Statutory reserve fund	961,929	801,539
Published retained profits	2,075,577	1,841,264
General & other reserves	12,895,944	11,528,042
Minority interests	427,427	641,251
	21,060,040	19,379,432
<b>Less: Deductions</b>		
Goodwill	156,225	146,602
Net deferred tax assets	806	0
Other intangible assets	160,034	169,482
50% Investments in the capital of other banks and financial institutions	3,852,315	3,510,044
<b>Total Tier I Capital</b>	<b>16,890,660</b>	<b>15,553,304</b>
<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	1,154,000	1,436,000
General provision	563,122	533,481
	1,851,251	2,103,610
<b>Less: Deductions</b>		
50% Investments in the capital of other banks and financial institutions	3,852,315	3,510,044
<b>Eligible Tier II Capital</b>	<b>(2,001,064)</b>	<b>(1,406,434)</b>
<b>Capital base</b>	<b>14,889,596</b>	<b>14,146,870</b>

## Risk Weighted Assets and Off-Balance Sheet Exposure

Assets Exposures	Balance		Risk Weights %	Risk-Weighted Balance	
	31.03.2010 Rs 000	31.03.2009 Rs 000		31.03.2010 Rs 000	31.03.2009 Rs 000
To Central Government and CBSL	25,546,966	14,995,547	0	0	0
To Banks	3,470,682	4,938,159	20-150	839,423	1,233,642
To Financial Institutions	892,547	678,895	20-150	558,350	392,612
To Corporates	39,525,161	45,803,897	20-150	37,859,650	44,410,504
Secured by Residential Property	211,325	157,451	50-100	114,520	87,563
Secured by Commercial Real Estate	4,004,961	4,074,071	100	4,004,961	4,074,071
Classified as Non-performing Advances	3,303,647	3,123,697	50-150	4,561,259	4,273,422
Cash Items	706,987	628,087	0-20	2,460	2,293
Other Assets	2,150,270	2,154,642	100	2,150,270	2,154,642
<b>Total assets</b>	<b>79,812,546</b>	<b>76,554,446</b>		<b>50,090,893</b>	<b>56,628,749</b>

Off Balance Sheet Exposure	Credit Conversion Factor %	Balance		Risk Weights %	Risk-Weighted Credit Equivalent	
		31.03.2010 Rs 000	31.03.2009 Rs 000		31.03.2010 Rs 000	31.03.2009 Rs 000
General guarantee of indebtedness	100	914,388	1,341,338	20-100	914,338	1,239,506
Performance bonds, bid bonds and warranties	50	707,582	538,778	100	353,791	269,389
Shipping guarantees	20	281,144	356,684	20-100	56,229	68,404
Documentary letters of credit	20	816,032	815,049	20-100	163,206	150,287
Trade related acceptances	20	821,988	1,056,664	20-100	164,398	198,933
Undrawn overdraft facilities & others	0	1,209,755	903,791	100	0	0
Undrawn term loans	50	6,988,015	6,736,776	100	3,494,008	3,368,388
Others - undrawn lease facilities	50	107,524	63,168	100	53,762	31,584
Forward foreign exchange contracts	2	7,345,641	4,246,271	100	146,913	84,925
<b>Total off-balance sheet exposure</b>		<b>19,192,069</b>	<b>16,058,519</b>		<b>5,346,645</b>	<b>5,411,416</b>
<b>Total risk weighted assets and off-balance sheet exposure for credit risk</b>					<b>55,437,538</b>	<b>62,040,165</b>
<b>Total risk weighted assets equivalent for market risk (Note 1)</b>					<b>820,590</b>	<b>1,977,830</b>
<b>Total risk weighted assets equivalent for operational risk (Note 2)</b>					<b>8,141,560</b>	<b>7,044,020</b>
<b>Total risk weighted assets</b>					<b>64,399,688</b>	<b>71,062,015</b>

	Capital charge		Risk-Weighted Assets Equivalent	
	31.03.2010 Rs 000	31.03.2009 Rs 000	31.03.2010 Rs 000	31.03.2009 Rs 000
<b>Market Risk (Note 1)</b>				
Interest rate	4,954	13,256	49,540	132,560
Equity	9,885	2,554	98,850	25,540
Foreign Exchange & Gold	67,220	181,973	672,200	1,819,730
	<b>82,059</b>	<b>197,783</b>	<b>820,590</b>	<b>1,977,830</b>

### Operational Risk (Note 2)

Average gross income	5,427,705	4,696,013		
15% of average gross income	814,156	704,402		
	<b>814,156</b>	<b>704,402</b>	<b>8,141,560</b>	<b>7,044,020</b>

## Statement of Value Added - Bank

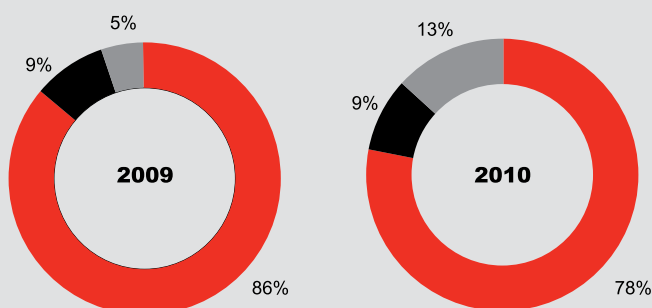
For the year ended 31 March	2010		2009	
	Rs million	%	Rs million	%
<b>Value Added</b>				
Gross income	8,843		9,888	
Cost of borrowing and support services	(4,607)		(5,983)	
Provision for bad debts and investments	(356)		(510)	
	<b>3,880</b>		<b>3,395</b>	
<b>Value Allocated</b>				
To employees				
Salaries, wages and other benefits	715	18	708	21
To providers of capital				
Dividends to shareholders	794	20	654	19
To Government				
Income tax on profit	689		646	
Value added tax on financial services	659	1,348	557	1,203
		35		35
To expansion and growth				
Retained income	919		706	
Depreciation	104	1,023	124	830
		27		25
	<b>3,880</b>	<b>100</b>	<b>3,395</b>	<b>100</b>

## Sources and Distribution of Income - Bank

For the year ended 31 March  
Rupees million

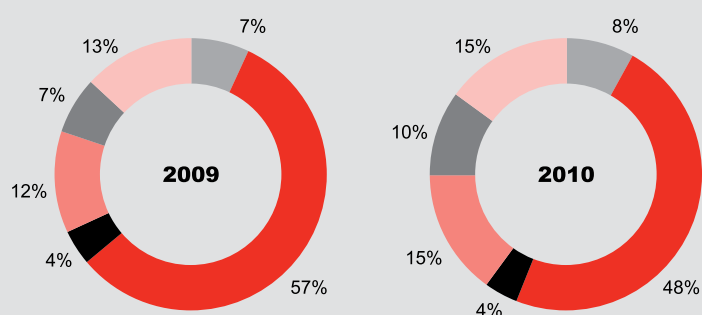
	2006	2007	2008	2009	2010
<b>Sources of Income</b>					
Interest income	4,508	6,018	8,491	8,529	7,416
Income from investments	436	436	687	913	1,138
Others	443	433	458	446	289
	5,387	6,887	9,636	9,888	8,843
<b>Distribution of Income</b>					
To employees as emoluments	523	612	672	708	715
To lenders as interest	2,376	3,537	5,815	5,624	4,224
To providers of supplies and services	257	335	340	359	383
To Government as taxation	742	1,113	1,100	1,203	1,348
To shareholders as dividends	346	454	654	654	794
Retained in the business:					
Depreciation set aside	119	128	133	124	104
Provision of losses	190	37	258	510	356
Reserves	834	671	664	706	919
	5,387	6,887	9,636	9,888	8,843

**Sources of Income**



■ Interest Income  
■ Income from Investment  
■ Other

**Distribution of Income**



■ Employees  
■ Lenders  
■ Supplies & Services  
■ Government  
■ Shareholders  
■ Retained