SEYLAN BANK PLC

MARKET DICIPLINE -
MINIMUM DISCLOSURE REQUIREMENTS
UNDER PILLAR III
as per Direction 01. of 2016

As at 31.12.2018

Template 1

Key Regulatory Ratios - Capital and Liquidity

Item	Minimum Requirement		Reporting Period 31.12.2018	Previous Reporting Period 31.12.2017
Regulatory Capital (LKR'000)	**2018**	**2017**		
Common Equity Tier 1 Capital			**33,486,749**	**30,686,859**
Tier 1 Capital			**33,486,749**	**30,686,859**
Total Capital			**43,682,547**	**36,451,164**
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio	**6.375%**	**5.750%**	10.20%	11.16%
Tier 1 Capital Ratio	**7.875%**	**7.250%**	10.20%	11.16%
Total Capital Ratio	**11.875%**	**11.250%**	13.30%	13.25%
Leverage Ratio	**3.00%**	**3.00%**	7.20%	7.71%
Net Stable Funding Ratio	**90%**		110.00%	
Regulatory Liquidity				
Statutory Liquid Assets				
Domestic Banking Unit (LKR 000)			**80,722,525**	**77,783,808**
Off-Shore Banking Unit (USD 000)			**31,468**	**41,711**
Statutory Liquid Assets Ratio				
Domestic Banking Unit	**20%**	**20%**	**21.44%**	**23.57%**
Off-Shore Banking Unit	**20%**	**20%**	**22.08%**	**37.08%**
Liquidity Coverage Ratio - Rupee	**90%**	**80%**	**128.76%**	**160.30%**
Liquidity Coverage Ratio - All Currency	**90%**	**80%**	**92.15%**	**121.94%**

Template 2

Basel III Computation of Capital Ratios

Item	Amount (LKR'000)	
	Reporting Period 31.12.2018	Previous Reporting Period 31.12.2017
Common Equity Tier I (CETI) Capital after Adjustments	**33,486,749**	**30,686,859**
Common Equity Tier I (CET1) Capital	**34,442,303**	**32,204,715**
Equity capital (Stated Capital)/Assigned Capital	12,025,795	11,228,269
Reserve fund	1,768,944	1,609,484
Published Retained Earnings/(Accumulated Retained Losses)	19,673,566	17,020,748
Published Accumulated Other Comprehensive Income (OCI)	(1,055,427)	343,969
General and Other Disclosed Reserves	2,029,424	2,002,245
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to CET1 Capital	**955,554**	**1,517,856**
Goodwill (net)		
Intangible Assets (net)	576,091	363,451
Others *	379,463	1,154,405
Additional Tier 1 (AT1) Capital after Adjustments		
Total 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	**10,195,799**	**5,764,305**
Total Tier 2 Capital	**10,195,799**	**5,808,825**
Qualifying Tier 2 Capital Instruments	9,802,650	5,227,575
Revaluation gains	393,149	581,250
Loan Loss Provisions		
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		
Total Adjustments to Tier 2	**-**	**44,520**
Investment in own shares		
Others (Specify)	-	44,520
Total Tier 1 Capital	**33,486,749**	**30,686,859**
Total Capital	**43,682,547**	**36,451,164**
Total Risk Weighted Assets (RWA)	**328,331,166**	**275,070,097**
RWAs for Credit Risk	300,834,151	249,965,714
RWAs for Market Risk	1,661,514	1,027,022
RWAs for Operational Risk	25,835,501	24,077,361
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**10.20%**	**11.16%**
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	**10.20%**	**11.16%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**13.30%**	**13.25%**
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

Template 3
Computation of Leverage Ratio*

Item	Amount (LKR'000)	
	Reporting Period 31.12.2018	Previous Reporting Period 31.12.2017
Tier 1 Capital	**33,486,749**	**30,686,859**
Total Exposures	**464,935,022**	**397,985,784**
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	440,269,815	377,102,177
Derivative Exposures		
Securities Financing Transaction Exposures		
Other Off-Balance Sheet Exposures	24,665,207	20,883,607
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	7.20%	7.71%

Template 4

Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000)					
	Reporting Period - 31.12.2018			Previous Reporting Period - 31.12.2017		
	Total Un-weighted Value	Factor (%)	Total Weighted Value	Total Un-weighted Value	Factor (%)	Total Weighted Value
Toatal Stock of High-Quality Liquid Assets (HQLA)			**54,800,053**			**56,261,229**
Total Adjusted Level 1A Assets	55,294,220		**55,294,220**	56,553,893		**56,553,893**
Level 1A Assets	54,673,046	**100**	**54,673,046**	56,157,004	**100**	56,157,004
Total Adjusted Level 2A Assets						
Level 2A Assets			-			-
Total Adjusted Level 2B Assets			**127,007**			**104,225**
Level 2B Assets	254,014	**50**	127,007	208,450	**50**	104,225
Total Cash Outflows			**86,307,265**			**68,381,552**
Deposits	272,105,628	**10**	27,210,563	241,876,890	**10**	24,187,689
Unsecured Wholesale Funding	77,731,112	**25 - 100**	42,931,261	58,961,390	**25 - 100**	28,263,268
Secured Funding Transactions			-			-
Undrawn Portion of Commited (Irrevocable) Facilities and Other Contingent Funding Obligations	125,389,257	**0 - 100**	7,309,085	96,478,724	**0 - 100**	6,773,396
Additional Requirements	8,856,356	**100**	8,856,356	9,157,199	**100**	9,157,199
Total Cash Inflows			**26,838,579**			**22,242,860**
Maturing Secured Lending Transactions Backed by Collateral			-			-
Commited Facilities	-		-	3,719		-
Other Inflows by Counterparty which are Maturing within 30 Days	49,351,190	**50**	24,675,595	40,923,442	**50**	20,461,721
Operational Deposits	5,087,053	-	-	1,159,518	-	-
Other Cash Inflows	3,060,650	**50-100**	2,162,984	3,562,278	**50-100**	1,781,139
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days)*100			**92.15**			**121.94**

Template 5
Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	**Ordinary Voting Shares**	**Ordinary Non- Voting Shares**	**Debnture Isssue - 2016 (5 years and 7 years)**	**Debnture Isssue - 2018 (5 years, 7 years & 10 years)**
Issuer	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC	Seylan Bank PLC
Unique Identifier (e., ISIN or Bloomberg Identifier for Private Placement)	LK0182N00002	LK0182X00001	LK0182023559 LK0182023567 LK0182023542	LK0182023955 LK0182023963 LK0182023971
Governing Law(s) of the Instrument	Provisions in the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Provisions in the Banking Act, Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Bank	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed	Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, Provisions of the Companies Act No. 7 of 2007, the Articles of Association of the Bank, Prospectus of the Debenture Issue and the Trust Deed
Original Date of Issuance	April 1988	September 2003	15th July 2016	29th March 2018
Par Value of Instrument	N/A	N/A	LKR 100.00 each	LKR 100.00 each
Prepetual or Dated	N/A	N/A	dated	dated
Original Maturity Date, If Applicable	N/A	N/A	15 July 2021	29th March 2023
Amount Recognized in Regulatory Capital (in LKR'000 as at the Reporting Date)	7,723,207	4,302,588	4,155,150	5,647,500
Accounting Classification (Equity /Liability)	Equity	Equity	Liability	Liability
Issuer call subject to prior Supervisory Approval				
Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	N/A	N/A	N/A	N/A
Subsequent Call Dates, If Applicable	N/A	N/A	N/A	N/A
Coupons/Dividends	Dividend as recommended by the Board annually	Dividend as recommended by the Board annually	Fixed and floating interest rates	Fixed interest rates
Coupon Rate and any Related Index	N/A	N/A	- 2016-2021 - Semi Annual Interest - 13% p.a - 2016-2021 - Floating rate 6 months T-Bill (gross)+1.50% - 2016-2023 - Semi Annual Interest - 13.75% p.a	- 2018-2023 - Semi Annual Interest - 12.85% p.a - 2018-2025 - Semi Annual Interest - 13.20% p.a - 2018-2028 - Semi Annual Interest - 13.50% p.a
Non-Cumulative or Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Convertible

Template 7
Credit Risk under Standardised Approach -
Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Description	Amount (LKR'000) as at 31st December 2018						
	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	Total	RWA	RWA Density (ii)
Claims on Central Government and CBSL	108,437,077		108,437,077		108,437,077	2,308,693	2.13%
Claims on Foreign Sovereigns and their Central Banks			-	-	-	-	0.00%
Claims on Public Sector Entities			-	-	-	-	0.00%
Claims on Official Entities and Multilateral Development Banks			-	-	-	-	0.00%
Claims on Banks Exposures	5,929,721	339,241	5,929,721	50,275	5,979,996	5,960,996	99.68%
Claims on Financial Institutions	26,064,209	456,136	25,503,417	67,599	25,571,016	15,665,712	61.26%
Claims on Corporates	137,005,444	126,177,838	132,985,992	18,699,352	151,685,344	150,453,588	99.19%
Retail Claims	128,225,252	36,922,146	106,230,359	5,471,802	111,702,161	74,663,983	66.84%
Claims Secured by Residential Property	18,161,595		18,138,829		18,138,829	9,545,618	52.63%
Claims Secured by Commercial Real Estate	4,347		4,347		4,347	4,347	100.00%
Non-Performing Assets (NPAs) (i)	16,246,449	2,538,354	16,246,449	376,180	16,622,629	23,230,879	139.75%
Higher-Risk Categories			-		-		
Cash Items and Other Assets	33,338,084		26,793,624		26,793,624	19,000,335	70.91%
Total	**473,412,178**	**166,433,715**	**440,269,815**	**24,665,208**	**464,935,023**	**300,834,151**	**64.70%**

Template 8

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

Description	Amount (LKR'000) as at 31st December 2018 (Post CCF& CRM)								
Risk Weight / Asset Classes	0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit Exposures Amount
Claims on Central Government and CBSL	96,893,610	11,543,467							**108,437,077**
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		-	38,000			5,941,996			**5,979,996**
Claims on Financial Institutions		-	19,810,607			5,760,408			**25,571,015**
Claims on Corporates		-	2,772,081			148,604,693	308,570		**151,685,344**
Retail Claims				36,654,948	53,110,705	11,180,770			**100,946,423**
Claims Secured by Gold	2,469,662	8,286,076				-			**10,755,739**
Claims Secured by Residential Property			17,186,423			952,406			**18,138,829**
Claims Secured by Commercial Real Estate						4,347			**4,347**
Non-Performing Assets (NPAs) (i)			521,051			2,364,028	13,737,551		**16,622,629**
Higher-Risk Categories									-
Cash Items and Other Assets	7,630,660	203,286				18,959,678			**26,793,624**
Total	**106,993,932**	**20,032,829**	**40,328,162**	**36,654,948**	**53,110,705**	**193,768,326**	**14,046,122**	**-**	**464,935,023**

Template 9

Market Risk under Standardised Measurement Method

Item	RWA Amount (LKR'000) as at 31st December 2018
(a) Capital Charger Interest Rate Risk	
General Interest Rate Risk	**140,243**
(i) Net Long or Short Position	**140,243**
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
(b) Capital Charge for Equity	**41,378**
(i) General Equity Risk	23,155
(ii) Specific Equity Risk	18,223
(c) Capital Charge for Foreign Exchange & Gold	**15,684**
Total Risk Weighted Assets on Market Risk [(a)+(b)+(c)]*CAR	**1,661,516**

Template 10

Operational Risk Under Basic Indicator Approach/The Standardised Approach/The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31st December 2018		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		**17,721,268**	**20,567,266**	**23,070,781**
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	3,067,966				
Risk-Weighted Amount for operational Risk (LKR'000)					
The Basic Indicator Approach	25,835,501				

Template 11

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank Only

Item	Amount (LKR'000) as at 31st December 2018				
	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
Assets	**466,933,018**	**473,338,941**	**473,338,941**	**3,930,808**	**576,091**
Cash and Cash Equivalents	12,573,611	12,904,617	12,904,617		
Balances with Central Bank	18,472,275	18,472,275	18,472,275		
Placements with Banks	-	-	-		
Derivative Financial Instruments	1,676,958	-	-		
Financial Assets recognised through Profit or Loss / Held-for-Trading					
- Measured at Fair Value	4,918,336	4,820,503	4,820,503	3,061,557	
- Designated at Fair Value	-				
Financial Assets at Amortised Cost / Held-to-Maturity			-		
- Loans and Advances	326,882,538	331,692,906	331,692,906		
- Debt and Other instruments	29,593,496	80,847,862	80,847,862		
Financial Assets measured at Fair Value through Other Comprehensive Income /Available-for-Sale	58,770,720		-	869,251	
Investment in Subsidiary	1,153,602	1,153,602	1,153,602		
Property, Plant & Equipment	3,778,005	3,778,005	3,778,005		
Investment Properties	-				
Intangible Assets	576,091	576,091	576,091		576,091
Deferred Tax Assets	270,275				
Other Assets	8,267,111	19,093,080	19,093,080		
Liabilities	**432,323,219**	**-**	**-**	**-**	**-**
Due to Banks	26,378,781				
Derivative Financial Instruments	145,339				
Financial liabilities at amortised cost					
- Due to Depositors	357,560,187				
- Due to Debt Securities Holders	21,094,525				
- Due to Other Borrowers	32,018				
Debt Securities Issued	16,329,400				
Current Tax Liabilities	1,209,464				
Deferred Tax Liabilities	-				
Other Liabilities	9,361,819				
Due to Subsidiaries	211,686				
Off-Balance Sheet Liabilities	**129,435,200**	**178,664,925**	**166,433,715**	**-**	**-**
Guarantees	30,677,415	30,677,415	27,264,423		
Performance Bonds					
Letters of Credit	524,454	10,335,776	9,595,062		
Foreign Exchange Contracts	1,265,318	51,188,020	51,188,020		
Other Contingent Items	23,680,443	13,869,122	5,791,618		
Undrawn Loan Commitments	72,594,592	72,594,592	72,594,592		
Other Commitments	692,978				
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	12,025,795	12,025,795			
of which Amount Eligible for CET1	2,785,357	5,240,510			
of which Amount Eligible for AT1		-			
Retained Earnings	19,798,647	19,798,647			
Accumulated Other Comprehensive Income		-			
Other Reserves		-			
Total Shareholders' Equity	**34,609,799**	**37,064,952**	**-**	**-**	**-**

Template 12 - Explanations

Column a. presents the assets, liabilities and equity on standalone SLFRS basis. Pillar III disclosures at 31 December 2018 are presented in accordance with regulatory capital concepts and rules

a. Explanations of differences between accounting and regulatory exposure amounts

(Total assets shown in Column a and b in Template 11)	LKR'000
Total assets as per carrying values reported in published Financial Statements (column a)	466,933,018
Total assets as per carrying values under scope of regulatory reporting (column b)	473,338,941
Difference	6,405,923

Difference arises due to expected credit loss on loans and advances with adoption of SLFRS 9, fair value adjustments on investments and the classification changes of of the line items.

b. Methodologies used in valuation of financial assets

Financial Assets-Insrument Type	**Valuation Technique**	**Inputs used for valuation**
Treasury Bills	Price Formula	Based on market yeild published by CBSL
Treasury Bonds	Price Formula	Based on market yeild published by CBSL
Srilanka Development Bonds	Price Formula	Similar instrument's rate (LIBOR)
Quoted Equties	Closing share price	Closing share price (CSE)
Unquoted Equties	Net assets per share	Net assets per share as per latest Audited Financial Statements
Debentures	Price Formula	Similar instrument's yeild (Treasury bond yeild)