

## Compliance Requirements Enforced by the Central Bank of Sri Lanka

Compliance to the Directions on Interim Financial Statements, which were applicable to the Bank for the year ended 31 December 2017 enforced by the Central Bank of Sri Lanka, are summarised below:

Circular No.	Requirement	Period	Date Published in Sinhala, Tamil and English Newspapers
02/04/003/0401/001 30 September 2005	The publication should be made within two months from the end of each quarter, at least once in an English, Sinhala and Tamil newspaper.	Quarter 1 ended 31 March 2017 Quarter 2 ended 30 June 2017 Quarter 3 ended 30 September 2017	30 May 2017 25 August 2017 28 November 2017
02/04/003/0401/001 21 February 2006	If the Bank publishes its Audited Financial Statements within three months from the end of the financial year, the requirement to publish the Financial Statements for the 4th quarter in terms of the circular dated 30 September 2005 would not be mandatory.	Quarter 4 ended 31 December 2017 (Audited)	31 March 2018

Compliance to other disclosure requirements on Annual Financial Statements, which were applicable to licensed commercial banks are summarised below:

### 1. Information about the Significance of Financial Instruments for Financial Position and Performance

#### 1.1 Statement of Financial Position

1.1.1	Disclosures on categories of financial assets and financial liabilities.	Note 19 to the Financial Statements.
1.1.2	Other disclosures:	
(i)	Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair value attributable to these risks and the methods of measurement.	Note 4.4, 59 and 60 to the Financial Statements.
(ii)	Reclassifications of financial instruments from one category to another.	Note 59.4 to the Financial Statements.
(iii)	Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 54 to the Financial Statements.
(iv)	Reconciliation of the allowance account for credit losses by class of financial assets.	Notes 27.2 and 28.4 to the Financial Statements.
(v)	Information about compound financial instruments with multiple embedded derivatives.	None.
(vi)	Breaches of terms of loan agreements.	None.

#### 1.2 Statement of Comprehensive Income

1.2.1	Disclosures on items of income, expense, gains and losses.	Notes 7 to 17 to the Financial Statements.
1.2.2	Other disclosures:	
(i)	Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss.	Note 8 to the Financial Statements.
(ii)	Fee income and expense.	Note 9 to the Financial Statements.
(iii)	Amount of impairment losses by class of financial assets.	Note 13 to the Financial Statements.
(iv)	Interest income on impaired financial assets.	Note 8.1 to the Financial Statements.

#### 1.3 Other disclosures

1.3.1	Accounting policies for financial instruments	Note 4, Notes 20 to 29, 38 to 43 and Notes 47 to the Financial Statements.
1.3.2	Information on hedge accounting	None.
1.3.3	Information about the fair values of each class of financial assets and financial liability, along with:	Notes 20 to 29, 38 to 43 and 47 to the Financial Statements
(i)	Comparable carrying amounts.	Note 59 to the Financial Statements.
(ii)	Description of how fair value was determined.	Note 59 to the Financial Statements.
(iii)	The level of inputs used in determining fair value.	Note 59 to the Financial Statements.
(iv)	Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments that fair value is determined using level 3 inputs.	Note 59 to the Financial Statements.
(v)	Information of fair value cannot be reliably measured.	Note 59 to the Financial Statements.

<b>2.</b>	<b>Information About the Nature and Extent of Risks Arising from Financial Instruments</b>	
<b>2.1</b>	<b>Qualitative disclosures</b>	
2.1.1	Risk exposures for each type of financial instrument.	Risk Management Report and Note 60 to the Financial Statements.
2.1.2	Management's objectives, policies, and processes for managing those risks.	Risk Management Report.
2.1.3	Changes from the prior period.	None.
<b>2.2</b>	<b>Quantitative disclosures</b>	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date	Note 60 to the Financial Statements.
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed	Note 60 to the Financial Statements and Risk Management Report.
	(i) Credit Risk:	
	(a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets.	Note 60.2 to the Financial Statements.
	(b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset.	Note 60.2.2 to the Financial Statements.
	(c) Information about collateral or other credit enhancements obtained or called.	Note 60.2.1 to the Financial Statements
	(d) For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Note 60.1 to the Financial Statements and Risk Management Report.
	(ii) Liquidity Risk:	
	(a) A maturity analysis of financial liabilities.	Note 60.3 to the Financial Statements.
	(b) Description of approach to risk management.	Risk Management Report and Note 60.3 to the Financial Statements.
	(c) For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Note 60.3 to the Financial Statements.
	(iii) Market Risk:	
	(a) A sensitivity analysis of each type of market risk to which the entity is exposed.	Note 60.4 to the Financial Statements.
	(b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure.	Note 60.4 to the Financial Statements.
	(c) For other disclosures, refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Note 60.4 to the Financial Statements.
	(iv) Operational Risk:	
	Refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Note 60.5 to the Financial Statements.
	(v) Equity risk in the banking book	
	(a) Qualitative disclosures:	
	• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Notes 25 to 29 to the Financial Statements.
	• Discussion of important policies covering the valuation and accounting of equity holdings in the banking book.	Notes 25 to 28 to the Financial Statements.
	(b) Quantitative disclosures:	
	• Value disclosed in the Statement of Financial Position of Investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Notes 25.1, 25.2, 28.1 and 28.2 to the Financial Statements.
	• The types and nature of investments.	Notes 25, 26, 28, 29 to the Financial Statements.
	• The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Notes 10 and 11 to the Financial Statements.

	(vi) Interest rate risk in the banking book	
	(a) Qualitative disclosures:	
	Nature of interest rate risk in the banking book (IRRBB) and key assumptions.	Note 60.4 to the Financial Statements.
	(b) Quantitative disclosures:	
	The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	None.
2.2.3	Information on concentrations of risk	Note 60.2.3 to the Financial Statements.
<b>3.</b>	<b>Other Disclosures</b>	
<b>3.1</b>	<b>Capital</b>	
3.1.1	Capital structure	
	(i) Qualitative disclosures:	
	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.	Debt – Note 47 to the Financial Statements. Equity – Note 48.
	(ii) Quantitative disclosures:	
	(a) The amount of Tier 1 capital, with separate disclosure of:	
	• Paid-up share capital/common stock.	Capital Adequacy in Compliance Annexes.
	• Reserves.	Capital Adequacy in Compliance Annexes.
	• Non-controlling interests in the equity of subsidiaries.	Capital Adequacy in Compliance Annexes.
	• Innovative instruments.	None.
	• Other capital instruments.	None.
	• Deductions from Tier 1 capital.	Capital Adequacy in Compliance Annexes.
	(b) The total amount of Tier 2 and Tier 3 capital.	Capital Adequacy in Compliance Annexes.
	(c) Other deductions from capital.	Capital Adequacy in Compliance Annexes.
	(d) Total eligible capital.	Capital Adequacy in Compliance Annexes.
3.1.2	Capital adequacy	
	(i) Qualitative disclosures:	
	A summary discussion of the Bank's approach to assessing the adequacy of its capital or support current and future activities.	Risk Management Report and Note 60.6 to the Financial Statements.
	(ii) Quantitative disclosures:	
	(a) Capital requirements for credit risk, market risk and operational risk.	Capital Adequacy in Compliance Annexes.
	(b) Total and Tier 1 capital ratio.	Capital Adequacy in Compliance Annexes.