

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
FINANCIAL STATEMENTS AND
BASEL III DISCLOSURES
FOR THE YEAR ENDED
31ST DECEMBER 2020**

PUBLIC BANK BERHAD - SRI LANKA BRANCH

Table of Content

a. Audited Financial Statements

Independent Auditor's Report	3 - 4
Statement of Profit or Loss and Other Comprehensive Income.....	5
Statement of Financial Position	6
Statement of Changes In Equity	7
Statement of Cash Flows.....	8 - 9
Notes to the Financial Statements	10 - 61

b. Disclosures on BASEL III requirement as per the Direction issued by the

Central Bank of Sri Lanka (Unaudited).....	62 - 74
---	----------------

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2020**



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF PUBLIC BANK BERHAD – SRI LANKA BRANCH

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Public Bank Berhad – Sri Lanka Branch (“the Bank”), which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 5 to 61.

In our opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31st December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (“Code of Ethics”) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information on BASEL III disclosures included on pages 62 to 74 in these financial statements. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.J. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA,
Ms. P.M.K. Sumanasekera FCA



In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

Chartered Accountants

Colombo, Sri Lanka

30th March 2021

PUBLIC BANK BERHAD - SRI LANKA BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2020 Rs.	2019 Rs.
Interest income	5	944,796,083	1,020,905,181
Interest expenses	5	(211,247,524)	(192,879,786)
Net interest income		733,548,559	828,025,395
Net fee and commission income	6	14,520,517	17,149,748
Net trading income	7	19,397,813	12,321,887
Other operating income	8	9,616,769	13,390,169
Total operating income		777,083,658	870,887,199
Impairment charges for financial assets carried at amortised cost	9	(9,832,226)	(9,455,067)
Net operating income		767,251,432	861,432,132
Depreciation and amortisation	10	(90,969,081)	(63,701,786)
Personnel expenses	11.1	(175,562,543)	(159,623,357)
Premises, equipment and establishment expenses		(121,638,130)	(117,603,616)
Other overhead expenses		(47,769,592)	(53,059,171)
Operating profit before Value Added Tax (VAT), Nations Building Tax (NBT) on financial services and Debt Repayment Levy	11	331,312,086	467,444,202
Value Added Tax (VAT), Nations Building Tax (NBT) on financial services and Debt Repayment Levy	12	(62,778,647)	(125,942,812)
Profit before income tax		268,533,439	341,501,390
Income tax expenses	13	(87,235,110)	(88,934,631)
Profit for the year		181,298,329	252,566,759
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on retirement benefit obligations	29	(7,572,116)	6,708,076
Deferred tax on other comprehensive income	23	2,120,192	(1,878,262)
Net change in fair value of financial investments measured at FVOCI	19.1	3,111,510	1,728,570
		(2,340,414)	6,558,384
Items that are or may be reclassified subsequently to profit or loss			
Gain/(Loss) on translation of FCBU	33	18,102,765	(4,531,258)
		18,102,765	(4,531,258)
Total other comprehensive income for the year, net of tax		15,762,351	2,027,126
Total comprehensive income for the year		197,060,680	254,593,885

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 10 to 61. The report of the auditors is given on pages 3 and 4.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER

	Note	2020 Rs.	2019 Rs.
ASSETS			
Cash and cash equivalents	15	1,158,743,353	547,141,726
Statutory deposit with Central Bank of Sri Lanka	16	50,544,367	75,025,588
Financial assets measured at amortised cost			
- Loans and advances	17	6,780,732,071	6,962,668,860
- Debt and other instruments	18	2,940,388,664	1,872,660,507
Financial assets measured at fair value through other comprehensive income	19	25,191,565	22,080,055
Property, plant and equipment	20	77,903,229	100,818,559
Intangible assets	21	66,923,653	109,419,577
Right-of-use asset	22	170,887,353	190,627,522
Deferred tax assets	23	32,640,731	21,221,330
Other assets	24	154,227,162	129,725,745
		<u>11,458,182,148</u>	<u>10,031,389,469</u>
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks	25	1,008,560,414	413,124,958
Deposits from customers	26	3,353,272,610	2,931,288,174
Lease liability	27	187,078,043	186,095,980
Current tax liability	28	53,555,934	47,127,600
Retirement benefit obligations	29	43,528,588	28,605,467
Other liabilities	30	321,085,415	131,106,826
		<u>4,967,081,004</u>	<u>3,737,349,005</u>
Equity			
Assigned capital	31	3,792,318,132	3,792,318,132
Statutory reserve fund	32	122,376,623	113,311,707
FCBU revaluation reserve	33	250,240,341	232,137,576
Other reserves	34	22,161,566	19,050,056
Retained earnings		2,304,004,482	2,137,222,993
		<u>6,491,101,144</u>	<u>6,294,040,464</u>
Total liabilities and equity		<u>11,458,182,148</u>	<u>10,031,389,469</u>

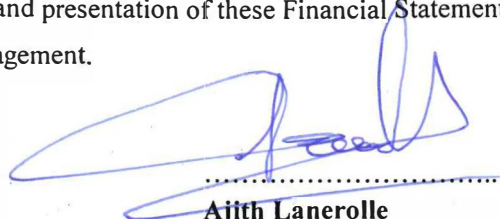
The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 10 to 61. The report of the auditors is given on pages 3 and 4.

The Management is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Management.



Angelo Fernando
Country Head



Ajith Lanerolle
Head of Finance

30th March 2021
Colombo

PUBLIC BANK BERHAD - SRI LANKA BRANCH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER

	Assigned Capital	Statutory Reserve Fund	FCBU Revaluation Reserve	Other Reserves	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st January 2019	3,792,318,132	100,683,369	236,668,834	17,321,486	1,892,454,758	6,039,446,579
Profit for the year	-	-	-	-	252,566,759	252,566,759
<i>Other comprehensive income</i>						
Actuarial gain on retirement benefit obligations	-	-	-	-	6,708,076	6,708,076
Deferred tax expense on other comprehensive income	-	-	-	-	(1,878,262)	(1,878,262)
Loss on translation of FCBU	-	-	(4,531,258)	-	-	(4,531,258)
Net change in fair value of equity investments	-	-	-	1,728,570	-	1,728,570
Total comprehensive income	-	-	(4,531,258)	1,728,570	257,396,573	254,593,885
Transfer to statutory reserve fund	-	12,628,338	-	-	(12,628,338)	-
Total transactions recorded directly in equity	-	12,628,338	-	-	(12,628,338)	-
Balance as at 31st December 2019	<u>3,792,318,132</u>	<u>113,311,707</u>	<u>232,137,576</u>	<u>19,050,056</u>	<u>2,137,222,993</u>	<u>6,294,040,464</u>
Balance as at 1st January 2020	3,792,318,132	113,311,707	232,137,576	19,050,056	2,137,222,993	6,294,040,464
Profit for the year	-	-	-	-	181,298,329	181,298,329
<i>Other comprehensive income</i>						
Actuarial loss on retirement benefit obligations	-	-	-	-	(7,572,116)	(7,572,116)
Deferred tax reversal on other comprehensive income	-	-	-	-	2,120,192	2,120,192
Gain on translation of FCBU	-	-	18,102,765	-	-	18,102,765
Net change in fair value of equity investments	-	-	-	3,111,510	-	3,111,510
Total comprehensive income	-	-	18,102,765	3,111,510	175,846,405	197,060,680
Transfer to statutory reserve fund	-	9,064,916	-	-	(9,064,916)	-
Total transactions recorded directly in equity	-	9,064,916	-	-	(9,064,916)	-
Balance as at 31st December 2020	<u>3,792,318,132</u>	<u>122,376,623</u>	<u>250,240,341</u>	<u>22,161,566</u>	<u>2,304,004,482</u>	<u>6,491,101,144</u>

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 10 to 61. The report of the auditors is given on pages 3 and 4.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	2020	2019
	Rs.	Rs.
Cash flows from operating activities		
Interest receipts	935,269,216	1,016,212,500
Interest payments	(181,291,404)	(196,851,961)
Net fee and commission receipts	14,520,517	17,149,748
Net trading income	19,397,813	12,321,887
Receipts from other operating activities	8,559,767	7,240,570
Payments to employees	(168,211,538)	(157,749,569)
Payment of Value Added Tax on Financial Services (FSVAT), Nations Building Tax (NBT) and Debt Repayment Levy (DRL)	(62,778,647)	(125,942,812)
Receipts/(Payments) on other operating activities	43,010,234	(154,772,217)
Operating profit before changes in operating assets and liabilities [Note(a)]	608,475,958	417,608,146
(Increase)/decrease in operating assets :		
Statutory deposit with Central Bank of Sri Lanka	24,481,221	36,616,586
Financial assets measured at amortised cost - loans and advances	182,145,097	(85,649,318)
Other Assets	(24,501,417)	(111,035,022)
	182,124,901	(160,067,754)
Increase/(decrease) in operating liabilities :		
Deposits from banks	594,145,200	(21,723,980)
Deposits from customers	393,318,572	391,681,593
	987,463,772	369,957,613
Cash generated from operating activities before income tax	1,778,064,631	627,498,005
Income tax paid	(90,105,985)	(131,623,182)
Net cash flows generated from operating activities	1,687,958,646	495,874,823
Cash flows from investing activities		
Net investment in financial assets measured at amortised cost	(1,068,990,672)	(684,118,017)
Acquisition of property, plant and equipment	(3,400,434)	(79,599,389)
Proceeds from sale of property, plant and equipment	97,002	5,385,949
Investments in financial assets measured at fair value through other comprehensive income	-	(1,000,000)
Acquisition of intangible assets	(431,897)	(18,311,446)
Dividend received from financial assets measured at fair value through other comprehensive income	960,000	1,148,100
Net cash flows used in investing activities	(1,071,766,001)	(776,494,803)
Cash flows from financing activities		
Payments of lease liabilities	(21,833,764)	(38,471,188)
Net cash flows used in financing activities	(21,833,764)	(38,471,188)
Net increase/(decrease) in cash and cash equivalents	594,358,881	(319,091,168)
Cash and cash equivalents at the beginning of the year	547,542,870	871,165,296
Effect of exchange rate fluctuations on cash and cash equivalents	18,102,765	(4,531,258)
Cash and cash equivalents at end of the year (Note 15)	1,160,004,516	547,542,870

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 10 to 61. The report of the auditors is given on pages 3 and 4.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER

	2020	2019
Note	Rs.	Rs.
Note (a) Reconciliation of operating profit before changes in operating assets and liabilities		
Profit before Income Tax	268,533,439	341,501,390
Increase in accrual for Interest Income	(9,526,867)	(4,692,681)
Increase/(Decrease) in accrual for Interest Expenses	29,956,120	(3,958,659)
Dividend Income	8 (960,000)	(1,148,100)
Gain on disposal of Property, Plant and Equipment	8 (97,002)	(5,015,015)
Depreciation of Property, Plant & Equipment	10 26,315,764	22,138,900
Amortization of right of-use assets	10 21,725,496	21,638,633
Amortization of Intangible Assets	10 42,927,821	19,924,253
Impairment charges on loans and advances	9 9,832,226	9,455,067
Accrual for Retirement benefit obligations	29 7,351,005	1,873,788
Accrual for Other expenses	191,492,129	(4,090,443)
Interest expense on lease liability	27 20,925,827	19,981,013
Operating Profit before Changes in Operating Assets & Liabilities	<u>608,475,958</u>	<u>417,608,146</u>

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 10 to 61. The report of the auditors is given on pages 3 and 4.

PUBLIC BANK BERHAD – SRI LANKA BRANCH NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. Reporting entity

Public Bank Berhad – Sri Lanka Branch, (the “Bank”), is a registered Branch of Public Bank Berhad, a limited liability Company incorporated in Malaysia. Public Bank Berhad – Sri Lanka Branch commenced its business in January 1992 and is approved to carry out both domestic and off- shore banking under the Banking Act No 30 of 1988 of Sri Lanka.

The registered office of the Bank and the principal place of business are both located at No. 340, R.A.De Mel Mawatha, Colombo 3.

1.1.1. Principal activities

The principal activities of the Bank continued to be banking and related activities such as accepting deposits, corporate and retail banking, personal financial services, offshore banking, foreign currency operations, trade services, investment banking, project finance, dealing in government securities, etc.

There have been no significant changes to these principal activities during the financial year.

1.1.2. Number of employees

The number of employees of the Bank as at 31st December 2020 was 65 (2019: 62).

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Financial Statements of the Bank have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) issued by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Banking Act No. 30 of 1988 and amendments thereto. The details of significant accounting policies are disclosed in Note 3.

The Bank maintains separate books for Domestic Banking Unit and Foreign Currency Banking Unit. Accompanying financial statements have been prepared by consolidating the financial statements of the Domestic Banking Unit and Foreign Currency Banking Unit.

2.2. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Liability for defined benefit obligation is recognised as the present value of the defined benefit obligation less the net total of the plan assets, as explained in Note 3.11.3.
- Financial investments measured at Fair Value Through Other Comprehensive Income (FVOCI)

2.3. Management's responsibility for financial statements

The Management is responsible for preparation and presentation of the Financial Statements.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PRAPARATION (CONTINUED)

2.4. Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees, which is the Bank's functional currency.

2.5. Use of estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted the customers, operations and Bank performance. The outbreak necessitated the government to respond at unprecedented levels to protect the health of the population, local economy and livelihoods. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including, the extent and duration of the disruption to businesses, expected economic downturn, and subsequent recovery.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses. The impact of the COVID-19 pandemic on this estimate is discussed further in the relevant notes of these financial statements. Actual results may differ from this estimate.

Judgements

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease liability (**Note 3.9**)
- Impairment losses on loans, advances and financing (**Note 3.3.5**)
- Impairment of other non-financial assets (**Note 3.8**)
- Income taxes (**Note 3.12.5**)
- Retirement benefit obligations (**Note 3.11**)
- Provisions (**Note 3.10.1.1**)

2.6. Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature of function are presented separately unless they are immaterial.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1. Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.2. Translation of measurement currency

The Bank uses Sri Lankan Rupees as their measurement currency for Domestic Banking Unit and United State Dollars as their measurement currency for Foreign Currency Banking Unit books.

For consolidation purposes, accompanying financial statements have been prepared in Sri Lankan Rupees after converting the Foreign Currency Banking Unit financial statements in to Sri Lankan Rupees.

The translation is performed based on the guidelines in the LKAS 21 “The Effects of Changes in Foreign Exchange Rates” stated below:

- All current assets and current liabilities (i.e including comparatives) are translated at the closing rate of each reporting date.
- Income and expense items for all periods (i.e including comparatives) are translated at month end exchange rates pertaining to each period.
- Equity items other than the net profit or loss for the period are translated at the historical rate existing at the date of each transaction.
- All exchange differences resulting from translation in accordance with the above are recognised in the equity through other comprehensive income.

Assets and bases of valuation

3.3. Financial assets and financial liabilities

3.3.1. Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.1. Recognition and initial measurement (Continued)

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL. If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to Management. The information considered includes:

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

Financial assets (Continued)

Business Model Assessment (Continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term floating-rate loans for which the Bank has the right to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The Bank has determined that the contractual cash flows of these loans are SPPI because the right varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

Financial assets (Continued)

Reclassification

Financial assets are not reclassified after their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

3.3.2. Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters transactions whereby it transfers assets recognised on its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.2. Derecognition (Continued)

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3.3.3. Modification of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.3. Modification of financial assets and liabilities Financial assets (Continued)

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.3.4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in statement of financial position when, and only when the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3.5. Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.5. Fair value measurement (Continued)

financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.3.6. Impairment

The Bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- undrawn credit commitments.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of “investment grade”. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1 financial instruments”.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2 financial instruments”.

Covid-19 initiatives

In respect to the Covid-19 pandemic, the Bank has capped the economic factor adjustment considered for the expected credit loss computation of cash and cash equivalents with the consideration of future economic growth forecasted.

In addition to above there were no any material changes to the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) and Bank continues to apply these in line with the Bank policies due to the adjustments made based on the implications of moratoriums on PDs and LGDs (due to limited movements to Stage 2 and Stage 3) for the better reflect on the adequacy of ECL

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.6. Impairment (Continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Significant Increase in Credit Risk (SICR)

The Bank considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with rebuttable presumption in SLFRS 9.

Further, Bank will consider that the financial instruments have Significant Increase in Credit Risk (SICR) when doubling of PD has occurred from initial recognition and any rating downgrade below BBB- after initial recognition. This is based on the observation that all ratings downgrades from an investment grade rating to a non-investment grade rating, including the marginal one notch downgrade from Baa3 to Ba1, results in a two-fold or greater increase of PD.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.6. Impairment (Continued)

Significant Increase in Credit Risk (SICR) (Continued)

Covid-19 initiatives

The Bank has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to Covid-19 in line with the directions issued by Central Bank of Sri Lanka (CBSL). Utilization of a payment deferral program does not, all else being equal, automatically trigger a SICR.

The impact of the outbreak has been assessed and adjusted in these financial statements based on the available information and assumptions made as at reporting date inline with the guidelines issued by the CBSL and the CA Sri Lanka.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as “Stage 3 financial assets”). A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 90 days or classified as non-performing under CBSL Direction No. 03 of 2008 is considered credit impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the fair value change is disclosed and is recognised in the fair value reserve.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Financial assets and financial liabilities (Continued)

3.3.6. Impairment (Continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate enough cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in “impairment losses on financial instruments” in the Statement of Profit or Loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank’s procedures for recovery of amounts due.

3.4. Cash and cash equivalents

‘Cash and cash equivalents’ include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.5. Statutory deposits with Central Bank of Sri Lanka

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain reserves against all deposit liabilities denominated in Sri Lankan Rupees.

3.6. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised within other income in profit or loss.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Property, plant and equipment (Continued)

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property and equipment are as follows:

Office Renovation	5 years
Computer Equipment	5 years
Furniture, Fixture & Fittings	10 years
Air Conditioners & Equipment	6 2/3years
Motor Vehicle	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7. Intangible assets

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalized cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year- end and adjusted if appropriate.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

3.9. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into on or after 1st January 2019

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component based on its relative stand-alone price. However, for lease components and accounts for leases and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus and initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses. If any and adjusted for certain remeasurements of the lease liability.

The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Leases (Continued)

Bank acting as a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- Exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise an extension option, and penalties for early termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise the right-of-use assets and liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.10. Liabilities and provisions

3.10.1. Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued, and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Liabilities and provisions (Continued)

3.10.1. Deposits, debt securities issued and subordinated liabilities (Continued)

3.10.1.1. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10.1.2. Financial guarantees and loan commitments

‘Financial guarantees’ are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. ‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

3.11. Retirement benefit obligations

3.11.1. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.11.2. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Employee Provident Fund and Employee Trust Funds covering all employees are recognised as an expense in profit and loss when incurred.

3.11.3. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Retirement benefit obligations (Continued)

3.11.3. Defined benefit plans (Continued)

The liability recognised in the statement in financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The Bank measures the present value of retirement benefits of gratuity using an internally generated model based on formula as recommended by LKAS 19 – Employee Benefits. Any actuarial gain and losses arising are recognised immediately in Other Comprehensive Income.

The liability is not externally funded nor actuarially valued.

3.12. Statement of profit or loss and other comprehensive income

3.12.1. Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income includes the interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.12.2. Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight- line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Statement of profit or loss and other comprehensive income (Continued)

3.12.3. Dividends

Dividend income is recognised when the right to receive income is established. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income.

3.12.4. Other expenses

The expenditure incurred on personnel cost, premises, equipment and establishment has been apportioned between the FCBU and the DBU at the rate of 5% and 95% respectively.

3.12.5. Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

3.12.5.1. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.12.5.2. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

PUBLIC BANK BERHAD – SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Statement of profit or loss and other comprehensive income (Continued)

3.12.6. Value Added Tax on financial services

The basis for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

3.13. Events occurring after the reporting date

All material subsequent events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

3.14. Statement of Cash Flows

The cash flow statement has been prepared by using the “Indirect Method” of preparing of cash flow statement in accordance with the LKAS 7, Statement of Cash Flows.

Cash and Cash equivalents comprises cash balances, call deposits and placement.

3.15. Comparative information

The comparative information is reclassified wherever necessary to conform with the current year’s presentation in order to provide a better presentation.

4. NEW ACCOUNTING STANDARD AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

A number of interpretations and amendments to standards are effective for annual period beginning on or after 1st January 2021 and earlier application is permitted. However, the Bank has not early adopted these amended standards in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Bank’s Financial Statements.

- Interest Rate Benchmark Reform—Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)
- Covid-19-Related Rent Concessions (Amendment to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

5 Net interest income	2020	2019
	Rs.	Rs.
Interest income		
Sri Lanka government securities	136,209,347	102,275,092
Balances with banks	10,442,634	38,947,262
Loans and advances to customers	798,144,102	879,682,827
	<u>944,796,083</u>	<u>1,020,905,181</u>
Interest expenses		
Deposits from banks	10,843,035	5,940,926
Deposits from customers	200,404,489	186,938,860
	<u>211,247,524</u>	<u>192,879,786</u>
	<u>733,548,559</u>	<u>828,025,395</u>
6 Net fee and commission income	2020	2019
	Rs.	Rs.
Fee and commission income		
Trade and remittances	9,533,687	3,398,512
Guarantees	8,551,405	7,539,853
Other fee and commission income	4,055,272	12,918,630
	<u>22,140,364</u>	<u>23,856,995</u>
Fee and commission expenses		
Deposit insurance	2,741,378	2,044,237
Commission	1,104,912	609,941
Other fee and commission expense	3,773,557	4,053,069
	<u>7,619,847</u>	<u>6,707,247</u>
	<u>14,520,517</u>	<u>17,149,748</u>
7 Net trading income	2020	2019
	Rs.	Rs.
Foreign exchange gain from foreign currency transactions	172,890,378	314,907,449
Foreign exchange loss from foreign currency transactions	(153,492,565)	(302,585,562)
	<u>19,397,813</u>	<u>12,321,887</u>
8 Other operating income	2020	2019
	Rs.	Rs.
Processing fees	5,842,764	4,178,241
Dividend income	960,000	1,148,100
Other income	2,717,003	3,048,813
Gain on disposal of Property, plant and equipment	97,002	5,015,015
	<u>9,616,769</u>	<u>13,390,169</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

9 Impairment charge for financial assets carried at amortised cost	2020	2019
	Rs.	Rs.
Loans and advances to customers (Note 9.1)	2,494,626	5,141,861
Financial investments measured at amortised cost (Note 18.1)	8,086,448	6,083,153
Cash and cash equivalents (Note 15.1)	860,019	252,040
Undrawn credit commitments and financial guarantees (Note 30.1)	(1,608,867)	(2,021,987)
	<u>9,832,226</u>	<u>9,455,067</u>
9.1 Loans and advances to customers		
Impairment charge/(reversal) - Stage 1 (Note 17.2.1)	572,371	(6,524,883)
Impairment charge/(reversal) - Stage 2 (Note 17.2.1)	(5,867,356)	5,270,474
Impairment charge - Stage 3 (Note 17.2.1)	7,789,611	6,396,270
	<u>2,494,626</u>	<u>5,141,861</u>
10 Depreciation and amortisation	2020	2019
	Rs.	Rs.
Property, plant and equipment (Note 20)	26,315,764	22,138,900
Intangible assets (Note 21)	42,927,821	19,924,253
Right-of-use asset (Note 22)	21,725,496	21,638,633
	<u>90,969,081</u>	<u>63,701,786</u>
11 Results from operating activities	2020	2019
	Rs.	Rs.
<i>Results from operating activities is stated after charging all the expenses including the following;</i>		
Auditor's remuneration		
Audit services	1,150,000	1,100,000
Audit related services	690,000	740,000
Non audit services	510,000	584,700
Depreciation and amortisation	90,969,081	63,701,786
Property, plant and equipment write-off	-	13,520
Interest on lease liability	20,925,827	19,981,013
Personnel costs (Note 11.1)	175,562,543	159,623,357
	<u>175,562,543</u>	<u>159,623,357</u>
11.1 Personnel costs		
Wages and salaries	101,791,398	95,330,399
Contribution to defined contribution plans		
Employees' Provident Fund	12,215,010	10,997,899
Employees' Trust Fund	3,053,752	2,749,487
Provision for defined benefit plans	7,351,005	6,203,351
Other staff expenses	51,151,378	44,342,221
	<u>175,562,543</u>	<u>159,623,357</u>
12 Value Added Tax (VAT), Nations Building Tax (NBT) on financial services and Debt Repayment Levy	2020	2019
	Rs.	Rs.
Value Added Tax (VAT) on financial services	62,117,654	75,916,259
Nations Building Tax (NBT) on financial services	-	9,317,918
Debt Repayment Levy (DRL)	660,993	40,708,635
	<u>62,778,647</u>	<u>125,942,812</u>

Inland Revenue Department of Sri Lanka has issued notices on the abolishment of NBT with effect from 1st December 2019 and DRL with effect from 1st January 2020.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

13 Income tax expenses	2020	2019
	Rs.	Rs.
Income tax for the year (Note 13.1)	96,535,908	108,081,629
Over provision in respect of previous year	(1,589)	(2,652,575)
Deferred tax reversal for the year (Note 23)	(9,299,209)	(16,494,423)
	<u>87,235,110</u>	<u>88,934,631</u>

In terms of provision of Inland Revenue Act No. 24 of 2017 and amendments thereto, Current tax on profits has been computed at the rate of 28% (Domestic and Foreign Currency Banking Unit including both on-shore and off-shore) on the taxable income arising from Banking.

The Cabinet of Ministers has approved the reduction of Income Tax rate applicable to companies to 24% from 28% with effect from 1st January 2020. The said provisional amendment is yet to be approved by the Parliament and cannot be construed as an amendment. Under such circumstances, the Bank continued using 28% in calculating the current tax charge for the years 2019 and 2020 ended 31st December as the particular amendment has not been substantially enacted by the end of the reporting periods

13.1 Reconciliation of accounting profit to income tax expense

Accounting profit before tax	268,533,439	341,501,390
Less: Income from other sources	(36,063,883)	(43,160,842)
Business income	232,469,556	298,340,548
Aggregate disallowable expenses	194,318,358	192,150,542
Aggregate allowable expenses	(82,016,814)	(104,485,273)
Total statutory income from business	344,771,100	386,005,817
Other Income	-	-
<i>Taxable Income</i>	344,771,100	386,005,817
Income tax at 28%	96,535,908	108,081,629

13.2 Reconciliation of effective tax rate

	2020		2019	
	%	Rs.	%	Rs.
Profit for the year		181,298,329		252,566,759
Income tax expenses		(87,235,110)		(88,934,631)
Profit before taxation		268,533,439		341,501,390
Tax using the domestic corporation tax rate	28%	75,189,363	28%	95,620,389
Net non-deductible expenses	21%	57,410,428	16%	55,622,082
Tax exempt income	(13%)	(36,063,883)	(13%)	(43,160,842)
Adjustments for prior years	(1%)	(1,589)	(1%)	(2,652,575)
Origination of temporary differences	(5%)	(9,299,209)	(5%)	(16,494,423)
Total tax expense		<u>87,235,110</u>		<u>88,934,631</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

14 Analysis of financial instruments by measurement basis

14.1 Classification of financial assets and liabilities as per SLFRS 9 - "Financial instruments"

	2020			
	Financial assets measured at fair value through profit or loss (FVTPL) Rs.	Financial assets measured at fair value through other comprehensive Rs.	Financial assets measured at amortised cost Rs.	Total Rs.
Assets				
Cash and cash equivalents	-	-	1,158,743,353	1,158,743,353
Statutory deposit with Central Bank of Sri Lanka	-	-	50,544,367	50,544,367
Loans and advances to customers	-	-	6,780,732,071	6,780,732,071
Equity instruments	-	25,191,565	-	25,191,565
Government Securities	-	-	2,940,388,664	2,940,388,664
Total financial assets	-	25,191,565	10,930,408,455	10,955,600,020
			Financial liabilities measured at amortised cost Rs.	Total Rs.
Liabilities				
Deposits from banks				
- Borrowings under REPO's			68,626,689	68,626,689
- Other deposits from banks			939,933,725	939,933,725
Deposits from customers			3,353,272,610	3,353,272,610
Lease liability			187,078,043	187,078,043
Total financial liabilities			4,548,911,067	4,548,911,067
			Rs.	Rs.
			Financial liabilities measured at amortised cost Rs.	Total Rs.
2019				
	Financial assets measured at fair value through profit or loss (FVTPL) Rs.	Financial assets measured at fair value through other comprehensive income (FVOCI) Rs.	Financial assets measured at amortised cost Rs.	Total Rs.
Assets				
Cash and cash equivalents	-	-	547,141,726	547,141,726
Statutory deposit with Central Bank of Sri Lanka	-	-	75,025,588	75,025,588
Loans and advances to customers	-	-	6,962,668,860	6,962,668,860
Equity instruments	-	22,080,055	-	22,080,055
Government securities	-	-	1,872,660,507	1,872,660,507
Total financial assets	-	22,080,055	9,457,496,681	9,479,576,736
			Rs.	Rs.
			Financial liabilities measured at amortised cost Rs.	Total Rs.
Liabilities				
Deposits from banks				
- Borrowings under REPO's			45,465,575	45,465,575
- Other deposits from banks			367,659,383	367,659,383
Deposits from customers			2,931,288,174	2,931,288,174
Lease liability			186,095,980	186,095,980
Total financial liabilities			3,530,509,112	3,530,509,112

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

15	Cash and cash equivalents	2020	2019
		Rs.	Rs.
	Cash and balances with banks	92,915,410	138,696,215
	Deposits with banks	1,017,691,139	387,291,782
	Placements with head office and other banks	49,397,967	21,554,873
	Cash and cash equivalents for the cash flow purpose	<u>1,160,004,516</u>	<u>547,542,870</u>
	Allowances for expected credit losses (Note 15.1)	<u>(1,261,163)</u>	<u>(401,144)</u>
	Net cash and cash equivalents	<u><u>1,158,743,353</u></u>	<u><u>547,141,726</u></u>
15.1	Movement in expected credit loss allowance during the year		
	Stage 1		
	Balance as at 1 st January	401,144	149,104
	Charge during the year	<u>860,019</u>	<u>252,040</u>
	Balance as at 31 st December	<u><u>1,261,163</u></u>	<u><u>401,144</u></u>
16	Statutory deposit with Central Bank of Sri Lanka	2020	2019
		Rs.	Rs.
	Central Bank of Sri Lanka	<u>50,544,367</u>	<u>75,025,588</u>
		<u><u>50,544,367</u></u>	<u><u>75,025,588</u></u>
	As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at 31 st December 2020, the minimum cash reserve requirement is 2% (2019 : 5%) of the rupee deposit liabilities. There are no reserve requirement for deposit liabilities of the Foreign Currency Banking Unit and foreign currency deposit liabilities in the Domestic Banking Unit.		
17	Financial assets measured at amortised cost - Loans and advances	2020	2019
		Rs.	Rs.
	Gross loans and advances (Note 17.1)		
	Stage 1	6,550,895,070	6,053,349,048
	Stage 2	153,324,723	556,901,352
	Stage 3	161,490,247	435,045,792
		<u>6,865,710,040</u>	<u>7,045,296,192</u>
	Less: Expected credit loss allowance (Note 17.2)		
	Stage 1	20,807,138	20,378,756
	Stage 2	3,369,379	9,236,735
	Stage 3	60,801,452	53,011,841
	Total expected credit loss/impairment allowance for loans and advances	<u>84,977,969</u>	<u>82,627,332</u>
	Net loans and advances	<u><u>6,780,732,071</u></u>	<u><u>6,962,668,860</u></u>
17.1	Analysis of gross loans and advances		
17.1.1	By product		
	Overdrafts	798,227,369	837,797,519
	Staff loans	58,404,876	49,710,485
	Vehicle loans	268,369,100	373,850,775
	Ordinary and term loans	4,507,202,094	4,434,783,698
	Customer housing loans	952,615,222	1,018,273,294
	Import finance	211,010,559	263,702,535
	Interest receivable	69,880,820	67,177,886
		<u>6,865,710,040</u>	<u>7,045,296,192</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

17.1 Analysis of gross loans and advances (Continued)

17.1.2 By industry

Industry wise analysis for Bank's credit portfolio (Gross loans and advances) given below reflects the Bank's exposure to credit risk in the various industries of the economy.

	2020 Rs.	2019 Rs.
Agriculture	700,387,480	813,651,867
Manufacturing	1,525,928,095	1,119,228,750
Construction	1,442,724,710	1,449,535,975
Tourism	574,729,759	517,559,490
Transport	8,086,941	9,803,709
Traders	873,194,315	975,111,899
Real estate	13,260,423	12,358,220
Financial and business services	447,306,200	738,282,215
Information technology	147,461,658	182,714,301
Other services	230,156,043	232,972,322
Other customers	902,474,416	994,077,444
	6,865,710,040	7,045,296,192
17.1.3 By currency		
Sri Lankan Rupee	6,639,997,847	6,720,173,794
United States Dollar	225,712,193	325,122,398
	6,865,710,040	7,045,296,192
17.2 Movement in expected credit loss on loans and advances		
Balance as at 1 st January	82,627,332	77,502,475
Charge during the year	2,494,626	5,141,861
Effect of foreign currency movements	(143,989)	(17,004)
Balance as at 31 st December	84,977,969	82,627,332
17.2.1 Movement in expected credit loss		
	2020 Rs.	2019 Rs.
Stage 1		
Balance as at 1 st January	20,378,756	26,920,643
Charge/(Reversal) to profit or loss	572,371	(6,524,883)
Effect of foreign currency movements	(143,989)	(17,004)
Balance as at 31 st December	20,807,138	20,378,756
Stage 2		
Balance as at 1 st January	9,236,735	3,966,261
Charge/(Reversal) to profit or loss	(5,867,356)	5,270,474
Balance as at 31 st December	3,369,379	9,236,735
Stage 3		
Balance as at 1 st January	53,011,841	46,615,571
Charge to profit or loss	7,789,611	6,396,270
Balance as at 31 st December	60,801,452	53,011,841
Total	84,977,969	82,627,332

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

18 Financial assets measured at amortised cost - Debt and other instruments	2020	2019
	Rs.	Rs.
Sri Lanka Government Securities - Treasury bills	1,881,340,041	776,360,831
Securities purchased under re-sale agreements	125,015,453	364,066,500
Sri Lanka Development Bonds	951,701,073	741,814,631
Total financial investments measured at amortised cost	2,958,056,567	1,882,241,962
Expected credit loss allowance (Note 18.1)	(17,667,903)	(9,581,455)
	<u>2,940,388,664</u>	<u>1,872,660,507</u>

18.1 Movement in expected credit loss allowance

Stage 1

Balance as at 1 st January	9,581,455	3,498,302
Charge to profit or loss	8,086,448	6,083,153
Balance as at 31 st December	<u>17,667,903</u>	<u>9,581,455</u>

19 Financial assets measured at fair value through other comprehensive income

	2020	2019
	Rs.	Rs.
Unquoted equities (Note 19.1)	25,191,565	22,080,055
	<u>25,191,565</u>	<u>22,080,055</u>

19.1 Movement in unquoted equities

Balance as at 1 st January	22,080,055	19,351,485
Investment in unquoted shares during year	-	1,000,000
Net change in fair value of equity investments	3,111,510	1,728,570
Balance as at 31 st December (Note 19.2)	<u>25,191,565</u>	<u>22,080,055</u>

19.2 Unquoted equities

	2020		
	Number of ordinary shares	Cost	Fair Value
		Rs.	Rs.
Credit Information Bureau of Sri Lanka	300	30,000	6,123,935
Lanka Clear (Private) Limited	100,000	1,000,000	19,067,630
Lanka Financial Services Bureau Limited	200,000	2,000,000	-
		<u>3,030,000</u>	<u>25,191,565</u>
		2019	
	Number of ordinary shares	Cost	Fair Value
		Rs.	Rs.
Credit Information Bureau of Sri Lanka	300	30,000	5,974,186
Lanka Clear (Private) Limited	100,000	1,000,000	16,073,418
Lanka Financial Services Bureau Limited	200,000	2,000,000	32,451
		<u>3,030,000</u>	<u>22,080,055</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

20 Property, plant and equipment

	Office Renovations	Computer Equipment	Equipment and Furniture	Office Equipment	Motor Vehicles	Air Conditioners	Safes	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost									
Balance as at 1 st January 2019	59,444,111	85,398,243	9,490,096	32,391,271	17,402,840	10,575,752	3,221,648	112,031,034	329,954,995
Additions during the year	-	10,802,600	339,375	2,415,000	18,000,000	-	-	48,042,414	79,599,389
Disposals during the year	-	(28,600)	-	(1,400,770)	(10,362,000)	-	-	-	(11,791,370)
Write-offs during the year	-	(36,089,311)	(662,133)	(4,457,300)	-	-	-	-	(41,208,744)
Transfers during the year	-	51,637,611	113,125	-	-	-	-	(51,750,736)	-
Transfers to intangible assets during the year	-	-	-	-	-	-	-	(107,524,713)	(107,524,713)
Balance as at 31 st December 2019	<u>59,444,111</u>	<u>111,720,543</u>	<u>9,280,463</u>	<u>28,948,201</u>	<u>25,040,840</u>	<u>10,575,752</u>	<u>3,221,648</u>	<u>797,999</u>	<u>249,029,557</u>
Balance as at 1 st January 2020	59,444,111	111,720,543	9,280,463	28,948,201	25,040,840	10,575,752	3,221,648	797,999	249,029,557
Additions during the year	-	1,787,231	-	-	-	121,226	-	1,491,977	3,400,434
Disposals during the year	-	(4,249,882)	-	-	-	-	-	-	(4,249,882)
Balance as at 31 st December 2020	<u>59,444,111</u>	<u>109,257,892</u>	<u>9,280,463</u>	<u>28,948,201</u>	<u>25,040,840</u>	<u>10,696,978</u>	<u>3,221,648</u>	<u>2,289,976</u>	<u>248,180,109</u>
Accumulated Depreciation									
Balance as at 1 st January 2019	53,849,231	73,452,561	6,478,307	23,796,985	11,767,840	6,707,124	2,635,715	-	178,687,763
Charge for the year	4,140,289	10,526,421	786,375	3,449,780	1,680,000	1,298,253	257,782	-	22,138,900
Disposals during the year	-	(28,600)	-	(1,029,841)	(10,362,000)	-	-	-	(11,420,441)
Write-offs during the year	-	(36,088,332)	(641,990)	(4,464,902)	-	-	-	-	(41,195,224)
Balance as at 31 st December 2019	<u>57,989,520</u>	<u>47,862,050</u>	<u>6,622,692</u>	<u>21,752,022</u>	<u>3,085,840</u>	<u>8,005,377</u>	<u>2,893,497</u>	<u>-</u>	<u>148,210,998</u>
Balance as at 1 st January 2020	57,989,520	47,862,050	6,622,692	21,752,022	3,085,840	8,005,377	2,893,497	-	148,210,998
Charge for the year	570,264	16,315,866	763,725	2,484,589	4,980,000	1,027,816	173,504	-	26,315,764
Disposals during the year	-	(4,249,882)	-	-	-	-	-	-	(4,249,882)
Balance as at 31 st December 2020	<u>58,559,784</u>	<u>59,928,034</u>	<u>7,386,417</u>	<u>24,236,611</u>	<u>8,065,840</u>	<u>9,033,193</u>	<u>3,067,001</u>	<u>-</u>	<u>170,276,880</u>
Written down value									
Balance as at 31st December 2020	<u>884,327</u>	<u>49,329,858</u>	<u>1,894,046</u>	<u>4,711,590</u>	<u>16,975,000</u>	<u>1,663,785</u>	<u>154,647</u>	<u>2,289,976</u>	<u>77,903,229</u>
Balance as at 31 st December 2019	<u>1,454,591</u>	<u>63,858,493</u>	<u>2,657,771</u>	<u>7,196,179</u>	<u>21,955,000</u>	<u>2,570,375</u>	<u>328,151</u>	<u>797,999</u>	<u>100,818,559</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

20 Property, plant and equipment (Continued)

20.1 Title Restriction on Property, Plant & Equipment

There were no restrictions existed on the title of the Property, Plant & Equipment of the Bank as at the Reporting date.

20.2 Fully depreciated assets

The initial costs of fully depreciated property, plant and equipment as at 31st December which are still in use are as follows;

	2020 Rs.	2019 Rs.
Office Renovations	56,891,001	55,668,102
Computer Equipment	31,345,194	26,768,380
Equipment and Furniture	2,717,870	1,841,919
Office Equipment	11,273,894	10,185,491
Motor Vehicles	140,840	140,840
Air Conditioners	4,817,981	3,844,877
Safes	2,130,261	1,960,704
	<u>109,317,041</u>	<u>100,410,313</u>
21 Intangible assets - Software	2020	2019
	Rs.	Rs.
Cost		
Balance as at 1 st January	297,038,213	171,202,054
Additions during the year	431,897	18,311,446
Transfers during the year from Property, plant and equipment	-	107,524,713
Balance as at 31 st December	<u>297,470,110</u>	<u>297,038,213</u>
Accumulated amortisation		
Balance as at 1 st January	187,618,636	167,694,383
Amortisation for the year	42,927,821	19,924,253
Balance as at 31 st December	<u>230,546,457</u>	<u>187,618,636</u>
Written down value	<u>66,923,653</u>	<u>109,419,577</u>
21.1 The initial cost of fully amortized intangible assets as at 31 st December 2020 which are still in is Rs.170,506,804 (2019 : Rs.166,531,620);		
22 Right-of-use asset	2020	2019
	Rs.	Rs.
Cost		
Balance as at 1 st January	212,266,155	212,266,155
Additions during the year	1,985,327	-
Termination of contract	(2,155,116)	-
Balance as at 31 st December	<u>212,096,366</u>	<u>212,266,155</u>
Accumulated amortisation		
Balance as at 1 st January	21,638,633	-
Amortisation for the year	21,725,496	21,638,633
Termination of contract	(2,155,116)	-
Balance as at 31 st December	<u>41,209,013</u>	<u>21,638,633</u>
Net Carrying Amount	<u>170,887,353</u>	<u>190,627,522</u>
23 Deferred tax assets	2020	2019
	Rs.	Rs.
Balance as at 1 st January	21,221,330	6,605,169
<i>Recognized in profit or loss</i>		
Recognized during the year	9,299,209	16,494,423
<i>Recognized in other comprehensive income</i>		
Deferred tax on actuarial (gain)/loss on retirement benefits obligations	2,120,192	(1,878,262)
Balance as at 31 st December	<u>32,640,731</u>	<u>21,221,330</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

23 Deferred Taxation (Continued)

23.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the followings;

	2020		2019	
	Deductible/ (Taxable) temporary difference	Tax Effect	Deductible/ (Taxable) temporary difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment and intangible assets	(36,313,319)	(10,167,729)	(41,039,543)	(11,491,072)
Right of use asset	(170,887,353)	(47,848,459)	(190,627,522)	(53,375,706)
Retirement benefits obligation (Note 30)	43,528,588	12,188,005	28,605,467	8,009,531
Expected credit loss on loans	93,168,077	26,087,062	92,756,082	25,971,703
Lease liability	187,078,043	52,381,852	186,095,980	52,106,874
	116,574,036	32,640,731	75,790,464	21,221,330

The Bank has considered 28% in calculating the deferred tax assets/(liabilities) for the year ended 31st December 2020 (2019 : 28%)

24 Other assets

	2020 Rs.	2019 Rs.
Prepayments	145,781,153	72,052,966
Clearing Receivables	-	50,097,790
Deposits	8,446,009	7,574,989
	154,227,162	129,725,745

25 Deposits from banks

	2020 Rs.	2019 Rs.
Borrowings under REPO's	68,626,689	45,465,575
Other deposits from banks	939,933,725	367,659,383
	1,008,560,414	413,124,958

26 Deposits from customers

	2020 Rs.	2019 Rs.
Retail customers (Note 26.1)	2,792,683,017	2,200,331,455
Corporate customers (Note 26.2)	489,006,236	688,039,226
	3,281,689,253	2,888,370,681
Interest payable	71,583,357	42,917,493
	3,353,272,610	2,931,288,174

26.1 Retail customers

Demand deposits (current accounts)	260,227,053	248,467,217
Savings deposits	347,962,198	220,367,607
Fixed deposits	2,166,709,062	1,724,495,786
Call deposits	2,080,449	2,000,000
Other deposits	15,704,255	5,000,845
	2,792,683,017	2,200,331,455

26.2 Corporate customers

Demand deposits (current accounts)	28,557,876	79,229,370
Savings deposits	102,850,978	427,049,534
Fixed deposits	357,597,382	181,760,322
	489,006,236	688,039,226

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

26 Deposits from customers (Continued)	2020	2019
	Rs.	Rs.
26.3 Analysis by product		
Demand deposits (current accounts)	288,784,929	327,696,587
Savings deposits	450,813,176	647,417,141
Fixed deposits	2,524,306,444	1,906,256,108
Call deposits	2,080,449	2,000,000
Other deposits	15,704,255	5,000,845
	<u>3,281,689,253</u>	<u>2,888,370,681</u>
26.4 Analysis by currency		
Sri Lankan Rupee	2,537,667,739	2,372,967,020
United States Dollar	694,940,498	428,344,833
Sterling Pound	24,345,459	86,020,893
Singapore Dollar	193,945	247,564
Australian Dollar	24,128,118	411,122
Euro	324,167	296,516
Japanese Yen	89,327	82,733
	<u>3,281,689,253</u>	<u>2,888,370,681</u>
27 Lease Liability	2020	2019
	Rs.	Rs.
Balance as at 1 st January	186,095,980	204,586,155
Additions during the year	1,890,000	-
Interest charges during the year	20,925,827	19,981,013
Lease payments during the year	(21,833,764)	(38,471,188)
Balance as at 31 st December	<u>187,078,043</u>	<u>186,095,980</u>
27.1 Analysis of impact		
Amount recognized in profit or loss	20,925,827	19,981,013
Amount recognized in statement of cash flows	(21,833,764)	(38,471,188)
27.2 Maturity Analysis		
Non-current	158,174,317	169,275,593
Current	28,903,726	16,820,387
	<u>187,078,043</u>	<u>186,095,980</u>
27.3 Maturity analysis based on contractual undiscounted CF's	2020	2019
	Rs.	Rs.
Less than one year	30,841,240	19,943,764
One to five years	134,638,300	165,329,540
More than five year	140,258,853	140,228,853
Total undiscounted lease liabilities	<u>305,738,393</u>	<u>325,502,157</u>

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

28 Current tax liability	2020	2019
	Rs.	Rs.
Balance as at 1 st January	47,127,600	73,321,728
Provision for the year	96,535,908	108,081,629
Over provision in respect of previous year	(1,589)	(2,652,575)
Payments made during the year	(90,105,985)	(131,623,182)
	<u>53,555,934</u>	<u>47,127,600</u>

29 Retirement benefit obligations	2020	2019
	Rs.	Rs.
Balance as at 1 st January	28,605,467	33,439,755
Current service cost	3,918,349	2,722,575
Interest cost	3,432,656	3,480,776
Actuarial (gain)/loss recognized in the other comprehensive income	7,572,116	(6,708,076)
Payments during the year	-	(4,329,563)
Balance as at 31 st December	<u>43,528,588</u>	<u>28,605,467</u>

29.1 The total amount charged to Statement of Profit or loss and other comprehensive income in respect of retirement benefits obligations is made up as follows;

Current service cost	3,918,349	2,722,575
Interest cost	3,432,656	3,480,776
Recognized in profit or loss	<u>7,351,005</u>	<u>6,203,351</u>
Actuarial (gain)/loss	7,572,116	(6,708,076)
Recognized in other comprehensive income	<u>7,572,116</u>	<u>(6,708,076)</u>

29.2 LKAS 19 - Employee Benefit requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit obligation as per Projected Unit Credit Method. The Bank has used internally generated model in order to determine the present value of the retirement benefit obligation as at the reporting date. The following key assumptions were made in computing the retirement benefit obligation as at the reporting date.

	2020	2019
i.) Discount rate	8.00%	11.00%
ii.) Annual salary increment rate	9.00%	8.00%
iii.) Staff turnover rate	3.00%	7.00%

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

29 Retirement benefit obligations (Continued)

29.3 The calculation of the retirement benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percent.

	Retirement benefit obligation	
	+ 1%	- 1%
	Rs.	Rs.
Discount rate	(3,196,170)	3,609,056
Salary increment rate	3,539,382	(3,196,170)
Staff turnover rate	(218,481)	247,064
30 Other liabilities	2020	2019
	Rs.	Rs.
Accrued expenses	32,110,418	28,429,104
Other payables	191,798,953	20,179,016
Withholding tax payable	7,001,903	3,095,162
Amount due to head office	84,953,625	72,574,161
Expected credit loss allowance on undrawn credit commitments and financial guarantees (Note 30.1)	5,220,516	6,829,383
	321,085,415	131,106,826
30.1 Expected credit loss allowance on undrawn credit commitments and financial guarantees		
Balance as at 1 st January	6,829,383	8,851,370
Reveral to profit or loss during the year	(1,608,867)	(2,021,987)
Balance as at 31 st December	5,220,516	6,829,383
31 Assigned capital	2020	2019
	Rs.	Rs.
Balance as at 31 st December	3,792,318,132	3,792,318,132
32 Statutory reserve fund	2020	2019
	Rs.	Rs.
Balance as at 1 st January	113,311,707	100,683,369
Transfer during the year	9,064,916	12,628,338
Balance as at 31 st December	122,376,623	113,311,707
The statutory reserve fund is maintained as per the requirements under Section 20 (1) of Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividends or any profits that are transferred to elsewhere, until the reserve is equal to 50% of the Bank's assigned capital.		
33 FCBU revaluation reserve	2020	2019
	Rs.	Rs.
Balance as at 1 st January	232,137,576	236,668,834
Gain/ (Loss) on translation of FCBU	18,102,765	(4,531,258)
Balance as at 31 st December	250,240,341	232,137,576
The Bank maintains equity reserves in foreign currencies amounting to USD 1,372,233 which is converted into Sri Lankan Rupees at reporting date using the year end exchange rate. Gain or loss on this translation is transferred to FCBU revaluation reserve.		

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

34 Other reserves	2020	2019
	Rs.	Rs.
Balance as at 1 st January	19,050,056	17,321,486
Net gains on financial assets measured at FVOCI	3,111,510	1,728,570
Balance as at 31 st December	<u>22,161,566</u>	<u>19,050,056</u>

Other reserves include the fair value changes on the financial assets measured at fair value through other comprehensive income.

35 Commitments and Contingent liabilities

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

35.1 Commitments	2020	2019
	Rs.	Rs.
Acceptances	22,218,176	11,879,800
Guarantees	289,751,793	221,032,155
Bills for collection	293,307,571	228,190,704
Letters of credit	148,502,350	75,392,190
	<u>753,779,890</u>	<u>536,494,849</u>
Contingent liabilities		
Undrawn loans and advances	1,564,794,029	1,893,463,033
	<u>1,564,794,029</u>	<u>1,893,463,033</u>
Total contingent liabilities and commitments	<u>2,318,573,919</u>	<u>2,429,957,882</u>

35.2 Litigations against the bank

There were no pending litigation of a material nature against the Bank as at the reporting date.

35.3 Capital commitments

The Bank has, under the instructions of its Head Office, committed itself to upgrade its computer equipments and other fixed assets at a total cost of Rs.6,200,000/- as at 31st December 2020. (2019 : Rs.12,501,050)

36 Related party disclosures

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 – 'Related Party Disclosures'.

However, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff are at concessionary rates.

36.1 Transactions with head office

Details of the transactions and balances with Public Bank Berhad Head Office in Malaysia during the year are as follows.

Nature of transaction	Transaction value		Balance as at 31 st December	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Reimbursement of expenses	12,379,464	4,124,098	84,953,625	72,574,161
Net trading and foreign exchange transactions	529,398,964	621,054,668	-	-
Placements	73,654,350	682,060,208	49,360,100	21,554,873
Net borrowing	6,197,313,000	4,620,223,273	936,150,000	366,052,327

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

36 Related party disclosure (Continued)

36.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing, and controlling the activities of the entity. Accordingly, Country Head, Business Development Manager, Banking Service Manager, Head of Risk Management, Head of Finance, Head of Credit, Head of Trade Finance and Compliance Officer of the Public Bank Berhad - Sri Lanka Branch have been identified as Key Management Personnels of the Bank.

Compensation paid to key management personnel of the Bank is as follows:	2020	2019
	Rs.	Rs.
Short term employee benefits	45,394,608	43,291,532
Post employment benefits	7,983,897	7,967,915
Loans and advances	5,642,779	3,585,302
Deposits	82,384,089	56,744,545

No impairment losses have been recorded against balance outstanding during the period with KMP.

36.3 Accommodation as a percentage of Bank's regulatory capital

Direct and indirect accommodation (%)	0.09%	0.06%
---------------------------------------	--------------	-------

37 Maturity analysis

An analysis of the total assets and total liabilities employed by the Bank as at 31st December 2020 based on the remaining period at the reporting date to the respective contractual maturity dates are given below:

	Less than 1 year Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	More than 5 Years Rs.	Total as at 31.12.2020 Rs.	Total as at 31.12.2019 Rs.
Assets						
Cash and cash equivalents	1,158,743,353	-	-	-	1,158,743,353	547,141,726
Statutory deposit with Central Bank of Sri Lanka	50,544,367	-	-	-	50,544,367	75,025,588
Financial assets measured at amortised cost						
- Loans and receivables	2,280,394,047	1,579,590,978	1,011,479,861	1,909,267,185	6,780,732,071	6,962,668,860
- Debt and other instruments	2,753,158,664	187,230,000	-	-	2,940,388,664	1,872,660,507
Financial assets measured at FVOCI	-	-	-	25,191,565	25,191,565	22,080,055
Right-of-use asset	21,313,256	40,421,513	35,345,759	73,806,825	170,887,353	190,627,522
Property, plant and equipment	-	77,903,229	-	-	77,903,229	100,818,559
Intangible assets	66,923,653	-	-	-	66,923,653	109,419,577
Other assets	154,227,162	-	-	-	154,227,162	129,725,745
Total assets	6,485,304,502	1,885,145,720	1,046,825,620	2,008,265,575	11,425,541,417	10,010,168,139
Liabilities and equity						
Liabilities						
Deposits from banks	1,008,560,414	-	-	-	1,008,560,414	413,124,958
Deposits from customers	3,353,272,610	-	-	-	3,353,272,610	2,931,288,174
Current tax liability	53,555,934	-	-	-	53,555,934	47,127,600
Retirement benefit obligations	43,528,588	-	-	-	43,528,588	28,605,467
Lease liability	28,903,726	54,499,977	43,163,566	60,510,774	187,078,043	186,095,980
Other liabilities	321,085,415	-	-	-	321,085,415	131,106,826
Total liabilities	4,808,906,687	54,499,977	43,163,566	60,510,774	4,967,081,004	3,737,349,005
Equity						
Assigned capital	-	-	-	3,792,318,132	3,792,318,132	3,792,318,132
Statutory reserve fund	-	-	-	122,376,623	122,376,623	113,311,707
FCBU revaluation reserve	-	-	-	250,240,341	250,240,341	232,137,576
Other reserves	-	-	-	22,161,566	22,161,566	19,050,056
Retained earnings	-	-	-	2,304,004,482	2,304,004,482	2,137,222,993
Total equity	-	-	-	6,491,101,144	6,491,101,144	6,294,040,464
Total equity and liabilities	4,808,906,687	54,499,977	43,163,566	6,551,611,918	11,458,182,148	10,031,389,469

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

38 Fair values of financial instruments

Determination of fair values

This note explains the methodology for valuing financial assets and liabilities carried at fair value, and provides an analysis of those balances according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

38.1 Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

38.2 Fair value hierarchy

Assets and liabilities recorded at fair value in the Statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Bank measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 : Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

38.3 Valuation framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Assets and Liability Committee, and it has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both Product Control and Bank's Market Risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Bank Market Risk personnel.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

38 Fair values of financial instruments (Continued)

38.4 Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

38.5 Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2020		
	Level I Rs.	Level II Rs.	Level III Rs.
Financial assets measured at fair value through other comprehensive income	-	-	25,191,565
	-	-	25,191,565

39.5.1 Level III fair value measurements

The following table shows a reconciliation from the beginning balance to the ending balances for fair value measurements in level III of the fair value hierarchy;

	2020 Rs.	2019 Rs.
Financial assets measured at fair value through other comprehensive income		
Balance as at 1 st January	22,080,055	19,351,485
Investment in unquoted shares during year	-	1,000,000
Fair value gain recognized in other comprehensive income during the period	3,111,510	1,728,570
Balance as at 31 st December	25,191,565	22,080,055

39.5.2 Unobservable inputs used in measuring fair value

Type of financial instrument	Fair value as at 31st December 2020 Rs.	Valuation technique	Significant unobservable input Rs.	Fair value sensitivity to unobservable input
Credit Information Bureau of Sri Lanka	6,123,935	Net assets per share	20,413	Increase of Net assets per share would increase the fair value
Lanka Clear (Private) Limited	19,067,630	Net assets per share	191	Increase of Net assets per share would increase the fair value
Lanka Financial Services Bureau Limited	-	Net assets per share	(2)	Increase of Net assets per share would increase the fair value

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

38 Fair values of financial instruments (Continued)

38.6 Financial instruments not measured at fair value

The table below show a comparison of the carrying amounts, as reported on the Statement of Financial Position, and fair values of all financial assets and liabilities carried at amortised cost:

	2020		2019	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
<i>Financial assets :</i>				
Cash and cash equivalents	1,158,743,353	1,158,743,353	547,141,726	547,141,726
Statutory Deposits with Central Bank of Sri Lanka	50,544,367	50,544,367	75,025,588	75,025,588
Financial assets measured at amortised cost				
- Loans and advances	6,780,732,071	6,780,732,071	6,962,668,860	6,962,668,860
- Debt and other instruments	2,940,388,664	2,957,924,868	1,872,660,507	1,882,097,588
Other assets	154,227,162	154,227,162	129,725,745	129,725,745
Total financial assets	11,084,635,617	11,102,171,821	9,587,222,426	9,596,659,507
<i>Financial liabilities :</i>				
Deposits from Banks	1,008,560,414	1,008,560,414	413,124,958	413,124,958
Deposits from customers	3,353,272,610	3,353,272,610	2,931,288,174	2,931,288,174
Lease liability	187,078,043	187,078,043	186,095,980	186,095,980
Total financial liabilities	4,548,911,067	4,548,911,067	3,530,509,112	3,530,509,112

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Bank's financial instruments can be exchanged in an active trading market. The Bank obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted market prices are not available, the Bank obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity risk.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 st December 2020	Level I Rs.	Level II Rs.	Level III Rs.	Total Rs.
<i>Financial assets :</i>				
Cash and cash equivalents	-	1,158,743,353	-	1,158,743,353
Statutory Deposits with Central Bank of Sri Lanka	-	50,544,367	-	50,544,367
Financial assets measured at amortised cost				
- Loans and advances	-	-	6,780,732,071	6,780,732,071
- Debt and other instruments	-	-	2,940,388,664	2,940,388,664
Other assets	-	-	154,227,162	154,227,162
	-	1,209,287,720	9,875,347,897	11,084,635,617
<i>Financial Liabilities :</i>				
Deposits from Banks	-	-	1,008,560,414	1,008,560,414
Deposits from customers	-	-	3,353,272,610	3,353,272,610
Lease liability	-	-	187,078,043	187,078,043
	-	-	4,548,911,067	4,548,911,067

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

38 Fair values of financial instruments (Continued)

38.6 Financial instruments not measured at fair value (Continued)

Cash and cash equivalents

The carrying amounts of cash and cash equivalents, approximate their fair value as those are short-term in nature and are receivable on demand.

Loans and receivables

The fair values of fixed rate loans and receivables with remaining maturity of less than one year and variable rate loans and advances are estimated to approximate their carrying amounts. The fair values of impaired loans/financing are represented by their carrying amounts, net of any individual assessment allowance, being the expected recoverable amount."

Debt and other instruments

The fair values of Sri Lanka Development Bonds with floating interest rates approximate their carrying amount due to eligibility for market interest rates at the reporting date.

The fair values of financial investments measured at amorised cost are estimated based on broker/dealer price quotations. All financial investments held at reporting date are measured at amortised cost.

Other assets

The fair value of the loans to staff has been computed based on the interest rates prevailed at reporting date.

Carrying value of other receivables items has been considered as the fair value due to the timing of the cash flows.

Financial liabilities

Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management

39.1 Overview

The Bank's business activities involve the use of financial instruments. These activities expose the Bank to a variety of financial risks, mainly credit risk, liquidity risk, market risk, operational risk and interest rate risk.

The Bank's financial risks are subject to Management's oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC") and the Operational Risk Management Committee ("ORMC").

39.2 Credit risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Bank's primary business is in commercial banking, the Bank's exposure to credit risk is primarily from its lending and financing to retail consumers, Small - and Medium-sized Enterprises ("SMEs") and corporate customers. Trading and investing the surplus funds of the Bank, such as trading or holding of debt securities, settlement of transactions, also expose the Bank to credit risk and counterparty credit risk.

Risk governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Bank's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Bank's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Bank's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit approving authorities are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division, the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the risk policies are implemented and complied with.

Risk management approach

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. All loan applications of significant amounts are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.2 Credit risk (Continued)

Risk management approach (Continued)

Independent credit reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to both the CRMC and the RMC, containing information on economic trends across major portfolios, quality of credit portfolios, results of independent credit review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

(a) Lending to retail consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer through the use of an internal credit risk rating score sheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer are included in the loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit risk from trading and investment activities

The management of the credit risk arising from the Bank's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the Bank's investment policy also stipulates the minimum investment grade for debt securities, types of permissible transactions and the maximum tenure. The investment policy is also subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Head Office. As at reporting date, the Bank does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit risk exposures and credit risk concentration

Exposure to credit risk

For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.2 Credit risk (Continued)

Risk management approach (Continued)

(c) Credit risk from trading and investment activities (Continued)

(i) Credit risk exposures and credit risk concentration (Continued)

Exposure to credit risk (Continued)

The table below set out information about credit quality of financial assets and allowance for impairment/expected credit losses held by the Bank against those assets.

	2020			Total Rs.	2019 Total Rs.
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.		
Financil assets measured at amortised cost: Loans and advances					
Grade 0 - 2 Performing loans	6,550,895,070	153,324,723	-	6,704,219,793	6,886,963,644
Grade 3 - NPA special mention	-	-	15,951,423	15,951,423	72,267,188
Grade 4 - NPA substandard	-	-	29,028,977	29,028,977	-
Grade 5 - NPA doubtful	-	-	22,833,963	22,833,963	38,817,414
Grade 6 - NPA loss	-	-	93,675,884	93,675,884	47,247,945
Total gross loans and advances	6,550,895,070	153,324,723	161,490,247	6,865,710,040	7,045,296,191
Expected credit loss allowance	(20,807,138)	(3,369,379)	(60,801,452)	(84,977,969)	(82,627,332)
Total net loans and advances	6,530,087,932	149,955,344	100,688,795	6,780,732,071	6,962,668,859
Financil assets measured at amortised cost: Debt and other instruments					
Government securities : Treasury bills (CCC+)	1,881,340,041	-	-	1,881,340,041	776,360,831
Securities purchased under re-sale agreements (CCC+)	125,015,453	-	-	125,015,453	364,066,500
Sri Lanka development bonds (CCC+)	951,701,073	-	-	951,701,073	741,814,631
Total debt and other instruments	2,958,056,567	-	-	2,958,056,567	1,882,241,962
Expected credit loss allowance	(17,667,903)	-	-	(17,667,903)	(9,581,455)
Total net debt and other instruments	2,940,388,664	-	-	2,940,388,664	1,872,660,507
Cash and cash equivalents (Balances with banks)					
Cash and balances with banks	92,915,410	-	-	92,915,410	138,696,215
Deposits with banks	1,017,691,139	-	-	1,017,691,139	387,291,782
Placements with banks	49,397,967	-	-	49,397,967	21,554,873
Total balances with banks	1,160,004,516	-	-	1,160,004,516	547,542,870
Expected credit loss allowance	(1,261,163)	-	-	(1,261,163)	(401,144)
Total net balances with banks	1,158,743,353	-	-	1,158,743,353	547,141,726

Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 3.3.5.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information.

The Bank uses a backstop of 30 days past due for determining whether there is a significant increase in credit risk.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The key drivers for credit risk GDP growth, unemployment rates, inflation, exchange rates and interest rates. The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.2 Credit risk (Continued)

Risk management approach (Continued)

(c) Credit Risk from Trading and Investment Activities (Continued)

(i) Credit risk exposures and credit risk concentration (Continued)

Exposure to credit risk (Continued)

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD)
- Loss Given Default (LGD) ; and
- Exposure At Default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Collateral held and other credit enhancement

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

Collateral type	2020 Rs.	2019 Rs.
Immovable property, plant and machinery	6,290,735,877	5,926,690,747
Movable property-Motor Vehicle	316,965,235	416,042,975
Fixed, savings, other deposits	148,940,618	199,767,576
Government Securities	-	19,160,050
	6,756,641,730	6,561,661,348
On clean basis	109,068,310	483,634,844
Total	6,865,710,040	7,045,296,192

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.2 Credit risk (Continued)

Risk management approach (Continued)

(c) Credit risk from trading and investment activities (Continued)

(i) Credit Risk Exposures and Credit Risk Concentration (Continued)

Exposure to credit risk (Continued)

The table below sets out principal types of collateral and their approximate collateral percentages that are held against different types of financial assets

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to an arrangement that requires collateralisation	
		2020	2019
		Loans and Advances	Commercial Property
	Residential Property	100	100
	Vehicle	100	100
	Government Securities	100	100
	Cash/FD	100	100

The following tables stratify credit exposures from term and trade loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

LTV Ratio	Term Loans		Trade Loans	
	2020	2019	2020	2019
Less than 50%	3,905,032,933	2,807,525,521	205,602,063	263,789,248
51 - 70 %	433,279,540	558,841,374	6,012,772	-
71 - 90 %	36,355,278	940,842,520	-	-
91 - 100 %	86,932,570	82,871,988	-	-
More than 100 %	-	-	-	-
Total	4,461,600,321	4,390,081,403	211,614,835	263,789,248
Credit-impaired loans				
Less than 50 %	28,976,872	53,760,376	100	100
51 - 70 %	24,433,565	38,817,414	-	-
More than 100 %	43,612,786	-	-	-
	97,023,223	92,577,790	100	100

Details of financial and non-financial assets obtained by the Bank as at 31st December 2020 by taking possession of collateral held as security (foreclosed) against loans and advances as well as calls made on credit enhancements and held as at the year end are shown below:

Foreclosed properties	2020		2019	
	Loans and advances	Forced sale value of foreclosed collateral	Loans and advances	Forced sale value of foreclosed collateral
	Rs.	Rs.	Rs.	Rs.
Balances as at 1 st January	-	-	-	-
Additions during the year	31,969,144	22,500,000	-	-
Disposals during the year	-	-	-	-
Write-offs during the year	-	-	-	-
Balance as at 31 st December	31,969,144	22,500,000	-	-

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.2 Credit risk (Continued)

Risk management approach (Continued)

(c) Credit risk from trading and investment activities (Continued)

(i) Credit Risk Exposures and Credit Risk Concentration (Continued)

Concentrations of credit risk

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By Industry Analysis

The analysis of credit risk concentration is presented in Note 17.1.2 presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Bank categorised by the geographical distribution is not included as the Bank's concentration of credit risk resides only in Sri Lanka.

39.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

	Note	Market risk measure		
		Carrying amount Rs.	Trading portfolio Rs.	Non-trading portfolio Rs.
31st December 2020				
Assets subject to market risk				
Financial assets measured at amortised cost				
- Loans and advances	17	6,780,732,071	-	6,780,732,071
- Debt and other instruments	18	2,940,388,664	-	2,940,388,664
Financial assets measured at fair value through other comprehensive income	19	25,191,565	-	25,191,565
		9,746,312,300	-	9,746,312,300
Liabilities subject to market risk				
Deposits from banks	25	1,008,560,414	-	1,008,560,414
Deposits from customers	26	3,353,272,610	-	3,353,272,610
		4,361,833,024	-	4,361,833,024
31st December 2019				
Assets subject to market risk				
Financial assets measured at amortised cost				
- Loans and advances	17	6,962,668,860	-	6,962,668,860
- Debt and other instruments	18	1,872,660,507	-	1,872,660,507
Financial assets measured at fair value through other comprehensive income	19	22,080,055	-	22,080,055
		8,857,409,422	-	8,857,409,422
Liabilities subject to market risk				
Deposits from banks	25	413,124,958	-	413,124,958
Deposits from customers	26	2,931,288,174	-	2,931,288,174
		3,344,413,132	-	3,344,413,132

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Risk governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Bank's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risk remains within established risk tolerance level. The market risk of the Bank is identified into traded market risk and non-traded market

Exposure to interest rate risk

Interest rate risk is the risk that the Bank will experience in deterioration in its financial positions as interest rates move over time.

Types of market risk

(i) Traded market risk

Traded market risk, primarily the interest rate/rate of return risk and credit spread risk, exist in the Bank's trading book positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk management approach

The Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. In addition, the Treasury Back Office is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board of Directors. The trading book positions and limits are regularly reported to the ALCO. The Bank maintains its policy of prohibiting exposures in trading financial derivative positions.

(ii) Non-traded market risk

The Bank's core non-traded market risks are interest rate/rate of return risk in the banking book, foreign exchange risk and equity price risk.

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

IRR/RoRBB is the risk to the Bank's earnings and economic value of equity ("EVE") arising from adverse movements in interest rate/rate of return. The sources of IRR/RoRBB are repricing risk, yield curve risk, basis risk and optionality risk.

Risk management approach

The primary objective in managing the IRR/RoRBB is to manage the volatility in the Bank's net interest/ net profit income ("NII/NPI") and EVE, whilst balancing the cost of such activities on the current revenue streams. This is achieved in a variety of ways such as the offsetting of positions against each other for any matching assets and liabilities and the acquisition of new financial assets and liabilities to narrow the mismatch in interest rate/rate of return sensitive assets and liabilities.

The Bank uses various tools including repricing gap reports, sensitivity analysis and income scenario simulations to measure its IRR/RoRBB. The impact on NII/NPI and EVE is considered at all times in measuring the IRR/RoRBB. Limits and policies approved by the RMC are established and are regularly reviewed to ensure its relevance.

The following tables indicate the effective interest rate/rate of return at the reporting date the Bank's sensitivity to interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing or early withdrawal of deposits.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB") (Continued)

As at 31 st December 2020	Less than 7 Days	7-30 Days	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Non-interest Sensitive	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS										
Cash and cash equivalents	196,148,892	23,773,158	938,821,303		-	-	-	-	-	1,158,743,353
Statutory deposit with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	50,544,367	50,544,367
<i>Financial assets measured at amortised cost</i>										
- Loans and advances	6,747,977	903,882,537	370,899,893	382,625,796	545,030,268	1,579,590,978	1,011,479,861	1,909,267,185	71,207,576	6,780,732,071
- Debts and other instruments	372,034,250	851,310,847	1,027,475,886	-	470,132,700	187,230,000	-	-	32,204,981	2,940,388,664
Financial investments measured at FVOCI	-	-	-	-	-	-	-	-	25,191,565	25,191,565
Other non-interest/profit Sensitive balances	-	-	-	-	-	-	-	-	502,582,128	502,582,128
Total Assets	574,931,119	1,778,966,542	2,337,197,082	382,625,796	1,015,162,968	1,766,820,978	1,011,479,861	1,909,267,185	681,730,617	11,458,182,148
LIABILITIES AND EQUITY										
Deposits from banks	68,509,889	936,150,000	-	-	-	-	-	-	3,900,525	1,008,560,414
Deposits from customers	755,302,375	264,625,165	1,231,916,628	402,502,159	627,342,941	-	-	-	71,583,342	3,353,272,610
Lease liability	-	-	-	-	-	-	-	-	187,078,043	187,078,043
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	418,169,937	418,169,937
Total liabilities	823,812,264	1,200,775,165	1,231,916,628	402,502,159	627,342,941	-	-	-	680,731,847	4,967,081,004
Equity attributable to equity holders of the bank	-	-	-	-	-	-	-	-	6,491,101,144	6,491,101,144
Total equity	-	-	-	-	-	-	-	-	6,491,101,144	6,491,101,144
On-balance sheet interest/profit sensitivity gap	(248,881,145)	578,191,377	1,105,280,454	(19,876,363)	387,820,027	1,766,820,978	1,011,479,861	1,909,267,185	(6,490,102,374)	-
TOTAL INTEREST/PROFIT SENSITIVITY GAP	(248,881,145)	578,191,377	1,105,280,454	(19,876,363)	387,820,027	1,766,820,978	1,011,479,861	1,909,267,185	(6,490,102,374)	-

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (“IRR/RoRBB”) (Continued)

As at 31 st December 2019	Less than 7 Days	7-30 Days	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Non-interest Sensitive	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS										
Cash and cash equivalents	525,614,278	-	-	21,527,448	-	-	-	-	-	547,141,726
Statutory deposit with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	75,025,588	75,025,588
<i>Financial assets measured at amortised cost</i>										
- Loans and advances	10,884,786	1,212,362,735	395,637,925	329,786,665	518,315,523	1,569,392,270	1,110,901,098	1,768,593,725	46,794,133	6,962,668,860
- Debts and other instruments	364,000,000	-	550,607,000	216,739,000	-	715,880,471	-	-	25,434,036	1,872,660,507
Financial investments measured at FVOCI	-	-	-	-	-	-	-	-	22,080,055	22,080,055
Other non-interest/profit Sensitive balances	-	-	-	-	-	-	-	-	551,812,733	551,812,733
Total Assets	900,499,064	1,212,362,735	946,244,925	568,053,113	518,315,523	2,285,272,741	1,110,901,098	1,768,593,725	721,146,545	10,031,389,469
LIABILITIES AND EQUITY										
Deposits from banks	45,346,262	-	365,925,270	-	-	-	-	-	1,853,426	413,124,958
Deposits from customers	980,114,573	258,782,385	678,392,321	333,187,144	637,894,258	-	-	-	42,917,493	2,931,288,174
Lease liability	-	-	-	-	-	-	-	-	186,095,980	186,095,980
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	206,839,893	206,839,893
Total liabilities	1,025,460,835	258,782,385	1,044,317,591	333,187,144	637,894,258	-	-	-	437,706,792	3,737,349,005
Equity attributable to equity holders of the bank	-	-	-	-	-	-	-	-	6,294,040,464	6,294,040,464
Total equity	-	-	-	-	-	-	-	-	6,294,040,464	6,294,040,464
On-balance sheet interest/ profit sensitivity gap	(124,961,771)	953,580,350	(98,072,666)	234,865,969	(119,578,735)	2,285,272,741	1,110,901,098	1,768,593,725	(6,010,600,711)	-
TOTAL INTEREST/PROFIT SENSITIVITY GAP	(124,961,771)	953,580,350	(98,072,666)	234,865,969	(119,578,735)	2,285,272,741	1,110,901,098	1,768,593,725	(6,010,600,711)	-

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (“IRR/RoRBB”) (Continued)

(i) Interest Rate/ Rate of Return Risk Sensitivity Analysis

The following tables present the projected Bank’s sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Bank’s interest rate/rate of return sensitivity gap as at the reporting date. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

	2020		2019	
	Profit Rs. 000's	Equity Rs. 000's	Profit Rs. 000's	Equity Rs. 000's
1% Increase in Interest Rate				
Assets denominated in LKR	85,351	85,351	70,002	70,002
Assets denominated in USD	20,980	20,980	10,089	10,089
Deposits denominated in LKR	(22,544)	(22,544)	(21,206)	(21,206)
Deposits denominated in USD	(6,743)	(6,743)	(3,940)	(3,940)
Deposits denominated in GBP	(243)	(243)	(865)	(865)
	<u>76,801</u>	<u>76,801</u>	<u>54,080</u>	<u>54,080</u>
1% Decrease in Interest Rate				
Assets denominated in LKR	(85,351)	(85,351)	(70,002)	(70,002)
Assets denominated in USD	(20,980)	(20,980)	(10,089)	(10,089)
Deposits denominated in LKR	22,544	22,544	21,206	21,206
Deposits denominated in USD	6,743	6,743	3,940	3,940
Deposits denominated in GBP	243	243	865	865
	<u>(76,801)</u>	<u>(76,801)</u>	<u>(54,080)</u>	<u>(54,080)</u>

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate/rate of return risk. In reality, treasury operations seek to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes that interest rate/rate of return of all maturities move by the same amount and therefore, does not reflect the potential impact on the NII/NPI and EVE of some rates changing while others remain unchanged. The projection also assumes constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Loans/financing prepayment is generally estimated based on past statistics and trends, where possible and material. The impact on the NII/NPI is measured on a monthly basis and the impact on the EVE is on a quarterly basis, both of which are reported to the ALCO and the RMC.

(ii) Stress Testing

Stress testing is conducted semi-annually to determine the adequacy of capital in meeting the impact of extreme interest rate/rate of return movements on the Bank’s statements of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate/rate of return risk.

(b) Foreign exchange risk

Foreign exchange risk refers to the adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Bank’s investments and retained earnings whose functional currencies is not Sri Lankan Rupees. The main foreign currency in which the Bank’s businesses are transacted in are United States Dollars.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(b) Foreign exchange risk (Continued)

Risk management approach

(i) The Bank manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position (“NOP”) limit is set for overall NOP as well as NOP limits for individual currencies by the ALCO.

The following note summaries the assets, liabilities and net open position by currency as at 31st December 2020.

	2020							
	United States Dollars Rs.	Australian Dollars Rs.	Japanese Yen Rs.	Singapore Dollars Rs.	Euro Rs.	Sterling Pounds Rs.	Malaysian Ringgit Rs.	Total Rs.
Assets								
Cash and cash equivalents	1,027,592,172	24,833,153	642,317	712,602	682,289	26,995,656	30	1,081,458,219
<i>Financial assets measured at amortised cost</i>								
- Loans and advances	225,720,266	-	-	-	-	-	-	225,720,266
- Debts and other instruments	951,701,073	-	-	-	-	-	-	951,701,073
Total assets	2,205,013,511	24,833,153	642,317	712,602	682,289	26,995,656	30	2,258,879,558
Liabilities and Equity								
Liabilities								
Deposits from banks	937,569,827	-	-	-	-	-	-	937,569,827
Deposits from customers	702,163,056	24,128,118	89,327	193,945	324,170	24,355,239	-	751,253,855
Total liabilities	1,639,732,883	24,128,118	89,327	193,945	324,170	24,355,239	-	1,688,823,682
Total equity	640,639,571	197	-	4,652	3,326	28,890	-	640,676,636
Total equity and liabilities	2,280,372,454	24,128,315	89,327	198,597	327,496	24,384,129	-	2,329,500,318
On-balance sheet open position	(75,358,943)	704,838	552,990	514,005	354,793	2,611,527	30	(70,620,760)
Off-balance sheet open position	-	-	-	-	-	-	-	-
NET OPEN POSITION	(75,358,943)	704,838	552,990	514,005	354,793	2,611,527	30	(70,620,760)

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(b) Foreign exchange risk (Continued)

Risk management approach

The following note summaries the assets, liabilities and net open position by currency as at 31st December 2019.

	2019							
	United States Dollars	Australian Dollars	Japanese Yen	Singapore Dollars	Euro	Sterling Pounds	Malaysian Ringgit	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets								
Cash and cash equivalents	401,464,299	279,323	701,217	587,558	1,557,708	24,857,587	29	429,447,721
<i>Financial assets measured at amortised cost</i>								
- Loans and advances	325,122,398	-	-	-	-	-	-	325,122,398
- Debts and other instruments	741,814,631	-	-	-	-	-	-	741,814,631
Total assets	1,468,401,328	279,323	701,217	587,558	1,557,708	24,857,587	29	1,496,384,750
Liabilities and Equity								
Liabilities								
Deposits from banks	366,052,326	-	-	-	-	-	-	366,052,326
Deposits from customers	431,757,685	411,122	82,733	247,564	296,518	86,030,510	-	518,826,132
Total liabilities	797,810,011	411,122	82,733	247,564	296,518	86,030,510	-	884,878,458
Total equity	579,454,274	-	-	2,818	38,167	41,685	-	579,536,944
Total equity and liabilities	1,377,264,285	411,122	82,733	250,382	334,685	86,072,195	-	1,464,415,402
On-balance sheet open position	91,137,043	(131,799)	618,484	337,176	1,223,023	(61,214,608)	29	31,969,348
Off-balance sheet open position	-	-	-	-	-	-	-	-
NET OPEN POSITION	91,137,043	(131,799)	618,484	337,176	1,223,023	(61,214,608)	29	31,969,348

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financoal Risk Management (Continued)

39.3 Market risk (Continued)

Types of market risk (Continued)

(b) Foreign exchange risk (Continued)

(ii) Given below is the Bank's exposure in foreign currency:

	2020	2019
	Rs.	Rs.
United States Dollars	(75,358,943)	91,137,043
Australian Dollars	704,838	(131,799)
Japanese Yen	552,990	618,484
Singapore Dollar	514,005	337,176
Euro	354,793	1,223,023
Sterling Pounds	2,611,527	(61,214,608)
Malaysian Ringgit	30	29
	<u>(70,620,760)</u>	<u>31,969,348</u>

(c) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Based on the Bank's policies, risk management unit ensures that reporting in respect of the equity investments and its valuation methodologies are appropriate and consistent, and assesses the potential impact on profits and capital.

39.4 Liquidity and funding risk

Liquidity risk is the risk that the Bank is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk governance

The ALCO is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO and approved by the RMC prior to implementation.

Risk management approach

The liquidity risk management of the Bank is aligned with the New Liquidity Framework followed by and is measured and managed based on projected cash flows. In addition to ensuring compliance with the New Liquidity Framework, the Bank maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of highly liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flow and the replenishment of funds as they matured or are borrowed by customers. As at 31st December 2020, the Bank holds a sizeable balance of government securities amounting to Rs. 1,881,340,041 (2019 : Rs. 776,360,831) of its portfolio of securities.

The Bank's liquidity and funding position is supported by the Bank's significant retail deposit base, accompanied by funding from the money markets. The Bank's retail deposit base comprises current and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Bank's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity.

PUBLIC BANK BERHAD - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

39 Financial Risk Management (Continued)

39.4 Liquidity and funding risk (Continued)

Risk management approach (Continued)

The primary tools for monitoring liquidity are the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity positions are reported to the ALCO on a monthly basis in Sri Lankan Rupees and United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed to determine the cash flow mismatches under the “Specific Institution Liquidity Problem” and “Systemic Liquidity Problem” scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the, Central Bank of Sri Lanka. Details of the reported Bank ratio of net liquid assets to liabilities from customers at the reporting date and during the year were as follows:

	2020		2019	
	DBU %	FCBU %	DBU %	FCBU %
As at 31 st December	101.39%	54.79%	67.86%	22.05%
Average for the year	66.60%	48.02%	65.35%	23.01%
Maximum for the year	101.39%	60.35%	87.80%	25.42%
Minimum for the year	51.68%	38.03%	48.83%	21.31%

Note 36 shows the maturity analysis of the carrying amounts of the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioral patterns.

39.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through an operational risk management framework with established operational risk management processes put in place. To manage and mitigate operational risk, the Bank places great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division at Head Office.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

40 Comparative information

Comparative figures have been reclassified to conform with the current year's presentation.

41 Events occurring after the reporting date

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Financial Statements.

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES
FOR THE YEAR ENDED
31ST DECEMBER 2020**

PUBLIC BANK BERHAD - SRI LANKA BRANCH BASEL III DISCLOSURES

AS AT 31ST DECEMBER

Following information are disclosed based on the published guideline by the Central Bank of Sri Lanka "Banking Act Direction No.01 of 2016" on 29th December 2016.

Capital requirements under Basel III

Capital Adequacy is a measure of a bank's financial strength expressed as a ratio of its capital to its risk weighted assets. The Central Bank of Sri Lanka has specified the minimum capital requirements for banks, which operate as a limiting factor on creation of risk-associated assets by banks. Under this requirement there is a universally accepted risk measurement framework and minimum capital levels to be maintained by banks.

Basel III is the current international standard framework for assessing capital adequacy of banks and is built on three pillars, namely

Pillar 1 - Minimum capital requirement

Pillar 2 - Supervisory review processes

Pillar 3 - Market discipline

Pillar 1 - Minimum capital requirement

This represents the calculation of the total minimum capital requirements for credit, market and operational risk. The capital ratio is calculated using the definition of regulatory capital and risk weighted assets. The total capital ratio must be no lower than 10%.

Pillar 2 - Supervisory review processes

The supervisory review process aims to give supervisors a greater responsibility to verify whether the banks have taken account of their entire risk profile including some of the risks not specifically covered under Pillar 1 such as credit concentration risk, interest rate risk, liquidity risk and strategic and reputation risk and determine whether banks maintain sufficient capital for their total risk profile.

Pillar 3 - Market discipline

Market discipline requires banks to publicly disclose key information regarding their risk exposure, risk appetite and performance, with a view to promoting market discipline. It is expected that transparency and enhanced disclosure requirements, will allow market participants to better assess the safety and soundness of banks.

Maintenance of capital adequacy

The Bank actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Bank's capital management strategy is to continue to maximize shareholder value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Bank's strategic planning review.

The Bank's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimizing return to shareholders, maintaining adequate levels and optimum mix of capital and maintaining strong external credit ratings. In order to meet these objectives, the Bank actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations.

The Bank's regulatory capital is determined under Central Bank of Sri Lanka's Risk-Weighted Capital Adequacy Framework and their capital ratios have complied with the minimum requirements set under this guideline.

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)**

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Maintenance of capital adequacy (Continued)

	2020	2019
	Rs. 000's	Rs. 000's
Regulatory Capital		
Common Equity Tier 1 Capital	6,051,674	5,788,708
Total Tier 1 Capital	6,051,674	5,788,708
Total Capital	6,074,173	5,813,705
Total Risk - Weighted Assets	8,471,392	8,219,397

Regulatory capital ratios (%)

Common Equity Tier 1 Capital Ratio (Minimum Requirement : 7%)	71.44%	70.43%
Total Tier 1 Capital Ratio (Minimum Requirement : 8.5%)	71.44%	70.43%
Total Capital Ratio (Minimum Requirement : 12.5%)	71.70%	70.73%
Leverage Ratio (Minimum Requirement : 3%)	42.64%	46.92%

Regulatory liquidity

Statutory Liquid Assets	4,437,679	2,386,374
<i>Statutory Liquid Assets Ratio (Minimum Requirement - 20%)</i>		
Domestic Banking Unit (%)	101.39%	67.86%
Off-Shore Banking Unit (%)	54.79%	22.05%

Liquidity coverage ratio

Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 100%)	633.55%	193.11%
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -100%)	580.88%	151.20%

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)**

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios

	2020	2019
	Rs. 000's	Rs. 000's
Common Equity Tier I (CETI) Capital after Adjustments	6,051,674	5,788,708
Total Common Equity Tier I (CET1) Capital	6,240,861	6,061,903
Equity capital or stated capital/assigned capital	3,792,318	3,792,318
Reserve fund	122,377	113,312
Published retained earnings/(Accumulated retained losses)	2,304,004	2,137,223
Accumulated other comprehensive income (OCI)		-
General and other disclosed reserves	22,162	19,050
Unpublished current year's profit/(losses) 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	189,188	273,195
Goodwill (net)		-
Intangible Assets (net)	237,811	300,047
Deferred tax assets (net)	32,641	21,221
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(87,318)	(74,181)
Amount due from head office & branches outside Sri Lanka in Foreign Currency (net)	6,054	26,108
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Total Additional Tier 1 (ATI) 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	22,499	24,997
Total Tier 2 Capital	22,499	24,997
Qualifying Tier 2 Capital Instruments		
Revaluation gains	-	
Loan Loss Provisions	22,499	24,997
Instruments issued by consolidated banking and financial subsidiaries of the bank and held by third parties	-	-
Total Adjustments to Tier 2 Capital	-	-
Investment in own shares	-	-
Others (specify)	-	-
Total Tier 1 Capital	6,051,674	5,788,708
Total Capital	6,074,173	5,813,705

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

	2020	2019
	Rs. 000's	Rs. 000's
Total Risk Weighted Assets (RWA)	8,471,392	8,219,400
RWAs for Credit Risk	7,403,700	7,151,293
RWAs for Market Risk	77,600	91,328
RWAs for Operational Risk	990,092	976,779
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	71.44%	70.43%
of which: Capital Conservation Buffer (%)		
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		
Total Tier 1 Capital Ratio (%)	71.44%	70.43%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	71.70%	70.73%
of which: Capital Conservation Buffer (%)		
of which: Countercyclical Buffer (%)		
of which: Capital Surcharge on D-SIBs (%)		

Computation of leverage ratio

Tier 1 Capital	5,857,326	5,788,708
Total Exposures	13,738,009	12,337,492
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	11,703,493	10,131,395
Derivative Exposures	-	-
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	2,034,516	2,206,096
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	42.64%	46.92%

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of liquidity coverage ratio

(a) All currencies

	2020		2019	
	Total Un-Weighted Value	Total Weighted Value	Total Un-Weighted Value	Total Weighted Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Stock of High-Quality Liquid Assets (HQLA)	2,034,057	2,034,057	1,242,582	1,242,582
Total Adjusted Level 1A Assets	2,097,228	2,097,228	1,251,769	1,251,769
Level 1 Assets	2,034,057	2,034,057	1,242,582	1,242,582
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	-	1,400,665	-	920,123
Deposits	2,692,683	123,768	2,200,332	99,800
Unsecured Wholesale Funding	672,921	272,374	705,166	541,380
Secured Funding Transactions	68,510	-	45,346	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	1,564,795	67,976	1,893,464	94,398
Additional Requirements	936,547	936,547	184,545	184,545
Total Cash Inflows	1,177,978	1,059,539	538,092	98,321
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	1,106,244	1,059,539	155,038	98,159
Operational Deposits	71,734	-	382,892	-
Other Cash Inflows	-	-	162	162
Other Inflows by Counterparty which are Maturing within 30 Days Operational Deposits High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100	-	-	-	151

(a) Sri Lankan rupees

	2020		2019	
	Total Un-Weighted Value	Total Weighted Value	Total Un-Weighted Value	Total Weighted Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Stock of High-Quality Liquid Assets (HQLA)	2,019,688	2,019,688	1,221,981	1,221,981
Total Adjusted Level 1A Assets	2,082,859	2,082,859	1,231,168	1,231,168
Level 1 Assets	2,019,688	2,019,688	1,221,981	1,221,981
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	-	387,159	-	707,021
Deposits	2,051,556	91,403	1,697,083	78,448
Unsecured Wholesale Funding	569,409	231,062	692,452	536,378
Secured Funding Transactions	68,510	-	45,346	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	1,489,507	64,693	1,844,836	92,195
Additional Requirements	-	-	-	-
Total Cash Inflows	112,436	68,372	128,730	74,242
Maturing Secured Lending Transactions	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	112,436	68,372	128,730	74,242
Operational Deposits	-	-	-	-
Other Cash Inflows	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days Operational Deposits High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100	-	-	-	193

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Credit risk under standardised approach –

Credit risk exposures and Credit Risk Mitigation (CRM) effects

As at 31st December 2020

	Amount (Rs. 000's)					
	Exposures before Credit Conversion		Exposures post CCF and CRM		RWA and RWA Density (%)	
	Balance Sheet Amount	Balance Sheet Amount	Balance Sheet Amount	Balance Sheet Amount	RWA	RWA Density
Claims on Central Government and CBSL	2,958,728	-	183,696	-	183,696	6%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	24,813	-	24,813	-	24,813	100%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	1,007,884	-	213,048	-	213,048	21%
Claims on Financial Institutions	81,368	-	49,282	-	49,282	61%
Claims on Corporates	10,506	570,967	10,506	565,114	581,473	100%
Retail Claims	1,404,037	-	1,288,642	-	1,288,642	92%
Claims Secured by Residential Property	945,742	-	537,606	-	537,606	57%
Claims Secured by Commercial Real Estate	4,112,299	-	4,112,299	-	4,112,299	100%
Non-Performing Assets (NPAs)	75,767	-	98,278	-	98,278	130%
NPAs Secured by Residential Property	47,068	-	47,068	-	47,068	100%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	360,031	-	267,116	-	267,116	74%
Total	11,028,244	570,967	6,832,354	565,114	7,403,321	64%

Credit risk under standardised approach –

Credit risk exposures and Credit Risk Mitigation (CRM) effects

As at 31st December 2019

	Amount (Rs. 000's)					
	Exposures before Credit Conversion		Exposures post CCF and CRM		RWA and RWA Density (%)	
	Balance Sheet Amount	Balance Sheet Amount	Balance Sheet Amount	Balance Sheet Amount	RWA	RWA Density
Claims on Central Government and CBSL	1,922,311	-	143,188	-	143,188	7%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	22,080	-	22,080	-	22,080	100%
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	382,892	-	89,979	-	89,979	23%
Claims on Financial Institutions	336,203	-	188,807	-	188,807	56%
Claims on Corporates	140,410	565,114	140,410	565,114	705,524	100%
Retail Claims	1,415,911	-	1,287,440	-	1,287,440	91%
Claims Secured by Residential Property	998,625	-	575,744	-	575,744	58%
Claims Secured by Commercial Real Estate	3,775,037	-	3,775,037	-	3,775,037	100%
Non-Performing Assets (NPAs)	129,378	-	157,586	-	157,586	122%
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	344,604	-	205,908	-	205,908	60%
Total	9,467,450	565,114	6,586,179	565,114	7,151,293	71%

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Credit risk under standardised approach: Exposures by asset classes and risk weights

As at 31st December 2020

Description	Risk Weight	Amount (Rs.'000) (Post CCF & CRM)								
		0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit
Claims on Central Government and CBSL		2,040,246	918,482	-	-	-	-	-	-	2,958,728
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities		-	-	-	-	-	24,813	-	-	24,813
Claims on Official Entities and Multilateral Development Banks		-	-	-	-	-	-	-	-	-
Claims on Banks Exposures		-	999,061	-	-	-	-	8,824	-	1,007,885
Claims on Financial Institutions		-	-	64,173	-	-	17,195	-	-	81,368
Claims on Corporates		-	-	-	-	-	581,473	-	-	581,473
Retail Claims		-	-	-	40,300	397,103	966,635	-	-	1,404,038
Claims Secured by Residential Property		-	-	816,272	-	-	129,470	-	-	945,742
Claims Secured by Commercial Real Estate		-	-	-	-	-	4,112,299	-	-	4,112,299
Non-Performing Assets (NPAs)		-	-	-	-	-	30,745	45,022	-	75,767
NPAs Secured by Residential Property		-	-	-	-	-	47,068	-	-	47,068
Higher-risk Categories		-	-	-	-	-	-	-	-	-
Cash Items and Other Assets		92,915	-	-	-	-	267,116	-	-	360,031
Total		2,133,161	1,917,543	880,445	40,300	397,103	6,176,814	53,846	-	11,599,212

Credit risk under standardised approach: Exposures by asset classes and risk weights

As at 31st December 2019

Description	Risk Weight	Amount (Rs.'000) (Post CCF & CRM)								
		0%	20%	50%	60%	75%	100%	150%	>150%	Total Credit
Claims on Central Government and CBSL		1,206,372	715,939	-	-	-	-	-	-	1,922,311
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities		-	-	-	-	-	22,080	-	-	22,080
Claims on Official Entities and Multilateral Development Banks		-	-	-	-	-	-	-	-	-
Claims on Banks Exposures		-	366,142	-	-	-	16,751	-	-	382,892
Claims on Financial Institutions		-	-	294,793	-	-	41,410	-	-	336,203
Claims on Corporates		-	-	-	-	-	140,410	-	-	140,410
Retail Claims		-	-	-	38,873	451,686	925,352	-	-	1,415,911
Claims Secured by Residential Property		-	-	845,760	-	-	152,864	-	-	998,625
Claims Secured by Commercial Real Estate		-	-	-	-	-	3,775,037	-	-	3,775,037
Non-Performing Assets (NPAs)		-	-	-	-	-	72,962	56,416	-	129,378
Higher-risk Categories		-	-	-	-	-	-	-	-	-
Cash Items and Other Assets		138,696	-	-	-	-	205,908	-	-	344,604
Total		1,345,068	1,082,080	1,140,553	38,873	451,686	5,352,774	56,416	-	9,467,450

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)**

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Market risk under standardised measurement method

Item	RWA Amount	
	2020 Rs. 000'	2019 Rs. 000'
(a) RWA for Interest Rate Risk	-	-
General Interest Rate Risk	-	-
(i) Net Long or Short Position	-	-
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) RWA for Equity	-	-
(i) General Equity Risk	-	-
(ii) Specific Equity Risk	-	-
(c) RWA for Foreign Exchange & Gold	9,700	91,328
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	77,600	11,416

Main features of regulatory capital instruments

Description of the capital instrument

Governing Law(s) of the Instrument	Provisions in the Banking Act, Sri Lanka
Amount Recognised in Regulatory Capital (in LKR '000 as at 31 st December 2020)	3,792,318
Accounting Classification (Equity/Liability)	Assigned capital
Perpetual or Dated	Perpetual

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Operational risk under basic indicator approach/The standardised approach/The alternative standardised approach

As at 31st December 2020 (Rs.'000)

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income			Capital Charges		
			1 st	2 nd	3 rd	1 st	2 nd	3 rd
			Yr	Yr	Yr	Yr	Yr	Yr
The Basic Indicator Approach	15%		773,799	872,565	828,866	116,070	130,885	124,330
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			-	-	-	-	-	-
Sub Total			-	-	-	-	-	-
Corporate Finance	18%		-	-	-	-	-	-
Trading and Sales	18%		-	-	-	-	-	-
Payment and Settlement	18%		-	-	-	-	-	-
Agency Services	15%		-	-	-	-	-	-
Asset Management	12%		-	-	-	-	-	-
Retail Brokerage	12%		-	-	-	-	-	-
Sub Total			-	-	-	-	-	-
Retail Banking	12%	0.035	-	-	-	-	-	-
Commercial Banking	15%	0.035	-	-	-	-	-	-
Capital Charges for Operational Risk								123,762
The Basic Indicator Approach								123,762
The Standardised Approach								-
The Alternative Standardised Approach								-
Risk-Weighted Amount for operational Risk								990,092
The Basic Indicator Approach								990,092
The Standardised Approach								-
The Alternative Standardised Approach								-

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Operational risk under basic indicator approach/The standardised approach/The alternative standardised approach

As at 31st December 2019 (Rs.'000)

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income			Capital Charges		
			1 st	2 nd	3 rd	1 st	2 nd	3 rd
			Yr	Yr	Yr	Yr	Yr	Yr
The Basic Indicator Approach	15%		856,331	821,569	764,047	128,450	123,235	114,607
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			-	-	-	-	-	-
Sub Total			-	-	-	-	-	-
Corporate Finance	18%		-	-	-	-	-	-
Trading and Sales	18%		-	-	-	-	-	-
Payment and Settlement	18%		-	-	-	-	-	-
Agency Services	15%		-	-	-	-	-	-
Asset Management	12%		-	-	-	-	-	-
Retail Brokerage	12%		-	-	-	-	-	-
Sub Total			-	-	-	-	-	-
Retail Banking	12%	0.035				-	-	-
Commercial Banking	15%	0.035				-	-	-
Capital Charges for Operational Risk								122,097
The Basic Indicator Approach								122,097
The Standardised Approach								-
The Alternative Standardised Approach								-
Risk-Weighted Amount for operational Risk								976,779
The Basic Indicator Approach								976,779
The Standardised Approach								-
The Alternative Standardised Approach								-

**PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)**

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank only

Item	Amount (Rs. '000) as at 31 st December 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
Assets	11,458,182	11,246,089	7,816,242	-	269,598
Cash and cash equivalents	1,158,743	1,100,799	1,100,799	-	-
Statutory deposit with Central Bank of Sri Lanka	50,544	50,544	-	-	-
Financial assets measured at amortised cost	-	-	-	-	-
- Loans and advances	6,780,732	6,864,394	6,715,443	-	31,787
- Debt and other instruments	2,940,389	2,940,389	-	-	-
Financial assets measured at fair value through other comprehensive income	25,192	25,192	-	-	-
Property, plant and equipment	77,903	77,903	-	-	-
Intangible assets	237,811	-	-	-	237,811
Deferred tax assets	32,641	32,641	-	-	-
Other assets	154,227	154,227	-	-	-
Liabilities	4,967,081	-	-	-	-
Deposits from banks	1,008,560	-	-	-	-
Deposits from customers	3,353,273	-	-	-	-
Lease liability	187,078	-	-	-	-
Current tax liability	53,556	-	-	-	-
Retirement benefit obligation	43,529	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	321,085	-	-	-	-
Off-Balance Sheet Liabilities	2,318,574	2,318,574	2,318,574	-	-
Acceptances	22,218	22,218	22,218	-	-
Guarantees	289,752	289,752	289,752	-	-
Bills for collection	293,308	293,308	293,308	-	-
Letters of Credit	148,502	148,502	148,502	-	-
Undrawn loans and advances	1,564,794	1,564,794	1,564,794	-	-
Equity	6,491,101	6,240,861	-	-	250,240
Assigned capital					
of which Amount Eligible for CET1	3,792,318	3,792,318	-	-	-
of which Amount Eligible for AT1	-	-	-	-	-
Statutory reserve fund	122,377	122,377	-	-	-
FCBU revaluation reserve	250,240	-	-	-	250,240
Other reserves	22,162	22,162	-	-	-
Retained earnings	2,304,004	2,304,004	-	-	-

PUBLIC BANK BERHAD - SRI LANKA BRANCH
BASEL III DISCLOSURES (CONTINUED)

AS AT 31ST DECEMBER

Capital requirements under Basel III (Continued)

Basel III computation of capital ratios (Continued)

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank only

Item	Amount (Rs. '000) as at 31 st December 2019				
	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	10,031,389	9,707,599	7,523,060	-	372,373
Cash and cash equivalents	547,142	521,588	521,588	-	26,108
Statutory deposit with Central Bank of Sri Lanka	75,026	75,026	-	-	-
Financial assets measured at amortised cost					
- Loans and advances	6,962,669	7,014,491	6,795,564	-	24,997
- Debt and other instruments	1,872,661	1,847,285	-	-	-
Financial assets measured at fair value through other comprehensive income	22,080	22,080	-	-	-
Property, plant and equipment	100,819	100,819	100,819	-	-
Intangible assets	300,047	-	-	-	300,047
Deferred tax assets	21,221	21,221	-	-	21,221
Other assets	129,726	105,089	105,089	-	-
Liabilities	3,737,349	-	-	-	-
Deposits from banks	413,125	-	-	-	-
Deposits from customers	2,931,288	-	-	-	-
Current tax liability	47,128	-	-	-	-
Retirement benefit obligation	28,605	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	317,203	-	-	-	-
Off-Balance Sheet Liabilities	1,467,251	1,467,251	1,467,251	-	-
Acceptances	11,880	11,880	11,880	-	-
Guarantees	221,032	221,032	221,032	-	-
Bills for collection	232,520	232,520	232,520	-	-
Letters of Credit	75,392	75,392	75,392	-	-
Undrawn loans and advances	926,427	926,427	926,427	-	-
Equity	6,294,040	6,061,903	-	-	232,138
Assigned capital					
of which Amount Eligible for CET1	3,792,318	3,792,318	-	-	-
of which Amount Eligible for AT1	-	-	-	-	-
Statutory reserve fund	113,312	113,312	-	-	-
FCEBU revaluation reserve	232,138	-	-	-	232,138
Other reserves	19,050	19,050	-	-	-
Retained earnings	2,137,223	2,137,223	-	-	-