

**CITI BANK N.A. COLOMBO BRANCH**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2015**





**KPMG**  
(Chartered Accountants)  
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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF CITI BANK N.A. COLOMBO BRANCH**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Citi Bank N.A. Colombo Branch ("Branch"), which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, Statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these 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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Branch as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka

30 May 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

**CITIBANK N.A. COLOMBO BRANCH**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31st December*

		2015	2014
	Note	Rs. '000	Rs. '000
<b>Income</b>	<b>5</b>	<b>3,600,663</b>	<b>3,249,143</b>
Interest income	6(a)	1,766,995	1,877,305
Interest expenses	6(b)	(418,334)	(555,254)
<b>Net interest income</b>	<b>6</b>	<b>1,348,661</b>	<b>1,322,051</b>
Fee and commission income	7(a)	575,320	550,915
Fee and commission expenses		(74,041)	(59,255)
<b>Net fee and commission income</b>	<b>7</b>	<b>501,279</b>	<b>491,660</b>
<b>Net Interest, fee and commission income</b>		<b>1,849,940</b>	<b>1,813,711</b>
Net gain from trading	8	754,679	335,006
Other operating income (net)	9	503,669	485,917
<b>Total operating income</b>		<b>3,108,288</b>	<b>2,634,634</b>
Impairment reversal for loans and other losses	10	(18,844)	15,486
<b>Net operating income</b>		<b>3,089,444</b>	<b>2,650,120</b>
<b>Operating Expenses</b>			
Personnel expenses	11	(558,022)	(512,231)
Other expenses	12	(698,379)	(705,133)
<b>Operating profit before tax</b>		<b>1,833,043</b>	<b>1,432,756</b>
Value added tax (VAT) on financial services, and Nation Building			
Tax (NBT) on financial service		(252,977)	(124,879)
<b>Profit before tax</b>		<b>1,580,066</b>	<b>1,307,877</b>
Tax expenses	13	(514,287)	(333,715)
<b>Profit for the year</b>		<b>1,065,779</b>	<b>974,162</b>
<b>Other comprehensive income</b>			
Net actuarial gains / (loss) on defined benefit plans		38,977	(27,578)
Net change in fair value on available-for-sale financial assets	21 (a)	(102,955)	55,153
Foreign currency translation difference in foreign operations	32 (b)	210,233	23,296
<b>Other comprehensive income for the year, net of tax</b>		<b>146,255</b>	<b>50,871</b>
<b>Total comprehensive income for the year</b>		<b>1,212,034</b>	<b>1,025,033</b>

The annexed notes to the Financial Statements form an integral part of these Financial Statements.  
Figures in brackets indicate deductions

**CITIBANK N.A. COLOMBO BRANCH**  
**STATEMENT OF FINANCIAL POSITION**

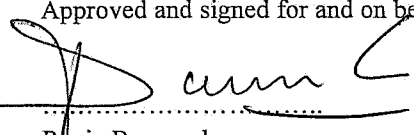
*As at 31st December*

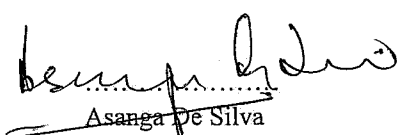
	Note	2015 Rs. '000	2014 Rs. '000
<b>Assets</b>			
Cash and cash equivalents	15	3,473,498	3,392,735
Balances with Central Bank of Sri Lanka	16	473,558	514,027
Placements with banks	17	8,471,303	7,021,260
Derivative financial instruments	18	841,739	274,739
Other financial assets held-for-trading	19	4,391,523	6,287,009
Securities Purchased under resale agreements		1,500,805	3,011,900
Loans and receivables to other customers	20	10,196,859	8,166,815
Financial investments – Available-for-sale	21	4,794,022	5,140,248
Property, plant and equipment	22	156,806	82,526
Deferred tax assets	23	53,011	20,877
Other assets	24	459,525	370,618
<b>Total assets</b>		<b>34,812,649</b>	<b>34,282,754</b>
<b>Liabilities</b>			
Due to banks	25	1,511,202	1,104,726
Derivative financial instruments	26	619,807	218,594
Due to other customers	27	19,176,524	19,386,093
Securities sold under repurchase agreements		1,676,720	2,163,165
Current tax liabilities		490,027	329,345
Employee Benefits	28	210,735	234,800
Other liabilities	29	500,409	470,572
<b>Total liabilities</b>		<b>24,185,424</b>	<b>23,907,295</b>
<b>Equity</b>			
Assigned capital	30	1,524,250	1,524,250
Statutory reserve fund	31	539,055	485,766
Retained earnings		7,854,282	7,763,083
Other reserves	32	709,638	602,360
<b>Total equity</b>		<b>10,627,225</b>	<b>10,375,459</b>
<b>Total equity and liabilities</b>		<b>34,812,649</b>	<b>34,282,754</b>
<b>Contingent liabilities and commitments</b>	33	<b>11,874,894</b>	<b>13,955,139</b>

The annexed notes to the Financial Statements form an integral part of these Financial Statements.  
Figures in brackets indicate deductions

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

Approved and signed for and on behalf of the Management;

  
Ravin Basnayake  
Country Head/Citi Country Officer  
30 May 2016,  
Colombo.

  
Asanga de Silva  
Chief Financial Officer

**CITIBANK N.A. COLOMBO BRANCH**  
**STATEMENT OF CHANGES IN EQUITY**

*For the year ended 31st December 2015*

	Assigned capital	Statutory Reserve fund	Other Reserves				Retained earnings	Total equity
			Investment Fund Account	Exchange Equalization Account	Available for sale reserve	Exchange Equalization Reserve		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 1st January 2014</b>	1,524,250	437,058	673,350	5,170	53,992	464,749	6,191,857	9,350,426
<b>Total comprehensive income for the year</b>								
Profit for the year 2014	-	-	-	-	-	-	974,162	974,162
Other comprehensive income (net of tax)	-	-	-	-	55,153	23,296	(27,578)	50,871
<b>Total comprehensive income for the year</b>	-	-	-	-	55,153	23,296	946,584	1,025,033
<b>Transactions with equity holders, recognised directly in equity</b>								
Transfers to reserves during the period	-	48,708	66,185	-	-	-	(114,893)	-
Transfers From reserves during the period	-	-	(739,535)	-	-	-	739,535	-
Profit transferred to head office	-	-	-	-	-	-	-	-
<b>Total transactions with equity holders</b>	-	48,708	(673,350)	-	-	-	624,642	-
<b>Balance as at 31st December 2014</b>	1,524,250	485,766	-	5,170	109,145	488,045	7,763,083	10,375,459
<b>Balance as at 1st January 2015</b>	1,524,250	485,766	-	5,170	109,145	488,045	7,763,083	10,375,459
<b>Total comprehensive income for the year</b>								
Profit for the year 2015	-	-	-	-	-	-	1,065,779	1,065,779
Other comprehensive income (net of tax)	-	-	-	-	(102,955)	210,233	38,977	146,255
<b>Total comprehensive income for the year</b>	-	-	-	-	(102,955)	210,233	1,104,757	1,212,035
<b>Transactions with equity holders, recognised directly in equity</b>								
Transfers to reserves during the period	-	53,289	-	-	-	-	(53,289)	-
Transfers From reserves during the period	-	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	(960,269)	(960,269)
<b>Total transactions with equity holders</b>	-	53,289	-	-	-	-	(1,013,558)	(960,269)
<b>Balance as at 31st December 2015</b>	1,524,250	539,055	-	5,170	6,190	698,278	7,854,282	10,627,225

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

**CITIBANK N.A. COLOMBO BRANCH**  
**CASHFLOW STATEMENT**

*For the year ended 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest & commission receipts	2,380,761	2,517,297
Interest & commission payments	(487,697)	(624,002)
Receipts from other Operating Activities	497,331	538,300
Cash Payment to Employees	(565,695)	(483,912)
Other Overhead Expenses	(922,918)	(801,659)
<b>Operating Profit before changes in Operating Assets &amp; Liabilities</b>	<b>901,782</b>	<b>1,146,024</b>
<b>(Increase)/Decrease in Operating Assets</b>		
Loans and receivables to other customers and banks	(602,357)	(188,074)
Deposits held for regulatory purposes	40,469	(99,243)
Placements with Bank	(1,450,043)	(4,395,749)
Other Assets	(8,032)	14,658
	<b>(2,019,963)</b>	<b>(4,668,408)</b>
<b>Increase/(Decrease) in Operating Liabilities</b>		
Deposits from Customers and Banks	192,229	5,862,571
Other Borrowings	(486,445)	(1,096,972)
Other Liabilities	5,772	27,951
<b>Net Cash (Used in) / Generated from Operating Activities before income tax</b>	<b>(1,406,625)</b>	<b>1,271,166</b>
Income Tax Paid	(498,228)	(540,101)
<b>Net Cash (Used in)/ Generated from Operating Activities</b>	<b>(1,904,853)</b>	<b>731,065</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from Sale, Maturity, and Purchases of Financial Investments	2,837,762	860,541
Purchase of Property, Plant & Equipment	(102,983)	(41,799)
Proceeds from Sale of Property, Plant & Equipment	873	16,178
<b>Net Cash Generated from Investing Activities</b>	<b>2,735,652</b>	<b>834,920</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Effect of Currency Translation	210,233	23,296
Profit remittance to Head office	(960,269)	-
<b>Net Cash (Used in)/Generated from Financing Activities</b>	<b>(750,036)</b>	<b>23,296</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>80,763</b>	<b>1,589,281</b>
Cash & Cash Equivalents at the Beginning of the Year	3,392,735	1,803,454
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>3,473,498</b>	<b>3,392,735</b>
<b>Reconciliation of Cash &amp; Cash Equivalents (Note 15)</b>		
Cash in hand	475,728	450,685
Balances with banks	2,955,851	2,830,553
Money at call and short notice	41,919	111,497
	<b>3,473,498</b>	<b>3,392,735</b>

*Figures in brackets indicate deductions.*

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

## **CITIBANK N.A. COLOMBO BRANCH NOTES TO THE FINANCIAL STATEMENTS**

### **1. REPORTING ENTITY**

Citi Bank N.A. Colombo – Sri Lanka, (Branch) is a registered Branch of Citi Group, Inc., which is incorporated in the United States of America, which carries out banking activities in Sri Lanka through Citi Bank N.A. Colombo- Sri Lanka ("Branch").

The registered office of the Branch and the principal place of business are both located at 65C, Dharmapala Mawatha Colombo- 07, Sri Lanka.

#### **1.1 Principal Activities and Nature of the Operations**

The principal activities of the Branch continued to be banking and related activities such as accepting deposits, corporate banking, off shore banking, foreign currency operations, trade services, investment banking etc.

#### **1.2 Number of Employees**

The permanent staff of the Branch as at 31<sup>st</sup> December 2015 is 89. (2014- 86)

### **2. BASIS OF PREPARATIONS**

#### **2.1 Statement of Compliance**

The Statement of Financial Position, Statement of profit or loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS/ SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka and Banking Act No. 30 of 1988 and amendments thereto.

#### **2.2 Approval of Financial Statement by Management**

These Financial Statements were authorized for issue by the Management on 30th May 2016.

#### **2.3 Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis and applied consistently, with no adjustment being made for inflationary factors affecting the Financial Statements, except for the following;

- assets and liabilities held for trading are measured at fair value;
- financial instruments designated at fair value through profit or loss are measured at fair value;
- derivative financial instruments are measured at fair value;
- available for sale financial assets are measured at fair value;
- Liability for defined benefit obligation is recognized as the present value of the defined benefit obligation.

The Branch maintains separate books for Domestic Banking Unit (DBU) and Foreign Currency Banking Unit (FCBU). Accompanying financial statements have been prepared by consolidating the financial statements of Domestic Banking Unit and Foreign Currency Banking Unit.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**2.4. Functional and Presentation Currency**

Financial Statements are presented in Sri Lankan Rupees, which is the Branch's functional currency. Financial Statements of the branch are measured using the functional currency. There was no change in the branch's presentation and functional currency during the year under review.

**2.5. Use of Estimate and Judgments**

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS/ SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and the expenses. Judgments and estimates are based on the historical experience and other factors, including expectation 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 recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgment in applying accounting estimates that have most significant effect on the amounts recognized in the financial statements is included in the following notes;

- Impairment losses on loans, advances and financing (Note 10)
- Current taxation (Note 13)
- Deferred taxation ( Note 23)
- Employee benefits (Note 28)
- Recognition and measurement of financial instruments (Note 18, 19,21 and 26)

**2.6. Materiality and Aggregation**

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

**2.7. Going Concern**

The Branch's management has made an assessment of its ability to continue as going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Branch's ability to continue as going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.



**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Branch has consistently applied the accounting policies as set out below to all the periods presented in these amalgamated financial statements.

**3.1 Foreign Currency**

**3.1.1 Foreign Currency Translation**

Transaction in foreign currencies are translated to the respective functional currencies of the Branch at exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest rate and payments during the period, and the amortized 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. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the translation of available for sale equity instrument, which are recognized in other comprehensive income. 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 transaction.

**3.1.2 Translation of Measurement Currency**

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

For amalgamation purposes accompanying Financial Statements have been prepared in Sri Lanka Rupees after converting the Foreign Currency Banking financial statements in to Sri Lanka Rupees.

The translation is performed based on the guidelines in LKAS 21 "The effect of changes in foreign exchange rates" states 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 the 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 recognized in Other Comprehensive Income.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATMENTS**

**Income Statement**

**3.2 Interest**

Interest income and expenses are recognized 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 Branch estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate include 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 expenses presented in the Statement of profit or loss include;

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- Interest income on available for sale investment securities calculated on an effective interest basis is also included in interest income.

**3.3 Fees and Commission**

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

Other fees and commission income, including accounts servicing fees, Trade fees are recognized as the related services are performed. When a loan commitment is not expected to result in the drawn-down of a loan, the related loan commitment fees are recognized on a straight line basis over the commitment period.

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

**3.4 Net Trading Income**

Net Trading Income comprises gain less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

**3.5 Profit/ Loss From Sale of Property, Plant and Equipment**

Profit/ loss from sale of Property, plant and equipment is recognized in the period in which the sale occurred and is classified as other income.

**3.6 Other Expenses**

The expenditure incurred on personal cost, premises, equipment and establishment has been apportioned between the FCBU and the DBU based on the volume of transactions.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.7 Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**3.8 Tax Expense**

The tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

**3.8.1 Current taxation**

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.

**3.8.2 Deferred tax**

Deferred tax is recognized 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 recognized 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.

**Assets and Liabilities and Basis of Valuation**

**3.9 Statutory Deposits With Central Bank**

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

The details of reserve requirements are given in Note 16 to the Financial Statements.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.10 Financial Assets and Financial Liabilities**

**3.10.1 Initial Recognition and Measurement**

The Branch initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Branch 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.

**3.10.2 Classification and Subsequent Measurement**

**3.10.2.1 Financial Assets**

At inception, financial assets are classified in one of the following categories.

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held to maturity investments
- Available for sale financial assets or

**3.10.2.2 Financial Liabilities**

The Branch initially recognizes all financial liabilities on the date that they are originated and classifies its financial liabilities as measured at amortized cost or fair value through profit or loss.

**3.10.3 Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**3.10.3.1 Financial Assets at Fair Value Through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered in to by the Branch that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Financial assets at fair value with changes in fair value recognized in profit or loss.

The branch has Sri Lanka Government Securities held for trading designated at fair value through profit or loss.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.10.3.2 Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Branch does not intend to sell immediately or in the near term.

Loans and receivables to other customers' include Loans & Advances, Bills of Exchange.

Loans and receivables to other customers classified as loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

**Staff Loan – 'Day 1' Difference**

All staff loans are granted at below market interest rates and were recognized at fair value. The difference between the fair value and the amount disbursed were treated as day one difference and amortized as staff cost in the statement of profit or loss over the loan period by using the effective interest rate. This amount is shown as interest income as well. Hence the net effect on the statement of financial position is zero.

**3.10.3.3 Held-to-Maturity Investments**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Branch has the positive intent and ability to hold to maturity, and which were not designated as fair value through profit or loss or as available-for-sale.

Held to maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Branch from classifying investment securities as held-to-maturity for the current and the following two financial years. However sales and reclassifications in any of the following circumstances would not trigger a reclassification.

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Branch has collected substantially all of the asset's original principal; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Branch's control that could not have been reasonably anticipated,

**3.10.3.4 Available-for-Sale Financial Investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held-for-trading nor designated as fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement and removed from available-for-sale reserve. Interest income on



## **CITIBANK N.A. COLOMBO BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

available-for-sale debt securities is calculated using effective interest method and is recognized in profit or loss.

The Branch has Sri Lanka Government Securities designated as available for sale.

#### **3.10.4 De- recognition of Financial Assets and Financial Liabilities**

##### **3.10.4.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Branch has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - a) The Branch has transferred substantially all the risks and rewards of the asset, or
  - b) The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### **3.10.4.2 Financial Liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de- recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized on profit or loss.

#### **3.10.5 Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Branch's trading activity.

#### **3.10.6 Amortized Cost Measurement**

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

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**NOTES TO THE FINANCIAL STATEMENTS**

**3.10.7 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 Branch has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Branch 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 sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no Quoted price in an active market, then the Branches uses valuation technique that maximize the use of relevant observation inputs and minimized the use of unobservable inputs. The chosen valuation technique incorporates all of 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 Branch 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 assets or liability nor based on a valuation technique that uses only data from observable markets, then the 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 recognized 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustment are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Branch recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**3.10.7.1 Determining Fair Values**

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3.11.7. 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 the market factors, pricing assumptions and other risks affecting the specific instrument. Bank measures fair values using the following fair value hierarchy that reflects the significance or the inputs used in making the measurements.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATMENTS**

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued 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 where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustment or assumptions are required to reflect differences between the instruments.

Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like government securities, currency swap that use mostly observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for, government securities and simple over the counter derivatives like forward exchange contracts and swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and market and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the reporting period, by the level of the fair value hierarchy.

**CITIBANK N.A. COLOMBO BRANCH**  
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**Determining Fair Values**

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

<b>31st December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Financial Assets</b>				
<i><b>Derivative financial instruments</b></i>				
Currency swaps	-	653,444	-	653,444
Forward foreign exchange contracts	-	187,456	-	187,456
	-	840,900	-	840,900
<i><b>Financial Investments available for sale</b></i>				
Government of Sri Lanka treasury bills	-	4,794,022	-	4,794,022
	-	4,794,022	-	4,794,022
<i><b>Financial Investments held-for-trading</b></i>				
Government of Sri Lanka treasury bills	-	4,391,523	-	4,391,523
	-	4,391,523	-	4,391,523
<b>Financial Liabilities</b>				
<i><b>Derivative financial instruments</b></i>				
Currency swaps	-	388,947	-	388,947
Forward foreign exchange contracts	-	230,822	-	230,822
	-	619,769	-	619,769
<b>31st December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>Financial Assets</b>				
<i><b>Derivative financial instruments</b></i>				
Currency swaps	-	203,180	-	203,180
Forward foreign exchange contracts	-	71,559	-	71,559
	-	274,739	-	274,739
<i><b>Financial Investments available for sale</b></i>				
Government of Sri Lanka treasury bills	-	5,140,248	-	5,140,248
	-	5,140,248	-	5,140,248
<i><b>Financial Investments held-for-trading</b></i>				
Government of Sri Lanka treasury bills	-	6,287,010	-	6,287,010
	-	6,287,010	-	6,287,010
<b>Financial Liabilities</b>				
<i><b>Derivative financial instruments</b></i>				
Currency swaps	-	193,020	-	193,020
Forward foreign exchange contracts	-	25,574	-	25,574
	-	218,594	-	218,594

**CITIBANK N.A. COLOMBO BRANCH**  
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**Fair value of Financial Assets and Liabilities**

**Fair value of financial instruments not carried at fair value**

	<b>Carrying Value Rs'000</b>	<b>Fair Value Rs'000</b>
<b>Assets</b>		
Cash and Cash Equivalents	3,473,498	3,473,498
Balances with Central Bank of Sri Lanka	473,558	473,558
Placements with banks	8,471,303	8,471,303
Securities Purchased under resale agreements	1,500,805	1,500,805
Loans and receivables to other customers	10,196,859	10,196,859
<b>Liabilities</b>		
Due to banks	1,511,202	1,511,202
Due to other customers	19,176,524	19,176,524
Securities sold under repurchase agreements	1,676,720	1,676,720

	<b>Carrying Value</b>	<b>Level 1 Rs'000</b>	<b>Level 2 Rs'000</b>	<b>Level 3 Rs'000</b>
<b>Assets</b>				
Cash and Cash Equivalents	3,473,498	3,473,498	-	-
Balances with Central Bank of Sri Lanka	473,558	473,558	-	-
Placements with banks	8,471,303	8,471,303	-	-
Securities Purchased under resale agreements	1,500,805	-	1,500,805	-
Loans and receivables to other customers	10,196,859	-	-	10,196,859
<b>Liabilities</b>				
Due to banks	1,511,202	-	-	1,511,202
Due to other customers	19,176,524	-	-	19,176,524
Securities sold under repurchase agreements	1,676,720	-	1,676,720	-



**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.10.8 Impairment of Financial Assets**

The branch assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial asset is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an occurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrower is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and when observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**3.10.8.1 Financial Assets Carried at Amortized Cost**

For financial assets carried at amortized cost (such as amounts due from branches, loans and advances to customers as well as held-to-maturity investments), the branch first assesses individually whether objective evidence of impairment exists for financial assets that individually significant, or collectively for financial assets that are not individually significant. If the branch determines that no objective evidence of impairment exists for an individually assessed financial; it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not include in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the losses is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the branch. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increases or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the branch has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized.

**CITIBANK N.A. COLOMBO BRANCH**  
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Financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped based on the nature and type of the asset. It also considers credit risk characteristics such as asset collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets are collectively evaluated for impairment is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regulatory to reduce any differences between loss estimates and actual loss experience.

**3.10.8.2 Available- For- Sale Financial Investments**

For available- for- sale financial investments, the Branch assesses at each Statement of Financial Position date whether there is objective evidence that an investment is impaired.

In the Case of debt instrument classified as available-for-sale, the Branch assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss. Future interest income is based on the reduced carrying amount and is accrued amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "interest and similar income". If, in a subsequent period, the fair value of a debt instrument increased and the increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed profit or loss.

In the case of equity investment classified as available -for-sale, objective evidences would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.

**3.11 Cash and cash equivalents**

Cash and cash equivalent include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.12 Property, Plant & Equipment**

**3.12.1 Recognition and measurement**

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Cost also may include transfer from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with carrying amount of the item of property and equipment, and is recognized in other operating income/other overhead expenses in the income statement.

**3.12.2 Subsequent Costs**

The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the branch and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

**3.12.3 Depreciation**

Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Installations to the Building	10%-20%
Furniture & Equipment- steel	10%
Other	20%
Computer Hardware	20%
Personal Computer*	33 1/3%
Motor Vehicles	25%
Software	20%

\*Includes Mainframes, LAN systems, servers and system software, computer (standalone PCs/ Laptops/ Monitors), printers, printer servers, scanners.

**CITIBANK N.A. COLOMBO BRANCH**  
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**\*\*Software up to an amount of US\$ 100,000 is expensed out immediately. Any software cost over US\$ 100,000 is amortized over a five year period.**

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

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

**3.13 Impairment of Non-Financial Assets**

The branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the branch estimates the asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair values less cost to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. 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 assets. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

**3.14 Financial Guarantees**

Financial guarantees are contracts that require the branch to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debit instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

**3.15 Deposits From Customers**

Deposits from customers include non-interest bearing deposits, term deposits, and deposits payable at call and certificate of deposits. They are stated in the statement of financial position at amounts payable. Interest paid/payable on these deposits is charged to the profit or loss.

Details of the deposits from customers are given in the Note 27 to the financial statements.

**3.16 Borrowings**

Borrowings include refinance borrowings, call money borrowings and borrowings from financial institutions and are shown at the gross value of the outstanding balance. Interest paid/payable on these deposits is charged to the profit or loss.

Details are given in the Note 25 to the financial statements.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**3.17 Employee Benefits**

**3.17.1 Defined Benefit Plan**

The branch is liable to pay retirement benefits under Gratuity Act No 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date in respect of employees. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the projected unit credit (PUC) method as recommended by Sri Lanka Accounting standard (LKAS 19), Employee benefits. Such actuarial valuations will be carried out every year. The liability is not externally funded. The branch recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in personnel expenses in statement of profit or loss.

However, according to the Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continuous service.

The branch measured the present value of promised retirement benefits of gratuity using the actuarial valuation method as recommended by LKAS 19 Employee Benefits with the advice of a consultant Actuary (Ms. Anuradha Sriram, Fellow Institute of Actuaries of India.)

**3.17.2 Defined Contribution Plan**

The branch also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the branch by the employees and is recorded as an expense under 'personnel expense'. Unpaid contributions are recorded as a liability.

**3.18 Provisions**

Provisions are recognized when the branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

**3.19 Capital Commitments and Contingencies**

Contingent liabilities are possible whose existence will be confirmed only by occurrence or non-occurrence uncertain future events not wholly within the control of the branch or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not accounted in the statement of financial position but are disclosed unless they are remote.

Capital commitments and contingent liabilities of the branch are disclosed in the respective notes to the financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS**

**3.20 Event Occurring After the Reporting Date**

All material 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.

**3.21 Cash Flow Statement**

The cash flow statement has been prepared using the "Direct method" of preparing cash flows in accordance with the Sri Lanka Accounting Standards (LKAS 7) "statement of cash flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand, balances with banks and money at call and short notice.

**3.22 Comparative Figures**

Where necessary comparative figures have been reclassified to conform to the current year's presentation.

**3.23 Deposit insurance scheme**

In terms of the banking act Direction No 5 of 2010 "insurance of Deposit Liabilities" issued on 27<sup>th</sup> September 2010 and subsequent amendments there to, all licensed commercial banks are required insure their deposit liabilities in the deposit insurance scheme operated by the monetary board in terms of Sri Lanka deposit insurance scheme Regulations No 1 of 2010 issued under section 32 A to 32E of the Monetary Law Act with effect from 1<sup>st</sup> October 2010. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following,

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds which have been transferred to Central Bank of Sri Lanka

Licensed Commercial Banks are required to pay a premium of 0.10% on eligible deposit liabilities if the bank maintains a capital adequacy ratio (CAR) of 14% or above as at the end of the immediately preceding financial year and a premium of 0.125% on eligible deposit liabilities for all other Licensed Commercial Banks (with CAR below 14%) calculated on the total amount of eligible deposits as at the end of the quarter payable within a period of 15 days from the end of the quarter.

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS REPORTING DATE**

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Branch plans to apply these standards on the respective effective dates.

**4.1 SLFRS 9 – Financial Instruments: Classification and Measurement**

The objective of this SLAS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This standard will be effective for financial periods beginning on or after 01<sup>st</sup> of January 2018.

**4.2 SLFRS 15- Revenue from Contracts with Customers**

Establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This standard will be effective for financial periods beginning on or after 01<sup>st</sup> January 2018.

**4.3 SLFRS 14 Regulatory Deferral Accounts**

The Objective of this standard is to specify the financial reporting requirements of regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulations. The amendments are effective for annual reporting periods beginning on or after 1<sup>st</sup> January 2016.

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**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December*

	2015 Rs. ' 000	2014 Rs. ' 000
<b>5 Income</b>		
Interest income (Note 6 a)	1,766,995	1,877,305
Fee and Commission Income (Note 7 a)	575,320	550,915
Net Gain from Trading (Note 8)	754,679	335,006
Other operating income (Note 9)	503,669	485,917
<b>Total Income</b>	<b>3,600,663</b>	<b>3,249,143</b>
<b>6 Net Interest Income</b>		
<b>6(a) Interest income</b>		
Placements with banks	205,243	134,744
Loans and receivables to other customers	477,676	625,787
Other financial assets - Held for trading	480,671	452,559
Financial investments - Available-for-sale	361,382	477,310
Financial investments - Loans and Receivables	242,023	186,904
<b>Total interest income</b>	<b>1,766,995</b>	<b>1,877,305</b>
<b>6(b) Interest expenses</b>		
Deposits from customers	(334,953)	(380,006)
Other borrowings	(83,381)	(175,248)
<b>Total interest expenses</b>	<b>(418,334)</b>	<b>(555,254)</b>
<b>Net interest income</b>	<b>1,348,661</b>	<b>1,322,051</b>
<b>7 Net Fee and Commission Income</b>		
Fee and commission income (Note 7(a))	575,320	550,915
Less : Fee and commission expenses	(74,041)	(59,255)
<b>Net fee and commission income</b>	<b>501,279</b>	<b>491,660</b>
<b>7(a) Comprising</b>		
Trade and remittances	228,699	220,089
Deposits	13,518	14,193
Guarantees	59,098	62,284
Others	274,005	254,349
<b>Fee and commission income</b>	<b>575,320</b>	<b>550,915</b>
<b>8 Net Gain/(Loss) from Trading</b>		
Foreign exchange		
From Banks	350,979	24,928
From other customers	(192,350)	(49,175)
Fixed Income	596,050	359,253
<b>Net Trading Income</b>	<b>754,679</b>	<b>335,006</b>
<b>9 Other Operating Income (net)</b>		
Gain on sale of property, plant and equipment	873	13,893
Foreign exchange gain	502,796	472,024
<b>Other Operating Income (net)</b>	<b>503,669</b>	<b>485,917</b>
<b>10 Impairment for Loans and Other Losses</b>		
Loans and receivables (Note 20(d))	(18,844)	15,486

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31st December*

	2015 Rs. ' 000	2014 Rs. ' 000
<b>11 Personnel Expenses</b>		
Salary and bonus	482,401	461,453
Contributions to defined contribution/benefit plans	41,749	19,231
Provision charge for Employee Benefits	33,872	31,547
<b>Total Personnel Expenses</b>	<b>558,022</b>	<b>512,231</b>
<b>12 Other Expenses</b>		
Directors' emoluments	-	-
Auditors' remuneration	1,727	1,410
Non-audit fees to auditors	6,110	5,501
Professional and legal expenses	2,528	2,310
Depreciation of property, plant and equipment	28,438	28,353
Office administration and establishment expenses	119,710	128,641
Other operating and overhead expenses	539,866	538,918
<b>Total Other Expenses</b>	<b>698,379</b>	<b>705,133</b>
<b>13 Tax Expenses</b>		
<b>Current tax expense</b>		
Income tax on current year profits	545,899	405,738
Under / (Over) Over provision in respect of prior years	(24,358)	(66,081)
Reversal / (origination) of deferred tax expense (Note 23(b))	(7,254)	(5,943)
<b>Total Income Tax Expense</b>	<b>514,287</b>	<b>333,715</b>

**13(a) Reconciliation between Current Tax Expenses and the Accounting Profit**

	2015 Rs. ' 000	2014 Rs. ' 000
Accounting Profit before tax	1,580,066	1,307,877
Aggregate Disallowed Items	486,805	283,359
Aggregate Allowable Expenses	(117,237)	(142,172)
Taxable Income	1,949,634	1,449,064
Income Tax Expense @ 28%	545,899	405,738

**13(b) Reconciliation of effective tax rate**

	2015 %	2015 Rs '000	2014 %	2014 Rs '000
Profit for the Year		1,065,779		974,162
Income Tax Expenses		514,287		333,715
Profit before taxation		1,580,066		1,307,877
Tax using the domestic corporation tax rate 28%	28%	442,418	28%	366,206
Non-deductible expenses	9%	136,305	6%	79,341
Tax exempt income/ deductible expenses	-2%	(32,826)	-3%	(39,808)
Adjustments for prior years	-2%	(24,358)	-5%	(66,081)
Origination and reversal of temporary differences	0%	(7,254)	0%	(5,943)
Total tax expense	33%	514,287	26%	333,715

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**14 Analysis of Financial Instruments by Measurement Basis**

**a. As at 31 December 2015**

	HFT/ FVPL	Loans And Receivables/A mortised cost	AFS	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
<b>ASSETS</b>				
Cash and cash equivalents	-	3,473,498	-	3,473,498
Balances with central banks	-	473,558	-	473,558
Placements with banks	-	8,471,303	-	8,471,303
Derivative financial instruments	841,739	-	-	841,739
Other financial assets held-for-trading	4,391,523	-	-	4,391,523
Securities Purchased under resale agreements	-	1,500,805	-	1,500,805
Loans and receivables to other customers	-	10,196,859	-	10,196,859
Financial investments – Available-for-sale	-	-	4,794,022	4,794,022
<b>Total financial assets</b>	<b>5,233,262</b>	<b>24,116,023</b>	<b>4,794,022</b>	<b>34,143,307</b>

	HFT	Amortised cost	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000
<b>LIABILITIES</b>			
Due to banks	-	1,511,202	1,511,202
Derivative financial instruments	619,807	-	619,807
Due to other customers	-	19,176,524	19,176,524
Securities sold under repurchase agreements	-	1,676,720	1,676,720
<b>Total financial liabilities</b>	<b>619,807</b>	<b>22,364,446</b>	<b>22,984,253</b>

**b. As at 31 December 2014**

	HFT/ FVPL	Loans And Receivables/A mortised cost	AFS	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
<b>ASSETS</b>				
Cash and cash equivalents	-	3,392,735	-	3,392,735
Balances with central banks	-	514,027	-	514,027
Placements with banks	-	7,021,260	-	7,021,260
Derivative financial instruments	274,739	-	-	274,739
Other financial assets held-for-trading	6,287,009	-	-	6,287,009
Securities Purchased under resale agreements	-	3,011,900	-	3,011,900
Loans and receivables to other customers	-	8,166,815	-	8,166,815
Financial investments – Available-for-sale	-	-	5,140,248	5,140,248
<b>Total financial assets</b>	<b>6,561,748</b>	<b>22,106,737</b>	<b>5,140,248</b>	<b>33,808,733</b>

	HFT	Amortised cost	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000
<b>LIABILITIES</b>			
Due to banks	-	1,104,726	1,104,726
Derivative financial instruments	218,594	-	218,594
Due to other customers	-	19,386,093	19,386,093
Securities sold under repurchase agreements	-	2,163,165	2,163,165
<b>Total financial liabilities</b>	<b>218,594</b>	<b>22,653,984</b>	<b>22,872,578</b>



**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>15 Cash and Cash Equivalents</b>		
Cash in hand	475,728	450,685
Balances with banks	2,955,851	2,830,114
Money at call and short notice	41,919	111,936
<b>Total Cash and Cash Equivalents</b>	<b>3,473,498</b>	<b>3,392,735</b>
<b>16 Balances with Central Bank of Sri Lanka</b>		
Statutory balances with central bank of Sri Lanka	473,558	514,027
<b>Total balances with central bank of Sri Lanka</b>	<b>473,558</b>	<b>514,027</b>

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 31st December 2015, the minimum cash reserve requirement is 6% (6% as at 31st December 2014) 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.

*As at 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>17 Placements with Banks</b>		
Placements with Banks	8,471,303	7,021,260
<b>Total Placements with Banks</b>	<b>8,471,303</b>	<b>7,021,260</b>
<b>18 Derivative Financial Instruments</b>		
Foreign currency derivatives		
Forward foreign exchange contracts	841,739	274,739
<b>Total Derivative Financial Instruments</b>	<b>841,739</b>	<b>274,739</b>
<b>19 Other Financial Assets Held for Trading</b>		
Held for trading		
Sri Lanka Government Securities	4,391,523	6,287,009
<b>Total Other Financial Assets Held for Trading</b>	<b>4,391,523</b>	<b>6,287,009</b>
<b>20 Loans and Receivables to Other Customers</b>		
Gross loans and receivables	10,279,056	8,230,168
(Less): Individual impairment		
Collective impairment (Note 20 (d))	(82,197)	(63,353)
<b>Net loans and receivables</b>	<b>10,196,859</b>	<b>8,166,815</b>
<b>20 (a) Product wise analysis of loans and receivables</b>		
Loans and advances		
Overdrafts	4,846,574	2,981,551
Bills of Exchange	643	2,018
Staff loans	153,083	143,431
Long-term	-	-
Short-term	5,278,756	5,103,168
<b>Gross total</b>	<b>10,279,056</b>	<b>8,230,168</b>

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>20 (b) Currency wise analysis of loans and receivables</b>		
Sri Lankan Rupee	7,224,964	5,483,271
United States Dollar	3,054,092	2,541,277
Japanese Yen	-	205,620
<b>Gross total</b>	<b>10,279,056</b>	<b>8,230,168</b>
<b>20 (c) Industry wise analysis of loans and receivables</b>		
Agriculture and fishing	1,683,775	1,495,196
Manufacturing	1,765,569	2,389,419
Tourism	-	1,966
Transport	187,447	480,959
Construction	-	14,274
Traders	637,903	871,525
New economy	-	822,600
Financial and Business Services	1,229,190	894,589
Infrastructure	2,053,945	184,693
Other Services	1,528,590	929,497
Other Customers	1,192,637	145,450
<b>Gross total</b>	<b>10,279,056</b>	<b>8,230,168</b>
<b>20 (d) Movements in Individual and Collective Impairment during the Year</b>		
	2015 Rs. '000	2014 Rs. '000
Collective impairment		
Balance as at 1st January	63,353	78,839
Charge/(Write back) to profit or loss	18,844	(15,486)
<b>Balance as at 31st December</b>	<b>82,197</b>	<b>63,353</b>
<b>21 Financial Investments-Available-for-Sale</b>		
Sri Lanka Government Securities	4,794,022	5,140,248
<b>Total Available-for-sale Investments</b>	<b>4,794,022</b>	<b>5,140,248</b>
<b>a. Movements in Impairment during the Year</b>		
	2015 Rs. '000	2014 Rs. '000
Balance as at 1st January	109,145	53,992
Charge/(Write back) to other comprehensive income	(102,955)	55,153
<b>Balance as at 31st December</b>	<b>6,190</b>	<b>109,145</b>

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December 2015*

22 Property, Plant and Equipment	Total			
	Installation	Furniture & Equipment	WIP	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>				
Balance at 01st January	62,401	264,348	-	326,749
Additions	3,962	4,750	94,271	102,983
Disposals	-	(46,555)	-	(46,555)
Balance as at 31st December	<u>66,363</u>	<u>222,543</u>	<u>94,271</u>	<u>383,177</u>
<b>(Less): Accumulated depreciation</b>				
Balance at 01st January	48,832	195,391	-	244,223
Charge for the year	2,961	25,742	-	28,703
Disposals	-	(46,555)	-	(46,555)
Balance as at 31st December	<u>51,793</u>	<u>174,578</u>	<u>-</u>	<u>226,371</u>
<b>Carrying value at 31/12/2015</b>	<u>14,570</u>	<u>47,965</u>	<u>94,271</u>	<u>156,806</u>
<b>Carrying value at 31/12/2014</b>	<u>13,569</u>	<u>68,957</u>	<u>-</u>	<u>82,526</u>

**22 (a) Fully Depreciated Property, Plant and Equipment**

The initial cost of fully depreciated property, plant and equipment as at 31st December, which are still in use as at reporting date is as follows.

As at	2015	2014
	Rs. '000	Rs. '000
Installation	41,106	34,224
Furniture & Equipment	130,778	151,916

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment during the year.

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>23 Deferred Tax Assets</b>		
Deferred tax assets (Note 23 a)	53,011	20,877
<b>Total Deferred Tax Assets</b>	<b>53,011</b>	<b>20,877</b>
<b>23(a) Deferred tax assets</b>		
Balance as at 1st January	20,877	25,658
(Reversal) / origination during the year (Note 23 b)	32,134	(4,781)
<b>Balance as at 31st December</b>	<b>53,011</b>	<b>20,877</b>
<b>23(b) (Reversal) / Origination during the year</b>		
(Reversal) / origination to Income tax Expense	7,254	5,943
(Reversal) / origination to Other comprehensive income (Note 23 c)	24,880	(10,724)
	<b>32,134</b>	<b>(4,781)</b>
<b>23(c) Recognised in Other comprehensive income</b>		
(Reversal) / origination on-Employee benefits	(15,158)	10,725
(Reversal) / origination on available-for-sale financial assets	40,038	(21,449)
	<b>24,880</b>	<b>(10,724)</b>
<b>24 Other Assets</b>		
Deposits and prepayments	12,508	8,194
Financial Investments	1,040	1,040
Income tax paid in advance	361,154	280,277
VAT receivable	-	3,891
Others	84,823	77,216
<b>Total Other Assets</b>	<b>459,525</b>	<b>370,618</b>
<b>25 Due to Banks</b>		
Other Borrowings	1,511,202	1,104,726
<b>Total Due to Banks</b>	<b>1,511,202</b>	<b>1,104,726</b>
<b>26 Derivative Financial Instruments</b>		
Foreign exchange derivatives		
Forward foreign exchange contracts	619,807	218,594
<b>Total Derivative Financial Instruments</b>	<b>619,807</b>	<b>218,594</b>
<b>27 Due to Other Customers</b>		
Total amount due to other customers	19,176,524	19,386,093
<b>Total Due to Other Customers</b>	<b>19,176,524</b>	<b>19,386,093</b>
<b>27(a) Product wise analysis due to other customer</b>		
Demand deposits (current accounts)	10,522,312	8,266,530
Savings deposits	3,253,510	6,201,957
Time deposits	5,258,170	4,737,744
Other deposits	142,532	179,862
	<b>19,176,524</b>	<b>19,386,093</b>
<b>27(b) Currency wise analysis due to other customer</b>		
Sri Lanka rupee	11,322,471	11,833,027
United State dollar	7,467,165	6,873,732
Great Britain pound	30,393	44,133
Euro	113,010	110,182
Japanese Yen	17,080	456,059
Others	226,405	68,960
	<b>19,176,524</b>	<b>19,386,093</b>

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

	2015 Rs. '000	2014 Rs. '000
<b>28 Employee Benefits</b>		
<b>28.1 Net Liability Recognised in Statement of Financial Position</b>		
Balance at the beginning of the year	234,800	168,178
Charge / (Reversal) for the year (Note 28.2 & 28.3)	(16,392)	69,850
Payments during the year	(7,673)	(3,228)
	<u>210,735</u>	<u>234,800</u>
<b>28.2 Amount Recognised in Income Statement</b>		
Service Cost	20,356	12,497
Net interest on the net defined benefit liability / (asset)	17,387	19,050
	<u>37,743</u>	<u>31,547</u>
<b>28.3 Amount Recognised in OCI</b>		
Actuarial (gain)/loss	(54,135)	38,303
	<u>(54,135)</u>	<u>38,303</u>
<b>28.4 Employee Benefits Obligation Reconciliation</b>		
Balance at the beginning of the year	234,800	168,178
Service Cost	20,356	12,497
Interest Cost	17,387	19,050
Actuarial (Gain)/Loss	(54,135)	38,303
Gratuity Paid during the year	(7,673)	(3,228)
<b>Balance at the end of the year</b>	<u>210,735</u>	<u>234,800</u>

An actuarial valuation of the provision for employee benefits was carried out as at 31st December 2015 by Ms. Anuradha Sriram, Fellow, Institute of Actuaries of India; an actuarial valuer attached to Towers Watson India. The valuation method used by the actuaries to value the employee benefits obligation is the "Projected Unit Credit (PUC) actuarial Method", the method recommended by the Sri Lanka Accounting Standard (LKAS 19) "Employee Benefits".

	2015	2014
<b>28.5 Principal assumptions used</b>		
(a) Discount rate	9.50%	7.50%
(b) Salary increase	12.00%	12.00%

**Sensitivity of Assumptions Employed in Actuarial Valuation**

Sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the Employment Benefit Liability measurement.

	2015	
	1%	(1%)
<b>Increase/(Decrease) in discount rate</b>		
Sensitivity effect on Employment Benefit Obligation Increase/(Decrease) in the Liability	(19,078)	21,838

	2015 Rs. '000	2014 Rs. '000
<b>29 Other Liabilities</b>		
Accruals	154,370	130,136
Other	346,039	340,436
<b>Total Other Liabilities</b>	<u>500,409</u>	<u>470,572</u>
<b>30 Assigned Capital</b>		
Assigned Capital	1,524,250	1,524,250
<b>Total Assigned Capital</b>	<u>1,524,250</u>	<u>1,524,250</u>

*As at 31st December*

**31 Statutory Reserve Fund**

The statutory reserve fund is maintained as per the requirements under Section 20 (1) of the 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 dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of said the reserve fund is equal to the stated capital of the Bank. The balance in the statutory reserve fund will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

	2015 Rs. '000	2014 Rs. '000
Balance at the beginning of the year	485,766	437,058
Transferred during the period	53,289	48,708
<b>Balance at the end of the year</b>	<b>539,055</b>	<b>485,766</b>

**32 Other Reserves**

Available for sale reserve (Note 32 a)	6,190	109,145
Exchange equalization account	5,170	5,170
Exchange equalization reserve (Note 32 b)	698,278	488,045
	<b>709,638</b>	<b>602,360</b>

**32 (a) Available-for-Sale Reserve**

The available-for-sale reserve comprises the cumulative net change in fair value of financial investments available-for-sale until such investments are derecognized or impaired.

	2015 Rs. '000	2014 Rs. '000
Balance at the beginning of the year	109,145	53,992
Net fair value gains/(losses) on remeasuring Financial investments	(102,955)	55,153
Reclassification of retained earnings to/from available-for-sale	-	-
<b>Balance at the end of the year</b>	<b>6,190</b>	<b>109,145</b>

**32 (b) Exchange Equalization Reserve**

The exchange equalization reserve comprises of all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

As at the Reporting date, the assets and liabilities of the Foreign Currency Banking Unit were translated in to the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the Reporting date and the Statement of Profit or Loss and Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statements are taken to exchange equalization reserve through other comprehensive income.

	2015 Rs. '000	2014 Rs. '000
Balance at the beginning of the year	488,045	464,749
Net gains/(losses) arising from translating the Financial Statements of the foreign operatic	210,233	23,296
<b>Balance at the end of the year</b>	<b>698,278</b>	<b>488,045</b>

**32 (c) Investment fund account**

Banks were required to transfer 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services and 5% of the profits before tax calculated for the payment of income tax to a fund identified as 'Investment Fund Account' (IFA) for a period of three years as per a proposal made in the Government Budget 2011. Since the above-mentioned three-year period has lapsed the Bank transferred the balance in the above reserve fund to the retained earnings during 2014.

	2015 Rs. '000	2014 Rs. '000
Balance at the beginning of the year	-	673,350
Transfers during the year	-	66,185
Transfer to retained earning	-	(739,535)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**33 Contingent liabilities and commitments**

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.

	2015 Rs. '000	2014 Rs. '000
<b>33(a) Contingent liabilities</b>		
Acceptances	1,016,154	707,508
Guarantees	8,222,011	9,780,180
Documentary Credits	2,468,322	3,422,594
Forward exchange contracts (Net)	168,407	44,857
	<u>11,874,894</u>	<u>13,955,139</u>

**34 Related Party Disclosures**

The Bank carries out transactions in the ordinary course of its business with parties who are defined as related parties in the Sri Lanka Accounting Standard LKAS 24, "Related Party Disclosures", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

**34(a) Parent and ultimate controlling party**

Citigroup, Inc., which is incorporated in the United States of America, is the ultimate Head Office controlling party of the Branch.

**Transactions with Key Management Personnel**

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

**Key Management Personnel (KMP) of the Bank**

Branch has named the local members of Country Coordinating Committee (CCC) as the Key Management Personnel as at 31st December 2015 as per the circular issued by Central Bank of Sri Lanka.

**CCC Members are;**

Citi Country Officer  
Country Human Resources Officer  
Country Compliance Officer  
Head, TTS  
Head, Financial Institutions  
Head, FICC  
Senior Country Operations Officer  
Chief Financial Officer  
Head, SFS  
Head, Local Corporates and Public Sector  
Head, Global Subsidiaries Group  
Country Risk Officer  
Head, Information Technology

	2015 (Rs.Millions)	2014 (Rs.Millions)
<b>Compensation to KMPs</b>		
Short term employment benefits	210.79	149.70
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	28.01	-
Share Based Payments	-	-
	<u>238.80</u>	<u>149.70</u>
<b>Transactions with KMPs</b>		
<i>Statement of financial position items</i>		
Deposits, Current A/C Balances and Investments	-	11.80
Loans- Under staff benefits (outstanding)	29.26	35.16
	<u>29.26</u>	<u>46.96</u>

**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**35 Maturity Analysis**

Assets or Liability	On Demand Rs. 000	< 3 months Rs. 000	3-12 months Rs. 000	1-5 years Rs. 000	Over 5 Years Rs. 000	Unclassified Rs. 000	Total Rs. 000
<b>Total Assets</b>	<b>18,376,922</b>	<b>8,124,255</b>	<b>3,707,488</b>	<b>2,482,332</b>	<b>1,963,805</b>	<b>157,846</b>	<b>34,812,648</b>
Cash	475,728	-	-	-	-	-	475,728
Due from Banks	12,429,803	1,009,330	-	-	-	-	13,439,133
Investments-Current	2,854,148	3,671,861	2,188,166	423,756	47,615	-	9,185,545
Loans & Advances – Current	2,617,243	2,927,266	1,519,322	2,058,576	1,074,452	-	10,196,859
Fixed Assets	-	-	-	-	-	156,806	156,806
Other Assets	-	515,798	-	-	841,738	1,040	1,358,576
<b>Total Liabilities</b>	<b>10,427,712</b>	<b>3,575,016</b>	<b>4,506,167</b>	<b>1,619,930</b>	<b>4,056,600</b>	<b>10,627,223</b>	<b>34,812,648</b>
Total Capital Fund	-	-	-	-	-	10,627,223	10,627,223
Deposits	7,239,790	2,373,844	4,506,167	1,619,930	3,436,793	-	19,176,524
Borrowings	3,187,922	-	-	-	-	-	3,187,922
Other Liabilities	-	1,201,172	-	-	619,807	-	1,820,979
<b>Maturity Gap</b>	<b>7,949,210</b>	<b>4,549,239</b>	<b>(798,679)</b>	<b>862,402</b>	<b>(2,092,795)</b>	<b>(10,469,377)</b>	
<b>Cumulative Gap</b>	<b>7,949,210</b>	<b>12,498,449</b>	<b>11,699,770</b>	<b>12,562,172</b>	<b>10,469,378</b>		

**36 Events after reporting date**

There have been no material events occurring after the reporting date that required adjustments to or disclosure in the Financial Statements.

**37 Management Responsibility Statement:**

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

**38 Capital commitments**

As of reporting date the capital commitment amounted to Rs. 307,000,000 on account of Office refurbishment. There were no material capital commitments existed as at 31st December 2015 other than disclosed above.



## **CITIBANK N.A. - COLOMBO BRANCH**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **39. Financial Risk Management**

##### **Introduction and Overview**

The Citibank N.A., Colombo ("Branch") has exposure primarily to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

Risk is inherent in the Branch' activities but it is managed through the process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Branch' continuing profitability and each individual within the Branch is accountable for the risk exposures relating to his or her responsibilities. The Branch is primarily exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

##### **Risk Management Structure**

The Branch adopts global / regional risk management policies and procedures whilst adhering to local regulatory directives. Risk Management Functions (RMF) are organized along the key risks it monitors, viz. credit risk, liquidity risk, market risk and operational risk with each risk family reporting into regional lines. Within the Branch, an overall risk coordinator is designated to ensure a holistic view of the exposures.

##### **Risk Measurement and Reporting Systems**

The risk policies require that all exposures are recorded and reported in a timely manner by parties independent from the business units. Where exposures have to be estimated (for example, exposures from derivative transactions), risk personnel at regional office who are independent from the business and trading unit determine such estimates. Risks are assessed and discussed at various forums such as the Integrated Risk Management Committee (IRMC), Business Risk, Compliance and Control Committee (BRCC) and at the Risk Council at varying intervals viz. fortnightly, monthly and quarterly. A comprehensive review of all material risks also takes place annually through the comprehensive Internal Capital Adequacy Assessment Process (ICAPP).

##### **Excessive Risk Concentrations**

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location.

In order to avoid excessive concentration of risk, the Branch's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The management of the Branch is responsible for establishing and monitoring compliance with policies governing large exposures and credit risk concentrations of the Branch. The management reviews these policies regularly (at least annually) to ensure that they remain adequate and appropriate for the Branch. Subsequent changes to the established policies are approved by the management.

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The Branch reviews the policies for managing each risk which are summarized as follows:

**1. Credit risk**

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be characterized in terms of an actual default or by deterioration in counterparty's credit quality. The Branch manages credit risk in various forms via stringent credit evaluation and approval process, regular individual and portfolio reviews, daily limits monitoring including regulatory limits etc. In addition, Branch obtains collateral where appropriate, enters into master netting agreements /collateral arrangements with counterparties, and limits the duration of exposures.

***Maximum exposure to credit risk before collateral held or other credit enhancements***

The table below provides an analysis of the maximum exposure of the Branch's financial instruments to credit risk, excluding those where the carrying values as reflected in the Statement of position and related notes already represent the financial instrument's maximum exposure to credit risk, before taking into account collateral held or other credit enhancements:

	Gross Maximum Exposure Rs. '000'	Fair Value of Collateral	Net Exposure Rs. '000'
Loans to Customers 2014	8,230,169	NIL	8,230,169
Loans to Customers 2015	10,279,056	NIL	10,279,056

Collateral is an asset, group of assets, or revenue stream(s) given as security to the Branch in the form of a legally enforceable pledge for payment of a loan(s), performance of a contingent obligation(s), and/or settlement of a counterparty transaction(s). Whilst the cash flows generated from the obligor's business is considered as the primary way out, in the event of default, the Branch could mitigate the credit risk to a greater extent through legally enforceable collateral held. Any kind of asset or property, which preferably has a ready and stable market, can be used as a facility collateral type. The main types of collateral, which could be obtained by the Branch are cash deposits, stand-by LCs, various property, equipment and assignments over stocks and book debts. Depending on the credit risk appetite for individual obligors and/or facilities, the Branch would call for collateral as a secondary source of repayment.

Given the highly selective and top tier clients under Target Market and Risk Acceptance Criteria Framework of the Sri Lanka Institutional Clients Group (ICG) business, eligible collateral is rarely the basis of extending credit facilities. However, we aim to maintain pari-passu status with other lenders on particular facilities. In certain instances facilities are secured by guarantees, mainly corporate guarantees and Stand-by LCs of obligors / banks acceptable to the Bank. Credit derivatives comprises chiefly of FX Forwards with counterparties acceptable to the Bank.

***Credit risk rating***

Per the Branch's Credit Manual, all obligors and all credit facilities must be rated. Obligors with external ratings assigned by certain rating agencies may be used for internal ratings provided these are at least of a certain grade. Otherwise, obligors are rated using internally approved credit models that are developed by a team responsible for all models used by the Branch.

Models are developed along geographic and industry lines. All obligor risk ratings are reviewed annually. Assigned obligor ratings may differ from ratings generated by the model to factor in likely occurrence of certain quantitative or qualitative aspects that may change the probability of default over a 12 month horizon. Risk policy establishes approval criteria for changes to model derived risk ratings,

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In addition, all risk rating models are subject to periodic review for appropriateness and validity. Model validation and changes are done at a global level.

The obligors risk ratings (ORR) represents the probability that an obligor will default within a one year time horizon. ORRs are assigned on a scale of 1 to 10, with sub-grades, where “1” is the best quality risk and “7-” is the worst for obligors that are not in default. The 9+, 9 and 10 rating categories indicate that the obligor is in default. Risk rating of “8” is used for non performing facilities stemming out of a cross border event.

Facility risk ratings (FRR) represent an expected loss rate, or ‘Loss Norm’ for each facility and is the product of two components:

- The default probability of the obligor associated with the final ORR, and
- Loss given default

FRRs are assigned on a scale of 1 to 10, with sub-grades, where “1” is the best quality risk and “7-” is the worst for performing facilities. The “8”, “9” and “10” categories indicate facilities that have been placed on non-performing status. As such these FRR could correspond to IFRS definition as follows.

	ORR	FRR
Standard	1 – 6	1 – 6
Substandard	7	7
Past Due	8-10	8-10

***Credit quality per class of financial assets***

The table below shows the credit quality by class of financial assets (gross of allowance for credit and impairment losses and unearned deferred and other income) of the Branch as of December 31, 2015:

	Neither past due nor individually impaired		Unrated Rs. ‘000’
	Standard Grade Rs. ‘000’	Substandard Grade Rs. ‘000’	
Balances with central banks	473,558		
Placements with banks	8,471,303		
Derivative financial instruments	841,739		
Other financial assets held-for-trading	4,391,523		
Securities Purchased under resale agreement	1,500,805		
Loans and receivables to other customers	10,055,488	70,485	153,083
Financial investments – Available-for-sale	4,794,022		

During the financial year ended 31<sup>st</sup> December 2015, the Branch did not have any Past due but not impaired or individually impaired loan and advances.

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***Impairment process of loans***

For loan impairment assessment, the key considerations are:

- whether any payment of principal or interest are overdue by more than 90 days,
- counterparties have difficulties in their cash flows,
- downgrade of credit rating
- Infringement of original terms of the contract.

The Branch first assesses and categorizes loans whether evidence of loan impairment exists individually or collectively. Individually assessed loans for impairment are reduced through the use of an allowance account on an individual basis and the amount of loss is charged to the statement of profit or loss. Impairment losses are evaluated on a quarterly basis, unless unforeseen circumstances require more careful attention. Collective impairments are assessed using the expected loss norms relative to internal credit risk ratings of obligors.. The methodology and assumptions used for estimating future cash flows for individual loan impairment are reviewed regularly by the Branch to reduce gap between loss estimates and actual loss experience.

Branch has evaluated all accounts individually for impairments and accounts that do not show objective evidence of impairments are considered under the collective impairment process.

***Allowance for Impairment***

	Amounts Rs.'000
Gross Loans & receivables	10,279,056
Less: allowance for individual impaired L&R	nil
Less: allowance for collective impaired L&R	(82,197)
Carrying Amount	<b>10,196,859</b>

***Reconciliation of changes in the banks provision for loan losses/impairment***

	Specific	Collective (Rs. '000)
Opening Balance	Nil	63,353
Changes/(Write back)	Nil	18,844
Closing Balance	Nil	82,197

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***Risk concentrations of the maximum exposure to credit risk***

An industry sector analysis of the Branch' financial assets as of December 31, 2015 and 2014, before taking into account the fair value of collateral held or other credit enhancements is as follows:

<b>Industry wise analysis of loans and receivables</b>	<b>2015 Rs. '000'</b>	<b>2014 Rs. '000'</b>
Agriculture and fishing	1,683,775	1,495,196
Manufacturing	1,765,569	2,389,419
Tourism	-	1,966
Transport	187,447	480,959
Construction	-	14,274
Traders	637,903	871,525
New economy	-	822,600
Financial and Business Services	1,229,190	894,589
Infrastructure	2,053,945	184,693
Other Services	1,528,590	929,497
Other Customers	1,192,637	145,450
<b>Gross total</b>	<b>10,279,056</b>	<b>8,230,168</b>

**2. Liquidity risk and funding management**

Liquidity Risk is the risk that the Branch will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or the financial condition of the branch.

The following tools were adopted by the Branch to manage the inherent risk in its contractual maturities:

***GAP analysis: market access report***

This is a key tool in monitoring the current liquidity position of the Branch as it quantifies the daily and cumulative liquidity gap in a business-as-usual environment. The gap for any given tenor bucket represents the potential borrowings from or placements to the markets that are required to replace the maturing liabilities or assets.

***Stress scenarios***

Stress tests are intended to quantify the likely impact of an event on the balance sheet and the net potential cumulative gap over a 12-month period, and to ascertain what incremental funding may be required under any of the defined scenarios. The Branch adopts a stress scenario on which the impact is being analysed and reported to management on a timely basis.

***Liquidity ratios***

Liquidity ratios are used to measure and monitor changes in the Statement of Financial Position's financial liquidity.

***Cross-currency Funding Limit:***

Cross Current Funding measures the amount of local currency assets funded by foreign currency liabilities. CCFL restricts the proportion of local currency assets funded by foreign currency liabilities and is monitored on daily basis.

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**Market triggers**

Market triggers are internal or external market and economic factors that may imply a change to market liquidity or the Branch' access to the markets.

**Significant funding source**

In order to properly manage the liquidity risk, the Branch has a threshold for determining which single name liquidity providers, as well as which groups of liquidity providers, are significant funding sources.

**Contingency funding plan**

The purpose of the Contingency Funding Plan (CFP) is to ensure that Citibank Sri Lanka is able to continue to fund assets & meet any financial obligations, on timely basis at fair market costs & under any market conditions. The plan also ensures that Citibank Sri Lanka is operationally prepared for managing any contingency.

The table below summarizes the contractual maturity of financial assets and liabilities of the Branch as of December 31, 2015 based on contractual undiscounted cash flows as per the directives by CBSL.

Assets or Liability	On Demand Rs. 000	< 3months Rs. 000	3-12 months Rs. 000	1-5 years Rs. 000	Over 5 Years Rs. 000	Unclassified Rs. 000	Total Rs. 000
<b>Total Assets</b>	<b>18,376,922</b>	<b>8,124,255</b>	<b>3,707,488</b>	<b>2,482,332</b>	<b>1,963,805</b>	<b>157,846</b>	<b>34,812,648</b>
Cash	475,728	-	-	-	-	-	475,728
Due from Banks	12,429,803	1,009,330	-	-	-	-	13,439,133
Investments-Current	2,854,148	3,671,861	2,188,166	423,756	47,615	-	9,185,545
Loans & Advances - Current	2,617,243	2,927,266	1,519,322	2,058,576	1,074,452	-	10,196,859
Fixed Assets						156,806	156,806
Other Assets		515,798			841,738	1,040	1,358,576
<b>Total Liabilities</b>	<b>10,427,712</b>	<b>3,575,016</b>	<b>4,506,167</b>	<b>1,619,930</b>	<b>4,056,600</b>	<b>10,627,223</b>	<b>34,812,648</b>
Total Capital Fund	-	-	-	-	-	10,627,223	10,627,223
Deposits	7,239,790	2,373,844	4,506,167	1,619,930	3,436,793	-	19,176,524
Borrowings	3,187,922			-	-	-	3,187,922
Other Liabilities	-	1,201,172	-	-	619,807	-	1,820,979
Maturity Gap	7,949,210	4,549,239	(798,679)	862,402	(2,092,795)	(10,469,377)	(0)
Cumulative Gap	7,949,210	12,498,449	11,699,770	12,562,172	10,469,378	(0)	

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The above tables were prepared based on the following assumptions:

***Financial Assets***

Maturities of debt securities at Fair Value through P&L (FVPL) and Available for Sale (AFS) investments are based on the contractual maturity on which these assets will be realized. Financial assets other than FVPL and AFS investments are classified in the analysis below based on the remaining period from the end of the reporting period to the contractual maturity date of those assets will be realized.

***Financial liabilities***

Maturities of financial liabilities are based on the remaining period from the end of the reporting date to the contractual maturity date. Where counterparty can demand payment of the amounts outstanding, the liability is classified in the analysis below in the earliest period in which the Branch can be required to pay.

The table below shows the contractual expiry by maturity of the Branch's off-balance sheet exposure and commitments as of December 31, 2015.

	On Demand Rs. 000	<3months Rs. 000	3 to 12 months Rs. 000	< 2 years Rs.000	Total Rs. 000
Off balance sheet exposure	6,419,310	2,293,358	2,772,385	389,841	11,874,894

**3. Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

The Branch is integrated into the overall Citigroup risk and control framework, balancing senior management oversight with well-defined independent risk management functions. It is the responsibility of the senior management of the Branch to implement Citigroup policies and practices, to oversee risk management, and to respond to the needs and issues in the Branch. The Branch's policy is to control material market risks through a framework of limits & triggers which are approved by ALCO and to manage any residual exposure through a series of stress tests and robust controls over calculating, monitoring and reporting results.

The risk appetite is largely determined and controlled due to regulatory limits on foreign exchange. The spot foreign exchange exposure is limited through Net Open Position which is approved by CBSL. The aggregate interest rate exposures on trading account is limited by limits on PV01. Currently, Citi Sri Lanka is trading in simple products such as FX spot, FX Forwards and Government Bonds.

Risk is measured in terms of:-

- (a) Factor sensitivities – impact of change of rates by one basis point for interest rate products (PV01) and FX Delta (FXDL) for Spot position. These measures & limits are further sub-divided for each yield curves and currencies.
- (b) Value-at-risk Trigger, which measures maximum potential loss at 99% confidence level over 1-day holding period based on the day's outstanding risk positions across the entire mark-to-market exposures.

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- (c) Loss Triggers: The Trading book and available for sale book profit and loss monitored against month-to-date (for Trading book) and rolling 21-days / inception-to-date (for available for sale) Loss Triggers.

All market risk taking activity in the Branch is centralised with Treasury and undertaken by authorised dealers. The Treasury is subject to limits and triggers across all products and risk factor. The Branch's has a defined process and procedures of limit approvals, changes, delegation, reporting and escalation in case of limit excesses and trigger breaches. The independent Market Risk Management reports and monitors the trading risk exposures against approved limits and triggers on a daily basis. An excess or a breach is reported and dealt with appropriately for corrective action with reporting to ALCO, and Senior Market Risk Management and Corporate Treasury.

***VaR assumptions/parameters***

The VaR is calculated using Monte Carlo simulation model with a 99.0% confidence level based on the volatilities of, and correlations between, market risk factors. The Branch uses its in-house globally-linked Global Market Risk (GMR) System database to gather all data information required and calculate the daily VaR figures.

The GMR VaR model used by the Branch incorporates the following features;

- Volatility and correlation matrix is based on a 3 year time series and is updated monthly;
- Uses Monte-Carlo simulations to generate market moves estimated for the market risk factors underlying the portfolio;
- 1-day VaR is reported at 99.0% confidence level are calculated;
- VaR is reported by different market risk factors (for e.g. interest rates, FX)
- Component VaR (CVaR) is calculated to measure the relative contribution of each risk factor to the total VaR.

***Objectives and limitations of the VaR methodology***

VaR estimates the potential decline in the value of a position or a portfolio, under normal market conditions, over a one day holding period, at a 99.00% confidence level. The VaR method used by the Branch incorporate the factor sensitivities of the trading portfolio with the volatilities and correlations of those factors which is based on historical observed levels.

Stress testing is undertaken to complement VaR to assess the impact of the move beyond the 99% confidence level on the capital adequacy ratio of the Branch.

A summary of the VaR position of the Branch trading portfolio's at 31st December, 2015 is as following:

As at 31 <sup>st</sup> December	2015 Rs.000
Foreign Currency risk	1,866
Interest Rate Risk	7,884
Equity Risk	-
Overall	7,942

***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk on the trading book is captured as part of the above described process under the market risk section. Interest rate risk represents the Branch's exposure to adverse movements in interest rates with regard to its non-trading exposures (Banking Book). Interest rate risk is



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measured by doing a gap analysis as well as factor sensitivity analysis. Business-specific assumptions underlying these measurements, e.g., tenor bucket used for demand deposits, are documented and models used to measure interest rate risk are independently reviewed. Interest rate gap analysis utilizes the maturity or repricing schedules of balance sheet items to determine the differences between maturing or repricing items within given tenor buckets. The interest rate risk in the banking book is also measured and monitored through PV01 limits. The Branch follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The following table sets forth the asset-liability gap position of the Branch.

Assets or Liability	On Demand Rs. 000	< 3months Rs. 000	3-12 months Rs. 000	1-5 years Rs. 000	Over 5 Years Rs. 000	Unclassified Rs. 000	Total Rs. 000
<b>Total Assets</b>	<b>18,376,922</b>	<b>8,124,255</b>	<b>3,707,488</b>	<b>2,482,332</b>	<b>1,963,804</b>	<b>157,846</b>	<b>34,812,647</b>
Cash	475,728	-	-	-	-	-	475,728
Due from Banks	12,429,803	1,009,330	-	-	-	-	13,439,133
Investments-Current	2,854,148	3,671,861	2,188,166	423,756	47,614	-	9,185,545
Loans & Advances – Current	2,617,243	2,927,266	1,519,322	2,058,576	1,074,452	-	10,196,859
Fixed Assets						156,806	156,806
Other Assets		515,798			841,738	1,040	1,358,576
<b>Total Liabilities</b>	<b>10,427,712</b>	<b>3,575,016</b>	<b>4,506,167</b>	<b>1,619,930</b>	<b>4,056,600</b>	<b>10,627,223</b>	<b>34,812,647</b>
Total Capital Fund	-	-	-	-	-	10,627,223	10,627,223
Deposits	7,239,790	2,373,844	4,506,167	1,619,930	3,436,793	-	19,176,524
Borrowings	3,187,922			-	-	-	3,187,922
Other Liabilities	-	1,201,171	-	-	619,807	-	1,820,978
<b>Maturity Gap</b>	<b>7,949,210</b>	<b>4,549,239</b>	<b>(798,679)</b>	<b>862,402</b>	<b>(2,092,796)</b>	<b>(10,469,377)</b>	<b>(0)</b>
<b>Cumulative Gap</b>	<b>7,949,210</b>	<b>12,498,449</b>	<b>11,699,770</b>	<b>12,562,172</b>	<b>10,469,376</b>	<b>(0)</b>	

***Foreign currency risk***

Foreign currency risk is the risk of exchange rate fluctuations that may result in the receipt of reduced interest and a loss of principal when converted to the investor's local currency.

Exchange controls imposed by the relevant authorities may also adversely affect the exchange rate and result in the receipt of reduced interest or principal.

Foreign currency liabilities generally consist of foreign currency deposits in the Branch's FCBU account or which are generated from remittances to the country by Srilankan expatriates and overseas Srilankan workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Branch and foreign currency denominated borrowings appearing in the regular books of the Bank.

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Foreign currency deposits are generally used to fund the Branch' foreign currency denominated loans and receivables and investment portfolio in the FCBU. Banks are required by the Central Bank of Sri Lanka to match the foreign currency liabilities with the foreign currency assets held through FCBUs.

The Branch determined that the functional currency of the FCBU is USD. Consequently, the FCBU is not exposed to fluctuations of its USD-denominated financial assets and liabilities.

The table below summarizes the Branch's exposure to foreign exchange risk as of December 31, 2015. Included in the table are the Branch's assets and liabilities at carrying amounts, categorised by currency.

Assets or Liability	Currency					Total
	LKR	USD	GBP	EURO	Others	
Assets						
Cash and cash equivalents	455,308	2,101,752	30,407	113,904	772,127	3,473,498
Balances with central banks	473,558					473,558
Placements with banks	4,517,899	3,953,404				8,471,303
Derivative financial instruments		835,301	3,258	276	2,904	841,739
Other financial assets held-for-trading	4,391,523					4,391,523
Loans and receivables to banks	1,500,805					1,500,805
Loans and receivables to other customers	7,142,767	3,054,092				10,196,859
Financial investments – Available-for-sale	4,794,022					4,794,022
Property, plant and equipment	156,806					156,806
Deferred tax assets	53,011					53,011
Other assets	447,899	11,625				459,524
Total assets	23,933,598	9,956,174	33,665	114,180	775,031	34,812,648
Liabilities						
Due to banks		1,441,900			69,302	1,511,202
Derivative financial instruments		615,347		3,022	1,438	619,807
Due to other customers	11,322,445	7,467,165	30,393	113,010	243,511	19,176,524
Other Borrowings	1,676,720					1,676,720
Current tax liabilities	490,027					490,027
Other liabilities	606,464	104,680				711,144
Total liabilities	14,095,656	9,629,092	30,393	116,032	314,251	24,185,424

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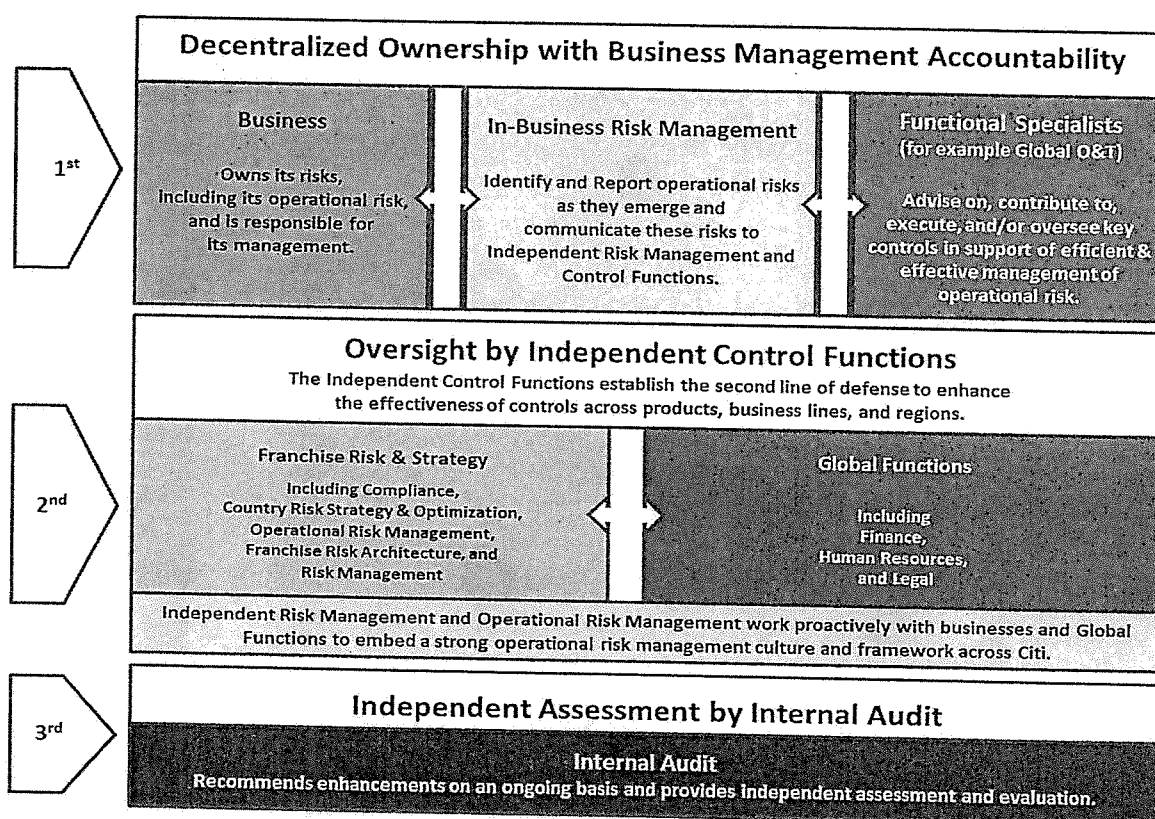
**Equity**

Stated capital/Assigned capital	1,524,250					1,524,250
Statutory reserve fund	539,055	-				539,055
Retained earnings	7,854,282	-				7,854,282
Other reserves	709,638					709,638
<b>Total equity</b>	<b>10,627,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,627,225</b>
<b>Total equity and liabilities</b>	<b>24,722,881</b>	<b>9,629,092</b>	<b>30,393</b>	<b>116,032</b>	<b>314,251</b>	<b>34,812,649</b>

**4. Operational Risk**

Operational Risk is the risk of a loss resulting from an inadequacy or a failure ascribable to people, processes, technology or external events. Currently the Branch is reporting operational risk capital charge under Basic Indicator Approach (BIA).

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Branch's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. As such the Branch adopts the three lines of defences as below:



The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Branch's standards for the management of operational risk in the following areas:

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- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of the transaction
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standard, and
- risk mitigation, including insurance where this is effective.

Compliance with Branch's standards is supported by a programme of periodic reviews undertaken by Internal Audit.

The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Branch.

**Use of insurance for the purpose of mitigating operational risk**

Citi Group has the following Corporate Reimbursement Programs (CRP) that provides protection to Citibank Sri Lanka:

1. CRP for all Risk Property for physical loss or damage, including Flood, Earthquake, and Business Interruption coverage. This program provides protection for Real and Personal property including owned / leased Buildings, Tenant Improvements / Installations, Furniture and Electronic /IT Equipment on a Replacement Cost basis. This program runs from March 1<sup>st</sup> 2016 to March 1<sup>st</sup> 2017.
2. CRP which provides protection for its subsidiaries against physical loss or damage to securities, cash and other valuables in Citi's legal care, custody or control on premises and in transit anywhere in the world. The program applied to loss from burglary, robbery, theft, employee dishonesty, forgery, counterfeiting, computer system fraud and similar offenses. The limit provided by the program is reasonable and customary for financial institution exposures. This program runs from January 1<sup>st</sup> 2016 to January 1<sup>st</sup> 2017.
3. CRP for third party / public liability coverage for third party bodily injury and third party property damage, including broad form contractual liability and products / completed operations coverage. This program runs from January 1<sup>st</sup> 2016 to January 1<sup>st</sup> 2017.

**Outsourced activities together with parties and basis for payment for such services;**

Citibank Sri Lanka has outsourced several activities in accordance with its Outsourcing policy and have duly informed the Central Bank of Sri Lanka (CBSL) of all such outsourced activities.

**Investment in appropriate information technology and other risk mitigation techniques taken during the reporting period;**

Citi Sri Lanka has invested appropriately on IT technology. The Citigroup as a whole uses globally developed IT software for which significant investments have been made. System security is checked periodically as per the policy.

**CITIBANK N.A. - COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Due diligence tests of third party service providers;**

Citi Sri Lanka conducts due diligence tests periodically for third party vendors in accordance with the Outsourcing Policy.

**Contingency plan to handle failure situations**

A detailed Continuance of Business policy document is in place which is tested periodically by a dedicated unit within Sri Lanka operations. Bank also conducts Disaster Recovery drills periodically and informs CBSL of the test results & action plan for improvements where necessary.

**Major operational losses (system or human failures and financial) incurred by the Bank during the reporting period**

There are no major operational failures or material financials losses during the year ending Dec 2015

**Capital Management**

The main objectives of managing banks' capital are as follows:

- maintain sufficient capital to meet minimum regulatory capital requirement.
- hold sufficient capital to support branch risk appetite
- allocate capital to business to support the branch's strategic objectives.

**Statutory minimum capital requirement and capital management**

As required by the circular issued by Central Bank of Sri Lanka on "Enhancement of Minimum Capital Requirement of Banks" the Bank is required to increase its capital as follows in the interest of a strong and sound banking system.

- (a) Rs. 4 Billion by 31<sup>st</sup> December 2013
- (b) Rs 5 Billion by 31<sup>st</sup> December 2015

The Bank achieved the target Core Capital of Rs.5 Bn. by 31<sup>st</sup> December 2015 complying with the capital requirements imposed the industry prudential regulator.

**Regulatory Capital**

The Bank manages its capital considering regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed banks in Sri Lanka based on the Basel Framework. Thus the Branch's operations are directly supervised by the CBSL and the Bank is required to comply with the Provisions of the Basel II framework in respect of regulatory capital. Commercial banks in Sri Lanka need to maintain a Total Capital Adequacy Ratio (CAR) of 10% and a Core Tier 1 Capital Ratio of at least 5%.

The Branch computes CAR as a ratio of its capital to its risk weighted assets. Calculations of the risk weightings defined under credit risk and market risk are based on the standardized approach whereas operational risk is computed by using the basic indicator approach.

As of 31st December 2015, Branch reported a Tier 1 ratio of 41.42% and a total CAR of 41.78% which remain comfortably above the CBSL's capital requirements.

**CITIBANK N.A. - COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

**5. Fair value of Financial Instruments carried at amortised cost**

The following table summarises the carrying amounts and the Branch's estimate of fair values of those financial assets and liabilities not presented on the Branch's Statement of Financial Position at fair value. The fair values in the table below may be different from the actual amounts that will be received/paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which there are no observable in the market.

As at 31st December	2015	
	Carrying Amount	Fair value
Assets	Rs 000	Rs 000
Cash and cash equivalents	3,473,498	3,473,498
Balances with Central Bank of Sri Lanka	473,558	473,558
Placements with banks	8,471,303	8,471,303
Loans and receivables to banks	1,500,805	1,500,805
Loans and receivables to other customers	10,196,859	10,196,859
Liabilities		
Due to Banks	1,511,202	1,511,202
Due to other customers	19,176,524	19,176,524
Other borrowings	1,676,720	1,676,720

Given below is the basis adopted by the Branch in order to establish the fair values of the financial instruments which are shown above.

***Cash and cash equivalents, balances with Central Bank of Sri Lanka and placements with banks***

The carrying amounts of cash and cash equivalents, balances with central banks and placements with banks approximate their fair value as those are short-term in nature. These balances have a contractual remaining maturity of less than three months from the reporting date.

***Loans and receivables to banks***

Loans and receivables to banks represent reverse repurchase agreements with other banks. These are short term reverse repurchase contracts which will be matured within three months from the reporting date and thus the carrying amounts of such contracts approximate to their fair values.

***Loans and receivables to other customers***

Approximately 98% of the total portfolio of loans and receivables to other customers have a remaining contractual maturity of less than one year.

The fair value of loans and receivables to other customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads.

The estimated fair value of loans and advances with a residual maturity of more than one year is the present value of future cash flows expected to be received from such loans and advances calculated based on interest rates at the reporting date for similar types of loans and advances. Such loans include both fixed and floating rate loans. Majority of the floating rate loans can be re priced either quarterly or semiannually while for fixed

**CITIBANK N.A. - COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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rate loans, the loan contract allows the Branch to change the contracted rate if there is a material difference between the contracted rate and the market interest rate.

***Due to Banks***

Approximately 100% of the amounts due to other banks as at the reporting date have a remaining contractual maturity of less than one year. Majority of the balance amount comprised of floating rate instruments where interest is reset either quarterly or semiannually. Therefore fair value of amounts due to banks approximate to the carrying value as at the reporting date.

***Due to other customers***

More than 95% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. 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.

***Other Borrowings***

Other borrowings mainly consist of securities sold under repurchase agreements which have a remaining contractual maturity of less than three months.

CITIBANK N.A. - COLOMBO BRANCH  
NOTES TO THE FINANCIAL STATEMENTS

Attachment 1

Maturities of Assets and Liabilities (MAL)  
LKR

Sr.	Head of Accounts Item	(Rs. Million)							
		Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
<b>A</b>	<b>Inflows</b>								
1	Cash on hand	448	-	-	-	-	-	-	-
2	Deposits with CBSL	474	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	-	-	-	-	-	-	-	-
4	Balances due from Other Banks	4,524	-	-	-	-	-	-	-
5	Investments (Net of provisions)	2,830	3,672	1,976	211	250	175	-	-
6	Bills of Exchange	1	-	-	-	-	-	-	-
7	Overdraft	266	266	266	266	266	738	738	738
8	Loans and Advances	1,497	1,994	-	1	2	22	28	166
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	685	-	-	-	-	-	-
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	157
13	Others - Please specify	-	-	-	-	-	-	-	-
	<b>Total (a)</b>	<b>10,040</b>	<b>6,617</b>	<b>2,242</b>	<b>478</b>	<b>518</b>	<b>935</b>	<b>766</b>	<b>1,109</b>
<b>B</b>	<b>Outflows</b>								
1	Demand Deposits	899	899	674	449	449	-	-	1,123
2	Savings Deposits	96	96	96	96	96	481	481	481
3	Branches	-	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	3,026	75	210	-	13	5	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	1,427
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	46	1	1	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	1,238	-	-	-	-	-	-
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-
13	Unutilized portion of Overdraft, Loans and	279	-	-	-	-	-	-	-
14	Letters of Credit/Guarantees/Acceptances	21	-	-	-	-	-	-	-
15	Repo/Bills Rediscounted/Swaps/Forward contracts	3,332	(1,850)	31	3,351	(989)	-	-	-
16	Other - Please Specify	-	-	-	-	-	-	-	-
	<b>Total (b)</b>	<b>7,699</b>	<b>459</b>	<b>1,012</b>	<b>3,896</b>	<b>(431)</b>	<b>486</b>	<b>481</b>	<b>3,031</b>
	<b>Gap = (a) - (b)</b>	<b>2,341</b>	<b>6,158</b>	<b>1,230</b>	<b>(3,418)</b>	<b>949</b>	<b>449</b>	<b>285</b>	<b>(1,922)</b>
	<b>Cumulative Gap</b>	<b>2,341</b>	<b>8,499</b>	<b>9,729</b>	<b>6,311</b>	<b>7,260</b>	<b>7,709</b>	<b>7,993</b>	<b>6,071</b>
	<b>Cumulative Liabilities</b>	<b>7,699</b>	<b>8,158</b>	<b>9,170</b>	<b>13,066</b>	<b>12,635</b>	<b>13,121</b>	<b>13,602</b>	<b>16,633</b>
	<b>Cumulative gap as a % of cumulative liabilities</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>



**Maturities of Assets and Liabilities (MAL)**  
**USD**

		(Rs. Million)							
Sr.	Head of Accounts	Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
	Item								
<b>A</b>	<b>Inflows</b>								
1	Cash on hand	22	-	-	-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
	Balances due from Head Office, Affiliates and Own Branches	2,045	-	-	-	-	-	-	-
3	Balances due from Other Banks	2,977	1,009	-	-	-	-	-	-
4	Investments (Net of provisions)	-	-	-	-	-	-	-	-
5	Bills of Exchange	-	-	-	-	-	-	-	-
6	Overdraft	96	96	96	96	96	266	266	266
7	Loans and Advances	758	572	431	-	-	-	-	-
8	NPLs	-	-	-	-	-	-	-	-
9	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
10	Other Assets	-	14	-	-	-	-	-	-
11	Lines of credit committed from institutions	-	-	-	-	-	-	-	835
12	Others - Please specify	-	-	-	-	-	-	-	-
13	<b>Total (a)</b>	<b>5,898</b>	<b>1,691</b>	<b>527</b>	<b>96</b>	<b>96</b>	<b>266</b>	<b>266</b>	<b>1,101</b>
<b>B</b>	<b>Outflows</b>								
1	Demand Deposits	1,153	1,153	865	577	577	-	-	1,442
2	Savings Deposits	59	59	59	59	59	295	295	295
	Balances due to Head Office/Affiliates/Own Branches	1,442	-	-	-	-	-	-	-
3	Balances due to Other Banks	-	-	-	-	-	-	-	-
4	Time Deposits	303	-	-	-	-	-	-	-
5	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	15	-	-	136
6	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
7	Bills Payable	-	-	-	-	-	-	-	-
8	Interest Payable	-	-	-	-	-	-	-	-
9	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
10	Other Liabilities	-	205	-	-	-	-	-	-
11	Lines of credit committed to institutions	-	-	-	-	-	-	-	615
12	Unutilized portion of Overdraft, Loans and Advances	-	-	-	-	-	-	-	-
13	Letters of Credit/Guarantees/Acceptances	-	-	-	-	-	-	-	-
14	Repo/Bills Rediscounted/Swaps/Forward contracts	(1,775)	1,900	(88)	(3,436)	960	-	-	-
15	Other - Please Specify	-	-	-	-	-	-	-	-
16	<b>Total (b)</b>	<b>1,183</b>	<b>3,317</b>	<b>836</b>	<b>(2,800)</b>	<b>1,611</b>	<b>295</b>	<b>295</b>	<b>2,488</b>
	<b>Gap = (a) - (b)</b>	<b>4,715</b>	<b>(1,626)</b>	<b>(309)</b>	<b>2,896</b>	<b>(1,515)</b>	<b>(29)</b>	<b>(29)</b>	<b>(1,387)</b>
	<b>Cumulative Gap</b>	<b>4,715</b>	<b>3,089</b>	<b>2,780</b>	<b>5,676</b>	<b>4,161</b>	<b>4,132</b>	<b>4,103</b>	<b>2,716</b>
	<b>Cumulative Liabilities</b>	<b>1,183</b>	<b>4,500</b>	<b>5,336</b>	<b>2,536</b>	<b>4,147</b>	<b>4,442</b>	<b>4,737</b>	<b>7,225</b>
	<b>Cumulative gap as a % of cumulative liabilities</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>-</b>

**Maturities of Assets and Liabilities (MAL)**  
**Other Currencies**

(Rs. Million)

Sr.	Head of Accounts Item	Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
<b>A</b>	<b>Inflows</b>								
1	Cash on hand	5	-	-	-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	911	-	-	-	-	-	-	-
4	Balances due from Other Banks	-	-	-	-	-	-	-	-
5	Investments (Net of provisions)	-	-	-	-	-	-	-	-
6	Bills of Exchange	-	-	-	-	-	-	-	-
7	Overdraft	-	-	-	-	-	-	-	-
8	Loans and Advances	-	-	-	-	-	-	-	-
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	-	-	-	-	-	-	6
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	<b>Total (a)</b>	<b>916</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>B</b>	<b>Outflows</b>								
1	Demand Deposits	52	52	39	26	26	-	-	65
2	Savings Deposits	6	6	6	6	6	31	31	31
3	Balances due to Head Office/Affiliates/Own Branches	69	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	-	-	-	-	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	-	-	-	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	-	-	-	-	-	-	4
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-
13	Unutilized portion of Overdraft, Loans and Advances	-	-	-	-	-	-	-	-
14	Letters of Credit/Guarantees/Acceptances	-	-	-	-	-	-	-	-
15	Repo/Bills Rediscouted/Swaps/Forward contracts	72	-	-	-	-	-	-	-
16	Other - Please Specify	-	-	-	-	-	-	-	-
	<b>Total (b)</b>	<b>199</b>	<b>58</b>	<b>45</b>	<b>32</b>	<b>32</b>	<b>31</b>	<b>31</b>	<b>100</b>
	<b>Gap = (a) - (b)</b>	<b>717</b>	<b>(58)</b>	<b>(45)</b>	<b>(32)</b>	<b>(32)</b>	<b>(31)</b>	<b>(31)</b>	<b>(94)</b>
	<b>Cumulative Gap</b>	<b>717</b>	<b>659</b>	<b>614</b>	<b>582</b>	<b>550</b>	<b>519</b>	<b>488</b>	<b>394</b>
	<b>Cumulative Liabilities</b>	<b>199</b>	<b>257</b>	<b>302</b>	<b>334</b>	<b>366</b>	<b>397</b>	<b>428</b>	<b>528</b>
	<b>Cumulative gap as a % of cumulative liabilities</b>	<b>360%</b>	<b>256%</b>	<b>203%</b>	<b>174%</b>	<b>150%</b>	<b>131%</b>	<b>114%</b>	<b>75%</b>

CITIBANK N.A. COLOMBO BRANCH  
NOTES TO THE FINANCIAL STATEMENTS

Attachment 2

Sensitivity of Assets and Liabilities (SAL)  
LKR

Period Ended : 31st December 2015

No.	Assets and OBS	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand														448	448
2	Deposits with CBSL														474	474
3	Balances due from HO/Affiliates/Branches															-
4	Balances due from Other Banks	4,517													7	4,524
5	Investments	2,830	3,672	1,976	462	0	174		15	32						9,161
6	Bills of Exchange and Promissory Notes	1														1
7	Overdrafts		3,545													3,545
8	Loans and Advances	1,497	1,994	-	3	8	14	26	1	5	46	38	53	24		3,709
9	Non Performing Loans															-
10	Fixed Assets														157	157
11	Net Inter-branch Transactions															-
12	Accrued Interest															-
13	Other Assets														685	685
14	Reverse Repos	1,500														1,500
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	<b>Total</b>	<b>10,345</b>	<b>9,211</b>	<b>1,976</b>	<b>465</b>	<b>8</b>	<b>188</b>	<b>26</b>	<b>1</b>	<b>20</b>	<b>78</b>	<b>38</b>	<b>53</b>	<b>24</b>	<b>1,771</b>	<b>24,204</b>

(Rs. Million)

(Rs. Million)

No.	Assets and OBS	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	5-7 years	7-10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
	<b>Liabilities and OBS</b>															
1	Demand Deposits														4,493	4,493
2	Savings Deposits		1,923													1,923
3	Time Deposits	4,323	108	8	300	18										4,757
4	Other Deposits											164,435				164,435
5	Balances due to HO/Affiliates/Branches															-
6	Balance due to other Banks														-	-
7	Certificate of Deposits															-
8	Other Borrowings															-
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable														34	34
12	Provisions (others)															-
13	Capital															-
14	Reserves														1,524	1,524
15	Retained Earnings														486	486
16	Subordinated Debts														8,885	8,885
17	Other (Specify)															-
18	Repos	741														-
19	FRAs															741
20	Futures															-
21	Swaps															-
22	Options															-
	<b>Total</b>	5,064	2,031	8	300	18	-	-	-	-	-	164,435	-	-	15,422	187,278
	<b>Gap</b>	5,281	7,180	1,968	165	(10)	188	26	1	20	78	(164,397)	53	24	(13,652)	(163,074)

CITIBANK N.A. COLOMBO BRANCH  
NOTES TO THE FINANCIAL STATEMENTS

Attachment 2

Sensitivity of Assets and Liabilities (SAL)

USD

Period Ended : 31st December 2015

No.	Assets and OBS	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand														22	22
2	Deposits with CBSL															-
3	Balances due from HO/Affiliates/Branches														2,044	2,044
4	Balances due from Other Banks	2,942	1,009												35	3,986
5	Investments															-
6	Bills of Exchange and Promissory Notes															-
7	Overdrafts		1,278													1,278
8	Loans and Advances	758	572	431												1,761
9	Non Performing Loans															-
10	Fixed Assets															-
11	Net Inter-branch Transactions															-
12	Accrued Interest															-
13	Other Assets														850	850
14	Reverse Repos															-
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	<b>Total</b>	<b>3,700</b>	<b>2,859</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,951</b>	<b>9,941</b>

(Rs. Million)

(Rs. Million)

No.	Assets and OBS	Up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	5-7 years	7-10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
	Liabilities and OBS															
1	Demand Deposits														5,767	5,767
2	Savings Deposits		1,179													1,179
3	Time Deposits	431			22											453
4	Other Deposits											71				71
5	Balances due to HO/Affiliates/Branches	937													100.00	1,037
6	Balance due to other Banks															-
7	Certificate of Deposits															-
8	Other Borrowings															-
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable														-	-
12	Provisions (others)															-
13	Capital															-
14	Reserves															-
15	Retained Earnings															-
16	Subordinated Debts															-
17	Other (Specify)															-
18	Repos															-
19	FRAs															-
20	Futures															-
21	Swaps															-
22	Options															-
	Total	1,368	1,179	-	22	-	-	-	-	-	-	71	-	-	5,867	8,507
	Gap	2,332	1,680	431	(22)	-	-	-	-	-	-	(71)	-	-	(2,916)	1,435

CITIBANK N.A. COLOMBO BRANCH  
NOTES TO THE FINANCIAL STATEMENTS

Attachment 2

Sensitivity of Assets and Liabilities (SAL)  
OTHER CURRENCIES

Period Ended : 31st December 2015

No.	Assets and OBS	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand														5	5
2	Deposits with CBSL															-
3	Balances due from HO/Affiliates/Branches	251													660	911
4	Balances due from Other Banks															-
5	Investments															-
6	Bills of Exchange and Promissory Notes															-
7	Overdrafts															-
8	Loans and Advances															-
9	Non Performing Loans															-
10	Fixed Assets															-
11	Net Inter-branch Transactions															-
12	Accrued Interest															-
13	Other Assets														7	7
14	Reverse Repos															-
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	<b>Total</b>	<b>251</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>672</b>	<b>923</b>

(Rs. Million)

(Rs. Million)

No.	Assets and OBS	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 7 years	7 - 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
	<b>Liabilities and OBS</b>															
1	Demand Deposits														262	262
2	Savings Deposits		124													124
3	Time Deposits															-
4	Other Deposits											1				1
	Balances due to															
5	HO/Affiliates/Branches	449													-	449
6	Balance due to other Banks														-	-
7	Certificate of Deposits															-
8	Other Borrowings															-
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable														-	-
12	Provisions (others)															-
13	Capital															-
14	Reserves															-
15	Retained Earnings															-
16	Subordinated Debts															-
17	Other (Specify)															-
18	Repos															-
19	FRAs															-
20	Futures															-
21	Swaps															-
22	Options															-
	<b>Total</b>	449	124	-	-	-	-	-	-	-	-	1	-	-	262	836
	<b>Gap</b>	(199)	(124)	-	-	-	-	-	-	-	-	(1)	-	-	410	87



**CITIBANK N.A. COLOMBO BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

Attachment 3

**Foreign Exchange Position**

As at end of: 31st December 2015

Currency (1)	Spot		Forward(a)			Net Open Position (8)	Net position in other exchange contracts (b) (9)	Overall exposure in respective foreign currency (10)	Overall exposure in Sri Lankan rupees(d) (11)
	Assets (2)	Liabilities (3)	Net (4)=(2)-(3)	Assets (5)	Liabilities (6)	Net (7)=(5)-(6)			
US Dollars	626	692	(66)	32,696	30,257	2,439	-	16	2,373
Pound Sterling	-	-	-	160	160	-	-	-	-
Euro	-	-	-	118	118	-	-	-	-
Japanese Yen	115	46	69	-	-	-	-	58	69
Indian Rupee	-	-	-	-	-	-	-	-	-
Australian Dollar	-	-	-	112	112	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-
Other currencies (c)	-	4	(4)	-	-	-	-	-	-
<b>Total Exposure (e)</b>	<b>741</b>	<b>742</b>	<b>(1)</b>	<b>33,086</b>	<b>30,719</b>	<b>2,367</b>	<b>(76)</b>	<b>2,366</b>	<b>(76)</b>
<b>Total capital funds as per the latest audited financial statements</b>									
<b>Total exposure as a % of total capital funds as per the latest audited financial statements (should not exceed 30%)</b>									
									<b>25.31%</b>

- (a) Unsettled tom and spot transactions also should be included under forward operations  
(b) Report the net foreign exchange position in other foreign exchange contracts such as currency options, futures etc.  
(c) The Sri Lankan rupee equivalent of other currencies should be shown under column 11.  
(d) Column 11 should show the Sri Lankan rupee equivalent of column 10.  
(e) The exposure indicated against each currency in column 11 should be added ignoring signs to arrive at exposure under (e).

