

**CITIBANK N.A. COLOMBO BRANCH  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2018**



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## INDEPENDENT AUDITOR'S REPORT

### TO THE MANAGEMENT OF CITIBANK N.A.COLOMBO BRANCH

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the Financial Statements of Citibank N.A.Colombo Branch ("the Branch"), which comprise the Statement of Financial Position as at December 31, 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Branch as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

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

##### Other Information

Management is responsible for the other information. These financial statements does not include the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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



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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka

May 28, 2019

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

*For the year ended December 31,*

	Note	2018 Rs. '000	2017 Rs. '000
<b>Income</b>	<b>5</b>	<b>5,626,573</b>	<b>5,025,651</b>
Interest income	6(a)	3,225,313	2,939,519
Interest expenses	6(b)	(878,574)	(748,179)
<b>Net interest income</b>	<b>6</b>	<b>2,346,739</b>	<b>2,191,340</b>
Fee and commission income	7(a)	858,198	896,548
Fee and commission expenses		(157,843)	(177,727)
<b>Net fee and commission income</b>	<b>7</b>	<b>700,355</b>	<b>718,821</b>
<b>Net interest, fee and commission income</b>		<b>3,047,094</b>	<b>2,910,161</b>
Net gain from trading	8	920,279	322,341
Other operating income	9	622,783	867,243
<b>Total operating income</b>		<b>4,590,156</b>	<b>4,099,745</b>
Impairment (charge) / reversal	10	(8,491)	26,139
<b>Net operating income</b>		<b>4,581,665</b>	<b>4,125,884</b>
<b>Operating expenses</b>			
Personnel expenses	11	(658,723)	(689,267)
Depreciation and amortization expense		(102,699)	(99,569)
Other expenses	12	(571,342)	(665,651)
<b>Operating profit before VAT, NBT and DRL</b>		<b>3,248,901</b>	<b>2,671,399</b>
Value Added Tax (VAT), Nation Building Tax (NBT) on financial services and Debt Repayment Levy		(604,951)	(463,373)
<b>Profit before tax</b>		<b>2,643,950</b>	<b>2,208,026</b>
Income tax expenses	13	(897,619)	(748,658)
<b>Profit for the year</b>		<b>1,746,331</b>	<b>1,459,368</b>
<b>Other comprehensive income</b>			
<b>Items that will not reclassified to profit or loss</b>			
Re-measurement of post-employment benefit obligations	28.3	43,663	(27,057)
Less : Related tax	28.3	(12,226)	7,576
<b>Items that are or may be reclassified to profit or loss</b>			
Instruments measured at fair value through other comprehensive income		(50,457)	(2,522)
Less : Related tax		14,128	706
Foreign currency translation difference in foreign operations	32 (b)	542,257	60,821
<b>Other comprehensive income for the year, net of tax</b>		<b>537,365</b>	<b>39,524</b>
<b>Total comprehensive income for the year</b>		<b>2,283,696</b>	<b>1,498,891</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 December 31,*

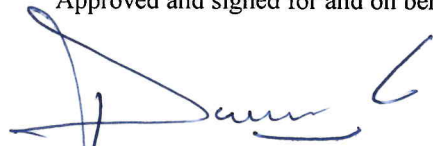
	Note	2018 Rs. '000	2017 Rs. '000
<b>Assets</b>			
Cash and cash equivalents	15	5,772,510	4,083,299
Balances with Central Bank of Sri Lanka	16	1,223,727	882,714
Placements with banks	17	6,559,072	11,038,804
Derivative financial assets	18	2,444,682	709,248
Financial assets recognised through profit or loss- measured at fair value	19	4,890,750	1,704,504
Financial assets at amortised cost - loans and advances	20	18,770,128	15,221,983
Financial assets measured at fair value through other comprehensive income	21	9,092,021	5,195,349
Property, plant and equipment	22	247,847	311,915
Deferred tax assets	23	20,671	14,514
Other assets	24	381,372	356,477
<b>Total assets</b>		<b>49,402,780</b>	<b>39,518,807</b>
<b>Liabilities</b>			
Due to banks	25	8,726,754	4,868,953
Derivative financial liabilities	26	1,755,480	583,918
Financial liabilities at amortised cost - due to depositors	27	23,513,531	19,474,257
Securities sold under repurchase agreements		70,875	220,961
Current tax liabilities		912,680	642,865
Retirement benefit obligations	28	224,665	236,479
Other liabilities	29	761,117	891,797
<b>Total liabilities</b>		<b>35,965,102</b>	<b>26,919,230</b>
<b>Equity</b>			
Assigned capital	30	1,524,250	1,524,250
Statutory reserve fund	31	768,111	680,794
Retained earnings		9,746,744	9,501,888
Other reserves	32	1,398,573	892,645
<b>Total equity</b>		<b>13,437,678</b>	<b>12,599,577</b>
<b>Total equity and liabilities</b>		<b>49,402,780</b>	<b>39,518,807</b>
<b>Contingent liabilities and commitments</b>	33	<b>97,981,763</b>	<b>77,550,722</b>

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

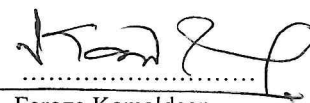
*Figures in brackets indicate deductions.*

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  
Citi Country Officer  
May 28, 2019  
Colombo



Feroze Kamaldeen  
Chief Finance Officer

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

	Assigned capital	Statutory reserve fund	Other Reserves				Total equity
			Exchange equalization account	Available for sale reserve	Exchange equalization reserve	Retained earnings	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at January 01, 2017</b>	<b>1,524,250</b>	<b>607,825</b>	<b>5,170</b>	<b>28,513</b>	<b>799,957</b>	<b>8,134,970</b>	<b>11,100,685</b>
<b>Total comprehensive income for the year</b>							
Profit for the year 2017	-	-	-	-	-	1,459,368	1,459,368
Other comprehensive income (net of tax)	-	-	-	(1,816)	60,821	(19,481)	39,524
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,816)</b>	<b>60,821</b>	<b>1,439,886</b>	<b>1,498,892</b>
<b>Transactions with equity holders, recognised directly in equity</b>							
Transfers to reserves during the year	-	72,969	-	-	-	(72,969)	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>72,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,969)</b>	<b>-</b>
<b>Balance as at December 31, 2017</b>	<b>1,524,250</b>	<b>680,794</b>	<b>5,170</b>	<b>26,697</b>	<b>860,778</b>	<b>9,501,888</b>	<b>12,599,577</b>
<b>Balance as at January 01, 2018</b>	<b>1,524,250</b>	<b>680,794</b>	<b>5,170</b>	<b>26,697</b>	<b>860,778</b>	<b>9,501,888</b>	<b>12,599,577</b>
<b>Adjustment on initial application on IFRS 09, net of tax (note 39)</b>						13,520	13,520
<b>Total comprehensive income for the year</b>							
Profit for the year 2018	-	-	-	-	-	1,746,331	1,746,331
Other comprehensive income (net of tax)	-	-	-	(36,329)	542,257	31,437	537,365
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,329)</b>	<b>542,257</b>	<b>1,791,288</b>	<b>2,297,216</b>
<b>Transactions with equity holders, recognised directly in equity</b>							
Profit transferred to head office	-	87,317	-	-	-	(1,459,115)	(1,459,115)
Transfers to reserves during the year	-	87,317	-	-	-	(87,317)	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>87,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,546,432)</b>	<b>(1,459,115)</b>
<b>Balance as at December 31, 2018</b>	<b>1,524,250</b>	<b>768,111</b>	<b>5,170</b>	<b>(9,632)</b>	<b>1,403,035</b>	<b>9,746,744</b>	<b>13,437,678</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 CASH FLOWS**

*For the year ended December 31,*

	2018 Rs. '000	2017 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and commission receipts	3,946,823	3,606,050
Interest and commission payments	(963,816)	(803,614)
Receipts from other operating activities	1,541,935	838,316
Payments to employees	(617,973)	(696,948)
Other overhead expenses and other taxes paid	(1,176,293)	(1,094,573)
<b>Operating profit before changes in operating assets &amp; liabilities</b>	<b>2,730,676</b>	<b>1,849,231</b>
<b>(Increase)/decrease in operating assets</b>		
Financial assets at amortised cost - loans and advances	(3,562,567)	(2,581,718)
Net proceeds from sale, maturity, and purchases of financial investments	(6,992,926)	4,606,781
Deposits held for regulatory purposes	(341,013)	(573,397)
Placements with bank	4,473,862	(1,040,944)
Other assets	(1,746,652)	73,977
	<b>(8,169,296)</b>	<b>484,699</b>
<b>Increase in operating liabilities</b>		
Financial liabilities at amortised cost - due to depositors	7,824,396	182,682
Securities sold under repurchase agreements	(150,010)	(178,504)
Other liabilities	1,032,529	181,646
	<b>3,268,295</b>	<b>2,519,754</b>
Income tax paid	(615,596)	(607,546)
Gratuity paid	(8,901)	(18,157)
Net unrealized gains arising from translating the financial statements of foreign operation	542,257	60,821
<b>Net cash generated from operating activities</b>	<b>3,186,055</b>	<b>1,954,872</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(38,631)	(51,825)
Dividend income received from financial investments	1,127	1,048
Proceeds from sale of property, plant & equipment	-	333
<b>Net cash (used in) from investing activities</b>	<b>(37,504)</b>	<b>(50,445)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit remittance to head office	(1,459,115)	-
<b>Net cash decrease from financing activities</b>	<b>(1,459,115)</b>	<b>-</b>
<b>Net increase in cash &amp; cash equivalents</b>	<b>1,689,436</b>	<b>1,904,427</b>
Cash & cash equivalents at the beginning of the year	4,083,299	2,178,872
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>5,772,735</b>	<b>4,083,299</b>
<b>Reconciliation of cash &amp; cash equivalents (Note 15)</b>		
Cash in hand	868,702	925,896
Balances with banks	4,904,033	2,987,698
Money at call and short notice	-	169,705
<b>Gross cash &amp; cash equivalents</b>	<b>5,772,735</b>	<b>4,083,299</b>
Less: Accumulated impairment - Stage 1	(225)	-
<b>Net cash &amp; cash equivalents</b>	<b>5,772,510</b>	<b>4,083,299</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**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**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 (Head office), 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 December 31, 2018 is 84. (2017- 84)

**2. BASIS OF PREPERATIONS**

**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 Statement of Cash Flows 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 May 28, 2019.

**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;
- financial assets at fair value through OCI;
- 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 the Domestic Banking Unit and Foreign Currency Banking Unit.



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

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**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 of financial assets (Note 3.12.5)
- Impairment of non-financial assets (3.14)
- Current taxation (Note 3.9.1)
- Deferred taxation ( Note 3.9.2)
- Employee benefits (Note 3.18)
- Recognition and measurement of financial instruments (Note 3.12)
- Commitment and Contingencies (3.22 & 33)
- Restoration reserve (3.13.4)

**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. Comparative Figures**

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

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

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**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. 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 equity instruments measured at fair value through 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.

**Income and Expenditures**

**3.2 Interest Income and Expenditures**

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 estimates 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.

**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.

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

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**3.4 Dividend Income**

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity where the Branch receives on its mandatory investments in Lanka Clear (Pvt). Ltd and Credit Information Bureau of Sri Lanka. These are accounted for in other operating income in the profit or loss.

**3.5 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.

**3.6 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 operating income.

**3.7 Other Expenses**

The expenditure incurred on personnel cost and other operating expenses has been apportioned between the FCBU and DBU based on the volume of transactions.

**3.8 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.

**3.9 Income 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.

**3.9.1 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.

**3.9.2 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

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

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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.

**3.9.3 Other Taxes**

**3.9.3.1 Crop Insurance Levy (CIL)**

As per the provision of the section 14 of the finance Act No.12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the Nation Insurance Trust Fund, Currently, the CIL is payable at 1% of the profit after tax.

**3.9.3.2 Value Added Taxes on Financial Services (VAT on FS)**

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by Department of Inland Revenue to the accounting profit before Income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

**3.9.3.3 Nation Building Tax on Financial Services (NBT)**

With effect from January 01, 2014 NBT of 2% was introduced on supply on financial services via an amendments to the NBT Act No.09, of 2009. NBT is charged on the same basis used for calculation of VAT on financial services as explained above.

The amount of Value Added Tax and NBT charged in determining the profit or loss for the period is given in profit or loss.

**3.9.3.4 Economic Service Charge (ESC)**

As per provision of the Economic Service Charge (ESC) Act No.13 of 2006 and subsequent amendments thereto, ESC is payable on aggregate turnover of the Branch at 0.5% and is deductible from Income tax payable.

**3.9.3.5 Debt Repayment Levy (DRL)**

The debt repayment levy is imposed by Finance Act No.35 of 2018 for a limited period from October 01, 2018 to December 31, 2021. Same basis is applied as VAT on FS calculation at 7% on total value addition.

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

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**Assets and Liabilities and Basis of Valuation**

**3.10 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.

**3.11 Financial Assets and Financial Liabilities**

**Changes in Accounting Policies**

**SLFRS 9-“Financial Instruments”**

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 “Financial Instruments: Recognition and Measurement”. The requirements of SLFRS 9 represent a significant change from LKAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Branch’s accounting policies resulting from its adoption of SLFRS 9 are summarized below. The full impact of adopting the standard is set out in Note 14.

**Classification of Financial Assets and Financial Liabilities**

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Branch classifies financial assets under SLFRS 9, refer Note 3.12.2.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, although under LKAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under SLFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Branch classifies its financial liabilities under SLFRS 9 and refer Note 3.12.2.



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**Impairment of Financial Assets**

SLFRS 9 replaces the “incurred loss” model in LKAS 39 with an “expected credit loss” model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39. For an explanation of how the Branch applies the impairment requirements of SLFRS 9, refer Note 3.12.5.

**Transition**

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below:

-The Branch used the exemption not to restate comparatives. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of SLFRS 9 and therefore is not comparable to the information presented for 2018 under SLFRS 9.

-The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Branch has assumed that credit risk on the asset had not increased significantly since its initial recognition.

More information and details on the changes and the implications resulting from the adoption of SLFRS 9 is given in Note 14.

**3.12 Significant Accounting Policies**

**Financial Assets and Financial Liabilities**

**3.12.1 Recognition and Initial Measurement**

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

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 regular-way purchases and sales of financial assets) are initially recognized on the settlement 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction cost

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in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

When the fair value of financial instruments (except trade receivables that do not have significant financing component) at initial recognition differs from the transaction price, the Branch accounts for the Day 1 profit or loss, as described below.

**3.12.1.1 "Day 1" Profit or Loss**

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Branch recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is determined based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value deferred is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is de-recognised.

**3.12.2 (a) Classification**

**(Policy adopted from January 01, 2018)**

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

The following paragraphs explain the classification criteria for the 3 categories in more detail.

**- Amortized Cost**

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

- a) The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

**- Fair Value through Other Comprehensive Income (FVOCI)**

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

- a) The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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**- Fair Value Through Profit or Loss (FVTPL)**

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

The Branch measures all equity instruments in scope of SLFRS 9 at FVTPL.

**Business Model Assessment**

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

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative factors and qualitative factors.

The Branch considers all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

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

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

**Assessment of whether the Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI test)**

If an instrument is held in either a hold to collect or a or hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding (SPPI) is required to determine classification. For SPPI, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount) and "interest" is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of

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time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

**Reclassification**

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

**3.12.2 (b) Classification**

**(Policy adopted before January 01, 2018)**

**Financial Assets**

The Branch classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading; or
  - designated as at FVTPL

**Financial Liabilities**

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

The Branch separates derivatives embedded in financial liabilities where they are not closely related to the host contract. Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit previously recorded in OCI will not be recycled to P&L. The OCI balance is reclassified directly to retained earnings.

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**3.12.3 Derecognition**

**Financial Assets**

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

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

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

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

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

**Financial Liabilities**

The Branch derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

**Modification of Financial Assets and Financial Liabilities**

**(Policy adopted from January 01, 2018)**

**Financial assets**

If the terms of a financial asset are modified, the Branch evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is de-recognised and a new financial asset is recognised at fair value. Any fees received as part of the modification are accounted for as follows:

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



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

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

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

#### **Financial Liabilities**

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

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

#### **3.12.4 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 one is 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.

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If there is no quoted price in an active market, then the Branch uses valuation techniques that maximize the use of relevant observable inputs and minimize 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 on 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 on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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 the particular risk exposure. Portfolio level adjustments – e.g, bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – 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 financial liability with a demand feature (e.g, 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.

### **3.12.5 Impairment**

**(Policy adopted from January 01, 2018)**

#### **Recognition of ECL**

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

#### **Measurement of ECL**

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

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

#### **Credit-Impaired Financial Assets**

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

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

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

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#### **Wholesale Classifiably Managed Exposures**

An impairment allowance will be estimated for corporate loans utilizing sophisticated models depending on the relative size, quality and complexity of the portfolios. Impairment allowances for the small consumer loan portfolios will be estimated utilizing a less sophisticated approach that is reasonable and proportionate after considering both entity level and portfolio level factors.

#### **Delinquency Managed Exposures**

In particular, for consumer loan portfolios, where the Branch does not have access to detailed historical information and/or loss experience, the Branch will adopt a simplified approach using backstops and other qualitative information specific to each portfolio.

#### **Other Financial Assets Simplified Approaches**

For other financial assets, being short term and simple in nature, the Branch will apply a simplified measurement approach that may differ from what is described above. This approach leverages existing models currently used globally for stress-testing and regulatory capital reporting purposes, but incorporates specifically developed components to make estimates compliant with SLFRS 9.

#### **Presentation of the Allowance of ECL in the Statement of Financial Position**

Loss allowances for ECL are presented in the statement of financial position as follows;

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset
- Loan commitments and financial guarantee contracts: as a provision under other liabilities
- Debt instruments measured at FVOCI: as the carrying amount of these financial assets is at fair value, no loss allowance is recognised in the statement of financial position, however, the loss allowance is disclosed in note 32(a) and is recognised in the fair value reserve.

### **3.13 Property, Plant & Equipment**

#### **3.13.1 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.

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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.

**3.13.2 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.

**3.13.3 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.

\*\*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.

**3.13.4 Restoration Reserve**

The cost of property, plant and equipment includes the initial estimate of the cost of restoration to the extent that such cost is recognized as a similar liability.

The IFRIC Interpretation 01 changes in existing decommissioning, restoration and similar liabilities is applied for:



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- i) The recognition as part of the cost of an item of property, plant and equipment in accordance with LKAS 16; and
- ii) The recognition of liability in accordance with LKAS 37.

The depreciation of property, plant and equipment is recognized to the profit or loss on a straight line basis over the estimated useful lives.

**3.14 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.

**3.15 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.

**3.16 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.

**3.17 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.

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**3.18 Employee Benefits**

**3.18.1 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. An actuarial valuation of the provision for employee benefits was carried out as at December 31, 2018 by Kulin Patel, Fellow, Institute and Faculty of Actuaries of UK; an actuarial valuer attached to Towers Watson India. 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.

**3.18.2 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.

**3.19 Repurchase agreements**

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are recognized initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of the principal amount loaned. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on, or derecognized from, the financial position, unless the risks and rewards of ownership are obtained or relinquished.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is reported as interest income and interest expense, respectively.

**3.20 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.

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**3.21 Deposit Insurance Scheme**

In terms of the banking act Direction No5 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.

**3.22 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.

Commitments and contingent liabilities of the Branch are disclosed in the respective notes to the financial statements.

**3.23 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.

**3.24 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.

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

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**4. ACCOUNTING STANDARDS ISSUED BUT NOT WHICH MAY NOT HAVE IMPACT**

**4.1 SLFRS 16 – Leases**

SLFRS 16 is effective from annual report period beginning on or after January 2019. Early adoption is permitted for entities that adopt SLRS 15. SLFRS 16 supersedes LKAS 7 – Leases, IRIC 4 – determining whether an arrangement contains leases, SIC 15 – operating leases incentives and SIC 27 – evaluating the substance of transaction involving the legal form a lease.

The Branch is currently assessing the impact on the implementation of the above standards.

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

*For the year ended December 31,*

	2018 Rs. ' 000	2017 Rs. ' 000
<b>5 Income</b>		
Interest income (Note 6 (a))	3,225,313	2,939,519
Fee and commission income (Note 7 (a))	858,198	896,548
Net gain from trading (Note 8)	920,279	322,341
Other operating income (Note 9)	622,783	867,243
	<b>5,626,573</b>	<b>5,025,651</b>
<b>6 Net interest income</b>		
<b>6(a) Interest income</b>		
Placements with banks	454,241	245,215
Financial assets at amortised cost - loans and advances	1,502,192	1,439,409
Financial assets recognized through profit and loss - measured at fair value	513,788	415,455
Financial assets measured at fair value through other comprehensive income	703,576	778,224
Financial investments - loans and receivables	51,516	61,216
	<b>3,225,313</b>	<b>2,939,519</b>
<b>6(b) Interest expenses</b>		
Financial liabilities at amortised cost - due to depositors	(770,490)	(662,551)
Financial liabilities at amortised cost - due to other borrowers	(108,084)	(85,628)
	<b>(878,574)</b>	<b>(748,179)</b>
<b>Net interest income</b>	<b>2,346,739</b>	<b>2,191,340</b>
<b>7 Net fee and commission income</b>		
Fee and commission income (Note 7(a))	858,198	896,548
Less : Fee and commission expenses	(157,843)	(177,727)
	<b>700,355</b>	<b>718,821</b>
<b>7(a) Comprising</b>		
Trade and remittances	404,524	466,775
Deposits	12,889	10,370
Guarantees	51,935	51,494
Other fee and commission income (Note 7 (a.1))	388,850	367,909
	<b>858,198</b>	<b>896,548</b>
<b>Note 7.a.1</b>		
Other fee and commission income includes income from cash collection amounting to Rs. 230 Mn. for the year ended December 31, 2018, whereas for the year ended December 31, 2017 other fee and commission includes income from cash collection amounting to Rs.210.8 Mn.		
<b>8 Net gain from trading</b>		
Foreign exchange		
From banks	1,690,756	(299,346)
From other customers	(1,144,598)	175,855
Fixed income	374,121	445,832
	<b>920,279</b>	<b>322,341</b>
<b>9 Other operating income</b>		
Gain on sale of property, plant and equipment and other	-	253
Gain on revaluation of foreign exchange	621,866	866,990
Other income	917	-
	<b>622,783</b>	<b>867,243</b>
<b>10 Impairment (charge) / reversal</b>		
Financial assets at amortised cost - loans and advances - stage 1 (Note 20(d))	(7,184)	26,139
Financial assets at amortised cost- placement- stage 1 (Note 17(a))	(931)	-
Financial assets at amortised cost- cash and cash equivalents- stage 1 (Note 15(a))	513	-
Contingent liabilities & commitments -stage 1 (Note 33(a.1))	(889)	-
	<b>(8,491)</b>	<b>26,139</b>



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

*For the year ended December 31,*

	2018 Rs. ' 000	2017 Rs. ' 000
<b>11 Personnel expenses</b>		
Salary and other benefits	577,513	614,263
Contributions to defined contribution/benefit plans	40,460	38,145
Provision charge for employee benefits	40,750	36,859
	<u>658,723</u>	<u>689,267</u>
<b>12 Other expenses</b>		
Auditors' remuneration	1,848	1,552
Audit related expenses	3,750	1,642
Professional and legal expenses	2,375	7,509
Office administration and establishment expenses	119,690	134,909
Other operating and overhead expenses	443,679	520,039
	<u>571,342</u>	<u>665,651</u>
<b>13 Income tax expenses</b>		
<b>Current tax expense</b>		
Income tax on current year profits	929,113	758,041
(Over) provision in respect of prior years	(27,239)	(27,373)
<b>Deferred tax expense</b>		
Origination of temporary differences	(4,255)	17,990
	<u>897,619</u>	<u>748,658</u>

**13(a) Reconciliation between current tax expenses and the accounting profit**

	2018 Rs. ' 000	2017 Rs. ' 000
Accounting profit before tax	2,643,950	2,208,026
Aggregate disallowed items	934,314	731,819
Aggregate allowable expenses	(260,003)	(232,554)
Taxable income	<u>3,318,261</u>	<u>2,707,291</u>
Income tax expense @ 28%	<u>929,113</u>	<u>758,041</u>

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

	2018 %	Rs '000	2017 %	Rs '000
Profit for the year		1,746,331		1,459,368
Income tax expenses		897,619		748,658
Profit before taxation		<u>2,643,950</u>		<u>2,208,026</u>
Tax using the domestic corporation tax rate	28%	740,306	28%	618,247
Non-deductible expenses	10%	261,608	9%	204,909
Tax exempt income/ deductible expenses	-3%	(72,801)	-3%	(65,115)
Total tax expense	35%	<u>929,113</u>	34%	<u>758,041</u>

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

**14 Analysis of financial instruments by measurement basis**  
**a. As at December 31, 2018**

	<b>FVTPL*</b>	<b>Amortised cost</b>	<b>FVOCI*</b>	<b>Total</b>
	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
<b>Financial assets</b>				
Cash and cash equivalents	-	5,772,510	-	5,772,510
Balances with central banks	-	1,223,727	-	1,223,727
Placements with banks	-	6,559,072	-	6,559,072
Derivative financial instruments	2,444,682	-	-	2,444,682
Financial assets recognised through profit or loss- measured at fair value	4,890,750	-	-	4,890,750
Financial assets at amortised cost - loans and advances	-	18,770,128	-	18,770,128
Financial assets measured at fair value through other comprehensive income	-	-	9,092,021	9,092,021
Other assets		20,890	1,040	21,930
<b>Total financial assets</b>	<b>7,335,432</b>	<b>32,346,327</b>	<b>9,093,061</b>	<b>48,774,820</b>
		<b>FVTPL*</b>	<b>Amortised cost</b>	<b>Total</b>
		<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
<b>Financial liabilities</b>				
Due to banks		-	8,726,754	8,726,754
Derivative financial instruments		1,755,480	-	1,755,480
Financial liabilities at amortised cost - due to depositors		-	23,513,531	23,513,531
Securities sold under repurchase agreements		-	70,875	70,875
Other liabilities			368,113	368,113
<b>Total financial liabilities</b>		<b>1,755,480</b>	<b>32,679,273</b>	<b>34,434,753</b>

**b. As at December 31, 2017**

	<b>HFT*</b>	<b>Amortised cost</b>	<b>Available for Sale (AFS)</b>	<b>Total</b>
	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
<b>Financial assets</b>				
Cash and cash equivalents	-	4,083,299	-	4,083,299
Balances with central banks	-	882,714	-	882,714
Placements with banks	-	11,038,804	-	11,038,804
Derivative financial instruments	709,248	-	-	709,248
Financial assets recognised through profit or loss- measured at fair value	1,704,504	-	-	1,704,504
Financial assets at amortised cost - loans and advances	-	15,221,983	-	15,221,983
Financial assets measured at fair value through other comprehensive income	-	-	5,195,349	5,195,349
Other assets		21,579	1,040	22,619
<b>Total financial assets</b>	<b>2,413,752</b>	<b>31,248,379</b>	<b>5,196,389</b>	<b>38,858,520</b>
		<b>HFT*</b>	<b>Amortised cost</b>	<b>Total</b>
		<b>Rs. ' 000</b>	<b>Rs. ' 000</b>	<b>Rs. ' 000</b>
<b>Financial liabilities</b>				
Due to banks		-	4,868,953	4,868,953
Derivative financial instruments		583,918	-	583,918
Financial liabilities at amortised cost - due to depositors		-	19,474,257	19,474,257
Securities sold under repurchase agreements		-	220,961	220,961
Other liabilities			523,924	523,924
<b>Total financial liabilities</b>		<b>583,918</b>	<b>25,088,095</b>	<b>25,672,013</b>

\*Financial assets measured at fair value through other comprehensive income-FVOCI

\* Designated at fair value through profit or loss - Designated at fair value - FVTPL

\*Held for Trading-HFT

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

**Transition disclosures**

**c. Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as at January 01, 2018**

				Rs. ' 000	Rs. ' 000
	Note	Original classification under LKAS 39	New classification under SLFRS 9	Carrying amount under LKAS 39	New carrying amount under SLFRS 9
<b>Financial assets</b>					
Cash and cash equivalents	15	Loans and receivables	Amortised cost	4,083,299	4,082,561
Balances with central banks	16	Loans and receivables	Amortised cost	882,714	882,714
Placements with banks	17	Loans and receivables	Amortised cost	11,038,804	11,037,710
Derivative financial instruments	18	FVTPL	FVTPL	709,248	709,248
Financial assets recognised through profit or loss- measured at fair value	19	FVTPL	FVTPL	1,704,504	1,704,504
Financial assets at amortised cost - loans and advances	20	Loans and receivables	Amortised cost	15,221,983	15,244,799
Financial assets measured at fair value through other comprehensive income	21	AFS	FVOCI*	5,195,349	5,195,349
Other assets	24	Loans and receivables	Amortised cost	21,579	21,579
Other assets-investment in equity securities	24	AFS	FVOCI*	1,040	1,040
<b>Non financial assets</b>					
Property, plant and equipment	22	N/A	N/A	311,915	311,915
Deferred tax assets	23	N/A	N/A	14,514	14,514
Other assets	24	N/A	N/A	333,858	333,858
<b>Total assets</b>				<b>39,518,807</b>	<b>39,539,791</b>
<b>Financial liabilities</b>					
Due to banks	25	Amortised cost	Amortised cost	4,868,953	4,868,953
Derivative financial instruments	26	FVTPL	FVTPL	583,918	583,918
Financial liabilities at amortised cost - due to depositors	27	Amortised cost	Amortised cost	19,474,257	19,474,257
Securities sold under repurchase agreements		Amortised cost	Amortised cost	220,961	220,961
Other liabilities	29	Amortised cost	Amortised cost	523,924	531,388
<b>Non financial liabilities</b>					
Current tax liabilities		N/A	N/A	642,865	642,865
Retirement benefit obligations	28	N/A	N/A	236,479	236,479
Other liabilities	29	N/A	N/A	367,873	367,873
<b>Total liabilities</b>				<b>26,919,230</b>	<b>26,926,694</b>

**d. Classification of financial assets and financial liabilities on the date of initial application of SLFRS 9**

	LKAS 39 carrying amount as at December 31, 2017	Reclassification	Remeasurement	SLFRS 9 carrying amount as at January 01, 2018
<b>Financial assets</b>				
<b>Cash and cash equivalents</b>				
Opening balance	4,083,299	-	-	4,083,299
Remeasurement	-	-	(738)	(738)
Colosing balance				4,082,561
<b>Placements with banks</b>				
Opening balance	11,038,804	-	-	11,038,804
Remeasurement	-	-	(1,094)	(1,094)
Colosing balance				11,037,710
<b>Financial assets at amortised cost - loans and advances</b>				
Opening balance	15,221,983	-	-	15,221,983
Remeasurement	-	-	22,816	22,816
Colosing balance				15,244,799
<b>Other liabilities</b>				
Opening balance	523,924	-	-	523,924
Remeasurement	-	-	7,464	7,464
Colosing balance				531,388

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

*As at December 31,*

	2018 Rs. '000	2017 Rs. '000
<b>15 Cash and cash equivalents</b>		
Cash in hand	868,702	925,896
Balances with banks	4,904,033	2,987,698
Money at call and short notice	-	169,705
Accumulated impairment - stage 1 (Note 15 (a))	(225)	-
	<u>5,772,510</u>	<u>4,083,299</u>
<b>15 (a) Movement in impairment during the year</b>		
Collective impairment as per SLFRS 9 at beginning of the year	738	-
Impairment (reversal) for the year	(513)	-
Balance at the end of the year	<u>225</u>	<u>-</u>
<p>The line items presented in the year of adoption of SLFRS 9 may also vary depending on the previously used. The Branch used LKAS 39 terms in line item descriptions and chose not to restate comparative periods and leaves the prior year classification unchanged and showed retired LKAS 39 categories within the comparatives. However current year impairment is presented based on Expected credit loss method (ECL) under the SLFRS 9.</p>		
<b>16 Balances with Central Bank of Sri Lanka</b>		
Statutory balances with Central Bank of Sri Lanka	1,223,727	882,714
	<u>1,223,727</u>	<u>882,714</u>
<p>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 December 31, 2018, the minimum cash reserve requirement is 6% (7.5% as at 31st December 2017) 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.</p>		
	2018 Rs. '000	2017 Rs. '000
<b>17 Placements with banks</b>		
Placements with banks	6,561,097	11,038,804
Accumulated impairment - stage 1 (Note 17 (a))	(2,025)	-
	<u>6,559,072</u>	<u>11,038,804</u>
<b>17(a) Movement in impairment during the year</b>		
Collective impairment as per SLFRS 9 at beginning of the year	1,094	-
Impairment charge for the year	931	-
Balance at the end of the year	<u>2,025</u>	<u>-</u>
<p>The line items presented in the year of adoption of SLFRS 9 may also vary depending on the previously used. The Branch used LKAS 39 terms in line item descriptions and chose not to restate comparative periods and leaves the prior year classification unchanged and showed retired LKAS 39 categories within the comparatives. However current year impairment is presented based on Expected credit loss method (ECL) under the SLFRS 9.</p>		
<b>18 Derivative financial instruments</b>		
Foreign currency derivatives		
Currency swaps	1,603,681	689,387
Forward foreign exchange contracts	841,001	19,861
	<u>2,444,682</u>	<u>709,248</u>
<b>19 Financial assets recognized through profit or loss</b>		
<i>Sri Lanka government securities</i>		
Treasury bonds	3,838,325	863,955
Treasury bills	1,052,425	840,549
	<u>4,890,750</u>	<u>1,704,504</u>
<b>20 Financial assets at amortised cost - loans and advances</b>		
Gross loans and receivables - stage 1	18,783,146	15,250,633
Accumulated impairment - stage 1 (Note 20 (d))	(13,018)	(28,650)
Net loans and receivables	<u>18,770,128</u>	<u>15,221,983</u>
<b>20 (a) Product wise analysis of loans and receivables</b>		
Loans and advances		
Overdrafts	9,202,288	3,781,423
Bills of Exchange	4,456	2,830
Short-term	9,576,402	11,466,380
Gross total	<u>18,783,146</u>	<u>15,250,633</u>

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

<i>As at December 31,</i>	<b>2018</b> <b>Rs. '000</b>	<b>2017</b> <b>Rs. '000</b>
<b>20 (b) Currency wise analysis of loans and receivables</b>		
Sri Lankan Rupee	12,860,727	10,164,347
United States Dollar	5,922,419	5,086,286
<b>Gross total</b>	<b>18,783,146</b>	<b>15,250,633</b>
<b>20 (c) Industry wise analysis of loans and receivables</b>		
Agriculture and fishing	2,656,391	2,377,909
Manufacturing	1,321,794	4,271,569
Tourism	-	457
Transport	53,181	1,913
Construction	803,188	
Traders	950,112	767,294
Financial and business services	267,609	-
Infrastructure	73,365	4,335,922
Other services	9,915,084	2,842,363
Other customers	2,742,422	653,206
<b>Gross total</b>	<b>18,783,146</b>	<b>15,250,633</b>
<b>20 (d) Movement in impairment during the year</b>	<b>2018</b> <b>Rs. '000</b>	<b>2017</b> <b>Rs. '000</b>
Collective impairment balance as per LKAS 39 at beginning of the year	28,650	54,789
Reversal of collective impairment as per LKAS 39 at beginning of the year	(28,650)	-
Collective impairment as per SLFRS 9 at beginning of the year	5,834	-
Impairment charge / (reversal) for the year	7,184	(26,139)
<b>Balance at the end of the year</b>	<b>13,018</b>	<b>28,650</b>
<p>The line items presented in the year of adoption of SLFRS 9 may also vary depending on the previously used. The Branch used LKAS 39 terms in line item descriptions and chose not to restate comparative periods and leaves the prior year classification unchanged and showed retired LKAS 39 categories within the comparatives. However current year impairment is presented based on Expected credit loss method (ECL) under the SLFRS 9.</p>		
<b>21 Financial assets measured at fair value through other comprehensive income</b>		
<i>Sri Lanka government securities</i>		
Treasury bonds	1,385,393	-
Treasury bills	7,706,628	5,195,349
	<b>9,092,021</b>	<b>5,195,349</b>
<b>a. Movement in financial assets at fair value through other comprehensive income during the Year</b>	<b>2018</b> <b>Rs. '000</b>	<b>2017</b> <b>Rs. '000</b>
Balance at the beginning of the year	26,697	28,513
(Write back) to other comprehensive income	(36,329)	(1,816)
<b>Balance at the end of the year</b>	<b>(9,632)</b>	<b>26,697</b>
<b>b.(Write back) to other comprehensive income</b>		
Fair value (loss)	(50,457)	(2,522)
Deferred tax reversal	14,128	706
<b>Total</b>	<b>(36,329)</b>	<b>(1,816)</b>

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

*As at December 31,*

**22 Property, plant and equipment**

	Installation	Furniture & equipment	Restoration	WIP	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2018	2017
<b>Cost</b>						
Opening balance	245,423	335,226	5,330	6,712	592,691	552,998
Additions	-	30,678	-	7,953	38,631	51,825
Disposals	-	-	-	-	-	(26,113)
Transfers	-	6,712	-	(6,712)	-	13,981
<b>Closing balance</b>	<b>245,423</b>	<b>372,616</b>	<b>5,330</b>	<b>7,953</b>	<b>631,322</b>	<b>592,691</b>
<b>Less: Accumulated depreciation</b>						
Opening balance	82,868	193,522	4,386	-	280,776	207,240
Charge for the year	47,392	54,363	944	-	102,699	99,569
Disposals	-	-	-	-	-	(26,033)
<b>Closing balance</b>	<b>130,260</b>	<b>247,885</b>	<b>5,330</b>	<b>-</b>	<b>383,475</b>	<b>280,776</b>
<b>Carrying value at December 31, 2018</b>	<b>115,163</b>	<b>124,731</b>	<b>-</b>	<b>7,953</b>	<b>247,847</b>	
<b>Carrying value at December 31, 2017</b>	<b>162,555</b>	<b>141,704</b>	<b>944</b>	<b>6,712</b>		<b>311,915</b>

**22 (a) Fully depreciated property, plant and equipment**

The initial cost of fully depreciated property, plant and equipment as at 31st December 2018, which are still in use as at reporting date is as follows.

*As at December 31,*

	2018	2017
	Rs. '000	Rs. '000
Installation		
Furniture & equipment	2,984	2,984
Restoration	126,631	106,007
	5,330	-
	<u>134,945</u>	<u>108,991</u>

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 December 31,

		2018 Rs. '000	2017 Rs. '000
<b>23</b>	<b>Deferred tax assets</b>		
	Deferred tax assets (Note 23 (a))	20,671	14,514
		<u>20,671</u>	<u>14,514</u>
<b>23(a)</b>	<b>Deferred tax assets</b>		
	AFS reserve	3,746	-
	Employee benefit obligation	62,905	66,214
		<u>66,651</u>	<u>66,214</u>
	<b>Deferred tax liabilities</b>		
	Property plant & equipment	45,980	41,317
	AFS reserve	-	10,383
		<u>45,980</u>	<u>51,700</u>
	Balance at the beginning of the year	14,514	24,222
	Charge / (reversal) during the year (Note 23 (b))	6,157	(9,708)
	<b>Balance at the end of the year</b>	<u>20,671</u>	<u>14,514</u>
<b>23(b)</b>	<b>Origination / (reversal) during the year</b>		
	Recognized in income statement	4,255	(17,990)
	Recognized in other comprehensive income (Note 23( c))	1,902	8,282
		<u>6,157</u>	<u>(9,708)</u>
<b>23(c)</b>	<b>Recognized in other comprehensive income</b>		
	Recognized on employee benefits (Note 28.3)	(12,226)	7,576
	Recognized on financial assets measured at fair value through other comprehensive income	14,128	706
		<u>1,902</u>	<u>8,282</u>
<b>23(d)</b>	<b>Deferred tax assets</b>	<b>2018</b>	<b>2017</b>
		<b>Temporary Difference</b>	<b>Tax Effect</b>
	AFS reserve	13,376	3,745
	Employee benefit obligation	224,665	62,906
		<u>238,041</u>	<u>66,651</u>
	<b>Deferred tax liabilities</b>	<b>2018</b>	<b>2017</b>
		<b>Temporary Difference</b>	<b>Tax Effect</b>
	Property plant & equipment	164,214	45,980
	AFS reserve	-	-
		<u>164,214</u>	<u>45,980</u>
<b>24</b>	<b>Other assets</b>		
	Custodian income receivable	20,890	21,579
	Financial investments ( Note 24 (a))	1,040	1,040
	Income tax paid in advance	339,153	325,476
	Others	20,289	8,382
		<u>381,372</u>	<u>356,477</u>
<b>24 (a)</b>	<b>Investment in unquoted shares</b>		
	Lanka Clear (Private) Limited (100,000 Ordinary shares of Rs. 10/- each)	1,000	1,000
	Credit Information Bureau of Sri Lanka (400 Ordinary shares of Rs. 100/- each)	40	40
		<u>1,040</u>	<u>1,040</u>
<b>25</b>	<b>Due to banks</b>		
	Other borrowings	8,726,754	4,868,953
		<u>8,726,754</u>	<u>4,868,953</u>
<b>26</b>	<b>Derivative financial instruments</b>		
	Foreign exchange derivatives		
	Currency swaps	1,674,503	542,838
	Forward foreign exchange contracts	80,977	41,080
		<u>1,755,480</u>	<u>583,918</u>
<b>27</b>	<b>Financial liabilities at amortised cost</b>		
	Due to depositors	23,513,531	19,474,257
		<u>23,513,531</u>	<u>19,474,257</u>



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

As at December 31,

	2018 Rs. '000	2017 Rs. '000
<b>27(a) Product wise analysis due to depositors</b>		
Demand deposits (current accounts)	9,696,373	8,620,469
Savings deposits	4,667,060	5,684,647
Time deposits	7,767,335	4,913,178
Other deposits	1,382,763	255,963
	<b>23,513,531</b>	<b>19,474,257</b>
<b>27(b) Currency wise analysis due to depositors</b>		
Sri Lankan rupee	15,682,967	11,061,604
United State dollar	7,053,812	7,991,651
Great Britain pound	36,983	4,893
Euro	46,119	137,588
Japanese Yen	1,158	1,102
Others	692,492	277,419
	<b>23,513,531</b>	<b>19,474,257</b>
<b>28 Retirement benefit obligations</b>		
<b>28.1 Net liability recognised in statement of financial position</b>		
Balance at the beginning of the year	236,479	190,720
(Reversal) / charge for the year (Note 28.2 & 28.3)	(2,913)	63,916
Payments made during the year	(8,901)	(18,157)
<b>Balance at the end of the year</b>	<b>224,665</b>	<b>236,479</b>
<b>28.2 Amount recognised in income statement</b>		
Current service cost	18,002	14,163
Interest cost	22,748	22,696
	<b>40,750</b>	<b>36,859</b>
<b>28.3 Amount recognised in other comprehensive income</b>		
Defined benefit plan-actuarial (gain) / loss	(43,663)	27,057
Deferred tax reversal /(charge) on defined benefit plan	12,226	(7,576)
	<b>(31,437)</b>	<b>19,481</b>
<b>28.4 Employee benefits obligation reconciliation</b>		
Balance at the beginning of the year	236,479	190,720
Current service cost	18,002	14,163
Interest cost	22,748	22,696
Actuarial (gain) / loss	(43,663)	27,057
Gratuity paid during the year	(8,901)	(18,157)
<b>Balance at the end of the year</b>	<b>224,665</b>	<b>236,479</b>
An actuarial valuation of the provision for employee benefits was carried out as at 31st December 2018 by Kulin Patel, Fellow, Institute and Faculty of Actuaries of UK; 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".		
<b>28.5 Principal assumptions used</b>	<b>2018</b>	<b>2017</b>
(a) Discount rate	11.75%	10.00%
(b) Salary increment	12.00%	12.00%
(c) Staff turnover / (withdrawal rate)		
- Service less than 5 years	7.00%	7.00%
- Service greater than or equal to 5 years	2.00%	2.00%
(d) Mortality rate	Sri Lanka Life Table 2000 -2002	Sri Lanka Life Table 2000 -2002
<b>Sensitivity of assumptions employed in actuarial valuation</b>		
Sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.		
	<b>2018</b>	
(Decrease) / increase in discount rate	-1.5%	0.5%
Sensitivity effect on employment benefit obligation increase / (decrease) in the liability	17,533	(15,591)
	<b>2018</b>	<b>2017</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>
<b>29 Other liabilities</b>		
Accruals	226,891	293,461
Other tax payables	111,758	42,274
Managers cheque payable	359,760	523,924
Deferred revenue	16,690	25,674
Other	37,665	6,464
Impairment in respect of off-balance sheet credit exposures (Note 33(a.1))	8,353	-
	<b>761,117</b>	<b>891,797</b>

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

*As at December 31,*

	2018 Rs. '000	2017 Rs. '000
<b>30 Assigned capital</b>	<b>1,524,250</b>	<b>1,524,250</b>
Assigned capital	<u>1,524,250</u>	<u>1,524,250</u>

**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 Branch'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 Branch. 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

	2018 Rs. '000	2017 Rs. '000
Balance at the beginning of the year	680,794	607,825
Transferred during the year	87,317	72,969
<b>Balance at the end of the year</b>	<u><b>768,111</b></u>	<u><b>680,794</b></u>

**32 Other reserves**

Available for sale reserve (Note 32 (a))	(9,632)	26,697
Exchange equalization account	5,170	5,170
Exchange equalization reserve (Note 32 (b))	<u>1,403,035</u>	<u>860,778</u>
	<u><b>1,398,573</b></u>	<u><b>892,645</b></u>

**32 (a) Available-for-sale reserve**

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

	2018 Rs. '000	2017 Rs. '000
Balance at the beginning of the year	26,697	28,513
Net fair value (losses) on remeasuring financial investments	(36,329)	(1,816)
<b>Balance at the end of the year</b>	<u><b>(9,632)</b></u>	<u><b>26,697</b></u>

**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.

	2018 Rs. '000	2017 Rs. '000
Balance at the beginning of the year	860,778	799,957
Net gain arising from translating the Financial Statements of the foreign operations	542,257	60,821
<b>Balance at the end of the year</b>	<u><b>1,403,035</b></u>	<u><b>860,778</b></u>

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

*As at December 31,*

**33 Contingent liabilities and commitments**

In the normal course of business the Branch 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.

<b>33(a) Commitments</b>	<b>2018 Rs. '000</b>	<b>2017 Rs. '000</b>
Acceptances	937,173	779,255
Guarantees	7,768,212	8,975,055
Documentary credits	4,187,303	6,773,789
Forward exchange contracts (Net)	730,025	151,736
Bills / cheques sent for collection	1,073,343	1,195,955
Undrawn loan commitments	83,285,707	59,674,932
	<u><b>97,981,763</b></u>	<u><b>77,550,722</b></u>

There were no material capital commitments as at the reporting date

**33(a.1) Movement in impairment during the year**

Collective impairment as per SLFRS 9 at beginning of the year	7,464	-
Impairment charge for the year	889	-
<b>Balance at the end of the year</b>	<u><b>8,353</b></u>	<u><b>-</b></u>

The line items presented in the year of adoption of SLFRS 9 may also vary depending on the previously used. The Branch used LKAS 39 terms in line item descriptions and chose not to restate comparative periods and leaves the prior year classification unchanged and showed retired LKAS 39 categories within the comparatives. However current year impairment is presented based on Expected credit loss method (ECL) under the SLFRS 9.

**33(b) Contingent liabilities**

*VAT on financial service assessment against the branch*

During the year of 2016/17, the commissioner General of Inland Revenue has issued an assessment notice for the year of assessment 2014 on Citibank N.A. Colombo Branch pertaining to an additional tax liability on Value Added Tax (VAT) The Supply of Financial Services due to certain inconsistencies. The assessment is for a value of Rs. 10.4 million and agreed a penalty of 10% totaling to Rs. 11.44 Million in 2018 However, the Branch with the assistance of the tax consultant has paid a settlement, amounting to Rs. 4.69 mn and expensed under Vat on FS expnses Rs. 4.69 Mn in 2017.

**34 Related party disclosures**

The Branch 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 Branch 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.

**34(b) Transactions and balances with Citibank group**

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

**34(b.1) Transactions with Citibank group**

*34(b.1.i) Transactions with other branches, subsidiaries and associates*

The Branch engages in inter-group borrowings/lendings, derivative financial instruments with group entities. sale/purchase of investment securities in between group entities.

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

*For the year ended December 31,*

**34(b.1.ii) Transactions with the employee's providend fund**

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", a party is related to the entity if, the party is a post-employment benefits plan for the benefits of employees of the entity.

Name of the related party	Relationship	Nature of transaction	Value of the transaction (Rs.)	
			2018	2017
Citi Bank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the Citi Bank N.A- Colombo.	Sale of treasury bills on behalf of Citi Bank N.A - Colombo Branch employees' provident fund.	286,273,031	589,817,773
		Sale of treasury bonds on behalf of Citi Bank N.A- Colombo Branch employees' provident fund.	166,471,622	14,165,141
		Purchasing of treasury bill by Citi Bank N.A- Colombo Branch	-	1,872,233

**34(b.2) Balances with the Citibank group**

**34(b.2.i) Balances with the employee's providend fund**

			2018	2017
			Rs.	Rs.
Citi Bank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the Citi Bank N.A - Colombo.	Cash held in saving account	180,373,044	12,413,582
		Cash held in current account	Nil	Nil

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

As at December 31,

**34(b.2.ii) Balances with other branches, subsidiaries and associates**

	2018 Rs. '000	2017 Rs. '000
<b>Nostro balances</b>		
CITIBANK JAPAN	1,826	1,105
CITIBANK N A BOMBAY	258,493	162,055
CITIBANK N A KARACHI	152,804	82,720
CITIBANK N A SINGAPORE	40,420	25,340
CITIBANK N.A. DHAKA,BANGLADESH	24,633	90,217
CITIBANK N.A. LONDON	68,667	140,722
CITIBANK N.A. NEW YORK.	4,220,978	2,603,579
CITIBANK N.A.SYDNEY	-	3,644
CITIBANK EUROPE - DUBLIN	27,898	-
	<u>4,795,719</u>	<u>3,109,382</u>
<b>Vostro balances</b>		
CITIBANK BOMBAY	590,252	130,414
CITIBANK EUROPE PUBLIC LIMITED	125,420	4,153
CITIBANK JAPAN	1,054	1,056
CITIBANK N A KARACHI	55,677	108,965
CITIBANK N A MALAYSIA	36,964	62,875
CITIBANK N A SINGAPORE	106,472	130,028
CITIBANK N.A. DHAKA,BANGLADESH	4,889	7,561
CITIBANK N.A. LONDON	281,678	118,734
CITIBANK N.A.,NEW YORK	18,620	15,882
CITIBANK NA.HONGKONG GLOBAL CUSTODY	8,676	-
CITIBANK LONDON SECURITIES	252,947	-
CITIBANK EUROPE PLC, LUX BRANCH	200	-
	<u>1,482,849</u>	<u>579,669</u>
<b>Other borrowings</b>		
CITIBANK JAPAN	3,829	1,995
CITIBANK N A BOMBAY	356,500	37,501
CITIBANK N A KARACHI	50,353	31,044
CITIBANK N A SINGAPORE	931	539
CITIBANK N.A. CANADIAN BRANCH,	-	20
CITIBANK N.A. LONDON	4,574,502	3,069,726
CITIBANK N.A. NEW YORK.	3,717,916	726,890
CITIBANK EUROPE - DUBLIN	21,378	-
CITIBANK N.A. HONGKONG	257	-
CITIBANK N.A.SYDNEY	413	-
	<u>8,726,079</u>	<u>3,867,715</u>

**34(c) 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 Branch**

Branch has named the local members of Country Coordinating Committee (CCC) as the Key Management Personnel as at December 31, 2018 as per the circular issued by Central Bank of Sri Lanka.

However, Citibank N.A.Colombo is a Branch office of Citibank N.A New York and the authority of these personnel are as per the delegations given for the job roles by the head office. Hence may not strictly meet the definition of a KMP as specified under section 2(1)(ii)b a and 2(1)(ii)d of the corporate governance directive.

**CCC Members are;**

Citi Country Officer  
Country Human Resource Head  
Citi Country Compliance Officer  
Citi Treasury and Trade Solutions Head  
Fixed Income Currencies and Commodities (FICC) Head and Country Treasurer.  
Country Operations and Technology Head.  
Chief Finance Officer  
Securities and Funds Services Head.  
Global Subsidiaries Group Head.  
Country Risk Manager

	2018 (Rs.Mn)	2017 (Rs.Mn)
<b>Compensation to KMPs</b>		
Short term employment benefits	221.98	213.86
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	78.11
Share based payments	-	-
	<u>221.98</u>	<u>291.97</u>
<b>Transactions with KMPs</b>		
<b>Statement of financial position items</b>		
Deposits, current A/C balances and investments	-	-
Loans- under staff benefits (outstanding)	-	-
	<u>-</u>	<u>-</u>

35 Maturity analysis

An analysis of the assets and liabilities of the Branch as at December 31, 2018 is given below. The maturity analysis and component classifications is prepared for the purpose of central bank submissions

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>23,647,484</b>	<b>4,418,883</b>	<b>9,829,974</b>	<b>6,061,222</b>	<b>5,196,330</b>	<b>248,887</b>	<b>49,402,780</b>
Cash	868,702	-	-	-	-	-	868,702
Due from banks	12,686,607	-	-	-	-	-	12,686,607
Investments-current	1,558,689	1,715,104	7,668,679	2,229,593	810,706	-	13,982,771
Loans & advances - current	8,532,986	2,323,947	2,161,295	3,831,629	1,920,271	-	18,770,128
Fixed assets	-	-	-	-	-	247,847	247,847
Other assets	500	379,832	-	-	2,465,353	1,040	2,846,725
<b>Total liabilities</b>	<b>17,248,101</b>	<b>6,584,056</b>	<b>4,453,077</b>	<b>2,333,530</b>	<b>5,346,339</b>	<b>13,437,678</b>	<b>49,402,780</b>
Total capital fund	-	-	-	-	-	13,437,678	13,437,678
Deposits	8,450,472	4,685,594	4,453,077	2,333,530	3,590,859	-	23,513,531
Borrowings	8,797,629	-	-	-	-	-	8,797,629
Other Liabilities	-	1,898,462	-	-	1,755,480	-	3,653,942
Maturity gap	6,399,383	(2,165,173)	5,376,897	3,727,692	(150,009)	(13,188,790)	(0)
Cumulative gap	6,399,383	4,234,210	9,611,107	13,338,800	13,188,790	-	-

36 Reconciliation of the profit for the year to net cash flow from operating activities

For the year ended December 31,

Rs. '000

Profit before tax		2,643,950
<b>Adjustments</b>		
Depreciation	102,699	
Employee benefit costs	40,750	
Dividend income	(1,127)	
Other income	917	
Unrealized (gain) on derivative financial instruments	(563,872)	
Notional tax on government securities	(30,138)	
Reversal of impairment	8,491	
Realized (gain) on trading securities	(378,681)	(820,959)
<b>(increase) in operating assets</b>		
Loans and receivables to other customers	(3,556,637)	
Net proceeds from sale, maturity, and purchases of financial investments	(6,754,694)	
Deposits held for regulatory purposes	(341,013)	
Placements with bank	4,477,707	
Other assets	11,907	(6,162,730)
<b>increase in operating liabilities</b>		
Due to other customers and banks	7,897,075	
Securities sold under repurchase agreements	(150,010)	
Other liabilities	(139,031)	7,608,034
Income tax paid		(615,596)
Gratuity paid		(8,901)
Net unrealized gains arising from translating the financial statements of foreign operation		542,257
<b>Net cash generated from operating activities</b>		<b>3,186,055</b>

37 Events after reporting period

There were no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

38 Management responsibility for Financial Statements

The management of the Branch is responsible for preparing & presenting Financial Statements in accordance with Sri Lanka Accounting Standards.

39 Day one difference adjustment- SLFRS as at January 01, 2018

Rs'000

39(a) Impairment for loans and other losses as per LKAS 39	28,650
Impairment for loans and other losses as per SLFRS 9	5,834
	<u>(22,816)</u>
39(b) Placements with banks as per LKAS 39	-
Placements with banks as per SLFRS 9	1,094
	<u>1,094</u>
39(c) Cash and cash equivalents LKAS 39	-
Cash and cash equivalents SLFRS 9	738
	<u>738</u>
39(d) Contingent liabilities & commitments LKAS 39	-
Contingent liabilities & commitments SLFRS 9	7,464
	<u>7,464</u>
<b>Total day one difference adjustment- SLFRS as at January 01, 2018</b>	<b><u>(13,520)</u></b>

The impairment and classification and measurement requirements of SLFRS 9 have been applied retrospectively by adjusting the Branch's Balance Sheet at 1 January 2018, the date of initial application of SLFRS 9, with the difference between previous carrying amounts and carrying amounts at initial application recognized in opening retained earnings. There is no requirement to restate comparative periods, therefore, the comparative period has not been restated and does not reflect the requirements of SLFRS 9.

**CITIBANK N.A. COLOMBO BRANCH**  
**SELECTED PERFORMANCE INDICATORS**

<b>Key Regulatory Ratios - Capital and Liquidity</b>	<b>Current Period</b>	<b>Previous Period</b>
	<b>As at 31/12/18</b>	<b>As at 31/12/17</b>
<b>Regulatory Capital (LKR '000)</b>		
Common Equity Tier 1	13,691,677	13,082,604
Tier 1 Capital	13,691,677	13,082,604
Total Capital	13,715,299	13,082,604
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -6.375%)	39.38%	43.80%
Tier 1 Capital Ratio (Minimum Requirement - 7.875%)	39.38%	43.80%
Total Capital Ratio (Minimum Requirement -11.875%)	39.45%	43.80%
Leverage Ratio (Minimum Requirement =3 )	0.00%	0.00%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR'000)	26,234,474	21,765,189
Statutory Liquid Assets Ratio (Minimum Requirement = 20%)		
Domestic Banking Unit (%)	60.57%	71.26%
Off-Shore Banking Unit (%)	91.13%	92.84%
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement - 100%)	758.70%	423.01%
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -100%)	260.47%	185.38%
Net Stable Funding Ratio (%) (Minimum Requirement = 90%)	123.72%	0.00%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
Gross Non-Performing Advances (%) (net of interest in Suspense)	-	
Net-Non Performing Advances (%) (net of interest in suspense and provision)	-	
<b>Profitability</b>		
Interest Margin (%)	5.01%	5.56%
Return on Assets (Before Tax %)	6.49%	5.60%
Return on Equity (%)	23.88%	12.25%

#### **40. Risk Management**

Citi is a leading global bank with over 200 years of industry experience and approximately 200 million customer accounts in more than 160 countries and jurisdictions equipped with well-seasoned and time tested systems and processes for effective risk management. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management. Since its incorporation in 1979, Citibank N.A. Sri Lanka ("Branch") has extended client centric banking services to Multinational Corporations, Top tier local Corporates, Financial Institutions and Public Sector clients within its Institutional Clients Group (ICG) flagship.

Bank's mission, value proposition, its clients and overall strategy are articulated at a higher level. The mission is to serve as a trusted partner for our clients by responsibly providing financial services that enable growth and economic progress. All Citi staff are required to ensure that their decisions pass through three tests: (a) they are in our client's interests, (b) create economic value and (c) are always systemically responsible.

Ability of Citi to leverage on its global presence and diverse range products to cater to global needs of the clients is one of its key client strategies.

#### **Risk Governance, Appetite and Culture**

Risk management functions are organized along the key risks it monitors e.g. credit, market, operational, liquidity, interest rate, compliance risk and each risk family reporting into regional lines. An overall risk coordinator is designated in the Branch to ensure a holistic view of the exposures. However, as the process of risk management is critical to the Branch's continuing profitability, each individual within the Branch is accountable as the first line of defence for the risk exposures relating to his or her responsibilities.

From a risk management perspective, all quantifiable risks (such as credit, operational, market, price, interest rate and liquidity risks) are measured, monitored and escalated at varying frequencies by independent risk measurement units separate from any business interests. The reputational, strategic, compliance risks that are qualitative in nature are tracked through various committees, the Internal Capital Adequacy Process (ICAAP) and through clearly established escalation processes including whistleblowing. Strong lines of defences exist for risk monitoring where the Risk Management and Compliance units act as the second line of defence while the internal and external auditors function as the third line of defence.

The Branch has clearly articulated policies, procedures and risk tolerance limits for management of key risks while adhering to local regulatory directives. Tolerance limits are set for each key risk types e.g. credit, market, liquidity risks and breaches of any such limits are viewed seriously and actions taken where necessary e.g. issuance of trade violation tickets. The risk policies require that all exposures are recorded and reported in a timely manner by parties' independent from the business units.

The risk appetite framework is enterprise-wide covering all quantitative and qualitative risks and applies to all businesses, functions and geographies. The quantitative component is expressed as a function of capital and earnings wherein the capital is monitored through the Comprehensive Capital Analysis and Review (CCAR) process adopted in the USA for the entity as a whole and the Internal Capital Adequacy Assessment Process (ICAAP) adopted in-country. Earnings power is measured through a risk appetite ratio in which risk taking must be relative to its gross earnings power and expense base such that the potential losses arising from a moderate stress event can be covered by the expected pre-tax earnings. The ICAAP document encompassing analysis of all material risks both on base case and under stress conditions is prepared and submitted to the local regulator annually. The qualitative component forming part of the risk appetite framework revolves around Citi's risk culture, defined roles and responsibilities, supporting policies, procedures and processes. A strong risk culture is inculcated through clearly articulated approval processes,



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

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continuous learning and development, and through top-down updates, meetings, town halls, policies and procedures.

Within the overarching risk appetite framework, the Country Coordinating Committee (CCC – the local management team) maintains an effective control environment to mitigate risks through a process of ongoing identification, measurement and monitoring. Varying governance committees have been instituted for this purpose such as the integrated risk management committee (IRMC), Assets & liabilities committee (ALCO), Business risk, compliance & control committee (BRCC), Third Party Risk Management committee (CTPM), Local regulatory reporting governance committee (LRRGC) etc. The local management team meets on a monthly basis at minimum.

#### **Risk measurement systems and reporting**

Each key risk type has its own risk measurement systems. There are a number of exception reports circulated on a daily basis for monitoring risks e.g. temporary overdrafts and line excess reports, legal lending limits, loans maturities report for credit risk; Net open position, DV01, VAR and position limits for market risk; and highly stressed market disruption scenario for liquidity risk management. Operational risk is measured through a separate system titled 'Managers Control Assessment'. All exceptions are escalated to the senior management for review, actions, and remedial purposes. Key risks are reported and discussed at the forums mentioned above.

Credit impairments are measured through a system developed in line with IFRS9 guidelines. The local accounting and regulatory requirements are taken into account for final impairment numbers in the same system.

#### **Stress testing**

The Branch also conducts regular stress tests as a preemptive measure to curb or circumvent 'fat tail risk' or excessive losses due to unanticipated or overly volatile markets. In this regard, a complete stress test is undertaken for all material risks identified during the annual ICAAP review. In addition, quarterly stress tests are conducted for accrual and price risks and daily stress tests are conducted for liquidity risk. The annual ICAAP begins with a probable 1 in 25 year severe macroeconomic stress scenario, impact of which tests the Sri Lanka's credit portfolio in full. Accounts that moves to a level of high risk under stressed conditions are then monitored closely through quarterly or semi-annual triggers. However, with the recent shift in credit impairments through SLFRS9, Branch would expect changes to the stress testing methodology in the current year. The ICAAP is filed with the Central Bank within five months from the close of the financial year. Bank also conducts a global stress test annually titled CCAR that tests a sample of credit portfolio of its branches including Sri Lanka against global stress events, and results presented to the US regulator.

Apart from stress tests, the Branch adopts a risk based approach to mitigate and manage risks of the portfolio. Depending on the risk ratings and classifications of credit facilities, triggers are established and monitored on a monthly, quarterly and semi-annual basis. In instances where triggers are breached, the account may be further downgraded or reclassified with higher review frequencies, or reduce exposures, down sell or call up for additional collateral as appropriate.

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**Hedging and risk mitigation**

Hedging and mitigating credit risk is done through eligible collateral, corporate guarantees, targeted exposure reduction, loan sales and derivatives. Hedges and risk mitigation are subject to applicable credit policies. Determination on whether a margin can function as a legally recognizable risk mitigating factor against exposure and thereby decrease the Branch's exposure is made on a counterparty by counterparty, agreement by agreement basis, giving consideration to such factors as the place of organization of the counterparty, the insolvency laws applicable, the location of the margin, and the relevant documentation. Margining are covered by an ISDA, Credit Support Agreement (where appropriate) or equivalent Master Agreements if required by local law and/or as required by Legal. Branch enters into master netting agreements /collateral arrangements with counterparties, and where necessary, limits the duration of exposures.

Collateral and other secured assets are perfected with legally enforceable first priority security interest or at least rank pari-passu with other lenders. An approved technology system for collateral data collection and aggregation is used to track current collateral values for regulatory capital treatment. Collateral is reviewed annually or more often as deemed appropriate. Risk from collateral is mitigated by accepting only approved assets.

**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 viz. adoption of a target market and risk acceptance criteria framework as an initial filter, stringent credit approval processes, regular individual and portfolio reviews, daily limits monitoring including regulatory limits etc. There is strict discipline over credit risk approvals that are completely independent from the business chain. The maximum exposure of the Branch's financial instruments to credit risk reflects the end of the period exposures before taking into account collateral held or other credit enhancements:

	Gross Maximum Exposure  Rs. '000'	Fair Value of  Collateral Rs. '000'	Net Exposure  Rs. '000'
Loans to Customers 2018	18,783,146	NIL	18,783,146
Loans to Customers 2017	15,250,633	NIL	15,250,633

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. The main types of collateral, which could be obtained by the Branch are cash deposits, stand-by LCs, corporate guarantees, 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.

All collaterals are monitored through a collateral management system that enable timely monitoring of the earliest date of collateral expiration or that of facility expiry, and currency mismatches between collateral and credit facilities.

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

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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, Branch aims 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 from obligors' parent, subsidiaries and financial institutions acceptable to the Branch. Credit derivatives, chiefly of plain vanilla, are booked for approved counterparty obligors whose suitability and acceptance has been screened.

#### ***Credit risk rating***

All obligors and all credit facilities are risk rated as per Branch's policy. Obligors with external ratings assigned by certain rating agencies may qualify for internal ratings provided they are above a certain grade.

Citi's model development team develops risk rating models along geographic and industry lines and are subject to review periodically. Assigned final 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. The Risk policy establishes approval criteria for changes to model driven risk ratings. All obligor risk ratings are reviewed annually.

There are several types of risk ratings. The obligors risk ratings (ORR) represents the probability that an obligor will default within a one-year time horizon while the obligor limit rating (OLR) looks at an obligor's credit quality beyond one year. The rating scale spans over 1-10 integers (one being the best) with further granularity using + & -. The rating '8' denotes non-performing loan (NPL) facilities stemming from cross border events while 9-10 are assigned to obligors meeting the definition of default under Basel when either or both of the following have occurred:

- When the obligor is past due more than 90 days on any material credit obligation to Branch. Overdrafts are considered to be past due once the customer has breached an advised limit or been advised of a limit smaller than the current outstanding.
- When the Branch considers that the obligor is unlikely to pay its credit obligations to Branch in full without recourse by Citi to actions such as realizing security (if held), collecting against a guarantee or other form of support, or filing a claim against the insurer.

In addition, a facility level risk rating (FRR) is adopted to represent an expected loss rate 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.

#### ***Impairment process of loans***

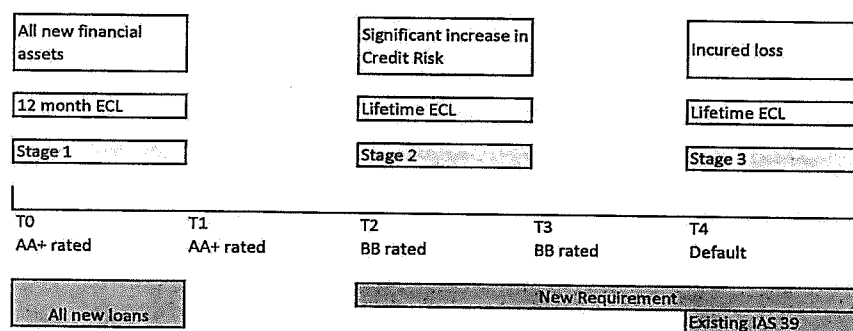
For loan impairment assessment, the key considerations are:

- 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.

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Citi adopts SLFRS9 together with guidelines issued by the Central Bank of Sri Lanka on 31<sup>st</sup> December 2018. The SLFRS9 methodology is a more forward-looking expected loss model compared to the incurred loss model (IAS39) hitherto had. The new standard establishes a general approach to impairment using a “three-stage” model based on the changes in credit quality since initial recognition. The below diagram illustrates the concept of staging through changes in the credit quality of a financial asset.

**Three stage model under SLFRS9**



A detailed write up on the adoption of SLFRS 9 by Branch is given in pages 54 and 55 to this document. It may be noteworthy to mention, the Branch has had no NPLs in the past ten years.

**Allowance for Impairment**

	Amounts Rs.'000
Gross Loans & receivables	18,783,146
Less: allowance for individual impaired L&R	Nil
Less: allowance for collective impaired L&R	(13,018)
<b>Carrying Amount</b>	<b>18,770,128</b>

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

	Specific	Collective (Rs. '000)
<b>Opening Balance</b>	<b>Nil</b>	<b>5,834</b>
<b>Changes/(Write back)</b>	<b>Nil</b>	<b>7,184</b>
<b>Closing Balance</b>	<b>Nil</b>	<b>13,018</b>

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Industry wise analysis of loans and receivables	2018	2017
	Rs. '000'	Rs. '000'
Agriculture and fishing	2,656,391	2,377,909
Manufacturing	1,321,794	4,271,569
Tourism	-	457
Transport	53,181	1,913
Construction	803,188	-
Traders	950,112	767,294
Financial and Business Services	267,609	-
Infrastructure	73,365	4,335,922
Other Services	9,915,084	2,842,363
Other Customers	2,742,422	653,206
<b>Gross total</b>	<b>18,783,146</b>	<b>15,250,633</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.

### ***Market triggers***

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

**CITIBANK N.A. - COLOMBO BRANCH**  
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**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 Branch 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 Branch is operationally prepared for managing any contingency.

Assets or Liability	On Demand	<3months	3-12 months	1-5 years	Over 5 Years	Unclassified	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Total Assets</b>	<b>23,647,484</b>	<b>4,418,883</b>	<b>9,829,974</b>	<b>6,061,222</b>	<b>5,196,330</b>	<b>248,887</b>	<b>49,402,780</b>
Cash	868,702	-	-	-	-	-	868,702
Due from Banks	12,686,607	-	-	-	-	-	12,686,607
Investments-Current	1,558,689	1,715,104	7,668,679	2,229,593	810,706	-	13,982,771
Loans & Advances – Current	8,532,986	2,323,947	2,161,295	3,831,629	1,920,271	-	18,770,128
Fixed Assets	-	-	-	-	-	247,847	247,847
Other Assets	500	379,832	-	-	2,465,333	1,040	2,846,725
<b>Total Liabilities</b>	<b>17,248,101</b>	<b>6,584,056</b>	<b>4,453,077</b>	<b>2,333,530</b>	<b>5,346,339</b>	<b>13,437,678</b>	<b>49,402,780</b>
<b>Total Capital Fund</b>						<b>13,437,678</b>	<b>13,437,678</b>
Deposits	8,450,472	4,685,594	4,453,077	2,333,530	3,590,859	-	23,513,531
Borrowings	8,797,629	-	-	-	-	-	8,797,629
Other Liabilities	-	1,898,462	-	-	1,755,480	-	3,653,942
<b>Maturity Gap</b>	<b>6,399,383</b>	<b>(2,165,173)</b>	<b>5,376,897</b>	<b>3,727,692</b>	<b>(150,009)</b>	<b>(13,188,790)</b>	<b>(0)</b>
<b>Cumulative Gap</b>	<b>6,399,383</b>	<b>4,234,210</b>	<b>9,611,107</b>	<b>13,338,800</b>	<b>13,188,790</b>		

**Financial Assets**

Maturities of debt securities at Fair Value through P&L (FVPL) and Fair Value through OCI (FVTOCI) investments are based on the contractual maturity on which these 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.

	On Demand	<3months	3 to 12 months	< 2 years	> 2 years	Total
	Rs. 000	Rs. 000	Rs. 000	Rs.000	Rs.000	Rs. 000
Off balance sheet exposure	86,657,873	4,696,474	5,511,492	220,569	895,355	97,981,763

**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.

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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, Branch 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 positions. 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.
- (c) Loss Triggers: The Trading book and Fair Value through OCI 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 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% 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% confidence level are calculated;
- VaR is reported for the trading booking
- 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% confidence level. The VaR method used by the Branch incorporates 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.

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A summary of the VaR position of the Branch trading portfolio's at December 31, 2018 is as following:

<b>As at December 31,</b>	<b>2018</b>
	<b>Rs.000</b>
Overall	21,042.70

*Data as of December 31, 2018 Spot Rate 182.98 LKR per USD*

**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 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.

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>Interest Bearing Assets</b>							
Cash	868,702	-	-	-	-	-	868,702
Due from Banks	12,686,607	-	-	-	-	-	12,686,607
Investments-Current	1,558,689	1,715,104	7,668,679	2,229,593	810,706	-	13,982,771
Loans & Advances – Current	8,532,986	2,323,947	2,161,295	3,831,629	1,920,271	-	18,770,128
<b>Interest Bearing Liabilities</b>							
Total Capital Fund						13,437,679	13,437,679
Deposits	8,450,472	4,685,594	4,453,077	2,333,530	3,590,859	-	23,513,532

**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 Sri Lankan expatriates and overseas Sri Lankan 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 Branch.

Foreign currency deposits are generally used to fund the Branch's 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.



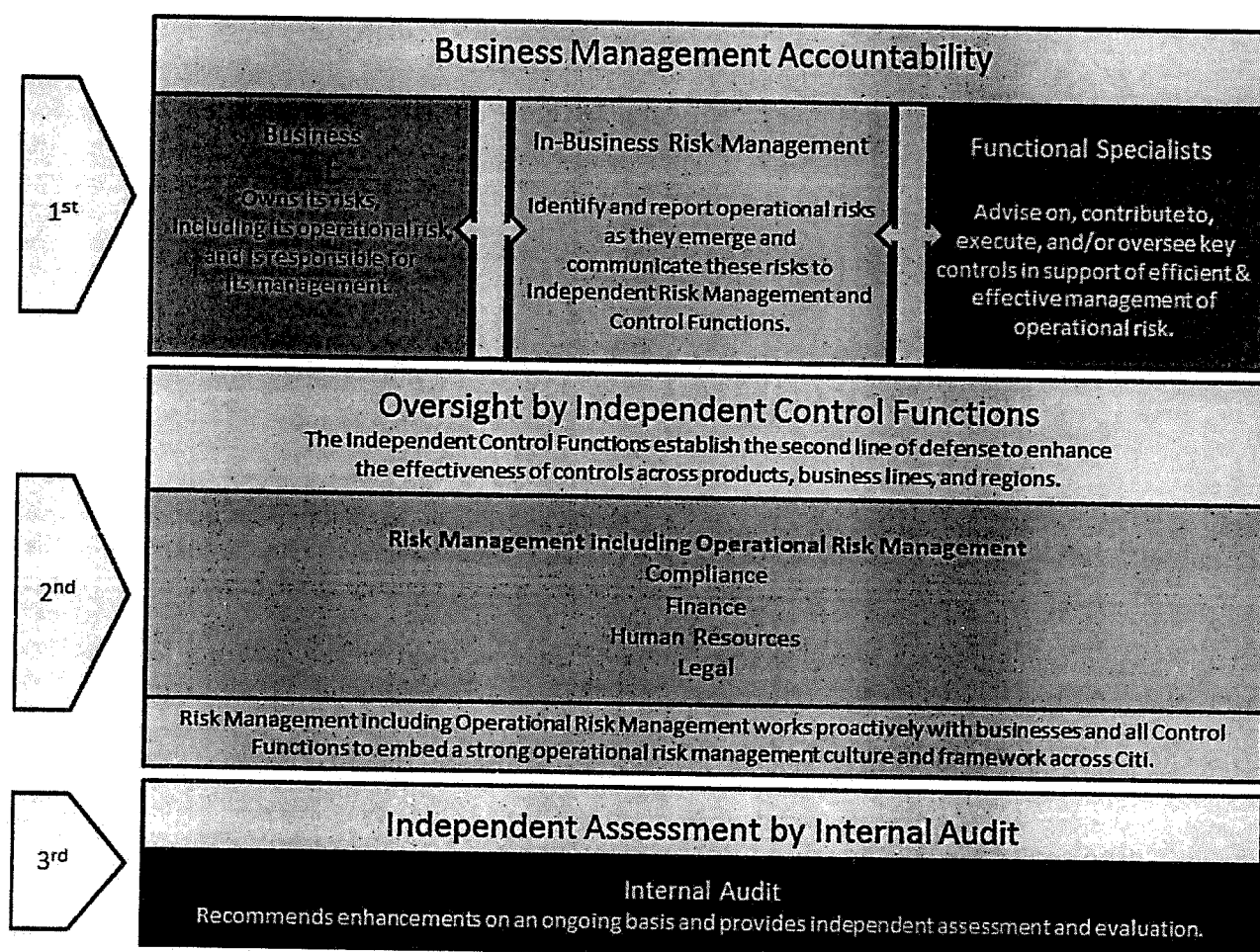
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Assets or Liability	Currency					Total
	LKR	USD	GBP	EURO	Others	
Assets						
Cash and cash equivalents	842,742	4,349,393	36,976	63,772	479,627	5,772,510
Balances with central banks	1,223,727	-	-	-		1,223,727
Placements with banks	2,799,770	3,759,302				6,559,072
Derivative financial instruments	-	2,377,638	-	66,686	358	2,444,682
Financial assets recognised through profit or loss- measured at fair value	4,890,750	-	-	-	-	4,890,750
Financial assets at amortised cost - loans and advances	12,851,814	5,918,314	-	-	-	18,770,128
Financial assets measured at fair value through other comprehensive income	9,092,021	-	-	-	-	9,092,021
Property, plant and equipment	247,847	-	-	-	-	247,847
Deferred tax assets	20,671	-	-	-	-	20,671
Other assets	361,268	20,104	-	-	-	381,372
Total assets	32,330,610	16,424,751	36,976	130,458	479,985	49,402,780
Liabilities						
Due to banks	-	8,293,091	-	21,379	412,284	8,726,754
Derivative financial instruments	-	1,706,908	-	48,003	569	1,755,480
Due to other customers	15,682,967	7,053,812	36,984	46,119	693,649	23,513,531
Other Borrowings	70,875	-	-	-	-	70,875
Current tax liabilities	912,680	-	-	-	-	912,680
Other liabilities	817,352	168,430	-	-	-	985,782
Total liabilities	17,483,874	17,222,241	36,984	115,501	1,106,502	35,965,102
Equity						
Stated capital/Assigned capital	1,524,250	-	-	-	-	1,524,250
Statutory reserve fund	768,111	-	-	-	-	768,111
Retained earnings	9,746,744	-	-	-	-	9,746,744
Other reserves	1,398,573	-	-	-	-	1,398,573
Total equity	13,437,678	-	-	-	-	13,437,678
Total equity and liabilities	30,921,553	17,222,242	36,983	115,501	1,106,502	49,402,780

#### 4. Operational Risk

**Operational Risk** is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from 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. 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:

- 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 periodic audits undertaken by Internal Audit.

The results of these audits are discussed with the stakeholders to which they relate. These audit reports are submitted to the senior management of the Branch.

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**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.
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.
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.

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

Citibank Sri Lanka has outsourced several activities in accordance with its Third Party Management Program 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.

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

Citi Sri Lanka conducts due diligence tests annually for outsourced service providers, in accordance with the Asia Third Party Risk Management Operating Procedures.

**Contingency plan to handle failure situations**

A detailed Continuity of Business Plan is in place which is tested periodically by respective business units within Sri Lanka operations. A full disaster recover drill is conducted annually for Denial of Access scenario in compliance with Citi Policy and regulatory guidelines. As recommended by regulator a semi-annual drill is also conducted for core banking functions and payment & settlement related functions and results are communicated to CBSL with an action plan for improvements where necessary. Throughout the year business units participate for hosting data centre tests for the applications used by the respective units.

**5. 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.

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

**Statutory minimum capital requirement and capital management**

**Regulatory Capital**

The Branch 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 III framework in respect of regulatory capital. Commercial banks in Sri Lanka need to maintain a Total Capital Adequacy Ratio (CAR) of 11.875% and a Total Tier 1 Capital Ratio of at least 7.875%.

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 2018, Branch reported a Tier 1 ratio of 39.38% and a total CAR of 39.45% which remain comfortably above the CBSL's capital requirements.

**6. 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 are no observable in the market.

As at 31st December	2018 Carrying Amount Rs 000	Fair value Rs 000
<b>Assets</b>		
Cash and cash equivalents	5,772,510	5,772,510
Balances with Central Bank of Sri Lanka	1,223,727	1,223,727
Placements with banks	6,559,072	6,559,072
Loans and receivables to other customers	18,770,128	18,770,128
<b>Liabilities</b>		
Due to Banks	8,726,754	8,726,754
Due to other customers	23,513,531	23,513,531
Other borrowings	70,875	70,875

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.

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

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***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 100% 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 semi-annually while for fixed 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 semi-annually. Therefore fair value of amounts due to banks approximate to the carrying value as at the reporting date.

***Due to other customers***

Approximately 100% 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.

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

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									
A										
1	Cash on hand		836.95	-	-	-	-	-	-	-
2	Deposits with CBSL		1,223.73	-	-	-	-	-	-	-
Balances due from Head Office, Affiliates and Own										
3	Branches		-	-	-	-	-	-	-	-
4	Balances due from Other Banks		2,805.83	-	-	-	-	-	-	-
5	Investments (Net of provisions)		1,521.44	1,715.10	8,297.05	1,377.03	912.19	-	-	-
6	Bills of Exchange		4.46	-	-	-	-	-	-	-
7	Overdraft		516.64	516.64	516.64	516.64	516.64	1,435.11	1,435.11	1,435.11
8	Loans and Advances		5,583.06	320.51	-	-	-	-	-	-
9	NPLs		-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions		-	-	-	-	-	-	-	-
11	Other Assets		-	509.66	-	-	-	-	-	248.35
12	Lines of credit committed from institutions		-	-	-	-	-	-	-	-
13	Others - Please specify		-	-	-	-	-	-	-	-
Total (a)			12,492.10	3,061.91	8,813.69	1,893.67	1,428.83	1,435.11	1,435.11	1,683.46
B										
Outflows										
1	Demand Deposits		1,143.46	1,143.46	857.39	571.73	571.73	-	-	1,429.32
2	Savings Deposits		66.73	66.73	66.73	66.73	66.73	333.64	333.64	333.64
Balances due to Head Office/Affiliates/Own Branches										
3	Balances due to Other Banks		-	-	-	-	-	-	-	-
4	Balances due to Other Banks		-	-	-	-	-	-	-	-
5	Time Deposits		4,908.97	2,050.50	211.12	18.00	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds		-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions		-	-	-	-	-	-	-	-
8	Bills Payable		-	-	-	-	-	-	-	-
9	Interest Payable		100.00	2.55	45.80	0.06	-	-	-	-
Provisions other than for loan losses and depreciation in the value of investment portfolio										
10	Other Liabilities		-	-	-	-	-	-	-	-
11	Other Liabilities		-	1,605.56	-	-	-	-	-	-
12	Lines of credit committed to institutions		-	-	-	-	-	-	-	-
Unutilized portion of Overdraft, Loans and										
13	Advances		195.19	-	-	-	-	-	-	-
14	Letters of Credit/Guarantees/Acceptances		12.89	-	-	-	-	-	-	-
15	Repo/Bills Rediscounted/Swaps/Forward contracts		(4,518.03)	(378.27)	(2,684.10)	1,127.31	574.51	-	-	-
16	Other - Please Specify		-	-	-	-	-	-	-	-
Total (b)			1,909.22	4,490.53	(1,502.86)	1,733.83	1,212.97	333.64	333.64	1,762.96
Gap = (a) - (b)			10,582.88	(1,428.62)	10,316.54	109.84	215.86	1,101.47	1,101.47	(79.50)
Cumulative Gap			10,582.88	9,154.26	19,470.80	19,580.65	19,796.51	20,897.98	21,999.45	21,919.95
Cumulative Liabilities			1,909.22	6,399.75	4,896.89	6,680.72	7,893.68	8,127.32	8,560.96	10,323.92
Cumulative gap as a % of cumulative liabilities			554%	143%	398%	293%	251%	254%	257%	212%

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

Head of Accounts		(Rs. Million)								
Sr.	Item	Up to 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years	
Inflows										
A										
1	Cash on hand	25.65	-	-	-	-	-	-	-	
2	Deposits with CBSL	-	-	-	-	-	-	-	-	
3	Balances due from Head Office, Affiliates and Own Branches	4,221.44	-	-	-	-	-	-	-	
4	Balances due from Other Banks	3,853.56	-	-	-	-	-	-	-	
5	Investments (Net of provisions)	-	-	-	-	-	-	-	-	
6	Bills of Exchange	-	-	-	-	-	-	-	-	
7	Overdraft	170.08	170.08	170.08	170.08	170.08	472.45	472.45	472.45	
8	Loans and Advances	2,973.03	560.25	91.82	-	-	-	-	-	
9	NPLs	-	-	-	-	-	-	-	-	
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-	
11	Other Assets	-	29.48	-	-	-	-	-	2,377.64	
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-	
13	Others - Please specify	-	-	-	-	-	-	-	-	
	Total (a)	11,243.77	759.81	261.90	170.08	170.08	472.45	472.45	2,850.09	
Outflows										
B										
1	Demand Deposits	143.95	143.95	107.96	71.97	71.97	-	-	179.93	
2	Savings Deposits	2.76	2.76	2.76	2.76	2.76	13.79	13.79	13.79	
3	Balances due to Head Office/Affiliates/Own Branches	433.66	-	-	-	-	-	-	-	
4	Balances due to Other Banks	-	-	-	-	-	-	-	-	
5	Time Deposits	402.56	-	27.45	-	-	-	-	-	
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-	
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	
8	Bills Payable	-	-	-	-	-	-	-	-	
9	Interest Payable	1.00	-	-	-	-	-	-	-	
	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-	
11	Other Liabilities	-	299.63	-	-	-	-	-	48.57	
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-	
13	Unutilized portion of Overdraft, Loans and Advances	-	-	-	-	-	-	-	-	
14	Letters of Credit/Guarantees/Acceptances	-	-	-	-	-	-	-	-	
15	Repo/Bills Rediscounted/Swaps/Forward contracts	4,993.75	477.91	2,932.36	(1,128.38)	(568.54)	-	-	-	
16	Other - Please Specify	-	-	-	-	-	-	-	-	
	Total (b)	5,977.67	924.25	3,070.53	(1,053.65)	(493.84)	13.79	13.79	242.25	
	Gap = (a) - (b)	5,266.10	(164.44)	(2,308.63)	1,223.73	663.89	458.66	458.66	2,607.80	
	Cumulative Gap	5,266.10	5,101.66	2,293.03	3,516.76	4,180.65	4,639.32	5,097.98	7,705.78	
	Cumulative Liabilities	5,977.67	6,901.92	9,972.44	8,918.80	8,424.99	8,438.77	8,452.56	8,694.85	
	Cumulative gap as a % of cumulative liabilities	88%	74%	23%	39%	50%	55%	60%	89%	

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

Head of Accounts		(Rs. Million)								
Sr.	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	
Inflows										
A										
1	Cash on hand	6.11	-	-	-	-	-	-	-	
2	Deposits with CBSL	-	-	-	-	-	-	-	-	
3	Balances due from Head Office, Affiliates and Own Branches	574.74	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	67.04	
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-	
13	Others - Please specify	-	-	-	-	-	-	-	-	
	Total (a)	580.85	-	-	-	-	-	-	67.04	
Outflows										
B										
1	Demand Deposits	651.87	651.87	488.90	325.93	325.93	-	-	814.84	
2	Savings Deposits	163.86	163.86	163.86	163.86	163.86	819.32	819.32	819	
3	Balances due to Head Office/Affiliates/Own Branches	8,292.42	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	1,706.91	
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-	
13	Unutilized portion of Overdraft, Loans and Advances	-	-	-	-	-	-	-	-	
14	Letters of Credit/Guarantees/Acceptances	-	-	-	-	-	-	-	-	
15	Repo/Bills Rediscounted/Swaps/Forward contracts	(161.26)	(8.10)	-	-	0.00	-	-	-	
16	Other - Please Specify	-	-	-	-	-	-	-	-	
	Total (b)	8,946.89	807.63	652.77	489.80	489.80	819.32	819.32	3,341	
	Gap = (a) - (b)	(8,366.04)	(807.63)	(652.77)	(489.80)	(489.80)	(819.32)	(819.32)	(3,274)	
	Cumulative Gap	(8,366.04)	(9,173.67)	(9,826.43)	(10,316.23)	(10,806.03)	(11,625.36)	(12,444.68)	(15,719)	
	Cumulative Liabilities	8,946.89	9,754.52	10,407.28	10,897.08	11,386.88	12,206.21	13,025.53	16,367	
	Cumulative gap as a % of cumulative liabilities	-94%	-94%	-94%	-95%	-95%	-95%	-96%	-96%	



**Sensitivity of Assets and Liabilities (SAL)**  
**LKR**

Name of Bank : Citibank N.A.  
Period Ended : December 31, 2018

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														836.95	836.95
2	Deposits with CBSL														1,223.73	1,223.73
3	Balances due from HO/Affiliates/Branches	-													-	-
4	Balances due from Other Banks	-													5.83	5.83
5	Investments	1,521.44	1,715.10	4,562.12	3,067.35	-	942.55	-	1,241.08	13.03	760	-			13,822.82	13,822.82
6	Bills of Exchange and Promissory Notes	4.46													4.46	4.46
7	Overdrafts		6,888.52												6,888.52	6,888.52
8	Loans and Advances	5,583.06	320.51							0.00					5,903.56	5,903.56
9	Non Performing Loans														-	-
10	Fixed Assets														247.85	247.85
11	Net Inter-branch Transactions														-	-
12	Accrued Interest														-	-
13	Other Assets														510.16	510.16
14	Reverse Repos	-													-	-
15	FRAs														-	-
16	Swaps														-	-
17	Futures														-	-
18	Options														-	-
19	Others (Specify)														-	-
	<b>Total</b>	<b>7,108.96</b>	<b>8,924.13</b>	<b>4,562.12</b>	<b>3,067.35</b>	<b>-</b>	<b>942.55</b>	<b>-</b>	<b>1,241.08</b>	<b>13.03</b>	<b>760.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,824.51</b>	<b>29,443.87</b>
1	Demand Deposits														5,717.30	5,717.30
2	Savings Deposits		1,334.55												1,334.55	1,334.55
3	Time Deposits	4,908.97	2,050.50	211.12	18.00										7,188.59	7,188.59
4	Other Deposits	1,294.13													1,294.13	1,294.13
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	-	-	-	-										148.41	148.41
12	Provisions (others)														-	-
13	Capital														1,524.25	1,524.25
14	Reserves														680.79	680.79
15	Retained Earnings														11,115.60	11,115.60
16	Subordinated Debts														-	-
17	Other (Specify)														-	-
18	Repos	70.86													70.86	70.86
19	FRAs														-	-
20	Futures														-	-
21	Swaps														-	-
22	Options														-	-
	<b>Total</b>	<b>6,273.96</b>	<b>3,385.05</b>	<b>211.12</b>	<b>18.00</b>	<b>-</b>	<b>942.55</b>	<b>-</b>	<b>1,241.08</b>	<b>13.03</b>	<b>760.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,186.35</b>	<b>29,074.43</b>
	<b>Gap</b>	<b>835.00</b>	<b>5,539.08</b>	<b>4,351.00</b>	<b>3,049.35</b>	<b>-</b>	<b>942.55</b>	<b>-</b>	<b>1,241.08</b>	<b>13.03</b>	<b>760.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,361.84)</b>	<b>369.39</b>

Sensitivity of Assets and Liabilities (SAL)  
USD

Name of Bank : Citibank N.A.

Period Ended : December 31, 2018

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	(Rs. Million)	
															Non Sensitive	Total
1	Cash on hand														25.65	25.65
2	Deposits with CBSL															-
3	Balances due from HO/Affiliates/Branches														4,221.44	4,221.44
4	Balances due from Other Banks															-
5	Investments															-
6	Bills of Exchange and Promissory Notes															-
7	Overdrafts		2,267.75													2,267.75
8	Loans and Advances	2,973.03	560.25	91.82												3,625.10
9	Non Performing Loans															-
10	Fixed Assets															-
11	Net Inter-branch Transactions															-
12	Accrued Interest															-
13	Other Assets															-
14	Reverse Repos														2,407.11	2,407.11
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	<b>Total</b>	<b>2,973.03</b>	<b>2,828.00</b>	<b>91.82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,654.20</b>	<b>12,547.05</b>
	<b>Liabilities and OBS</b>															
1	Demand Deposits														719.73	719.73
2	Savings Deposits		55.14													55.14
3	Time Deposits	402.56		27.45												430.01
4	Other Deposits	86.76														86.76
5	Balances due to HO/Affiliates/Branches	4,574.50													3,717.92	8,292.42
6	Balances due to other Banks															-
7	Certificate of Deposits															-
8	Other Borrowings															-
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable														1.09	1.09
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>	<b>5,063.82</b>	<b>55.14</b>	<b>27.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,438.74</b>	<b>9,585.15</b>
	<b>Gap</b>	<b>(2,090.78)</b>	<b>2,772.86</b>	<b>64.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,215.47</b>	<b>2,961.90</b>

**Sensitivity of Assets and Liabilities (SAL)**  
**OTHER CURRENCIES**

Name of Bank : Citibank N.A.  
Period Ended : 31st December 2018.

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														6.11	6.11
2	Deposits with CBSL															
3	Balances due from HO/Affiliates/Branches	136.99													437.77	574.76
4	Balances due from Other Banks														102.47	102.47
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														67.04	67.04
14	Reverse Repos															
15	FRAs															
16	Swaps															
17	Futures															
18	Options															
19	Others (Specify)															
	<b>Total</b>	<b>136.99</b>													<b>613.39</b>	<b>750.38</b>
	<b>Liabilities and OBS</b>															
1	Demand Deposits														3,259.34	3,259.34
2	Savings Deposits		3,277.29													3,277.29
3	Time Deposits															
4	Other Deposits	1.88														1.88
5	Balances due to HO/Affiliates/Branches	22.72													410.94	433.66
6	Balance due to other Banks															
7	Certificates of Deposits															
8	Other Borrowings															
9	Net Inter-branch Transactions															
10	Bills Payable															
11	Interest Payable	0.21														0.21
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>	<b>24.81</b>	<b>3,277.29</b>												<b>3,670.28</b>	<b>6,972.38</b>
	<b>Gap</b>	<b>112.17</b>	<b>(3,277.29)</b>												<b>(3,056.90)</b>	<b>(6,222.00)</b>

## Foreign Exchange Position

Bank: Citibank N.A. Colombo  
As at end of: 31st Dec 2018

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	915	1,470	(555)	42,872	35,610	7,262	42	6,707
Pound Sterling			-			-	-	-
Euro	4	-	4	3,377	3,377	-	4	4
Japanese Yen	11	-	11	0	8	(8)	3	3
Indian Rupee			-			-	-	-
Australian Dollar	0	-	0	-	0	(0)	0	0
Canadian Dollar			-			-	-	-
Other currencies (c)	1,630	177	1,453	34,576	41,100	(6,523)	-	(5,070)
<b>Total Exposure (e)</b>	<b>2,560</b>	<b>1,646</b>	<b>914</b>	<b>80,825</b>	<b>80,095</b>	<b>730</b>	<b>1,644</b>	<b>1,644</b>
<b>Total capital funds as per the latest audited financial statements(f)</b>								
<b>Total exposure as a % of total capital funds as per the latest audited financial statements (should not exceed 30%)</b>								
								<b>13,438</b>
								<b>12.24%</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).