CITIBANK N.A. COLOMBO BRANCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2019

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MANAGEMENT OF 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, 2019, 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, 2019, 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.

KPMG

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 27,2020

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

For the year ended December 31,	Note	2019 Rs. '000	2018 Rs. '000
Income	5	5,154,712	5,626,573
Interest income	6(a)	3,313,398	3,225,313
Interest expenses	6(b)	(789,695)	(878,574)
Net interest income	6	**2,523,703**	**2,346,739**
Fee and commission income	7(a)	766,069	858,198
Fee and commission expenses		(219,858)	(157,843)
Net fee and commission income	7	**546,211**	**700,355**
Net interest, fee and commission income		**3,069,914**	**3,047,094**
Net gain/(loss) from trading	8	(261,494)	920,279
Other operating income	9	1,336,739	622,783
Total operating income		**4,145,159**	**4,590,156**
Impairment (charge)	10	(6,029)	(8,491)
Net operating income		**4,139,130**	**4,581,665**
Operating expenses			
Personnel expenses	11	(672,323)	(658,723)
Depreciation and amortization expense		(139,772)	(102,699)
Other expenses	12	(724,328)	(571,342)
Operating profit before VAT, NBT and DRL		**2,602,707**	**3,248,901**
Value Added Tax (VAT),Nation Building Tax (NBT) on financial services and Debt Repayment Levy		(680,066)	(604,951)
Profit before tax		**1,922,641**	**2,643,950**
Income tax expenses	13	(681,724)	(897,619)
Profit for the year		**1,240,917**	**1,746,331**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations	28.3	33,909	43,663
Less : Related tax	28.3	(9,495)	(12,226)
Items that are or may be reclassified to profit or loss			
Instruments measured at fair value through other comprehensive income		31,487	(50,457)
Less : Related tax		(8,816)	14,128
Foreign currency translation difference in foreign operations	32 (b)	(21,862)	542,257
Other comprehensive income for the year, net of tax		**25,223**	**537,365**
Total comprehensive income for the year		**1,266,140**	**2,283,696**

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	2019 Rs. '000	2018 Rs. '000
Assets			
Cash and cash equivalents	15	4,652,896	1,721,611
Balances with Central Bank of Sri Lanka	16	669,009	1,223,727
Placements with banks	17	10,180,779	6,559,072
Derivative financial assets	18	331,367	2,444,682
Financial assets measured at fair value through profit or loss	19	7,891,091	4,890,750
Financial assets at amortised cost - loans and advances	20	16,018,969	18,770,128
Financial assets measured at fair value through other comprehensive income	21	8,864,749	9,093,061
Property, plant and equipment	22	479,766	247,847
Deferred tax assets	23	26,546	20,671
Other assets	24	39,572	41,179
Total assets		**49,154,744**	**45,012,728**
Liabilities			
Due to banks	25	3,449,165	4,675,856
Derivative financial liabilities	26	378,077	1,755,480
Financial liabilities at amortised cost			
- Due to depositors	27	30,588,969	23,506,938
- Securities sold under repurchase agreements		6,222	70,875
Current tax liabilities		295,270	573,527
Retirement benefit obligations	28	208,998	224,665
Other liabilities	29	1,183,239	767,709
Total liabilities		**36,109,940**	**31,575,050**
Equity			
Assigned capital	30	1,524,250	1,524,250
Statutory reserve fund	31	792,930	768,111
Retained earnings		9,328,242	9,746,744
Other reserves	32	1,399,382	1,398,573
Total equity		**13,044,804**	**13,437,678**
Total equity and liabilities		**49,154,744**	**45,012,728**
Contingent liabilities and commitments	33	**160,942,788**	**185,073,329**

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 27, 2020
Colombo

Feroze Kamaldeen
Chief Finance Officer

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

	Assigned capital	Statutory reserve fund	Other Reserves			Retained earnings	Total equity
			Exchange equalization account	FVOCI reserve	Exchange equalization reserve		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at January 01, 2018	**1,524,250**	**680,794**	**5,170**	**26,697**	**860,778**	**9,501,888**	**12,599,577**
Adjustment on initial application on SLFRS 9, net of tax						13,520	13,520
Total comprehensive income for the year							
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
Total comprehensive income for the year	-	-	-	**(36,329)**	**542,257**	**1,791,288**	**2,297,216**
Transactions with equity holders, recognised directly in equity							
Transfers to reserves during the year	-	87,317	-	-	-	(87,317)	-
Profit transferred to head office	-	-	-	-	-	(1,459,115)	(1,459,115)
Total transactions with equity holders	-	87,317	-	-	-	(1,546,432)	(1,459,115)
Balance as at December 31, 2018	**1,524,250**	**768,111**	**5,170**	**(9,632)**	**1,403,035**	**9,746,744**	**13,437,678**
Balance as at January 01, 2018	**1,524,250**	**768,111**	**5,170**	**(9,632)**	**1,403,035**	**9,746,744**	**13,437,678**
Total comprehensive income for the year							
Profit for the year 2019	-	-	-	-	-	1,240,917	1,240,917
Other comprehensive income (net of tax)	-	-	-	22,671	(21,862)	24,414	25,223
Total comprehensive income for the year	-	-	-	**22,671**	**(21,862)**	**1,265,331**	**1,266,140**
Transactions with equity holders, recognised directly in equity							
Profit transferred to head office						(1,659,014)	(1,659,014)
Transfers to reserves during the year	-	24,819	-	-		(24,819)	-
Total transactions with equity holders	-	24,819	-	-	-	(1,683,833)	(1,659,014)
Balance as at December 31, 2019	**1,524,250**	**792,930**	**5,170**	**13,039**	**1,381,173**	**9,328,242**	**13,044,804**

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,	2019 Rs. '000	2018 Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and commission receipts	4,156,662	3,946,823
Interest and commission payments	(1,069,901)	(963,816)
Receipts from other operating activities	1,334,763	1,541,935
Payments to employees	(638,688)	(617,973)
Other overhead expenses and other taxes paid	(1,326,993)	(1,176,293)
Operating profit before changes in operating assets & liabilities	**2,455,843**	**2,730,676**
(Increase)/decrease in operating assets		
Financial assets at amortised cost - loans and advances	2,752,211	(3,562,567)
Net proceeds from sale, maturity, and purchases of financial investments	(3,084,337)	(6,992,926)
Deposits held for regulatory purposes	554,718	(341,013)
Placements with bank	(3,625,380)	4,473,862
Derivative Financial assets	2,113,315	(1,407,499)
Increase/(decrease) in operating liabilities		
Financial liabilities at amortised cost - due to depositors	7,144,350	3,766,544
Due to Banks	(1,227,458)	(150,010)
Securities sold under repurchase agreements	(64,653)	-
Derivative Financial Liabilities	(1,377,403)	1,039,481
	5,641,206	**(443,451)**
Income tax paid	(984,167)	(954,749)
Gratuity paid	(23,099)	(8,901)
Net unrealized gains arising from translating the financial statements of foreign operation	(21,862)	542,257
Net cash generated from operating activities	**4,612,078**	**(864,844)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(23,980)	(38,631)
Dividend income received from financial investments	1,389	1,127
Proceeds from sale of property, plant & equipment	587	-
Net cash (used in) from investing activities	**(22,004)**	**(37,504)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit remittance to head office	(1,659,014)	(1,459,115)
Net cash decrease from financing activities	**(1,659,014)**	**(1,459,115)**
Net increase in cash & cash equivalents	2,931,060	(2,361,463)
Cash & cash equivalents at the beginning of the year	1,721,836	4,083,299
Cash & cash equivalents at the end of the year	**4,652,896**	**1,721,836**
Reconciliation of cash & cash equivalents (*Note 15*)		
Cash in hand	714,673	868,702
Balances with banks	3,938,223	853,134
Money at call and short notice	-	-
Gross cash & cash equivalents	**4,652,896**	**1,721,836**
Less: Accumulated impairment - Stage 1	-	**(225)**
Net cash & cash equivalents	**4,652,896**	**1,721,611**

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

1. REPORTING ENTITY

Citi Bank N.A. Colombo – Sri Lanka, (Branch) is a registered Brach 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, 2019 is 85. (2018- 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 27, 2020.

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 assets measured at fair value through profit or loss;
- derivative financial instruments are measured at fair value;
- financial assets measured at fair value through other comprehensive income;
- 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). Branch's consolidated Financial Statements have been prepared by consolidating the Financial Statements of the Domestic Banking Unit and Foreign Currency Banking Unit.

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.

2.5.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

- Establishing the criteria for determining the credit risk on financial assets; determining the methodology for incorporating forward looking information into the measurement and models to ECL.
- Classification of financial assets; business model assessment within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

2.5.2 Assumptions and estimates uncertainties

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; determination of inputs into ECL measurement including key assumptions used in estimating recoverable cash flows and incorporating forward looking information (Note 3.13.5)
- Measurement of the fair value of financial instruments with significant unobservable inputs (Note 3.13.4)
- Deferred taxation (Note 3.10.2 & 23)
- Measurement of defined benefit obligation; key actuarial assumption (Note 3.19 & 28)
- Commitment and Contingencies; key assumptions about the likelihood and magnitude of an outflow of resources (3.23 & 33)
- Restoration reserve (3.14.4)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The Branch has applied SLFRS 16 using the modified retrospective approach effective from 01 January 2019 and therefore the comparative information has not been restated and continue to be reported under LKAS 17.

Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognize most leases on the statement of Financial position. One of the most notable aspects of SLFRS 16 is that the lessee and lessor accounting models are asymmetrical. SLFRS 16 has retained LKAS 17's finance lease/operating lease distinction for lessors but this distinction is no longer relevant for lessees.

On transition to SLFRS 16, The Branch has applied the standard to the office and disaster recovery management premises which were under the operating lease as at 01 January 2019. The impact on transition date are provided on Note – 22 Property, plant and equipment and Note – 29.1 Lease liability.

However, SLFRS 16 has introduced fundamental changes to accounting principles when the Branch becomes the lessee of the contract. The Branch adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application being January 1, 2019.

Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard being recognized at the date of initial application. The lessee shall measure that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Branch opted to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial position immediately before the date of initial application.

The Branch determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. SLFRS 16 introduces a single on-balance sheet model for lessees similar to the accounting for finance lease under LKAS 17. Accordingly, leases within the scope of SLFRS 16 are brought on to the balance sheet recognising a 'right-of-use' asset and related lease liability. As a result, the portion of off-balance sheet finance kept in the form of operating lease is recognised on balance sheet, except for short-term leases (lease term 12 months or less) and leases of low value.

The lessee can benefit from use of the asset either on its own or together with other resources that are available to the lessee. The underlying asset is neither dependent on, nor highly interrelated with, the other underlying assets in the contract. For contracts in which the branch becomes the lessee, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Determination of lease term all lease liabilities are to be measured with reference to the estimate of lease term. Accordingly, the Branch determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Branch is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Branch is reasonably certain not to exercise that option. In this assessment, the Branch considers all relevant facts and circumstances that create an economic incentive for the Branch to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Branch reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, only upon the occurrence of a significant event or significant change in circumstances that are within the control of the Branch as a lessee. In addition, as per SLFRS 16, the Branch revises lease term only if there is a change in the non-cancellable period of lease.

The Branch used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating lease under LKAS 17. In particular,

- Relied on its assessment on whether leases are onerous under LKAS 37 provisions, contingent liabilities & contingent assets;
- Did not recognize the right of use asset and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognize the right of use asset and liabilities for leases of low value assets;
- Excluded the initial direct cost from measuring the right of use asset at the date of initial application.

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. Monitory 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.

3.2 Interest Income and Expenditures

3.2.1 Effective Interest Rate

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.

3.2.2 Amortised Cost and Gross Carrying Amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3.3 Fees and Commission

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

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

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

3.4 Net Trading Income

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

3.5 Net Income from other financial Instruments at fair value through Profit or Loss

Net Income from other financial Instruments at FVTPL related to non-trading derivatives hold for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

3.6 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.

3.7 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.

3.8 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.

3.9 Lease Payments

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

- Fixed payments including in substance lease payments
- Variable lease payments that depend on an index or a rate
- The exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise the extension option

Short term leases and low value lease assets

The Branch recognises the associated lease payments as an expense on a straight-line basis over the lease term.

3.10 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.

3.10.1 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.

3.10.2 Deferred tax

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

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

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

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

3.10.3 Other Taxes

3.10.3.1 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.

3.10.3.2 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 at a rate of 15%. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

3.10.3.3 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. The tax was discontinued from 01.12.2019.

3.10.3.4 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. However, ESC was discontinued from 01.01.2020.

3.10.3.5 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. However, DRL was discontinued from 01.01.2020.

Assets and Liabilities and Basis of Valuation

3.11 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

16 to the Financial Statements.

3.12 Financial Assets and Financial Liabilities

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. The Branch initially recognizes loans and advances, deposits, debt securities issued and subordinate liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date on which the Branch becomes a party to the contractual provision of the instrument.

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. 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 3.13.2.

FVOCI includes debt and equity instruments measured at fair value. On the derecognition of debt instruments measured at FVTOCI, the cumulative gains and losses are reclassified to profit or loss. However, derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings.

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 3.13.2.

Measurement of Financial Assets and Financial Liabilities

FVOCI includes debt and equity instruments measured at fair value. On the derecognition of debt instruments measured at FVTOCI, the cumulative gains and losses are reclassified to profit or loss. However, derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings

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. ECL is considered as more forward looking approach. The allowance is based on the ECL associated with the PD in the next 12 months unless there has been a significant increase in credit risk since origination. 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 3.13.5.

ECL is considered as more forward-looking approach. The allowance is based on the ECL associated with the PD in the next 12 months unless there has been a significant increase in credit risk since origination.

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

– 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.

3.13 Significant Accounting Policies

Financial Assets and Financial Liabilities

3.13.1 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 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.

3.13.1.1 "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.

3.13.2 (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).

- **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 classifies all equity instruments as FVTPL except, the mandatory investment made in Lanka Clear (Pvt) Ltd and Credit Information Bureau of Sri Lanka which is classified as FVOCI as per the scope of SLFRS 9.

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 realized.

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

Assessment of whether 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 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.

3.13.3 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.

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.

3.13.4 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.
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.

3.13.5 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 recognized 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.

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.

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.
- Debt instruments measured at FVTPL: 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 statement of profit or loss.

3.14 Property, Plant & Equipment

3.14.1 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 restring the site on which they are located, and capitalized borrowing costs. Cost also may include transfer from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

3.14.2 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.

3.14.3 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.

3.14.4 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:

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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 Employee Benefits

3.19.1 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, 2019 by Ritobrata Sarkar, 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.

3.19.2 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.

3.20 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.

3.21 Provisions

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

3.22 Deposit Insurance Scheme

In terms of the banking act Direction No5 of 2010 "insurance of Deposit Liabilities" issued on 27th 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 1st 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.

3.23 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.

3.24 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 note 37.

3.25 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 vale. The cash and cash equivalent include cash in hand, balances with banks and money at call and short notice.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2019. Accordingly, the Branch has not applied the following new standard in preparing these financial statements and amended standards are not expected to have significant impact on the Branch's financial statements.

- IFRS 17 Insurance contracts.

Possible impact on Financial Statements

The Branch does not expect that there will be an impact on its Financial Statements, because the branch doesn't involve with Insurance contracts.

For the year ended December 31,		2019 Rs. ' 000	2018 Rs. ' 000
5	**Income**		
	Interest income (Note 6 (a))	3,313,398	3,225,313
	Fee and commission income (Note 7 (a))	766,069	858,198
	Net (loss)/gain from trading (Note 8)	(261,494)	920,279
	Other operating income (Note 9)	1,336,739	622,783
		5,154,712	**5,626,573**
6	**Net interest income**		
6(a)	**Interest income**		
	Placements with banks	394,893	454,241
	Financial assets at amortised cost - loans and advances	1,667,473	1,502,192
	Financial assets measured at fair value through profit or loss	432,332	513,788
	Financial assets measured at fair value through other comprehensive income	775,142	703,576
	Financial investments -Securities sold under repurchase agreements	43,558	51,516
		3,313,398	**3,225,313**
6(b)	**Interest expenses**		
	Financial liabilities at amortised cost - due to depositors	(693,728)	(770,490)
	Financial liabilities at amortised cost - due to other borrowers	(95,967)	(108,084)
		(789,695)	**(878,574)**
	Net interest income	**2,523,703**	**2,346,739**
7	**Net fee and commission income**		
	Fee and commission income (Note 7(a))	766,069	858,198
	Less : Fee and commission expenses	(219,858)	(157,843)
		546,211	**700,355**
7(a)	**Comprising**		
	Trade and remittances	297,296	404,524
	Deposits	13,620	12,889
	Guarantees	43,086	51,935
	Other fee and commission income	412,067	388,850
		766,069	**858,198**
8	**Net gain/(loss) from trading**		
	Foreign exchange		
	From banks	(1,903,929)	1,690,756
	From other customers	1,165,150	(1,144,598)
	Fixed income	477,285	374,121
		(261,494)	**920,279**
9	**Other operating income**		
	Gain on sale of property, plant and equipment and other	587	-
	Gain on revaluation of foreign exchange	1,333,675	621,866
	Other income	2,477	917
		1,336,739	**622,783**
10	**Impairment (charge)**		
	Financial assets at amortised cost - loans and advances - stage 1 and 2 (Note 20(d))	(4,211)	(7,184)
	Financial assets at amortised cost- placement- stage 1 and 2 (Note 17(a))	(2,252)	(931)
	Financial assets at amortised cost- cash and cash equivalents- stage 1 (Note 15(a))	225	513
	Other financial assets (Note 24)	(123)	-
	Contingent liabilities & commitments -stage 1 (Note 33(a.1))	332	(889)
		(6,029)	**(8,491)**

For the year ended December 31,	2019 Rs. ' 000	2018 Rs. ' 000
11 Personnel expenses		
Salary and other benefits	589,750	577,513
Contributions to defined contribution plans	41,233	40,460
Provision defined benefit plans	41,341	40,750
	672,323	**658,723**
12 Other expenses		
Auditors' remuneration	1,903	1,848
Professional and legal expenses	5,950	2,375
Other Audit related expenses	4,386	3,750
Office administration and establishment expenses	152,101	119,690
Other operating and overhead expenses	518,539	443,679
Interest expense on lease liability	41,449	-
	724,328	**571,342**

13

Income tax expenses

	2019 Rs. ' 000	2018 Rs. ' 000
Current tax expense		
Income tax on current year profits	709,255	929,113
(Over) provision in respect of prior years	(3,345)	(27,239)
Deferred tax expense		
Origination of temporary differences	(24,186)	(4,255)
	681,724	**897,619**

13(a)

Reconciliation between current tax expenses and the accounting

	Rs. ' 000	Rs. ' 000
Accounting profit before tax	1,922,641	2,643,950
Aggregate disallowed items	847,193	934,314
Aggregate allowable expenses	(236,780)	(260,003)
Taxable income	2,533,054	3,318,261
Income tax expense @ 28%	**709,255**	**929,113**

13(b)

Reconciliation of effective tax rate

		2019		2018
Profit for the year		1,240,917		1,746,331
Income tax expenses		681,724		897,619
Profit before taxation		1,922,641		2,643,950
Tax using the domestic corporation tax rate	28%	538,339	28%	740,306
Non-deductible expenses	12%	237,214	9%	261,608
Tax exempt income/ deductible expenses	-3%	(66,298)	-3%	(72,801)
Total tax expense	37%	**709,255**	34%	**929,113**

14 Analysis of financial instruments by measurement basis

a. Fair Value of financial instruments as at December 31, 2019

	FVTPL*	Amortised cost	FVOCI*	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Financial assets				
Cash and cash equivalents	-	4,652,896	-	4,652,896
Balances with central bank	-	669,009	-	669,009
Placements with banks	-	10,180,779	-	10,180,779
Derivative financial instruments	331,367	-	-	331,367
Financial assets recognised through profit or loss- measured at fair value	7,891,091	-	-	7,891,091
Financial assets at amortised cost - loans and advances	-	16,018,969	-	16,018,969
Financial assets measured at fair value through other comprehensive income	-	-	8,864,749	8,864,749
Other assets		22,820	-	22,820
Total financial assets	**8,222,458**	**31,544,473**	**8,864,749**	**48,631,680**

	FVTPL*	Amortised cost	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000
Financial liabilities			
Due to banks	-	3,449,165	3,449,165
Derivative financial instruments	378,077	-	378,077
Financial liabilities at amortised cost - due to depositors	-	30,588,969	30,588,969
Securities sold under repurchase agreements	-	6,222	6,222
Other liabilities	-	1,156,659	1,156,659
Total financial liabilities	**378,077**	**35,201,015**	**35,579,092**

b. Fair Value hierarchy of financial instruments as at 31 Dec 2019

The Following table provides the analyses of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

Financial Assets	Level 1 Rs. 000'	Level 2 Rs. 000'	Level 3 Rs. 000'	Total Rs. 000'
Derivative Financial Instruments	331,367	-	-	331,367
Financial assets recognised through profit or loss- measured at fair value (Treasury Bills & Bonds)	7,891,091	-	-	7,891,091
Financial assets measured at fair value through other comprehensive income (Treasury Bills & Bonds)	8,864,749	-	-	8,864,749
	17,087,207	**-**	**-**	**17,087,207**
Financial Liabilities				
Derivative Financial Instruments	**378,077**	**-**	**-**	**378,077**

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

** Financial assets measured at at fair value through profit or loss - FVTPL*

c. Fair Value of financial instruments as at December 31, 2018

	FVTPL*	Amortised Cost	FVOCI*	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Financial assets				
Cash and cash equivalents	-	1,721,611	-	1,721,611
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	-	-	9,093,061	9,093,061
Other assets	-	20,890	-	20,890
Total financial assets	**7,335,432**	**28,315,717**	**9,093,061**	**44,744,210**

	FVTPL*	Amortised cost	Total
	Rs. ' 000	Rs. ' 000	Rs. ' 000
Financial liabilities			
Due to banks	-	4,675,856	4,675,856
Derivative financial instruments	1,755,480	-	1,755,480
Financial liabilities at amortised cost - due to depositors	-	23,506,938	23,506,938
Securities sold under repurchase agreements	-	70,875	70,875
Other liabilities	-	368,113	368,113
Total financial liabilities	**1,755,480**	**29,021,378**	**30,776,858**

d. Fair Value hierarchy of financial instruments as at 31 Dec 2018

The Following table provides the analyses of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

	Level 1	Level 2	Level 3	Total
Financial Assets	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Derivative Financial Instruments	2,444,682	-	-	2,444,682
Financial assets recognised through profit or loss- measured at fair value (Treasury Bills & Bonds)	4,890,750	-	-	4,890,750
Financial assets measured at fair value through other comprehensive income (Treasury Bills & Bonds)	9,093,061	-	-	9,093,061
	16,428,493	**-**	**-**	**16,428,493**
Financial Liabilities				
Derivative Financial Instruments	**1,755,480**	**-**	**-**	**1,755,480**

As at December 31,		2019 Rs. '000	2018 Rs. '000
15	**Cash and cash equivalents**		
	Cash in hand	714,673	868,702
	Balances with banks	3,938,223	853,134
	Accumulated impairment - stage 1 (Note 15 (a))	-	(225)
		4,652,896	1,721,611
15 (a)	**Movement in impairment during the year**		
	Collective impairment as per SLFRS 9 at beginning of the year	225	738
	Impairment (reversal) for the year	(225)	(513)
	Balance at the end of the year	-	225
16	**Balances with Central Bank of Sri Lanka**		
	Statutory balances with Central Bank of Sri Lanka	669,009	1,223,727
		669,009	1,223,727

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, 2019, the minimum cash reserve requirement is 5% (6% as at 31st December 2018) 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.

		2019 Rs. '000	2018 Rs. '000
17	**Placements with banks**		
	Placements with banks - Stage 01	9,368,666	6,561,097
	Accumulated impairment - (Note 17 (a))	(3,234)	(2,025)
		9,365,432	6,559,072
	Placements with banks - Stage 02	816,390	-
	Accumulated impairment - (Note 17 (a))	(1,043)	-
		815,347	-
		10,180,779	6,559,072
17(a)	**Movement in impairment during the year**		
	Collective impairment as per SLFRS 9 at beginning of the year	2,025	1,094
	Impairment charge for the year	2,252	931
	Balance at the end of the year	4,277	2,025
18	**Derivative financial instruments**		
	Foreign currency derivatives		
	Currency swaps	286,824	1,603,681
	Forward foreign exchange contracts	44,543	841,001
		331,367	2,444,682
19	**Financial assets measured at fair value through profit or loss**		
	Sri Lanka government securities		
	Treasury bonds	2,910,620	3,838,325
	Treasury bills	4,980,471	1,052,425
		7,891,091	4,890,750
20	**Financial assets at amortised cost - loans and advances**		
	Gross loans and receivables - Stage 01	15,794,648	18,783,146
	Accumulated impairment (Note 20 (d))	(16,909)	(13,018)
	Net loans and receivables	15,777,739	18,770,128
	Gross loans and receivables - Stage 02	241,549	-
	Accumulated impairment (Note 20 (d))	(320)	-
	Net loans and receivables	241,229	-
		16,018,969	18,770,128
20 (a)	**Product wise analysis of loans and advances**		
	Loans and advances		
	Overdrafts	9,366,085	9,202,288
	Bills of Exchange	1,375	4,456
	Short-term	5,395,859	9,576,402
	Long-term	1,272,879	-
	Gross total	16,036,198	18,783,146

As at December 31,	2019 Rs. '000	2018 Rs. '000
20 (b) Currency wise analysis of loans and advances		
Sri Lankan Rupee	12,588,222	12,860,727
United States Dollar	3,447,976	5,922,419
Gross total	**16,036,198**	**18,783,146**

20 (c) Industry wise analysis of loans and advances		
Agriculture and fishing	1,356,942	2,656,391
Manufacturing	5,463,322	1,321,794
Tourism	161,100	-
Transport	460,783	53,181
Construction	187,324	803,188
Traders	3,954,785	950,112
Financial and business services	1,821,438	267,609
Infrastructure	2,630,504	73,365
Other services	-	9,915,084
Other customers	-	2,742,422
Gross total	**16,036,198**	**18,783,146**

20 (d) Movement in impairment during the year	2019 Rs. '000	2018 Rs. '000
Collective impairment as per SLFRS 9 at beginning of the year	13,018	5,834
Impairment charge for the year	4,211	7,184
Balance at the end of the year	**17,229**	**13,018**

21 Financial assets measured at fair value through other comprehensive income		
Sri Lanka government securities		
Treasury bonds	534,620	1,385,393
Treasury bills	8,329,089	7,706,628
Investment Equities		
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
	8,864,749	**9,093,061**

a. Movement in financial assets at fair value through other comprehensive income during the Year	2019 Rs. '000	2018 Rs. '000
Balance at the beginning of the year	(9,632)	26,697
Charge/ (write back) to other comprehensive income	22,670	(36,329)
Balance at the end of the year	**13,038**	**(9,632)**

b.Charge/ (write back) to other comprehensive income		
Fair value (loss)	31,487	(50,457)
Deferred tax (reversal)/charge	(8,816)	14,128
Total	**22,670**	**(36,329)**

As at December 31,

22 Property, plant and equipment

	Installation	Furniture & equipment	Restoration	WIP	Right of Use Asset	Total 2019	Total 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000
Cost							
Opening balance	245,423	372,616	5,330	7,953	-	631,322	592,691
Effect of adoption of SLFRS 16	-	-	-	-	347,710	347,710	-
Additions	-	19,891	4,089	-	-	23,980	38,631
Disposals	-	(4,693)	(5,330)	-	-	(10,023)	-
Transfers	-	7,953	-	(7,953)	-	-	-
Closing balance	**245,423**	**395,768**	**4,089**	**-**	**347,710**	**992,990**	**631,322**
Less: Accumulated depreciation							
Opening balance	130,260	247,885	5,330	-	-	383,475	280,775
Charge for the year	47,392	57,727	2,974	-	31,679	139,772	102,700
Disposals	-	(4,693)	(5,330)	-	-	(10,023)	-
Closing balance	**177,652**	**300,919**	**2,974**	**-**	**31,679**	**513,224**	**383,475**
Carrying value at December 31, 2019	**67,771**	**94,849**	**1,115**	**-**	**316,031**	**479,766**	
Carrying value at December 31, 2018	**115,163**	**124,731**	**-**	**7,953**	**-**		**247,847**

22 (a) Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment as at 31st December 2019, which are still in use as at reporting date is as follows.

As at December 31,	2019	2018
	Rs. '000	Rs. '000
Installation	2,984	2,984
Furniture & equipment	166,207	126,631
Restoration	-	5,330
	169,191	**134,945**

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

As at December 31,		2019 Rs. '000	2018 Rs. '000
23	**Deferred tax assets**		
	Deferred tax assets (Note 23 (a))	26,546	20,671
		26,546	**20,671**
23(a)	**Deferred tax assets**		
	FVOCI reserve	-	3,746
	Employee benefit obligation	58,520	62,905
		58,520	**66,651**
	Deferred tax liabilities		
	Property plant & equipment	26,903	45,980
	FVOCI reserve	5,071	-
		31,974	**45,980**
	Balance at the beginning of the year	20,671	14,514
	Charge during the year (Note 23 (b))	5,875	6,157
	Balance at the end of the year	**26,546**	**20,671**
23(b)	**Origination during the year**		
	Recognized in income statement	24,186	4,255
	Recognized in other comprehensive income (Note 23(c))	(18,311)	1,902
		5,875	**6,157**
23(c)	**Recognized in other comprehensive income**		
	Recognized on employee benefits (Note 28.3)	9,495	(12,226)
	Recognized on financial assets measured at fair value through other comprehensive income	8,816	14,128
		18,311	**1,902**

23(d)	**Deferred tax assets**	**2019**		**2018**	
		Temporary Difference	**Tax Effect**	**Temporary Difference**	**Tax Effect**
	FVOCI reserve	-	-	13,376	3,745
	Employee benefit obligation	208,999	58,520	224,665	62,906
		208,999	**58,520**	**238,041**	**66,651**
	Deferred tax liabilities	**2019**		**2018**	
		Temporary Difference	**Tax Effect**	**Temporary Difference**	**Tax Effect**
	Property plant & equipment	96,081	26,903	164,214	45,980
	FVOCI reserve	18,110	5,071	-	-
		114,191	**31,974**	**164,214**	**45,980**

		2019 Rs. '000	2018 Rs. '000
24	**Other assets**		
	Custodian income receivable	22,820	20,890
	Imapirment	(123)	-
	Others	16,875	20,289
		39,572	**41,179**
25	**Due to banks**		
	Other borrowings	3,449,165	4,675,856
		3,449,165	**4,675,856**
26	**Derivative financial instruments - Liabilities**		
	Foreign exchange derivatives		
	Currency swaps	163,845	1,674,503
	Forward foreign exchange contracts	214,232	80,977
		378,077	**1,755,480**
27	**Financial liabilities at amortised cost**		
	Due to depositors	30,588,969	23,506,938
		30,588,969	**23,506,938**

As at December 31,

	2019 Rs. '000	2018 Rs. '000
27(a) Product wise analysis due to depositors		
Demand deposits (current accounts)	13,460,777	9,696,373
Savings deposits	3,415,648	4,667,060
Time deposits	13,481,798	7,767,335
Other deposits	230,745	1,376,170
	30,588,968	**23,506,938**
27(b) Currency wise analysis due to depositors		
Sri Lankan Rupee	20,666,585	15,676,374
United State Dollar	9,319,921	7,053,812
Great Britain Pound	28,665	36,983
Euro	64,650	46,119
Japanese Yen	393,248	1,158
Others	115,899	692,492
	30,588,968	**23,506,938**

28 Retirement benefit obligations

	2019	2018
28.1 Net liability recognised in statement of financial position		
Balance at the beginning of the year	224,665	236,479
Charge /(reversal) for the year (Note 28.2 & 28.3)	7,432	(2,913)
Payments made during the year	(23,099)	(8,901)
Balance at the end of the year	**208,998**	**224,665**
28.2 Amount recognised in income statement		
Current service cost	16,149	18,002
Interest cost	25,192	22,748
	41,341	**40,750**
28.3 Amount recognised in other comprehensive income		
Defined benefit plan-actuarial (gain)	(33,909)	(43,663)
Deferred tax charge on defined benefit plan	9,495	12,226
	(24,414)	**(31,437)**
28.4 Employee benefits obligation reconciliation		
Balance at the beginning of the year	224,665	236,479
Current service cost	16,149	18,002
Interest cost	25,192	22,748
Acturial (gain)	(33,909)	(43,663)
Gratuity paid during the year	(23,099)	(8,901)
Balance at the end of the year	**208,998**	**224,665**

An actuarial valuation of the provision for employee benefits was carried out as at 31st December 2019 by Ritobrata Sarkar, Fellow, Institute of Actuaries of India; an actuarial valuer attached to Towers Watson India. The valuation method used by the actuaries to value the employee benefits obligation is the "Projected Unit Credit (PUC) actuarial Method", the method recommended by the Sri Lanka Accounting Standard (LKAS 19) "Employee Benefits".

	2019	2018
28.5 Principal assumptions used		
(a) Discount rate	9.95%	11.75%
(b) Salary increment	15.00%	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

Sensitivity of assumptions employed in actuarial valuation

Sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

	2019	
(Decrease) / increase in discount rate	**-1.45%**	**+0.55%**
Sensitivity effect on employment benefit obligation increase / (decrease) in the liability	15,229	(13,569)

	2019 Rs. '000	2018 Rs. '000
29 Other liabilities		
Accruals	220,041	226,891
Other tax payables	56,453	111,758
Managers cheque payable	466,665	359,760
Deferred Revenue	17,895	16,690
Other	63,625	44,257
Impairment in respect of off-balance sheet credit exposures (Note 33(a.1))	8,686	8,353
Lease Liability *(Note 30.1)*	349,874	-
	1,183,239	**767,709**

	2019 Rs. '000	2018 Rs. '000
29.1 Lease Liability		
Discounted operating lease commitments balance as at January 1, effect of adoption of SLFRS 16	347,710	-
Additions during the year	-	-
Accretion of interest	41,449	-
Payments	(39,285)	-
Balance as at December 31,	**349,874**	-

As at December 31,		2019	2018
		Rs. '000	**Rs. '000**
30	**Assigned capital**	1,524,250	1,524,250
	Assigned capital	**1,524,250**	**1,524,250**

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.

	2019	2018
	Rs. '000	**Rs. '000**
Balance at the beginning of the year	768,111	680,794
Transferred during the year	24,819	87,317
Balance at the end of the year	**792,930**	**768,111**

32 Other reserves

	2019	2018
FVOCI reserve (Note 32 (a))	13,039	(9,632)
Exchange equalization account	5,170	5,170
Exchange equalization reserve (Note 32 (b))	1,381,173	1,403,035
	1,399,382	**1,398,573**

32 (a) FVOCI reserve

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

	2019	2018
	Rs. '000	**Rs. '000**
Balance at the beginning of the year	(9,632)	26,697
Net fair value (losses) on remeasuring financial investments	22,670	(36,329)
Balance at the end of the year	**13,039**	**(9,632)**

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.

	2019	2018
	Rs. '000	**Rs. '000**
Balance at the beginning of the year	1,403,035	860,778
Net gain arising from translating the Financial Statements of the foreign operations	(21,862)	542,257
Balance at the end of the year	**1,381,173**	**1,403,035**

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.

33(a) Commitments	2019 Rs. '000	2018 Rs. '000
Acceptances	779,577	937,173
Guarantees	7,008,637	7,768,212
Documentary credits	6,794,973	4,187,303
Forward exchange contracts	66,942,102	87,821,591
Bills / cheques sent for collection	885,096	1,073,343
Undrawn loan commitments	78,532,403	83,285,707
	160,942,788	**185,073,329**

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	8,353	7,464
Impairment charge for the year	332	889
Balance at the end of the year	**8,685**	**8,353**

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 asscociates

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

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-eomployement benefits plan for the benefits of employees of the entity.

Name of the related party	Relationship	Nature of transaction	Value of the transaction (Rs.) 2019	2018
Citibank 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 Citibank N.A - Colombo Branch employees' provident fund.	585,166,537	286,273,031
		Sale of treasury bonds on behalf of Citibank N.A- Colombo Branch employees' provident fund.	217,932,952	166,471,622
		Purchasing of treasury bill by Citibank N.A- Colombo Branch	-	-

34(b.2) Balances with the Citibank group

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

			2019 Rs.	2018 Rs.
Citibank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the Citibank N.A - Colombo.	Cash held in saving account	11,327,422	180,373,044
		Cash held in current account	Nil	Nil

As at December 31,

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

	2019 Rs. '000	2018 Rs. '000
Nostro balances		
CITIBANK JAPAN	370,665	1,826
CITIBANK N A BOMBAY	416,086	258,493
CITIBANK N A KARACHI	30,578	152,804
CITIBANK N A SINGAPORE	58,960	40,420
CITIBANK N.A. DHAKA,BANGLADESH	87,728	24,633
CITIBANK N.A. LONDON	42,652	68,667
CITIBANK N.A. NEW YORK.	2,780,886	4,220,978
CITIBANK N.A.SYDNEY	1,863	-
CITIBANK EUROPE - DUBLIN	64,198	27,898
	3,853,616	4,795,720
Vostro balances		
CITIBANK BOMBAY	-	590,252
CITIBANK EUROPE PUBLIC LIMITED	133,586	125,420
CITIBANK JAPAN	1,053	1,054
CITIBANK N A KARACHI	5,964	55,677
CITIBANK N A MALAYSIA	36,240	36,964
CITIBANK N A SINGAPORE	53,661	106,472
CITIBANK N.A. DHAKA,BANGLADESH	429	4,889
CITIBANK N.A. LONDON	178,293	281,678
CITIBANK N.A.,NEW YORK	181,293	18,620
CITIBANK NA.HONGKONG GLOBAL CUSTODY	7,841	8,676
CITIBANK LONDON SECURITIES	9,845	252,947
CITIBANK EUROPE PLC, LUX BRANCH	200	200
	608,405	1,482,849
Other borrowings		
CITIBANK JAPAN	-	3,829
CITIBANK N A BOMBAY	-	356,500
CITIBANK N A KARACHI	-	50,353
CITIBANK N A SINGAPORE	-	931
CITIBANK N.A. CANADIAN BRANCH,	-	-
CITIBANK N.A. LONDON	3,446,980	4,574,502
CITIBANK N.A. NEW YORK.	-	3,717,916
CITIBANK EUROPE - DUBLIN	-	21,378
CITIBANK N.A. HONGKONG	-	257
CITIBANK N.A.SYDNEY	-	413
	3,446,980	8,726,079

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, 2019 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

Compensation to KMPs	**2019 (Rs.Mn)**	**2018 (Rs.Mn)**
Short term employment benefits	229.68	221.98
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	77.72	-
Share based payments	-	-
	307.41	221.98

Transactions with KMPs		
Statement of financial position items		
Deposits, current A/C balances and investments	-	-
Loans- under staff benefits (outstanding)	-	-
	-	-

35 Maturity analysis

An analysis of the assets and liabilities of the Bracnh as at December 31, 2019 is given below. The maturity analyis and compoent 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
Total assets	**20,636,003**	**5,351,813**	**12,987,038**	**7,390,375**	**2,308,710**	**480,806**	**49,154,743**
Cash	714,673	-	-	-	-	-	714,673
Due from banks	14,788,012	-	-	-	-	-	14,788,012
Investments-current	1,282,363	3,056,870	10,166,856	2,220,538	28,171	1,040	16,755,839
Loans & advances – current	3,811,382	2,268,396	2,820,182	5,169,836	1,949,172		16,018,969
Fixed assets	-	-	-	-	-	479,766	479,766
Other assets	39,573	26,546			331,367		397,486
Total liabilities	**9,666,796**	**14,887,267**	**5,250,869**	**1,707,825**	**4,597,183**	**13,044,803**	**49,154,743**
Total capital fund						13,044,803	13,044,803
Deposits	6,211,409	13,199,760	5,250,869	1,707,825	4,219,106	-	30,588,968
Borrowings	3,455,387						3,455,387
Other Liabilities		1,687,507			378,077		2,065,584
Maturity gap	**10,969,206**	**(9,535,455)**	**7,736,170**	**5,682,550**	**(2,288,473)**	**(12,563,997)**	-
Cumulative gap	**10,969,206**	**1,433,752**	**9,169,922**	**14,852,471**	**12,563,997**		

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

For the year ended December 31, 2019		**Rs. '000**
Profit before tax		**1,922,641**
Adjustments		
Depreciation	139,772	
Lease Interest	41,449	
Employee Benefit costs	41,341	
Disposal gain	(587)	
Unrealized loss/(gain) on derivative financial instruments	735,912	
Dividend	(1,389)	
Imapirement charged	6,029	
Net gains arising from translating the financial statements of foreign operation	(21,862)	**940,666**
(Increase)/Decrease in Operating Assets		
Loans and receivables to other customers	2,747,613	
Net proceeds from sale, maturity, and purchases of FVTPL financial investments	(3,000,341)	
Net proceeds from sale, maturity, and purchases of FVOCI financial investments	259,799	
Deposits held for regulatory purposes	554,718	
Placements with Bank	(3,623,959)	
Other Assets	1,483	
Increase/(Decrease) in Operating Liabilities		
Due to other customers and banks	5,855,338	
Securities sold under repurchase agreements	(64,653)	
Lease Liabilities	(39,285)	
Other Liabilities	65,322	**2,756,036**
Inccome Tax paid	(984,166)	
Gratuity Paid	(23,099)	**(1,007,265)**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**4,612,078**

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 except below.

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear, although they will likely adversely affect its businesses, results of operations and financial condition.

This is a non-adjusting event and an estimate of the financial effect cannot be made at the point in time as the situation remains a rapidly evolving one.

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 Reclassifications

39 (a) Income Tax

In the prior year, prepaid income tax and income tax payable were disclosed separately. In the current year, the amounts have been netted off and presented under income tax payable in the current period. The impact analysis is given below.

	Original Amount Rs.000	Reclassified Amount Rs.000	Impact Rs.000
Income tax paid in advance	-	339,153	(339,153)
Current tax liabilities	912,680	573,527	339,153

39 (b) Off Balance Sheet Exposure

Foreign exchange contracts were presented on net basis in the prior year. In the current year, it is presented on a gross basis as this is a more prudent discolsure of the actual exposure. The impact analysis is as follows.

	Original Amount Rs.000	Reclassified Amount Rs.000	Impact Rs.000
Forward Exchange Contracts Buy - FCY	47,179,666	47,179,666	-
Forward Exchange Contracts Buy - LKR	36,206,254	-	(36,206,254)
Forward Exchange Contracts Sell - FCY	(40,641,926)	40,641,926	81,283,852
Forward Exchange Contracts Sell - LKR	(42,013,968)	-	42,013,968
Forward Exchange Contracts	**730,025**	**87,821,591**	**87,091,566**

39 (C) Deposits

Payable amounts to money brokers which were previously classified as Financial liabilities at amortised cost - due to depositors is disclosed as other liabilities in the current year.

	Original Amount Rs.000	Reclassified Amount Rs.000	Impact Rs.000
Financial liabilities at amortised cost - due to depositors	23,513,531	23,506,939	(6,592)
Other liabilities	761,117	767,709	6,592

39 (d) Balances with banks and Due to banks

In the prior year, the mirror accounts created for interbranch in DBU and FCBU were seperately disclosed. In the current year, amounts are presented on a net basis.

	Original Amount Rs.000	Reclassified Amount Rs.000	Impact Rs.000
Balances with banks	4,904,033	853,134	(4,050,899)
Due to banks	8,726,754	4,675,855	(4,050,899)

39 (e) Financial assets at fair value through other comprehensive income

Investment in Equity has been reclassified under Financial assets at fair value through other comprehensive income.

	Original Amount Rs.000	Reclassified Amount Rs.000	Impact Rs.000
Financial assets at fair value through other comprehensive income	9,092,021	9,093,061	1,040
Other Assets	42,219	41,179	(1,040)

CITIBANK , N. A. SRI LANKA BRANCH
SELECTED PERFORMANCE INDICATORS
AS AT 31 DECEMBER 2019
(Based on regulatory reporting)

Item	Current Reporting Period	Previous Reporting Period
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	10,841	13,692
Core (Tier 1) Capital	10,841	13,692
Total Capital Base	10,869	13,715
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) *(Minimum Requirement - 2018 - 6.375%; 2019 - 7%)*	27.6%	39.4%
Tier 1 Capital Ratio (%) *(Minimum Requirement - 2018 - 7.875%; 2019 - 8.5%)*	27.6%	39.4%
Total Capital Ratio (%) *(Minimum Requirement - 2018 - 11.875%; 2019 - 12.5%)*	27.6%	39.5%
Leverage Ratio (%) (Minimum Requirement - 2019 - 3%; 2018 - n.a)	7.1%	n.a.
Regulatory Liquidity		
Statutory Liquid Assets *(LKR in Millions)*	33,833	26,234
Statutory Liquid Assets Ratio (%) *(Minimum Requirement - 20%)*		
Domestic Banking Unit (%)	87.0%	60.6%
Off-Shore Banking Unit (%)	158.3%	91.1%
Total Stock of High-Quality Liquid Assets *(LKR in Millions)*	16,707	14,238
Liquidity Coverage Ratio (%) *(Minimum Requirement - 2019 - 100%; 2018 - 90%)*		
Rupee (%)	731%	759%
All Currency (%)	303%	260%
Net Stable Funding Ratio (%) - (Minimum Requirement - 2019 - 100%; 2018 - n.a.)	148%	n.a.
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (%) (net of interest in suspense)	0.0%	0.0%
Net-Non Performing Advances (%) (net of interest in suspense and provision)	0.0%	0.0%
Profitability		
Interest Margin (%)	5.5%	5.0%
Return on Assets (before Tax) (%)	5.1%	6.5%
Return on Equity (%)	9.2%	9.2%

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 individual 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, 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.

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 borrower / 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. In managing the credit risk, the Branch adopts 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	Fair Value of Collateral	Net Exposure
	Rs. '000'	Rs. '000'	Rs. '000'
Loans to Customers 2019	16,036,198	NIL	16,036,198
Loans to Customers 2018	18,783,146	NIL	18,783,146

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 can 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.

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 with further granularity using + & - symbols. The risk rating "1" denoted the best quality risk while "7-" is the worst of the performing category i.e. not in default. The rating '8' is not an ORR category, while the risk ratings 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. The facility rating '8' denotes non-performing loan (NPL) facilities stemming from cross border events.

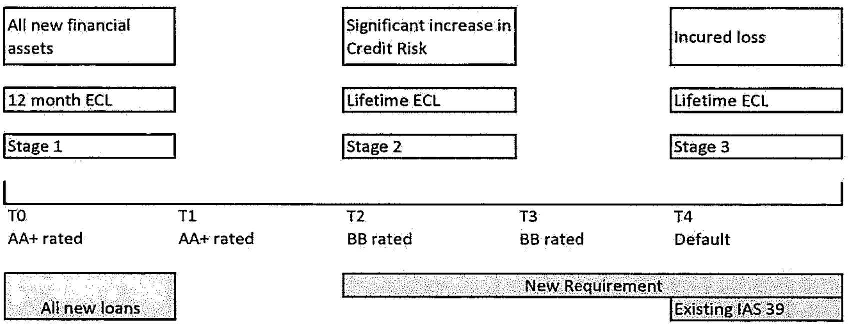
Impairment process of loans

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 contact.

Citi adopts SLFRS9 together with guidelines issued by the Central Bank of Sri Lanka on 31st December 2018. The SLFRS9 methodology is a more forward-looking expected credit loss model compared to the incurred loss model (LKAS39) hitherto until 2018. The SLFRS9 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 SLFR9 by Branch is given in page 52 and 53 to this document. It may be noteworthy to mention, the Branch has had no NPLs in the past ten years.

Allowance for Impairment (the Console)

	Amounts Rs.'000
Gross Loans & receivables	16,036,198
Less: allowance for individual impaired L&R	Nil
Less: allowance for collective impaired L&R	(17,229)
Carrying Amount	16,018,969

Reconciliation of changes in the Console's provision for loan losses/*impairment*

	Specific	Collective (Rs. '000)
Opening Balance	**Nil**	**13,018**
Charges/(Write back)	**Nil**	**4,211**
Closing Balance	**Nil**	**17,229**

Industry wise analysis of loans and receivables	**2019**	**2018**
	Rs. '000'	**Rs. '000'**
Agriculture and fishing	1,356,942	2,656,391
Manufacturing	5,463,322	1,321,794
Tourism	161,100	-
Transport	460,783	53,181
Construction	187,324	803,188
Traders	3,954,785	950,112
Financial and Business Services	1,821,438	267,609
Infrastructure	2,630,504	73,365
Other Services	0	9,915,084
Other Customers	0	2,742,422
Gross total	**16,036,198**	**18,783,146**

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: S2
The said report monitors the balance sheet gaps and ensure positive gaps are maintained across all tenors. Negative Gap in any tenor bucket would reflect as a breach and the Risk Treasury Team to present an action plan to the Market Risk Management along with time lines to resolve the breach. The report also used to compute the S2 ratio, which denotes the branch balance sheet liquidity position, which is being monitored via limits.

Stress scenarios
A stress testing on the Balance sheet and on Markets Portfolios carried out to ascertain the P&L impact on the positions, gaps and liquidity. Balance sheet funding options and commitments to 3rd parties are considered in stress testing and it is expected to maintain positive gaps across all tenors. In the case of a negative Gap the RT team along with the MRM team to draw up a plan avoid the breach in the future.

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

Market triggers

Market triggers reflects the internal or external market and economic factors that may imply the impact on the liquidity of the market and balance sheet.

Significant funding source
As an additional measure to manage balance sheet liquidity Significant Funding Sources above USD 5Mn being tracked by the MRM. Tracking SFSs reflects the risk depending on few or more depositors, which may be come treat to balance sheet liquidity owing to a sudden withdrawal.

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 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
Total assets	**20,636,003**	**5,351,813**	**12,987,038**	**7,390,375**	**2,308,710**	**480,806**	**49,154,743**
Cash	714,673	-	-	-	-	-	714,673
Due from banks	14,788,012	-	-	-	-	-	14,788,012
Investments-current	1,282,363	3,056,870	10,166,856	2,220,538	28,171	1,040	16,755,839
Loans & advances – current	3,811,382	2,268,396	2,820,182	5,169,836	1,949,172		16,018,969
Fixed assets	-	-	-	-	-	479,766	479,766
Other assets	39,573	26,546			331,367		397,486
Total liabilities	**9,666,796**	**14,887,267**	**5,250,869**	**1,707,825**	**4,597,183**	**13,044,803**	**49,154,743**
Total capital fund						13,044,803	13,044,803
Deposits	6,211,409	13,199,760	5,250,869	1,707,825	4,219,106	-	30,588,968
Borrowings	3,455,387						3,455,387
Other Llabilities		1,687,507			378,077		2,065,584
Maturity gap	**10,969,206**	**(9,535,455)**	**7,736,170**	**5,682,550**	**(2,288,473)**	**(12,563,997)**	**(0)**
Cumulative gap	**10,969,206**	**1,433,752**	**9,169,922**	**14,852,471**	**12,563,998**		

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 of the Console level are based on the remaining period from the end of the reporting date to the contractual maturity date.

Description	On Demand Rs. 000	<3months Rs. 000	3 to 12 months Rs. 000	< 2 years Rs.000	> 2 years Rs.000	Total Rs. 000
Off balance sheet exposure	102,127,627	16,517,183	40,491,129	1,552,739	254,111	160,942,789

3. Market risk

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

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

The risk appetite is largely determined and controlled due to regulatory limits on foreign exchange. The spot foreign exchange exposure is limited through Net Open Position which is approved by CBSL. The aggregate interest rate exposures on trading account is limited by limits on PV01. Currently, Branch is trading in simple products such as FX spot, FX Forwards, FX Swaps 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 Fair Value through Profit or Loss 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 (for e.g. interest rates, FX)

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.

A summary of the VaR position of the Branch trading portfolio's at 31st December 2019 is as following:

	Rs.000
Foreign Currency risk	1,996
Interest Rate Risk	17,779
Equity Risk	-
Overall	18,142

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.

Interest Bearing 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	Total Rs. 000
Interest Bearing assets	**20,596,430**	**5,325,266**	**12,987,038**	**7,390,374**	**1,977,343**	**48,276,451**
Cash	714,673	-	-	-	-	714,673
Due from banks	14,788,012	-	-	-	-	14,788,012
Investments-current	1,282,363	3,056,870	10,166,856	2,220,538	28,171	16,765,798
Loans & advances – current	3,811,382	2,268,396	2,820,182	5,169,836	1,949,172	16,018,968
Interest Bearing liabilities	**9,666,796**	**13,199,760**	**5,250,869**	**1,707,825**	**4,219,106**	**34,044,356**
Deposits	6,211,409	13,199,760	5,250,869	1,707,825	4,219,106	30,588,969
Borrowings	3,455,387	-	-	-	-	3,455,387

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.

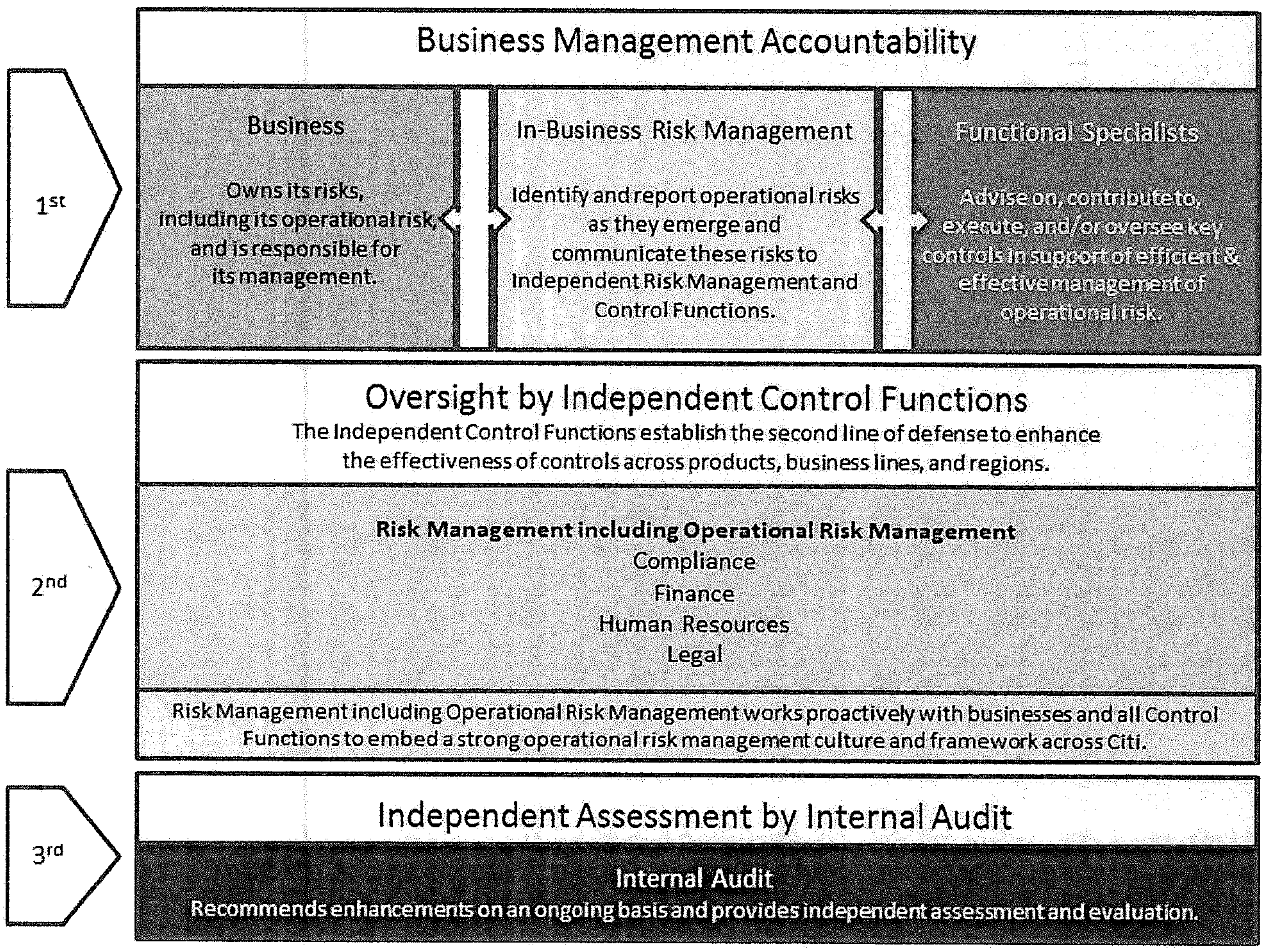
The Branch determined that the functional currency of the FCBU is USD. Consequently, the FCBU is not exposed to fluctuations of its USD-denominated financial assets and liabilities.

Assets or Liability	Currency					Total
	LKR	USD	GBP	EURO	Others	
Assets						
Cash and cash equivalents	715,325	2,860,500	34,695	75,028	967,348	**4,652,895**
Balances with Central Bank of Sri Lanka	669,009	-	-	-	-	**669,009**
Placements with banks	5,002,698	5,178,081	-	-	-	**10,180,779**
Derivative financial instruments	(1,625)	317,086	553	10,859	4,493	**331,367**
Financial assets recognized through profit or loss	7,891,091	-	-	-	-	**7,891,091**
Financial assets at amortised cost - loans and advances	12,570,993	3,447,976	-	-	-	**16,018,969**
Financial assets at fair value through other comprehensive income	8,864,748	-	-	-	-	**8,864,748**
Property, plant and equipment	479,766	-	-	-	-	**479,766**
Deferred tax assets	26,546	-	-	-	-	**26,546**
Other assets	17,813	21,693	-	66	-	**39,572**
Total assets	**36,236,365**	**11,825,334**	**35,248**	**85,953**	**971,841**	49,154,743
Liabilities						
Due to banks	742	3,448,423	-	-	-	**3,449,165**
Derivative financial instruments - Liabilities	-	367,358	604	6,107	4,008	**378,077**
Financial liabilities at amortised cost	22,191,545	7,794,961	28,665	64,650	509,147	**30,588,968**
Securities sold under repurchase agreements	6,222	-	-	-	-	**6,222**
Current tax liabilities	295,270	-	-	-	-	**295,270**
Retirement benefit obligations	208,998	-	-	-	-	**208,998**
Other liabilities	984,993	198,247	-	-	-	**1,183,239**
Total liabilities	**3,687,771**	**11,808,989**	**29,269**	**70,756**	**513,155**	**36,109,940**
Equity						
Assigned capital	1,524,250	-	-	-	-	**1,524,250**
Statutory reserve fund	792,930	-	-	-	-	**792,930**
Retained earnings	9,328,242	-	-	-	-	**9,328,242**
Other reserves	1,399,382	-	-	-	-	**1,399,382**
Total equity	**13,044,803**	-	-	-	-	**13,044,803**
Total equity and liabilities	**36,732,573**	**11,808,989**	**29,269**	**70,756**	**513,155**	**49,154,743**

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.

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.

6. Capital Management

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

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

Statutory minimum capital requirement and capital management
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 12.5% and a Total Tier 1 Capital Ratio of at least 8.5%.

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

As of 31st December 2019, Branch reported a Tier 1 ratio of 27.55% and a total CAR of 27.62% which remain comfortably above the CBSL's capital requirements.

7. Fair value of Financial Instruments carried at amortised cost (the DBU)

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 December 31,	2019	
	Carrying amount Rs 000	Fair value Rs 000
Assets		
Cash and cash equivalents	4,652,895	4,652,895
Balances with Central Bank of Sri Lanka	669,009	669,009
Placements with banks	10,180,779	10,180,779
Loans and receivables to other customers	16,018,969	16,018,969
Liabilities		
Due to Banks	3,449,165	3,449,165
Due to other customers	30,588,968	30,588,968
Other borrowings	6,222	6,222

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

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

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

Loans and receivables to banks

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

Loans and receivables to other customers

Approximately 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.

Attachment 1

Maturities of Assets and Liabilities (MAL)
LKR

		90	180	270	365	1095	1825	(Rs. Million)
		Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years

Sr.	Head of Accounts / Item	Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
A	Inflows								
1	Cash on hand	685.01	-	-	-	-	-	-	-
2	Deposits with CBSL	669.00	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	-	-	-	-	-	-	-	-
4	Balances due from Other Banks	5,036.32	-	-	-	-	-	-	-
5	Investments (Net of provisions)	1,282.36	3,056.87	3,612.67	344.62	6,191.35	948.73	1,213.33	28.25
6	Bills of Exchange	1.38	-	-	-	-	-	-	-
7	Overdraft	606.94	606.94	606.94	606.94	606.94	1,685.95	1,685.95	1,685.95
8	Loans and Advances	2,825.42	961.50	707.37	-	-	-	-	0.00
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	547.76	-	-	-	-	-	164.81
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	Total (a)	**11,106.43**	**5,173.07**	**4,926.99**	**951.56**	**6,798.29**	**2,634.68**	**2,899.28**	**1,879.00**
B	Outflows								
1	Demand Deposits	1,157.19	1,157.19	867.90	578.60	578.60	-	-	1,446.49
2	Savings Deposits	41.66	41.66	41.66	41.66	41.66	208.32	208.32	208.32
3	Balances due to Head Office/Affiliates/Own Branches	418.31	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	3,066.94	10,301.16	-	-	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	50.79	35.67	-	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	0.34	1,774.04	-	-	-	-	-	-
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-
13	**Unutilized portion of Overdraft, Loans and Advances**	**203.41**	-	-	-	-	-	-	-
14	**Letters of Credit/Guarantees/Acceptances**	**14.58**	-	-	-	-	-	-	-
15	Repo/Bills Rediscounted/Swaps/Forward contracts	977.91	(1,566.74)	108.35	734.62	(1,536.41)	(1,499.87)	-	-
16	Other – Please Specify	-	-	-	-	-	-	-	-
	Total (b)	**5,931.14**	**11,742.98**	**1,017.91**	**1,354.88**	**(916.15)**	**(1,291.55)**	**208.32**	**1,654.81**
	Gap = (a) - (b)	**5,175.29**	**(6,569.91)**	**3,909.08**	**(403.32)**	**7,714.45**	**3,926.24**	**2,690.96**	**224.20**
	Cumulative Gap	**5,175.29**	**(1,394.62)**	**2,514.46**	**2,111.13**	**9,825.58**	**13,751.82**	**16,442.78**	**16,666.97**
	Cumulative Liabilities	**5,931.14**	**17,674.12**	**18,692.02**	**20,046.90**	**19,130.75**	**17,839.20**	**18,047.51**	**19,702.32**
	Cumulative gap as a % of cumulative liabilities	**87%**	**-8%**	**13%**	**11%**	**51%**	**77%**	**91%**	**85%**

Attachment 1

Maturities of Assets and Liabilities (MAL)
USD

(Rs. Million)

Sr.	Head of Accounts Item	Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
A	**Inflows**								
1	Cash on hand	25.34	-	-	-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	4,799.74	-	-	-	-	-	-	-
4	Balances due from Other Banks	5,224.75	-	-	-	-	-	-	-
5	Investments (Net of provisions)	-	-	-	-	-	-	-	-
6	Bills of Exchange	-	-	-	-	-	-	-	-
7	Overdraft	95.51	95.51	95.51	95.51	95.51	265.32	265.32	265.32
8	Loans and Advances	286.23	606.88	8.47	-	-	1,272.86	-	-
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	29.30	-	-	-	-	-	317.09
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	Total (a)	**10,431.56**	**731.70**	**103.99**	**95.51**	**95.51**	**1,538.18**	**265.32**	**582.40**
B	**Outflows**								
1	Demand Deposits	1,349.60	1,349.60	1,012.20	674.80	674.80	-	-	1,686.99
2	Savings Deposits	124.51	124.51	124.51	124.51	124.51	622.57	622.57	622.57
3	Balances due to Head Office/Affiliates/Own Branches	-	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	-	-	27.21	-	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	1.44	-	0.04	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	5,835.84	-	-	-	-	-	367.36
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	(1,094.75)	1,561.48	(98.86)	(641.11)	1,487.87	1,451.36	-	-
16	Other -- Please Specify	-	-	-	-	-	-	-	-
	Total (b)	**380.80**	**8,871.44**	**1,065.10**	**158.20**	**2,287.18**	**2,073.93**	**622.57**	**2,676.92**
	Gap = (a) - (b)	**10,050.76**	**(8,139.74)**	**(961.11)**	**(62.68)**	**(2,191.67)**	**(535.75)**	**(357.25)**	**(2,094.52)**
	Cumulative Gap	**10,050.76**	**1,911.02**	**949.92**	**887.23**	**(1,304.43)**	**(1,840.19)**	**(2,197.44)**	**(4,291.96)**
	Cumulative Liabilities	**380.80**	**9,252.24**	**10,317.34**	**10,475.54**	**12,762.72**	**14,836.65**	**15,459.22**	**18,136.14**
	Cumulative gap as a % of cumulative liabilities	**2639%**	**21%**	**9%**	**8%**	**-10%**	**-12%**	**-14%**	**-24%**

Attachment 1

Maturities of Assets and Liabilities (MAL)
Other Currencies

(Rs. Million)

Sr.	Head of Accounts Item	Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
A	**Inflows**								
1	Cash on hand	4.33			-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	2,784.75	-	-	-	-	-	-	-
4	Balances due from Other Banks	0.01	-	-	-	-	-	-	-
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	-	0.07	-	-	-	-	-	15.91
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	Total (a)	**2,789.09**	**0.07**	**-**	**-**	**-**	**-**	**-**	**15.91**
B	**Outflows**								
1	Demand Deposits	91.07	91.07	68.30	45.54	45.54	-	-	113.84
2	Savings Deposits	4.60	4.60	4.60	4.60	4.60	23.02	23.02	23.02
3	Balances due to Head Office/Affiliates/Own Branches	53.16	-	-	-	-	-	-	-
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	-	1,713.86	-	-	-	-	-	10.72
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	19.39	(13.08)	(0.00)	-	-	-	-	-
16	Other – Please Specify	-	-	-	-	-	-	-	-
	Total (b)	**168.23**	**1,796.45**	**72.91**	**50.14**	**50.14**	**23.02**	**23.02**	**148**
	Gap = (a) - (b)	**2,620.86**	**(1,796.39)**	**(72.91)**	**(50.14)**	**(50.14)**	**(23.02)**	**(23.02)**	**(132)**
	Cumulative Gap	**2,620.86**	**824.47**	**751.56**	**701.42**	**651.28**	**628.25**	**605.23**	**474**
	Cumulative Liabilities	**168.23**	**1,964.68**	**2,037.59**	**2,087.73**	**2,137.87**	**2,160.90**	**2,183.92**	**2,332**
	Cumulative gap as a % of cumulative liabilities	**1558%**	**42%**	**37%**	**34%**	**30%**	**29%**	**28%**	**20%**

Attachment 2

Sensitivity of Assets and Liabilities (SAL)
LKR

Name of Bank : Citibank N.A.
Period Ended : 31st December 2019

(Rs. Million)

		1	2	3	4	5	6	7	8	9	10	11	12	13	LKR	
						730	1095	1460	1825	2555	3650	5475	7300			
		Up to1 month	1 – 3months	3 – 6months	6 – 12months	1 – 2years	2 – 3years	3 – 4years	4 – 5years	5 – 7years	7 – 10Years	10-15years	15-20years	Over 20years		
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														685.01	685.01
2	Deposits with CBSL														669.01	669.01
3	Balances due from HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Balances due from Other Banks	5,006.00	-	-	-	-	-	-	-	-	-	-	-	-	30.32	5,036.32
5	Investments	1,282.36	3,056.87	3,612.67	6,536.23	948.73	-	658.64	554.69	-	27.21	-	-	-	1.04	16,678.44
6	Bills of Exchange and Promissory Notes	1.38	-	-	-	-	-	-	-	-	-	-	-	-		1.38
7	Overdrafts	8,092.55	-	-	-	-	-	-	-	-	-	-	-	-		8,092.55
8	Loans and Advances	2,825.42	961.50	707.37	-	-	-	-	-	0.00	-	-	-	-		4,494.29
9	Non Performing Loans															-
10	Fixed Assets														165.30	165.30
11	Net Inter-branch Transactions															-
12	Accrued Interest														78.63	78.63
13	Other Assets														468.63	468.63
14	Reverse Repos	-														-
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	Total	17,207.71	4,018.37	4,320.05	6,536.23	948.73	-	658.64	554.69	0.00	27.21	-	-	-	2,097.94	36,369.56
	Liabilities and OBS															
1	Demand Deposits														4,515.63	4,515.63
2	Savings Deposits	833.26	-	-	-	-	-	-	-	-	-	-	-	-	-	833.26
3	Time Deposits	3,066.94	10,301.16	-	-	-	-	-	-	-	-	-	-	-	-	13,368.09
4	Other Deposits	192.85														192.85
5	Balances due to HO/Affiliates/Branches														439.20	439.20
6	Balance due to other Banks														1,249.45	1,249.45
7	Certificate of Deposits															-
8	Other Borrowings	0.74	-	-	-	-	-	-	-	-	-	-	-	-	-	0.74
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable	-	-	-	-										86.46	86.46
12	Provisions (others)															-
13	Capital														1,524.25	1,524.25
14	Reserves														768.11	768.11
15	Retained Earnings														10,578.13	10,578.13
16	Subordinated Debts															-
17	Other (Specify)															-
18	Repos	6.22														6.22
19	FRAs															-
20	Futures															-
21	Swaps															-
22	Options															-
	Total	4,100.01	10,301.16	-	-	-	-	-	-	-	-	-	-	-	19,161.23	33,562.39
	Gap	13,107.71	(6,282.79)	4,320.05	6,536.23	948.73	-	658.64	554.69	0.00	27.21	-	-	-	(17,063.30)	2,807.17

Attachment 2

Sensitivity of Assets and Liabilities (SAL)
USD

Name of Bank : Citibank N.A.
Period Ended : 31st December 2019

(Rs. Million)

No.	Assets and OBS	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 7 years	7 – 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand														25.34	25.34
2	Deposits with CBSL															-
3	Balances due from HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	4,799.74	4,799.74
4	Balances due from Other Banks	5,170.47	-	-	-	-	-	-	-	-	-	-	-	-	54.28	5,224.75
5	Investments															-
6	Bills of Exchange and Promissory Notes	-	-	-	-	-	-	-	-	-	-	-	-	-		-
7	Overdrafts	1,273.53	-	-	-	-	-	-	-	-	-	-	-	-		1,273.53
8	Loans and Advances	286.23	606.88	8.47	-	1,272.86	-	-	-	-	-	-	-	-		2,174.44
9	Non Performing Loans															-
10	Fixed Assets															-
11	Net Inter-branch Transactions															-
12	Accrued Interest														7.61	7.61
13	Other Assets														338.78	338.78
14	Reverse Repos															-
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	Total	**6,730.23**	**606.88**	**8.47**	**-**	**1,272.86**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,225.74**	**13,844.19**
	Liabilities and OBS															
1	Demand Deposits														5,719.12	5,719.12
2	Savings Deposits	2,490.29	-	-	-	-	-	-	-	-	-	-	-	-	-	2,490.29
3	Time Deposits	-	-	27.21	-	-	-	-	-	-	-	-	-	-		27.21
4	Other Deposits	54.41														54.41
5	Balances due to HO/Affiliates/Branches														-	-
6	Balance due to other Banks														1,028.85	1,028.85
7	Certificate of Deposits															-
8	Other Borrowings	5,465.83	-	-	-	-	-	-	-	-	-	-	-	-		5,465.83
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable	-		-											1.48	1.48
12	Provisions (others)															-
13	Capital															-
14	Reserves															-
15	Retained Earnings															-
16	Subordinated Debts															-
17	Other (Specify)															-
18	Repos															-
19	FRAs															-
20	Futures															-
21	Swaps															-
22	Options															-
	Total	**8,010.53**	**-**	**27.21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,749.45**	**14,787.19**
	Gap	**(1,280.30)**	**606.88**	**(18.74)**	**-**	**1,272.86**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,523.71)**	**(943.01)**

Attachment 2

Sensitivity of Assets and Liabilities (SAL)
OTHER CURRENCIES

Name of Bank : Citibank N.A.
Period Ended : 31st December 2019

(Rs. Million)

No.	Assets and OBS	Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 7 years	7 – 10 Years	10-15 years	15-20 years	Over 20 years	Non Sensitive	Total
1	Cash on Hand														4.33	4.33
2	Deposits with CBSL															-
3	Balances due from HO/Affiliates/Branches	214.77	-	-	-	-	-	-	-	-	-	-	-	-	2,569.98	2,784.75
4	Balances due from Other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01
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														15.97	15.97
14	Reverse Repos															-
15	FRAs															-
16	Swaps															-
17	Futures															-
18	Options															-
19	Others (Specify)															-
	Total	214.77	-	-	-	-	-	-	-	-	-	-	-	-	2,590.29	2,805.06
	Liabilities and OBS															
1	Demand Deposits														455.36	455.36
2	Savings Deposits	92.10	-	-	-	-	-	-	-	-	-	-	-	-	-	92.10
3	Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-		-
4	Other Deposits	1.84														1.84
5	Balances due to HO/Affiliates/Branches														53.16	53.16
6	Balance due to other Banks														-	-
7	Certificate of Deposits															-
8	Other Borrowings	1,712.02	-	-	-	-	-	-	-	-	-	-	-	-	-	1,712.02
9	Net Inter-branch Transactions															-
10	Bills Payable															-
11	Interest Payable														-	-
12	Provisions (others)															-
13	Capital															-
14	Reserves															-
15	Retained Earnings															-
16	Subordinated Debts															-
17	Other (Specify)															-
18	Repos															-
19	FRAs															-
20	Futures															-
21	Swaps															-
22	Options															-
	Total	1,805.96	-	-	-	-	-	-	-	-	-	-	-	-	508.52	2,314.48
	Gap	(1,591.19)	-	-	-	-	-	-	-	-	-	-	-	-	2,081.77	490.58

Attachment 3

Foreign Exchange Position

Bank: Citibank N.A. Colombo
As at end of: 31st Dec 2019

(Rs million)

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	544	3,557	(3,013)	32,960	27,281	5,679	2,666	-	15	2,666
Pound Sterling	96	102	(6)	-	-	-	(6)	-	(0)	(6)
Euro	77	77	0	876	887	(10)	(10)	-	(0)	(10)
Japanese Yen	13	3	10	13	(0)	13	23	-	14	23
Indian Rupee			-			-	-	-	-	-
Australian Dollar	0	-	0	66	66	-	0	-	0	0
Canadian Dollar	0	-	0	-		-	0	-	0	0
Other currencies (c)	-	-	-	162	162	-	-	-		-
Total Exposure (e)	**731**	**3,739**	**(3,009)**	**34,077**	**28,395**	**5,681**	**2,672**	-		**2,672**
Total capital funds as per the latest audited financial statements(f)										**13,438**
Total exposure as a % of total capital funds as per the latest audited financial statements (should not exceed 30%)										**19.89%**

(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).