

**CITIBANK N.A – SRI LANKA BRANCH  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2020**



KPMG  
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## INDEPENDENT AUDITOR'S REPORT

### TO THE MANAGEMENT OF CITIBANK N.A. SRI LANKA BRANCH

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

##### Opinion

We have audited the Financial Statements of Citibank N.A. Sri Lanka Branch ("the Branch"), which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Branch as at December 31, 2020, 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, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative

("KPMG International"), a Swiss entity.

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

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

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,  
Ms. P.M.K. Sumanasekara FCA



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.

A handwritten signature in blue ink, appearing to be 'K. M. M.' or similar, written in a cursive style.

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka

May 31, 2021

**CITIBANK, N. A. SRI LANKA BRANCH**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

<i>In Rupees Thousands for the year ended</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Interest income		2,822,488	3,313,399
Interest expenses		(681,698)	(789,695)
<b>Net interest income</b>	<b>05</b>	<b>2,140,790</b>	<b>2,523,704</b>
Fee and commission income		682,214	766,069
Fee and commission expenses		(165,222)	(219,858)
<b>Net fee and commission income</b>	<b>06</b>	<b>516,992</b>	<b>546,211</b>
Net gain/ (loss) from trading	07	722,617	(261,494)
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	08	-	-
Net gains from derecognition of financial assets	09	76,042	-
Net other operating income	10	628,009	1,336,739
<b>Total operating income</b>		<b>4,084,450</b>	<b>4,145,160</b>
Impairment charges	11	(32,406)	(6,029)
<b>Net operating income</b>		<b>4,052,044</b>	<b>4,139,131</b>
Personnel expenses	12	(722,895)	(672,323)
Depreciation and amortization expenses		(132,727)	(139,772)
Other expenses	13	(609,861)	(724,328)
<b>Operating profit before VAT &amp; NBT on financial services and DRL</b>		<b>2,586,561</b>	<b>2,602,708</b>
Value Added Tax (VAT) on financial services		(381,073)	(407,288)
Nation Building Tax (NBT) on financial services		-	(55,999)
Debt Repayment Levy (DRL)		13,248	(216,779)
<b>Operating profit after VAT &amp; NBT on financial services</b>		<b>2,218,736</b>	<b>1,922,642</b>
Share of profits of associates and joint ventures			
<b>Profit before tax</b>		<b>2,218,736</b>	<b>1,922,642</b>
Income tax expenses	14	(649,178)	(681,724)
<b>Profit for the year</b>		<b>1,569,558</b>	<b>1,240,918</b>
<b>Profit for the year Profit attributable to:</b>			
Equity holders of the parent		1,569,558	1,240,918
Non-controlling interests		n.a.	n.a.
<b>Earnings per share on profit</b>	<b>15</b>		
Basic earnings per ordinary share		n.a.	n.a.
Diluted earnings per ordinary share		n.a.	n.a.

The notes to the financial statements form an integral part of these financial statements.  
*Figures in brackets indicate deductions.*

**CITIBANK, N. A. SRI LANKA BRANCH**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

<i>In Rupees Thousands for the year ended</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Profit for the year</b>		<b>1,569,558</b>	<b>1,240,918</b>
<b>Items that will be reclassified to income statement</b>			
Exchange differences on translation of foreign operations		104,752	(21,862)
Net gains/ (losses) on cash flow hedges		-	-
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income		(13,177)	31,487
Share of profits of associates and joint ventures		-	-
Debt instruments at fair value through other comprehensive income		-	-
Others		-	-
Less: Tax expense relating to items that will be reclassified to income statement		3,162	(8,816)
<b>Items that will not be reclassified to income statement</b>			
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income		-	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss		-	-
Re-measurement of post-employment benefit obligations		(37,577)	33,909
Changes in revaluation surplus		-	-
Share of profits of associates and joint ventures		-	-
Others		-	-
Less: Tax expense relating to items that will not be reclassified to income statement		9,018	(9,495)
<b>Other comprehensive income for the year, net of taxes</b>		<b>66,179</b>	<b>25,223</b>
<b>Total comprehensive income for the year</b>		<b>1,635,737</b>	<b>1,266,141</b>
<b>Attributable to:</b>			
Equity holders of the parent		1,635,737	1,266,141
Non-controlling interests		-	-

The notes to the financial statements form an integral part of these financial statements.

*Figures in brackets indicate deductions.*

CITIBANK, N. A. SRI LANKA BRANCH  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

<i>In Rupees Thousands as at 31 December</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Cash and cash equivalents	17	4,795,377	4,652,896
Balances with central banks	18	9,557,875	4,275,701
Placements with banks	19	-	6,574,088
Derivative financial instruments	20	564,987	331,367
Financial assets recognized through profit or loss	21		
- measured at fair value		12,839,478	7,891,091
- designated at fair value		-	-
Financial assets at amortised cost			
- loans and advances	22	15,665,115	16,018,968
- debt and other instruments	23	-	-
Financial assets measured at fair value through other comprehensive income	24	9,893,392	8,864,749
Investment in subsidiaries	25	-	-
Investments in associates and joint ventures	26	-	-
Property, plant and equipment	27	351,054	479,766
Investment properties	28	-	-
Goodwill and intangible assets	29	-	-
Deferred tax assets	30	70,308	26,546
Other assets	31	30,462	39,572
<b>Total assets</b>		<b>53,768,048</b>	<b>49,154,744</b>
<b>Liabilities</b>			
Due to banks	32	5,592,204	3,449,165
Derivative financial instruments	33	308,182	378,077
Financial liabilities recognized through profit or loss	34		
- measured at fair value		-	-
- designated at fair value		-	-
Financial liabilities at amortised cost	35		
- due to depositors		31,285,804	30,588,969
- due to debt securities holders		-	-
- due to other borrowers		107,399	6,222
Debt securities issued	36	-	-
Retirement benefit obligations	37	274,775	208,998
Current tax liabilities	38	398,697	295,270
Deferred tax liabilities	29	-	-
Other provisions	39	18,220	8,686
Other liabilities	40	1,102,226	1,174,553
Due to subsidiaries	41	-	-
<b>Total liabilities</b>		<b>39,087,507</b>	<b>36,109,940</b>
<b>Equity</b>			
Assigned capital	42	1,524,250	1,524,250
Statutory reserve fund	43	824,321	792,930
Retained earnings	44	10,837,850	9,328,242
Other reserves	45	1,494,120	1,399,382
<b>Total shareholders' equity</b>		<b>14,680,541</b>	<b>13,044,804</b>
Non-controlling interests	46	-	-
<b>Total equity</b>		<b>14,680,541</b>	<b>13,044,804</b>
<b>Total equity and liabilities</b>		<b>53,768,048</b>	<b>49,154,744</b>
<b>Contingent liabilities and commitments</b>	47	<b>182,128,486</b>	<b>160,942,788</b>

**Memorandum Information**

Number of Employees	85	85
Number of Branches	1	1

*Note: Amounts stated are net of impairment and depreciation.*


The 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  
31 May 2021  
Colombo, Sri Lanka

  
Feroze Kamaldeen  
Country Finance Officer  
31 May 2021  
Colombo, Sri Lanka

CITIBANK, N. A. SRI LANKA BRANCH  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>In Rupees Thousands</i>	Assigned capital	Statutory Reserve fund	FVOCI Reserve	Revaluation reserve	Retained earnings	Other reserves	Total
<b>Balance as at 01.01.2019</b>	<b>1,524,250</b>	<b>768,111</b>	<b>(9,632)</b>	<b>-</b>	<b>9,746,743</b>	<b>1,408,205</b>	<b>13,437,677</b>
<b>Total comprehensive income for the year</b>							
Profit/(loss) for the year (net of tax)	-	-	-	-	1,240,918	-	<b>1,240,918</b>
Other comprehensive income (net of tax)	-	-	22,671	-	24,414	(21,862)	<b>25,223</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>22,671</b>	<b>-</b>	<b>1,265,332</b>	<b>(21,862)</b>	<b>1,266,141</b>
<b>Transactions with equity holders, recognised directly in equity</b>							
Share issue/increase of assigned capital	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-
Rights issue	-	-	-	-	-	-	-
Transfers to reserves during the period	-	24,819	-	-	(24,819)	-	-
Dividends to equity holders	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	(1,659,014)	-	<b>(1,659,014)</b>
Gain/(loss) on revaluation of Property, Plant and Equipment	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>24,819</b>	<b>-</b>	<b>-</b>	<b>(1,683,833)</b>	<b>-</b>	<b>(1,659,014)</b>
<b>Balance as at 31.12.2019</b>	<b>1,524,250</b>	<b>792,930</b>	<b>13,039</b>	<b>-</b>	<b>9,328,242</b>	<b>1,386,343</b>	<b>13,044,804</b>
<b>Balance as at 01.01.2020</b>	<b>1,524,250</b>	<b>792,930</b>	<b>13,039</b>	<b>-</b>	<b>9,328,242</b>	<b>1,386,343</b>	<b>13,044,804</b>
<b>Total comprehensive income for the year</b>							
Profit/(loss) for the year (net of tax)	-	-	-	-	1,569,558	-	<b>1,569,558</b>
Other comprehensive income (net of tax)	-	-	(10,014)	-	(28,559)	104,752	<b>66,179</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(10,014)</b>	<b>-</b>	<b>1,540,999</b>	<b>104,752</b>	<b>1,635,737</b>
<b>Transactions with equity holders, recognised directly in equity</b>							
Share issue/increase of assigned capital	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	-	-
Bonus issue	-	-	-	-	-	-	-
Rights issue	-	-	-	-	-	-	-
Transfers to reserves during the period	-	31,391	-	-	(31,391)	-	-
Dividends to equity holders	-	-	-	-	-	-	-
Profit transferred to head office	-	-	-	-	-	-	-
Gain/(loss) on revaluation of Property, Plant and Equipment	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
<b>Total transactions with equity holders</b>	<b>-</b>	<b>31,391</b>	<b>-</b>	<b>-</b>	<b>(31,391)</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31.12.2020</b>	<b>1,524,250</b>	<b>824,321</b>	<b>3,025</b>	<b>-</b>	<b>10,837,850</b>	<b>1,491,095</b>	<b>14,680,541</b>

The notes to the financial statements form an integral part of these financial statements.  
Figures in brackets indicate deductions.

**CITIBANK, N. A. SRI LANKA BRANCH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

<i>In Rupees Thousands for the year ended</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
Interest receipts		2,835,807	4,156,662
Interest payments		(712,691)	(1,069,901)
Net commission receipts / Payment		515,773	(1,383,688)
Trading income		1,412,341	1,103,668
Payments to employees		(690,027)	(661,787)
VAT & NBT on financial services DRL		(374,363)	(463,287)
Receipts from other operating activities		1,122	1,614,783
Payments on other operating activities		(654,263)	(863,706)
<b>Operating profit before change in operating assets &amp; liabilities</b>		<b>2,333,701</b>	<b>2,432,744</b>
<b>(Increase) / decrease in operating assets</b>		<b>(3,571,025)</b>	<b>(1,205,478)</b>
Balances with Central Bank of Sri Lanka		(5,282,174)	523,435
Financial assets at amortised cost – loans & advances		321,551	2,752,211
Financial assets recognized through profit or loss		(4,931,425)	(3,000,341)
Other assets		6,321,023	(1,480,783)
<b>Increase / (decrease) in operating liabilities</b>		<b>2,902,149</b>	<b>4,452,974</b>
Financial liabilities at amortised cost – due to depositors		726,753	7,144,350
Financial liabilities at amortised cost – due to debt securities holders		2,144,114	(1,227,458)
Financial liabilities at amortised cost – due to other borrowers		101,177	(64,653)
Other liabilities		(69,895)	(1,399,265)
<b>Net cash generated from operating activities before income tax</b>		<b>1,664,825</b>	<b>5,680,241</b>
ROU adjustment		15,441	-
Income tax paid		(577,333)	(984,167)
<b>Net cash (used in) / from operating activities</b>		<b>1,102,933</b>	<b>4,696,074</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(19,456)	(23,980)
Proceeds from the sale of property, plant and equipment		28	587
Purchase of financial investments		(940,853)	(83,996)
Proceeds from the sale and maturity of financial investments		-	-
Net purchase of intangible assets		-	-
Net cash flow from acquisition of investment in subsidiaries, associates and joint ventures		-	-
Net cash flow from disposal of subsidiaries, associates and joint ventures		-	-
Dividends received from investment in subsidiaries and associates		-	1,389
Others		-	-
<b>Net cash (used in)/from investing activities</b>		<b>(960,281)</b>	<b>(106,001)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from the issue of ordinary share capital		-	-
Net proceeds from the issue of other equity instruments		-	-
Net proceeds from the issue of subordinated debt		-	-
Repayment of subordinated debt		-	-
Interest paid on subordinated debt Dividend paid to non-controlling interest		-	-
Dividend paid to shareholders of the parent company Dividend paid to holders of other equity instruments		-	-
Others		-	(1,659,014)
<b>Net cash (used in) / from financing activities</b>		<b>-</b>	<b>(1,659,014)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>142,652</b>	<b>2,931,059</b>
Cash and cash equivalents at the beginning of the year	17	4,652,896	1,721,837
Exchange difference in respect of cash & cash equivalent			
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>4,795,548</b>	<b>4,652,896</b>



**CITIBANK, N.A. SRI LANKA BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. REPORTING ENTITY**

Citibank, N.A. Sri Lanka Branch (“the Branch”) is a registered Branch of Citibank, N. A. incorporated in the United States of America (Head office), which carries out banking activities in Sri Lanka through Citibank, N.A. 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 including, but not limited to accepting deposits, corporate banking, offshore banking, foreign currency operations, trade services, investment banking etc.

**1.2 Number of Employees**

The permanent staff of the Branch is 85 as at December 31, 2020 and as at December 31, 2019.

**2. BASIS OF PREPERATION**

**2.1 Statement of Compliance**

The Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS/ SLFRS) 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 31, 2021.

**2.3 Basis of Measurement**

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

- assets and liabilities held for trading are measured at fair value;
- financial instruments designated at Fair Value through Profit or Loss (“FVPL”) are measured at fair value;
- derivative financial instruments are measured at fair value;
- financial assets measured at Fair Value through Other Comprehensive Income (“FVOCI”);
- 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.

**CITIBANK, N.A. SRI LANKA BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **2.4 Functional and Presentation Currency**

Financial Statements are presented in Sri Lanka 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/ SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 3.11.3)
- Measurement of the fair value of financial instruments with significant unobservable inputs (Note 3.11.4)
- Deferred taxation (Note 3.8.2 & 30)
- Measurement of defined benefit obligation; key actuarial assumption (Note 3.18 & 37)
- Commitment and Contingencies; key assumptions about the likelihood and magnitude of an outflow of resources (3.23 & 47)
- Restoration reserve (3.12.4)

**CITIBANK, N.A. SRI LANKA BRANCH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

## **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**

The comparative information is reclassified whenever necessary to conform with the current year's presentation and to be in compliance with the Circular No. 2 of 2019 issued by Central Bank of Sri Lanka on publication of Annual and Quarterly Financial Statements and other Disclosures by Licensed banks in order to provide a better presentation.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

### **Income and Expenditures**

#### **3.1 Interest Income and Expenditures**

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

##### **3.1.2 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.

#### **3.2 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 draw-down of a loan, the related loan commitment fees are recognized on a straight line basis over the commitment period.

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

### **3.3 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.

### **3.4 Net Income from other financial Instruments at measured at fair value**

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

### **3.5 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 (Private) Limited and Credit Information Bureau of Sri Lanka. These are accounted for in other operating income in the profit or loss.

### **3.6 Profit/ Loss from Sale of Property, Plant and Equipment**

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

### **3.7 Other Expenses**

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

### **3.8 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.

#### **3.8.1 Current taxation**

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

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**3.8.2 Deferred tax**

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

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

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

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

**3.9 Other Taxes**

**3.9.1 Crop Insurance Levy (CIL)**

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

**3.9.2 Value Added Taxes on Financial Services**

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.

**3.9.3 Nation Building Tax on Financial Services**

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

The amount of Value Added Tax and Nation Building Tax charged in determining the profit or loss for the period is given in profit or loss. Nation Building Tax was abolished with effect from 01 December 2019.

**3.9.4 Debt Repayment Levy**

Debt Repayment Levy was imposed by Finance Act No. 35 of 2019 for a limited period from October 01, 2019 to December 31, 2021. Same basis is applied as Value Added Taxes on Financial Services at 7% on total value addition. Debt Repayment Levy was abolished with effect from 01 January 2020.

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**3.9.5 Economic Service Charge**

As per provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, Economic Service Charge is payable on aggregate turnover of the Branch at 0.5% and is deductible from income tax payable. Economic Service Charge was abolished with effect from 01 January 2020.

**Assets and Liabilities and Basis of Valuation**

**3.10 Statutory Deposits with Central Bank**

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain reserves against all liabilities denominated in Sri Lankan Rupees. The details of reserve requirements are given in note 18 to the Financial Statements.

**3.11 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.

**3.11.1 Classification of Financial Assets and Financial Liabilities**

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVPL. SLFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Branch classifies financial assets under SLFRS 9, refer note 3.11.2.

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

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

For an explanation of how the Branch classifies its financial liabilities under SLFRS 9 and refer note 3.11.2.

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**3.11.2 Measurement of Financial Assets and Financial Liabilities**

FVOCI includes debt and equity instruments measured at fair value. On derecognition of debt instruments measured at FVOCI, 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

**3.11.3 Impairment of Financial Assets**

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'Expected Credit Loss' ("ECL") 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 3.11.13

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 FVPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated as at FVPL, 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.

**3.11.4 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 FVPL, 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

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for the Day-1 profit or loss, as described below.

### **3.11.5 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.

### **3.11.6 Classification**

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

- 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 (“SPPI”) on the principal amount outstanding.

#### *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 FVPL:

- 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 (“FVPL”)*

All other financial assets are classified as measured at FVPL. 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 FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Branch classifies all equity instruments as FVPL except, the mandatory investment made in Lanka Clear (Private) Limited and Credit Information Bureau of Sri Lanka which are classified as FVOCI as per the scope of SLFRS 9.

### **3.11.7 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:



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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;
- 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 FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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 FVPL.

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

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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.

### **3.11.9 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.

### **3.11.10 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.

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**3.11.11 Modification of Financial Assets and Financial Liabilities**

*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

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remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### **3.11.12 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.

### **3.11.13 Impairment**

#### ***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.

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No impairment loss is recognised on equity investments.

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

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

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”.

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

#### *Measurement of ECL*

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

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

#### *Credit-Impaired Financial Assets*

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

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

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

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*Wholesale Classifiably Managed Exposures*

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

*Delinquency Managed Exposures*

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

*Other Financial Assets Simplified Approaches*

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

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

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset
- Loan commitments and financial guarantee contracts: as a provision under other liabilities
- Debt instruments measured at FVOCI: as the carrying amount of these financial assets is at fair value, no loss allowance is recognised in the statement of financial position, however, the loss allowance is disclosed in note 45(a) and is recognised in the fair value reserve.
- Debt instruments measured at FVPL: 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 45(a) and is recognised in the statement of profit or loss.

### **3.12 Property, Plant & Equipment**

#### **3.12.1 Recognition and Measurement**

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

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

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

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

### **3.12.2 Subsequent Costs**

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

### **3.12.3 Depreciation**

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

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

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

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

*\*\*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.

### **3.12.4 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.

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The IFRIC 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.

### **3.13 Leases**

SLFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognise 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.

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 recognised 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 IBR 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



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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.

### **3.14 Impairment of Non-Financial Assets**

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the branch estimates the asset's recoverable amount is the higher of an asset's or Cash Generating Units ("CGU") fair values less cost to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

### **3.15 Financial Guarantees**

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

### **3.16 Deposits from Customers**

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

Details of the deposits from customers are given in the note 35 to the financial statements.

### **3.17 Borrowings**

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

Details are given in the note 32 and 35 (b) to the financial statements.

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**3.18 Employee Benefits**

**3.18.1 Defined Benefit Plan**

The Branch is liable to pay retirement benefits under Gratuity Act No 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date in respect of employees. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (“PUC”) method as recommended by Sri Lanka Accounting standard (LKAS 19), Employee benefits. Such actuarial valuations will be carried out every year. An actuarial valuation of the provision for employee benefits was carried out as at December 31, 2020 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.

**3.18.2 Defined Contribution Plan**

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

**3.19 Repurchase agreements**

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

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

**3.20 Provisions**

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

**3.21 Foreign Currency**

**3.21.1 Foreign Currency Translation**

Transaction in foreign currencies are translated to the respective functional currencies of the Branch at exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at

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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 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.

### **3.22 Deposit Insurance Scheme**

In terms of the Banking Act Direction No. 05 of 2010 “Insurance of Deposit Liabilities” issued on 27 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. 01 of 2010 issued under section 32 A to 32E of the Monetary Law Act with effect from 01 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 respective notes to the financial statements.

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**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 value. 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 2020. 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.

- (a) Covid-19 related rent concessions (Amendment to SLFRS 16)
- (b) Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16).
- (c) Onerous Contracts – Cost of fulfilling a Contract (Amendment to LKAS 37)
- (d) Annual Improvements to IFRS Standards 2018-2020 (Amendment to LKAS 16)
- (e) Property, Plant and Equipment: Proceeds before Intended Use
- (f) Reference to the Conceptual Framework (Amendments to SLFRS 3)
- (g) Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- (h) SLFRS 17 Insurance Contracts and Amendments to SLFRS 17.

**Possible impact on Financial Statements**

The Branch does not expect that there will be an impact on its Financial Statements.

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**05 Net Interest Income**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
<b>Interest income</b>		
Cash and cash equivalents	-	-
Balances with central banks	134,597	86,889
Placements with banks	104,941	308,005
Derivative financial instruments	-	-
Financial assets recognized through profit or loss		
- measured at fair value	601,268	432,332
- designated at fair value	-	-
Financial assets at amortised cost		
- loans and advances	1,311,202	1,667,473
- debt and other instruments	7,725	43,558
Financial assets measured at fair value through other comprehensive income	662,755	775,142
Others	-	-
<b>Total interest income</b>	<b>2,822,488</b>	<b>3,313,399</b>
<b>Interest expenses</b>		
Due to banks	-	-
Derivative financial instruments	-	-
Financial liabilities recognized through profit or loss		
- measured at fair value	-	-
- designated at fair value	-	-
Financial liabilities at amortised cost		
- due to depositors	640,423	693,728
- due to debt securities holders	-	-
- due to other borrowers	41,275	95,967
Others	-	-
<b>Total interest expenses</b>	<b>681,698</b>	<b>789,695</b>
<b>Net interest income</b>	<b>2,140,790</b>	<b>2,523,704</b>

**5 (a) Net interest income from Sri Lanka Government Securities**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Interest income	1,264,023	1,207,474
Less: Interest expenses	-	-
<b>Net interest income from Sri Lanka Government Securities</b>	<b>1,264,023</b>	<b>1,207,474</b>

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**06 Net Fee and Commission Income**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Fee and commission income	682,214	766,069
Fee and commission expenses	(165,222)	(219,858)
<b>Net fee and commission income</b>	<b>516,992</b>	<b>546,211</b>

**Comprising;**

Loans	-	-
Cards	-	-
Trade and remittances	248,311	297,296
Investment banking	-	-
Deposits	9,881	13,620
Guarantees	35,160	43,086
Others	388,862	412,067
<b>Fee and commission income</b>	<b>682,214</b>	<b>766,069</b>

**07 Net Gain/(Loss) from Trading**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Foreign exchange	286,100	(738,779)
<i>From banks</i>	389,079	(1,903,929)
<i>From other customers</i>	(102,979)	1,165,150
Fixed income securities	436,517	477,285
Equity securities	-	-
Derivative financial instruments	-	-
Others	-	-
<b>Total</b>	<b>722,617</b>	<b>(261,494)</b>

**08 Net Fair Value Gains/(Losses) From Financial Instruments at Fair Value through profit or loss**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Gains on financial assets at fair value through profit or loss	-	-
Losses on financial assets at fair value through profit or loss	-	-
Gains on financial liabilities at fair value through profit or loss	-	-
Losses on financial liabilities at fair value through profit or loss	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**09 Net gains from derecognition of financial assets**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
<i>Recognised at:</i>		
Fair value through profit or loss	-	-
Amortised cost	-	-
Fair value through other comprehensive income	76,042	-
<b>Total</b>	<b>76,042</b>	<b>-</b>

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**10 Net Other Operating Income**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Gain/(Loss) on investment properties	-	-
Gain on sale of property, plant and equipment	28	587
Gain on revaluation of foreign exchange	626,859	1,333,675
Recovery of loans written-off	-	-
Less: Loans written off	-	-
Others	1,122	2,477
<b>Total</b>	<b>628,009</b>	<b>1,336,739</b>

**11 Impairment Charges/ (Reversal)**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Financial assets at amortised cost - loans and advances		
Stage 1	(8,506)	3,891
Stage 2	34,932	320
Stage 3	-	-
Financial assets at amortised cost – Placements with Banks		
Stage 1	(3,234)	1,209
Stage 2	(1,043)	1,043
Stage 3	-	-
Financial assets measured at fair value through other comprehensive income		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Contingent liabilities & commitments		
Stage 1	9,534	(332)
Stage 2	-	-
Stage 3	-	-
Investment in subsidiaries	-	-
Investments in associates and joint ventures	-	-
Property, plant and equipment	-	-
Investment properties	-	-
Others	723	(102)
<b>Total</b>	<b>32,406</b>	<b>6,029</b>

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**12 Personnel Expenses**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Salary and bonus	645,005	589,749
Contributions to defined contribution/benefit plans	42,519	41,233
Provision for defined benefit obligations	35,371	41,341
Share based expenses	-	-
Others	-	-
<b>Total</b>	<b>722,895</b>	<b>672,323</b>

**13 Other Expenses**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Directors' emoluments	-	-
Auditors' remunerations	1,994	1,903
Non-audit fees to auditors	10,291	4,386
Professional and legal expenses	5,517	5,950
Operating lease finance cost	39,682	41,449
Office administration and establishment expenses	100,377	152,101
Others	452,000	518,539
<b>Total</b>	<b>609,861</b>	<b>724,328</b>

**14 Tax Expenses**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Current tax expense		
Current year	702,474	709,255
Prior years' over provision	(21,714)	(3,345)
Deferred tax expense		
Effect of change in tax rates	-	-
Temporary differences	(31,581)	(24,186)
Prior years' provision	-	-
<b>Total</b>	<b>649,178</b>	<b>681,724</b>

**14 (a) Reconciliation of tax expenses**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Income tax for the period (Accounting profit @ applicable tax rate)	532,497	538,339
Adjustment in respect of current income tax of prior periods	-	-
Add: Tax effect of expenses that are not deductible for tax purposes	184,255	237,214
(Less): Tax effect of expenses that are deductible for tax purposes	(14,278)	(66,298)
<b>Tax expense for the period</b>	<b>702,474</b>	<b>709,255</b>



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**14 (b) The deferred tax (credit)/charge in the income statement comprise of the following**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Deferred tax assets	31,581	24,186
Deferred tax liabilities		
Other temporary differences	-	-
<b>Deferred tax (credit)/charge to income statement</b>	<b>31,581</b>	<b>24,186</b>

**15 Earnings Per Share**

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Net profit attributable to ordinary equity holders Adjust:		
Interest on preference shares	n.a.	n.a.
Interest on convertible bonds	n.a.	n.a.
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	n.a.	n.a.
Weighted average number of ordinary shares for basic earnings per share	n.a.	n.a.
Effect of dilution		
Convertible bonds	n.a.	n.a.
Convertible preference shares	n.a.	n.a.
Others	n.a.	n.a.
Weighted average number of ordinary shares adjusted for the effect of dilution	n.a.	n.a.
<b>Basic earnings per ordinary share</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Diluted earnings per ordinary share</b>	<b>n.a.</b>	<b>n.a.</b>

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

**a. Current Year**

<i>In Rupees Thousands</i>	<b>AMC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	4,795,377	-	-	4,795,377
Balances with central banks	9,557,875	-	-	9,557,875
Placements with banks	-	-	-	-
Derivative financial instruments	-	564,987	-	564,987
Loans and advances	15,665,115	-	-	15,665,115
Debt instruments	-	12,839,478	9,892,352	22,731,830
Equity instruments	-	-	1,040	1,040
Others	15,126	-	-	15,126
<b>Total financial assets</b>	<b>30,033,493</b>	<b>13,404,465</b>	<b>9,893,392</b>	<b>53,331,350</b>

<i>In Rupees Thousands</i>	<b>AMC</b>	<b>FVPL</b>	<b>Total</b>
<b>LIABILITIES</b>			
Due to banks	5,592,204	-	5,592,204
Derivative financial instruments	-	308,182	308,182
Financial liabilities			
- due to depositors	31,285,804	-	31,285,804
- due to debt security holders	-	-	-
- due to other borrowers	107,399	-	107,399
Others	-	-	-
<b>Total financial liabilities</b>	<b>36,985,407</b>	<b>308,182</b>	<b>37,293,589</b>

**b. Previous year (2019)**

<i>In Rupees Thousands</i>	<b>AMC</b>	<b>FVPL</b>	<b>FVOCI</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	4,652,896	-	-	4,652,896
Balances with central banks	4,275,701	-	-	4,275,701
Placements with banks	6,574,088	-	-	6,574,088
Derivative financial instruments	-	331,367	-	331,367
Loans and advances	16,018,968	-	-	16,018,968
Debt instruments	-	7,891,091	8,863,709	16,754,800
Equity instruments	-	-	1,040	1,040
Others	39,572	-	-	39,572
<b>Total financial assets</b>	<b>31,561,225</b>	<b>8,222,457</b>	<b>8,864,749</b>	<b>48,648,432</b>

<i>In Rupees Thousands</i>	<b>AMC</b>	<b>FVPL</b>	<b>Total</b>
<b>LIABILITIES</b>			
Due to banks	3,449,165	-	3,449,165
Derivative financial instruments	-	378,077	378,077
Financial liabilities			
- due to depositors	30,588,969	-	30,588,969
- due to debt security holders	-	-	-
- due to other borrowers	6,222	-	6,222
Others	1,183,238.97	-	1,183,238.97
<b>Total financial liabilities</b>	<b>35,227,595</b>	<b>378,077</b>	<b>35,605,672</b>

*AMC – Financial assets/liabilities measured at amortised cost*

*FVPL – Financial assets/liabilities measured at fair value through profit or loss*

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

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**17 Cash and Cash Equivalents**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Cash in hand	1,164,524	714,673
Balances with banks	3,631,024	3,938,223
Money at call and short notice	-	-
<b>Gross cash and cash equivalents</b>	<b>4,795,548</b>	<b>4,652,896</b>
(Less): Accumulated impairment	(171)	-
<b>Total</b>	<b>4,795,377</b>	<b>4,652,896</b>

**18 Balances with Central Banks**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Statutory balances with central banks		
Central Bank of Sri Lanka	276,731	669,009
Other Central Banks	-	-
Non-statutory balances with central banks		
Central Bank of Sri Lanka	9,281,144	3,606,692
Other Central Banks	-	-
<b>Total balances with Central Banks</b>	<b>9,557,875</b>	<b>4,275,701</b>

**Statutory balances with Central Bank of Sri Lanka**

As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at 31 December 2020, the minimum cash reserve requirement is 2% (5% as at 31 December 2019) of the Rupee deposit liabilities. There is no reserve requirement for deposit liabilities of the Off-shore Banking Unit and foreign currency deposit liabilities in the Domestic Banking Unit.

**19 Placements with Banks**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Commercial Bank of Ceylon	-	1,453,110
Nations Trust Bank PLC	-	817,726
People's Bank	-	1,454,234
Sampath Bank PLC	-	1,453,011
Standard Chartered Bank	-	1,400,284
<b>Gross placements with banks</b>	<b>-</b>	<b>6,578,365</b>
(Less): Accumulated impairment	-	(4,277)
<b>Net placements with banks</b>	<b>-</b>	<b>6,574,088</b>

**20 Derivative Financial Instruments**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Interest rate derivatives		
Interest rate swaps	-	-
Interest rate futures	-	-
Interest rate options	-	-
Others	-	-
Foreign currency derivatives		
Currency swaps	444,796	286,824
Forward foreign exchange contracts	120,191	44,543
Others	-	-
Others	-	-
<b>Total</b>	<b>564,987</b>	<b>331,367</b>

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<b>21</b>	<b>Financial Assets Recognized Through Profit or Loss</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Measured at fair value		
	Treasury Bills	10,464,758	4,980,471
	Treasury Bonds	2,374,720	2,910,620
	Equity securities	-	-
	Corporate debt securities	-	-
	Others	-	-
	<b>Sub total</b>	<b>12,839,478</b>	<b>7,891,091</b>
	Designated at fair value		
	Treasury Bills	-	-
	Treasury Bonds	-	-
	Equity securities	-	-
	Corporate debt securities	-	-
	Others	-	-
	<b>Sub total</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>12,839,478</b>	<b>7,891,091</b>
	<b>21 (a) Analysis</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	By collateralisation		
	Pledged as collateral	112,384	6,012
	Unencumbered	12,727,094	7,885,079
	<b>Gross Total</b>	<b>12,839,478</b>	<b>7,891,091</b>
	By currency		
	Sri Lankan Rupee	12,839,478	7,891,091
	United States Dollar	-	-
	<b>Gross Total</b>	<b>12,839,478</b>	<b>7,891,091</b>
<b>22</b>	<b>Financial Assets at Amortised Cost – Loans and Advances</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Gross loans and advances		
	Stage 1	4,586,372	15,794,648
	Stage 2	11,122,398	241,549
	Stage 3	-	-
		<b>15,708,770</b>	<b>16,036,198</b>
	(Less): Accumulated impairment under:		
	Stage 1	(8,403)	(16,909)
	Stage 2	(35,252)	(320)
	Stage 3	-	-
		<b>(43,655)</b>	<b>(17,229)</b>
	<b>Net loans and advances</b>	<b>15,665,115</b>	<b>16,018,969</b>

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**22 ( a ) Analysis**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
By product		
Overdrafts	5,672,319	9,366,085
Trade finance	-	-
Lease rental receivable	-	-
Credit cards	-	-
Pawning	-	-
Staff loans	-	-
Term loans		
Short-term	9,048,988	5,395,859
Long-term	984,277	1,272,879
Others		
Treasury Bills	-	-
Treasury Bonds	-	-
Others	3,186	1,375
<b>Gross Total</b>	<b>15,708,770</b>	<b>16,036,198</b>
By currency		
Sri Lankan Rupee	8,225,787	12,588,222
United States Dollar	7,482,983	3,447,976
Great Britain Pound	-	-
Others	-	-
<b>Gross Total</b>	<b>15,708,770</b>	<b>16,036,198</b>
By industry		
Agriculture and fishing	3,029,276	1,356,942
Manufacturing	4,812,273	5,463,322
Tourism	259,912	161,100
Transport	-	460,783
Construction	-	187,324
Traders	24,973	3,954,785
New economy	-	-
Others	7,582,336	4,451,942
<b>Gross Total</b>	<b>15,708,770</b>	<b>16,036,198</b>

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**22 ( b ) Movements in impairment during the year**

*In Rupees Thousands as at 31 December*

	2020	2019
Stage 1		
Opening balance	16,909	13,018
Charge/(Write back) to income statement	(8,506)	3,891
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>8,403</b>	<b>16,909</b>
Stage 2		
Opening balance	320	-
Charge/(Write back) to income statement	34,932	320
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>35,252</b>	<b>320</b>
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**22 (c) Lease rentals receivable**

*In Rupees Thousands as at 31 December*

	2020	2019
Lease rentals receivable	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**23 Financial Assets at Amortised Cost – Debt and Other Instruments**

*In Rupees Thousands as at 31 December*

	2020	2019
Treasury Bills	-	-
Treasury Bonds	-	-
Corporate debt instruments	-	-
Trust certificates	-	-
Securities purchased under reverse repurchase (reverse repo) agreements	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**23 ( a ) Analysis**

*In Rupees Thousands as at 31 December*

	2020	2019
By collateralization		
Pledged as collateral	-	-
Unencumbered	-	-
<b>Gross Total</b>	<b>-</b>	<b>-</b>
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Others	-	-
<b>Gross Total</b>	<b>-</b>	<b>-</b>

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**23 ( b) Movements in impairment during the year**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
Stage 1		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
Stage 2		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**23 ( c) Securities purchased under reverse repurchase (reverse repo) agreements**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
Market value of securities received for reverse repurchase transactions	-	-

**24 Financial Assets at Fair Value Through Other Comprehensive Income**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
Treasury Bills	5,361,226	534,620
Treasury Bonds	4,531,126	8,329,089
Equity securities	1,040	1,040
Corporate debt securities	-	-
Others	-	-
(Less): Impairment	-	-
<b>Net financial assets at fair value through other comprehensive income</b>	<b>9,893,392</b>	<b>8,864,749</b>

**24 (a) Analysis**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
By collateralisation		
Pledged as collateral		
Unencumbered	9,893,392	8,864,749
<b>Gross total</b>	<b>9,893,392</b>	<b>8,864,749</b>
By currency		
Sri Lankan Rupee	9,893,392	8,864,749
United States Dollar	-	-
Others	-	-
<b>Gross total</b>	<b>9,893,392</b>	<b>8,864,749</b>

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**24 (b) Movements in impairment during the year**

*In Rupees Thousands as at 31 December*

	2020	2019
Stage 1		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	-	-
Stage 2		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	-	-
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	-	-

**25 Investments in Subsidiaries**

*In Rupees Thousands as at 31 December*

	2020	2019
Quoted equity investments	-	-
Unquoted equity investments	-	-
(Less): Impairment	-	-
<b>Net total</b>	-	-

**25 (a) Movements in Impairment during the Year**

*In Rupees Thousands as at 31 December*

	2020	2019
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	-	-

**26 Investments in Associates and Joint Ventures**

*In Rupees Thousands as at 31 December*

	2020	2019
<b>Associates</b>		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
<b>Sub Total</b>	-	-
<b>Joint Ventures</b>		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
<b>Sub total</b>	-	-
<b>Total</b>	-	-



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**26 ( a ) Movements in Impairment during the Year**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
<b>Associataes</b>		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Joint Ventures</b>		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

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**27 Property, Plant and Equipment**  
**27 ( a ) Current Year**

<i>In Rupees Thousands</i>	<b>Installation</b>	<b>Furniture &amp; equipment</b>	<b>Restoration</b>	<b>WIP</b>	<b>Right of Use Asset</b>	<b>Total</b>
<b>Cost</b>						
Opening balance	245,423	395,768	4,089	-	347,710	<b>992,990</b>
Effect of adoption of SLFRS 16	-	-	-	-	-	-
Additions	1,292	18,164	-	-	-	<b>19,456</b>
Disposals	-	(239)	-	-	-	<b>(239)</b>
Other movements	-	-	-	-	(15,441)	<b>(15,441)</b>
<b>Closing balance</b>	<b>246,715</b>	<b>413,693</b>	<b>4,089</b>	<b>-</b>	<b>332,269</b>	<b>996,766</b>
<b>Less: Accumulated depreciation</b>						
Opening balance	177,652	300,919	2,974	-	31,679	<b>513,224</b>
Charge for the year	47,276	54,034	1,115	-	30,302	<b>132,727</b>
Disposals	-	(239)	-	-	-	<b>(239)</b>
<b>Closing balance</b>	<b>224,928</b>	<b>354,714</b>	<b>4,089</b>	<b>-</b>	<b>61,981</b>	<b>645,712</b>
<b>Carrying value at 31 December 2020</b>	<b>21,787</b>	<b>58,979</b>	<b>-</b>	<b>-</b>	<b>270,288</b>	<b>351,054</b>

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

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**27 (b) Previous Year (2019)**

<i>In Rupees Thousands</i>	<b>Installation</b>	<b>Furniture &amp; equipment</b>	<b>Restoration</b>	<b>WIP</b>	<b>Right of Use Asset</b>	<b>Total</b>
<b>Cost</b>						
Opening balance	245,423	372,616	5,330	7,953	-	<b>631,322</b>
Effect of adoption of SLFRS 16	-	-	-	-	347,710	<b>347,710</b>
Additions	-	19,892	4,089	-	-	<b>23,981</b>
Disposals	-	(4,693)	(5,330)	-	-	<b>(10,023)</b>
Transfers	-	7,953	-	(7,953)	-	<b>-</b>
<b>Closing balance</b>	<b>245,423</b>	<b>395,768</b>	<b>4,089</b>	<b>-</b>	<b>347,710</b>	<b>992,990</b>
<b>Less: Accumulated depreciation</b>						
Opening balance	130,260	247,885	5,330	-	-	<b>383,475</b>
Charge for the year	47,392	57,727	2,974	-	31,679	<b>139,772</b>
Disposals	-	(4,693)	(5,330)	-	-	<b>(10,023)</b>
<b>Closing balance</b>	<b>177,652</b>	<b>300,919</b>	<b>2,974</b>	<b>-</b>	<b>31,679</b>	<b>513,224</b>
<b>Carrying value at 31 December 2019</b>	<b>67,771</b>	<b>94,849</b>	<b>1,115</b>	<b>-</b>	<b>316,031</b>	<b>479,766</b>

**27 (c) Fully depreciated property, plant & equipment**

Initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date is as follows.

<i>In Rupees Thousands for the year ended</i>	<b>2020</b>	<b>2019</b>
Installation	7,888	2,984
Furniture & equipment	192,468	166,207
Restoration	4,089	-
<b>Total</b>	<b>204,445</b>	<b>169,191</b>

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28	<b>Investment Properties</b>		
	<b>a. Investment Properties Cost/fair value</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	-	-
	Additions	-	-
	Disposals	-	-
	Exchange rate variance	-	-
	Adjustments	-	-
	<b>Closing balance</b>	-	-
	<b>(Less): Accumulated depreciation</b>		
	Opening balance	-	-
	Additions	-	-
	Disposals	-	-
	Exchange rate variance	-	-
	Adjustments	-	-
	<b>Closing balance</b>	-	-
	(Less): Impairment	-	-
	<b>Net book value</b>	-	-
	<b>Market value</b>	-	-
	<b>b. Movements in Impairment during the</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	-	-
	Charge/ (Write back) to income statement	-	-
	Net write-off during the year	-	-
	Exchange rate variance and other adjustments	-	-
	<b>Closing balance</b>	-	-
29	<b>Goodwill and Intangible Assets</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	-	-
	Adjustments	-	-
	(Less): Impairment	-	-
	<b>Closing balance</b>	-	-
	<b>Other Intangible Assets</b>		
	Opening balance	-	-
	Adjustments	-	-
	(Less): Impairment	-	-
	<b>Closing balance</b>	-	-
	<b>Total</b>	-	-
30	<b>Deferred Tax Assets/(Liabilities)</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	26,546	20,671
	Charge for the year recognized in		
	- profit and loss	31,581	24,186
	- other comprehensive income	12,181	(18,311)
	<b>Closing balance</b>	<b>70,308</b>	<b>26,546</b>
	<b>30 (a) Deferred Tax Assets</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	FVOCI reserve	-	-
	Employee benefit obligation	65,946	58,520
	ROU asset net of lease liability	14,188	-
	<b>Total</b>	<b>80,134</b>	<b>58,520</b>

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<b>30 (b) Deferred Tax Liabilities</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
FVOCI reserve	1,184	5,071	
Property, plant & equipment	8,642	26,903	
<b>Total</b>	<b>9,826</b>	<b>31,974</b>	
<b>31 Other Assets</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
Receivables	15,126	22,697	
Deposits and prepayments	16,012	-	
Sundry debtors	-	-	
Others	-	16,998	
Impairment	(676)	(123)	
<b>Total</b>	<b>30,462</b>	<b>39,572</b>	
<b>32 Due to Banks</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
Borrowings	5,592,204	3,449,165	
Securities sold under repurchase (repo) agreements	-	-	
Others	-	-	
<b>Total</b>	<b>5,592,204</b>	<b>3,449,165</b>	
<b>33 Derivative Financial Instruments</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
Interest rate derivatives			
Interest rate swaps	-	-	
Interest rate options	-	-	
Others	-	-	
Foreign exchange derivatives			
Currency swaps	214,512	163,845	
Forward foreign exchange contracts	93,670	214,232	
Others	-	-	
Others	-	-	
<b>Total</b>	<b>308,182</b>	<b>378,077</b>	
<b>34 Financial liabilities recognized through profit or loss</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
Measured at fair value			
Debt securities	-	-	
Due to non-bank customers	-	-	
Other financial liabilities	-	-	
<b>Sub total</b>	<b>-</b>	<b>-</b>	
Designated at fair value			
Debt securities	-	-	
Due to non-bank customers	-	-	
Other financial liabilities	-	-	
<b>Sub total</b>	<b>-</b>	<b>-</b>	
<b>Total</b>	<b>-</b>	<b>-</b>	
<b>35 Financial liabilities at amortised cost</b>			
<i>In Rupees Thousands as at 31 December</i>			
	<b>2020</b>	<b>2019</b>	
Due to depositors	31,285,804	30,588,969	
Debt securities issued by the bank	-	-	
Securities sold under repurchase (repo) agreements	107,399	6,222	
Others	-	-	
<b>Total</b>	<b>31,393,203</b>	<b>30,595,191</b>	
<b>35 (a) Analysis of amount due to depositors</b>			
<i>In Rupees Thousands for the year ended</i>			
	<b>2020</b>	<b>2019</b>	
By product			
Demand deposits (current accounts)	16,492,790	13,460,777	
Savings deposits	5,329,987	3,415,648	
Fixed deposits	9,228,195	13,481,798	
Other deposits	234,832	230,745	
<b>Total</b>	<b>31,285,804</b>	<b>30,588,968</b>	
By currency			
Sri Lanka Rupee	18,270,680	20,666,585	
United States Dollar	12,414,143	9,319,921	
Great Britain Pound	58,187	28,665	
Others	542,794	573,797	
<b>Total</b>	<b>31,285,804</b>	<b>30,588,968</b>	

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**35 (b) Securities sold under repurchase (repo) agreements**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Carrying value of securities allocated for repurchase transactions	107,399	6,222
Market value of securities allocated for repurchase transactions	112,383	6,012
<i>Minium haircut policy</i>		
<i>Remaining term to maturity of the eligible security</i>		
Up to 1 year	4%	4%
More than 1 year and up to 3 years	6%	6%
More than 3 year and up to 5 years	8%	8%
More than 5 year and up to 8 years	10%	10%
More than 8 years	12%	12%
Penalties	Nil	Nil

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**Debt Securities Issued**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Issued by the bank	-	-
Issued by other subsidiaries	-	-
<b>Total</b>	-	-
Due within 1 year	-	-
Due after 1 year	-	-
<b>Total</b>	-	-

37

**Retirement benefit obligations**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	274,775	208,998
Less: Fair value of plan assets	-	-
<b>Total</b>	<b>274,775</b>	<b>208,998</b>

**37 (a) Reconciliation of employee benefit obligations**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Opening balance	208,998	224,665
Amount recognised in income statement		
Current service cost	15,356	16,149
Interest cost	20,015	25,192
Amount recognised in other comprehensive income		
Actuarial (gain)/ loss	37,577	(33,909)
Gratuity paid during the year	(7,171)	(23,099)
<b>Closing balance</b>	<b>274,775</b>	<b>208,998</b>

**37 (b) Principal assumptions used**

	<b>2020</b>	<b>2019</b>
Discount factor (%)	7.25	9.95
Salary increment (%)		
- First 3 years	10	10
- Next 5 years	12	12
- Thereafter	10	10
Staff turnover (%)		
- Service less than five years	7	7
- Service equal or greater than five years	2	2
Mortality rate	Sri Lanka Life Table 2000 -2002	

**c. 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.

	<b>2020</b>	
(Decrease) / increase in discount rate (%)	-1%	1%
Effect on employment benefit obligation increase/ (decrease) in the liability	22,296	(19,533)

An actuarial valuation of the provision for employee benefits was carried out as at 31st December 2020 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”.

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**Current Tax Liabilities**

<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
Opening Balance	295,270	573,527
Charge for the year	680,760	705,910
Payments made during the year	(577,333)	(984,167)
<b>Closing Balance</b>	<b>398,697</b>	<b>295,270</b>

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39	<b>Other Provisions</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Accumulated impairment of off-balance credit exposures	18,220	8,686
	<b>Total</b>	<b>18,220</b>	<b>8,686</b>
40	<b>Other Liabilities</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Sundry creditors	-	-
	Outstanding managers' cheques	328,385	466,665
	Operating lease liability	329,964	349,874
	Other payables	406,024	301,561
	Other tax payables	37,853	56,453
	<b>Total</b>	<b>1,102,226</b>	<b>1,174,553</b>
41	<b>Due to subsidiaries</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Due to subsidiaries	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
42	<b>Assigned Capital</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Assigned Capital	1,524,250	1,524,250
	<b>Total</b>	<b>1,524,250</b>	<b>1,524,250</b>
43	<b>Statutory Reserve Fund</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	792,930	768,111
	Transfers during the period	31,391	24,819
	<b>Closing balance</b>	<b>824,321</b>	<b>792,930</b>
	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 assigned 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.		
44	<b>Retained Earnings</b>		
	<i>In Rupees Thousands as at 31 December</i>	<b>2020</b>	<b>2019</b>
	Opening balance	9,328,242	9,746,744
	Profit for the year	1,569,558	1,240,917
	Other comprehensive income	(28,559)	24,414
	Transfers to other reserves	(31,391)	(24,819)
	Profit repatriation	-	(1,659,014)
	<b>Closing balance</b>	<b>10,837,850</b>	<b>9,328,242</b>
45	<b>Other Reserves</b>		
	<b>45 (a) Current year (2020)</b>		
	<i>In Rupees Thousands</i>	<b>Opening balance</b>	<b>Movement/ Transfer Closing balance</b>
	General reserve	-	-
	Revaluation reserve	-	-
	Cash flow hedge reserve	-	-
	Foreign currency translation Reserve	1,386,343	104,752 1,491,095
	OCI reserve	13,039	(10,014) 3,024
	Others	-	-
	<b>Total</b>	<b>1,399,382</b>	<b>94,738 1,494,119</b>
	<b>45 (b) Previous year (2019)</b>		
	<i>In Rupees Thousands</i>	<b>Opening balance</b>	<b>Movement/ Transfer Closing balance</b>
	General reserve	-	-
	Revaluation reserve	-	-
	Cash flow hedge reserve	-	-
	Foreign currency translation Reserve	1,408,205	(21,862) 1,386,343
	OCI reserve	(9,632)	22,671 13,039
	Others	-	-
	<b>Total</b>	<b>1,398,573</b>	<b>809 1,399,382</b>

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- 45 (c) 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.

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

46 **Non-controlling Interests**

<i>In Rupees Thousands as at 31 December</i>	2020	2019
Non-controlling Interests	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

47 **Contingent Liabilities and Commitments**

<i>In Rupees Thousands as at 31 December</i>	2020	2019
Guarantees and bonds	6,438,185	7,008,637
Letters of credit	3,280,702	6,794,973
Forward exchange contracts	81,220,432	66,942,102
Acceptances	1,596,630	779,577
Undrawn loan commitments	88,771,382	78,532,403
Others	821,155	885,096
<b>Total</b>	<b>182,128,486</b>	<b>160,942,788</b>

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.

47. a. **Movements in Impairment during the Year**

<i>In Rupees Thousands as at 31 December</i>	2020	2019
Opening balance	8,686	8,353
Charge/ (Write back) to income statement	9,534	333
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
<b>Closing balance</b>	<b>18,220</b>	<b>8,686</b>

48 **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.

48 (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.

48(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'.

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

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

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



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**Balances with Citigroup**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
<b><i>Nostro balances</i></b>		
CITIBANK EUROPE - DUBLIN	223,048	64,198
CITIBANK JAPAN	1,552	370,665
CITIBANK N A BOMBAY	131,699	416,086
CITIBANK N A KARACHI	36,269	30,578
CITIBANK N A SINGAPORE	177,130	58,960
CITIBANK N.A. DHAKA,BANGLADESH	29,709	87,728
CITIBANK N.A. LONDON	90,271	42,652
CITIBANK N.A. NEW YORK.	6,699,321	2,780,886
CITIBANK N.A.SYDNEY	15,844	1,863
	<b>7,404,843</b>	<b>3,853,615</b>
<b><i>Vostro balances</i></b>		
CITIBANK BOMBAY	83,194	-
CITIBANK EUROPE PLC, LUX BRANCH	200	200
CITIBANK EUROPE PUBLIC LIMITED	156,905	133,586
CITIBANK JAPAN	1,061	1,053
CITIBANK LONDON SECURITIES	27,001	9,845
CITIBANK N A KARACHI	8,308	5,964
CITIBANK N A MALAYSIA	32,841	36,240
CITIBANK N A SINGAPORE	3,354	53,661
CITIBANK N.A.	-	-
CITIBANK N.A. DHAKA,BANGLADESH	31,801	429
CITIBANK N.A. LONDON	213,660	178,293
CITIBANK N.A.,NEW YORK	19,345	181,293
CITIBANK NA.HONGKONG GLOBAL CUSTODY	30,160	7,841
CITIBANK SINGAPORE GLOBAL WINDOW	-	-
	<b>607,830</b>	<b>608,405</b>
<b><i>Other borrowings</i></b>		
CITIBANK N A BOMBAY	101,325	-
CITIBANK N A KARACHI	18,092	-
CITIBANK N.A. CANADIAN BRANCH,	-	-
CITIBANK N.A. HONGKONG	-	-
CITIBANK N.A. LONDON	2,643,898	3,446,980
CITIBANK N.A. NEW YORK.	6,605,667	-
	<b>9,368,982</b>	<b>3,446,980</b>

**48(b.1.ii) Transactions with the employee's provident fund**

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

Name of the related party	Relationship	Nature of transaction	Value of the transaction (Rs.)	
			For the year ended	
			2020	2019
Citi Bank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the Citi Bank N.A- Colombo.	Sale of treasury bills on behalf of Citi Bank N.A - Colombo Branch employees' provident fund.	760,847,704	585,166,537
		Sale of treasury bonds on behalf of Citi Bank N.A- Colombo Branch employees' provident fund.	185,576,268	217,932,952

**48(b.2.iii) Balances with the employee's provident fund**

*As at December 31*

			<b>2020</b>	<b>2019</b>
			<b>Rs.</b>	<b>Rs.</b>
Citi Bank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the Citi Bank N.A - Colombo.	Cash held in saving account	16,467,823	11,327,422
		Cash held in current account	Nil	Nil

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**48 (c) Transactions with Key Management Personnel ("KMP")**

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.

Branch has named the local members of Country Coordinating Committee ("CCC") as the KMP as at 31 December 2020 as per the circular issued by Central Bank of Sri Lanka.

Citibank, N. A. Sri Lanka 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 of Citibank, N. A. Sri Lanka Branch**

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

**Transactions with Key Management Personnel ("KMP")**

**Compensation to KMPs**

*In Rupees Thousands for the year ended*

	<b>2020</b>	<b>2019</b>
Short term employment benefits	234,409	229,685
Post employment benefits		
Other long term benefits		
Termination benefits	80,362	77,723
Share based payments		
<b>Total</b>	<b>314,770</b>	<b>307,407</b>

**Transactions with KMPs**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
Deposits, current account balances and investments		
Loans - under staff benefits (outstanding)		
<b>Total</b>	<b>-</b>	<b>-</b>

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**Net Assets Value per Ordinary Share**

*In Rupees Thousands as at 31 December*

	<b>2020</b>	<b>2019</b>
<b>Total</b>	<b>-</b>	<b>-</b>

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**50 Maturity of Assets and Liabilities**

An analysis of the assets and liabilities of the Branch as at December 31, 2020 is given below. The maturity analysis and component classifications is prepared for the purpose of central bank submissions

Assets or liability	On Demand	< 3months	3-12 months	1-5 years	Over 5 Years	Unclassified	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Total assets</b>	<b>25,327,617</b>	<b>8,139,139</b>	<b>12,708,731</b>	<b>5,497,030</b>	<b>1,743,436</b>	<b>352,094</b>	<b>53,768,047</b>
Cash	1,164,523	-	-	-	-	-	1,164,523
Due from banks	13,188,728	-	-	-	-	-	13,188,728
Investments-current	5,939,852	3,569,215	11,064,172	2,158,590	-	1,040	22,732,870
Loans & advances – current	4,933,743	4,569,924	1,644,558	3,338,441	1,178,449	-	15,665,115
Fixed assets	-	-	-	-	-	351,054	351,054
Other assets	100,771	-	-	-	564,987	-	665,758
<b>Total liabilities</b>	<b>14,802,967</b>	<b>8,921,351</b>	<b>6,659,544</b>	<b>2,664,993</b>	<b>5,455,694</b>	<b>15,263,497</b>	<b>53,768,047</b>
Total capital fund	-	-	-	-	-	14,680,540	14,680,540
Deposits	7,671,791	8,921,351	6,571,975	2,664,993	5,455,694	-	31,285,804
Borrowings	5,612,034	-	87,569	-	-	-	5,699,603
Other Liabilities	1,519,142	-	-	-	-	582,957	2,102,099
<b>Maturity gap</b>	<b>10,524,650</b>	<b>(782,212)</b>	<b>6,049,187</b>	<b>2,832,037</b>	<b>(3,712,258)</b>	<b>(14,911,403)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>10,524,650</b>	<b>9,742,438</b>	<b>15,791,625</b>	<b>18,623,662</b>	<b>14,911,403</b>	<b>-</b>	<b>-</b>

**51 Events after reporting period**

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

**52 The Impact of Covid-19**

In addition to the widespread public health implications, the COVID-19 pandemic has had an extraordinary impact on macroeconomic conditions around the world. Citi's businesses, results of operations and financial condition have been impacted by economic dislocations and trends caused by the pandemic. Despite these impacts, Citi has maintained strong capital and liquidity positions with consistently strong business operations. Governments and central banks globally have taken a series of aggressive actions to support their economies and mitigate the systemic impacts of the pandemic, and Citi continues to proactively assess and utilize these measures where appropriate.

Citi has responded on multiple fronts to the challenges of the pandemic to support the ongoing needs of its customers and clients, while concurrently maintaining safety and soundness standards. Citi's dedicated continuity of business and crisis management groups are managing Citi's protocols in response to the pandemic. These protocols provide for the safety and well-being of Citi's staff, while continuing to maintain high levels of client servicing. These protocols address the prioritization of critical processing; ability of staff and third parties to support these processes from remote work locations; deployment of new hardware to support technology needs; and ongoing monitoring to assess controls and service levels. Planning for Citi's return-to-office strategy is ongoing. Citi's organizational response to the pandemic has been governed by Citi's Executive Management Team, consisting of the Citigroup CEO and certain direct reports of the CEO, and driven through regional task forces that were deployed in Asia, EMEA, North America and Latin America. Led by regional CEOs and their management teams, these groups focused on, and continue to manage, the pandemic responses, implementation of continuity of business plans, locational and staffing strategies and responses to customer and client needs. Throughout the crisis, Citi has also worked closely with U.S. authorities and host governments on implementing immediate policy responses and financial assistance structures to mitigate the systemic impacts of the pandemic. Citi also continues to engage closely with customers and clients, regulators and other relevant stakeholders to assure alignment on all pandemic-related matters.

**53 Management responsibility for Financial Statements**

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

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#### **54. 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 (“the 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”) framework.

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, everyone 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 individuals independent from the business units.

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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.

The local management team, also referred to as the Country Coordinating Committee maintains an effective control environment within the overarching risk appetite framework. It is supported by various sub committees such as Integrated Risk Management Committee, Assets & liabilities committee, Business risk, Compliance & Control Committee, Third Party Risk Management Committee and Local Regulatory Reporting Governance Committee to identify, measure, monitor and report risks. The Country Coordinating Committee meets monthly 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. A global end-to-end integrated control platform ‘Citi Risk & Controls’ supports Compliance, Operational Risk, Operations and Technology Risk & Controls and Internal Audit. It identifies, assesses, reports, and mitigates risk across business lines, products & functions, legal entities, and jurisdictions. All identified exceptions are escalated to the senior management for review, actions, and remedial purposes. The key risks are also 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 captured in this system to arrive at the final impairment numbers.

**Stress testing**

The Branch 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

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macroeconomic stress scenario forecasting, impact of which tests the Sri Lanka's credit portfolio in full. Accounts that attract higher impairment costs at downside are evaluated for risk mitigation and /or monitored closely through quarterly or semi-annual tripwires/triggers. The output of this model was back tested against actual impairments costs of year 2020 (widely viewed as a severe stress year) and the results assured the conservativeness of the impairment costs applied in the ICAAP. The finalized ICAAP is filed with the Central Bank within five months from the close of the financial year. Further to the ICAAP, the Bank conducts a global stress test annually titled CCAR which tests a sample of credit portfolio of its branches 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, tripwires/triggers are established and monitored on pre-agreed frequencies e.g. 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.

### **54.1 Credit risk**

Credit risk is the risk that a borrower / counterparty may be unable or unwilling to make 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

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limits etc. There is strict discipline over credit risk approvals and 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:

*Amounts in Rs. '000*

	<b>Gross Maximum Exposure</b>	<b>Fair Value of Collateral</b>	<b>Net Exposure</b>
Loans to Customers 31.12.2020	15,708,770	Nil	15,708,770
Loans to Customers 31.12.2019	16,036,198	Nil	16,036,198

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 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 Bank's risk rating policy. 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

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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.

Bank adopts several types of risk ratings. The Obligors Risk Ratings represents the probability that an obligor will default within a one-year time horizon while the Obligor Limit Rating looks at an obligor's credit quality beyond one year. A Facility level Risk Rating is adopted to represent expected loss rate of each facility using the product of final obligor risk rating and the loss given default. A borrower is deemed to have defaulted when either of the following Basel's definition of default have occurred.

- When the obligor is past due more than 90 days on any material credit obligation to Branch. Overdrafts are 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

*Impairment process of loans*

For loan impairment assessment, the key considerations are:

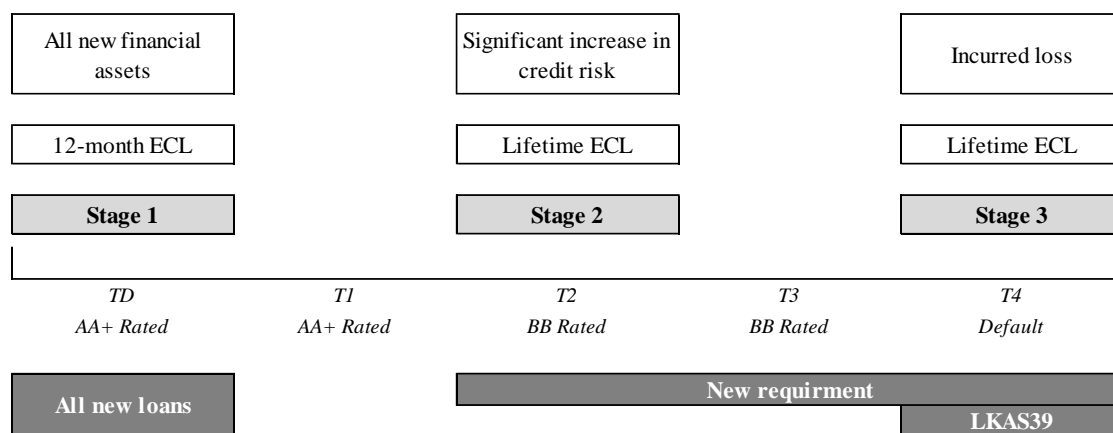
- whether any payment of principal or interest are overdue by more than 90 days,
- counterparties have difficulties in their cash flows,
- downgrade of credit rating
- Infringement of original terms of the contact.

Citi adopts SLFRS9 together with guidelines issued by the Central Bank of Sri Lanka on 31 December 2018. The SLFRS9 methodology is a more forward-looking expected loss model compared to the incurred loss model (LKAS39) used until 2018. 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.



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***Three stage model under SLFRS9***



To determine the final impairment charge, the model driven expected credit losses are adjusted with an expected loss scaler as given below. It would account for unforeseen deterrence in the macroeconomy or additional regulations that may potentially raise the expected credit losses. The branch has had no non-performing loans during the past 10 years and no stage 3 impairment since the introduction of the accounting standard.

- Final Impairment = Model driven expected credit losses x (1+ Expected Loss Scaler)

***Allowance for Impairment***

***Amounts in Rs. '000***

	31 December 2020	31 December 2019
Gross Loans & receivables	15,708,770	16,036,198
<i>Less: allowance for individual impaired L&amp;R</i>	Nil	Nil
<i>Less: allowance for collective impaired L&amp;R</i>	(43,655)	(17,229)
Carrying Amount	15,665,115	16,018,969

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

***Amounts in Rs. '000***

	<b>Specific</b>	<b>Collective</b>
Opening Balance	Nil	17,229
Changes/ (Write back)	Nil	26,426
Closing Balance	Nil	43,655

***Amounts in Rs. '000***

<b>Industry wise analysis of gross loans and advances</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Agriculture and fishing	3,029,276	1,356,942
Manufacturing	4,812,273	5,463,322
Tourism	259,912	161,100
Transport	-	460,783
Construction	-	187,324
Traders	24,973	3,954,785
Financial and Business Services	-	1,821,438
Infrastructure	-	2,630,502
Other Services	-	1
Other Customers	7,582,336	1
<b>Total</b>	<b>15,708,770</b>	<b>16,036,198</b>

**54.2 Liquidity risk and funding management**

Liquidity Risk occurs in an instance where the Branch is not in a situation to meet its financial obligations such as current and future payments.

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 Markets Treasury ("MT") Team to present an action plan to the Market Risk Management along with

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timelines 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 is carried out to ascertain the Profit and Loss impact on Trading and Accrual Portfolios and on the balance sheet to ensure that the branch maintains adequate liquidity to support its payments without the assistance of the Head Office. 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 MT team along with the MRM team to draw up a plan avoid the breach in the future.

***Liquidity ratios***

Liquidity ratios are monitored to measure the liquidity position in the balance sheet and to ensure adequate liquidity is maintained to meet its payment obligations.

***Market triggers***

Market triggers consist of External Economic Indicators to make proactive decisions to safeguard the balance sheet and significant P&L impact.

***Significant funding source***

As an additional measure to manage balance sheet liquidity in an event to track the deposit concentration. Concentration of deposits among few clients could lead to liquidity issues in an event of a sudden withdrawal by one of the said clients

***Contingency funding plan***

The purpose of the Contingency Funding Plan (“CFP”) details out the each stake holders responsibility in a market crisis in funding the balance sheet. Further it detail out the actions available to improve liquidity in the balance sheet.

<b>Assets or liability</b>	<b>On Demand Rs. 000</b>	<b>&lt; 3months Rs. 000</b>	<b>3-12 months Rs. 000</b>	<b>1-5 years Rs. 000</b>	<b>Over 5 Years Rs. 000</b>	<b>Unclassified Rs. 000</b>	<b>Total Rs. 000</b>
<b>Total assets</b>	25,327,617	8,139,139	12,708,731	5,497,030	1,743,436	352,094	53,768,047
Cash	1,164,523						1,164,523
Due from banks	13,188,728						13,188,728
Investments-current	5,939,852	3,569,215	11,064,172	2,158,590		1,040	22,732,870
Loans & advances – current	4,933,743	4,569,924	1,644,558	3,338,441	1,178,449		15,665,115
Fixed assets						351,054	351,054
Other assets	100,771				564,987		665,758
<b>Total liabilities</b>	14,802,967	8,921,351	6,659,544	2,664,993	5,455,694	15,263,497	53,768,047
Total capital fund						14,680,540	14,680,540
Deposits	7,671,791	8,921,351	6,571,975	2,664,993	5,455,694		31,285,804
Borrowings	5,612,034		87,569				5,699,603
Other Liabilities	1,519,142					582,957	2,102,099
Maturity gap	10,524,650	(782,212)	6,049,187	2,832,037	(3,712,258)	(14,911,403)	(0)
Cumulative gap	10,524,650	9,742,438	15,791,625	18,623,662	14,911,403	(0)	0

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***Financial Assets***

Maturities of debt securities at FVPL and FVOCI investments are based on the contractual maturity on which these assets will be realized.

***Financial liabilities***

Maturities of financial liabilities are based on the remaining period from the end of the reporting date to the contractual maturity date.

***Amounts in Rs. '000***

	<b>On Demand</b>	<b>&lt; 3months</b>	<b>3 to 12 months</b>	<b>&lt; 2 years</b>	<b>&gt; 2 years</b>	<b>Total</b>
Off balance sheet exposures	90,702,508	64,725,255	26,427,106	117,943	155,676	182,128,487

**54.3 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 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.

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- (b) **Value-at-risk (“VaR”) Trigger:** which measures maximum potential loss at 99% confidence level over 1-day holding period based on the day’s outstanding risk positions across the entire mark-to-market exposures.
- (c) **Loss Triggers:** The Trading book and Fair Value through OCI book profit and loss monitored against month-to-date (for Trading book) and rolling 21-days / inception-to-date (for available for sale) Loss Triggers.

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

***VaR assumptions/parameters***

The VaR is calculated using Monte Carlo simulation model with a 99% confidence level based on the volatilities of, and correlations between, market risk factors, The Branch uses its in-house globally-linked Global Market Risk (“GMR”) System database to gather all data information required and calculate the daily VaR figures.

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

- Volatility and correlation matrix is based on a 3 year time series and is updated monthly;
- Uses Monte-Carlo simulations to generate market moves estimated for the market risk factors underlying the portfolio;
- 1-day VaR is reported at 99% confidence level are calculated;
- VaR is reported for the trading booking (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.

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A summary of the VaR position of the Branch trading portfolio's at 31 December 2020 is as following:

***Amounts in Rs. '000***

	<b>31 December 2020</b>
Foreign Currency risk	9.3625
Interest Rate Risk	22,818.29
Equity Risk	-
Overall	22,827.65

***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk on the trading book is captured as part of the above described process under the market risk section. Interest rate risk represents the Branch's exposure to adverse movements in interest rates with regard to its non-trading exposures (Banking Book). Interest rate risk is measured by doing a gap analysis as well as factor sensitivity analysis. Business-specific assumptions underlying these measurements, e.g., tenor bucket used for demand deposits, are documented and models used to measure interest rate risk are independently reviewed. Interest rate gap analysis utilizes the maturity or repricing schedules of balance sheet items to determine the differences between maturing or repricing items within given tenor buckets. The interest rate risk in the banking book is also measured and monitored through PV01 limits. The Branch follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Assets or liability	On Demand	< 3months	3-12 months	1-5 years	Over 5 Years	Unclassified	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Total assets	24,062,323	8,139,139	12,708,731	5,497,030	1,178,449	-	51,585,672
Cash	-						-
Due from banks	13,188,728						13,188,728
Investments-current	5,939,852	3,569,215	11,064,172	2,158,590		-	22,731,830
Loans & advances – current	4,933,743	4,569,924	1,644,558	3,338,441	1,178,449		15,665,115
Fixed assets							-
Other assets							-
Total liabilities	9,750,434	5,622,793	887,067	2,664,993	1,332,497	-	20,257,784
Total capital fund							-
Deposits	4,138,400	5,622,793	799,498	2,664,993	1,332,497		14,558,181
Borrowings	5,612,034		87,569				5,699,603
Other Liabilities	-					-	-

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***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 OBU 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 OBU. Banks are required by the Central Bank of Sri Lanka to match the foreign currency liabilities with the foreign currency assets held through OBUs.

The Branch determined that the functional currency of the OBU is USD. Consequently, the OBU 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	1,184,506	2,898,776	58,915	258,993	394,186	4,795,376
Balances with Central Bank of Sri Lanka	9,557,875	-	-	-	-	9,557,875
Placements with banks	-	-	-	-	-	-
Derivative financial instruments	-	559,248	8	15	5,716	564,987
Financial assets recognized through profit or loss	12,839,478	-	-	-	-	12,839,478
Financial assets at amortised cost - loans and advances	8,182,132	7,482,983	-	-	-	15,665,115
Financial assets at fair value through other comprehensive income	9,893,392	-	-	-	-	9,893,392
Property, plant and equipment	351,054	-	-	-	-	351,054
Deferred tax assets	70,308	-	-	-	-	70,308
Other assets	15,533	14,930	-	-	-	30,463
Total assets	42,094,278	10,955,937	58,923	259,008	399,902	53,768,048
Liabilities						
Due to banks	95,745	5,352,551	-	22,398	121,510	5,592,204
Derivative financial instruments - Liabilities	-	304,395	-	-	3,787	308,182
Financial liabilities at amortised cost	18,270,680	12,414,143	58,187	236,962	305,832	31,285,804
Securities sold under repurchase agreements	107,399	-	-	-	-	107,399
Current tax liabilities	398,697	-	-	-	-	398,697
Retirement benefit obligations	274,775	-	-	-	-	274,775
Other liabilities	973,211	144,714	2,521	-	-	1,120,446
Total liabilities	20,120,507	18,215,803	60,708	259,360	431,129	39,087,507
Equity						
Assigned capital	1,524,250	-	-	-	-	1,524,250
Statutory reserve fund	824,321	-	-	-	-	824,321
Retained earnings	10,837,850	-	-	-	-	10,837,850
Other reserves	1,494,120	-	-	-	-	1,494,120
Total equity	14,680,541	-	-	-	-	14,680,541
Total equity and liabilities	34,801,047	18,215,803	60,708	259,360	431,129	53,768,048

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#### **54.4 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:

##### **Three Line of Defense:**

Citi uses a lines of defense construct to manage its risk. The construct comprises units that create risks (first line of defense), those that independently assess risk (second line of defense) and units that provide independent assurance (third line of defense). Additionally, the firm has units tasked with maintaining a strong control environment (control and support functions). The high-level roles and responsibilities for operational risk management are as follows:

The 1<sup>st</sup> Line of Defence is responsible for implementing and maintaining effective controls to reduce the operational risks they are exposed to within operational risk appetite in accordance with the requirements of the Operational Risk Management Framework.

The 2<sup>nd</sup> Line of Defence is responsible for setting requirements around operational risk management, challenging the implementation of the overall ORM Framework, and challenging the quality and outcomes of 1st Line of Defence operational risk management activities.

The 3<sup>rd</sup> Line of Defence is responsible for providing senior management with independent opinions on the effectiveness of the Operational Risk Management Framework as a whole.

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



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- 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 Citi Third Party Management Policy & Standards and the country 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.

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***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.

**54.5 Capital Management**

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

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

***Statutory minimum capital requirement and capital management***

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. Accordingly, licenced banks in Sri Lanka with assets less than Rs. 500 billion need to maintain a Total Capital Adequacy Ratio ("CAR") of 12.5% and a Total Tier 1 Capital Ratio of at least 8.5%.

Extraordinary regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to licensed banks to support businesses and individuals affected by the outbreak of coronavirus disease permitted non-D-SIBS to drawdown the Capital Conservation Buffer ("CCB") by 50bps out of total of 250bps with effect from 27 March 2020. Accordingly, as at 31 December 2020, the regulatory Total Capital adequacy ratio requirement was 12% and Tier 1 Capital Ratio was 8%.

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

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standardized approach whereas operational risk is computed by using the basic indicator approach.

As of 31 December 2020, Branch reported a Tier 1 ratio of 37.42% and a total CAR of 37.52% which remain comfortably above the CBSL's capital requirements.

**54.6 Fair value of Financial Instruments carried at amortised cost**

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

*Amounts in Rs. '000*

	<b>31 December 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Assets</b>		
Cash and cash equivalents	4,795,376	4,795,376
Balances with Central Bank of Sri Lanka	9,557,875	9,557,875
Placements with banks	-	-
Loans and receivables to other customers	15,665,115	15,665,115
<b>Liabilities</b>		
Due to Banks	5,592,204	5,592,204
Due to other customers	31,285,804	31,285,804
Other borrowings	107,399	107,399

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

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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 premature upliftment. Amounts paid to customers in the event of premature 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.

Item	Current Reporting Period	Previous Reporting Period
<b>Regulatory Capital Adequacy (LKR in Millions)</b>		
Common Equity Tier 1	14,388	12,107
Core (Tier 1) Capital	14,388	12,107
Total Capital Base	14,425	12,136
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital (%)	41.2%	30.9%
(Minimum Requirement - 2020 6.5%; 2019 7%)		
Tier 1 Capital Ratio (%) (Minimum Requirement - 2020 8%; 2019 8.5%)	41.2%	30.9%
Total Capital Ratio (%) (Minimum Requirement - 2020 12%; 2019 12.5%)	41.3%	30.9%
Leverage Ratio (%) (Minimum Requirement - 3%; )	7.7%	7.1%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR in Millions)	39,213	33,833
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	115.0%	87.0%
Off-Shore Banking Unit (%)	60.6%	158.3%
Total Stock of High-Quality Liquid Assets (LKR in Millions)	23,952	16,707
Liquidity Coverage Ratio (%) (Minimum Requirement - 2020 90%; 2019 100%)		
Rupee (%)	325.8%	730.9%
All Currency (%)	553.2%	303.0%
Net Stable Funding Ratio (%) - (Minimum Requirement - 2020 90%; 2019 100%)	192.3%	147.6%
<b>Assets Quality (Quality of Loan Portfolio)</b>		
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%
<b>Profitability</b>		
Interest Margin (%)	2.3%	3.3%
Return on Assets (before Tax) (%)	5.0%	5.5%
Return on Equity (%)	11.3%	9.4%

## Maturities of Assets and Liabilities (MAL)

LKR

90 180 270 365 1095 1825 (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
		Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
<b>A</b>		<b>Inflows</b>							
1	Cash on hand	1,147.35	-	-	-	-	-	-	-
2	Deposits with CBSL	276.73	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	-	-	-	-	-	-	-	-
4	Balances due from Other Banks	9,317.33	-	-	-	-	-	-	-
5	Investments (Net of provisions)	5,938.88	3,569.48	6,497.18	3,959.79	480.28	839.44	1,275.74	1.04
6	Bills of Exchange	3.19	-	-	-	-	-	-	-
7	Overdraft	317.90	317.90	317.90	317.90	317.90	883.06	883.06	883.06
8	Loans and Advances	2,835.96	1,018.50	88.40	-	-	-	0.00	-
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	912.01	-	-	-	-	-	(131.38)
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	<b>Total (a)</b>	<b>19,837.34</b>	<b>5,817.90</b>	<b>6,903.48</b>	<b>4,277.69</b>	<b>798.18</b>	<b>1,722.51</b>	<b>2,158.80</b>	<b>752.72</b>
<b>B</b>		<b>Outflows</b>							
1	Demand Deposits	1,171.25	1,171.25	878.44	585.63	585.63	-	-	1,464.06
2	Savings Deposits	151.83	151.83	151.83	151.83	151.83	759.14	759.14	759.14
3	Balances due to Head Office/Affiliates/Own Branches	421.17	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	3,781.58	4,950.00	-	-	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	24.76	31.73	0.36	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	1,992.09	-	-	-	-	-	-
12	Lines of credit committed to institutions	-	-	-	-	-	-	-	-
13	<b>Unutilized portion of Overdraft, Loans and Advances</b>	<b>141.72</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14	<b>Letters of Credit/Guarantees/Acceptances</b>	<b>11.32</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
15	Repo/Bills Rediscounted/Swaps/Forward contracts	(11,594.76)	(1,998.24)	390.05	172.48	2,127.83	-	-	-
16	Other - Please Specify	-	-	-	-	-	-	-	-
	<b>Total (b)</b>	<b>(5,891.14)</b>	<b>6,298.67</b>	<b>1,420.67</b>	<b>909.93</b>	<b>2,865.28</b>	<b>759.14</b>	<b>759.14</b>	<b>2,223.21</b>
	<b>Gap = (a) - (b)</b>	<b>25,728.48</b>	<b>(480.77)</b>	<b>5,482.81</b>	<b>3,367.76</b>	<b>(2,067.10)</b>	<b>963.37</b>	<b>1,399.66</b>	<b>(1,470.48)</b>
	<b>Cumulative Gap</b>	<b>25,728.48</b>	<b>25,247.72</b>	<b>30,730.52</b>	<b>34,098.28</b>	<b>32,031.19</b>	<b>32,994.55</b>	<b>34,394.21</b>	<b>32,923.73</b>
	<b>Cumulative Liabilities</b>	<b>(5,891.14)</b>	<b>407.53</b>	<b>1,828.20</b>	<b>2,738.13</b>	<b>5,603.41</b>	<b>6,362.55</b>	<b>7,121.70</b>	<b>9,344.90</b>
	<b>Cumulative gap as a % of cumulative liabilities</b>	<b>-437%</b>	<b>6195%</b>	<b>1681%</b>	<b>1245%</b>	<b>572%</b>	<b>519%</b>	<b>483%</b>	<b>352%</b>

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

(Rs. Million)

(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	10.61	-	-	-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
3	Balances due from Head Office, Affiliates and Own Branches	93.65	-	-	-	-	-	-	-
4	Balances due from Other Banks	63.47	-	-	-	-	-	-	-
5	Investments (Net of provisions)	-	-	-	-	-	-	-	-
6	Bills of Exchange	-	-	-	-	-	-	-	-
7	Overdraft	105.40	105.40	105.40	105.40	105.40	292.77	292.77	292.77
8	Loans and Advances	1,660.37	3,117.99	282.61	-	-	979.36	-	-
9	NPLs	-	-	-	-	-	-	-	-
10	Net Inter-Branch Transactions	-	-	-	-	-	-	-	-
11	Other Assets	-	14.93	-	-	-	-	-	560.96
12	Lines of credit committed from institution:	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	Total (a)	1,933.50	3,238.31	388.01	105.40	105.40	1,272.14	292.77	853.73
B	Outflows								
1	Demand Deposits	1,980.96	1,980.96	1,485.72	990.48	990.48	-	-	2,476.20
2	Savings Deposits	100.25	100.25	100.25	100.25	100.25	501.25	501.25	501.25
3	Balances due to Head Office/Affiliates/Own Branches	-	-	-	-	-	-	-	-
4	Balances due to Other Banks	-	-	-	-	-	-	-	-
5	Time Deposits	65.54	374.50	-	-	-	-	-	-
6	Certificates of Deposits, Borrowings and Bonds	-	-	-	-	-	-	-	-
7	Net Inter-branch Transactions	-	-	-	-	-	-	-	-
8	Bills Payable	-	-	-	-	-	-	-	-
9	Interest Payable	0.04	0.07	-	-	-	-	-	-
10	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	2,917.86	-	-	-	-	-	304.40
12	Lines of credit committed to institution:	-	-	-	-	-	-	-	-
13	Unutilized portion of Overdraft, Loans and Advances	-	-	-	-	-	-	-	-
14	Letters of Credit/Guarantees/Acceptances	-	-	-	-	-	-	-	-
15	Repo/Bills Rediscounted/Swaps/Forward contracts	11,463.48	2,198.78	(295.16)	(168.53)	(2,137.18)	-	-	-
16	Other – Please Specify	-	-	-	-	-	-	-	-
	Total (b)	13,610.27	7,572.42	1,290.81	922.21	(1,046.45)	501.25	501.25	3,281.85
	Gap = (a) - (b)	(11,676.77)	(4,334.11)	(902.80)	(816.81)	1,151.84	770.88	(208.48)	(2,428.12)
	Cumulative Gap	(11,676.77)	(16,010.88)	(16,913.69)	(17,730.49)	(16,578.65)	(15,807.76)	(16,016.24)	(18,444.36)
	Cumulative Liabilities	13,610.27	21,182.69	22,473.50	23,395.71	22,349.26	22,850.51	23,351.77	26,633.62
	Cumulative gap as a % of cumulative liabilities	-86%	-76%	-75%	-76%	-74%	-69%	-69%	-69%

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

(Rs. Million)

Head of Accounts		Upto 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-3 years	3-5 years	Over 5 years
Sr.	Item								
<b>A</b>		<b>Inflows</b>							
1	Cash on hand	6.56			-	-	-	-	-
2	Deposits with CBSL	-	-	-	-	-	-	-	-
	Balances due from Head Office, Affiliates and Own Branches	563.71	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	5.74
12	Lines of credit committed from institutions	-	-	-	-	-	-	-	-
13	Others - Please specify	-	-	-	-	-	-	-	-
	<b>Total (a)</b>	<b>570.28</b>	-	-	-	-	-	-	<b>5.74</b>
<b>B</b>		<b>Outflows</b>							
1	Demand Deposits	37.45	37.45	28.09	18.72	18.72	-	-	46.81
2	Savings Deposits	14.42	14.42	14.42	14.42	14.42	72.10	72.10	72.10
	Balances due to Head Office/Affiliates/Own Branches	123.30	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
	Provisions other than for loan losses and depreciation in the value of investment portfolio	-	-	-	-	-	-	-	-
11	Other Liabilities	-	6.61	-	-	-	-	-	3.79
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	(10.58)	0.36	-	-	-	-	-	-
16	Other - Please Specify	-	-	-	-	-	-	-	-
	<b>Total (b)</b>	<b>164.59</b>	<b>58.85</b>	<b>42.51</b>	<b>33.15</b>	<b>33.15</b>	<b>72.10</b>	<b>72.10</b>	<b>123</b>
	<b>Gap = (a) - (b)</b>	<b>405.69</b>	<b>(58.85)</b>	<b>(42.51)</b>	<b>(33.15)</b>	<b>(33.15)</b>	<b>(72.10)</b>	<b>(72.10)</b>	<b>(117)</b>
	<b>Cumulative Gap</b>	<b>405.69</b>	<b>346.84</b>	<b>304.33</b>	<b>271.18</b>	<b>238.04</b>	<b>165.94</b>	<b>93.83</b>	<b>(23)</b>
	<b>Cumulative Liabilities</b>	<b>164.59</b>	<b>223.44</b>	<b>265.95</b>	<b>299.09</b>	<b>332.24</b>	<b>404.34</b>	<b>476.45</b>	<b>599</b>
	<b>Cumulative gap as a % of cumulative liabilities</b>	<b>246%</b>	<b>155%</b>	<b>114%</b>	<b>91%</b>	<b>72%</b>	<b>41%</b>	<b>20%</b>	<b>-4%</b>



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

Name of Bank : Citibank N.A.

Period Ended : 31st Dec 2020

Period Ended : 31st Dec 2020		1	2	3	4	5	6	7	8	9	10	11	12	13	LKR	
		Up to 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 7 years	7 – 10 Years	10-15 years	15-20 years	Over 20 years		(Rs. Million)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	1,147	1,147
2	Deposits with CBSL	-	-	-	-	-	-	-	-	-	-	-	-	-	277	277
3	Balances due from HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	37	37
4	Balances due from Other Banks	9,280.00	-	-	-	-	-	-	-	-	-	-	-	-	-	9,280
5	Investments	5,939.85	3,569.22	6,496.24	4,440	571	268	1,276	-	(0)	-	-	-	-	1	22,561
6	Bills of Exchange and Promissory Notes	3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	3
7	Overdrafts	4,238.70	-	-	-	-	-	-	-	-	-	-	-	-	-	4,239
8	Loans and Advances	3,610.87	331.99	(0.00)	-	-	-	-	(0.00)	-	-	-	-	-	-	3,943
9	Non Performing Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	81	81
11	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	173	173
13	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	28	28
14	Reverse Repos	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Others (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	23,072.61	3,901.21	6,496.24	4,440	571	268	1,276	(0)	(0)	-	-	-	-	1,744	41,769
	Liabilities and OBS															
1	Demand Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	5,636	5,636
2	Savings Deposits	3,036.56	-	-	-	-	-	-	-	-	-	-	-	-	-	3,037
3	Time Deposits	3,781.58	4,950.00	-	-	-	-	-	-	-	-	-	-	-	-	8,732
4	Other Deposits	478.37	-	-	-	-	-	-	-	-	-	-	-	-	-	478
5	Balances due to HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	482	482
6	Balance due to other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	160	160
7	Certificate of Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Borrowings	7.82	-	87.57	-	-	-	-	-	-	-	-	-	-	-	95
9	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Bills Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	57	57
12	Provisions (others)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	1,524	1,524
14	Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	793	793
15	Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	12,334	12,334
16	Subordinated Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Other (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,418	1,418
18	Repos	107.39	-	-	-	-	-	-	-	-	-	-	-	-	-	107
19	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	7,411.72	4,950.00	87.57	-	-	-	-	-	-	-	-	-	-	22,404	34,853
	Gap	15,660.88	(1,048.79)	6,408.67	4,440	571	268	1,276	(0)	(0)	-	-	-	-	(20,660)	6,915

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

Attachment 3

Name of Bank : Citibank N.A.

Period Ended : 31st Dec 2020

(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	-	-	-	-	-	-	-	-	-	-	-	-	-	11	11
2	Deposits with CBSL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Balances due from HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	157	157
4	Balances due from Other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Bills of Exchange and Promissory Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Overdrafts	834	572	-	-	-	-	-	-	-	-	-	-	-	-	1,405
8	Loans and Advances	1,876	107	4,047	10	-	-	-	-	-	-	-	-	-	-	6,040
9	Non Performing Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	576	576
14	Reverse Repos	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Others (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>2,709</b>	<b>679</b>	<b>4,047</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>744</b>	<b>8,189</b>
<b>Liabilities and OBS</b>																
1	Demand Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	7,372	7,372
2	Savings Deposits	2,005	-	-	-	-	-	-	-	-	-	-	-	-	-	2,005
3	Time Deposits	66	375	-	-	-	-	-	-	-	-	-	-	-	-	440
4	Other Deposits	83	-	-	-	-	-	-	-	-	-	-	-	-	-	83
5	Balances due to HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Balance due to other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	2,533	2,533
7	Certificate of Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Borrowings	2,622	-	-	-	-	-	-	-	-	-	-	-	-	-	2,622
9	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Bills Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
12	Provisions (others)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Subordinated Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Other (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	518	518
18	Repos	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>4,775</b>	<b>375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,423</b>	<b>15,572</b>
<b>Gap</b>		<b>(2,066)</b>	<b>305</b>	<b>4,047</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,679)</b>	<b>(7,383)</b>

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

Name of Bank : Citibank N.A.

Period Ended : 31st Dec 2020

(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	-	-	-	-	-	-	-	-	-	-	-	-	-	6.56	7
2	Deposits with CBSL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Balances due from HO/Affiliates/Branches	469.11	-	-	-	-	-	-	-	-	-	-	-	-	94.61	564
4	Balances due from Other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Bills of Exchange and Promissory Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Loans and Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Non Performing Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Net Inter-branch Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Accrued Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	5.74	6
14	Reverse Repos	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Others (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>469.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106.91</b>	<b>576</b>
	<b>Liabilities and OBS</b>															
1	Demand Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	187.25	187
2	Savings Deposits	288.41	-	-	-	-	-	-	-	-	-	-	-	-	-	288
3	Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Other Deposits	4.54	-	-	-	-	-	-	-	-	-	-	-	-	-	5
5	Balances due to HO/Affiliates/Branches	-	-	-	-	-	-	-	-	-	-	-	-	-	123.30	123
6	Balance due to other Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Certificate of Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Borrowings	2.09	-	-	-	-	-	-	-	-	-	-	-	-	-	2
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4
18	Repos	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	FRAs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Swaps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>295.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314.34</b>	<b>609</b>
	<b>Gap</b>	<b>174.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(207.43)</b>	<b>(33)</b>

## Foreign Exchange Position

**Bank:** Citibank N.A. Colombo  
**As at end of:** 31st Dec 2020

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	763	762	1	44,591	33,531	11,060	11,061	-	59	11,061
Pound Sterling	2	-	2	-	-	-	2	-	0	2
Euro	-	-	-	0	-	0	0	-	0	0
Japanese Yen	-	-	-	-	-	-	-	-	-	-
Indian Rupee	-	-	-	-	-	-	-	-	-	-
Australian Dollar	-	14	(14)	28	28	0	(14)	-	(0)	(14)
Canadian Dollar	-	-	-	-	-	-	-	-	-	-
Other currencies (c)	763	-	763	33,675	44,481	(10,806)	(10,043)	-		(10,043)
<b>Total Exposure (e)</b>	<b>1,528</b>	<b>776</b>	<b>752</b>	<b>78,294</b>	<b>78,040</b>	<b>254</b>	<b>1,006</b>	<b>-</b>		<b>1,006</b>
<b>Total capital funds as per the latest audited financial statements(f)</b>										<b>14,681</b>
<b>Total exposure as a % of total capital funds as per the latest audited financial statements (should not exceed 30%)</b>										<b>6.85%</b>

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