CITI BANK N.A COLOMBO BRANCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023

KPMG
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Citi Bank N.A Colombo Branch ("the Branch"), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies. Annexures to the financial statements are set out on pages 77 to 81.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at December 31, 2023, 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 for professional Accountants 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 do not include the other information.

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

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

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

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

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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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Branch.

Kpmg

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
20/03/2024

CITIBANK, N. A. SRI LANKA BRANCH
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

In Rupees Thousands for the year ended		**2023**	**2022**
Interest income		9,548,087	7,679,685
Interest expenses		(629,159)	(238,435)
Net interest income	05	**8,918,928**	**7,441,250**
Fee and commission income		1,754,610	1,585,590
Fee and commission expenses		(221,607)	(251,070)
Net fee and commission income	06	**1,533,003**	**1,334,520**
Net gain/ (loss) from trading	07	146,828	222,873
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	08	-	-
Net gains from derecognition of financial assets	09	2,017,039	764,873
Net other operating income	10	4,617,700	3,134,756
Total operating income		**17,233,498**	**12,898,272**
Impairment reversal/(charge)	11	2,079,824	(3,110,790)
Net operating income		**19,313,322**	**9,787,482**
Personnel expenses	12	(1,315,110)	(1,017,194)
Depreciation and amortization expenses	13.b	(92,516)	(66,085)
Other expenses	13.a	(1,127,677)	(1,003,555)
Operating profit before VAT on financial services and SSCL		**16,778,019**	**7,700,648**
Value Added Tax (VAT) on financial services		(2,591,330)	(1,199,746)
Social Security Contribution Levy (SSCL)		(356,194)	(76,864)
Profit before tax		**13,830,495**	**6,424,038**
Income tax expenses	14	(3,615,003)	(2,914,827)
Profit for the year		**10,215,492**	**3,509,211**
Profit for the year Profit attributable to:			
Equity holders of the parent		10,215,492	3,509,211
Non-controlling interests		n.a.	n.a.
Earnings per share on profit	15		
Basic 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 2023

In Rupees Thousands for the year ended	**Note**	**2023**	**2022**
Profit for the year		**10,215,492**	**3,509,211**
Items that will be reclassified to income statement			
Exchange differences on translation of foreign operations		(1,081,354)	3,387,457
Net gains/ (losses) on investments in debt instruments measured at fair value through other comprehensive income		(2,741)	11,197
Less: Tax expense relating to items that will be reclassified to income statement		822	(3,359)
Re-measurement of post-employment benefit obligations	37	(35,930)	(49,683)
Less: Tax expense relating to items that will not be reclassified to income statement		10,779	14,905
Other comprehensive income/(expense) for the year, net of taxes		**(1,108,424)**	**3,360,517**
Total comprehensive income for the year		**9,107,068**	**6,869,728**
Attributable to:			
Equity holders of the parent		9,107,068	6,869,728
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 2023

In Rupees Thousands as at 31 December	Note	2023	2022
Assets			
Cash and cash equivalents	17	21,376,297	3,896,850
Balances with central banks	18	11,153,405	27,477,422
Placements with banks	19	27,093,666	20,818,582
Derivative financial instruments	20	435,191	160,210
Financial assets recognized through profit or loss	21		
- measured at fair value		17,237,621	5,825,506
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss		-	-
Financial assets at amortised cost			
- loans and advances	22	12,137,365	16,706,570
- debt and other instruments	23	-	-
Financial assets measured at fair value through other comprehensive income	24	8,195,256	7,065,633
Investment in subsidiaries	25	-	-
Investments in associates and joint ventures	26	-	-
Property, plant and equipment	27	408,194	362,325
Investment properties	28	-	-
Goodwill and intangible assets	29	-	-
Deferred tax assets	30	159,852	117,974
Other assets	31	86,705	68,934
Total assets		**98,283,552**	**82,500,006**
Liabilities			
Due to banks	32	11,972	598,314
Derivative financial instruments	33	80,444	2,382
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		65,527,630	54,319,360
- due to debt securities holders		-	-
- due to other borrowers		-	-
Debt securities issued	36	-	-
Retirement benefit obligations	37	403,866	283,896
Current tax liabilities	38	2,228,755	2,750,347
Deferred tax liabilities	30	-	-
Other provisions	39	262,371	711,406
Other liabilities	40	1,626,552	1,360,380
Due to subsidiaries	41	-	-
Total liabilities		**70,141,590**	**60,026,085**
Equity			
Assigned capital	42	1,524,250	1,524,250
Statutory reserve fund	43	1,124,634	920,324
Retained earnings	44	21,412,370	14,827,656
Other reserves	45	4,080,708	5,201,691
Total shareholders' equity		**28,141,962**	**22,473,921**
Non-controlling interests	46	-	-
Total equity		**28,141,962**	**22,473,921**
Total equity and liabilities		**98,283,552**	**82,500,006**
Contingent liabilities and commitments	47	**130,228,545**	**105,684,199**
Memorandum Information			
Number of Employees		90	88
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
20 March 2024
Colombo, Sri Lanka

Feroze Kamaldeen
Country Finance Officer
20 March 2024
Colombo, Sri Lanka

CITIBANK, N. A. SRI LANKA BRANCH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

In Rupees Thousands	Assigned capital	Statutory Reserve fund	FVOCI Reserve	Retained earnings	Other reserves	Total
Balance as at 01.01.2022	**1,524,250**	**850,140**	**(2,186)**	**12,161,981**	**1,761,322**	**16,295,507**
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	-	(691,314)	-	(691,314)
Adjusted balance as at 1st January 2022	**1,524,250**	**850,140**	**(2,186)**	**11,470,667**	**1,761,322**	**15,604,193**
Total comprehensive income for the year						
Profit/(loss) for the year (net of tax)	-	-	-	3,509,211	-	3,509,211
Other comprehensive income (net of tax)	-	-	7,838	(34,778)	3,387,457	3,360,517
Total comprehensive income for the year	-	-	**7,838**	**3,474,433**	**3,387,457**	**6,869,728**
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss						
Transfers to reserves during the year	-	70,184	-	(70,184)	-	-
Transfer to stage 1 reserve				(47,260)	47,260	-
Profit transferred to head office	-	-	-	-	-	-
Total transactions with equity holders	-	**70,184**	-	**(117,444)**	**47,260**	-
Balance as at 31.12.2022	**1,524,250**	**920,324**	**5,652**	**14,827,656**	**5,196,039**	**22,473,921**
Balance as at 01.01.2023	**1,524,250**	**920,324**	**5,652**	**14,827,656**	**5,196,039**	**22,473,921**
Total comprehensive income for the year						
Profit/(loss) for the year (net of tax)	-	-	-	10,215,492	-	10,215,492
Other comprehensive income (net of tax)	-	-	(1,919)	(25,151)	(1,081,354)	(1,108,424)
Total comprehensive income for the year	-	-	**(1,919)**	**10,190,341**	**(1,081,354)**	**9,107,068**
Transactions with equity holders, recognised directly in equity						
Transfers to reserves during the year	-	204,310	-	(204,310)	-	-
Transfer to stage 1 reserve	-	-	-	37,710	(37,710)	-
Profit transferred to head office	-	-	-	(3,439,027)	-	(3,439,027)
Total transactions with equity holders	-	**204,310**	-	**(3,605,627)**	**(37,710)**	**(3,439,027)**
Balance as at 31.12.2023	**1,524,250**	**1,124,634**	**3,733**	**21,412,370**	**4,076,975**	**28,141,962**

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 2023

In Rupees Thousands for the year ended		2023	2022
Cash flows from operating activities			
Interest receipts		9,493,626	7,609,512
Interest payments		(496,226)	(206,029)
Net commission receipts		1,538,165	1,306,296
Trading income		6,778,577	4,120,606
Payments to employees		(1,069,492)	(831,873)
VAT on financial services and SSCL		(2,947,524)	(1,276,610)
Net fair value gains/ (losses) from financial instruments at fair value through profit or lo:		1,015	1,896
Payments on other operating activities		(1,017,021)	(955,265)
Operating profit before change in operating assets & liabilities		**12,281,120**	**9,768,533**
(Increase) / decrease in operating assets		**10,933,495**	**(16,321,696)**
Balances with Central Bank of Sri Lanka		16,324,017	(13,809,995)
Financial assets at amortised cost – loans & advances		6,074,700	(1,966,593)
Financial assets recognized through profit or loss		(11,518,191)	(676,834)
Other assets		52,969	131,726
Increase / (decrease) in operating liabilities		**10,519,823**	**22,434,060**
Financial liabilities at amortised cost – due to depositors		11,075,336	22,063,302
Financial liabilities at amortised cost – due to debt securities holders		(508,280)	(205,940)
Other liabilities		(47,233)	576,698
Net cash generated from operating activities before income tax		**33,734,438**	**15,880,897**
ROU adjustment		47,506	78,670
Surcharge tax paid		-	(691,314)
Income tax paid		(4,166,872)	(536,957)
Net cash generated from operating activities		**29,615,072**	**14,731,296**
Cash flows from investing activities			
Purchase of property, plant and equipment		(138,385)	(107,947)
Purchase of financial investments		(7,531,324)	(16,111,113)
Proceeds from the sale and maturity of financial investments		-	-
Net cash used in investing activities		**(7,669,709)**	**(16,219,060)**
Cash flows from financing activities			
Profit remittance to head office		(3,439,027)	-
Net cash used in financing activities		**(3,439,027)**	-
Net increase/(decrease) in cash & cash equivalents		**18,506,336**	**(1,487,764)**
Cash and cash equivalents at the beginning of the year		3,980,051	2,080,358
Exchange difference in respect of cash & cash equivalent		(1,081,354)	3,387,457
Cash and cash equivalents at the end of the year	**17**	**21,405,033**	**3,980,051**

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

1. REPORTING ENTITY

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

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

1.1 Principal Activities and Nature of the Operations

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

1.2 Number of Employees

The permanent staff of the Branch is 90 as at December 31, 2023 (2022: 88).

2. BASIS OF PREPERATIONS

2.1 Statement of Compliance

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

2.2 Approval of Financial Statement by Management

These Financial Statements were authorized for issue by the Management on 20th March 2024.

2.3 Basis of Measurement

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

- assets and liabilities held for trading are measured at fair value;
- financial assets measured at fair value through profit or loss;
- derivative financial instruments are measured at fair value;
- financial assets measured at fair value through other comprehensive income;
- liability for defined benefit obligation is recognized as the present value of the defined benefit obligation.

The Branch maintains separate books for Domestic Banking Unit (DBU) and Foreign Currency Banking Unit (FCBU). Branch's consolidated Financial Statements have been prepared by consolidating the Financial Statements of the Domestic Banking Unit and Foreign Currency Banking Unit.

2.4.Functional and Presentation Currency

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

2.5.Use of Estimate and Judgments

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

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the following notes.

Economic Environment

High degree of uncertainty that characterizes the internal economic environment followed by the economic downturn in the Country has led to a significant deterioration in the creditworthiness of corporate and individuals, to an increase of non-performing loans and therefore to the recognition of significant impairment losses by the Bank and banking sector in general. The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure relate to the debt service capacity of the Country, which in turn, is affected by the prevailing Macro-economic environment. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets. The impact of the economic conditions on each of these estimates is discussed further in the relevant notes of these financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 3.12.5)
- Measurement of the fair value of financial instruments with significant unobservable inputs (Note 53)
- Deferred taxation (Note 3.10.2 & 30)
- Measurement of defined benefit obligation; key actuarial assumptions (Note 3.19 & 37)
- Commitment and Contingencies; key assumptions about the likelihood and magnitude of an outflow of resources (Note 3.23 & 47)
- Restoration reserve (Note 3.13.4)

2.6.Materiality and Aggregation

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

2.7.Comparative Figures

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.

Further, the tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 44 on Income Taxes

2.8.Going concern

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

The Management made an assessment of the Branch's ability to continue as a going concern using all available information about the future and current uncertain economic conditions and market volatility. Following factors were considered by the management for the assessment:

- Identifying risk factors that may affect the Branch due to current market uncertainty and volatility.
- Evaluation of action plans to prevent the materialisation of the worst case scenario which may cause significant doubt about the Branch's going concern.
- Assessment on available resources and liquidity position to ensure achievement of action plans under the prevailing conditions.

Based on the assessment, it was concluded that the Branch is able to maintain a satisfactory liquid position to safeguard the interest of all stakeholders. Accordingly, the Management decided that the Branch has adequate resources to continue as a going concern and prepared the Financial Statements for the year ended 31 December 2023 on a going concern basis.

3. MATERIAL ACCOUNTING POLICIES

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

In addition, the Branch adopted Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

3.1. Changes in Material Accounting Policies and New and Amended Standards

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Bank adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 01 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. For all other transactions, the Bank applies the amendments to transactions that occur on or after the beginning of the earliest period presented However, there was no impact on the Statement of Financial Position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 01 January 2022 as a result of the change.

- Material Accounting Policy Information

The Bank also adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 01 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

The Branch has no other transactions that are affected by newly effective requirements.

3.2 Foreign Currency

3.2.1 Foreign Currency Translation

Transaction in foreign currencies is translated to the respective functional currencies of the Branch at exchange rate at the date of transaction. Monitory assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the translation of equity instruments measured at fair value through other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

3.3 Interest Income and Expenditures

3.3.1 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.

3.3.2 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.

3.4 Fees and Commission

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

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

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

3.5 Net Trading Income

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

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

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

3.7 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.

3.8 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.

3.9 Other Expenses

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

3.10 Income Tax Expense

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

3.10.1 Current taxation

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

3.10.2 Deferred tax

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

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

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

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

3.10.3 Other Taxes

3.10.3.1 Crop Insurance Levy (CIL)

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

3.10.3.2 Value Added Taxes on Financial Services (VAT on FS)

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by Department of Inland Revenue to the accounting profit before Income tax and emoluments payable at a rate of 18% revised with effective from 1st January 2022 (2022-18%). Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

3.10.3.3 Social Security Contribution Levy

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5%., with effect from 1st October 2022. SSCL is payable on 100% of the value addition attributable to financial services.

The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

Assets and Liabilities and Basis of Valuation

3.11 Statutory Deposits with Central Bank

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

3.12 Financial Assets and Financial Liabilities

Recognition and initial measurement

The Branch initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Branch becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price. See Notes 3.12.4 for a description of the policy if the fair value of a financial instrument at initial recognition differs from the transaction price.

3.12.1 Classification of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

  A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Business Model Assessment

The 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:

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 realizing cash flows through the sale of the assets;

b) how the performance of the portfolio is evaluated and reported to the Branch's management;

c) the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

d) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

e) the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

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

3.12.2 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.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in 3.12.6. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

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.

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

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Branch updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Branch first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Branch applies the policies on accounting for modifications set out above to the additional changes.

3.12.4 Fair Value Measurement

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

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

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 Branch recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. The fair value hierarchy is given in Note 53.

3.12.5 Impairment

The Branch recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
– financial assets that are debt instruments;
– financial guarantee contracts issued; and
– undrawn credit commitments.

No impairment loss is recognised on equity investments.

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

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

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

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

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

Measurement of ECL

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

– financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive);

– financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Branch if the commitment is drawn down and the cash flows that the Branch expects to receive; and

– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Branch expects to recover.

When discounting future cash flows, the following discount rates are used:

– undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
– financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Credit-impaired Financial Assets

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

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

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past due event;

– the restructuring of a loan or advance by the Branch on terms that the Branch would not consider otherwise;

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

– the disappearance of an active market for a security because of financial difficulties.

Wholesale Classifiably Managed Exposures

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

Delinquency Managed Exposures

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

Other Financial Assets Simplified Approaches

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

Presentation of the Allowance of ECL in the Statement of Financial Position
Loss allowances for ECL are presented in the statement of financial position as follows;

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- 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 24 and is recognised in the fair value reserve.

- Debt instruments measured at FVTPL: as the carrying amount of these financial assets is at fair value, no loss allowance is recognised in the statement of financial position, however, the loss allowance is disclosed in Note 21 and is recognised in the statement of profit or loss.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.
Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Financial guarantee contracts held
The Branch assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

– the guarantee is implicitly part of the contractual terms of the debt instrument;
– the guarantee is required by laws and regulations that govern the contract of the debt instrument;
– the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
– the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Branch determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Branch considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Branch determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets' (see Note 31). The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

3.12.6 Designation at fair value through profit or loss

Financial assets

On initial recognition, the Branch has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

Financial liabilities

The Branch has designated certain financial liabilities as at FVTPL in either of the following
circumstances:
– the liabilities are managed, evaluated and reported internally on a fair value basis; or
– the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 21& 34 set out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.13 Property, Plant & Equipment

3.13.1 Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any.
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restring the site on which they are located, and capitalized borrowing costs. Cost also may include transfer from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and

equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.
When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

3.13.2 Subsequent Costs

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

3.13.3 Depreciation

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

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

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

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

***Software up to an amount of US$ 100,000 is expensed out immediately. Any software cost over US$ 100,000 is amortized over a five-year period.*
Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

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

3.13.4 Restoration Reserve

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

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

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

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

3.14 Impairment of Non-Financial Assets

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

3.15 Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the branch allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the branch has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The branch recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the branch by the end of the lease term or the cost of the right-of-use asset reflects that the branch will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the branch's incremental borrowing rate. Generally, the branch uses its incremental borrowing rate as the discount rate.

The branch determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased Lease payments included in the measurement of the lease liability comprise the following:

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

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

When the lease liability is re measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Branch presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

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

3.16 Financial Guarantees

'Financial guarantees' are contracts that require the branch to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debit instrument.

Financial guarantee liabilities are recognized initially at fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

3.17 Deposits from Customers

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

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

3.18 Borrowings

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

Details are given in the Note 32 to the financial statements.

3.19 Employee Benefits

3.19.1 Defined Benefit Plan

The Branch is liable to pay retirement benefits under Gratuity Act No. 12 of 1983. The liability recognized in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date in respect of employees. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the projected unit credit (PUC) method as recommended by Sri Lanka Accounting standard (LKAS 19), Employee benefits. Such actuarial valuations will be carried out every year. An actuarial valuation of the provision for employee benefits was carried out as at December 31, 2023, by Ritobrata Sarkar, Fellow, Institute and Faculty of Actuaries of UK; an actuarial valuer attached to Towers Watson India. The liability is not externally funded. The branch recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in personnel expenses in statement of profit or loss.

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

3.19.2 Defined Contribution Plan

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

3.20 Repurchase agreements.

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

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

3.21 Provisions

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

3.22 Deposit Insurance Scheme

All Licensed Commercial Banks are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance Scheme" in terms of the Banking (Special Provisions) Act Direction No. 1 of 2023, issued on 15th November 2023. Deposits to be insured include demand, time and savings deposit liabilities and exclude the following,

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No. 11 of 2007 on Corporate Governance of Licensed Commercial Banks

- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds which have been transferred to Central Bank of Sri Lanka

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

3.23 Commitments and Contingencies

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

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

3.24 Event Occurring after the Reporting Date

All material events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the note 51.

3.25 Cash Flow Statement

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

3.26 Cash and cash equivalents

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

3.27 Trading assets and liabilities

'Trading assets and liabilities' are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

3.28 Loans and advances

The 'loans and advances to banks' caption in the statement of financial position includes loans and advances measured at amortized cost (see Note 22); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

The 'loans and advances to customers' caption in the statement of financial position includes:

- loans and advances measured at amortized cost (see Note 22); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL (see Note 21); these are measured at fair value with changes recognized immediately in profit or loss; and

When the Branch purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statement.

4. NEW ACCOUNTING STANDARDS ISSUED

4.1 New and Amended Standards and Interpretations

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Bank has not early adopted any of the new or amended standards in the preparation of these financial statements.

i). Classification of liabilities as current or non-current (Amendments to LKAS 1).

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants will become effective from 01 January 2024.

ii). Lease liability in a sale and leased back (Amendment to SLFRS 16).

The amendments specifically affect seller lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded. This standard will become effective from 01 January 2024.

iii). Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7).
iv). Lack of Exchangeability (Amendments to LKAS 21).

These new and amended accounting standards are not expected to have a significant impact on the Branch's financial statements.

05 Net Interest Income

In Rupees Thousands for the year ended	2023	2022
Interest income		
Balances with central banks	692,011	2,480,400
Placements with banks	1,997,457	288,799
Financial assets recognized through profit or loss		
- measured at fair value	2,674,525	1,008,630
Financial assets at amortised cost		
- loans and advances	2,332,338	2,527,544
- debt and other instruments	931	110,023
Financial assets measured at fair value through other comprehensive income	1,850,825	1,264,289
Others	-	-
Total interest income	**9,548,087**	**7,679,685**
Interest expenses		
Financial liabilities at amortised cost		
- due to depositors	612,097	236,053
- due to other borrowers	17,062	2,382
Others	-	-
Total interest expenses	**629,159**	**238,435**
Net interest income	**8,918,928**	**7,441,250**

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

In Rupees Thousands for the year ended	2023	2022
Interest income	4,525,350	2,272,919
Less: Interest expenses	-	-
Net interest income from Sri Lanka Government Securities	**4,525,350**	**2,272,919**

06 Net Fee and Commission Income

	In Rupees Thousands for the year ended	2023	2022
a.	Fee and commission income (Note 06.b)	1,754,610	1,585,590
	Fee and commission expenses	(221,607)	(251,070)
	Net fee and commission income	**1,533,003**	**1,334,520**

	Net fee and commission income	2023	2022
b.	**Comprising;**		
	Trade and remittances	953,454	915,322
	Deposits	17,601	11,260
	Guarantees	96,455	82,854
	Others	687,100	576,154
	Fee and commission income	**1,754,610**	**1,585,590**

c. **Fee Income Earned from Services that are Provided over a Certain Period of Time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. if there are any Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Other Fee and Commission Expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

07 Net Gain/(Loss) from Trading

In Rupees Thousands for the year ended	2023	2022
Financial Assets Held for Trading		
Foreign exchange	150,085	218,138
From banks	*312,973*	*97,570*
From other customers	*(162,888)*	*120,568*
Fixed income securities	(3,257)	4,735
Total	**146,828**	**222,873**

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

In Rupees Thousands for the year ended	2023	2022
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	-	-
Total	-	-

09 Net gains from derecognition of financial assets

In Rupees Thousands for the year ended	2023	2022
Recognised at:		
Fair value through profit or loss	1,876,925	687,477
Amortized cost	-	-
Government securities:		
Fair value through other comprehensive income	140,114	77,396
Total	**2,017,039**	**764,873**

10 Net Other Operating Income

In Rupees Thousands for the year ended	2023	2022
Gain/(Loss) on investment properties	-	-
Gain on sale of property, plant and equipment	-	-
Gain on revaluation of foreign exchange	4,614,710	3,132,860
Recovery of loans written-off	-	-
Less: Loans written off	-	-
Others	2,990	1,896
Total	**4,617,700**	**3,134,756**

Gain on revaluation of foreign exchange represents both revaluation gain/(loss) on the Bank's net open position and realised exchange gain/(loss) on foreign exchange contracts.

11 Impairment Charges/ (Reversal)

In Rupees Thousands for the year ended	2023	2022
Financial assets at amortised cost - loans and advances		
Stage 1	(22,107)	41,196
Stage 2	(1,555,545)	2,466,204
Stage 3	-	-
Financial assets at amortised cost - Cash at Banks and Placements with Banks		
Stage 1	4,404	515
Stage 2	10,858	6,406
Stage 3	(68,398)	68,398
Financial assets measured at fair value through other comprehensive income		
Stage 1	-	-
Stage 2	-	-
Stage 3	-	-
Contingent liabilities & commitments		
Stage 1	(1,075)	17,609
Stage 2	(447,960)	510,374
Stage 3	-	-
Others	(1)	87
Total	**(2,079,824)**	**3,110,790**

12 Personnel Expenses

In Rupees Thousands for the year ended	2023	2022
Salaries and bonus	1,137,121	912,178
Contributions to defined contribution/benefit plans	88,239	63,707
Provision for defined benefit obligations	89,750	41,309
Total	**1,315,110**	**1,017,194**

13 Other Expenses

	In Rupees Thousands for the year ended	2023	2022
a.	Directors' emoluments	-	-
	Auditors' remunerations	7,776	6,475
	Non-audit fees to auditors	17,148	19,119
	Professional and legal expenses	6,777	3,732
	Operating lease finance cost	35,644	37,506
	Office administration and establishment expenses	140,498	106,685
	Others	919,834	830,038
	Total	**1,127,677**	**1,003,555**

b. Depreciation and amortization expenses

	2023	2022
Installation	1,395	1,647
Furniture & equipment	58,773	33,038
Restoration	2,312	1,364
Right of Use Asset	30,036	30,036
Total	**92,516**	**66,085**

14 Tax Expenses

In Rupees Thousands for the year ended	2023	2022
Current tax expense		
Current year @ 30% (2022-24%& 30%)	3,745,458	2,897,570
Prior years'under/(over) provision	(100,178)	50,008
Deferred tax expense		
Effect of change in tax rates	-	-
Temporary differences	(30,277)	(32,751)
Prior years' provision	-	-
Total	**3,615,003**	**2,914,827**

14 (a) Reconciliation of tax expenses

In Rupees Thousands for the year ended	2023	2022
Income tax for the period (Accounting profit @ applicable tax rate)	4,149,149	1,734,490
Tax effect of expenses that are not deductible for tax purposes	882,725	1,879,050
Tax effect of expenses that are deductible for tax purposes	(1,286,416)	(715,970)
Tax expense for the year	**3,745,458**	**2,897,570**

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

In Rupees Thousands for the year ended	2023	2022
Deferred tax assets	30,277	32,751
Deferred tax liabilities		
Other temporary differences	-	-
Deferred tax credit to income statement	**30,277**	**32,751**

14 (c) Reconciliation of effective tax rate

In Rupees Thousands for the year ended	2023	2022
Profit before tax	**13,830,495**	**6,424,038**
Tax using Bank's income tax rate	30%	27%
Tax effect of;		
Adjustment in respect of current income tax of prior periods	0%	-
Tax effect of expenses that are not deductible for tax purposes	6%	29%
Tax effect of expenses that are deductible for tax purposes	-9%	-11%
Effective income tax rate	**27%**	**45%**

Change in Income Tax Rate

The revised income tax rate of 30% and other amendments in line with the Inland Revenue Amendment Act No: 45 of 2022 were considered to calculate the income tax liability of the Bank for second six months of the year of assessment 2022/2023. The deferred tax assets/liabilities of the Bank as at 31st December 2022 and 2023 were computed using the revised income tax rate of 30%.

Change in deductible loan loss provision method for income tax

As per gazette No. 2305/05 dated 25th October 2022, provisions for impairment charges of Stage 1 and 2 have not been considered claimable. Consequently, only Stage 3 impairment provisions (subject to conditions) have been considered as claimable loan loss provision for the tax purpose in the current year. Specifications of the Gazette has been applied from 1st January 2022. However, the Bank has not claimed any provision based in Stage 3 as Stage 3 classification was done as a part of management overlay.

15 Earnings Per Share

In Rupees Thousands for the year ended	**2023**	**2022**
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.
Basic earnings per ordinary share	n.a.	n.a.
Diluted earnings per ordinary share	n.a.	n.a.

16 Analysis of Financial Instruments by Measurement Basis

a. Current Year

In Rupees Thousands	AMC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	21,376,297	-	-	**21,376,297**
Balances with central banks	11,153,405	-	-	**11,153,405**
Placements with banks	27,093,666	-	-	**27,093,666**
Derivative financial instruments	-	435,191	-	**435,191**
Loans and advances	12,137,365	-	-	**12,137,365**
Debt instruments	-	17,237,621	8,194,216	**25,431,837**
Equity instruments	-	-	1,040	**1,040**
Others	37,696	-	-	**37,696**
Total financial assets	**71,798,429**	**17,672,812**	**8,195,256**	**97,666,497**

In Rupees Thousands	AMC	FVPL	Total
LIABILITIES			
Due to banks	11,972	-	**11,972**
Derivative financial instruments	-	80,444	**80,444**
Financial liabilities			
- due to depositors	65,527,630	-	**65,527,630**
- due to debt security holders	-	-	-
- due to other borrowers	-	-	-
Others	-	-	-
Total financial liabilities	**65,539,602**	**80,444**	**65,620,046**

b. Previous year (2022)

In Rupees Thousands	AMC	FVPL	FVOCI	Total
ASSETS				
Cash and cash equivalents	3,896,850	-	-	**3,896,850**
Balances with central banks	27,477,422	-	-	**27,477,422**
Placements with banks	20,818,582	-	-	**20,818,582**
Derivative financial instruments	-	160,210	-	**160,210**
Loans and advances	16,706,570	-	-	**16,706,570**
Debt instruments	-	5,825,506	7,064,593	**12,890,099**
Equity instruments	-	-	1,040	**1,040**
Others	42,944	-	-	**42,944**
Total financial assets	**68,942,368**	**5,985,716**	**7,065,633**	**81,993,717**

In Rupees Thousands	AMC	FVPL	Total
LIABILITIES			
Due to banks	598,314	-	**598,314**
Derivative financial instruments	-	2,382	**2,382**
Financial liabilities			
- due to depositors	54,319,360	-	**54,319,360**
- due to debt security holders	-	-	-
- due to other borrowers	-	-	-
Others	-	-	-
Total financial liabilities	**54,917,674**	**2,382**	**54,920,056**

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

c. Gain/(loss) from Derivatives

In Rupees Thousands as at 31 December	2023	2022
Gain/(loss) from Derivatives recongnized in Income Statement	-	-
Gain/(loss) from Derivatives recongnized in Other Comprehensive Income	(2,741)	11,197

17 Cash and Cash Equivalents

In Rupees Thousands as at 31 December	2023	2022
Cash in hand	3,720,672	2,519,809
Balances with banks	17,684,361	1,460,242
Money at call and short notice	-	-
Gross cash and cash equivalents	**21,405,033**	**3,980,051**
(Less): Allowance for impairment losses (Note 17.a)	(28,736)	(83,201)
Total	**21,376,297**	**3,896,850**

17.a	2023	2022
Opening balance	83,201	8,673
Charge/(Write back) to income statement	(54,465)	74,528
Closing balance	**28,736**	**83,201**

18 Balances with Central Banks

In Rupees Thousands as at 31 December	2023	2022
Statutory balances with central banks		
Central Bank of Sri Lanka	815,764	935,351
Non-statutory balances with central banks		
Central Bank of Sri Lanka	10,337,641	26,542,071
Total balances with Central Banks	**11,153,405**	**27,477,422**

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 31st December 2023, the minimum cash requirement was 2% (2022-4%) of the rupee deposit liabilities. There is no reserve requirement for foreign currency deposit liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Foreign Currency Banking Unit (FCBU). Balances with Central Bank of Sri Lanka are carried at amortized cost in the Statement of Financial Position.

19 Placements with Banks

In Rupees Thousands as at 31 December	2023	2022
CITIBANK KOREA INC.	-	4,017,125
CITIBANK TAIWAN	2,917,220	2,191,183
CITICORP INVESTMENT BANK(SINGAPORE)	6,158,575	4,382,367
CITIBANK EUROPE PLC - DUBLIN	6,158,606	2,191,183
CITIBANK HONGKONG LIMITED	2,917,217	2,191,183
CITIBANK N A MALAYSIA	3,079,287	2,191,183
INDIAN BANK SINGAPORE BRANCH	2,932,778	1,829,079
STATE BANK OF INDIA-NEW YORK	2,932,241	1,826,209
Gross placements with banks	**27,095,924**	**20,819,512**
(Less):Allowance for impairment losses	(2,258)	(930)
Net placements with banks	**27,093,666**	**20,818,582**

19.a	2023	2022
Opening balance	930	8,811
Charge/(Write back) to income statement	1,328	(7,881)
Closing balance	**2,258**	**930**

20 Derivative Financial Instruments

In Rupees Thousands as at 31 December	2023	2022
Foreign currency derivatives		
Currency swaps	308,393	157,756
Forward foreign exchange contracts	59,874	-
Others	66,924	2,454
Others	-	-
Total	**435,191**	**160,210**

21 Financial Assets Recognized Through Profit or Loss

In Rupees Thousands as at 31 December	2023	2022
Measured at fair value		
Treasury Bills	13,915,619	5,825,506
Treasury Bonds	3,322,002	-
Sub total	**17,237,621**	**5,825,506**
Designated at fair value		
Treasury Bills	-	-
Treasury Bonds	-	-
Sub total	-	-
Total	**17,237,621**	**5,825,506**

21 (a) Analysis

In Rupees Thousands as at 31 December	2023	2022
By collateralisation		
Pledged as collateral	-	-
Unencumbered	17,237,621	5,825,506
Gross Total	**17,237,621**	**5,825,506**
By currency		
Sri Lankan Rupee	17,237,621	5,825,506
United States Dollar	-	-
Gross Total	**17,237,621**	**5,825,506**

22 Financial Assets at Amortised Cost – Loans and Advances

In Rupees Thousands as at 31 December	2023	2022
Gross loans and advances		
Stage 1	1,760,456	2,167,740
Stage 2	11,385,498	17,125,071
Stage 3	-	-
	13,145,954	**19,292,811**
(Less): Allowance for impairment loss under:		
Stage 1	(20,725)	(42,832)
Stage 2	(987,864)	(2,543,409)
Stage 3	-	-
Total allowance for impairment loss	**(1,008,589)**	**(2,586,241)**
Net loans and advances	**12,137,365**	**16,706,570**

22 (a) Analysis

In Rupees Thousands as at 31 December	2023	2022
By product		
Overdrafts	10,363,728	11,925,552
Term loans		
Short-term	2,778,717	7,364,105
Others		
Treasury Bills	-	-
Treasury Bonds	-	-
Others	3,509	3,154
Gross Total	**13,145,954**	**19,292,811**
By currency		
Sri Lankan Rupee	10,050,483	9,807,216
United States Dollar	3,095,471	9,485,595
Gross Total	**13,145,954**	**19,292,811**
By industry		
Agriculture and fishing	2,446,824	3,249,988
Manufacturing	2,608,219	6,406,522
Tourism	359,645	44,664
Transport	917,467	2,227,658
Traders	8,873	503,855
Others	5,796,337	4,273,883
Gross Total (net of impairment)	**12,137,365**	**16,706,570**

22 (b) Movements in impairment during the year

In Rupees Thousands as at 31 December	2023	2022
Stage 1		
Opening balance	42,832	1,636
Charge/(Write back) to income statement	(22,107)	41,196
Closing balance	**20,725**	**42,832**
Stage 2		
Opening balance	2,543,409	77,205
Charge/(Write back) to income statement	(1,555,545)	2,466,204
Closing balance	**987,864**	**2,543,409**
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Closing balance	-	-

22 (c) Lease rentals receivable

In Rupees Thousands as at 31 December	2023	2022
Lease rentals receivable	-	-
Total	-	-

23 Financial Assets at Amortised Cost – Debt and Other Instruments

In Rupees Thousands as at 31 December	2023	2022
Treasury Bills	-	-
Treasury Bonds	-	-
Corporate debt instruments	-	-
Trust certificates	-	-
Securities purchased under reverse repurchase (reverse repo) agreements	-	-
Total	-	-

23 (a) Analysis

In Rupees Thousands as at 31 December	2023	2022
By collateralization		
Pledged as collateral	-	-
Unencumbered	-	-
Gross Total	-	-
By currency		
Sri Lankan Rupee	-	-
United States Dollar	-	-
Others	-	-
Gross Total	-	-

23 (b) Movements in impairment during the year

In Rupees Thousands as at 31 December	2023	2022
Stage 1		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-
Stage 2		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-

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

In Rupees Thousands as at 31 December	2023	2022
Market value of secutities received for reverse repurchase transactions	-	-

24 Financial Assets at Fair Value Through Other Comprehensive Income

In Rupees Thousands as at 31 December	2023	2022
Treasury Bills	8,194,216	7,064,593
Treasury Bonds	-	-
Equity securities	1,040	1,040
(Less): Impairment	-	-
Net financial assets at fair value through other comprehensive income	**8,195,256**	**7,065,633**

24 (a) Analysis

In Rupees Thousands as at 31 December	2023	2022
By collateralisation		
Pledged as collateral		
Unencumbered	8,195,256	7,065,633
Gross total	**8,195,256**	**7,065,633**
By currency		
Sri Lankan Rupee	8,195,256	7,065,633
United States Dollar	-	-
Others	-	-
Gross total	**8,195,256**	**7,065,633**

24 (b) Movements in impairment during the year

In Rupees Thousands as at 31 December	2023	2022
Stage 1		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-
Stage 2		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-
Stage 3		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-

The bank designated in investements shown above as equity securities at FVOCI because these equity securities represent investments that a bank intends to hold for in the long term for strategic purposes.
No strategic investments were disposed of during 2023 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

25 Investments in Subsidiaries

In Rupees Thousands as at 31 December	2023	2022
Quoted equity investments	-	-
Unquoted equity investments	-	-
(Less): Impairment	-	-
Net total	-	-

25 (a) Movements in Impairment during the Year

In Rupees Thousands as at 31 December	2023	2022
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-

26 Investments in Associates and Joint Ventures

In Rupees Thousands as at 31 December	2023	2022
Associates		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub Total	-	-
Joint Ventures		
Unquoted equity investments	-	-
Quoted equity investments	-	-
(Less): Impairment	-	-
Sub total	-	-
Total	-	-

26 (a) Movements in Impairment during the Year

In Rupees Thousands as at 31 December	2023	2022
Associataes		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-
Joint Ventures		
Opening balance	-	-
Charge/(Write back) to income statement	-	-
Write-off during the year	-	-
Other movements	-	-
Closing balance	-	-

27 Property, Plant and Equipment

27 (a) Current Year

In Rupees Thousands	Installation	Furniture & equipment	Restoration	Right of Use Asset	Total
Cost					
Opening balance	249,963	561,639	21,027	332,269	**1,164,898**
Additions	-	138,385	-	-	**138,385**
Disposals	-	(52,284)	-	-	**(52,284)**
Other movements	-	-	-	-	-
Closing balance	**249,963**	**647,740**	**21,027**	**332,269**	**1,250,999**
Less: Accumulated depreciation					
Opening balance	245,995	431,463	5,565	119,550	**802,573**
Charge for the year	1,395	58,773	2,312	30,036	**92,516**
Disposals	-	(52,284)	-	-	**(52,284)**
Closing balance	**247,390**	**437,952**	**7,877**	**149,586**	**842,805**
Carrying value at 31 December 2023	**2,573**	**209,788**	**13,150**	**182,683**	**408,194**

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

27 (b) Previous Year (2022)

In Rupees Thousands	Installation	Furniture & equipment	Restoration	Right of Use Asset	Total
Cost					
Opening balance	250,405	467,753	6,966	332,269	**1,057,393**
Additions	-	93,886	14,061	-	**107,947**
Disposals	-	-	-	-	-
Transfers	(442)	-	-	-	**(442)**
Closing balance	**249,963**	**561,639**	**21,027**	**332,269**	**1,164,898**
Less: Accumulated depreciation					
Opening balance	244,348	398,425	4,201	89,514	**736,488**
Charge for the year	1,647	33,038	1,364	30,036	**66,085**
Disposals	-	-	-	-	-
Closing balance	**245,995**	**431,463**	**5,565**	**119,550**	**802,573**
Carrying value at 31 December 2022	**3,968**	**130,176**	**15,462**	**212,719**	**362,325**

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.

In Rupees Thousands for the year ended	**2023**	**2022**
Installation	240,716	240,517
Furniture & equipment	348,416	377,384
Restoration	6,966	6,966
Total	**596,098**	**624,867**

27 (d) Property, Plant and Equipment Pledged as Security against Liabilities

There were no items of property, plant and equipment pledged as securities against liabilities (2022: NIL).

27 (e) Right of Use Assets

The Bank considers the below Rent Agreements for Right of Use Assets

Location	**Use**
65C, Dharmapala Mawatha, Colombo 07, Sri Lanka	Citibank, Colombo Branch
No.79, Pannipitiya Road, Battaramulla	Disaster Recovery Location of the Bank

28 **Investment Properties**

a. Investment Properties Cost/fair value

In Rupees Thousands as at 31 December	2023	2022
Opening balance	-	-
Additions	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance	-	-
(Less): Accumulated depreciation		
Opening balance	-	-
Additions	-	-
Disposals	-	-
Exchange rate variance	-	-
Adjustments	-	-
Closing balance	-	-
(Less): Impairment	-	-
Net book value	-	-
Market value	-	-

b. Movements in Impairment during the Year

In Rupees Thousands as at 31 December	2023	2022
Opening balance	-	-
Charge/ (Write back) to income statement	-	-
Net write-off during the year	-	-
Exchange rate variance and other adjustments	-	-
Closing balance	-	-

29 **Goodwill and Intangible Assets**

In Rupees Thousands as at 31 December	2023	2022
Opening balance	-	-
Adjustments	-	-
(Less): Impairment	-	-
Closing balance	-	-
Other Intangible Assets		
Opening balance	-	-
Adjustments	-	-
(Less): Impairment	-	-
Closing balance	-	-
Total	-	-

30 **Deferred Tax Assets/(Liabilities)**

In Rupees Thousands as at 31 December	2023	2022
Opening balance	117,974	73,677
Charge for the year recognized in		
- profit and loss	30,277	32,751
- other comprehensive income	11,601	11,546
Closing balance	**159,852**	**117,974**

30 (a) Deferred Tax Assets

In Rupees Thousands as at 31 December	2023	2022
FVOCI reserve	3,604	2,782
Employee benefit obligation	121,160	85,169
Property, plant & equipment	2,131	1,014
ROU asset	(54,805)	(63,816)
Lease liability	87,762	92,825
Total	**159,852**	**117,974**

30 (b) Deferred Tax Liabilities

In Rupees Thousands as at 31 December	2023	2022
FVOCI reserve	-	-
Property, plant & equipment	-	-
Total	-	-

31 **Other Assets**

In Rupees Thousands as at 31 December	2023	2022
Receivables	37,696	42,944
Deposits and prepayments	49,096	25,873
Others	-	205
Allowance for impairment losses	(87)	(88)
Total	**86,705**	**68,934**

32 **Due to Banks**

In Rupees Thousands as at 31 December	2023	2022
Borrowings	11,972	598,314
Total	**11,972**	**598,314**

33 **Derivative Financial Instruments**

In Rupees Thousands as at 31 December	2023	2022
Foreign exchange derivatives		
Currency swaps	3,570	-
Forward foreign exchange contracts	38,346	-
Others	38,528	-
Others	-	2,382
Total	**80,444**	**2,382**

34 **Financial liabilities recognized through profit or loss**

In Rupees Thousands as at 31 December	2023	2022
Measured at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Designated at fair value		
Debt securities	-	-
Due to non-bank customers	-	-
Other financial liabilities	-	-
Sub total	-	-
Total	-	-

35 **Financial liabilities at amortised cost**

In Rupees Thousands as at 31 December	2023	2022
Due to depositors	65,527,630	54,319,360
Total	**65,527,630**	**54,319,360**

35 (a) Analysis of amount due to depositors

In Rupees Thousands for the year ended	2023	2022
By product		
Demand deposits (current accounts)	37,849,429	41,281,355
Savings deposits	17,315,597	9,242,604
Fixed deposits	10,052,824	2,881,145
Other deposits	309,780	914,256
Total	**65,527,630**	**54,319,360**
By currency		
Sri Lanka Rupee	37,234,935	33,769,649
United States Dollar	26,053,261	19,243,579
Great Britain Pound	32,525	145,872
Others	2,206,909	1,160,260
Total	**65,527,630**	**54,319,360**

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

In Rupees Thousands as at 31 December	2023	2022
Carrying value of securities allocated for repurchase transactions	-	-
Market value of securities allocated for repurchase transactions	-	-
Minimum haircut policy		
Remaining term to maturity of the eligible security		
Up to 1 year	-	-
More than 1 year and up to 3 years	-	-
More than 3 year and up to 5 years	-	-
More than 5 year and up to 8 years	-	-
More than 8 years	-	-
Penalties	-	-

36 **Debt Securities Issued**

In Rupees Thousands as at 31 December	2023	2022
Issued by the bank	-	-
Issued by other subsidiaries	-	-
Total	-	-
Due within 1 year	-	-
Due after 1 year	-	-
Total	-	-

37 **Retirement benefit obligations**

In Rupees Thousands as at 31 December	2023	2022
Present value of defined benefit obligation	403,866	283,896
Less: Fair value of plan assets	-	-
Total	**403,866**	**283,896**

37 (a) Reconciliation of employee benefit obligations

In Rupees Thousands as at 31 December	2023	2022
Opening balance	283,896	229,699
Amount recognised in income statement		
Current service cost	19,647	16,593
Past service cost	-	-
Interest cost	70,103	24,716
Amount recognised in other comprehensive income		
Actuarial (gain)/ loss	35,930	49,683
Gratuity paid during the year	(5,710)	(36,795)
Closing balance	**403,866**	**283,896**

37 (b) Principal assumptions used

	2023	2022
Discount factor (%)	13.35	25.20
Salary increment (%)		
- First year	20	48
- Thereafter	10	20
Normal Retirement Age	57-60 Years	57-60 Years
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

The discount rate is based on information from primary dealers of Sri Lanka Secondary Market Yield Rates as at 30 November 2023 for a term that matches that of the liabilities.

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

	2023	
(Decrease) / increase in discount rate (%)	1%	-1%
Effect on employment benefit obligation increase/ (decrease) in the liability	(26,107)	29,265

d. Maturity Profile of Defined Benefit Obligation Plan

	2023	2022
Weighted average duration of defined benefit obligation	10 years	10 years

An actuarial valuation of the provision for employee benefits was carried out as at 31st December 2023 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".

38 **Current Tax Liabilities**

In Rupees Thousands as at 31 December	2023	2022
Opening Balance	2,750,347	339,725
Charge for the year	3,645,280	2,947,578
Payments made during the year	(4,166,872)	(536,957)
Closing Balance	**2,228,755**	**2,750,347**

39 **Other Provisions**

In Rupees Thousands as at 31 December	2023	2022
Accumulated impairment of off-balance credit exposures	262,371	711,406
Total	**262,371**	**711,406**

	2023	2022
Opening balance	711,406	183,423
Charge/(Write back) to income statement	(449,035)	527,983
Write-off during the year	-	-
Other movements	-	-
Closing balance	**262,371**	**711,406**

40 **Other Liabilities**

In Rupees Thousands as at 31 December	2023	2022
Sundry creditors	25,537	27,565
Outstanding managers' cheques	223,764	317,576
Operating lease liability	292,541	309,415
Other payables	886,757	657,665
Other tax payables	197,953	48,159
Total	**1,626,552**	**1,360,380**

41 **Due to subsidiaries**

In Rupees Thousands as at 31 December	2023	2022
Due to subsidiaries	-	-
Total	-	-

42 **Assigned Capital**

In Rupees Thousands as at 31 December	2023	2022
Assigned Capital	1,524,250	1,524,250
Total	**1,524,250**	**1,524,250**

43 **Statutory Reserve Fund**

In Rupees Thousands as at 31 December	2023	2022
Opening balance	920,324	850,140
Transfers during the period	204,310	70,184
Closing balance	**1,124,634**	**920,324**

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 **Retained Earnings**

In Rupees Thousands as at 31 December	2023	2022
Opening balance	14,827,656	12,161,981
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	(691,314)
Adjusted balance as at 1st January	**14,827,656**	**11,470,667**
Profit for the year	10,215,492	3,509,211
Other comprehensive income	(25,151)	(34,778)
Transfers to other reserves	(166,600)	(117,444)
Profit repatriation	(3,439,027)	-
Closing balance	**21,412,370**	**14,827,656**

45 **Other Reserves**

45 (a) Current year (2023)

In Rupees Thousands	Opening balance	Movement/ Transfer	Closing balance
General reserve	-	-	-
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Other reserves	5,196,039	(1,119,064)	4,076,975
OCI reserve	5,652	(1,919)	3,733
Others	-	-	-
Total	**5,201,691**	**(1,120,983)**	**4,080,708**

45 (b) Previous year (2022)

In Rupees Thousands	Opening balance	Movement/ Transfer	Closing balance
General reserve	-	-	-
Revaluation reserve	-	-	-
Cash flow hedge reserve	-	-	-
Other reserves	1,761,322	3,434,717	5,196,039
OCI reserve	(2,186)	7,838	5,652
Others	-	-	-
Total	**1,759,136**	**3,442,555**	**5,201,691**

45 (c) Other reserve comprises the exchange equalization and stage 1 reserves.

45 (c) (1) 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

45 (c) (2) From 01.01.2022, Banks require to maintain a minimum stage 1 ratio of 0.5% as a percentage of total stage 1 credit facilities based on the Central Bank Direction of No.13 of 2021. In instance the bank does not meet the minimum stage 1 ratio, such deficit shall be required to be maintained in a special reserve account against the equity.

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

46 **Non-controlling Interests**

In Rupees Thousands as at 31 December	2023	2022
Non-controlling Interests	-	-
Total	-	-

47 Contingent Liabilities and Commitments

In Rupees Thousands as at 31 December	2023	2022
Guarantees and bonds	7,554,200	9,425,217
Letters of credit	8,958,025	6,969,382
Forward exchange contracts	46,726,140	2,103,955
Acceptances	3,343,451	4,740,733
Undrawn loan commitments (Uncommitted)	61,679,359	67,315,912
Others	1,967,370	15,129,000
Total	**130,228,545**	**105,684,199**

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

In Rupees Thousands as at 31 December	2023	2022
Opening balance	711,406	183,423
Charge/ (Write back) to statement of profit or loss	(449,035)	527,983
Closing balance	**262,371**	**711,406**

48 Related Party Disclosures

The Branch carries out transactions in the ordinary course of its business on an arm's length basis at commercial rates 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 asscociates

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

Balances with Citigroup

In Rupees Thousands as at 31 December	2023	2022
Nostro balances		
CITIBANK EUROPE - DUBLIN	15,278,238	520,174
CITIBANK JAPAN	27,311	-
CITIBANK N A BOMBAY	-	8,490
CITIBANK N A KARACHI	345	389
CITIBANK N A SINGAPORE	69,378	123,484
CITIBANK N.A. DHAKA,BANGLADESH	71,206	80,420
CITIBANK N.A. HONGKONG	27	37
CITIBANK N.A. LONDON	43,144	142,938
CITIBANK N.A. NEW YORK.	1,883,510	-
CITIBANK N.A.SYDNEY	221	151,531
CITIBANK N.A. CANADIAN BRANCH	-	46
	17,373,380	**1,027,509**
Vostro balances		
CITIBANK BOMBAY	-	284,837
CITIBANK EUROPE PLC, LUX BRANCH	200	200
CITIBANK EUROPE PUBLIC LIMITED	125,731	145,075
CITIBANK JAPAN	1,058	1,058
CITIBANK LONDON SECURITIES	1,020,067	1,568,436
CITIBANK N A KARACHI	16,010	18,042
CITIBANK N A MALAYSIA	53,457	46,441
CITIBANK N A SINGAPORE	34,431	25,024
CITIBANK N.A.	-	1,321
CITIBANK N.A. DHAKA,BANGLADESH	1,013	1,141
CITIBANK N.A. LONDON	357,259	68,822
CITIBANK N.A.,NEW YORK	20,212	17,827
CITIBANK NA.HONGKONG GLOBAL CUSTODY	11,650	15,870
CITICORP INVESTMENT BANK(SINGAPORE)	675,205	205
CITIGROUP GLOBAL MARKETS LIMITED	46,735	66,865
	2,363,028	**2,261,164**
Other borrowings		
CITIBANK N.A. CANADIAN BRANCH,	69	-
CITIBANK N.A. NEW YORK.	-	571,169
CITIBANK JAPAN	-	12,401
	69	**583,570**

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

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

Name of the related party	Relationship	Nature of transaction	Value of the transaction (Rs.) For the year ended 2023	2022
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.	1,340,386,318	2,459,898,813
		Sale of treasury bonds on behalf of Citi Bank N.A-Colombo Branch employees' provident fund.	41,656,600	511,953,162

48(b.2.iii) Balances with the employee's providend fund
As at December 31

			2023 Rs.	2022 Rs.
Citi Bank N.A - Colombo Branch employees' provident fund.	Post employment contribution plan for the benefit of employees of the	Cash held in saving account	13,547,669	518,678,493
		Cash held in current account	Nil	Nil

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 2023 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

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
- Country Risk Manager
- Country Human Resource Head
- Securities Services Head

Transactions with Key Management Personnel ("KMP")

Compensation to KMPs

In Rupees Thousands for the year ended	2023	2022
Short term employment benefits	424,450	238,901
Termination benefits	-	107,443
Total	**424,450**	**346,344**

Transactions with KMPs

In Rupees Thousands as at 31 December	2023	2022
Deposits, current account balances and investments	-	-
Loans - under staff benefits (outstanding)	-	-
Total	-	-

49 Net Assets Value per Ordinary Share

In Rupees Thousands as at 31 December	2023	2022
Total	-	-

50 Maturity of Assets and Liabilities

An analysis of the assets and liabilities of the Branch as at December 31, 2023 is given below. The maturity analyis 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
Total assets	**69,226,678**	**20,504,896**	**4,385,007**	**3,015,105**	**742,632**	**409,234**	**98,283,552**
Cash	21,376,297	-	-	-	-	-	**21,376,297**
Due from banks	38,247,071	-	-	-	-	-	**38,247,071**
Investments-current	-	17,724,284	4,385,007	3,015,105	307,441	1,040	**25,432,877**
Loans & advances – current	9,356,753	2,780,612	-	-	-	-	**12,137,365**
Fixed assets	-	-	-	-	-	408,194	**408,194**
Other assets	246,557	-	-	-	435,191	-	**681,748**
Total liabilities	**59,294,676**	**10,362,604**	-	-	-	**28,626,272**	**98,283,552**
Total capital fund	-	-	-	-	-	28,141,962	**28,141,962**
Deposits	55,165,026	10,362,604	-	-	-	-	**65,527,630**
Borrowings	11,972	-	-	-	-	-	**11,972**
Other Llabilities	4,117,678	-	-	-	-	484,310	**4,601,988**
Maturity gap	**9,932,002**	**10,142,292**	**4,385,007**	**3,015,105**	**742,632**	**(28,217,038)**	-
Cumulative gap	**9,932,002**	**20,074,294**	**24,459,301**	**27,474,406**	**28,217,040**	-	-

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 Management responsibility for Financial Statements

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

53. Fair value of financial instruments

The following is a description of how fair values are determined for financial instrument that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumption that a market participant would make when valuing the instrument

Fair value through other comprehensive income (OCI): Fair value through OCI valued using valuation techniques or pricing models primary consist of unquoted.

Fair value through profit and loss (FVTPL): Quoted equities and Sri Lanka Government securities (Treasury bills and bonds) are included in financial assets fair value through profit or loss. Government securities are measured using average yield published by Central Bank of Sri Lanka. Quoted equities are valued using market price in active markets as at the reporting date. Unit trusts are measured using market price in markets that are not active

53.a Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

53.b Analysis of financial instruments recorded at fair value by level of fair value hierarchy

	As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bills and bonds	-	17,237,621	-	**17,237,621**
Fair Value through other comprehensive income				
Sri Lanka Government securities- Treasury bills and bonds		8,194,216		
Unquoted equity securities	-	-	1,040	**1,040**
	-	**25,431,837**	**1,040**	**17,238,661**

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rs. 000	**Rs. 000**	**Rs. 000**	**Rs. 000**
Financial assets fair value through profit or loss				
Sri Lanka Government securities- Treasury bills and bonds	-	5,825,506	-	**5,825,506**
Fair Value through other comprehensive income				
Sri Lanka Government securities- Treasury bills and bonds		7,064,593		
Unquoted equity securities	-	-	1,040	**1,040**
	-	**12,890,099**	**1,040**	**5,826,546**

The following table shows the total gain/(loss) recognised in profit or loss during the year relating to assets and liabilities held at the year end.

In Rupees Thousands for the year ended	Notes	2023	2022
Net gain/(loss) from trading	7	146,828	222,873
Net fair value gain/(loss) of financial assets at fair value through profit or loss	5	2,674,525	1,008,630
Total gain/(loss)		**2,821,353**	**1,231,503**

Fair value of financial assets and liabilities not carried at fair value

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity. Loans and advances to customers with a variable rate are also considered to be carried at fair value.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing interest rates of the Bank

Unquoted equity securities

The carrying value of the unquoted equity securities is at cost/purchased price.

54. Risk Management

Citi is a leading global bank with over 200 years of industry experience and approximately 200 million customer accounts in 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 Banking and International 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 to respective clusters. 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, 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 appetite framework for management of key risks while adhering to local regulatory directives. Tolerance limits are set for each key risk types eg., credit, market, liquidity, operational, compliance risks and breaches of any such limits are viewed seriously and actions are taken where necessary eg., 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.

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 eg. 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 severe macroeconomic stress scenario forecasting, impact of which tests the Sri Lanka's credit portfolio in full. 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, considering factors such as the place of organization of the counterparty, the insolvency laws applicable, the location of the margin, and the relevant documentation. Margining is 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 to 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 limits etc. There is strict discipline over credit risk approvals 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 considering collateral held or other credit enhancements:

Maximum exposure

Total gross credit risk exposures broken down by major type of credit exposure.

Amounts in Rs. '000'

On-balance sheet items	**As at 31st Dec 2023**	**As at 31st Dec 2022**
Cash and cash equivalents	21,376,297	3,896,850
Balances with Central Bank	11,153,405	27,477,422
Placements with banks	27,093,666	20,818,582
Placements with branches	-	-
Derivative financial instruments	435,191	160,210
Financial assets measured at fair value through profit or loss (FVTPL)	17,237,621	5,825,506
Financial assets at amortized cost – Loans and advances to customers	12,137,365	16,706,570
Financial assets measured at fair value through other comprehensive income (FVOCI)	8,195,256	7,065,633
Other assets	37,696	42,944
Total on-balance sheet items	**97,666,497**	**81,993,717**
Off-balance sheet items		
Guarantees and bonds	7,554,200	9,425,217
Letters of credit	8,958,025	6,969,382
Acceptances	3,343,451	4,740,733
Total off-balance sheet items	**19,855,676**	**21,135,332**

Geographic distribution of exposures, broken down in significant areas by type of credit exposure
As at 31 December 2023

Amounts in Rs. '000

On-balance sheet items	Sri Lanka	Asia Pacific (excl. Sri Lanka)	North & Latin America	Europe	Total
Cash and cash equivalents	4.002.896	15,446,726	1.883.510	43.165	21,376,297
Balances with Central Bank	11,153,405	-	-	-	11,153,405
Placements with banks	-	18,002.819	2.932,241	6,158.606	27,093,666
Derivative financial instruments	368,098	-	67,093	-	435,191
Financial assets measured at fair value through profit or loss (FVTPL)	17,237,621	-	-	-	17,237,621
Financial assets at amortized cost – Loans and advances to customers	12,137,365	-	-	-	12,137,365
Financial assets measured at fair value through other comprehensive income (FVOCI)	8,195,256	-	-	-	8,195,256
Other assets	37,696				37,696
Total on-balance sheet items	**53,132,337**	**33,449,545**	**4,882,845**	**6,201,771**	**97,666,497**
Off-balance sheet items					
Guarantees and bonds	7,192,805	361,395	-	-	7,554,200
Letters of credit	8,958,025	-	-	-	8,958,025
Acceptances	3,343,451	-	-	-	3,343,451
Total off-balance sheet items	**19,494,281**	**361,395**	-	-	**19,855,676**

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, 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.

Concentration of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework, the branch ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by Country Coordinating Committee and Integrated Risk Management Committee.

Industry Sector distribution of credit exposure: As at 31 December 2023

Amounts in Rs. '000

On-balance sheet items	Agriculture and fishing	Manufacturing	Tourism	Transport	Construction	Traders	New economy	Finance, insurance & business services	Others	Total
Cash and cash equivalents	-	-	-	-	-	-	-	21,376,297	-	**21,376,297**
Balances with Central Bank	-	-	-	-	-	-	-	11,153,405	-	**11,153,405**
Placements with banks	-	-	-	-	-	-	-	27,093,666	-	**27,093,666**
Placements with branches	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	435,191	-	**435,191**
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	17,237,621	-	**17,237,621**
Financial assets at amortized cost – Loans and advances to customers	2,446,825	2,608,219	359,645	917,467	-	8,873	5,794,816	-	1,520	**12,137,365**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	-	-	8,195,256	-	**8,195,256**
Other assets	-	-	-	-	-	-	-	37,696		37,696
Total on-balance sheet items	**2,446,825**	**2,608,219**	**359,645**	**917,467**	-	**8,873**	**5,794,816**	**85,529,132**	**1,520**	97,666,497

Industry Sector distribution of credit exposure: As at 31 December 2022

Amounts in Rs. '000

On-balance sheet items	Agriculture and fishing	Manufacturing	Tourism	Transport	Construction	Traders	New economy	Finance, insurance & business services	Others	Total
Cash and cash equivalents	-	-	-	-	-	-	-	3,896,850	-	**3,896,850**
Balances with Central Bank	-	-	-	-	-	-	-	27,477,422	-	**27,477,422**
Placements with banks	-	-	-	-	-	-	-	20,818,582	-	**20,818,582**
Placements with branches	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	160,210	-	**160,210**
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	5,825,506	-	**5,825,506**
Financial assets at amortized cost – Loans and advances to customers	3,249.988	6,406.522	44.664	2,227,658	-	503,855	1,687,962	-	2,585,921	**16,706,570**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	-	-	7,065,633	-	**7,065,633**
Other assets	-	-	-	-	-	-	-	42,944		**42,944**
Total on-balance sheet items	**3,249,988**	**6,406,522**	**44,664**	**2,227,658**	**-**	**503,855**	**1,687,962**	**65,287,147**	**2,585,921**	**81,993,717**

Residual contractual maturity breakdown by major types of credit exposure

Maturity bucket	Type	2023		2022	
		Exposure Rs.	Total Rs.	Exposure Rs.	Total Rs.
<1 year	On-balance sheet	93,998,606	-	81,962,232	-
	Off-balance sheet	19,705,144	113,703,750	21,089,768	103,052,000
1 year – 5 years	On-balance sheet	3,015,105	-	-	-
	Off-balance sheet	150,532	3,165,637	45,564	45,564
> 5 years	On-balance sheet	1,269,841	-	537,774	-
	Off-balance sheet	-	1,269,841	-	537,774

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 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

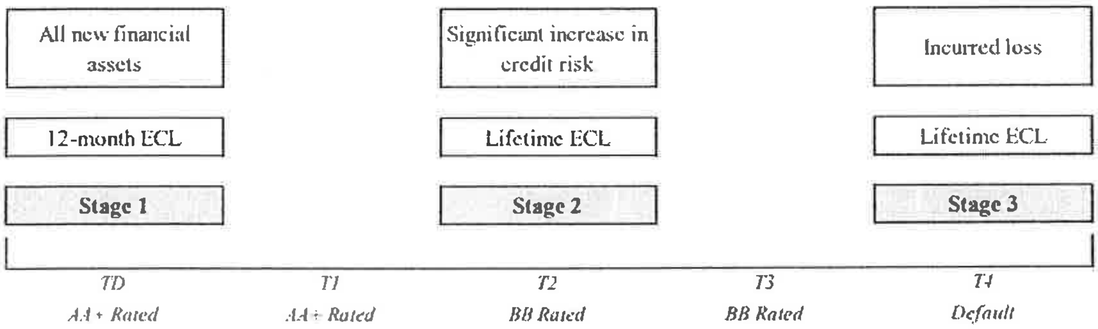
For loan impairment assessment, the key considerations are:

- 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.

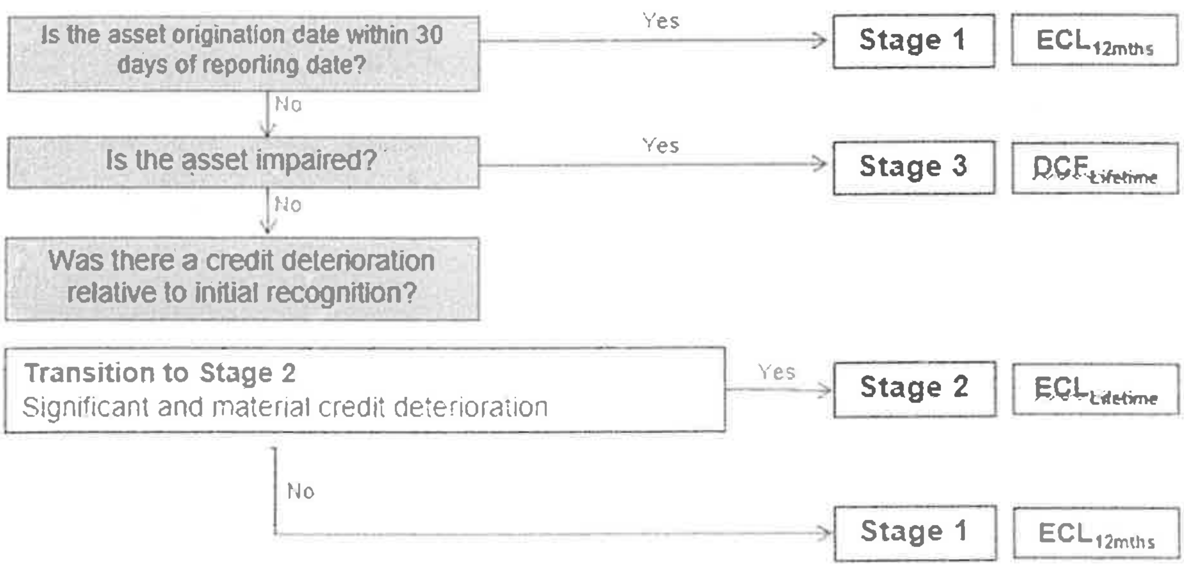
Citi adopts SLFRS 9 together with guidelines issued by the Central Bank of Sri Lanka. SLFRS 9 establishes a general approach to impairment using a "three-stage" model based on the changes in credit quality since initial recognition.
On quarterly basis, bank assess all customers subjected to ECLs in order ot determinate whether the facilities of customers are subjected to 12 months lifetime ECLs, considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.
Bank also applies secondary qualitative criteria underlined in Banking Act No 13 and 14 of 2021 for triggering a significant increase in credit risk. Furthermore, case-by-case analysis is conducted on each stage movements.

The below diagram illustrates the concept of staging through changes in the credit quality of a financial asset.

Three stage model under SLFRS9



Bank's IFRS9 model consists of the model drivers (Probability of default, loss given default and exposure at default) that are dependent on three forward-looking probability weighted economic scenarios i.e. optimistic, base and pessimistic.



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.

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

Refer notes 17, 19,22, and 31 to the financial statements for movements in the Allowance for Impairment

Reconciliation of changes in provision for loan losses/impairment

Below table shows the reconciliation from the opening to closing balance of the loss allowance by class of financial instrument.

Amounts in Rs. '000

	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with Banks at Amortized Cost								
Balance as at 1 January	681	15,052	68,398	84,131	167	8,645	-	8,812
(Reversal)/Charge during the year	4,404	10,858	(68,398)	(53,137)	514	6,406	68,398	75,319
Balance as at 31 December	**5,084**	**25,909**	**-**	**30,994**	**681**	**15,052**	**68,398**	**84,131**
Financial Assets at Amortized Cost - Loans and Advances to Customers								
Balance as at 1 January	42,920	2,543,409	-	2,586,329	1,636	77,205	-	78,841
(Reversal)/Charge during the year	(22,108)	(1,555,632)	-	(1,577,740)	41,284	2,466,204	-	2,507,488
Balance as at 31 December	**20,812**	**987,777**	**-**	**1,008,589**	**42,920**	**2,543,409**	**-**	**2,586,329**
Commitments and Contingencies								
Balance as at 1 January	18,972	692,434	-	711,406	1,363	182,061	-	183,423
(Reversal)/Charge during the year	(1,075)	(447,960)	-	(449,035)	17,609	510,374	-	527,983
Balance as at 31 December	**17,897**	**244,474**	**-**	**262,371**	**18,972**	**692,434**	**-**	**711,406**

Credit risk stress testing

Bank conducts stress testing as part of annual ICAAP exercise.

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 (refer annexures to the financial statements for status of regulatory ratios).

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 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 safe guard 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 each stake holders' responsibility in a market crisis in funding the balance sheet. Further it details out the actions available to improve liquidity in the balance sheet.

Internal Liquidity Stress Tests (ILSTs)

RLAP (Resolution Liquidity Adequacy and Positioning)-Internal stress test metric used to measure the short-term (30-days) survival horizon under a Severe Market Disruption Stress. $0 surplus must be maintained for each day within the 30-day horizon Surplus is monitored daily against established triggers and limits.

TLST (Term Liquidity Stress Test)- Internal stress test metric used to measure the longer term (1-year) survival horizon assuming simultaneous market and idiosyncratic stress (combined scenario). USD zero surplus must be maintained at each discrete tenor bucket. Surplus is monitored daily against established triggers and limits.

As of 31st December 2023

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	69,226,678	20,504,896	4,385,007	3,015,105	742,632	409,234	98,283,552
Cash	21,376,297	-	-	-	-	-	21,376,297
Due from banks	38,247,071	-	-	-	-	-	38,247,071
Investments-current	-	17,724,284	4,385,007	3,015,105	307,441	1,040	25,432,877
Loans & advances – current	9,356,753	2,780,612	-	-	-	-	12,137,365
Fixed assets	-	-	-	-	-	408,194	408,194
Other assets	246,557	-	-	-	435,191	-	681,748
Total liabilities	59,294,676	10,362,604	-	-	-	28,626,272	98,283,552
Total capital fund	-	-	-	-	-	28,141,962	28,141,962
Deposits	55,165,026	10,362,604	-	-	-	-	65,527,630
Borrowings	11,972	-	-	-	-	-	11,972
Other Liabilities	4,117,678	-	-	-	-	484,310	4,601,988
Maturity gap	9,932,002	10,142,292	4,385,007	3,015,105	742,632	(28,217,038)	-
Cumulative gap	9,932,002	20,074,294	24,459,301	27,474,406	28,217,040	-	-

As of 31st December 2022

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	66,509,315	15,467,117	-	-	160,210	363,365	82,500,006
Cash	3,896,850	-	-	-	-	-	3,896,850
Due from banks	48,296,004	-	-	-	-	-	48,296,004
Investments-current	1,049,672	11,840,427	-	-	-	1,040	12,891,139
Loans & advances – current	13,079,880	3,626,690	-	-	-	-	16,706,570
Fixed assets	-	-	-	-	-	362,325	362,325
Other assets	186,908	-	-	-	160,210	-	347,118
Total liabilities	59,739,807	-	-	-	-	22,760,199	82,500,006
Total capital fund	-	-	-	-	-	22,473,921	22,473,921
Deposits	54,319,360					-	54,319,360
Borrowings	598,314	-	-	-	-	-	598,314
Other Llabilities	4,822,133	-	-	-	-	286,278	5,108,411
Maturity gap	6,769,508	15,467,117	-	-	160,210	(22,396,834)	-
Cumulative gap	6,769,508	22,236,625	22,236,625	22,236,625	22,396,834	-	-

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.

As of 31st December 2023

Amounts in Rs. '000

	On Demand	< 3months	3 to 12 months	< 2 years	> 2 years	Total
Off balance sheet exposures	61,679,359	60,496,792	6,901,862	150,532	1,000,000	**130,228,545**

As of 31st December 2022

Amounts in Rs. '000

	On Demand	< 3months	3 to 12 months	< 2 years	> 2 years	Total
Off balance sheet exposures	86,337,176	9,860,509	9,440,951	45,563	-	**105,684,199**

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 are limited by limits on PV01. Currently, Branch is trading in simple products such as FX spot, FX Forwards and Government Bonds.

Risk is measured in terms of:

(a) **Factor sensitivities**: impact of change of rates by one basis point for interest rate products (PV01) and FX Delta ("FXDL") for Spot positions. These measures & limits are further sub-divided for each yield curves and currencies.

(b) **Value-at-risk ("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.

A summary of the VaR position of the Branch trading portfolio's as at 31 December 2023 is as following:

	31 December 2023	**31 December 2022**
Interest Rate Risk	**709.6**	**50.90**

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.

The following is a summary of the Branch's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Branch's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

As at 31st December 2023

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	**68,980,121**	**20,504,896**	**4,385,007**	**3,015,105**	**307,441**	**1,040**	**97,193,610**
Cash	21,376,297	-	-	-	-	-	**21,376,297**
Due from banks	38,247,071	-	-	-	-	-	**38,247,071**
Investments-current	-	17,724,284	4,385,007	3,015,105	307,441	1,040	**25,432,877**
Loans & advances – current	9,356,753	2,780,612	-	-	-	-	**12,137,365**
Total liabilities	**55,176,998**	**10,362,604**	-	-	-	-	**65,539,602**
Deposits	55,165,026	10,362,604	-	-	-	-	**65,527,630**
Borrowings	11,972	-	-	-	-	-	**11,972**

As at 31st December 2022

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	**62,425,556**	**15,467,117**	-	-	-	-	**77,892,673**
Cash	-	-	-	-	-	-	-
Due from banks	48,296,004	-	-	-	-	-	**48,296,004**
Investments-current	1,049,672	11,840,427	-	-	-	-	**12,890,099**
Loans & advances – current	13,079,880	3,626,690	-	-	-	-	**16,706,570**
Total liabilities	**54,917,674**	-	-	-	-	-	**54,917,674**
Deposits	54,319,360					-	**54,319,360**
Borrowings	598,314	-	-	-	-	-	**598,314**

Interest rate risk in the banking book

Interest rate risk arises from the change in the interest rates which effect the future cash flows or the fair value of the financial instruments. Interest rate risk arising out of Trading Book is measures as part of the PV01 limits which set for based on the assessment of the risk appetite of the bank. Interest Rate Risk in Banking Book (IRRBB) is measured using cash flow methodology. It is measured by Interest Rate Exposure (IRE), which is the impact on bank's one-year earnings due to adverse change in market interest rates and by Economic Value Sensitivity (EVS), which measures the impact on capital under similar circumstances. IRE and EVS is measured under +/-100 and +/-200 basis point interest rate shocks. There are limits set up for both IRE and EVS, as per the Risk Appetite Framework and the limits are reviewed annually. The monitoring of the IRE and EVS exposures, as per cash-flow methodology is done monthly through ALCO. Any hedging strategies or actions to reduce IRRBB, if necessary, are presented, discussed, and approved by Country ALCO.

The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).

The shocks applied are +/-100 and +/-200 basis points and the IRRBB exposures as of 31st December 2023 is as:

	Gap			Ruby		
Metric/LKR '000	**+100 bps**	**-100 bps**	**Limit**	**+200 bps**	**-200 bps**	**Limit**
IRE	2,000	-2,100	3,000	4,000	-4,100	6,000
EVS	680	-720	2,000	1,300	-1,500	4,000

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.

Analysis for Foreign Exchange Risk as of 31st December 2023.

CITIBANK, N.A. SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

As at 31st December 2023

Assets or Liabilities	Currency					Total
	LKR	USD	GBP	EURO	Others	
Assets						
Cash and cash equivalents	3,854,157	2,081,329	32,609	15,308,287	99,915	21,376,297
Balances with central banks	11,153,405	-	-	-	-	11,153,405
Placements with banks	-	27,093,666	-	-	-	27,093,666
Derivative financial instruments	-	419,922	-	15,173	97	435,192
Financial assets recognized through profit or loss	17,238,165	-	-	-	-	
- measured at fair value	17,237,621	-	-	-	-	17,237,621
- designated at fair value	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	
- loans and advances	9,147,602	2,989,762	-	-	-	12,137,365
- debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	8,195,256	-	-	-	-	8,195,256
Investment in subsidiaries	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Property, plant and equipment	408,194	-	-	-	-	408,194
Investment properties	-	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	-	-
Deferred tax assets	159,852	-	-	-	-	159,852
Other assets	48,430	38,275	-	-	-	86,705
Total assets	**67,442,683**	**32,622,954**	**32,609**	**15,323,459**	**100,012**	**98,283,552**
Liabilities						
Due to banks	11,903		-	-	69	11,972
Derivative financial instruments	-	37,052	-	43,331	62	80,445
Financial liabilities recognized through profit or loss	-	-	-	-	-	-
- measured at fair value	-	-	-	-	-	-
- designated at fair value	-	-	-	-	-	-
Financial liabilities at amortised cost	-	-	-	-	-	-
- due to depositors	37,234,935	26,323,886	32,525	1,859,417	76,866	65,527,629
- due to debt securities holders	-	-	-	-	-	-
- due to other borrowers	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Retirement benefit obligations	403,866	-	-	-	-	403,866
Current tax liabilities	1,790,896	437,857	-	-	-	2,228,754
Deferred tax liabilities	-	-	-	-	-	-
Other provisions	236,437	25,934	-	-	-	262,371
Other liabilities	1,361,965	264,589	-	-	-	1,626,554
Due to subsidiaries	-	-	-	-	-	-
Total liabilities	**41,040,002**	**27,089,318**	**32,525**	**1,902,748**	**76,996**	**70,141,590**
Equity						
Assigned capital	1,524,250	-	-	-	-	1,524,250
Statutory reserve fund	1,124,634	-	-	-	-	1,124,634
Retained earnings	21,412,371	-	-	-	-	21,412,371
Other reserves	4,080,708	-	-	-	-	4,080,708
Total shareholders' equity	**28,141,963**	-	-	-	-	**28,141,963**
Non-controlling interests	-	-	-	-	-	-
Total equity	**28,141,963**	-	-	-	-	**28,141,963**
Total equity and liabilities	**69,181,965**	**27,089,318**	**32,525**	**1,902,748**	**76,996**	**98,283,552**

As at 31st December 2022

Assets or Liabilities	Currency					Total
	LKR	USD	GBP	EURO	Others	
Assets						
Cash and cash equivalents	2,634,726	235,067	537,446	125,458	364,153	**3,896,850**
Balances with central banks	27,477,422	-	-	-	-	**27,477,422**
Placements with banks	-	20,818,582	-	-	-	**20,818,582**
Derivative financial instruments	-	158,718	421	-	1,072	**160,210**
Financial assets recognized through profit or loss						-
- measured at fair value	5,825,506	-	-	-	-	**5,825,506**
- designated at fair value	-	-	-	-		-
Financial assets at amortised cost						-
- loans and advances	7,220,976	9,485,595	-	-	-	**16,706,571**
- debt and other instruments	-	-	-	-		-
Financial assets measured at fair value through other comprehensive income	7,065,633	-	-	-	-	**7,065,633**
Investment in subsidiaries	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Property, plant and equipment	362,325	-	-	-	-	**362,325**
Investment properties	-	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	-	-
Deferred tax assets	117,973	-	-	-	-	**117,973**
Other assets	44,413	24,522	-	-	-	**68,936**
Total assets	**50,748,976**	**30,722,483**	**537,867**	**125,458**	**365,225**	**82,500,008**
Liabilities						
Due to banks	14,744	571,169	-	-	12,401	**598,314**
Derivative financial instruments	-	1,357	-	-	1,025	**2,382**
Financial liabilities recognized through profit or loss						-
- measured at fair value	-	-	-	-	-	-
- designated at fair value	-	-	-	-	-	-
Financial liabilities at amortised cost						-
- due to depositors	33,769,683	19,243,579	145,872	547,797	612,428	**54,319,360**
- due to debt securities holders	-	-	-	-	-	-
- due to other borrowers	-	-	-	-	-	-
Debt securities issued	-	-	-	-	-	-
Retirement benefit obligations	283,896	-	-	-	-	**283,896**
Current tax liabilities	2,712,805	-	-	-	-	**2,712,805**
Deferred tax liabilities	-	-	-	-	-	-
Other provisions	660,139	51,267	-	-	-	**711,406**
Other liabilities	1,074,211	286,172	-	-	-	**1,360,383**
Due to subsidiaries	-	-	-	-	-	-
Total liabilities	**38,515,477**	**20,153,545**	**145,872**	**547,797**	**625,854**	**59,988,545**
Equity						
Assigned capital	1,524,250	-	-	-	-	**1,524,250**
Statutory reserve fund	921,075	-	-	-	-	**921,075**
Retained earnings	14,864,446	-	-	-	-	**14,864,446**
Other reserves	5,201,690	-	-	-	-	**5,201,690**
Total shareholders' equity	**22,511,461**	-	-	-	-	**22,511,462**
Non-controlling interests	-	-	-	-	-	-
Total equity	**22,511,461**	-	-	-	-	**22,511,462**
Total equity and liabilities	**61,026,938**	**20,153,545**	**145,872**	**547,797**	**625,854**	**82,500,008**

Refer annexures to the financial statements for further analysis.

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 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 1st Line of Defense 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 2nd Line of Defense 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 Defense operational risk management activities.

The 3rd Line of Defense 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
- 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.

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%.

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

Refer annexure 1 to the financial statements for Capital Ratios as at 31st December 2023.

54.6 Fair value of Financial Instruments carried at amortized 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

	31 December 2023	
	Carrying amount	**Fair value**
Assets		
Cash and cash equivalents	21,376,297	21,376,297
Balances with Central Bank of Sri Lanka	11,153,405	11,153,405
Placements with banks	27,093,666	27,093,666
Loans and receivables to other customers	12,137,365	12,137,365
Liabilities		
Due to Banks	11,972	11,972
Due to other customers	65,527,629	65,527,629
Other borrowings	-	-

	31 December 2022	
	Carrying amount	**Fair value**
Assets		
Cash and cash equivalents	3,896,850	3,896,850
Balances with Central Bank of Sri Lanka	27,477,422	27,477,422

Placements with banks	20,818,582	20,818,582
Loans and receivables to other customers	16,706,570	16,706,570
Liabilities		
Due to Banks	598,314	598,314
Due to other customers	54,319,360	54,319,360
Other borrowings	-	-

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

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

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

Loans and receivables to other customers
Approximately 100% of the total portfolio of loans and receivables to other customers have a remaining contractual maturity of less than one year.

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

The estimated fair value of loans and advances with a residual maturity of more than one year is the present value of future cash flows expected to be received from such loans and advances calculated based on interest rates at the reporting date for similar types of loans and advances. Such loans include both fixed and floating rate loans. Majority of the floating rate loans can be re priced either quarterly or semi-annually while for fixed rate loans, the loan contract allows the Branch to change the contracted rate if there is a material difference between the contracted rate and the market interest rate.

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

Due to other customers
Approximately 100% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to premature upliftment. Amounts paid to customers in the event of

premature upliftment would not be materially different to it 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.

54.7 Environment and Social Risk Management (ESRM) and Climate Risk Management

Environmental and Social Risk Management
Citi's Environmental and Social Risk Management (ESRM) Policy aims to ensure effective identification, assessment, and management of potential environmental and social risks to Citi. The ESRM is driven by Citi's long-standing commitment to act as a responsible corporate citizen and consider and manage the environmental and social risks related to our financing activities.

The types of environmental and social risks considered in the ESRM include:
1. Environmental risk, which includes the risk of
    a. Negative impacts to the environment from client activities; and
    b. Negative impacts to the client from environmental factors
2. Social Risks, which refers to the risk of:
    a. Negative impacts arising from our clients' treatment and oversight of employees, contracts, and subcontractors; or
    b. Negative impacts to clients' surrounding communities or customers; or
    c. Employee strikes, customer boycotts, community protests, NGO campaigns, divestment or negative public attention to the firm as a result of clients' negative environmental or social impacts

Citibank, N.A. Colombo branch is aligned to the wider objectives and has strong operational integration with Citigroup and provide financial support for greener, climate friendly and social inclusive businesses within the Risk Acceptance Criteria.

Citi's Sustainable Progress Strategy is summarized in its Environmental and Social Policy Framework. The three pillars of the strategy each have climate-related elements and serve as the foundation for Citi's climate commitments.

- The first pillar, "Low-Carbon Transition," focuses on financing and facilitating low-carbon solutions and supporting Citi's clients in their decarbonization and transition strategies.
- The second pillar, "Climate Risk," focuses on Citi's efforts to measure, manage, and reduce the climate risk and impact of its client portfolio. Areas of activity include portfolio analysis and stakeholder engagement as well as enhancing TCFD (Task force on Climate related Financial Disclosures) implementation and disclosure.
- The third pillar, "Sustainable Operations," focuses on Citi's efforts to reduce the environmental footprint of its facilities and strengthen its sustainability culture. This includes minimizing the impact of its global operations through operational footprint goals and further integrates sustainable practices across all countries in which Citi operates.

The credit risk review of transactions or annual reviews include relevant climate, environmental and social risks in credit approval packages and ESRM Policy and process review requirements are verified by 2nd line of defence.

Climate Risk Management

Citi's Climate Risk Management Framework ("Climate RMF") describes the key elements of the structure that Citi uses to identify, measure, monitor, control, and report on Climate Risk. The objective of the Climate RMF is to promote a globally consistent approach to managing Climate Risk across the bank.

Climate Risk is defined in the Climate RMF as the risk stemming from climate change either through physical risk (which refers to impact of changes in climate and weather) or through transition risk (which refers to risk arising from actions needed to mitigate the impacts of climate change by transitioning to a low-carbon economy). Citi views Climate Risk as a risk which can manifest through or amplify existing risks in Citi's risk taxonomy.

Citibank NA Colombo continues to consider and integrate climate-related matters into our overarching risk management framework and processes, as appropriate. As Climate Risk is considered to be a driver of risk within each risk category, Country Integrated Risk Management Committee and Country Coordinating Committee are responsible for monitoring same through appropriate risk indicators.

CITIBANK , N. A. SRI LANKA BRANCH
SELECTED PERFORMANCE INDICATORS
AS AT 31ST DECEMBER 2023
(Based on regulatory reporting)

Annexure 1

Item	Current Reporting Period	Previous Reporting Period
	As at 31/12/2023	As at 31/12/2022
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	23,883	24,098
Core (Tier 1) Capital	23,883	24,098
Total Capital Base	24,305	24,541
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement 7%)	36.90%	38.33%
Tier 1 Capital Ratio (%) (Minimum Requirement 8.5%)	36.90%	38.33%
Total Capital Ratio (%) (Minimum Requirement 12.5%)	37.55%	39.03%
Leverage Ratio (%) (Minimum Requirement - 3%)	22.87%	26.17%
Regulatory Liquidity		
Statutory Liquid Assets (LKR in Millions)- Bank level	82,015	68,232
Statutory Liquid Assets Ratio (%) (Minimum Requirement - 20%)		
Domestic Banking Unit (%)	114.59%	111.41%
Off-Shore Banking Unit (%)	131.80%	120.19%
Total Stock of High-Quality Liquid Assets (LKR in Millions)	40,098	42,042
Liquidity Coverage Ratio (%) (Minimum Requirement - 90% in 2022 100% in 2021)		
Rupee (%)	465.02%	338.28%
All Currency (%)	521.65%	624.25%
Net Stable Funding Ratio (%) - (Minimum Requirement - 90% in 2022 and 100% in 2021)	224.91%	179.98%
Other Liquidity Ratios		
Net loans to total assets	12.35%	20.25%
Loans to customer deposits	20.06%	35.52%
Liquid assets to short team liabilities	124.99%	124.24%
Commitments to liquid assets	24.21%	30.98%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Advances Ratio (%) (net of interest in suspense)	0.0%	0.0%
Net-Non Performing Advances (%) (net of interest in suspense and provision)	0.0%	0.0%
Stage 3 Loans (net of Stage 3 Impairment) to Total Loans (%)	0.0%	0.0%
Stage Impairment 3 to Stage 3 Loans Ratio (%)	0.0%	0.0%
Profitability		
Net Interest Margin (%)	9.1%	9.02%
Return on Assets (before Tax) (%)	15.3%	9.61%
Return on Equity (%)	40.4%	18.32%

CITIBANK , N. A. SRI LANKA BRANCH
Maturities of Assets and Liabilities -All Currency
As at 31 December 2023

Annexure 2
In Rupees Thousands

Assets or Liability	1 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Unclassfied	Total
Inflows	82,427,817	2,428,790	3,890,128	19,490,482	4,385,007	-	1,681,214	1,333,891	742,633	568,048	116,948,010
Cash	3,720,672	-	-	-	-	-	-	-	-	-	3,720,672
Balances with Central Bank of Sri Lanka	*11,153,405*	-	-	-	-	-	-	-	-	-	*11,153,405*
On Demand, including SRR	815,764	-	-	-	-	-	-	-	-	-	815,764
Other Deposits	10,337,641	-	-	-	-	-	-	-	-	-	10,337,641
Balances with Financial Institutions In Sri Lanka	*310,960*	-	-	-	-	-	-	-	-	-	*310,960*
On Demand	310,960	-	-	-	-	-	-	-	-	-	310,960
Other Deposits	-	-	-	-	-	-	-	-	-	-	-
Balances with Financial Institutions in Abroad	*38,604,306*	-	-	*5,865,018*	-	-	-	-	-	-	*44,469,324*
On Demand	17,373,401	-	-	-	-	-	-	-	-	-	17,373,401
Other Deposits	21,230,905	-	-	5,865,018	-	-	-	-	-	-	27,095,923
Financial Assets at Fair Value Through Profit or Loss	*555,190*	*134,437*	*1,115,474*	*7,724,967*	*4,385,007*	-	*1,681,214*	*1,333,891*	*307,441*	-	*17,237,621*
Equity Securities	-	-	-	-	-	-	-	-	-	-	-
Other Securities	555,190	134,437	1,115,474	7,724,967	4,385,007	-	1,681,214	1,333,891	307,441	-	17,237,621
Financial Assets at Amortised Cost	-	*1,792,485*	*1,489,688*	*4,912,044*	-	-	-	-	-	*1,040*	*8,195,257*
Total Investments, excluding those under 9.1.6.2.0.0 and loans and advances	-	-	-	-	-	-	-	-	-	1,040	1,040
Investments classified under stage III	-	1,792,485	1,489,688	4,912,044	-	-	-	-	-	-	8,194,217
Total Loans & Advances (on Balance Sheet)	*12,376,025*	*15,883*	*428,683*	*325,362*	-	-	-	-	-	-	*13,145,953*
Loans & Advances - Performing (Stage I+StageII)	12,376,025	15,883	428,683	325,362	-	-	-	-	-	-	13,145,953
Loans & Advances- Non-performing (Stage III)	-	-	-	-	-	-	-	-	-	-	-
Other Inflows	*15,707,259*	*485,985*	*856,283*	*663,091*	-	-	-	-	*435,192*	*567,008*	*18,714,818*
Other On-balance Sheet Assets	-	-	-	91,687	-	-	-	-	435,192	567,008	1,093,887
Off-balance Sheet Assets	15,707,259	485,985	856,283	571,404	-	-	-	-	-	-	17,620,931
Outflows	82,509,886	2,777,419	3,448,229	24,531,240	1,268,681	5,633,181	150,532	1,000,000	112,712	89,026,405	210,458,286
Total Equity Capital and Reserves (Excluding Instruments Eligible for Capital Adequacy Purposes)	-	-	-	-	-	-	-	-	-	27,347,046	27,347,046
Total Deposits-Banks	*2,862,256*	-	-	-	-	-	-	-	-	-	*2,862,256*
Demand Deposits	2,621,506	-	-	-	-	-	-	-	-	-	2,621,506
Savings Accounts	240,750	-	-	-	-	-	-	-	-	-	240,750
Time and Other Deposits	-	-	-	-	-	-	-	-	-	-	-
Total Deposits-Non-Bank Customers	*61,298,275*	*300,658*	*490,255*	*576,184*	-	-	-	-	-	-	*62,665,372*
Demand Deposits	35,227,923	-	-	-	-	-	-	-	-	-	35,227,923
Savings Accounts	17,074,846	-	-	-	-	-	-	-	-	-	17,074,846
Time and Other Deposits	8,689,703	300,658	490,255	576,184	-	-	-	-	-	-	10,056,800
Dormant and Unclaimed Deposit Accounts	305,803	-	-	-	-	-	-	-	-	-	305,803
Borrowings from Financial Institutions in Sri Lanka	*11,903*	-	-	-	-	-	-	-	-	-	*11,903*
Call and Short Notice	-	-	-	-	-	-	-	-	-	-	-
Debt Instruments Eligible for Capital Adequacy Purposes	-	-	-	-	-	-	-	-	-	-	-
Term and other Borrowings	11,903	-	-	-	-	-	-	-	-	-	11,903
Borrowings from Financial Institutions out side Sri Lanka	*69*	-	-	-	-	-	-	-	-	-	*69*
Call and Short Notice	-	-	-	-	-	-	-	-	-	-	-
Debt Instruments Eligible for Capital Adequacy Purposes	-	-	-	-	-	-	-	-	-	-	-
Term and other Borrowings	69	-	-	-	-	-	-	-	-	-	69
Other Outflows	*18,337,383*	*2,476,761*	*2,957,974*	*23,955,056*	*1,268,681*	*5,633,181*	*150,532*	*1,000,000*	*112,712*	*61,679,359*	*117,571,639*
Other On-balance Sheet Liabilities	-	-	-	4,851,313	-	-	-	-	112,712	-	4,964,025
Off-balance Sheet Liabilities	18,337,383	2,476,761	2,957,974	19,103,743	1,268,681	5,633,181	150,532	1,000,000	-	61,679,359	112,607,614
Gap (Mismatch)-(Inflows-Outflows)	-	-	-	-	-	-	-	-	-	-	-
Gap in different time buckets	(82,069)	(348,629)	441,899	(5,040,758)	3,116,326	(5,633,181)	1,530,682	333,891	629,921	(88,458,358)	(93,510,276)
Gap as a % of Outflows in Respective time buckets	(0)	(13)	13	(21)	246	(100)	1,017	-	559	(99)	
Cumulative Gap	(82,069)	(430,698)	11,201	(5,029,557)	(1,913,231)	(7,546,412)	(6,015,730)	(5,681,839)	(5,051,918)	(93,510,276)	
Cumulative Gap as a % of Cumulative Outflows	(0)	(1)	0	(4)	(2)	(6)	(5)	(5)	(4)	(44)	
Cumulative Gap as a % of Total liabilities	(0)	(0)	0	(2)	(1)	(4)	(3)	(3)	(2)	(44)	

CITIBANK , N. A. SRI LANKA BRANCH
Maturities of Assets and Liabilities -FCY
As at 31 December 2023

Annexure 2

In USD Thousands

Assets or Liability	1 to 7 Days	8 to 14 Days	15 to 28 Days	29 days to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Over 5 Years	Unclassfied	Total
Inflows	175,271	1,549	3,966	21,001	-	-	-	-	1,343	-	**203,130**
Cash	362	-	-	-	-	-	-	-	-	-	362
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	-	-	-
On Demand, including SRR	-	-	-	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-	-	-	-
Balances with Financial Institutions in Sri Lanka	*97*	-	-	-	-	-	-	-	-	-	*97*
On Demand	97	-	-	-	-	-	-	-	-	-	97
Other Deposits	-	-	-	-	-	-	-	-	-	-	-
Balances with Financial Institutions in Abroad	*119,153*	-	-	*18,102*	-	-	-	-	-	-	*137,255*
On Demand	53,623	-	-	-	-	-	-	-	-	-	53,623
Other Deposits	65,530	-	-	18,102	-	-	-	-	-	-	83,632
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-	-	-	-	-	-
Other Securities	-	-	-	-	-	-	-	-	-	-	-
Financial Assets at Amortised Cost	-	-	-	-	-	-	-	-	-	-	-
Total Investments, excluding those under 9.1.6.2.0.0 and loans and advances	-	-	-	-	-	-	-	-	-	-	-
Investments classified under stage III	-	-	-	-	-	-	-	-	-	-	-
Total Loans & Advances (on Balance Sheet)	*7,178*	*49*	*1,323*	*1,004*	-	-	-	-	-	-	*9,554*
Loans & Advances - Performing (Stage I+StageII)	7,178	49	1,323	1,004	-	-	-	-	-	-	9,554
Loans & Advances- Non-performing (Stage III)	-	-	-	-	-	-	-	-	-	-	-
Other Inflows	*48,481*	*1,500*	*2,643*	*1,895*	-	-	-	-	*1,343*	-	*55,862*
Other On-balance Sheet Assets	-	-	-	131	-	-	-	-	1,343	-	1,474
Off-balance Sheet Assets	48,481	1,500	2,643	1,764	-	-	-	-	-	-	54,388
Outflows	139,033	7,645	9,128	60,900	3,516	10,010	70	-	267	**76,490**	**307,059**
Total Equity Capital and Reserves (Excluding Instruments Eligible for Capital Adequeacy Purposes	-	-	-	-	-	-	-	-	-	**22,234**	**22,234**
Total Deposits-Banks	*833*	-	-	-	-	-	-	-	-	-	*833*
Demand Deposits	833	-	-	-	-	-	-	-	-	-	833
Savings Accounts	-	-	-	-	-	-	-	-	-	-	-
Time and Other Deposits	-	-	-	-	-	-	-	-	-	-	-
Total Deposits-Non-Bank Customers	*84,993*	-	-	*1,500*	-	-	-	-	-	-	*86,493*
Demand Deposits	67,582	-	-	-	-	-	-	-	-	-	67,582
Savings Accounts	16,684	-	-	-	-	-	-	-	-	-	16,684
Time and Other Deposits	301	-	-	1,500	-	-	-	-	-	-	1,801
Dormant and Unclaimed Deposit Accounts	426	-	-	-	-	-	-	-	-	-	426
Borrowings from Financial Institutions in Sri Lanka	-	-	-	-	-	-	-	-	-	-	-
Call and Short Notice	-	-	-	-	-	-	-	-	-	-	-
Debt Instruments Eligible for Capital Adequeacy Purposes	-	-	-	-	-	-	-	-	-	-	-
Term and other Borrowings	-	-	-	-	-	-	-	-	-	-	-
Borrowings from Financial Institutions out side Sri Lanka	-	-	-	-	-	-	-	-	-	-	-
Call and Short Notice	-	-	-	-	-	-	-	-	-	-	-
Debt Instruments Eligible for Capital Adequeacy Purposes	-	-	-	-	-	-	-	-	-	-	-
Term and other Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Outflows	*53,207*	*7,645*	*9,128*	*59,400*	*3,516*	*10,010*	*70*	-	*267*	*54,256*	*197,499*
Other On-balance Sheet Liabilities	-	-	-	2,162	-	-	-	-	267	-	2,429
Off-balance Sheet Liabilities	53,207	7,645	9,128	57,238	3,516	10,010	70	-	-	54,256	195,070
Gap (Mismatch)-(Inflows-Outflows)	-	-	-	-	-	-	-	-	-	-	-
Gap in different time buckets	36,238	(6,096)	(5,162)	(39,899)	(3,516)	(10,010)	(70)	-	1,076	(76,490)	(103,929)
Gap as a % of Outflows in Respective time buckets	26	(80)	(57)	(66)	(100)	(100)	(100)	33	403	(100)	
Cumulative Gap	36,238	30,142	24,980	(14,919)	(18,435)	(28,445)	(28,515)	(28,515)	(27,439)	(103,929)	
Cumulative Gap as a % of Cumulative Outflows	26	21	16	(7)	(8)	(12)	(12)	(12)	(12)	(34)	
Cumulative Gap as a % of Total liabilities	12	10	8	(5)	(6)	(9)	(9)	(9)	(9)	(34)	

CITIBANK , N. A. SRI LANKA BRANCH
Interest Rate Sensivity
As at 31 December 2023

Annexure 3

In Rupees Thousands

Asset or Liability	0 to 1 Month	0 to 3 Month	0 to 6 Months	0 to 12 Months
Interest Bearing Assets	**69,673,462**	**85,552,287**	**89,937,295**	**89,937,295**
Bank Balances and Placements	51,769,105	54,685,015	54,685,015	54,685,015
Treasury Bills and Bonds	5,087,274	17,724,828	22,109,836	22,109,836
Securities and Investments	-	-	-	-
Loans & Advances	12,817,083	13,142,444	13,142,444	13,142,444
Others	-	-	-	-
Interest Bearing Liabilities	**26,882,445**	**27,368,432**	**27,368,432**	**27,368,432**
Deposits	26,882,433	27,368,420	27,368,420	27,368,420
Borrowings	12	12	12	12
Others	-	-	-	-
Net Rate Sensitive Assets (Liabilities)	**42,791,017**	**58,183,855**	**62,568,863**	**62,568,863**
Interest Rate Sensitivity Ratio %	**259%**	**313%**	**329%**	**329%**

CITIBANK , N. A. SRI LANKA BRANCH
Foreign Currency Position **Annexure 4**

As at 31 December 2023

In Rupees Thousands

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	2,733	379	2,354	417,189	36,673	380,516	382,870	-	1,182	382,870
Pound Sterling	-	-	-	-	-	-	-	-	-	-
Euro	192	98	94	14,981	43,233	(28,252)	(28,158)	-	(79)	(28,158)
Japanese Yen	97	62	35	-	-	-	35	-	15	35
Indian Rupee	-	-	-	-	-	-	-	-	-	-
Australian Dollar	-	-	-	-		-	-	-	-	-
Canadian Dollar	-	-	-	-		-	-	-	-	-
Other currencies (c)	-	-	-	-		-	-	-	-	-
Total Exposure (e)	**3,022**	**539**	**2,483**	**432,170**	**79,905**	**352,264**	**354,747**	-		**354,747**
Total capital funds as per the latest audited financial statements(f)										**22,511,462**
Total exposure as a % of total capital funds as per the latest audited financial statements (should not exceed 30%)										**1.58%**

(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).