State Bank of India

Sri Lanka Operations

Basel III - Disclosures under Pillar 3 for the year ended 31st March 2021
(as per the Banking Act Direction Number 01 of 2016)

Basel III - Disclosures under Pillar 3 as per the Banking Act Direction No. 01 of 2016

Disclosure 1 - Key Regulatory Ratios - Capital and Liquidity

Item	Reporting Period	Previous Reporting Period
Regulatory Capital (LKR '000)		
Common Equity Tier 1	12,040,263.14	11,059,633.50
Tier 1 Capital	12,040,263.14	11,059,633.50
Total Capital	12,161,526.37	11,198,593.27
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 6.5%)	48.18%	50.35%
Tier 1 Capital Ratio (Minimum Requirement -8%)	48.18%	50.35%
Total Capital Ratio (Minimum Requirement -12%)	48.67%	50.99%
Leverage Ratio (Minimum Requirement - 3%)	26.91%	35.04%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	7,982,469.62	2,933,025.88
Statutory Liquid Assets (USD'000)	58,786.83	30,185.10
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)		
Domestic Banking Unit (20%)	117.87%	58.71%
Off-Shore Banking Unit (20%)	78.04%	52.14%
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement -90%)	5099.75%	1235.89%
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement - 90%)	410.69%	405.48%

Disclosure 2 - Basel III Computation of Capital Ratios

Item	Amount (LKR '000)	
	Reporting Period	Previous Reporting Period
Common Equity Tier 1 (CET1) Capital after Adjustments	**12,040,263.14**	**11,059,633.50**
Common Equity Tier 1 (CET1) Capital	**12,069,820.60**	**11,097,051.43**
Equity Capital (Stated Capital)/Assigned Capital	2,442,827.45	2,442,827.45
Reserve Fund	402,040.19	367,839.11
Published Retained Earnings/(Accumulated Retained Losses)	7,301,068.03	6,660,287.11
Published Accumulated Other Comprehensive Income (OCI)	-	-
General and other Disclosed Reserves	1,923,884.92	1,626,097.75
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	**29,557.46**	**37,417.93**
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others	29,557.46	37,417.93
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Additional Tier 1 (AT1) Capital	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
Tier 2 Capital after Adjustments	**121,263.23**	**138,959.78**
Tier 2 Capital	**121,263.23**	**138,959.78**

Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	121,263.23	138,959.78
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
CET1 Capital	**12,040,263.14**	**10,170,573.23**
Total Tier 1 Capital	**12,040,263.14**	**10,170,573.23**
Total Capital	**12,161,526.37**	**10,242,125.23**
Total Risk Weighted Assets (RWA)	**24,989,639.13**	**16,658,628.50**
RWAs for Credit Risk	22,798,693.86	18,355,042.72
RWAs for Market Risk	422,985.97	1,798,158.58
RWAs for Operational Risk	1,767,959.30	1,810,814.35
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**48.18%**	**61.05%**
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	**48.18%**	**61.05%**
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	**48.67%**	**61.48%**
of which: Capital Conservation Buffer (%)	-	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Disclosure 3 - Computation of Leverage Ratio*

Item	Amount (LKR '000)	
	Reporting Period	Previous Reporting Period
Tier 1 Capital	12,040,263.14	11,059,633.50
Total Exposures	44,737,307.01	31,565,214.38
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	38,387,471.32	27,061,022.93
Derivative Exposures	-	-
Securities Financing Transaction Exposures	-	-
Other Off-Balance Sheet Exposures	6,379,393.16	4,541,465.30
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	26.91	35.04

Disclosure 4 - Basel III Computation of Liquidity Coverage Ratio

Item	Amount (LKR'000)			
	31.03.2021		31.03.2020	
	Total Un-weighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	**5,207,657**	**5,207,657**	**1,072,473**	**1,072,473**
Total Adjusted Level 1A Assets	**5,207,657**	**5,207,657**	**1,072,473**	**1,072,473**
Level 1 Assets	**5,207,657**	**5,207,657**	**1,072,473**	**1,072,473**
Total Adjusted Level 2A Assets	**-**	**-**	-	-
Level 2A Assets	**-**	**-**	-	-
Total Adjusted Level 2B Assets	**-**	**-**	-	-
Level 2B Assets	**-**	**-**	-	-
Total Cash Outflows	**32,987,917**	**5,072,166**	**14,966,075**	**1,057,976**
Deposits	8,259,847	825,985	4,810,362	481,036
Unsecured Wholesale Funding	3,937,266	3,407,593	697,610	174,403

Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	20,790,804	838,588	9,457,966	402,400
Additional Requirements	-		137	137
Total Cash Inflows	**10,065,685**	**8,950,336**	**5,598,338**	**4,684,609**
Maturing Secured Lending Transactions Backed by Collateral	4,041,452	4,041,452	3,063,945	3,063,945
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	5,097,893	4,908,884	1,814,225	1,620,664
Operational Deposits	926,340	-	720,168	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		**410.69%**		**405.48%**

Disclosure 5 - Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	
Issuer	
Unique Identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	
Governing Law(s) of the Instrument	
Original Date of Issuance	
Par Value of Instrument	
Perpetual or Dated	
Original Maturity Date, if Applicable	
Amount Recognised in Regulatory Capital (in LKR ‘000 as at the Reporting Date)	
Accounting Classification (Equity/Liability)	
Issuer Call subject to Prior Supervisory Approval	**NIL**

Optional Call Date, Contingent Call Dates and Redemption Amount (LKR '000)	
Subsequent Call Dates, if Applicable	
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	
Coupon Rate and any Related Index	
Non-Cumulative or Cumulative	
Convertible or Non-Convertible	
If Convertible, Conversion Trigger (s)	
If Convertible, Fully or Partially	
If Convertible, Mandatory or Optional	
If Convertible, Conversion Rate	

Disclosure 6 - Summary Discussion on Adequacy/Meeting Current and Future Capital Requirements

The strategic plan is developed with a 5 year planning horizon and holds detailed P&L and balance sheet information. The bank carefully analyses the CAR against increases in risk weighted assets in line with the budget expansion and business volumes.

Currently the Bank is adequately capitalized and its capital adequacy ratio (CAR) is well above the minimum regulatory requirements. The Bank's industry sector exposures are also relatively diverse. Also, Bank's portfolio are not overly exposed to any counter-party. Further, the bank will deliberate on strategically curtailing risk weighted assets exposure if required.

The bank always strives to achieve the reasonable profit growth in line with the banking industry average and profit generated is retained for the future business expansion. Capital generated through retained profit over the years could be considered as one of the primary source of capital to the Bank

Disclosure 7 - Credit Risk under Standardized Approach – Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount (LKR'000) as at 31.03.2021					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	OffBalance Sheet Amount	RWA	RWA Density (ii)
Claims on Central Government and CBSL	7,154,604.86	-	7,154,604.86	-	202,427.32	2.83
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	16,214,006.87	8,785,436.85	16,214,006.87	4,392,718.42	5,860,879.92	28.44
Claims on Financial Institutions	138,224.12	-	138,224.12	-	69,112.06	50.00
Claims on Corporates	13,688,056.12	6,307,449.64	13,688,056.12	1,986,674.73	15,674,730.85	100.00
Retail Claims	133,015.59	-	133,015.59	-	133,015.59	100.00
Claims Secured by Residential Property	68,276.84	-	68,276.84	-	68,276.84	100.00
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	757.31	-	757.31	-	1,135.97	150.00
Higher-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	878,712.07		878,712.07		789,115.32	89.80
Total	**38,275,653.80**	**15,092,886.49**	**38,275,653.80**	**6,379,393.15**	**22,798,693.86**	

Disclosure 8 - Credit Risk under Standardized Approach: Exposures by Asset Classes and Risk Weights

Description	Amount (LKR'000) as at 31.03.2021 (Post CCF & CRM)							
Asset Classes	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**>150%**	**Total Credit Exposures Amount**
Claims on Central Government and Central Bank of Sri Lanka	7,154,604.86	-	-	-	-	-	-	7,154,604.86
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures		14,840,595.84	5,746,737.50		19,391.95			20,606,725.29
Claims on Financial Institutions		-	138,224.12					138,224.12
Claims on Corporates					15,674,730.85			15,674,730.85
Retail Claims					133,015.59			133,015.59
Claims Secured by Residential Property					68,276.84			68,276.84
Claims Secured by Commercial Real Estate								-
Non-Performing Assets (NPAs)						757.31		757.31
Higher-risk Categories								-
Cash Items and Other Assets					878,712.07			878,712.07
Total	**7,154,604.86**	**14,840,595.84**	**5,884,961.62**	**-**	**16,774,127.31**	**757.31**	**-**	**44,655,046.95**

Disclosure 9- Market Risk under Standardized Measurement Method

Item	RWA Amount (LKR'000) as at 31.03.2021
(a) RWA for Interest Rate Risk	-
General Interest Rate Risk	
(i) Net Long or Short Position	
(ii) Horizontal Disallowance	
(iii) Vertical Disallowance	
(iv) Options	
Specific Interest Rate Risk	
(b) RWA for Equity	-
(i) General Equity Risk	
(ii) Specific Equity Risk	
(c) RWA for Foreign Exchange & Gold	**422,986**
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	**50,758**

Disclosure 10 - Operational Risk under Basic Indicator Approach/The Standardized Approach/ the Alternative Standardized Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at 31.03.2021		
			1 st Year	**2 nd Year**	**3 rd Year**
The Basic Indicator Approach	15%		**1,446,125.02**	**1,473,200.16**	**1,323,777.13**
The Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%				
Commercial Banking	15%				
The Alternative Standardised Approach					
Corporate Finance	18%				
Trading and Sales	18%				
Payment and Settlement	18%				
Agency Services	15%				
Asset Management	12%				
Retail Brokerage	12%				
Retail Banking	12%	0.035			
Commercial Banking	15%	0.035			
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					**212,155.12**

The Standardised Approach					
The Alternative Standardised Approach					
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					**1,767,959.30**
The Standardised Approach					
The Alternative Standardised Approach					

Disclosure 11 - Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank Only

Item	Amount (LKR '000) as at 31.03.2021				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital
Assets	**38,387,471**	**38,369,634**	**38,275,654**	**-**	**111,817.38**
Cash and Cash Equivalents	2,520,729	2,520,562	2,520,729		
Balances with Central Banks	4,832,310	4,831,714	4,832,310		
Placements with Banks	3,215,028	3,209,867	3,215,028		
Derivative Financial Instruments	-	-	-		
Financial assets recognized through profit or loss	-	-	-		
- measured at fair value	-	-	-		
- designated at fair value	-	-	-		
Financial assets at amortised cost - Loans and Receivables to Other Customers	24,447,464	24,447,441	24,335,647		111,817.38
Financial assets at amortised cost -debt and other instruments	2,284,273	2,006,167	2,284,273		
Financial assets measured at fair value through other comprehensive income	298,552	297,994	298,552		
Investments in Subsidiaries	-	-	-		
Investments in Associates and Joint Ventures	-	-	-		
Property, Plant and Equipment	659,849	659,849	659,849		
Investment Properties	-	-	-		
Goodwill and Intangible Assets	-	-	-		
Deferred Tax Assets	54,394	54,250	54,394		
Other Assets	74,872	341,790	74,872		
Liabilities	**26,317,651**	**26,241,694**			
Due to Banks	706,230	706,230			
Derivative Financial Instruments	-	-			

Financial liabilities recognized through profit or loss	-	-			
- measured at fair value					
- designated at fair value					
Financial liabilities at amortised cost					
- due to depositors	8,229,165	8,224,283			
- due to debt security holders					
- Other Borrowers	16,848,619	16,831,741			
Debt Securities Issued	-	-			
Current Tax Liabilities	78,475	78,561			
Deferred Tax Liabilities	-	-			
Other Provisions	276,174	276,174			
Other Liabilities	178,988	124,705			
Due to Subsidiaries	-				
Subordinated Term Debts	-				
Off-Balance Sheet Liabilities	**33,152,114**	**31,767,956**	**6,379,393**		
Guarantees	11,260,246	11,260,246	5,612,865		
Performance Bonds	-	-			
Letters of Credit	3,026,028	3,028,470	605,206		
Other Contingent Items	11,634,959	10,241,702			
Undrawn Loan Commitments	5,014,845	5,021,503	-		
Other Commitments	2,216,035	2,216,035	161,322		
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned Capital	2,442,827	3,056,552			
of which Amount Eligible for CET1	-	-			
of which Amount Eligible for AT1	-	-			
Retained Earnings	7,301,068	8,600,426			
Accumulated Other Comprehensive Income	557	-			
Other Reserves	2,325,368	470,962			
Total Shareholders' Equity	**12,069,821**	**12,127,940**			

Disclosure 12 - Explanations of Differences between Accounting and Regulatory Exposure Amounts

a) Cash and Cash Equivalents:

Cash and cash equivalent exposure considered for published financials include the interest receivables on Money at call and short notice, whereas the financials as per regulatory reporting does not include the interest receivables against money at call and short notice exposure and the same has been reported under other assets in regulatory reporting.

b) Balances with Central Banks:

Balances with Central Bank include the Standing Deposit Facility with CBSL and its corresponding interest receivable amounts in the published financials whereas, in the regulatory reporting, this interest receivable amount has been considered under other assets.

c) Placements with Banks:

The placements with Banks considered for regulatory reporting differs with published financial statements since the interest receivable on placements were reported under other assets in regulatory reporting and it is reported with the placements with Banks in the published financial statements. Further the impairment allowances based on expected losses were netted off for publication purposes.

d) Loans and Receivables to other customers:

The loans and advances to customers considered in regulatory reporting differs with the published financial statements since CBSL time based provisions were netted off when arriving at loans and receivables for regulatory reporting purposes, while impairment allowances based on expected losses have been netted off in loans and advances for publication purposes.

e) Debt and Other Instruments:

The Debt and other instruments considered for regulatory reporting differs with published financial statements since the interest receivable on Debt instruments and the term deposit placed with other banks were reported under other assets in regulatory reporting. The details of Debt and Other Instruments have been disclosed in Note 9 to the financial statements.

f**) Other Assets:**

The other assets considered for regulatory reporting differs with published financial statements since investment in other instruments along with interest receivable on placements and debt instruments were reported under other assets in regulatory reporting whereas the same was reported with the relevant financial assets in the published financial statements.

g) Financial liabilities at amortized cost - Due to Depositors:

Deposit liability is recognized along with the relevant interest payable amounts in the published financials and while reporting the regulatory exposure, interest payable amounts of deposits have been netted off. Further the said interest payable is recognized under other liabilities of regulatory reporting.

h) Financial liabilities at amortized cost - Other Borrowers:

Borrowings from banks are recognized along with the respective interest payable amounts in published financial statements whereas the amount considered for regulatory reporting is net of interest payable amounts. Further the said interest payable is recognized under other liabilities of regulatory exposure.

i) Other Liabilities:

Other liabilities as per published financials include the deferred commission income and impairment on off balance sheet credit exposure. However, these amounts have not been considered for regulatory reporting against other liabilities.

j) Off Balance Sheet Liabilities:

Contingencies and commitments are recognized net of impairment allowances based on expected losses for publication purposes. However, in regulatory reporting, these contingencies and commitments have been reported excluding the impairment allowances. The methodologies and measurement basis have been disclosed in detail in Note 2 to the financial statements.

Disclosure 13 - Bank Risk Management Approach & Risk Culture

Bank Risk Management Approach & Risk Culture

We promote a strong risk culture where employees at all levels are responsible for the management and escalation. We expect employees to exhibit behaviors that support a strong risk culture in line with our Code of Business Conduct and ethics. It is the responsibility of Senior Management of SBI SL to establish a robust and pervasive risk culture and clear policies.

Further, in line with bank's global procedure and practices, the bank has developed an integrated framework in order to assess and appropriately manage various risk exposures of SBI SL.

The Risk Management & Compliance functions are independent from business lines and reporting directly to the DGM Risk & DGM (Regulatory Compliance of FO) at International Banking Group, Corporate Centre, Mumbai, India.

Risk Management Committee (RCOM) & Escalation Mechanism

The RCOM has the overall responsibility for monitoring the risk management processes in State Bank of India –Sri Lanka Operations (SBI SL). The objectives of RCOM is to derive the most appropriate strategy for SBI SL in terms of the risk taken, expectation of the future and the potential consequences of Pillar I & II risks. The Committee supervise broad risk categories i.e. credit, credit concentration, market, operational, country, residual, liquidity, interest rate, reputational, strategic, compliance and IT/IS risks and have the power to recommend the risk appetite as well as the risk management strategies for SBI SL. The Committee take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the bank and keep Corporate Centre ,India informed. Also, RCOM ensure that all strategies conform to the bank's risk appetite and the level of exposure.

A comprehensive Policy Framework

The Bank has set up a comprehensive Integrated Risk Management Framework (IRMF) with the aim to establish a process to effectively identify, measure, manage, control and monitor risks faced by the Bank within its risk appetite while facilitating achievement of strategic goals in the long run preserving and safeguarding the capital of the bank. Risk Management Framework takes into account all plausible risks and uncertainties the Bank is exposed to. The components of the Bank's IRMF include risk governance comprising Board oversight, Management and respective committees, well defined risk capacity, appetite and tolerance levels, Risk and Control Self- Assessment (RCSA), system of internal control, infrastructure, risk culture and contingency planning for business continuity, disaster recovery and contingency funding etc. IRMF is subject to an annual review or more frequently if the circumstances so warrant, taking into account changes in the regulatory and operating environments.

Risk Appetite

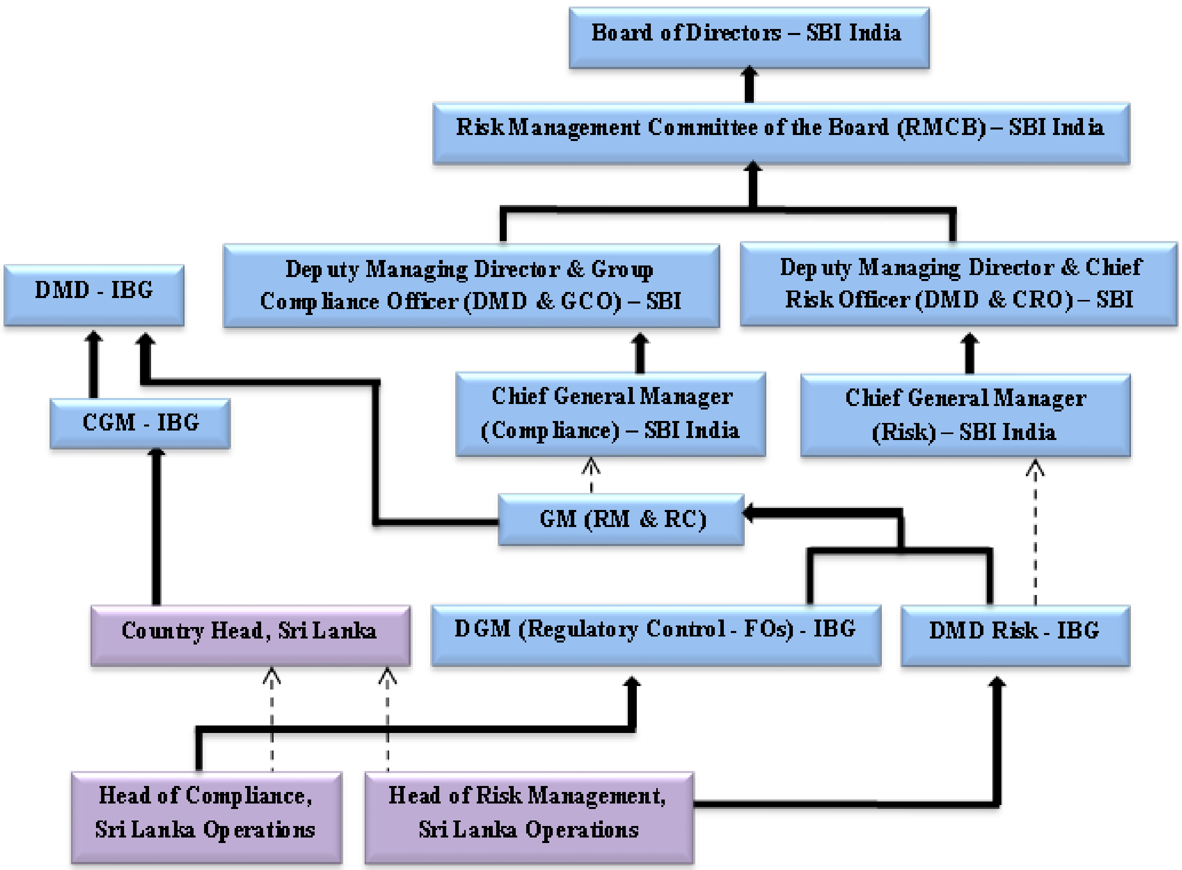
The bank has clearly defined Risk Appetite and it clearly communicates its tolerance levels for its material risks in both qualitative and quantitative terms and is a key component of the risk management framework. Aided by the solid Integrated Risk Management Framework, the bank monitors its risk profile using various risk indicators regularly for each risk categories on an ongoing basis and takes remedial action for any deviations to ensure that it is kept within the risk appetite.

Risk Governance

The Risk Management function is independent from business lines and reporting directly to the DGM Risk at International Banking Group, India. DGM Risk –IBG functionally reports to GM (RM & RC) IBG and administratively to CGM (Risk). CGM (Risk) reports to Deputy Managing Director & Chief Risk Officer (DMD & CRO). DMD & CRO reports to Risk Management Committee of the Bank (Board Committee), thereby making risk management an independent function.

SBI SRI LANKA OPERATIONS

RISK GOVERNANCE STRUCTURE



Credit Risk

Credit risk refers to the potential loss resulting from the failure of a customer/ borrower or counterparty to honor its financial or contractual obligations to the Bank. Credit risk can arise from both on and off balance sheet activities consisting of commitments and contingencies. The total credit risk of the Bank constitutes counterparty risk, concentration risk, residual risk and settlement risk. It is managed in line with the Loan policy which is reviewed on an annual basis. For regulatory capital computation purposes, SBI SL uses Basel Standardized Approach. The Bank has adopted stringent credit risk management process to mitigate the risk associated with the loan book by way of following strategic initiatives:

- The SBI Sri Lanka manages credit risk carefully by applying a strict set of criteria while dealing with institutions and individuals of credit worthiness and ensuring exposure to counterparties are appropriately secured. Risk tolerance limits for SBI SL's activities in credit risks are outlined in the Loan policy. A consistent standard have been adapted for the origination, documentation and maintenance of the documents for extension of credit.

- Bank uses a sophisticated Loan Life Cycle Management System (LLMS) which generate credit proposal and Customer Risk Rating against specified parameters. The ratings lie on a scale between SB 1 (zero risk) to SB 16 (default grade) and these ratings are validated Independently by Credit Rating Assessment Validation Committee.

- The Bank has in place a scheme of delegation of Financial Powers for Foreign offices which has a graded authority structure. The Executive Committee of the Central Board (ECCB) has full powers for sanctioning credit facilities. The sanction powers have been delegated down the line to committees of officials at various administrative offices and to individual line functionaries based on total indebtedness and whether the facility is secured or unsecured.

- Prudential risk limits have been stipulated for various risk parameters. Credit risk limits are set by obligator, concentration, industry, and geography/ country. Bank considers bench mark ratios, with flexibility for deviation in deserving cases. The conditions subject to which deviation are permitted and the authority for permitting such deviation should be clearly spelt out in the loan policy.

- Emphasis is given on maintaining a diversified portfolio of risk assets in line with capital desired to support such a portfolio.

- The bank has in place a graded authority structure for delegation of financial powers. All sanctions are subject to report to the next higher authority for control.

- Apart from the above, there are various credit risk mitigating techniques adopted by the Bank viz Early Sanction of Review mechanism by Internal Audit department of India, analysis of various MIS reports, periodical post disbursement monitoring on insurance, revaluation, inspection etc.

- SBI SL has a separate guideline on NPA Management which is incorporated in the Credit Policy. It describes Bank's policy on NPA management, recovery and proactive initiatives to contain net NPAs in conformity with international standards.

- Bank takes a consistent approach towards early problem recognition, classification of problems exposure and remedial action has been adapted.

- Risk based pricing: Pricing is linked to grade of the risk in the exposure. When a borrower's credit risk increases, the Bank demands a higher credit risk premium by way of increasing the interest rate.

- Stress testing for Bank credit portfolio will be conducted at quarterly intervals and results to be analyzed for chalking out appropriate remedial action for risk mitigation.

- Impairment on the potential delinquents by way of reviewing objective evidence assessments by the business units and adequacy of impairment provisions to absorb credit risk of the lending book.

Credit Concentration Risk

The concentration risk denotes the risk arising from uneven distribution of counterparties, business sectors (Sectorial concentration) or geographical regions (geographical concentration), which is capable of generating losses large enough to affect the solvency.

Concentration risk arises in Bank's assets, liabilities, and off-balance sheet items as well. SBI SL recognizes that there are two types of concentration risks that are pertinent to SBI SL namely, Borrower Concentration and Economic Sector Concentration. Apart from commonly used methods of economic sector and borrower concentration mentioned above, the SBI SL reviews Borrower rating distributions, Age analysis, geographical distribution, country risk, funding concentration etc. for portfolio level monitoring.

The exposure to single borrowers, group borrowers and large borrowers are such exposure limits that are monitored by SBI SL against the regulatory and prudential limits. In addition to the regulatory/ prudential exposure limits, the substantial exposure norms which are in-house limits set within the prudential norms are intended to further help in monitoring credit concentrations. The exposure ceiling is fixed in relation to the Bank's Capital funds. Frequent monitoring and stringent control mechanisms are in place to ensure that the risk of concentrations on different types of exposure tables above are within the tolerance level of the Bank. SBI SL has not exceeded the various tolerance limits set under concentration risk categories. Reports on substantial exposures are submitted to RCOM.

Country Risk

Country risk is the risk that an occurrence within a particular country could have an adverse effect on the Bank directly by impairing the value of the exposures purchased / underwritten or indirectly through an obligor's inability to meet its obligations to the Bank.

The Bank assesses country exposure of countries where the bank has funded and non-funded exposures. The Bank has set maximum exposure limits on all the countries where the Bank has funded and non-funded exposures. These limits are reviewed at regular intervals and all foreign offices are advised accordingly.

The country wise exposure limits and utilization levels are monitored centrally and at foreign office levels through an automated system.

The Board of the Bank has formulated a policy on Country Risk Management and adopted a model for computation of country risk limits across the Bank. The Country Risk evaluation is being reviewed quarterly by the Board (SBI –India) with a provision to review the rating of specific country, based on any major events in that country. Also, country limits and the policy are being renewed every year on the basis of experience gained and requirements.

The country risk is being examined along with credit and other risks by the respective sanctioning authority/ committee which take a holistic view of the credit/ investment proposals at the sanctioning stage.

SBI Sri Lanka has not breached any country risk exposure limits for past 12 months.

Market Risk

Market Risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in market interest, currency exchange rates, equity & commodity prices. The associated market risks and measurement techniques are given below.

The Bank is exposed to Market Risk because of positions held in its trading portfolio (Trading Book) as well as their non-trading business including the treasury operations (Banking Book).SBI SL's market risk arises mainly from non-trading portfolio (Banking Book) since trading book is negligible and consists only limited forex exposures. Exposure to market risk arises mainly from Interest Rate Risk and Forex risk as the Bank has negligible exposure to commodity related price risk and equity price risk.

Bank has a comprehensive market risk management policy and limit management framework. Bank monitors market risk against various limits, risk assessments and Management Action Triggers (MATs). Bank use Value at Risk, sensitivity analysis and stress testing on open positions, mark to market on daily basis to identify the exposure at risk.

Treasury plays an important role in managing both banking/ trading book and asset and liability position of the Bank and duties are segregated in line with the best practices in to front office, middle office and back office. Treasury Middle Office (TMO) ensures that the treasury front office deals within its limits set out as per Bank's risk appetite treasury back office reconciles and escalates key issues promptly.

The TMO of Risk Department independently measures, monitors and reports on market risk exposures using market risk dashboards and assists in review of the Bank's market risk related policies and exposure limits supporting ALCO and RCOM for decision making. ALCO manages market risk exposures and profitability ensuring that risks taken are commensurate with the rewards and managed within the risk appetite of the Bank. The Risk Management Committee is responsible for setting up policies and other standards for managing market risk.

SBI SL has adopted the Standardized Measurement Method (SMM) for calculation of the Market Risk capital charge.

Operational Risk

Operational Risk Management Framework enables the Bank to identify, measure, monitor and control the inherent risks of the business / operations units to mitigate losses. SBI SL collects data through Loss events, KRIs,

RCSAs, Whistle blowing; prepare and analyze various MIS including monthly KRI reports against three levels of thresholds, loss data & near-miss events, Risk registers through RCSA process and KRI trend analysis.

As part of the Bank's initiative to migrate from manual reporting of operational risk loss data / near miss events to system based reporting, the Bank has rolled-out the Incident Management Module (IMM) which enable the Bank to capture various attributes of operational loss incidents to timely & consistently report, document, analyze and monitor the Bank's operational events, losses and near miss events. Thus, the structured approach towards operational risk incidents and management thereof would bring in an overall integrity besides standardization of collection and accounting process.

The BCP of the Bank covers all arrears of banking operations with agreed arrangements for brining events under control. The BCP & DR testing are carried out semi- annually to ensure the business resilience in an event of a major system disruption.

Also, all the main processes are covered through separate Standard Operating Procedures (SOPs) .In addition to the above, a committee namely 'Preventive Vigilance Committee' is conducted on quarterly basis by each branch to serve as an effective tool for creating vigilance awareness amongst the members of the staff leading to prevention of frauds at the Branch Level.

The Capital Charge for Operational Risk is computed using the Basic Indicator Approach (BIA) for SBI SL.

Liquidity Risk Review

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

For liquidity management, SBI SL currently follows a combination of the stock approach and the flow approach. Under the Stock Approach, certain standard ratios are computed and prudential limits are set for standard ratios. In addition to the key ratios monitored under stock approach, bank monitors liquidity risk in bank's balance sheet via prudential liquidity ratios defined by the regulators, i.e. Statutory Liquid Asset Ratio (SLAR), Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) etc.

Under the Flow approach, Bank conducts gap analysis in two methods viz. behavioral and actual. In the actual method, SBI SL considers contractual residual maturity of assets and liabilities. Under behavioral analysis, 'assets & liabilities are categorized according to the behavioral study'. The maturity gap limits are calculated and monitored against both negative and positive gap limits. Levels of compliance to these limits are monitored regularly by Risk department and the exceptions are reported to the Risk Management Committee of SBI Sri Lanka for corrective actions and for information. All exceptions are subsequently reported to the Chief General Manager-International Banking Group, India. SBI SL has not reported any breaches both in positive and negative gaps for the period from April 2020 to March 2021.

The Bank also conducts stress tests to gauge the impact under different intensities of liquidity stress. Liquidity Risk is monitored by ALCO. SBI Sri Lanka has also formulated a Contingency Funding Plan (CFP) as part of the ALM Policy to meet the gap between asset and liability under stressed scenarios.

Interest Rate Risk

Interest Rate Risk (IRR) arises due to the difference in re-pricing of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL), which will have an impact on the future income and expenses and its economic value.

SBI SL manages the above risk using following tools / methodologies.

- Maturity Gap Analysis, where the interest sensitive assets (RSA) and liabilities (RSL) are categorized under different time buckets and the impact on Net Interest Income for a determined change in rate movement is assessed in the short term, i.e. up to one year.
- Bank has adopted the Modified Duration Gap approach for analyzing the changes in Economic Value of Equity, which requires the mapping of assets and liabilities into different time buckets based on their Maturity.

The Bank's tolerance limits, in respect of gaps for re-pricing maturity time buckets are not breached during the year under review. Also, SBI Sri Lanka's duration of assets is more than the duration of liabilities thereby implying that the assets are more sensitive to changing interest rates than liabilities.

As per the modified duration calculations, drop in economic value of equity for a 200 basis point change in interest rate are within the prudential tolerance limits.

Periodical stress testing are performed to assess the impact on sudden rate movements on the portfolio.

ALCO has been delegated with powers to decide the interest rate on deposits and benchmark lending rate or base rate on advances. RCOM has also been delegated with powers to recommend various risk parameters to manage the interest rate risk like prudential limit for rate sensitive gaps, earnings at risk limits, and duration of investment portfolio etc.

Reputation Risk

Reputation risk refers to the potential adverse effects which can arise from the Bank's reputation being tarnished due to factors such as unethical practices, regulatory actions, customer dissatisfaction, complaints, and adverse publicity, unable to meet obligations.

The Bank remains committed to continuously strive to maintain and improve its reputation in all the businesses it operates. Reputation Risk Management Framework has been developed for enhanced Reputation Risk Management in the Bank. Reputation Risk Events within the bank, there would be a two tier reporting structure for assessment and reporting of events. As part of this, Reputation Risk Working Group (RRWG) comprising senior officials, has been constituted at overall bank level for centralized and regular review of reputation risk related incidents in the Bank.

Compliance Risk

SBI SL has robust policy and processes for management of compliance risk and has a well-functioning compliance department to manage compliance aspects on a day to day basis. SBI SL is within the compliance risk appetite set i.e. "Amount of regulatory fines and penalties paid with respect to non-compliance with laws, standards, clauses, and statutes applicable to the functioning of the Bank". No incidences have been observed with regard to the regulatory fines and penalties paid with respect to non-compliance with laws, standards, clauses, statutes applicable to the functioning of the Bank for the year ended 31.03.2021.

Stress Testing

Stress testing is an important part of risk management function in the Bank and is considered as an integral part of ICAAP under Pillar II. SBI SL has a robust Stress Testing Policy which describes the procedure for identifying principal risk factors, frequency, methodology for constructing stress tests, procedure for setting risk tolerance limits and process of monitoring stress loss limits adopted by SBI SL to set the remedial actions and delegation of authority for remedial actions to manage the risks which the Bank is exposed. The Stress Testing Policy is subject to annual review.

Credit Risk Stress Testing

With respect to Credit Risk, the SBI SL has undertaken stress testing considering stress situations of Baseline, Medium and Severe intensity to assess the impact on the Capital Adequacy Ratio (CAR) and the profitability of SBI SL.

The stress test for Credit Risk assesses the following:

- the impact of asset quality downgrade
- the impact of large borrowers defaults
- the impact of Increase in Non-Performing Advances (NPA) in Top Industry Sectors
- the impact of Increase in NPA in Specific Industry Sectors
- movements in NPAs with negative change in Gross Domestic Production (GDP)

Foreign Exchange Risk Stress Testing

The stress test for foreign exchange (FX) risk assesses the impact of changes in the exchange rate movements on the Bank's open positions including reserves and consequently, its capital requirements. The aggregate position is stressed by 10%, 15%, and 20% under baseline, medium to high stress scenarios in adverse scenario of the currency positions held by the Bank.

Liquidity Risk Stress Testing

The Bank's Liquidity position is gauged under potential deposit runs, and Loan Roll-overs (Different Products) for Baseline, Medium and Severe Stress scenarios. SBI SL conducts a stress test to monitor its Liquid Asset Ratio. Also, stress tests are conducted to evaluate the resilience of the Bank towards the fall in liquid liabilities.

Interest Rate Risk in Banking Book Stress Testing

The change of interest rate scenarios are constructed for the purpose of stress testing. The rate shocks are applied across all buckets for gauging the impact on earnings at risk (EaR) and economic value of equity (EVE).

Template – 14

Risk Management Related to Key Risk Exposures

i) **Credit Risk**

a) Breakdown of exposures subject to credit risk by major types, geographical areas, sectors and residual maturity.

(a) (i) Total gross credit risk exposures broken down by major types of credit exposure.

In LKR	31-Mar-21
Money at call and short notice	1,504,792,430
Placements with banks	3,215,027,769
Loans and advances	24,447,464,477
Debt and other instruments	2,284,272,770
Total on balance sheet items	**31,451,557,446**
Exposure on Contingencies	25,921,233,621
Exposure on Commitments	7,230,880,150
Total off balance sheet items	**33,152,113,771**
Total Credit Exposure	**64,603,671,217**

(a) (ii) Geographic distribution of exposures, broken downs in significant areas by types of credit exposures.

In LKR	31-Mar-21						
Geography	**Money at call and short notice**	**Placements with banks**	**Loans and advances**	**Debt and other instruments**	**Exposure on Contingencies**	**Exposure on Commitments**	**Total Credit Exposure**
Central Province			251,952,550		3,500,000	9,947,120	**265,399,670**
Western Province	1,504,792,430	3,215,027,769	24,135,857,312	2,284,272,770	4,528,843,062	7,220,933,030	**42,889,726,373**
Outside Sri Lanka			59,654,615		21,388,890,559		**21,448,545,174**
Total	**1,504,792,430**	**3,215,027,769**	**24,447,464,477**	**2,284,272,770**	**25,921,233,621**	**7,230,880,150**	**64,603,671,217**

(a) (iii) Sector wise distribution of exposures, broken down by major types of credit exposure

Sector	Money at call and short notice	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total Credit Exposure
Agriculture, Forestry & Fishing			1,192,768,558		5,519,672	285,497,862	**1,483,786,091**
Construction & Infrastructure Development			6,090,701,499		7,290,832,342	1,544,766,432	**14,926,300,274**
Financial Services	1,504,792,430	3,215,027,769	10,445,856,371	2,284,272,770	304,504,722		**17,754,454,062**
Manufacturing			2,968,705,365		11,135,671,896	3,016,503,742	**17,120,881,003**
Wholesale & Retail Trade			3,597,845,873		6,986,880,887	2,077,443,079	**12,662,169,839**
Consumption			151,586,812			227,499,144	**379,085,956**
Other					197,824,102	79,169,890	**276,993,992**
Grand Total	**1,504,792,430**	**3,215,027,769**	**24,447,464,477**	**2,284,272,770**	**25,921,233,621**	**7,230,880,150**	**64,603,671,217**

(a) (iv) Residual contractual maturity breakdown of the credit portfolio, by major types of credit exposure.

Maturity	Money at call and short notice	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total Credit Exposure
< 1 Year	1,504,792,430	3,215,027,769	15,756,483,629	2,284,272,770	22,616,328,494	5,014,845,109	50,391,750,201
1 - 5 Year			8,619,286,418		3,304,905,127		11,924,191,544
> 5 Year			71,694,430			2,216,035,041.40	2,287,729,471
Total	**1,504,792,430**	**3,215,027,769**	**24,447,464,477**	**2,284,272,770**	**25,921,233,621**	**7,230,880,150**	**64,603,671,217**

b) Description of policies, process, methods and key definitions on impairment/classification of exposures subject to credit risk.
(As per SLFRS9 – adopted for Published Accounts and Audited Financial Statements)

Impairment of Loans

Loans and Advances are assessed for impairment under Individual and Collective categories. In order to identify losses an assessment has to make whether objective evidence of impairment exist either on an individual basis or collective basis for a pool of assets.

Objective evidence of Impairment

The bank assesses on for any objective evidence of impairment on financial asset or group of assets on the reporting day. Such asset or group of assets deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred and that loss event or events has an impact on the estimated future cash flows of the financial asset or group of assets.

Indicators that an asset may be impaired includes significant financial difficulty of the issuer, a breach of contact such as a default or delinquency in interest or principal payments, renegotiation of the asset due to financial difficulty of the borrower, significant restructuring due to financial difficulty or insolvency proceedings, disappearance of an active market for the asset and many other events elaborated in the impairment manual of SBI, Sri Lanka.

In addition to the loans where there is objective evidence of impairment, Bank classify all loans that are past due three months or over on the reporting date are deemed to be impaired.

Criteria for Individual and collective impairment

The bank reviews its loans and advances at each reporting date for any impairment loss to be recorded in the income statement. Management's judgment is applicable in estimating the amount of impairment loss while considering amount and timing of future cash flows. These estimates shall be based on assumptions on several factors.

Loans and Advances that need to be assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively in groups of assets with similar characteristics to determine requirement of provision on incurred loss events for which objective evidence are available however their such effects are not yet evidenced. In the collective assessment data should be assessed from the loan portfolio, economic data and determination on concentration of risks.

Individual assessment

Except for personal loans which are not significant, all loans above US$ 500,000/- or its equivalent in LKR and past due more than 30 days excluding cash back loans and exposures with or guaranteed by banks will be individually assessed. In addition if any objective evidence of impairment is found as a result of credit review activities such facilities will be assessed irrespective of the threshold.

Calculation of impairment losses

The impairment loss on a financial asset measured at amortized cost is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. Estimated future cash flows only taken into account credit losses already occurred at the date the impairment loss is calculated.

Impairment assessment is done on quarterly basis. For individual impairment assessment the Bank uses a template to evaluate individual clients. Further a detailed template is used to assess annual impairment. Impairment allowance is calculated as per the method of calculation set out in the impairment manual formulated in line with Sri Lanka accounting Standard 39.Impairment assessment is done at client level. If the customer has more than one loan cash flow for each impaired loan to be considered separately. In the case of single security is being held for more than one loan security will be allocated to such loans. Cash flow analysis will be carried out in originating currency.

Determination of the expected cash recoveries

The estimate of future cash flow is arrived on recovery by enforcement of security, collateral valuation, recovery from normal business cash flow, through re negotiation or by collateral repossess. Credit department uses actual data in assessing the expected time to recover which depend on the mode of recovery and nature of security. Modes of recovery includes Parate Execution, Recovery action through litigation and Liquidation.

Recognition of income on impaired loans

Interest income on individually impaired loans to be recognized based on the carrying value after deducting impairment allowance at the rate used to discount cash flows for impairment assessment. Once the asset is identified as impaired and specific impairment provision is made thereafter interest to be recognized on the carrying value after impairment provision so that it recognize the future flows used for impairment assessment at the effective interest rate used for impairment calculation.

Collective Assessment

Loans and advances not identified for individual assessment and individually assessed and unimpaired assets are evaluated on a collective basis for the respective product groups and where products with similar credit risk characteristics are grouped together for the purpose of collective assessment.

Impairment allowance is calculated outstanding capital plus accrued interest on the reporting date X PD X Loss Given Default (LGD). Bank need to group portfolios based on similar characteristics for both PD and LGD calculations. Method for computation of LGD and PD is per the impairment manual.

Reversing an impairment loss

If the impairment loss were to decrease in a subsequent period, previously recognized impairment losses would be reversed in the income statement, with a corresponding increase in the carrying amount on the underlying asset. The carrying amount of an asset following the reversal of an impairment loss shall not exceed the amortized cost that would have been determined had no impairment loss been recognized.

Specific Provision

Specific provision on loan losses are made in accordance with the directions issued by Central Bank of Sri Lanka on 08.05.2008, Direction No. 3 of 2008 “Classification of Loans and Advances, Income Recognition & Provisioning”.

General Provision

Direction issued by the Monetary Board of Central Bank of Sri Lanka on 27th September 2010 in terms of Section 46(1) of the Banking Act No. 30 of 1988. Accordingly 0.5% provision of total on balance sheet performing loans and advances has been made for regulatory purposes.

c) Breakdown of exposures subject to credit risk (both on and off- balance sheet) in to impaired and non-impaired (as per financial reporting) with related details on collateral/cash flows, impairment allowances, write-offs and net exposure, by type wise and age analysis – wise.

Below table provides analysis of exposures subject to impairment under both financial and regulatory reporting.

31-Mar-21	Gross Outstanding	Impairment as per Financial Reporting	Impairment as per Regulatory Reporting	Net Exposure as per Financial Reporting	Net Exposure as per Regulatory Reporting
Money at call & other placements with banks	4,719,875,664	55,465	-	4,719,820,199	4,719,875,664
Loans and advances	24,576,584,081	129,119,605	129,143,406	24,447,464,477	24,447,440,676
Debt and other instruments	2,284,273,211	441	-	2,284,272,770	2,284,273,211
Total on balance sheet items	**31,580,732,956**	**129,175,511**	**129,143,406**	**31,451,557,446**	**31,451,589,550**
Exposure on Contingencies	25,924,721,490	3,487,870	-	25,921,233,621	25,924,721,490
Exposure on Commitments	7,237,537,687	6,657,537	-	7,230,880,150	7,237,537,687
Total off balance sheet items	**33,162,259,177**	**10,145,406**	**-**	**33,152,113,771**	**33,162,259,177**
Total Credit Exposure	**64,742,992,134**	**139,320,917**	**129,143,406**	**64,603,671,217**	**64,613,848,728**

d) Breakdown of exposures subject to credit risk (both on and off-balance sheet) in to performing and nonperforming (as per regulatory reporting) with related details on collateral value, specific provision, write-offs and net exposure, by type-wise and age analysis –wise.

Please refer combined table under C)

In LKR - As at 31st March 2021							
Non-Performing	**Money at call and short notice**	**Placements with banks**	**Loans and advances**	**Debt and other instruments**	**Exposure on Contingencies**	**Exposure on Commitments**	**Total**
Gross Exposure	-	-	757,306		-	-	757,306
Less : Specific Provision	-	-	(138,739)	-			(138,739)
Write-Offs		-	-	-			-
Net Exposure		-	618,567	-			618,567
Net Security Value		-	757,306	-			757,306

Performing	Money at call and short notice	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total
Gross Exposure	1,504,792,430	3,215,083,234	24,575,826,775.99	2,284,273,211	25,924,721,490	7,237,537,687	64,742,234,828
Less : General Provision	-		(129,004,666.90)				(129,004,667)
Write-Offs	-	-					-
Net Exposure	1,504,792,429.91	3,215,083,234.20	24,446,822,109.09	2,284,273,210.88	25,924,721,490.44	7,237,537,687.00	64,613,230,161.51
Net Security Value	-	-	19,946,479,948.41				19,946,479,948
Net Performing & Non-Performing Exposure (as per regulatory reporting)	**1,504,792,430**	**3,215,083,234**	**24,447,440,676**	**2,284,273,211**	**25,924,721,490**	**7,237,537,687**	**64,613,848,728**

e) The extent of non-performing loans, that are not considered to be impaired and the reasons for this

N/A

ii) Market Risk

a) **Interest Rate Risk –** Interest rate sensitivity gap analysis for contractual and behavioural maturities - local and major currencies.

Sensitivity of Assets & Liabilities (Local Currency – LKR)

LKR IRSM								
Assets	**Upto 1 month**	**1 to 3 months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Interest Bearing Assets (RSA)	**5,484,914,108**	**919,532,806**	**336,396,745**	**896,669,131**	**1,687,409,621**	**299,596,370**	**71,738,576**	**9,696,257,356**
Cash and Cash Equivalents	-	-	-	-	-	-	-	-
Balances with Central Bank	4,820,595,879	-	-	-	-	-	-	4,820,595,879
Placements with Banks	-	-	-	-	-	-	-	-
Financial assets at amortised cost - Loans and Receivables to Customers	664,318,228	621,511,302	336,396,745	636,669,572	1,687,409,621	299,596,370	71,208,576	4,317,110,414
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	-	-	259,999,559	-	-	-	259,999,559
Financial assets measured at fair value through other comprehensive income	-	298,021,504	-				530,000	298,551,504
Non Interest Bearing Assets	**202,006,535**	**79,800**	**119,700**	**159,600**	**-**	**-**	**680,438,905**	**882,804,540**
Cash and Cash Equivalents	83,295,896	-	-	-	-	-	-	83,295,896
Balances with Central Bank	11,714,267	-	-	-	-	-	-	11,714,267
Financial assets at amortised cost - Loans and Receivables to Customers	39,900	79,800	119,700	159,600	-	-	-	399,000
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deffered Tax asset	54,394,088	-	-	-	-	-		54,394,088
Other Assets	52,562,385	-	-	-	-	-	20,589,756	73,152,141
Property, Plant and Equipment	-	-	-	-	-	-	659,849,149	659,849,149
Total Assets	**5,686,920,643**	**919,612,606**	**336,516,445**	**896,828,731**	**1,687,409,621**	**299,596,370**	**752,177,481**	**10,579,061,897**
Liabilities								
Interest Bearing Liabilities (RSL)	**736,107,611**	**488,349,694**	**284,212,653**	**548,470,313**	**1,500,000**	**-**	**-**	**2,058,640,271**
Due to Banks	-	-	-	-	-	-	-	-
Due to Other Customers	736,107,611	488,349,694	284,212,653	548,470,313	1,500,000			2,058,640,271
Non Interest Bearing Liabilities	**1,858,477,895**	**-**	**-**	**-**	**-**	**-**	**6,802,788,265**	**8,661,266,160**
Due to Banks	24,836,627	-	-	-	-	-		24,836,627
Due to Other Customers	1,697,337,567	-	-	-	-	-		1,697,337,567
Assigned Capital	-	-	-	-	-	-	1,610,876,145	1,610,876,145
Statutory Reserve Fund	-	-	-	-	-	-	252,830,744	252,830,744
Retained Earnings	-	-	-	-	-	-	4,642,717,833	4,642,717,833
Other Reserves	-	-	-	-	-	-	557,240	557,240
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Provision for Retiring Gratuity		-	-	-	-	-	276,173,674	276,173,674
Other Liabilities	136,303,701	-	-	-	-	-	19,632,630	155,936,331
Current Tax Liabilities	-	-	-	-	-	-	-	-
Other Payable	-	-	-	-	-	-	-	-
Total Liabilities	**2,594,585,506**	**488,349,694**	**284,212,653**	**548,470,313**	**1,500,000**	**-**	**6,802,788,265**	**10,719,906,431**
Gap (Total Assets- Total Liabilities)	**3,092,335,137**	**431,262,911**	**52,303,793**	**348,358,418**	**1,685,909,621**	**299,596,370**	**(6,050,610,784)**	**(140,844,534)**
Rate Sensitve Gap (RSA - RSL)	**4,748,806,497**	**431,183,111**	**52,184,093**	**348,198,818**	**1,685,909,621**	**299,596,370**	**71,738,576**	**7,637,617,085**

Sensitivity of Assets & Liabilities (Foreign Currency (Other than LKR)

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Bearing Assets (RSA)	**8,455,195,272**	**3,951,093,993**	**7,409,770,155**	**431,209,688**	**6,491,162,806**	**135,616,559**	**-**	**26,874,048,473**
Cash and Cash Equivalents	1,504,792,430	-	-	-	-	-	-	1,504,792,430
Balances with Central Bank	-	-	-	-	-	-		-
Placements with Banks	3,215,027,769	-	-	-	-	-	-	3,215,027,769
Financial assets at amortised cost - Loans and Receivables to Customers	3,735,375,073	1,926,820,782	7,409,770,155	431,209,688	6,491,162,806	135,616,559	-	20,129,955,063
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	2,024,273,211	-	-	-	-	-	2,024,273,211
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Non Interest Bearing Assets	**934,360,950**	**-**	**-**	**-**	**-**	**-**	**-**	**934,360,950**
Cash and Cash Equivalents	932,641,011	-	-	-	-	-	-	932,641,011
Balances with Central Bank	-	-	-	-	-	-	-	-
Financial assets at amortised cost - Loans and Receivables to Customers	-	-	-	-	-	-	-	-
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deffered Tax asset	-	-	-	-	-	-	-	-
Other Assets	1,719,939	-	-	-	-	-	-	1,719,939
Property, Plant and Equipment	-	-	-	-	-	-	-	-
Total Assets	**9,389,556,222**	**3,951,093,993**	**7,409,770,155**	**431,209,688**	**6,491,162,806**	**135,616,559**	**-**	**27,808,409,423**
Liabilities								
Interest Bearing Liabilities (RSL)	**3,936,776,769**	**3,467,965,422**	**6,350,310,969**	**1,817,453,678**	**2,412,106,256**	**-**	**-**	**17,984,613,095**
Due to Banks	-	-	-	-	-	-	-	-
Due to Other Customers	705,741,007	157,196,604	90,203,325	182,853,150	-	-	-	1,135,994,086
Financial liabilities measured at amortised cost - other borrowings	3,231,035,762	3,310,768,818	6,260,107,644	1,634,600,528	2,412,106,256	-		16,848,619,009
Non Interest Bearing Liabilities	**4,041,638,544**	**78,474,611**	**-**	**-**	**-**	**-**	**5,562,838,639**	**9,682,951,793**
Due to Banks	681,393,815	-	-	-	-	-	-	681,393,815
Due to Other Customers	3,337,192,853	-	-	-	-	-	-	3,337,192,853
Assigned Capital	-	-	-	-	-	-	831,951,309	831,951,309
Statutory Reserve Fund	-	-	-	-	-	-	149,209,450	149,209,450
Retained Earnings	-	-	-	-	-	-	2,658,350,200	2,658,350,200
Other Reserves	-	-	-	-	-	-	1,923,327,679	1,923,327,679
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Provision for Retiring Gratuity	-	-	-	-	-	-	-	-
Other Liabilities	23,051,876	-	-	-	-	-		23,051,876
Current Tax Liabilities	-	78,474,611	-	-	-	-	-	78,474,611
Other Payable	-	-	-	-	-	-	-	-
Total Liabilities	**7,978,415,313**	**3,546,440,033**	**6,350,310,969**	**1,817,453,678**	**2,412,106,256**	**-**	**5,562,838,639**	**27,667,564,889**
Gap (Total Assets- Total Liabilities)	**1,411,140,909**	**404,653,960**	**1,059,459,185**	**(1,386,243,990)**	**4,079,056,550**	**135,616,559**	**(5,562,838,639)**	**140,844,534**
Rate Sensitve Gap (RSA - RSL)	**4,518,418,503**	**483,128,571**	**1,059,459,185**	**(1,386,243,990)**	**4,079,056,550**	**135,616,559**	**-**	**8,889,435,377**

Off Balance Sheet Items

LKR	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	**58,901,909**	**27,415,379**	**36,018,000**	**2,582,144,930**	**102,451,583**	-	-	**2,806,931,801**
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-	-	**2,508,666**	-	-	-	-	**2,508,666**
Forward & spot contracts	-		-	-	-	-	-	-
Exchange and swaps contracts	-		-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	**137,041,010**	**137,041,010**
Acceptances	-		-	-	-	-	-	-
Undrawn commitments	2,717,227,095		-	-	-	-	-	**2,717,227,095**
Total Off - Balance Sheet (LKR)	**2,776,129,005**	**27,415,379**	**38,526,666**	**2,582,144,930**	**102,451,583**	-	**137,041,010**	**5,663,708,571**

Foreign Currency	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	43,457,590	162,023,046	329,078,344	4,716,301,507	3,044,700,608	157,752,936	-	**8,453,314,031**
Letter of Credit	250,434,427	2,248,077,307	527,516,598	-	-	-	-	**3,026,028,332**
Bills for collection	-	-	**10,825,838,462**	-	-	-	-	**10,825,838,462**
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	**2,078,994,032**	**2,078,994,032**
Acceptances	-	-	**806,612,329**	-	-	-	-	**806,612,329**
Undrawn commitments	**2,297,618,014**	-	-	-	-	-	-	**2,297,618,014**
Total Off - Balance Sheet (FCY)	**2,591,510,031**	**2,410,100,353**	**12,489,045,732**	**4,716,301,507**	**3,044,700,608**	**157,752,936**	**2,078,994,032**	**27,488,405,200**

b) Equity Position Risk – Type, carrying value, fair value, realised gains/ (losses) and unrealised gains (losses) for the reporting period and mounts included in capital adequacy calculation.

Equity	Carrying Value	Fair Value	Realized gain/losses	Unrealised gains/losses	Capital Adequacy Calculation
Investment Portfolio	530,000.00	530,000.00	-	-	RWA LKR.0.53 Mn

C) Foreign Exchange Risk – Foreign currency denominated assets and liabilities (both on and off- balance sheet) broken down by maturity bands, illustrating currency –wise maturity gaps, cumulative maturity gaps and net open position.

Foreign Exchange Position
As at end of: 31st March, 2021

Forex Position		**In LKR**
Currency	**Net overall Long**	**Net overall Short**
US Dollar	275,605,975	
ACU Dollar		(267,214,308)
Pound Sterling		(743,416)
Euro	5,585,538	
Australian Dollar	26,071	
Canadian Dollar	462,377	
Indian Rupee	37,655,107	
Japanese Yen		(339,974)
CHF		
SGD		(48,025)
Subtotal	319,335,068	(268,345,723)
Other Currencies		
Grand Total	319,335,068	(268,345,723)
Higher of Long or Short		**319,335,068**
Total Exposure		**319,335,068**
Total Capital Funds as per the latest Audited Financial Statements		**12,069,820,600**
Total Exposure as % of Total Capital Funds as per the latest Audited Financial Statements		**2.65%**

For foreign Currency denominated gap analysis, please refer Foreign Currency (Other than LKR) table under Interest rate risk

iii) Liquidity Risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

a) Trend in key liquidity ratios including, SLAR, LCR, net loans to total assets, loans to customer deposits, liquid assets to short term liabilities, commitments to liquid assets.

Ratios	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
SLAR DBU	58.71	35.96	77.17	96.34	117.87
SLAR FCBU	52.14	74.92	77.16	86.18	78.04
LCR (LKR)	1,235.89	1,445.41	2,764.77	3,720.59	5,099.75
LCR (All Currency)	405.48	254.79	999.05	231.56	410.69
Net Loans to Total assets	67.87	74.19	68.25	63.34	63.69
Loans to customer deposits	382.73	410.66	342.59	345.22	297.08
Commitments to Liquid Assets	117.80%	80.51%	64.45%	52.19%	76.34%
Liquid Assets to Short Term Liabilities	122.10%	105.15%	96.97%	104.10%	100.87%

b) Currency- wise (local and major currencies) maturity gaps of assets and liabilities (to cover both on and off-balance sheet assets and liabilities)

Maturities of Assets & Liabilities – MAL (Local Currency – LKR) –As at 31st March 2021

LKR								
Assets	**Upto 1 month**	**1 to 3 months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Cash and Cash Equivalents	83,295,896	-	-	-	-	-	-	83,295,896
Balances with Central Bank	4,832,310,146	-	-	-	-	-	-	4,832,310,146
Placements with Banks	-	-	-	-	-	-	-	-
Financial assets at amortised cost - Loans and Receivables to Customers	664,358,128	621,591,102	336,516,445	636,829,172	1,687,409,621	299,596,370	71,208,576	4,317,509,414
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	-	-	259,999,559	-	-	-	259,999,559
Financial assets measured at fair value through other comprehensive income	-	298,021,504	-	-	-	-	530,000	298,551,504
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Financial Investments - Available For Sale	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deffered Tax asset	54,394,088	-	-	-	-	-	-	54,394,088
Other Assets	52,562,385	-	-	-	-	-	20,589,756	73,152,141
Property, Plant and Equipment	-	-	-	-	-	-	659,849,149	659,849,149
Total Assets	**5,686,920,643**	**919,612,606**	**336,516,445**	**896,828,731**	**1,687,409,621**	**299,596,370**	**752,177,481**	**10,579,061,897**
Liabilities	**Upto 1 month**	**1 to 3 months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Due to Banks	24,836,627							24,836,627
Due to Other Customers	2,433,445,178	488,349,694	284,212,653	548,470,313	1,500,000	-	-	3,755,977,838
Financial liabilities measured at amortised cost - other borrowings	-	-	-	-	-	-	-	-
Assigned Capital	-	-	-	-	-	-	1,610,876,145.00	1,610,876,145
Statutory Reserve Fund	-	-	-	-	-	-	252,830,743.50	252,830,744
Retained Earnings	-	-	-	-	-	-	4,642,717,832.89	4,642,717,833
Other Reserves	-	-	-	-	-	-	557,240.03	557,240
Derivative Financial Instruments	-	-	-	-	-	-	-	-
Provision for Retiring Gratuity	-	-	-	-	-	-	276,173,673.62	276,173,674
Other Liabilities	136,303,701	-	-	-	-	-	19,632,630.00	155,936,331
Current Tax Liabilities	-	-	-	-	-	-	-	-
Other Payable	-	-	-	-	-	-	-	-
Total Liabilities	**2,594,585,506**	**488,349,694**	**284,212,653**	**548,470,313**	**1,500,000**	**-**	**6,802,788,265**	**10,719,906,431**
Net Liquidity Gap	**3,092,335,137**	**431,262,911**	**52,303,793**	**348,358,418**	**1,685,909,621**	**299,596,370**	**(6,050,610,784)**	**(140,844,534)**
Cumulative Gap	**3,092,335,137**	**3,523,598,048**	**3,575,901,841**	**3,924,260,259**	**5,610,169,879**	**5,909,766,249**	**(140,844,534)**	
Cumulative Liabilities	**2,594,585,506**	**3,082,935,200**	**3,367,147,853**	**3,915,618,166**	**3,917,118,166**	**3,917,118,166**	**10,719,906,431**	
Net Gap as % of Total Outflows	**119.18**	**114.29**	**106.20**	**100.22**	**143.22**	**150.87**	**-1.31**	

Off Balance Sheet Items

LKR	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	**58,901,909**	**27,415,379**	**36,018,000**	**2,582,144,930**	**102,451,583**	**-**	**-**	**2,806,931,801**
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-		2,508,666	-	-	-	-	**2,508,666**
Forward & spot contracts	-		-	-	-	-	-	-
Exchange and swaps contracts	-		-	-	-	-	-	-
Advances under collection	-		-	-	-	-	137,041,010	**137,041,010**
Acceptances	-		-	-	-	-	-	-
Undrawn commitments	2,717,227,095		-	-	-	-	-	**2,717,227,095**
Total Off - Balance Sheet (LKR)	**2,776,129,005**	**27,415,379**	**38,526,666**	**2,582,144,930**	**102,451,583**	-	**137,041,010**	**5,663,708,571**

Maturities of Assets & Liabilities – (Foreign Currency (Other than LKR) –As at 31st March 2021

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Cash and Cash Equivalents	2,437,433,441	-	-	-	-	-	-	2,437,433,441.08
Balances with Central Bank	-	-	-	-	-	-	-	-
Placements with Banks	3,215,027,769	-	-	-	-	-	-	3,215,027,769.20
Financial assets at amortised cost - Loans and Receivables to Customers	3,735,375,073	1,926,820,782	7,409,770,155	431,209,688	6,491,162,806	135,616,559	-	20,129,955,062.60
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	2,024,273,210.88	-	-	-	-	-	2,024,273,210.88
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Financial Investments - Available For Sale	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deffered Tax asset	-	-	-	-	-	-	-	-
Other Assets	1,719,939.13	-	-	-	-	-	-	1,719,939.13
Property, Plant and Equipment	-	-	-	-	-	-	-	-
Total Assets	**9,389,556,222**	**3,951,093,993**	**7,409,770,155**	**431,209,688**	**6,491,162,806**	**135,616,559**	**-**	**27,808,409,423**
Liabilities	**Upto 1 month**	**1 to 3 months**	**3 to 6 Months**	**6 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total**
Due to Banks	681,393,815	-	-	-	-	-	-	**681,393,815**
Due to Other Customers	4,042,933,860	157,196,603.94	90,203,325.49	182,853,149.97	-	-	-	**4,473,186,940**
Financial liabilities measured at amortised cost - other borrowings	3,231,035,762	3,310,768,818.13	6,260,107,643.96	1,634,600,528.44	2,412,106,256.48	-	-	**16,848,619,009**
Assigned Capital	-	-	-	-	-	-	831,951,309	**831,951,309**
Statutory Reserve Fund	-	-	-	-	-	-	149,209,450	**149,209,450**
Retained Earnings	-	-	-	-	-	-	2,658,350,200	**2,658,350,200**
Other Reserves	-	-	-	-	-	-	1,923,327,679	**1,923,327,679**
Derivative Financial Instruments	-	-	-	-	-	-	**-**	**-**
Provision for Retiring Gratuity	-	-	-	-	-	-	-	**-**
Other Liabilities	23,051,876	-	-	-	-	-	-	**23,051,876**
Current Tax Liabilities	-	78,474,611	-	-	-	-	-	**78,474,611**
Other Payable	-	-	-	-	-	-	-	-
Total Liabilities	**7,978,415,313**	**3,546,440,033**	**6,350,310,969**	**1,817,453,678**	**2,412,106,256**	**-**	**5,562,838,639**	**27,667,564,889**
Net Liquidity Gap	**1,411,140,909**	**404,653,960**	**1,059,459,185**	**(1,386,243,990)**	**4,079,056,550**	**135,616,559**	**(5,562,838,639)**	**140,844,534**
Cumulative Gap	**1,411,140,909**	**1,815,794,869**	**2,875,254,055**	**1,489,010,064**	**5,568,066,614**	**5,703,683,173**	**140,844,534**	
Cumulative Liabilities	**7,978,415,313**	**11,524,855,346**	**17,875,166,315**	**19,692,619,994**	**22,104,726,250**	**22,104,726,250**	**27,667,564,889**	
Net Gap as % of Total Outflows	**17.69**	**15.76**	**16.09**	**7.56**	**25.19**	**25.80**	**0.51**	**0.51**

Off Balance Sheet Items

Foreign Currency	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	43,457,590	162,023,046	329,078,344	4,716,301,507	3,044,700,608	157,752,936		**8,453,314,031**
Letter of Credit	250,434,427	2,248,077,307	527,516,598					**3,026,028,332**
Bills for collection	-	-	10,825,838,462	-	-	-		**10,825,838,462**
Forward & spot contracts	-	-	-	-	-	-		-
Exchange and swaps contracts	-	-	-	-	-	-		-
Advances under collection	-	-		-	-	-	2,078,994,032	**2,078,994,032**
Acceptances	-	-	806,612,329	-	-	-		**806,612,329**
Undrawn commitments	2,297,618,014	-		-	-	-		**2,297,618,014**
Total Off - Balance Sheet (FCY)	**2,591,510,031**	**2,410,100,353**	**12,489,045,732**	**4,716,301,507**	**3,044,700,608**	**157,752,936**	**2,078,994,032**	**27,488,405,200**

c) Measurement tools/metrics that assess the structure of balance sheet, as well as metrics that project cash flows and future liquidity positions, taking into account off-balance sheet risks which specific to the bank.

For liquidity management, SBI SL currently follows a combination of the stock approach and the flow approach. Under the Stock Approach, certain standard ratios are computed and prudential limits are set for standard ratios. In addition to the key ratios monitored under stock approach, bank monitors liquidity risk in bank's balance sheet via prudential liquidity ratios defined by Central Bank of Sri Lanka i.e. Statutory Liquid Asset Ratio (SLAR), Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) etc.

Under the Flow approach, Bank conducts gap analysis in two methods viz. behavioral and actual. In the actual method, SBI SL considers contractual residual maturity of assets and liabilities. Under 'behavioral analysis, 'assets, liabilities and off balance sheet items are categorized according to the behavioral study. The maturity gap limits are calculated and monitored against both negative and positive gap limits. Levels of compliance to these limits are monitored regularly.

The Bank also conducts stress tests to gauge the impact under different intensities of liquidity stress. Liquidity Risk is monitored by ALCO. SBI Sri Lanka has also formulated a Contingency Funding Plan (CFP) as part of the ALM Policy to meet the gap between asset and liability under stressed scenarios.

d) Key metrics that management monitors liquidity, including, but not limited to, concentration limits and sources of funding (both products and counterparties), liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.

Several tools and metrics are used to measure and manage liquidity and funding risk at SBI SL. Various limits have been defined to monitor short term (up to 6 months) liquidity and negative gap limits have been defined bucket wise. Also, positive gaps in each maturity bucket of the balance sheet are monitored against Positive gap limits. In addition to the above, minimum fund management ratios have been defined for medium to long term. All the ratios above are monitored regularly. Also, regulatory limits such as SLAR, LCR & NSFR are maintained within the prudential limits all time. Also, SBI SL obtains funding lines mainly from Central Treasuries of SBI in Hong Kong against predefined limits. The Bank also conducts stress tests to gauge the impact under different intensities of liquidity stress on quarterly basis.

Also, a Contingency Funding Plan (CFP) is in place to withstand in case of a contingency.

iv) Operational Risk

a) Major operational viz. system or human, failures and financial losses incurred by the banks due to such failures during the reporting period.

There have been no operational viz. system or human, failures and financial losses incurred by the bank due to such failures during the reporting period.

b) Details of activities that have been outsourced together with parties and basis for payment for such services.

SBI SL has outsourced several activities, functions and processes to vendors in connection with the execution of banking transactions, financial services or other typical activity such as internal audit, cash transportation, payroll management, employee leave management, Printing of Cheque Books, software maintenance & hardware maintenance etc. Maintenance of Core Banking Application are handled by Global IT Centre, SBI India. With respect to activities outsourced locally, a few non-core activities have been outsourced to third party vendors and such activities are performed within the SBI SL branch premises and main office in Colombo under the supervision of SBI SL staff excluding the cash transport, cheque book printing and payroll which are handled outside. With reference to locally performed activities by third parties, payments are made on the basis of duties performed according to the agreed rates by the bank and the vendors. Payments are based on the scope of the work delivered.

c) Details of due diligence tests of third party service providers.

Risk inherent to outsourcing processes are evaluated during the selection process. The process of selection of service provider is evaluated taking into consideration various key risks like Strategic risk, Reputation risk, Operational risk, Compliance risk, Legal risk, Counter party risk, Country risk, Contractual risk, Access risk, Concentration and systemic risk. Risk evaluation is performed prior to entering into an outsourcing agreement and reviewed periodically (annually) in the light of known and expected changes, as part of the strategic planning or review processes. Also, bank assesses the degree of 'materiality' inherent in the outsourced functions periodically by an independent unit, and Bank has standardized a unified Risk Assessment template used for materiality assessment for outsourced activities.

v) Interest Rate risk in the Banking Book (IRRBB)

Interest Rate Risk (IRR) arises due to the difference in re-pricing of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL), which will have an impact on the future income and expenses and its economic value.

SBI SL manages the above risk using following tools / methodologies.

- Maturity Gap Analysis, where the interest sensitive assets (RSA) and liabilities (RSL) are categorized under different time buckets and the impact on Net Interest Income for a determined change in rate movement is assessed in the short term, i.e. up to one year.
- Bank has adopted the Modified Duration Gap approach for analyzing the changes in Economic Value of Equity, which requires the mapping of assets and liabilities into different time buckets based on their Maturity.

The Bank’s tolerance limits, in respect of gaps for re-pricing maturity time buckets are not breached during the year under review. Also, SBI Sri Lanka’s duration of assets is more than the duration of liabilities thereby implying that the assets are more sensitive to changing interest rates than liabilities. As per the modified duration calculations, drop in economic value of equity for a 200 basis point change in interest rate are within the prudential tolerance limits.

Periodical stress testing are performed to assess the impact on sudden rate movements on the portfolio.

ALCO has been delegated with powers to decide the interest rate on deposits and benchmark lending rate or base rate on advances. ALCO has also been delegated with powers to set various risk parameters to manage the interest rate risk like prudential limit for rate sensitive gaps, earnings at risk limits, and duration of investment portfolio etc.