STATE BANK OF INDIA
SRI LANKA BRANCH
COLOMBO 01

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2024

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INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF STATE BANK OF INDIA - SRI LANKA BRANCH

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of the State Bank of India - Sri Lanka Branch (the "Bank"), which comprises the statement of financial position as at 31st March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of material accounting policy information as set out on pages 05 to 54.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Bank as at 31st March 2024, 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 Bank 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

The other information consists of the supplemental Basel III disclosures but does not include the Financial Statements and our Auditor's Report thereon. Management is responsible for the other information.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with the Code of Ethics regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 it appears from our examination, proper accounting records have been kept by the Bank.

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
23rd August 2024
NV/kp

STATE BANK OF INDIA - SRI LANKA BRANCH
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2024

	Notes	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
Assets			
Cash and cash equivalents	4	1,718,463,795	5,345,364,167
Balances with Central Bank of Sri Lanka	5	1,058,867,458	5,927,046,529
Placements with financial institutions	6	19,750,576,769	19,129,513,793
Financial assets at amortised cost			
- Loans and advances to customers	7	7,058,977,593	7,168,523,424
- Debt and other instruments	8	270,000,000	260,000,000
Financial assets measured at fair value through other comprehensive income	9	4,547,416,300	530,000
Other assets	10	23,404,384	15,970,993
Right-of-use (RoU) asset	12	49,698,967	21,583,338
Property, plant and equipment	11.3	609,991,741	581,531,093
Deferred tax assets	18	45,802,212	26,703,821
Total assets		35,133,199,219	38,476,767,158
Liabilities			
Due to banks	13	865,879,618	999,070,953
Financial liabilities measured at amortised cost			
- Due to customers	14	10,199,532,120	15,104,072,704
- Other borrowings	15	3,727,685,935	2,457,831,328
Other liabilities	16	225,907,760	286,372,363
Income tax liability	31.2	586,891,691	743,245,935
Lease liability	12	46,139,706	24,358,929
Employee benefit obligation	17	274,964,430	170,029,258
Total liabilities		15,927,001,260	19,784,981,470
Equity			
Assigned capital	19	2,442,827,454	2,442,827,454
Statutory reserve fund	20	617,229,152	551,928,828
Foreign currency translation reserve	21	4,835,778,928	5,644,246,189
OCI reserve	23	-	-
Retained earnings	22	11,310,362,425	10,052,783,217
Total equity		19,206,197,959	18,691,785,688
Total liabilities and equity		35,133,199,219	38,476,767,158
Contingent liabilities and commitments	36.4.1	42,876,629,642	47,131,730,550

Figures in brackets indicate deductions.

The management is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the management by:

Mr.Saurab Singh
Assistant Vice President - Operations

Mr.Sudesh Kumar Bhatt
Country Head

The accounting policies and notes to the Financial Statements from pages 05 to 54 form an integral part of these Financial Statements.

Colombo
23rd August 2024
NV/kp

STATE BANK OF INDIA - SRI LANKA BRANCH
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	2023/2024 Rs.	2022/2023 Rs.
Interest income	24	3,275,104,990	3,933,026,198
Interest expense	25	(567,574,059)	(781,380,664)
Net interest income		2,707,530,931	3,151,645,534
Fees and commission income	26	327,681,946	418,969,788
Other operating income	27	258,733,233	479,948,633
Total operating income		3,293,946,110	4,050,563,955
Impairment (charges) / reversals and other losses	28	(85,108,573)	19,390,254
Net operating income		3,208,837,537	4,069,954,209
Personnel expenses	29	(183,051,382)	(240,730,562)
Depreciation of property plant and equipment and ROU assets	30	(52,051,399)	(67,206,219)
Loss on disposal of debit instruments held at FVOCI reclassified upon derecognition to profit or loss for the year		-	(4,949,396)
Other operating expenses	30	(293,246,624)	(231,774,742)
Total operating expenses		(528,349,405)	(544,660,919)
Operating profit before taxes and levies on financial services		2,680,488,132	3,525,293,290
Taxes and levies on financial services	31.1	(479,913,123)	(573,866,977)
Profit before income tax		2,200,575,009	2,951,426,313
Income tax expense	31.2	(810,435,976)	(797,861,692)
Profit for the year		1,390,139,033	2,153,564,621
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Exchange differences on translation of foreign currency capital and reserves	21	(808,467,261)	1,009,428,261
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Actuarial (loss)/gain on retirement benefit obligation	17	(96,085,002)	52,418,767
Tax expense relating to items that will not be reclassified to profit or loss		28,825,501	(15,725,630)
Other comprehensive income for the year net of tax		(875,726,762)	1,046,121,398
Total comprehensive income for the year		514,412,271	3,199,686,019

Figures in brackets indicate deductions.

The accounting policies and notes to the Financial Statements from pages 05 to 54 form an integral part of these Financial Statements.

Colombo
23rd August 2024

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STATE BANK OF INDIA - SRI LANKA BRANCH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2024

	Assigned capital Rs.	Statutory reserve fund Rs.	Funds from central office Rs.	Support funds Rs.	Foreign Currency translation reserve Rs.	OCI reserve Rs.	Retained earnings Rs.	Total Rs.
As at 01st April 2022	1,566,460,000	450,954,201	831,951,309	44,416,145	4,634,817,928	(4,949,396)	7,963,500,086	15,487,150,273
Profit for the year	-	-	-	-	-	4,949,396	2,153,564,621	2,158,514,017
Other comprehensive income	-	-	-	-	1,009,428,261	-	36,693,137	1,046,121,398
Transfer to statutory reserve fund	-	100,974,627	-	-	-	-	(100,974,627)	-
As at 31st March 2023	1,566,460,000	551,928,828	831,951,309	44,416,145	5,644,246,189	-	10,052,783,217	18,691,785,688
As at 01st April 2023	1,566,460,000	551,928,828	831,951,309	44,416,145	5,644,246,189	-	10,052,783,217	18,691,785,688
Profit for the year	-	-	-	-	-	-	1,390,139,033	1,390,139,033
Other comprehensive income	-	-	-	-	(808,467,261)	-	(67,259,501)	(875,726,762)
Transfer to statutory reserve fund	-	65,300,324	-	-	-	-	(65,300,324)	-
As at 31st March 2024	1,566,460,000	617,229,152	831,951,309	44,416,145	4,835,778,928	-	11,310,362,425	19,206,197,959

Figures in brackets indicate deductions.

The accounting policies and notes to the Financial Statements from pages 05 to 54 form an integral part of these Financial Statements.

Colombo
23rd August 2024

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STATE BANK OF INDIA - SRI LANKA BRANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2024

	Note	2023/2024 Rs.	2022/2023 Rs.
Cash flows from operating activities			
Net cash flow from operating activities before income tax	32.1	2,358,762,222	3,037,182,379
Operating profit before changes in operating assets and liabilities			
Decrease in operating assets	32.2	4,274,894,596	12,650,127,983
Decrease in operating liabilities	32.3	(3,828,341,915)	(17,634,220,910)
Tax paid		(951,896,461)	(250,832,433)
Interest paid		-	(53,838)
Gratuity paid		(27,197,387)	(28,880,775)
Net cash flow generated from/(used in) operating activities		1,826,221,055	(2,226,677,594)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(72,302,518)	(34,253,390)
Changes in financial investments - Net		(4,556,886,300)	1,667,028,941
Net cash flow generated from investing activities		(4,629,188,818)	1,632,775,551
Cash flow from financing activities			
Payments to lease creditor - Principal	12	(15,465,348)	(4,129,434)
Net cash flow used in financing activities		(15,465,348)	(4,129,434)
Exchange differences on translations of foreign currency capital and foreign currency reserves		(808,467,261)	1,009,428,261
Net (decrease)/ increase in cash and cash equivalents		(3,626,900,372)	411,396,784
Cash and cash equivalents at the beginning of the year	(Note A)	5,345,364,167	4,933,967,383
Cash and cash equivalents at the end of the year	(Note B)	1,718,463,795	5,345,364,167

At the beginning of the year		Note A
Cash in hand - Local currency	71,676,908	79,644,589
Cash in hand - Foreign currency	1,764,257	3,893,063
Balances with banks	328,292,393	1,438,477,626
Balances with Branches	441,596,363	491,929,393
Money at call and short notice	4,502,034,246	2,920,022,712
	5,345,364,167	4,933,967,383

At the end of the year		Note B
Cash in hand - Local currency	75,147,244	71,676,908
Cash in hand - Foreign currency	14,752,456	1,764,257
Balances with banks	333,172,555	328,292,393
Balances with branches	444,555,102	441,596,363
Money at call and short notice	850,836,438	4,502,034,246
	1,718,463,795	5,345,364,167

Figures in brackets indicate deductions.

The accounting policies and notes to the Financial Statements from pages 05 to 54 form an integral part of these Financial Statements.

Colombo
23rd August 2024

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1. CORPORATE INFORMATION

1.1. General

State Bank of India - Sri Lanka Branch ('the Bank') is a licensed commercial bank governed by the Central Bank of Sri Lanka. It is a foreign branch of the State Bank of India, which is incorporated in India. The registered office of the Bank is located at No. 16, Sir Baron Jayathilake Mawatha, Colombo 01.

1.2. Principal activities and nature of operations

The principal activities of the Bank continued to be banking and related activities such as accepting deposits, corporate and retail banking, personal financial services, foreign currency operations, trade services, dealing in government securities and other related services.

1.3. Date of authorisation for issue

The Financial Statements of the State Bank of India - Sri Lanka Branch for the year ended 31st March 2024 were authorised for issue by the local management on 23rd August 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRSs"), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprise of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These Financial Statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Bank's Financial Statements are disclosed in notes to the Financial Statements.

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Bank's Financial Statements have been adopted by the Bank (a) new standards and amendments that are effective for the first time for periods commencing on or after 1st January 2023 and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1st January 2023.

a) **New standards, interpretations and amendments adopted from 01st January 2023**

The Bank has applied the following standards and amendments for the first time for their annual reporting periods commencing 1st January 2023.

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i) **Disclosure of Accounting Policies (Amendments to LKAS 01 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgments)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore require disclosure.

These amendments have no effect on the measurement or presentation of any items in the Financial Statements of the Bank but affect the disclosure of accounting policies of the Bank.

ii) **Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments to LKAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the Financial Statements of the Bank.

iii) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)**

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no effect on the annual Financial Statements of the Bank.

International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the Final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules, in response to stakeholder concerns on 23rd May 2023.

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b) New standards and amendments issued but not effective or early adopted in 2024

The following amendments and improvements are not expected to have a significant impact on the Bank's Financial Statements.

i) SLFRS 17 - Insurance contracts

SLFRS 17 was issued in May 2017 as a replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows,
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the Financial Statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others. The amendments also deferred the application date similar to SLFRS 17.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis.

This standard will be effective from 01st January 2026 in Sri Lanka.

ii) Lease liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) - mandatorily effective for periods beginning on or after 01st January 2024

iii) Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) - mandatorily effective for periods beginning on or after 01st January 2024)

iv) Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) - mandatorily effective for periods beginning on or after 01st January 2024

v) Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) - mandatorily effective for periods beginning on or after 01st January 2024

c) **The following amendments are effective for the period beginning 01st January 2025**

i) Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) - mandatorily effective for periods beginning on or after 1st January 2025

ii) As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka (ICASL) has decided to adopt SLFRS 17 - Insurance Contracts with effect from periods beginning on or after 1st January 2025

iii) SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information is to require the Bank to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the Bank with effect from periods beginning on or after 1st January 2025

iv) SLFRS S2 Climate-related Disclosures is to require the Bank to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the bank with effect from periods beginning on or after 1st January 2025

d) **The following amendments are effective for the period beginning 01st January 2027**
The Bank intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's Financial Statements, if applicable, when they become effective.

i) IFRS 18 Presentation and Disclosure in Financial Statements - The objective of this standard is to give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions. IFRS 18 introduces three sets of new requirements to improve companies reporting of financial performance and give investors a better basis for analysing and comparing companies;

1. Improved comparability in the statement of profit or loss (income statement)
2. Enhanced transparency of management-defined performance measures
3. More useful grouping of information in the Financial Statements

2.1.1 Statement of compliance

The Financial Statements of the Bank have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred by the term "SLFRSs") as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

The presentation of these Financial Statements is in compliance with the requirements of the Banking Act No. 30 of 1988.

2.1.2 Historical cost convention

The Financial Statements of the Bank have been prepared on a historical cost basis, except when otherwise indicated. Further financial assets measured at fair vale through other comprehensive income and financial assets measured at fair value through profit and loss have been recorded in fair value.

The Financial Statements are presented in Sri Lankan Rupees, except when otherwise indicated.

2.1.3 Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 34 to the Financial Statements.

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.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by any accounting standard or interpretation.

2.1.4 Rounding of amounts

All amounts disclosed in the Financial Statements and notes have been rounded off to the nearest thousand in Sri Lankan Rupees unless otherwise stated.

2.1.5 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability. The presentation and classification of the financial statements in the previous year are classified, where relevant or for better presentation and to be comparable with those of the current year.

2.2 Significant accounting judgments, estimates and assumptions

In the process of applying the Bank's accounting policies, the management has exercised judgment and estimates in determining the amounts recognised in the Financial Statements. Use of available information, estimates and assumptions and application of judgment is inherent in the preparation of Financial Statements as they affect the application of accounting policies and the recorded amounts in the Financial Statements. The Bank believes its estimates, including the valuation of assets and liabilities as appropriate. Estimates of underlying assumptions are reviewed on a continuous basis. However, the actual results may differ from those estimates. The most significant uses of judgments and estimates are as follows:

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2.2.1 Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, the management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be not impaired, and all individually insignificant loans and advances are assessed collectively.

Impairment is calculated as per "Expected Credit Loss (ECL)" calculation, which is an output of complex models with a number of underlying assumptions regarding choice of variable inputs and their interdependencies. Considered accounting judgments and estimates used in ECL include:

* the Bank's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis;

* the segmentation of financial assets when their ECL is assessed on a collective basis;

* the development of ECL models; including the various statistical formulas and the choice of inputs;

* the determination of associations between macro-economic inputs such as GDP Growth and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).

The impairment loss on loans and advances is disclosed in more detail in Note 2.3.8 and Note 7 to the Financial Statements.

2.2.2 Write-off

Financial assets (and related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, the write-off may be earlier.

2.2.3 Renegotiation

Loans are identified as renegotiated and classified as credit impaired when we modify the contractual payment terms due to significant credit distress of the borrower. Renegotiated loans remain classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognition. For retail, renegotiated loans are kept at stage 3 until full settlement.

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring.

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2.2.4 Estimation uncertainties and judgments made in relation to lease accounting

The estimation uncertainties and judgments made in relation to lease accounting is disclosed in more detail in Note 2.3.19 and Note 12 to the Financial Statements.

2.2.5 Employee benefit liability - gratuity

The cost of the defined benefit plan - gratuity is determined using an actuarial valuation. Actuarial valuation involves making assumptions about discount rates, future salary increases, remaining working life of employees and mortality rates. Due to the long term nature of these obligations, such estimates are subject to significant uncertainty. The details of the employee benefit liability are disclosed in Note 17 to the Financial Statements.

2.2.6 Measurement of property plant and equipment

All Property, plant and equipment is initially recorded at cost and subsequently at cost less depreciation and less any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.2.7 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities disclosed in the Financial Statements cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates. The valuation of financial instruments is described in more detail in Note 35.

2.2.8 Income tax and other taxes

The Branch is subject to income tax and other taxes such as Value Added Tax, Nation Building Tax and Crop Insurance Levy specifically levied on the Banking and Financial Sector. The calculations are based on the provisions enacted as per the relevant Acts and guidelines published by Inland Revenue Department. The Branch recognises liabilities for any pending tax matters with the tax authorities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be set off. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The details of the deferred tax asset are described in more detail in Note 2.3.18 and Note 18 to the Financial Statements.

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2.3 Summary of material accounting policies

2.3.1 Functional and presentation currency

The Bank's local operations comprise of the Domestic Banking Unit (DBU) and the Foreign Currency Banking Unit (FCBU).

These Financial Statements of the State Bank of India - Sri Lanka Branch ("the Bank") have been prepared by amalgamating the results of the Domestic Banking Unit (DBU) and the Foreign Currency Banking Unit (FCBU) operations and the financial position of both units. Each unit determines its own functional currency. Accordingly the functional currency of the Domestic Banking Unit is Sri Lankan Rupees and the Foreign Currency Banking Unit is United States Dollars. The presentation currency for both units is the Sri Lankan Rupee.

Transactions and balances

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the reporting date. All differences arising are taken into the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition.

Accordingly, the results and financial position of the Foreign Currency Banking Unit (FCBU) are translated to Sri Lankan Rupees as follows:

The assets and liabilities of Foreign Currency Banking Unit operations are translated to Sri Lankan Rupees at spot exchange rates at the reporting date while the capital of Foreign Currency Banking Unit is translated at historical rate. The income and expenses of the Foreign Currency Banking Unit's operations are translated at monthly average rates.

Foreign currency differences arising on the translation of FCBU operations to presentation currency are recognised in other comprehensive income.

2.3.2 Fair value measurement

Fair value related disclosures for assets measured at fair value or financial instruments that are not measured at fair value, for which fair values are disclosed, are summarised in Note 35 to the Financial Statements.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, as described below:

Level 01 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 02 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 03 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring and non- recurring fair value measurements.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.3 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks (the Monetary Law Act requires that all commercial banks operating in Sri Lanka maintain a reserve against all deposit liabilities denominated in Sri Lankan Rupees. The reserve should be maintained for an amount equal to 4.0% of the total of such rupee deposit liabilities), and highly liquid financial assets with original maturities of three months or less from the date of the 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 amortised cost in the statement of financial position.

2.3.4 Placements with financial institutions

Placements with financial institutions include short-term placements made with banks and other financial institutions and these are carried at amortised cost in the statement of financial position.

2.3.5 Assigned capital

Assigned capital of the Bank represents the capital contributions made to the Branch by the Head Office.

2.3.6 Statutory reserve fund

Five per centum of profits after tax is transferred to the statutory reserve fund as required by Section 20(1) of the Banking Act No 30 of 1988. This reserve fund will be used only for the purposes specified in Section 20 (2) of the Banking Act No 30 of 1988. Transfers made during the year from Retained earnings to Statutory Reserve Fund amount to LKR 65,300,324 (Note 20)

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2.3.7 Financial instruments - initial recognition and subsequent measurement

i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

ii) Initial measurement and subsequent measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing those instruments. Financial instruments are measured at any of the following.

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The Bank holds the following financial instruments:

Financial assets	Category	Carrying Value as of 31.03.2024	Carrying Value as of 31.03.2023
Cash and cash equivalents	Amortised cost	1,718,463,796.00	5,345,364,167
Balances with Central Bank of Sri Lanka	Amortised cost	1,058,867,457	5,927,046,529
Placements with financial institutions	Amortised cost	19,750,576,769	19,129,513,793
Other financial assets	Amortised cost	270,000,000	260,000,000
Loans and advances to customers	Amortised cost	7,058,977,592	7,168,523,424
Investment in government securities	Amortised cost		-
Investment in government securities - T Bills	FVOCI	4,546,886,300	-
Investment in unquoted shares	FVOCI	530,000	530,000
Financial liabilities			
Due to banks	Amortised cost	865,879,618	999,070,953
Due to customers	Amortised cost	10,199,532,120	15,104,072,704
Other borrowings	Amortised cost	3,727,685,935	2,457,831,328

a) Financial assets measured at amortised cost

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 the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

b) **Financial assets measured at FVOCI**

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met.

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

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairmentexpenses are presented as separate line items in the statement of profit or loss.

c) **Financial assets measured at FVTPL**

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

d) **Financial liabilities - Subsequent measurement**

The Bank's financial liabilities include due to customers, due to banks, borrowings and other financial liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

Due to customers/banks

Due to customers/banks include deposits and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement through the effective interest rate method (EIR) amortisation process.

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Borrowings/other financial liabilities

After initial measurement, borrowings and other financial liabilities are subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

2.3.8 Impairment of financial assets

The Bank assess on a forward-looking basis the expected credit losses (ECL) associated with financial assets measured at amortised cost or FVOCI which mainly include loans and advances and financings, investments (other than equity investments), interbank placements, loan commitments and financial guarantees. The Bank recognises a loss allowance and provisions for such losses at reporting date. The measurement of ECL reflects the following.

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The Bank's approach leveraged the existing regulatory capital models and processes for the Bank's loan portfolios that use the existing Internal Rating based and behavioural credit models. ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

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

- instruments that are determined to have a low credit risk at the reporting date
- other financial instruments on which credit risk has not increased significantly since their initial recognition

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1 - A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.

Stage 2 - When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 - Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

For financial assets in Stage 1 and Stage 2, the Bank calculates interest income by applying the Effective Interest Rate (EIR) to the gross carrying amount (i.e., without deduction for ECLs). Interest income for financial assets in Stage 3 is suspended and included in loan impairment.

Key inputs into the measurement of ECL are the term structure of the following variables.

- Probability of default (PD) - An estimate of the likelihood of default over a given time horizon
- Loss given default (LGD) - An estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.
- Exposure at Default (EAD) - An estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

2.3.9 Derecognition of financial assets and financial liabilities

i) Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred substantially all the risks and rewards of the asset.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.3.10 Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent that they are expected to be settled within 12 months after the end of the reporting period.

2.3.11 Reverse repurchase agreements

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Reverse Repurchase Agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Interest Income' and is accrued over the life of the agreement using the effective interest rate.

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2.3.12 Property plant and equipment

Property, plant and equipment are stated at cost excluding cost of day to day servicing, less accumulated depreciation and accumulated impairment value, if any. The Bank reviews its assets residual values, useful lives and method of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence, they are subject to uncertainty.

Depreciation is calculated using the reducing balance method other than for computer hardware, computer software and premises to write down the cost to their residual values over their estimated useful lives from the time the asset is placed in use. Land is not depreciated. The estimated useful lives are as follows.

Premises	- 50 years
Motor vehicles	- 10 years
Furniture, fixtures and fittings	- 10 years
Office equipment	- 10 years
Computer software	- 01 year
Computer hardware	- 03 years

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" or "Other operating expense" as appropriate in the Statement of comprehensive income in the year the asset is derecognised.

2.3.13 Recognition of the Loans and Receivable under COVID - 19 Moratorium Scheme

Modifications to the cash flows of the loans and receivables due to the COVID 19 outbreak are considered as 'non-substantial', thus do not result in derecognition of the financial assets in accordance with SLFRS 9 - "Financial Instruments". Accordingly, modifications gain/loss are charged to profit or loss immediately. In the determination process the management applied professional judgment by comparing the modification loss as against the carrying value of the asset and the decision was taken based on the materiality of the gain/loss.

2.3.14 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

2.3.15 Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under SLFRS 9 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SLFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.3.16 Employee benefit liability

a) **Defined benefit plan - gratuity**
The Bank measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan using the actuarial valuation method. The actuarial valuation involves making assumptions about discount rate, future salary increase rate and mortality rates etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation as at 31st March 2023 carried out by Messrs. Actuarial and Management Consultants (Private) Limited, actuaries. Refer Note 17 to the Financial Statements for details on Gratuity.

The gratuity liability is not externally funded.

b) **Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund**
Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Bank contributes 12% of gross emoluments of employees to an approved private provident fund and 3% to the Employees' Trust Fund whilst the employees contribute 8% of their gross salary to the Employees' Provident Fund.

2.3.17 Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.3.18 Taxes

Current income tax
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Income tax on profits from Domestic Banking Unit and Foreign Currency Banking Unit is calculated at the rate of 30%.

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Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred Tax on Domestic Banking Unit and Foreign Currency Banking Unit is calculated at the rate of 30%.

Value Added Tax (VAT) on financial services

During the year, the Bank's total 'value addition' was subjected to 15% (until 31st December 2023) and revised to 18%. VAT on financial services as per Section 25A of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.3.19 Leases

The Bank recognises 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 any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

2.3.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised. Performance obligation is satisfied when the service is rendered to the customer.

a) **Interest income and expenses**
For all financial instruments interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in the carrying amount is recorded as 'Interest Income' for financial assets and 'Interest Expense' for financial liabilities.

b) **Fee and commission income**
The Bank earns fees and commissions from a diverse range of services it provides to customers. Fee income can be divided into the following categories,

i) **Fee income earned from services that are provided over a certain period of time and at the point in time when the transaction takes place**
Fees earned for the provision of services over a period of time are accrued over that period.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contract with customers, including significant payment terms, and the related revenue recognition policies.

Types of Services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Retail and Corporate Banking Services	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees. Fees for ongoing account management are charged to the customers' account on a monthly basis. The Bank sets the rates separately for Retail and Corporate Banking customers in each jurisdiction on an annual basis.	Revenue from account service and serving fees is recognised over time as the services are provided.
	Transaction based fees for interchange, foreign currency transactions and overdrafts are charged to the customers' accounts when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

ii) Fee income from providing transaction services

Fees arising from providing transaction services including account service fees is recognised as the related services are performed.

a) Net trading income

Net trading income comprises results arising from trading activities including gains and losses on foreign exchange forward contracts.

b) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

c) Other income

Other income is recognised on an accrual basis.

d) Other expenses

All other expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate. All expenditure incurred in the operation of the business and in maintaining capital assets in a state of efficiency has been charged to revenue in arriving at the Bank's profit for the year.

2.3.21 Contingent liabilities and commitments

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore, part of the overall risk of the Bank.

Financial guarantees and undrawn facilities

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank would have to pay if the guarantee is called upon. Undrawn commitments mainly consist of unutilised credit facilities granted to customers where the Bank reserves the right to unconditionally cancel or recall the facility at its discretion.

2.3.22 Cash flow statement

The cash flow statement has been prepared by using the "Indirect Method" in accordance with LKAS 7 on statement of cash flows, whereby profit or loss is adjusted for the effects of translations of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash and cash equivalents mainly comprise cash balances, placements, highly liquid investments with original maturity of 3 months or less and net of any amount due from banks.

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STATE BANK OF INDIA - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS

		As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
3.	**ANALYSIS OF FINANCIAL INSTRUMENTS ON MEASUREMENT BASIS**		
	Assets		
	Financial assets at amortised cost		
	Cash and cash equivalents	1,718,463,795	5,345,364,167
	Balances with Central Bank of Sri Lanka	1,058,867,458	5,927,046,529
	Placement with financial institutions	19,750,576,769	19,129,513,793
	Loans and advances to customers	7,058,977,593	7,168,523,424
	Debt instruments	270,000,000	260,000,000
	Total financial amortised cost at amotised cost	29,856,885,615	37,830,447,913
	Financial assets measured at fair value through OCI		
	Financial assets measured at fair value through other comprehensive income	4,547,416,300	530,000
	Total financial assets measured at Fair Value through OCI	4,547,416,300	530,000
	Liabilities		
	Financial liabilities at amortised cost		
	Due to banks	865,879,618	3,456,902,281
	Due to customers	10,199,532,120	15,104,072,704
	Sundry creditors and accrued expenses	116,540,775	177,964,620
	Total financial liabilities	11,181,952,513	18,738,939,605

			31.03.2024 Rs.	31.03.2023 Rs.
4.	**CASH AND CASH EQUIVALENTS**			
	Cash in hand - Local currency		75,147,244	71,676,908
	Cash in hand - Foreign currency		14,752,456	1,764,257
	Balances with banks		333,172,555	328,292,393
	Balances with branches		444,555,102	441,596,363
	Money at call and short notice		850,836,438	4,502,034,246
			1,718,463,795	5,345,364,167
5.	**BALANCES WITH CENTRAL BANK OF SRI LANKA**			
	Money held at Central Bank of Sri Lanka in Sri Lankan Rupees		112,078,815	361,796,113
	Non-statutory balances with Central Bank of Sri Lanka		1,000,887,363	5,565,250,416
	Less : Allowance for Impairment losses	5.1	(54,098,720)	-
			1,058,867,458	5,927,046,529
5.1	**Allowance for Impairment losses**			
	As at 01st April		-	-
	(Charge) / reversal to income statement		(54,098,720)	-
	Balance as at 31st March		(54,098,720)	-

As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is required to be maintained with the Central Bank of Sri Lanka. As at 31st March 2024, the minimum cash reserve requirement was 2% (As at 31 March 2023 - 4%) of the rupee deposit liabilities of the Domestic Banking Unit. There is no reserve requirement for foreign currency deposit liabilities in the Domestic Banking Unit and the deposit liabilities in the Foreign Currency Banking Unit.

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STATE BANK OF INDIA - SRI LANKA BRANCH
NOTES TO THE FINANCIAL STATEMENTS

			As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
6.	PLACEMENTS WITH FINANCIAL INSTITUTIONS			
	Other placements with financial institutions		19,752,332,802	19,137,336,241
	Less : Allowance for Impairment losses	Note 6.1	(1,756,033)	(7,822,448)
			19,750,576,769	19,129,513,793
6.1	Allowance for Impairment losses			
	As at 01st April		(7,822,449)	(33,025,409)
	Reversal to income statement		6,066,416	25,202,960
	Balance as at 31st March		(1,756,033)	(7,822,449)
7.	FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES			
	Gross loans and advances		7,200,252,533	7,282,860,873
	Stage 1		6,098,666,395	6,977,191,821
	Stage 2		1,100,950,281	180,480,483
	Stage 3		635,857	125,188,569
	Less ; Accumulated impairment		(141,274,940)	(114,337,449)
	Stage 1		(27,649,033)	(88,340,634)
	Stage 2		(112,990,050)	(6,728,213)
	Stage 3		(635,857)	(19,268,602)
	Net loans and advances		7,058,977,593	7,168,523,424
7.1	Net loans and advances by product			
	Term loans		1,321,199,908	2,253,736,397
	Overdraft		3,820,955,297	3,203,545,494
	Short-term loans		1,620,281,157	1,428,351,001
	Trade finance loans		197,944,550	180,754,183
			6,960,380,912	7,066,387,075
	Staff loans		98,596,681	102,136,349
			7,058,977,593	7,168,523,424
7.2	Net loans and advances by currency			
	Local currency - Sri Lankan Rupees		3,402,609,982	1,891,154,431
	Foreign currency		3,656,367,610	5,277,368,993
			7,058,977,592	7,168,523,424

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7. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES (CONTD....)

7.3 Impairment allowance for loans and advances to customers

	Stage 1	Stage 2	Stage 3
Opening balance as at 01st April 2023	88,340,634	6,728,213	19,268,602
Charge/ (write back) to income statement	(60,691,601)	106,261,837	(18,632,745)
Closing balance as at 31st March 2024	27,649,033	112,990,050	635,857

	Stage 1	Stage 2	Stage 3
Opening balance as at 01st April 2022	107,013,950	20,474,510	-
Charge/ (write back) to income statement	(18,673,316)	(13,746,297)	19,268,602
Closing balance as at 31st March 2023	88,340,634	6,728,213	19,268,602

	2024 Rs.	2023 Rs.
8. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS		
		-
Investment in other securities	270,000,000	260,000,000
	270,000,000	259,996,172
9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Debt investments at fair value through other comprehensive income		
Investment in government securities - treasury bills	4,546,886,300	-
	4,546,886,300	-
Equity investments at fair value through other comprehensive income		
Unquoted investments		
- Lanka Clear (Private) Limited (50,000 ordinary shares of Rs. 10/- each)	500,000	500,000
- Credit Information Bureau of Sri Lanka (300 ordinary shares of Rs. 100/- each)	30,000	30,000
	530,000	530,000
	4,547,416,300	530,000
10. OTHER ASSETS		
Deposits and prepayments	18,519,750	7,871,052
Stationery	653,817	1,954,001
Other receivables	4,230,817	5,183,589
ATM settlement receivable	-	962,351
	23,404,384	15,970,993

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11. PROPERTY, PLANT AND EQUIPMENT

11.1 Gross carrying amounts

	Balance As at 01.04.2023	Additions	Disposals/ transfers and write-offs	Currency Translation Adjustment	Balance As at 31.03.2024
At cost					
Freehold building	497,068,962	-	-	-	497,068,962
Motor vehicles	4,333,333	-	-	-	4,333,333
Computer, furniture and fittings	333,183,519	72,302,518	-	-	405,486,037
Capital work in progress	-	-	-	-	-
	834,585,814	72,302,518	-	-	906,888,332
Total gross carrying amount	834,585,814	72,302,518	-	-	906,888,332

	Balance As at 01.04.2022	Additions	Disposals/ transfers and write-offs	Currency Translation Adjustment	Balance As at 31.03.2023
At cost					
Freehold building	497,068,962	-		-	497,068,962
Motor vehicles	4,333,333	-		-	4,333,333
Computer, furniture and fittings	299,931,157	34,253,390	(1,001,028)	-	333,183,519
Capital work in progress	-	-		-	-
	801,333,452	34,253,390	(1,001,028)	-	834,585,814
Total gross carrying amount	801,333,452	34,253,390	(1,001,028)	-	834,585,814

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11. PROPERTY, PLANT AND EQUIPMENT (CONTD....)

11.2 Accumulated depreciation

	Balance As at 01.04.2023	Charge for the year	Disposals/ transfers and write-offs	Currency Translation Adjustment	Balance as at 31.03.2024
At cost					
Freehold building	37,302,440	9,876,968	-	-	47,179,408
Motor vehicles	4,333,333	-	-	-	4,333,333
Computer, furniture and fittings	211,418,948	33,964,902	-	-	245,383,850
	253,054,721	43,841,870	-	-	296,896,591
Total accumulated depreciation	253,054,721	43,841,870	-	-	296,896,591

	Balance As at 01.04.2022	Charge for the year	Disposals/ transfers and write-offs	Currency Translation Adjustment	Balance as at 31.03.2023
At cost					
Freehold building	27,425,471	9,876,968	-	-	37,302,439
Motor vehicles	4,333,333	-	-	-	4,333,333
Computer, furniture and fittings	157,519,218	54,069,744	(170,013)	-	211,418,949
	189,278,022	63,946,712	(170,013)	-	253,054,721
Total accumulated depreciation	189,278,022	63,946,712	(170,013)	-	253,054,721

11.3 Net book values

	As at 31.03.2024 Rs.	As at 31.03.2023 Rs.
At cost		
Freehold building	449,889,554	459,766,522
Computer, furniture and fittings	160,102,187	121,764,571
Total carrying amount of property, plant and equipment	609,991,741	581,531,093

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12. RIGHT-OF-USE ASSETS AND LEASE

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
Right-of-use assets		
Opening balance	21,583,338	24,842,845
Additions during the year	36,325,158	-
Less - Depreciation charges for the period	(8,209,529)	(3,259,507)
As at 31st March	49,698,967	21,583,338
Lease liabilities		
Opening balance	24,358,929	25,273,168
Additions during the year	36,325,158	3,161,357
Add - Interest expenses charged for the period	920,967	53,838
Less- Lease payments made during the period	(15,465,348)	(4,129,434)
As at 31st March	46,139,706	24,358,929
Lease liabilities classified as:		
Current	7,227,710	914,239
Non- current	38,911,996	23,444,690
	46,139,706	24,358,929

(ii) Amounts recognised in the statement of income

The statement of income shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	8,209,529	3,259,507
Interest expense	920,967	53,838
The total cash outflow for leases	15,465,348	4,183,272

13. DUE TO BANKS

Deposits from other banks - Vostros	865,879,618	999,070,953
	865,879,618	999,070,953

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	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
14. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO CUSTOMERS		
14.1 Due to customers - by products		
Demand deposits	4,107,778,229	7,425,980,686
Savings deposits	1,002,470,443	1,154,800,430
Time deposits	4,983,947,167	6,241,262,198
Call deposits	5,256,594	8,305,505
Margin balances	100,079,687	273,723,885
	10,199,532,120	15,104,072,704
14.2 Due to customers - by currency		
Local currency - Sri Lankan Rupees	6,542,102,602	5,890,866,674
Foreign currency - United States Dollar	3,582,217,943	5,763,648,118
Foreign currency - others	75,211,575	3,449,557,912
	10,199,532,120	15,104,072,704
15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - OTHER BORROWINGS		
Foreign borrowings	3,727,685,935	2,457,831,328
	3,727,685,935	2,457,831,328
16. OTHER LIABILITIES		
Accrued expenses	63,849,485	133,280,668
Bills payable	32,640,516	27,777,398
Other liabilities	1,350,609	2,910,728
Withholding tax liability	401,227	4,195,829
Sundry creditors	52,691,290	50,445,727
Deferred commission income	42,320,079	45,882,093
Impairment provision on unfunded facilities [Note 16.1]	32,654,554	21,879,920
	225,907,760	286,372,363
16.1 Impairment provision on unfunded facilities		
Stage 1		
Opening balance as at 01st April	21,879,920	2,912,375
Charge to income statement	10,774,635	18,967,545
Closing balance as at 31st March	32,654,555	21,879,920

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17. EMPLOYEE BENEFIT OBLIGATION

The Bank's defined benefit obligation plan operates under Payment of Gratuity Act No. 12 of 1983. The Bank measures the Present Value of Defined Benefit Obligation (PVDBO) with the advice of an actuary using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefits obligation is based on the actuarial valuation as at 31 March 2024, carried out by Actuarial & Management Consultants (pvt) Ltd, actuaries.

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
As at 1st April	170,029,258	214,277,380
Current service cost	5,554,922	4,909,813
Interest cost	30,492,635	32,141,607
Actuarial loss/(gain) on retirement benefit obligation	96,085,002	(52,418,767)
Payments during the year	(27,197,387)	(28,880,775)
As at 31st March	274,964,430	170,029,258

The key assumptions used by the management include the following,

	2023/2024	2022/2023
Rate of interest	13%	18%
Rate of salary increase	10%	12%
Retirement age	55	55
Average future working life of employees	16	16

17.1 Net benefit expense categorised under personal expenses,

	2023/2024	2022/2023
Current service cost	5,554,922	4,909,813
Interest cost	30,492,635	32,141,607
	36,047,557	37,051,420

Assumptions used

Type of assumption	Criteria	Description
Demographic	Mortality -in service	A 67/70 Mortality table issued by the Institute of Actuaries, London After Retirement - a(90) Annuitants Table (Males & Females) - Issued by the Institute of Actuaries, London
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. The staff turnover rate before completing 25 years of pensionable service: 0.0% p.a. The staff turnover rate after completing 25 years of pensionable service: 2.0% p.a. until normal retirement age
	Normal retirement age	The employees who are aged over the specified retirement age have been assumed to retire on their respective next birthdays.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. The disability rates illustrate the probability of a member becoming disabled within a year of the ages. Disability rates used in the valuation: 10.0% of mortality table
	Lump sum gratuity in lieu of pension	It is assumed that no active employees will opt for payment of lump sum gratuity in lieu of pension at the retirement.
Financial	Rate of discount	Long term rate of discount of 12.50% per annum.
	Salary increases	Increment rate of 10.0% per annum on gross salary with increments are due in April every year.

17. EMPLOYEE BENEFIT OBLIGATION (CONTD...

17.2 In order to illustrate the significance of the salary escalation rates and discount rates assumed in this valuation, a sensitivity analysis for all employees assuming the above is as follows;

	2023/2024 Rs.	2022/2023 Rs.
1% increase in discount rate	(25,748,209)	(10,604,268)
1% decrease in discount rate	31,210,164	12,182,062
1% increase in salary escalation rate	15,965,810	5,735,455
1% decrease in salary escalation rate	(13,648,611)	(4,976,914)

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
18. DEFERRED TAX ASSET		
As at 1st April	26,703,822	34,266,040
Reversal during the year		
Recognised in Income Statement	(9,727,110)	8,163,412
Recognised in Other Comprehensive Income	28,825,501	(15,725,630)
As at 31st March	45,802,213	26,703,822
18.1.1 Deferred tax liabilities		
Accelerated depreciation allowance for tax purposes Property plant and equipment	(36,687,117)	(24,117,237)
	(36,687,117)	(24,117,237)
18.1.2 Deferred tax assets		
On employee benefit obligations	82,489,329	50,821,058
	82,489,329	50,821,058
Net deferred tax asset	45,802,212	26,703,821

Deferred tax has been determined based on the effective tax rate of 30%,as per tax laws issued by department of Inland Revenue.

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
19. ASSIGNED CAPITAL AND OTHER		
Assigned capital	2,442,827,454	2,442,827,454
	2,442,827,454	2,442,827,454

The Bank's assigned capital includes the following;

Assigned capital	1,566,460,000	1,566,460,000
Funds from central office	831,951,309	831,951,309
Support funds	44,416,145	44,416,145
	2,442,827,454	2,442,827,454

Funds from central office and support funds are fund injected by the Head Office to the Branch in addition to the assigned capital.

		As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
20. STATUTORY RESERVE FUND			
As at 1st April		551,928,828	450,954,201
Transfer from the profits during the year	22	65,300,324	100,974,627
As at 31 March		617,229,152	551,928,828

20.1 Five per cent of profits after tax is transferred to the Statutory Reserve Fund as required by Section 20(1) of the Banking Act No 30 of 1988. This reserve fund will be used only for the purposes specified in Section 20 (2) of the Banking Act No 30 of 1988.

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
21. FOREIGN CURRENCY TRANSLATION RESERVE		
Opening balance as at 1st April	5,644,246,189	4,634,817,928
Exchange differences on translations of foreign currency reserves	(808,467,261)	1,009,428,261
Closing balance as at 31st March	4,835,778,928	5,644,246,189

Foreign Currency Translation Reserve represents the effect of currency translation of capital and reserve funds maintained in Foreign Currency Banking Unit due to exchange rate fluctuations.

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
22. RETAINED EARNINGS		
Opening balance as at 1st April	10,052,783,217	7,963,500,086
Balance as at 1 April - Adjusted		
Profit for the Year	1,390,139,033	2,153,564,621
Other comprehensive income for the year	(67,259,501)	36,693,137
Transfers to statutory reserve fund [Note 20]	(65,300,324)	(100,974,627)
Closing balance as at 31st March	11,310,362,425	10,052,783,217
23. OCI RESERVE		
Opening balance as at 1st April	-	(4,949,396)
During the year movement	-	4,949,396
Closing balance as at 31st March	-	-

The Branch has elected to recognise changes in the fair value of certain debt investments in OCI. These changes are accumulated within the FVOCI reserve within equity.

	2023/2024 Rs.	2022/2023 Rs.
24. INTEREST INCOME		
Placements with banks and CBSL	2,193,919,620	2,634,521,577
Government securities - Treasury bills	465,053,476	30,014,080
Loans and advances to customers	616,131,894	1,268,490,541
	3,275,104,990	3,933,026,198
25. INTEREST EXPENSE		
Due to customers	359,628,170	455,233,013
Money market and other borrowings	207,024,922	326,093,813
Interest expense on lease liability	920,967	53,838
	567,574,059	781,380,664

	2023/2024 Rs.	2022/2023 Rs.
26. FEES AND COMMISSION INCOME		
Commission on trade finance facilities	98,857,011	216,321,912
Commission on guarantees	123,959,207	97,063,990
Commission on remittances	32,910,560	32,110,082
Loan Processing Fee	38,897,591	39,974,304
Commission on SWIFT operations	11,624,401	12,509,405
Commission on other banking services	21,433,176	20,990,095
	327,681,946	418,969,788
27. OTHER OPERATING INCOME		
Dividend income	1,018,810	1,092,500
Foreign exchange gain	255,764,925	476,978,895
Rent income	1,949,498	1,877,238
	258,733,233	479,948,633
28. IMPAIRMENT CHARGES/ (REVERSALS) AND OTHER LOSSES		
Loans and advances	26,301,634	(13,151,011)
Placements with Banks	(6,066,416)	(25,202,960)
Placements with Banks - SDF	54,098,720	-
Fixed deposits	-	(3,828)
Unfunded facilities	10,774,635	18,967,545
	85,108,573	(19,390,254)
Impairment charge/ (reversal) on loans and receivables from other customers	26,301,634	(13,151,011)
Impairment charge/ (reversal) on Investment and placements	48,032,304	(25,206,788)
Impairment charge on off balance sheet obligations	10,774,635	18,967,545
	85,108,573	(19,390,254)
29. PERSONNEL EXPENSES		
Salaries	132,816,422	179,809,552
Employee benefits - defined benefit plan	(14,985,979)	7,141,632
Employee benefits - defined contribution plan	16,133,392	18,241,411
Employee Provident Fund (EPF)	12,914,650	14,640,475
Employee Trust Fund (ETF)	3,218,742	3,600,936
Bonus	16,039,349	7,864,302
Other allowances	33,048,198	27,673,665
	183,051,382	240,730,562

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	2023/2024 Rs.	2022/2023 Rs.
30. OTHER OPERATING EXPENSES		
Auditor's emoluments		
Statutory Audit Fees	4,199,384	5,258,022
Internal and other audit fee	7,851,515	7,242,306
Professional and legal expenses	2,845,547	4,750,982
Office administration and establishment expenses	37,430,383	15,769,040
Repairs and maintenance of premises,computer and electricity expenses	76,967,139	52,729,591
Advertisement	1,439,098	1,075,983
Security charges	10,503,747	9,067,305
Head office expenses	42,145,291	17,342,472
Insurance	11,500,952	18,963,393
Subscription	1,047,665	711,283
Loss from disposal of property, plant and equipment	-	831,015
Rent, rates and taxes	43,502,226	43,824,518
Miscellaneous expenses	39,375,481	35,493,733
Nostro accounts maintenance expenses	9,187,092	14,301,920
License fees	5,251,104	4,413,179
	293,246,624	231,774,742
Freehold building	9,876,968	9,876,968
Computer, furniture and fittings	33,964,902	54,069,744
Right of use asset	8,209,529	3,259,507
	52,051,399	67,206,219

31. INCOME TAX AND OTHER TAXES AND LEVIES

31.1 Taxes and levies on financial services

	2023/2024 Rs.	2022/2023 Rs.
Value Added Tax (VAT)	421,418,890	530,035,957
Social Security Contribution Levy (SSCL)	58,494,233	43,831,020
	479,913,123	573,866,977

31.2 Income tax expense

	2023/2024 Rs.	2022/2023 Rs.
Current income tax		
Current income tax on profit for the year [Note 31.3]	800,708,866	806,025,104
Deferred tax charge / (reversal) for the year	9,727,110	(8,163,412)
	810,435,976	797,861,692
Current tax liability/ (asset)		
Opening balance	743,245,935	178,398,114
Current tax for the year	800,708,866	806,025,104
Payments made during the year	(951,896,461)	(250,832,433)
Other adjustments	(5,166,649)	9,655,150
Closing balance	586,891,691	743,245,935

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		2023/2024 Rs.	2022/2023 Rs.

31. INCOME TAX AND OTHER TAXES AND LEVIES (CONTD....)

31.3 Reconciliation between the current tax expenses and the accounting profit:

	2023/2024 Rs.	2022/2023 Rs.
Accounting profit before taxation	2,680,488,132	3,525,293,290
Tax at the applicable tax rate of 30% in 2024 and in 2023	804,146,440	951,829,188
Tax effect from expenses not deductible for tax purposes	113,034,776	111,463,557
Tax effect from Allowable deductions and income not subject to tax	(116,472,350)	(257,267,641)
Current income tax on profit for the year	800,708,866	806,025,104
Deferred tax (reversal) / charge for the year	9,727,110	(8,163,412)
Income Tax Expense	810,435,976	797,861,692

32. CASH FLOW INFORMATION

Cash flows from operating activities

32.1 Reconciliation of operating profit

		2023/2024 Rs.	2022/2023 Rs.
Profit before tax		2,200,575,009	2,951,426,313
Loss on disposal of property, plant and equipment		-	831,015
Depreciation of property plant and equipment	11	43,841,870	63,946,712
Depreciation of right to use asset	12	8,209,529	3,259,507
Impairment charge / (reversal) for loans and advances	28	26,301,634	(13,151,011)
Impairment reversal for investment and unfunded facilities	28	48,032,305	(6,235,415)
Over/under provision adjustment		(5,166,649)	-
Gratuity expense	17.1	36,047,557	37,051,420
Interest on lease creditor	12	920,967	53,838
		2,358,762,222	3,037,182,379

32.2 (Increase)/ decrease in operating assets

	2023/2024 Rs.	2022/2023 Rs.
Placement with banks	(614,996,561)	(4,933,228,142)
Balances with Central Bank of Sri Lanka	4,814,080,351	3,356,253,439
Loans and advances to customers	83,244,197	14,208,678,800
Other assets	(7,433,391)	18,423,886
	4,274,894,596	12,650,127,983

32.3 (Decrease)/ increase in operating liabilities

	2023/2024 Rs.	2022/2023 Rs.
Due to banks (Vostro)	(133,191,335)	49,597,372
Due to customers	(4,904,540,584)	(5,380,795,152)
Other borrowing	1,269,854,607	(12,275,335,710)
Other liabilities	(60,464,603)	(27,687,420)
	(3,828,341,915)	(17,634,220,910)

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33. RELATED PARTY DISCLOSURE

The Bank carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details of which are reported below.

Details of significant related party disclosures are as follows,

	2023/2024 Rs.	2022/2023 Rs.
33.1 Transactions with Key Management Personnel		
Short term employee benefits	47,392,459	62,336,725
Contributions to defined contribution plans	4,807,373	5,664,237
	52,199,832	68,000,962
Total loans	749,701	3,509,464
Less: Allowance for impairment	(1,002)	(11,498)
	748,699	3,497,966
Total deposits	21,696,467	10,431,949
	21,696,467	10,431,949

The loans to key management personnel are generally for periods of ten years, repayable in monthly instalments at interest rates between 4% to 6%. Loans are secured by Provident Fund balances and first mortgages over the individuals' residences and vehicles.

33.2 Transactions with affiliate branches
Items in the statement of financial position

	2023/2024 Rs.	2022/2023 Rs.
Balances due from Banks (Nostro Balances)		
SBI-Colombo Branch	652,852,353	760,331,764
SBI Colombo Mirror USD A/C	48,872	4,657,281
Euro Mirror A/C FCBU	108,679	3,406,633,455
SBI Trincomalee Branch	33,107,985	-
Inter-Branch Placement	1,201,733,200	3,047,300,310
	1,887,851,089	7,218,922,810
Balances due to Banks (Vostro Balances)		
SBI-Kandy Branch	652,852,353	760,331,764
SBI Kandy Branch USD A/C	48,872	4,657,281
Euro Mirror A/C DBU	108,679	3,406,629,886
SBI-Colombo Branch	33,107,985	-
Inter-Branch borrowing	1,201,733,200	3,047,300,310
	1,887,851,089	7,218,919,241

33.3 Transactions with State Bank of India Sri Lanka Operations - Employee Provident Fund
Items in the statement of financial position
Liabili Liabilities

	2023/2024 Rs.	2022/2023 Rs.
Saving deposit	85,485,391	68,961,385
	85,485,391	68,961,385
Items in the statement of comprehensive income		
Employee benefits - Employee Provident Fund		
Interest expense	6,270,000	13,796,922
	6,270,000	13,796,922

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As at 31 March	Within 12 Months	After 12 Months	As At 31.03.2024 Total	Within 12 Months	After 12 Months	As At 31.03.2023 Total
Assets						
Cash and cash equivalents	1,718,463,795	-	1,718,463,795	5,345,364,167	-	5,345,364,167
Balances with Central Bank of Sri Lanka	1,058,867,458	-	1,058,867,458	5,927,046,529	-	5,927,046,529
Placements with financial institutions	19,750,576,769	-	19,750,576,769	19,129,513,793	-	19,129,513,793
Financial assets at amortised cost	270,000,000	-	270,000,000	260,000,000	-	260,000,000
Loans and advances to customers	6,110,646,886	948,330,707	7,058,977,593	5,921,979,351	1,246,544,073	7,168,523,424
Financial assets measured at fair value through	-	-	-	-	-	-
other comprehensive income	4,546,886,300	530,000	4,547,416,300	-	530,000	530,000
Other assets	23,404,384	-	23,404,384	15,970,993	-	15,970,993
Property, plant and equipment	-	609,991,741	609,991,741	-	581,531,093	581,531,093
Deferred tax asset	45,802,212	-	45,802,212	26,703,821	-	26,703,821
Right of Use (RoU) asset	-	49,698,967	49,698,967	-	21,583,338	21,583,338
Total assets	33,524,647,804	1,608,551,415	35,133,199,219	36,626,578,654	1,850,188,504	38,476,767,158
Liabilities						
Due to banks	865,879,618	-	865,879,618	999,070,953	-	999,070,953
Due to customers	10,118,095,736	81,436,384	10,199,532,120	15,039,337,787	64,734,917	15,104,072,704
Other borrowings	3,727,685,935		3,727,685,935	2,457,831,328	-	2,457,831,328
Assigned capital	-	2,442,827,454	2,442,827,454	-	2,442,827,454	2,442,827,454
Statutory reserve fund	-	617,229,152	617,229,152	-	551,928,828	551,928,828
Retained earnings	-	11,310,362,425	11,310,362,425	-	10,052,783,217	10,052,783,217
Other reserves	-	4,835,778,928	4,835,778,928	-	5,644,246,189	5,644,246,189
Lease liability	7,227,710	38,911,996	46,139,706	-	24,358,929	24,358,929
Current tax liabilities	586,891,691	-	586,891,691	743,245,935	-	743,245,935
Other liabilities	225,907,760	-	225,907,760	286,372,363	-	286,372,363
Employee benefit liability	-	274,964,430	274,964,430	-	170,029,258	170,029,258
Total liabilities	15,531,688,450	19,601,510,769	35,133,199,219	19,525,858,366	18,950,908,792	38,476,767,158

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35. FAIR VALUE MEASUREMENT

35.1 Fair value measurement hierarchy for assets as at 31 March 2024

35.1.1 Assets measured at fair value

The following table provides an analysis of assets recorded at fair value by level of the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the statement of financial positions. Please refer Note 2.3.2 of the financial statements on accounting policies of fair value measurement.

Bank	Date of valuation	Total Rs.	Quoted prices in active market (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.
As At 31 March 2024					
Assets measured at fair value					
Financial assets measured at fair value through other comprehensive income :					
Investment in government securities - treasury bills	31-Mar-24	4,546,886,300	4,546,886,300	-	-
Unquoted investments in Lanka Clear (Private) Limited and Credit Information Bureau of Sri Lanka	31-Mar-24	530,000	-	-	530,000
		4,547,416,300	4,546,886,300	-	530,000

	Date of valuation	Total Rs.	Quoted prices in active market (Level 1) Rs.	Significant observable inputs (Level 2) Rs.	Significant unobservable inputs (Level 3) Rs.
As At 31 March 2023					
Assets measured at fair value					
Financial assets measured at fair value through other comprehensive income :					
Unquoted investments in Lanka Clear (Private) Limited and Credit Information Bureau of Sri Lanka	31/3/2023	530,000	-	-	530,000
		530,000	-	-	530,000

35.1.2 Assets not carried at fair value for which fair values are disclosed

	As At 31.03.2024 Rs.	As At 31.03.2023 Rs.
Other financial assets	22,797,908,022	30,661,924,489
Loans and advances to customers	7,058,977,593	7,168,523,424
	29,856,885,615	37,830,447,913

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35. FAIR VALUE MEASUREMENT (CONTD....)

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

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which have not already been recorded at fair value in the financial statements.

Assets	As At 31.03.2024 Fair Value Rs.	As At 31.03.2024 Carrying Value Rs.	As At 31.03.2023 Fair Value Rs.	As At 31.03.2023 Carrying Value Rs.
Other financial assets	22,797,908,022	22,797,908,022	30,661,924,489	30,661,924,489
	22,797,908,022	22,797,908,022	30,661,924,489	30,661,924,489

Assets for which fair value approximates carrying value

For financial instruments other than "Loans and receivables to other customers", carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature or re-price to current market rates frequently.

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature to reprice to current market rates frequently;

Assets	Liabilities
Cash and cash equivalents	Due to Banks
Balances with Central Bank of Sri Lanka	Other Borrowings
	Due to Customers

Fixed rate financial instruments

Carrying amounts are considered as fair values for short-term credit facilities. Loans and advances with fixed interest rates were fair valued using the market rates at which fresh loans were granted during the fourth quarter of the reporting year. Interest rates based on treasury bond rates with similar tenors with an adjustment for risk premium have been used to arrive at the fair value of debentures and trust certificates.

36. RISK MANAGEMENT

36.1 Bank Risk Management Approach & Risk Culture

We promote a strong risk culture where the employees at all levels are responsible for the management and escalation. We expect employees to exhibit behaviours 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 supervises broad risk categories i.e. credit, credit concentration, market, operational, country, residual, liquidity, interest rate, reputational, strategic, compliance and IT/IS risks and has the power to recommend the risk appetite as well as the risk management strategies for SBI SL. The Committee takes prompt and 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 keeps 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 the 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 CGM (Risk Management) and administratively to Deputy Managing Director (IBG). CGM (Risk Management) 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.

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36. RISK MANAGEMENT (CONTD....)

36.2 Credit risk

36.2.1 Introduction

Credit risk refers to the potential loss resulting from the failure of a customer/ borrower or counterparty to honour 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 Standardised 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 that the exposure to the counterparties are appropriately secured. Risk tolerance limits for SBI SL's activities in credit risks are outlined in the Loan policy. A consistent standard has 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 generates 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 benchmark ratios, with flexibility for deviation in deserving cases. The conditions subject to which the deviations 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, 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 the 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 analysed 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.

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36. RISK MANAGEMENT (CONTD....)

36.2 Credit risk (contd....)

36.2.2 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 recognises 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 prudential limits set by regulators. In addition to the 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. Reports on all substantial exposures are submitted to ALCO or RCOM if there is a deviation from these limits.

36.3 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 the 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 countrywise exposure limits and utilisation 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 takes 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.

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36. RISK MANAGEMENT (CONTD....)

36.4 Credit risk exposure

The total gross loans and receivables from all credit customers of the Bank stood at Rs. 7.200 Bn as at 31 March 2024 (31 March 2023 - Rs. 7.283 Bn) . Please refer Note 7 for the product wise loans and advances.

36.4.1 Commitments and contingencies

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the bank.

	As at 31 March	
	2024	2023
Guarantees	15,878,895,487	21,282,964,739
Letter of Credit	9,668,980,145	10,127,207,464
Bills for collection	6,110,499,336	6,117,671,970
Forward & spot contracts	179,418,946	-
Advances under collection	3,250,404,899	3,532,625,054
Acceptances	308,550,641	955,013,537
Undrawn commitments	7,479,880,188	5,116,247,786
	42,876,629,642	47,131,730,550

The maximum exposure to credit risk relating to guarantees is the maximum amount the Bank has to pay if the guarantees are called upon. In case of Letters of Credit, the Bank is liable to honour any complying presentation upto the aggregate amount above. Figure reported for Bills under collection consists of collection bills received / sent on collection. The Bank does not have any liability towards the importer or exporter on these. Advances under collection are the NPLs, which have been written off from the on-balance sheet and parked in AUCA (A/Cs under collection) as off-balance sheet / contingent items. Acceptances figure consists of bills accepted for purchase under LC. The Bank is liable to settle the full amount on the due date. Undrawn commitments consist of facilities granted to customers where the Bank reserves the right to unconditionally cancel or recall the facility at it's discretion.

Pending litigations against the Branch as at 31 March 2024

01. WP HCCA LA 107/2004 (F): Appeal application filed by the Bank against the Order of the District Court in DC Colombo Case 3902/Spl directing the Bank to reimburse a sum of USD 290,000/- to liquidators. When the captioned matter was last called on, it was refixed for Argument on the 16th and 21st of January, 2025.

02. 4431/21DMR: Proceedings were instituted against the Bank by Siem Construction Pvt Ltd, alleging that a sum of LKR 14,426,911.66 is due and owing for construction services rendered by them to the Bank. The Case was transferred from the roll court No.8 to the hearing court and heard again before District Court No.6 on 12th July 2024 and it has been fixed for next hearing on 22.11.2024.

03. SBISL has issued an LC under Indian Credit Line on behalf of our customer M/s Convenience Foods Pvt. Ltd. for import of Chillie Powder. As per the mechanism of Indian Credit Line at maturity payment to be done to Bank of Ceylon. Afterwards, the Indian Credit Facility Coordinating Unit (ICFCU) at Ministry of Finance along with High Commission of India (HCI) in Sri Lanka issued the payment order for ultimate settlement to the beneficiary in India in INR. In the referred transaction although we have transferred funds to Bank of Ceylon at maturity date ICFCU and HCI has not issued the payment order as Sri Lanka Customs and the Health Ministry has not granted the permission for release of the goods and same was later destroyed. Funds have not been credited to beneficiary. Instead, funds were returned to applicant by ICFCU. The Beneficiary has filed the case in Commercial High Court, Colombo making applicant and SBI as defendants claiming his funds. SBISL has assigned the case to bank's empanelled law firm M/s Nithya Partners.

36. RISK MANAGEMENT (CONTD....)

36.4.2 Analysis of risk concentration

The following table shows the risk concentration by industry for the risk concentration related components of the statement of financial position.

As at 31 March 2024	Agriculture and fisheries	Financial services	Government	Manufacturing	Construction and housing	Traders	Other	Total
Cash and cash equivalents	-	1,718,463,795	-	-	-	-	-	1,718,463,795
Balances with Central Bank of Sri Lanka	-	1,058,867,458	-	-	-	-	-	1,058,867,458
Placements with financial institutions	-	19,750,576,769	-	-	-	-	-	19,750,576,769
Financial assets at amortised cost	-	270,000,000	-	-	-	-	-	270,000,000
Financial assets measured at fair value	-	4,547,416,300	-	-	-	-	-	4,547,416,300
Other assets	-	728,897,304	-	-	-	-	-	728,897,304
Total other financial assets	-	28,074,221,626	-	-	-	-	-	28,074,221,626
Loans and advances to customers								
Net loans and advances	2,165,355,398	197,944,550		2,206,778,943	91,528,033	2,079,362,846	318,007,821	7,058,977,591
Total	2,165,355,398	28,272,166,176	-	2,206,778,943	91,528,033	2,079,362,846	318,007,821	35,133,199,217

As at 31 March 2023	Agriculture and fisheries	Financial services	Government	Manufacturing	Construction and housing	Traders	Other	Total
Cash and cash equivalents	-	5,345,364,167	-	-	-	-	-	5,345,364,167
Balances with Central Bank of Sri Lanka	-	5,927,046,529	-	-	-	-	-	5,927,046,529
Placements with financial institutions	-	19,129,513,793	-	-	-	-	-	19,129,513,793
Financial assets at amortised cost	-	260,000,000	-	-	-	-	-	260,000,000
Financial assets measured at fair value	-	530,000	-	-	-	-	-	530,000
Other assets	-	645,789,245	-	-	-	-	-	645,789,245
Total other financial assets	-	31,308,243,734	-	-	-	-	-	31,308,243,734
Loans and advances to customers								
Net loans and advances	1,967,208,077	629,007,991	-	2,818,230,075	103,571,314	1,440,605,602	209,900,365	7,168,523,424
Total	1,967,208,077	31,937,251,725	-	2,818,230,075	103,571,314	1,440,605,602	209,900,365	38,476,767,158

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36. RISK MANAGEMENT (CONTD....)

36.4.3 Credit quality analysis

Credit quality of financial assets

The table below shows the credit quality by class of financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

As at 31 March 2024	Neither past due nor impaired	Past due but not individually impaired	Individually Impaired	2024 Total
Cash and cash equivalents	1,718,463,795	-	-	1,718,463,795
Balances with Central Bank of Sri Lanka	1,058,867,458	-	-	1,058,867,458
Placements with financial institutions	19,752,332,802	-	-	19,752,332,802
Financial assets at amortised cost				-
- Gross loans and advances to customers	7,200,252,533	-	635,857	7,200,888,390
Term loans	1,367,324,307	-	635,857	1,367,960,164
Overdraft	3,908,988,358	-	-	3,908,988,358
Short term loans	1,627,083,186	-	-	1,627,083,186
Trade finance loans	198,109,182	-	-	198,109,182
Staff loans	98,747,498	-	-	98,747,498
- Debt and other instruments	270,000,000	-	-	270,000,000
Financial assets at fair value through other	4,547,416,300	-	-	4,547,416,300
Contingencies and commitments	42,876,629,642	-	-	42,876,629,642
Total	34,547,332,888	-	635,857	34,547,968,745

As at 31 March 2023	Neither past due nor impaired	Past due but not individually	Individually Impaired	2023 Total
Cash and cash equivalents	5,345,364,167	-	-	5,345,364,167
Balances with Central Bank of Sri Lanka	5,927,046,529	-	-	5,927,046,529
Placements with financial institutions	19,137,336,241	-	-	19,137,336,241
Financial assets at amortised cost				-
- Gross loans and advances to customers	7,282,860,873	-	125,188,569	7,408,049,442
Term loans	2,275,962,432	-	721,931	2,276,684,363
Overdraft	3,288,068,791	-	124,466,638	3,412,535,429
Short term loans	1,435,338,278	-	-	1,435,338,278
Trade finance loans	180,955,000	-	-	180,955,000
Staff loans	102,536,372	-	-	102,536,372
- Debt and other instruments	260,000,000	-	-	260,000,000
Financial assets at fair value through other	530,000	-	-	530,000
Contingencies and commitments	42,876,629,642	-	-	42,876,629,642
Total	80,829,767,452	-	125,188,569	80,954,956,021

Note : Past due loans include any loan that are in arrears for one day and above.

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36. RISK MANAGEMENT (CONTD....)

36.4.3 Credit quality analysis (contd....)

Maximum exposure to credit risk by risk rating (SLFRS 09)

Bank's financial instruments portfolio is divided into Funded, Unfunded, Investments & Placements. These categories are further sub categorised into SME, Corporate & Retail and credit quality of such facilities are determined as below based on internal risk rating.

Investments, Placements and Money at Call are based on Fitch Credit Ratings

Investments, Placements and Money at call as at 31 March 2024	Carrying amount	Subject to 12 month ECL (Stage 1)	Subject to Lifetime ECL (Stage 2)	Subject to Lifetime ECL (Stage 3)
A	4,200,000,000	4,200,000,000		
A-	1,700,000,000	1,700,000,000		
AA-	270,000,000	270,000,000	-	-
BB+	6,858,666,000	6,858,666,000		
BBB-	7,510,832,500	7,510,832,500		
CCC	1,000,000,000	1,000,000,000	-	-
	21,539,498,500	21,539,498,500	-	-

Investments, Placements and Money at call as at 31 March 2023	Carrying amount	Subject to 12 month ECL (Stage 1)	Subject to Lifetime ECL (Stage 2)	Subject to Lifetime ECL (Stage 3)
AAA	260,000,000	260,000,000	-	-
A	2,000,000,000	2,000,000,000	-	-
A-	4,000,000,000	4,000,000,000	-	-
BBB-	17,545,544,340	17,545,544,340	-	-
	23,805,544,340	23,805,544,340	-	-

Loans & Advances are based on Internal Ratings and External ratings are mapped to Internal ratings

Loans and Advances to customers as at 31 March 2024	Carrying amount	Subject to 12 month ECL (Stage 1)	Subject to Lifetime ECL (Stage 2)	Subject to Lifetime ECL (Stage 3)
Rating 1-3	1,922,857,171	1,922,857,171	-	-
Rating 4-7	2,688,316,311	2,688,316,311	-	-
Rating 8-9	1,327,894,746	800,858,262	527,036,485	-
Rating 10-13	318,076,085	189,430,056	128,646,029	-
Rating 14-16	445,903,624	-	445,267,767	635,857
Unrated	497,204,594	497,204,594	-	-
	7,200,252,531	6,098,666,394	1,100,950,281	635,857

Loans and Advances to customers as at 31 March 2023	Carrying amount	Subject to 12 month ECL (Stage 1)	Subject to Lifetime ECL (Stage 2)	Subject to Lifetime ECL (Stage 3)
Rating 1-3	928,188,443	928,188,443	-	-
Rating 4-7	2,361,452,249	2,361,452,249	-	-
Rating 8-9	3,042,821,262	2,862,340,779	180,480,483	-
Rating 10-13	483,328,936	358,862,297	-	124,466,638
Rating 14-16	-	-	-	-
Unrated	467,069,983	466,348,053	-	721,931
	7,282,860,873	6,977,191,821	180,480,483	125,188,569

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36. RISK MANAGEMENT (CONTD....)

36.4.3 Credit quality analysis (contd....)

Financial assets are classified to stage 2, if they have a significant increase in credit risk since the initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. Criteria used by the bank in order to categorise as Stage 2 are as follows.

- Internal ratings 7 to 9A or facilities with external ratings B to C will be directly categorized in stage 2.
- 2 or more grade: for facilities which were internally rated 3 to 4 (or external ratings of AAA to BBB)
- 1 or more grade: for other facilities which were internally rated 5 to 7 (or external ratings from BBB to BB and below) at inception

stage 3 financial instruments are considered to be impaired and ECL is calculated measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

When assessing the collective impairment, exposures outstanding from customers in industries identified by the Bank having an elevated risk e.g. tourism & hospitality were classified as stage 2 & 3 and assessed for lifetime ECLs. Further, all customers within a debt moratorium or a debt restructuring arranged on their request, are closely monitored on an ongoing basis for any adverse developments in the customers' credit quality and assessed on a case - by - case basis whether the movement to Stage 2 or whether consideration as credit-impaired would be necessary. In addition to the on-going monitoring process, when assessing the expected credit losses, the Bank considered the potential impact of the COVID-19 outbreak based on the available information.

Ageing of past due but not individually impaired financial assets

Financial assets except for mentioned in below, are not past due and are not individually impaired.

As at 31 Mar 2024	Past due below 3 months but not impaired	Past due 3-12 months but not impaired	Past due more than 12 months but not impaired	Total past due but not impaired
Term loans	696,757,609	-	-	696,757,609
Overdraft	-	-	-	-
Short term loans	-	-	-	-
Trade finance loans	-	-	-	-
Staff Loans	-	-	-	-
Total	696,757,609	-	-	696,757,609

As at 31 Mar 2023	Past due below 3 months but not individually impaired	Past due 3-12 months but not individually impaired	Past due more than 12 months but not individually impaired	Total past due but not individually impaired
	841,242,471	-	-	841,242,471
Overdraft	-	-	-	-
Short term loans	-	-	-	-
Trade finance loans	-	-	-	-
Staff Loans	-	-	-	-
Total	841,242,471	-	-	841,242,471

Please refer Note 8 for the individual and collective impairment with respect to loans and advances to customers.

The Bank does not rebut the 30 DPD presumption as a key SICR criterion. Thus any financial instrument with 30 DPD is classified as Stage 2. As of 31.03.2022, no financial instrument was more than 30 DPD except for stage 3 classified facilities.

36. RISK MANAGEMENT (CONTD....)

36.4.3 Credit quality analysis (contd....)

Definition of default
The Bank has set out the following definition of default.

- Days Past Due: Exposures that have one or more instalment past due for more than 90 days. This will be consistent with the rebuttable criteria set out by SLFRS 9 and existing practice of the Bank.

Apart from risk ratings and DPD data, following will be considered to determine significant increase in credit risk of the customers.

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments
- When a significant change in the geographical locations of a customer or natural catastrophes that directly impact the performance of a customer/group of customers or an instrument
- When the value of collateral is significantly reduced. (Limits shall be set and documented by SBI SL)
- When a customer is subject to litigation, that may significantly affect the performance
- Frequent changes in the senior management of an institutional customer
- Delay in the commencement of business operations/projects by more than one year
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc
- When the customer is deceased / insolvent
- When the bank is unable to contact or find the customer
- A fall of 50% or more in the turnover or profit before tax of the customer as compared to the previous year
- Erosion in net-worth by more than 25% as compared to the previous year

36.4.4 Collateral and other credit enhancements

The amount and type of collaterals required depend on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

For commercial lending: charges over real estate properties, cash, inventory and trade receivable, shares etc.

For retail lending: mortgages over residential properties, motor vehicles etc.

The Bank also obtains guarantees from parent companies as securities against loans granted to their subsidiaries.

In order to determine the market value of collaterals for calculation of ECL, the bank conducts revaluations of mortgaged property, plant and machinery every 3 years through an external independent valuer as specified in CBSL direction No. Direction No. 03 of 2008 - Classification of loans and advances, income recognition and provisioning and in line with banks internal policies and procedures.

Management monitors the market value of collaterals and will request additional collaterals if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose re-possessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

There was no change in the Bank's collateral policy during the year. Further, the Bank did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The bank considers any collateral as eligible for SLFRS 9 as per the policies set by the bank and as per the regulations issued by CBSL for the calculation of ECL.

The Bank has not recognised a loss allowance for financial instruments which are fully secured against cash collaterals.

As at 31 March 2024	Maximum exposure to credit risk	Net collateral value	Net exposure
Cash and cash equivalents	1,718,463,795	-	1,718,463,795
Balances with Central Bank of Sri Lanka	1,058,867,458	-	1,058,867,458
Placements with financial institutions	19,750,576,769	-	19,750,576,769
Loans and advances to customers	7,058,977,592	6,689,257,597	369,719,995
Debt and other instruments	270,000,000	-	270,000,000
Financial assets measured at fair value through other comprehensive income	4,547,416,300	-	4,547,416,300
	34,404,301,914	6,689,257,597	27,715,044,317

36. RISK MANAGEMENT (CONTD....)

36.4.4 Collateral and other credit enhancements (contd....)

As at 31 March 2023	Maximum exposure to credit risk	Net collateral value	Net exposure
Cash and cash equivalents	5,345,364,167	-	5,345,364,167
Balances with Central Bank of Sri Lanka	5,927,046,529	-	5,927,046,529
Placements with financial institutions	19,129,513,793	-	19,129,513,793
Loans and advances to customers	7,168,523,424	6,597,276,587	571,246,837
Debt and other instruments	260,000,000	-	260,000,000
Financial assets measured at fair value through other comprehensive	530,000	-	530,000
	37,830,977,913	6,597,276,587	31,233,701,326

The Bank has not recognised a loss allowance for financial instruments which are fully secured against cash collaterals.

36.5 Market risk

Introduction

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 of 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 uses 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 the banking/trading book and the asset and liability position of the Bank and duties are segregated in line with the best practices into 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 the market risk dashboards and assists in review of the Bank's market risk related policies and exposure limits supporting ALCO for decision-making. ALCO manages market risk exposures and profitability ensuring that risks taken commensurate with the rewards and manages within the risk appetite of the Bank. The Risk Management Committee is responsible for adopting up policies and other standards for managing market risk.

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

36. RISK MANAGEMENT (CONTD....)

36.5 Market risk (contd....)

36.5.1 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 categorised 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 analysing 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 have not been 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 is 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.

Interest Rate sensitivity gap analysis as at 31 March 2024

	Total Rs.	< 1 Month	1- 3 Months	3-6 Months	6 Months - 1 Year	1 Year - 2 Years	2 Years - 3 Years	3 Years - 5 Years	5 Years - 10 Years	Over 10 Years	Not exposed to interest rate risk
Financial assets	34,404,301,915	11,646,331,983	7,855,179,764	6,353,948,726	6,618,988,026	296,269,631	296,269,631	271,409,626	84,378,155	530,000	980,996,373
Cash and cash equivalents	1,718,463,795	850,836,438	-	-	-	-	-	-	-	-	867,627,357
Balances with Central Bank of Sri Lanka	1,058,867,458	946,788,643	-	-	-	-	-	-	-	-	112,078,815
Placements with financial institutions	19,750,576,770	5,924,346,028	1,577,283,331	6,208,105,184	6,040,842,227	-	-	-	-	-	-
Financial assets at amortised cost	270,000,000	-	-	-	270,000,000	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	4,547,416,300	-	4,546,886,300	-	-	-	-	-	-	530,000	-
Net loans and advances to customers	7,058,977,592	3,924,360,874	1,731,010,133	145,843,542	308,145,799	296,269,631	296,269,631	271,409,626	84,378,155		1,290,201
Financial liabilities	14,793,097,673	5,968,039,136	675,632,119	671,384,477	2,322,868,023	81,436,384	-	-	-	-	5,073,737,534
Due to banks	865,879,618	-	-	-	-	-	-	-	-	-	865,879,618
Due to customers	10,199,532,120	2,240,353,201	675,632,119	671,384,477	2,322,868,023	81,436,384					4,207,857,916
Other borrowings	3,727,685,935	3,727,685,935	-	-	-	-	-	-	-	-	-
Total Interest Rate sensitivity gap	49,197,399,588	17,614,371,119	8,530,811,883	7,025,333,203	8,941,856,049	377,706,015	296,269,631	271,409,626	84,378,155	530,000	6,054,733,907

Increase/ (decrease) in Interest Rate	2024 Sensitivity to profit before tax Rs.
Rates moving up by 1%	271,044,078
Rates moving up by 2%	361,392,104
Rates moving up by 2.5%	451,740,130
Rates moving down by 1%	(271,044,078)
Rates moving down by 2%	(361,392,104)
Rates moving down by 2.5%	(451,740,130)

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36. RISK MANAGEMENT (CONTD.....)

36.5 Market risk (contd....)

36.5.1 Interest Rate Risk (Contd...)

Interest Rate sensitivity gap analysis as at 31 March 2023

	Total Rs.	< 1 Month	1- 3 Months	3-6 Months	6 Months - 1 Year	1 Year - 2 Years	2 Years - 3 Years	3 Years - 5 Years	5 Years - 10 Years	Over 10 Years	Not exposed to interest rate risk
Financial assets	37,830,977,913	17,407,144,560	7,155,534,448	6,997,981,283	3,816,084,262	345,483,638	345,483,638	412,488,711	88,069,517	55,548,570	1,207,159,286
Cash and cash equivalents	5,345,364,167	4,502,034,246	-	-	-	-	-	-	-	-	843,329,921
Balances with Central Bank of Sri Lanka	5,927,046,529	5,565,250,416	-	-	-	-	-	-	-	-	361,796,113
Placements with financial institutions	19,129,513,793	4,056,494,816	5,220,657,723	6,568,131,156	3,284,230,098	-	-	-	-	-	-
Financial assets at amortised cost	260,000,000	-	-	-	260,000,000	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	530,000	-	-	-	-	-	-	-	-	530,000	-
Net loans and advances to customers	7,168,523,424	3,283,365,082	1,934,876,725	429,850,127	271,854,164	345,483,638	345,483,638	412,488,711	88,069,517	55,018,570	2,033,252
Financial liabilities	18,560,974,985	4,333,719,672	1,277,809,688	1,581,498,730	2,604,436,454	64,734,917	-	-	-	-	8,698,775,524
Due to banks	999,070,953	-	-	-	-	-	-	-	-	-	999,070,953
Due to customers	15,104,072,704	1,875,888,344	1,277,809,688	1,581,498,730	2,604,436,454	64,734,917	-	-	-	-	7,699,704,571
Other borrowings	2,457,831,328	2,457,831,328	-	-	-	-	-	-	-	-	-
Total Interest Rate sensitivity gap	19,270,002,928	13,073,424,888	5,877,724,760	5,416,482,553	1,211,647,808	280,748,721	345,483,638	412,488,711	88,069,517	55,548,570	(7,491,616,238)

The following table demonstrates the sensitivity of the Bank's income statement to a reasonably possible parallel shift in the interest rate yield curve, with all other variables held constant.

Increase/ (decrease) in Interest Rate	2023 Sensitivity to profit before tax Rs.
Rates moving up by 1%	140,603,515
Rates moving up by 2%	210,905,273
Rates moving up by 2.5%	281,207,030
Rates moving down by 1%	(140,603,515)
Rates moving down by 2%	(210,905,273)
Rates moving down by 2.5%	(281,207,030)

36. RISK MANAGEMENT (CONTD....)

36.5 Market risk (contd....

36.5.1 Foreign exchange risk

The Risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position. Risk identification covers daylight, overnight, forward positions and also structural positions of the Bank. Overnight position is the position that the Bank maintains in a particular currency at the end of the day's operations. Daylight position is the position that the Bank maintains in any currency at any point of time, during the day. It is measured using Value at Risk, sensitivity analysis and stress testing on open positions against approved limits.

Foreign exchange risk management

Treasury team is in charge of managing foreign exchange risk. Holding assets and obligations in currencies other than the local currency expose the banking book to foreign exchange risk. The Head Office and the Central Bank of Sri Lanka have established requirements for the monitoring of the Foreign Exchange Exposure Limit (FEEL) and Net Open Position, which are being met.

Foreign exchange risk in Net Open Position (NOP)

Following table indicates Bank's exchange rate risk exposures based on the NOP Position in the foreign currency assets and liabilities by 31 March 2024. Bank carried an "Overbought" position of USD 0.9 Mn. The impact of Exchange risk could be given as follows.

	2024 Rs.	2023 Rs.
Net exposures (USD)	909,280	1,168,873
Value of the position in LKR (000)	273,178	383,001
Exchange Rate (USD/LKR) as of 31 March	300	328
Possible potential gain/(loss) to the Bank		
- If exchange rate Depreciated by 10% - LKR 000	27,318	38,300
- If exchange rate Depreciated by 15% - LKR 000	40,977	57,450
- If exchange rate Depreciated by 20% - LKR 000	54,636	76,600

36.5.2 The aggregate net foreign exchange gains/losses recognised in profit or loss were:

Net foreign exchange gain/(loss) included in other gains/(losses)	255,764,925	476,978,895
Total net foreign exchange (losses) recognised in profit before income tax for	255,764,925	476,978,895

36.6 Liquidity risk

Introduction

Liquidity risk is the risk that the Bank will not be able to efficiently meet both the 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, the Bank 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. behavioural and actual. In the actual method, SBI SL considers contractual residual maturity of assets and liabilities. Under behavioural analysis, 'assets & liabilities are categorised according to the behavioural study'. The maturity gap limits are calculated and monitored against both negative and positive gap limits.

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36. RISK MANAGEMENT (CONTD....)

36.6 Liquidity risk (contd....)

36.6.1 Analysis of financial assets and liabilities by remaining contractual maturities

As at 31 March 2024	On Demand (less than 15 Days)	15 Days to 3 Months	3 Months to 12 Months	Over 1 Year	Total 2024
Assets	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	1,718,463,795	-	-	-	1,718,463,795
Balances with Central Bank of Sri Lanka	1,058,867,458	-	-	-	1,058,867,458
		-	-	-	
Reverse repurchase agreements	-	-	-	-	-
Placements with financial institutions	3,216,391,141	4,285,238,217	12,248,947,411	-	19,750,576,769
Financial assets at amortised cost	-		270,000,000	-	270,000,000
Financial assets measured at fair value through other comprehensive income	-	4,546,886,300	-	530,000	4,547,416,300
Loans and advances to customers	7,590,253	5,648,179,689	454,876,944	948,330,707	7,058,977,592
Total financial assets	6,001,312,647	14,480,304,206	12,973,824,355	948,860,707	34,404,301,914
Liabilities					
Due to banks	865,879,618	-	-	-	865,879,618
Due to customers	6,294,205,149	829,638,084	2,994,252,503	81,436,384	10,199,532,120
Other borrowings	3,727,685,939	-	-	-	3,727,685,939
Other liabilities	150,933,127	74,974,633			225,907,760
Lease liability	7,227,710			38,911,996	46,139,706
Total financial liabilities	11,045,931,543	904,612,717	2,994,252,503	120,348,380	15,065,145,143

As at 31 March 2023	On Demand (less than 15 Days)	15 Days to 3 Months	3 Months to 12 Months	Over 1 Year	Total 2,023
Assets	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	5,349,432,660	-	-	-	5,349,432,660
Balances with Central Bank	5,931,547,364	-	-	-	5,931,547,364
of Sri Lanka					-
Placements with financial institutions	-	9,322,182,996	10,194,093,316	-	19,516,276,312
Financial assets at amortised cost	-	-	313,560,000	-	313,560,000
Financial assets measured at fair value through other comprehensive income	-	-	-	530,000	530,000
					-
Loans and advances to customers	57,105,226	5,305,513,870	740,234,662	1,503,591,806	7,606,445,564
Total financial assets	11,338,085,250	14,627,696,866	11,247,887,978	1,504,121,806	38,717,791,900
Liabilities					
Due to banks	999,070,953	-	-	-	999,070,953
Due to customers	8,917,158,097	1,748,376,707	4,541,823,395	79,918,770	15,287,276,969
Other borrowings	2,458,493,488	-	-	-	2,458,493,488
Other liabilities	201,064,036	85,308,327	-	-	286,372,363
Lease liability	-	914,239	-	23,444,690	24,358,929
Total financial liabilities	12,575,786,574	1,834,599,273	4,541,823,395	103,363,460	19,055,572,702

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36. RISK MANAGEMENT (CONTD....)

36.7 Capital management

Qualitative disclosures

Capital adequacy ratio (CAR) is calculated based on the Central Bank of Sri Lanka (CBSL) directions stemming from Basel III accord. These guidelines require the Bank to maintain a CAR not less than 8.5% with minimum Tier 1 capital with buffers in relation to total risk weighted assets and a minimum total CAR with buffers of 12.5% in relation to total risk weighted assets.

Tier 1 Capital - Core Capital

This includes assigned capital, statutory reserve fund, published retained profits, accumulated other comprehensive income, general and other reserves. The assigned capital is the amount provided by SBI India to conduct its operation in Sri Lanka. In order to avoid stress on capital and in line with the guidance given by the Basel Committee on Banking Supervision, licensed banks can stagger audited additional credit loss provisions arising from SLFRS 9 when compared with credit loss provisions under LKAS 39 as at first day of adoption of SLFRS 9, net of any other adjustment on first day impact to retained earnings and net of tax effects, throughout a transitional period of four years for the purpose of calculating CAR under Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III.

Tier 2 Capital - Supplementary capital

Revaluation gains and general provision are the only constituents of supplementary capital for the branch. As per the CBSL regulations, a prudential revaluation is done reflecting the full possibility of price fluctuations and forced sale, with prior approval from CBSL, which is then subject to a discount of 50%. According to explanatory note no. 03 of 2019 on interpretations of Banking Act Directions no.01 on capital requirements under Basel III for licensed commercial banks and licensed specialised banks; general provisions consist of impaired assets from stage 1 and 2 on the proportion of 100% and 50% respectively subject to a maximum of 1.25% of risk weighted assets on credit risk under the standardized approach eligible for inclusion in Tier 2 capital.

Quotative disclosures

Please refer to the other information for quantitative disclosures.

36.8 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 for centralised 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 incidents have been observed with regard to the regulatory fines and penalties paid with respect to non-compliance with laws, standards, clauses and statutes applicable to the functioning of the Bank for the year ended 31.03.2024.

37. CAPITAL STRUCTURE

SBI SL has not issued any capital instruments and the capital is supported by Head Office in the form of Assigned Capital.

38. COMMITMENTS AND CONTINGENT LIABILITIES

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Bank.

38.1 Legal claims

The Company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is, the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions. All such pending legal cases is disclosed in note 36.4.1.

39. EVENTS AFTER THE REPORTING DATE

There are no significant events after the financial statement reporting date.

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Key Regulatory Ratios - Capital and Liquidity

Item	31-Mar-24	31-Mar-23
Regulatory Capital (LKR '000)		
Common Equity Tier 1	19,173,091	13,900,953
Tier 1 Capital	19,173,091	13,900,953
Total Capital	19,285,962	14,022,360
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio *(Minimum Requirement-7%)*	64.76%	40.17%
Tier 1 Capital Ratio *(Minimum Requirement - 8.5%)*	64.76%	40.17%
Total Capital Ratio *(Minimum Requirement - 12.5%)*	65.14%	40.53%
Leverage Ratio *(Minimum Requirement - 3%)*	42.46%	27.15%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	14,077,522	14,126,208
Statutory Liquid Assets (USD'000)	50,878	47,771
Statutory Liquid Assets Ratio *(Minimum Requirement -20%)*		
Domestic Banking Unit (%)	153.67%	76.11%
Off-Shore Banking Unit (%)	247.71%	79.27%
Liquidity Coverage Ratio (%) - Rupee *(Minimum Requirement -100%)*	1254.62%	3769.06%
Liquidity Coverage Ratio (%) - All Currency *(Minimum Requirement - 100%)*	320.59%	438.05%
Net Stable Funding Ratio (%)	180.65%	124.93%

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Basel III Computation of Capital Ratios

Item	Period 31.03.2024	Period 31.03.2023
Common Equity Tier 1 (CET1) Capital after Adjustments- LKR '000	19,173,090	13,900,953
Common Equity Tier 1 (CET1) Capital	19,206,197	18,691,785
Equity Capital (Stated Capital)/Assigned Capital	2,442,827	2,442,827
Reserve Fund	617,229	551,929
Published Retained Earnings/(Accumulated Retained Losses)	11,310,362	10,052,783
Published Accumulated Other Comprehensive Income (OCI)		
General and other Disclosed Reserves	4,835,779	5,644,246
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	33,107	4,790,832
Goodwill (net)		
Intangible Assets (net)		
Deferred tax assets (net)	45,802	26,704
Amount due to head office & branches outside Sri Lanka in Sri Lanka Rupees	(12,695)	(18,978)
Amount due from head office & branches outside Sri Lanka in Foreign Currency (net)	-	4,783,106
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	112,872	121,407
Tier 2 Capital	112,872	121,407
Qualifying Tier 2 Capital Instruments		
Revaluation Gains		
Loan Loss Provisions	112,872	121,407
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		
Total Tier 1 Capital	19,173,090	13,900,953
Total Capital	19,285,962	14,022,360

BDO PARTNERS Chartered Accountants