

Risk Management Related to Key Risk Exposures

i) Credit Risk

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

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

In LKR	31-Mar-19	31-Mar-18
Cash and cash equivalents	447,133,794	1,725,814,394
Balances with Central Bank of Sri Lanka	972,979,356	342,685,489
Placements with banks	4,965,354,613	6,450,387,293
Derivative financial instruments	-	-
Financial assets recognized through profit or loss	-	-
Measured at fair value	-	-
Designated at fair value	-	-
Financial assets at amortized cost	-	-
loans and advances	14,032,075,768	10,855,597,855
debt and other instruments	4,301,652,146	4,438,030,503
Financial assets measured at fair value through other comprehensive income	1,388,104,320	793,068,314
Property, plant and equipment	189,427,060	18,568,346
Other assets	93,855,869	21,641,257
Total on balance sheet items	26,390,582,926	24,645,793,452
Guarantees	10,577,689,913	10,684,657,498
Letter of Credit	1,912,661,141	2,859,077,251
Bills for collection	3,994,799,137	4,161,459,250
Forward & spot contracts	-	7,215,860
Exchange and swaps contracts	-	57,235,803
Advances under collection	1,961,731,741	1,752,558,173
Acceptances	415,931,669	311,135,437
Undrawn commitments	3,700,556,415	2,930,520,895
Total off balance sheet items	22,563,370,016	22,763,860,167

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

In LKR	31-Mar-19			
	Central Province	Western Province	Outside Sri Lanka	Total
Cash and cash equivalents	7,864,798	439,268,997	-	447,133,794
Balances with Central Bank of Sri Lanka	-	972,979,356	-	972,979,356
Placements with banks	-	2,560,727,728	2,404,626,885	4,965,354,613
Derivative financial instruments	-	-	-	-
Financial assets recognized through profit or loss				-
Measured at fair value	-	-	-	-
Designated at fair value	-	-	-	-
Financial assets at amortized cost				-
loans and advances	341,470,392	13,690,605,376		14,032,075,768
debt and other instruments	-	4,301,652,146	-	4,301,652,146
Financial assets measured at fair value through other comprehensive income	-	1,388,104,320	-	1,388,104,320
Property, plant and equipment	2,247,490	187,179,570	-	189,427,060
Other assets	1,414,217	92,441,652	-	93,855,869
Total on balance sheet items	352,996,896	23,632,959,145	2,404,626,885	26,390,582,926
Guarantees	3,500,000	212,501,715	10,361,688,198	10,577,689,913
Letter of Credit	-	1,912,661,141	-	1,912,661,141
Bills for collection	-	3,994,799,137		3,994,799,137
Forward & spot contracts	-	-	-	-
Exchange and swaps contracts	-	-	-	-
Advances under collection	2,648,208	1,959,083,533	-	1,961,731,741
Acceptances	-	415,931,669		415,931,669
Undrawn commitments	9,343,289	3,691,213,126	-	3,700,556,415

Total off balance sheet items	15,491,497	12,186,190,321	10,361,688,198	22,563,370,016
--------------------------------------	-------------------	-----------------------	-----------------------	-----------------------

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

31st March 2019					
In LKR	Bills Purchased/discounted	Overdraft	Term loans	Other	Total
Agriculture and Fishing	72,233,485	414,837,317	1,704,041,062	151,535,409	2,342,647,273
Construction			1,735,167,274		1,735,167,274
Financial and Business services	157,463,818		5,541,840,548		5,699,304,366
Manufacturing		634,378,062	655,607,323	2,152,781	1,292,138,165
Trading		1,500,005,101	643,360,105	48,882,041	2,192,247,247
Consumption		294,630,824	31,719,274	53,529,062	379,879,160
Other		5,599,028	385,093,253		390,692,282
Total	229,697,303	2,849,450,331	10,696,828,840	256,099,294	14,032,075,768

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

31-Mar-19			
In LKR	Type	Exposure	Total
< 1 Year	On Balance Sheet	9,889,213,195	16,246,508,837
	Off Balance Sheet	6,357,295,642	

1 Year - 5 Years	On Balance Sheet	3,936,866,463	10,485,853,544
	Off Balance Sheet	6,548,987,081	
> 5 Years	On Balance Sheet	205,996,110	205,996,110
	Off Balance Sheet	-	

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

Impairment of Loans

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

Objective evidence of Impairment

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

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

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

Criteria for Individual and collective impairment

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

Loans and Advances that need to be assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively in groups of assets with similar characteristics to determine requirement of provision on incurred loss events for which objective evidence are

available however their such effects are not yet evidenced. In the collective assessment data should be assessed from the loan portfolio, economic data and determination on concentration of risks.

Individual assessment

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

Calculation of impairment losses

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

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

Determination of the expected cash recoveries

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

Recognition of income on impaired loans

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

Collective Assessment

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

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

Reversing an impairment loss

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

Specific Provision

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

General Provision

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

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

31-Mar-19 In LKR	Gross Outstanding	Impairment as per Financial Reporting	Impairment as per Regulatory Reporting	Net Exposure as per Financial Reporting	Net Exposure as per Regulatory Reporting
Cash and cash equivalents	447,133,794	-	-	447,133,794	447,133,794
Balances with Central Bank of Sri Lanka	972,979,356	-	-	972,979,356	972,979,356
Placements with banks	4,969,397,323	4,042,710	-	4,965,354,613	4,969,397,323
Derivative financial instruments	-	-	-	-	-
Financial assets recognized through profit or loss					
Measured at fair value	-			-	-
Designated at fair value	-			-	-
Financial assets at amortized cost				-	-

loans and advances	14,153,415,720	121,339,952	158,360,466	14,032,075,768	13,995,055,254
debt and other instruments	4,301,652,146	-	-	4,301,652,146	4,301,652,146
Financial assets measured at fair value through other comprehensive income	1,388,104,320	-	-	1,388,104,320	1,388,104,320
Property, plant and equipment	189,427,060	-	-	189,427,060	189,427,060
Other assets	93,855,869	-	-	93,855,869	93,855,869
Total on balance sheet items	26,515,965,588	125,382,662	158,360,466	26,390,582,926	26,357,605,122
Guarantees	10,577,852,024	162,111	-	10,577,689,913	10,577,852,024
Letter of Credit	1,917,432,884	4,771,743	-	1,912,661,141	1,917,432,884
Bills for collection	3,994,799,137	-	-	3,994,799,137	3,994,799,137
Forward & spot contracts	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-
Advances under collection	1,961,731,741	-	-	1,961,731,741	1,961,731,741
Acceptances	417,471,071	1,539,402	-	415,931,669	417,471,071
Undrawn commitments	3,709,615,149	9,058,734	-	3,700,556,415	3,709,615,149
Total off balance sheet items	22,578,902,005	15,531,989	-	22,563,370,016	22,578,902,005

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

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

Please refer combined table under C)

In LKR - As at 31st March 2019			
Non Performing	Gross Loans & Advances	Sum of Specific Provision	Net value of Security*
Immovable Property	86,808,466	86,808,466	86,732,160
Movable Property			
Stocks			
Deposits			
Other			
Unsecured			
Total	86,808,466	86,808,466	86,732,160
Performing	Gross Loans & Advances	Sum of General Provision	Net value of Security*
Immovable Property	3,131,551,657	16,132,611	3,131,456,926
Movable Property	2,221,663,415	11,343,692	1,820,883,493
Stocks	1,919,244,440	9,835,824	1,874,485,046
Deposits	173,856,675		173,720,425
Other	925,577,062	4,739,886	903,106,742
Unsecured	5,694,714,005	29,499,987	-
Total	14,066,607,254	71,552,000	7,903,652,632

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

N/A

ii) Market Risk

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

Sensitivity of Assets & Liabilities (Local Currency – LKR)

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Bearing Assets (RSA)	4,020,889,654	2,052,971,422	206,203,015	891,396,729	1,727,187,393	599,744,703	120,433,950	9,618,826,866
Balances with Central Bank	813,536,044	-	-	-	-	-	-	813,536,044
Placements with Banks	1,500,450,404	-	-	-	-	-	-	1,500,450,404
Financial assets at amortised cost - Loans and Receivables to Customers	1,408,292,414	964,007,894	206,203,015	691,396,729	1,727,187,393	599,744,703	119,903,950	5,716,736,098
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	-	-	200,000,000				200,000,000
Financial assets measured at fair value through other comprehensive income	298,610,791.52	1,088,963,528					530,000	1,388,104,320
Non Interest Bearing Assets	321,494,208	-	-	-	-	-	245,990,029	567,484,238
Cash and Cash Equivalents	68,671,331							68,671,331
Balances with Central Bank	159,443,312							159,443,312
Derivative Financial Instrument	-							-
Financial Investments - Available For Sale								-
Current Tax Asset								-
Deferred Tax asset							56,603,157	56,603,157
Other Assets	93,379,565							93,379,565
Property, Plant and Equipment							189,386,872	189,386,872
Total Assets	4,342,383,862.08	2,052,971,422.24	206,203,014.92	891,396,729.04	1,727,187,393.27	599,744,702.70	366,423,978.94	10,186,311,103.18
Liabilities								
Interest Bearing Liabilities (RSL)	292,130,619	496,635,396	232,147,677	793,637,153	-	-	-	1,814,550,844
Due to Banks	-	-	-	-	-	-	-	-
Due to Other Customers	292,130,618.77	496,635,395.5	232,147,676.7	793,637,153.3				1,814,550,844
Non Interest Bearing Liabilities	2,347,672,329	-	-	-	-	-	6,556,556,975	8,904,229,303
Due to Banks	11,836,690							11,836,690
Due to Other Customers	2,214,372,374							2,214,372,374
Assigned Capital	-						1,610,876,145.00	1,610,876,145
Statutory Reserve Fund	-						219,633,979.56	219,633,980
Retained Earnings	-						4,522,735,371.18	4,522,735,371
Other Reserves	-						(780,721.17)	(780,721)
Derivative Financial Instruments	-							-
Provision for Retiring Gratuity	-						204,092,200.00	204,092,200
Other Liabilities	103,767,341							103,767,341
Current Tax Liabilities	17,695,923							17,695,923
Other Payable								-
Total Liabilities	2,639,802,947.40	496,635,395.53	232,147,676.70	793,637,153.28	-	-	6,556,556,974.57	10,718,780,147.48
Gap (Total Assets- Total Liabilities)	1,702,580,915	1,556,336,027	(25,944,662)	97,759,576	1,727,187,393	599,744,703	(6,190,132,996)	(532,469,044)
Rate Sensitive Gap (RSA - RSL)	3,728,759,035	1,556,336,027	(25,944,662)	97,759,576	1,727,187,393	599,744,703	120,433,950	7,804,276,021

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

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Bearing Assets	7,764,534,692	1,303,264,740	708,877,809	307,540,110	4,676,321,228	1,035,265,284	86,092,160	15,881,896,024
Balances with Central Bank		-		-	-	-	-	-
Placements with Banks	2,044,222,611	1,068,441,388	352,240,209		-	-	-	3,464,904,208
Financial assets at amortised cost - Loans and Receivables to Customers	5,720,312,081	234,823,352	356,637,600	307,540,110	574,669,082	1,035,265,284	86,092,160	8,315,339,670
Financial assets at amortised cost - Debt Instruments and Other Instruments		-		-	4,101,652,146.24	-	-	4,101,652,146
Financial assets measured at fair value through other comprehensive income		-		-	-	-	-	-
Non Interest Bearing Assets	378,938,767	-	-	-	-	-	40,188	378,978,955
Cash and Cash Equivalents	378,462,463			-	-	-	-	378,462,462.95
Balances with Central Bank	-	-	-	-	-	-	-	-
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Financial Investments - Available For Sale	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deferred Tax asset	-	-	-	-	-	-	-	-
Other Assets	476,304.08			-	-	-	-	476,304.08
Property, Plant and Equipment	-	-	-	-	-	-	40,187.84	40,187.84
Total Assets	8,143,473,459	1,303,264,740	708,877,809	307,540,110	4,676,321,228	1,035,265,284	86,132,348	16,260,874,979
Liabilities								
Interest Bearing Liabilities	756,144,466	1,433,669,893	2,042,065,237	46,721,530	5,684,650,266	88,923,958	-	10,052,175,350
Due to Banks		965,746,281	1,763,592,160		5,684,650,266	88,923,958		8,502,912,665
Due to Other Customers	756,144,466	467,923,612	278,473,077	46,721,530				1,549,262,685
Non Interest Bearing Liabilities	1,705,476,964	107,057,010	-	-	-	-	3,863,696,611	5,676,230,585
Due to Banks	635,348,755							635,348,755
Due to Other Customers	1,055,750,699							1,055,750,699
Assigned Capital							831,951,309	831,951,309
Statutory Reserve Fund							121,289,577	121,289,577
Retained Earnings							2,910,455,724	2,910,455,724
Other Reserves								-
Derivative Financial Instruments								-
Provision for Retiring Gratuity								-
Other Liabilities	14,377,510							14,377,510
Current Tax Liabilities		107,057,010						107,057,010
Other Payable								-
Total Liabilities	2,461,621,431	1,540,726,903	2,042,065,237	46,721,530	5,684,650,266	88,923,958	3,863,696,611	15,728,405,935
Gap (Total Assets- Total Liabilities)	5,681,852,029	(237,462,163)	(1,333,187,428)	260,818,580	(1,008,329,038)	946,341,326	(3,777,564,263)	532,469,044
Rate Sensitive Gap (RSA - RSL)	7,008,390,226	(130,405,152)	(1,333,187,428)	260,818,580	(1,008,329,038)	946,341,326	86,092,160	5,829,720,674

Off Balance Sheet Items								
Local Currency -LKR	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	66,292,067	29,460,676	34,678,240	1,235,489,819	2,559,975,866	5,491,200	-	3,931,387,868
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-	77,623	-	-	-	-	-	77,623
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	137,840,960	137,840,960
Acceptances	-	-	-	-	-	-	-	-
Undrawn commitments	423,626,391	-	-	-	-	-	-	423,626,391
Total Off Balance Sheet	489,918,458	29,538,299	34,678,240	1,235,489,819	2,559,975,866	5,491,200	137,840,960	4,492,932,842

Off Balance Sheet								
Foreign Currency (Other than LKR)	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	263,179,203	538,756,038	1,630,642,600	224,712,990	3,983,520,015	5,491,200	-	6,646,302,045
Letter of Credit	-	1,912,661,141	-	-	-	-	-	1,912,661,141
Bills for collection	-	-	3,994,721,514.59	-	-	-	-	3,994,721,515
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	1,823,890,781	1,823,890,781
Acceptances	-	-	415,931,669.23	-	-	-	-	415,931,669
Undrawn commitments	3,276,930,024	-	-	-	-	-	-	3,276,930,024
Total Off Balance Sheet	3,540,109,227	2,451,417,179	6,041,295,783	224,712,990	3,983,520,015	5,491,200	1,823,890,781	18,070,437,174

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

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

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

Foreign Exchange Position
As at end of: 31st March, 2019

Forex Position	In LKR	
	Net overall Long	Net overall Short
Currency		
US Dollar	578,883,675	(11,020,038)
ACU Dollar		(513,576,566)
Pound Sterling		(18,948)
Euro	3,608	(228,574)
Australian Dollar	72,767	
Canadian Dollar	621,609	
Indian Rupee	7,876,309	
Japanese Yen	101,690	(300,178)
CHF		(23,780)
SGD	31,169	(44,020)
Subtotal	587,590,826	(525,212,104)
Other Currencies	-	-
Grand Total	587,590,826	(525,212,104)
Higher of Long or Short		587,590,826
Total Exposure		587,590,826
Total Capital Funds as per the latest Audited Financial Statements		10,242,125,229
Total Exposure as % of Total Capital Funds as per the latest Audited Financial Statements		5.74%

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

iii) Liquidity Risk

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

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

Ratios	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
SLAR DBU	115.04	111.20	92.36	73.93	83.61
SLAR FCBU	52.09	39.36	48.57	56.33	70.54
LCR (LKR)	480.79	762.21	920.23	1018.84	1234.37
LCR (All Currency)	92.87	297.63	207.13	329.71	298.31
Net Loans to Total assets	43.82	49.53	47.46	49.75	53.06
Loans to customer deposits	182.01	221.82	240.11	240.77	211.52
Commitments to Liquid Assets	109.79%	94.00%	98.80%	106.22%	110.64%
Liquid Assets to Short Term Liabilities	215.16%	220.91%	220.79%	204.19%	172.96%

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

Maturities of Assets & Liabilities – MAL (Local Currency – LKR) –As at 31st March 2019

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Balances with Central Bank	813,536,044	-	-	-	-	-	-	813,536,044
Placements with Banks	1,500,450,404	-	-	-	-	-	-	1,500,450,404
Financial assets at amortised cost - Loans and Receivables to Customers	1,408,292,414	964,007,894	206,203,015	691,396,729	1,727,187,393	599,744,703	119,903,950	5,716,736,098
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	-	-	200,000,000				200,000,000
Financial assets measured at fair value through other comprehensive income	298,610,791.52	1,088,963,528					530,000	1,388,104,320
Cash and Cash Equivalents	68,671,331							68,671,331
Balances with Central Bank	159,443,312							159,443,312
Derivative Financial Instrument	-							-
Financial Investments - Available For Sale								-
Current Tax Asset								-
Deffered Tax asset							56,603,157	56,603,157
Other Assets	93,379,565							93,379,565
Property, Plant and Equipment							189,386,872	189,386,872
Total Assets	4,342,383,862	2,052,971,422	206,203,015	891,396,729	1,727,187,393	599,744,703	366,423,979	10,186,311,103
Liabilities	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Due to Banks	-	-	-	-	-	-	-	-
Due to Other Customers	292,130,618.77	496,635,395.5	232,147,676.7	793,637,153.3				1,814,550,844
Due to Banks	11,836,690							11,836,690
Due to Other Customers	2,214,372,374							2,214,372,374
Assigned Capital	-						1,610,876,145.00	1,610,876,145
Statutory Reserve Fund	-						219,633,979.56	219,633,980
Retained Earnings	-						4,522,735,371.18	4,522,735,371
Other Reserves	-						(780,721.17)	(780,721)
Derivative Financial Instruments	-							-
Provision for Retiring Gratuity	-						204,092,200.00	204,092,200
Other Liabilities	103,767,341							103,767,341
Current Tax Liabilities	17,695,923							17,695,923
Other Payable								-
Total Liabilities	2,639,802,947	496,635,396	232,147,677	793,637,153	-	-	6,556,556,975	10,718,780,147
Net Liquidity Gap	1,702,580,915	1,556,336,027	(25,944,662)	97,759,576	1,727,187,393	599,744,703	(6,190,132,996)	(532,469,044)
Cumulative Gap	1,702,580,915	3,258,916,941	3,232,972,280	3,330,731,855	5,057,919,249	5,657,663,951	(532,469,044)	
Cumulative Liabilities	2,639,802,947	3,136,438,343	3,368,586,020	4,162,223,173	4,162,223,173	4,162,223,173	10,718,780,147	
Net Gap as % of Total Outflows	64.50	103.91	95.97	80.02	121.52	135.93	-4.97	

Off Balance Sheet Items								
LKR	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	66,292,067	29,460,676	34,678,240	1,235,489,819	2,559,975,866	5,491,200	-	3,931,387,868
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-	77,623	-	-	-	-	-	77,623
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	137,840,960	137,840,960
Acceptances	-	-	-	-	-	-	-	-
Undrawn commitments	423,626,391	-	-	-	-	-	-	423,626,391
Total Off - Balance Sheet (LKR)	489,918,458	29,538,299	34,678,240	1,235,489,819	2,559,975,866	5,491,200	137,840,960	4,492,932,842

Maturities of Assets & Liabilities – (Foreign Currency (Other than LKR) –As at 31st March 2019

Assets	Upto 1 month	1 to 3 months	3 to 6 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Balances with Central Bank		-		-	-	-	-	-
Placements with Banks	2,044,222,611	1,068,441,388	352,240,209		-	-	-	3,464,904,208.23
Financial assets at amortised cost - Loans and Receivables to Customers	5,720,312,081	234,823,352	356,637,600	307,540,110	574,669,082	1,035,265,284	86,092,160	8,315,339,669.80
Financial assets at amortised cost - Debt Instruments and Other Instruments		-		-	4,101,652,146.24	-	-	4,101,652,146.24
Financial assets measured at fair value through other comprehensive income		-		-	-	-	-	-
Cash and Cash Equivalents	378,462,463			-	-	-	-	378,462,462.95
Balances with Central Bank	-	-	-	-	-	-	-	-
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Financial Investments - Available For Sale	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deffered Tax asset	-	-	-	-	-	-	-	-
Other Assets	476,304.08			-	-	-	-	476,304.08
Property, Plant and Equipment	-	-	-	-	-	-	40,187.84	40,187.84
Total Assets	8,143,473,459	1,303,264,740	708,877,809	307,540,110	4,676,321,228	1,035,265,284	86,132,348	16,260,874,979
Liabilities	Upto 1 month	1 to 3 months	3 to 6 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Due to Banks		965,746,281	1,763,592,160		5,684,650,266	88,923,958		8,502,912,665
Due to Other Customers	756,144,466.31	467,923,611.56	278,473,077	46,721,530				1,549,262,685
Due to Banks	635,348,755							635,348,755
Due to Other Customers	1,055,750,699							1,055,750,699
Assigned Capital							831,951,309	831,951,309
Statutory Reserve Fund							121,289,577	121,289,577
Retained Earnings							2,910,455,724	2,910,455,724
Other Reserves								-
Derivative Financial Instruments								-
Provision for Retiring Gratuity								-
Other Liabilities	14,377,510							14,377,510
Current Tax Liabilities		107,057,010						107,057,010
Other Payable								-
Total Liabilities	2,461,621,431	1,540,726,903	2,042,065,237	46,721,530	5,684,650,266	88,923,958	3,863,696,611	15,728,405,935
Net Liquidity Gap	5,681,852,029	(237,462,163)	(1,333,187,428)	260,818,580	(1,008,329,038)	946,341,326	(3,777,564,263)	532,469,044
Cumulative Gap	5,681,852,029	5,444,389,866	4,111,202,438	4,372,021,018	3,363,691,980	4,310,033,307	532,469,044	
Cumulative Liabilities	2,461,621,431	4,002,348,334	6,044,413,570	6,091,135,101	11,775,785,367	11,864,709,325	15,728,405,935	
Net Gap as % of Total Outflows	230.82	136.03	68.02	71.78	28.56	36.33	3.39	3.39

Foreign Currency	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Guarantees	263,179,203	538,756,038	1,630,642,600	224,712,990	3,983,520,015	5,491,200		6,646,302,045
Letter of Credit	-	1,912,661,141						1,912,661,141
Bills for collection	-	-	3,994,721,514.59	-	-	-		3,994,721,515
Forward & spot contracts	-	-		-	-	-		-
Exchange and swaps contracts	-	-		-	-	-		-
Advances under collection	-	-		-	-	-	1,823,890,781	1,823,890,781
Acceptances	-	-	415,931,669.23	-	-	-		415,931,669
Undrawn commitments	3,276,930,024	-		-	-	-		3,276,930,024
Total Off - Balance Sheet (FCY)	3,540,109,227	2,451,417,179	6,041,295,783	224,712,990	3,983,520,015	5,491,200	1,823,890,781	18,070,437,174

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

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

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

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

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

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

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

iv) Operational Risk

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

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

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

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

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

Risk inherent to outsourcing processes are evaluated during the selection process. The process of selection of service provider is evaluated taking into consideration various key risks like Strategic risk, Reputation risk, Operational risk, Compliance risk, Legal risk, Counter party risk, Country risk, Contractual risk, Access risk, Concentration and systemic risk. Risk evaluation is performed prior to entering into an outsourcing agreement and reviewed periodically (annually) in the light of known and expected

changes, as part of the strategic planning or review processes. Also, bank assesses the degree of 'materiality' inherent in the outsourced functions periodically by an independent unit, and Bank has standardized a unified Risk Assessment template used for materiality assessment for outsourced activities.

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

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

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

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

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

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

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