

Disclosure 14 - Risk Management Related to Key Risk Exposures

i) Credit Risk

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

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

In LKR	31-Mar-20
Placements with banks	1,426,456,171
Loans and advances	18,399,121,819
Debt and other instruments	4,596,218,669
Total on balance sheet items	24,421,796,659
Exposure on Contingencies	10,221,684,785
Exposure on Commitments	2,297,639,894
Total off balance sheet items	12,519,324,678
Total Credit Exposure	36,941,121,337

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

In LKR	31-Mar-20					
	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total Credit Exposure
Central Province		309,845,699		3,500,000	9,152,155	322,497,854
Western Province	1,046,491,622	18,089,276,120	4,596,218,669	1,849,376,250	2,288,487,738	27,869,850,399

Outside Sri Lanka	379,964,549			8,368,808,535		8,748,773,084
Total	1,426,456,171	18,399,121,819	4,596,218,669	10,221,684,785	2,297,639,894	36,941,121,337

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

Sector	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total Credit Exposure
Agriculture		1,583,453,961		6,500,000	58,777,977	1,648,731,938
Construction		4,317,933,906		107,238,404	364,602,351	4,789,774,661
Finance & Business Services	1,426,456,171	5,612,808,114	4,596,218,669	8,000,902,521		19,636,385,475
Manufacturing		3,136,375,021		1,067,154,408	1,183,702,144	5,387,231,573
Trade		3,375,343,428		1,013,848,598	649,775,517	5,038,967,543
Consumption		361,107,435		3,167,853	40,781,905	405,057,193
Other		12,099,954		22,873,000		34,972,954
Grand Total	1,426,456,171	18,399,121,819	4,596,218,669	10,221,684,785	2,297,639,894	36,941,121,337

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

Maturity	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total Credit Exposure
< 1 Year	1,426,456,171	7,399,106,281	200,000,000	3,037,469,531	2,297,639,894	14,360,671,877
1 - 5 Year		10,834,022,972	4,396,218,669	7,184,215,254		22,414,456,895
> 5 Year		165,992,566				165,992,566
Total	1,426,456,171	18,399,121,819	4,596,218,669	10,221,684,785	2,297,639,894	36,941,121,337

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

Impairment of Loans

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

Objective evidence of Impairment

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

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

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

Criteria for Individual and collective impairment

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

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

Individual assessment

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

Calculation of impairment losses

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

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

Determination of the expected cash recoveries

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

Recognition of income on impaired loans

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

on the carrying value after impairment provision so that it recognize the future flows used for impairment assessment at the effective interest rate used for impairment calculation.

Collective Assessment

Loans and advances not identified for individual assessment and individually assessed and unimpaired assets are evaluated on a collective basis for the respective product groups and where products with similar credit risk characteristics are grouped together for the purpose of collective assessment. Impairment allowance is calculated outstanding capital plus accrued interest on the reporting date X PD X Loss Given Default (LGD). Bank need to group portfolios based on similar characteristics for both PD and LGD calculations. Method for computation of LGD and PD is per the impairment manual.

Reversing an impairment loss

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

Specific Provision

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

General Provision

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

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

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

31-Mar-20	Gross Outstanding	Impairment as per Financial Reporting	Impairment as per Regulatory Reporting	Net Exposure as per Financial Reporting	Net Exposure as per Regulatory Reporting
Placements with banks	1,426,824,121	367,950	-	1,426,456,171	1,426,824,121
Loans and advances	18,518,805,435	119,683,616	175,429,067	18,399,121,819	18,343,376,368
Debt and other instruments	4,625,554,945	29,336,276	-	4,596,218,669	4,625,554,945
Total on balance sheet items	24,571,184,501	149,387,842	175,429,067	24,421,796,659	24,395,755,434
Exposure on Contingencies	10,224,287,941	2,603,156	-	10,221,684,785	10,224,287,941
Exposure on Commitments	2,303,818,552	6,178,659	-	2,297,639,894	2,303,818,552
Total off balance sheet items	12,528,106,493	8,781,814	-	12,519,324,679	12,528,106,493
Total Credit Exposure	37,099,290,994	158,169,656	175,429,067	36,941,121,337	36,923,861,927

- 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.

In LKR - As at 31st March 2020						
Non-Performing	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total
Gross Exposure	-	80,703,523		-	-	80,703,523
Less : Specific Provision	-	(80,703,523)	-			(80,703,523)
Write-Offs	-	-	-			-
Net Exposure	-	-	-			-
Net Security Value	-	80,703,523	-			80,703,523

Performing	Placements with banks	Loans and advances	Debt and other instruments	Exposure on Contingencies	Exposure on Commitments	Total
Gross Exposure	1,426,824,121	18,438,101,912	4,625,554,945	10,224,287,941	2,303,818,552	37,018,587,470
Less : General Provision	-	(94,725,543)	-	-	-	(94,725,543)
Write-Offs	-					-
Net Exposure	1,426,824,121	18,343,376,368	4,625,554,945	10,224,287,941	2,303,818,552	36,923,861,927
Net Security Value	-	12,561,256,875		2,223,385,418	2,174,508,128	16,959,150,421
Net Performing & Non-Performing Exposure (as per regulatory reporting)	1,426,824,121	18,343,376,368	4,625,554,945	10,224,287,941	2,303,818,552	36,923,861,927

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

N/A

ii) Market Risk

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

Sensitivity of Assets & Liabilities (Local Currency – LKR)

LKR IRSM								
Assets	Upto 1 month	1 to 3 months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Bearing Assets (RSA)	2,836,166,292	1,163,937,033	395,202,455	854,926,781	2,283,069,050	986,570,670	31,259,068	8,551,131,350
Balances with Central Bank	700,000,000							700,000,000
Placements with Banks								0
Financial assets at amortised cost - Loans and Receivables to Customers	2,136,166,292	866,737,036	395,202,455	654,926,781	2,283,069,050	986,570,670	30,729,068	7,353,401,353
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		297,199,997					530,000	297,729,997
Non Interest Bearing Assets	236,470,408	122,620	183,930	253,240	0	0	713,709,317	950,739,515
Cash and Cash Equivalents	59,579,103							59,579,103
Balances with Central Bank	168,669,741							168,669,741
Derivative Financial Instrument	61,310	122,620	183,930	253,240				621,100
Financial Investments - Available For Sale								
Current Tax Asset								
Deferred Tax asset							53,013,728	53,013,728
Other Assets	8,160,254						21,599,848	29,760,102
Property, Plant and Equipment							639,095,741	639,095,741
Total Assets	3,072,636,700	1,164,059,653	395,202,455	855,180,021	2,283,069,050	986,570,670	744,968,385	9,501,870,865
Liabilities								
Interest Bearing Liabilities (RSL)	697,459,277	166,231,340	336,313,798	182,711,430	294,331,462	0	0	1,677,047,307
Due to Banks								0
Due to Other Customers	697,459,277	166,231,340	336,313,798	182,711,430	294,331,462			1,677,047,307
Non Interest Bearing Liabilities	1,642,850,959	0	0	0	0	0	5,597,911,930	7,240,762,889
Due to Banks	15,595,793							15,595,793
Due to Other Customers	1,453,019,551							1,453,019,551
Assigned Capital							1,610,876,145	1,610,876,145
Statutory Reserve Fund							235,128,257	235,128,257
Retained Earnings							3,501,505,367	3,501,505,367
Other Reserves							500,280	500,280
Derivative Financial Instruments							0	0
Provision for Retiring Gratuity							232,475,517	232,475,517
Other Liabilities	84,998,901						17,426,365	102,425,266
Current Tax Liabilities	89,236,714							89,236,714
Other Payable								
Total Liabilities	2,340,310,236	166,231,340	336,313,798	182,711,430	294,331,462	0	5,597,911,930	8,917,810,196
Gap (Total Assets- Total Liabilities)	732,326,464	997,828,313	58,888,657	672,468,591	1,988,737,588	986,570,670	(4,852,943,545)	584,060,669
Rate Sensitive Gap (RSA - RSL)	2,138,707,015	997,705,693	58,888,657	672,215,351	1,988,737,588	986,570,670	31,259,068	6,874,084,043

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	2,735,589,216	742,943,321	242,129,472	3,651,880,914	9,097,213,588	382,436,067	15,581,627	16,867,774,206
Balances with Central Bank	0							-
Placements with Banks	1,426,456,171							1,426,456,171
Financial assets at amortised cost - Loans and Receivables to Customers	1,309,133,045	742,943,321	242,129,472	1,169,504,465	7,183,371,368	382,436,067	15,581,627	11,045,099,366
Financial assets at amortised cost - Debt Instruments and Other Instruments	-	-	-	2,482,376,449	1,913,842,220	-	-	4,396,218,669
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Non Interest Bearing Assets	737,874,864	-	-	-	-	-	-	737,874,864
Cash and Cash Equivalents	736,243,656	-	-	-	-	-	-	736,243,656
Balances with Central Bank	-	-	-	-	-	-	-	-
Derivative Financial Instrument	-	-	-	-	-	-	-	-
Financial Investments - Available For Sale	-	-	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-	-
Deferred Tax asset	-	-	-	-	-	-	-	-
Other Assets	1,631,208	-	-	-	-	-	-	1,631,208
Property, Plant and Equipment	-	-	-	-	-	-	-	-
Total Assets	3,473,464,080	742,943,321	242,129,472	3,651,880,914	9,097,213,588	382,436,067	15,581,627	17,605,649,070
Liabilities								
Interest Bearing Liabilities	591,344,330	9,236,209	71,966,773	3,357,764,988	6,724,554,860	95,923,210	-	10,850,790,370
Due to Banks	-	-	-	3,232,364,534	6,699,762,772	95,923,210	-	10,028,050,516
Due to Other Customers	591,344,330	9,236,209	71,966,773	125,400,454	24,792,088	-	-	822,739,854
Non Interest Bearing Liabilities	1,589,877,988	-	-	-	-	-	5,749,041,381	7,338,919,369
Due to Banks	682,014,283	-	-	-	-	-	-	682,014,283
Due to Other Customers	854,517,743							854,517,743
Assigned Capital							831,951,309	831,951,309
Statutory Reserve Fund							132,710,855	132,710,855
Retained Earnings							3,158,781,748	3,158,781,748
Other Reserves							1,625,597,469	1,625,597,469
Derivative Financial Instruments							-	-
Provision for Retiring Gratuity							-	-
Other Liabilities	12,637,763						-	12,637,763
Current Tax Liabilities	40,708,198						-	40,708,198
Other Payable	-	-	-	-	-	-	-	-
Total Liabilities	2,181,222,317	9,236,209	71,966,773	3,357,764,988	6,724,554,860	95,923,210	5,749,041,381	18,189,709,739
Gap (Total Assets- Total Liabilities)	1,292,241,763	733,707,112	170,162,700	294,115,925	2,372,658,729	286,512,857	(5,733,459,754)	(584,060,669)
Rate Sensitive Gap (RSA - RSL)	2,144,244,886	733,707,112	170,162,700	294,115,925	2,372,658,729	286,512,857	15,581,627	6,016,983,836

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	162,152,022	54,276,906	44,959,605	147,529,316	2,640,179,789	-	-	3,049,097,637
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-	-	42,043	-	-	-	-	42,043
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	137,403,556	137,403,556
Acceptances	-	-	-	-	-	-	-	-
Undrawn commitments	1,313,294,000	-	-	-	-	-	-	1,313,294,000
Total Off Balance Sheet	1,475,446,022	54,276,906	45,001,648	147,529,316	2,640,179,789	-	137,403,556	4,499,837,237

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	113,410,940	65,238,580	90,956,939	422,954,622	4,448,780,299	49,273,110	123,041,670	5,313,656,159
Letter of Credit	348,275,614	1,114,509,605	28,239,755	-	-	-	-	1,491,024,974
Bills for collection	-	-	4,123,448,331.21	-	-	-	-	4,123,448,331
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	1,971,736,817	1,971,736,817
Acceptances	-	-	367,906,013.37	-	-	-	-	367,906,013
Undrawn commitments	984,345,893	-	-	-	-	-	-	984,345,893
Total Off Balance Sheet	1,446,032,448	1,179,748,185	4,610,551,039	422,954,622	4,448,780,299	49,273,110	2,094,778,487	14,252,118,189

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, 2020

Forex Position		In LKR	
Currency	Net overall Long	Net overall Short	
US Dollar		(416,721,384)	
ACU Dollar	626,816		
Pound Sterling		(1,138,731)	
Euro		-	
Australian Dollar	1,133,921		
Canadian Dollar		134,907	
Indian Rupee	12,715,308		
Japanese Yen	260,304		
CHF			
SGD	122,525		
Subtotal	606,223,330		
Other Currencies			
Grand Total	621,082,204	(417,725,208)	
Higher of Long or Short		621,082,204	
Total Exposure		621,082,204	
Total Capital Funds as per the latest Audited Financial Statements		11,097,051,429	
Total Exposure as % of Total Capital Funds as per the latest Audited Financial Statements		5.60%	

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-19	Jun-19	Sep-19	Dec-19	Mar-20
SLAR DBU	83.61%	78.87%	47.90%	43.71%	58.71%
SLAR FCBU	70.54%	79.27%	74.76%	61.17%	52.14%
LCR (LKR)	1234.37%	865.25%	891.62%	1862.39%	1,235.89%
LCR (All Currency)	298.31%	315.50%	347.85%	647.86%	405.48%
Net Loans to Total assets	53.06%	40.01 %	64.14 %	62.15%	67.87%
Loans to customer deposits	211.52%	174.74 %	338.54 %	313.27 %	382.73%
Commitments to Liquid Assets	110.64%	89.69 %	131.57%	136.18%	117.80 %
Liquid Assets to Short Term Liabilities	172.96%	170.57%	213.96 %	177.42%	122.10 %

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 2020

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								
Placements with Banks	59,579,103							59,579,103
Financial assets at amortised cost - Loans and Receivables to Customers	868,669,741							868,669,741
Financial assets at amortised cost - Debt Instruments and Other Instruments	-							-
Financial assets measured at fair value through other comprehensive income	2,136,227,602.06	866,859,656	395,386,385	655,180,021	2,283,069,050	986,570,670	30,729,068	7,354,022,453
Cash and Cash Equivalents	-			200,000,000.00				200,000,000
Balances with Central Bank	-	297,199,997					530,000.00	297,729,997
Derivative Financial Instrument	-							-
Financial Investments - Available For Sale								-
Current Tax Asset								-
Deffered Tax asset							53,013,728	53,013,728
Other Assets	8,160,254						21,599,848	29,760,102
Property, Plant and Equipment							639,095,741	639,095,741
Total Assets	3,072,636,700	1,164,059,653	395,386,385	855,180,021	2,283,069,050	986,570,670	744,968,385	9,501,870,865
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	15,595,793.46							15,595,793
Due to Other Customers	2,150,478,827.90	166,231,339.9	336,313,797.8	182,711,430.4	294,331,462.0	-	-	3,130,066,858
Assigned Capital							1,610,876,144.61	1,610,876,145
Statutory Reserve Fund							235,128,256.56	235,128,257
Retained Earnings							3,501,505,366.85	3,501,505,367
Other Reserves							500,279.83	500,280
Derivative Financial Instruments								-
Provision for Retiring Gratuity							232,475,517.00	232,475,517
Other Liabilities	84,998,901						17,426,365.00	102,425,266
Current Tax Liabilities	89,236,714							89,236,714
Other Payable								-
Total Liabilities	2,340,310,236	166,231,340	336,313,798	182,711,430	294,331,462	-	5,597,911,930	8,917,810,196
Net Liquidity Gap	732,326,464	997,828,313	59,072,587	672,468,591	1,988,737,588	986,570,670	(4,852,943,545)	584,060,669
Cumulative Gap	732,326,464	1,730,154,777	1,789,227,364	2,461,695,955	4,450,433,543	5,437,004,214	584,060,669	
Cumulative Liabilities	2,340,310,236	2,506,541,576	2,842,855,374	3,025,566,804	3,319,898,266	3,319,898,266	8,917,810,196	
Net Gap as % of Total Outflow	31.29	69.03	62.94	81.36	134.05	163.77	6.55	

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	162,152,022	54,276,906	44,959,605	147,529,316	2,640,179,789	-	-	3,049,097,637
Letter of Credit	-	-	-	-	-	-	-	-
Bills for collection	-	-	42,043	-	-	-	-	42,043
Forward & spot contracts	-	-	-	-	-	-	-	-
Exchange and swaps contracts	-	-	-	-	-	-	-	-
Advances under collection	-	-	-	-	-	-	137,403,556	137,403,556
Acceptances	-	-	-	-	-	-	-	-
Undrawn commitments	1,313,294,000	-	-	-	-	-	-	1,313,294,000
Total Off - Balance Sheet (LKR)	1,475,446,022	54,276,906	45,001,648	147,529,316	2,640,179,789	-	137,403,556	4,499,837,237

Maturities of Assets & Liabilities – (Foreign Currency (Other than LKR) –As at 31st March 2020

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
Cash and Cash Equivalents	736,243,656.49							736,243,656.49
Balances with Central Bank	-							-
Placements with Banks	1,426,456,171.00							1,426,456,171.00
Financial assets at amortised cost - Loans and Receivables to Customers	1,309,133,044.98	742,943,321.08	242,129,472.47	1,169,504,464.97	7,183,371,368.00	382,436,067.00	15,581,627.13	11,045,099,365.62
Financial assets at amortised cost - Debt Instruments and Other Instruments				2,482,376,448.67	1,913,842,220.35			4,396,218,669.02
Financial assets measured at fair value through other comprehensive income								-
Derivative Financial Instrument								-
Financial Investments - Available For Sale								-
Current Tax Asset								-
Deferred Tax asset								-
Other Assets	1,631,207.79							1,631,207.79
Property, Plant and Equipment								-
Total Assets	3,473,464,080	742,943,321	242,129,472	3,651,880,914	9,097,213,588	382,436,067	15,581,627	17,605,649,070
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	682,014,283			3,232,364,534	6,699,762,772	95,923,210		10,710,064,799
Due to Other Customers	1,445,862,072.80	9,236,209.46	71,966,773	125,400,454	24,792,088	-	-	1,677,257,597
Assigned Capital							831,951,309	831,951,309
Statutory Reserve Fund							132,710,855	132,710,855
Retained Earnings							3,158,781,748	3,158,781,748
Other Reserves							1,625,597,469	1,625,597,469
Derivative Financial Instruments								-
Provision for Retiring Gratuity								-
Other Liabilities	12,637,763							12,637,763
Current Tax Liabilities	40,708,198							40,708,198
Other Payable								-
Total Liabilities	2,181,222,318	9,236,209	71,966,773	3,357,764,988	6,724,554,860	95,923,210	5,749,041,381	18,189,709,739
Net Liquidity Gap	1,292,241,763	733,707,112	170,162,700	294,115,925	2,372,658,729	286,512,857	(5,733,459,754)	(584,060,669)
Cumulative Gap	1,292,241,763	2,025,948,874	2,196,111,574	2,490,227,499	4,862,886,228	5,149,399,085	(584,060,669)	
Cumulative Liabilities	2,181,222,318	2,190,458,527	2,262,425,300	5,620,190,288	12,344,745,148	12,440,668,358	18,189,709,739	
Net Gap as % of Total Outflow	59.24	92.49	97.07	44.31	39.39	41.39	-3.21	-3.21

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	113,410,940	65,238,580	90,956,939	422,954,622	4,448,780,299	49,273,110	123,041,670	5,313,656,159
Letter of Credit	348,275,614	1,114,509,605	28,239,755					1,491,024,974
Bills for collection	-		4,123,448,331	-	-	-		4,123,448,331
Forward & spot contracts	-	-	-	-	-	-		-
Exchange and swaps contracts	-	-	-	-	-	-		-
Advances under collection	-	-		-	-	-	1,971,736,817	1,971,736,817
Acceptances	-	-	367,906,013	-	-	-		367,906,013
Undrawn commitments	984,345,893	-		-	-	-		984,345,893
Total Off - Balance Sheet (FCY)	1,446,032,448	1,179,748,185	4,610,551,039	422,954,622	4,448,780,299	49,273,110	2,094,778,487	14,252,118,189

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. Levels of compliance to these limits are monitored regularly.

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

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

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

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

iv) Operational Risk

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

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

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

SBI SL 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.