

**TABLE - 1: KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY**

As at 31st December	Bank		Group	
	2023	2022	2023	2022
<b>Regulatory Capital (Rs 000)</b>				
Common Equity Tier I Capital	118,530,902	95,533,144	128,072,822	102,822,613
Total Tier I Capital	118,530,902	95,533,144	128,072,822	102,822,613
Total Capital	141,853,666	114,351,589	151,849,708	122,096,525
<b>Regulatory Capital Ratios (%)</b>				
Common Equity Tier I Capital Ratio (minimum requirement - 7.00%)	16.35	11.92	16.67	12.18
Total Tier I Capital Ratio (minimum requirement - 8.50%)	16.35	11.92	16.67	12.18
Total Capital Ratio (minimum requirement - 12.50%)	19.56	14.27	19.77	14.46
Leverage Ratio (minimum requirement - 3%)	6.39	7.00	6.73	7.29
<b>Regulatory Liquidity</b>				
Statutory Liquid Assets - Bank (Rs 000)	635,737,884	326,607,580	n/a	n/a
Statutory Liquid Assets Ratio - Bank (minimum requirement - 20%)	47.76	27.85	n/a	n/a
Total Stock of High-Quality Liquid Assets (Rs 000)	566,567,931	226,064,957	n/a	n/a
Liquidity Coverage Ratio (%) – Rupee (minimum requirement: 2023 - 100%, 2022 - 90%)	453.16	200.78	n/a	n/a
Liquidity Coverage Ratio (%) – All currency (minimum requirement: 2023 - 100%, 2022 - 90%)	312.47	146.53	n/a	n/a
Net Stable Funding Ratio (%) (minimum requirement: 2023 - 100%, 2022 - 90%)	184.20	157.10	n/a	n/a

n/a - not applicable

**TABLE - 2: CAPITAL RATIOS**

As at 31st December	Bank		Group	
	2023 Rs 000	2022 Rs 000	2023 Rs 000	2022 Rs 000
<b>Common Equity Tier I (CET I) Capital after adjustments</b>	118,530,902	95,533,144	128,072,822	102,822,613
<b>Common Equity Tier I (CET I) Capital</b>	138,432,283	120,079,176	144,891,761	125,752,360
Stated capital	48,741,119	47,622,493	48,741,119	47,622,493
Statutory reserve fund	6,615,000	5,755,000	6,929,000	6,033,000
Published retained earnings/(Accumulated retained losses)	10,566,248	8,169,471	16,711,726	13,564,655
Published accumulated other comprehensive income (OCI)	5,498,223	(457,135)	5,498,223	(457,135)
General and other disclosed reserves	67,011,693	58,989,347	67,011,693	58,989,347
Unpublished current year's profit/loss and gains reflected in OCI	-	-	-	-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	-	-	-	-
<b>Total adjustments to CET I Capital</b>	19,901,381	24,546,032	16,818,939	22,929,747
Goodwill (net)	-	-	-	-
Intangible assets (net)	745,395	578,031	766,532	600,341
Deferred tax assets (net)	17,292,023	21,734,244	16,052,407	21,992,147
Defined benefit pension fund assets	-	337,259	-	337,259
Others (Investments in the capital of banking & financial institutions)	1,863,963	1,896,498	-	-
<b>Additional Tier I (AT I) Capital after adjustments</b>	-	-	-	-
<b>Additional Tier I (AT I) Capital</b>	-	-	-	-
<b>Tier II Capital after adjustments</b>	23,322,764	18,818,445	23,776,886	19,273,912
<b>Tier II Capital</b>	23,322,764	18,818,445	23,776,886	19,273,912
Qualifying Tier II capital instruments	14,250,000	8,617,903	14,250,000	8,617,903
Revaluation gains	901,539	901,539	901,539	901,539
Stage 1 & 50% of stage 2 impairment provision subject to 1.25% of credit RWA	8,171,225	9,299,003	8,625,347	9,754,470
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
<b>Total adjustments to Tier II</b>	-	-	-	-
<b>CET I Capital</b>	118,530,902	95,533,144	128,072,822	102,822,613
<b>Total Tier I Capital</b>	118,530,902	95,533,144	128,072,822	102,822,613
<b>Total Capital</b>	141,853,666	114,351,589	151,849,708	122,096,525
<b>Total Risk Weighted Assets (RWA)</b>	725,130,348	801,373,367	768,221,870	844,381,387
RWAs for Credit Risk (refer table No. 3)	653,697,972	743,920,231	690,027,790	780,357,635
RWAs for Operational Risk (refer table No. 5)	69,559,848	55,711,400	76,139,080	61,977,640
RWAs for Market Risk (refer table No. 6)	1,872,528	1,741,736	2,055,000	2,046,112
<b>CET I Capital Ratio (%)</b>	16.35	11.92	16.67	12.18
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-
<b>Total Tier I Capital Ratio (%)</b>	16.35	11.92	16.67	12.18
<b>Total Capital Ratio (%)</b>	19.56	14.27	19.77	14.46
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	-	-	-	-
of which: HLA requirement on D-SIBs (%)	-	-	-	-

**TABLE - 3 (A) BANK: CREDIT RISK AS AT 31ST DECEMBER 2023 UNDER STANDARDISED APPROACH – CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS**

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	%
Claims on central government and CBSL	575,331,290	-	575,331,290	-	3,532,581	1
Claims on foreign sovereigns and their central banks	24,216,114	-	24,216,114	-	-	-
Claims on public sector entities	12,685,678	-	562,250	-	562,250	100
Claims on banks exposures	85,855,224	-	85,855,224	-	20,981,215	24
Claims on financial institutions	32,991,702	-	32,991,702	-	18,873,116	57
Claims on corporates	383,001,133	469,673,976	345,609,951	36,816,350	348,221,532	91
Retail claims	265,655,544	12,797,597	237,426,700	9,907,705	137,491,036	56
Claims secured by residential property	51,318,750	-	51,318,750	-	24,102,209	47
Non-performing assets	60,602,911	-	60,602,911	-	65,832,445	109
Higher-risk categories	1,203,949	-	1,203,949	-	3,009,873	250
Cash items and other assets	62,443,252	-	62,443,252	-	31,091,715	50
	1,555,305,547	482,471,573	1,477,562,093	46,724,055	653,697,972	43

**TABLE - 3 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2023 UNDER STANDARDISED APPROACH – CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS**

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	%
Claims on central government and CBSL	581,281,530	-	581,281,530	-	3,532,581	1
Claims on foreign sovereigns and their central banks	24,216,114	-	24,216,114	-	-	-
Claims on public sector entities	12,685,678	-	562,250	-	562,250	100
Claims on banks exposures	85,877,331	-	85,877,331	-	20,985,637	24
Claims on financial institutions	28,798,758	-	28,798,758	-	16,776,644	58
Claims on corporates	381,100,804	468,120,205	342,973,166	36,850,744	345,619,143	91
Retail claims	297,483,504	12,797,597	269,254,660	9,907,705	162,112,496	58
Claims secured by residential property	51,318,750	-	51,318,750	-	24,102,209	47
Non-performing assets	65,647,209	-	65,647,209	-	73,193,063	111
Higher-risk categories	-	-	-	-	-	-
Cash items and other assets	74,731,459	-	74,731,459	-	43,143,767	58
	1,603,141,137	480,917,802	1,524,661,227	46,758,449	690,027,790	44

**TABLE - 4 (A) BANK: CREDIT RISK AS AT 31ST DECEMBER 2023 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS**

Risk Weight	0%	20%	35%	50%	60%	75%	100%	150%	250%	Total credit exposures amount
Asset Class	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on central government and CBSL	557,668,386	17,662,904	-	-	-	-	-	-	-	575,331,290
Claims on foreign sovereigns and their central banks	24,216,114	-	-	-	-	-	-	-	-	24,216,114
Claims on public sector entities	-	-	-	-	-	-	562,250	-	-	562,250
Claims on banks exposures	-	76,175,898	-	7,958,815	-	-	1,628,278	92,233	-	85,855,224
Claims on financial institutions	-	-	-	28,237,173	-	-	4,754,529	-	-	32,991,702
Claims on corporates	-	31,125,669	-	18,728,016	-	-	332,453,063	119,553	-	382,426,301
Retail claims	46,155,140	34,247,612	-	-	33,483,105	91,587,591	41,860,957	-	-	247,334,405
Claims secured by residential property	-	-	41,871,601	-	-	-	9,447,149	-	-	51,318,750
Non-performing assets	-	-	-	1,194,901	-	-	47,754,041	11,653,969	-	60,602,911
Higher-risk categories	-	-	-	-	-	-	-	-	1,203,949	1,203,949
Cash items and other assets	31,220,267	164,088	-	-	-	-	31,058,897	-	-	62,443,252
	659,259,907	159,376,171	41,871,601	56,118,905	33,483,105	91,587,591	469,519,164	11,865,755	1,203,949	1,524,286,148

**TABLE - 4 (B) GROUP: CREDIT RISK AS AT 31ST DECEMBER 2023 (POST CCF & CRM) UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS**

Risk Weight	0%	20%	35%	50%	60%	75%	100%	150%	250%	Total credit exposures amount
Asset Class	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on central government and CBSL	563,618,626	17,662,904	-	-	-	-	-	-	-	581,281,530
Claims on foreign sovereigns and their central banks	24,216,114	-	-	-	-	-	-	-	-	24,216,114
Claims on public sector entities	-	-	-	-	-	-	562,250	-	-	562,250
Claims on banks exposures	-	76,198,005	-	7,958,815	-	-	1,628,278	92,233	-	85,877,331
Claims on financial institutions	-	-	-	24,044,229	-	-	4,754,529	-	-	28,798,758
Claims on corporates	-	31,125,669	-	18,728,016	-	-	329,850,672	119,553	-	379,823,910
Retail claims	52,976,746	34,728,729	-	-	33,483,105	91,587,591	66,386,194	-	-	279,162,365
Claims secured by residential property	-	-	41,871,601	-	-	-	9,447,149	-	-	51,318,750
Non-performing assets	-	-	-	1,194,901	-	-	48,165,700	16,286,608	-	65,647,209
Higher-risk categories	-	-	-	-	-	-	-	-	-	-
Cash items and other assets	31,456,422	164,088	-	-	-	-	43,110,949	-	-	74,731,459
	672,267,908	159,879,395	41,871,601	51,925,961	33,483,105	91,587,591	503,905,721	16,498,394	-	1,571,419,676

**TABLE - 5: OPERATIONAL RISK FOR THE PERIOD ENDED 31ST DECEMBER 2023 UNDER THE ALTERNATIVE STANDARDISED APPROACH**

Business Lines	Bank					Group				
	Capital charge factor	Fixed factor	Gross income/Average loans & advances			Capital charge factor	Fixed factor	Gross income/Average loans & advances		
			1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000			1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000
The Alternative Standardised Approach										
Corporate finance	18%		6,370,608	12,034,323	7,724,681	18%		6,370,608	12,034,323	7,724,681
Trading and sales	18%		10,196,242	12,506,896	27,705,645	18%		16,106,683	16,302,856	32,185,842
Payment and settlement	18%		8,235	42,125	38,934	18%		8,235	42,125	38,934
Agency services	15%		75	-	-	15%		75	-	-
Asset management	12%		-	-	-	12%		-	-	-
Retail brokerage	12%		-	-	-	12%		-	-	-
Retail banking	12%	3.50%	405,226,362	445,917,998	438,340,412	12%	3.50%	405,226,362	445,917,998	438,340,412
Commercial banking	15%	3.50%	387,887,887	476,455,095	445,392,331	15%	3.50%	383,517,610	470,457,833	439,307,403
Capital Charge (Rs 000)	8,694,981					9,517,385				
Risk Weighted Amount (Rs 000)	69,559,848					76,139,080				

**TABLE - 6: MARKET RISK AS AT 31ST DECEMBER 2023 UNDER STANDARDISED MEASUREMENT METHOD**

Item	Bank	Group
	Rs 000	Rs 000
(a) Capital Charge for Interest Rate Risk	78,453	78,453
General interest rate risk	78,453	78,453
Specific interest rate risk	-	-
(b) Capital Charge for Equity	-	22,809
General equity risk	-	12,139
Specific equity risk	-	10,670
(c) Capital Charge for Foreign Exchange & Gold	155,613	155,613
(d) Capital Charge (a) + (b) + (c)	234,066	256,875
Risk Weighted Amount (d) * 100/12.5	1,872,528	2,055,000

**TABLE - 7: LIQUIDITY COVERAGE RATIO - ALL CURRENCY**

As at 31st December	2023		2022	
	Total un-weighted value Rs 000	Total weighted value Rs 000	Total un-weighted value Rs 000	Total weighted value Rs 000
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	568,950,802	566,567,931	227,907,340	226,064,957
Level 1 assets	553,064,998	553,064,998	215,624,790	215,624,790
Level 2A assets	15,885,804	13,502,933	12,282,550	10,440,167
Level 2B assets	-	-	-	-
<b>Total Cash Outflows</b>	1,535,880,916	307,410,868	1,279,949,345	218,717,855
Deposits	1,264,470,197	232,698,240	1,103,212,882	201,023,717
Unsecured wholesale funding	781,638	781,638	952,116	952,116
Secured funding transactions	30,739,631	-	678,133	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	172,850,066	6,891,606	165,683,276	7,319,084
Additional requirements	67,039,384	67,039,384	9,422,938	9,422,938
<b>Total Cash Inflows</b>	187,648,418	126,093,386	145,738,258	64,436,052
Maturing secured lending transactions backed by collateral	24,648,195	24,426,286	39,362,999	28,934,475
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	50,499,292	36,972,794	43,764,238	28,290,501
Operational deposits	47,806,625	-	55,399,945	-
Other cash inflows	64,694,306	64,694,306	7,211,076	7,211,076
<b>Total Net Cash Outflows</b>	1,348,232,498	181,317,482	1,134,211,087	154,281,803
<b>Liquidity Coverage Ratio (%) (Stock of High-Quality Liquid Assets/Total Net Cash Outflows ) * 100</b>		312.47		146.53

**TABLE - 8: LEVERAGE RATIO**

As at 31st December	Bank		Group	
	2023 Rs 000	2022 Rs 000	2023 Rs 000	2022 Rs 000
Total Tier I Capital	118,530,902	95,533,144	128,072,822	102,822,613
Total Exposure	1,856,205,625	1,365,506,412	1,904,299,158	1,410,027,386
On-balance sheet exposure (excluding derivatives and securities financing transactions and asset amount adjusted in Basel III Tier I capital)	1,521,459,463	1,289,763,138	1,569,819,072	1,334,045,648
Derivative exposure	260,853,292	20,762,312	260,853,292	20,762,312
Securities financing transaction exposure	34,096,244	10,072,569	33,780,166	10,299,569
Other off-balance sheet exposure	39,796,626	44,908,393	39,846,628	44,919,857
Basel III Leverage Ratio (%) (Total Tier I Capital/Total Exposure)*100	6.39	7.00	6.73	7.29

**TABLE - 9: NET STABLE FUNDING RATIO**

As at 31st December	Bank	
	2023 Rs 000	2022 Rs 000
Total Available Stable Funding	1,164,832,226	1,028,011,411
Total Required Stable Funding	632,384,323	654,365,067
Required stable funding – on balance sheet assets	627,959,711	649,825,315
Required stable funding – off balance sheet items	4,424,612	4,539,752
Net Stable Funding Ratio (%) (Total Available Stable Funding/Total Required Stable Funding)*100	184.20	157.10

**TABLE - 10: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS AS AT 31ST DECEMBER 2023**

Description of the capital instrument	Capital instruments issued by the Bank		
	2019-2024 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures	2021-2028 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures	2023-2028 Basel III Tier II compliant Listed Rated Unsecured Subordinated Redeemable Debentures
Issuer	Sampath Bank PLC	Sampath Bank PLC	Sampath Bank PLC
Unique identifier	D0452 - LK0090D24156	D0510 - LK0090D24743	D0541 - LK0090D25070 D0542 - LK0090D25062
Governing law(s) of the instrument	Companies Act No. 07 of 2007/CSE listing rules/Banking Act No. 30 of 1988 and subsequent amendments/Securities Exchange Commission Act		
Original date of issuance	28th February 2019	12th April 2021	09th February 2023
Par value of instrument (per debenture)	Rs 100/-	Rs 100/-	Rs 100/-
Perpetual or dated	Dated	Dated	Dated
Original maturity date, if applicable	28th February 2024	12th April 2028	09th February 2028
Amount recognised in regulatory capital (Rs 000)	350,000	5,400,000	8,500,000
Accounting classification (Equity/Liability)	Liability	Liability	Liability
<b>Issuer call subject to prior supervisory approval</b>			
Optional call date, contingent call dates and redemption amount (Rs 000)	n/a	n/a	n/a
Subsequent call dates, if applicable	n/a	n/a	n/a
<b>Coupon/Dividend</b>			
Fixed or floating dividend/coupon	D0452 - Fixed rate	D0510 - Fixed rate	D0541 - Fixed Rate D0542 - Floating Rate
Coupon rate and any related index	D0452 - 13.90% p.a.	D0510 - 9.00% p.a.	D0541 - 28.00% p.a. D0542 - 1 Year T.Bill rate + 1.5% p.a., Subject to a floor of 20% and a cap of 31%
Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative
<b>Convertible or Non-convertible</b>	Convertible	Convertible	Convertible
If convertible, conversion trigger(s)	*	*	*
If convertible, fully or partially	*	*	*
If convertible, mandatory or optional	*	*	*
If convertible, conversion rate	**	**	**

\* In the event of an occurrence of a trigger event as determined at the sole discretion of the Central Bank of Sri Lanka, there would be a conversion of debentures to ordinary voting shares by the company without any requirement of approval from the debenture holders, in compliance with Basel III requirements. Upon the occurrence of a trigger event, the outstanding balance of the debentures including the total par value of the debentures and debenture interest accrued and unpaid as at that date will be permanently converted to ordinary voting shares at the conversion price.

\*\* The conversion rate will be based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share as published by the Colombo Stock Exchange during the three months (03) period, immediately preceding the date of the trigger event.

n/a - not applicable



**TABLE - 11 BANK: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES AS AT 31ST DECEMBER 2023**

Item	Carrying values as reported in published financial statements  Rs 000	Carrying values under scope of regulatory reporting  Rs 000	Subject to credit risk framework  Rs 000	Subject to market risk framework  Rs 000	Not subject to capital requirements or subject to deduction from capital Rs 000
<b>Assets</b>					
Cash & cash equivalents	79,272,087	79,272,087	79,318,108	-	-
Balances with Central Bank of Sri Lanka	14,463,854	14,463,854	14,463,854	-	-
Placements with banks	33,741,322	33,741,322	33,758,255	-	-
Derivative financial instruments	587,577	587,577	587,577	-	-
Financial assets recognised through profit or loss - measured at fair value	4,744,188	4,744,188	-	4,744,188	-
Financial assets at amortised cost					
- loans & advances	756,435,559	756,435,559	798,024,938	-	-
- debt & other instruments	368,100,002	368,100,002	368,111,653	-	-
Financial assets - fair value through other comprehensive income	216,022,295	216,022,295	216,022,295	-	-
Investment in subsidiaries	4,110,642	4,110,642	2,246,679	-	1,863,963
Property, plant & equipment	9,623,120	9,623,120	9,623,120	-	-
Intangible assets	745,395	745,395	-	-	745,395
Right-of-use assets	3,605,525	3,605,525	3,605,525	-	-
Deferred tax assets	17,292,023	17,292,023	-	-	17,292,023
Other assets	33,204,832	33,204,832	29,484,198	-	-
<b>Total Assets</b>	<b>1,541,948,421</b>	<b>1,541,948,421</b>	<b>1,555,246,202</b>	<b>4,744,188</b>	<b>19,901,381</b>
<b>Liabilities</b>					
Due to banks	11,621,838	11,621,838	-	-	-
Derivative financial instruments	1,498,777	1,498,777	-	-	-
Securities sold under repurchase agreements	34,688,209	34,688,209	-	-	-
Financial liabilities at amortised cost					
- due to depositors	1,253,642,547	1,253,642,547	-	-	-
- due to other borrowers	6,637,129	6,637,129	-	-	-
- due to debt securities holders	26,709,893	26,709,893	-	-	-
Retirement benefit obligation	3,170,247	3,170,247	-	-	-
Dividend payable	212,571	212,571	-	-	-
Current tax liabilities	16,220,788	16,220,788	-	-	-
Other liabilities	39,673,346	39,673,346	-	-	-
<b>Total Liabilities</b>	<b>1,394,075,345</b>	<b>1,394,075,345</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gross Off-Balance Sheet Liabilities</b>					
Guarantees	35,491,444	35,491,444	35,491,444	-	-
Documentary credit	28,342,241	28,342,241	28,342,241	-	-
Acceptance	10,668,946	10,668,946	10,668,946	-	-
Other contingent items	184,596,610	184,596,610	184,596,610	-	-
Commitment for unutilised facilities	224,451,468	224,451,468	224,451,468	-	-
Other commitments	1,017,854	1,017,854	1,017,854	-	-
<b>Total Gross Off-Balance Sheet Liabilities</b>	<b>484,568,563</b>	<b>484,568,563</b>	<b>484,568,563</b>	<b>-</b>	<b>-</b>
<b>Shareholders' Equity</b>					
Stated capital	48,741,119	48,741,119	-	-	-
of which amount eligible for CET I	48,741,119	48,741,119	-	-	-
of which amount eligible for AT I	-	-	-	-	-
Retained earnings	10,566,248	10,566,248	-	-	-
Accumulated other comprehensive income	11,344,032	11,344,032	-	-	-
Other reserves	77,221,677	77,221,677	-	-	-
<b>Total Shareholders' Equity</b>	<b>147,873,076</b>	<b>147,873,076</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Bank Risk Management Approach

A description of the Bank's strategy and how the board of directors and senior management assess and manage risks, enabling users to gain a clear understanding of the Bank's risk tolerance/appetite in relation to its main activities and all significant risks are noted in the Annual Report 2023 in page 210-225.

### Credit Risk Mitigation Techniques

Policies and processes for collateral evaluation and management (AR pg. 356,358-365), policies and processes for an indication of the extent to which the Bank makes use of on and off-balance sheet netting (pg. 362-363), main types of guarantor/credit derivative counterparty and their creditworthiness, information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral type and credit derivative providers) and any other are also described in the Annual Report 2023.

### Liquidity Risk Mitigation Techniques

STEP 1 – Measuring of Liquidity Risk through Stock and Flow approaches

- i) Stock Approach - Calculate and analyzing of the following ratios :
  - Net loans to total assets
  - Loans to customer deposits
  - Liquid assets to short-term liabilities
  - Purchased funds to total assets
  - Commitments to total loans
  - Bulk deposits to total deposits
- ii) Flow approach – Preparation of statement of Maturities of Assets and Liabilities (MAL) placing all cash inflows and outflows in the time bands according to the residual time to maturity. Time band distribution is as follows,
  - Up to one month
  - Over one month and up to 3 months
  - Over 3 months and up to 6 months
  - Over 6 months and up to 9 months
  - Over 9 months and up to 1 year
  - Over 1 year and up to 3 years
  - Over 3 years and up to 5 years
  - Over 5 years

STEP 2 – Conduct Stress testing under different Stress scenarios.

STEP 3 – Contingency Plan – Preparation of Liquidity Contingency plan to measure the Bank's ability to withstand Bank-specific or market crisis scenarios) (Section 51.3 of pg. 381 - Annual Report 2023)

### Operational Risk Mitigation Techniques

Bank has obtained covers for transferring insurable Operational Risks.

1. Public Liability Insurance Cover for Sampath Bank Pay Office Units and ATM's at International Airport
2. Bankers Indemnity Policy
3. Fire & Allied Perils Policy
4. Electronic Equipment Policy
5. Property All Risks Policy
6. Machinery All Risk Cover
7. Worldwide Medical and Hospitalization cover for the team members assigned on long-term overseas projects of Sampath Bank
8. Personal Accident Insurance Policy for Employees and Directors of Sampath Bank and Directors of all Subsidiaries of Sampath Bank
9. Personal Accident Insurance Policy for Motor Bikes of Allied Security Services (Off-site ATM Duty)
10. Motor Fleet Insurance Cover
11. Directors & Officers Liability & Company Re-imbursment Insurance Policy
12. Public Liability Bank Insurance Cover for Bank premises
13. Travel Insurance Policy for Sampath Bank Credit Card Holders
14. Sampath Bank vehicle yard Insurance Policy

## Risk Management Related to Key Risk Exposures

### i) Credit Risk

- a) Breakdown of exposures subject to credit risk by major types, geographical areas (Annual Report 2023 pg. 377-378), sectors (pg.379-380) and residual maturity. (pg.387-388)
- b) Description of policies, process, methods and key definitions on impairment/classification of exposures subject to credit risk. (Pg. 267-271)
- 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.(pg. 267-271 & 299)
- d) Related details on Impairment, write-offs and net exposure and by type-wise (pg. 299)

### ii) Market Risk

- a) **Interest Rate Risk** - Interest rate sensitivity gap analysis for contractual and behavioral maturities (up to 1 month, 1 - 3 months, 3 - 6 months, 6 - 12 months, 1 - 3 years, 3 - 5 years and over 5 years) to cover both on and off-balance sheet interest rate sensitive assets and liabilities by currency-wise (local and major currencies) (section 51.4.2 – pg. 392-395 Annual Report 2023).
- b) **Equity Position Risk** - Type, carrying value, fair value, realized gains/ (losses) and unrealized gains/ (losses) for the reporting period and amounts included in capital adequacy calculation (section 51.4.5 – pg. - 397 Annual Report 2023).
- c) **Foreign Exchange Risk** - Foreign currency denominated assets and liabilities (both on and off-balance sheet) broken down by maturity bands (for up to 1 month, 1 - 3 months, 3 - 6 months, 6 - 12 months, 1 – 3 years, 3 - 5 years and over 5 years), illustrating currency-wise maturity gaps, cumulative maturity gaps and net open position (section 51.4.4 – pg. - 396-397 Annual Report 2023).

### iii) Liquidity Risk

- 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.(section 51.3 - pg. 381 & Basel III disclosure requirements pg. 432-433 - Annual Report 2023).
- b) Currency-wise (local and major currencies) maturity gaps of assets and liabilities (contractual and behavioral maturities for up to 1 month, 1 - 3 months, 3 - 6 months, 6 - 12 months, 1 - 3 years, 3 - 5 years and over 5 years) to cover both on and off-balance sheet assets and liabilities. (Section 52 - pg.399 & 400 Annual Report 2023).
- 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.
- 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.

### iv) Operational Risk

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

Internal Loss Event and Key Risk Indicator monitoring/reporting processes by Operational Risk Management function and BIRMC ensures timely action on operational and system failures leading to losses.

- Operational Risk Appetite Limits have been approved by BIRMC and the Board accordingly.
- Position of the Key Risk Indicators for Operational and IT Risk (which have already approved by the Board) will be informed to the BIRMC on quarterly basis.

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

The following Banking Services, along with some other non-Core Banking Services have been outsourced after careful evaluation of our obligations as a Bank, risks, CBSL Regulations, level of expertise available with external service providers, and cost effectiveness.

- Printing and Delivery of Customer Statements, Cheque Book Printing and Term Deposit Renewal Notices.
- Document Scanning and Storage
- Customer Care Centre Operations
- Cash Management (Sorting, ATM Loading, and cash in transit)
- Maintenance of Specialized/IT Equipment and services
- Hardcore debt and Past Due debt recoveries
- Disposal of Acquired Properties
- Vehicle Ownership Transfer Services

Payments to outsourcing service providers are based on the nature of services provided, and meeting service levels as specified in Service Level Agreements. Payment terms and basis are determined through a competitive selection process by the Outsourcing and Procurement committees of the Bank. All outsourcing activities are managed as per the Outsourcing Policy approved by the Board of Directors, and CBSL Regulations.

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

All third party service providers are carefully evaluated by the Outsourcing Committee where Risk and Compliance functions are represented. Initial evaluation is at the time of selection, and thereafter annual performance reviews are conducted by the Business lines obtaining the services.

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

The increase/ (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currencies (for major currencies) and maturity bands (for up to 1 month, 1 - 3 months, 3 - 6 months, 6 - 12 months, 1 - 3 years, 3 -5 years and over 5 years). (Section 51.4.2 – pg. - 392 Annual Report 2023)